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PUBLIC ENTERPRISES: THEIR PRESENT SIGNIFICANCE
AND THEIR POTENTIAL IN DEVELOPMENT

Background paper

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I. MAIN ASPECTS

1. Outline

Besides discussing the role of the private sector and its repercussions on the public sector, most studies on the mobilization of domestic resources examine the more traditional functions of the public sector, namely, those that have to do with revenue and expenditure. Consequently, any discussion of the subject tends to centre on the classic questions of fiscal policy (the nature of public income, the composition of expenditure, etc.) while generally relegating the part played by public enterprises to the background, or omitting it altogether. This may well be because, as a rule, they are seen as the backbone of the infrastructure or as suppliers, as aids to the production of other enterprises; instances where they actually generate profits tend to be looked upon as exceptions or anomalies. Even in the over-all planning process it is quite common for the public enterprise sector not to be taken explicitly into account: most medium-term plans prepared in Latin American countries, for instance, refer only to investment by the central government and fail to give a sufficiently detailed breakdown of investment by public enterprises. Considering the size of these enterprises, in terms of capital, sales volume and staff, and their effect on the accumulation of resources, which is partly reflected in their fixed investment, and especially considering, in addition to such quantitative data, their influence in decisive sectors of the economy, this approach is quite unjustified. The importance of public enterprises is increased further by their ability to serve as agents of a development policy, i.e., their role in capital formation, their links with the world of technology and with the capital goods industries, and their potential co-ordination and action as instruments of an over-all economic policy.

/These are

These are some of the outstanding features of public enterprises which this rough preliminary study will attempt to explore. It is a new addition to the series of studies on the public sector and on the mobilization of domestic resources that was started some years ago.^{1/} This somewhat ambitious project comes up against the hitherto unsolved problem of the scarcity of data and the fact that many of those that do exist are not comparable; for this reason and because it is a practical impossibility to include all public enterprises, only the largest firms in selected countries will be dealt with here. The study, however, is still valid despite the shortage of information since it does not attempt to give a comprehensive and detailed picture of public enterprises, but only to provide a few pointers to their significance and functions and to pose a certain number of problems and questions. Furthermore, there is no attempt to establish positions of principle or make practical recommendations, but only to help towards a better understanding of this sector of the economy. It is, moreover, the first study on this subject and it is hoped that it will serve as a basis for a more extensive and detailed future analysis.

2. Origin of public enterprises

If events followed a logical course, government enterprises would be selected in accordance with the basic criteria of economic policy and would operate in a coherent manner. In theory, the State would take over and administer certain carefully chosen activities on the principle that private enterprise does not guarantee - and, in extreme cases, actually goes against - the common good or the execution of specific policies, thereby ensuring compatibility of aims and a co-ordinated plan for activities in which the public interest was directly involved. Thus, the setting up of a public

^{1/} See ECLA, Economic Survey of Latin America, 1955, pp. 111-176, on government income and expenditure during the period 1947-1954; Economic Survey for Latin America, 1967, pp. 100-118, on tax financing; and Economic Survey for Latin America, 1968 pp. 101-109, on the public sector. In addition, a document on the mobilization of domestic resources (E/CN.12/827) was presented to the thirteenth session of the Commission (Lima, Peru, April 1969).

enterprise or the taking over of a private enterprise by the State would be orderly and systematic and would imply the fulfilment of certain fundamental conditions. But this has not been so in practice. As a rule, it has not been the government that has decided beforehand, in the light of the needs of the economy, just what existing or future enterprises should be State-owned; on the contrary, there is great diversity among public enterprises as regards articles and services produced, quality, size, age and origin. As this diversity is largely responsible for their lack of co-ordination, it is worth considering how these have been brought under State control, examining first the procedure adopted and then the function they have fulfilled at the various stages of Latin America's economic development.

(a) The first category comprises public utility enterprises that have traditionally operated under State supervision or direct State control, especially those connected with transport and energy. In some cases, the State has been responsible for these activities from the start; in others, it took over from private concerns after a certain period. In the case of the Argentine railways, for instance, the first railway company, Ferrocarril del Oeste, which started operating in 1857, was originally privately owned; it was turned over to the Province of Buenos Aires in 1862, bought in 1890 with British capital, and was finally nationalized in 1948, along with all the other railway companies. Another example is Chile's electricity supply, which used to be in the hands of a private company, Chilectra - nationalized in 1970 - and a public enterprise, ENDESA, which generated 41 and 58 per cent of the national total respectively in 1968. The Brazilian telecommunications system is a third case in point; finding that the company's equipment was out-of-date and needed at least a million more telephones, the State took over the Brazilian Traction Company in 1966, which became the Brazilian Telephone Company, and set up EMBRATEL, a public enterprise responsible for the inter-state long-distance communications system.^{2/}

^{2/} See Ministerio de Planejamento e Coordenação, Programa estratégico de desenvolvimento, Área estratégica III: Infraestrutura, III Comunicações, draft version, 1968, pp. 4 et seq.

As will be seen below, virtually all railway services and most power companies are currently under State control.

(b) The government has taken over other activities or established new enterprises to assist in the execution of economic policies or plans necessitating government management in certain strategic areas.

This has been done in two different ways. One involves carrying out a specific activity along different lines from those that would be followed by a private enterprise, or tapping the resources generated by such an enterprise for public investment projects. This is what happened when the Bolivian tin mines were nationalized, partly out of a desire for greater independence and partly because of the need to use the resources they generated. A recent document published by the Bolivian Government recalls how, during the Second World War, Bolivia was forced by its economic dependence to agree to the freezing of the price of tin at a level which was unilaterally fixed by foreign interests. The document goes on to say that naturally the mining enterprises themselves did not suffer from this arrangement, as they possessed enough political power to be able to use their profits to finance projects abroad and were powerful enough in Bolivia to evade any taxes designed to keep a share of their profits in the country.^{3/} It is interesting to note how these resources were channelled and used after nationalization. The Bolivian mining corporation (Corporación Minera de Bolivia - COMIBOL) was forced to sell the foreign exchange earned from its tin exports to the Central Bank at a low exchange rate, and the resources were used to keep down the prices of essential imports and for investment in other sectors of the economy, both public and private.

The second way is to create new enterprises. Once the enterprise is established, the State continues to control it, sets up a mixed company or sells it to private investors. The decisions that have been adopted have depended on the aim the State had in view when it established the enterprise and the prevailing trends in Government economic policy at the time.

3/ See Ministerio de Planejamento e Coordenação, Estrategia socio-económica del desarrollo nacional, 1971-1991, vol. I, page 38.

A typical example of this approach is provided by the Chilean production development corporation (Corporación de Fomento de la Producción - CORFO), which is a government agency set up in 1939 for the purpose of formulating an over-all development plan for the Chilean economy. In the initial stage it was decided to formulate sectoral plans since there were certain obvious priorities, and studies were carried out to determine the potentialities and deficiencies of each sector; and not only that - machinery was set up for practical action to promote sectoral development. CORFO organized enterprises in which it had a majority or minority interest, such as the electricity company (ENDESA 1944-1945), the steel company (CAP, 1946), the petroleum company (ENAP, 1950), the beet sugar company (IANSa, 1952), the hotel consortium and HONSA (1944 and 1945), the network of refrigerating plants (from 1948 onwards), the telecommunications company (ENTEL, 1964), and the fishing industry. In the case of industry, it bought shares and provided technical assistance to enterprises producing iron and steel, fisheries products, pulp and paper, electronic equipment, chemicals, petrochemicals and metal products. It also set up support organizations such as the natural resources research institute (Instituto de Investigaciones de Recursos Naturales - IREN), the Chilean technological institute, the national vocational training institute (Instituto Nacional de Capacitación Profesional - INACAP), the computer services enterprise, the costs institute and the technical co-operation service. Lastly, CORFO drew up the national programme of economic development, 1961-1970, the basic purpose for which it was created. Previously, it had formulated development policies for industry, agriculture and commerce. Thus, in industry, from 1944 onwards, CORFO supplied financing and guaranteed the operations of private enterprises, besides being a share-holder in some enterprises, as mentioned above; in agriculture, it provided capital for irrigation and drainage, improved livestock breeding, etc.; in commerce, it took action to keep the market steady at crucial moments, and as part of its normal activities supplied some dairy and fish products. In short, CORFO currently owns shares in more than eighty enterprises and institutes of widely differing kinds (see table 9 below).

(c) A third method is for the State to take over activities as a result of confiscation. This has been the case for the property of enterprises

/or citizens

or citizens of countries at war, which were nationalized temporarily or permanently (e.g., German property during the Second World War), and for the property of persons or enterprises expropriated by the government for various reasons.

An example is the setting up of the corporation of State enterprises (Corporación Dominicana de Empresas Estatales - CORDE) in the Dominican Republic; in 1961 these enterprises passed under the control of the industrial development corporation, which in July 1966 became CORDE. In addition, the hotel corporation and the Dominican sugar company were created; the sugar company took over all the nationalised sugar mills and later became the State sugar council (Consejo Estatal del Azúcar). By 1962, the Dominican electricity corporation, which was purchased in 1955, had been nationalized. CORDE is the owner of or a share-holder in forty-eight enterprises; in the industrial sector it is the owner of eight enterprises, has a majority interest in thirteen others and a minority interest in nine; it owns one agricultural enterprise; it owns one mining enterprise and is a minority share-holder in another; lastly, it has a controlling interest in nine commercial enterprises and a minority share in six others. Of these enterprises, nine are monopolies, two have a joint monopoly and the rest compete with the private sector (see table E of the appendix to this chapter).

CORDE is not in the same position as CORFO, since it is basically responsible for managing a group of enterprises that were confiscated and whose nature had not previously been determined.

(d) Lastly, there are cases of emergency nationalization, where the State buys enterprises which cannot be kept going by private enterprise. In some such cases, the State has acted to ensure the continued supply of certain services or inputs that are essential to the community, and in others it has supported the enterprises, taken over responsibility for their losses and acquired a share in their capital. An example that immediately springs to mind is the nationalization of railways in countries where they were running at a loss.

3. The stages of development and the State enterprises

These were the main ways in which various types of enterprises were nationalized. To complete the picture, it is of interest to show how they were transferred to the public sector at each stage of industrialization in Latin America. It should be noted that, in each successive stage outlined below, the emergence of a new phase does not imply the disappearance of the previous phase, but a shift in the main emphasis.

At the initial stage, when the essential motive force for economic growth was exports, the State enterprises generally had little part to play. At that time, the operation of public utilities was bound up with international trade and produced high profits, both from the running of the utilities and in terms of incentives provided by governments (particularly guaranteed profits and loans). Thus, the main infrastructural items needed to extract and transport the chief export products were generally in the hands of foreign firms, as was normally the case with railways, ports and electricity. Government action usually took the form of control of these and other public services, promotion of industries and regions where private enterprise was not yielding good enough results and provision of certain less important public services not connected with exports (water supply, urban transport, etc.). An exception to this rule was the petroleum industry, which was State controlled in some countries.

The situation changed radically in the next stage of industrial growth. In particular, industrialization itself would not have been practicable without State protection (both in the form of tariffs and of loans), with the result that the operation of public services, which had been designed for a specific situation, area and activity, ceased to attract private capital. In addition, there was a movement, more pronounced in the post-war period, which made nationalization of public services and basic resources a political platform. Thus, several countries nationalized transport (particularly railways), electricity and communications services. In many cases this process was accepted by the former owners, for a variety of reasons, such as unprofitability of the enterprises, difficulties in remitting profits, the running out of concessions or of tax exemptions, etc., which coincided with the advent of nationalistic political aspirations. In the cases of

/nationalization of

nationalization of enterprises producing goods for export - of which Mexican petroleum and Bolivian tin are outstanding examples - the causes were mainly political, since the nationalization of these enterprises had been one of the demands of revolutionary movements.

Only at a more advanced stage of industrialization did the State participate fully in the economy as entrepreneur and producer of goods of all kinds. This phase has several typical features. In the first place, it coincides with the acceptance of the view that the control and nationalization of enterprises and the creation of new enterprises are a means to an end. Moreover, in countries at a more advanced stage of industrialization big firms predominate - so big that they are usually beyond the reach of national entrepreneurs and therefore largely dependent on foreign or State financing. During the first stage of development, food textile production and simple engineering were within the reach of local capital and technology; on the other hand, the production of capital goods, automotive products, heavy chemicals, electronic equipment and even household consumer durables, which are the backbone of the new stage of industrialization, could, with a few exceptions, be financed in Latin America only with foreign capital or public funds because of their costs, size and technology. This fact is illustrated by the list of the thirty largest non-financial institutions in Argentina and Brazil in tables 2 and 3. In this case, the nature and magnitude of State participation is bound up with the basic orientation of the industrialization process, since investment, production and price criteria may be introduced that conflict with the aim of obtaining maximum profits. In other words, entrepreneurial action by the State is apt to be guided by standards of social benefit that cannot be expected of private enterprise. Three cases of this link between the State enterprise and basic policy are given below.

First, there are the countries which think that the State enterprises should only supplement private enterprise, in particular, giving it infrastructural support and supplying the inputs and services it needs; in such cases, the action of State enterprises is adapted to the context of economic laissez-faire. One example is the case of Argentina, whose

/national policies

national policies ^{4/} define the role of State-owned enterprises. They provide that the State's industrial activities to meet essential needs, particularly in the social sphere, shall be of a temporary nature or shall be transferred to the private sector if they do not successfully achieve their purpose. They also provide that the State shall carry on activities that are necessary to the welfare of the community or connected with basic industries which do not attract private enterprise. In the special case of strategic activities and the exploitation of natural resources, the State shall participate when required to do so in the national interest. In addition, the State shall retain responsibility for the production of those articles and effects that are directly bound up with military needs and which, by their nature, are not suitable for private manufacture.

A second case is that of Peru, where a general industrial law (Decree No. 18350, promulgated on 27 July 1970) was introduced in an attempt to ensure that the State should have the guiding role in the industrialization process, through State control of basic industry.^{5/} The law reserves the basic industries for the public sector, which, in addition, shall participate, alone or as a partner, in the other industries, when this is in the interest of permanent and self-sustaining industrial development (Article 7). In exceptional cases, the private sector, including co-operatives, may participate in the basic industries, provided that a contract is drawn up laying down the conditions and time limits within which the ownership of those enterprises shall revert to the State, after valuation and payment (Article 8). Basic industries are considered to be those that produce fundamental inputs for productive activities; they include iron and steel, non-ferrous metals, basic chemicals, fertilizers, cement and paper (Article 4 and fifth part of the Decree).

^{4/} Decree No. 46 of 17 June 1970. See "national policy" No. 124, on activities controlled by the State.

^{5/} Presidential message from General Juan Velasco Alvarado, published in El Peruano, the official gazette, on 30 July 1970.

The third case is that of enterprises that operate under a socialist regime. In the case of Cuba, for instance, all industries and services and most agricultural holdings are State-owned. Thus, the criterion for the management of the enterprises consists in bringing them into line with the requirements of the national plan; consequently, business profit is no longer the motive force of production and is not even retained as a standard of efficiency. In addition, through price control, revenue can be transferred to the State on the scale established in the plan.

This brief outline of the roles assigned to the State enterprises in three different cases shows fairly clearly their potential and limitations as policy instruments. Above all, it can be seen that the fact that some activity or other is State-run does not necessarily indicate the ideology or objectives of the State. A public enterprise may serve both to support private enterprise and as an instrument of action for a socialist regime; thus, it may subsidize private enterprise - by supplying cheap inputs and services - or it may be an important source of autonomous capital. All depends on the context in which the enterprise operates.

However, the shift of the economic centre of gravity to the large enterprises which are characteristic of the more advanced stages of industrialization gives them new value and importance. Indeed, as was pointed out earlier, that dynamic nucleus can normally be financed only by foreign capital and government funds. This means that there are various possible solutions: first, State ownership of the enterprise; secondly, the transfer of funds to the local private entrepreneur; thirdly, the establishment of mixed companies owned partly by the State and partly by local entrepreneurs; and fourthly, mixed companies in which the State or local entrepreneurs combine with foreign interests; and fifthly, foreign ownership of the enterprise. At all events, the policy - or lack of policy - on State enterprises is becoming one of the basic determinants of economic policy. If it is intended to change the nature of that sector of growth and thus influence the basic features of development, the State enterprise may be one of the most direct and efficient instruments of policy. To attract private enterprises to certain sectors, a wide range of profit incentives are available; but if the quality of the type of production undertaken is to be improved, action by the State enterprises is required and has a decisive and immediate effect.

4. The enterprises that are considered

This study is not concerned with all the enterprises in which the State invests capital, but only with those that have a legal personality and which, in addition, are of interest because of their contribution to savings and investment. Since they do not have legal personality, the bodies that form part of the central public administration are excluded, although they may carry on activities similar to those which are undertaken by State enterprises elsewhere. For instance, according to the way in which they are organized, the authorities for drinking water supply, urban transport, harbour administration, goods storage, etc. are considered for some countries and not for others. Moreover, banks, financial institutions and insurance companies are not considered because they are different in character and deserve separate treatment on account of their importance. In particular, certain aspects will be considered from another angle in the chapter on financial intermediaries.

The second condition for the inclusion of public enterprises in this study is that the State should either own all the capital invested in the enterprises or own enough to give it direct control of their policy or management. In other words, it must be for the State to take decisions, such as specifying the volume and destination of output, fixing tariffs and prices, and deciding between alternative technologies. In the case of mixed companies, it will be necessary to decide in each case whether or not the State has the necessary decision-making power when it has only a minority interest. In some cases the State holds shares merely to guarantee a loan, while in others its shares give it a real say in the running of the enterprise. To determine which is true in a given case, it will be necessary to see what kind of enterprise it is, since basically it would be a question of facts, such as the degree of dispersion or concentration of the remaining shares, the composition of its management, etc.

Mention must be made of one thing which has cut down the number of enterprises that have been considered, namely, lack of information on many of them. For this reason, it has not been possible to include, for instance, state or provincial and municipal enterprises, which are quite important in some countries. The real size of the sector has not been explored, and only a few indicators of its scope have been given.

5. The importance of public enterprises

For a preliminary appraisal of the importance of public enterprises it is useful to determine their relative importance by means of certain indicators. For this purpose a study will be made of the coefficient of over-all investment in relation to the product, and of the share of investment by the public sector and by public enterprises in gross fixed capital formation for those countries on which data are available (see table 1). In addition, consideration will be given to the position of public enterprises among the thirty most important enterprises of two countries, according to their scale or economic size (see tables 2 and 3).

(a) Contribution of public enterprises to capital formation

Table 1 shows the investment coefficient in relation to the product and the share of public enterprises and general government in fixed capital formation. It is impossible to generalize since the figures differ widely according to the situation in each country. For instance, between the beginning and the end of the period considered, the proportion of public investment in total investment increased substantially while the investment coefficient in relation to the product declined in Chile, Colombia and Peru; both these ratios increased in Argentina, Bolivia, Mexico and Paraguay and decreased in Ecuador; and public investment remained at the same level in Brazil and Panama while total investment increased. Taking public investment alone, Bolivia, Brazil, Chile and Ecuador show the highest coefficients; and there was a substantial increase in Paraguay between 1962 and 1968. In general, a rising trend is observable in the share of public investment in all the countries except Ecuador and, to a much lesser extent, Panama.

The proportion of investment by public enterprises was highest in Bolivia (nearly 40 per cent of the total); it ranged from 14 to 16 per cent in Argentina, Brazil, Chile and Venezuela, and from 6 to 10 per cent in Colombia, Costa Rica, Panama and Peru. These figures, in general, reflect the existence or absence of large-scale mining, petroleum, energy or communications enterprises, and of extensive State railways net works, which are usually the biggest investors.

/Table 1

Table 1

**LATIN AMERICA: RATIO OF GROSS FIXED INVESTMENT TO THE GROSS
DOMESTIC PRODUCT, AND SHARE OF THE PUBLIC SECTOR IN
TOTAL FIXED INVESTMENT**

Country	Year	Gross fixed investment as a percentage of gross domestic product	Percentage share of public sector in total fixed investment		
			Public sector	General government	Public enter- prises
Argentina	1966	17.9	32.6	16.4	16.2
	1969	21.7	37.1	23.1	14.0
Bolivia	1960	14.2	43.2	12.1	31.1
	1968	20.8	50.7	11.6	39.1
Brazil	1960	16.9	40.0	27.2	11.6 ^{a/}
	1965	14.7	46.4	29.9	16.5 ^{a/}
	1968	17.7	39.0	24.8	14.2
Colombia	1960	18.1	16.7	...	...
	1968	17.4	28.0	...	8.7 ^{b/}
Costa Rica	1960	19.0	16.2	11.2	5.0
	1968	17.6	17.8	10.5	7.3
Chile	1961	17.2	41.0	30.5	10.5 ^{c/}
	1964	16.2	45.4	33.7	11.7 ^{c/}
	1968	15.9	54.2	39.0	15.2 ^{c/}
Ecuador	1960	13.4	48.0	...	...
	1969	13.0	40.5	...	...
Mexico	1955	16.7	34.8	...	...
	1960	16.9	...	...	...
	1967	20.3	35.6	...	...
Panama	1960	14.8	19.7	14.8	4.9
	1968	20.9	19.1	8.7	10.4
Paraguay	1962	12.0	19.6	...	...
	1969	14.6	34.9	...	...
Peru	1960	16.8	13.0	7.9	5.1
	1966	21.4	37.5	27.3	10.2
	1968	16.5	...	14.2	...

/Table 1 (Concl.)

Table 1 (Concl.)

Country	Year	Gross fixed investment as a percentage of gross domestic product	Percentage share of public sector in total fixed investment		
			Public sector	General government	Public enterprises
Dominican Republic	1960	10.5 ^{d/}	...	47.4	...
	1969	18.7 ^{d/}	...	34.3	...
Uruguay	1960	15.1	15.7	...	...
	1967	12.5	18.4	...	...
Venezuela	1960	18.0	...	...	...
	1968	17.7	...	...	15.3

Source: ECLA, on the basis of official statistics.

a/ Including many Federal Government enterprises.

b/ Only some of the public enterprises.

c/ Incomplete data covering the most important public enterprises. Direct investment by the remaining enterprises is not included in total public investment.

d/ General government only, excluding investment by public enterprises.

Table 2

ARGENTINA: THE THIRTY LARGEST INDUSTRIAL AND PUBLIC SERVICE
ENTERPRISES ACCORDING TO VOLUME OF SALES, 1969

(Millions of pesos)

Enterprise	Activity	Sales	Ownership
1. Yacimientos Petrolíferos Fiscales	Petroleum	214 137	Public
2. Fiat	Motor vehicles	182 184	Foreign
3. Shell	Petroleum	81 614	Foreign
4. Empresa Ferrocarriles del Estado Argentino	Transport	80 630	Public
5. Esso	Petroleum	75 098	Foreign
6. Servicios Eléctricos del Gran Buenos Aires	Electricity	69 741	Public
7. Sociedad Mixta Siderúrgica Argentina	Steel	66 525	Public
8. Ford	Motor vehicles	57 757	Foreign
9. Gas del Estado	Petroleum	53 598	Public
10. General Motors	Motor vehicles	50 066	Foreign
11. Swift	Food	48 942	Foreign
12. IKA - Renault	Motor vehicles	48 067	Foreign
13. Empresa Nacional de Telecomunicaciones	Communications	48 067	Public
14. Nobleza	Tobacco	45 935	Local private
15. Molinos Río de la Plata	Food	40 897	Local private
16. Agua y Energía Eléctrica	Electricity	38 260	Public
17. Corporación Argentina de Productores de Carne	Food	36 568	Local Private
18. Chrysler	Motor vehicles	32 243	Foreign
19. Sociedad Anónima Franco-Argentina de Automotores (SAFRAR)	Motor vehicles	27 524	Foreign
20. Industria Argentina de Aceros (ACINDAR)	Steel	27 108	Local private

/Table 2 (Concl.)

Table 2 (Concl.)

Enterprise	Activity	Sales	Ownership
21. Aerolíneas Argentinas	Transport	24 019	Public
22. Good Year	Tyres	24 000	Foreign
23. Alpargatas	Shoes with hemp soles (alpargatas)	23 544	Local private
24. Empresa Líneas Marítimas Argentinas	Transport	22 177	Public
25. Celulosa	Paper	21 819	Local Private
26. Ducilo	Chemicals	19 500	Foreign
27. Loma Negra	Cement	19 438	Local Private
28. Firestone	Tyres	18 000	Foreign
29. Pirelli	Rubber	17 791	Foreign
30. Mercedes Benz	Motor vehicles	17 780	Foreign

Source: For public enterprises, ECLA, on the basis of official statistics;
for private national and foreign enterprises, Mercado, 23 July 1970,
p. 45.

Table 3

BRAZIL: THE THIRTY LARGEST CORPORATIONS, ACCORDING TO THEIR
LIQUID NET WORTH, 1969

(Thousands of new cruzeiros)

Enterprise	Activity	Liquid net worth	Ownership
1. Centrais Eletricas de Sao Paulo	Electricity	3 530 845	Public
2. Petroleo Brasileiro - PETROBRAS	Petroleum	2 692 649	Public
3. Light - Servicos de Eletricidade	Electricity	1 954 263	Foreign
4. Companhia Telefônica Brasileira	Communications	1 040 954	Public
5. Companhia Siderúrgica Nacional	Steel	742 094	Public
6. Central Elétrica de Furnas	Electricity	680 549	Public
7. Companhia Vale do Rio Doce	Mining	679 826	Public
8. S.A. Industrias Reunidas F. Matarazzo	Manufacturing	635 161	Local private
9. Centrais Elétricas de Minas Gerais	Electricity	500 284	Public
10. Companhia de Cigarros Souza Cruz	Tobacco	495 992	Foreign
11. Companhia Hidro Elétrica do Sao Francisco	Electricity	484 909	Public
12. Companhia Paulista de Força e Luz	Electricity	457 128	Public
13. Volkswagen do Brasil	Motor vehicles	454 368	Foreign
14. Rhoda - Industrias Químicas e Texteis	Chemicals and textiles	444 100	Foreign
15. Companhia Estadual de Energia Elétrica	Electricity	408 470	Public
16. Usinas Siderúrgicas de Minas Gerais	Steel	383 650	Public
17. Pirelli S.A. Companhia Industrial Bras.	Rubber	335 782	Foreign
18. Companhia Geral de Motores do Brasil	Motor vehicles	328 825	Foreign
19. S.A. Industrias Votorantim	Manufacturing	328 764	Local private
20. Mercedes Benz do Brasil	Motor vehicles	188 791	Foreign

/Table 3 (Concl.)

