Study on State asset management in the EU

Final study report for Pillar 2 – Estonia

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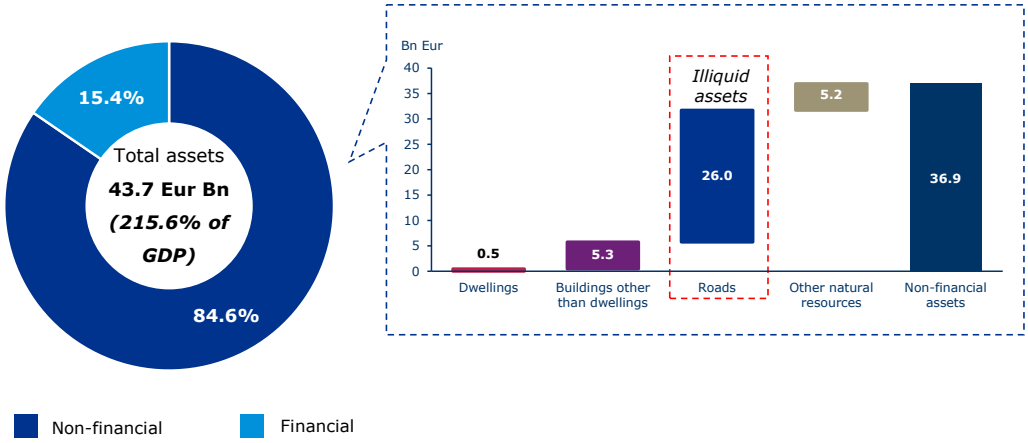
This Country fiche presents a quantitative overview of the mix of non-financial assets owned by the Estonian General government.

A recap and a summary table on sources of data and valuation methods used to map and assess (as far as possible) non-financial assets owned by the Estonian 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 Estonian General government was equal to 36.9 Eur Bn, accounting for about 84.6% of the estimated value of all assets (including financial assets) owned by the General government[1].

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



Source: *KPMG elaboration. Data on Gross Domestic Product were directly retrivied 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 themselves[2].

(3) In this chart, the values of Railways, Ports, and airports are not represented as they have already been accounted for in Pillar 1.

(4) In Estonia, Mineral and Energy reserves are not included among the Non-financial assets identified in this Study as they are not present in the country.

(5) Value of Dwellings was 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.

(6) Since roads 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.

2. DWELLINGS

Eurostat provides a comprehensive coverage of data on the value of dwellings; therefore, data on Estonian 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 Estonian General government's dwellings in 2015 was equal to about 0.5 Eur Bn, accounting for 2.3% of the value of all the dwellings within the country.

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

Data in Eur Mn	2010	2011	2012	2013	2014	2015 (E)
General government	507	471	460	478	460	460
Share of the total economy	**2.9%**	**2.6%**	**2.5%**	**2.5%**	**2.3%**	**2.3%**

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. 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 Estonian General government, hence data for this cluster of assets is retrieved from Eurostat only.

As shown in Table 2, the value of these assets has increased from 2010 reaching to a value of about 5.3 Eur Bn in the last year worth of data (2014) – or 25.0% of all Estonian buildings other than dwellings.

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

Data in Eur Mn	2010	2011	2012	2013	2014	2015 (E)
General government	2,946	3,347	4,082	5,007	5,286	5,286
Share of the total economy	**20.9%**	**21.9%**	**23.5%**	**24.8%**	**25.0%**	**25.0%**

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).

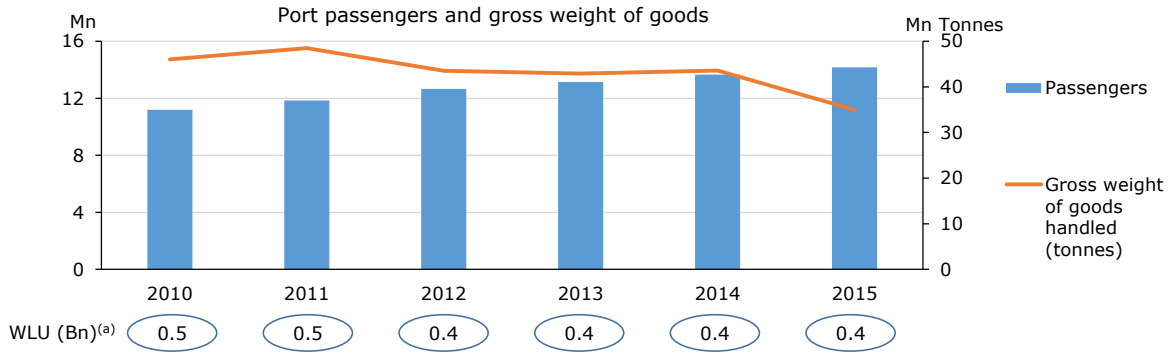
(2) Eurostat does not report the values for 2015 for the General government institutional sector, and no other official national sources provide information on the value of General government's Buildings other than dwellings for 2015. Therefore, the value for 2014 is held to be constant for the following year.

