Use of government support for bus services

Audit Report No 2-5/04/124 of December 20, 2004

Executive summary

Operation of regular bus service to the public in county bus lines is funded through the state budget, and so is the operation of domestic long-distance lines since November 2003. In 2003, EEK 133.6 million, and in 2004, EEK 143.2 million were appropriated in the state budget to this end. The State Audit Office (SAO) audited how the subsidy was used in 2003. Besides the Ministry of Economic Affairs and Communications, the County Governments of Järva, Jõgeva and Pärnu counties were audited.

Relevant observations

Although the SAO had in 2001 audited the use of funds allocated to bus service and pointed out several infringements, there were no substantial improvements by the time of this audit. The SAO finds that the role of the Ministry in the coordination, budgeting and control of bus service has been inadequate.

Although the funds appropriated from state budget for regular service are distributed by the Ministry of Economic Affairs and Communications to the County Governments, there are no clear and uniform criteria set for that purpose. Pooling of requests from the County Governments and distribution of funds have for years taken place under an established though unapproved scheme. The proportion of subsidy has not changed significantly by counties or by years. Although the Public Transport Act provides for a number of factors by which the subsidy is to be determined, the Ministry, in planning those sums in 2003, proceeded from the total number of lane kilometres of county roads. The amount of support is not planned on the basis of County Governments' requests, which are collected solely for the identification of actual needs.

According to the Public Transport Act, the County Governments must invite competitive tenders (public procurement procedure, if appropriate) in order to select an entity with whom the public services contract is to be concluded. Over the recent years there have been 12 public tenders in Estonia for finding the carrier, whereas in 5 cases the procedure has been disputed. The SAO regards it as a major problem and finds that it is the duty of the Ministry of Economic Affairs and Communications to give guidance to the County Governments in the organisation of public procurement for the purchase of public transport services.

According to the Public Transport Act, the County Governments may, on the basis of a contract under public law, authorize a regional public transport centre to perform the functions assigned to them by law, but it has been done only on two occasions by the audited County Governments. The SAO finds that everything related to public transport centres needs more regulation. The payment to bus centres of monies intended for regular services is obscure. Both the audited County Governments transfer the whole subsidy to the transport centres who generate additional revenue from fares and from funds allocated through the state budget for school transport. Bus centres reserve part of the funds to cover their costs. Although the accounts do not reveal in either case whether the costs of the bus centres are covered from the funds meant for supporting public lines or from ticket revenues, the SAO finds that supporting bus centres on the account of funds for regular services is not justified and the Ministry should perform an additional analysis of the formation of bus centres and their funding schemes.

The SAO has also found that there have been several breaches of legislation and the funds meant for regular services have not been used for the intended purpose. The Jõgeva County Government has delegated its duties to OÜ Jõgeva Bussikeskus (Jõgeva Bus Centre) founded by a person governed by private law and which, thus, does not conform to the requirements for a regional public transport centre as provided by law. Further, Jõgeva Bussikeskus had also performed the functions of a carrier. Järvamaa Bussikeskus had purchased onboard cash registers for the subsidy, with the full knowledge of the Ministry. In contravention of the Public Transport Act, the Pärnu County Government had also supported long-distance lines, although it was not allowed until the end of 2003. Support to local lines was not sufficiently substantiated, either.

Main proposals to the Minister of Economic Affairs and Communications

- Work out a development plan to regulate the operation and funding of bus services and require that the County Governments work out regional development plans in the future.

- Resolve contradiction between the long-term duration of public service contracts and the proposed funds allocated in the state budget as support to bus traffic.
- Specify the tasks and responsibilities of entities involved in the allocation of funds to bus subsidy and in the monitoring of their exploitation, and develop appropriate control measures.

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In his response, the Minister of Economic Affairs and Communications stated that he concurred with the findings and conclusions of the State Audit Office and he further added that mostly the same problems have been incorporated in the proposed public transport development plan for 2004-2010. However, the Minister submitted that the reclaim of funds based on the infringements cited in the audit report is complicated, because the expenditures allegedly contrary to the law were still related to the provision of transport services. The Minister admits that the Public Transport Act as well as its implementing acts need revision in order to specify the principles that are to govern the use of subsidy and reporting thereof as well as proper supervision.

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