



PUBLIC ENTERPRISES IN A GLOBAL PERSPECTIVE

**Massimo Florio
Università degli Studi di Milano**

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“Quel avenir pour l’entreprise publique? ”**



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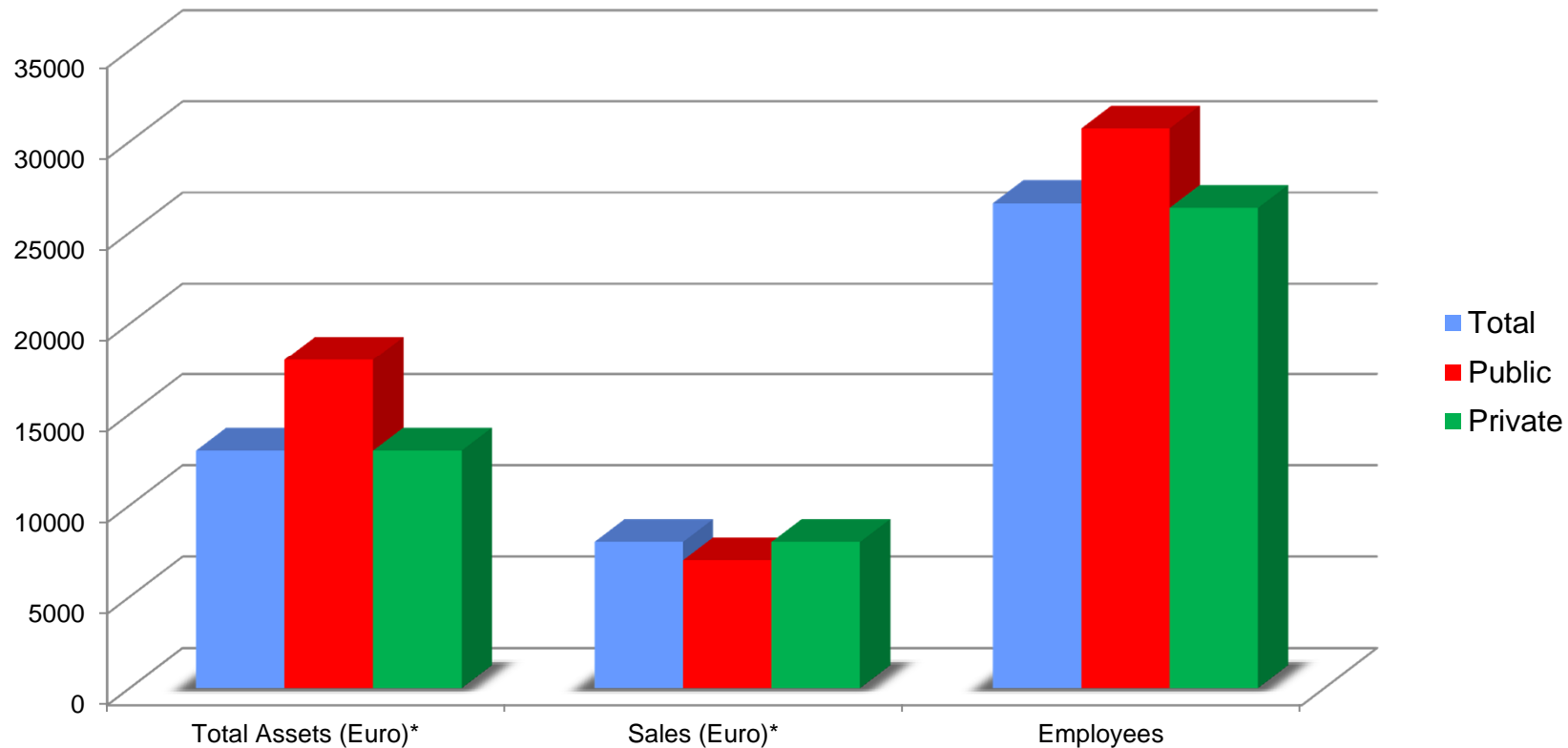
“...The government is a bad stockpicker, or a bad manager who can't earn competitive returns on capital, especially in a world of global competition”

Theo Vermaelen of INSEAD Business School

There is a renewed interest in public enterprises for at least five reasons:

1. Despite mass privatization since the 1980s governments still own and manage substantial productive assets in many countries.

Performance of top listed global companies: Forbes Global 2000 & Orbis-BvD (2004-2013)

