

16/2017

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Extract from Rigsrevisionen's report on
**how the government has
exercised its ownership
in co-owned enterprises**

submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. This report concerns the government's ownership of enterprises with several owners. The purpose of the study is to assess whether the government is undertaking an active role as co-owner. For a ministry to be perceived as an active owner of an enterprise with several owners, it should, among other things, address the fact that ownership is shared, exercise its ownership based on the government's ownership policy, and take into consideration the characteristics of the individual enterprise and the objective of the government's ownership. Rigsrevisionen has previously examined how the government undertakes its ownership role in enterprises exclusively owned by the Danish state.

The government owns 13 enterprises together with either private actors, municipalities, regions or foreign governments. This study comprises nine of the 13 co-owned enterprises and includes partnerships as well as limited companies, of which some are quoted on the stock exchange. Thus, the enterprises are very different in size and structure, and they operate in different markets. Irrespective hereof, and irrespective of the size of the government's ownership stake, the ministries are required to exercise their ownership role based on the government's ownership policy. This means that the responsible ministries are under obligation to supervise the enterprises, address the strategic framework set for the enterprises and balance their expectations concerning the development of the enterprise in a dialogue with the enterprise. Active ownership should support achievement of the objective defined for the government's ownership of each individual enterprise.

In co-owned enterprises – including those in which the government has a minority stake – the various owners will necessarily have expectations concerning the direction the enterprise should take. The ministry that owns the enterprise should therefore consider its options to support achievement of the objective of the co-ownership, for instance, in relation to ownership stake and the objectives of the other owners' shareholdings. The other owners may share the government's ambitions and act as strategic partners in the exercise of the ownership and supervision of the enterprise, but they may also have entirely different objectives for the enterprise.

MINISTRY OWNERSHIP

This study concerns four ministries' ownership of enterprises:

- The Ministry of Finance
- The Ministry of Transport, Building and Housing
- The Ministry of Culture
- The Ministry of Higher Education and Science.

ENTERPRISES PARTIALLY OWNED BY THE GOVERNMENT

The enterprises listed below in bold are included in the study.

Quoted limited companies:

- Ørsted A/S
- **Københavns Lufthavne A/S**
- **SAS AB.**

Limited companies:

- **Air Greenland A/S**
- Danske Spil A/S
- **Dansk BiblioteksCenter A/S (DBC)**
- Dansk Jagtforsikring A/S
- **NORDUnet A/S**
- PostNord AB
- **Staten og Kommunernes Indkøbsservice A/S (SKI).**

Partnerships:

- **Hovedstadens Letbane I/S**
- **Metroselskabet I/S**
- **Udviklingsselskabet By & Havn I/S.**

COMPANY STRUCTURE

Limited companies

In limited companies, the owners (shareholders) are not held personally liable for the company's debts or liabilities. In the event of bankruptcy, the shareholders' loss will be limited to the value of their investment.

A limited company in which the government has a controlling interest (more than 50% of the shares) is referred to as a government-owned public limited company.

A limited company quoted on the stock exchange is referred to as a listed company. Listed companies are subject to requirements concerning transparency and disclosure of key information on the financial position of the company.

Partnerships

Partnerships have minimum two owners, who have joint and several liability for the partnership's debts.

2. The purpose of the study is to assess whether the ministries have exercised active ownership in the co-owned enterprises. The report answers the following two questions:

- Have the relevant ministries considered whether cooperation with the co-owners could support achievement of the government's objective of ownership?
- Have the relevant ministries monitored the development of the co-owned enterprises regularly, and taken action when required?

Rigsrevisionen initiated the study in September 2017.

CONCLUSION

It is Rigsrevisionen's assessment that the Ministry of Finance and the Ministry of Transport, Building and Housing have undertaken an active ownership role in the examined co-owned enterprises. This is considered satisfactory by Rigsrevisionen, as these two ministries exercise ownership of the largest co-owned enterprises, which include SAS AB (Scandinavian airline), Københavns Lufthavne A/S (company developing, owning and running two major Danish airports) and Metroselskabet I/S (company undertaking the operation, maintenance and construction of the Copenhagen Metro). The Ministry of Culture and the Ministry of Higher Education and Science have been less active in their ownership role in relation to Dansk BiblioteksCenter A/S and NORDUnet A/S – two minor non-profit enterprises, providing services in non-competitive markets. The two ministries state as the reason for being less active that, the enterprises in question were going through a relatively stable, financial development at the time of the examination.

Generally, the four ministries have considered whether dialogue and agreements made with the other owners would contribute to supporting the government's objectives of ownership of the individual enterprises, and the ministries have made cooperation agreements with the other owners in several of the enterprises.

The government's *Policy on state ownership* from 2015 stipulates that the ministry's general supervision of enterprises should take into account that the enterprises are run by their management. The supervision by the ministries should contribute to ensuring that the departments obtain relevant information and become better positioned to take action if events should require involvement of the owners. The Ministry of Finance and the Ministry of Transport, Building and Housing have monitored the development in the enterprises using the strategic ownership documents, in which the departments have addressed the rationale of their ownership and defined targets and key indicators for the enterprises, as point of departure. Regular reporting by the enterprises and dialogue with the management of the enterprises have provided the basis for the departments' monitoring. The departments have responded to issues that have been identified as a result of their supervision and dialogue with the enterprises and other owners, and which have required involvement of the owners.

The study shows that the Ministry of Finance and the Ministry of Transport, Building and Housing have sought to gain influence on and contributed to set direction for several of the co-owned enterprises through dialogue and cooperation with the other owners. The study also shows that dialogue with the other owners can contribute to resolving disagreements concerning the objectives of the enterprise, before such disagreements develop into actual disputes between the owners, and in several instances, dialogue has contributed to resolving challenges facing the enterprises. In a few cases, dialogue concerning specific disagreements has, as yet, not sufficed to help the owners reach a solution.

It is Rigsrevisionen's assessment that the ministries could improve their presentation of significant risks, for instance, in the strategic ownership documents, and use the risk assessments in their ongoing supervision and assessment of the enterprises. Rigsrevisionen finds that increased focus on the risks that are of significant importance to the individual enterprise could strengthen the departments' ongoing supervision. The departments' efforts in setting and following up on targets and key indicators could also be further developed in order to strengthen the basis upon which the departments exercise their ownership role.

Lastly, Rigsrevisionen finds that the ministries could focus more on the objectives and interests of the co-owners in the individual enterprises, and consider how they should address these. For instance, the departments could include their considerations in this respect in the strategic ownership documents that are intended to support active ownership.