

# Ireland Report on State Assets and Liabilities (21/04/2011)

The Irish Minister for Public Expenditure and Reform yesterday published the Report of the review group on State Assets and Liabilities. The Review was conducted under the Chairmanship of Colm McCarthy and is known colloquially as the "McCarthy Report".

The A&L Goodbody client bulletin published in February 2011 ("[To Sell or not to Sell? Ireland's State Assets](#)") highlighted that this Report would contribute to the debate and formulation of policy around a possible programme of disposals as part of Ireland's platform for economic recovery. The policy of the Government coalition partners and the requirements of the EU/IMF financial support package will also influence such policy. The Government yesterday committed to studying the findings of the Report in detail and reiterated its position that non-strategic assets of up to value of €2bn may be sold when market conditions are right and regulatory structures to protect consumer interests have been established.

Some of the highlights of the Report are as follows;

## Assets reviewed by the McCarthy Report:

The Report states that any programme of asset disposal should be assessed from the standpoint of its contribution to long-term economic recovery and cautions against any actions which enhance short-term asset disposal prices at the cost of damage to the economy's long-run competitiveness. It also outlines the need to develop privatisation legislation for companies operating critical infrastructures in Ireland, which may include provision for governmental resolution or step-in powers.

The following assets were specifically addressed in the context of whether privatisation/disposal or retention by the state should be considered. Specific recommendations include:

[Electricity Supply Board](#) (ESB) (electricity network owner and distribution system operator; conventional and renewable powergen, electricity supply and engineering consultancy)

- Transfer of the transmission grid, including the high-voltage system in Northern Ireland, to EirGrid and retained in public ownership as a regulated monopoly.
- ESB's energy supply business, electricity distribution business, generation assets (after some divestment), international investment, and consulting and engineering businesses should be sold as a single entity.
- Should ESB be retained in state ownership, all of its overseas interests should be disposed of with no further expansion outside the island of Ireland.
- Disposal of further generating capacity in Ireland. No acquirer permitted to bid for capacity which would bring its Irish market presence above approximately 2,000MW.

[Bord Gáis Éireann](#) (BGÉ) (gas network, commercial gas and electricity supply, conventional and renewable powergen)

- BGÉ's regulated transmission and interconnector assets to be retained in state ownership.
- Consideration given to the establishment of a distinct state body to own and operate these assets and also to the option of merging these operations into EirGrid.
- The remaining operations of BGÉ, other than gas transmission and interconnection, be privatised as a single entity.

[Bord na Móna](#) (peat fuel supply, powergen, waste management)

- Disposal of Bord na Móna as a single entity, including peat extraction rights but not ownership of the peat lands.

[Coillte](#) (forestry, renewable energy)

- Disposal of Coillte's forest and non-forest assets (but not its forest land), possibly using the New Zealand Crown Forest Licence template modified to make it suitable to Irish conditions. Unforested land surplus to Coillte's requirements should be sold.

[Dublin Airport Authority](#) (including Cork and Shannon Airport)

- Disposal of DAA's non-core assets, primarily overseas, as a means of substantially reducing its debt exposure. In due course, privatisation of the airports should be considered.
- Disposal of the state's shares in Aer Lingus as soon as is opportune.

#### The Transport Companies (CIE, Dublin Bus, Irish Rail, Bus Eireann)

- CIE's tours business, Rosslare port, Expressway and other bus businesses competing directly with private operators should be disposed of.
- Privatisation of Dublin Bus should be considered following Government decision on a model for competition in the Dublin bus market.

#### The Port Companies (Dublin, Cork, Drogheda, Galway, Waterford, Shannon Foynes, Wicklow, New Ross, Dundalk, Dun Laoghaire Harbour Company)

- Restructure the state-owned ports, including Rosslare, into several competing multi-port companies, built around Dublin, Cork and Shannon Foynes. Privatisation of some or all of the ports should be considered, ideally after the recommended restructuring.
- Review the adequacy of competition in the sector on an all-Ireland basis and implement suitable regulatory arrangements.

#### An Post (postal and communications services)

- Not recommended for disposal in the near term.
- The grant of a new seven year licence to operate the National Lottery should be the subject of an open competition.

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#### RTÉ (national television and radio public service broadcaster, transmission assets)

- RTÉNL (transmission network operator) should be disposed of as a regulated entity with appropriate safeguards in place to ensure its availability to the state and fitness for purpose in the event of a national emergency.

#### TG4 (Irish language television channel)

- Not recommended for disposal.

#### Other issues addressed in the report:

- Market design and regulatory reform: this includes a comprehensive review of the legislation governing economic regulatory agencies, grandfathering of certain regulatory provisions for pre-existing operators when regulatory policy changes, provision to exercise all shareholder functions in state commercial companies to a specialised unit of the Department of Finance.
- Comparison of pay and conditions of commercial state companies with those elsewhere in the Irish labour market and countries with whom Ireland competes.
- Dividend payments and shareholder functions for state commercial companies.
- The granting of licences or allocation of rights or quotas where a transparent market auction may be the only way to secure market value for the state without controversy.

## What Next?

The full of Review Group on State Assets and Liabilities is currently being considered by Government. [Ireland Report on State Assets and Liabilities.](#)

## Further Information

For further advice and information, please contact your usual A&L Goodbody partner contact or any of the following partners:

#### Julian Yarr

Managing Partner  
T: +353 1 649 2455  
E: [jyarr@algoodbody.com](mailto:jyarr@algoodbody.com)

#### Mark Ward

Corporate and M&A  
T: +353 1 649 2208  
E: [mward@algoodbody.com](mailto:mward@algoodbody.com)

#### Ross Moore

Energy & Projects  
T: +353 1 649 2117  
E: [rmoore@algoodbody.com](mailto:rmoore@algoodbody.com)

#### Paul White

Corporate and M&A  
T: +353 1 649 2312  
E: [pwhite@algoodbody.com](mailto:pwhite@algoodbody.com)