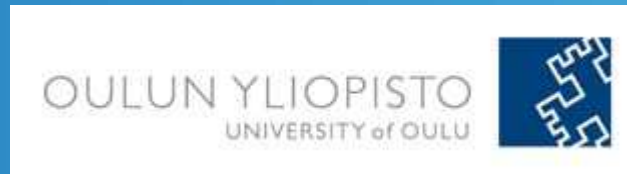


**LISBOA 2010**  
MAY 25/28  
**16th World Meeting**

# OWNERSHIP AND MANAGEMENT MODELS FOR INFRASTRUCTURE NETWORKS



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# PRESENTATION OVERVIEW

- Project Background
- Municipal & State Ownership
- Governance
- Restructuring
- Project Findings & Challenges
- Conclusions



# Project Team



The Finnish Funding Agency for Technology and Innovation

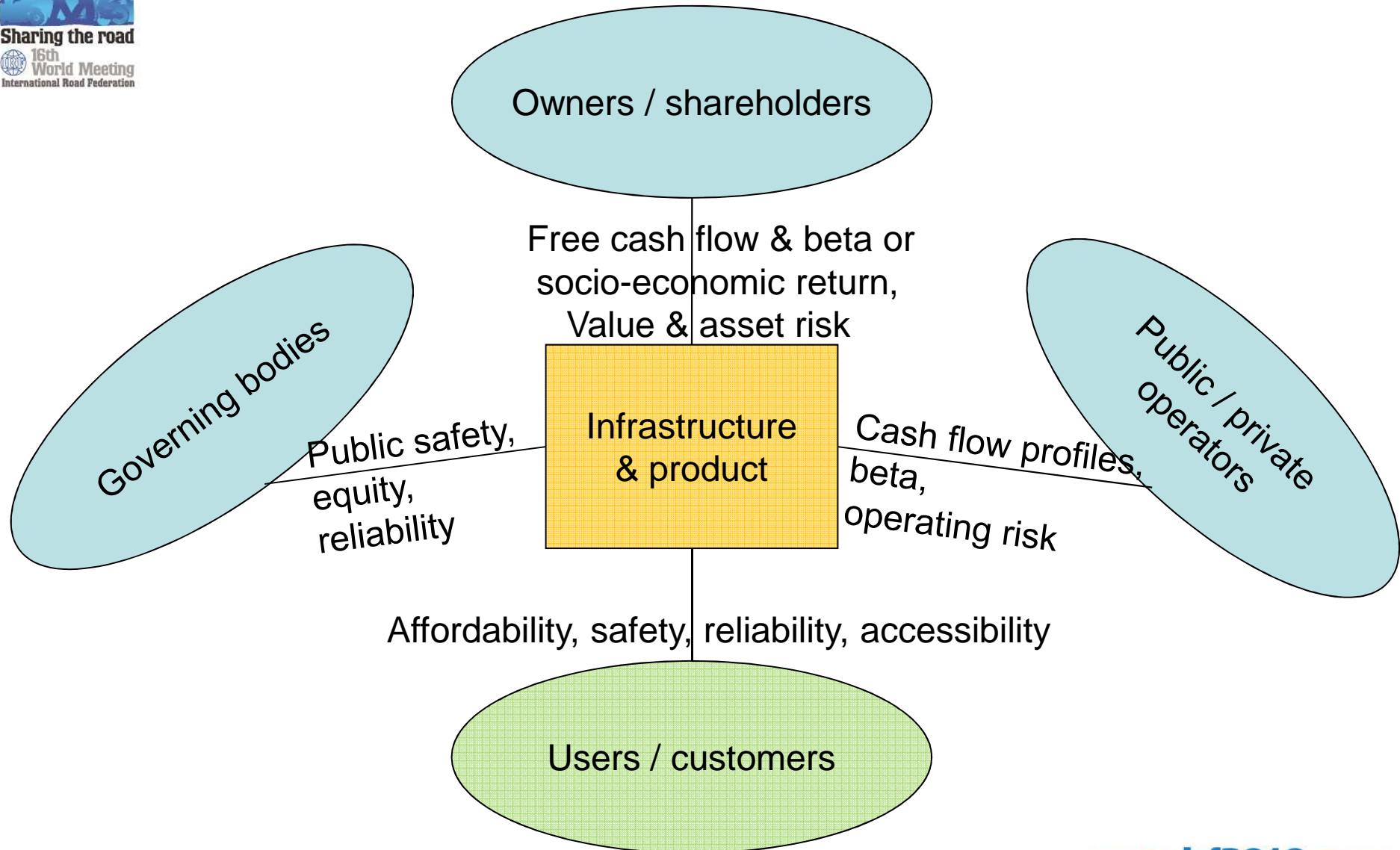


- Prof. Antti Talvitie & Pekka Pakkala – Aalto University (Roads)
- Prof. Harri Haapasalo, & Maila Herrala – Oulu University
- Pekka Leviäkangas, Marko Nokkala, & Jussi Rönty - VTT

