

## Government re-nationalizes Estonian Railway

October 25, 2006

By Joel Alas

TALLINN — When an Estonian passenger train hit a truck and ploughed off its tracks on October 23, it was symbolic of the failed process of privatizing the nation's railways. Ironically, the incident happened the same week the government announced that it would spend 2.4 billion kroons to buy back Estonian Railways (Eesti Raudtee), the transport company it sold a 66 percent stake in only five years ago. The comparison between the crash and the de-privatization is not entirely fair – the derailed train belonged to a different company.

Yet photos of the mangled locomotive alongside news of the buy-back made for startling symbolism.

Police have blamed an intoxicated train driver for the crash, in which no one was injured. Meanwhile, opposition parties have blamed the failed Estonian Railways sell-off on current and former economic ministers, who they said were uncooperative with Baltic Rail Services, the company that bought Estonian Railways for a total of around one billion kroons. The government has blamed Baltic Rail Services, claiming the investors failed to meet their obligations.

Economy Minister Edgar Savisaar signed an agreement on October 18 to re-nationalize Estonian Railways by purchasing the remaining 66 percent of the company for 2.4 billion kroons. The deal is expected to be passed by a Cabinet meeting on October 26 and finalized by Parliament shortly after. Savisaar said he believed that he negotiated a fair price for the purchase. The company had been buoyed by about two billion kroons' worth of investment during its years in private hands.

He said that re-purchasing the railway was important in terms of international policy and Estonia's domestic affairs, given that the rail route is primarily a trade connection with Russia. As its first step, Prime Minister Andrus Ansip said the government would consider raising cargo fees charged by Estonian Railways to pay for infrastructure improvements.

"One cannot carry on in the old fashion on the railway. The investments made so far are not sufficient, and due to the sell-off the (Baltic Rail Services) lost the moral duty to invest in the railway too," Ansip said.

Suggestions that costs should be raised have angered the opposition party, the Union of Pro Patria and Res Publica. Party member Juhan Parts said the government did not permit the private owner to raise tariffs, which may have allowed it to operate more successfully.

Parts, a former prime minister and a current parliamentarian, said the government's relationship with Baltic Rail Services had never been healthy. "The ministers of the economy were not able to cooperate with the private owner," Parts told *The Baltic Times*. "The situation changed rapidly for the worse when Savisaar came to government."

Parts said it was "unacceptable" that the small print of the repurchase contract would remain confidential for a year. "Savisaar declared that the seller wanted the contract to be confidential for a year. We are



**BAD SIGN:** Although completely unrelated, the recent train crash in Estonia serves as appropriate, if not over-exaggerated, symbolism for the failed re-nationalization of Estonian Railway.

going to spend a huge amount of tax-payers money. All this business should be as transparent as possible." He said there had been too much political interference in the rail route, which links Tallinn to Narva and primarily operates as a cargo line for Russian goods.

Mart Laar, leader of the opposition party, previously decried the re-nationalization of Estonian Railways as a populist plan that favored Russian transit capital. "At present, the re-nationalization is a decision that has not been made with economic consideration, rather it is a populist plan that allows for discounts to Russian transit capital," Laar said on October 2. "We should also take into consideration the fact that, after buying back the railway, we will have to start putting money into it, in European countries these sums tend to be very high."

Vaino Sarnet, the former head of Estonia's Privatization Agency, said that the deal was economically advantageous, but warned that problems could return to the company. He said the book value of the company had increased.

"In the long term, the problems that used to be there with the railway will return – the state usually doesn't stand up for its interests as consistently as a private company," Sarnet said. "Ensuring the protection of the interests of the railway is theoretically possible, but before the privatization they didn't manage to do it."

Sarnet said that reversing a privatization deal was "swimming upstream" in an open market economy, and that it was also possible for the government to influence industries by controlling them through inspectorate agencies.

(c) Copyright 2006 Baltic News Ltd.

original address: <http://www.baltictimes.com/news/articles/16649/>

###