

REMAINING CENTRAL GOVERNMENT ENTERPRISE PORTFOLIOS IN EUROPE

Through massive privatizations European governments have raised about €700 billion since 1977. The question is now: how much is left and in which sectors? In a recent analysis for the *Privatization Barometer* (January 2006), Farinola and Megginson have addressed this problem.

Figure 1 shows the remaining value of the direct and indirect stakes in enterprises that central governments still held in 2005. France leads the list with a portfolio value of nearly €120 billion, followed by Italy with €42.5 billion, while Hungary, Luxembourg, Denmark and Slovenia are at the end of the ranking.

Some clarifying remarks about the meaning of the figures reported in Figure 1 are in order. The information provided relates to 17 EU member countries. The UK and Ireland are the only EU countries where the central government does not hold any stakes in enterprises. The portfolio values of the remaining countries are not reported. Indirect government ownership is executed primarily through financial institutions like the German *Kreditanstalt für Wiederaufbau* (KfW) or the French *Caisse des Dépôts et Consignations* (CDC), which are the direct holders. Indirect ownership is most strongly pronounced in Germany where it is about 70 percent of the total portfolio while the indirect share in most other countries is much lower.

The information in Figure 1 relates only to what the *central* government owns. This may lead, specifically for federal states like Germany, to a considerable underestimation of total government-owned enterprise portfolios by not including what is held by lower government levels. Finally,

only the portfolio values of *listed companies* are reported. Thus, the figures do not contain wholly government-owned enterprises or infrastructure, such as ports, airports, electricity networks, railroads and roads.

In Figure 2, the portfolio values are related to GDP. This list is led by Finland, followed by the Czech Republic and Greece, while France is only ranked fourth. Luxembourg, lower in absolute values, ranks relatively high (six) in terms of GDP. By contrast, Germany is third in absolute values, but ranks low in relation to GDP.

How are the enterprise portfolios of governments distributed over the sectors? As the Table shows, the bulk of portfolios is invested in three sectors: utilities, telecommunications, and oil and gas. These three

Figure 1

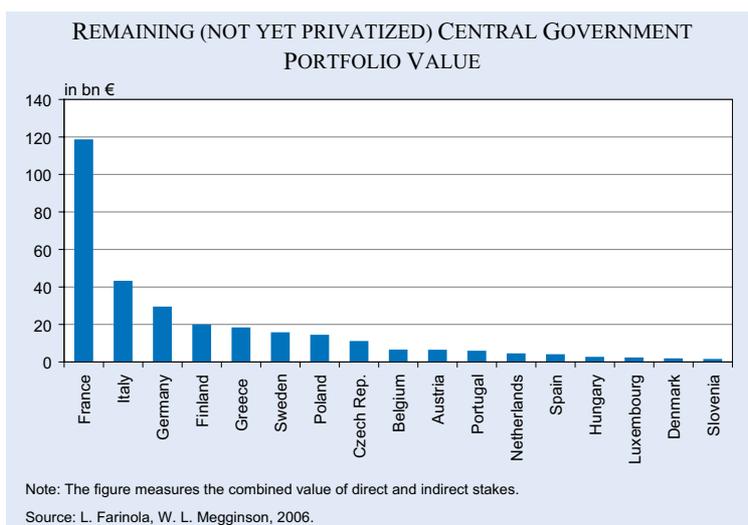
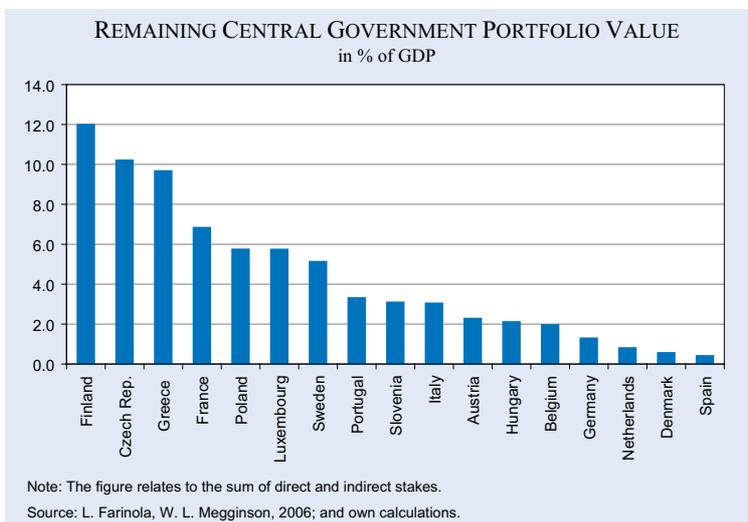


Figure 2



Government portfolio value by sector, EU-25, 2005

| Sector | Total portfolio value in € bn |
|------------------------------------|-------------------------------|
| Utilities | 84.7 |
| Telecommunications | 67.2 |
| Oil, Gas | 67.0 |
| Banking, finance, insurance | 29.7 |
| Manufacturing and other industries | 16.0 |
| Aerospace, defence | 14.0 |
| Transportation industry | 11.4 |
| Trade and services | 3.6 |
| Sum | 293.6 |

Source: Farinola, L. and W. L. Megginson 2006.

sectors together amount to about 75 percent of the total. The high remaining amount of telecommunications portfolio is all the more astonishing because it is this sector which has made up the single largest share of total privatisation revenues in the past.

The number of listed (private or privatised) enterprises with remaining government stakes adds up to 123 in the EU-25 countries. It may be doubtful that European governments are prepared to continue with privatisation as they did in the 1980s and 1990s. If the remaining stakes in listed companies are difficult to touch for political reasons, this will be all the more so for unlisted firms and assets in the hands of not only the central but also the regional and local governments.

R.O.

Reference

Farinola, L. and W. L. Megginson (2006), "Leviathan as Shareholder: the Value of Governments' Stakes", *The Privatization Barometer Newsletter*, issue no. 4, 25–30.