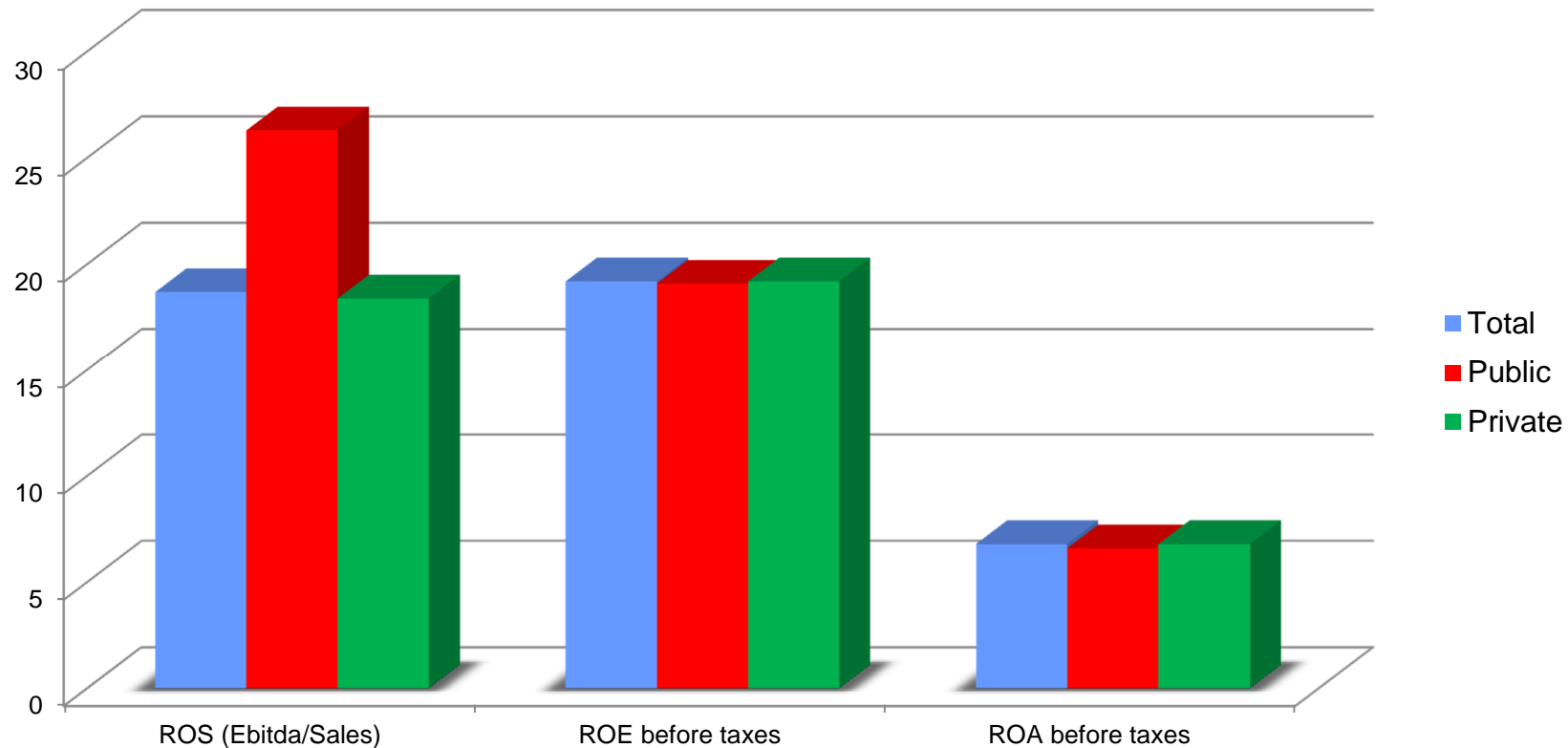


Source: Clo' et al. 2015 from Forbes Global List 2000 and Orbis (BvD).

Median values of non-missing observations over years for unbalanced sample of 1,037 companies where 74 are public and 963 are private (ownership at 50%).

* Million of Euro

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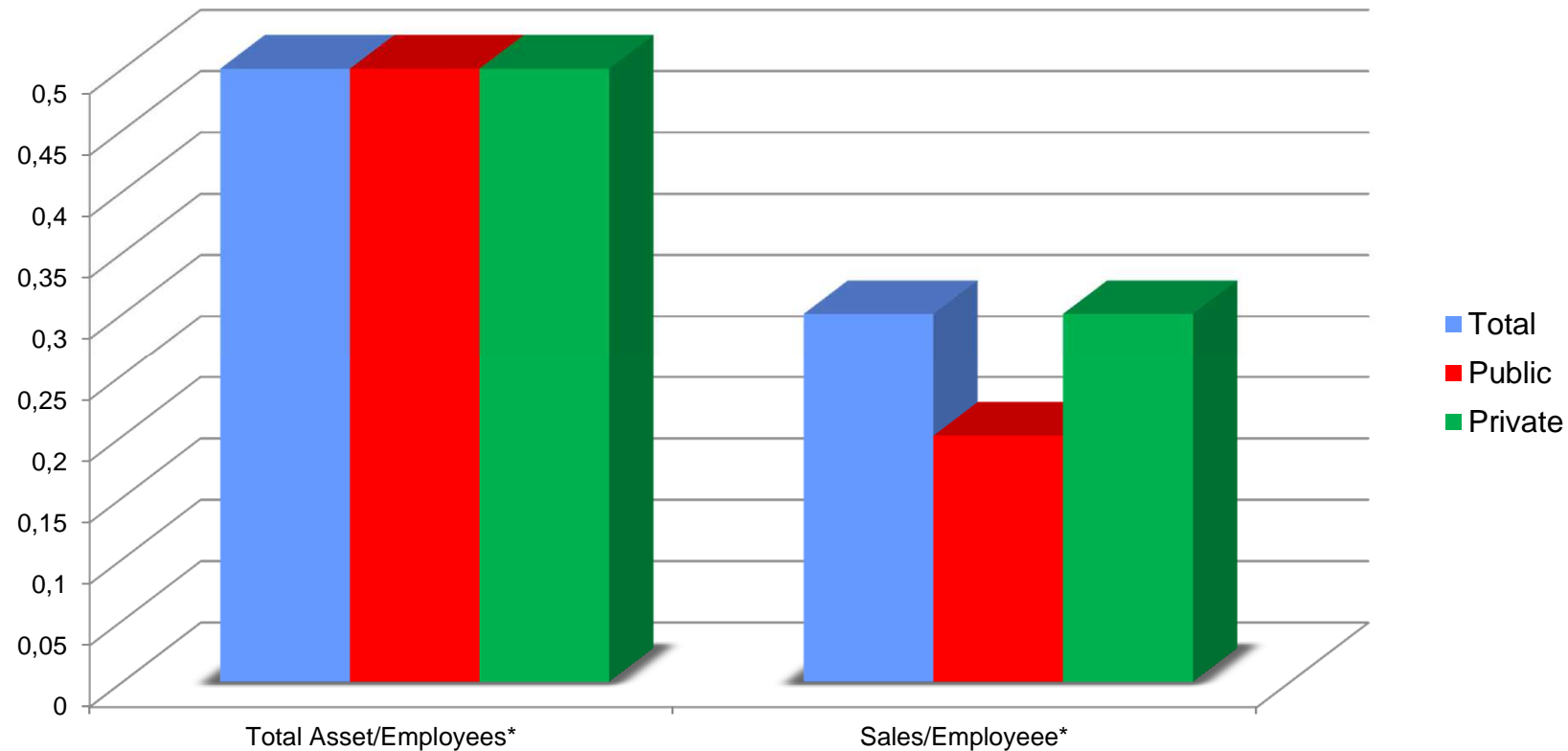


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Empirical evidence: Forbes Global 2000 & Orbis (BvD) data

Nace Code	Ros (Ebitda)		Roe b.t.		Roa b.t.	
	Public	Private	Public	Private	Public	Private
Mining	38.30	37.86	28.33	27.31	14.15	11.73
Manufacturing	9.96	15.33	20.31	20.84	6.72	8.09
Energy, Water and Waste	27.91	22.55	15.45	17.11	4.61	4.21
Building & Commerce	7.83	7.17	21.90	21.95	7.52	8.49
Transport & Restoration	16.80	19.18	15.25	16.02	6.38	5.50
Telecommunication	42.10	32.89	23.83	21.54	12.31	8.78
Financial Activities	9.93	38.09	13.84	13.78	1.77	2.35
Other activities and services	22.67	37.91	15.85	12.07	1.44	1.32

Source: Own elaboration on Forbes Global List 2000 and Orbis (BvD)

Non-missing observations.

