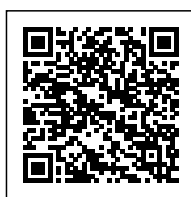


# RESTRUCTURING STATE ENTITIES AHEAD OF PRIVATISATION- ABBC

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## **If the Government is to sell-off state businesses many first need radical change**

Si el Gobierno portugués quiere avanzar en sus planes de aumentar sus ingresos a través de la privatización de entidades públicas, primero tendrá que replantearse la necesidad de reestructurar una parte de sus operaciones y servicios, afirma Antonio Moura Portugal, socio de ABBC en Lisboa.

If the Portuguese Government is to progress its plans to raise new revenues through the privatisation of major transport and public services entities it first has to consider the need to restructure significant parts of their operations, says António Moura Portugal, partner with ABBC in Lisbon.

"An example is the almost constant speculation surrounding the sell-off of the airport operator ANA - Aeroportos de Portugal and the national airline TAP, which both have several subsidiaries that are consistently loss-making. Restructurings are going to be mandatory to attract significant interest." TAP had previously been forced to sell-off its wholly-owned ground services business, Groundforce, by Portugal's Competition Authority (AdC) but received little interest because of its poor revenues and high wages bill, he says.

"The paradox is that Groundforce is operating in a limited market – which should have been open to the private sector but due to the political limitations imposed by the Government is limited to two providers. Its only competitor is however another public company, Portway, owned by ANA. But Groundforce continues to present losses year after year and no serious investor will acquire it even with the 'sweetener of a limited market."

Restructurings may not be politically attractive but if the Government is serious about raising new sources of finance difficult decisions have to be made, he believes.

"The privatisation of TAP was first announced in 2001 and government after government has postponed it. On the other hand there is now no room for alternative sources of finance. The current Government wants to build a new airport but users are already paying airport charges which exceed those levied in Spain, and so are unwilling to contribute to new infrastructure."

The sell-off process will likely lead to significant legal issues, says Moura Portugal. Groundforce has already implemented collective dismissal proceedings for a number of its Faro employees, but any revision to its current working conditions would likely take one or two years to complete.

"The closing of operations by Groundforce opens opportunities for private operators willing to enter the Portuguese handling market, which may finally lead to a proper liberalization, and most probably to an international tender that must take place before the end of 2011."