UNIVERSITÀ DEGLI STUDI DI MILANO

DEPARTMENT OF ECONOMICS, MANAGEMENT AND QUANTITATIVE METHODS

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'MAJOR PUBLIC ENTERPRISES IN A GLOBAL PERSPECTIVE'

ABSTRACTS OF THE INVITED PAPERS

AUSTRIA

Thomas Kostal, Gabriel Obermann, (Wirtschaftsuniversität Wien), Dorothea Grieling (Johannes Kepler Universität Linz), ***Major Public Enterprises in Austria***

In Austria eleven major public-owned enterprises match the criteria outlined in the project call. Ten of the selected enterprises are partly or fully owned by the state and are managed according to federal government's interests. They are active in various sectors and their management is mostly appointed by Federal Ministries. One analysed public enterprise is the Austrian Broadcasting Company and should be treated as a special case. The major public enterprises are presented in three groups. The first group consists of six SOEs which are directly controlled by the state: OeBB Holding AG (Austrian railways), SCHIG mbH (railway infrastructure services), ASFINAG (highways and freeways), VERBUND AG (energy), BIG (real estate management), and OeBf (forestry). Each of these companies has a significant public mission to perform. Given the present constellation of governance and the potential for political interventions the fulfilment of services in the public interest seems not at risk regarding financial and economic terms in the future. The second group of SOEs is controlled by OeBIB. This fully public owned holding company was established to guarantee federal ownership interests in public companies. The most important are Oesterreichische Post AG (mail delivery), OMV (oil and gas exploration and refining), and Telekom Austria AG (telecom). In Post and Telekom the state holds the majority of shares, in OMV a minority share only. All these companies are primarily profit oriented and operate in competitive international markets. Public missions assigned to these companies are quite different and partly determined by European regulations. For the future there is no doubt that OeBIB will essentially pursue a strategy including the specified public mission commitments. The third group consists of only one company, the ORF. It represents a rather special case of a major public enterprise. It is the biggest media company in Austria and is characterized by a lot of peculiarities with respect to organization and governance. As a public law foundation ORF is not under direct control of the state. For the future it seems quite probable that the role of ORF and its wide spectrum of media services provided will persist and its public mission will not be changed substantially. For the near future the present political and economic policy debate in Austria shows no signs that the state will change or even abandon its role as shareholder in the analysed public enterprises. Moreover, there seems to prevail a widely hold attitude that for the largest and strategically most important public enterprises the property rights should not be transferred to private or foreign investors entirely.

FINLAND

Johan Willner, Sonja Grönblom (Åbo Akademi University), *The Organisation of Services of General Interest in Finland*

Like in most other European countries, services of general interest in Finland have in recent years been subject to competition, increased private provision, and in some cases privatisation. This development is motivated by expected cost reductions, by EU-regulations, by ideology and fashion, and in some cases also by a desire to generate sales revenues. Empirical evaluations have provided mixed results, but the relatively successful history of Finland's state enterprises makes it hard to believe that the public sector would be unable to organise SGI-services efficiently. A number of potential market failures suggest that renationalisation should be taken seriously as an alternative to regulation. This would not necessarily be a very radical policy, because public ownership is still fairly prominent among SGIs in Finland.

FRANCE

Pierre Bauby (Universitè de Paris VIII), Philippe Bance (Universitè de Rouen), Nathalie Rey (University of Paris 13), *The Government Shareholding Agency (APE) and the Group Caisse des Dépôts: towards the deployment of a strategic State and a new governance of state patrimonial in France?*

This research will focus on the new ways that the State puts in place to develop a strategic governance, in particular with the management of the Caisse des Dépôts and with the creation in September 2004, of the French Government Shareholding Agency (APE). After having presented and analysed previous failures that have led the french State to implement these reforms, this contribution will analyze what objectives have been more or less achieved. The Caisse des Dépôts group is a long-term investor at the service of public interest and economic development. The APE has mission, since its inception, to take participations for the state in companies deemed strategic, to stabilize their capital or to support them in their development. It incarnates in France the state shareholder. The APE has investments totaling more than 110 billion euros of which 85 in very large listed companies: in the position of controlling shareholder, such as EDF (84.5%), Paris Airport (50.6), but also as minority shareholder : Dexia (44.4), GDF Suez (36.7), Thales (26.6), Safran (22.4), Areva (21.7), Air France (15.3), Renault (15), Orange (13.4), Airbus (11), CNP Assurance (1.1) (Report of the EPA 2014, data as of April 30). The unlisted companies include SNCF, RFF, the Post, the RATP, regional airports, major seaports, France TV, the Française des jeux, the Imprimerie nationale, the Banque publique d'investissement. Early 2014, the government guidelines of the APE actions defined "four objectives:

- ensure a sufficient level of control in companies with strategic public capital taking in particularly sensitive areas in terms of sovereignty;
- ensuring the existence of resilient enterprises to meet basic needs of the country;
- support the development and consolidation of businesses, particularly in sectors relevant for national and European economic growth;

- intervene selectively, in accordance with EU rules, operations rescue companies whose failure would create systemic consequences." (Communication by the Cabinet on 15 January 2014)

By the tasks assigned to the APE, and by the creation in 2013 of Public Bank of Investment (BPI France), the state says its willingness to develop a national strategic management. In 2014, was set up a Strategic Council of shareholder state and a new governance of the APE, by the creation of four directions (energy, industry, services and finance, transport). At the same time, the State has led reforms of other great institution that is the Caisse des Dépôts and in particular of certain subsidiaries that the State uses as a "tool" in its public action and which is closely linked to the APE. The Caisse des Dépôts group is made of the Caisse des Dépôts Public Institution and its subsidiary companies. The Public Institution carries out Caisse des Dépôts's traditional missions and general interest tasks. Its subsidiary companies operate within the competitive sector. The purpose of this paper is therefore to define the scope and limitations of the deployment of this new strategic management of the economy through state ownership and public governance. We will study the complexity of the exercise facing the diversity of interests that are at stake (as said in 2008 by the annual report of the Cour des Comptes). We still analyse the influence of the APE and the Caisse des Dépôts group on the corporate governance, by the dialogue it has with enterprises and by the presence of its representatives in the boards. We will analyse the relations between the institutions and the different stakeholders, their participation in processes of democratic governance. Finally, we will examine the ambivalent "body of doctrine", with tensions and contradictions between logics of public policies and of best value of the assets.