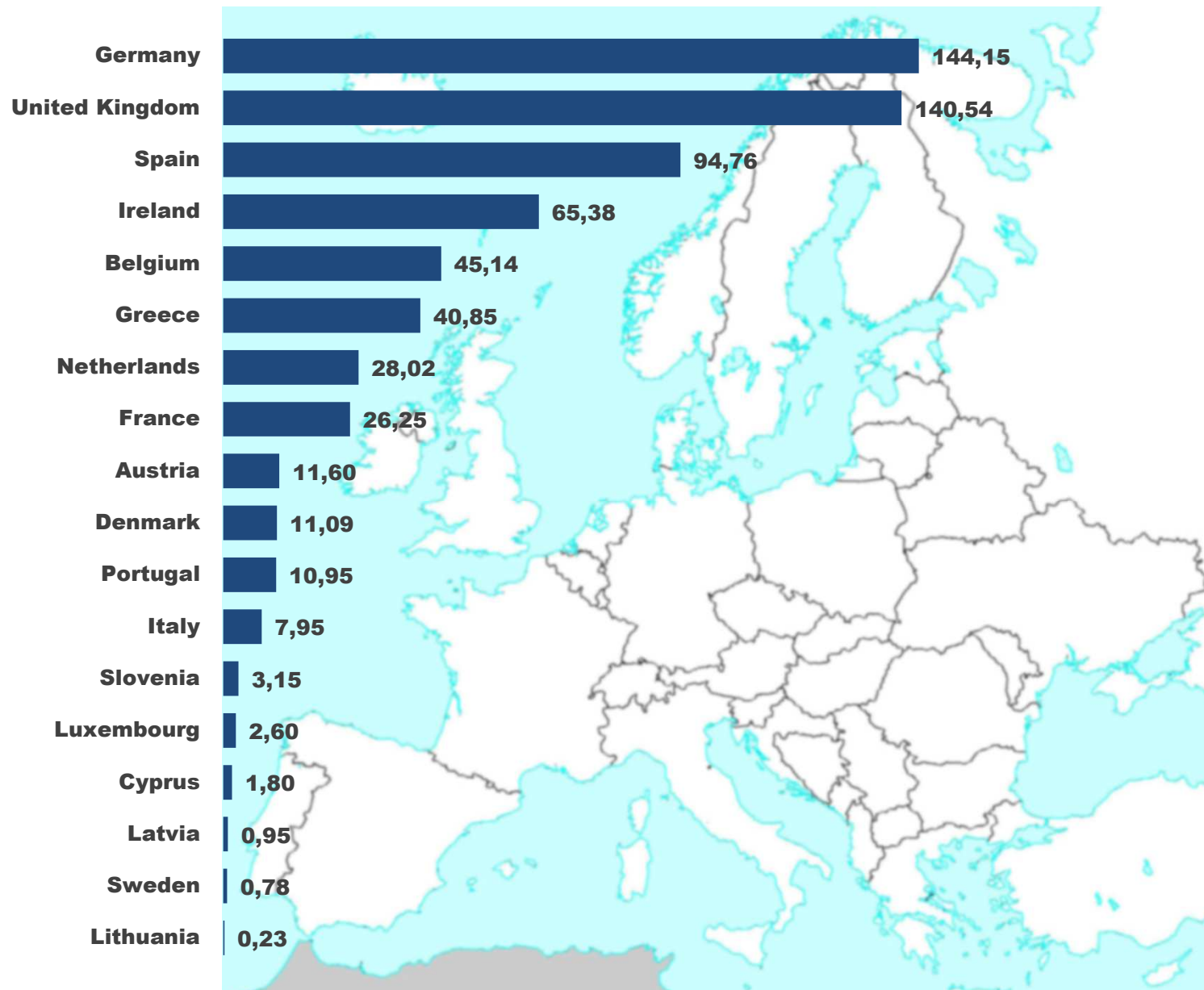
2. Following the Great Recession since 2008, nationalization or other forms of State control were the immediate response by several governments to the collapse of a range of corporations.

Empirical evidence: Some Nationalizations

Name (Target)	Country	Final stake	ROE	ROA	Sector
AGRUPACIÓ MÚTUA DEL COMERCIO Y DE LA IND.	SP	100	29.38	n.a.	Finance
ANGLO IRISH BANK CORPORATION	IE	100	-247.18	-12.10	Finance
FEDERAL NATIONAL MORTGAGE ASS.	US	n.a.	n.a.	-8.40	Finance
GENERAL MOTORS	US	n.a.	17.06	4.44	Manufacturing
HYPOTHECARY BANK OF AUSTRIA	AU	100	-70.08	-3.40	Finance
JAPAN AIRLINES INT. CO., LTD	JP	100	n.a.	n.a.	Transport
MALEV MAGYAR LEGIKOZLEKEDESI	HU	95	n.a.	-82.00	Transport
ROYAL BANK OF SCOTLAND	UK	n.a.	0.01	0.02	Finance
SPRON HF	IS	100	n.a.	n.a.	Finance
STRAUMUR INVESTMENT BANK HF	IS	100	n.a.	-47.03	Finance
TUBE LINES HOLDINGS LTD	UK	100	n.a.	n.a.	Transport

Source: Own elaborations on Orbis & Zephyr (BvD)

State aid to financial institutions: recapitalisation and asset relief (2008-2013, billion Euro)



Source: ECB, DG Competition, State Aid Scoreboard, 2014.

