



Study on State asset management in the EU

Final study report for Pillar 2 – Latvia

Contract: ECFIN/187/2016/740792

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February 2018



EUROPEAN COMMISSION

Directorate-General for Economic and Financial Affairs
Directorate Fiscal policy and policy mix and Directorate Investment, growth and structural reforms

*European Commission
B-1049 Brussels*

Latvia

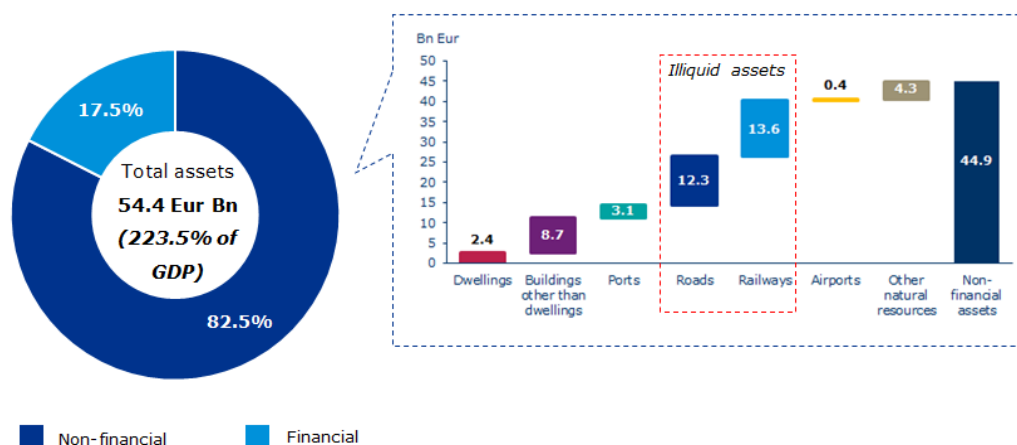
This Country fiche presents a quantitative overview of the mix of non-financial assets owned by the Latvian General government¹.

A recap and a summary table on the sources of data and valuation methods used to map and assess (as far as possible) non-financial assets owned by the Latvian General government is reported in the Appendix (Table C).

1. OVERVIEW OF NON-FINANCIAL ASSETS

In 2015, the estimated value of Non-financial assets owned by the Latvian General government was equal to 44.9 Eur Bn, accounting for about 82.5% of the estimated value of all assets (including Financial assets) owned by the General government.

Figure 1 General government's Financial and Non-financial assets (Eur Bn), Latvia, 2015



Source: KPMG elaboration. Data on Gross Domestic Product were directly retrieved from Eurostat on 19th September 2017.

- (1) Estimated values refer to 2015 as the latest available year for both financial assets and all clusters of non-financial assets.
- (2) In this chart, the "estimated value" of financial assets is reported in terms of Total Assets of the country's PSHs as weighted by the stake(s) owned by the Public sector into the PSHs themselves².
- (3) Values of Dwellings, and Buildings other than dwellings were directly retrieved from Eurostat, while values for other Non-financial assets were estimated according to the valuation approaches explained in the Methodological Notes for Pillar 2.
- (4) In this chart the estimated value of Other natural resources only includes the estimated value of lands.
- (5) In Latvia, Mineral and Energy reserves are not included among the Non-financial assets identified in this Study as they are not present in the country.
- (6) Since roads and railways are an illiquid asset we applied a Perpetual Inventory Method (PIM). However, this valuation method tends to slightly overestimate the value of the asset. Therefore the chart shows the lower bound figure of the range of road and railways valuation estimates only.
- (7) The estimated value for Mineral and Energy reserves refers to the estimate computed on 2015 average prices. Since the prices of Oil and Natural Gas can present many fluctuations over the year, the average of all price points was used as an accurate representation of the annual value of this assets, in order to better account for possible outliers.

2. DWELLINGS

Eurostat provides a comprehensive coverage of data on the value of dwellings; therefore, data on Latvian dwellings are retrieved from Eurostat only.