GREECE

Manto Lampropoulou (Athens University of Economics and Business), *Major Public Enterprises in Greece: Trends and Developments 2000-2014*

The paper provides an overview of the main trends and reforms in the PE sector in Greece for the period 2000-2014. The process of the PEs' reform takes as a starting point the mid.1990s, where gradual shifts towards corporatization, privatization and liberalization began to occur. The aim of the paper is to identify the key-features of the dominant PE paradigm and the critical turning points in its evolution. Drawing on theoretical and empirical evidence, the current status of PEs is described on the basis of the impact of past and recent reforms on their role, performance and public mission. Particular emphasis is placed on the developments that followed the outbreak of the debt crisis in 2009. The cases under study include 15 major PEs in key economic-industrial and utility sectors covering energy, transport, ICT, postal services, broadcasting, water and sewerage services. The analysis identifies the major players in each sector, exploring the effect of the reform programmes on the governance and management of the PEs, the ownership and management relationships, the control and accountability mechanisms and the terms of financing. The social and economic role of PEs is discussed with reference to the changing relationship between the government and the PEs, also addressing issues of social policy, public service provision, control of natural resources and sustainability. Finally, the paper discusses the current trends in public discourse on PEs and attempts to sketch the middle-term prospects of the 'national model' of PE.

ITALY

Stefano Clò, Maria Tullia Galanti, Maddalena Sorrentino (University of Milan), Marco Di Giulio (University of Bologna), *Major Public Enterprises in Italy*

Italian State-owned enterprises (SOEs) continue to occupy a strategic position in the national economy. In 2013, their aggregate value added was equal to 17% of the Italian national GDP, and they counted for around 40% of the total Italian stock market capitalization. The present paper focuses on the top ten Italian SOEs over the period 2004-2013. A first overview of the changes in their internal and external environment suggests the crucial importance of institutional conditions and the lack of a coherent policy design for privatisation and regulation, as the timing and the intensity of the reforms has varied deeply among sectors. Nevertheless, contemporary Italian SOEs have been increasingly exposed to market incentives, and they seem nowadays more oriented to markets than to public values, with some remarkable divergences depending on the degree of public control and market liberalization. Our textual analysis of the SOEs' statutes reveals a total absence of direct references to a formal public mission. Social goals have been increasingly addressed by means of regulation, while only Ferrovie dello Stato and Poste Italiane are formally subject to the Universal Service Obligation. We also find that, on average, the management and performance of the Italian SOEs has improved and it holds the comparison with private and public European industry peers. Still, remarkable differences across markets and across sectors persist. Listed SOEs are largely profitable and distribute positive dividends to their shareholders. Among them, Eni, Enel and Finmeccanica have expanded their business internationally, though cross-border M&As. As a result, a high share of their revenues and employees originates out of Italy. This suggests that their strategies are no more committed to political goals, such as employment protection. Conversely, other SOEs are somehow compelled to maintain an informal public mission. Unlisted SOEs that provide universal services often incur in economic losses which are partly covered by public subsidies or by taxpayers.Nevertheless they also have modernized their management and expanded into new profitable markets, such as high speed train (FS) and financial and insurance services (Poste Italiane). SOEs managing networks have invested in national strategic infrastructures and their employees and revenues are largely domestic-based. Finally, aggregate data do not reveal strong divergences among the Italian SOEs and their industry peers in terms of employment policies and labor productivity, with some important divergences among SOEs operating in labor-intensive and capital-intensive sectors. In terms of investments in fixed assets we observe divergences among SOEs and private ones. The former have increased their investments in tangible assets over time, while investments by private industry peers have been negatively affected by the financial crisis.

IRELAND

Catriona Cahill, Dònal Palcic, Eoin Reeves (University of Limerick), *Major Public Enterprises in Ireland (2001 to 2013)*

The presence of State Owned Enterprises (SOEs) in the Irish case is mainly concentrated in infrastructure industries characterised by large scale investment and networks (e.g. water, electricity, gas, postal services and rail). These industries were largely unaffected during Ireland's first wave of privatisation (1991-2006) which was adopted in sectors where barriers to private sector involvement were generally not prohibitive. The review of SOEs presented in this paper shows that all SOEs (besides the national bus and rail company) are profitable and serve important public service missions around investment, sustainability and international expansion. In recent years, public policy on SOEs has centred on the current Government's NewERA plan, which has the potential to consolidate the major role of public enterprise in key infrastructure industries. The precise direction of SOE policy will, however, depend on politics and economic performance at national and international levels. Recent policies in relation to dividends paid by SOEs to the Exchequer highlight the ever-present danger of governments using SOEs to serve short term goals rather than the long term interests of the enterprises and wider society.

GERMANY

Christina Schaefer, Stephanie Warm (Helmut Schmidt-University), *Major Public Enterprises at federal level in Germany*

In Germany public enterprises mainly exist on local level, in comparison rather few are found on federal level. Nevertheless with regard to the scope of the CfP there are very promising PE at federal level suitable for a deeper analysis. To select the cases we applied the following main criteria: 100% ownership by the state, a relevant financial importance (measure applied: nominal capital), relevance of the service provided for the public, interesting historical developments within the scope of the CfP (e.g. changes of the legal form, efforts of privatization, stopping or suspending the process of privatization, processes of privatization followed by reprivatisation etc.). As a result the following PEs were identified:

1. Deutsche Bahn AG (German Rail)
2. Bundesdruckerei GmbH (Government Printing Office)
3. Deutsche Flugsicherung GmbH (Air Traffic Control)
4. Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (service provider for the German Government in the field of international cooperation for sustainable development)

In the following we will outline briefly the "highlights" of each PE, motivating a deeper analysis.

