

14 February 2020

Finland Railway as a joint project between the state and municipalities - Q&A

Accessibility of regions is essential for Finland's competitiveness and success. Major rail projects contribute to economic growth and to a more equitable distribution of income and they have positive impacts on travel-to-work areas, urban structures and the environment. Climate change, urbanisation and the challenges arising from accessibility all require that Finland invests substantially in its transport system and that there is a shift towards sustainable modes of transport. The parties involved have now reached agreement on establishing a company to promote the Finland Railway project.

1. Why are project companies needed?

Developing rail traffic and new fast rail connections requires more predictable transport system planning, more investments in infrastructure, and frontloading of the societal benefits generated by the investments.

Combining the resources of central and local government is the most effective way to achieve these goals. The project company model provides a new approach to planning, constructing and financing major rail investments as a joint effort for the benefit of society as a whole. It is valuable that major projects are carried out as a joint effort and that the views of all those concerned are taken into account in the process. In the long term, participation in the projects will encourage the company's shareholders to develop urban planning and land use, which will lead to more efficient construction of housing and commercial premises, a prerequisite for urbanisation and sustainable development.

Central government has only limited capacity to allocate budget funding for projects of this scale, which means that new funding models for rail projects are needed. The project company model provides a good basis for developing the Finnish rail network and for implementing more rail projects, which was also the conclusion made by the parliamentary working group reviewing transport funding and the Ministry of Finance working group examining the use of the company model in infrastructure projects.

2. What are the aims of the project companies?

Faster connections mean a better transport infrastructure and they also contribute to regional development and to sustainable mobility on a broad front. Rail connections help to expand travel-to-work areas within and between large urban regions, thus improving the efficiency of economic activities in cities and other municipalities. Within the framework of the Finnish rail network, Finland Railway is much more than a regional project and it will significantly enhance the prospect of developing connections from Tampere to the west, north and east. The fast rail link will also make Helsinki Airport a more integral part of the Finnish rail network and shorten travel times for passengers travelling from the airport to the north on the main line and to the east on the Lahti shortcut.

The main line from Helsinki to the north and further on to Sweden via Tornio is part of a European cross-border Core Network Corridor (TEN-T).

3. What are the tasks of the project companies?

The project companies will prepare the project plans and provide funding for the projects up to the point where construction can start. Accordingly, a project company draws up the plans up to the completion of the statutory track plan. The project construction plan is part of the construction phase and it is not the responsibility of the project company. The decisions on the construction will be made separately. To ensure that the most effective and cost-efficient solutions are used, the projects will not be separated from the development of the national transport infrastructure and the 12-year transport system plan.

4. What has been achieved in the negotiations and which topics have been discussed?

In November 2019, the State of Finland, municipalities and Finavia started negotiations on a shareholders' agreement under the auspices of the Ministry of Transport and Communications to establish the joint Finland Railway project company. The negotiations on the contents of the shareholders' agreement have now been successfully concluded. The shareholders' agreement lays down the details of such matters as the establishment, administration and financing of the project company, decision-making in the company and the shareholders' mutual rights and obligations.

The shareholders' agreement and the establishment of the project company must still be approved by the decision-making bodies of the parties involved in the negotiations. At central government level, the matter will be discussed in the Cabinet Committee on Economic Policy in March 2020. The elected bodies of the municipalities involved will consider the matter between February and April 2020. At Finavia, the matter will be discussed at the company's annual general meeting.

5. Which parties have joined the shareholders' agreement?

In addition to the State of Finland, the following parties have joined the shareholders' agreement:

- Finavia Corporation
- City of Helsinki
- City of Tampere
- City of Vantaa
- City of Hämeenlinna
- Municipality of Janakkala
- City of Riihimäki
- City of Lahti
- Municipality of Lempäälä
- City of Akaa
- City of Jyväskylä
- City of Oulu
- City of Pori
- City of Seinäjoki
- City of Vaasa
- City of Kangasala
- City of Nokia
- City of Orivesi
- Municipality of Pirkkala
- Municipality of Vesilahti
- City of Ylöjärvi

6. What is included in the Finland Railway planning project?

The planning project comprises two sections: the Airport Line from Pasila via Helsinki Airport to Kerava and the extension to Tampere. The extension can be built as a new line from Helsinki Airport to Tampere or by upgrading the existing main line between Riihimäki and Tampere (third and fourth track and track realignments). The project company will prepare a preliminary study of both alternatives, and the company's annual general meeting will decide which of them will be selected as the basis for planning.

