



Finnish Road Administration Report of Activities and Financial Statements 2002

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1 OVERVIEW OF ACTIVITIES

1.1 Operating philosophy

The Finnish Road Administration (Finnra) is responsible for the public roads in Finland and their development as part of the transport system. The agency plans road management policies in a client-oriented manner and obtains road management products and services as comprehensive, quality-guaranteed services. In co-operation with other transport actors, Finnra provides smooth, safe and environmentally friendly highway connections to meet the clients' transport needs.

The values of the Finnish Road Administration

Societal responsibility: As experts, we are responsible for the highway network and road traffic in Finland. Our goal is to develop the entire transport system in order to enhance wellbeing for citizens and society at large. We operate in an economical and effective way for the sustainable development of road and traffic conditions.

Client-centredness: The needs and satisfaction of our customers constitute the cornerstones of our work. We engage actively in a dialogic co-operation with our clients and partners.

Know-how and co-operation: We appreciate versatile expertise, experience and creativity. We meet challenges by emphasizing co-operation, mutual trust and respect for the individual.

The Finnish Road Administration – a respected authority leading the way

The Finnish Road Administration's vision 2007 stresses concern with the interaction between societal needs and road management, acting as an expert in road management together with other actors and clients for the benefit of the entire transport system and developing procurement practices on the market. The purpose of the vision is to ensure the constant development of Finnra's activities as well as motivation and necessary expertise among personnel in an encouraging and agreeable working community.

In accordance with the vision, Finnra's structures have undergone reforms, policies have been unified, service quality has been improved and the use of joint expert resources together with partners and service providers has been streamlined.

Societal needs as a starting point: We understand the significance of transport for the wellbeing of citizens and for the competitiveness of the business sector as well as the interconnection between the two. We are aware of the societal impacts of our activities. We are able to anticipate changes in the operating environment. We communicate in a consistent and clear manner about the reasons for and priorities of road maintenance and development.

We engage in co-operation for the benefit of the transport system: Together with other actors, we are responsible for the functioning and economy of the

entire transport system. We have nationally, regionally and locally viable networks. We make our know-how available to partners on an equal basis. In our core areas of expertise, we are an active developer of co-operation.

As experts, we are responsible for road management: We are an internationally recognized highway technology expert and developer of the road transport system. Client-centredness and equitable services form a basis for our operations. We have the best tendering practices on a developed and well-functioning market. In information management, we lead the way for the Finnish Civil Service.

Our working community offers positive challenges: The Finnish Road Administration is a sought-after workplace. Our personnel are respected, skilful and highly motivated. The working community is rewarding and based on equal opportunities. We operate in an open and consistent manner. We ensure that our expertise is developed further. We encourage acquisition of new skills and innovation. Our process and team-based policies are subject to constant revision.

1.2 Operating environment

1.2.1 Road network and traffic

The Finnish Road Administration's mission is to administer the Finnish public highway network. At the beginning of 2003, Finland had 78,137 kilometres of public roads, of which 50,355 kilometres (64%) were paved. In addition, the public roads had 879 kilometres of ramps and 48 kilometres of ferry routes. Motorways totalled 603 kilometres and motor-traffic ways 147 kilometres.

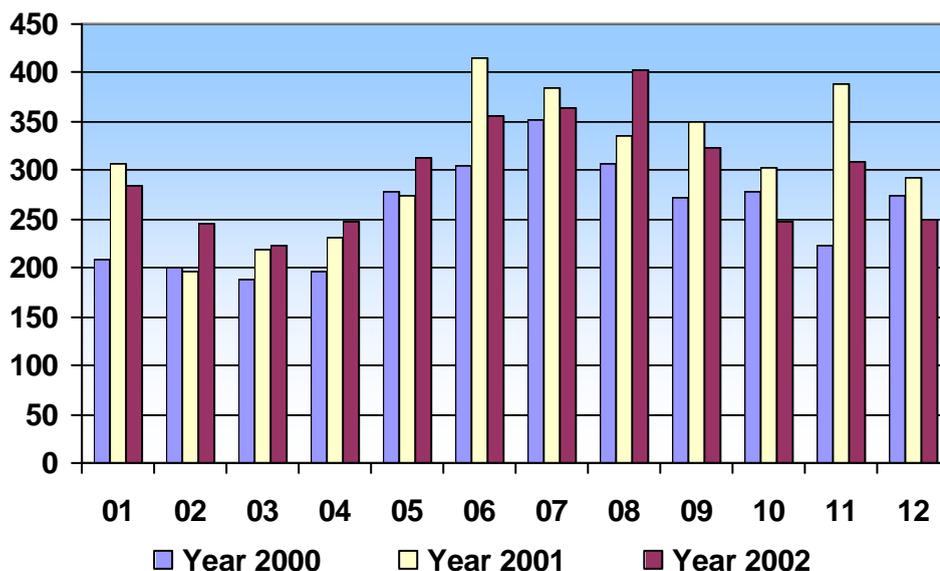


Figure 1. Personal injury accidents on public roads.

Eleven kilometres of new motorways went into service when the section between Vehmasmäki and Hiltulanlahti in the agency's Savo-Karjala Region was converted from a motor-traffic way into a motorway.

In 2002, 125 new bridges reached completion and 26 old ones were decommissioned. There were 13,979 bridges on public roads at the beginning of 2003.

Traffic performance on public roads increased by 3.0 per cent, compared to an increase of 2.4 per cent the year before. On main roads, traffic performance grew by 3.9 per cent and on regional and connecting roads by 1.4 per cent. Heavy-traffic performance increased by 2.4 per cent, totalling 2,765 million automobile kilometres. Traffic performance on public roads came to 32,200 million automobile kilometres, of which 20,200 million automobile kilometres were travelled on main roads (63%).

Traffic safety did not decline from the previous year's level, but it was clearly poorer than in 2000. According to preliminary information, there were 320 fatalities on public roads (324 in 2001; 228 in 2000). Actions to improve road safety currently lag behind the target set by the Finnish Government.

1.2.2 Trends in cost level

During the report year, earthwork costs increased by 2 per cent, but in upkeep and maintenance, the increase was 3 per cent. The price of bitumen went up by 4 per cent from the previous year, being about double the late-1990s price.

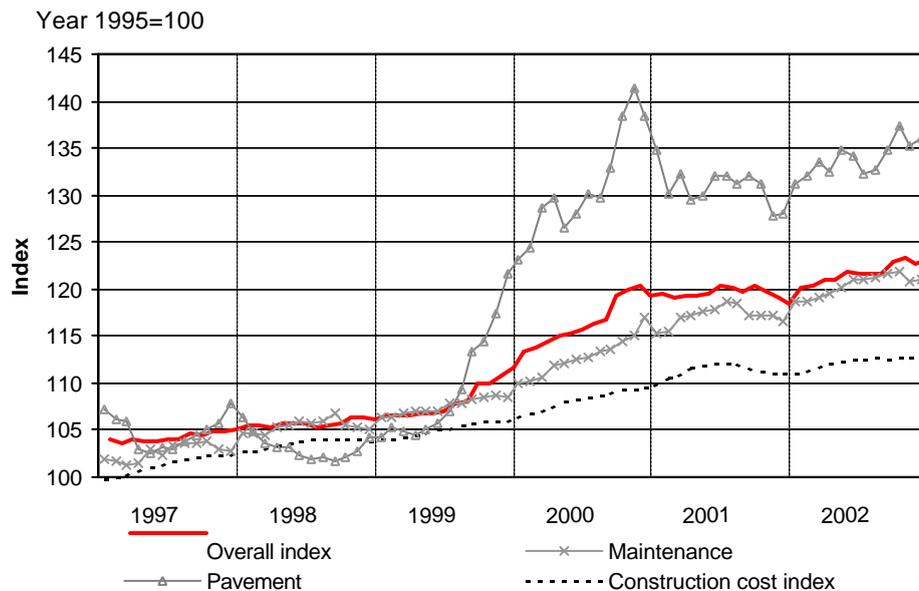


Figure 2. Trends in the earthworks cost index in 1997-2002

1.3 The Finnish Road Administration's organization

The Finnish Road Administration is a matrix organization consisting of the core and support processes and profit centres (Central Administration and nine Regions). The profit centres are responsible for their financial and operational performance, while the processes are in charge of joint policies, their application and the development of activities.

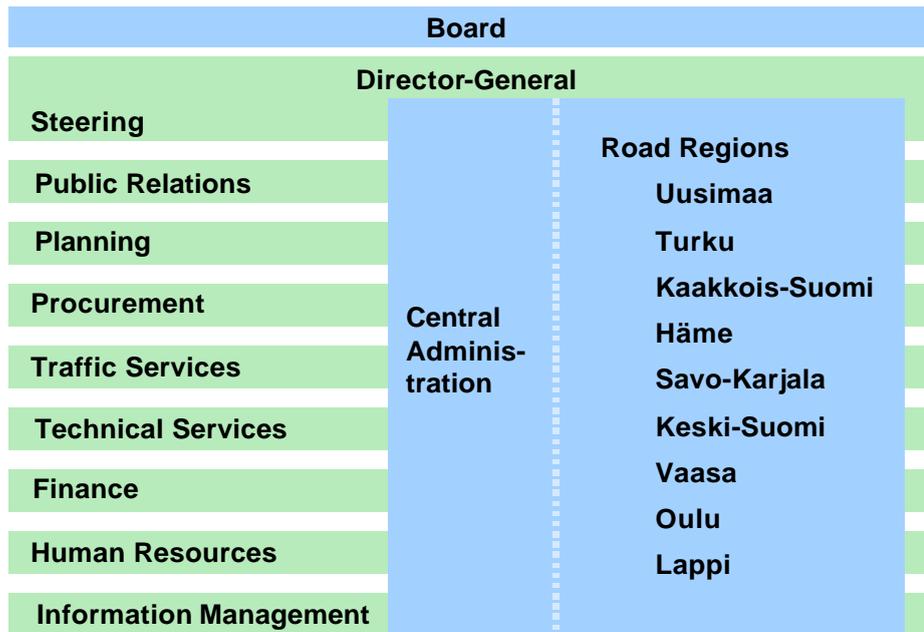


Figure 3. The Finnish Road Administration's organization – 1 January 2002

The matrix organization was introduced on 1 January 2002. The agency identified its key processes, divided into the core processes of public relations, service planning, service procurement and traffic management services as well as the support processes of steering, finance, human resources, information management and technical services.

The Finnish Road Administration's management

The Finnish Road Administration's Board makes decisions on the agency's general policies, targets, strategic and annual plans and certain appointments. The Board's two-year term lasted from 1 January 2001 to 31 December 2002.

The Board consisted of Chairman, Executive Director Matti Vuoria of Fortum Oyj; Vice-Chairman, Chief Engineer Mikko Ojajärvi of the Ministry of Transport and Communications; and the following members: Secretary-General Sirkka Hautojärvi of the Ministry of the Environment; Mayor Marketta Kokkonen of the City of Espoo; Managing Director Kaarina Aho of Ahotrans Oy; and Engineer Martti Halmela, representative of the Finnish Road Administration's personnel. The permanent experts were Director-General Eero Karjaluoto of the Finnish Road Administration and Director Jani Saarinen, acting as the Board Secretary. In 2002, the Board was nine times in session.

Director-General Eero Karjaluoto led the Finnish Road Administration and was responsible for its activities, assisted by two Central Administration Directors and nine Regional Directors. Process development was led by the nine Process Directors.

Steering of activities

The starting points for Finnra's activities were the approved road management policies and the financial framework for the year 2002. The Regions' and Central Administration's activities were based on profit centre-specific performance agreements. The profit centres were steered by the decisions made by the management based on monthly reporting. Quarterly reports on the activities were submitted to the Board. The Ministry of Transport and Communications received a semi-annual report on 27 August 2002.

The strategic steering of activities was intensified by holding five executive strategy seminars, concentrating on strategic steering and the development of activities.

Strategies to develop activities

Six strategies were drawn up in 2002 to implement the Finnish Road Administration's vision.

Based on the vision, the aim of the action strategy is to strengthen the agency's role and activities. The strategy serves the development of the key processes in particular. From a perspective of about five years, the strategy will be specified further as the operating environment changes.

The information management strategy is important due to the central role of information and its management for Finnra's operations. The agency's information-intensive activities, aiming at networking, and the rapid development in the field are crucial aspects of implementing the vision.

The strategy for developing know-how is necessary because of the changes in expertise needs resulting from Finnra's new role, the personnel structure dating back to the production organization, personnel's high mean age and the impending retirement of many staff members.

The procurement strategy was renewed to complement the agency's new role. Developing procurement practices is a central notion in the vision. Procurement development is also part of the development project on the infra field of the National Technology Agency of Finland.

The public relations strategy is about honouring client relations important for Finnra and developing client-oriented activities consistent with the values and vision.

The R&D strategy was revised, as the vision underlying the previous strategy had outdated and the agency's role in placing orders entailed changes in the substance and division of labour in research and development as well.

1.4 Implementation of the road administration reform

1.4.1 Competitive tendering in road management

Road management was opened to competition as prescribed by the Government Decision-in-Principle and the laws passed in Parliament concerning the Finnish Road Administration and the Finnish Road Enterprise. Construction and upkeep of public roads was opened to competition in 2001 – 2002, while the same will take place in planning and maintenance in 2001 – 2004.

In 2002, Finnra procured road management through competitive tendering and agreements. The latter arrangement with the Finnish Road Enterprise applied to the projects that were not subject to competition. Procurement procedures have operated as planned and in a controlled way.

The year 2002 was the second year in the transition period towards competitive tendering in maintenance. Competitive tendering involved 26 regional contracts. This means that half of the regional maintenance contracts were subject to competition. As in 2001, competitive tendering brought considerable savings, compared to the previous agreements. The first two years suggest that the pre-set goal of an annual saving of 34 million euros is attainable by the year 2004.

In planning, construction and upkeep, competitive tendering is more traditional and there is no shortage of companies operating on the market. Also in these fields, competitive tendering has been implemented as scheduled. In terms of value, 79 per cent of road management construction and upkeep and 72 per cent of planning were subject to competitive tendering in 2002. Finnra estimates that competitive tendering will bring an annual saving of 16 million euros after the transition period.

It is also estimated by the agency that after the transition, the road administration reform and competition will bring a total saving of EUR 50 million per year in road management.

Competition worked well also in 2002. The costs of tendered contracts were clearly lower than budgeted by Finnra. In maintenance, the savings came to 8 per cent, to 13 per cent in upkeep, to 11 per cent in construction and to 8 per cent in planning. On the other hand, the cost of negotiated contracts exceeded the agency's estimates.

Competitive tendering in maintenance

The year 2002 was the second year in the transition period towards competitive tendering in maintenance, involving 26 regional contracts, i.e. half of the regional maintenance contracts.

Thirty-seven companies applied for taking part in competition, including the Finnish Road Enterprise; the corresponding number in 2001 was 44. One company had to be disqualified due to inexperience and insufficient volume. In addition to the Finnish Road Enterprise, there were two companies interested in every project put out to tender. Many regional and local actors also submitted tenders.

Twenty-four companies took part in competitive tendering, two more than the year before. All contracts received at least three tenders, the average being 4.7 tenders per contract. The tenders were clearly more carefully calculated than was the case before.

The tenders were again decided on overall economic comparison, where the price was weighted 75 per cent and other considerations 25 per cent. If a company failed to score 350 out of 1,000 points, the tender was rejected and the offers (8) were not processed.

Of the maintenance projects open to competition, the Finnish Road Enterprise won 22, while YIT Rakennus Oyj, Rakennusliike Karjaluo Oy, Traktoriurakointi Veljekset Määttä Ay and NCC Roads Interasfaltti Oy captured one each. Of the privately won projects, three are located in the Oulu Region and one in the Vaasa Region.

As in the year before, competition was close: in 13 contracts the price difference between the highest and lowest bid was under 5 per cent, and only in seven contracts was the difference higher than 10 per cent.