3. Re-publicization of formerly privatized firms providing services of general interest, or re-municipalizations of local public services

Empirical Evidence of Re-municipalisation: Water Services



Legenda: Green = successful re-municipalisation cases; Blue = ongoing campaigns for re-municipalisation

Source: Lobina E. & Hall D. (PSIRU <http://remunicipalisation.org/>)

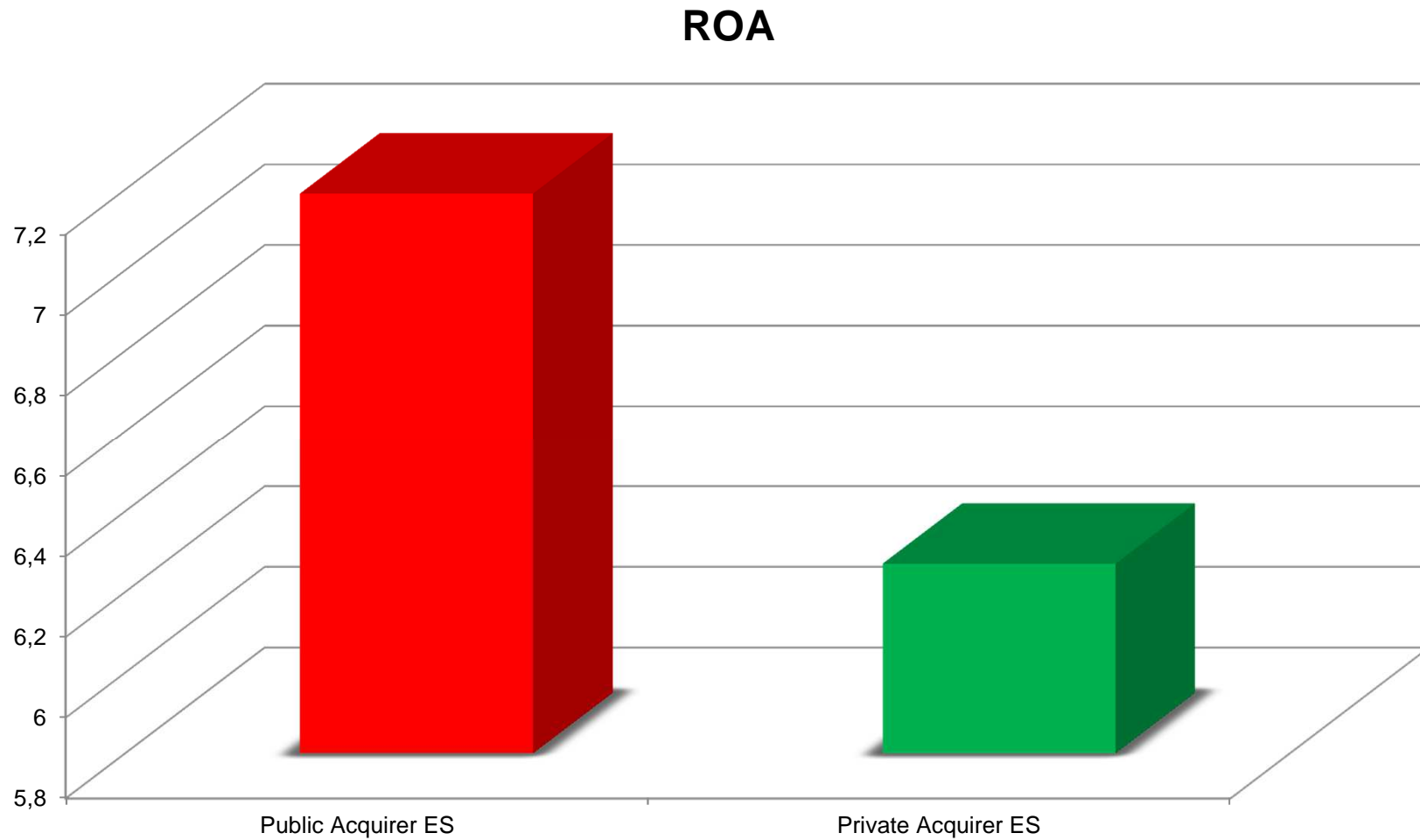
Empirical Evidence: Some Example of Water Re-municipalisation

Country	City	Date	Company	Status
France	Paris	2010	Veolia	TE
Spain	Arteixo	2013	Aqualia (FCC)	T
USA	Felton	2008	American Water	T
Argentina	Buenos Aires	2006	Impregilo	T
Bolivia	La Paz/El Alto	2007	Suez	T
Colombia	Bogota (water supply)	2010	Gas Capital	T
Ghana	National	2011	Vitens, Rand Water	TE
Kazakhstan	Ust-Kamenogorsk	2007	IR-Group	T
Mali	Bamako	2005	SAUR	T
South Africa	Amahthali (Stutterheim)	2005	Suez	T
Tanzania	Dar-es-Salaam	2005	Biwater	T
Ukraine	Odessa	2008	Infox, LLC	T
Uruguay	URAGUA	2006	Urbaser	T
Venezuela	Monagas state	2001	FCC	TE