- *Ports*

In Estonia, the prevalent ownership/management model for ports is the so-called "landlord model", i.e. the port authority only builds and owns port infrastructures; then, it offers the infrastructure to different operators for handling cargo and providing services for passengers. Figure 4 shows the overall maritime port traffic (for both passengers and goods) in Estonia over the 2010–2015 time period[3].

[3] For the list of Maritime Ports included in this Study, please see Table B in the Appendix.

Figure 2 Port passengers and gross weight of goods, Estonia, 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.

Since port authorities operate mainly as private companies, then the value of the port network in the Country 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[4].

- *Roads*

In compliance with the *Roads Act*[5], the road network can be divided into state-owned and local government-owned roads.

The *Estonian Road Administration (ERA)* is responsible for the maintenance and the development of state owned road. *ERA* is a government agency operating under the *Ministry of Economic Affairs and Communications*; which is in charge of implementing governmental policies with regard to roads, as well as roads development programmes. The *ERA* also has management functions, and has state enforcement powers in the field of road management, traffic safety, public transport and the environmental safety of vehicles[6].

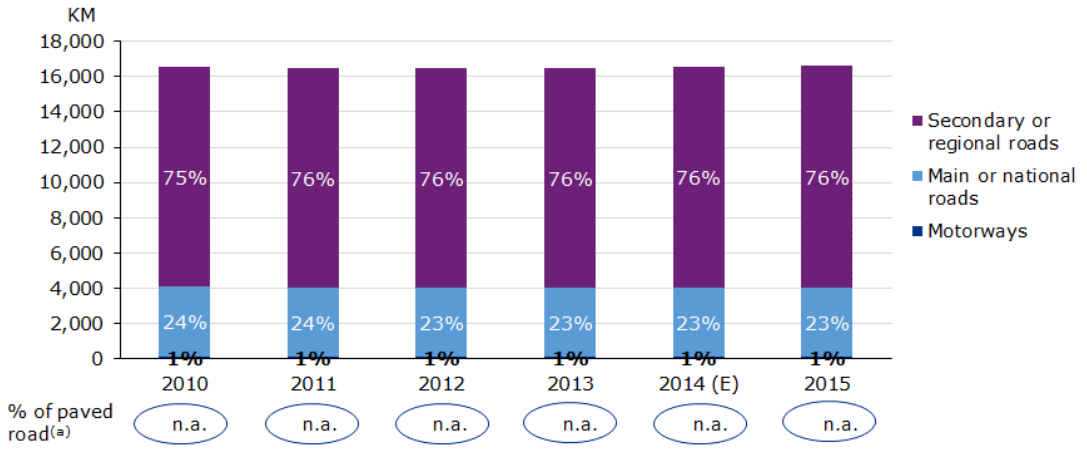
Local roads are maintained and developed by local governments.

[4] 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.

[5] *Roads act* of 1999. Available at: https://www.riigiteataja.ee/en/eli/502042015001/consolide [Accessed 15th November 2017].

[6] Republic Of Estonia Road Administration website. Available at: https://www.mnt.ee/eng/organization/estonian-road-administration [Accessed 18th May 2017].

Figure 3 Length (in km) of Motorways, Main or national roads and Secondary or regional roads, Estonia, 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 Estonian road network is equal to 58,828 Km (including the length of Motorways, Main or national roads, Secondary or regional roads and Other roads) in 2015.

(4) Eurostat does not report the length of paved road network for years taken into account.

(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 3 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.

In Estonia, overall, in 2015, the estimated value of roads ranged between 26 Eur Bn to 29 Eur Bn.