7. When will the plans be ready?

Preparing the preliminary studies is expected to take 1.5 years. According to a preliminary estimate, the planning of the Airport Line will take eight years, and this process comprises the environmental impact assessment, general planning and the preparation of the track plan.

If, on the basis of the preliminary studies, it will be decided to plan a new rail line from Helsinki Airport to Tampere, the planning process is estimated to take ten years. This would comprise the preliminary study, an environmental impact assessment, preparation of the regional land use plan, general planning and the preparation of the track plan.

If, on the basis of the preliminary studies, it will be decided to upgrade the existing main line between Riihimäki and Tampere, the planning phase would probably be slightly shorter because no regional land use plan would be required. In other respects, the planning phases would be the same as above.

One of the aims of the project company model is to speed up the planning process.

8. How and when will decisions be made on the alignment of Finland Railway?

The company will prepare preliminary studies of both development alternatives and the information collected for the studies will be used as a basis for decisions on the track alignment. When the preliminary studies are ready, the company's shareholders will decide at a general meeting by a qualified majority which of the two alternatives will be selected as a basis for the planning process. Before the decision, each of the shareholders will formulate its position on the matter in its own decision-making processes.

9. How are the operations of the project companies financed?

In the first phase, the companies will prepare project plans and provide funding for the planning process up to the point where construction can start. During the planning phase, the project companies will receive most of their funding in the form of capitalisation provided by the shareholders. A project company can also apply for CEF funding provided by the EU to cover project planning costs, which would reduce the amount of capital that the owners would have to inject into the company.

In the construction and operating phase, the company would be able to rely on more diverse sources of funding and income but in large projects, proceeding gradually and in stages is considered the best option. For this reason, only decisions on the planning phase will be made at this stage.

10. What will the project cost?

The planning costs of Finland Railway are estimated at slightly more than EUR 150 million. The parties have now agreed on the planning start and the costs arising from it. Additional negotiations will be required if it is decided to move on to the construction phase.

The construction of Finland Railway is estimated to cost EUR 5.75 billion (at current prices), and this total also includes the cost of building the new Airport Line and the fast connection from Helsinki Airport to Tampere. Alternatively, it may be decided to build the Airport Line and to upgrade the existing main line between Riihimäki and Tampere. The costs of this option are more difficult to estimate at this stage, as they would significantly depend on the traffic-related decisions made during the planning process, such as the number of realignments on the main line. According to a preliminary estimate, the construction of the Airport Line and the main line upgrades would cost about EUR 4.6 billion.

11. How are the costs shared between the parties?

The State of Finland will contribute about EUR 78.90 million to the project company, which is 51% of the estimated planning costs and the other costs arising from the company's operations. The remaining 49% will be provided by the other shareholders. The parties have decided that the costs between the shareholders will be shared as follows:

Shareholder	Contribution (EUR million)	Contribution (%)
State of Finland	EUR 78.90 million	51%
Finavia Corporation	EUR 16.00 million	10.3%
City of Helsinki	EUR 22.20 million	14.4%
City of Tampere	EUR 11.10 million	7.2%
City of Vantaa	EUR 11.10 million	7.2%
City of Oulu	EUR 0.90 million	0.6%
City of Jyväskylä	EUR 1.98 million	1.3%
City of Lahti	EUR 3.37 million	2.2%
City of Pori	EUR 1.19 million	0.8%
City of Vaasa	EUR 0.95 million	0.6%
City of Hämeenlinna	EUR 1.89 million	1.2%
City of Seinäjoki	EUR 0.88 million	0.6%
City of Nokia	EUR 0.47 million	0.3%
City of Ylöjärvi	EUR 0.46 million	0.3%
City of Kangasala	EUR 0.44 million	0.3%
City of Riihimäki	EUR 0.81 million	0.5%
Municipality of Lempäälä	EUR 0.65 million	0.4%
Municipality of Pirkkala	EUR 0.27 million	0.2%
City of Akaa	EUR 0.47 million	0.3%
Municipality of Janakkala	EUR 0.46 million	0.3%
City of Orivesi	EUR 0.13 million	0.1%
Municipality of Vesilahti	EUR 0.06 million	0.0%

12. What is the latest on the CEF application?

The agreement reached between the parties opens the way for an application for EU grants during the current CEF (Connecting Europe Facility) application round. The application round for CEF Transport 2019 opened on 16 October 2019 and it will close on 26 February 2020. The Finnish Transport Infrastructure Agency is now preparing the CEF application and it will submit it to the European Commission by the deadline. The project company will be made the beneficiary at a later stage.