Table 3 (Concl.)

Enterprise	Activity	Liquid net Ownership worth	
21. Companhia Paranaense de Energia Elétrica	Electricity	283 753	Public
22. Companhia Cervejaria Brahma	Beverages	252 644	Local private
23. Companhia Siderúrgica Belgo-Mineira	Steel	235 217	Foreign
24. Companhia Aços Especiais Itabira (Acesita)	Steel	233 337	Semi-public
25. General Electric S.A.	Electrical products	226 330	Foreign
26. Esso Brasileira de Petróleo	Petroleum	217 575	Foreign
27. Centrais Elétricas de Goiás	Electricity	204 023	Public
28. Construções e Com. Camargo Correa	Construction	201 658	Local private and foreign
29. Companhia Antartica Paulista	Beverages	201 123	Local private
30. Refinaria e Exploração de Petróleo União	Petroleum	192 963	Foreign

Source: Conjuntura Economica, vol. 24, No. 9, 1970.

/(b) Position

(b) Position of public enterprises among the major enterprises

As regards size, large-scale public enterprises are among those with the most sales and capital in each country. In Argentina and Brazil, in particular, the thirty largest enterprises are mainly public and foreign enterprises. Tables 2 and 3 show that 43 per cent of the total sales of the thirty largest industrial and public service enterprises are accounted for by public enterprises, 42 per cent by foreign firms and 15 per cent by local private enterprises. In Brazil, 65 per cent of the liquid net worth of the thirty largest corporations belonged to public enterprises, 28 to foreign firms and 7 per cent to local private enterprises. In Argentina, the activities of the major public enterprises (nine out of the thirty considered) cover petroleum and gas (43 per cent of total sales), transport (20 per cent), electricity (18 per cent), steel (11 per cent) and communications (8 per cent). In Brazil, on the other hand, the activities of public enterprises with the highest liquid net worth (thirteen out of the thirty considered) cover electricity (54 per cent), petroleum (22 per cent), steel (9 per cent), communications (9 per cent) and mining (6 per cent). In assessing the differences between Argentina and Brazil it must be borne in mind that, owing to the kind of data available, different indicators were used (volume of sales for Argentina and liquid net worth for Brazil).

(c) Main sectors in which public enterprises operate

If the public enterprises existing in each country are examined, they are seen to be of two types (see table 4). In one group of countries - Argentina and Colombia, for example - public enterprises are important in certain sectors related to infrastructure (transport, communications and electric power) and the supply of inputs (petroleum in both countries and steel in Argentina). About half the sales of the enterprises considered - excluding the steel companies - are accounted for by the petroleum enterprises. In contrast, there are few public enterprises engaged in manufacturing: in Argentina sales of manufactures by all the enterprises considered amount to only 3.8 per cent of total sales, and in Colombia to 2.2 per cent. In other countries, such as Mexico and the Dominican Republic, however, there are a good many enterprises engaged in manufacturing, in addition to those providing public services and basic inputs; in the Dominican Republic they account for 30 per cent of total sales and in Mexico for 28 per cent of the total capital of the public enterprises studied. A complete list of the enterprises considered is given in the appendix to this chapter, tables A to G.

/Table 4

Table 4
LATIN AMERICA: PARTIAL INVENTORY OF PUBLIC ENTERPRISES

	Unit	Petroleum	Steel	Manufac- turing	Electri- city	Maritime transport	Air trans- port	Telecom- munica- tions	Trade	Urban trans- port	Mining	Rail- ways	Other sectors	Total
Argentina (1969)														
Number of enterprises		2	1	4	3 ^{b/}	3	1	1	0	2	1	1	0	19
Number of persons employed		43 025	...	6 359 ^{a/}	13 713 ^{b/}	12 688	5 471	42 353	-	3 912 ^{a/}	2 862	150 141	-	281 524 ^{d/}
Capital	Millions of pesos	232 180 ^{e/}	...	...	...	...	...	...	-	...	...	...	-	232 180 ^{e/}
Sales	Millions of pesos	267 735.0	...	19 585.4	38 260.0 ^{b/}	35 205.4	24 019.0	18 066.6	-	3 460.5	2 230.6	80 630.0	-	519 192.5 ^{f/}
Percentage of total sales		51.6		3.8	7.4	6.8	4.6	9.2		0.7	0.4	15.5		100.0
Brazil^{g/} (1965)														
Number of enterprises		2 ^{h/}	5	3	6	9 ^{i/}	...	1	3	...	1	...	0	30
Sales	Millions of new cruzeiros	1 877.7	415.1	54.3	122.6	345.3	...	32.0	7.5	...	204.1	...	-	3 058.6
Percentage of total sales		61.4	13.6	1.8	4.0	11.3		1.0	0.2		6.7			100.0
Colombia (1968)														
Number of enterprises		1	0	3 ^{k/}	1	2 ^{j/}	2	1	1	0	0	1	3	15
Number of persons employed		3 601	...	285 ^{k/}	112	3 569 ^{j/}	591	10 613	...	...	...	11 387 ^{m/}	646	30 804 ^{n/}
Sales	Millions of pesos	1 306.4	...	56.8	1.3	359.5	41.6	451.4	...	...	...	333.9	38.7 ^{o/}	2 589.6 ^{p/}
Percentage of total sales		50.4		2.2	0.1	13.9	1.6	17.4				12.9	1.5	100.0
Chile (1968)														
Number of enterprises		1	1	4	1	2	1	1	2	1	1	1	1	17
Number of persons employed		4 140	7 078	...	7 670	...	...	...	...	...	...	24 000	...	42 286 ^{q/}
Capital	Millions of escudos	1 600	79.3 ^{r/}	...	800	...	...	207.1	...	...	...	...	...	...
Sales	Millions of escudos	828.0	103.5 ^{r/}	318.8 ^{t/}	276.8	149.0	139.6	33.1	39.5 ^{u/}	46.9	526.7	332.0	66.7	3 758.1 ^{d/}
Percentage of total sales		22.0	25.2	8.5	7.4	3.8	3.7	0.9	2.6	1.2	14.0	8.8	1.9	100.0

Table 4 (cont.)

Unit	Petroleum	Steel	Manufac- turing	Electri- city	Maritime transport	Air trans- port	Telecom- munications	Trade	Urban trans- port	Mining	Rail- ways	Other sectors	Total
<u>Mexico</u>													
Number of enterprises	2	2	26	3	0	2	0	6	1	4	4	2	52
Number of persons employed	...	...	...	...	...	...	...	...	...	...	80 005	...	...
Capital	Millions of pesos	253.6 ^{y/}	780.0	1 202.7 ^{w/}	1 000.65 ^{z/}	...	128.8 ^{y/}	...	688.7 ^{z/}	...	127.0	150.1 ^{aa/}	41.1 ^{bb/}
<u>Peru (1966)</u>													
Number of enterprises	1	1	5	0	2	1	0	1	0	0	1	2	14 ^{dd/}
Number of persons employed	1 208	1 451	7 425	...	...	...	...	...	...	...	...	...	10 084 ^{dd/}
<u>Dominican Republic (1967)</u>													
Number of enterprises	1	0	27 ^{e/}	1	0	1	0	12 ^{dd/}	8	2	8	2 ^{ff/}	46 ^{g/}
Number of persons employed	...	...	3 157 ^{e/}	...	...	262	...	310 ^{dd/}	...	246 ^{aa/}	...	881 ^{ff/}	4 726 ^{g/}
Capital	Thousands of pesos	3 600.0	...	52 612.4	37 000.0	...	830.0	...	12 460.0 ^{n/}	...	21 060.3	...	141 000.0 ^{hh/}
Sales	Thousands of pesos	...	...	47 056.3 ^{ii/}	20 198.7	...	2 144.0	...	6 405.2 ^{kk/}	...	769.3 ^{aa/}	...	80 692.5 ^{ll/}
Percentage of total sales				29.9	12.8		1.4		4.1		0.5		51.3
<u>Venezuela (1968)</u>													
Number of enterprises	1	1	6 ^{mm/}	2	3	2	1	4	8	1	2	0	23
Capital	Millions of bolívars	483.6 ^{mm/}	1 647.8	12 017 ^{nn/}	1 314.0	72.8 ^{aa/}	356.4	400.0	557.2 ^{g/}	...	457.6	...	6 491.1 ^{oo/}
Sales	Millions of bolívars	179.1	418.1	185.1 ^{qq/}	272.3	102.2 ^{aa/}	187.5	287.8 ^{pp/}	373 ^{aa/}	...	...	2.1 ^{qq/}	1 671.5 ^{f/}
Percentage of total sales		10.7	25.0	11.1	16.3	6.1	11.2	17.2	2.2		0.1		100.0

Source: As for Tables A to G in Appendix; for Peru, Instituto Nacional de Planificación, *Plan de Desarrollo Económico Social, 1967-1970*.

- p/ Three enterprises only.
 q/ Water and electric power only.
 r/ Buenos Aires underground railway only.
 s/ Fourteen enterprises only.
 t/ Capital of Yacimientos Petrolíferos Fiscales only.
 u/ Sixteen enterprises only.
 v/ Only some Federal Government enterprises.

- w/ Including petroleum and chemicals.
 x/ All transport sectors.
 y/ Figures for 1970.
 z/ Empresa Colombiana de Productos Veterinarios only.
 aa/ Empresa de Puertos de Colombia only.
 ab/ Figure for 1969.
 ac/ Eleven enterprises only.

Table 4 (Concl.)

<u>a/</u>	Excluding Corporación Autónoma Regional del Quindío.	<u>gg/</u>	Figures for 1964.
<u>b/</u>	Thirteen enterprises only.	<u>dd/</u>	Six enterprises only.
<u>c/</u>	Four enterprises only.	<u>ee/</u>	Salt and gypsum only.
<u>d/</u>	Millions of dollars.	<u>ff/</u>	Consejo Algodonero only.
<u>e/</u>	Sales plus return on investment.	<u>gg/</u>	Registered capital.
<u>f/</u>	Excluding Petroquímica Chilena, S.A.	<u>hh/</u>	Forty-five enterprises only.
<u>u/</u>	ECA only.	<u>ii/</u>	Figures for 1966.
<u>v/</u>	Diesel Nacional S.A. only.	<u>jj/</u>	Fifteen enterprises only.
<u>w/</u>	Twenty-five enterprises only.	<u>kk/</u>	Seven enterprises only.
<u>x/</u>	Compañía de Luz y Fuerza del Centro S.A. only.	<u>ll/</u>	Twenty-seven enterprises only.
	No data available for the Comisión Federal de Electricidad.	<u>mm/</u>	State capital.
<u>y/</u>	Aeronaves de México S.A. only.	<u>nn/</u>	Five enterprises only; two have some State capital.
<u>z/</u>	Five enterprises only.	<u>oo/</u>	Nineteen enterprises only.
<u>aa/</u>	Two enterprises only.	<u>pp/</u>	Figure for 1967.
<u>bb/</u>	Forty-four enterprises only.	<u>qq/</u>	Instituto Autónomo de Administración de los Ferrocarriles del Estado only.

II. THE STATE ENTERPRISES AS AGENTS OF A DEVELOPMENT POLICY

Some data have just been given on the importance of State enterprises in Latin America. It will now be of interest to evaluate their role as agents of development policy, to which end some economic and management problems will be reviewed.

1. Economic aspects

(a) Extent of the influence of public enterprises compared with other agents of development policy

The preparation and application of an economic policy calls for the use of suitable instruments for its implementation. But from the point of view of the State it is not enough to determine the suitability of those instruments in theory; their real work ability must also be established. In other words, two things are being discussed: the principles which underlie action in the public and private sectors and the State's practical possibilities of making its decisions effective.

In particular, there may be a clash of interests between the public sector and some or all of the private entrepreneurs (an obvious example of this is price control). On the other hand, the public sector, by definition, follows government directives; and if, at times, it does not carry out government policy to the letter, this is not due to a conflict of interests or a divergence of objectives, but to practical circumstances such as a rigid organizational structure or inadequate resources. Thus, when there is no direct control of the private sector, an attempt is made to see that its interests coincide with those of the public sector (for instance, through better returns on the type of investment to which the government assigns priority).

However, when the State exercises its decision-making power directly, its influence declines the further the field of action lies from the decision-making centre. This might be represented by a series of concentric circles spreading out from the centre of power. In the centre is the central government, which is responsible exclusively to the national authorities for the action it takes, specially expenditure; next come the local

/authorities and

authorities and the decentralized agencies, and in the third circle, the State enterprises. The State acts directly in all three areas, the only difference being in the relative simplicity or complexity of the legal and administrative machinery through which it transmits directions or orders. Outside these three circles of direct control there are areas of influence, which include credit and foreign trade policies, (particularly regarding imports and exchange rates), action in respect of prices, wages and salaries, and investment outside the public sector. Even further out lies the sphere of the indirect influence exerted by institutions and by financial, credit and development policy.

Thus, in order to determine the current and possible future role of the State, it would be necessary to evaluate the importance of each of the instruments mentioned above in the economy as a whole and the degree of influence exerted by the State on the decision-making centres. But this is not a one-way relationship; the government's capacity to make efficient use of the policy instruments available to it must also be considered. For example, in the case of public enterprises, it is not uncommon for the operations of State enterprises to be unrelated, restricted to patterns of private enterprise and unconnected with an over-all development policy.

Now that the State enterprises can be seen in this context, an analysis will be made of their role in the formation of capital for investment, their influence on technological policy and on the establishment or expansion of capital goods industries, their contribution to supply, and their role in maintaining market stability.

(b) The formation of capital for investment

To analyse the influence of public enterprises on the formation of investment capital, it may be useful to examine the financial results of their activities in different countries, and then to point out some of the reasons for this situation, especially for what has happened in respect both of the relative price and tariff levels, and of wages and salaries and investment.

/(i) Financial

(i) Financial results of the activities of public enterprises. In order to obtain a rough idea of the financial results of the activities of the major public enterprises of four countries which data are available, two indicators have been used: the operating surplus or deficit in terms of earnings from sales or services, and where there is an over-all surplus on the proportion of capital expenditure covered by the surplus. Subsidies and other current transfers have been deducted from current income as they distort the real financial results of operating the enterprise. Moreover, as these data only apply to one year, they should not be taken as anything more than a rough indication of the true financial situation, which in any case does not necessarily reflect the enterprise's efficiency since a deficit may simply be the result of a government prices policy.

An analysis of these indicators leads to some conclusions that are applicable to all the enterprises considered, and to others that are applicable to only some of the countries. Taking the universe of enterprises considered in each country, the operating surplus is seen to represent 14 and 9 per cent of earnings in Argentina and Chile respectively, while in Colombia it is as high as 32 per cent, and Brazil shows a deficit. Not one of these countries, however, had a large enough over-all surplus to cover fixed investment: in Argentina it financed slightly less than half, in Colombia 40 per cent and in Chile 34 per cent. When compared with total capital expenditure, the figures are naturally lower and stand at around a third for Argentina and Colombia and only 9 per cent for Chile (not including steel, for lack of information).

Taking each country and enterprise separately, it can be seen that a single enterprise in Argentina, Ferrocarriles Argentinos, was responsible for 86 per cent of the total operating deficit of eight enterprises, Yacimientos Carboníferos Fiscales for a further 9 per cent, and others, mainly transport companies, for the remainder. In absolute terms, the biggest operating surpluses come from YPF, the Empresa Nacional de Telecomunicaciones, Agua y Energía Eléctrica and the Sociedad Mixta Siderúrgica Argentina. In only two cases, however, Transportes de Buenos Aires and the Administración General de Puertos were the over-all surpluses large enough to cover capital expenditure (see table).

Table 5

ARGENTINA: INDICATORS FOR SELECTED PUBLIC ENTERPRISES
BY SECTOR, 1969

(Percentages)

	Operating surplus		Wages and
	Earnings	Capital expenditure	Salaries Current expenditure
<u>Manufacturing</u>			
Industrias Mecánicas del Estado	-0.2	negative	18.6
Talleres de Reparaciones Navales	-11.6	negative	66.2
Astilleros y Fábricas Navales del Estado	3.0	39.8	43.3
Dirección Nacional de Industrias del Estado	9.4	27.2	34.7
Sociedad Mixta Siderúrgica Argentina (SOMISA)	17.3	51.4	...
<u>Mining</u>			
Yacimientos Petrolíferos Fiscales	30.7	81.4	25.5
Gas del Estado	14.6	26.9	22.3
Yacimientos Carboníferos Fiscales	-150.6	negative	40.8
<u>Transport and assimilated sectors</u>			
Empresa Líneas Marítimas Argentinas	-0.5	negative	34.8
Empresa Flota Fluvial del Estado Argentino	-21.1	negative	54.7
Administración General de Puertos	26.3	135.0	70.6
Transportes de Buenos Aires	29.5	462.8	27.6
Empresa de Ferrocarriles Argentinos	-41.7	negative	72.3
Subterráneo de Buenos Aires	-4.9	negative	74.4
Aerolíneas Argentinas	-1.1	negative	33.2
Empresa Nacional de Comunicaciones		72.1	73.2
Agua y Energía Eléctrica	34.7	43.3	49.7

Source: See appendix to Part One, table A.

/As regards

As regards the Brazilian enterprises, which are grouped according to sector, the largest operating deficits were found in transport and communications and the biggest surpluses in chemical and petroleum, mining energy and steel. Nonetheless, it is precisely in energy and steel that the over-all surplus covers least of the capital expenditure, owing to the high level of investment involved (see table 6).

In Colombia, Ferrocarriles Nacionales accounted for 84 per cent of the combined deficit of five enterprises, the remainder deriving from the Instituto Colombiano de Energía Eléctrica, which constructs generating plants and carries out studies on electrification, the Empresa Colombiana de Aeródromos, the Corporación de la Industria Aeronáutica and the Compañía Nacional de Navegación in descending order. Apart from the Instituto de Mercado Agropecuario, whose operating costs do not include a single item that is large enough to explain the huge earnings which account for its large surplus, the biggest operating surpluses came from the Empresa Colombiana de Petróleo, the Empresa Nacional de Telecomunicaciones and the Empresa de Puertos de Colombia. Only two enterprises, however, the Empresa Colombiana de Productos Veterinarios and the Industria de Concreto (INCO) Ltda., had an over-all surplus that was more than enough to cover their capital expenditure (see table 7).

As to Chile, nine of the fifteen enterprises considered showed an operating deficit: of the total deficit, 60 per cent was accounted for by the Ferrocarriles del Estado, 16 per cent by the Empresa de Comercio Agrícola, 8 per cent by the Empresa de Transportes Colectivos and 6 per cent by the Empresa Portuaria, the five remaining enterprises making up the rest.

The enterprises with the highest operating surpluses include the Empresa Nacional del Petróleo (ENAP), the Compañía de Acero del Pacífico and the Empresa Nacional de Electricidad (ENDESA), but only ENAP and the Empresa de Agua Potable had big enough over-all surplus to cover capital expenditure. There are only fragmentary data available on the capital expenditure of the Compañía de Acero del Pacífico (see table 8).

Taking the enterprises according to type, it can be seen that, as a general rule, the operating over-all surpluses are not large enough to cover capital expenditure, even in the case of the most profitable of them - the petroleum enterprises. Apart from Chile's ENAP, whose earnings in 1968 more than

Table 6

BRAZIL: INDICATORS FOR SELECTED PUBLIC ENTERPRISES,
BY SECTOR

(Percentages)

Sector	Year	Operating surplus		Wages and salaries
		Earnings	Capital expenditure	Current expenditure
Mining	1960	26.5	62.8	33.3
	1965	47.7	166.2	39.6
Steel	1960	18.0	41.7	17.2
	1965	10.2	9.1	28.0
Chemicals and petroleum	1960	16.4	37.2	11.0
	1965	7.6	60.8	11.9
Manufacturing etc.	1960	-18.5	neg.	31.3
	1965	-17.7	neg.	39.1
Electric energy	1960	50.0	0.4	33.3
	1965	42.9	12.3	8.4
Transport	1960	-117.0	neg.	51.7
	1965	-119.5	neg.	55.3
Communications	1960	-358.3	...	69.1
	1965	-262.2	...	95.3
Supply	1960	...	...	...
	1965	16.0	a/	50.8

Source: See appendix to Part One, table B.

a/ Total capital expenditure was negative because of changes in stocks.

Table 7

COLOMBIA: INDICATORS FOR SELECT PUBLIC
ENTERPRISES, 1968

(Percentages)

	Operating surplus		Wages and
	Earnings	Capital expenditure	Salaries Current expenditure
<u>Manufacturing</u>			
Empresa Colombiana de Productos Veterinarios	64.4	55.4	62.8
Cementos Boyacá S.A.	24.4	...	28.2
Industria de Concreto "INCO" Ltda.	13.2	343.6	32.9
Empresa Colombiana de Petroleo	18.9	42.4	20.8
<u>Transport and communications</u>			
Compañía Nacional de Navegación	-3.1	...	31.1
Empresa Puertos de Colombia	24.3	56.8	89.6
Corporación Industria Aeronáutica	-60.5	neg.	51.8
Empresa Colombiana de Aeródromo	-6.9	neg.	77.3
Ferrocarriles Nacionales	-19.9	neg.	69.6
Empresa Nacional de Telecomunicaciones	32.2	128.5	77.2
Instituto Colombiano de Energía Eléctrica	-660.8	neg.	60.8
Instituto de Mercadeo Agropecuario	89.1	69.4	77.2

Source: See appendix to Part One, table D.

/Table 8

Table 8

CHILE: INDICATORS FOR SELECTED PUBLIC ENTERPRISES, 1968

(Percentages)

	Operating surplus		Wages and salaries
	Earnings	Capital expenditure	Current expenditure
<u>Transport and communications</u>			
Empresa Portuaria (EMPREPORT)	-25.1	neg.	77.8
Empresa Marítima del Estado (EMPREMAR)	-59.0	neg.	38.7
Línea Aérea Nacional (LAN)	-7.6	neg.	34.4
Ferrocarriles del Estado	-90.9	neg.	69.0
Empresa Transportes Colectivos	-84.4	neg.	60.3
Empresa Nacional de Telecomunicaciones	31.7	24.0	40.9
<u>Industry</u>			
Industria Azucarera Nacional (IANSA)	-1.3	neg.	13.8
Astilleros Marítimos (ASMAR)	-10.1	neg.	79.7
Fábrica de Material del Ejército (FAMAE)	-21.4	neg.	50.4
Compañía Acero del Pacífico (CAP)	22.8	...	...
<u>Mining</u>			
Empresa Nacional de Minería (ENAMI)	9.2	30.9	14.1
<u>Energy and fuels</u>			
Empresa Nacional de Electricidad (ENDESA)	36.6	26.2	33.2
Empresa Nacional del Petróleo (ENAP)	47.9	155.3	19.9
<u>Trade</u>			
Empresa de Comercio Agrícola (ECA)	-78.4	neg.	17.5
<u>Services</u>			
Empresa de Agua Potable	48.1	126.0	67.5

Source: See appendix to Part One, table E.

/covered its

covered its fixed investment and exceeded its capital expenditure by 55 per cent, the petroleum companies considered managed to cover only between 40 per cent (Empresa Colombiana de Petroleo) and 80 per cent (YPF Argentina) of their capital expenditure from their own resources. Of the electrical enterprises, Argentina's Agua y Energía Eléctrica financed slightly more than 40 per cent of its capital expenditure in 1968, whereas two semi-public state enterprises in Brazil covered, on an average, only 10 per cent of theirs, and ENDESA, in Chile, 26 per cent. The financial situation seems to be rather more alarming in the iron and steel sector, where a study carried out in 1964 by the Latin American Iron and Steel Institute (Instituto Latinoamericano del Fierro y del Acero - ILAFA) showed that, in twenty-two public and private enterprises, reinvested earnings covered a mere 4.6 per cent of total investment. Finally, all the railway companies considered showed current operating deficits.

Looking at the situation of each country separately, it may be concluded that the operation of public enterprises does not, in the long run, generate any appreciable share of investment resources; as has already been pointed out, the operating surplus was 9 and 14 per cent of earnings in Chile and Argentina, 32 per cent in Colombia, while Brazil showed a deficit - and, in the three countries that show a surplus, this covered only between a third and half of the enterprises' own fixed investment. The figures by type of activity, however, show that petroleum and electric energy enterprises financed quite a substantial percentage of their investment.

(ii) Price and rate policy. For an appraisal of the results from a different standpoint, it is useful to examine how far they have been affected by receipts and expenditure, or, in other words, what price and rate policies have been applied, on the one hand, and what wage and investment policies on the other.

Generally speaking, the price and rate policy of a public enterprise is devised according to the function assigned to it at a given time. Thus, one school of thought holds that, in descending order of requirements, such enterprises should either produce a surplus, cover their capital expenditure or just show no operating deficit; another holds the view that, for social, political or economic development reasons, it is permissible for them to operate at a loss. These ideas may relate either to all or to certain /groups of

groups of public enterprises. A brief description of the trends in the real rates of certain enterprises over the last few years is given below.^{6/}

Except in a few cases, railway rates, measured by average receipts per transport unit, declined in real terms between 1960 and 1968. In passenger transport, they dropped 10 per cent in Mexico, 20 to 30 per cent in Chile and Peru, and as much as 45 per cent in Uruguay. On the other hand, they improved somewhat in Argentina and Colombia, and remained at about the same level in Brazil. Freight rates plummeted in all countries except Colombia, where there was no change in real terms.