As in 2001, the Finnish Road Enterprise won three projects based on overall economic comparison, i.e. by making the lowest offer. The Finnish Road Enterprise had 85 regional contracts (including negotiated contracts), while the other contractors had a more modest share, 10 regional contracts.

Competitive tendering in planning, construction and upkeep

In planning, construction and upkeep, competitive tendering is more traditional and there are many companies operating on the market. In euro terms, the works opened to competition had a higher proportion than was agreed in the relevant programme. Competitive tendering in construction and upkeep has progressed somewhat ahead of schedule. In terms of contract value, 79 per cent of road management construction and upkeep and 72 per cent of planning were put out to tender in 2002.

Competition has worked well. In terms of contract value, private companies won 43 per cent of construction, 73 per cent of upkeep and 93 per cent of planning contracts.

The contract prices were lower than estimated by Finnra. This means that competitive tendering has increased cost-efficiency not only in regional maintenance but also elsewhere. However, upkeep is very sensitive to cyclical fluctuations in the market price of oil.

The prices of negotiated contracts exceeded Finnra's estimates by 8 per cent in upkeep and by 4 per cent in construction. In planning, the cost level of negotiated contracts was the same as in contracts subject to competition.

1.4.2 Adjustment of the Finnish Road Enterprise personnel

The Finnish Parliament has required that the position of the staff must be secured during the transition. Necessary adjustments to staffing have been agreed in negotiations between the Finnish Road Administration and the Finnish Road Enterprise.

The position of the Finnish Road Enterprise's personnel during the transition period of 2001 – 2004 is ensured through negotiated contracts, so-called service projects and active adjustment measures.

Negotiated contracts

Negotiated contracts have involved maintenance, upkeep, planning and construction contracts, where competitive tendering has not been possible, given the timetable. In 2002, the expenses of negotiated contracts with the Finnish Road Enterprise came to approximately 348 million euros (EUR 437 million in 2001), of which over 40 per cent was road maintenance. Negotiated contracts are estimated to cost EUR 170 million in 2003.

Service projects

The segment of Road Enterprise personnel that has not found work in the contracts won or negotiated by the enterprise have been assigned to the so-called service projects. The related costs were 20.7 million euros in 2002 (19.7 million in 2001).

At the beginning of 2002, 871 people took part in the service projects, averaging 585 persons.

This work mainly involved clearing roadside obstacles blocking the view, traffic counts, maintaining archives and updating registries, maintaining and renovating depots, making inventories of on-road equipment, field measurements and markings as well as clearing obstacles at deer crossing points and landscaping.

Active adjustment

It is agreed that an amount of 15.14 million euros will be spent on the active adjustment of Finnish Road Enterprise personnel, in the form of transfers, severance pay and training in connection with the reform.

By the end of 2002, these adjustment measures have cost EUR 5.2 million under the Item of basic road management.

In addition, personnel transfers mean a future reduction of EUR 4.1 million in road management finance, a sum to be made available to the State agencies where the employees have relocated.

1.5 International activities

The agency engaged in international activities as planned in terms of international co-operation with road agencies and Finnra's own goals. The organizational activities incurred more expenses than was projected. Training in international affairs did not progress according to plan.

In 2002, co-operation with international partners was active like it has been in recent years, especially with the Nordic and Baltic countries, Russia and Asian countries.

In support of the projects of the Asian Development Bank (ADB), the Finnish Road Administration signed a twinning agreement with the highway department of the Ministry of Transport of Papua New Guinea and strives to

contribute to the country's accession to the World Road Association (PIARC).

Finnra's Director-General Eero Karjaluoto took part in Minister of Transport and Communications Kimmo Sasi's visit to China. The agenda of the meeting with Minister Zhang Chunxuan of the Chinese Ministry of Communications included the collaborative projects launched by Finnra in China. The aim of these projects is to develop road management in the Provinces of Qinghai and Jilin through interest subsidy loans applied from Finland.

1.6 Research and development

Finnra's research and development strategy for 2002 – 2007 was approved in early 2002.

Of the R&D funding, revised in the autumn (EUR 5.16 million), about 97 per cent (EUR 5.01 million) had been charged by the end of 2002. The Regions spent an additional 0.5 million euros on R&D projects. The value of Finnra's R&D was estimated at 3.8 million euros. EUR 0.6 million worth of projects continued to the following year.

The projects progressed slower than expected due to late programming and organization as well as changes in the R&D sector. Nevertheless, the projects were mainly implemented on the planned scale.

The proportion of projects belonging to the National Technology Agency of Finland programmes has grown in recent years. The launch of these projects has been hard to anticipate, as it is contingent on the availability of experts and Finnra's personnel resources.

The Research Program on Road Structures (strategic project S4) ended. A summary of its findings was published in Finnra's Reports series. An evaluation report on it is also underway. A training programme drawing on the results has started.

The Solutions to Improve Main Roads project (strategic project S12) concentrated on the following issues in 2002: the service level and capacity of main roads; development and testing of new road types; main road alignment; softer roadside surroundings; traffic behaviour and road users' opinions; planning methods and the estimated impacts of actions.

Launched in 2002, the research programme on impact management (strategic project S13) has the following aims: better impact information about road management actions; the methodological development of impact management; intensified utilization of impact information; and more accurate raw data on impact management. The research programme will continue to the end of 2005.

The research programme on the economical upkeep of lower-standard roads (strategic project S14) also started in 2002, with the aim of developing more economical actions, methods and solutions to maintain lower-standard highways, with closer study on customer needs and related action targeting

as starting points. The programme is scheduled to be ready by the end of 2005.

1.7 Resources

1.7.1 Road management funding

The Finnish Parliament decides road management funding in conjunction with the State budget. Road management appropriations are mainly budgeted under Item 31.24 Road Administration. Appropriations for private-road maintenance and improvement are included in budget Item 31.25 Road management State subsidies.

In 2002, 802.7 million euros were spent on road management. Of this amount, 629.3 million euros were funding for basic road management on public roads, the purpose of which is mainly to ensure the daily trafficability of highways and to maintain the road structures and service at agreed level. A balance of 101.5 million euros was carried forward to the year 2003.

Basic road management

The net expenses of basic road management increased by 13.2 per cent from 2001; the increase in maintenance and upkeep was 9 per cent. Municipalities and other outsiders contributed to road investment funding by some 21.8 million euros.

Table 1. Finance available to Finnra in 2001 and 2002 (EUR mill.)

Item	Spent in 2001	Finance in 2002		Spent in 2002	Balance for 2003
		Balance	Granted		
Finnra					
Basic road management	532.4	46.0	613.284	623.776	35.507
Basic road management EU	7.4	1.1	5.582	5.500	1.131
Road network development	80.4	11.3	61.486	51.325	21.479
Acquisition of land areas and compensation	19.9		21.346	19.329	-
Järvenpää – Lahti (postponed finance)	15.1	3.3	16.819	17.076	3.080
Lohja-Lohjanharju road constr.			3.000	0.614	
Comprehensive finance projects	35.7	71.0	47.898	64.616	33.678
Planning of Port of Vuosaari	0.9	0.5	3.750	2.415	1.831
Road Enterprise, establ. costs	0.1	-			
EU structural and reg. development	5.1	0.0	5.355	4.086	-
Labour policy works					
Labour policy works	2.8	0.8	4.615	4.564	0.135
Labour policy works EU	0.6	0.0	0.768	0.768	-
State subsidies					
Labour policy-based subsidies for investments investointeihin	0.2	0.0			
Subsidies for private roads	8.8	3.6	10.100	9.071	4.617
Execution of labour policy				0.160	
Total	709.5	137.5	794.003	803.300	101.458

EUR 21.6 million were spent on Finnish Road Enterprise personnel adjustment and road management service projects. Traffic management cost 6.5 million euros and expenses from Finnra's own activities were 78.7 million euros.

A basic road management balance of about 36.6 million euros was carried forward to 2003; the balance was 10 million euros smaller than the year before and 16.8 million of it consisted of supplementary budget funding granted in December. It was agreed that this sum be spent in 2003 on traffic safety projects. It was also agreed that the adjustments made in 2002 to negotiated contracts will be spent on road management in 2003.

Road network development, postponed and comprehensive finance projects

In 2002, 115.9 million euros were spent on road network development investments. The investment rate remained the same as in the previous year.

The supplementary budget gave 1.62 million euros to road network development. Of the road network development item, 21.48 million euros were carried forward to 2003.

The budgeted EUR 10 million for Lohja – Lohjanharju road construction was reduced in the supplementary budget by 7 million euros. The project costs came to 0.6 million euros.

EUR 36.76 million worth of appropriations budgeted for projects on postponed and comprehensive finance were carried forward to 2003. A transferable allocation of 17.55 million euros granted in 2000 was cancelled in the final accounts, including a saving of some 1.79 million euros in the Main Road 2 Pori – Ulvila project. Other cancellation was due to delays in project launches; the corresponding increment was received in the 2002 supplementary budget. In addition, TEN support worth 8.82 million euros was included in the supplementary budget, to be used in the future for funding the Main Road 50 Ring Road III Tikkurila – Airport road.

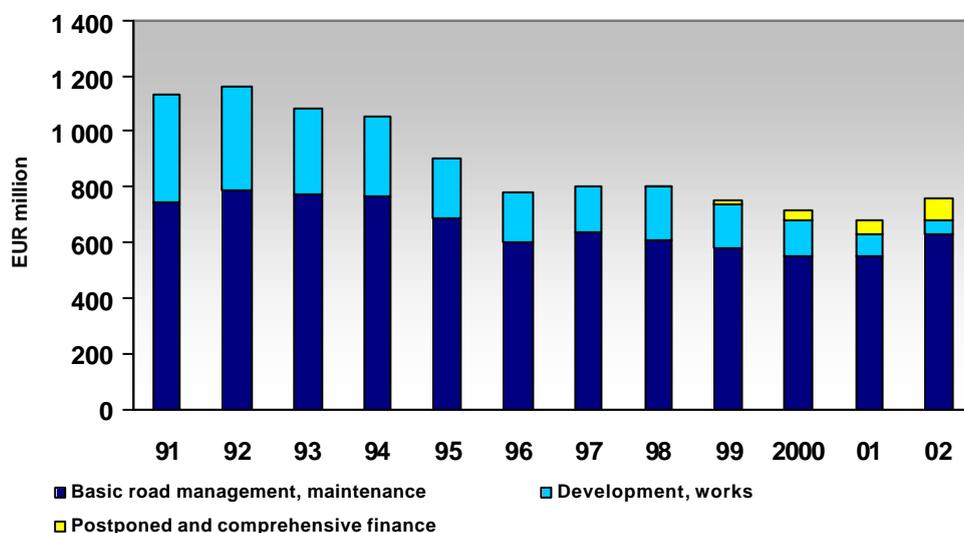


Figure 4. Road management funding in 1991 – 2002

The Järvenpää – Lahti motorway project on postponed finance and its private-funding contract cost 17.08 million euros, based on traffic performance on the road. In 2001, the corresponding sum was 15.1 million euros. A balance of EUR 3.08 million was carried forward to 2003.

Other items

The supplementary budget granted 3.75 million euros to planning the Port of Vuosaari road arrangements, costing the State 2.4 million euros. EUR 1.8 million were carried forward to 2003.

The estimated appropriation of 23.5 million euros for land acquisition was reduced by 2.2 million euros in the supplementary budget. Land acquisition and compensation costs amounted to 19.3 million euros.

EUR 5.3 million of labour policy funding and EUR 4.1 million of EU Objective investment funding were spent on small-scale road improvements. The national contributions to EU programmes (5.5 million euros) were paid out from basic road management appropriations.

A total of 9.1 million euros of State subsidies were invested in improving private roads. EUR 4.6 million were carried forward to 2003.

1.7.2 Personnel

The number of permanent personnel in the Finnish Road Administration was 1,030 at the end of 2002. The reduction during the year was 14 people.

Employees’ job satisfaction is surveyed annually. During the transition period, job satisfaction has remained good. The agency’s management has analysed the survey results and taken the necessary steering measures to maintain and improve job satisfaction.

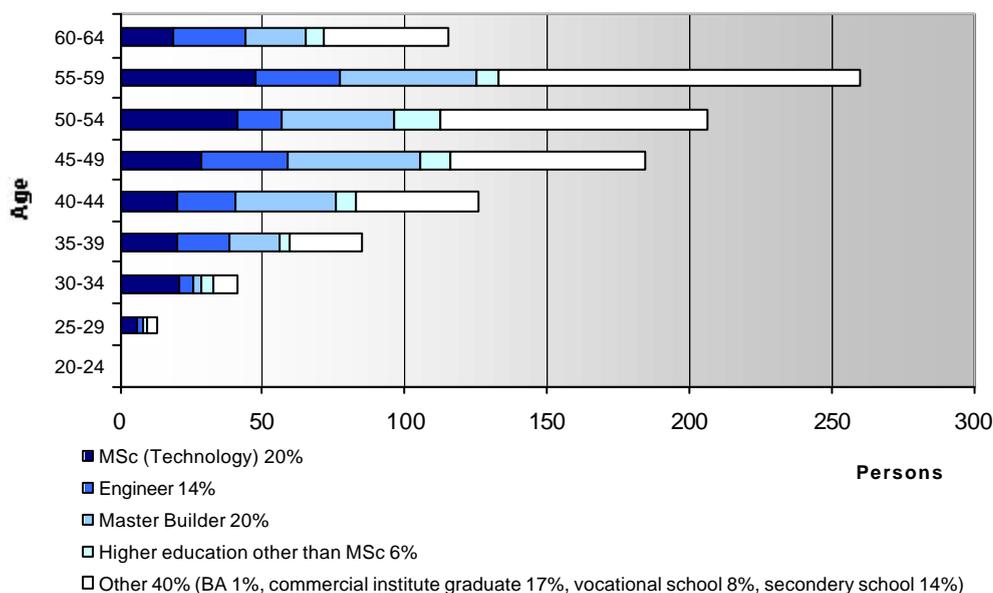


Figure 5. Distribution by age and education of personnel

Finnra's personnel is estimated to decline through natural turnover to about 900 by the end of 2007. Owing to the high mean age of the staff, the recruitment of new personnel has continued. Thirty-six new experts were hired to replace those having left the agency. Of them, 15 transferred from the Finnish Road Enterprise, 14 from outside the organization and 7 temporary employees were given permanent posts.

Each year, the agency carries out a special job satisfaction survey. In 2002, job satisfaction remained at an average level (response percentage: 76). Of the respondents, 45 per cent were satisfied or very satisfied with Finnra's activities. The survey showed that the following issues needed improvement: the salary (did not give incentive or was considered unfair), the general work organization and workload. It transpired that Finnra's vision and new organization still called for further clarification.

On 1 March 2001, the Finnish Road Administration introduced a new salary system, increasing salary costs by 2 per cent. New salaries were paid according to this system retroactively in April 2002. The salary system is based on the demands of the task and personal performance.

1.7.3 Premises and real estate

The Finnish Road Administration controls 1,397 buildings (1.6 million m³), mainly consisting of road maintenance depots. They comprise 72 road maintenance depots, 51 departure points and 144 warehouses. Some 40,000 m² of premises were leased.

The unbuilt real estate property administered by the agency by propriety right (381) were mainly extractable land resources. There were an additional 265 extractable land areas administered by right of way. In addition, 203 areas were rented or in use by some other right.

Some pieces of real estate used for purposes other than extracting land resources are missing from the registers of Finnra or the National Land Survey. An effort will be made by Finnra to update these registers in the near future together with the National Land Survey.

In 2002, Finnra relinquished 26 pieces of real estate with a total value of about 490,000 euros. One of them was handed over to the Forest and Park Service through the Ministry of Agriculture and Forestry. Twenty-six were sold directly (43 ha.).

The agency's real estate consisting of buildings were rented out as part of the contracts or on a voluntary basis to road maintenance contractors. The rent covered the related costs.

Finnra is currently reassessing the amount of its real estate resources, as road maintenance is opened to competition. An optimum depot network can promote fair competition, help in safeguarding the environment around the depots and ensure better readiness for contractors to operate.