¹ As explained in the Methodological Notes for Pillar 2, Non-financial assets that are owned by PSHs are evaluated through the equity method. Therefore their value is not represented in this Pillar as it has already been accounted for in Pillar 1. The allocation of Non-financial assets between Pillar 1 and 2 is listed in Table A in the Appendix to the EU Fiche.

² For more details on how Total Assets for Financial Assets are calculated, please see Pillar 1.

As shown in Table 1 below, the value of the Latvian General government's dwellings in 2015 was equal to about 2.5 Eur Bn, accounting for 6.1% of the value of all the dwellings within the country.

Table 1 General government's dwellings (Eur Mn), Latvia, 2010-2015

Data in Eur Mn	2010	2011	2012	2013	2014	2015 (E)
General government	1,687	2,176	2,463	2,514	2,450	2,450
Share of the total economy	6.8%	6.7%	6.7%	6.7%	6.1%	6.1%

Source: Eurostat database, 2010-2015, Balance sheets for non-financial assets, Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_nfa_bs&lang=en [downloaded in July 2017].

- (1) The share of dwellings in the economy refers to the value of Dwellings (rather than the number of Dwellings).
- (2) Eurostat does not report the values for 2015 for the General government institutional sector. In addition, no other official national sources provide information on the value of General government's Dwellings for 2015. Therefore, the value for 2014 is held to be constant for the following year.

3. OTHER BUILDINGS AND STRUCTURES

- Buildings other than dwellings

Eurostat provides good coverage of data on the value of Buildings other than dwellings owned by the Latvian General government, hence data on this cluster of assets is retrieved from Eurostat only.

As shown in Table 2, the value for this type of assets dropped between 2013 and 2014, reaching a value to about 8.7 Eur Bn in 2015 – or 21.7% of all Latvian Buildings other than dwellings.

Table 2 General government's Buildings other than dwellings (Eur Mn), Latvia, 2010-2015

Data in Eur Mn	2010	2011	2012	2013	2014	2015 (E)
General government	21,983	21,965	23,700	24,438	8,686	8,686
Share of the total economy	43.5%	43.7%	43.9%	44.2%	21.7%	21.7%

Source: Eurostat database, 2010-2015, Balance sheets for non-financial assets, Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_nfa_bs&lang=en [downloaded in July 2017].

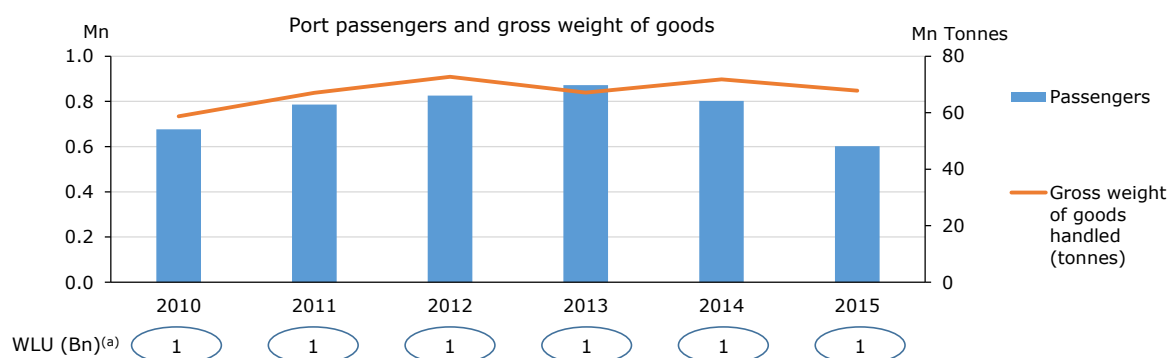
- (1) The share of Buildings other than dwellings in the economy refers to the value of Buildings other than dwellings (rather than the number of Buildings other than dwellings).
- (2) Eurostat does not report the values for 2015 for the General government institutional sector. In addition, no other official national sources provide information on the value of General government's Buildings other than dwellings for 2015. Therefore, the value for 2014 is held to be constant for the following year.
- (3) The drop in the value of Building other than dwellings between 2013 and 2014 might be due to specific Government's policy promoting the privatization of specific public assets starting from 2013.

