

ANNUAL REPORT 2001



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FINNISH RAIL ADMINISTRATION

BUSINESS IDEA

The Finnish Rail Administration (RHK) works to improve the operating conditions of rail traffic, enabling it to be an efficient, safe and environmentally friendly mode of transport, both in Finland and as a part of the international transport system.

RHK is in charge of maintaining and developing the rail network, is responsible for the safety of rail traffic and provides a competitive transport network for use by railway companies.

RHK takes into account the transport needs of industry and commerce as well as the need for public transport and operates in accordance with the principles of sustainable development. It is developing Finland's rail network for international traffic as a key link between West and East.

RHK works actively to influence issues that affect Finland's transport policy and transport infrastructure.

ORGANIZATION



RAIL ADMINISTRATION BOARD 2001-2003

Mr Timo Poranen (Chairman), Managing Director, Finnish Forest Industries Federation

Ms Hannele Luukkainen, Chairman, Finnish Traffic Association

Ms Rita Piirainen, Chief Engineer, Ministry of Traffic and Communications (up to 1 September 2001)

Ms Kaisa Leena Välipirtti, Senior Advisor, Infrastructure, Ministry of Traffic and Communications (from 1 September 2001)

Mr Markku Pyy, Planning Manager, Finnish Rail Administration

Mr Veikko Vaikkinen, Director, Economy and Systems Department, VR Group Ltd

CHIEF DIRECTOR'S REVIEW

The year 2001 was marked by the preparation of infrastructure management projects, major project decisions and the development of operations, not to mention vital track renewal.



The most visible events of the year were in southern Finland. The covering of the platforms at the central station in Helsinki was completed and facilities were placed in the service of passengers and developing station operations after so many decades of discussion. It is worth noting that this extremely demanding project was carried out without disturbing traffic or passengers at Finland's busiest station. The project went according to plan and below the original cost estimate.

A longer project which was just as demanding was the construction of the Helsinki-Huopalahti-Leppävaara urban line. This line was completed on schedule, but its full-scale operation had to be postponed slightly.

Both of these projects show the importance of careful planning and tendering as well as committed developers and builders for the success of the final result. New methods were tried in both projects. Perhaps the most significant was the use of development consultants, who were responsible for carrying out projects for the Finnish Rail Administration. On the basis of these experiences the use of development consultants has spread to other significant projects as well.

The project system described above is an example of how an agency with a large business volume but a small personnel must boldly seek and use new and innovative operating models. We must also consider what tasks we should perform ourselves.



A major and somewhat controversial issue in the past decade was finally resolved when the decision was made last summer to build a direct line from Kerava to Lahti. Planning of the line began immediately. Construction will be extremely challenging as a result of the tight timetable and budget. The task of the project organization is to find and create plans and development methods which can ensure quality results in terms of technology and costs. It is of primary importance to give proper consideration to the people and environment around the line as well.

Work began on the extension of the Helsinki-Tikkurila urban line to Kerava, which will also support the direct line. This is another example of how cooperation between the state and local authorities can lead to positive results. Vantaa's and Kerava's points of departure are of a regional nature, while the Finnish Rail Administration has viewed the urban line as serving national needs as well.

The third major decision last year was for the electrification of lines in northern Finland to continue from Oulu to Iisalmi and



Vartius. In addition to domestic traffic this decision will also be important for international traffic, when the connection from Vartius to the Murmansk line is opened and electrified.



The above-mentioned decisions were essential for the development of the rail network and rail services and were very welcome. By developing the network to meet future needs with sufficient speed we can ensure that the rail sector can serve customers according to their needs.

We should not forget, however, that improving the rail network is still incomplete. In the final analysis, maintaining the level of service by taking care of parts of the network which are in need of repair is the most important obligation facing the Finnish Rail Administration. In stepped-up form this work began in the middle of the past decade and through it we have been able to avoid the threats which at the time appeared inevitable. Although passengers may only perceive track renewal as an inconvenience which sometimes disturbs train timetables, it is something to which the Finnish Rail Administration must give high priority.



In international traffic our most important partner in the rail sector is Russia. This fact has not yet been very visible in the Finnish Rail Administration's operations, but events in the past year are bringing a change to this.

Since people at the highest level in both Finland and Russia have drawn attention to developing the rail connection between Helsinki and St. Petersburg, this matter must also be taken into consideration in developing domestic line sections. Fortunately this is by no means in conflict with the Finnish Rail Administration's own plans. It is only a matter of ensuring sufficient financing so that work can be carried out according to the desired timetable.



Inside the Finnish Rail Administration the past year was characterized by the development of operations. A visible result of this project was the introduction of a new organization which better corresponds to operational processes and the operating environment. The goal is to direct operations in a way which will pay greater attention to customer issues, from the viewpoint of the end customer as well as the traffic operator. Changes in the rail network take time, and for this reason it is of primary importance to understand the needs of business, citizens and society as well as possible.

In addition to emphasizing the customer's point of view, consideration has been given to the position of official activities in the Finnish Rail Administration. International legislation appears to be developing so that the trend is to separate specific functions related to regulation in the rail sector from traffic operation and the control of the rail network. In the new organization all functions of this type have been shifted to a single unit in order to ensure the greatest possible degree of independence from construction and maintenance activities.



The past year showed in a concrete way how rapidly the world is changing. In the spring the Finnish Rail Administration published its plan for the future, Rail Network 2020, but the events and project decisions that followed made it necessary to update this plan six months later. With good reason we can say that the rail sector is going through a truly dynamic period.

Ossi Niemimuukko



PERFORMANCE OBJECTIVES IN 2001

The performance objectives which the Ministry of Transport and Communications set for the Finnish Rail Administration in 2001 were achieved as follows (*objective in italics*):

LEVEL OF SERVICE

Scope of the rail network and service level

No changes will be made in the scope of the rail network.

Changes were not made in the scope of the rail network. The Helsinki-Leppävaara line section (11 km) was shifted from service class 3 to service class 1. The urban line was completed on schedule in summer 2001. Technically the line is in service class 1, but the speed limit has not been raised since the Leppävaara-Kirkkonummi line section remains in service class 3. The Tampere-Orivesi line section (40 km) was shifted from service class 3 to service class 2.

Rail network service levels

Service class	Track-kilometres in 2000	Track-kilometres in 2001
1	158	169
2	1,593	1,633
3	3,047	2,996
4	837	837
Total	5,635	5,635

Traffic delays

Delays lasting over 5 minutes due to track maintenance will not exceed 6% of passenger trains.

Track maintenance delayed 4.5% of passenger trains in long-distance traffic. The figure was 3.1% in the first half of the year and 5.8% in the second half.

Traffic quality improved clearly the previous year. Quality has remained high because train schedules still have some leeway, track work is on less busy line sections, and track work has been carefully

planned. Disturbances caused by contractors have also been rare and the winter conditions were easy for rail traffic.

Traffic restrictions

Axle weights will not be restricted. A maximum of 410 track-kilometres (6.6% of track-kilometres) will be under speed restrictions at the end of the year.

At the end of June 308 track-kilometres were under speed restrictions and at the end of the year the figure was 322 track-kilometres (5% of track-kilometres), so this objective was achieved.

Rail network condition index

The index is calculated as a four-year sliding average. The objective for 1998-2001 is 87.5%.

The condition index's maximum value is 100. If the condition index is 100%, the rail network has met geometric condition requirements completely. The condition index in the objective is calculated on the basis of spring measurements as a four-year sliding average. In spring 2001 the result was 92%. The four-year sliding average was 89%, while the objective was 87.5%. The better than anticipated improvement of the rail network has been made possible by the speedy completion of replacement investments, the focusing of activities on important line sections and good winter conditions. The objective was exceeded by 1.5 percentage points.

IMPROVING SAFETY

Accident fatalities

No fatalities will occur in passenger traffic accidents.

No passengers were killed in passenger traffic accidents last year.

Accidents at level crossings

The number of accidents at level crossings will not exceed 40.



The objective of no more than 40 accidents at level crossings was not achieved. The number of accidents was 26 during the first half of the year and 60 for the year as a whole.

Last year 12 people died and 25 were injured in accidents at level crossings. The worst of these took place in Kärkölä on 23 July 2001, when a car tried to circle lowered booms and was hit by a train. Five people were killed in this crash. A large portion of accidents are apparently due to no other reason besides carelessness. Motorists crashed through 127 booms at level crossings during the year, and an additional 45 booms were damaged in other ways. Growth in road traffic is reflected in the number of accidents at level crossings.

RHK has constantly devoted attention to improving safety at level crossings. Following line section studies, a manager system has been developed to cover the line sections with the highest risk. Each level crossing is assigned a manager who is responsible for keeping it safe. Safety inspections and completed measures, together with photos and background information, are recorded in a special database.

During the year obstacles were cleared and road surfaces and signs were improved at about 1,200 level crossings under the new system.

Last year 48 level crossings were eliminated. A study of safety at level crossings produced a risk index which takes into consideration the nature of road traffic and existing warning equipment. During the autumn RHK evaluated the planning situation and made tentative cost estimates for the most dangerous level crossings. During the summer RHK participated in a special campaign aimed at influencing motorists' behaviour at level crossings.

RHK will continue to expand the manager system and to participate in traffic safety campaigns. A number of studies are also under way to improve safety at level crossings.

Accidents due to permanent way

The number of accidents due to permanent way will not exceed five.

There were two small landslides due to track maintenance during the year. These did not cause damage to rolling stock.

ECONOMY OF INFRASTRUCTURE MANAGEMENT

Unit costs in maintenance will decline by 2%.

Unit costs in maintenance contract declined by 3%.

REAL ESTATE

Income from real estate activities will exceed annual expenses for maintenance by at least 30%.

Net income from RHK's paid real estate activities, excluding capital costs, rose last year. Income totalled €10.0 million and maintenance costs €7.6 million, so income exceeded expenses for maintenance by 37%. The objective of 30% was exceeded.

The surplus after separate expenses was €2.7 million. The share of joint costs was €0.2 million. €2.5 million was left over to cover capital costs. This was sufficient to cover depreciation, which totalled €2.3 million. The required interest on invested capital was 5.3% in 2001. Interest amounted to €3.6 million and €0.1 million was left over to cover the interest requirement.

INTERNAL DEVELOPMENT PROJECT

RHK's internal development project will continue.

