

ESTONIAN ROAD MANAGEMENT ORGANISATION

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ABSTRACT

The stages of reorganization in the Estonian Road Administration in Estonian national road system (Annex 1: Estonian Road Network) have been developed through changes over the period of decades in accordance with different changes in economics and politics (Annex 2: Types of pavement on national roads). Following is the overview of main stages of reorganization pointing out increased road maintenance works contract policy as well as supervision of roadworks by orderer and contractor/work executor (Annex 3: Information on road and weather conditions).

KEYWORDS

MAINTENANCE CONTRACTS / PRIVATIZATION / REORGANISATION

1. INTRODUCTION

Since 1997 the Estonian Road Management organisation has systematically been updated. In accordance to the stages of reorganisation up to mid 90-is road maintenance carried out exclusively by 15 non-profit District Road Offices. At the Stage 1 years 2000-2004 the privatization of maintenance machinery and buildings were carried out. First maintenance contracts were signed. 15 District Road Offices transformed into 5 Regional Road Offices which basically operated as customers but still did maintenance in limited areas as well and Road Administration of the Northern Region that acted entirely as a customer. The aims and ideas conceived then, have mainly been put into practice and they work. The aim of the reorganisation was separation the roles of the orderer and the performer of works or, in other words, assigning road operations and, to some extent, also construction and repairs to entrepreneurs on contractual basis. To achieve that the accessory production facilities of road offices, road construction machines and road operations equipment had to be expropriated; the normative basis of road operations had to be elaborated and the management of the road management organisation including winter maintenance had to be improved.

2. REORGANISATION

2.1. REORGANISATION PROCESS

As a result of reorganisation 6 regional road offices were established by April 1st, 2003 which were subordinated to the Estonian Road Administration instead of 15 local offices based in every county. However, in a county where the central road office of the region was located, road operations continued to be carried out in the fear that the reform would fail. The main nightmare was bankruptcy and cartel. In essence, road operations incl. winter maintenance were privatised in Estonia. Thus, in 9 counties road operation were transferred to private entrepreneurs and in one county the contractor was a state limited company, which was established in order to carry out privatisation by selling the shares of that company. In reality, however, that type of a company was attractive to politicians who

attempted to become members of the supervisory board of that company, so that selling of the shares started only this year – 8 years later than planned.

2.2. CONTRATCS

The term of the first contracts was 5 years, but the second round started with 8-9 year contracts.

General principles of maintenance contract

- summer and winter service enclosed into the same contract;
- duration of the contract 4-5 years 7-8 years;
- integral parts of contract: routine and periodic service; + retain repairs (since 2007);
- routine service – amount of work given must ensure the required condition of the road (service level). Paid performance-based;
- periodic service, retain repairs – prescribed amount of works must be carried out. Paid by unit prices;
- payment for maintenance works is accomplished in monthly basis in accordance with the “Financing Schedule” (annex to the contract);
- deductions from payable sums are made due to low quality of performance, discovered during supervision;
- The prices of operations and works change every year in accordance with the Road Operation Price Index (in former contracts Construction Price Index) published by the Statistics Estonia.

To point out, if a company won the first contract, it was successful also during the 2nd procurement. In Estonia the development of a state limited company is restricted anyway. The Ministry of Finance has established a rule that all the profit earned by such a company or at least a part of it must be transferred to the state budget and often the members of the supervisory board make decisions which hinder the development. In accordance to the stages of reorganisation the Stage 2, years 2005-2007 was re-arranging and updating contract details (e.g. duration of a contract from 4,5 years to 7,8 years). Renewing contracts through new tenders.

Harju Road Office was the first of the 6 offices which stopped carrying out road operations in 2003 and on 1st January 2005 it was reorganised into a regional road office of the Estonian Road Administration, called the Road Administration of the Northern Region of Estonia. It became a state institution the aim of which was planning road management work incl. winter maintenance, ordering it and carrying out supervision.