- Ports

In Latvia, the reference legislation for port infrastructures ownership is the *Law on Ports of 2011*³. According to it, seaports are state-owned and their management is granted in concession.

³ Law on Ports 2011. Available at: <http://www.rop.lv/en/for-clients-a-investors/laws-and-regulations/1017-law-on-ports.html> [Accessed 19th May 2017].

Figure 2 Port passengers and gross weight of goods, Latvia, 2010-2015



Source: Eurostat database, 2010-2015 [downloaded in March 2017]. Country level - passengers embarked and disembarked in all ports by direction (available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=mar_mp_aa_cphd&lang=en) and Gross weight of goods handled in all ports by direction (available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=mar_go_aa&lang=en).

(1) With regard to passengers, all passengers embarked from and disembarked to all maritime ports within the country have been considered.

(2) With regard to the gross weight of goods handled, the Gross weight of goods handled in all maritime ports within the country have been considered.

(a) A Workload Unit (WLU) is defined as one passenger or 100 kg of cargo.

On the basis of the market value (per workload unit) for ports, retrieved from recent transactions⁴, the estimated value of maritime ports in Latvia was estimated to be equal to about 3.1 Eur Bn in 2015 (Table 3).

Table 3 Estimated value for maritime ports (Eur Mn), Latvia, 2010-2015

Data in Mn Eur	2010	2011	2012	2013	2014	2015
Ports	2,705	3,089	3,352	3,095	3,311	3,125

Source: KPMG calculations based on Eurostat and the Mergermarket database, 2010-2015 [downloaded in March 2017].

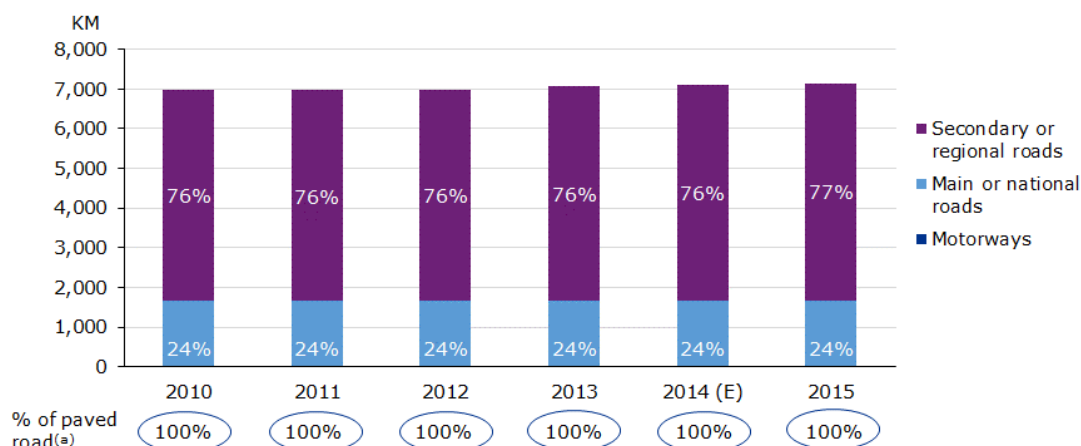
- **Roads**

According to the current legislation, national roads are owned by the Latvian state and managed through concession. Since the 26th October 2004, the *Latvian State Roads*, a state joint stock company, manages Main or national roads according to company statutes and the agreement "On Road Sector Management" (jointly signed with the ministry of transport of the Republic of Latvia). The company is 100% owned by the state and the shares are managed by the ministry of transport of the Republic of Latvia.

Furthermore, as shown in Figure 3, Latvia does not have Motorways.

⁴ For the list of the so-called "comparable" transactions included in our "peer group", please see Table 8 in the Annex.