In the spring RHK began a development project in cooperation with personnel. The organization was reformed as of 1 May 2001 and activities in new units began. Units' objectives and operational lines were clarified during the year. New employees were hired to take care of expanded tasks. The Rail Administration Board, RHK's Management Group and the entire personnel took part in development work. This project required about 190 person-days.

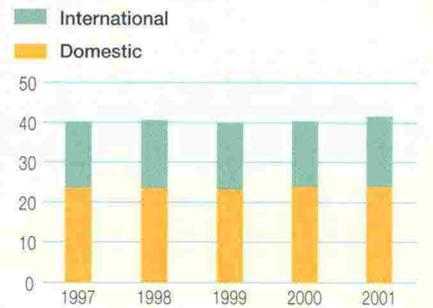
Passenger journeys, million



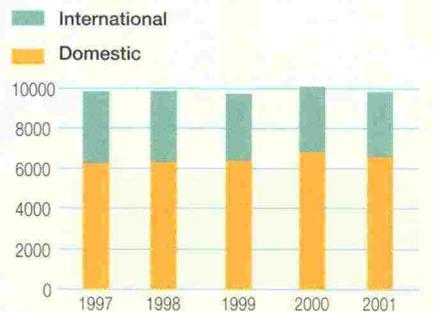
Passenger-km, million



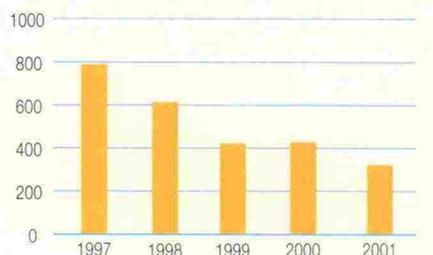
Freight volume, million tonnes



Tonne-km, million



Speed restrictions, km



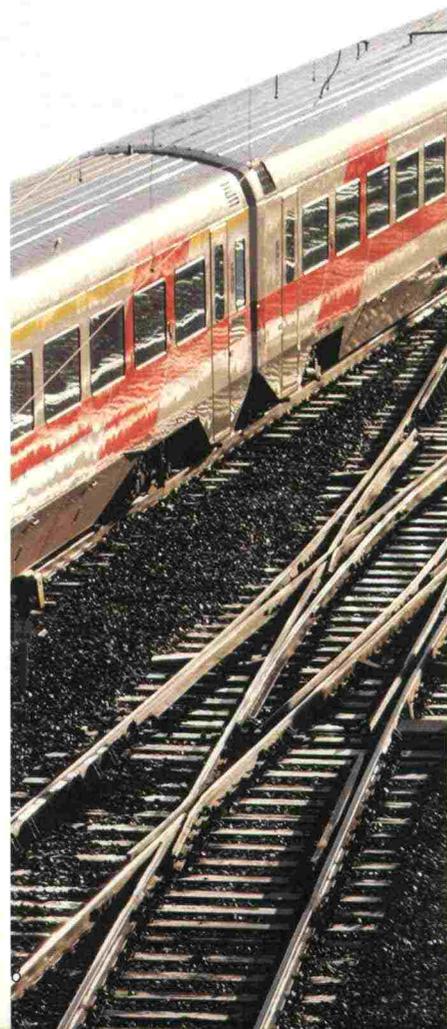
OPERATING ENVIRONMENT

The point of departure in maintaining and developing the rail network is the needs of customers in the freight and passenger sectors. Infrastructure management creates the preconditions for safe, efficient and competitive rail services. An efficient rail network is a basic precondition for the nation's transport system.

The need for changes in the transport system is caused by factors related to social development such as urbanization, industrial restructuring, internationalization and migration.

Record volume in freight traffic

The volume of rail freight totalled 41.7 million tonnes last year, an all-time high in Finland. Domestic freight totalled 24 million tonnes and international freight 17.7 tonnes. The average length of carryings fell, however, with tonne-kilometres over 2% lower than the previous year.



The railways serve as a basic carrier for industry in Finland. The forest, metal and engineering, and chemical industries' raw materials and products account for the largest parts of freight. At present around one-fourth of Finland's freight traffic is by rail, while the share in the EU countries averages only 15%.

Freight traffic between Finland and Russia rose by 8% and amounted to 16.6 million tonnes. Imports of roundwood accounted for about half of the total. Growth was partly due to the fact that transit traffic via Finland rose by nearly 50% after a few slack years. Transit traffic amounted to 4.0 million tonnes. Domestic traffic remained more or less unchanged despite the downturn in the economy.

Slight decline in long-distance traffic

A total of 11.6 million journeys were made in long-distance rail traffic in 2001, down 2% from the previous year. Passenger-kilometres fell by 4%. The competitiveness of long-distance services has been influenced by the lengthening of travel times on certain routes as a result of speed restrictions set for safety reasons. Train renewal, on the other hand, has improved the quality of rail services on many routes.

Traffic between Finland and Russia increased by 16% and totalled 240,000 journeys. This signified an increase of over 30,000 compared with the previous year.

Urban lines boost commuter traffic

Commuter traffic extends from Helsinki to Riihimäki, Vantaankoski and Karjaa. It includes regional traffic in the Helsinki metropolitan area as well as traffic beyond this area.

Commuter traffic amounted to 43.5 million journeys in 2001, up about 1% over the previous year. Commuter traffic in the Helsinki metropolitan area increased by

3%, but the volume of traffic beyond this area fell somewhat.

Commuter traffic has been rising for a long time. This has been influenced by increasing land use along lines in the Helsinki region as well as new urban lines. The Helsinki–Huopalahti–Leppävaara urban line was completed during the year and also made it possible to increase services to Vantaankoski. In summer 2002 services will be increased between Helsinki and Leppävaara, along with feeder traffic.

Strategic lines for infrastructure management

The Rail Network 2020 plan was completed in April 2001. It included a proposal for the implementation of development projects and other measures as well as their effects and costs. Replacement and development investments will make it possible to raise train speeds in passenger traffic and axle weights in freight traffic.

The state budget for 2002 makes a commitment to three major rail projects: the extension of the Helsinki–Tikkurila urban line to Kerava, the electrification of the line section from Oulu to Vartiussalmi, and the direct line from Kerava to Lahhti. The implementation of these projects will require a large share of rail infrastructure investments in the coming years. For this reason the timetable for other development projects has had to be pushed back somewhat. The changed situation has been taken into account in the Rail Network 2020 plan, which was revised at the beginning of 2002.

Favourable outlook for rail traffic

The best possibilities for growth in rail traffic are in commuter services, but there is also potential for growth in long-distance passenger and freight traffic. Passenger traffic to and from Russia is expected to



continue growing with the development of services between Helsinki and St. Petersburg.

The competitiveness of long-distance traffic will improve along with the level of service. Travel times will gradually be shortened on key routes as the high-speed network is completed and VR's Pendolino services expand. The rest of VR's fleet will also be renewed. The level of service on the rail network will rise mainly after 2003, when track renewal between Helsinki and Tampere has been completed. The direct line from Kerava to Lahti will increase rail capacity in 2006 and allow the expansion of services both to eastern Finland and Russia and on the main line to Tampere.

The improvement of the rail network in the Helsinki metropolitan area to meet the needs of commuter traffic will continue. The Rail Network 2020 plan includes the extension of the Helsinki-Leppävaara urban line to Espoo and the construction of a line from Vantaankoski to Tikkurila via the Helsinki airport.

Development of high-speed services to St. Petersburg

Finland has agreed to promote the EU's Nordic Triangle and Corridor 9A (Helsinki-St. Petersburg-Moscow) transport projects.

Speeding up train services between Helsinki and St. Petersburg is part of both these projects. The travel time objective of three hours requires the improvement of rail infrastructure in both Finland and Russia, common rolling stock and the flexible handling of border formalities. In Finland the objective requires the direct line

from Kerava to Lahti and the improvement of the Lahti-Luumäki line section.

With existing rolling stock the travel time could be shortened by one hour with the help of track improvements and more flexible border formalities. High-speed rail services require new tilting-body trains which meet the requirements of the two countries' different technical systems, however.

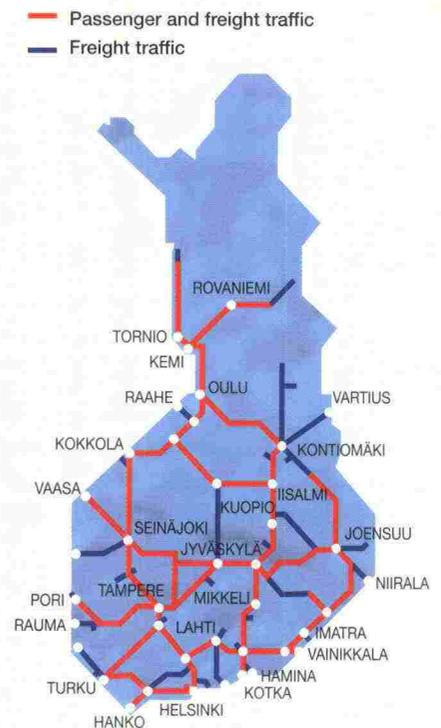
In order to save time, customs and passenger checks would take place on board moving trains so as not to affect travel times.

EU transport policy supports railways

In autumn 2001 the European Commission published a white paper on the future and objectives of European transport. This white paper considers improving the competitiveness of rail services a key objective. Means include opening the rail network to new operators in national freight traffic and international passenger traffic as well as international freight traffic.

Rail traffic network

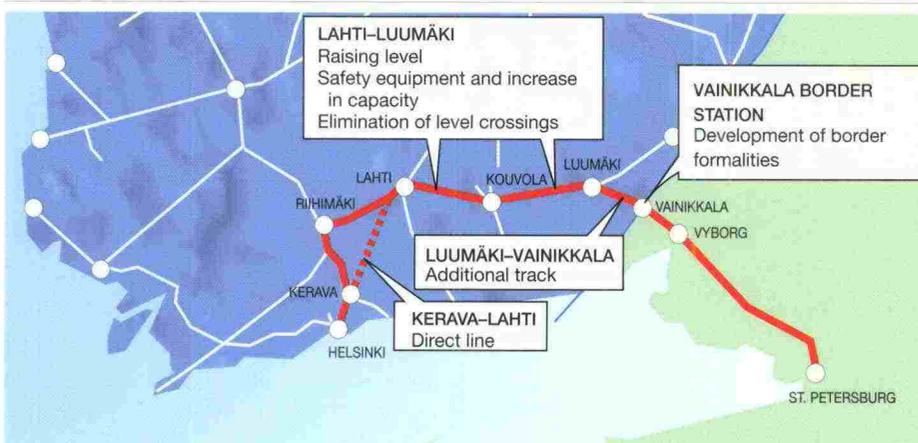
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Factors which support the development of rail traffic

- Population concentrated in urban zones
- Strong growth in the Helsinki region
- Compact community structure along lines
- Ageing population will travel more
- Environmental values increasingly important
- Economic growth expected to continue
- Changes in the production structure, networking
- Technology will make transport more efficient
- Growth in traffic will continue
- Development of international transport markets
- Continued development of pan-European rail networks
- Increasing transport cooperation with neighbouring regions

Helsinki-St. Petersburg line project



RESEARCH AND DEVELOPMENT

RHK engages in broad research and development activities as part of its expert tasks. In key areas RHK commissions its own studies, some of which are released in RHK's own publication series. More frequently it takes part in joint studies and is represented along with other interested parties in research management groups.

