

Conclusions and recommendations of the National Audit Office

Lifecycle management of the transport network

The purpose of the audit was to assess the effectiveness of the lifecycle management, and especially the repair operations, of the transport network. In addition to assessing the effectiveness of the repair operations, the audit aimed at assessing the effectiveness of a separate repair backlog programme in good lifecycle management.

Repair operations are a significant part of the lifecycle management of the transport network and of asset management. The appropriation granted annually for repair operations amounted to approximately EUR 100 million until 2015, after which it has been clearly higher. In addition, a total of EUR 600 million was used for a separate repair backlog programme in 2016–2019. In practice, the repair operations fall within the responsibility of the Finnish Transport Infrastructure Agency (FTIA) and the transport functions of the Centres for Economic Development, Transport and the Environment (ELY Centres). The Ministry of Transport and Communications is responsible for steering the FTIA and the ELY Centres in the repair of the transport network. The Ministry of Economic Affairs and Employment, in turn, is responsible for the general steering of the ELY Centres.

The transport network consists of three main elements: the road network, the rail network and the waterways. With a balance sheet value of more than EUR 20 billion, they constitute a significant part of the state assets. The infrastructure represents slightly more than EUR 18 billion of the balance sheet value, and the rest of the balance sheet value consists of the value of land and water areas. However, the balance sheet value does not reveal the value of the transport network or its significance to society. The transport network is part of the basic infrastructure that enables people and goods to move efficiently and is essential for most economic activities. The state invests EUR 1.5–2 billion annually in the maintenance and development of the transport network.

Repair operations and investments are closely connected

Repair operations cannot be examined separately from development investments and the daily management of the transport network. These activities are closely connected, especially if the focus is on the entire transport network instead of its individual parts. Development investments, i.e. the building of new infrastructure, has an impact on the need for daily maintenance and repairs. The purpose of maintenance and repair is to maintain the service capacity of the transport network, which, in turn, has an impact on the need for development investments.

The connection between development investments, maintenance and repairs is particularly evident in the planning and implementation of the total funding for the transport network. In this context, it is necessary to combine the needs for daily management, the needs for repair caused by wear and higher requirements, and the need for new investments following the development of society. It is also necessary to consider the current status of the lifecycle as a whole. In difficult economic conditions, some of these areas usually suffer. The repair backlog of the transport network, i.e. the amount of money that would be needed to place the transport network in a good condition in view of the present needs, has grown in recent years. The increase in the repair backlog shows that the

repair operations and their funding have been overshadowed by maintenance and investments.

The lifecycle management of the transport network as well as asset management require a long-term perspective. The lifecycle management should be organized to better support the long-term perspective so that the desired service capacity of the transport network could be maintained constantly. The interconnection between investments, maintenance and repair should be given more consideration in the lifecycle management of the transport network. This interconnection would be more visible if the transport network were regarded as an asset to be managed productively and to be maintained in a condition appropriate for society. The impact of the maintenance of new investments and future repair work on the maintenance of the entire transport network should then be considered already in the investment phase.

In order for the transport network to be regarded as an asset, it is necessary to obtain better financial information on it, especially for assessing the benefits of maintenance and repairs. At present, it is possible to rank investments based on their cost-benefit ratio. However, the situation is different with maintenance and repairs: although their costs are relatively well known, the benefits cannot be assessed as accurately. The operations and decision-making are mainly based on technical issues and the assessed condition of the transport network. Even though financial information is also available in the background, it is not possible to compare different measures financially. For this reason, the audit was unable to give a direct and unambiguous answer to the question of whether the funds used for repairing the transport network have been allocated as effectively as possible in view of the lifecycle management. The question was therefore also considered by assessing the prerequisites for effectiveness: the systematic planning of operations, the provision of financial information and its utilization in the decision-making.

The maintenance of the road network differs from that of the rail network and the waterways

The responsibility for managing the transport networks is concentrated in the Finnish Transport Infrastructure Agency (FTIA; former Finnish Transport Agency), which makes it now easier to examine the transport network as a whole. In practice, the concentration has also promoted consistent examination of the transport network as an asset. More attention has recently also been paid to lifecycle and asset management.

The FTIA is responsible for the entire rail network and waterways, whereas the maintenance and repair of the road network falls within the responsibility of the regional ELY Centres. In practice, all ELY Centres are, however, not responsible for the road network in their own region. Only nine ELY Centres have a transport function, and they are partly responsible for the road maintenance of the other ELY Centres as well.

The appropriations provided for the maintenance of the basic transport infrastructure through the Ministry of Transport and Communications vary, which occasionally complicates the maintenance of the road network. As the appropriation for the ELY Centre's management operations is provided through the Ministry of Economic Affairs and Employment, it is not always commensurate with the appropriation allocated for the maintenance of the basic transport infrastructure. If the appropriation for the maintenance of the basic transport infrastructure grows rapidly, whereas the appropriation for the management remains the same, it becomes necessary to acquire management work from external providers. Supervisory work, for example, is then acquired as consultancy work, although public authorities would be more suitable to

perform it. Organization road maintenance regionally does not serve the needs of the transport network. Therefore, it would be justified to concentrate road network operations as well in the FTIA.

The repair backlog programme aimed at alleviating a persistent problem

During the past ten years, the term “repair backlog” has been used when the condition of the transport network has been discussed. “Repair backlog” refers to the amount of money that should be invested in repairing the transport network in order for it to be in a good condition. During the government term 2015–2019, the aim was to respond to the growth of the repair backlog with a repair backlog programme, which provided the repair operations with EUR 600 million in additional funding.

The repair backlog programme increased awareness of the problem, which had already been developing for a long time. The programme and the related additional appropriation helped to break the increasing trend, and in 2018 the repair backlog amounted to about EUR 2.5 billion. The programme also offered the transport network users a more concrete opportunity to participate in planning the repairs. However, separate programmes of this kind do not provide a permanent solution to the problem underlying the repair backlog, i.e. the fact that the consideration given to development investments, on one hand, and the maintenance and repair of the transport network, on the other hand, is not in balance. The appropriations of the repair backlog programme were also used for other purposes than direct repair work. Thus, the programme was not targeted solely at reducing the repair backlog.

More foreseeable funding would support long-term lifecycle management of the transport network

The construction and maintenance of the transport network requires a very long-term perspective. Steady and foreseeable funding would support the lifecycle management of the network and also bring financial benefits. So far, the funding has varied in different government terms because of both political views and other economic aspects. The variation in funding has complicated particularly the repair of the transport network. The aim of the new 12-year transport system plan is to take the lifecycle management into account in a longer term.

Situations and circumstances vary. A very concrete example of this is the present financial crisis caused by the coronavirus. One way of dealing with the crisis is to stimulate the economy by increasing public investments in the transport infrastructure, for example. The supplementary budgets for 2020 have already granted appropriations for this. However, it is important to keep in mind when the appropriations are used that development investments and repair work differ from each other. New development investments increase maintenance and repair costs far into the future. It should be possible to cover them even if central government finances had to be adjusted in the future to stabilize the indebtedness trend.

Recommendations of the National Audit Office

1. When deciding on investments in the development of the transport network, the Government should give more consideration to the impact of new investments on the growing maintenance need of the network and the resulting maintenance and repair costs caused in the coming years.
2. The Ministry of Transport and Communications and the Finnish Transport Infrastructure Agency should develop the financial

assessment of the transport network repair measures so that they can be compared and prioritized in a transparent manner.

3. The Government should assess the appropriateness of the transport function of the ELY Centres and the benefits resulting from the transfer of the management of the road network to the Finnish Transport Infrastructure Agency.