According to the preliminary information received from the European Commission, the applications will be evaluated between March and June 2020. The funding decisions will be made following the evaluation (in June-July 2020), after which the grant agreements are ready for signature.

13. Why is only EUR 23 million sought from the EU even though the total planning costs of Finland Railway are put at EUR 150 million?

The planning of a rail project is a multi-stage process (preliminary study, general plan, environmental impact assessment and the track plan). The planning process proceeds step by step and at this stage, support would be sought for work estimated to cost EUR 23 million. Under the terms and conditions governing the use of the grant, the projects for which support is sought must be completed by the end of 2023, and they must start within six months of the end of the application round (by August 2020).

Due to the length of the planning process, no support is sought for the entire project during this application round, as support to cover the remaining costs can be sought during subsequent CEF applications. The next round may already take place at the end of 2020 and during the new budget period (2021-2027) at the latest.

14. How would Finland Railway impact travel times?

The impact of Finland Railway on travel times between Helsinki and Tampere will depend on the alignment to be selected. The new line from Pasila to Kerava via Helsinki Airport and further on to Tampere might reduce the travel time between Helsinki to Tampere to about 60 minutes. The Airport Line and the upgrading of the existing main line would shorten the travel time between the two cities to about 80 minutes. Finland Railway would also make other parts of Finland more accessible. For example, according to preliminary estimates, the travel time between Helsinki and Seinäjoki would be cut from the current 2 hours 38 minutes to between 1 hour 54 minutes and 2 hours 14 minutes, depending on the rail line alternative selected for development.

The Airport Line would cut the travel time between Helsinki and Helsinki Airport from the current 27 minutes to 15 minutes. If a new line is built, the travel time between Tampere and Helsinki Airport could be reduced to 45 minutes. If it is decided to upgrade the existing main line, the travel time of the fastest trains between the two stations would be reduced to about 65 minutes.

15. When will trains start running on Finland Railway?

According to current estimates, services on the new Airport Line could start in 2033 and fast traffic between Helsinki and Tampere in 2036. The parties have agreed on the planning up to the point where construction can start but more negotiations and decisions will be needed before the building of the Finnish Railway can begin.

16. What will happen next?

The negotiating parties will now submit the matter to their own decision-making bodies. At central government level, the matter will be discussed in the Cabinet Committee on Economic Policy in March. The matter will be considered by the elected bodies of the participating municipalities between February and April 2020.

The negotiating parties plan to establish the company as soon as possible after they have made the required decisions and the shareholders' agreement has been signed.

In the first stage, the new company must organise its operations so that it can quickly start performing the project planning task.

17. Why does the planning of a railway project take several years and the construction almost a decade?

In general, the planning of a rail project proceeds in stages. The plans become more detailed in the process and there are also many statutory phases. The planning of a rail project progresses as follows:

1. A preliminary study in which such aspects as the timing of the rail project at the level of the regional land use plan and local master plans are examined. Alternative track alignments may be considered at this stage and they become more detailed as the process goes forward.
2. General planning in which the approximate location of the railway line, its space requirements and its relationship with land use in surrounding areas are determined.
3. Preparation of the track plan, which involves detailed design work to implement the rail project.

An environmental impact assessment (EIA) is also required. This is a statutory process in which the impacts of the rail project on nature, the built environment, human health and wellbeing as well as the use of natural resources are assessed.

Appeals against the plans may also be filed, which may delay the start of the planning process and the construction.

Like the planning process, the construction also involves several stages that cannot be carried out in parallel. For example, extensive soil studies are needed before the rail infrastructure can be built. Likewise, on certain sections, tunnels may have to be built through rock or cuttings created before the tracks are laid.

In projects of this scale, the construction stages are long and require a great deal of careful planning.

However, one of the aims of the project company model is to speed up the planning process.

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