1.7.4 Capital assets

Finnra’s capital assets are specified in Appendix 3. On 31 December 2002, the balance sheet value of the Finnish Road Administration’s capital assets was 15,101.8 million euros, of which 14,089.4 million euros involved road structures, 528.1 million euros construction sites and water areas, while 433.6 million euros involved unfinished road projects. Finished road structures increased by 452.5 million euros, of which 107.2 million euros were transfers from unfinished road projects. Depreciation consistent with plan came to 488.3 million euros, which means that the balance sheet value of road structures declined from 14,137.9 million euros to 14,089.5 million euros.

The road assets consist of finished and unfinished road structures and roadbeds. The balance sheet value of road structures declined from the previous year despite the fact that pavement upkeep costs (EUR 79.1 million), formerly processed as annual costs, were included for the first time. A declining trend is seen in the total value of road assets, although there was an increase in unfinished road structures due to the new projects launched during the report year. In addition, the unfinished road structures involved some investment expenses in 2002 that had not been activated in previous years. Depreciation, which reflects the decline in road asset value, amounted to 488.3 million euros. In the year before, equivalent depreciation totalled 457.5 million euros.

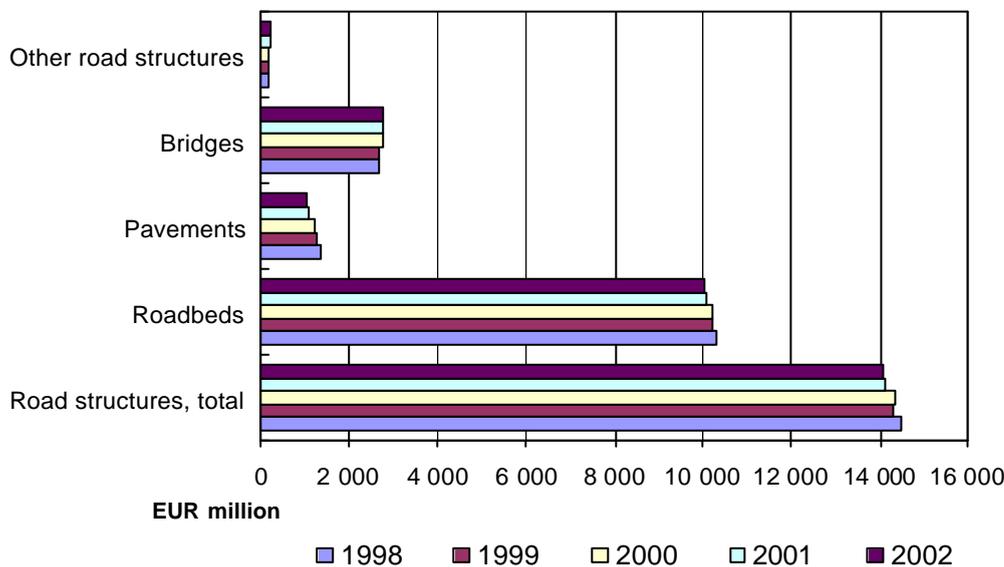


Figure 6. Road structures in the final accounts in 1998 – 2002

The balance sheet value of machines and equipment, 9.8 million euros, mainly consisted of machines and equipment used for preparedness activities. Machines and equipment related to road structures are included in other road structures. The bulk of computer equipment was leased. Machines, equipment and furniture of lesser value (under 1,000 euros) were entered in annual costs (0.359 million euros).

The balance sheet value of intangible assets on 31 December 2002 was 8.9 million euros, of which 5.4 million was added during the report year. These assets comprised software that was either purchased or commissioned.

2 RESULTS

2.1 Economy and productivity of activities

2.1.1 Road management

The guidelines for maintenance were clarified for the regional contracts starting at the end of 2002 by shortening the winter maintenance response times in the lower-standard road network. Maintenance expenditure increased by over two per cent, i.e. in real terms they remained at 2001 and 2000 levels.

Table 2. Purchase of road management products in 2001 – 2002, million euros

Road management product	2001 actual	2002 actual
Winter maintenance	95	95
Traffic environment maintenance	47	50
Maintenance of structures and equipment	13	15
Gravel road maintenance	30	30
Ferry traffic	21	22
Maintenance, total	206	211
Pavement upkeep	63	79
Upkeep of structures and equipment	14	19
Replacement investments	57	98
Upkeep and replacement investments, total	134	196
Basic road management expansion investments	74	92
Basic road management new investments	24	21
Development investments	82	52
Comprehensive funding projects	38	64
Road investments, total	217	230
Preliminary and general planning	11	12
Road and construction planning	14	15
Planning, total	25	26
Traffic management	6	6
Acquisition and maintenance of land areas	21	21
Järvenpää – Lahti postponed finance project	15	17
Service projects	19	21
Total	643	728

Pavements were renewed along 3,540 kilometres of roads, whereas sustainable road management would require about 4,100 km. Pavement actions, however, increased by 1,170 kilometres compared to the year before. Disadvantages from pot holes and frost damage on gravel roads was reduced. Thanks to the limited rainfall in the spring, the situation was good: as little as

465 kilometres were affected by structural damage, while in normal years the length exceeds 1,000 km. A total of 230 kilometres of damaged sections on gravel highways were repaired (170 km in 2001). In 2002, 93 bridges underwent overhaul, while sustainable road management would require an estimated 300 – 350 bridges to be repaired. The deterioration of the entire public road network condition almost stopped.

The criteria for expansion investments focused on the projects' safety and environmental impacts. Some 111 kilometres of bicycle and pedestrian ways were constructed, 6.7 kilometres of new groundwater protection was built and noise was reduced on seven sites (2,180 inhabitants); 21 bridges were renewed.

EUR 728 million were spent on road management purchases in 2002, some 85 million euros more than in 2001.

Maintenance

In 2002, the winter season started earlier than average in Southern and Central Finland. There were some problems in the response times and some sections had to be temporarily closed due to slippery conditions. Moreover, above-average quantities of salt had to be applied to ensure safety and smooth travel.

Because of the dry summer and early winter, not all gravel roads were levelled and gravelled properly. On the other hand, no new potholes occurred in the autumn.

According to the summer survey, private citizens were highly satisfied with the summertime maintenance and condition of main roads, but professional drivers were more critical. Pavement condition outside the main network and gravel road condition caused much discontent. Road maintenance in the summer was assessed to be uniform in quality throughout the country.

The guidelines for maintenance were clarified for the regional contracts starting at the end of 2002 by shortening the winter maintenance response times in the lower network. Maintenance expenditure increased by over two per cent, i.e. in real terms it remained at 2001 and 2000 levels.

Upkeep and replacement investments

The road network upkeep and replacement investments are targeted at replacing pavements, retaining the structural condition of roads and bridges or restoring their original condition. In 2002, 184 million euros were spent on these activities (excluding upkeep of structures and equipment). In terms of upkeep and replacement investments, paved roads accounted for 145.8 million euros, gravel roads for 18.5 million euros and bridges for 19.7 million euros. These road network upkeep investments maintain 78,000 kilometres of roads and 13,979 bridges, with a capital value totalling some 18 billion euros; of this, the value of bridges is about 3 billion euros.

Pavement actions (renewal and replacement investments) involved approximately 3,540 kilometres in 2002, i.e. 1,170 kilometres more than in 2001. Environmentally friendly recycled masses accounted for 37 per cent of the pavements, about 8 per cent more than in 2001.

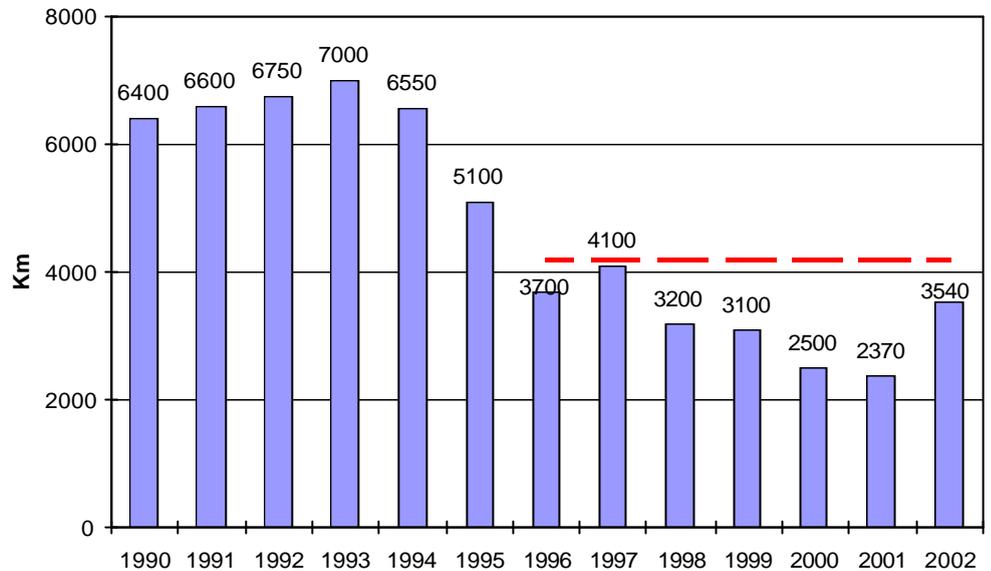


Figure 7. Pavement renewal rate 1990 – 2002 (km)

Of the total 3,540 kilometres, some 1,090 kilometres underwent structural improvement. The amount of structural improvement actions has about doubled from 2001. For the most part, structural improvement is targeted at regional and connecting roads (84%), whose condition is the worst, but actions are increasingly taken on main roads as well. The calculatory pavement overhaul rate (14.5 years) is nearing the level of sustainable upkeep (12.5 years). In replacement investments, the minimum level of sustainable upkeep is 1,000 km/year.

Disadvantages to traffic from structural damage on gravel roads was reduced somewhat. Exceptionally few gravel sections were affected by structural damage in spring 2002: 465 kilometres compared to an average of 1,000 kilometres in a normal spring. There are about 2,800 kilometres of potential sections, where structural damage is likely in the spring. About 230 kilometres were repaired in 2002 (170 km in 2001).

The need for bridge overhaul has exacerbated in recent years and such work was undertaken more extensively than in 2001. A total of 605 bridges were repaired in 2002; of them, 93 were renewed or renovated (175 in 2000, 182 in 2001). From the viewpoint of sustainable road management, the present need for bridge overhaul is 300 – 350 bridges per year. Bridge condition has deteriorated, as necessary repairs have been postponed. Done later, the repairs will be more complicated and expensive.

Basic road management expansion and new investments

The purpose of expansion investments is to restore the service level of a road to meet today's requirements. Other reasons for selecting a particular project are traffic safety and environmental impacts. New investments change the network through new highway connections and bridges.

The Finnish Road Administration financed basic road management investment projects for a total of 96.4 million euros. The national share of EU projects came to 6.268 million euros, of which 0.768 million constituted

employment funds. EUR 4.1 million of support from the EU's Regional Development Fund were used. EUR 4.6 million of other finance from the Employment and Economic Development Centres were used for expansion investments.

Approximately 93 kilometres of pedestrian and bicycle ways were constructed on basic road management funding (and an additional 18 km in network development projects). These included 29 overpasses and underpasses. Groundwater protection was built along 6.7 kilometres. Noise abatement was implemented on seven sites, one of which took place on development funds (150 inhabitants), while the remainder was done on basic road management funds (2,030 inhabitants).

In 2002, 21 bridges were renewed, which means that their decks were replaced on the existing posts or the bridge was completely renewed. In the programme on bridges replacing ferries, Kirkonsalmi Bridge was completed in Merimasku.

Of the expansion and new investment funding, 15 per cent went to pedestrian and bicycle ways, including underpasses, 11 per cent went to intersections and lane arrangements, 12 per cent to grade-separated intersections, 10 per cent to bridge construction and overhaul, 31 per cent to expansion and new investments on paved roads, 8 per cent to realigning and paving gravel roads, while 13 per cent went to other minor investments.

Road network development investments

One major project designated in the budget reached completion, Main Road 2 Pori – Ulvila. The project was successfully completed and cheaper than anticipated.

In the 2002 budget, a decision was made to undertake the E18 Lohja – Lohjanharju project as part of converting Main Road 1 into a motorway between Muurla and Lohjanharju. A contractual authorization of 58.9 million euros was granted to the project Main Road 1 Lohja – Lohjanharju, but the launch was postponed to 2003 pending appeals.

Despite the delays in project launches, these sections are expected to go into service according to plan.

Table 3. Road projects decided in the budget, ongoing in 2002

Road project	Length , km	Cost estimate EUR million	Cost estimate 2002 EUR million	Cost estimate Year
Postponed finance/comprehensive service				
Vt 4 Järvenpää – Lahti postponed finance project	69	¹⁾	17.1	1999
Finishing works				
Vt 3 Hämeenlinna – Kulju	60	212.7	7.7	2000
Mt 102 Ring II Länsiväylä – Turuntie	7	52.1	1.1	2000
Vt 21 Kemi – Tornio	19	71.9	5.0	2001
In service				
Vt 2 Pori – Ulvila ²⁾	7	16.0	7.0	2002
Unfinished				
Vt 1 Paimio – Muurla mo	34	171.2	31.5	2003
Vt 4 Liminka – Oulu ²⁾	14	30.8	14.7	2003
Vt 9 Orivesi – Muurame ²⁾	60 / 98	43.7	18.2	2003
Vt 6 Koskenkylä – Kouvola ²⁾	45	48.8	10.0	2004
Kt 50 Ring III Lentoasema – Tikkurila ²⁾	5	60.5	11.8	2004
Decommissioning of rlwy crossings ³⁾		19.8	5.3	2003
Launched in 2002				
Vt 1 Lohja – Lohjanharju ⁴⁾	12	58.9	0.6	2005

¹⁾ Comprehensive service contract until 2012

²⁾ Comprehensive finance project

³⁾ Railway sections Toijala – Turku, Riihimäki – Kouvola and Kotka – Vainikkala
Vt = Main Road, Class I; Kt = Main Road, Class II; Mt = highway; mo = motorway

Planning

Planning includes preliminary and general planning as well as road plans. Construction planning is usually done in connection with the construction project and on construction funding.

EUR 26.5 million were spent on planning, of which 12 million went to preliminary and general planning, while EUR 14.5 million were invested in road plans and partly construction planning. Approximately half went to planning major designated projects. The largest projects were the road plan on Main Road 1 between Muurla and Lohjanharju as well as general planning of Main Road 6 between Lappeenranta and Imatra. The Ministry of Transport and Communications approved the road plans on Main Road 1 Muurla – Lohjanharju.

Traffic management

Traffic management activities support safe, smooth and environmentally friendly road transport under all road and weather conditions. Finnra's main traffic management activities include traffic information, traffic control and disruption management. These activities are led by the Traffic Centres, which monitor road conditions and the traffic situation through a wide range of weather and traffic monitoring systems and based on reports from collaborative partners. In 2002, a decision was reached on the new traffic centre organization as a nationwide profit centre operating 24 hours a day.

As of 1 June 2003, the activities will be centralized into four units located in Helsinki, Turku, Tampere and Oulu.

The expenses from the traffic management product came to 6.5 million euros in 2002. Their distribution was as follows:

- Monitoring of road and traffic conditions EUR 3.1 million
- Traffic information EUR 0.6 million
- Traffic control, variable EUR 2.6 million
- Traffic Centre activities EUR 0.2 million

In addition to the traffic management product, other investments promoting traffic management were made within the framework of other road management products, such as basic road management expansion and new investments. Furthermore, traffic centre personnel costs (EUR 2 million) were included in the expenses from the agency's own activities.

In 2002, an automatically variable speed limit system depending on the road weather conditions was introduced in a three-kilometre motorway section on Main Road 4 Kontinkangas – Laanila, in the Oulu Region. Automatic speed monitoring has been expanded for safety reasons on Main Road 5 in the Regions of Kaakkois-Suomi and Savo-Karjala in co-operation with the police. A total of 322 kilometres are now under automatic speed monitoring. Road information points on high-standard rest stops complement Internet services as providers of up-to-date information for road users about road weather, roadworks, traffic, restrictions and ferry timetables. The number of information points increased, now totalling 26.