Last year RHK participated in nearly a hundred research and development projects on its own or in cooperation with other parties. Key cooperation partners include the Ministry of Transport and Communications, VR Limited, VR-Track Ltd and the International Union of Railways.

Research and development in 2001 focused especially on investigating the needs of rail customers.

Freight customers satisfied with track maintenance

RHK investigated the satisfaction of freight customers with its own activities and those of the rail operator last year. It also investigated the image of rail transport compared to road and ship transport. This study was conducted in cooperation with VR Cargo.

Freight customers have been quite satisfied with the rail network. Rail capacity is sufficient in their view. They also judge the scope of the rail network and electrification to be adequate. They gave satisfactory marks for taking customers' needs into consideration in developing the rail network. Plans to eliminate certain parts of the rail network worried some respondents.

The image of rail transport has improved lately, since it is now regarded more frequently as international, high-standard and safe. Its environmental friendliness is also appreciated. Road transport has the best image among different modes of transport. Rail transport ranks second and ship transport third.

Analysis of transport needs in the Tampere region

In cooperation with the Finnish National Road Administration, the Civil Aviation

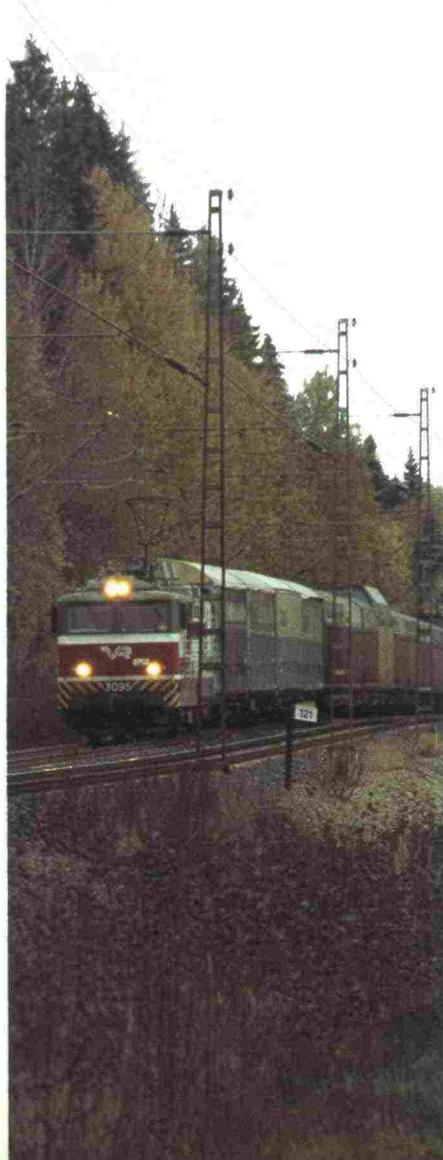
Administration and the Tampere Regional Council, RHK began a study of transport needs in the Tampere region. The goal is to evaluate the present situation and the development outlook for commercial transport in the region. This will provide the basis for outlining public measures to meet transport needs and regional development objectives.

At the end of the year a study of the outlook for rail freight at the national level was started. A wide range of freight customers will be interviewed in the course of this study.

Impact study on the Helsinki-Leppävaara urban line

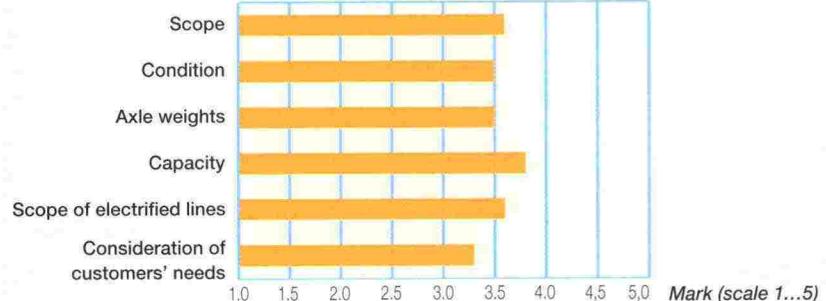
The Helsinki-Leppävaara urban line was completed in autumn 2001. RHK began a study concerning the impact of the new urban line in cooperation with the Helsinki Metropolitan Area Council and the City of Espoo.

The goal is to investigate the effects of the urban line on transport as well as passengers' and local residents' opinions concerning the line. Last year the first part of the study evaluated the situation before the line was completed. The second part of the study will be conducted in spring 2003 and will provide the first evaluations of the urban line's impact.



Freight customers' satisfaction with the rail network and RHK

Nature of rail network



Source: Survey of customer satisfaction with RHK and VR Cargo in 2001 (Gallup Marketing Research Ltd.)

ENVIRONMENTAL MATTERS

Key environmental matters in infrastructure management and rail traffic are noise, vibration and emissions. Systematic work to reduce problems continued during the year.

Noise control programme for the Helsinki region

RHK together with the Helsinki Metropolitan Area Council and local authorities prepared a noise control programme for the Helsinki region. The programme calls for the construction of noise barriers with a combined length of about 45 kilometres in 14 places.

In addition to noise barriers, an upgraded rail-grinding programme will be implemented in the Helsinki region. These measures will reduce the area affected by noise significantly. The number of people living in places exposed to over 55 decibels will be cut by a full 75% and no residents will be exposed to over 65 decibels.

RHK and Helsinki agreed on the simultaneous implementation of all the projects in the city. Further planning will be performed in 2002 and barriers will be built in 2003–2005. The intention is to carry out projects in Vantaa in cooperation with the city in connection with the construction of a fourth track between Tikkurila and Kerava. The one project in Espoo will be carried out when the Helsinki–Leppävaara urban line is extended to the Espoo station.

Planning can be used to ensure that the number of people exposed to noise from rail traffic does not increase. RHK considers it important to set aside sufficient space between tracks and residential areas and to require builders to erect noise barriers where they are needed.



Anticipating effects of vibration

The evaluation of vibration effects has been added to the planning requirements for RHK's new track projects. Guidelines concerning the measurement of vibration have been prepared in cooperation with the Technical Research Centre of Finland. These guidelines will also help local authorities conducting vibration studies in connection with planning. The most difficult parts of the rail network in this regard are the Vainikkala–Sköldvik and Vartius–Raahe line sections, which have heavy freight traffic.

Soil studies in yards

The condition of soil in yards was surveyed at old fueling points in northern Finland. The survey did not uncover any major environmental problems. Contaminated soil was removed from fueling points in Seinäjoki, Lieksa and Liperi.

The monitoring of ground water continued at the Hovinsaari, Mussalo, Kouvola, Riihimäki, Sköldvik, Vainikkala and Poitsila yards, where hazardous substances have been transported.

Storage areas under control

The management of storage areas for track materials has been developed so that a manager authorized by RHK concludes agreements with contractors for the use of storage areas. Contractors are required to store materials in a systematic and careful way according to environmental and health regulations. RHK has about 30 hectares of storage areas for track materials.

Several studies on the impact of projects

An analysis of the environmental impact of the Vuosaari harbour project was conducted in cooperation with the Port of Helsinki and local authorities. Bird, ground water and plant studies are under way along the planned rail line. Flying squirrels' nesting and resting places are being surveyed on the route of the direct line from Kerava to Lahti.

The direct lines' social impact will also be evaluated. The intention is to investigate the effects of line construction on residents' living conditions, comfort, transport connections and safety along the route.

TRACK RENEWAL

Track renewal proceeded according to plans during the year. To give some idea of the scope of work, around 550,000 wooden sleepers were replaced with concrete sleepers in different parts of the country. This corresponds to nearly 330 kilometres of track. Rails were replaced on over 100 kilometres of track and about 150 new switches were installed.

Emphasis has systematically been placed on track renewal for several years so that lines can be upgraded to meet the needs of passenger and freight traffic. As a result the length of track under speed restrictions has fallen sharply. At the end of 2001 there were speed restrictions on 322 kilometres of track. This is nearly 100 kilometres less than the previous year.

Planning influences the flow of traffic

Most track renewal projects are performed on lines which are kept open to traffic. This requires the careful planning and scheduling of work in order to minimize traffic disruptions. The planning and monitoring of work can substantially influence traffic efficiency and punctuality.

In some cases interruptions in rail services have been arranged and normal rail traffic has been handled by other means. This has made it possible to complete work more quickly and efficiently. Such a procedure was followed on the Helsinki-Riihimäki, Toijala-Tampere, Ylivieska-Oulu, Lappeenranta-Parikkala and Varkaus-Joensuu line sections in 2001.