# Project Objectives

- To map ownership and governance (O&G) structure variants and models for infrastructures
- To identify business opportunities enabled by different O&G structures
- To assess the value added for different stakeholders and the strengths, weaknesses, opportunities and threats of different O&G
- To estimate business and investor risks (cash flow, asset risk) as well as socio-economic risks
- To form a coherent and more generic picture on infrastructure networks' O&G and business potential
- To point out unutilized potentials for added value
- **NETWORKS**  
= Roads, streets, harbors, airports, water, rail & energy

# C-Business Project





# Finnish Road Network

## Roads in Finland

### Private roads

- without permanent settlement and without any aid 130.000 km
- with permanent settlement but without any aid 20.000 km
- serving only forest areas with special state aid\*) 120.000 km
- with permanent settlement getting municipal aid 28.000 km
- with permanent settlement getting state\*) and mun. aid 52.000 km

*\*)state aid is only for repair and new construction* **Total 350.000 km**

**Municipal streets 26.000 km**

**Municipal pedestrian roads 7.500 km**

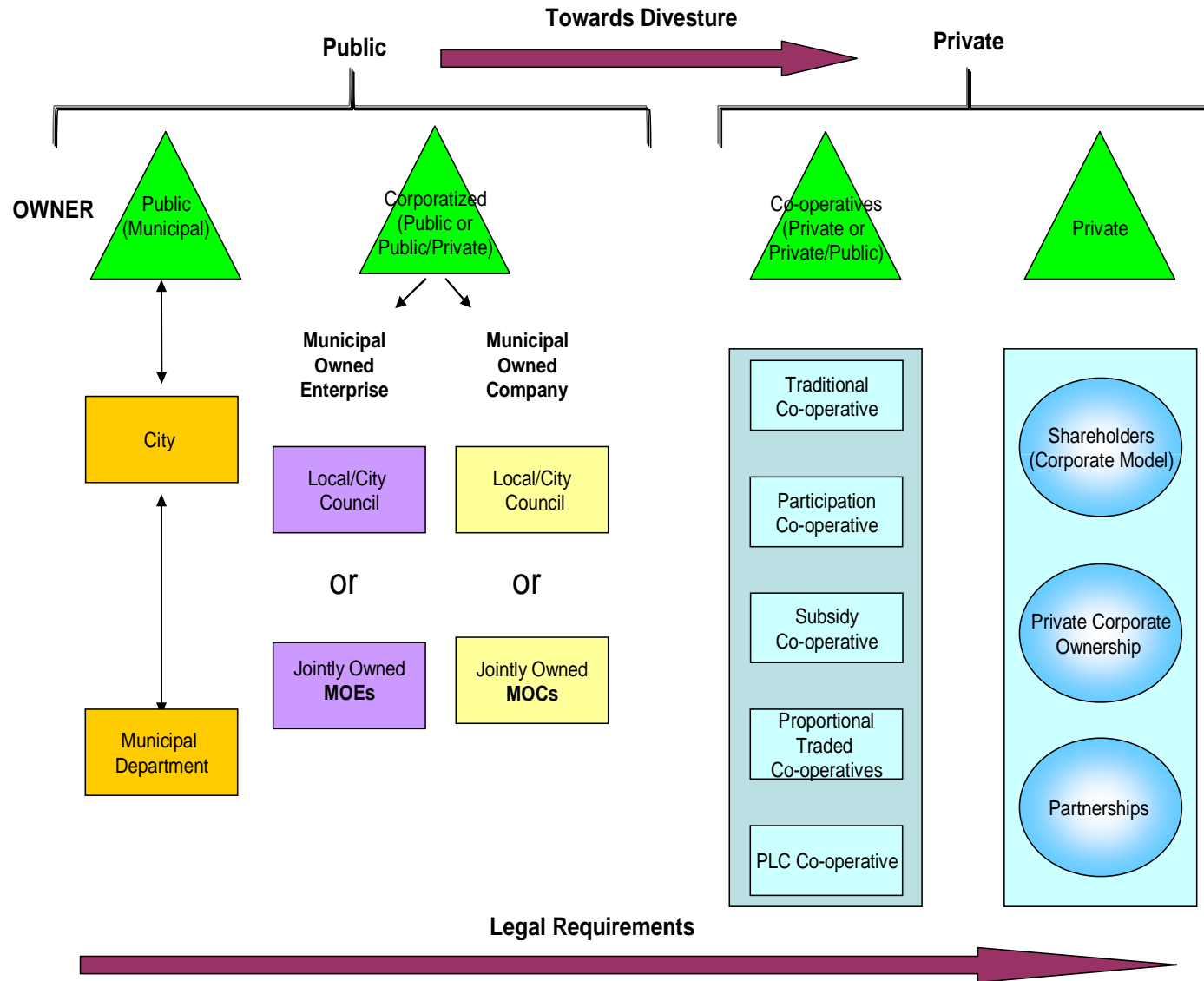
**State roads 79.200 km**

**State pedestrian roads 4.700 km**

**Total 117.400 km**

**Grand total 467.400 km**

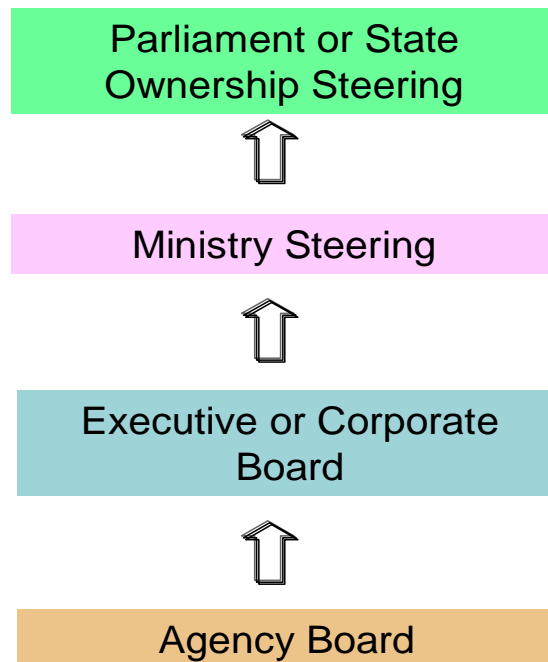