The average prices for electric power charged by the two Argentine enterprises considered fell by about 10 per cent. That of the Comisión Federal de Electricidad de México rose 17 per cent, as a result of changes in the composition of sales by certain groups of users. The average sales price of the main Peruvian enterprise, which is privately-owned, declined 20 per cent, while in Venezuela the State-owned enterprise CADAFE recorded a very slight reduction and the most important private enterprise a drop of 17 per cent. Average prices of the Compañía Panameña de Fuerza y Luz dropped by about 30 per cent over the same period. Only in the case of Chile and some Brazilian enterprises were there real increases in average sales prices.

For steel enterprises, the prices considered were those quoted on the principal market of each country, according to the data published by the Latin American Iron and Steel Institute in Anuario Estadístico, 1969. From 1965 to 1969, real prices of steel products in Buenos Aires decreased by proportions ranging from 20 per cent for round bars and zinc-plated rolled products to 36 per cent for angles and flat bars. In São Paulo, prices of rolled products fell by about 9 per cent over the same period, but those of all other steel products rose by approximately 5 per cent. The drop in prices in Mexico City ranged from 4.4 per cent for rolled products to 17.5 per cent for wire rod, except in the case of bars for construction purposes, which showed a slight increase. In contrast, Santiago, Chile, recorded a general rise in steel prices.

^{6/} Consumer prices in each country were used as the deflator.

From a different standpoint, it is interesting to note the trend shown by rates under inflationary conditions. It would seem that the general aim is to ~~prevent~~ increases in rates from contributing to the wages-prices spiral, or to keep down the rates for basic services, so that they usually rise more slowly than the over-all price index. But this has a backlash effect in reducing real income and adversely affecting operating results.

(iii) Wages and salaries. For want of information on the particular situation of each enterprise and on national wage policies, a wages to current expenditure ratio was established for the main enterprises in selected countries (see tables 5, 6, 7 and 8). One of the general characteristics that stands out most clearly from these tables is the ~~small~~ share of expenditure accounted for by wages and salaries in petroleum enterprises, the high proportion in railway companies, and the extent to which the ratio varies in electric power enterprises.

(iv) Investment. Public enterprises account for a large share of public investment and, therefore, of total investment (see table 1). They play a particularly important role in some sectors such as petroleum, railways and electric power. For example, the State petroleum enterprises in Brazil, Argentina and Mexico absorbed 3.8, 4.4 and 8.2 per cent of total fixed investment, respectively, in the years 1968-1969. As a rule, this investment is not made regularly every year, since by its very nature it is bound to be sporadic, i.e., whenever any of the existing activities are expanded or new activities started. Investment of this kind has important economic effects. First of all, as has been shown above and is analysed in greater detail in section III, they play a decisive role in certain key sectors of the economy, whose installed capacity is based essentially on investment by public enterprises. Moreover, in addition to current expenditure, it represents considerable purchasing power, which, if properly co-ordinated, could have a decisive effect either on imports or on domestic industry. This is particularly significant in the case of capital goods. The purchases made, for example, by transport (particularly railway and shipping),

/petroleum, electricity

petroleum, electricity, and steel enterprises are large enough to stimulate the operation of a domestic industry for the production of certain goods. In fact, there are two alternatives: either the goods are imported, which may mean quicker delivery and easier foreign financing terms, or steps are taken to promote a domestic industry, with all the multiplier effects that this involves.

Some of the policies adopted may be mentioned in this connexion. In Brazil, the machinery requirements of PETROBRAS reactivated the companies producing petroleum equipment and led to the merging and reorganization of private enterprises; and the orders of State-owned shipping enterprises - particularly Lloyd Brasileiro - helped to promote the activities of Brazilian shipyards to a point where, early in 1969, fifty ships were under construction with a total deadweight tonnage of 484,000.^{7/} In Argentina, demand from the State railways was of key importance in promoting the domestic production of railway equipment by private firms. To sum up, although the solutions to be adopted should be evaluated within the context of an over-all plan, it should be noted that co-ordinated purchasing by public enterprises could multiply the effects of the decisions adopted.

(c) Technological policy

A technological policy covers technological research and the adaptation and choice of techniques. One of the salient features of Latin American technological policy is the absence of any consistent thinking or action. This general observation also embraces public enterprises - and yet, they are particularly fitted to do research and adapt techniques. In the first place, they are among the largest enterprises, sometimes operating on an international scale. It is a well-known fact that considerable economies of scale can be achieved in this field, and that it is not until enterprises have attained a certain size that they can do original research or study adaptations of know-how with any degree of independence or hope of success. Moreover, since these enterprises do not necessarily have to make profits, they can undertake activities which are of greater benefit to the community than to individuals. In particular, the fact that other enterprises may

^{7/} See ECLA, Economic Survey of Latin America, 1969, Part Three, chapter III.
/take advantage

take advantage of the innovations they develop does not hamper progress but, on the contrary, helps towards raising the level of technology. This is the opposite approach to that adopted by private enterprises, which try to keep for themselves the benefits of every technical improvement they introduce. Furthermore, public enterprises are usually in strategic or dominant positions within the economy and thus have a catalyzing effect on allied activities. For all these reasons, public enterprises could well constitute a key instrument in implementing technological policy, provided that the appropriate standards and priorities were established.

The research can be carried out by the enterprise concerned or by a specialized research organization, which may sometimes be another public enterprise. To illustrate this point, it is useful to consider Chile's experience. Research has been undertaken on behalf of different sectors of activity for many years now. For example, CORFO carried out experiments for its mining enterprises; they consisted in treating copper ore oxides by flotation and dry sulphurization, thus making it possible to exploit mixed copper ore or copper found in dry areas with a considerable saving on sulphuric acid and scrap iron. The Industria Azucarera Nacional, S.A. investigated the uses that could be made of the by-products of its alcohol distilleries, with a view to obtaining a synthesis of different types of yeast that would provide products with a high protein content. The Empresa Nacional de Semillas carried out experiments in plant-breeding and many other enterprises did research in different fields according to their needs. Without prejudice to these activities, the Chilean technological institute was established in 1969 as a subsidiary of CORFO, to operate as a technological pool, mainly under research contract with the interested enterprises. Under this system the Institute operates as if it were temporarily the research department of the enterprise concerned. In providing this service, the Institute has the advantage of having at its disposal multidisciplinary groups of specialists and instruments and equipment costing a great deal to purchase and maintain, which can be easily moved to wherever they are required. It is at present doing research for certain State enterprises in the fields of electronics, engineering, chemicals, mining, food, plastics, metallurgy, inorganic chemistry and mechanical engineering.

/Certain variations

Certain variations of the methods that have been tried out by public enterprises in Chile are found in other countries, the main difference being that the agency responsible for centralizing the research is not a legally established enterprise but a decentralized government agency. A case in point is the National Institute for Agricultural Technology (Instituto Nacional de Tecnología Agropecuaria) in Argentina, which was set up in 1956, whose research, among other improvements, led to a substantial increase in maize and wheat yields and a revolution in potato growing. It also carried out special research projects which were useful to the public enterprises.

From a different standpoint, State enterprises are subjected to "technological pressure" from outside, owing to advances in foreign know-how. This is very dear - even brutally so - when State enterprises are competing in the international market, for instance, when Latin American national airlines flying to Europe and the United States have to keep on changing their equipment, although the discards are perfectly serviceable and adequate for their needs.

(d) Share of public enterprises in supply

The share of public enterprises in the supply of goods and services is highly unequal and varies according to the activities concerned. It is considerable in the case of public utilities, such as electricity supply and railway transport, in most of the Latin American countries. State shipping companies have less of a monopoly than railway enterprises, possibly because they do not have to face competition from other forms of transport. Nationally-owned airlines carry about 45 per cent of the total passenger traffic and 40 per cent of the freight. In some countries, State-owned petroleum and steel enterprises contribute a significant proportion of total supply. The fact that they provide essential inputs is of great importance in the implementation of economic policy. On the other hand, public enterprises play scarcely any part in other industrial and commercial activities.

/(e) Role

(e) Role in regulating the market

Measures to regulate the market mainly affect supply and prices. In both these respects, they lie outside the sphere of competence of the great majority of the public enterprises considered, which are mainly concerned with infrastructure or activities in which conditions - particularly prices - are not determined by the free play of market forces but by the decisions of - or agreements between the large enterprises - or by administrative decisions (especially in the establishment of rates). Public enterprises engaged in manufacturing rarely exercise enough control to regulate the market. On the other hand, State enterprises carry more weight in the marketing of foodstuffs. The activities of Chile's Agricultural Marketing Enterprise (Empresa de Comercio Agrícola - ECA), which was established in its present form in 1960, are a good example of this. Its function is to ensure a steady supply of agricultural products and, to that end, to adopt the necessary measures to rationalize the marketing system. In order to regulate supply, it purchases the right quality of whatever products are needed on the domestic or external market, stores them in its own cold-storage plants, silos and warehouses, and puts them on the market at the right moment and at a reasonable price when private sources cannot cope with demand. The products usually imported are beef (chilled or frozen, or on the hoof), pork and poultry, powdered milk, butter oil, butter, cheese, wheat, maize, rice and potatoes, purchases of which amounted to about 64 million dollars in 1967. Another of ECA's functions is to buy products from producers for which they cannot find an outlet - especially seasonal crop surpluses - offering compensatory support prices. Lastly, ECA is endeavouring to rationalize the marketing process; it has organized many producers' co-operatives for this purpose.

The wine industry in Argentina provides another example of market regulation by a State enterprise. The largest wine vaults - the Giol vaults in Mendoza - are owned by the provincial government, and in 1967 it was compelled to purchase 2.5 million quintals of grapes to prevent a slump owing to over-production. This cost 300 million pesos, which represented a loss in the 1967-1968 financial year.

2. Management problems

(a) Integration in the public sector

The State bodies which carry on commercial and industrial activities and which, in that capacity, are called State enterprises, may have the legal form of firms managed directly by the State, Public enterprises and corporations, and mixed or semi-public companies in which the State has shares.

State-run firms have no legal personality of their own; they are State-owned and directly responsible to the central government. Public enterprises are entirely State-owned but have their own legal personality and are subject to public or private law, according to their function. Public corporations are organized in a legal form which makes them subject to private law; they are limited companies in which the State is the only share-holder. Lastly, semi-public companies are those in which the State and private persons have shares: they normally take the form of joint-stock companies.

These different kinds of enterprise presuppose different types of management or State control and, hence, of integration in the public sector. In the first case, that of State-run firms, there is the normal hierarchy that prevails in any public administration. Public enterprises may be responsible to a ministry or a parent body, which is usually responsible for appointing managerial staff and laying down policy guidelines. In public corporations, on the other hand, management or control is exercised from within the company, through the normal decision-making machinery, subject to private law; however, as the State is the only share-holder, the managerial staff are appointed by decree or administrative decision. This is also the case for semi-public companies, where, according to the extent of State participation, government officials operate the company or have a minority voice in decision-making. It is common in such cases for the chief government representative to have the right of veto. The government can give itself even greater freedom of action by creating different types of shares, reserving certain privileges for those which it owns.

/In the

In the cases considered, each enterprise or, from a wider angle, each group of enterprises, is under separate management. Various methods have been used to operate a group of enterprises jointly. One consists in administrative co-ordination, which may range in form from machinery for consultation to the setting up of a ministry to control the State enterprises. Another method consists in the creation of a holding company, which purchases shares in the firms that it wishes to manage or supervise. The State body that administers this holding company may be a government department or another holding company. The best known case of a holding company which holds other holding companies is the Istituto per la Ricostruzione Industriale (IRI) in Italy, which holds shares in enterprises in certain industrial sectors and at the same time is responsible to the ministry dealing with State participation in enterprises.^{8/}

More recently, the need to make better use of their resources for the purpose of maximum expansion has led some of the more powerful enterprises to form conglomerates. These group together widely different enterprises under a common ownership, with centralized management and a pool of financial, technological and human resources which is controlled by the

^{8/} IRI policy decisions are taken by the Council of Ministers and are carried out by its directors, who are appointed by the President of the Republic, the Prime Minister and different administrative departments, as the case may be. The managing director is nominated by the Chairman of the Board of Directors and is appointed by executive decree. The group of enterprises controlled by IRI operate through a special organization in which control of each branch of activity is exercised by a holding company (STET, telephones; Finmare, maritime transport; Finsider, steel; Finmeccanica, metal-transforming; Fincantieri, shipbuilding; Finelettrica, electric energy). In addition, an important group of enterprises are not controlled by these holding companies, such as the banks, (Alitalia, Autostrade, Radiotelevisione Italiana, etc.). Each holding company holds shares in the companies that operate in its sector; they appoint the senior staff and decide on the policy orientation of subsidiaries in consultation with IRI. At the same time, they have sole authority for decisions as to how the policies shall be implemented. To give an idea of the size of these holding companies, it is enough to mention one of them, the Societa Finanziaria Siderurgica (Finsider), 54.1 per cent of whose capital is owned by IRI which produces 58 per cent of national steel output, through twenty-seven enterprises, including Italsider, Dalmine, Terni, Terninoss and Breda.

executive centre in accordance with an over-all plan. Thus, resources are concentrated in one centre of power, which decides what new enterprises should be set up or purchased, or what new technology is to be employed. These conglomerates do not attempt a vertical grouping by sector or branch of technology, but are a horizontal grouping of the most diverse enterprises, in which financing is the only common link.

An outstanding example of this type of conglomerate in the Latin American context is the Chilean production development corporation, CORFO, and its eighty-one subsidiaries that operate in the most diverse fields (agriculture, fishing, wood pulp, mining, metal transforming, coal, communications, films and television, energy, electronics, petroleum, petrochemicals, chemicals, construction, steel and metallurgy, tourism, and multisectoral support organizations). As a rule, these enterprises take the form of limited companies, in which CORFO holds some or all of the share capital and appoints a corresponding number of the directors (see table 9). CORFO has used several methods to make these enterprises adapt their policies to an over-all or, at least, sectoral approach. The first method is through CORFO's annual contribution to the budget of each enterprise, since, when the level of this contribution is being considered, the proposed programmes are discussed with the enterprise's directors and managers. In this way, although actual operations are decentralized, CORFO can influence the objectives and the choice of instruments for carrying out the plans. Another way in which CORFO can bring its influence to bear is through the benefits and exemptions it grants, which are of help to the enterprises but cannot be obtained without a decision or the consent of CORFO; examples are guarantees for obtaining external financing, and the granting of certain exemptions and internal loans. Thus, the action of the government appointees on the Boards of Directors of the enterprises is important, for they usually receive instructions from CORFO about certain basic problems. This is particularly so in respect of policy on prices, wages, investment and loans. These relations, and permanent contact with the enterprises, are maintained through the management of the CORFO subsidiaries. Lastly, it should be pointed out that fundamental problems of policy and orientation are discussed between the executive vice-president of CORFO and the executive staff of the enterprises.

Table 9

CHILE: SUBSIDIARIES OF CORFO, 1969

		Authorized capital	Paid-up capital	Share of capital assets held by the government (percentages)			
		(Millions of escudos \$/)		CORFO subsidiaries	Other public bodies	CORFO	Total government share
<u>Agriculture and livestock</u>							
Agriculture	Soc. Agrícola CORFO Ltda. (SACOR)	1.0	1.0	1.00	-	99.00	100.00
	Empresa Nacional de Semillas S.A.C.	10.0	6.3	-	52.29	47.71	100.00
Agricultural industries	Soc. de Construcciones y operaciones agropecuarias S.A. (SOCOAGRO)	10.0	8.4	1.19	1.19	97.62	100.00
	Soc. Lechera Nacional Ltda. (SOLECHE)	5.6	5.6	-	50.00	50.00	100.00
	Industria Azucarera Nacional (IANSA)	200.00	198.1	-	-	99.75	99.75
	Servicio de equipos agrícolas mecanizados (SEAM)	...	...	...	...	...	...
Services	Empresa Nacional de Frigoríficos (ENAFRI)	3.0	2.2	-	30.23	69.77	100.00
Marketing	VINEX	4.6	4.6	-	99.99	0.01	100.00
Research	Instituto de Investigaciones agropecuarias	...	...	...	...	...	...
<u>Fisheries</u>							
Fishing	Empresa Pesquera de Tarapacá S.A. (EPESA)	24.8	24.8	-	-	98.77	98.77
	Cfa. Pesquera Arauco S.A.	30.0	20.9	-	26.24	73.76	100.00
	Pesquera Iquique S.A.	19.3	19.3	-	-	99.00	49.00
	Pesqueras Unidas S.A.	...	...	...	...	...	...
	Pesquera Guanayo S.A.	23.0	22.9	-	-	49.00	49.00
	Pesquera Indo S.A.	40.0	21.6	-	-	47.44	47.44
	Soc. Pesquera Coloso S.A.	21.5	21.4	-	-	39.77	39.77
	Marco Chilena S.A.I.C.	US\$ 4.0	US\$ 1.5	-	-	45.80	45.00
Marketing	Soc. de Terminales Pesqueras Ltda. (SOTEPE)	...	...	...	...	...	...
Research	Instituto de Fomento Pesquero (IFOP)	...	...	...	...	...	...
<u>Forestation, timber and wood pulp</u>							
Forestry	Soc. Agrícola y Forestal Lebu Ltda.	1.0	0.5	-	-	100.00	100.00
	Forestal Arauco Ltda.	5.5	5.5	-	-	94.50	94.50
	Forestación Nacional S.A. (FORESTANAC)	9.0	2.7	-	-	14.87	14.87

Table 9 (Cont.)

Table 9 (Cont.1)

		Authorized capital	Paid-up capital	Share of capital assets held by the government (percentages)		
		(Millions of escudos \$/)		CORFO subsidiaries	Other public bodies	Total government share
Timber	Laminadora de Maderas S.A.	3.2	2.3	...	...	...
	Impregnadora de Maderas S.A. (IMPREGNA)	1.0	1.2	-	17.26	76.71
	Maderas y Sintéticos S.A. (MASISA)	10.0	4.4	-	-	17.08
	Forestal Pilpilco S.A.	6.2	6.2	-	-	77.15
	Bosques Industrias de la Madera S.A. (BIMA)	100.0	...	-	-	41.49
Pulp and paper	Soc. Celulosa de Construcción S.A. (CELCO)	4.0	4.0	-	-	66.25
	Industria Celulosa Arauco S.A.	US\$13.5	US\$11.4	-	-	62.43
	Industrias Forestales S.A. (INFORSA)	24.0	24.0	-	-	49.98
	Papelera del Pacifico S.A. (PADELPA)	15.6	10.5	-	-	48.31
Research institute	Instituto Forestal	...	...	...	...	...
<u>Mining of metals</u>						
Minas	Cía. Minera Carolina de Michilla	US\$4.0	US\$3.2	-	-	25.00
	Cía. Minera Cerro Negro S.A.	8.0	4.8	26.13	63.87	100.00
	Cía. Minera Chaffaral y Taltal S.A. (CHATAL)	0.6	0.6	-	-	33.46
	Cía. Minera Las Chivas	0.1	0.1	99.90	-	100.00
	Cía. Minera Leica Ltda.	3.0	...	-	-	33.33
	Cía. Minera Tamaya S.A.	2.0	1.5	-	-	30.00
	Cía. Minera Aysen	0.5	...	-	-	100.00
	Cía. Minera Maipú Ltda.	0.2	0.2	-	-	33.00
	Empresa Minera de Mantos Blancos S.A.	US\$3.3	US\$13.3	-	-	5.73
	Cía. Minera Angelita Ltda.	0.4	0.4	-	-	51.00
Research	Instituto de Investigaciones Geológicas	...	...	...	...	...
	Instituto de Investigaciones Mineras	...	...	...	...	...
<u>Coal mining</u>						
Coal mining companies	Cía. Carbonífera Victoria de Lebu	5.4	4.3	0.03	-	99.97
	Cía. Carbonera Pilpilco	3.5	2.6	4.85	-	95.15
	Cía. Carbonera de Colico Sur S.A.	1.6	1.6	0.06	-	99.94

Table 9 (Cont.2)

		Authorized capital	Paid-up capital	Share of capital assets held by the government (percentages)			
		(Millions of escudos \$/)		CORFO subsidiaries	Other public bodies	CORFO	Total government share
<u>Communications and broadcasting</u>							
Communications	Empresa Nacional de Telecomunicaciones S.A. (ENTEL)	253.0	207.1	0.10	0.22	98.76	99.98
	Cía de Teléfonos de Chile S.A.	364.0	346.1	-	-	2.93	2.93
Films and television	Estudios Cinematográficos de Chile S.A. "Chile Films S.A."	0.1	0.1	-	-	85.63	85.63
	Televisión Nacional de Chile S.A.	13.7	12.9	20.00	-	80.00	100.00
<u>Energy</u>							
Enterprises	Empresa Nacional de Electricidad S.A. (ENDESA)	800.0	800.0	-	-	96.03	96.03
	Cía. Chilena de Electricidad (CHILECTRA)	US\$22.0	US\$22.0	-	-	90.52	90.52
	Soc. Geotécnica del Tatío S.A.	0.3	0.3	-	-	51.00	51.00
<u>Electronics</u>							
Enterprises	R.C.A. S.A. Electrónica	6.5	6.5	-	-	33.33	33.33
	Empresa Electrónica Nacional (ELECNA)	8.0	4.2	-	-	100.00	100.00
<u>Petrochemicals and chemicals</u>							
Petroleum and petroleum products	Empresa Nacional de Petróleo (ENAP)	1 600.0	1 600.0	-	-	100.00	100.00
Basic organic chemicals	Petroquímica Chilena S.A.	100.0	52.4	49.75	-	50.25	100.00
	Química Alquíl S.A. (ALQUISA)	1.0	...	10.00	-	10.00	20.00
Basic inorganic chemicals	Soc. Química y Minera de Chile S.A.	US\$40.0	US\$32.3	-	-	34.25	34.25
	Fábrica de Ácido Sulfúrico S.A.	0.3	0.3	-	-	95.60	95.60
Fertilizers	Cía. Sudamericana de Fosfatos S.A. (COSAP)	15.0	15.0	...	...	...	...
	Soc. Chilena de Fertilizantes Ltda. (SOCHIP)	0.5	0.5	-	6.25	93.75	100.00
<u>Construction</u>							
Construction materials	Vibroceret S.A.	1.0	0.6	-	-	30.48	30.48
	Fábrica de Cemento de Antofagasta	...	...	...	...	...	...
<u>Steel and metal transforming</u>							
Steel	Compañía de Acero del Pacífico (CAP)	US\$100.0	US\$79.3	-	14.49	37.47	51.96

Table 9 (Contd.)

	Authorized capital (Millions of escudos \$)	Paid-up capital	Share of capital assets held by the government (percentages)			Total government share
			CORFO subsidiaries	Other public bodies	CORFO	
Metal transforming	3.0	3.0	-	-	99.67	99.67
	US\$5.0	US\$5.0	-	-	75.00	75.00

	0.6	...	-	-	90.94	90.90
	0.4	0.4	-	-	10.00	10.00
Tourism	0.1	0.1	-	-	60.00	60.00
	60.0	45.8	-	-	85.54	85.54
	0.5	0.5	-	-	0.22	0.22
Enterprises	9.4	9.4	-	-	25.00	25.00
<u>Multisectoral support organizations</u>						
Instituto de Investigación de Recursos Naturales (IREN)	...	...	...	...	...	...
Instituto Tecnológico de Chile	...	...	...	...	...	...
Instituto Nacional de Capacitación Profesional (INACAP)	...	...	...	...	...	...
Empresa de Servicios de Computación Ltda.	15.3	15.3	0.26	-	99.74	100.00
Soc. Inmobiliaria de Exposiciones	2.6	2.6	-	-	38.20	38.20
Empresa de Transporte Masivo Metropolitana	291.0	...	-	99.60	0.40	100.00
Instituto de Costes	...	...	...	...	...	...
Servicio de Cooperación Técnica (SERCOTEC)	...	...	...	...	...	...

Source: CORFO, Subsidiaries management department.

\$/ Except where otherwise indicated.

/Currently, CORFO

Currently, CORFO is grouping the enterprises together according to activity, so that their action may be co-ordinated in each sector, under a management that establishes general policy, but with each enterprise maintaining its autonomy of operation.

In short, it may be concluded that the legal forms of organization of public enterprises vary not only according to needs, but also according to the manner in which they were incorporated in the public sector and State policy in this respect. The adoption of measures that eliminate or lessen the "insularity" of those enterprises and permit their co-ordinated action, may mean, depending on the policy of each individual country, anything from an exchange of information and improved communications between enterprises to unified management and the pooling of certain resources (for instance, financial and technical resources and managerial capacity).

(h) Some links with the private sector

The links between enterprises in the public and private sectors depend essentially on the general environment in which they operate. However, to take one particular aspect, it may be useful to specify certain attitudes and value judgements on the part of private entrepreneurs, which vary according to the public activity they carry on. For instance, in the creation of an infrastructure and provision of public utilities, there is normally complementarity between the public and the private enterprises, since these are activities with a strong element of risk, which require substantial investment with slow and unprofitable returns - which is why the private sector is in favour of State action in this sphere.

However, when the State enterprises are competitors, particularly in commerce and manufacturing, private entrepreneurs may consider this an invasion of their territory. The main cause for complaint is that the two types of enterprise are not competing on the same footing, since the State enterprises are not bound to make a profit. In other words, they are fighting in the same ring, but one of the opponents is handicapped by fear of a deficit and the other is not. Other objections are that

/the State

the State enterprises normally have easy access to financing and sometimes that they get tax exemptions. In addition, the action of the State is criticised when it tries to attract resources through price or tariff control, since this is a form of capital accumulation.^{9/}

(i) The directors of public enterprises

Whether or not there is a class or group of entrepreneurs in the public sector who act as directors or managers for the State "producer" ^{10/} and whose behaviour is supposed to differ from that of private entrepreneurs and civil servants is a very controversial question. In theory, the fact that both public and private enterprises produce specific goods and services using much the same techniques obliges them to comply with certain operational requirements. A steel works, a transport enterprise or an electricity plant must produce in a certain way, which does not vary whether they are controlled by public or by private interests. But the objectives of the two types of enterprise may be very different. In the private enterprise, the main goal is to expand the volume of sales and increase profits. In the public enterprise, on the other hand, the motive force is not profit, but meeting certain standards outlined by the central government; for instance, they must supply the right type of goods at prices that are fixed, not necessarily by market requirements, but by political decisions in many cases.