Legenda: T = Termined; E = Contract expired and not renewed

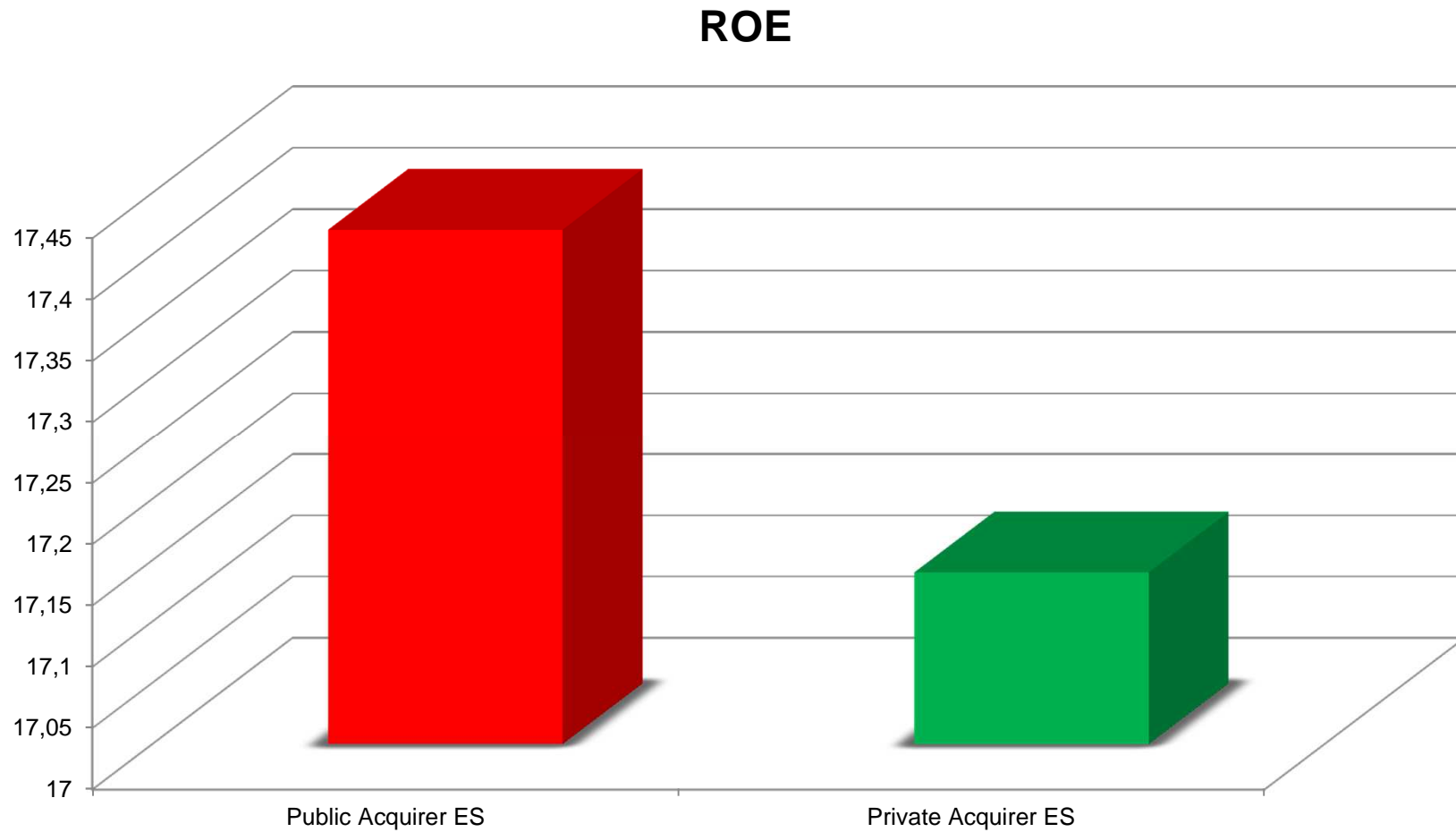
4. There is wide evidence in network industries, particularly in energy and telecoms, in the European Union as elsewhere, of a good performance of SOE or of firms where governments are shareholders

Public Acquirer in Energy Sector: ROA (transborder deals)



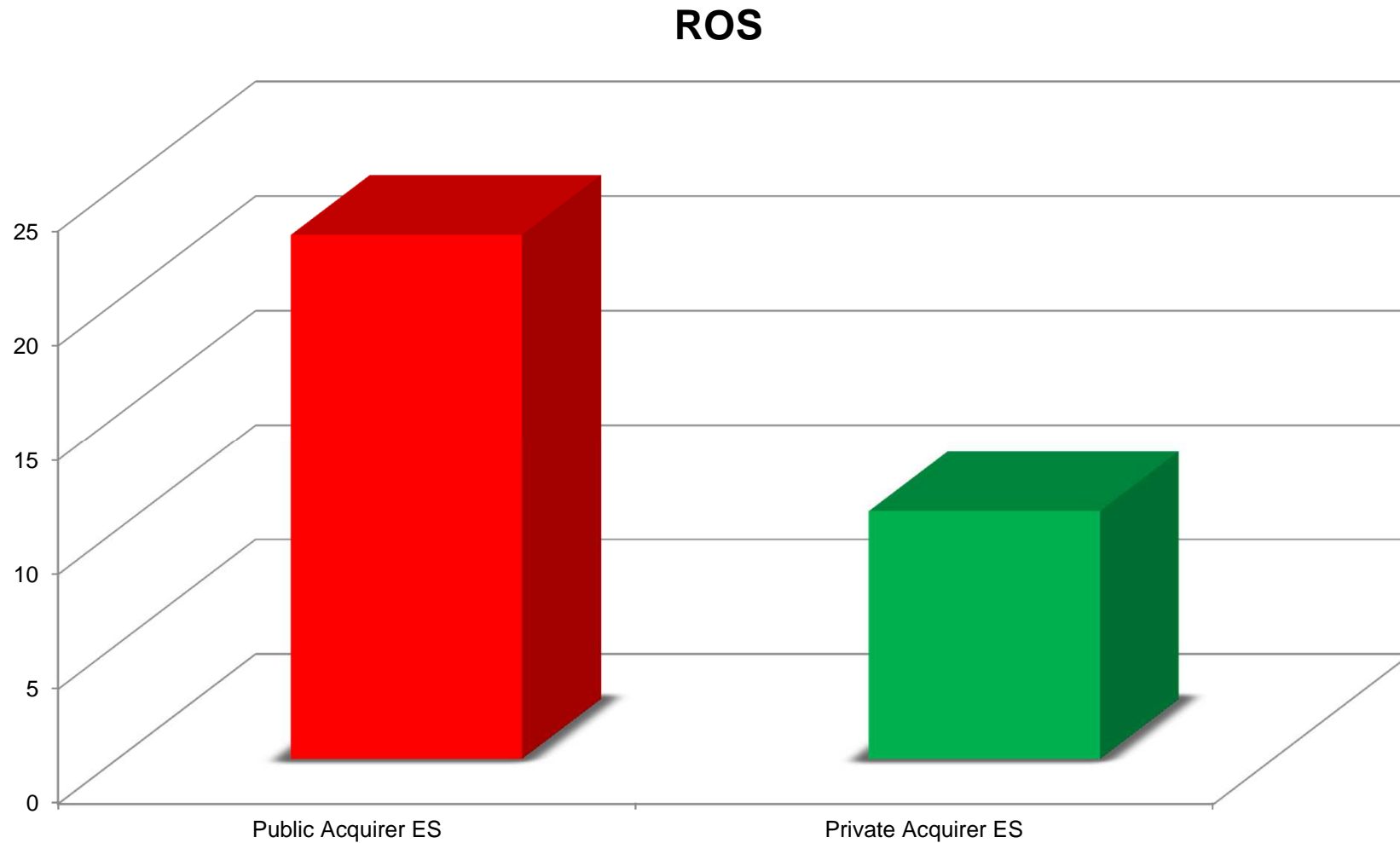
Source: Own elaboration on Zephyr (209 deals in Energy Sector)