Figure 3 Length (in Km) of Motorways, Main or national roads and Secondary or regional roads, Latvia, 2010-2015



Source: Directorate-General for Mobility and Transport (DG MOVE) database, 2010-2015 [downloaded in September 2017]. Values for percentage of paved road were calculated using Eurostat data on length of other roads by type of surface.

- (1) DG MOVE's data does not report the length of Main or national roads and Secondary or regional roads for year 2014. Therefore, the values for the year 2014 have been estimated as average between 2013 and 2015 values.
- (2) For the sake of accuracy and comparability among the EU28 Member States, the valuation includes Motorways, Main or national roads and Secondary or regional roads only.
- (3) According to DG MOVE's data, the extension of the Latvian road network is equal to 70,829 Km (including the length of Motorways, Main or national roads, Secondary or regional roads and Other roads) in 2015.
- (a) The percentage of paved road has been calculated based on the total extension of the road network (including other roads). It represents the length of paved road network over the total length of road network.

Table 4 reports the results of the valuation exercise carried out according to the valuation procedure described in the Methodological Notes for Pillar 2. In this respect, please be reminded that, to ensure accuracy and comparability, the valuation includes Motorways, Main or national roads and Secondary or regional roads only. However, there are no Motorways in Latvia.

In 2015, the overall estimated value of Latvian roads ranged between 12 Eur Bn and 14 Eur Bn.

Table 4 Estimated road value for Motorways, Main or national roads and Secondary or regional roads only (Eur Mn), Latvia, 2010-2015

Data in Eur Mn		2010	2011	2012	2013	2014	2015
Motorways	Min	-	-	-	-	-	-
	Max	-	-	-	-	-	-
Main or national roads	Min	4,355	4,520	4,595	4,568	4,569	4,552
	Max	5,309	5,499	5,580	5,537	5,529	5,498
Secondary or regional roads	Min	7,023	7,374	7,567	7,597	7,668	7,715
	Max	7,370	7,730	7,924	7,949	8,017	8,059
Total	Min	11,378	11,894	12,162	12,165	12,238	12,267
	Max	12,679	13,229	13,505	13,486	13,547	13,557

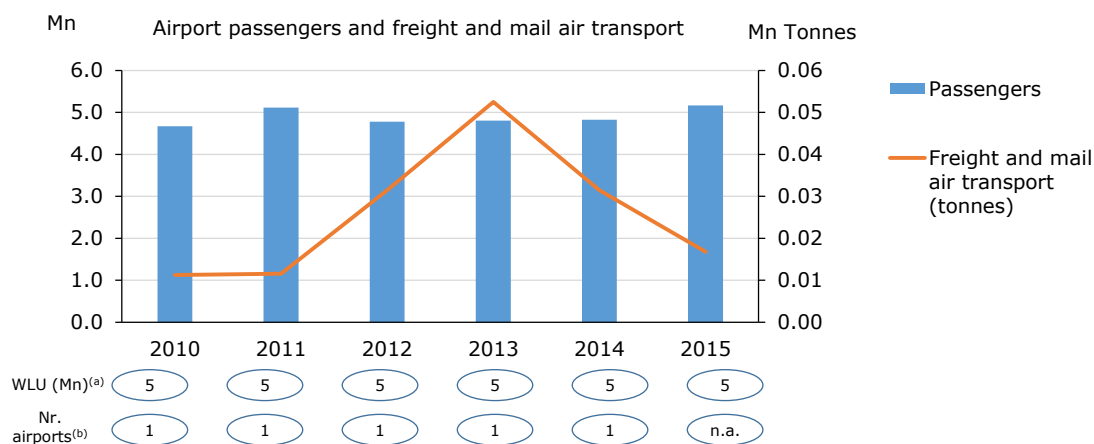
Source: KPMG calculations on Directorate-General for Mobility and Transport (DG MOVE) and Eurostat data [downloaded in July 2017].