Another point of difference is where the managers come from: managers of public enterprises are chosen by a governing group according to a criterion similar to that used in appointing the heads of government departments, i.e., for their technical skill and political suitability. But they may have been trained in the private or the public sector. In the first case they give particular attention to management efficiency, which

^{9/} In this connexion, see Ignacy Sachs, Patterns of public sector in underdeveloped economies (Bombay, Asia Publishing House, 1964).

^{10/} See Ricardo Cibotti and Enrique Sierra, El sector público en la planificación del desarrollo, Textos del Instituto Latinoamericano de Planificación Económica y Social (Editorial Siglo XXI, Mexico, and Editorial Universitaria S.A., Santiago, Chile, 1970).

involves precise controls and well-defined tasks; the clearest and most exact indicator of such efficiency is the amount of profit made. The other case is that of managers trained in the public sector, generally in the same enterprise, whose interests they have at heart. They are not generally concerned with financial management and the question of risk, and they accept as a criterion for evaluation whether or not they have carried out the plan, or expanded the enterprise, or met the standards of quality for the goods and services produced.

But perhaps the most outstanding point of contrast is the nature of the power exercised by the two types of entrepreneur; on the one hand, the power of the private entrepreneur is based on his freedom to do as he likes with the profits he generates, which he may use for consumption or investment - in the same or in other enterprises - at his discretion. On the other hand, the director of a public enterprise cannot do as he likes with the earnings of the enterprise, and his job does not depend on any possible losses. His power lies in the size of the staff at his command, the importance of the goods he produces and the services he provides; but his power is not his own and is not based on ownership, but, in the last analysis, is dependent on a government decision.

For all these reasons it may be concluded that the director of a public enterprise has characteristics of both the private entrepreneur (particularly as regards the actual work he does) and the civil servant (as regards the manner of his appointment, the objectives and nature of his powers); but that, when all is said and done, he is more an official than he is a captain of industry.

III. IMPACT OF PUBLIC ENTERPRISES IN THE MAJOR SECTORS IN WHICH THEY OPERATE

The brief over-all view presented in table 4 indicates the dominance of public enterprise in sectors of the economy related to the infrastructure and the supply of certain services and inputs. The following sections will describe in broad outline the role played by public enterprises in rail, maritime and air transport and in the petroleum, electric power and steel sectors. As the intention is not to discuss the over-all operation of these sectors but rather to indicate the role of public enterprise in them, the sections that follow will be confined to describing the relative importance of public enterprises in each sector of activity and the financial results of their operations.

1. Railway enterprises

(a) Relative importance

In Latin America, virtually all rail transport is in the hands of State enterprises. Argentina, Brazil and Mexico head the list, each with between 25,000 and 28,000 million technical traffic units,^{11/} followed by Chile (4,600 million) and, in descending order, Colombia, Peru and Uruguay (ranging between 1,500 and 1,000 million).

The only private enterprise in all these countries is the Peruvian Corporation Limited, with 610 million TTU (see table 10). In the other countries of the region, rail transport is of relatively small importance and the TTU figures are not very significant.

In order to gauge the relative importance of railway systems, it is useful to look at total operating costs and the number of staff employed, since capital costs vary a great deal from year to year. Railway operating costs in Argentina and Mexico range between 17 and 18 per cent of general government consumption expenditure, while in Chile the corresponding figure is 12 per cent, in Brazil 9 per cent and in Colombia 5.5 per cent.

^{11/} Technical traffic units (TTU) are equal the sum of ton/kilometres and passenger/kilometres, and are an indicator of traffic volume.

Table 10

LATIN AMERICA: EMPLOYMENT WAGES AND PRODUCTIVITY
IN THE RAILWAY SYSTEMS

	Year	Staff employed (thous- ands)	Average wage (dollars at 1960 prices)	TTU per person (thous- ands)
Argentina	1950	189	1 792	155
	1960	211	1 607	146
	1968	156	1 649	177
Bolivia	1968	6	1 043	98
Brazil	1950	200	892	92
	1960	204	1 135	128
	1968	157	1 206	166
Colombia	1950	14		96
	1960	11	1 189	130
	1968	11	1 572	131
Chile	1950	22	2 579	187
	1960	25	2 948	157
	1968	24	2 502	183
Mexico	1952-54	86	...	165
	1960	69	1 719	263
	1968	80	2 436	313

Source: ECLA, El Transporte en América Latina (United Nations publication, Sales N°: 65.II.G.7). Asociación Latinoamericana de Ferrocarriles (ALAF), Anuario Estadístico Latinoamericano, 1968.

The labour force employed by railway enterprises ranges from close to 160,000 in Argentina and Brazil, to 80,000 in Mexico, 24,000 in Chile and slightly more than 11,000 in Colombia. The comparatively small size of the labour force employed in the Mexican railway system - half that of Argentina and Brazil with roughly the same traffic level - is due to differences in the ratio of freight ton/kilometres to passenger/kilometres, which is 5 to 1 in Mexico whereas in the other countries it is roughly equal.

(b) Financial results of operations

Around 1950, the financial balance on operations of the Latin American railways began to move into the red. Contributory factors included failure to renew equipment in good time and insufficient expenditure on maintaining equipment and tracks, together with policies to maintain rates at low levels and competition from other means of transport. Furthermore, the railways were on occasion used as a means of creative employment, which helped to swell operating costs.

In 1960, the operating coefficient (ratio of operating costs to operative income)^{12/} expressed as a percentage was close to 200 in Brazil and Uruguay, over 150 in Argentina and Chile, and between 111 and 116 in the remaining countries. Two years later, the situation had worsened appreciably, and the coefficient had risen to above 250 in Brazil and Uruguay, above 200 in Argentina and Chile, while in Colombia, Mexico and Peru it remained fairly low (between 124 and 134). A comparison of these figures with those for 1968 shows that there had been a definite improvement. In Brazil, the coefficient had returned to its 1960 level (192), but in Uruguay it had remained extremely high (233), while in Argentina, Chile and Mexico it had not moved from the relatively high level of 143. In Peru, the financial situation of the railways had not varied a great deal, and only Colombia had been able to achieve an operating surplus (see table 11).

^{12/} Subsidies and other income not connected with operations was excluded from operating income; and expenditure on renewals of equipment was not included under operating expenditure.

Table 11

LATIN AMERICA: FINANCIAL RESULTS OF OPERATIONS OF THE RAILWAY SYSTEMS

	Argentina	Bolivia	Brazil	Colombia	Chile	Peru	Mexico	Uruguay
	<u>Operating coefficients ^{a/}</u>							
1945	81.6	...	96.6	69.3	99.2	...	102.0	...
1950	123.8	81.6	136.0	103.2	136.9	104.2	101.9	134.6
1955	127.9	91.2	159.9	110.2	151.3	102.7	123.2	193.1
1960	156.9	143.2 ^{b/}	192.0	112.7	153.6	111.0	116.2	187.9
1961	174.1	...	228.0	112.4	179.0	120.9	128.5	228.3
1962	207.0	...	260.1	126.0	203.2	124.1	133.8	253.4
1968	144.0	110.0	192.0	92.0	143.0	135.0	143.0	233.0
	<u>Percentage variation 1960-1968 expressed in real terms</u>							
Operating expenditure	-26.0	...	-16.0	+22.0	-15.0	-11.0	+27.0	-9.0
Operating income	-20.0	...	-16.0	+49.0	-8.0	-27.0	+3.0	-27.0
Surplus of deficit	-38.0	...	-16.0	-	-27.0	+130.0	+174.0	+11.0

Source: As for table 10.

^{a/} Ratio of operating costs to operating income, multiplied by 100. Subsidies and other income not connected with operations was excluded from operating income; expenditure on renewals of equipment was not included under operating expenditure.

^{b/} Data for 1959.

/The data

The data given above reflect the position of the main railway systems in each country and not the individual situation of some enterprises or lines that may be in quite a different financial position. For example, the most important railway enterprise in Brazil, the Rede Ferroviaria Federal S.A., had an operating coefficient of 186 in 1968; in Peru the State railways had a coefficient of 186 in 1968; in Peru, the State railways had a coefficient in 1968 (including equipment renewal costs) of 135, while the Peruvian Corporation Limited was virtually in balance.

It is difficult to make an objective appraisal of the operating deficits represented by coefficients of above 100 in the various countries. One method is to compare the absolute values of deficits with operating costs. In Brazil, Chile and Uruguay, the deficit amounts to about half the operating costs, and in Argentina, Mexico and Peru it ranges from 26 to 30 per cent. Taking another yardstick, the deficit as a proportion of total general government consumption expenditure gives a figure of between 16 and 18 per cent in Argentina, Chile and Mexico, and 9 per cent in Brazil. These figures show the seriousness of the financial position of the railways and its impact on increases in government expenditure under the head of transfers.

The following paragraphs will describe developments that have either improved or worsened the financial situation of railway enterprises between 1960 and 1968.^{13/}

It is clear from table 11 that during the period 1960-1968 three of the seven countries considered reduced their operating deficit

^{13/} For purposes of comparison, the average values and prices for 1968 were deflated using cost-of-living indexes, with 1960 taken as the base year at 100. For Mexico the implicit price deflator of the gross domestic product was used. The ratio of technical traffic units to labour employed was taken arbitrarily as an indicator of labour productivity. This indicator becomes less meaningful as the difference between the two types of traffic increases. For example in Mexico average productivity per employed person is 1.8 times greater than in Argentina, owing to the fact that, as noted above, freight traffic is much more important than passenger traffic.

/over the

over the period, three increased it and only Colombia achieved a surplus. Contributory factors were rate trends and changes in the proportions of freight and passenger traffic (see table 12). Of particular importance the expenditure side, owing to its large share of the total, was expenditure on the wage bill owing to changes in the number of persons employed and in average real wages. Expenditure for maintenance, fuel and electrical energy generally rose less rapidly than the wage bill.

In the three countries that reduced their operating deficits there were reductions in real terms in freight rates: 15 per cent in Argentina, 12 per cent in Brazil and 25 per cent in Chile. The effect on operating income, however, was to some extent offset, especially in Argentina where, in addition to a real increase of 29 per cent in passenger rates, the ratio of freight income to passenger income fell from 2.9:1 in 1960 to 1.7:1 in 1968. In Brazil and Chile, passenger rates fell by 4.2 and 23.8 per cent respectively, and in neither country was there a change in the structure of income.

The reduction of expenditure was made possible by a sharp cutback in the labour force in Argentina and Brazil, accompanied by a relatively small rise in average real wages. In Chile, where the labour force shrank only slightly, real wages fell by 15 per cent.

Colombia's surplus was due to a sharp increase in real passenger rates (68 per cent), accompanied by stagnation in real terms of freight rates, with the ratio of freight to passenger traffic remaining constant. The relatively smaller increase in expenditure was due inter alia to a 32 per cent rise in average wages, with the size of the labour force remaining roughly at its 1960 level.

In the countries where the operating deficit increased, there was a sharp decline - about 30 per cent - in real freight rates, accompanied in Peru and Uruguay by an equal or greater decline in passenger rates (46 per cent). In Mexico, passenger rates declined comparatively less (8 per cent), but total income in respect of freight was almost ten times that for passengers. The labour force rose by 16 per cent between 1960 and 1968, while average wages, at constant prices, rose by 42 per cent.

Table 12

LATIN AMERICA: TRAFFIC AND AVERAGE INCOME
IN THE RAILWAY SYSTEMS

	Year	Commercial traffic		Unit income	
		Freight	Passengers	Per ton/km.	Per pass./km.
		(Millions of ton/km.)	(Millions of pass./km.)	(Thousandths of dollar at 1960 prices) a/	
Argentina	1950	16 120	13 104	13.7	7.9
	1960	15 158	15 685	13.5	4.5
	1962	10 913	...	12.0	...
	1968	12 778	14 853	11.0	5.8
Bolivia	1968	311	248	25.4	7.7
Brazil	1950	8 267	10 093	18.5	5.1
	1960	12 820	15 395	8.9	2.4
	1968	12 997	13 173	7.8	2.3
Colombia	1960	768	598	20.5	4.7
	1968	1 125	351	20.7	7.9
Chile	1950	2 161	1 956	20.0	9.0
	1960	2 025	1 900	28.1	10.1
	1968	2 331	2 071	21.0	7.7
Mexico	1960	14 004	4 128	13.1	5.0
	1968	20 654	4 398	9.6	4.6
Peru	1960	529	282	32.0	9.5
	1968	567	224	22.0	7.2
Uruguay	1960	399	535	21.4	5.9
	1968	415	663	14.9	3.2

Source: As for table 10.

a/ Deflated using consumer price indexes (except for Mexico, where the implicit price deflator of the gross domestic product was used) and converted into dollars at purchasing power parity exchange rates.

2. Shipping companies ^{14/}

Table 13 gives an over-all picture of Latin America's merchant fleet, ^{15/} with a break-down by State and private shipping companies. It shows that Argentina and Brazil, with the largest national fleets, together account for 57 per cent of all Latin American tonnage. Chile, Colombia and Ecuador, ^{16/} Cuba, Mexico and Venezuela form a second group, with 34 per cent of total tonnage, most of the remaining 9 per cent being taken up by Peru and Uruguay (8 per cent). At the same time, it should be borne in mind that Latin American national-flag ships carry only a small percentage of each country's total maritime freight; table 14 illustrates this point by indicating the freights earned by national and by foreign ships.

Taking only ships of 1,000 gross registered tons or over, the thirty-three State-owned fleets account for nearly 60 per cent of Latin America's over-all tonnage, while the 124 privately-owned fleets represent only 40 per cent. Moreover, except in Uruguay and Venezuela, the average age of the State-owned fleets is lower in every country.

Of the total State-owned fleets alone, 63.5 per cent is in Brazil and Argentina, followed by Cuba and Mexico with 20.6 per cent. Further down the scale come Chile, Colombia and Ecuador, and Venezuela, with much lower shares and a predominantly privately-owned fleet.

Table 15 lists Latin America's thirty biggest shipping companies. Here again, it can be seen that the bulk of the total fleet is State-owned since the seventeen private shipping companies mentioned account for only one third of the total tonnage of the thirty enterprises.

^{14/} For recent trends in Latin American maritime transport, particularly the shipping policies adopted, see ECLA, Economic Survey of Latin America, 1969, Part Three, chapter III.

^{15/} In view of the fact that most ships flying the Panamanian flag are not Latin-American-owned, the fleet registered in Panama has not been taken into consideration.

^{16/} Owing to the size of the Grancolombiana merchant fleet, which is jointly owned by Colombia and Ecuador, these two countries are usually taken together.

Table 13

LATIN AMERICA: SHARE OF STATE-OWNED SHIPPING COMPANIES IN THE TOTAL
MERCHANT FLEET AT 1 DECEMBER 1969 a/

Shipping company	Number of units	Average age (years)	Gross registered tonnage	
			Absolute figures	Percentage of total national fleet
Argentina				
Empresa Líneas Marítimas Argentinas	45	17.8	325 013	31.1
Yacimientos Petrolíferos Fiscales	25	18.4	210 177	20.1
Ministerio de Defensa Nacional	11	21.4	41 388	4.0
Flota Fluvial del Estado Argentino	13	9.0	34 671	3.3
Empresa Ferrocarriles del Estado Argentino	6	37.4	12 459	1.2
Yacimientos Carboníferos Fiscales	2	25.0	6 691	0.7
Total State-owned	102	18.2	630 399	60.4
Total privately-owned	81	21.3	413 501	39.6
Over-all total	183	19.5	1 043 900	100.0
Brazil				
Fronape (PETROBRAS)	40	9.9	420 142	34.3
Lloyd Brasileiro	69	13.6	373 524	30.6
Ministerio de Marinha	6	14.8	22 068	1.8
Companhia Siderurgica Nacional	2	14.0	16 453	1.3
Empresa de Navegacao Amazonica	7	12.4	9 238	0.8
Total State-owned	124	11.8	841 425	68.9
Total privately-owned	92	14.7	380 552	31.1
Over-all total	216	12.7	1 221 977	100.0
Chile				
Ministerio de Defensa Nacional	5	10.0	31 720	12.1
Empresa Marítima del Estado	9	12.1	21 486	8.3
Total State-owned	14	10.9	53 206	20.5
Total privately-owned	28	12.9	205 985	79.5
Over-all total	42	12.5	259 191	100.0
Colombia/Ecuador				
Ministerio de Defensa Nacional de Colombia	5	8.7	46 588	19.4
Flota Bananera Ecuatoriana	2	1.0	13 250	5.5
Concesión de Salinas (Banco de la República de Colombia)	2	1.5	3 956	1.7
Navenal	2	16.8	2 989	1.3
Total State-owned	11	7.1	66 783	27.9
Total privately-owned ^{b/}	30	8.9	172 332	72.1
Over-all total	41	8.4	239 115	100.0

/Table 13 (cont.)

Table 13 (cont.)

Shipping company	Number of units	Average age (years)	Gross registered tonnage	
			Absolute figures	Percentage of total national fleet
Cuba				
Empresa Consolidada de Navegación Mambisa	39	9.8	229 380	94.0
Flota Cubana de Pesca	7	3.4	9 094	3.7
Empresa Consolidada del Petróleo	2	11.7	4 579	1.9
Empresa Consolidada del Cemento	1	40.0	1 039	0.4
Over-all total	49	9.7	244 092	100.0
Dominican Republic				
Flota Mercante Dominicana	2	10.9	6 463	67.5
Total privately-owned	2	28.4	3 117	32.5
Over-all total	4	23.4	9 580	100.0
Guatemala				
Flota Mercante Gran Centroamericana	2	9.5	3 629	100.0
Mexico				
Pemex	21	5.9	230 754	81.6
Caminos y Puentes Federales	1	5.0	2 531	0.9
Total State-owned	22	5.9	233 285	82.5
Total privately-owned	14	14.1	49 475	17.5
Over-all total	36	7.4	282 760	100.0
Nicaragua				
Mamenie	5	16.1	11 116	73.0
Total privately-owned	1	36.0	4 105	27.0
Over-all total	6	21.4	15 221	100.0
Paraguay				
Flota Mercante del Estado	14	7.5	15 713	100.0
Peru				
Compañía Peruana de Vapores	7	8.1	57 384	30.7
Ministerio de Marina	9	14.5	51 089	27.3
Total State-owned	16	11.1	108 393	58.0
Total privately-owned	12	19.7	78 498	42.0
Over-all total	28	14.7	186 891	100.0

Table 13 (concl.)

Table 13 (concl.)

Shipping company	Number of units	Average age (years)	Gross registered tonnage	
			Absolute figures	Percentage of total national fleet
Uruguay				
Ancap	3	23.0	22 719	18.0
Ministerio de Defensa Nacional	1	7.0	18 584	14.7
Administración Nacional de Puertos	3	31.6	15 878	12.6
Total State-owned	7	20.1	57 181	45.3
Total privately-owned	11	17.9	69 009	54.7
Over-all total	18	18.9	126 190	100.0
Venezuela				
C.A. Venezolana de Navegación	12	13.7	45 726	14.7
Total privately-owned	23	11.9	264 703	85.3
Over-all total	35	12.1	310 429	100.0
Latin America				
Total state-owned (33 shipping companies)	380	12.8	2 317 411	58.5
Total privately-owned (124 shipping companies)	294	15.8	1 641 277	41.5
Over-all total	674	13.9	3 958 688	100.0

Source: Instituto de Estudios de la Marina Mercante Iberoamericana, La Marina Mercante Iberoamericana, Buenos Aires, 1969.

a/ Only self-propelled ships of 1,000 gross registered tons or over.

b/ The Ecuadorian Government has a minority holding in the F.M. Granacolonbiana, which is a private enterprise. It owns 24 ships with a total registered tonnage of 158 915, i.e., 66.5 per cent of the total combined tonnage of Colombia and Ecuador.

Table 14

LATIN AMERICA: MARITIME FREIGHTS IN FOREIGN TRADE, 1967

	Total freight on imports	Total earned by national flag ships	Percentage	Total freight on exports	Total earned by national flag ships	Percentage	Over-all total freights	Total earned by national flag ships	Total earned by foreign ships	Percentage earned by national flag ships
	Millions of dollars	Millions of dollars		Millions of dollars	Millions of dollars		Millions of dollars	Millions of dollars	Millions of dollars	
Argentina	99.8	24.9	25	199.8	18.0	99	299.6	42.9	256.7	14
Bolivia	19.3	-	-	20.0	-	-	39.3	-	39.3	-
Brazil	219.7	93.3	42	207.0	33.6	16	426.7	126.9	299.8	30
Colombia	42.0	11.4	27	101.0	5.2	5	143.0	16.6	126.4	12
Costa Rica	17.2	1.4	8	35.0	0.8	2	52.2	2.2	50.0	4
Chile	68.5	17.0	25	93.0	12.1	13	161.5	29.1	132.4	18
Ecuador	17.3	4.2	24	52.7	3.0	6	70.0	7.2	62.8	10
El Salvador	19.0	-	-	18.0	-	-	37.0	-	37.0	-
Guatemala	19.7	-	-	18.0	0.1	1	37.7	0.1	37.6	-
Haiti	3.8	-	-	3.5	-	-	7.3	-	7.3	-
Honduras	14.3	0.6	4	56.0	0.2	-	70.3	0.8	69.5	1
Mexico	53.0	12.0	23	150.0	8.0	5	203.0	20.0	183.0	10
Nicaragua	27.4	4.8	18	15.5	2.1	14	42.9	6.9	36.0	16
Panamá	21.2	-	-	50.5	-	-	71.7	-	71.7	-
Paraguay	9.7	3.0	31	9.9	1.8	18	19.6	4.8	14.8	24
Peru	69.0	13.0	19	157.0	5.0	3	226.0	18.0	208.0	8
Dominican Republic	16.5	-	-	22.0	3.8	17	38.5	3.8	34.7	10
Uruguay	26.0	9.7	37	11.0	1.7	15	37.0	11.4	25.6	31
Venezuela	82.0	19.2	23	700.0	41.8	6	782.0	61.0	721.0	8
Total	845.4	214.5	25	1 919.9	137.2	7	2 765.3	351.7	2 413.6	13
Total for ALALC countries (excluding Bolivia)	687.0	207.7	30	1 681.4	130.2	8	2 368.4	337.9	2 030.5	14

Source: For ALALC countries, excluding Bolivia, OAS/ALALC Transport Programme. For other countries, International Monetary Fund and ECLA estimates.

Table 15

LATIN AMERICA: THE THIRTY BIGGEST SHIPPING COMPANIES IN ORDER OF GROSS
REGISTERED TONNAGE ^{a/} AT 1 JANUARY 1969

Shipping company and country	State-owned or privately owned	Units	Gross registered tonnage	Average age (years)
FRONAPE (Brazil)	State	40	420 142	9.9
Lloyd Brasileiro (Brazil)	State	69	373 524	13.6
ELMA (Argentina)	State	45	325 013	17.8
PEMEX (Mexico)	State	21	230 574	5.9
Empresa Consolidada de Navegación MAMBISA (Cuba)	State	39	229 380	9.8
YPF (Argentina)	State	25	210 177	18.4
Flota Mercante Gran Colombiana (Colombia/Ecuador) ^{b/}	Private	24	158 915	8.3
Creole Petroleum (Venezuela)	Private	6	117 254	10.5
Compañía Shell de Venezuela (Venezuela)	Private	6	104 216	11.4
Compañía Sudamericana de Vapores (Chile)	Private	10	95 364	7.7
PETROMAR (Argentina)	Private	10	76 009	18.7
Navegação Mercantil S.A. Navem y otros (Brazil)	Private	5	65 400	1.2
Estrella Marítima (Argentina)	Private	9	64 329	17.7
Compañía Peruana de Vapores (Peru)	State	7	57 304	8.1
Ministerio de Marina (Peru)	State	9	51 089	14.5
SONAP (Chile)	Private	3	50 716	15.4
Ministerio de Defensa Nacional (Colombia)	State	5	46 588	8.7
CAVN (Venezuela)	State	12	45 726	13.7
Transportadora Marítima Mexicana (Mexico)	Private	12	44 155	12.9
Navegação NETUMAR (Brazil)	Private	9	43 113	8.3
Ministerio de Defensa Nacional (Argentina)	State	11	41 388	21.4
LIBRA (Brazil)	Private	14	38 323	13.0
La Naviera (Argentina)	Private	8	37 642	27.4
GOTAAS LARSEN (Argentina)	Private	3	37 508	21.0
ASTRAMAR (Argentina)	Private	3	35 845	16.4
EPFDEA (Argentina)	State	13	34 671	9.0
TRANSMARITIMA del Plata (Argentina)	Private	2	31 967	22.3
Ministerio de Marina (Chile)	State	5	31 720	10.0
Frota Oceânica Brasileira (Brazil)	Private	2	30 238	1.5
ESSO Uruguay (Uruguay)	Private	1	29 139	11.0

SUMMARY:

	Units	GRT.	Percentage of total GRT. of the thirty biggest shipowners
State shipping companies (13)	301	2 097 476	66.4
Private shipping companies (17)	127	1 060 733	33.6
TOTAL	428	3 158 209	100.0

Source: As for table 13.

^{a/} Only self-propelled ships of 1 000 grt. or over.^{b/} The Ecuadorian Government has a minority holding in the F.M. Gran Colombiana.