Public Acquirer in Energy Sector: ROE (transborder deals)



Source: Own elaboration on Zephyr (209 deals in Energy Sector)

Public Acquirer in Energy Sector: ROS (transborder deals)



Source: Own elaboration on Zephyr (209 deals in Energy Sector)

Prices of Energy Sectors

MAIN REGRESSORS		ELECTRICITY	GAS
<i>Regulatory variables</i>		<i>Coefficients</i>	<i>Coefficients</i>
a)	ECTR aggregate regulatory index (0 to 6, more to less reformed countries)	Not significant	Negative **
b)	Public ownership	Negative***	Negative ***
c)	Vertical integration	Not significant	Not significant
d)	Entry regulation	Negative* (or not significant)	Not significant (positive* in some models)
<i>Dynamics</i>			
e)	Price inertia	Positive***	Positive***
f)	Year fixed effects	Included	Included
<i>Controls</i>			
g)	Macroeconomic variables	Included	Included
h)	Combustible fuels	Positive** (or not significant)	-
a)	Share of nuclear energy	Negative**	-
b)	Brent oil price	-	Positive**
c)	Other controls	Included	Included
Number of observations		402	295
Number of countries		15	11

*** p < 0.01; ** p < 0.05; * p < 0.1

Source of data: IEA, EUROSTAT, OECD/ECTR. Estimation methods: GMM dynamic panels, OLS, 'within'-time period, number of countries, number of observation, results for the preferred models. For details see Florio (2013), Florio and Florio (2013), Brau et al. (2010). A negative coefficient implies that prices are lower when the ECTR indicator is higher, for example, when there is a greater share of public ownership in that industry in each country.

Customer Satisfaction with Prices of Energy Sector

MAIN REGRESSORS	ELECTRICITY	GAS
<i>Regulatory variables</i>	<i>Coefficients</i>	<i>Coefficients</i>
a) ECTR aggregate regulatory index (0 to 6, more to less reformed countries)	Not significant	Negative ***
b) Public ownership	Negative**	Negative **
c) Vertical integration	Not significant	Not significant
d) Entry regulation	Positive*	Not significant
<i>Dynamics</i>		
e) Price	Positive***	Positive***
f) Price (T-2)	Not significant	Not significant
g) Year fixed effects	Included	Included
<i>Controls</i>		
h) Individual characteristics	Included	Included
i) Macroeconomic variables	Included	Included
j) Country mixed effects	Included	Included
Number of observations	57, 153	30,757
Number of countries	15	15

*** p < 0.01; ** p < 0.05; * p < 0.1

Source of data: Eurobarometer, 2000 to 2006 waves; ECTR/OECD (same years), EUROSTAT. Estimation method: Probit – number of countries and of observations for selected models. For details, see Florio (2013); Florio and Florio (2011). Results for the preferred models. A negative coefficient implies that a dissatisfaction is lower when the ECTR indicator is higher.

5. New acquisition activism of State-Owned Enterprises
allover the world: analysis by “deals” to show the
performance of the SOEs with respect to the private ones.