This was the beginning of a new phase in the development of the Estonian Road Management Organisation. In accordance to the stages of reorganisation at the Stage 3, years 2007-2008 was the period of reforming contract principles; complete conveyance of maintenance works to private sector and 5 Regional Road Offices transformed into 4 Regional Road Administrations. There was re-composing the agencies administrative structure. Estonian national road sector consisted now of the Estonian Road Administration and 5 Regional Road Administrations.

For the next 2 years, the development in that direction did not continue mainly because there was no political decision. Only during the power of the government we have today, a decision was made to complete privatisation of road operations and the separation the roles of the orderer and the performer of the work.

In October 2007 the reorganisation plan of road management was adopted for 2007-2009. The plan set forth completion of privatisation of road operations in the 5 remaining counties and revision of the number of regions. 6 seemed to be too big a number for such

a small country as Estonia. Meanwhile the amendments of the State Procurement Act and some directions of the EU have made it more complicated to carry out privatisation directly and logically as 10 years ago.

2.3. ESTONIAN ROAD ADMINISTRATION IN 2009 AND ONWARDS

Today, we must first establish state limited companies to which necessary equipment, state property and employees will be transferred to enable them to carry out road operations in the counties for the next 3 years. Further, in a couple of years, the shares of the companies will be sold. According to that scheme state limited companies have been established since June 1st 2008 in Tartu and Pärnu regions. After November 1st 2008 established in Viru-, Saare- and Võru regions. All those 5 state limited companies will have a supervisory board of 3 members and the chairman will be Mr Koit Tsefels, Deputy Director General of the Estonian Road Administration. This is the legal intermediate stage on the way to privatisation.

On the basis of the remaining regional road offices as ordering institutions, it would be reasonable to firm regional road administrations. Their number could be from 1 to 6. In accordance to the stages of reorganisation the Stage 4 at 2009 (from January 1-st 2009) in Estonian national road sector was finalized with the structure of the Estonian Road Administration together with 4 Regional Road Offices.

Today we are of the opinion that the optimal number is 4 Regional Road Office in the structure of ERA, which have been established since January 1st, 2009, but it was political decision. From January 1st 2009 all road maintenance incl. winter maintenance are privatized in Estonia. We think that the final decision should reflect the regional reform of the Estonia as a whole, which we have heard of for about 10 years.

But that was only the end of restructuring the road part of the Road Administration of Estonia.

In accordance to the stages of reorganisation the Stage 5, year 2009 (from July 1-st 2009) was carried out and with the Estonian Road Administration inclusion of the Traffic Registration Center. The 4 Regional Road Offices included Traffic Registration Offices in counties and towns at this stage. Since 1 July 2009 the Car Registration Centre and Road Administration were united and made into one unit. 270 new workers from the Car Registration Centre started the work in the united organisation. Car Registration Offices located in the towns and counties of Estonia were united with Regional Road Offices.

The aim of the restructuring is to cut down the organisational expenses and improve the traffic safety and pay more attention to traffic safety based education.

3. CONCLUSION

The result of reorganisation has separated the roles of the orderer and the performer of the work. Maintenance quality is estimated by established requirements and maintenance quality has not become worse. All the problems connected with road maintenance have been regulated by long time (7-8 years) agreements. The contractors are contesting tender more actively by legal ways in connection with tendering process which can prolong the outcome of performed roadworks. The most benefit of the privatization can be stated that the Road Administration can carry out its main goal: design and plan state road politics; improve the normative basis of roads and to be a customer and control of road maintenance quality. During the process of restructuring most of the workers were provided

with posts in the state sector or in the performing area. Since 1st January 2009 all road maintenance, including winter maintenance has been privatized in Estonia. As mentioned in the resolution of the World Road Association PIARC XIII International Winter Road Congress there are 3 countries in the world - Canada, Norway and Estonia, where all road amintenance has been privatized.

That is our situation today , thank for your attention!