1. Deutsche Bahn AG (German Rail)

1994 founded as the result of a merger of the state-owned Bundesbahn (former West Germany) and Reichsbahn (former East Germany), both governed under public law. Due to several reasons, mainly financial stress, and intentions to expand its international activities an IPO of DB Mobility Logistics (share 25%) was planned for October 2008. Preparing the IPO the DB AG was reorganized, several actions were taken to make the DB AG "fit for the market" (esp. strengthening the Mobility Logistic in comparison to passenger transport, implementing business management practices (operating figures such as WAAC, ROCE, applying the IFRS accounting rules etc.)). The IPO was stopped, resp. suspended mainly justified with the financial crisis diminishing the expectations of raising "fresh capital". The privatization process was characterized by the tension between "profit maximization" and "public service provision" and discussions on whether the DB AG is still a public service provider rather than a private multinational and global player. Still facing a tough financial restructuring course, as of late (about two years) having to pay a dividend to the ministry of finance, confronting the passengers regularly with an increase of the ticket prices, rising competition on the passenger market (e.g. long-distance busses) while having problems to keep the quality at moderate level etc., the IPO is still under consideration. For the DB AG itself and the citizens on the other hand the tension addressed above sharpens.

2. Bundesdruckerei GmbH (Government Printing Office)

In 1994 the Bundesdruckerei was transformend into a company under private law with the government as the sole owner. Facing high debts in 2000 the company was privatized, 100% of the shares were sold to an investor group for a much too low price and leaving the debt with the government. Until the reprivatisation in 2009 the Bundesdruckerei faced "turbulent" times characterized by owner-changes, new financial stress, facing new challenges such as biometric passports, providing its services to other countries, facing lawsuits by international competitors (the branding "Bund" still suggested that the owner is the government). The reprivatisation was mainly justified with the keywords known from transaction theory: strategic relevance and specificity. All in all the privatization can be labelled as financial fiasco raising many questions which should be deeper analyzed.

3. Deutsche Flugsicherung GmbH (Air Traffic Control)

The DFS is organised under private law and 100% owned by the state. Founded in 1993, DFS is the successor to the Federal Administration of Air Navigation Services (BFS), a government authority. Since 1994, DFS has been responsible for the handling of both civil and military air traffic in times of peace with military aerodromes being an exemption.

2006 the Federal President made use of his power to reject a decision by the House of Parliament and did not sign a law allowing the privatisation of capital. He justified his decision with the sovereign tasks of the DFS and the special police character of Air Traffic Control. The paragraph of the Constitutional Law (87 d) he referred to was changed in 2009. Since then control-tasks and operating-tasks are separated, allowing the latter to be fulfilled by foreign air traffic control companies approved by European Law.

4. Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (service provider for the German Government in the field of international cooperation for sustainable development)

GIZ is the result of the merger of the German Agency for Technical Cooperation (GTZ), the German Development Service (DED) and InWEnt (Capacity Building International) in 2011. Very controversial discussions have taken and do take place addressing e.g. the critique that the government created a "state monopoly" preventing other organizations from providing their services in the field of development aid, and the critique that many newly created "business segments" such as providing training in German cultural habits to Russian managers are not public tasks and serve solely the goal of economic self-interest. Once again a very interesting case to analyse the tension between profit and public service orientation, and the question of principle whether the services provided actually serve a public purpose or not.

The analysis follows the structure provided in the CfP. The paper is literature based which means that an analysis of secondary scientific literature and studies is carried out. The information gathered is supplemented by consulting the relevant laws and legal requirements, official records and minutes of political decisions and discussions on EU and federal level, contracts if available and other documents such as court decisions, business reports, participation reports, reports of the General Accounting Office, publications of the public enterprises, and press releases of different actors and the media.

UK

Jane Lethbridge (University of Greenwich), *United Kingdom – the remaining public enterprises*

This paper examines most of the remaining national public enterprises in the United Kingdom (UK) and discusses recent policy trends. Privatisation policies were introduced to the UK in the 1980s, which led to a reduction in the number of national public enterprises. This paper examines eleven public enterprises which still operate either across the UK or in the devolved administrations of Scotland, Wales and Northern Ireland. Ten of the eleven public enterprises operate in communications/ broadcasting or public transport or environment/ water services. There are several themes that emerge from the analysis. Communications/ broadcasting companies are under threat from commercial competitors which now have implicit support from government. The new Conservative government will pursue a more aggressive strategy with both the BBC and Channel 4. Several public transport companies over the last decade have moved from public to private ownership and have now returned to public ownership, showing that private owners of public transport companies find it difficult to maximise profits. The devolved administrations of Scotland, Wales and N. Ireland have either retained public ownership or returned several companies to public ownership over the last decade.

SWITZERLAND

Matthias Finger, Carole Rentsch (Ecole Polytechnique Fédérale Lausanne), *Major Public Enterprises in Switzerland*