Superstructures renewed

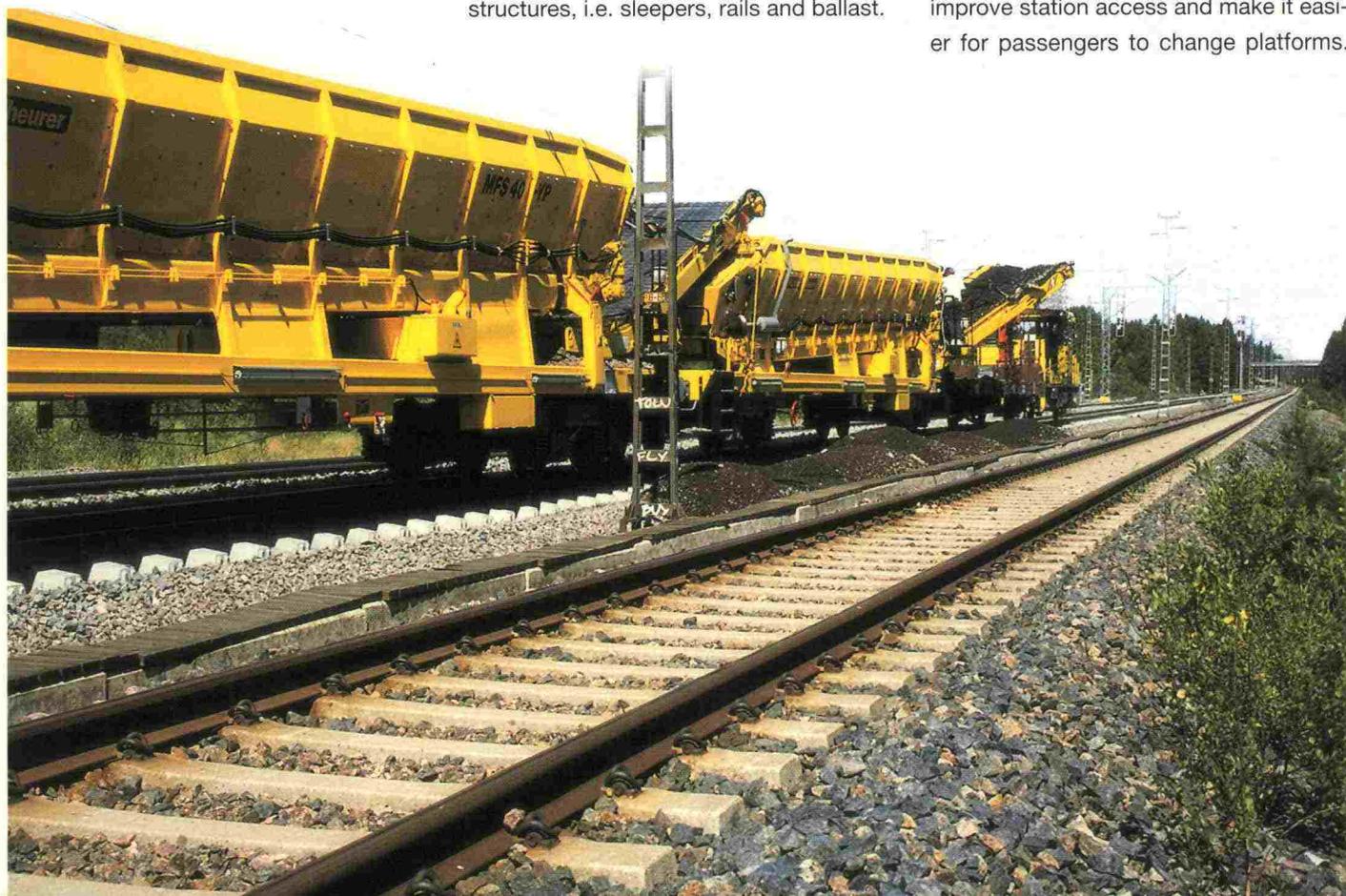
The most significant track renewal projects in 2001 were on the Helsinki-Tampere, Orivesi-Jyväskylä, Kokkola-Oulu, Oulu-Tornio, Iisalmi-Kajaani, Luumäki-Joensuu and Kouvola-Kotka line sections. Work focused mainly on the renewal of superstructures, i.e. sleepers, rails and ballast.

The Helsinki-Tampere line section is the biggest track renewal project currently under way and involves significant development investments. Another large track renewal project which will take several years is the line section between Kouvola and Pieksämäki. In 2001 work on this line section focused on installing safety equipment and automatic train protection, after which track renewal will continue in its full scope.

Yards renewed and improved

The renewal of yards is an important part of improving the efficiency of the rail network. The most significant yard renewal project in 2001 was completed in Tampere, where the passenger yard was almost entirely renewed. This will allow improvements in the service level and increased traffic.

Renewal of the yard and station area in Kerava continued in its full scope. This is a joint project being conducted by RHK and the City of Kerava. It will substantially improve station access and make it easier for passengers to change platforms.



RHK will replace all the rails in the Kerava yard in the next few years.

A sizable yard renewal project began in Hyvinkää late in the year. This is linked to the Helsinki-Tampere project.

Rail-grinding

Last year rails were ground over a distance of 265 kilometres. Work was conducted on a number of line sections which differed in terms of rail-grinding requirements.

On the Tampere-Orivesi line section rails were ground to improve passenger comfort, on the Kouvola-Kotka line section rail-grinding was designed to achieve the maximum operating life for freight traffic with heavy loads. On the Tikkurila-Kerava and Helsinki-Kirkkonummi line sections the object was mainly to reduce noise from rail traffic. This project included all the tracks on the Helsinki-Leppävaara urban line.

Increased efficiency through competition

Track work requires special equipment as well as expertise in track construction. For this reason RHK has concluded most of its contracting agreements with VR-Track Ltd, which has in turn invited tenders from subcontractors. The goal, however, is to gradually increase competition among contractors in order to develop efficient markets so as to improve efficiency, raise productivity and make better use of funds, according to the performance objectives set for RHK by the Ministry of Transport and Communications.

RHK has invited tenders for safety equipment and electrification work for a number of years. RHK also purchases key track materials such as rails, switches, and concrete and wooden sleepers on the basis of tenders. Special track work has been put out to tender mainly in the case of superstructure work and bridges.

In construction and special maintenance work, RHK has specified jobs and charges have been tied to scheduled work results. Track maintenance work, on the other hand, has been ordered on a fixed-price basis from VR-Track Ltd.

RHK has steadily increased the use of project management consultants. This op-

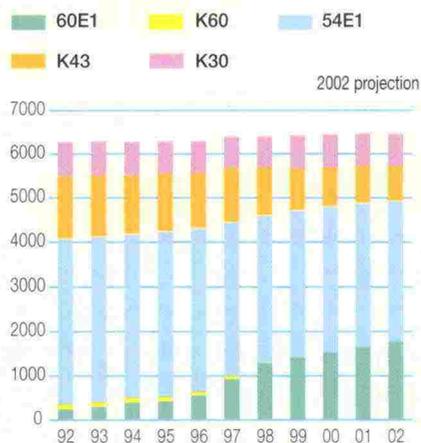
erating model is now being applied in track renewal between Kouvola and Piek-sämäki, line electrification and related track work in northern Finland, superstructure work between Tampere and Jyväskylä, the Kerava-Lahti direct line project, the extension of the Helsinki-Tikkurila urban line to Kerava and renewal of the Karelian line.

Improvement in real estate

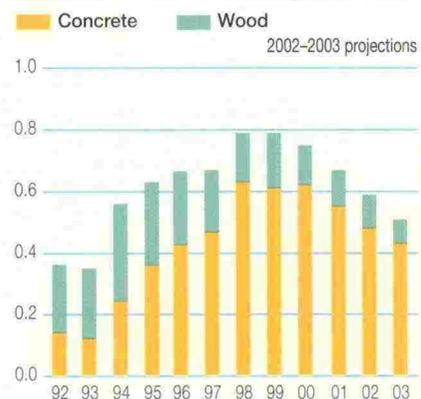
The biggest building repair projects focused on facilities which are important for traffic control and track maintenance. Renewal of the switching buildings in Piek-sämäki and Riihimäki was completed. Maintenance centres were renewed in Kokkola, Hämeenlinna and Pieksämäki.

Planning for the traffic control centre in Oulu got under way in connection with further electrification and remote control in northern Finland. When this project is completed all traffic control and monitoring of the rail network in this part of the country can be carried out in one place.

Types of rails on main lines, track-km



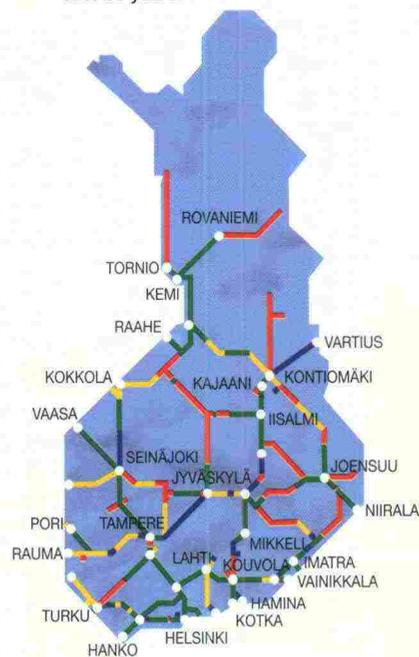
Installed sleepers, million



Age of superstructures in the rail network

- 0-10 years
- 11-20 years
- 21-30 years
- over 30 years

31.12.2001



DEVELOPMENT PROJECTS

In addition to replacement investments, the competitiveness of rail transport is also being improved through development projects. The focus is on increasing rail capacity, expanding electrification and improving safety.

Completion of urban line to Leppävaara

The construction of the Helsinki–Huopalahti–Leppävaara urban line was completed in August 2001. This project, which was started in 1998, included the construction of two additional tracks, the renewal of existing tracks, and station and street arrangements to accommodate feeder traffic. The additional tracks make it possible to separate long-distance and commuter trains, allowing a substantial increase in services. Traffic on the line began on 13 August but its full utilization will have to wait until summer 2002.

The urban line was a joint project undertaken by RHK and the cities of Helsinki and Espoo and part of the development of the public transport system in the Helsinki region. RHK was responsible for building tracks, while Helsinki and Espoo were responsible for station, street and access arrangements.

Extension of urban line to Kerava

The extension of the Helsinki–Tikkurila urban line to Kerava is also part of the development of the public transport system in the Helsinki region. RHK signed a preliminary agreement with the cities of Vantaa and Kerava in June 2001 and the extension of the urban line was also included as a new development project in the state budget for 2002.

The extension of the urban line to Kerava will take place in 2002–2004. This project will improve the level of service and competitiveness of public transport. It will also promote the development of land use along the line.

Platforms covered in Helsinki

RHK has conducted a number of projects on its own and with local authorities which have directly improved the level of service and competitiveness of passenger stations. In addition to measures carried out in connection with actual rail projects, the level of service has also been improved with the help of special projects.

The covering of platforms at the central station in Helsinki was completed in June. This project, financed entirely by RHK, was exceptionally demanding since passengers' safety, work safety and traffic management required plenty of special arrangements.

Over 400 new parking spaces for feeder traffic were built in the summer in cooperation with local authorities in Järvenpää, Jokela and Kauklahti.