/From 1964

From 1964 to 1969, the total gross registered tonnage of Latin America's merchant fleet rose by 10 per cent, despite a reduction in the number of ships in operation (see table 16). Most of this increase can be ascribed to private shipowners, since the public sector's share dropped from 61.9 per cent to 58.5 per cent. The same general trend is apparent in all the countries, except for Chile and Colombia/Ecuador - two of the fleets with the largest proportion of privately-owned ships. There has however been little enough change and the relative proportions of public and private ownership have not altered greatly, except in Uruguay where the share of the State-owned fleet declined from 65 to 45 per cent of the total during the period under consideration; on the other hand, the share of Government-owned shipping increased substantially in Chile (from 15 to 20 per cent) and in Colombia and Ecuador (from 11 to 28 per cent).

The fastest-growing fleet was Cuba's, which is entirely State-owned from the eighth largest Latin American merchant fleet and it moved up to sixth place, and from fourth to third place in the State-owned fleet.

The major role played by the State in Latin America's maritime transport is further illustrated by the fact that orders for new government-owned ships represented 60 per cent of the total tonnage under construction or on order at 1 January 1969 (see table 17). In this connexion, it is worth noting that the Brazilian Government has continued to enlarge its merchant fleet which accounted for 65 per cent of the total tonnage ordered by Brazil. As regards the ratio of tonnage under construction or on order to the existing tonnage of State-owned ships, the most striking cases are Chile and Peru, whose rate of renewal was 124 per cent and 104 per cent respectively.

Table 16

LATIN AMERICA: STATE-OWNED AND PRIVATELY-OWNED MERCHANT FLEET, 1964 AND 1969 ^{a/}

Country	At 1 January 1964					At 1 January 1969					Gross registered tonnage								
	State-owned		Privately-owned		Total	State-owned		Privately-owned		Total	Percentage variation between 1964 and 1.1.69								
	Units	Grt	Rank- ing	Units		Grt	Rank- ing	Units	Grt		Rank- ing	State- owned	Privately owned	Total					
Argentina	138	781 951	2nd	78	418 110	216	1 200 061	1st	102	630 399	2nd	81	403 501	183	1 043 903	2nd	-19.4	-1.1	-13.1
Brazil	145	861 477	1st	91	250 451	236	1 111 928	2nd	124	841 425	1st	92	380 552	216	1 221 977	1st	-2.3	51.9	9.9
Chile	13	41 887	8th	39	238 941	52	280 828	3rd	14	53 206	8th	28	205 985	42	259 191	5th	27.0	-13.8	-7.7
Colombia/Ecuador	3	15 435	9th	32	118 547	35	133 982	7th	11	66 783	6th	30	172 332	41	239 115	7th	332.7	45.4	78.5
Cuba	32	126 755	4th	-	-	32	126 755	8th	49	244 092	3rd	-	-	49	244 092	6th	92.6	-	92.6
Dominican Republic	4	11 886	11th	1	1 167	5	13 053	11th	2	6 463	12th	2	3 117	4	9 580	12th	-45.6	167.1	-26.6
Guatemala	2	3 629	13th	-	-	2	3 629	13th	2	3 629	13th	-	-	2	3 629	13th	-	-	-
Mexico	18	149 295	3rd	11	45 426	29	194 721	5th	22	233 285	4th	14	49 475	36	282 760	4th	56.3	8.9	45.2
Nicaragua	4	9 793	12th	-	-	4	9 793	12th	5	11 116	11th	1	4 105	6	15 221	11th	13.5	...	55.4
Paraguay	12	13 365	10th	-	-	12	13 365	10th	14	15 713	10th	-	-	14	15 713	10th	17.6	-	17.6
Peru	21	111 641	5th	9	32 003	30	143 644	6th	16	108 393	5th	12	48 498	28	186 891	8th	-2.9	145.3	30.1
Uruguay	8	62 824	6th	8	33 490	16	96 314	9th	7	57 181	7th	11	69 009	18	126 190	9th	-9.0	106.1	31.0
Venezuela	11	42 075	7th	23	234 824	34	276 899	4th	12	45 726	9th	23	264 703	35	310 429	3rd	8.7	12.7	12.1
Total	411	2 232 013		292	1 372 959	703	3 604 972		380	2 317 411		294	1 641 277	674	3 958 688		3.8	19.5	9.8

Source: As for table 13.

^{a/} Only self-propelled ships of 1 000 grt. or over.

Table 17

LATIN AMERICA: SHIPS UNDER CONSTRUCTION OR ON ORDER BY STATE AND PRIVATE SHIPPING COMPANIES AT 1 JANUARY 1969 a/

	State shipping companies			Private shipping companies			Total		Rate of renewal b/		
	Units	Grt	Percentage of total Grt	Units	Grt	Percentage of total Grt	Units	Grt	State shipping companies	Private shipping companies	Total
Argentina	6	35 300	68.8	4	16 000	31.2	10	51 300	5.6	4.0	4.9
Brazil	29	573 200	65.0	44	308 844	35.0	69	882 044	68.1	81.2	72.2
Chile	6	66 000	100.0	-	-	-	6	66 000	124.0	-	25.5
Colombia/Ecuador	-	-	-	2	21 000	100.0	2	21 000	-	12.2	8.8
Cuba	3	36 000	100.0	-	-	-	3	36 000	14.7	-	14.7
Dominican Republic	-	-	-	-	-	-	-	-	-	-	-
Guatemala	-	-	-	-	-	-	-	-	-	-	-
Mexico	2	16 750	22.2	5	58 700	77.8	7	75 450	7.2	118.6	26.7
Nicaragua	-	-	-	-	-	-	-	-	-	-	-
Paraguay	-	-	-	-	-	-	-	-	-	-	-
Peru	12	112 616	100.0	-	-	-	12	112 616	103.9	-	60.0
Uruguay	1	20 000	100.0	-	-	-	1	20 000	35.0	-	15.8
Venezuela	-	-	-	6	164 280	100.0	6	164 280	-	62.1	52.9
<u>Total</u>	<u>55</u>	<u>859 866</u>	<u>60.2</u>	<u>61</u>	<u>568 824</u>	<u>39.8</u>	<u>116</u>	<u>1 428 690</u>	<u>37.1</u>	<u>34.7</u>	<u>36.1</u>

Source: As for table 13.

a/ Only self-propelled ships of 1,000 Grt or over.

b/ Rate of renewal = $\frac{\text{Grt. under construction or ordered} \times 100}{\text{existing Grt. in operation}}$

/3. Airlines

3. Airlines

(a) Relative importance of State and private airlines

In nearly all the Latin American countries, the public sector shares air transport with the private sector. Of the fourteen largest air transport companies in the region - there are also a multitude of small companies, generally privately owned - half are privately run and carry close to 55 per cent of the passenger traffic and about 60 per cent of the freight. Of the largest State-run enterprises, mention should be made of Aerolíneas Argentinas, which has a volume of traffic of 1.6 million passengers/kms and 44 million ton/kms of freight, and Aeronaves de México, with 1.4 and nearly 18 million passenger/kms and ton/kms, respectively. The volume of passenger traffic on VIASA and LAN is about 670,000 passenger/km; the volume of freight, however, exceeds that of the Mexican airline (see table 18).

As regards the operational features of the largest airlines in the region, as a rule there are no differences between the public and private airlines except, of course, in the case of domestic flights and stopping points which State airlines sometimes maintain, although they run at a loss, for social reasons or to draw the country together. Both types of airline have domestic and international flights. Aerolíneas Argentinas (State-run) and VARIG (privately owned) run mostly international flights. In other cases, State enterprises such as Cubana de Aviación, LAN and Aeronaves de México, and AVIANCA, which is privately owned, have about as many foreign as domestic flights.

The secondary airlines - whether private or State-owned - mostly operate domestic flights. This is the case of Cruzeiro do Sul and VASP in Brazil, LADECO in Chile, Aeropostal Venezolana, etc.

/Table 18

Table 18

LATIN AMERICA: TRAFFIC OF SELECTED AIRLINES, BY COUNTRY, 1969 SCHEDULED SERVICES,
DOMESTIC AND INTERNACIONAL a/

	b/	Kilometres	Traffic			Weight load factor (per- cent- age)
		flown	Passenger	Freight	Total c/	
			(Passenger/ km)	(ton/km)	(ton/km)	
(Thousands)						
<u>Argentina</u>		42 500	1 961 510	60 780	248 730	58.0
Aerolíneas Argentinas	S	31 786	1 614 966	44 167	201 343	52.8
<u>Brazil</u>		92 400	3 913 510	135 700	466 710	56.0
Varig	Pr	48 137	2 503 538	123 945	346 651	58.1
Cruzeiro Do Sul	Pr	18 335	682 015	7 335	62 404	54.6
Viaçao Aérea São Paulo (VASP)	S	17 273	550 544	5 607	47 627	53.1
<u>Colombia</u>		46 480	1 775 490	69 810	231 830	59.0
Avianca	Pr	31 162	1 407 712	52 354	185 438	59.6
<u>Costa Rica</u>		4 810	124 440	8 850	20 040	69.0
Laosa d/	S	...	86 200 e/	8 148	15 897	68.9
<u>Cuba</u>		6 600	345 090	7 460	37 430	84.0
Cubana de Aviación	S	7 288	445 613	7 999	47 560	87.4
<u>Chile</u>		19 060	655 730	62 750	133 990	49.0
Línea Aérea Nacional (LAN)	S	14 935	667 853	27 491	89 080	58.3
<u>Ecuador</u>		9 110	216 624 e/	4 950	25 070	57.0
Equatoriana de Aviación d/	Pr	7 930 e/	189 100 e/	3 585	21 150	61.4
<u>México</u>		50 590	2 884 240	40 760	288 230	49.0
Aeronaves de México	S	25 459	1 400 100	17 657	140 921	47.4
Mexicana de Aviación	Pr	19 395	1 164 817	13 077	113 749	51.8
<u>Peru</u>		18 430	694 480	17 210	79 190	51.0
Aerolíneas Peruanas (APSA)	Pr	10 828	647 632	10 119	69 741	50.7
<u>Trinidad y Tobago</u>		8 990	418 450	8 240	43 920	34.0
British West Indies Airways	Pr	8 681	416 611	8 303	44 161	33.5
<u>Venezuela</u>		28 870	995 070	39 330	131 040	42.0
VIASA - Venezolana Internacional	S	13 450	683 300	40 323	106 810	41.7
Línea Aeropostal Venezolana	S	...	137 040 e/	1 951	14 394	45.2
Aerovías Venezolanas d/	Pr	...	161 350 e/	3 222	17 872	43.7
<u>Latin America f/</u>		369 350	15 202 614	502 180	1 863 130	-

Sources: International Civil Aviation Organization (ICAO), Development of Civil Air Transport. Traffic Statistics, February 1970.

International Air Transport Association (IATA), World Air Transport Statistics, 1969.

a/ In some cases, the figures for individual airlines are higher than these for the country concerned, owing to discrepancies between the two sources used.

b/ S: State-owned; Pr. Private.

c/ In addition to passengers and freight, includes baggage and mail.

d/ Figures for 1968.

e/ Estimates.

f/ Covers the twenty-three countries of the region.

(b) Financial results

The major airlines of the region - both public and private - are not usually very profitable concerns, for several reasons. First, the airlines that run domestic services as a rule - though not always - have to keep their fares relatively low, either to attract business or to keep them in line with domestic prices. The rates on their international flights are normally fixed by international agreements and with these earnings they have to make good any deficit on domestic services, in addition to paying their current operating costs. This means that if the airline is to operate at a profit, costs must be reduced to a minimum.

Of a total of thirteen airlines considered, four run at a loss: Aerolíneas Argentinas, Cruzeiro do Sul, APSA and LAN; the losses of the last two are very heavy, and LAN, in particular, has a deficit of 40 per cent on its sales figures. Another five enterprises have made somewhat meagre profits of between 2.6 and 4.1 per cent of sales; VARIG, AVIANCA, VIASA, Aeropostal Venezolana and LACSA of Costa Rica; and only four airlines made what may be called a satisfactory profit, equivalent to about 8 per cent of sales: Ecuatoriana de Aviación, Aeronaves de México (State-owned), Aerovías Venezolanas and SAHSA of Honduras.

Income from sales per unit transported appears to have been a factor only in the large losses of LAN, which has the lowest income per unit of the airlines considered, and in the relatively high profits of Aerovías Venezolanas and the Honduran airline SAHSA. The level of returns on the operation of the other airlines must, therefore, be put down to the amount of running costs; this is obvious in the case of the Venezuelan airlines, which have a high income per unit transported but also have high running costs (see tables 18, 19 and 20).

/Table 19

Table 19

LATIN AMERICA: OPERATING INCOME AND EXPENDITURE AND FINANCIAL RESULTS FOR SELECTED AIRLINES, 1968

Ownership a/		Assets on aircraft, equipment and instal- lations	Scheduled services	Operating income	Operating expenditure	Operating result	Results for the financial year	Operating result on relation to:			Sales	Operating expenditure	Operating result
								Aircraft, equipment and instal- lations	Scheduled services	Operating expenditure			
(Thousands of dollars)								(Percentages)			(Dollar cents per ton/km)		
Aerolíneas Argentinas	S	...	63 554	70 066	72 171	-2 105	-6 877	...	-3.3	-2.9	31.6	35.8	-1.0
Cruzeiro do Sul (Brazil)	Pr	39 220	23 372	22 777	23 235	-458	224	-1.2	-2.0	-2.0	39.9	39.7	-0.8
VARIG (Brazil)	Pr	97 157	80 129	86 501	83 934	2 567	2 134	2.6	3.2	3.1	28.3	29.4	0.9
LAN (Chile)	S	40 247	15 866	18 251	24 905	-6 654	-2 608	-16.5	-41.9	-26.7	23.0	33.9	-9.1
AVIANCA (Colombia)	Pr	58 596	53 854	56 844	54 654	2 190	2 658	3.7	4.1	4.0	32.2	32.4	1.3
LACSA (Costa Rica)	Pr	5 109	5 373	5 638	5 449	189	158	3.7	3.5	3.5	33.8	32.6	1.2
Ecuatoriana de Aviación	Pr	3 241	6 685	7 640	7 113	528	65	16.3	7.9	7.4	31.6	33.6	2.5
SAHSA (Honduras)	Pr	1 374	3 211	3 611	3 329	282	254	20.5	8.8	8.5	54.6	49.2	4.2
Aerolíneas Peruanas (APSA)	Pr	25 808	15 862	16 377	18 606	-2 229	-1 203	-8.6	-14.1	-12.0	31.4	36.8	-4.4
Aeronaves de México	S	...	45 946	48 921	45 520	3 401	3 037	...	7.4	7.5	38.2	37.9	2.8
VIASA (Venezuela)	S	14 015	33 106	38 686	37 822	864	1 971	6.2	2.6	2.3	44.9	51.3	1.2
Aerovías Venezolanas	Pr	11 105	11 770	18 138	17 202	936	2 280	8.4	8.0	5.4	65.9	96.3	5.3
Línea Aeropostal Venezolana	S	11 556	10 393	12 376	12 083	293	293	2.5	2.8	2.4	72.2	83.9	2.1

Source: International Civil Aviation Organization (ICAO), *Digest of Statistics No 145; Financial Data*, 1968.

a/ S: State-owned; Pr: Private.

Table 20

LATIN AMERICA: PERCENTAGE DISTRIBUTION OF OPERATING EXPENDITURE FOR SELECTED AIRLINES, 1968

	Flight operations		Maintenance and overhaul	Depre- ciation and amort- ization	Airport taxes and expenses	Passenger services	Sales and promotion	General and adminis- trative expenses	Other operating expenses
	Wages, salaries and expenses of crews	Total ^{a/}							
Cruzeiro do Sul (Brazil)	7.6	34.9	12.8	5.1	14.2	8.5	19.8	4.6	0.1
VARIG (Brazil)	9.2	24.8	12.2	8.3	6.7	9.1	26.4	4.7	7.8
LAN (Chile)	11.0	31.5	17.9	9.9	10.5	8.1	9.5	12.2	0.4
AVIANCA (Colombia)	7.3	21.2	12.0	11.1	17.1	6.5	21.1	11.0	-
Sociedad de Aeronavegación de Medellín (Colombia)	10.6	30.8	28.2	3.7	11.8	3.5	17.4	4.6	-
LACSA (Costa Rica)	12.2	24.8	17.9	10.0	8.7	6.1	21.6	10.9	-
Equatoriana de Aviación	7.1	28.3	11.7	7.1	12.6	5.8	29.5	4.1	0.9
SAHSA (Honduras)	8.6	33.8	5.6	12.0	20.8	3.5	b/	8.1	16.2
TAN (Honduras)	4.8	30.7	15.9	6.5	17.6	5.5	7.8	16.0	-
Aerolíneas Peruanas	5.8	25.3	12.7	11.3	11.9	3.8	27.3	6.9	0.8
Aerovías Venezolanas	7.7	20.7	25.7	17.8	3.7	2.9	22.4	6.8	-
Línea Aérea Postal Venezolana	8.6	23.0	22.8	8.3	17.7	2.9	13.1	8.5	3.7
VIASA (Venezuela)	4.9	38.7	10.5	7.0	7.3	7.5	19.6	9.4	-
Simple average	8.1	28.3	15.8	9.1	12.4	5.7	19.6	8.3	0.8

Source: International Civil Aviation Organization (ICAO), Digest of Statistics, No 145; Financial Data, 1968, page 50.^{a/} Including wages and salaries and expenses of crews.^{b/} Included in "Other operating expenses".

4. Petroleum enterprises

(a) Relative importance of public and private enterprises

Public enterprises handle most of the oil production and refining activities in the Latin American oil countries - with the single exception of Venezuela, which is the region's major exporter (see table 21). Their legal form differs from country to country, they have been in operation for different periods, and their degree of importance also varies. In general, however, they are profit-making, finance a large proportion of their capital expenditure, and account for a significant percentage of total investment in each country. The manpower they employ depends on their scale of operation, fluctuating around 34,000 persons in Argentina and Brazil and 4,000 in Bolivia, Chile and Colombia (see table 22).

In Argentina, the crude petroleum produced by the State Petroleum Corporation (Yacimientos Petrolíferos Fiscales - YPF) in the past decade amounted to about 70 per cent of the country's total output. In addition to YPF, several foreign companies and other domestic enterprises have a share in production through contracts with the State enterprise. If their output were added to YPF's, the proportion would come close to 100 per cent. In any case, the present contract system is different from the former system of concessions, whose importance declined from 5.5 per cent in 1960 to 1.1 per cent in 1969. YPF produced 14.9 million cubic metres of crude in 1969, the main contractors being Pan American and Argentina Cities Service, which contributed 11.3 and 11.1 per cent respectively. The most important concessionaire, Shell CAPSA, produced 124,000 cubic metres the same year. Notwithstanding the high level of self-sufficiency attained, however, imports of crude petroleum, petroleum products, lubricants and liquid gas totalled over 98 million dollars in 1969. Table 23 shows YPF's share in the market for petroleum products.

Table 21

LATIN AMERICA: SHARE OF STATE ENTERPRISES IN THE PRODUCTION OF CRUDE PETROLEUM
AND REFINING CAPACITY, BY COUNTRY, 1969

(Percentages)

Country	Enterprise	Production	Refining
Argentina	Yacimientos Petrolíferos Fiscales (Y.P.F.)	71.9 ^{a/}	58.9
Bolivia	Yacimientos Petrolíferos Fiscales Bolivianos (Y.P.F.B.)	28.0 ^{b/}	100.0
Brazil	Petróleo Brasileiro (PETROBRAS)	100.0	98.9
Colombia	Empresa Colombiana de Petróleo (ECOPETROL)	18.5	55.3
Cuba	Empresa Petrolera Cubana (E.P.C.)	100.0	100.0
Chile	Empresa Nacional de Petróleo (ENAP)	100.0	100.0
Mexico	Petróleos Mexicanos (PEMEX)	100.0	100.0
Peru	Petróleos del Perú (PETROPERU)	24.8	64.5
Uruguay	Administración Nacional de Combustibles, Alcohol y Portland (ANCAP)	-	100.0
Venezuela	Corporación Venezolana del Petróleo (C.V.P.)	0.9	1.4

Source: ECLA, on the basis of official statistics.

^{a/} Output of YPF proper. If the production of enterprises under contract with YPF is added, the proportion rises to 98.9 per cent.

^{b/} This situation changed radically when the Bolivian Gulf Oil Company was nationalized in October 1969.

/Table 22

Table 22

LATIN AMERICA: MANPOWER EMPLOYED BY STATE-OWNED PETROLEUM
ENTERPRISES, 1968-1969

Enterprise	Year	Number of workers and employees
YPF (Argentina)	1969	34 160
YPFB (Bolivia)	1969	4 899
PETROBRAS (Brazil)	1969	34 101
ENAP (Chile)	1968	4 139
ECOPETROL (Colombia)	1969	3 601

Source: Reports of the various enterprises, and ECLA, on the basis of official statistics.

Table 23

ARGENTINA: SHARE OF YPF IN THE DOMESTIC MARKET
FOR PETROLEUM PRODUCTS, 1969

Product	Percentage share	Product	Percentage share
Aviation gasoline	60.2	Fuel for jet aircraft	42.0
Ordinary gasoline	55.7	Gas oil	56.6
Special gasoline	53.8	Diesel oil	71.6
Kerosene	54.0	Fuel oil	61.1

Source: Petrotecnia, June 1970.

/In Bolivia

In Bolivia, the share of the State Petroleum Corporation (Yacimientos Petrolíferos Fiscales Bolivianos - YPFB) in the petroleum sector dwindled steadily over the past decade up to the time when the Bolivian Gulf Oil Company was expropriated, in October 1969. Until 1955, YPFB was the only enterprise operating in this sector, as all former concessions had been cancelled; but from 1955 onwards other enterprises were established, including the Bolivian Gulf Oil Company. In 1963 YPFB produced twenty-seven times more crude petroleum than Gulf Oil, but in 1968 and 1969, while the latter produced 1,886,000 and 1,385,000 cubic metres respectively, YPFB's output was only 497,000 and 661,000. Moreover, in 1969, each enterprise owned half of all the assets of Bolivia's petroleum industry, although Gulf Oil had no refinery. Further, the State enterprise had rights over 27 per cent of the known crude and condensed petroleum reserves compared with Gulf Oil's 73 per cent, and its share of the total gas reserves was only 10 per cent. The export position of the State enterprise also deteriorated, since the extraordinary increase from 300,000 cubic metres in 1963 to 1.7 million cubic metres in 1968 is mainly attributable to Gulf Oil (see table 24). The situation changed completely in October 1969 with the nationalization of Gulf Oil; all its assets were transferred to YPFB, which thus became Bolivia's sole producer.

Table 24

BOLIVIA: PETROLEUM EXPORTS
(Thousands of cubic metres)

Year	YPFB	Gulf	BOC	Total
1963	107.9	-	20.5	128.4
1966	50.0	245.2	4.3	299.5
1968	402.0	1 300.0	-	1 702.0
1969	512.2	1 085.3	-	1 597.5

Source: Dirección General de Petróleo, cited in Ministerio de Planificación y Coordinación, Estrategia socio-económica del desarrollo nacional, 1971-1991, vol. II, page 394.

/In Brazil,

In Brazil, the State enterprise (PETROBRAS) has a monopoly of petroleum production and refining, although it respects the refining concessions granted before 1953. The main characteristics of the sector today are its heavy petroleum imports and its virtual self-sufficiency in refined products. For instance, domestic production of petroleum products supplied 91 per cent of domestic demand in 1968, and 98 per cent in 1969; but in regard to production, in the last few years the continued increase in the proportion of domestic petroleum refined locally has come to a halt. In 1967, approximately 52 per cent of the crude oil refined in Brazil came from PETROBRAS, but the proportion dropped to 45 and 42 per cent in 1967 and 1968, respectively. This was because PETROBRAS's production rose by 17 per cent (to a volume of 10.2 million cubic metres) during that period, while total petroleum consumption increased by 32 per cent (in terms of value) and the volume absorbed by local refineries by 49 per cent. There were thus two parallel developments: an increase in consumption and an increase in the share of Brazilian refineries in the total supply of petroleum products. In recent years, PETROBRAS has stepped up its direct share in the distribution of petroleum products, which rose from 14.3 per cent of total supply in 1968 to 17 per cent in 1969 through the operation of 376 distribution services.^{17/}

In Chile, the State enterprise (ENAP) has a complete monopoly of production and refining. In 1968 it produced 55 per cent of the 4.3 million cubic metres of crude refined in the country, and it has become virtually self-sufficient in petroleum refining (see table 25). In contrast with the policy of other similar enterprises, however, ENAP takes no direct part in the distribution of petroleum products, which is in the hands of national and foreign private companies. Figure I shows how the price of petroleum products is distributed among the State enterprise, the Treasury and the distributors.

In Mexico, PEMEX has a monopoly of petroleum production, refining and distribution. Some 25.5 million cubic metres of crude petroleum were produced in 1968 for the local refineries.

^{17/} See PETROBRAS, Relatorio de actividades, 1969.

Table 25

CHILE: SHARE OF ENAP'S PRODUCTION IN TOTAL CONSUMPTION OF
PETROLEUM PRODUCTS, 1968

Product	Percentages
Gasoline	100
Kerosene	100
Liquid gas	100
Diesel oil	95
Fuel oil	75

Source: ENAP, Memoria 1968.