# Municipal Ownership Model & Structure



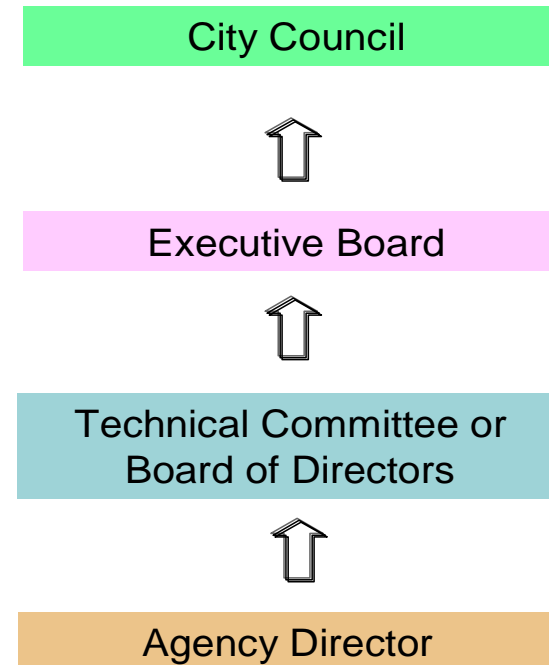
# Governance Structure

## Typical Governance Structure

### State Governance



### Municipal Governance



# Phases in Restructuring Infrastructure Administrations

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5 & 6
Public Works Department (all-in-one)	Identify Administration and Supplier Organizations	Separate Administration and Suppliers. Establish Oversight Board	Corporatize Suppliers  Privatize Suppliers	Corporatize Administration

Road Fund

Decreasing Direct Government Involvement & Increasing Decentralization

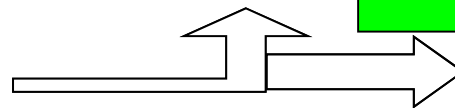


# Interview Results and Phases in the Public Reform Process

Phase 1	Phase 2	Phase 3	Phase 4a	Phase 4b	Phase 4c	Phase 5	Phase 6a	Phase 6b	Phase 7
Seinäjoki & Haukipudas Streets	Kiiminki	Helsinki Streets		Oulu TC Lahti TC Jyvaskyla TC	Finnish Transport Agency	Varkaus & Askola	Turku & Kerava TC		
Agency &	Identify Client and	Separate Client and	Client	Client	Client	Client	Corporatized Client (MOE/SOE)	Corporatized/ Joint Stock (MOC/SOC)	Privatized
Production	Producer (Deliverer)	Producer	Producer under Client	Corporatize Producer (MOE/SOE)	Corporate/ Joint Stock MOC/SOC	Privatized			
		Helsinki City Services (Stara)		Oulu TEKLI, Jyvaskyla ALTEK & Turku TE	Destia				