- Airports

According to Eurostat, the only Latvian main airport is the *Riga International airport*. It is the largest airport in the Baltic states. The infrastructure is owned and managed by

RIGA International airport (RIX), which is a state joint stock company (SJSC) whose shareholder is the ministry of transport of the Republic of Latvia⁵.

Figure 4 Airports passengers and freight and mail air transport, Latvia, 2010-2015



Source: Eurostat database, 2010-2015, [downloaded in March 2017]. Air passenger transport by main airports in each reporting country (available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=avia_paoa&lang=en), Freight and mail air transport by main airports in each reporting country (available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=avia_gooa&lang=en) and Number of commercial airports with more than 15,000 passenger units per year (available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=avia_if_arp&lang=en).

(1) The number of passengers refers to all on board passengers.

(2) All freight and mail air transport is included.

(3) Eurostat does not report the number of commercial airports for 2015.

(a) A Workload Unit (WLU) is defined as one passenger or 100 kg of cargo.

(b) Total number of airports (with more than 15,000 passenger units per year).

Since the property of the only Latvian main airport belongs to a PSH, then its value is assessed using the equity method (please see the Methodological notes for Pillar 2 for more details), and results are reported in Pillar 1 of this Study.

- **Railways**

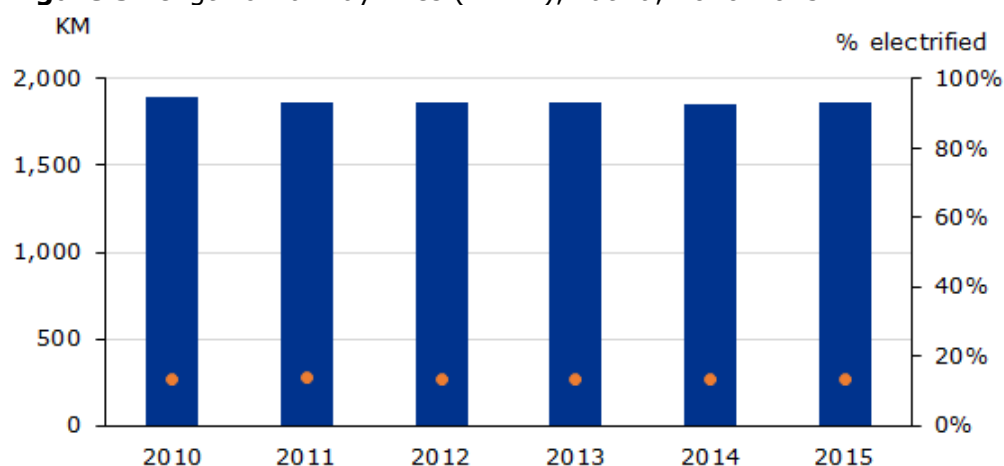
Most of the railway infrastructure belongs to the state and it is managed by the railway infrastructure manager "Latvijas dzelzceļš" (LDz)⁶. LDz is a capital company which manages the railway infrastructure (maintenance and development of the railway infrastructure), plans, organises and supervises the movement of trains and other rolling stock over the railway infrastructure tracks under its management. It is also responsible for the management of the infrastructure control and safety system and, in those cases in which the law does not provide any particular restrictions, performs the essential functions of the railway infrastructure manager.

As shown in Figure 5, the extension of the railway network in Latvia was equal to about 1,900 km in 2015.

⁵ Riga International airport (RIX) owns the land and the airport infrastructure. For more details, please see: <http://www.riga-airport.com/lv/main/par-lidostu/fakti-par-rix/ipasuma-struktura> [accessed 14th December 2017].

⁶ Although this data collection and analysis exercise represents the "best effort" to provide an updated picture on EU28 ownership/management models for Non-financial assets, due to data limitations, we have assumed the prevalent ownership model to be applicable for all other assets within the cluster.