To ensure passengers' safety and prevent vandalism, surveillance cameras with the latest recording technology were installed at stations in Hämeenlinna, Hyvinkää, Espoo and Lahti and on the Helsinki–Leppävaara urban line. Camera surveillance has clearly proved its value.

Direct line project under way

The decision to build a direct line from Kerava to Lahti was approved in the summer of 2001 and the project was included in the state budget for 2002. RHK began preparing land purchasing and planning for the project at the end of 2001. Construction will begin in autumn 2002 and is scheduled for completion in 2006.

The direct line will make it possible to develop passenger and freight traffic to eastern Finland and Russia. It will also free capacity on the main line to northern Finland.

The direct line will be double-track, electrified, equipped with automatic train protection and designed for high-speed passenger services, with no level crossings. The line will follow the same route as the Lahti motorway for the most part, limiting environmental effects. The line will have a total length of 74 kilometres, including 63 kilometres of new track.



Upgrading of the Helsinki-Tampere line

Renewal of the Helsinki-Tampere line will improve the level of service and promote traffic safety by eliminating level crossings. The line's geometry will be designed for a speed of 160 km/h, allowing tilting-body trains to travel as fast as 200 km/h. Freight capacity will be increased by an additional track between Sääksjärvi and Tampere. This track will also improve access to the Perkiö freight yard.

The service level at the stations on the Helsinki-Tampere line is being upgraded by raising and covering platforms, improving passenger information and developing access arrangements. Renewal of the Helsinki-Tampere line is scheduled for completion in 2003.

Further electrification in northern Finland

The focus of electrification has shifted to northern Finland. Work on the Tuomioja-Raahe line section was completed in June of last year. The Rautaruukki industrial line in Raahe is also being electrified, which will serve port traffic.

Electrification of the Oulu-Rovaniemi line section began in 2001 and is scheduled for completion in 2004.

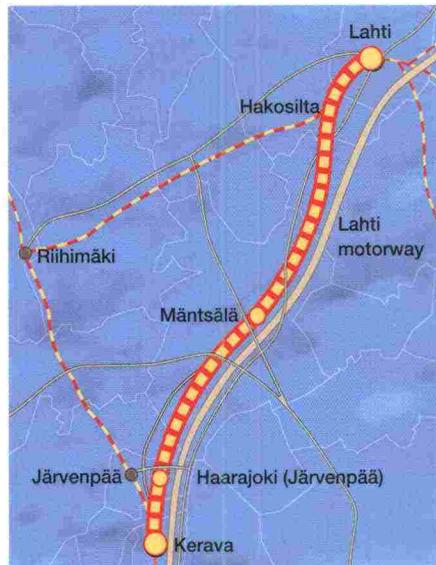
The further electrification of the rail network was given the go-ahead in 2001. The electrification of the Oulu-Kontiomäki-Iisalmi/Vartius line sections was included in the state budget. These projects will be carried out in 2002-2006.

Further electrification of the rail network is socio-economically feasible and will improve preconditions for rail traffic. It is also a significant environmental investment.

Travel centre projects proceed

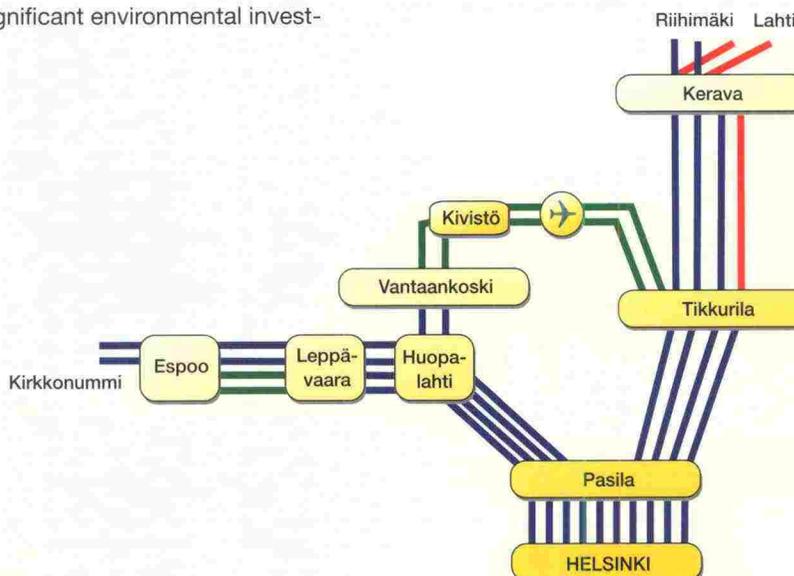
RHK has participated in the development of travel centres around the country. The Jyväskylä travel centre reached the construction stage. Renewal of the station tunnel got under way in Oulu and general plans were completed in Vaasa in connection with travel centres. Planning for travel centres continued in Kouvola, Kuopio, Joensuu, Lahti and Rovaniemi.

Route of direct line



Rail projects in the Helsinki region

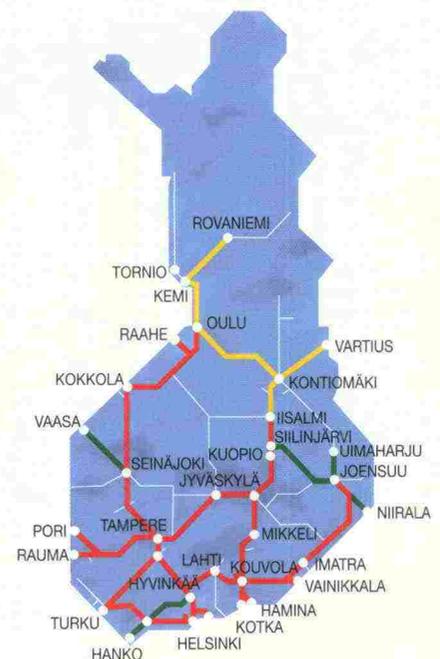
- Available tracks
- Approved
 - Urban line Tikkurila-Kerava
 - Direct line Kerava-Lahti
- Planned
 - Urban line Leppävaara-Espoo
 - Airport line (Marja line)



Electrification of the rail network

31.12.2001

- Electrified
- Under construction
- Line sections scheduled for electrification



SAFETY

No accidents resulting in casualties occurred in actual rail traffic in 2001. About 30 persons suffered minor injuries, however, when a locomotive collided with a passenger train in a switching accident in Tampere at the end of the year.

A total of 60 accidents occurred at level crossings and caused the deaths of 12 persons. The worst of these accidents took place last summer in Kärkölä, between Riihimäki and Lahti, where a driver failed to obey warning equipment and all five persons in the vehicle were killed.

Top level of safety the goal

RHK's goal is to raise rail safety in Finland from an average European level to a top international level. Work in this area continued during the year.

The most important means are to increase safety awareness and to develop safety management and technology. RHK also participates in international and especially Nordic development work aimed at improving rail safety.

One important aspect of safety work is research, in which RHK uses the assistance of outside experts such as the Technical Research Centre of Finland. Last year a number of studies were conducted to investigate rail traffic risks and ways to eliminate them.

Concern over safety at level crossings

Attention was also focused on safety at level crossings during the year. RHK completed the preparation of a strategy for eliminating and protecting level crossings in the future. A working group appointed by the Ministry of Transport and Communications also wound up its work on this subject.



Level crossing investments begun the previous year continued on several line sections. Technical means to protect level crossings were also investigated and matters related to the safety of level crossings with and without booms were studied.

Measures continued to eliminate or protect level crossings. Last year 48 level crossings were eliminated. The largest numbers were eliminated in connection with track renewal on the Toijala-Turku and



Tampere–Kokemäki–Pori line sections. Warning equipment was also installed at level crossings.

The elimination of level crossings on main lines will focus on the Vainikkala–Kouvola/Kotka and Lahti–Kouvola line sections in the near future, according to RHK's strategy. On the basis of risk analyses, level crossings will also be eliminated at the most dangerous intersections in different parts of the country.

RHK participated actively in a campaign aimed at increasing motorists' and other road users' safety awareness at level crossings. The campaign focused on the Seinäjoki–Vaasa, Seinäjoki–Kaskinen and Oulu–Tornio line sections. Survey results indicate that this type of educational work is considered important and necessary.

Completion of ATP on main lines

Automatic train protection was expanded last year in accordance with the objective programme to cover practically the entire main line network. During the year automatic train protection was installed on 717 kilometres of line. Inspections connected with the expansion of the system were also conducted.

Automatic train protection will be expanded to cover the entire passenger traffic network and the most important freight lines by the end of 2005. Only low-traffic lines which are mainly used for wood transport will remain outside the system.

The automatic train protection system ensures that trains comply with speed restrictions and signals. If a train exceeds the speed limit, the system warns the driver and applies brakes if necessary. RHK is responsible for installing track equipment for the ATP system, while the operator is responsible for installing equipment in locomotives.

Advance notification system introduced

The advance notification system for rail traffic was placed in use during the year. This system informs drivers and other people of exceptional conditions such as track work, track changes and speed limits.

Special attention has been paid to punctuality as a factor influencing rail safety. Development work in this area continued in cooperation with VR Limited.

Line radio system being built

Preparations for a new national line radio system continued during the year. RHK and VR established a joint organization to plan and implement the project. The radio system is used for communication between traffic controllers and train drivers and ensures safe and efficient traffic. The new system is scheduled for completion in 2006.

The new radio system will be based on the European GSM-R standard. The present line radio, which is based on 1970s technology, is analog and cannot be expanded to meet the needs of the future.

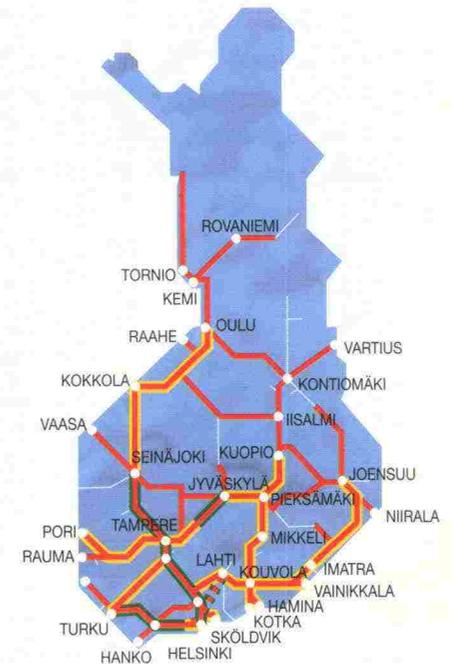
The GSM-R system will allow the transfer of safety information as well as voice. The new network will also allow conference calls, with messages going to the right people and not disturbing others.