Table 3 Estimated road value for Motorways, Main or national roads and Secondary or regional roads only (Eur Mn), Estonia, 2010-2015

Data in Eur Mn		2010	2011	2012	2013	2014	2015
Motorways	Min	719	820	919	1,013	1,070	1,137
	Max	806	909	1,011	1,107	1,163	1,228
Main or national roads	Min	9,411	9,755	10,028	10,211	10,110	9,974
	Max	11,601	12,021	12,353	12,573	12,445	12,273
Secondary or regional roads	Min	13,867	14,408	14,847	15,153	15,036	14,871
	Max	14,643	15,211	15,670	15,990	15,862	15,685
Total	**Min**	**23,997**	**24,983**	**25,793**	**26,378**	**26,216**	**25,982**
	Max	**27,050**	**28,141**	**29,034**	**29,670**	**29,471**	**29,185**

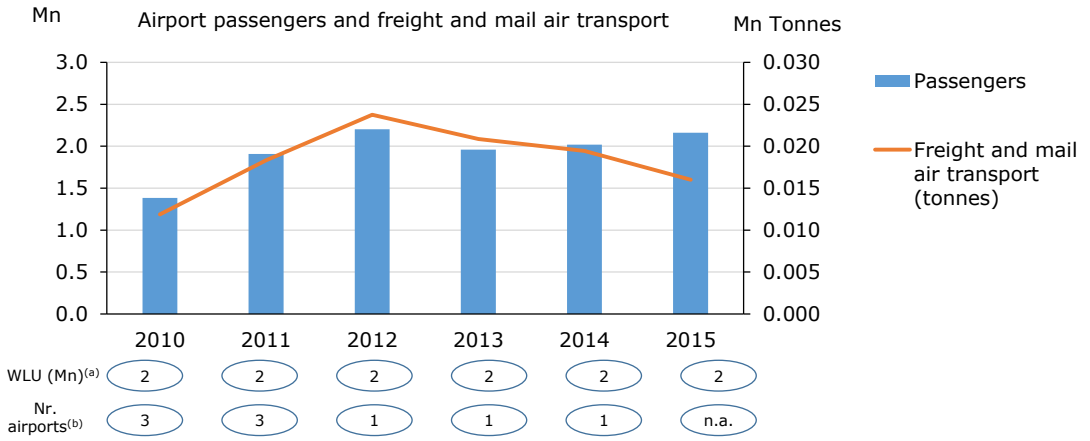
Source: KPMG calculations on Directorate-General for Mobility and Transport (DG MOVE) and Eurostat data [downloaded in July 2017].

- *Airports*

According to Eurostat, the only Estonian main airport is *Tallinn Airport*. As reported in its annual report[7], Tallinn Airport is owned and operated by *AS Tallinna Lennujaam*, whose shares are all owned by the Republic of Estonia. The company operates under the *Ministry of Economic Affairs and Communication* of the Republic of Estonia.

As shown in Figure 4 below, the airport traffic in Estonia has been increasing over the 2010–2015 time period[8].

Figure 4 Airports passengers, freight and mail air transport, Estonia, 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 airport network is owned by a PSH (i.e. *AS Tallinna Lennujaam*), 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*

Railway infrastructure is privatised in Estonia and the performance of railway freight is done on the basis of private law. In details, there are two railway networks in Estonia, both belonging to *AS EVR Infra* and *Edelaraudtee Infrastruktuuri AS*.

