

## Grounds for implementing transport infrastructure projects

The audit was part of the broader audit theme of transport infrastructure management. From the viewpoint of the financial steering of infrastructure management, it is important to know how feasible proposed infrastructure investment projects are in overall terms and on what grounds. The objective of the audit was to support the development of infrastructure management as a whole and to improve infrastructure management and the comparability of related information on the application of funds.

The management of transport infrastructure for which the state is responsible has been financed primarily through appropriations in the state's annual budget. According to transport infrastructure agencies' final accounts for 2009, the use of appropriations for infrastructure management totalled about 1,585 million euros. The audit mainly examined different infrastructure investment projects, the largest of which have been financed mainly with so-called development project appropriations that have been earmarked for particular projects in the budget. The use of these appropriations totalled about 432 million euros in 2009.

The audit examined the evaluation of the need for infrastructure management projects and sought to determine whether evaluations have been adequate and proper. The audit also strove to find out how the information presented as grounds for infrastructure projects could be improved so as to serve Parliament better.

The audit's main finding was that different information is available to support decisions regarding infrastructure management projects, but there are gaps in information and plenty of room for improvement in the reliability and transparency of information. In its present form this information chiefly supports decisions to implement individual projects but does not provide a sufficient basis for evaluation and decision-making regarding broader operational wholes and policies.

The audit found, among other things, that quality control for feasibility calculations and impact assessments was not sufficient. The independence of consultants in preparing benefit-cost calculations has not been controlled sufficiently; instead control has been based largely on trust. On the basis of the audit, it would appear that the benefit-cost calculations for infrastructure projects that have been presented to Parliament have lacked sufficient quality control. The Finnish Transport Agency, which went into operation at the beginning of 2010, must supervise the quality of calculations more closely. The Ministry of Transport and Communications should also bear greater responsibility for quality control of the evaluation of infrastructure management projects. In light of the audit, calculations should be prepared and documented so that they can be checked later on if necessary and can be repeated with a reasonable amount of work.

The implementation of benefit-cost calculations for transport infrastructure projects and their accuracy has not been systematically studied by any transport infrastructure agency, although a few individual studies have been made. The accuracy of calculations should be monitored systematically during different stages of projects and after projects have been completed.

The guidelines on the evaluation of transport infrastructure projects that were issued by the Ministry of Transport and Communications in 2003 have provided a general framework for making benefit-cost calculations. The audit indicated that these guidelines should be updated.

The audit also indicated that the systematic and transparent evaluation of the effectiveness of a project is necessary to supply supplementary information for the calculation of the socio-economic feasibility of a project. The evaluation of the impacts of the infrastructure projects that were examined seldom included the evaluation of actual effectiveness, although the guidelines on the evaluation of transport infrastructure projects that were issued in 2003 also cover this. In this respect the guidelines are quite general, however, and should be revised with regard to methods and the documentation of results.

In order to implement a transport system approach, it is important for the evaluation of effectiveness to be developed with all modes of transport being included in this work, instead of each

mode of transport developing its own practices. There are now better possibilities for this type of joint development work, thanks to the reorganisation of transport administration.

With regards to transport infrastructure projects that have proceeded to implementation on other grounds besides an excellent benefit-cost ratio, the audit was unable to show clearly what factors had influenced project decisions and to what extent. In this respect more transparency is needed in the preparation of project decisions and grounds, for example with the help of a systematic and documented effectiveness evaluation of all projects. In connection with the development of guidelines for evaluating effectiveness, open discussion should take place in the administrative sector of the Ministry of Transport and Communications concerning what other factors besides benefit-cost ratio can serve as grounds for proposing projects and what requirements concerning a project's socio-economic feasibility should be set in this case. Criteria based on other things beside the benefit-cost ratio should also be presented clearly when a decision is made to implement a project.

The audit also observed that the picture that is given of transport infrastructure should be clarified. This concerns both the transport system as a whole and individual projects.

Essential matters that need to be studied include how the condition of existing infrastructure differs from the original technical level, what measures and resources are needed to restore the original level, whether the characteristics of different parts of the transport system meet traffic needs and what measures and resources are needed to improve the match. Measures aimed at maintaining or restoring the original technical level of infrastructure and the resources they require should be clearly differentiated from measures that essentially raise the original level and the resources required for this purpose, for example in the explanatory part of the budget commentary. Measures that raise the level and measures that maintain the level could still be combined in projects, but these two main categories' shares of projects and total measures should be spelled out more clearly.

The infrastructure management plans that were examined in the audit have not adequately studied the feasibility of different possible broader operating policies from the viewpoint of infrastructure management as a whole. It would be useful to know, for example,

whether it would make more sense to shift part of the appropriations required for a few large development projects to maintaining or restoring the original level of the transport network or many small investment projects designed to raise the level of more parts of the transport network.

In recent years grounds have occasionally been prepared for implementing transport infrastructure projects, along with priorities and plans and studies regarding the scheduling of projects. This includes a ministerial working group report dated 10 February 2004, the Government Transport Policy Report to Parliament on 27 March 2008 and transport infrastructure agencies' operating and financial plans in recent years. These plans and reports have called for the implementation of several projects using outside financing so that the costs to the state will be deferred through different contract arrangements. Implementing projects with outside financing and deferring costs results in different risks from a broad perspective, which have not been discussed in plans. The procedure also amounts to a de facto circumvention of spending limits.