Safety work in schools

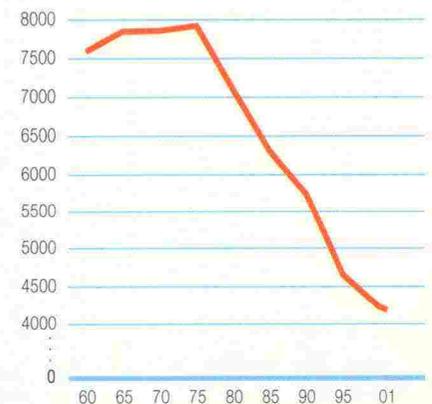
During the year RHK, VR and the police continued a joint information campaign aimed at educating school pupils on rules regarding access to railways. The campaign is considered important and has become an established part of safety and education work. The campaign reached over 8,000 school pupils around the country last year.

Improving rail safety

- Automatic train protection at the end of 2005
- Line section without level crossings
- Line sections where plans call for level crossings to be eliminated



Total number of level crossings 1960–2001





TECHNOLOGY AND MAINTENANCE

Technical research is conducted to improve the competitiveness of the rail network. RHK does not engage in actual product development but purchases significant research services. New technology is designed to lower unit costs, increase rail capacity and improve safety.

Unit costs can be lowered especially by harmonizing technical solutions. This is also required by the harmonization of European standards. Technical development takes place mainly in the form of international cooperation, and the development of joint Nordic solutions in particular has become increasingly important recently.

Broad study on raising axle weights

RHK has conducted a broad study on raising axle weights in freight traffic. Special attention has been focused on raising axle weights to 25 tonnes. The operator has

purchased or is purchasing freight wagons designed for use in paper and enriched ore transport. In the first stage, higher axle weights will be introduced on the Lauritsala–Kotka/Hamina, Kirkniemi–Hanko and Harjavalta–Mäntyluoto routes. The first two are mainly used for paper transport and the third for enriched ore transport.

According to studies raising axle weights requires improvements and repairs in track culverts and in places track stability.

Preventive maintenance

RHK is increasingly shifting to preventive maintenance and the use of equipment diagnostics. Last year it started a project to develop diagnostic systems with the objective of incorporating new technology on the direct line from Kerava to Lahti at the latest.

In the future basic information for maintenance will also be provided by a new track inspection wagon. In autumn 2001 RHK signed an agreement with VR-Track Ltd on mechanical track measurements, in which the track inspection wagon will play an essential part. The new wagon, which will also measure overhead lines, will go into operation in 2003.

New and economical methods are being developed for ballast maintenance, since the traditional ballasted track design will remain the basic solution for a long time.

In real estate maintenance the classification of station facilities and the determination of constraints on property began. In the future diagnostics will also be used in the maintenance of technical facilities.



Acquisition of property registers

Reliable register information is needed for track and other infrastructure. Consequently RHK is acquiring reliable property registers required in maintenance work. In 2001 it investigated the need for registers and available application possibilities.

Study of level crossing structures

Research also focused on level crossing structures in 2001. Wooden, concrete and rubber structures have been tested. Solutions have been developed for vehicle traffic, service vehicles and even snowmobiles. More economical warning equipment is also in trial use. Decisions will be reached in 2002 after trials have been completed.

Cooperation in developing safety equipment

A great deal of development work has been conducted in the field of safety equipment. This has been in the form of international cooperation. RHK has participated in the development of a European traffic control and automatic train protection

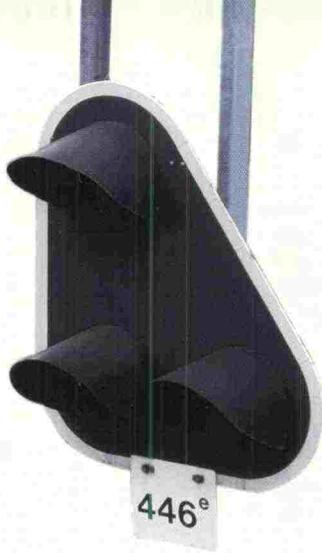
system. This includes the European train control system (ETCS) and the GSM-R radio system. The first pan-European applications will most likely be placed in use in Finland in the near future.

Type approvals an important part of safety

Type approvals are issued for rolling stock as well as track equipment and systems.

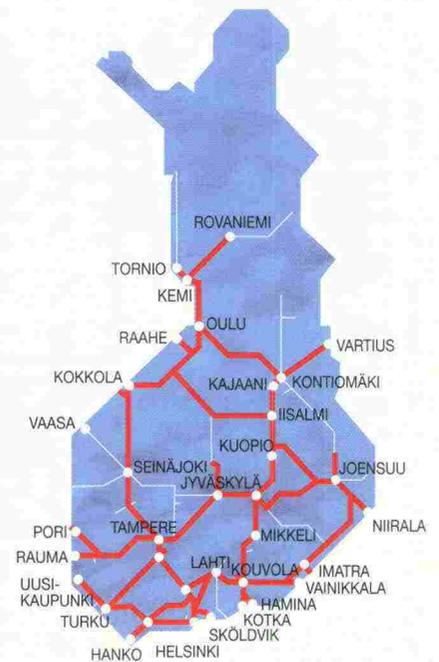
A total of 11 type approvals were granted for rolling stock in 2001. The focus was on track machines, freight wagons and various kinds of components such as pulling and buffer equipment. Pressurized passenger coaches were also type approved.

Type approval was also given to a new version of the Sr2 locomotive which is equipped with an electro-pneumatically controlled automatic brake.



Raising axle weights

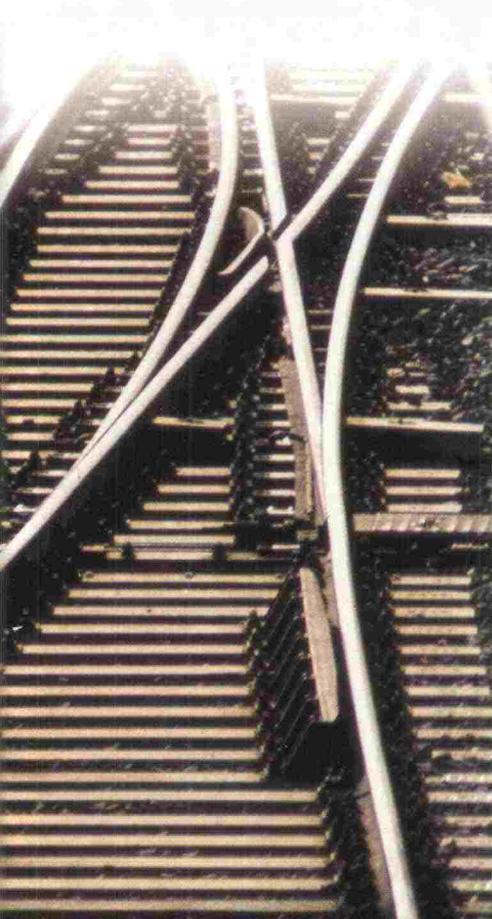
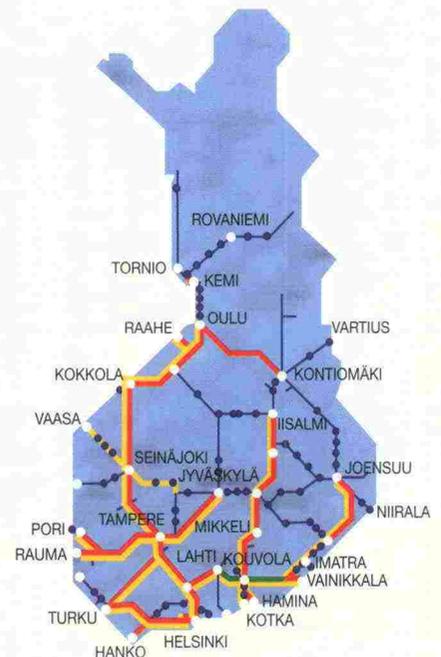
— Line sections on which axle weight will be 25 tonnes



Safety equipment systems

31.12.2001

- Blocking and remote control
- Blocking
- Automatic train protection
- Individual safety equipment



ANNUAL REPORT OF THE RAIL ADMINISTRATION BOARD

Tasks and activities

The Rail Administration Board directs and supervises RHK's activities. It decides on RHK's general operating lines, service and operational objectives, operational and financial plans, budget, the general arrangement of technical inspection, service pricing principles, the establishing and abolishing of permanent posts and the approval of collective bargaining agreements. It also approves significant plans concerning construction and maintenance of the rail network and traffic control and makes proposals concerning transport policy in the rail sector.

The Rail Administration Board met fourteen times during the year. It also inspected the yard renewal project in Kerava and conducted a development seminar together with RHK's Management Group.

Last year the Rail Administration Board dealt with the following far-reaching matters, among others: the development of RHK's activities and organization, rail legislation in preparation, the tendering strategy for track work, the principles for track fees, the future of tracks with low traffic, asset accounting and free ticket benefits for personnel.

In 2000 the Government appointed a new five-member Board for the period 2001–2003. The Ministry of Transport and Communications replaced its representative in 2001.

RHK's resources

RHK recorded 110 person-years of work in 2001, including 69 person-years in actual activities and 41 person-years in ticket inspection activities. This signified an increase of 2 person-years in actual activities and a decrease of 2 person-years in ticket inspection activities compared with the year before. Personnel in actual activities take care of planning track maintenance and real estate services, ordering maintenance and contracting work and traffic control work, official tasks related to technical standards and licences, and RHK's financial and administrative tasks. Ticket inspection personnel are responsible for activities under public law. Personnel at the end of the year totalled 113.

The average age of personnel at the end of the year was 43.6 years. The average age was 39.2 for inspectors and 46.1 in actual activities. Women made up 35% of personnel.

RHK's wages and salaries together with related personnel expenses amounted to €4.7 million. Personnel expenses make up about 1% of RHK's operational expenses.

RHK was reorganized as of 1 May 2001, shifting from five units to four. The goal is to direct operations in a way which will pay greater attention to customer issues, from the viewpoint of the end customer as well as the traffic operator. The entire personnel took part in development work.

Available funds

Last year €405 million in budget funds was available for RHK's gross expenses. This figure includes funds carried over from the previous year (€30 million), regular and supplementary budget funds (€306 million) and itemized funds (€69 million). Income also included direct building subsidies from the EU (€1 million). The total was €24 million less than the previous year. €22 million was carried over to 2002.