Switzerland has started market liberalization and corporatization in the network industries in the late 1990s: in 1998, the telecom and postal markets started to open for competition. Whereas the telecoms market is completely liberalized, Swiss Post still holds a monopoly for letters up to 50 grams. Full liberalization of the postal market is to be discussed (again) in parliament in 2016. In the electricity sector a similar stepwise liberalization process is taking place since 2008, when large users were allowed to choose their suppliers. In a second step, currently planned for 2017, household consumers will be liberalized as well. The railway sector open access for cargo companies has been granted since 1999, yet further liberalization steps are on hold. In the year 2006, the Swiss parliament requested more clarity about the outsourcing of public tasks from the Federal Council (executive branch). As a result, the 'corporate governance report' was presented. It contains guidelines for the governance of PEs. The Swiss PEs are all steered in a similar way: The parliament issues specific laws for the sectors with PEs and for the public service missions. It then assigns the Federal Council to take care of the details. The Federal Council, supported by the administration, issues regulations for the enterprises, participates in the general assemblies, delegates representatives to the administrative boards, formulates strategic objectives for each enterprise and monitors the achievement of the objectives. It informs the parliament about the performance of the enterprises. Based on the law, sector-specific regulators are put into place. They monitor competition and sometimes the provision of public services. In addition, there are price- and competition-regulators in Switzerland. PEs in Switzerland perform on a high level. Whereas some PEs make substantial contributions to the State household (e.g., Swisscom that pays a yearly dividend of about half a billion), others depend on State subsidies (e.g., SBB that receives up to CHF 2 bn. for the railway infrastructure and its operations per year). There is an enormous public interest in the PEs of the country, as, e.g., the debates of the federal parliament prove. Not being part of the European Union, Switzerland has a special position: even though it implements its own policies, it follows the European course when it comes to PEs. However, in terms of internationalization, it is more defensive. Looking into the future, we expect no deterioration of the public service provision. In terms of privatization, discussions will, in the next five years, probably only concern Swisscom. Generally, we expect the financial situation of PEs to become more critical, especially because costly infrastructures have to be renewed, technology is quickly changing, and competition is increasing.

CROATIA

Anto Bajo, Marc Primorac (University of Zagreb), *Major Public Enterprises in Croatia: 2009-2013*

The aim of this paper is to present basic characteristics of state-owned enterprises in Croatia, assess their financial operations and identify major trends in their operations and long-term development prospects. The analysis is carried out for the period from 2009 to 2013. The paper gradually examines financial operations, management system and the systems of accountability and transparency. The particular emphasis is on the comparative overview of major state-owned enterprises' missions and the extent to which they serve public purposes. Moreover, the paper evaluates capital investment plans and provides proposals for the reform of state-owned enterprises in Croatia. The role of different social (and interest) groups in the reform process and the connection between the operations of state-owned enterprises and the fiscal position of the country is identified. In terms of the interrelation between the operations of state-owned enterprises and the government budget, it is clear that Croatia does not have the financial resources for maintaining subsidies to state-owned enterprises at the level of 2% of GDP. Therefore, giving the companies into concession or selling their parts should be a prelude to reducing the need for government subsidies. An increased focus on EU funds is expected in most infrastructure investment (especially in the field of railway transport). In all state-owned enterprises, a serious organizational restructuring - adjustment of the organizational structure and number of employees is still expected.

LITHUANIA

Valdone Darškuvienė (Vytautas Magnus University), *Role and performance of major Public Enterprises in Lithuania*

Two decades after the end of mass privatization, with over 92% of companies privatized in Lithuania, deregulation and increased competition in the economy has brought major governance structure changes and efficiency improvements into the private sector companies. However, state-owned enterprises (SOE) have stayed dominant in such key sectors of the economy as energy, transport, infrastructure, raising concerns over a number of complex issues, including development of efficient internal governance mechanisms of state-owned enterprises, effective execution of state control, improvement of performance of public enterprises. The paper aims at country analysis of the role and performance of key SOEs, and the major governance policy trends in Lithuania. The paper discusses the dual character of SOEs, on one hand, performing public mission, with clear social goals, and, on the other hand, having economic goals of profitable performance. Comparative study of SOEs vs private companies has revealed higher employment, lower profitability and efficiency, which indicate to the still existing wide gap between private and public company performance. Such underperformance has brought increasing focus on public governance and management efficiency. Transition in Lithuania from dual governance model, when ownership functions are performed by ministries, and the whole system is governed by one institution, to centralized governance, encompassing governance by one institution, with management functions discerned from political power, is discussed. Corporate governance principles for SOEs have been introduced lately with expectations of positive influence on companies' management efficiency via increased transparency, quality of the boards, quality of internal control system. The paper provides evidence of positive effects related to the implementation of corporate governance principles in Lithuanian SOEs. The paper concludes on a stage of development of SOEs in Lithuania, from infant positioning as desirable monopolies offering desirable public goods, which private firms are likely to supply at suboptimal levels, to strengthening in the region through gains from economies of scale, to yield long-term benefits to the economy.

RUSSIA

Marina Klinova (IMEMO), *Public Enterprise Sector in Russia in the 2000s*

The State takes control and creates enterprises in the sectors not only in need of its support (infrastructure, high technology industries) but also in sectors attractive for private capital because of rent income (oil and gas). The complex system of State control in companies makes difficult to determine the real boundaries of the public sector and hampers statistical evaluation of its contribution to the GDP. Nevertheless, we can argue that a build-up of State interference in the Russian Economy started even before the global financial and economic crisis of the 2008-2009. The report consists of four parts. The first part observes the general characteristics of the Public Enterprise Sector after the large-scale privatization in the 1990s, when Public property diminished. In the 2000-s the consolidation of Public property took place. Public companies are pursuing a policy of diversification and expansion of their businesses, participate to M&A. Contribution to GDP ratio of the public sector and the private sector becomes 50 to 50. The second part presents the forms of Public enterprises and their presence by sectors of economy. Public enterprises in Russia take the form of joint stock companies (JSC) and unitary enterprises. Since the 2005 there has been a new trend – increase in number of JSC in State ownership (100% shares) that allows to exercise "full corporate control". As of 1 January 2014 Russian Federation owned 1181 unitary enterprises; and was a shareholder in 2113 JSC. Tables characterize the post-crisis reduction in the number of State unitary enterprises and at the same time increasing share of public sector enterprises especially in mining (including fuel and energy); in the electricity, gas and water supply; in gross fixed capital formation. The strongest position of the State is in infrastructure (transport, energy, except telecommunications). For example, in the energy sector the State owns more than 50% of the capital of Gazprom, which not only produces about 80% of Russian natural gas, but is a monopolist in the field of its distribution and export. In the extraction of oil the State's share increased in 2014 up to 52% compared to 10% in 1998-99. The State is present in 12 of the 40 TOP Russian companies ranked by revenue. The third part is dedicated to State Corporations (SCs). The State endeavors to transform its companies into development institutions to boost innovatiions, high-tech industries. To this purpose, Russia creates the SCs – a special Russian phenomenon, a kind of vertically integrated nonprofit organization (NPO). There are characteristics of the SCs and their list. The last part deals with the estimation of relative efficiency of public and private companies, including labor productivity, and underlines the importance of international cooperation in FDI and PPP. Finally is concluded the excessive State participation in business and the possibility of changes in proportion between private and public sectors in Russia in the changing environment of the global and national economy.