The traffic management target set by the Ministry of Transport and Communications was met by drawing up a nationwide general plan on traffic monitoring, proposed to be implemented as part of an up-to-date theme programme on traffic and road weather monitoring for 2004 – 2007. New traffic and weather monitoring points as well as cameras were also deployed on important routes. The use of mobile phones in studying travel times yielded promising results in a pilot project carried out together with Radiolinja.

2.1.2 Finnra's expenses from activities

The expenses of the Finnish Road Administration's own activities in 2002 totalled about 78.7 million euros, the largest items being salaries and other personnel costs (incl. travel) EUR 48.6 million; expert and research service expenses EUR 12.3 million; other services EUR 6.9 million; and rent expenses EUR 6.0 million. The R&D programme expenditure of EUR 5.0 million is mainly included in the expert and research services.

Finnra's expenses from own activities included the actual operating costs of road planning, contracting and traffic services as well as administration, R&D and expenses from the Finnish Road Enterprise personnel adjustment.

2.2 Effectiveness of activities

The effectiveness of Finnra's activities is measured through the performance targets set by the Ministry of Transport and Communications and the agency itself. The Ministry's targets are discussed in Section 2.4 below.

Road safety

The Finnish Road Administration is committed to improving traffic safety to the best of its ability given the existing resources. With reference to the Government Resolution (18 January 2001) on enhancing road transport, the agency has taken several steps to improve traffic safety in the long run.

The development of solutions to improve safety on main roads continued in a strategic R&D project. These results have been taken into account in the policy now developed concerning main roads, with better safety as the primary concern. The present safety situation and problems were thoroughly investigated so that future actions can be accurately targeted.

The guidelines for urban routes were approved, setting strict goals for improving safety. These guidelines support urban planning in an effort to curb an increase in traffic volume.

The service level of public transport has been enhanced by, e.g. promoting the planning of the so-called quality corridors and by participating in the activities and research programmes on the Jaloin group.

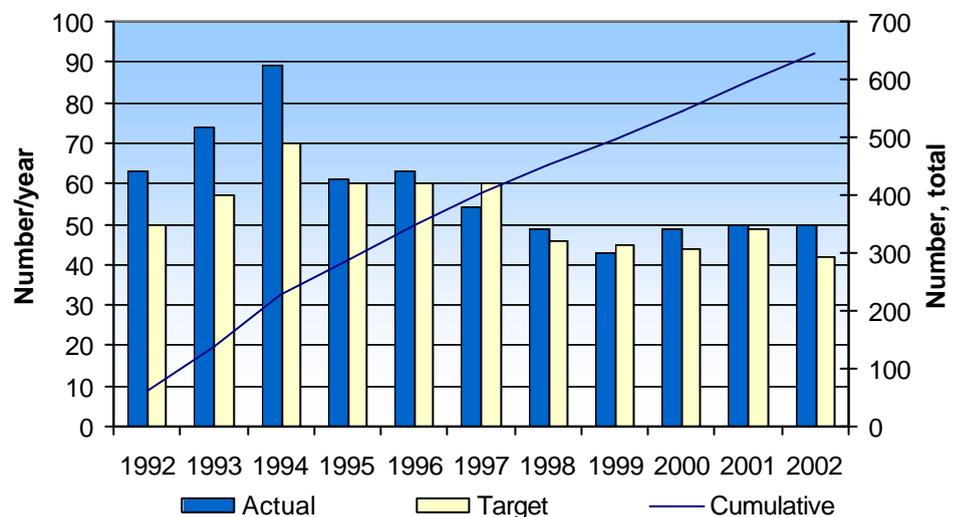


Figure 8. *Calculatory reduction in personal injury accidents through actions taken by the Finnish Road Administration (cumulative and annual)*

In the light of accidents, traffic safety improved on main roads somewhat as compared to the year before, but it nevertheless remained clearly poorer than the five-year average.

Finnra's possibilities to influence road safety are mainly restricted to the physical operating environment, whereas road user attitudes are harder to change. A safe environment is not enough if road users take unnecessary risks.

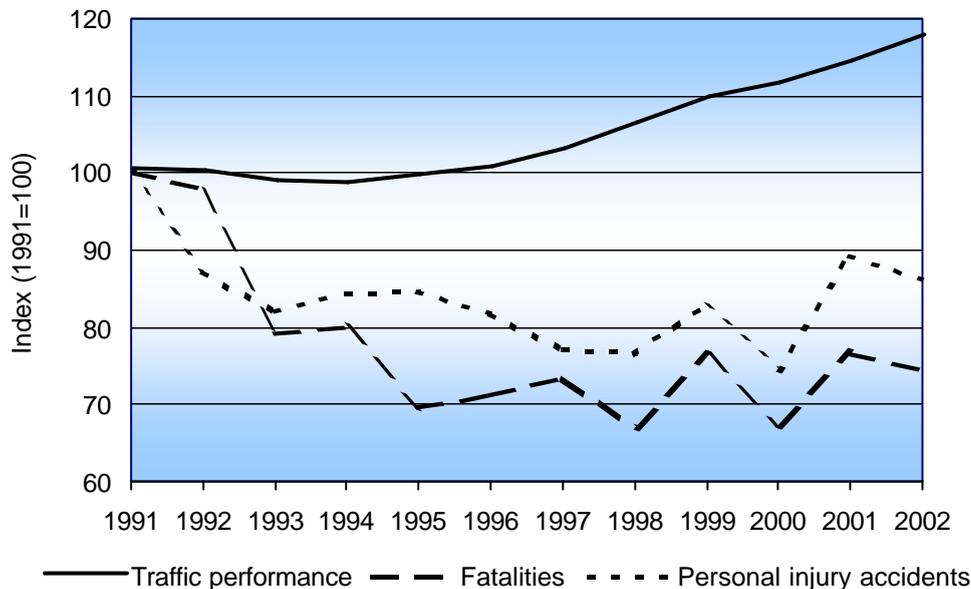


Figure 9. Trends in road safety and traffic performance in 1991 – 2002

Road network condition

Efforts to arrest the condition deterioration of the paved network were successful in 2002. The length of paved roads in bad repair decreased by 314 kilometres. The target set for roads with substandard pavements (the so-called one per cent limit) was not met (1.27 per cent of pavements). The percentage target fell short by 54 kilometres, although the length at national level was reduced by 46 kilometres.

A general assessment of road network condition, which takes account of the roads falling short of the targets and also average changes in the condition variables, shows that the rut situation on main roads has improved considerably from 2001. There was also a slight improvement in roughness and damage situation on these roads. Elsewhere, the most obvious improvement occurred in bearing capacity and various types of damage, while roughness remained at the same level.

The condition target for gravel roads was achieved, as the targeted reduction of 7.7 per cent in the disadvantage index increased to 11 per cent. The overall situation of structural weather damage on gravel roads has not improved accordingly because new sites emerge every year and the calculation formula for the index takes account of the overall length and traffic volume of the damaged section.

Bridge condition deteriorated from the situation at the beginning of 2002. The change in weight-restricted bridges (-13) does not give an accurate picture of the changes in bridge condition (about 14,000 bridges in all). The number of weight-restricted bridges, which belongs to the Ministry's targets, declined by 13 in 2002.

Environment

Finra has an environmental policy and programme for 2001 – 2005. The environment is taken into account in all areas of road management, in an effort to find more environmentally friendly solutions through research,

development, planning and actions. Another challenge is to encourage service providers to demonstrate the ecological sustainability of their products and services. The results are monitored by environmental performance targets and environmental reporting. Implementation of the environmental programme is monitored and reported on a regular basis.

Finnra's environmental report on activities in 2001 was published in the spring of 2002, discussing the natural resources used in road construction and the amount of resulting waste. The substance and methods of environmental information collected for reporting was improved in 2002. New data collection forms were also introduced.

An annual 5,000 – 6,000 inhabitants have benefited from noise reduction. In 2002, the amount of new noise barriers erected was somewhat smaller, benefiting some 2,200 people. In the early 1990s, about 320,000 people lived in areas affected by noise from public roads. During the past six years, over 120 kilometres of groundwater protection have been constructed in order to alleviate contamination risk. About 110 kilometres of sections in urgent need of protection still remain. The agency will try to cover 30 kilometres in its special groundwater protection programme in 2002 – 2006.

There are many sites where noise abatement and groundwater protection should be implemented without delay. Finnra's environmental programme for 2001 – 2005 set a target of carrying out the measures by the year 2010. Because of scarce finances, this goal will be hard to meet.

The use of salt in antiskid treatment has been monitored and reduced whenever possible. In 2002, 92,000 tonnes of salt was applied, which is a good result given the hard conditions in the winter of 2001 – 2002. The use of salt declined by 7 per cent from the average in 1996 – 2000.

2.3 Client opinion of the services provided

The Finnish Road Administration conducts regular surveys among road users in order to keep track of client perceptions of the agency's activities and services provided. According to the 2002 surveys, private road users remained satisfied with Finnra's activities; about half of the respondents were satisfied with the situation in general. Professional drivers, however, adopted a more critical stance in the winter season.

Most road users were dissatisfied with the lower-standard network: slippery, snowy and rough conditions in the winter and poor pavement and gravel road quality in the summer. The interviews called more attention to constructing pedestrian and bicycle ways and improving safety. If compromises are unavoidable, new connections should not be constructed at the expense of maintaining the existing ones in good condition.

Road users were happy with the level of maintenance and pavement condition on main roads and with the smoothness of traffic flow outside the built-up areas in Uusimaa. Motorists regarded safety to be very good on main roads, good in built-up areas but only moderately good on other roads. Pedestrians viewed safety along more critical lines.

The agency has an established policy for processing customer feedback. There is a separate system for processing feedback at the Traffic Centres concerning road maintenance, channelling these comments to contractors. Feedback to the Road Administration is dealt with separately.

An increasing proportion of feedback concerns activities that will not be changed on account of isolated complaints. Resource allocation and the new contract agreements mean that activities are more contingent on specific procedures. The contractors follow the quality criteria to the letter, as seen in altered maintenance levels. Changing these models midstream would cause problems with contracts and costs that are often disproportionate to the benefits.

Feedback reaches the agency increasingly via the Internet and email. The processing of these messages has been systematized, leading to prompt response. A frequently asked questions section was added to the Internet service.

2.4 Performance targets set by the Ministry

The targets set by the Ministry of Transport and Communications were achieved. The agency's economy target remained unattained in terms of operating costs that were 6 per cent in excess.

Traffic safety

Target: *Basic road management actions will result in a reduction of 40 (and an additional 2 by development investments opened to traffic in 2002) calculatory personal injury accidents, totalling a reduction of four fatalities in traffic.*

Based on the Government resolution, Finnra will implement the programme on intensified road management actions as agreed for 2002. The agency will promote co-operation and interaction between various actors by ensuring that its own activities are uniform and properly monitored.

At the agency's level, the target was met. Basic road management actions and development projects resulted in reductions in personal injury accidents of 46.7 and 3.1 respectively, i.e. a total of 49.8. In 2002, Finnra's Regions reported 320 road fatalities.

The intensified traffic safety measures, approved by the executive group on 4 February 2002 to be implemented during the year, mainly progressed as planned. Revision of the traffic safety programme (the Finnish National Road Administration's traffic safety programme 2005) continued in 2003 and it is to be completed in March.

The report on the extensive investigation into responsibilities for traffic safety including proposals for action (= overall programme) was approved by the traffic safety board of the Province of Western Finland. The overall programme aims to halve the differences in safety in the area compared to the entire country.

A traffic safety manager's post and a working group on traffic safety co-operation were established in the agency. The task of the latter is to promote and co-ordinate road safety development in Finnra's activities.

Smoothness of traffic flow

Target: *Satisfaction with traffic flow in each client group will remain at a good level.*

The amount of weight limits on gravel roads will not increase, not exceeding an average of 3,800 kilometres per year (14% of gravel roads) during the target period 2002 – 2005.

The number of weight-restricted bridges will increase by a maximum of 25 (10%) by the end of 2004.

The needs of public transport as well as pedestrian and bicycle traffic will be taken better into account in road management planning and contracting.

The target was achieved. According to the winter 2002 road user survey, satisfaction with the smoothness of traffic flow and Finnra's activities in general remained good. Satisfaction with lower network condition was however waning.

The summer survey showed that private road users were happy with the maintenance and condition of main roads in the summer, while professional drivers were again more critical. The condition of other roads caused much dissatisfaction. The quality of road maintenance in the summer was considered to be the same throughout the country. Traffic was considered to run smoothly in the summer.

In every Region, customer satisfaction with traffic flow and Finnra's activities was at a good level.

There were clearly fewer restrictions due to frost or other weather damage. The amounts varied monthly and some 1,334 kilometres of weight limits were imposed (three-year average: 3,484 km).

Bridge condition deteriorated since the beginning of 2002. The reduction in weight-restricted bridges (-13) does not give an accurate picture of structural changes in bridge condition (about 14,000 bridges in all). The number in weight-restricted bridges, which belongs to the Ministry's targets, declined by 13 in 2002.

Based on a needs study, 52 separate projects were carried out to improve public transport. Twenty-nine overpasses and underpasses were built for pedestrians and bicyclists. Some 92 kilometres of new pedestrian and bicycle ways were constructed on basic road management funding (total 110.9 km). In the plans now in progress, special attention is paid to public transport and pedestrian and bicycle traffic.

Road network condition

Target: *The amount of paved roads in poor condition in the main road network will remain at the present level, but in the lower network the amount will increase by a maximum of 100 kilometres in 2002 and by a total of 500 kilometres (8%) by the end of 2004. At the end of the period, the amount will not exceed 6,750 kilometres. A maximum of 450 kilometres of pavements in poor condition will be converted into gravel by the end of 2004. The disadvantages caused by weather damage to traffic will decrease by 5 per cent from the present.*

A measure for gravel road condition must be developed and set for 2003.

The target was met. In 2002, pavements in poor condition decreased for the first time since 1995 (by 314 km). The length of pavements falling short of the condition target was 5,775 kilometres. This positive development resulted from the pavement and replacement investment programme, which was more extensive than in recent years (length: 3,540 km). Sixty kilometres of pavements in poor condition were converted back to gravel roads.

An 11-per cent reduction was achieved in the disadvantage index, which means that the actions were targeted at busy gravel roads prone to damage and at cost-effective sites.

Structural damage inventories, required by the measure, have been done since 1996. Service level measurements on the surface condition of gravel roads have been conducted since 2001. The measure has been planned but not completed yet. The targets for 2003 were set by using the potential measures. In addition, the inclusion of condition deficit inventories (collapsed shoulders, broken culverts, drainage problems, etc.) in the measure of gravel road condition has been considered.

Environment

Target: *Groundwater areas will be protected, concentrating on the so-called urgent sites (a total of 60). In 2002, 2 – 3 sites will be implemented. The use of antiskid salt will be reduced especially in groundwater areas. In normal winter conditions the use will not exceed 90,000 tonnes. Noise affecting roadside residents will be reduced.*

Environmental reporting on road construction will be developed further in order to monitor the use of natural resources and the production of waste. This information will be submitted to the Ministry of Transport and Communications for the first time in 2002.

The target was attained. The Finnish Road Administration protected groundwater areas on six sites, five of which were urgent ones. A total of 6.7 kilometres of groundwater protection was constructed.

Finra achieved its salt reduction target, with a total of 93,000 tonnes of salt applied – a good result given the hard winter conditions. The maximum level of salt specified in the contracts is 95,000 tonnes.

The agency implemented noise abatement on seven sites. One site was constructed through development funding (150 residents), while the rest took

place on basic road management financing (2,030 residents). A total of 2,180 people benefited from noise reduction.

Finnra's environmental report saw light in the spring. The data on natural resources expended and waste produced in road construction were collected on the year 2001. The data contents and collection methods were developed further in 2002. The new data compilation forms were introduced in 2002.