Matrix of the Deals

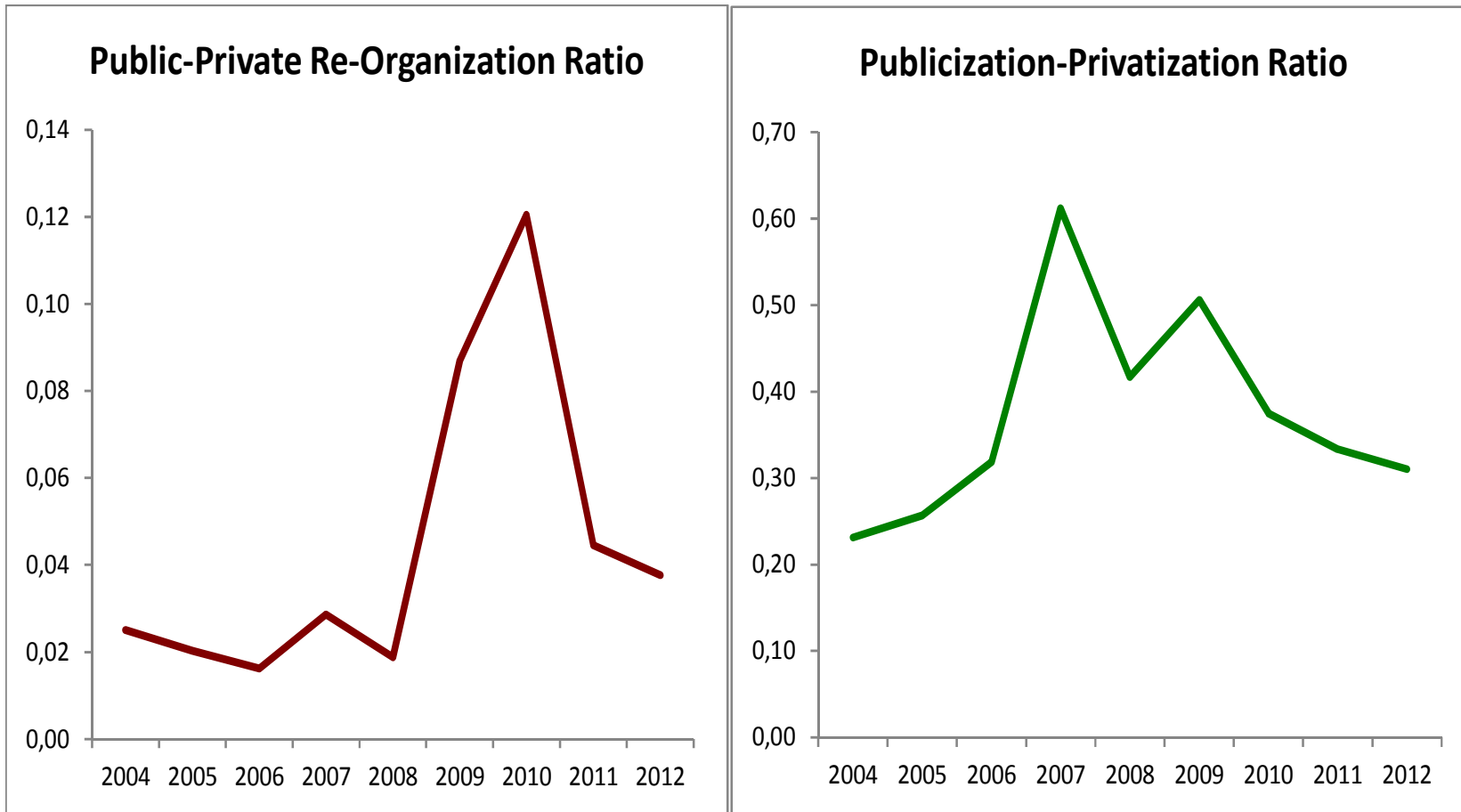
		Ownership (UO) of Acquirer	
		PUBLIC	PRIVATE
Ownership (UO) of Target	PUBLIC	Public-Public	Privatization
	PRIVATE	Publicization	Private-Private

Matrix of the Deals

		Ownership (UO) of Acquirer	
		PUBLIC	PRIVATE
Ownership (UO) of Target	PUBLIC	287	1,202
	PRIVATE	427	18,804

TOTAL SAMPLE of DEALS = 20,293

Number of Deals: Ratios

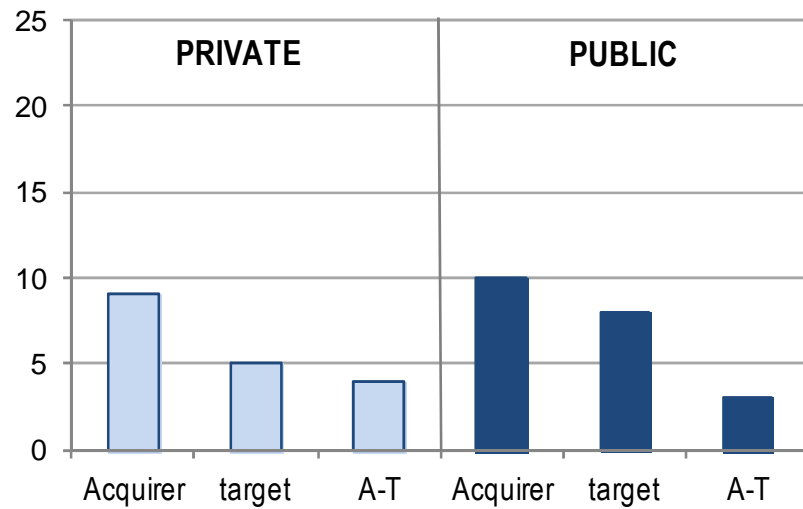


Source: own elaboration on Zephyr-Orbis

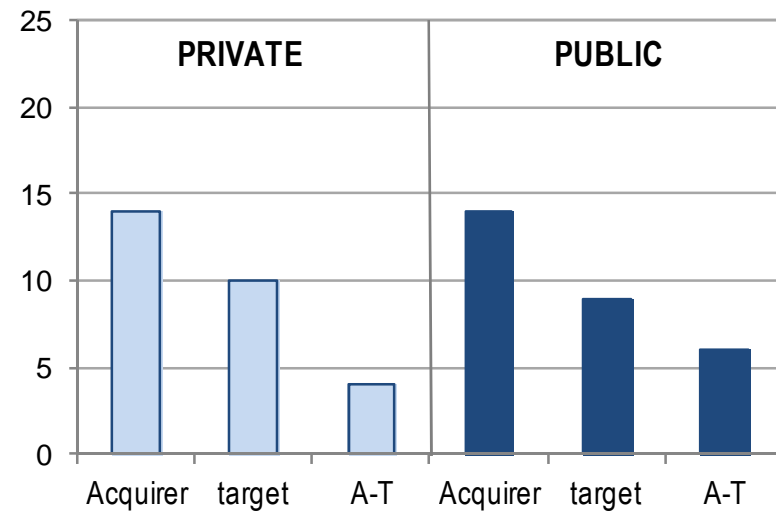
Notes: In the left-hand panel, the ratio is computed as the number of public re-organizations over the number of public re-organizations. In the right-hand panel, the ratio is computed as the number of publicizations over the number of privatizations.