CHINESE SOE AND INTERNATIONAL MARKETS

Andrea Goldstein (OECD), Kai Zhu (SASAC), *Chinese central SOES' investments in Europe and France: overview and impact*

In this paper we survey the overseas expansion of Chinese central SOEs, focusing on their investments in Europe. We present new evidence on the geographical and sectoral distribution of such investment and on the timing and mode of entry. We complement this quantitative analysis with some early evidence on the activities and performance of selected Chinese SOEs in France. We show that their record has been by and large positive, from the view point of both the company and the host economy.

CHINESE SOE AND INTERNATIONAL MARKETS

Yingchao Zhang, Li Xin (University of Wien), *Evidence on the Dynamic Nature of Executive Compensation and Corporate Governance in China*

Research Question/Issue: This study examines both time and industry sensitivity of the link between CEO compensation and corporate governance in China from 2003-2012. Research Findings/Insights: We find empirical evidence that the link between pay and performance is variant over time, but relatively stable across industries. Consistent with Conyon and He (2012) we find empirical evidence that state ownership does not matter prior to 2005 or on the average over the last decade. However, when examining this link by partitioning the data with respect to time, we find that contrary to previous studies which average over time, state ownership does indeed provide a significant negative impact on CEO compensation in recent time periods. Theoretical/Academic Implications: This study provides empirical support that agency problems are at least in part mitigated by state ownership in China. From a theoretical perspective this finding is important because it is consistent with agency theory predictions regarding the influence of dominant shareholders (state) on CEO compensation. This study also provides evidence on the existence of a dynamic adjustment process, which is consistent with theoretical predictions on the role of incomplete information and learning which lead to eventual changes in firm adjustments costs and compensation practices. Practitioner/Policy Implications: We argue that given recent policy changes in China targeting the strengthening of the link between pay and performance, it is reasonable to expect firm response to policy reform to evolve over time. This paper demonstrates a dynamic process of firm adjustment to policy reform, and thus provides insight for policy makers in terms of how to better understand and measure policy response as an evolutionary process over time.

INDIA

Sofi Dinesh, Sangeetha Gunasekar (Amrita School of Business), *Major Public Enterprises in India: 2000-2013*

"Temples of modern India" this was how the first prime minister of India, Pt. Jawaharlal Nehru addressed public enterprises of this country when it became independent in 1947. Since then the so called temples of Independent India have transformed themselves into competitive business entities of modern India. This paper is a tribute to their existence for the sustenance of the economy of India. When India became independent in 1947, being an agrarian economy, it was crippled with massive socio-economic and the only practical solution to such a problem was development of the public sector enterprises with the aim of achieving self-reliant economic growth. Thus India adopted a mixed economy wherein both private and public enterprises played important roles for the development of the economy.

The current study focuses on the major Indian public enterprises because India is one of the countries where an entire gamut of PE reforms have been implemented sequentially over the last decade including Memorandum of Understanding (MoU), partial privatization, deregulation and dereservation of public sector dominated monopoly industries. The paper gives an insight on all these reforms and how it transformed the Indian PEs to become global leaders.

JAPAN

Munenori Nomura (Kwansei Gakuin University), Shinichi Saito (University of Shimane), Fumitoshi Mizutani (Kobe University), Francis Rawlinson (Kwansei Gakuin University), ***Public Enterprises in Japan: Focus on the PPPs for Utilities***

The aim of this paper is to examine the possible involvement of the private sector in public services in Japan, particularly in railway, airport, electricity and postal services. With a decreasing population amid an aging society, the debate about how to construct and maintain infrastructure is a major policy issue. In preparation for the 2020 Olympic Games in Tokyo, reducing congestion and reconstructing urban infrastructure have become urgent tasks, especially as many of these facilities were built during the period of high economic growth in the 1960s. So far the public sector has played a major role as a service provider. However, experts predict that it will not be possible to cope with future demand if the services continue to rely on the traditional public sector to provide the infrastructure. In order to ensure alternative sources of finance, the participation of the private sector is being seen as an unavoidable option. Several Japanese industries, notably the National Railways, have already been privatized in Japan. In recent years, the introduction of private capital through “concession systems” has been examined, particularly in the airport sector. However, this does not involve a complete “privatization of ownership”, but only a “privatization of management”. A privatization of the postal service is also being implemented in stages. In this case, a government-owned structure still exists at present. Even after privatization government involvement continues through regulation. Thus, the hand of government does not disappear under privatization. Nor does transferring ownership to the private sector necessarily secure an increase in social welfare. Public services remain essential to economic activity, and it is necessary that such services should be stably provided without disrupting supply or making prices unduly volatile. Expectations for the PPP (Public Private Partnership) approach rise with time. For PPP to function effectively, however, the design of the market conditions is crucial. First, an environment in which private businesses can make decisions freely must be created. This allows them to respond sensitively to users' needs as far as possible. Secondly, since the private operators responsible for PPP schemes often retain monopolistic market positions, monitoring the behavior of such companies is necessary to secure the desired level of service. Development of a master plan is one of the techniques of monitoring. In it, the required levels of service and investment need to be specified in advance.