Road traffic services and control

Target: *Traffic information and control will be developed by implementing monitoring systems on main routes and by improving the utilization of feedback from road users. It is ensured that the entire road network will be digitalized as planned and electronic network services will be introduced.*

A general plan on monitoring traffic was drawn up in 2002, specifying the focal points of traffic monitoring on main routes and major urban areas in the near future. The general plan suggests that traffic monitoring should be implemented in phases, so that the costs of Phase I (2003 – 2005) would be EUR 3.5 – 4 million, 1.4 – 1.6 million in Phase II (2006 – 2007) and 0.7 – 0.9 million in Phase III (after 2008). In the first phase, investments in traffic monitoring will concern major urban areas and arterial routes from Helsinki (Main Roads 1, 3, 4 and 7). The project belongs to the theme programme on traffic and weather monitoring.

A needs assessment was completed with regard to the traffic situation database. More studies are required on the substance of the database before actual work can start.

The Digiroad project progressed according to plan without major problems. The municipal study showed that the cities have only little information that could be utilized directly. The inventories on 2002 are in progress. The National Land Survey and the Finnish Road Enterprise are responsible for the implementation. The draft law is ready and its specifications are currently drafted.

Economy of Finnra's activities

Target: *Road management will open to competition in co-operation with other actors and in accordance with the guidelines agreed. As a result of competitive tendering, the real costs of road network maintenance will decrease by 34 million euros (15%) by the end of 2004. The budgets of investments will be adhered to. The costs of the agency's own operations will not increase in real terms.*

Road management was opened to competition on schedule. The procurement programme published in February was applied in 2002. All (26) regional contracts subject to competitive tendering were put out to tender. The contract prices were 8.7 per cent lower than estimated by the agency. Compared to the present contracts, the prices were lower by 24.4 million euros (16.7%).

Ninety-six per cent of the investment procurement programme was implemented and the costs were 8 per cent (EUR 17 million) lower than estimated. The same applied to the Main Road 2 Pori – Ulvila project: 1.79 million euros of appropriations were returned.

The target set for Finnra's own activities was not met because of the new recruitment resulting from the personnel age structure. The sum came to 71.34 million euros, which is 6 per cent more than projected. Major reasons for this included the changeover to a process and team organization, which incurred consultancy costs, as well as increases in salaries due to the new Columbus salary system and more frequent travel.

2.5 Cost responsibility of activities subject to charge

Public-law regulated activities

Revenues from Finnra's public-law regulated activities were 1.18 million euros in 2002, EUR 0.16 million more than targeted. These revenues comprised transport authorizations and other public-road licensing by the agency. Authorization revenues grew by 0.02 million from the year before. The calculation of joint costs was clarified by delegating part of the costs incurred in the Central Administration's support activities to the Regions. In public-law regulated revenues, the surplus of previous years turned into a clear-cut deficit.

Revenues from business activities

Finnra's revenues from business activities amounted to 0.79 million euros in 2002.

The bulk of these revenues comprised rent and compensation for use. They included revenues from rental activities, entered in the item of basic road management, excluding rent revenues from depots included in the regional contracts and real estate rented out to personnel for recreational purposes. Another source of revenue was the sale of publications.

The target for revenues from business activities was achieved, resulting in a surplus of 0.16 million euros (target: 0.17 million).

Table 4. Cost responsibility statement concerning Finnra's activities subject to charge in 2002

BUBLIC LAW REGULATED ACTIVITIES EUR	2000 actual	2001 actual	2002 actual	2002 target	2003 estimate
REVENUES					
Revenues from activities subject to charge					
- sales revenues	1 020 509	1 158 876	1 168 408	1 015 453	997 180
- other revenues	8 483	7 809	15 119	3 182	5 600
f. adjustment items of revenues	367	1 633	726		67
Revenues, total	1 028 626	1 162 853	1 182 801	1 018 635	1 002 713
COSTS					
Separate costs from activities subject to charge					
- materials and supplies	5 971	4 792	4 997	6 306	4 789
- personnel costs	784 415	816 536	743 455	784 425	740 100
- rent	6 391	48 069	89 623	53 140	78 100
- lease, own equipment		72	2 215		2 700
- purchase of services	72 148	2 831	65 068	14 564	9 168
- other separate costs	24 453	103 490	118 213	81 261	109 670
Separate costs, total	893 377	976 790	1 043 571	939 884	942 527
OPERATING SURPLUS/DEFICIT	136 248	187 063	139 231	78 751	60 186
Share of activities subject to charge in joint costs					
- support activities costs	21 518	159 908	315 517	159 149	162 434
- depreciation		1 169	732	909	705
- interest		715	74	644	104
- other joint costs	61 809	9 149	340	9 160	3 350
Share of joint costs, total	83 328	170 941	316 663	169 862	166 593
Overall costs, total	976 705	1 146 731	1 360 234	1 109 746	1 109 120
SURPLUS (+) or DEFICIT (-)	51 921	16 122	-177 433	-91 111	-106 407

BUSINESS ACTIVITIES EUR	2000 actual	2001 actual	2002 actual	2002 target	2003 estimate
REVENUES					
Revenues from activities subject to charge					
- sales revenues	281 808	263 713	238 433	97 763	78 310
- other revenues	13 380	3 518	11 314	260	2 710
- rent and compensation for use	176 485	506 144	612 937	578 144	493 249
f. Adjustment items of revenues	9 817	9 207	71 708		47
Revenues, total	441 856	764 168	790 976	676 120	674 269
COSTS					
Separate costs from activities subject to charge					
- materials and supplies	60 459	11 380	7 089	7 371	3 367
- personnel costs	122 435	97 932	88 872	80 483	67 180
- rent	18 757	6 801	12 043	4 915	8 975
- lease, own equipment			276		300
- purchase of services	44 356	540 402	285 134	314 973	171 015
- other separate costs	11 748	9 938	6 995	4 032	2 762
Separate costs, total	257 756	666 454	400 408	411 784	263 599
OPERATING SURPLUS/DEFICIT	184 099	97 714	390 568	264 336	320 670
Share of activities subject to charge in joint costs					
- support activities costs	7 828	20 222	72 453	20 832	37 650
- depreciation	6 511	49 021	108 831	47 237	83 135
- interest	3 857	20 848	34 868	19 161	31 601
- other joint costs	12 483	21 932	12 524	5 723	3 432
Share of joint costs, total	30 779	111 823	228 676	92 953	165 818
Overall costs, total	288 535	778 277	629 084	504 738	409 417
SURPLUS (+) or DEFICIT (-)	153 320	-14 109	161 893	171 383	164 852

Adjustment items of revenues include receivables from activities subject to charge that have been charged off and other adjustment of revenues. For reasons of comparison, the 2000 figures concern the Road Administration only.

3 FINANCIAL STATEMENTS AND APPENDICES

3.1 Financial statements

Statement of revenues and expenditure

	1 Jan. - 31 Dec. 2002		1 Jan. - 31 Dec. 2001		Difference 2002/2001
Revenues from activities					
Revenues from activities subject to charge	1 342 189,68		1 318 865,96		23 323,72
Rent and compensation for use	3 130 468,71		3 062 172,92		68 295,79
Other revenues from activities	39 663 427,59	44 136 085,98	22 375 146,91	26 756 185,79	17 288 280,68
Operating costs					
Materials and supplies					
Purchases during fiscal period	-8 976 998,91		-9 146 908,52		-169 909,61
Increment/decrement in inventory	-84 179,87		-137 511,53		-53 331,66
Personnel costs	-44 787 799,71		-44 051 362,33		736 437,38
Rent	-6 858 676,23		-6 107 453,78		751 222,45
Purchase of services	-726 775 972,67		-634 408 944,68		92 367 027,99
Other costs	-4 851 581,69		-5 538 922,61		-687 340,92
Increase in finished goods inventory			-54 997,45		-54 997,45
Production for own use	437 311 834,01		264 725 584,80		-172 586 249,21
Depreciation	-495 230 251,75		-465 260 916,05		29 969 335,70
Internal costs		-850 253 626,82	-25 228,19	-900 006 660,34	-25 228,19
DEFICIT I		-806 117 540,84		-873 250 474,55	-67 132 933,71
Finance revenues and costs					
Finance revenues	96 911,45		21 765,55		75 145,90
Finance costs	-1 246 017,76	-1 149 106,31	-1 176 586,28	-1 154 820,73	69 431,48
Incidental revenues and costs					
Incidental revenues	64 033 979,23		549 276,60		63 484 702,63
Incidental costs	-609 001,86	63 424 977,37	-410 921,19	138 355,41	198 080,67
DEFICIT II		-743 841 669,78		-874 266 939,87	-130 425 270,09
Revenues and costs from transfers					
<i>Revenues</i>					
Other revenues from foreign transfers	10 000,00	10 000,00			10 000,00
<i>Costs from transfers</i>					
to municipalities	-1 678 507,88		-1 788 584,72		-110 076,84
to business sector	-771 856,66				-771 856,66
to financial institutions	-236,32				-236,32
to communities	-5 619 292,29		-5 501 879,85		117 412,44
to households	-32 088,24				-32 088,24
Other transfer costs	-2 080 729,37	-10 182 710,76	-1 988 447,29	-9 278 911,86	92 282,08
DEFICIT III		-754 014 380,54		-883 545 851,73	-129 531 471,19
Revenues from taxes and other statutory charges					
VAT levied	650 312,86		283 280,45		367 032,41
VAT paid out	-164 089 723,85	-163 439 410,99	-142 585 301,07	-142 302 020,62	21 504 422,78
SURPLUS/DEFICIT DURING FISCAL PERIOD		-917 453 791,53		-1 025 847 872,35	-108 394 080,82

Balance sheet (euros)

ASSETS

	31 Dec. 2002	31 Dec. 2001	Change	%
CAPITAL ASSETS AND OTHER LONG-TERM INVESTMENTS				
INTANGIBLE ASSETS				
Intangible rights	2 151 688,13	949 115,31	1 202 572,82	126,7
Other long-term expenses	3 363 254,25	2 993 805,64	369 448,61	12,3
Advance payments and purchases in progress	3 399 824,27	1 289 526,67	2 110 297,60	163,6
	8 914 766,65	5 232 447,62	3 682 319,03	70,4
TANGIBLE ASSETS				
Land and water areas	6 717 953,15	6 922 163,94	-204 210,79	-3,0
Land and other water areas for construction	528 050 200,71	509 111 853,79	18 938 346,92	3,7
Buildings	21 380 062,14	22 371 821,47	-991 759,33	-4,4
Temporary structures	2 472 958,88	2 458 264,04	14 694,84	0,6
Structures	14 089 455 744,62	14 137 933 055,21	-48 477 310,59	-0,3
<i>Roadbeds</i>	10 027 398 320,49	10 085 991 996,27	-58 593 675,78	-0,6
<i>Pavements</i>	1 057 684 410,63	1 086 313 004,46	-28 628 593,83	-2,6
<i>Bridges</i>	2 782 740 478,08	2 750 823 598,95	31 916 879,13	1,2
<i>Other road structures</i>	221 579 706,86	214 748 693,83	6 831 013,03	3,2
<i>Other structures</i>	52 828,56	55 761,70	-2 933,14	-5,3
Machines and equipment	9 819 935,39	11 390 226,16	-1 570 290,77	-13,8
<i>Furniture</i>	795 551,76	755 075,29	40 476,47	5,4
Other tangible assets	96 972,43	70 538,52	26 433,91	37,5
Advance payments and purchases in progress	433 571 457,54	300 928 122,66	132 643 334,88	44,1
	15 092 360 836,62	14 991 941 121,08	100 419 715,54	0,7
CAPITAL STOCK AND OTHER LONG-TERM INVESTMENTS				
Capital stock	490 099,52	496 271,95	-6 172,43	-1,2
	490 099,52	496 271,95	-6 172,43	-1,2
CAPITAL STOCK AND OTHER LONG-TERM INVESTMENTS TOTAL	15 101 765 702,79	14 997 669 840,65	104 095 862,14	0,7
CURRENT AND LIQUID ASSETS				
CURRENT ASSETS				
Materials and supplies	1 486 350,50	1 570 530,37	-84 179,87	-5,4
	1 486 350,50	1 570 530,37	-84 179,87	-5,4
SHORT-TERM RECEIVABLES				
Accounts receivable	10 324 344,73	4 848 910,04	5 475 434,69	112,9
Receivables carried forward	9 654 245,51	20 184 480,42	-10 530 234,91	-52,2
Other short-term receivables	123 879,57	119 053,62	4 825,95	4,1
Advanced payments	37 700,85	44 282,12	-6 581,27	-14,9
	20 140 170,66	25 196 726,20	-5 056 555,54	-20,1
CASH, BANK RECEIVABLES AND OTHER FINANCES				
Cash accounts	2 106,60	502,92	1 603,68	318,9
	2 106,60	502,92	1 603,68	318,9
CURRENT AND LIQUID ASSETS, TOTAL	21 628 627,76	26 767 759,49	-5 139 131,73	-19,2
ASSETS, TOTAL	15 123 394 330,55	15 024 437 600,14	98 956 730,41	0,7

LIABILITIES

OWN CAPITAL				
STATE CAPITAL				
State capital - 1 Jan. 1998	15 447 576 079,51	15 447 576 079,51	0,00	0,0
Change in capital from previous fiscal periods	-483 839 150,28	-221 031 203,30	262 807 946,98	-118,9
Capital transfers	923 349 161,77	763 039 925,39	160 309 236,38	21,0
Trading deficit during fiscal period	-917 453 791,53	-1 025 847 872,35	-108 394 080,82	10,6
	14 969 632 299,47	14 963 736 929,25	-5 895 370,22	0,0
OUTSIDE CAPITAL				
LONG-TERM				
Other long-term debts	61 562 102,58		61 562 102,58	
	61 562 102,58			
SHORT-TERM				
Instalments to be paid during following fiscal period	7 103 319,53		7 103 319,53	
Advance payments received	29 904,54	17 048,68	12 855,86	75,4
Accounts payable	70 158 494,41	47 927 459,10	22 231 035,31	46,4
Transfers between State agencies	1 027 091,46	945 751,38	81 340,08	8,6
Accounts carried forward	1 791 001,52	2 079 293,22	-288 291,70	-13,9
Adjusting entries for liabilities	11 630 997,55	9 729 155,76	1 901 841,79	19,5
Other short-term debt	459 119,49	1 962,75	457 156,74	23 291,6
	92 199 928,50	60 700 670,89	31 499 257,61	51,9
OUTSIDE CAPITAL, TOTAL	153 762 031,08	60 700 670,89	93 061 360,19	153,3
LIABILITIES, TOTAL	15 123 394 330,55	15 024 437 600,14	98 956 730,41	0,7

Budget realization statement 1 Jan. – 31 Dec. 2002 (euros)