(b) Financial results of operation

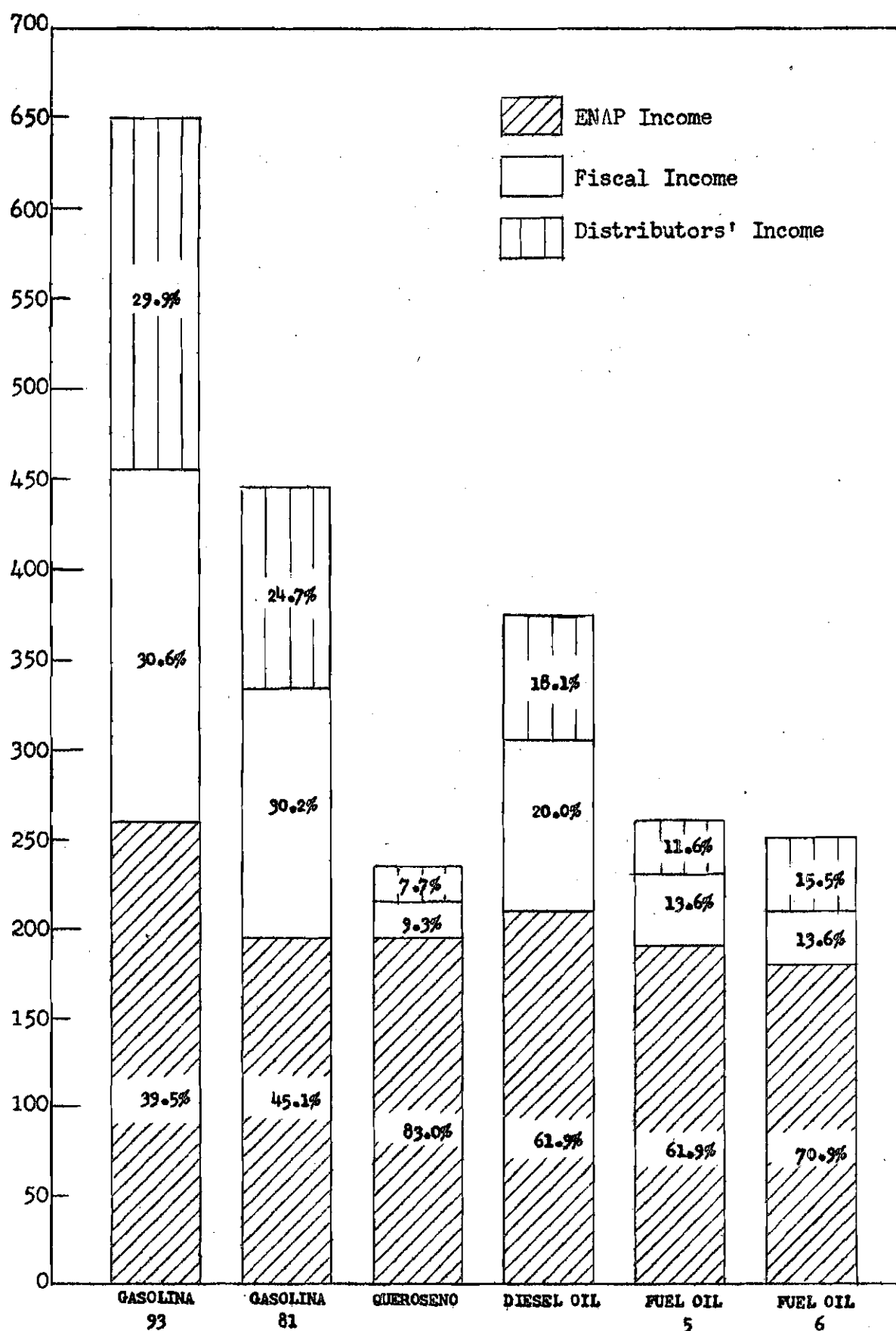
Table 26 presents some of the financial results of the operation of State petroleum enterprises, which show a high operating surplus in relation to sales and, in some cases, capital. The data were taken from the balance sheets of the enterprises, but the balance sheets are presented in different ways, which somewhat limits their comparability. In any case, some significant indicators may be drawn from them for evaluating performance.

These enterprises account for a high proportion of gross fixed capital investment in their respective countries, ranging from 8.2 down to 3.8 per cent in Mexico, Argentina and Brazil. They also have a large share in total public investment: as much as 22 per cent in Mexico and 15 per cent in Brazil (see table 27).

As a general rule, these enterprises are so profitable that they can finance all or nearly all of their gross capital fixed investment with their own resources. Table 28 shows the percentage of gross fixed investment and of capital expenditure which is financed in this way.

Figure I

CHILE : PRICE COMPONENTS OF PETROLEUM PRODUCTS, 1968



Source : Ministry of Mining, Legislación y Estadística del Petróleo y Derivados, 1968

Table 26

STATE PETROLEUM ENTERPRISES: SOME ECONOMIC AND FINANCIAL
INDICATORS AROUND 1968/1969

(Percentage ratios)

	Operating surplus	Gross Profit	Gross Profit
	Income from sales	Income from sales	Capital
YPF (Argentina)	30.7	...	...
YPFB (Bolivia)	...	40.4	...
PETROBRAS (Brazil)	...	34.9	51.8
ENAP (Chile)	40.9	31.6 <u>a/</u>	20.5 <u>a/</u>
ECOPETROL (Colombia)	19.0	...	...
PEMEX (Mexico)	14.8 <u>b/</u>	...	...
CVP (Venezuela)	...	20.0 <u>b/</u>	7.3 <u>b/</u>

Source: Annual reports of the enterprises, and ECLA, on the basis of official statistics.

a/ Net profit for financial year 1 July 1967-30 June 1968. Income from sales during this period was 662.2 million escudos.

b/ Net profits.

Table 27

SHARE OF STATE PETROLEUM ENTERPRISES IN TOTAL GROSS FIXED
INVESTMENT OF THE COUNTRY AND OF THE PUBLIC SECTOR,
AROUND 1968/1969

(Percentages)

	Share in total gross fixed investment	Share in fixed investment of public sector
YPF (Argentina)	4.4	11.7
PETROBRAS (Brazil)	3.8	15.2 <u>a/</u>
ENAP (CHILE)	2.4	4.4
ECOPETROL (Colombia)	2.3	10.7
PEMEX (Mexico)	8.2	21.9

Source: Annual reports of the enterprises, and ECLA, on the basis of official statistics.

a/ General government investment only.

Table 28

STATE PETROLEUM ENTERPRISES: FINANCING OF INVESTMENT AND
CAPITAL EXPENDITURE, AROUND 1968/1969

(Percentage ratios)

	Own resources <u>a/</u> Gross fixed investment	Own resources <u>a/</u> Capital expenditure
YPF (Argentina)	96.5	81.4
PETROBRAS (Brazil)	117.6	68.5
ENAP (Chile)	175.6	91.9
ECOPETROL (Colombia)	77.7	61.9
PEMEX (Mexico)	54.8	...

Source: Annual reports of the enterprises, and ECLA, on the basis of official statistics.

a/ Including operating surplus and other capital returns.

5. Electric power enterprises

(a) Importance in sector

Since electric energy must be generated and distributed to satisfy the community's needs, the State not only controls production and regulates electricity rates but in many cases owns the electric power enterprises. In most Latin American countries, moreover, there is an evident trend towards nationalizing the sector, since efforts to expand installed capacity have been channelled primarily through State enterprises. In Argentina, for example, while public utility generation increased by about 70 per cent from 1960 to 1968, State-owned enterprises doubled their output; in Chile the increases were 60 and 86 per cent, respectively; in Mexico, with the nationalization of electric power, the State enterprise was responsible for the whole increment; in Brazil, the subsidiary enterprises of ELETROBRAS and public and semi-public enterprises (with a minority share of the capital in the hands of ELETROBRAS) are at present meeting over 60 per cent of public demand.

The existence of both public and private electric power enterprises - a system which is not usually encountered in other sectors - is significant in electric power, since, far from competing, they often complement one another's production through interconnected distribution systems, and not infrequently a private company will sell the energy generated by the public enterprise, or vice versa. In some cases, moreover, the installation of a new plant is jointly planned with the object of ensuring complementary investment. Thus large private companies continue to operate, many of them maintaining a regular programme for expanding their generating capacity.

Mexico's Comisión Federal de Electricidad is an example of a large-scale State enterprise which is solely responsible for electricity supply. It was established in 1937 as a decentralized public agency with its own net worth. Since 1960, with the nationalization of the electric power industry, it has generated practically all the electric energy for public consumption and is at present the largest enterprise of its kind

/in the

in the region. In Paraguay, Uruguay, the Dominican Republic and, to all intents and purposes, El Salvador, State-owned electric power enterprises are also the sole electricity enterprises, satisfying the entire public demand.

In Chile, ENDESA, which was established in 1943 as a limited company with 97 per cent of the shares in the hands of the Production Development Corporation (CORFO), produces two-thirds of the energy for public consumption; nearly all the remainder is generated by a private company which became a semi-public enterprise at the end of 1970 when the State purchased 51 per cent of the shares.

There are two or more public or semi-public enterprises in Argentina, Brazil and Venezuela. In Argentina, for example, the State-owned Agua y Energía Eléctrica and SEGBA S.A. generate approximately three-quarters of the energy for public consumption. Two State-owned limited companies, CADAFE and EDELCA, are operating in Venezuela; they were established with capital provided by the Venezuelan Development Corporation and the Venezuelan Guayana Corporation, respectively. Between them they supply about 60 per cent of the total public consumption of energy.

The position of public enterprises producing electric energy in Brazil became more complex when ELETROBRAS started operating in 1962. This new semi-public company in which the Federal Government has a majority share, controls sixteen subsidiary electric power enterprises, owning about 90 per cent of their capital. It also has a minority share (an average of 12 per cent) in nineteen others, mostly local state and semi-public enterprises. In 1968, the subsidiaries of ELETROBRAS produced 36 per cent of the total energy for public consumption and the associated public enterprises produced 27 per cent.

(b) Financial results of operation

Owing to the rapid growth of demand for electric energy in all the Latin American countries, the public electric power enterprises have had to expand steadily. This has entailed heavy investment, which is nearly always too large to allow of self-financing. The funds are generally obtained from three sources: State contributions, external credit and reinvestment of profits. Domestic credit is little used owing to the slow recovery of and low return of this type of investment.

/Argentina's Agua

Argentina's Agua y Energía Eléctrica was able to finance about half of its investment with its own resources in 1968, 8 per cent consisted of funds obtained from a Federal development agency, and the rest of internal and external credit. On the other hand, a large part of the investment of two semi-public enterprises in Brazil (70 and 30 per cent, respectively) was financed by the paying up of shares that had been subscribed by the state and Federal Governments; self-financing accounted for 10 per cent of investment in the first enterprise and 28 per cent in the second. External credit played an important part (15 per cent) only in the first enterprise, and Federal funds in the second (36 per cent). ENDESA (Chile) financed 35 per cent of its investment and new plant with external credit, 35 per cent from reinvestment of profits, and the remaining 30 per cent from State contributions.

Whether or not an enterprise can cover its own investment expenditure will obviously depend on its profitability, one indicator of which is the ratio of net operational income to fixed assets. In using this indicator, it must be borne in mind that the validity of the comparisons is limited by the differences in presentation and even in the criteria for classifying the items in the balance sheets and profit and loss accounts of the various enterprises. Despite these reservations, however, some conclusions may be reached. It will be noted, for example, that of the twenty enterprises considered - which produce 66 per cent of the total energy for public consumption - a return of over 10 per cent was recorded in six enterprises, 5 to 10 per cent in nine, and less than 5 per cent in five (see table 29). In Brazil, this ratio was 7.5 per cent in fourteen subsidiaries of ELETROBRAS, and 8.9 per cent in fourteen other enterprises in which it has a minority share.

Table 29

LATIN AMERICA: LARGEST PUBLIC ELECTRIC POWER SUPPLY ENTERPRISES, 1968 a/

Enterprise		Production (GWh)	Sales	Operating income and expenditure				Results as a percentage of fixed assets	Gross profit per kWh sold (Thousandths of a dollar)	Average price of kWh sold
				Sales	Total income	Expendi- ture	Results			
				(Millions of currency units of each country)						
<u>Argentina</u>										
		<u>13 471</u>								
Agua y Energía Eléctrica (A y E)	S	3 929	3 412	34 552.0	34 552.0	28 461.0	6 091.0	4.8 b/	11.57	28.93
Servicios Eléctricos del Gran Buenos Aires (SEGBA)	S	6 306	5 429	67 100.0	67 789.0	49 555.0	18 234.0	21.7	14.81	35.31
Compañía Italo Argentina de Electricidad (CIAE)	Pr	1 087	974	13 323.0	14 866.0	11 262.0	3 604.0	8.8	15.78	39.07
<u>Brazil</u>										
		<u>34 437</u>								
Elektrobras	S	12 280 g/								
Central Elétrica de São Paulo	S	2 553	2 677	97.0	97.9	62.0	35.9	6.2	6.84	9.45
Companhia Hidroelétrica de São Francisco	S	2 838	2 535	69.6	70.0	36.9	33.1	8.6	5.82	7.15
Central Elétrica de Minas Gerais (CEMIG)	S	3 155	3 150	123.3	123.6	70.7	52.9	11.1	5.77	10.21
Light - Serviços de Eletricidade S.A.	Pr	12 787	15 329	884.6	884.9	658.2	226.7	11.4	6.16	15.06
<u>Colombia</u>										
		<u>6 522</u>								
Empresa de Energía Eléctrica de Bogotá (EEE)	S	1 669	1 453	261.3	270.5	125.8	144.7	10.0	8.03	10.61
<u>Chile</u>										
		<u>4 348</u>								
Empresa Nacional de Electricidad (ENDESA) d/	S	2 530	2 318	459.9	473.6	366.5	107.1	3.3	8.98	14.43
Compañía Chilena de Electricidad (CHILECTRA)	Pr	1 779	1 942	473.9	487.5	417.5	70.0	5.0 g/	6.51	28.01
<u>Costa Rica</u>										
		<u>771</u>								
Instituto Costarricense de Electricidad	S	497	486	64.3	64.5	50.0	14.5	3.7	11.28	18.00
<u>El Salvador</u>										
		<u>542</u>								
Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL)	S	501	466	18.2	18.7	9.4	9.3	8.5	10.00	15.64
<u>Mexico</u>										
		<u>19 400</u>								
Comisión Federal de Electricidad f/	S	17 200	13 908	2 877.3	2 889.8	1 956.1	933.7	6.2	7.37	16.56
<u>Paraguay</u>										
		<u>122</u>								
Administración Nacional de Electricidad (ANDE)	S	119	90	679.5	689.4	477.6	211.8	3.6	23.7	60.00
<u>Panama</u>										
		<u>553</u>								
Compañía Panameña de Fuerza y Luz	Pr	456	387	13.2	13.2	8.6	4.6	15.3 g/	17.1	34.09
<u>Peru</u>										
		<u>2 286</u>								
Empresas Eléctricas Asociadas (EEA)	Pr	1 155	1 565	1 320.0	1 340.8	925.3	415.5	9.1	9.09	19.09

Table 29 (concl.)

Enterprise		Production	Sales	Operating income and expenditure				Results as a percentage of fixed assets	Gross profit per kWh sold	Average price of kWh sold
				Sales	Total income	Expenditure	Results			
		(GWh)		(Millions of currency units of each country)						(Thousandths of a dollar)
<u>Dominican Republic</u>		<u>700</u>								
Corporación Dominicana de Electricidad	S	700	529	18.2	18.3	13.4	4.9	8.1	13.4	34.38
<u>Uruguay</u>		<u>1 883</u>								
Usinas Eléctricas del Estado	S	1 883	1 513	...	...	...	...	...	...	...
<u>Venezuela</u>		<u>8 375</u>								
C.A. de Administración y Fomento Eléctrico (CADAPE) ^{h/}	S	2 189	1 842	237.1	237.8	225.1	12.7	1.8	7.55	28.60
Electrificación del Caroní (EDELCA)	S	2 690	2 554	35.2	35.2	14.3	20.9	10.4	1.82	3.07
C.A. la Electricidad de Caracas	Pr	2 273	1 974	206.4	207.2	124.5	82.7	18.2	9.31	23.24
<u>Total Latin America</u>		<u>100 675</u>								

Source: Annual reports and balance sheets of the enterprises.

- a/ State enterprises (S) include state and municipal enterprises, and semi-public enterprises in which private investors hold a minority share of the capital. Sales include energy purchased from other enterprises and are considered at the user level, i.e., the enterprise's own consumption and losses in transmission were deducted. Operating expenditure includes, in addition to direct costs and administrative expenses, the amounts set aside for depreciation, amortization and taxes, except for taxes on profits and dividends. Gross profit was considered to be only the difference between operating income and direct costs and administrative overheads. For the comparison of the results of operation, construction work in progress was not considered as fixed assets, but revaluation and depreciation were included. To arrive at the figures in thousandths of a dollar in the last two columns, the following exchange rates (national currency to the dollar) were used: Argentina 350, Brazil 3.83, Colombia 16.95, Chile 8.71 for 1968 and 11.52 for 1969, Costa Rica 7.35, El Salvador 2.50, Mexico 12.49, Paraguay 126, Panama and Dominican Republic at par, Peru 44.19, and Venezuela 4.50 for 1967 and 1968. The resulting figures are not always comparable between countries as the rates used are not parity exchange rates.
- b/ The value of the fixed assets includes that of drinking water supply plant, which it was not possible to deduct.
- c/ Figure for the sixteen subsidiary enterprises, including the Companhia Hidroelétrica de São Francisco, which is also given separately.
- d/ The production and sales figures in the first two columns are for 1968; the rest are for 1969.
- e/ Revaluation, which was pending approval, was not taken into account in the figure for fixed assets.
- f/ The production figure is for the period September 1967-August 1968 only; the other figures are for 1967.
- g/ Only the proportion relating to electric energy generation was considered in the figure for fixed assets, the depreciation figure which was deducted being calculated proportionally.
- h/ Financial year 1967.

In order to assess the profitability of enterprises from a different standpoint, an attempt was made to measure the gross operating profit,^{18/} in terms of dollars per kWh sold. This indicator is more directly related to the rate level; but comparability may be impaired on account of the exchange rate used for the dollar, since in general this was the free market rate or the highest official rate, which is sometimes quite different from a parity exchange rate based on real purchasing power. Bearing in mind these reservations, it can be seen that the profits of some enterprises in Brazil, Chile, Colombia, Mexico, Peru and Venezuela are, quite small compared with those of enterprises in Argentina, Costa Rica, Dominican Republic, Panama and Paraguay, which are very much larger (see table 29).

Moreover, it is enlightening to compare the sale prices of the energy supplied by several large enterprises.^{19/} It will be noted that the average sale price of 1 kWh ranges from just over 10 thousandths of a dollar ^{20/} in one Bogotá enterprise and three enterprises in Brazil to 34 thousandths in Argentina and Panama; it is 17 to 19 thousandths of a dollar in Costa Rica, Mexico and Peru, and 22 and 29 in the case of two Venezuelan enterprises. In Chile, the average price of 28 thousandths of a dollar in the most important private company (which is closer to the consumer price level) is twice that of the State-owned enterprise, because the latter makes block assignments of its production to private distributors and large-scale basic industries.

^{18/} The difference between operating receipts and direct cost plus administrative expenditure.

^{19/} Comparisons of average prices between countries, or even between enterprises in the same country, should be made with caution because of possible distortions on account of the exchange rates used, and because of the varying composition of the supply to sectors with differential rates.

^{20/} In general, at 1968 free market exchange rates.

In order to compare 1968 prices with those prevailing in 1959, for which year data are available, the average 1968 prices were deflated by the consumer price index (see table 30). An attempt was made to use information for the same enterprises for the two years, which limited the number of observations. It will be seen that prices fell in five of the nine countries considered. In Argentina, there was a drop of just over 10 per cent in both a public and a private enterprise. The reductions in the real price of 1 kWh sold by the largest private company in Peru and by the Comisión Federal de Electricidad in Mexico were 22 and 17 per cent, respectively. In the case of the latter enterprise, a radical change took place in the composition of consumption, parallel with its expansion since 1960 when Mexico nationalized its electric power industry, Venezuela also registered a drop in unit prices, which was minimal for the State enterprise, CADAFE, but as much as 17 per cent in the case of one important private company. In Panama, the price of 1 kWh sold by the Compañía Panameña de Fuerza y Luz dropped 30 per cent between 1959 and 1968. Of the three countries where inflation was most acute, it is curious to note that the real average sales price rose in Brazil and Chile, and fell by about 10 per cent in Argentina.

There were also changes in consumption by type of user of the energy produced. For example, one Brazilian State enterprise showed a rise of 12 per cent in the over-all price, which reflected the same average price for industrial consumption, minor increases in the commercial sector and larger increases in the prices of household supply. In contrast, the Empresa de Energía Eléctrica de Bogotá spread the increase in its average price (19 per cent) over both industrial consumption (86 per cent) and commercial consumption (54 per cent), while the price of 1 kWh of household supply remained practically unchanged from 1959 to 1968.

6. Steel enterprises

(a) Importance in the sector

In 1966, out of a total of seventeen major integrated enterprises producing 80 per cent of the region's steel, eight were State enterprises proper and accounted for 47 per cent of production (see table 31); two others, with mixed private and public capital, accounted for 12 per cent; two controlled by foreign capital accounted for 7 per cent; and the remaining five, owned by domestic private investors were responsible for 14 per cent.

Table 30

LATIN AMERICA: AVERAGE SALES PRICES OF ELECTRIC ENERGY

(Average price of 1 kWh in 1959 national currencies)^{a/}

	1959	1968
Argentina		
Servicios Eléctricos del Gran Buenos Aires	1.92	1.72
Compañía Italo Argentina de Electricidad	2.21	1.92
Brazil		
Central Elétrica de Minas Gerais	0.989	1.098
Colombia		
Empresa de Energía Eléctrica de Bogotá	0.0517	0.0703
Chile		
Empresa Nacional de Electricidad	0.016	0.0176
Compañía Chilena de Electricidad	0.0245	0.0359
Costa Rica		
Instituto Costarricense de Energía Eléctrica	0.097	0.110
Mexico		
Comisión Federal de Electricidad	0.202	0.167 ^{b/}
Panama		
Compañía Panameña de Fuerza y Luz	0.045	0.031
Peru		
Empresas Eléctricas Asociadas	0.45	0.35
Venezuela		
C.A. de Administración y Fomento Eléctrico	0.122	0.120 ^{b/}
C.A. Eléctrica de Caracas	0.116	0.097

Source: Annual reports and balance sheets of enterprises.

a/ The 1968 prices were deflated by the consumer price index.

b/ Figure for 1967.

Table 31

LATIN AMERICA: OUTPUT OF THE LARGEST STEEL ENTERPRISES ^{a/}

(Thousands of tons)

			Steel ingots	Steel products
<u>Argentina</u>		<u>1 697</u>		
Sociedad Mixta Siderurgia Argentina (SOMISA)	I	S	846	529
Altos Hornos de Zapla	I	S	82	38
Dalmine Sideroa S.A.	SI	Pr	163	94
Industria Argentina de Aceros (ACINDAR)	SI	Pr	89	230
Establecimientos Metalúrgicos Santa Rosa	SI	Pr	110	112
La Cantábrica	SI	Pr	57	56
<u>Brazil</u>		<u>4 902</u>		
Companhia Siderúrgica Nacional	I	S	1 334	1 007
Usinas Siderúrgicas de Minas Gerais	I	S	649	502
Companhia Siderúrgica Paulista (COSIPA)	I	S	558	413
Companhia Siderúrgica Belgo-Mineira	I	Pr	538	430
Companhia Siderúrgica Mannesmann	I	Pr	260	219
Siderúrgica Rio Grandense	SI	Pr	146	123
Companhia Aços Itabira Acesita	I	S	131	77
Siderúrgica Barra Mansa	I	Pr	113	96
Siderúrgica J.L. Aliperti S.A.	I	Pr	102	84
M. Dedini S.A. Metalúrgica	SI	Pr	83	78
Companhia Ferro e Aço de Vitória	SI	S	-	69
Usina Siderúrgica São José S.A.	SI	Pr	69	51
Aços Anhanguera	SI	Pr	72	47
<u>Colombia</u>		<u>257</u>		
Acerías Paz del Río S.A.	I	Pr	196	164
<u>Chile</u>		<u>647</u>		
Compañía de Acero del Pacífico (CAP)	I	S	592	450
<u>Mexico</u>		<u>3 421</u>		
Altos Hornos de México S.A.	I	S	1 374	925
Compañía Fundidora de Monterrey S.A.	I	Pr	621	395
Hojalata y Lámina S.A.	I	Pr	453	388
Tubos de Acero de México (TAMSA)	SI	Pr	244	163 ^{b/}
Aceros Ecatepec	SI	Pr	78	93
<u>Peru</u>		<u>192</u>		
Sociedad Siderúrgica de Chimbote (SOQESA)	I	S	61	51
<u>Venezuela</u>		<u>840</u>		
Siderúrgica del Orinoco C.A. (SIDOR)	I	S	54	...
<u>Latin America</u>		<u>11 969</u>		

Source: Instituto Latinoamericano del Hierro y del Acero, Revista Latinoamericana de Siderurgia, No 125, September 1970; Repertorio de las Empresas Latinoamericanas, 1969; Nacional Financiera S.A.: Informe de Actividades 1969, (México); Compañía de Acero del Pacífico S.A.: Memoria Anual 1968/69; Centro de Industria Siderúrgica: La Siderurgia Argentina en 1968.

^{a/} The regional and country totals are for 1969. The output of each enterprise is normally that for 1967, except for the Brazilian enterprises, SOMISA in Argentina and AHMSA and TAMSA in Mexico, which is the output for 1968. The figures for CAP in Chile correspond to the financial year 1968-1969. The entries against each enterprise indicate the following: I - integrated enterprise; SI - semi-integrated enterprise; S - State enterprise; and Pr - private enterprise.

^{b/} Also produces 111 000 tons of sponge iron.