Sectors Statistics: ROS of Acquirer and Target (Zephyr data) by Sectors

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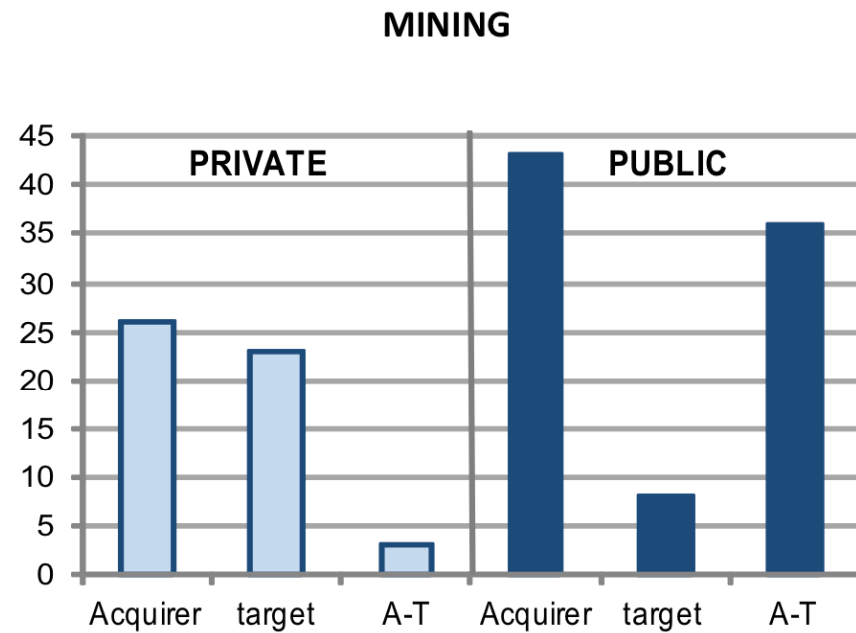
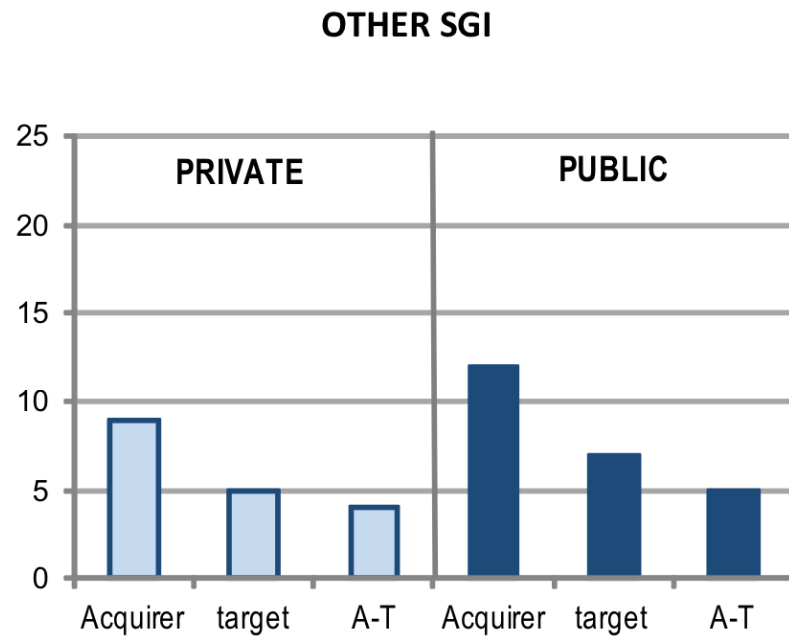


ENERGY SU



Source: Own elaboration of data from Clò *et al.* 2014.

Sectors Statistics: ROS of Acquirer and Target (Zephyr data) by Sectors



Source: Own elaboration of data from Clò *et al.* 2014.

Main Research Question

- Do the **SOEs behave as their private counterparts** in the market for corporate control (MCC)?

Background

- The standard prediction of the “**inefficient management hypothesis**” is that firms that perform well will buy firms of inferior managerial quality (Manne, 1965) → “**high buys low**”
- An alternative prediction is offered more recently by Rhodes-Kropf and Robinson (2008), who suggest that (looking at US listed companies) → “**like buys like**”

We use a **newly built data set from Orbis and Zephyr (BvD)** and, by focusing on the difference of the return on sales between the acquirer and the target firms, we find:

Conclusions and main findings

- The “**like buys like**” prediction is **more likely for listed companies** than for unlisted ones
- SOEs tend to **buy firms with relatively lower performance** than private companies
- SOEs behavior **converges towards the private benchmark** when the SOEs are **listed**
- SOEs behavior **converges towards the private benchmark** when the SOEs perform cross-border deals
- We conclude that M&A by SOEs in recent years are not as much at variance as private firms with the “**inefficient market hypothesis**”

The fact that contemporary SOEs do not disrupt the MCC is good news.

to know more: **SUPER** (Survey of Public Enterprise Return)

<http://www.publicenterprise.unimi.it>

SUPER

Survey of Public Enterprise Return



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SUPER Survey of Public Enterprise Return

SUPER is a participatory survey designed by the DEMM research team of the University of Milan to collect the events that in the new millennium have brought to an increase in the number of public enterprises worldwide. The success of this survey largely depends on the active collaboration of international researchers and experts willing to share their knowledge about new public enterprises. Data and information about events that gave rise to new public enterprise can be provided simply by filling an on-line questionnaire composed by 20 multiple-choice or open questions. To promote active and voluntarily participation, people who have contributed to the survey by filling the on-line questionnaire will be allowed to access the data and information collected with SuPER. To learn more about SuPER read here

Collaborate with SuPER

Collaborating is easy. You just have to send an e-mail to publicenterprise@unimi.it. You will then receive a personalized link to the on-line SuPER questionnaire where you can signal cases of new public enterprise that you know. If you want to contribute to SuPER please send an email to: publicenterprise@unimi.it

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“...The government is a ~~BAD~~ stockpicker, or a ~~BAD~~ manager who can't earn competitive returns on capital, especially in a world of global competition”

Thank you for you attention and for any question

massimo.florio@unimi.it

Additional material available in REPEC:

Massimo FLORIO, 2014, "**The Return of Public Enterprise**", Working Papers 2014-01, Centre for Industrial Studies (CSIL).

Stefano CLÒ & Chiara F. DEL BÒ & Matteo FERRARIS & Carlo FIORIO & Massimo FLORIO & Daniela VANDONE, 2014, "**Publicization versus Privatization: Recent Worldwide Evidence**", CIRIEC Working Papers 1403, CIRIEC - Université de Liège.

CLÒ & Carlo FIORIO & Massimo FLORIO, 2014, "**Ownership and Performance in the Market for Corporate Control: The Role of State-Owned Enterprises**", Departmental Working Papers 2014-17, Department of Economics, Management and Quantitative Methods at Università degli Studi di Milano.