ANNEX 1. ESTONIAN ROAD NETWORK

Estonian road network



Total	57 565 km
National roads	16 465 km
Main roads	1 601 km
Basic roads	2 391 km
Secondary roads	12 425 km
Ramps and collecting roads	48 km
Density of national roads	379 km per 1 000 km²
Local and private roads	38 078 km
Urban roads and streets	3 022 km

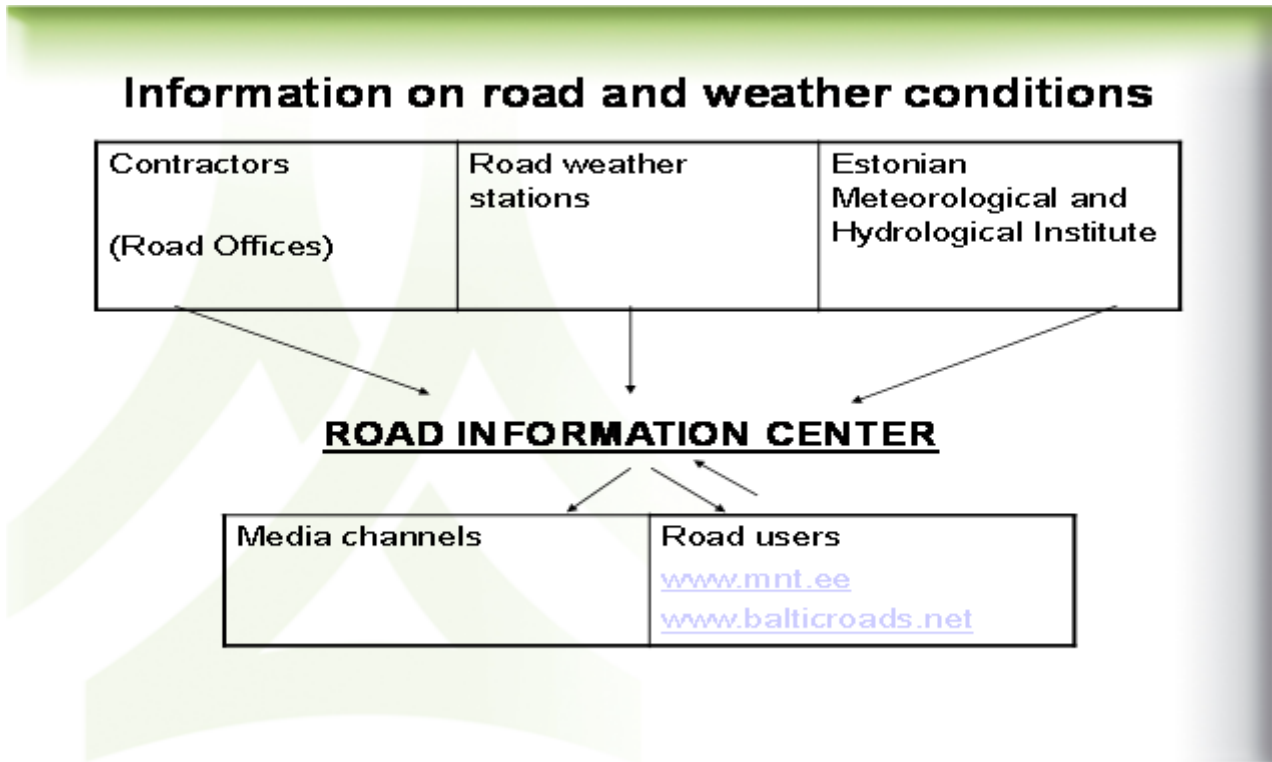
ANNEX 2. TYPES OF PAVEMENT ON NATIONAL ROADS

Types of pavement on national roads



Total	16 465 km
Asphalt concrete	3 753 km
Bitumen-gravel	3 906 km
Ash concrete	936 km
Surface dressed gravel roads	1 084 km
Gravel roads	6 786 km

ANNEX 3. INFORMATION ON ROAD AND WEATHER CONDITIONS



ANNEX 4. AREAS OF 4 REGIONAL ROAD ADMINISATRATIONS

