

Parting Shots As Estonia Renationalises



BRS' legacy includes locomotives from the United States (left) which have helped to improve reliability.

Photo: Henry Posner III

THE Estonian government completed its renationalisation of a 66% stake in Estonian Railways (ER) in January as a shareholder in the former incumbent, Baltic Rail Services (BRS), described its presence in the country as a mistake.

ER immediately set about reorganising its operations under its new chairman, Mr Kaido Simmermann, who suggested that ER may be split into separate infrastructure and transport services companies.

Simmermann also said ER plans to invest €25.5 million this year, partly through EU funds, and that there will not be a drastic rise in track access charges. BRS had long argued that an increase in track access charges was vital to the business, and prime minister Mr Andrus Ansip suggested in the run-up to renationalisation (IRJ December p14) that raising tariffs will be necessary.

The outgoing board of ER has hit back at the government's handling of the railway,

which it believes killed off the privatisation. It argues that the 2003 Railways Act, brought by a newly-elected left-wing government opposed to privatisation, completely changed the economic conditions under which ER could operate.

Railroad Development Corporation chairman and ER supervisory board member Mr Henry Posner III told IRJ: "We were put in a position where we were trading with both hands tied behind our backs. Our ability to schedule movements and price business on our own railway was taken away from us, so we weren't in a position to cover our capital costs. It's a classic example of how regulation can be abused under the guise of economic policy." He adds that the government used Estonia's accession to the European Union as the reason for the 2003 Railway Act, "even though no similar regimes exist anywhere else in Europe."

Estonia's minister of economic affairs

and communications, Mr Edgar Savisaar, said the government "could not agree with BRS' interpretation of the privatisation agreement, their understanding of tariffs, investment principles and many other issues."

Posner adds that BRS' legacy in Estonia is reflected in ER's operating results, safety and traffic levels since privatisation in 2001: "We'll be leaving Estonia with a much better railway than the one we bought. The company is well positioned to maintain Estonia's role in the increasingly-competitive Russian transit business.

"We didn't appreciate we'd be betrayed by a government that was supposed to be our partner," says Posner. "It was a great learning experience for me, but the biggest disappointment of my railway career. The government now wants to do what we were arguing for all along and it seems our presence in the country was a mistake."