BRAZIL

Hugo Silvestre (UNILAB), Ricardo Corrêa Gomes (University of Brasilia), *Public Enterprises Performance and Managerial Accountability: The case of Brazilian Petrobras*

Several administrative and institutional reforms were accomplished in the ways that public services have been provided with the New Public Management framework (Pollitt & Bouckaert, 2004). Private sector participation was one of those strategies that governments used to change public sector structures during the eighties. By that time governments aim to improve public services performance due to the economic downturn which led to a fiscal crisis. With no investment capacity to improve public services and at the same time with an increase in the demand for public services, decentralization became a political option for public sector reform. Nevertheless some sectors were still publicly managed however incentives to achieve higher performance levels could not be accomplished under public law restrictions. What became notorious was that public services were public not because there were owned by public sector organizations but due to the operations performed under public law (Talbot, 2011). In order to overcome such restrictions, public enterprises were applied. Even if public enterprises were public owned they operate under commercial law. The difference is that public law demands for a formalization in all operational dimensions that leads to inefficiency, in theory (Suleiman, 2003). The belief is that public enterprises can easily be more efficient if they perform under a commercial sight (Tavares & Camões, 2010). This institutional arrangement allows an administrative, financial and asset organizational independency in relation to political bodies. Should not forget that executive boards are still appointed by government politicians. With the 2008 crises, public enterprises became even more important because new social, political and economic demands pressured once again for a better use of scarce resources. The same happens in Brazil, where several public enterprises pursue public interests. The biggest Brazilian public enterprises are: Petrobras (which operates in the oil industry), Eletrobras (which operates in the electricity field) and BNDES (operates in financial sector), among some others. Taking into account the mentioned public enterprises the following research questions will be our starting point: How do public enterprises perform? How is government's control implemented? This study explores the relationship between this public enterprises and performance in a first stage. In a second one the study focuses on undertaken governmental control regarding recent managerial decisions. The study intents to cover the last 10 years (from 2004 to 2014) making use of a multi-case study research design (Yin, 2009). The social phenomenon will be analysed in the first place based on official statistics and through interviews in a second stage.

CANADA

Luc Bernier (ENAP), Patrice Dutil (Ryerson University) and Taïeb Hafsi (HEC), *Living at "arm's length"? Canadian Crown Corporations today*

Public enterprises have been important in Canadian history. The Canadian government has maintained an important network of public enterprises (Bernier and Farinas, 2010) despite numerous privatizations. We offer an analysis of the current situation at the federal level. But in order to get a relatively accurate picture of the situation in Canada, we also need to include the public enterprises of the provinces. For example the electricity companies of the largest provinces have to be taken into account. In Canada, the telecommunication companies have been privatized or were already in private hands but the Canadian government owns important assets in sectors such as television, regional development, exports, uranium, postal services and various more financial enterprises. Because of a lack of regulatory capacity, historically, economic policy was using public enterprises (Roberts, 2010). But is this picture still accurate today? Crown corporations as they are known in Canada are under more controls than in the past but little policy direction. So at the provincial level, we look at public enterprises that correspond to the definition used by CIRIEC in the call for papers: BC Hydro, Ontario-Hydro and Hydro Quebec. In order also to get the appropriate portrait, we also have to include the important investments funds that manage retirement money such as the Alberta Heritage Fund, OMERS (Municipal employees in Ontario, Teachers (teacher retirement fund also in Ontario and la Caisse de dépôt in Québec. We present tables including the evidence asked for the identification of the major public enterprises and of the fundamentals of the policy intentions of the concerned governments (see Bernier, 2011). A word is said about Saskatchewan that was in Canada the greatest experience with socialism and where public enterprises have been important (in potash mining for example).

CHILE

Francisco Castañeda, Diego Barría Traverso (Universidad de Santiago de Chile - USACH), *Relevance of state owned firms to the Chilean economy*

Corporate governance of state owned firms has been a crucial issue in the actual debate. Nature of corporate governance, composition, objectives of the firms, industrial context as well as the role allocated in the economic framework, possess several challenges and futures questions to be solved These state owned firms were privatized during the military dictatorship. In some extent, they could not regulate neither relevant actors in order to create a proper working of the markets in which they are embedded. After the period of reduction of their influence into the economy, has started a debate about which is the suitable legal framework for this sort of companies. And there are objectives such as maximization of profits, which sometimes could be contradictory with the objectives of providing public goods, avoid monopolies, develop technology, among others. Hence, the relevance of corporate governance in state firms and if this structure of corporate governance is aligned with the objectives which explicitly want to fulfil. It possess economic effects in specific markets (oil, i.e.), prices charged the final consumer (in state firms), and in case of the biggest state Chilean company CODELCO (copper state firm), the implications are several and these have micro and macroeconomic impacts. We will do a presentation of Chilean state companies in terms of their corporate governance and the nature of their functions, and as it is managed and dealt by the government in order to connect mission, proposals, objectives and results. Then we will focus in Codelco due to these multiple effects on the Chilean economy. Cooper has been the most important commodity of Chilean economy since the 20th Century. Initially the cooper industry was under foreign control up to 1971 when President Salvador Allende took into state ownership the cooper industry. The *Corporación del Cobre* (CODELCO) is a Chilean public enterprise created in 1974. CODELCO has been for a long time a relevant important the productive structure of Chilean economy. Its role is to finance public budget, and the Treasury is as dependent on CODELCO such that the budget is formulated considering the expected cooper price in the international market. In 2000 the Chilean government passed a fiscal rule to counterbalance the economic cycles and so mitigate the macroeconomic impacts of sudden rise and fall in the international copper price. In the last decade, due to super cycle of commodities (boosted by China´s growth) the copper exports have reached 60% of total exports (being CODELCO almost half of the production of Chilean copper). Besides, in a large extent is responsible for the development of mining cluster with SMEs providing goods and services in this industry. So, CODELCO and the mining sector in general do not have only impact on the GDP (copper represents 12% of total

GDP), but also there are several connections that encompasses the liquidity of the economy (altering the stance rate of Central Bank) and the wealth of the economy invested abroad in sovereign funds (15% of GDP). This chapter will analyse a number of challenges that CODELCO faces as a large state-owned company. The first one is to analyse how the corporate governance framework works. Specifically, we will try to determine if this institutional framework allows the company to maximise the public resources and therefore the state contribution of this company to the public policies. In second place, the chapter aims to evaluate how CODELCO performs financing the public budget (one of the main objectives as state-owned company). We also analyse whether the company is able to assure and keep revenues in the long term. This company, according to laws established under the military dictatorship (1973-1990), must distribute the economic surpluses the Chilean state (certainly apart from taxes). But it creates serious disadvantages to get financing in order to capitalise the company due to the new projects that it must undertake. Last but not least, the chapter deals a number of currents debates on how to run the company in the next years. The neoliberal view proposed that a part of the CODELCO were sold in the local stock exchange, and so it would get fresh resources for its investment plan. Other actors suggest that the State should capitalise CODELCO allocating the new and necessary resources in order to not reduce competitiveness and keep its position of global player in this industry. We both will depict the proposals of political and economic actors in order to improve the sustainability of the company and assess the advantages and drawbacks of each one.