/Steel enterprises

Steel enterprises have to increase their capital continually to finance the large amount of investment required to keep pace with the rapid growth of demand. For example the Chilean Compañía de Acero del Pacífico (CAP), which began operations in 1950 with a capital of 15 million dollars, by 1969 had a subscribed and paid-up capital of 79 million dollars. The capital and reserves of Altos Hornos de México S.A. (AHMSA) increased at current prices from 313 million pesos in 1958 to 1,166 million in 1967. These increases in capital may reflect changes in ownership as, for example, in the Colombian enterprise Acería Paz del Río, with an annual output of 200,000 tons, which has passed almost entirely into private hands as a result of a fiscal measure granting tax exemptions to persons purchasing shares in the enterprise at face value in an amount equal to their tax liabilities. The opposite has happened with CAP in Chile - whose annual output of steel amounts to 592,000 tons - in which the Government's share was gradually reduced as a result of increases in capital until in 1965 it amounted to only 25 per cent of the total. In 1969, however, the Chilean Development Corporation purchased shares from private shareholders until it had secured 52 per cent of the total share capital.

According to a survey made in 1964 by the Latin American Iron and Steel Institute,^{21/} covering twenty-two integrated and semi-integrated enterprises in the region, investment financing came from the following sources: 43.7 per cent from the public sector; 5.7 per cent from the domestic private sector; 2.5 per cent from the external private sector; about 19.5 per cent from domestic credit and roughly the same proportion from external credit, while reinvested profits accounted for only 4.6 per cent.

The situation of State steel companies varies a great deal from country to country. In Argentina, the State enterprise Sociedad Mixta Siderúrgica Argentina (SOMISA) accounts for about 55 per cent of domestic steel production, with a sales volume of 70,000 million pesos. The other

^{21/} ILAFA, Condiciones económicas que regulan el crecimiento de la producción latinoamericana de acero, a document presented to the Second United Nations Inter-regional Symposium on the Iron and Steel Industry, held at Moscow, September-October 1968.

integrated enterprise in Argentina is Altos Hornos de ZAPLA, a public enterprise managed by the Dirección General de Fabricaciones Militares which accounts for slightly over 6 per cent of domestic output. The remainder is produced by semi-integrated enterprises, notably Dalmine Siderca, Industria Argentina de Aceros (ACINDAR), Establecimientos Metalúrgicos Santa Rosa and La Cantábrica, which account for over 30 per cent of total ingot production. Dalmine Siderca produces about 100,000 tons of seamless pipe and ACINDAR about 230,000 tons of rolled products.

In Brazil, four large State enterprises account for 60 per cent of steel output in ingots and 57 per cent of the output of rolled products. In 1968, the Companhia Siderúrgica Nacional produced 1.3 million tons of ingots at its Volta Redonda plant, and over 1 million tons of rolled products. In terms of volume of production, it is followed by Usinas Siderurgicas de Minas Gerais - USIMINAS (650,000 tons), Siderúrgica Paulista (COSIPA) with 560,000 tons, and ACESITA. Some 21 per cent of the capital of USIMINAS is Japanese-owned. The main private enterprises are Companhia Siderúrgica Belgo-Mineira (540,000 tons) and Companhia Siderúrgica Mannesmann (260,000 tons), both with some share capital of foreign origin.

Another large steel company in the region is the State enterprise Altos Hornos de México S.A. which produced 1,374,000 tons of ingots at its Monclova plant in 1968, accounting for 40 per cent of national production. There are also two other integrated steel enterprises in Mexico, controlled by private capital, which receive financial support from the Government through Nacional Financiera S.A. and the Banco de México and produce approximately 35 per cent of national output, namely Companhia Fundidora de Monterrey and Hojalata y Lámina S.A. Notable among the semi-integrated enterprises in Mexico is Tubos de Acero de México S.A. (TAMSA) which produced 111,000 tons of sponge iron and 244,000 tons of steel in 1968.

Among the other integrated enterprises in the region are Siderúrgica del Orinoco C.A. (SIDOR) in Venezuela, which is a State enterprise and a subsidiary of the Venezuelan Guayana Development Corporation whose output accounts for roughly 80 per cent of total national steel output; and Sociedad Siderúrgica de Chimbote (SOGESA) in Peru - also a State enterprise - which has a smaller output.

/ (b) Financial

(b) Financial results of operations

The financial results shown on the balance sheets of the steel enterprises are relatively favourable, although the surpluses are not generally large enough to finance expansion programmes.

A look at the financial situation of the largest state steel enterprises in the region can provide some indication of their profitability and the structure of their expenditure (see table 32). All the enterprises considered showed a surplus in the period studied, ranging from 5.1 per cent of the value of sales in the case of AHMSA (Mexico) to 19.5 per cent for SOMISA (Argentina); the comparable figure for the largest Brazilian enterprise, Companhia Siderúrgica Nacional, was 5.6 per cent, and for CAP (Chile) 9.3 per cent.

Expressed as a ratio to capital plus reserves, profits by CAP amounted to 14.6 per cent and AHMSA 8 per cent. The Brazilian Companhia Siderúrgica Nacional had a ratio of 5.4 per cent in 1968 (disregarding the deficit stemming from its administration of the Usina de Mogi das Cruces), but in 1969, according to a survey covering a large number of enterprises in many branches of Brazilian industry,^{22/} it had raised this ratio to 7.8 per cent. The ratio of profits to capital and reserves was 4.7 per cent for USIMINAS, a semi-public enterprise, and 21.3 per cent for the private enterprise Siderúrgica Mannesmann. The ratio was negligible in the case of COSIPA and only 1.4 per cent in the case of ACESITA, but this was due to the fact that both these enterprises are in the process of expanding capacity and therefore current production is not in line with the high level of their capital and reserves.

Both the Companhia Siderúrgica Nacional and AHMSA have experienced a decline in their profits/sales ratios. Up to 1965, the former achieved high ratio (in 1963 it was 29.4 per cent), while for AHMSA the profits/sales ratio fell from 6.9 to 5.5 per cent between 1960 and 1967, and the ratio of profits to capital and reserves from 12 to 7.8 per cent.

^{22/} "Quem é quem na economia brasileira?", in Visão, August 1970.

Table 32

LATIN AMERICA: RATIOS INDICATING THE FINANCIAL POSITION OF FOUR STEEL ENTERPRISES

(Percentages)

	SOMISA (Argentina) 1969	Companhia Siderúrgica Nacional (Brazil) 1968	CAP (Chile) 1968-69	AMMSA (Mexico) 1967
Profits/Capital and reserves	...	5.4	14.6	8.0
Profits/Sales	19.5	5.6	9.3	5.1
As a percentage of sales:				
Administrative costs and expenditure	87.8	74.2	71.6	72.9
Depreciation and amortization			11.7	11.5
Taxes			-	5.3
Interest on long-term loans	4.3	5.1	2.8	5.4
Other interest payments and financial expenditure			4.9	1.8

Source: Annual reports, accounts and balance-sheets of the enterprises, except in the case of SOMISA, for which the data was obtained from the Ministry of the Treasury, Dirección Nacional de Programación Presupuestaria, Finanzas del sector público 1966-1970.

/In Chile

In Chile, CAP's ratio of profits to capital and reserves has been very variable. In the period 1952-1955 it averaged 24 per cent, fell to 11 per cent during 1956-1961, and then rose to 22 per cent in 1963-1964, since when it has fluctuated around the 12.8 per cent mark. SOMISA in Argentina, on the other hand, did very well in 1969 (a profits/sales ratio of 19.5 per cent), and very much better than the average for the preceding three years, which was 10 per cent.

The profit ratios of these enterprises are not very closely related to the price trends of certain steel products ^{23/} in the major domestic markets, particularly in the case of SOMISA. In Buenos Aires between 1965 and 1969, the price of concrete reinforcing bars and zinc-coated sheets declined by about 20 per cent in real terms; prices for other rolled products and wire rods declined by about 25 per cent and for angles and flats by about 36 per cent.

Over the same period, prices for all rolled products in São Paulo fell by about 9 per cent, but for all other steel products they rose by 5 per cent. In Santiago, there was a general price rise for steel products of 40 per cent; in Mexico City prices declined in varying degrees, ranging from a 17.5 per cent drop for wire bars to 4.4 per cent for rolled products, except for concrete reinforcing bars which rose slightly in price.

The role played by profits in the financing of capital expenditure in these enterprises has varied a great deal and has been influenced in particular by the scale of investment, which itself is dependent on the achievement of expansion programmes. The profits of SOMISA in 1969 and CAP in the financial year 1968-1969 were well above the level of real investment in the same years (virtually double for SOMISA and 55 per cent greater for CAP), and yet SOMISA's over-all surplus was not large enough to cover all capital expenditure owing to the high level of expenditure under the head of "Other investment". With Companhia Siderúrgica Nacional in Brazil, profits represented 87 per cent of capital formation during 1968, and in Mexico in 1967 AHMSA's profits did not amount to as much as half real investment (see table 32).

^{23/} The data on prices for steel products were obtained from ILAFA, Anuario Estadístico 1969, and deflated using appropriate consumer-price indexes.

It is somewhat more difficult to compare the structure of expenditure in these enterprises owing to differences in the presentation of data. There is a striking similarity between CAP and AHMSA as regards the structure of expenditure in relation to sales. Expenditure in respect of interest and financial costs is relatively high for both; almost the same level as profits in the case of CAP and appreciably higher in the case of AHMSA. Worthy of note is the effect of taxes in the Compañía Siderúrgica Nacional, which unfortunately could be compared only with AHMSA for want of information.

/IV. POLICY

IV. POLICY ON THE PUBLIC ENTERPRISE SECTOR: ALTERNATIVES AND QUERIES

The importance and far-reaching influence of public enterprises highlight the need to define a policy on their operations and functions. As was said at the beginning of this chapter, that need does not appear to have been satisfactorily met up to now.

This lack or inadequacy could be put down to several factors, one being the diversity of the activities concerned, and the other the incorporation of enterprises in the sector over a long period of time, in response to differing needs and with different degrees of urgency which sometimes coincided with the requirements of different stages of development. Moreover, the very conception or grouping of State enterprises as a "sector" is a departure from the normal procedure of lumping them together with private firms under the heading of "enterprises". However, there has been a clear trend, particularly in Europe, towards considering public enterprises separately and as a whole sector.

In view of Latin America's position with regard to public enterprises and the field covered by this paper, a brief review and discussion are in order of the aspects which are most relevant and must be defined in any policy or policies that may be formulated for the sector.

Starting with the points that are directly relevant and about which there is the least argument, the first question to be considered is what role the sector might play in the accumulation of investment capital.

Mention has already been made of the many different views expressed for and against public enterprises. However, recent trends seem to indicate that the balance is inclining in their favour. This is made clear in a detailed study on recent policy orientation in different representative economies,^{24/} in which it is stated:

^{24/} See "Improving profit performance of public enterprises in developing countries" (ST/ECLA/Conf.35/L.8), pages 3 and 4, paper presented by the Public Administration Division of the United Nations to the Meeting of Experts on Administration of Public Enterprises in Latin America and the Caribbean (Santiago, 17-22 November 1969).

"... in several developing countries observed, the sentiment of supervisory authorities is increasingly more favourably disposed to the commercial profitability criterion. In India, to begin with, public enterprise was characterized, when development planning was instituted, as 'actuated by basic development objectives'. In the early days of development planning, there was evidence of official hostility to the notion of commercial profitability. More recently, a different doctrine has been enunciated, namely, that public enterprises should behave so as to generate surpluses or profits for self-financing of their capital expansion. Proponents have pointed out that self-financing out of retained earnings has been a major source of capital formation in private industry in developed countries. Reference has also been made to the fact that State enterprises in the Soviet Union and other centrally-planned economies are conducted so as to yield a 'profit' for financing high rates of capital formation. The shift away from the practice of 'no profit, no loss' in the British nationalized industries together with the renewed emphasis on profit in the recent Soviet reform programme have reinforced this trend of official thinking. The profitability criterion, it seems, has now become the accepted official doctrine."

A Brazilian authority, on a study of the problem of the financing of the public enterprises that would form the nucleus of economic expansion (petroleum, electric energy, steel and iron ore), points to three principal means of action: accumulation of funds through forced saving, a profitable commercial policy, and doing away with paternalism in the social services that are financed by price subsidies and other means.^{25/}

Of course, no simple deductions can be drawn from the prevailing trend, and the diverse levels of preparedness of the different public enterprises to become profit-makers cannot be left out of account. Some would have no difficulty in doing so because of their favourable position on the market. For others, however, it would be almost out of the question and they could become profit-making only, within certain limits, as in the case of railways, whose position has already been discussed.

^{25/} See Antonio Dias Leite, Minister of Mining and Energy in Brazil, "Empresa publica e desenvolvimento econômico" (Rio de Janeiro, 1965).

On the other hand, it might also be possible to apply a policy of profitability to the sector as a whole, or even to groups of similar or related enterprises, and not to each individual firm. This point will be taken up again later, when internal relations in the sector are dealt with.

Lastly, account should be taken of the fact that investment is not a steady flow and of the magnitude of the resources required for expansion. Obviously, these investment requirements cannot, as a rule, be met from the enterprises' over-all surplus or even from that of the whole sector when it is under co-ordinated management. Recourse would have to be had to other sources of savings, and for that purpose it would doubtless be an advantage for the individual enterprises or the sector as a whole to have fairly large operating surpluses which would help to meet the commitments undertaken in the circumstances described above.

It should not be inferred from the above that the formation of capital for investment or, in other words, the profitability of the enterprise, depends solely on decisions concerning prices and rates. Other factors that have an influence were mentioned earlier, such as the general efficiency of operations and wage and salary levels. These are subjects about which there has been considerable controversy, and their complexity precludes the possibility of any clear-cut approach that could be generally applied. At all events, it seems very clear that the approach to these and other relevant questions will depend to a large extent on the adoption or rejection of the basic orientation described above, that is, that the enterprises concerned or the sector as a whole should play an important part in the formation and mobilization of savings for priority investment.

For these reasons, there is no doubt that State ownership of enterprises and the trend towards nationalization of the most important public utilities has, in theory, increased the chances of applying a policy of the type described above.

1. Position

1. Position in the public sector and
in planning machinery

Another important question which has not yet been properly clarified, and is therefore still controversial, is the position of public enterprises in the machinery of government, i.e. their links with government.

The main point of discussion is well-known and is summed up by an authority already quoted, who points to the need for a uniform legal status that would guarantee the autonomy of public enterprises with respect to the government bureaucracy and, at the same time, make effective control of the enterprises possible.^{26/}

When the subject is analysed the effects and the importance of the sector's heterogeneousness, in respect of both operations and of legal form are obvious, which, in turn, imply different forms of management or State control and, as a result, different forms of integration in the public sector.

As is stated in a specialized document, in this variety of situations "a continuum can be observed" in which turbulent interrelationships predominate, "at one end of which are the enterprises subjected to the numerous conflicting pressures exerted by the various components of the central guiding nucleus, to many regulatory measures which have a paralysing effect and to ambiguous power relationships. At the other extreme are the enterprises which maintain univocal power relationships with some components of the nucleus, generally the Office of the President, relations which are similar to those of a feudal lord with a king".^{27/}

The other aspect to be discussed is the place of public enterprises in the planning process and machinery. As is observed in a recent study, the practice has been to treat the economy more or less from a sectoral/technological angle, and it is not often that an institutional conception of public

^{26/} A. Díaz Leite, "Empresa pública e desenvolvimento económico", op. cit.

^{27/} See "Interrelationships between public enterprises and the central government; their implications for performance" (ST/ECLA/Conf.35/L.2), paper presented by the ECLA Public Administration Unit to the Meeting of Experts on Administration of Public Enterprises mentioned in footnote 24.

sector participation is observed. Thus, although the plans refer to many State activities, for which targets are fixed and funds assigned, especially those connected with the creation of capital and the production of commonly used inputs, they always do so from the point of view of the sector and productive activity, and not from the institutional angle that defines the scope of the public sector and takes account of the characteristics that are peculiar to it.^{28/}

The problem is particularly clear in the light of what was said above about the areas of State control or State dominion. Obviously, if the responsibilities and decisions of the central government and of the public enterprises are to be considered separately and as a whole, it is first necessary to define the field which can best be governed by economic policy - a field in which, as has been seen, a high proportion of total investment is made.

Moreover, a rough definition of this kind might help to specify and distinguish instruments that are suitable for implementing and promoting the planning directives in the public enterprises sector, where the government is dominant and in the others (the sphere of private enterprise) where its influence is more indirect.

2. Internal organization of the public enterprises sector

A third subject that should be considered is the internal organization of the public enterprises sector, which may be said to counterpart or complement to their organic incorporation in the public sector. As will be shown, these two aspects are closely interrelated, and it could even be said that the solution of the first problem might be a decisive step forward towards the solution of the second.

^{28/} See Ricardo Cibotti and Enrique Sierra, El sector público en la planificación del desarrollo, Textos del Instituto Latinoamericano de Planificación Económico y Social (México, Editorial Siglo XXI, 1970).

Despite attempts to regulate operations in the private enterprise sector (or in some parts of it) through a central development agency, the enterprises are usually widely scattered and without connecting links. For the reasons already given, the sector is more like an archipelago than a solid mass.

There seems to be general agreement that the situation has many disadvantages and could be improved by greater internal co-ordination or integration. Naturally, this does not only, or necessarily mean clumping all the various units together under some higher authority. A far more realistic approach would undoubtedly be to adopt one of the various methods of integrating more or less similar enterprises, though it would always be useful, in principle, to have a common centre linked with the government or the planning authority.

None of this, of course, would entail interference in the actual administration of the individual units; basically, it would merely mean the adoption of a concerted plan of action and common standards in certain areas of fundamental importance.

One of these areas might be the handling of the sector's current resources. An interesting possibility along these lines would be the creation of one central government account for public enterprise funds so as to promote greater concentration of resources and greater flexibility in their use. Under this system, which few Latin American countries have so far adopted, the cash receipts of all centralized and decentralized public institutions must be deposited in current bank accounts forming part of a single or central account administered by the Ministry of Finance. Consequently, the balance on the central account is equal to the sum of the balances in all the subsidiary accounts, and the Ministry can draw on a certain percentage of the accumulated total. In Chile, where the system has been operating since 1959, the Ministry may draw up to 70 per cent. Both central and subsidiary accounts are with the Banco del Estado.

The obvious advantage of a central government account is that better use can be made of the public funds, since it prevents the kind of situation where, while an excess of income over expenditure is generating

/large surplus

large surplus cash reserves in one enterprise, another is obliged to cut down its disbursements because its earnings are insufficient. It is important for the State to be able to transfer resources from enterprises with surpluses to those showing a deficit in two cases: first, to deal with any seasonal fluctuations in the income and expenditure of public institutions and, secondly, in cases where an enterprise is permanently, or for long periods, generating substantial cash surpluses. This, for instance, has been precisely the situation of Chile's Empresa Nacional de Petróleos for many years.

The point should, however, be made that two fundamental conditions must be fulfilled if the central government account system is to work efficiently. First, a certain amount of programming is necessary to indicate the probable trend of the enterprises' cash balances, so that estimates can also be made -- even if only roughly and in accordance with the country's monetary policy -- of the percentage of the combined balance on the central account to be drawn upon by the Ministry of Finance. Secondly, the commercial banks should not be allowed to use increases in the central government account reserves as a backing for larger loans to the private sector, since this would diminish the flexibility with which the account can be used in the context of the over-all monetary programme.

The opposite situation arises under the system of water-tight compartments, sometimes based on a variety of different "funds" (Public Works Fund, Housing Fund, etc.) where there is no possibility of transferring resources from one compartment to another, even on a temporary basis. A case in point is the operation of National Housing Fund (Fondo Nacional de la Vivienda) in Uruguay in 1970. Established in 1969 and mainly financed out of a tax on wages and salaries, this Fund, which was to have started to develop a housing construction programme, last year accumulated unused reserves amounting to nearly 10 million dollars in value (about one eighth of Uruguay's total direct public investment), which were left lying in banks and were one of the main reasons for the shrinkage in the amount of money in circulation during that period. At the same time, other priority sectors, such as transport, were suffering from an acute shortage of government funds which prevented enough money being invested to meet the country's needs.

3. Integration for other purposes

The opportunities outlined above may also arise in other more important spheres, which were dealt with in the section on the influence of the public sector.

For example, prospects would obviously be brighter if various forms of internal integration were applied to such fields as the promotion of local capital goods industries, capital goods import policies, and the adaptation and development of technology. Naturally, whatever the present importance and, above all, the future potential of the principal public enterprises - even if they operate independently -, would substantially increase if procedures and instruments were established to co-ordinate policy.

By and large, the various stages of this process and the methods employed closely resemble what has occurred in certain countries at the centre as a result of the emergence of conglomerates and the subsequent decline in the importance of the old kind of monopoly or oligopoly. As in the case of conglomerates, the fundamental factor in the association or co-ordination of separate public enterprises is the existence and operation of a pool or joint fund of current and investment resources, administrative talent, and opportunities for developing and assimilating technological innovations.

This is not, of course, to advocate the creation of one vast public conglomerate. All that is intended here is to point out that the trend is towards a greater co-ordination of Government enterprises, under any number of forms.

4. Function of the public enterprise sector

There are two fundamentally different approaches to the sector's role and to its relations with private enterprise. According to one school of thought, the public enterprise sector is merely an extension of the State's traditional responsibilities, dictated by circumstances, which does not affect the basic division into public and private sector. Seen in this light, the sector's legitimate activities would be to build up

/the infrastructure

the infrastructure and other basic services so as to improve the performance of private enterprises. Moreover, when the State, for imperative reasons, must go further than this, such a situation is regarded as essentially transitory, pending the reversion to the private sector of any activities that play more than a supporting role. According to the other school of thought, the public enterprise sector should have broader and more autonomous function, namely, that of becoming (in association with the central government) the motive force behind the expansion and orientation of the development process.

It is not for the author of this study to take sides. The situation as it stands in Latin America today, presents a whole range of experiments in this field, with different methods, different emphasis, and with more or less lasting results, according to the case. One point that must be made, however, is that, whatever the dominant approach may be, policy towards the sector must be faithful to, and consistent with, the formulation adopted, since ambiguities and contradictions in the decision-making process may be far more harmful and have more far-reaching consequences than a leaning in one direction or the other.

5. Expansion and diversification of State activities

The question that has just been discussed is obviously bound up with another: the conflicting views about the expansion and diversification of the public enterprise sector, which are the reflection of the broad attitudes or schools of thought outlined in the previous section. For those that do not hold the traditional view, a move in the direction either of expansion or of diversification, apart from other justifications, would have the advantage of extending government operations to more profitable activities than in the past.

Here, even more than before, it is impossible to be absolutely objective or strictly technical about the situation. The fact is that very few attempts have been made to do so and that the more traditional kind of approach is far more common. One exception to this rule is the study previously mentioned, which endeavours to draw a distinction between enterprises constituting the "nucleus of economic expansion" that it refers to,

/which must

which must be government-run, and those intended or more suitable for private management. The author of this study points out that the industries composing the nucleus of economic expansion utilize a limited range of technology, with few innovations. Their range of activity is relatively limited: certain services, electric energy, two or three kinds of coal and a few dozen petroleum, common steel and iron products. These sectors are assured of fairly easy access to the vast range of international know-how, either by ordering models, designs and specifications or through technical assistance.

The industries in the second group, the author continues, are more numerous and produce every kind of article. Most of them employ a wide range of constantly evolving know-how often bound up with processes and equipment which are covered by patents or involve facilities that are the exclusive property of international enterprises. In some cases, these innovations can only be introduced into the national economy by allowing the foreign enterprises that are the only possessors of the know-how into the country, while in others, it entails the signing of sharing agreements between the foreign and the national enterprises.^{29/}

A number of objections can, however, be levelled against these views on the allocation of functions, and not only on political and ideological grounds but also for a more important and less debatable reason: namely, the fact that the framework and functions of the private and public sectors also have their historical dimension, that is to say that they change over time and according to circumstances or the stage of social development. To understand the situation properly, then, it may be more useful to take into account the major changes that have occurred and their possible implications.

Looking at the problem from this angle, it would, for example, be helpful to bear in mind that, under the new or existing conditions of economic development in Latin America, the traditional idea of conflict between the public and the private sector often no longer has any meaning. This is due to the fact that from the frequently - and especially in connexion with certain important basic industries that are leaders in technological progress - the real choice is between public or semi-public

^{29/} See A. Dias Leite, op. cit.

/enterprises and

enterprises and foreign or international enterprises. At the same time, there is the obvious fact that, in many Latin American countries, the expansion and diversification of the State enterprise sector -- far from being an obstacle to private enterprise or competing against it -- has definitely had the effect of helping the private sector to extend its operations.

Of course, this does not mean that the various problems inherent in the management of public enterprises should be overlooked; these are amply illustrated by the discussions that have taken place both in industrialized market economy countries and in socialist or centrally-planned economies.

