

*According to the Ministry of Trade and Industry, the Faroese government's massive privatization scheme can be comparable to events of historic proportions for the Faroe Islands, with parallels to the end of the trade monopoly 150 years ago.*

THE FAROESE GOVERNMENT has made it a highly publicized priority to initiate the privatization of most of the commercial corporations it controls; but in spite of the public debate which ensued after the government's announcement of its privatization scheme in 2005, only few people seem to realize the significance of the privatizations, according to Bjarni Djurholm, Minister of Trade and Industry.

"I believe the process of privatizing our government-owned corporations is an undertaking of great historic significance for the Faroes," Mr Djurholm said. "You may compare it with the end of the Trade Monopoly 150 years ago."

The Royal Danish trade monopoly in the Faroes, abolished in 1856, is perceived to represent an onerous trade regime that hindered economic progress, effectively banning private enterprise. The economic development that took place after the system was abandoned became the foundation of today's society



with a high degree of welfare based on Faroese exports. However, Mr Djurholm maintained, the true economic potential of the country is yet to be realized.

"Freeing the economic forces of the Faroes has taken a very long time," he said. "We are in fact taking the next necessary step in liberalizing our economy; the privatization of government-owned companies will release great financial resources."

With air carrier Atlantic Airways, telecommunications operator Faroese Telecom, pension fund and life insurance company Lív, and commercial bank Føroya Banki at the top of the privatization agenda, the stage is set for big business events in the near future. Other companies on the list include seafood processor and exporter Faroe Seafood, public transport operator Strandfaraskip Landsins, private home financing fund Húsálansgrunnurin, and central financial information and transaction service Elektron.

Ventures of this nature will hardly escape resistance or controversy. Some of the companies are only indirectly owned by the government, leaving the government with the only option of using company board representatives to influence the course of affairs—at times leaving much to be desired in terms of progress in the path of privatization.

As to Atlantic Airways, directly under the responsibility of the Ministry of Trade and Industry, consensus seems to have settled after a few rounds of public debate, much to the surprise and relief of those in charge of the privatization process both on the government's side and on the company's side.

The latest version of that particular plan: the Lögting (Parliament) will give the Minister of Trade and Industry the full mandate to privatize two-thirds



*Bjarni Djurholm, Minister of Trade and Industry, with first secretary Kitty-May Ellefsen; Faroese Telecom headquarters in Tórshavn (bottom left).*

## PRIVATIZATIONS OF 'GREAT HISTORIC SIGNIFICANCE'

of the company in two separate phases, the first of which will imply the listing of 33 percent of the company's shares on the VMF-ICEX securities market in the hope of attracting large numbers of small investors among the general populace; in a second phase, strategic investors will be invited to purchase a 33-percent share of the airline on certain conditions that include keeping the Faroes as central base for all of the air links that involve the country as a destination; the government will, until further notice and as long as

it may deem appropriate, keep the remaining 34-percent share to protect the interests of the public.

"This shouldn't really be complicated," Mr Djurholm noted, "only, Atlantic tends to become an issue charged with emotion.

"People here are very proud of our national carrier and they identify strongly with it—which is part of the reason why the political aim is to make those shares as accessible as possible for the public."

With Faroese Telecom, likewise under the Ministry of Trade and Industry, complications have been more technical and less publicly visible, centered around the question of the ownership of the backbone of the operator's communication network. While the competition seeks a separation of infrastructure and operator, champions of the public telco maintain that such measures would weaken Faroese Telecom unnecessarily and reduce its market value. The government's dilemma: ensure fair competition

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• Public Transport Operator (SL)  
• Office of Public Works  
• Faroe Islands Tourist Board  
• Faroese Vehicle Inspection  
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• Competition Council  
• Administration of Occupational Safety and Health  
• Land Registration Office  
• Registrar of Companies  
• Agricultural Research Station  
• Food, Veterinary and Environmental Agency  
• Alcohol Monopoly of the Faroe Islands  
• Agency of Aqua- and agriculture

Corporations under the Ministry of Trade and Industry scheduled for privatization: •  
• Faroese Telecom (Føroya Tele)  
• Atlantic Airways (Atlantsflog)  
To order prospectus, please contact the Ministry of Trade and Industry (see above)

on the market yet get fair value for the public's assets.

Said Mr Djurholm: "We seek to balance those demands and exigencies; the fact that FT recently changed their corporate structure is being of great help for this process. It will hopefully now be possible to separate the core infrastructure from other business operations to such a degree that fair competition can be ensured—while at the same time, we'll be able to avoid diminishing the value of the FT group."