	Final accounts 2001	Budget 2002	Final accounts 2002	Final accounts- budget, larger (+)/ smaller (-)
Budget account (revenues)				
11.04.01 Value-added tax	157 527,28	172 188,86	172 188,86	0,00
12.31.24 Finnra, miscellaneous revenues	5 091 929,19	11 281 000,00	13 371 178,64	2 090 178,64
12.39.04 Cancellation of arrears and transferable appropr.	539 856,28	20 585 528,25	20 585 528,25	0,00
12.39.10 Other miscellaneous revenues		867,78	867,78	0,00
12.39.50 Net revenues from sale of shares		7 371,15	7 371,15	0,00
13.03.01 Dividend yields	2 890,48	2 741,00	2 741,00	0,00
Budget account (revenues), total	5 792 203,23	32 049 697,04	34 139 875,68	2 090 178,64
Budget account (expenses)				
26.98.61 European Regional Development Fund contribution to EU Structural Fund programmes (A)	4 819 790,56	5 354 790,00	4 085 268,65	-1 269 521,35
26.98.61.5.1 Objective 1, East Finland	1 924 106,23	1 812 650,00	1 201 985,12	-610 664,88
26.98.61.5.2 Objective 1, North Finland	956 148,36	911 658,00	762 658,00	-149 000,00
26.98.61.6.1 Objective 2, South Finland	971 927,98	2 069 482,00	1 569 625,53	-509 856,47
26.98.61.6.2 Objective 2, West Finland	967 607,99	561 000,00	561 000,00	0,00
28.80.24 Civil servants' pension and early rehab., (S2V)	3 976,47	517,20	517,20	0,00
28.81.23 VAT expenses (A)	141 203 353,53	162 705 434,86	162 705 434,86	0,00
28.81.23.11 VAT expenses, M. of Transport & Communications (A)		161 786 761,42	161 786 761,42	0,00
28.81.23.14 VAT expenses, M. of Labour (A)		918 673,44	918 673,44	0,00
31.24.21 Basic road management (S2V)	550 924 624,90	618 865 800,00	618 865 800,00	0,00
31.24.21.1 National share of EU Reg. Dev. Fund	6 727 517,06	5 582 000,00	5 582 000,00	0,00
31.24.21.2 Other basic road management	544 197 107,84	613 283 800,00	613 283 800,00	0,00
31.24.77 Road network development (S2V)	87 533 910,89	61 486 000,00	61 486 000,00	0,00
31.24.78 Construction of Lohja-Lohjanharju road (A)		3 000 000,00	614 320,83	-2 385 679,17
31.24.79 Network postp. And compr. finance proj. (S3V)	26 910 068,24	64 717 000,00	64 717 000,00	0,00
31.24.79.1 -Vt 4 Järvenpää-Lahti	16 818 792,65	16 819 000,00	16 819 000,00	0,00
31.24.79.2 - Vt 9 Orivesi-Muurame	10 091 275,59	16 819 000,00	16 819 000,00	0,00
31.24.79.3 -Vt 4 Liminka-Oulu		8 459 000,00	8 459 000,00	0,00
31.24.79.4 - E 18 Ring III Lentoasema-Tikkurila		16 820 000,00	16 820 000,00	0,00
31.24.79.5 -Vt 6 Koskenkylä-Kouvola		5 800 000,00	5 800 000,00	0,00
31.24.87 Acquisition and compensation based on Road Act (A)	19 888 663,20	21 346 000,00	19 328 969,11	-2 017 030,89
31.25.50 State subsidies for private-road maintenance (S3V)	8 409 396,32	10 100 000,00	10 100 000,00	0,00
31.99.77 Planning of Port of Vuosaari routes (S3V)	672 751,71	3 750 000,00	3 750 000,00	0,00
34.05.62.2 EU Structural Fund EAKR 2000-2006 (A)	625 490,90	767 814,00	767 814,00	0,00
34.06.02 Salary - based relief work appropriation (A)	44 518,41	160 225,86	160 225,86	0,00
34.06.02.1 Salaries	42 108,45	139 895,69	139 895,69	0,00
34.06.02.2 Other expenses	2 409,96	20 330,17	20 330,17	0,00
34.06.77 Investments to secure employment (A)	2 210 830,29	4 615 402,37	3 450 809,97	-1 164 592,40
34.06.77.1 Investments to secure employment	2 210 830,29	4 615 402,37	3 450 809,97	-1 164 592,40
Budget accounts (expenses), total	843 247 375,42	956 868 984,29	950 032 160,48	-6 836 823,81
Deficit during fiscal period	-837 455 172,19		-915 892 284,80	

3.2 Information to supplement the statements in the final accounts

Appendix 1. Statement of the grounds for depreciation consistent with plan and related changes

Depreciation consistent with plan has been calculated in the agency on a uniform basis as straight-line depreciation of the original purchasing price within the economic lifespan of capital asset commodities.

Depreciation periods according to plan are as follows:

Capital assets

Immaterial goods	Depreciation period
R&D expenses	5 years
Intangible rights	5-10 years
Other long-term-expenses	5 years
Material goods	Depreciation period
Land and water areas	depending on use
Land and water areas for construction	depending on use
Buildings	20-40 years
Temporary structures	20 years
Structures	3-50 years
Machines and equipment	3-10 years
Furniture	5-10 years
Other material commodities	10 years

Minor purchases of property (less than EUR 1,000) have been entered in annual costs.

Appendix 2. Personnel costs, fringe benefits and holiday pay arrears

Personnel costs and fringe benefits	1 Jan.-31 Dec. 2002
Salaries and bonuses	35,671,936 euros
Fringe benefits	3,168 euros
Pension costs	6,546,138 euros
Other indirect employee costs	2,569,726 euros
Total	44,790,968 euros

Holiday pay arrears	1 Jan. 2002 (euros)	31 Dec. 2002 (euros)	Change (euros)
Holiday pay arrears	-5,12, 936	-5,433,989	304,052
Indirect employee costs	-1,380,774	-1,422,836	42,062
Total	-6,510,710	-6,856,824	346,114

Salaries and bonuses include bonuses worth 119,416 euros and performance bonuses worth 816,438 euros.

Appendix 3. Changes in acquisition expenses of national assets, capital assets and other long-term expenses

	112 Intangible rights	114 Other long- term expenses	119 Advance payments & unfinished purchases	120 Land and water areas	121 Areas for construction	122 Buildings	123 Temporary structures	124 Structures	125-126 Machines & equipment	127 Furniture	128 Other material commodities	129 Advance payments & unfinished purchases	130 Capital assets, securities	111-130 Capital assets, total
Acquisition expense 1 Jan. 2002	1 705 275,11	5 876 617,17	1 289 626,67	7 207 804,08	509 129 496,02	29 281 283,62	2 924 777,24	15 803 191 836,42	18 371 838,22	1 876 157,12	72 173,81	300 928 122,66	496 271,94	16 682 351 239,08
Increment	1 663 227,96	1 731 388,93	2 110 297,60	4 207,78	20 601 470,41	928 273,74	193 181,34	452 469 054,06	500 019,96	529 554,32	33 054,60	239 838 501,44	1 143,68	720 603 356,60
Decrement	156 272,48	0,00	0,00	158 219,62	1 661 540,49	373 171,86	0,00	13 614,68	21 815,14	4 142,67	0,00	107 195 166,56	7 316,10	109 681 159,59
Acquisition expense 31 Dec. 2002	3 212 230,58	7 608 006,10	3 399 824,27	7 053 792,24	528 079 424,94	29 836 385,51	3 117 938,58	16 255 647 435,80	18 850 103,03	2 401 568,77	105 228,41	433 571 457,54	490 099,52	17 293 373 495,29
Depreciation accumulated 1 Jan. 2002	756 159,81	2 887 953,99	0,00	286 640,14	17 641,23	6 909 462,15	466 513,20	1 677 917 420,26	6 981 672,05	1 121 081,83	1 635,29	0,00	0,00	1 687 455 179,96
Decrement: depreciation	115 142,46	0,00	0,00	3 909,86	0,00	184 322,42	0,00	6 137,68	16 562,60	4 129,87	0,00	747 434,31	0,00	1 077 639,20
Depreciation dur. fisc. per., consistent with plan	419 525,10	1 246 797,96	0,00	50 198,95	11 589,00	1 688 071,44	178 466,50	488 275 418,53	2 065 037,59	489 065,05	6 620,69			484 410 784,71
Depreciation dur. fisc. per., inconsistent with plan				3 909,86		63 112,20		4 900,07	20,60			747 434,31		819 467,04
Decrease in value dur. fisc. per.														0,00
Depreciation accumulated 31 Dec. 2002	1 060 542,45	4 244 791,85	0,00	335 839,09	29 224,23	8 456 323,37	644 979,70	2 166 191 691,18	9 030 167,64	1 606 017,01	8 255,98	0,00	0,00	2 191 607 792,50
Increase in value														
Book value 31 Dec. 2002	2 151 688,13	3 363 294,25	3 399 824,27	6 717 953,15	528 050 200,71	21 380 062,14	2 472 958,88	14 089 455 744,62	9 819 935,39	795 551,76	96 972,43	433 571 457,54	490 099,52	15 101 765 702,79

The cumulative acquisition expense at the beginning of the fiscal year is given so that the Appendix only includes such acquisition expenses of the capital asset commodities whose acquisition expenses have not yet been completely entered as expenses in the form of depreciation consistent with plan.

The data are compiled from the system concerning capital assets, except for columns 119 and 129 as well as account 1211 in business bookkeeping, all of which have been extracted from business bookkeeping. A sum of 185,478.28 has been eliminated from the increments and decrements of account 1211, because it was not a real increment or decrement.

Purchased software from Item 112 for the value of 156,272.48 has been transferred to Item 114.

In the initial values of column 120, the errors concerning the final values of acquisition expenses and depreciation accumulated in the 2001 Table (23,827.37 euros) have been corrected. Also in column 124, the errors from the year before (8,409.40 euros) in the initial value have been rectified.

Due to balance sheet adjustment entries, the following increments were entered: column 114, a total of 444,015.28 euros; column 129 a total of 57,832,441.27 euros; column 120 a total of 3,900 euros; column 122 a total of 184,200 euros; in the increment of acquisition expenses in column 124 93,825,179.08 euros and 12,658,579.05 euros to accumulated depreciation; and column 130 a total of 100.91 euros.

The following decrements were done as balance sheet adjustment entries: column 120 a total of 79,399.85; column 121 a total of 168.19; column 122 a total of 85,104.61; and column 125-126 a total of 1,039.08 euros.

Appendix 4. Increase in the value of national and capital assets

The Finnish Road Administration has not carried out increases in the value of national or capital assets.

Appendix 5. Loans granted, outstanding at the end of fiscal year, specified

The Finnish Road Administration has not granted loans during the fiscal year.

Appendix 6. State guarantees, State sureties and other commitments, specified

State guarantees and sureties, euros

Recipient of guarantee	Sector	Amount 31 Dec. 2001	Change 2002	Amount 31 Dec. 2002	Based on Regulation
Municipality of Vihti	Public	36 580,87	0,00	36 580,87	Extractable Land Act 555/1981/24 Jul. 1981 § 12 Counter-obligations of bank guarantees
City of Jämsä	Public	38 851,41	0,00	38 851,41	
Total		75 432,28	0,00	75 432,28	

Other commitments, euros

Commitment	31 Dec. 2002
Payable in fiscal period 2003	
copying machines	65 371,98
telephone exchanges	196 468,19
computer equipment	1 827 841,13
other office equipment	4 154,00
cars/vehicles	5 286,00
Payable later	
copying machines	128 381,14
telephone exchanges	142 964,86
computer equipment	1 519 690,08
other office equipment	7 568,00
cars/vehicles	18 432,36
Total	3 916 157,74

- The Finnish Road Administration is a party to the work consortium called Tuotantoryhmä PoKo. The agency stands for 40 per cent of the consortium's assets, debts, profit and needs. The contract was signed on 30 March 1999. The other partners are Kesälahden Maansiirto Oy (30%) and MVR-Maatek Oy (30%). On Main Road 7 (E18) Porvoo – Koskenkylä, the consortium is implementing a turnkey project with a contract price of 37.8 million euros, to be completed in 2002. The guarantee period is five years. In the 2002 final accounts, the agency did not enter the profit from PoKo based on preliminary information. The final statements on the consortium will be closed in 2003.

- The Finnish Road Administration is committed to compensating for the Finnish Road Enterprise the possible pay rise to employees and other employee costs due to the so-called seamen's salary dispute. At the end of 2002, 928,067.29 euros were reserved for this purpose.

Appendix 7. Exchange rate used in converting the agency's foreign-currency debts, receivables and other commitments into Finnish currency

Debts and receivables have been converted into Finnish currency by using the last rate quoted by the Bank of Finland during fiscal year.

Appendix 8. The agency's various stocks and shares in companies and other securities

Name and series of security	Ownership share (%)	Right of disposal, minimum %	Number	Market value, total EUR	Book value, total EUR	5000 Dividends total EUR
1300 Stock in real estate						
Kierteistö Oy Häly, Rovaniemi			225		249 109,70	
Kierteistö Oy Tiilikernemuseo	46		7 500		126 140,94	
1300 Real estate stock, total			7 725		375 250,64	
1301 Other stocks						
As Oy Rakuuratie 29-30, Helsinki			2		27 232,99	
Forssan Seudun Puhelin Oy			5		2 188,45	250,00
Hämeen Puhelin Oy			6		2 929,47	
Ikaalisten-Parkanen Puhelin Oy			4		370,00	
Joensuun Puhelin Oy			12		4 038,58	480,00
Kokkolan Puhelin Oy			3		1 210,95	
Lounais-Suomen Puhelin Oy			10		4 877,40	451,00
Lammen Puhelin Oy			2		807,38	
Mikkelin Puhelin Oy			4		1 950,86	
Paraisien Puhelin Oy			250		1 934,15	
Parkkalan Valo Oy, sarja A			18		26,91	
Parkkalan Valo Oy, sarja S			16		26,91	
Parkkalan Valo Oy, sarja SN			10		18,82	
Parkkalan Valo Oy, sarja SM			5		8,41	
Parkkalan Valo Oy, sarja SK			1		1,68	
Parkkalan Valo Oy, sarja AN			10		18,82	
Parkkalan Valo Oy, sarja AM			5		8,41	
Parkkalan Valo Oy, sarja AK			1		1,68	
Pietarsaaren Seudun Puhelin Oy			2		807,30	
Puhjois-Hämeen Puhelin Oy			6		2 623,74	
Savonlinnan Puhelin Oy			8		3 488,40	
Telekarelia Oy			5		1 765,82	
Toholammin vesituolto Oy			1		18,82	
Vaasan Läänin Puhelin Oy			56		24 488,17	
1301 Other stocks, total			440		80 841,28	1 181,00
1303 Other shares						
Alajärven Puhelinosuuskunta			3		1 412,78	
IPY Iisalmen Puhelinosuuskunta/ Iisalmen Puhelin Oy (x)			1		437,29	
Kajanan Puhelinosuuskunta			2		740,02	
KPY Kuopion Puhelinosuuskunta/ Kuopion Puhelin Oy (x)			37		14 935,05	1 580,00
Laitilan Puhelinosuuskunta			2		807,30	
Oravais Centralantennande			2		100,81	
Pohjanmaan Puhelinosuuskunta			36		15 138,92	
Savonlinnan Puhelinyhdistys			1		437,33	
1303 Other shares, total			84		34 007,60	1 580,00
Securities, total			8 249		490 099,52	2 741,00

X) Membership in telephone co-operatives as shares in these telephone companies.

Appendix 9. National property administered by the agency, not specified in the balance sheet

The Finnish Road Administration does not have such property.

Appendix 10. Statement of supplements to bookkeeping as specified in Paragraph 2 of Section 42f of the budget Decree

Grounds for recording expenses and revenues from activities other than the purchase of factors of production in budget accounting.

Budget account	Revenue/expense item	Entry principle in budget accounting
Budget account (revenues) 12.39.04 Cancellation of expense ears and transferred appropriations	Cancellation of expense arrears and transferred appropriations	Entry basis
Budget account (expenses) 31.24.21.2 Other basic road management	Social Insurance Institute compensation	Payment basis
31.24.87 Land acquisition and compensation by Road Act (am)	Land area purchase and compensation	Payment decision basis
31.25.50 State subsidies to private-road maintenance and improvement (S3V)	Statutory subsidies	Payment decision basis

Grounds for recording expenses from the purchase of factors of production and revenues from activities in budget accounting, inasmuch as they differ from business accounting (accrual basis).