Table A
ARGENTINA: OPERATION OF THE LARGEST PUBLIC ENTERPRISES; FINANCIAL RESULTS, 1969
(Millions of pesos)

	Current income		Current expenditure			Oper- ating surplus a/	Capital expenditure				Capital income		
	Sales	Total	Wages and salaries	Inputs	Total		Fixed invest- ment	Other invest- ment b/	Amor- tization	Total	Over-all surplus	Loans	Other
Manufacturing													
Industrias Mecánicas del Estado (IME)	10 298.4	10 563.5	1 917.6	8 339.5	10 317.6	-19.2	59.0	-	-	59.0	245.9	-	14.8
Talleres de Reparaciones Navales (TARENA)	958.9	1 050.2	708.5	307.1	1 070.0	-111.1	289.8	-	16.0	305.8	-19.8	47.9	45.8
Astilleros y Fábricas Navales del Estado (AFNE)	4 319.0	4 681.0	1 815.0	2 375.0	4 190.0	129.0	324.0	-	-	324.0	491.0	-	-
Dirección Nacional de Industrias Estatales	4 009.1	5 085.2	1 342.8	1 971.0	3 874.6	375.8	335.2	982.0	64.0	1 381.2	1 210.6	179.8	198.5
Sociedad Mixta Siderurgia Argentina	69 765.5	72 226.7	...	...	57 684.3	12 081.2	7 048.5	15 180.0	1 262.9	23 491.4	14 542.4	...	411.9
Mining													
Yacimientos Petrolíferos Fiscales	214 137.0	214 137.0	37 867.0	105 648.0	148 352.0	65 785.0	67 890.0	14.0	12 922.0	80 826.0	65 785.0	2 356.0	-
Gas del Estado	53 598.0	54 697.0	10 189.0	24 470.0	45 750.0	7 848.0	15 695.0	-	13 444.0	29 139.0	8 947.0	14 644.0	-
Yacimientos Carboníferos Fiscales	2 230.6	2 593.3	2 282.4	2 894.0	5 589.8	-3 359.2	814.4	441.5	215.7	1 483.4	2 996.5	-	36.4
Transport and related activities													
Empresa Líneas Marítimas Argentinas (ELMA)	22 177.1	22 386.6	7 763.5	13 580.5	22 331.9	-115.3	2 720.0	-	698.6	3 832.6	54.7	-	212.3
Empresa Flota Fluvial del Estado Argentino (EFFDEA)	5 964.8	6 228.3	3 951.6	2 715.0	7 224.4	-1 259.6	25.6	-	323.3	348.9	-996.1	-	206.7
Administración General de Puertos	7 063.5	7 217.3	3 710.1	1 477.9	5 253.2	1 860.3	1 325.6	-	52.1	1 377.7	1 964.1	-	13.4
Transportes de Buenos Aires	409.0	409.0	79.5	65.5	288.2	120.8	-	-	26.1	26.1	120.8	-	-
Empresa de Ferrocarriles Argentinos	80 630.0	83 300.0	86 270.0	25 060.0	119 310.0	-33 590.0	17 000.0g/	-	20 000.0g/	37 000.0	-36 010.0	7 000.0g/	800.0g/
Subterráneos de Buenos Aires	3 051.5	3 051.5	2 381.8	760.0	3 201.4	-149.9	595.6	-	267.5	863.1	-149.9	-	30.9
Aerolíneas Argentinas	24 019.0	24 523.0	8 380.0	14 810.0	25 260.0	-271.0	355.5	600.0	3 634.1	4 589.6	-737.0	-	75.7
Empresa Nacional de Telecomunicaciones	48 066.6	52 869.5	24 395.3	5 769.6	33 344.6	17 735.1	24 600.4	-	-	24 600.4	19 524.9	933.5	494.2
Agua y Energía Eléctrica	38 260.0	38 718.1	12 436.3	11 568.8	25 019.3	13 277.5	26 380.9	1 175.1	2 755.4	30 625.7	13 698.8	3 960.6	1 463.0
Servicios Eléctricos del Gran Buenos Aires	...	...	...	...	...	...	27 745.0	-613.0	7 726.0	34 858.0	215.5	13 307.0d/	-

Source: Secretaría de Estado de Hacienda, Dirección Nacional de Programación Presupuestaria, Desarrollo de Egresos del Estado, año 1969. Informe al Cuarto Trimestre, Buenos Aires, March 1970.

a/ Difference between income from sales of goods and services, and expenditure on wages and salaries, social security, purchase of raw materials, equipment, services and interest payments. Only income from sales was considered so as to eliminate subsidies and other current transfers that might distort the results for the actual operation of the enterprise.

b/ Purchase of capital goods, financial investment and increases on stocks.

c/ Estimates, based on data from various sources.

d/ Includes 200 million pesos in the form of government contributions.

Table B
BRAZIL: CONSOLIDATED ACCOUNTS OF SELECTED PUBLIC ENTERPRISES, BY SECTOR, 1960 AND 1965
(Millions of new cruzeiros)

Sector a/	Year	Current income		Current expenditure			Operating surplus d/	Other income e/	Fixed investment	Financial investment	Total capital expenditure f/
		Operating income	Total b/	Wages and salaries g/	Inputs	Total					
Mining	1960	10.2	10.3	2.5	...	7.5	2.7	-	3.4	0.2	4.2
	1965	204.1	204.2	42.3	30.6	106.7	97.4	-	49.7	1.7	58.6
Steel	1960	30.5	30.8	4.3	11.7	25.0	5.5	-	8.2	0.5	13.2
	1965	415.1	426.1	104.2	105.2	372.8	42.3	-	406.6	4.6	465.6
Chemicals and petroleum	1960	54.3	56.5	5.0	16.7	45.4	8.9	0.2	20.6	...	23.9
	1965	1 877.7	1 901.3	206.1	518.5	1 734.7	143.0	0.3	179.7	0.2	235.2
Manufacturing and other	1960	5.4	6.4	2.0	2.7	6.4	-1.0	-	1.7	-	3.1
	1965	54.3	76.8	25.0	23.0	63.9	-9.6	-	5.6	0.1	15.4
Electrical energy	1960	0.6	0.7	0.1	0.1	0.3	0.3	-	7.0	0.2	7.9
	1965	122.6	137.2	5.9	8.0	70.0	52.6	-	112.1	316.4	428.4
Transport	1960	26.5	29.1	29.7	10.6	57.5	-31.0	21.5	7.1	-	10.3
	1965	345.3	393.8	418.8	106.8	757.8	-412.5	360.7	79.7	0.2	77.7
Communications	1960	2.4	11.0	7.6	0.4	11.0	-8.6	-	0.8	-	...
	1965	32.0	148.6	110.5	2.3	115.9	-83.9	-	13.1	-	...
Supplies	1960	...	...	...	...	...	...	...	...	...	...
	1965	7.5	9.7	3.2	0.2	6.3	1.2	-	1.8	-	-4.9

Source: Fundação Getulio Vargas, Instituto Brasileiro de Economia.

a/ See attached list of the enterprises considered in each sector.

b/ Excluding contributions and subsidies, which appear under "Other income".

c/ Including social security contributions.

d/ Difference between income from operations and total current expenditure. It was not possible to separate operating from other expenditure in the latter figure.

e/ Contributions and subsidies received under the head of current income.

f/ Includes, in addition to fixed and financial investment, changes in stocks, which in 1965 had a negative sign in electric energy, transport and supplies.

Table B (Concl.)

BRAZIL: LARGEST PUBLIC ENTERPRISES, BY SECTOR

Mining and steel

Companhia de Aços Especiais Itabira
Companhia Ferro e Aço de Vitória S.A.
Companhia Siderúrgica Nacional
Companhia Siderúrgica Paulista
Companhia Vale do Rio Doce
Usinas Siderúrgicas de Minas Gerais S.A.

Chemical

Companhia Nacional de Alcalis
Petróleo Brasileiro S.A.

Food supply

Companhia Brasileira de Alimentos
Companhia Brasileira de Armazenagem
Frigoríficos Nacionais

Manufacturing and other

Fábrica Nacional de Motores
Empresas do Patrimônio Nacional
Companhias Usinas Nacionais

Transport and communications

Rede Ferroviária Federal
Linha Brasileira
Administração do Porto do Rio de Janeiro
Serviço de Navegação da Baía de Prata
Serviço de Navegação da Amazônia
Serviço de Navegação do Porto de Pará
Companhia Nacional de Navegação Costeira
Serviços Transporte Baía de Guanabara
Zona Franca de Manaus

Electric energy

Centrais Elétricas Brasileiras
Central Elétrica de Furnas
Companhia Electricidade do Amapá
Companhia Hidroelétrica de São Francisco
Companhia Hidroelétrica Vale do Paraíba
Termoelétrica de Charqueadas S.A.

/Table C

Table C
COLOMBIA: OPERATION OF THE LARGEST PUBLIC ENTERPRISES; FINANCIAL RESULTS, 1968
(Thousands of pesos)

	Operating income a/	Current expenditure			Operating surplus	Other items					Capital expenditure			
		Wages and salaries b/	Purchase of materials	Total d/		Contribu- tions	Loans	Transfers	Other income e/	Total	Direct investment	Financial investment	Amortiza- tion	Total
Manufacturing														
Empresa Colombiana de Productos Veterinarios	15 973	3 571	1 295	5 690	10 283	20 625	-	-782	780	20 623	18 207	-	340	18 547
Cementos Boyacá S.A.	39 418	8 386	9 928	29 781	9 637	-	-	-237	-3 262	-3 499	...	...	...	...
Industria de Concreto "INCO" Ltda.	1 435	410	763	1 246	189	-	-	-19	58	39	55	-	...	55
Empresa Colombiana de Petróleos	1 306 409	220 876	128 584	1 059 803	246 606	-	83 350	-30 794	181 296	233 852	452 868	98 160	30 631	581 659
Transport and communications														
Compañía Nacional de Navegación	12 951	4 152	3 183	13 348	-397	1 000	...	-364	4 188	4 824	...	...	...	...
Empresa Puertos de Colombia	346 538	235 321	5 067	262 500	84 038	10 000	46 099	-1 958	6 285	60 426	100 032	-	47 810	147 842
Corporación Industrial Aeronáutica	2 514	2 090	1 030	4 036	-1 522	1 000	1 800	-	1 990	4 790	...	1 319	525	1 844
Empresa Colombiana de Aeródromos	39 050	32 253	-	41 747	-2 697	111 706	25 846	-2 155	103	135 500	112 791	-	17 125	129 916
Ferrocarriles Nacionales	333 880	278 524	94 428	400 444	-66 564	170 342	118 927	-13 830	-45 235	230 204	194 684	-	22 591	217 275
Empresa Nacional de Telecomunicaciones	459 598	240 485	23 884	311 635	147 963	48 620	21 000	-109 794	11 242	-28 932	33 682	5 254	76 180	115 116
Instituto Colombiano de Energía Eléctrica f/	1 287	5 957	521	9 791	-8 504	231 189	358 503	-815	22 230	611 107	765 385	12 615	32 592	810 592
Instituto de Mercadeo Agropecuario g/	699 476h/	58 890	1 672	76 253	623 223	17 610	170 811	-5 752	8 238	190 907	887 758	10 098	-	897 856

Source: Contraloría General de la República, Informe Financiero de 1968.

a/ Income from sales of goods, products and services only.

b/ All expenditure on wages and salaries, social security and other special allowances.

c/ Only purchase of materials and supplies was considered.

d/ In addition to wages and salaries and purchase of materials, includes the general expenses of the enterprise, except depreciation, and interest payments.

e/ Income and expenditure that could not be placed under any other heading: income includes current income, rents, reimbursements and other capital resources, etc; expenditure includes depreciation and interest payments.

f/ The Instituto de Energía Eléctrica does not produce energy, but carries out studies, builds irrigation, drainage and hydraulic works for electrification purposes and constructs hydro- and thermo-electric plants.

g/ This Institute is responsible mainly for regulating foreign trade in agricultural products and controlling the prices of those products on the national markets through the regulation of supply and the accumulation of stocks.

h/ Includes 631 767 000 pesos for sales of goods which is not justified or explained by any opposite entries under operating

Table D

CHILE: OPERATION OF THE LARGEST PUBLIC ENTERPRISES; FINANCIAL RESULTS, 1968

(Millions of escudos)

	Current income		Current expenditure			Capital expenditure			Operating surplus	Financing		Net transfers g/	Other income h/
	Sales	Total a/	Wages and salaries b/	Inputs	Total c/	Investment d/	Amortization of public debt	Total e/		Government contribution f/	Loans		
Transport and communications													
Empresa Portuaria	113.7	124.8	119.2	32.5	153.3	7.9	-	8.3	-28.5	55.1	-	-3.6	-14.7
Empresa Marítima del Estado	29.3	49.8	26.0	41.1	67.1	6.1	-	6.3	-17.3	24.1	-	-	-0.5
Línea Aérea Nacional	139.6	175.8	64.2	90.0	186.5	178.5	25.4	203.9	-10.7	40.2	177.6	-9.3	6.1
Ferrocarriles del Estado	313.8	378.0	457.8	177.7	663.1	132.7	0.6	133.3	-285.1	337.4	26.4	26.3	28.3
Empresa de Transportes Colectivos del Estado	46.9	51.5	54.9	36.2	91.1	2.9	-	3.1	-39.6	43.8	-	-0.3	-0.8
Empresa Nacional de Telecomunicaciones	33.1	34.2	9.7	9.1	23.7	22.9	2.7	43.8	10.5	28.9	5.0	-	-0.6
Industry													
Industria Azucarera Nacional (IANSA)	237.3	253.4	35.4	195.8	256.5	15.2	0.6	15.8	-3.1	34.8	21.7	-36.6	-1.0
Astilleros Marítimos del Estado (ASMAR)	59.4	60.6	53.1	13.5	66.6	8.0	-	8.0	-6.0	21.1	-	-5.9	-1.2
Fábrica de Materiales del Ejército (FAMAE)	22.0	22.3	13.6	12.4	27.0	2.0	-	2.1	-4.7	8.2	1.2	-2.4	-0.2
Compañía de Acero del Pacífico (CAP) 1/	1 046.4	1 058.5	...	...	820.4	71.0	...	...	238.1	...	...	...	...
Mining													
Empresa Nacional de Minería (ENAMI)	521.4	527.9	67.7	400.6	480.1	46.6	107.9	154.7	47.8	72.6	33.1	-11.1	12.3
Energy and fuel													
Empresa Nacional de Electricidad (ENDESA)	276.8	280.1	59.3	58.4	178.7	360.1	-	387.1	101.4	137.6	96.2	55.7	-3.8
Empresa Nacional de Petróleo (ENAP)	828.0	828.1	85.8	346.0	431.8	203.1	40.2	255.2	396.3	-	29.9	-57.9	-113.1
Petroquímica Chilena S.A.	-	-	-	-	-	23.9	-	28.2	-	7.9	7.5	12.5	0.3
Commerce													
Empresa de Comercio Agrícola (ECA)	99.5	102.2	31.6	14.2	180.2	10.8	3.1	13.9	-78.0	56.6	37.0	-7.1	5.4
Services													
Empresa de Agua Potable	74.6	79.0	29.1	12.9	43.1	27.4	1.1	28.5	35.9	1.4	1.7	-11.9	1.4

Source: Ministerio de Hacienda, Dirección de Presupuestos, Balance Consolidado del Sector Público de Chile, año 1968 y período 1964-1968, Santiago, Chile, 1970.

a/ Apart from sales, includes investment income, income under special laws, etc.

b/ Including social security payments.

c/ Including also interest on the public debt and other current expenditure, except transfer payments.

d/ Capital formation, purchase of assets and financial investment.

e/ Including other capital expenditure.

f/ Including both current and capital contributions from the Government.

g/ Including current contributions by other institutions, of which only that the Ferrocarriles del Estado is of any size, current transfers to the private sector and current and capital transfers to the public sector.

h/ Variations in cash reserves, sale of assets, self-generated income and other income.

1/ Partial information from the report of the enterprise for the financial year 1968-1969.

Table E

MEXICO: LARGEST PUBLIC ENTERPRISES, BY SECTOR, 1968

	Capital stock (millions of pesos)	Proportion of State ownership (percentage)
<u>Mining</u>		
Compañía Minera de Guadalupe S.A. a/	12.0	...
Compañía Minera La Florida de Muzquiz S.A. a/	5.0	...
La Perla, Minas de Fierro S.A. a/	40.0	100
Mexicana de Coque y Derivados S.A. b/	70.0	0/
<u>Petroleum</u>		
Petróleos Mexicanos	...	...
Diesel Nacional S.A. b/	250.0	100
<u>Manufacturing</u>		
Industria Petroquímica Nacional S.A.	100.6	100
Tetrateild de México S.A. d/	50.0	0/
Altos Hornos de México S.A.	600.0	...
Compañía Industrial de Atenquique	70.0	...
Compañía Industrial de Ayotla b/	17.0	0/
Constructora Nacional de Carros de Ferrocarril S.A.	80.0	96
Chapas y Triplay S.A. b/	2.0	0/
Empacadora Ejidal	2.5	96
Zincoamex S.A.	63.5	100
Fábricas de Papel Tuxtepec S.A.	160.0	0/
Compañía Real del Monte y Pachuca	10.6	100
Fertilizantes del Istmo S.A. b/	270.0	0/
Guanos y Fertilizantes de México S.A.	10.0	51
Henequen del Pacífico S.A.	0.6	83
Hules Mexicanos S.A.	87.5	60
Industrial de Abastos S.A.	60.0	51
Industrial Eléctrica Mexicana S.A.	12.0	100
Ingenio Independencia S.A. b/	25.0	0/
Ingenio Rosales S.A.	65.0	...
Ingenio San Francisco El Marañal S.A. b/	50.0	0/
Maderas Industriales de Quintanaro S.A. b/	8.0	100
Maíz Industrializado S.A. b/	19.6	100
Operadora Textil S.A. b/	10.0	0/
Productora e Importadora de Papel S.A.	7.5	60
Siderúrgica Nacional S.A.	100.0	0/
Sociedad Cooperativa de Vestuario y Equipo S.A.	1.3	...
Talleres Gráficos de la Nación	...	...
Talleres Tipográficos Nacionales	20.0	100
Inmobiliaria Bamfooc S.A.	6.7	0/
Instalaciones Inmobiliarias para Industrias S.A. d/	10.0	100

/Table E (Concl.)

Table E (conclusion)

	Capital stock (millions of pesos)	Proportion of State ownership (percentage)
<u>Transport and related activities</u>		
Aeronaves de México S.A.	128.0	49
Aeropuertos y Servicios Auxiliares	...	...
Caminos y Puentes Federales de Ingresos	...	...
Ferrocarriles de Chihuahua al Pacífico	127.1	100
Ferrocarril del Pacífico S.A.	...	...
Ferrocarriles Nacionales de México	...	...
Ferrocarriles Unidos de Yucatán	23.0	100
Servicios de Transportes Eléctricos	...	...
Comisión Federal de Electricidad	...	...
Compañía de Luz y Fuerza del Centro S.A. <u>e/</u>	1 000.0	100
Compañía Hidroeléctrica Occidental	0.65	83
Almacenes Nacionales de Depósito S.A.	500.0	50
Conasupo S.A.	80.0	100
<u>Agriculture</u>		
Beneficios Mexicanos del Café S.R.L.	1.2	100
Unión Forestal de Jalisco y Colima S.A. <u>f/</u>	40.0	100
<u>Commerce</u>		
Compañía Operadora de Teatros S.A.	92.0	100

Source: Secretaría de la Presidencia, Dirección General de Inversiones Públicas.

- a/ The shares are owned by Altos Hornos de México S.A.
- b/ The shares are owned by Nacional Financiera S.A.
- c/ The State has interest.
- d/ The shares are owned by Petróleos Mexicanos.
- e/ The shares are owned by the Comisión Federal de Electricidad.
- f/ The shares are owned by the Compañía Industrial de Atenquique.

Table F

DOMINICAN REPUBLIC: LARGEST PUBLIC ENTERPRISES, BY SECTOR, 1968

(Thousands of pesos)

Enterprises of the State Enterprises Corporation (Corporación Dominicana de Empresas Estatales - CORDE)	Authorized capital stock (1967)	Proportion of State ownership (percent- age)	Labour force (June 1967)	Expenditure on raw materials (1966)	Income from sales (1966)	Net profits
Mining						
Minas de Sal y Yeso	1 060	100	246	...	769.3	-730.1
Falecombridge Dominicana	20 000	10	...	...	...	...
Petroleum						
Petrolera Dominicana	3 000	33	...	...	...	...
Manufacturing						
Dominicana Industria de Calzados	250	100	127	198.0	595.6	75.0
Fábrica de Aceites Vegetales	462	100	80	308.1	498.8	-104.2
Sacos y Tejidos Dominicanos (PASAGO)	1 425	100	266	484.7	1 741.0	47.2
Sacos y Tejidos Dominicanos (Textil)	6 000	100	560	2 495.1	1 502.2	-937.5
Sisal Dominicano	1 000	100	...	...	...	...
Tenería FA-2	300	100	40	56.4	126.5	-70.5
C.A. Tabacalera	4 000	72	455	2 738.0	17 402.9	647.5
Chocolatera Industrial	3 100	93	151	...	47.0	-6.0
Fábrica Dominicana de Cementos	12 000	73	551	500.7	6 287.8	847.0
Fábrica Dominicana de Discos	50	97	7	3.7	16.6	-10.5
Industria Licorera La Altagracia	150	87	33	50.7	105.3	-75.0
Industria Nacional de Papel	5 000	87	231	1 111.1	2 651.1	45.5
Pinturas Dominicanas	900	82	171	709.1	2 160.4	242.1
Industrial Lechera	400	96	53	309.8	389.1	-195.8
Molinos Dominicanos	4 000	66	232	5 074.8	10 871.7	740.3
Refinería Desal	46	100	31	13.5	...	-43.1
Industria Nacional del Vidrio	5 000	92	169	...	2 660.9	606.9
Nacional de Construcciones	1 000	44	...	...	...	...
Sociedad Industrial Dominicana	3 000	47	...	...	...	...
Ropas y Tejidos Dominicanos	400	24	...	...	...	...
Mezcla Lista C.A.	500	18	...	...	...	...
Industria de Asbesto Cemento	1 000	43	...	...	...	...
Industrias Nijua	1 250	28	...	...	...	...
Industria de Plásticos	500	4	...	...	...	...
Laboratorio Químico Dominicano	470	18	...	...	...	...
Fábrica de Baterías Dominicana	100	26	...	126.7	294.1	14.5
Planta de Recauchado	300	41	...	99.6	296.5	-32.2
Commerce						
Atlas Commercial Company	2 500	84	91	...	1 514.7	-117.9
Caribbean Motors	2 000	72	111	...	1 323.6	-142.3
Dominican Motors	1 200	68	47	...	606.0	-112.2
Ferretería El Marino	60	75	9	...	31.8	-38.5
Ferretería Read	1 000	62	42	...	501.9	-135.1

/Table F (conclusion)

Table F (conclusion)

Enterprises of the State Enterprises Corporation (Corporación Dominicana de Empresas Estatales - CORDE)	Authorized capital stock (1967)	Proportion of State ownership (percent- age)	Labour force (June 1967)	Expenditure on raw materials (1966)	Income from sales (1966)	Net profits
Sociedad Inmobiliaria	2 500	100	10	...	135.7	18.0
San Rafael	400	32	...	...	2 291.5	229.8
Comercial Dominicana	150	13	...	...	...	...
Equipos de Construcción	1 000	36	...	...	...	...
Fomento Industrial, Mercantil y Agrícola	1 500	12	...	...	...	...
Radio Hin	150	12	...	...	...	...
<u>Transport</u>						
Dominicana de Aviación	830	100	202	...	2 144.0	328.0
<u>Agriculture</u>						
Consorcio Algodonero	1 000	100	811	...	417.9	-2 077.2

Other State enterprises (1969)	Capital stock	Operating income	Other income	Total income	Operating costs	Depreciation	Net profits
Corporación Dominicana de Electricidad	37 000.0	20 198.7	-98.2a/	20 100.5	11 906.8	2 357.2	5 836.4
Corporación Azucarera Dominicana (currently Consejo Estatal de Azúcar)	140 000.0	80 274.6	1 644.8	81 919.4	74 360.3	5 420.9	2 138.2
Corporación Hotelera	...	...	...	...	...	...	...

Source: Oficina Nacional de Planificación, Plataforma para el Desarrollo Económico y Social de la República Dominicana (1968-1985), and balance sheets of enterprises.

a/ Including operating deficit of Preservadora de Maderas amounting to 100 000 pesos.

Table G

VENEZUELA: LARGEST PUBLIC ENTERPRISES, BY SECTOR, 1968

(Thousands of bolívares)

	Year installed	Proportion of State ownership (percentage)	Capital stock	Income from sales	Net profits a/
Mining					
Minas de Carbón de Lobatera C.A.	1950	...	...	...	...
Petroleum					
Corporación Venezolana del Petróleo	1960	100	483 600b/	179 072	35 178
Instituto Venezolano de Petroquímica	1956	100	975 030b/	77 273	-29 418
Manufacturing					
Siderúrgica del Orinoco (CVG)	1964	100	1 647 790	418 110	15 523
Centrales Azucareras (CVF) o/	1959	...	100 000	67 608	-4 181
Aluminio del Caroní S.A. (CVG)	1967	50	80 000	27 797	-2 120
Cementos Guayana (CVG)	1968	25	12 000	...	-11
C.A. Pulpa Guayana (CVG)	...	...	...	...	...
Centro Simón Bolívar (CVF) o/	1958	...	460 000	21 294	9 310
Instituto Autónomo de Diques y Astilleros Nacionales	1947	100	34 715b/	12 391	-1 734
Transport and related activities					
C.A. Venezolana de Navegación (CVF) o/	1959	...	72 305	99 769	5 754
Transportadora Marítima Venezolana C.A.	1960	...	...	...	...
Puerto de Hierro S.A. (CVG)	...	50	450	2 401	-
Línea Aeropostal Venezolana	1958	...	323 625b/	51 310	1 314
Venezolana Internacional de Aviación (CVF) o/	1960	...	32 760	136 187	16 360
Instituto Autónomo de Administración de Ferrocarriles del Estado	1946	100	446 384	2 105	-10 502
C.A. Gran Ferrocarril de Tachira	1894	...	11 200	...	...
C.A. Nacional Teléfonos de Venezuela	1965	100	400 000	287 790d/	36 832
Almacenes de Depósitos Agropecuarios C.A.	1962	...	...	...	...
C.A. Administración y Fomento Eléctrico (CVF) o/	1958	...	800 000	237 071	10 207
Electrificación del Caroní (CVG)	1963	100	514 000	35 198	20 983
Corporación Nacional de Hoteles y Turismo	1965	...	90 084	17 734d/	-466
C.A. Hotel Guayana (CVG)	1967	86	7 146	-	-

Source: Annual reports of the Venezuelan Development Corporation (Corporación Venezolana de Fomento - CVF) and the Venezuelan Corporation for the Development of Guayana (Corporación Venezolana de Guayana - CVG).

a/ Net profits for the financial year given in the balance sheets of the enterprises before deductions for sales tax, transfers to reserve funds and distribution of profits.

b/ Government capital only.

c/ Figure for 1967.

d/ Budgeted.