URUGUAY

Daniel Chavez (Transnational Institute), Magdalena Bertino (Universidad de la República), ***The significance of Public Enterprises in National Development: the case of Uruguay***

The progressive role that public enterprises can play in the promotion of social development and inclusive growth can be clearly observed in Uruguay, a Latin American country that in 1992 became the first in the world where by referendum the citizenry massively rejected privatisation. At the opening session of an international seminar held in Montevideo in October 2012, the Minister of Industry and Energy of that time argued that “public enterprises are an opportunity for national progress because they enable innovation and growth in various sectors”. He stated that SOEs “should function well, be efficient, innovative, offering high quality and productivity; but being public entities they must also catalyse development and social inclusion”. The overall objective of the paper is to systematise, analyse and appraise the contributions of Uruguayan state-owned enterprises (SOEs) in development. It will focus on the four largest: the National Telecommunications Administration (ANTEL); the National Administration of Power Plants and Electrical Transmissions (UTE); the National Administration of Fuels, Alcohol and Portland Cement (ANCAP), and the National Water and Sanitation Company (OSE). The combined operational costs of these enterprises represent over 10% of the country’s GDP and close to 60% of current public sector expenditures. They operate without receiving subsidies from the national treasury and contribute a significant portion of the state's revenues.
The analysis will consider the historical evolution of these companies, including both comparative references to the process of creation and initial growth of SOEs in the first two decades of the past century, and a closer look to the process that began in 2005, when a left government initiated the current cycle of transformation aimed at modernising their management and expanding their role in the national economy, which continues up to date.

ALGERIA

Malika Ahmed Zaïd- Chertouk (Université Mouloud Mammeri), *Major public enterprises in Algeria: current status and prospects*

Under the effect of external constraints (IMF, World Bank) and internal ones (cessation of payment), Algeria was seen engaged in multifaceted transformation process, on political, institutional and economic in the decades 1990 and 2000. These were be accompanied by changes both in State relations/public enterprises and in the role of the State in these enterprises through radical changes in its behavior and its main functions. At the welfare State, provider and employer, has been substituted the regulator and redistributors'. Therefore, its role and forms of intervention in public enterprises had to be reconfigured and reduced in the light of these new functions. In other terms, it had to gradually phase out of its total stranglehold on these enterprises to devote themselves to see the production imperatives in an open competition, except eventually for companies providing services of general interest. Subject to process of restructuring and privatization, public enterprises are every time confronted with financial difficulties and far from achieving the objectives assigned to them. So, that after four decades of reforms, the State maintains its supremacy on most of the enterprises that have survived. In a context of unfinished reform process, tinged with hesitation, public enterprises stand out as singular interfaces in the hands of the State witch cannot operate its own moult. First tossed between the logic of industrialists and of financials and between dynamics reformers and the Conservatives droop, and far to enroll in a clearly defined development strategy, public enterprises are still dependent on the State which retains broad powers of approving, funding and intervention. Then, we are able to wonder about the invariability of the role of the state in public enterprises and the major reasons for this ambivalent attitude leading to the status quo in the fate reserved for public enterprises. After defining the theoretical framework of the study and recalled the historical process of evolution of the Algerian public enterprises, we will try to take the measure of their transformations in the subsequent context to the Washington consensus and the global economic crisis with emphasis on the understanding the place and the role of the State in the public market sector. We will examine, thus, their level of interaction with the State, to answer the main public functions by presenting for this purpose, four major public enterprises in charge of the water sector (ADE), the energy sector (SONELGAZ), the hydrocarbons sector (SONATRACH), and the pharmaceutical industry (SAIDAL). Thus, basing us on a monographic study of comparative economic and financial results of these public enterprises, their governance examined in the light of the law, we will try to demonstrate those which contribute to the national wealth and those which are maintained in a drip and undergoing successive recapitalizations. This will involve, through this case study to measure how social performance includes the general dynamics of global performance of these enterprises and investigate how public authorities define the tasks and the performance criteria in order to exercise their prerogatives in terms of the production of public services in phase with the general interest. In this way, we will evaluate the role of these enterprises in the economy in terms of GDP contribution, employment, investment, social welfare and the country's economic growth.

TURKEY

Sureyya Burcu Avci, Gozde Sungu Esen (Özyegin University), *Major Public Enterprises in Turkey: 2005- 2013*