Budget account	Revenue/expense item	Entry principle in budget accounting
Budget account (expenses) 31.24.21 Basic road management (S2V)	Holiday pay	Payment basis

Appendix 11. Statement of appropriations carried forward to the following fiscal year, euros

	Initial balance 1 Jan. 2002	Change in initial balance	Accumulated from beginning of year	Final balance 31 Dec. 2002
Appropriations carried forward, account				
4.01.28.80.24. Rehabilitation activities (S2V)	-2 746	629	2 117	0
4.01.31.24.21.1. Basic road management	-1 050 570		1 050 570	0
4.01.31.24.21.2. (S2V)	-46 005 909		46 005 909	0
4.01.31.24.21.	-47 056 479		47 056 479	0
4.02.31.24.21.1. Basic road management			-1 131 643	-1 131 643
4.02.31.24.21.2. (S2V)			-35 507 632	-35 507 632
4.02.31.24.21.			-36 639 275	-36 639 275
4.01.31.24.77. Road network development (S2V)	-11 317 611		11 317 611	0
4.02.31.24.77. Road network development (S2V)			-21 479 184	-21 479 184
4.00.31.24.79.2. Road network postponed and	-693 257		693 257	0
4.00.31.24.79.3. comprehensive finance projects (S3V)	-20 711 033		20 711 033	0
4.00.31.24.79.4.	-15 763 949		15 763 949	0
4.00.31.24.79.5.	-17 151 527		17 151 527	0
4.00.31.24.79.6.	-8 757 078		8 757 078	0
4.00.31.24.79.	-63 076 844		63 076 844	0
4.01.31.24.79.1. Road network postponed and	-3 336 508		3 336 508	0
4.01.31.24.79.2. comprehensive finance projects (S3V)	-7 904 836		7 904 836	0
4.01.31.24.79.	-11 241 343		11 241 343	0
4.02.31.24.79.1. Road network postponed and			-3 080 392	-3 080 392
4.02.31.24.79.2. comprehensive finance projects (S3V)			-6 494 861	-6 494 861
4.02.31.24.79.3.			-7 165 003	-7 165 003
4.02.31.24.79.4.			-16 820 000	-16 820 000
4.02.31.24.79.5.			-3 197 556	-3 197 556
4.02.31.24.79.			-36 757 812	-36 757 812
4.00.31.25.50. State subsidies for private-road maintenance and improvement (S3V)	-239 122		239 122	0
4.01.31.25.50. State subsidies for private-road maintenance and improvement (S3V)	-3 348 766		3 134 190	-214 576
4.02.31.25.50. State subsidies for private-road maintenance and improvement (S3V)			-4 402 334	-4 402 334
4.01.31.99.77. Planning of Port Vuosaari traffic arrangements (S3V)	-496 529		496 529	0
4.02.31.99.77. Planning of Port Vuosaari traffic arrangements (S3V)			-1 831 286	-1 831 286
4.00.34.06.77.1. Investment expenses in employment security (S2V)	-274 399	-478 000	752 399	0
4.01.34.06.77.1. Investment expenses in employment security (S3V)	-495 651		361 101	-134 550
Appropriations carried forward, total	-137 549 488	477 371	36 567 842	-101 459 017

Appendix 12. Authorizations granted in the budget, their use and costs incurred

Authorizations and their use in 2002 (EUR 1,000)					Costs resulting from use (EUR 1,000)							
	Auth. item	Amount	Used	Remaining	Previous years	2002	2003	2004	2005	2006	Total	
31.24.21.2 Basic road management												
Authorizations not disposable												
	0160260 Basic road management	MRA	336 376	336 376	0	0	245 954	90 477	43 062	0	0	379 483
Authorizations disposable												
	0260273 Basic road management	MRA	185 000	160 591	0	0	0	100 510	37 837	22 244	0	160 591
Account, total			521 376	496 967	0	0	245 954	190 987	80 899	22 244	0	540 084
31.24.77 Road network development												
Authorizations not disposable												
	9960254 Road network development	MRA	259 009	259 009	0	251 946	40	0	0	0	0	251 986
	0160261 Road network development	MRA	81 739	65 433	0	0	32 598	27 719	5 116	0	0	65 433
Total			340 748	324 442	0	251 946	32 638	27 719	5 116	0	0	317 419
Authorizations disposable												
	0260272 Road network development	MRA	31 399	1 789	0	0	0	1 789	0	0	0	1 789
Account, total			372 147	326 211	0	251 946	32 638	29 488	5 116	0	0	319 188
31.24.78 Lohja-Lohjanharju												
Authorizations disposable												
	0260271 Lohja-Lohjanharju		58 900		58 900	0	0	10 091	20 183	20 183	8 444	58 901
Account, total			58 900		58 900	0	0	10 091	20 183	20 183	8 444	58 901
31.24.79 Road network postponed and comprehensive finance projects												
Authorizations not disposable												
	9760251 Jarvenpaa-Lahti	MRA	252 282	252 282	0	26 665	17 075	18 040	18 000	19 500	154 001	252 281
	0160262 Orivesi-Muurame	MRA	43 728	35 018	0	2 088	18 600	14 320	0	0	0	35 018
	0160263 Porvoo-Koskenkylä	MRA	5 382	5 315	0	4 541	230	0	0	0	0	4 771
	0160265 Koskenkylä-Kouvola	MRA	48 774	41 853	0	1 050	9 964	29 190	1 649	0	0	41 853
	0160266 Liminka-Oulu	MRA	30 778	28 259	2 519	8 890	13 402	5 231	736	0	0	28 259
	0160267 Pori-Ulvila	MRA	15 978	15 978	0	6 812	6 983	1 634	269	0	0	15 978
Total			386 823	378 705	2 519	48 156	66 234	68 615	20 654	19 500	154 001	378 160
Authorizations disposable												
	0260268 Ring II - Airport	MRA	57 496	57 320	176	0	11 794	26 714	18 812	0	0	57 320
	0260269 Koskenkylä-Kouvola	MRA	6 921	6 921	0	0	0	0	6 921	0	0	6 921
	0260270 Liminka-Oulu	MRA	2 519	2 519	0	0	0	2 519	0	0	0	2 519
Total			66 936	66 760	176	0	11 794	29 233	25 733	0	0	66 760
Account, total			463 859	445 465	2 695	49 156	78 028	97 848	46 387	19 500	154 001	444 920

Appropriations and authorizations granted through allocation decision and their use

Account code Date and register number	Year 2001 Sent by		Granted FIM	Granting authorizations Commitment authorizations FIM	Year 2002 Date and register number	Granted 2002 EUR	Item 2002	Use in 2002 EUR
34.06.77.1								
14.5.2001 13950103001	Satakunnan TE	T	685 000,00	1 500 000,00	14.5.01 139501/2001	352 281,80	34.06.77.1	252 281,80
28.5.2001	Varsinais-Suomen TE	T	300 000,00	200 000,00	21.5.02 67601/01	33 638,00	34.06.77.1	33 638,00
11.6.2001 97601/2001	Etelä-Pohjanmaan TE	V	925 000,00	1 000 000,00	27.6.02 97601/01	168 188,00	630	205 189,36
3.7.2001 223601/01	Hämeen TE	H	1 800 000,00					
		H	50 000,00	1 500 000,00	2.7.02 98601/02	512 500,00	34.06.77.1	473 361,06
18.10.2001 74901/01	Polytekninen TE	Sik	500 000,00	5 100 000,00	16.5.02 74901/01	521 000,00	34.06.77.1	21 621,82
3.9.2001 179601/01	Polytekninen TE	O	800 000,00	1 200 000,00	25.6.02 179601/01	201 925,50	34.06.77.1	201 925,50
8.11.2001 132601/01	Etelä-Pohjanmaan TE	V	475 000,00	785 000,00	27.6.02 132601/01	132 028,00	630	161 074,16
400.34.06.77.1								
12.4.2001 12960103000	Lapin TE	L	300 000,00	3 380 000,00	7.5.02 129601/2000	570 157,07	34.06.77.1	570 157,07
Total			8 477 946,25	12 675 000,00	Väiteosa	2 391 618,37		1 919 160,37

x) Use includes VAT.

Appendix 13. Accuracy calculations concerning the final accounts

Accuracy calculations 1 Jan. – 31 Dec. 2002	EUR
1. Trading deficit	-917 453 792
2. Entries included in surplus/trading deficit but not in budget deficit. Debit +/Credit-	
Business accounting revenues and costs not entered in budget accounting	-5 142 309
Business accounting revenues and costs entered in budget accounting as items awaiting entry into a budget or transferred appropriations account	-755 000
Business accounting revenues, costs and technical entries, entered in budget accounting as transferred appropriations accounts	36 408 075
Business accounting revenues and costs entered in budget accounting in outside finance accounts	0
3. Entries not included in surplus/trading deficit but included in budget deficit. Debit+ /Credit-	
Business accounting balance sheet account entries, entered as budget revenue of expense	-28 949 259
4. Total	-915 892 285
5. Budget deficit	915 892 285
6. Difference	0

Appendix 14. Changes in equity, euros

EQUITY	2002	2001
State capital 1 Jan. 1998	15 447 576 080	15 447 576 080
Change in capital from previous fiscal periods 1 Jan.	-221 031 203	-101 351 093
Transfer due to opening of books (Trading deficit during fiscal period)	-1 025 847 872	-938 618 665
Transfer due to opening of books (Capital transfers)	763 039 925	818 938 555
Change in capital from previous fiscal periods 31 Dec.	-483 839 150	-221 031 203
Capital transfers 1 Jan.	763 039 925	818 938 555
Transfer due to opening of books	-763 039 925	-818 938 555
Transfers from State general transaction expense account	1 002 404 771	902 018 668
Transfers in State general transaction revenue account	-75 774 352	-43 692 949
Transfers from remittance account	-3 275 067	-1 196 380
Transfer of control between State agencies	-6 189	-94 089 414
Capital transfers 31 Dec.	923 349 162	763 039 925
Trading deficit during fiscal period 1 Jan.	-1 025 847 872	-938 618 665
Transfer due to opening of books	1 025 847 872	938 618 665
Transfer of trading deficit during fiscal period to balance sheet	-917 453 792	-1 025 847 872
Trading deficit during fiscal period 31 Dec.	-917 453 792	-1 025 847 872
State capital, total 31 Dec.	14 969 632 299	14 963 736 929

Plus correction to balance sheet				EUR
Per 1140	Software made and commissioned	an 6099	Other incidental revenues	444 015,28
Per 1298	Unfinished structures	an 6099	Other incidental revenues	57 832 441,27
Per 1202	Gravel, peat and other extractable land areas	an 6099	Other incidental revenues	3 900,00
Per 1220	Residential buildings	an 6099	Other incidental revenues	60 400,00
Per 1222	Industrial buildings	an 6099	Other incidental revenues	28 000,00
Per 1223	Warehouses	an 6099	Other incidental revenues	95 800,00
Per 1240	Road structures	an 6099	Other incidental revenues	5 403 610,75
Per 1303	Other shares	an 6099	Other incidental revenues	100,91
			Total:	63 868 268,21
Deduction entries to balance sheet				
Per 6199	Other incidental costs	an 1202	Gravel, peat and other extractable land areas	53 003,41
Per 6199	Other incidental costs	an 1209	Other land and water areas	26 396,44
Per 6199	Other incidental costs	an 1210	Land areas	188,19
Per 6199	Other incidental costs	an 1223	Warehouses	85 104,61
Per 6199	Other incidental costs	an 1269	Other machines and	1 039,08
			Total:	165 711,73

These revenue and expense entries were made in order to correct errors in the initial balance.

Increments:

- The Uusimaa Region added to the balance sheet new unfinished road structures totalling 24,411,376.57 that were not entered in 2001 and unfinished road projects worth 33,421,064.70 not entered in previous years.
- In accordance with the report 26.8.2002/Dnro 1/51/2002 of the State accounting board, the Uusimaa Region added to the balance sheet 5,397,858.39 euros to road structures (Main Road 4 Järvenpää – Lahti). The increment was done to correct service fees entered as annual cost (see Appendix 19).
- The Häme Region corrected errors made in inventory and added to the balance separate buildings worth 184,200.00 euros.
- The Savo-Karjala Region corrected errors made in inventory and added three land areas.
- The Vaasa Region added to the balance a weather camera located in Alajärvi (5,752.36 euros) and the certificate of membership No. 5244 in the Oravaisten Keskusantenni co-operative.
- The Central Administration added to the balance the LIITO data system worth 444,015.28 euros, not activated in the fiscal year 2001.

Decrements:

- The Kaakkois-Suomi Region removed from the balance sheet the buildings (4080077000-8 and 4080077000-9) at the Akonpohja depot totalling 74,002.35 euros that were erroneously entered in the balance due to a mistake in inventory.
- The Keski-Suomi Region removed from the balance a camera that was stolen in 2001.
- The Oulu Region removed from the balance several pieces of real estate that had been handed over or sold in previous fiscal years, totalling 64,372.42 euros.
- The Lappi Region removed from the balance several pieces of real estate that had been handed over or sold in previous fiscal years or erroneously entered due to mistakes in inventory, totalling 26,297.88 euros.

Appendix 15. Finance coming from outside the budget to be entered into the statement of revenues and expenditure

The Finnish Road Administration does not have outside funding to be entered into the statement of revenues and expenditure.

Appendix 16. Capital placed in funds in the balance sheet

The Finnish Road Administration does not have such funds.

Appendix 17. Funds, foundations or associations administered by the agency, not included in the balance

The Finnish Road Administration does not have funds, foundations or associations outside the balance sheet.

Appendix 18. Overdraft of budgeted appropriations and reasons for overdraft

The Finnish Road Administration does not have overdrafts of budgeted appropriations.

Appendix 19. Corrections concerning previous fiscal years and other statements

1. Purchase expenses and service fees related to Main Road 4 Lahti – Järvenpää

On 19 March 1997, the Road Administration signed a contract with Tieyhtiö Nelostie Oy. According to this service contract, the company will provide road users with a motorway service between Järvenpää and Lahti. The section was opened to traffic in 1999. The contractual period will end on 31 August 2012.

In its business accounting, the Road Administration has entered the service fees in 1998 – 2001 as annual costs and as Item 31.24.79 'Road network postponed and comprehensive finance projects' in budget accounting.

In accordance with the statement No. 23/2002, 26 August 2002 requested from the State accounting board, the opening of road sections I and II resulted in a purchase to be entered in road structures and a long-term debt as large as the purchase expense. Based on the statement, an additional entry of 81.2 million euros was made in the accounts of road structures, an entry of 68.6 million euros concerning the years 2003 – 2012 while the 2002 share of the debt was entered in Instalments on other euro loans. The difference between the remaining purchase expense and debts came to 5.4 million euros, entered as incidental revenues in account No. 6099.

The share of debt paid by 2002 service fees (EUR 7.1 million) was entered in account 2522 Instalments on other euro loans.

The instalments must be of equal amounts so that the debt will be repaid on schedule. Because the service fees depend on traffic volume, the amount entered as annual costs in account 4399 varies. In 2002, 9.9 million euros were entered as service fees.

2. Share of profit from the Porvoo –Koskenkylä work consortium

In its final accounts, Finnra has 626,635.42 euros as receivables carried forward in account 1739 from the PoKo consortium. Based on a notice from the Finnish Road Enterprise, a profit share of 250,366.40 euros will be paid for 2002. When the preliminary information was received on 14 February 2003, Finnra's final accounts were at a stage where an entry would have caused changes in the financial statements and reports. The profit share will be entered in the 2003 bookkeeping once it is paid. The consortium's final assets will be clarified in 2003.

3. Seamen's working hours compensation

In the so-called seamen's salary dispute, the Finnish Road Administration is committed to compensating for the Finnish Road Enterprise the possible pay rise, indirect employee's costs and legal costs with interest, concerning the period when the Finnish National Road Administration was in existence and concerning the Finnish Road Enterprise, inasmuch as a higher salary level is not agreed in the ferry contract. Based on the agreement signed between the Finnish Road Enterprise and the Finnish Road Administration on 3 January 2002, the Finnish Road Administration entered a total of 757,412.29 euros in account 2619 Other accrued expenses in the final accounts of 2000 and 2001 in order to pay such compensation and interest. The court decision is still pending, and no compensation was paid in 2002. In the final accounts, an additional entry of 170,655 euros was made in accrued expenses based on previous calculations. A total of 928,067.29 euros was reserved for this compensation at the end of 2002.