Use of funds

Activities focused on planning and ordering construction and maintenance work. RHK's gross expenses totalled €383 million. Projects proceeded according to schedule. Spending was practically on budget. €11 million in funding for the line radio network and €1 million in direct subsidies from the EU was carried over to the following year. €9.6 million in funds for construction projects was also carried over to the following year. This included funds for the Leppävaara line (€0.3 million), development projects (€6.9 million) and track maintenance (€2.3 million).

A total of €383 million in budget funds was spent in 2001. This was €17 million or 4% less than the previous year. €60 million was spent on development projects, €1.5 million on land purchasing, €142 million on basic infrastructure investments and €180 on operational expenses. The biggest items were track maintenance

and operation (€121 million) and traffic control (€37 million).

The biggest track renewal projects were on the line sections Lappeenranta–Pärkkälä (€17 million), Helsinki–Tampere (€14 million), Kouvola–Kotka (€12 million), Kouvola–Pieksämäki (€10 million), Kokkola–Oulu (€8 million), Oulu–Tornio (€8 million), Tampere passenger yard (€7 million) and Tampere–Orivesi–Jyväskylä (€1.5 million).

Among development investments €23 million was spent on upgrading the Helsinki–Tampere line section, €2 million on electrification between Tuomioja and Raahen and €6 million on electrification between Oulu and Rovaniemi. €10 million was spent on automatic train protection and €6 million on level crossing arrangements on main lines. Construction of the Helsinki–Leppävaara urban line was completed and cost €12 million during the year. Construction of the radio network began with planning and €0.3 was spent for this purpose.

Statement of Income and Expenses

In the business accounts operational income includes fees, rents and other income. Operational income totalled €76 million last year, with the largest item consisting of track fees (€53 million), ticket inspection income (€1.7 million), income from licence fees (€0.2 million) and rents (€10 million). Other income totalled €11 million, including €8 million from the sale of assets taken out of use, €3 million in planning and building subsidies from the EU and €0.2 from other sources. €1.8 million of direct subsidies from the EU were booked as state income and were not made available for track maintenance. Operational income increased by €3 million or 4% compared with the previous year.

In RHK's accounts operational expenses include all costs with the exception of investment costs, which are booked with assets in the balance sheet. Operational expenses totalled €390 million. The largest item was depreciation, which amounted to €214 million. Track maintenance and

traffic control are outsourced, as are real estate maintenance services and expert and research services. These are the largest items booked under purchased services, which totalled €168 million. Personnel expenses came to €5 million. Rents and other expenses totalled €2 million. The largest items in this category were property taxes, membership fees abroad, travel services, office rents and other rents. Operational expenses rose by €22 million or 6% compared with the previous year. Expenses excluding depreciation rose by €14 or 4%.

The deficit before financial and extraordinary items came to €314 million. Extraordinary income and expenses mainly consist of the costs of unexpected delays resulting from track damage and track work and related compensation. The deficit after financial and extraordinary items came to €315 million. According to the Statement of Income and Expenses, income covered 19% of expenses, which was nearly the same as the previous year.

RHK booked €2 million in VAT received and €82 million in VAT paid. The deficit including VAT was €394 million. This figure rose by €15 million or 4% compared with the previous year.

Balance sheet

The balance sheet total was €2,574 million, down €13 million or 0.5% compared with the previous year. The capital value of fixed assets amounted to €2,568 million at the end of the year. This value decreased by €14 million during the year. The net increase in assets was €200 million during the year. Depreciation according to plan totalled €214 million. Depreciation exceeded the net increase in assets by €14 million.

Increases in rail structures totalled €195 million, of which development investments amounted to €59 million. Basic renewal totalled €135 million. This was €76 million less than depreciation on the rail network, which totalled €211 million. Annual replacement investments should be at least as large as depreciation so that the value of fixed assets will not decline.

Cost covering

According to a decision by the Ministry of Transport and Communications, RHK charges fees for issuing different types of licences, decisions and technical specifications. It is also responsible for certain real estate activities and ticket inspection

activities. Under separate legislation RHK collects track fees, which are set so as to provide a cost structure which is comparable to other modes of transport.

Income from fees totalled €11.8 million, including €1.7 million from ticket inspection and the issuing of licences and decisions. The costs of such statutory performances were covered by income. Income from the issuing of non-statutory licences and decisions amounted to €0.1 million. The return on these performances was 1% of costs.

RHK's real estate activities are the most significant function subject to charges and based on commercial principles. Rent income totalled €10 million, including €9.7 million from real estate rentals. Other income from real estate amounted to €0.2 million. This brought total income from real estate to €10 million, up 7% from the previous year. The increase was due to a rise in income from the sale of wood.

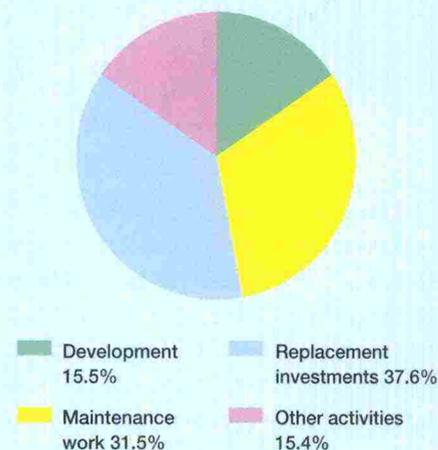
Separate expenses from real estate activities totalled €7.3 million, up 3% over the previous year. The biggest item, maintenance and repairs, totalled €6.3 million, up 2% from the previous year. The increase in separate expenses was lower than the change in prices, so efficiency was further improved. Other costs fell. The tax paid on real estate income has fallen from year to year.

The capital value of income-producing real estate was €67 million. The operational surplus after separate expenses and social costs was €2.5 million, so the return on invested capital was 4%. Depreciation on real estate totalled €2.3 million. The operational deficit after depreciation was €0.1 million, leaving a return of 0.2%. According to State Treasury guidelines the nominal interest requirement in calculating cost covering was 5.3% on invested capital. Interest expenses totalled €3.6 million. The operational deficit on real estate activities was €3.2 million, leaving a return of -4.7% on invested capital. RHK's real estate holdings did not produce the required return.

The operational surplus before capital and joint expenses was €2.7 million or 37% of separate expenses. Real estate activities produce this amount of money for infrastructure management. Income from real estate activities also covers depreciation but not interest on invested capital.

The Ministry of Transport and Communications has noted that RHK's real estate activities cannot produce the required re-

Breakdown of expenditure on infrastructure in 2001

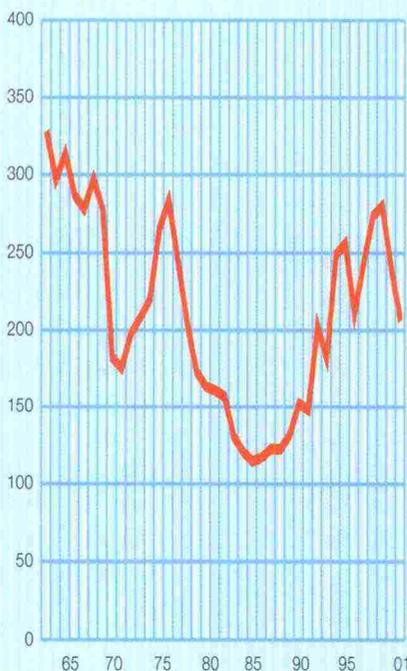


Expenditure on the rail network 1992-2001, € million



Investments in the rail network in 1963-2001, € million

(At fixed 2001 prices)



turn on investment. The objective is for the operational surplus after separate expenses to be at least 30% of costs. This objective was achieved.

Increasing income from real estate activities is difficult because of the age, condition and location of buildings. Income from real estate activities has annually covered over 70% of expenses calculated according to the state's return requirements. Last year the figure was 77%. Two-thirds of rents come from buildings linked to rail traffic, whose rent has been set on a commercial basis, taking into account the level and purpose of facilities. Apartment rents account for 13% of income. The location and level of apartment buildings do not allow higher rents. Income from land areas accounts for 27% of total income and covers all costs, even producing a surplus.

Costs by task

A calculation of RHK's costs by task is presented on page 26. Activities have been divided into network management and paid activities. Costs include separate costs and administrative costs. Total costs came to €527 million.

Paid activities accounted for 3% of total costs. Their share of administrative costs is one-fourth. The calculation also includes administrative costs of investments, since these are not included in the balance sheet. About half of administrative costs are for network management.

Network management consists of traffic control, track maintenance and operation, and planning and research activities.

Traffic control, which ensures safe operations on the rail network, is presented as a separate activity. Traffic control is almost entirely outsourced, so administrative costs are minimal.

The main task in network management is track maintenance and operation, which includes maintaining track and equipment, operating costs such as electricity for lighting and switch heating, and track facility costs. Network management costs amounted to €510 billion. The change over the previous year was 12.7%. The increase in capital costs was 14.5%, according to the effective interest rate set by the State Treasury, which varies each year. The interest rate was 5.3%, up 1.4 points over the previous year. Costs ex-

cluding capital costs rose by 9.2%. This is due to a rise in the cost level and an increase in track maintenance work and in the equipment for which track maintenance is responsible. Growth in productivity for actual track maintenance before taking into account the rise in the cost level lowered the separate costs of basic infrastructure management by 3% compared with the previous year.

Planning and research includes strategic plans, project plans, technical research and technical specifications. These activities are minor in scale but account for a third of the administrative costs of network management. This is because RHK's own personnel participate in planning and research work. Two-thirds of planning is purchased as services. Costs amounted to €0.02 million, up 44.3%. This increase was due to growth in the amount of project planning.

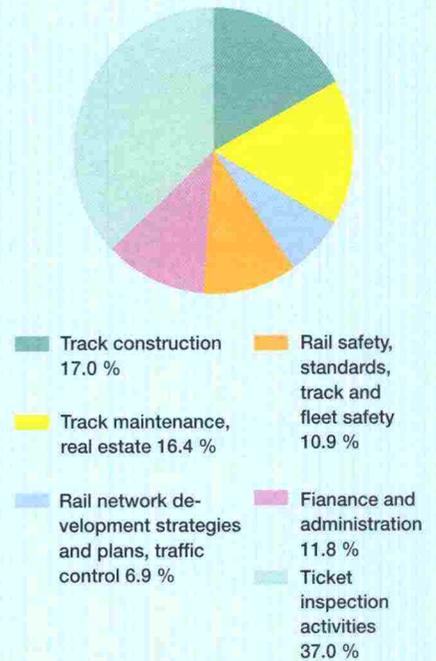
Operating and joint costs account for one-third of network management costs. Two-thirds is capital costs. Depreciation in turn accounts for less than two-thirds of capital costs. Network management costs are about €127 million higher than annual gross expenses for infrastructure management.