This paper presents an analysis of the roles and performances of the major public enterprises (MPEs) from various sectors; energy, transportation, communication and construction sectors in Turkey between 2005 and 2013. For the last decade, even though the performance reports prepared by both the Turkish Court of Account and the Undersecretaries of Treasury present that PEs in Turkey are generally profitable and 2008 financial crisis had no great influence on their performances, detailed analyses indicate that indeed PEs are financial burden for the Turkish public economy. Cash flows from Turkish Treasury to the PEs as equity increases or duty losses are always higher than the cash flows from PEs to the government as tax, dividend or payments from sales. Moreover, there are some studies in the literature which present evidences for the increasing performances of the PEs after the privatization. The recent governmental policy towards the PEs presents differences based on sectors. The government is intentionally quitting agriculture, service and non- strategic manufacturing businesses, passing production to private sector. On the other hand, energy, transportation, communication and construction sectors are of great importance to the state: MPEs in these sectors are growing and among the biggest corporations in Turkey. This paper analyzes all PEs in these sectors, but pays more attention to energy sector PEs due to sector's rising importance over the economic development. There are common reasons assigning importance to these MPEs. First, volatility in energy prices makes energy and transportation MPEs highly risky. Since energy sector is highly strategic and MPEs are exposed to exchange rate risk, there are problems in privatization activities. Transportation and communication sectors are other important ones for the government, mostly because of strategic reasons: Railways, airlines, coastal security services, and energy industry, broadcasting, governmental news agency, posting, satellite communications and cable TV systems, state TV and radio are operated by MPEs. The fraction of these MPEs contribution in GDP is increasing in the last years. Lastly, construction is a very special sector for Turkey: High growth rates are caught up by the growth in construction sector. Therefore, it is a strategic sector and government supports PEs in order to both expand the sector and also to provide low- budget housing for lower income groups.

Additional material: AUSTRALIA

Stephen Jones (University of Queensland), Chris Aulich (University of Canberra), Brian Head (University of Queensland), *Major Public Enterprises in Australia 2005-2015*

Institutional factors and both ideological and pragmatic politics have influenced the development and nature of public enterprises in Australia. Constitutional arrangements have partly determined areas of activity pursued by public enterprises at both the federal and state level. Development patterns, natural resources, scarcity of private investment funds and market failures, have largely established the character and structure of these enterprises. Banking, energy, transport, telecommunications, health, superannuation and insurance have all experienced a wide range of public and private arrangements within the market based economy. As a result of its history, Australian political culture supports a moderate degree of government participation in the market particularly to advance universal service delivery obligations. An ongoing engagement with debates on privatisation since the 1980s, by the right and left, continues to re-shape government activity across established and emerging activities. The primary shift over the past fifty or so years has been a transition from public enterprise as an engine room for national development to one where those enterprises which have remained in public ownership provide needed cash flows to government as they are expected to operate on a fully commercial basis. Public enterprises established by the federal government were typically focused on nation building. The 'tyranny of distance' combined with market failure and limited access to private funds for infrastructure development established a context requiring government participation. Australians looked to government for answers, welfare and security; indeed in the 1930s it was noted that: 'Australian democracy has come to look upon the State as a vast public utility' (Hancock 1945). However, in recent decades, publicly-owned economic enterprises like banks, airlines, telecoms, postal services, seaports, and airports have been subjected to waves of privatisation, with the proceeds from sales being used primarily to reduce government debt. While some traditional enterprises remain, for example the Snowy Mountains Hydro scheme, the contemporary focus tends to be on the regulatory oversight of public enterprises, and their facilitation and advisory functions, rather than on their ownership structures. Public enterprises established by the federal government since the 1990s fall under the *Commonwealth Authorities and Companies Act 1997*. Areas of activity include: the Murray Darling Basin Authority with a focus on water distribution and environmental protection; the Clean Energy Finance Corporation to promote entrepreneurial activity in developing new sources of energy; and the *Future Fund* for the management of sovereign wealth funds. The most contentious project undertaken by the federal government in the last decade is the National Broadband Network (NBN) as 'Australia's largest publicly owned infrastructure project since the 1950s' (JCNBN 2012). Controversially, the NBN was established as a monopoly in the delivery of fibre-optic broadband services across the country. In recognition of the mixed performance of public agencies including public enterprises, the *Public Governance, Performance and Accountability Act 2013* was established to ensure 'high standards of governance, accountability and performance' across all Commonwealth entities including companies. Major public enterprises at the state level have also focused on infrastructure and economic development. Federal arrangements allow state governments some flexibility to adopt their own distinctive approaches and priorities. The provision of energy is a key area for state public enterprises where governments have invested in the full supply chain. Since the 1990s different states have approached electorally unpopular privatisation programmes in different ways. Victoria is the only fully privatised energy grid supply system whereas other states have undertaken only partial sell-offs in fear of political backlash (Colley & Head 2013, 2014; Quiggin 2014). Other areas of state government activity that were subjected to partial privatisation include water supply, rail networks, seaports, workers compensation, regional development corporations, public transport, and health services. The vertical fiscal imbalance in the Australian federal system, whereby states raise only about 30% of their own revenue, guarantees a focus on new sources of revenue, ways to cut costs, and quick fixes for budget deficits. In times of crisis, real or created, state governments, like their federal counterparts, have more often chosen the route of selling public enterprises for a rapid injection of capital rather use these enterprises as ongoing sources of consistent, and even potentially expanding, revenue. Political pragmatism however determines which assets are sold. State politicians are sensitive to public attachment to government ownership and are turning to both contractual arrangements and public private partnerships as methods to maintain 'publicness' (Aulich 2011) in the delivery of government services. The situation of public enterprise at the local level of government in Australia has taken a different trajectory from those at state and national level. Local government owes its existence to state-based legislation, which has determined the 'prescribed' activities that may be undertaken by local government and the reach of those activities. There are very few examples of public enterprises established and managed by the more than 500 local authorities, in part because state governments have not sanctioned them and in part because it has not embedded in the culture of the local government sector. Indeed, in some states local government's capacity to establish public enterprises has been circumscribed by legislation or by political action taken by state governments (Aulich 2015). The majority of public enterprises operating at local level have been initiated and managed by state governments, and are largely restricted to the utilities and land management arenas. For example, the County Councils in New South Wales provided water and electricity on a regional basis, TasWater provides water to all local councils in Tasmania and the Urban Land Development Authority subsumed planning powers from a number of local councils in Queensland. Given these circumstances, public enterprises at local level have not been included in this paper. The evidence presented in this Australian case is one of policy transformation. The public sector continues to shift towards the more complex activities of facilitation, contracting and regulation in the economy. In undertaking our analysis our methodology includes examining primary source documents including legislation, policy documents and corporate reports. We will consult the academic literature for background material and contemporary themes. Quality media, consultant reports and press releases will be used to illustrate specific issues where necessary.