Source: C-Business - VTT, Oulu & Aalto Univ.  
(Revised from World Bank, TNZ & Finnra Original)

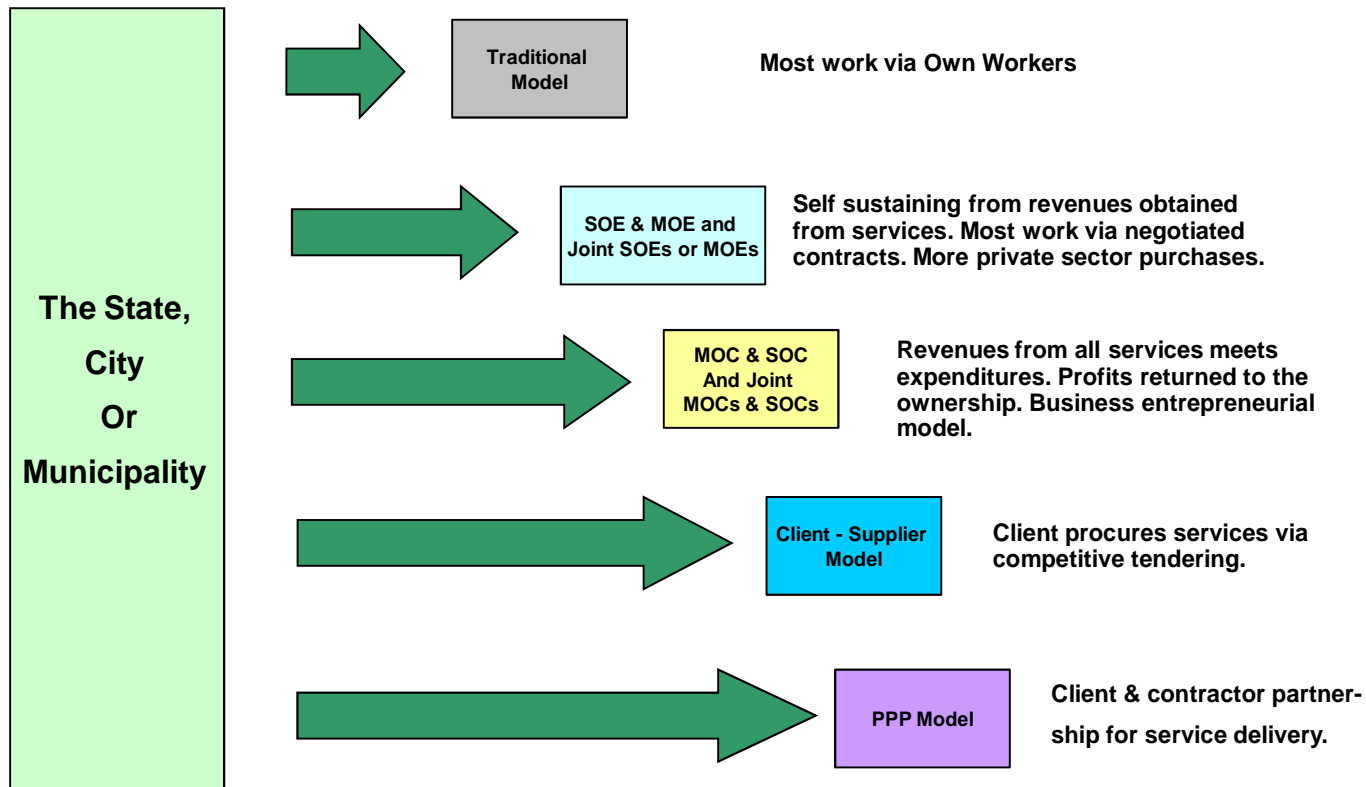
True Client-Supplier Model



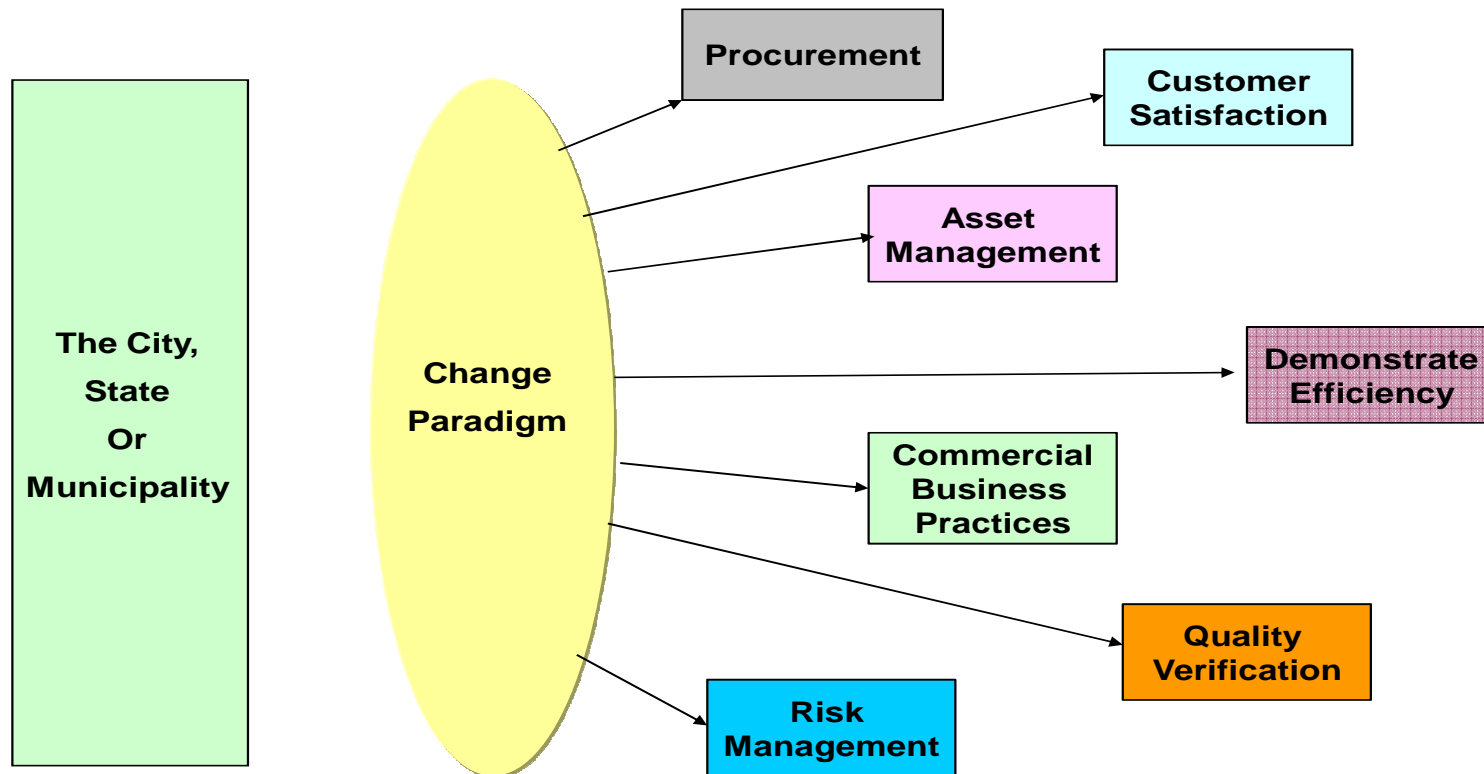
Road Fund

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# Typical Ownership Models



# Main Developments Needed When Restructuring





# Benefits of Restructuring

- Clarification of the roles – being a client or a service provider
- Adoption of business and entrepreneurial practices with good financial management systems
- Efficiency
- Cost savings and knowledge of costs for the works
- More freedom from the municipal bureaucracy and hierarchy
- Utilizing Asset Management Systems & Principles
- Understanding risks
- Accountability



# Challenges to Restructuring

- Approval needed at high political levels – very difficult
- Labor Unions
- Loss of direct control for works-planning, design, execution
- Job security and higher cost of “in-house” workers
- Political interference, hierarchy and bureaucracy
- Developing a functional private sector market
- Inward looking management with no drivers for change – satisfied with the status quo
- Typical Budgeted Mentality (Financial management and tax liabilities)
- Cost accountability and transparency

# Conclusions

- Public Sector Continues to Own the Infra
- Decision made at Higher Levels (city council)
- Quicker Restructuring in Times of Crisis
- More Private Sector Operators & Mgmt
- Moving Toward a Business Entrepreneurial Practice
- Changing the Status Quo & Tradition
- Resolving Labor Unions – Huge Issue
- Deliberate process to Restructuring
- Takes a Champion to Drive the Process
- Benchmarking Costs & Benefits