4. Corrections to unfinished road structures due to errors in previous years

Some adjustments were made to the 2002 bookkeeping with regard to unfinished road structures. In the Uusimaa Region, a total of 57.8 million euros of investment expenses had not been activated. Of the corrections, 24.2 million involved the fiscal year 2001, while 33.4 million concerned previous years.

5. Pavement upkeep costs in the balance sheet

In the 2002 final accounts, pavement upkeep expenses (EUR 79.1 million) calculated for Product 210 were for the first time included in the investment expenses activated as road structures. Previously, these expenses were entered as annual costs. For pavements, the planned depreciation period is 10 years, which means that it is justified to calculate their upkeep expenses as a long-term investment. Pavement actions have a major impact on the bearing capacity and lifespan of road structures. In 1998 – 2000, pavement upkeep expenses averaged 55 million euros per year. In 2001, an annual cost of 63.1 million was recorded.

6. Expense adjustments to the Finnish Road Enterprise's negotiated contracts

A refund of 3.874 million euros was received from the Finnish Road Enterprise's negotiated contracts in December 2002. The refund was based on the forecast situation in negotiated contracts at the end of 2002. When the Finnish Road Enterprise's final accounts were complete, a notification was received, stating that the actual amount of negotiated contracts fell short by 403,500 euros, and consequently the Finnish Road Enterprise requested a

corresponding compensation (the Finnish Road Enterprise's letter No. 1157/2001/12.2.2003 and invoice No. 33101357/27.2.2003).

The adjustment item to be paid to the Finnish Road Enterprise was transferred to the year 2003, because Finnra's final accounts had already reached a stage where adjustments could no longer be made to the year 2002. The adjustment will be made in the 2003 bookkeeping and financed from the basic road management balance carried forward (Item 31.24.21.2.1/2002).

7. Statement of irregular use of Item

Item	Business accounting group	Euros
31.24.21 Basic road management		
Appropriation can be used for paying for the Finnish Road Enterprise personnel adjustment	82 Transfer costs	916 562
	83 Other transfer costs	18 420
		934 982
Appropriation can also be used to support museum activities in the field	83 Transfer costs	175 600
• Subsidies to the Mobilia Foundation		
Appropriation specified by Item can be used to finance projects in the so-called neighbouring areas.	40 Materials and supplies	5 286
	41 Personnel costs	16 412
	43 Purchase of services	433 157
	45 Other costs	43 936
		498 791

3.3 Analysis of the final accounts

At the beginning of 2002, Finnra's accounting organization changed over to a system based on one payment unit. In terms of purchase accounts, the payment transactions were transferred completely to the Vaasa Region. Other centralized financial administration tasks (accounts ledger and bookkeeping, payment transactions) are undertaken by the Regions of Vaasa, Uusimaa and Keski-Suomi. The Lappi Region continued to process payroll computation and travelling expenses as well as the Region's financial administration. The Kaakkois-Suomi Region in part managed the centralized system of monitoring EU projects. The agency's final accounts were drawn up by the Central Administration.

The State Treasury paperless bookkeeping system, which includes the electronic circulation of invoices and filing of purchase invoices, was introduced on 15 November 2002 in the Vaasa Region and its subsidiary organizations as well as in the Keski-Suomi Region. All Regions are to adopt paperless invoice processing in February 2003.

Responsibility for all State payment transactions was assumed by Nordea Pankki in 2002. The Finnish Road Administration became Nordea's client on 20 November 2002.

Statement of revenues and expenditure

Revenues

Finnra's activities yielded 44.1 million euros in revenues, 17.3 million more than the year before. The majority (71%) involved revenues from sources other than activities subject to charge. Net budgeted activities subject to charge accounted for 3 per cent and rent revenues for 26 per cent. Revenues from activities subject to charge were derived from, among other things, the sale of publications. Revenues from other activities involved 39.7 million euros. Of them, 24.4 million were contributions by municipalities and other outside parties to road projects.

Expenditure

The agency's expenditure structure remained almost the same as in 2001. The costs of actual activities totalled 850.3 million euros, declining by 49.7 million from the year before. When revenues from activities, financial yields and financing costs, incidental revenues and costs, revenues and costs from transfers as well as value-added taxes are taken into account, the trading deficit during fiscal period amounted to 917.5 million euros, 108.4 million less than in 2001. The trading deficit was affected by the activations in road assets that were larger than in the previous year and the balance sheet adjustments made to incidental revenues.

When analysed without depreciation and production for own use, the costs of actual activities came to 792.3 million euros. From this viewpoint, costs increased by 92.9 million euros. This was mostly attributable to an increase in purchasing costs of services provided by outsiders.

Service purchasing costs totalled 726.8 million euros, 92.4 million more than in 2001. The largest items were renovation and maintenance of land and water structures (EUR 348.4 million) and land and water area construction (EUR 308.1 million). Construction-related consulting services amounted to 23.0 million euros.

The purchase of software cost 0.3 million euros less than in 2001. The development of the contractual structure has given savings. On the other hand, the maintenance of the data systems and data consultancy have become more expensive (e.g. costs of the Digiroad project).

Personnel costs were 44.8 million euros, which is 0.7 million more than in 2001 and consistent with general pay rises and wage drifts. The number of personnel was 1,076 at the end of 2002, four people less than in 2001.

Rent costs were 6.9 million euros. Office rent increases and leasing more computer equipment added to rent costs by 0.7 million euros.

EUR 9.1 million of materials and supplies were purchased, 0.2 million euros less than in 2001.

Other costs of activities were 0.7 million euros lower than in 2001.

Costs worth 437.3 million euros were adjusted with a 'Production for own use' entry. EUR 172.6 million more investment expenses were activated in road projects than in 2001. In capital assets, a total depreciation of 495.2 million

euros was made, 30.1 million more than in 2001. Of this depreciation, 488.3 million euros concerned road structures. Road structure-related depreciation was 51 million euros larger than the investments made in 2002.

There were no major changes in financial yields and financing costs compared to the year before.

Incidental revenues came to 64.0 million euros. Of them, 57.8 million involved balance sheet adjustments entered as incidental revenues.

Costs from transfers were 10.2 million euros, 0.1 million larger than in 2001. The largest transfer item consisted of private-road subsidies, 5.6 million euros; the increase was 0.1 million euros from the year before. Transfer costs included subsidies to the car museum (Mobilia) as well.

Table 5. The Finnish Road Administration's cost structure in 2000 – 2001

Cost item	Final accounts 2002		Final accounts 2001	
	EUR million	%	EUR million	%
Materials and supplies	9.1	1.1	9.2	1.3
Personnel costs	44.8	5.7	44.1	6.3
Rent	6.9	0.9	6.1	0.9
Purchase of services	726.8	91.7	634.4	90.7
Other costs	4.9	0.6	5.5	0.8
Total	792.3	100.0	699.3	100.0

Table 6. Changes in Finnra's cost structure 2002/2001

Cost item	Final accounts (EUR mill.)		Change (EUR mill.)	%
	2002	2001		
Materials and supplies	9.061	9.284	-0.223	-2.5
Personnel costs	44.788	44.051	0.736	1.7
Rent	6.859	6.107	0.751	12.3
Purchase of services	726.776	634.409	92.367	14.6
Other costs	4.852	5.539	-0.687	-12.4
Total	792.336	699.390	92.945	13.3
• Production for own use	-437.312	-264.726	(-)172.586	65.2
• Depreciation	495.230	465.261	29.969	6.4
• Total	850.254	899.926	-49.673	5.5

Balance sheet

The balance sheet totalled 15,123.4 million euros, which is 98.9 million more than in the year before. Of the balance sheet, 98.8 per cent involved road assets, comprising roadbeds, road structures and unfinished projects. The value of road assets was 15,047.3 million euros, while in 2001 the value came to 14,944.0 million euros.

The value of intangible assets in the balance sheet increased by 3.7 million euros, mainly due to data system investments.

The balance sheet value of road structures (finished road structures) amounted to 14,089.4 million euros. Road structures are divided into the

substructure and superstructure, bridges and other road structures. The value of road structures declined by 48.5 million euros, in terms of the substructure and superstructure, but there was some increase in bridges and other road structures. The balance sheet value of road structures declined, despite the fact that the investments in pavement upkeep were calculated in the activated expenses; these investment expenses totalled 79.2 million euros. In previous years, pavement upkeep expenses have been recorded as annual costs. In 1998 – 2001, an average of 57 million euros per year were spent on pavement upkeep. For pavements, the planned depreciation period is 10 years, which means that it is justified to calculate their upkeep expenses as a long-term investment. Pavement actions have a major impact on the bearing capacity and lifespan of road structures.

The balance sheet value of road structures was also affected by the fact that a share of the service fees paid to Teyhtiö Nelostie based on the Main Road 4 Järvenpää – Lahti service contract was entered in the balance sheet as an investment (EUR 81.2 million). In 1998 – 2001, these service fees were entered in total as annual costs. The adjustment entry was made because of a statement issued by the State accounting board (See Appendix 19).

In road structures, depreciation consistent with plan was 488.3 million euros. Because the increase was 452.5 million euros, depreciation was 35.8 million euros larger than the actual increase in road structures.

The value of roadbeds increased by 19.9 million euros. Acquisition expenses were adjusted by 1.8 million euros.

The amount of unfinished projects increased by 132.6 million euros. Several major road projects were in progress (Main Road 1 Paimio – Muurla; Main Road 4 Liminka – Oulu; Main Road 9 Orivesi – Muurame). The value of unfinished road structures also increased through the adjustment entries (EUR 57.8 million) concerning investment expenses that had not been activated in 2001 and previously.

A depreciation consistent with plan of 488.3 million euros was entered in road structures; in the year before, the corresponding figure was 457.5 million. In roadbeds, the reduction resulted from adjustment entries to acquisition expenses.

Table 7. Changes in road assets in 2002

Road assets (EUR mill.)	1 Jan. 2002	Increase *)	Depreciation / reduction	31 Dec. 2002	Change
Road structures	14,137.9	529.1	577.6	14,089.4	-48.5
Roadbeds	505.3	20.8	1.8	524.3	19.0
Unfinished road structures	300.9	239.8	107.2	433.6	132.6
Total	14,944.1	789.7	686.6	15,047.3	103.1

*) The increase and depreciation / reduction also include the corrections and adjustments made to bookkeeping during the fiscal year. In road structures,

the net increase in the balance sheet was 5.4 million euros and 57.8 million in unfinished road structures.

Appendix 3 shows the actual increase in acquisition expenses, reduction and depreciation in 2002.

Table 8. Changes in road structures in 2002

Road structures (EUR mill.)	1 Jan. 2002	Increase*)	Depreciation / reduction	31 Dec. 2002	Change
Roadbeds	10,085.8	196.5	255.1	10,027.4	-58.6
Pavements	1,086.3	174.9	203.6	1,057.7	-28.6
Bridges	2,750.8	109.7	77.8	2,782.7	31.9
Other road structures	214.7	48.0	41.1	221.6	6.8
Total	14,137.9	529.1	577.6	14,089.4	-48.5

Table 9. (9). Unfinished road structures in 2002

Unfinished road structures (EUR mill.)	1 Jan. 2002	Increase *)	Depreciation / reduction	31 Dec. 2002	Change
Unfinished road projects	89,9	151,4	53,2	188,2	98,3
Unfinished road project open to traffic	147,5	73,9	44,0	177,3	29,8
Plans	63,6	14,5	10,0	68,1	4,5
Total	301,0	239,8	107,2	433,6	132,6

Budget realization statement

Revenue estimate accounts totalled 34.1 million euros. Finnra's miscellaneous revenues came to 13.4 million euros. Revenues were 8.3 million euros larger than in 2001. Revenues exceeded the budgeted amount by 2.1 million euros. Revenues from the EU for joint activities were 10.4 million euros. Miscellaneous revenues included capital rent revenues from real estate property.

The Finnish Road Administration had 794.2 million euros at its disposal as appropriations granted in the budget, excluding the 162.7 million euros of VAT expenses budgeted to a Ministry of Finance item. Available appropriations carried forward from the year 2001 totalled 138.0 million euros. The total amount available was 1,094.9 million euros. In 2001, the amount was 990.7 million euros.

A total of 101.5 million euros of appropriations were carried forward to 2003. From the basic road management item, 36.6 million euros were carried forward to 2003, and 21.5 million from the road network development item. EUR 36.8 million were carried forward from the item of postponed and comprehensive finance projects. Other balances carried forward amounted to 6.6 million euros.

EUR 6.8 million euros of budgeted appropriations remained unused.

4 INTERNAL AUDIT

The Finnish Road Administration's operational, information management, personnel, procurement, public relations and R&D strategies were drawn up in 2002. The agency's vision and values date back to 2001 and 1998 respectively. The organization was renewed at the beginning of 2002, and for this reason also the standing order was revised on 21 December 2001, followed by delegation orders in early 2002. The financial regulations and the code of practice for the Internal Audit were revised once again in 2002.

Finnra's performance targets for 2002 were approved by the Ministry of Transport and Communications on 30 January 2002. Profit unit specific performance targets were set on 18 February 2002. With the exception of the early part of the year and summer, the achievement of the performance targets was assessed on a monthly basis. An intermediary report was submitted to the Ministry on 27 August 2002. The present Report of Activities constitutes the final report. According to the audit report of the National Audit Office, an adequate description of effectiveness also requires information about the economy and productivity of Finnra's activities or corresponding information about the cost of activities. The Ministry of Transport and Communications and Finnra act in concert to promote the introduction and use of new indicators.

The Finnish Road Administration and road management are a special topic in the 2002 report of the National Audit Office.

As regards the actions prompted by the National Audit Office's 2001 report, Finnra communicated its standpoints to the National Audit Office on 5 August 2002 and to the Ministry of Transport and Communications on 27 August 2002.

The ferry personnel working hours dispute is still pending in the Supreme Court. A total of 0.93 million euros were recorded as accrued expenses to cover the possible compensation.

Some land areas, mostly expropriated prior to the present Road Act, are missing from Finnra's bookkeeping. While their number may be high, their financial value is negative as it is expensive to investigate their ownership status and demarcation. The new Decree 1070/2002 requires that proprietary information must be up to date by the end of 2003. Given the workload involved, this may not be feasible in Southern Finland. Furthermore, the grounds and appropriateness of some other balance sheet values must be reassessed.

The monitoring of authorizations did not live up to the orders. The issue and the system required have been promoted by a working group, and the results can be utilized in 2003.

In its 2002 audit, the National Audit Office drew attention, for instance, to the risks involved in approving of documents and receipts. The Internal Audit has emphasized the same question and the matter is even more topical

because of the changeover to paperless bookkeeping. The feasibility of delegation and approval procedures should be examined in particular.

The Internal Audit has co-operated with the National Audit Office. Auditing also included the management of assets and property, the functioning of the systems, steering information provided by them and separate issues involving the risk of misuse. Actual misuse or significant mistakes were not detected.

The Finnish Road Administration has stressed uniform activities in order to enhance efficiency and to avoid risks. This need repeatedly emerges in audit as well. The constant change and development also cause problems. Development consumes resources and results in a rapid outdating of directives. Changes in personnel and posts causes difficulties, e.g. in keeping delegation and system user rights up to date.

The Internal Audit has studied risk management as well, concluding that it must be promoted further in the agency. About twenty documented audits were carried out at different levels.

The Finnish Road Administration's Internal Audit worked under the Administrative Director, but it reported its major findings to the Director-General. The unit had seven employees. At the beginning of 2003, the number of personnel was four, one of whom was stationed in Jyväskylä.

5 SIGNATURES

The Board and Director-General of the Finnish Road Administration have today approved the Finnish Road Administration's final accounts for the year 2002.

Helsinki, 26 March 2003

Matti Vuoria
Executive Director
Chairman of the Board

Mikko Ojajärvi
Chief Engineer
Ministry of Transport and Communications

Kaarina Aho
Managing Director

Sirkka Hautojärvi
Secretary-General

Marketta Kokkonen
Mayor

Seppo Toivonen
Senior Officer

Eero Karjaluoto
Finnish Road Administration
Director-General