Helsinki, 22 March 2002

Rail Administration Board

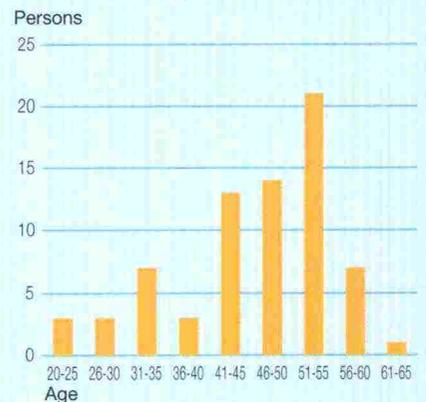
Timo Poranen
Kaisa Leena Välipirtti
Hannele Luukkainen
Markku Pyy
Veikko Vaikkinen

Person-years by type of activity 2001

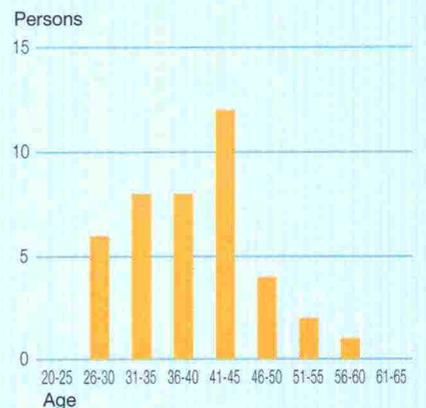


Age breakdown of employees

Persons employed in actual activities



Persons employed in ticket inspection activities



STATEMENT OF INCOME AND EXPENSES

€1,000	1.1.-31.12.2001		1.1.-31.12.2000	
OPERATIONAL INCOME				
Fees	54,953		55,630	
Rents and user charges	9,996		9,367	
Other operational income	11,030	75,979	7,939	72,936
OPERATIONAL EXPENSES				
Materials, supplies and goods				
Purchases during the year	- 145		- 75	
Personal expenses	- 4,836		- 4,586	
Rents	- 835		- 678	
Purchased services	- 167,999		- 154,204	
Other expenses	- 1,382		- 1,214	
Production for own use	0		0	
Depreciation	- 214,278	- 389,474	- 206,419	- 367,176
DEFICIT I		- 313,495		- 294,240
FINANCIAL INCOME AND EXPENSES				
Financial income	47		123	
Financial expenses	- 56	- 9	- 57	66
EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income	988		1,020	
Extraordinary expenses	- 2,392	- 1,404	- 2,831	- 1,811
DEFICIT II		- 314,908		- 295,985
INCOME FROM TAXES AND OTHER				
COMPULSORY CHARGES				
VAT received	2,318		2,307	
VAT paid	- 81,514	- 79,196	- 85,585	- 83,278
DEFICIT FOR THE YEAR		- 394,105		- 379,263

BALANCE SHEET 31.12.2001

€1,000	2001		2000	
ASSETS				
FIXED ASSETS				
Intangible assets				
Intangible rights	2	2	38	38
Tangible assets				
Land and water areas	4,424		4,508	
Building land and water areas	79,051		81,289	
Buildings	42,064		41,235	
Structures	2 230,843		2,222,505	
Machinery and equipment	7,100		902	
Furnishing	10		8	
Advances and projects in progress	204,601	2,568,093	231,522	2,581,969
INVENTORIES AND FINANCIAL ASSETS				
Current receivables				
Accounts receivable	5,283		5,172	
Other current receivable	1,062		704	
Advance payments	0	6,344	0	5,875
TOTAL ASSETS		2,574,440		2,587,882
EQUITY AND LIABILITIES				
EQUITY				
State's equity				
State's equity at 1.1.1998	2,371,022		2,371,022	
Change in equity in previous years	157,629		122,149	
Equity transfers	393,402		414,743	
Deficit for the year	- 394,105	2,527,948	- 379,263	2,528,651
LIABILITIES				
Current liabilities				
Advance payments	27		25	
Accounts payable	45,537		58,347	
Inter-agency transfers	116		107	
Payable items	79		83	
Accrued expenses	733		671	
Other current liabilities	0	46,492	0	59,232
TOTAL EQUITY AND LIABILITIES		2,574,440		2,587,882

FIXED ASSETS 31.12.2001

€1,000	Capital value	Reductions	Increases	Depreciation	Capital value
TYPE OF ASSET	1.1.2001				31.12.2001
INTANGIBLE ASSETS					
Purchased computer programmes	38			36	2
Total intangible assets	38	0	0	36	2
TANGIBLE ASSETS					
Gravel and other aggregate areas	4,508	84			4,424
Building land	45,628	3,495	2		42,135
Railway beds	35,661	246	1,501		36,916
Housing	4,110	8		277	3,825
Other buildings	37,125	20	3,355	2,221	38,239
Buildings in progress	1,754	1,212			543
Total real estate	128,786	5,065	4,859	2,498	126,082
Railway substructure	773,022		24,411	48,210	749,223
Railway superstructure, bridges	1,034,612		141,421	127,655	1,048,378
Control and safety equipment	209,146		36,602	19,937	225,811
Fixed electrification equipment	181,005		14,016	12,994	182,027
Power current equipment	24,720		2,775	2,090	25,404
Advances	4,541	1,378			3,163
Railway structure in progress	225,227	24,332			200,895
Total railway structure	2,452,272	25,709	219,225	210,886	2,434,902
Computer hardware	9		27	26	9
Office machine	3		25	2	26
Traffic control communications	871		6,787	814	6,843
Audiovisual equipment	20		211	8	222
Furnishing	8		8	6	10
Total machinery, equipment and furnishing	910	0	7,057	857	7,110
TOTAL					
FIXED ASSETS	2,582,007	30,775	231,141	214,277	2,568,096

DEPRECIATION ACCORDING TO PLAN

RHK's depreciation rate and economic life

Type of asset	Economic life in years	Straight-line depreciation %	Type of asset	Economic life in years	Straight-line depreciation %
Purchased computer programmes	5	20.00	Control and safety equipment	20	5.00
Gravel and other aggregate areas		-	Fixed electrification equipment	30	3.33
Building land		-	Power current equipment	30	3.33
Railway beds		-	Computer hardware	3	33.33
Housing	50	2.00	Office machines	5	20.00
Other buildings	40	2.50	Traffic control communications equipment	10	10.00
Railway substructure	60	1.67	Office furnishing	5	20.00
Railway superstructure, bridges	30	3.33			

USE OF BUDGET FUNDS

€1,000	1997	1998	1999	2000	2001	2 002 est.
BASIC INFRASTRUCTURE MANAGEMENT	283.9	279.0	268.9	246.2	252.8	233.2
Income	67.6	74.2	73.0	72.2	69.3	67.8
Track fees	50.4	53.7	53.2	53.8	53.0	53.0
Income from real estate activities	11.8	11.1	10.9	9.3	10.3	9.7
Other income	5.4	9.4	8.9	9.1	6.0	5.1
Expenses	351.5	353.2	341.9	318.4	322.1	301.0
Administration	5.2	5.6	5.9	6.4	7.2	8.2
Traffic control	33.6	35.3	34.8	34.5	37.2	36.4
Real estate activities	7.6	8.2	11.3	10.6	10.4	13.7
Track maintenance and use	112.9	109.7	109.6	111.9	120.8	127.7
Planning and research	4.5	3.0	3.0	3.0	4.0	4.7
Replacement investments	187.7	191.4	177.3	152.0	142.5	110.3
DEVELOPMENT	34.8	51.1	45.9	51.1	47.8	50.0
HELSINKI-LEPPÄVAARA LINE	0.3	14.0	39.5	29.8	11.6	0.4
CERTAIN RAIL PROJECTS						30.3
RADIO NETWORK					0.3	33.3
RAIL NETWORK LAND AREAS	0.2	0.5	1.4	0.8	1.5	4.9
RHK'S GROSS EXPENSES	386.8	418.8	428.7	400.1	383.3	419.9
RHK'S NET EXPENSES	319.2	344.6	355.7	327.9	314.0	352.1

COSTS BY TASK

€1,000	Costs excluding capital costs			Total costs			Share %
	2000	2001	Change 01/00 %	2000	2001	Change 01/00 %	
NETWORK MANAGEMENT	152,424	166,465	9.2	452,816	510,483	12.7	97
Traffic control	34,477	37,304	8.2	34,827	38,530	10.6	7
Track maintenance, operation and facilities	114,192	123,743	8.4	414,215	466,516	12.6	89
Planning and research	3,755	5,418	44.3	3,773	5,437	44.1	1
PAID ACTIVITIES	8,953	9,316	4.1	14,002	15,197	8.5	3
Real estate management	7,272	7,511	3.3	12,322	13,392	8.7	3
Other business	104	123	18.3	104	123	18.3	0
Official tasks	1,577	1,682	6.7	1,577	1,682	6.7	0
ADMINISTRATIVE COSTS OF INVESTMENTS	2,337	1,871	- 20.0	2,337	1,871	- 20.0	0
TOTAL COSTS	163,714	177,651	8.5	469,156	527,550	12.4	

FACTS ABOUT FINLAND'S RAIL NETWORK

31.12.2001

First line: Helsinki–Hämeenlinna, 1862
Gauge: 1,524 mm
Total length of railway lines: 5,850 km
Total track length including sidings: 8,734 km
Lines with two or more tracks: 507 km
Tracks with concrete sleepers: 3,118 km
Sleepers/km: 1,640
Long-welded tracks: 4,307 km
Type of new rails on main lines: 60E1 (weight 60 kg/m)
Electrified line: 2,400 km
Electrification system: 25 kV 50 Hz
Block-protected line: 2,278 km
Centrally controlled line: 2,159 km
Tunnels: 42
Total length of tunnels: 25,284 m
Railway bridges: 2,119
Bridges over railway line: 814
Number of level crossings: 4,192, including 3,496 on main lines
Land owned by the Finnish Rail Administration: 28,100 ha
Buildings owned by the Finnish Rail Administration: 2,777
with a total volume of 1.4 milj. m³

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