Figure 5 Length of railway lines (in Km), Latvia, 2010-2015



Source: Directorate-General for Mobility and Transport (DG MOVE), 2010-2015 [downloaded in October 2017]. The percentages of electrified lines were calculated using Eurostat database "Railway transport - length of tracks" available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=rail_if_tracks&lang=en [downloaded in October 2017].

(1) The percentage of electrified network represents the length of electrified railway tracks over the total length of railway tracks for year.

Table 5 reports the results of the valuation exercise carried out according to the valuation procedure described in the Methodological Notes for Pillar 2.

In Latvia, in 2015 the estimated value of the railway network ranged between 14 Eur Bn to 15 Eur Bn.

Table 5 Estimated value for railways (Eur Mn), Latvia, 2010-2015

Data in Mn Eur		2010	2011	2012	2013	2014	2015
Railways	Min	13,461	13,806	13,940	13,734	13,683	13,640
	Max	14,415	14,781	14,917	14,692	14,627	14,567

Source: KPMG calculations on Eurostat data, 2010-2015 [downloaded in July 2017].

4. NATURAL RESOURCES

- *Mineral and Energy reserves*

As reported by the CIA's World Factbook Database Latvia does not have any proven Oil or Natural Gas reserves⁷.

- *Other natural resources*

Eurostat and National Statistics do not provide figures for the cluster of "Other natural resources" in Latvia.

The value of other natural resources has been estimated through a market approach, as outlined in Methodological Notes. As Table 6 shows, the estimated value of other natural resources is equal to 4 Eur Bn in 2015.

⁷ The estimated value of Mineral and Energy reserves for Latvia is zero because it reflects the estimates reported by the CIA's World Factbook Database regarding proven Oil and Natural Gas reserves.

Table 6 Estimated values of General government's Other natural resources (Eur Mn), Latvia, 2010-2015

Data in Eur Mn		2010 (€)	2011 (€)	2012 (€)	2013 (€)	2014 (€)	2015 (€)
Land (net)	General government	4,423	4,544	4,336	4,107	4,104	4,272
	Share of the total economy	13.0%	13.0%	13.2%	13.1%	12.7%	12.4%

Source: KPMG calculations on Eurostat database, 2010-2015 [downloaded in July 2017].

(1) The share of the economy refers to the estimated value of natural resources (rather than the volume of the natural resources).

Appendix I Latvia

Table A List of airports, Latvia, 2015 (Number of airports: 1)

List of airports
Non-financial (Pillar 2) ^(a)
RIGA airport

Source: Eurostat database, 2015 [downloaded in May 2017].

(1) The list above includes the airports defined by Eurostat as "main airports", which meet the following criteria: at least 150 000 passenger movements per year.

(a) Within the scope of this Pillar.

Table B List of ports, Latvia, 2015 (Number of ports: 7)

List of ports
Non-financial (Pillar 2) ^(a)
Liepaja
Mersrags
Riga
Roja
Salacgriva
Skulte
Ventspils

Source: Eurostat database, 2015 [downloaded in March 2017].

(1) The list above includes those ports defined by Eurostat as "reporting ports", for which statistics of inward and outward maritime transport flows are compiled.

(a) Within the scope of this Pillar.

Table C Overview of the valuation approaches and the sources used to value Non-Financial assets in this Study, Latvia

Clusters of Non-financial assets	Valuation approach	Sources
Dwellings	Market value	- Eurostat
Buildings other than dwellings	Market value	- Eurostat
Ports	Market value	- Eurostat - Mergermarket
Roads	Perpetual Inventory Method (PIM)	- DG MOVE - Eurostat - EIB - Other sources
Airports	Market value	- Eurostat
Railways	Equity method (Pillar 1)	- Bureau van Dijk (BvD) Orbis
Mineral and Energy reserves	Market value	- World Factbook Database
Other natural resources	Market value	- Eurostat

Sources: KPMG elaborations

(1) For more details on "other sources" used to carry out road valuations, please see Table 3, 4 and 5 in Annex.

(2) For more details on "other sources" used to carry out railways valuations, please see Table 6 in Annex.