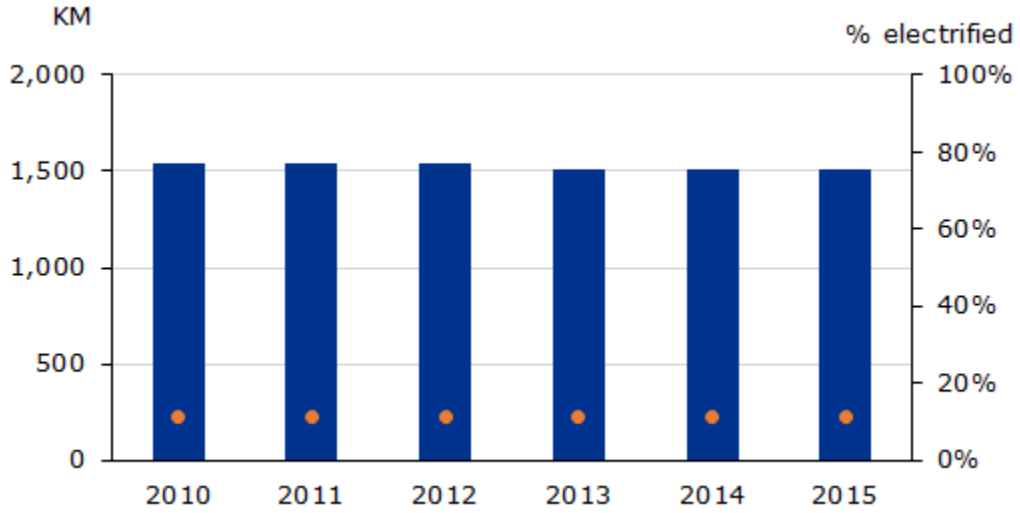
The biggest railway freight operator in Estonia is *AS EVR Cargo*, which operates on the infrastructure of its sister company *AS EVR Infra*. *Edelaraudtee Infrastruktuuri AS* is engaged in passenger and freight transport on both its own railway infrastructure and on the infrastructure belonging to *AS EVR Infra*.

As shown in Figure 5, the extension of the railway network in Estonia was slightly less than 1,200 km in 2015.

[7] Tallinn Airport, Annual Report 2016. Available at: https://www.tallinn-airport.ee/wordpress/wp-content/uploads/2017/05/Aastaraamat_2016_veeb_eng.pdf [Accessed 15th November 2017].

[8] For the list of Airports included in this Study, please see Table A in Appendix.

Figure 5 Extension of railway lines (in Km), Estonia, 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.

The Estonian railway network is owned and managed by two companies, *AS EVR Infra*[9] and *Edelaraudtee Infrastruktuuri AS*. Therefore, its value is not in the scope of this Pillar.

4. NATURAL RESOURCES

- *Mineral and Energy reserves*

As reported by the CIA's World Factbook Database Estonia does not have any proven Oil or Natural Gas reserves[10].

- *Other natural resources*

For more details about limitations on data on Other natural resources and a detail of what is mapped and valuated in this Country Fiche, please refer back to the relevant section of the Methodological Notes for Pillar 2.

Estonia reports the value of lands (as classified by ESA2010 accounting system) in its National Accounts, as shown in Table 4.

[9] AS EVR Infra is a PSH, being a subsidiary of Eesti Raudtee AS. Therefore, the consolidated balance sheet of the parent company has been considered in Pillar 1.

[10] The estimated value of Mineral and Energy reserves for Estonia is zero because it reflectes the estimates reported by the CIA's World Factbook Database regarding proven Oil and Natural Gas reserves.

Table 4 Other natural resources (Eur Mn), Land, Estonia, 2010-2015

Data in Eur Mn		2010	2011	2012	2013	2014	2015 (E)
Land (net)	General government	3,323	7,189	7,016	5,354	5,211	5,211
	Share of the total economy	**8.8%**	**9.9%**	**11.7%**	**11.1%**	**9.9%**	**9.9%**

Source: Eurostat database, 2010-2015 [downloaded in March 2017].

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

(2) Eurostat does not report the values for 2015 for the General government institutional sector, and no other official national sources provide information on the value of General government's Land for 2015. Therefore, the value for 2014 is held to be constant for the following year.

Appendix I Estonia

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

List of airports
Financial (Pillar 1)[(a)]
LENNART MERI TALLINN airport

Source: Eurostat database, 2015 [downloaded in May 2017].
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) Not valuated here since they are not in the scope of Pillar 2.

Table B List of ports, Estonia, 2015 (Number of ports: 6)

List of ports
Financial (Pillar 1)[(a)]
Kunda
Miiduranna
Pärnu
Sillamäe
Tallinn
Vene-Balti

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) Not valuated here since they are not in the scope of Pillar 2.

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

Clusters of Non-financial assets	Valuation approach	Sources
Dwellings	Market value	- Eurostat
Buildings other than dwellings	Market value	- Eurostat
Ports	Equity method (Pillar 1)	- Bureau van Dijk (BvD) Orbis
Roads	Perpetual Inventory Method (PIM)	- DG MOVE - Eurostat - EIB - Other sources
Airports	Equity method (Pillar 1)	- Bureau van Dijk (BvD) Orbis
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 ,Table 4, and Table 5at the Annex.