



# Privatisation in Greece

**Dr. George Pagoulatos**

Professor of European Politics and Economy  
Athens University of Economics and Business

# Summary

---

Greece has committed to a **€50 billion privatisation programme**, one of the most ambitious programmes in the world.

Despite political resistance, complexity and mismanagement, privatisation **deals are taking place**.

Deals can be classified into **strategic and non-strategic**, with the strategic types attracting most resistance and complexity.

Key challenge: **win a privatisation tender**; and to also ensure that the **provisions for land development and capital expenditure** following the tender are **approved** by the Greek Government.

In key sectors such as **tourism and property**, there are **very attractive valuations and opportunities** available in Greece.

# Overview

---

1. Policy Review & Objectives
2. Asset Classes
3. Strategic versus Non-Strategic Assets
4. Best Practises in Privatisation
5. Risks and Opportunities

# Policy Review

---

In **May 2010**, Greece and the Troika agreed to the 1<sup>st</sup> EAP. This totalled €107.3 billion in financial assistance,

In **2011**, Greece committed to an ambitious privatisation programme as part of its Medium Term Fiscal Strategy. The objective was to **raise € 50 billion between 2011-2015**. The Hellenic Republic Asset Development Fund (**HRADF / TAIPED**) was founded for this purpose.

In **March 2012**, the 2<sup>nd</sup> EAP was ratified, which increased loan refinancing and reprofiled loan interest and maturities; implemented a private sector write-down of Greek Government Debt, and confirmed the need for privatisation. **Privatisation horizons were extended and the focus was to achieve € 19 billion in achieved privatisations by 2015.**

The Samaras government took power after a double election in mid-2012, and was succeeded by the first Tsipras government in January 2015. In this time, **limited progress was made** on privatisation completions due to a range of factors.

The Tsipras government was required to continue the programme from mid-2015, despite its extensive ideological resistance to privatisations.

# Privatisation Objectives

---

Following objectives have been provided as a rationale for the Greek Privatisation Programme:

1. To **raise funds for debt repayment** as well as to **fund government operations**;
2. To **remove loss-making assets or idle assets** from government responsibility;
3. To **attract new capital and know-how** in a range of strategic sectors;
4. To **safeguard public interest** through a mix of privatisation methods.

There have also been extensive criticism of the Programme:

1. Privatisations in an economic depression **cannot achieve fair value**;
2. Institutional weaknesses lead to **regulatory capture and tenders won by insiders**;
3. The **proceeds** aren't used for the benefit of the population or social welfare, **but for debt repayment**;
4. Only the Greek State—not the private sector—can **effectively manage strategic assets such as ports, electricity production, and other utilities**.

# The Truth is Out There

---



Photo © Yiannis Karahalios / Reuters

# Asset Classes

---

The [Hellenic Republic Asset Development Fund](#) (HRADF) has/had **three types of assets** under management (some assets have been privatised):

<b>Property</b>	<b>Shares</b>	<b>Rights / Licenses</b>
Wide range of assets in Greece and abroad	Athens International Airport Hellenic Petroleum (HELPE) ODIE (Hellenic Horse Racing) Ellinikon SA LARCO SA Athens Water Supply and Sewerage Company (EYDAP) Thessaloniki Water Supply and Sewerage Company (EYATH) Piraeus Port Authority (OLP) Thessaloniki Port Authority (OLTH) Hellenic Football Prognostics Organisation (OPAP)	Hellenic Motorways Natural Gas Storage, South Kavala State Lottery Tickets Hellenic Football Prognostics Organisation (OPAP) 39 Regional Airports “Mobile Spectrum” “Mobile Telephony Frequencies”

# Privatisation Methods

---

## **Concessions**

Right to operate an existing business for a certain number of years (typically 49/99)

## **Lease Agreement**

Right to develop property or land plot for a certain number of years in exchange for upfront or annual lease fees (or combination)

## **Share Sale**

Right to purchase shares, often in stages based on indicators such as completed investment levels by the successful bidder

## **Profit Sharing**

Assignment of a proportion of EBITDA or other revenue

## **Guaranteed Investment Levels**

Commitment by bidders to invest a minimum amount in capital expenditure

*Most strategic privatisations use a combination of methods*

# Key Assets

---

A list of assets and tender opportunities is available on the HRADF website:

<http://www.hradf.com/en/portfolio>

From an investor perspective, we classify privatisations as strategic and non-strategic assets (examples):

## **Strategic Assets**

- Hellenikon Airport
- Athens Water Supply & Sewerage Company (EYDAP)
- Hellenic Petroleum
- Port Authority of Piraeus
- Port Authority of Thessaloniki
- Hellenic Post
- Attiki Odos Motorway Concessions
- Egnatia Highway

## **Non-Strategic Assets**

- Kassandra Golf
- Afantou Property, Rhodes
- Pylos Marina
- Boutique Hotels
- Castello Bibelli
- Asprovalta
- e-Auction of Properties
- Real Estate Properties Abroad

# Strategic Assets

---

Strategic assets involve large-scale investments, usually into operating companies or major property assets in sensitive economic areas.

Political resistance to privatisation is high, usually led by a mix of employee unions, political parties, and “not in my backyard” communities.

## Public Power Corporation (DEH)



## Hellenikon Airport



# Strategic Asset Examples

---

Several strategic asset privatisations have been implemented, and are required to be completed by mid-2016 under commitments made by the SYRIZA-ANEL government.

## **14 Regional Airport Concession**

Fraport-Slntel (Copelouzos Group)

€ 1.4 billion with 28% EBITDA to the Greek state

## **Piraeus Port Authority**

COSCO

67% equity share purchase + minimum investments + concession revenue

## **Hellenikon Airport**

Lamda Development

€ 915 million + € 7 billion development, 99 year lease / 100% sale of Hellenikon SA

# Non-Strategic Assets

---

In addition to properties listed on the HRADF / TAIPED website, investors are strongly recommended to check the Public Real Estate website ([www.e-publicrealestate.gr](http://www.e-publicrealestate.gr)).  
Examples of non-strategic assets include:

**Lito Hotel, Mykonos**



**Xiradaki Mansion, Pelion**



# Best Practises in Privatisation

---

## *Complex Bidding Process*

To **value and bid successfully**, bidders need to have the **right commercial, legal and financial due diligence and expertise**.

Main issues are to understand the **post-privatisation development process**.

## *Well-Capitalised Consortium*

Bidder must be **well-capitalised and able to withstand very long delays in the bidding, approval and actual development process**. Projects usually not done quickly.

Most **tender processes can take up to a year (minimum); negotiating the final contracts and getting final regulatory approval can take far longer**.

## *National Involvement*

It is usually a good idea to have a **strong national partner** or at minimum **strong national advisors** involved in the process.

## *Development Implementation*

**The challenge is actual development**. Even once a privatisation is won, there is a **normal licensing procedure** to follow if the investment requires property development or construction of any kind. This often encounters massive **complexity and opacity in the approvals process**.

# Risks

---

Risks are extensive, and include:

- Complex Bidding Process
- Delays in Bidding Process and Final Approvals
- Lack of True Competition / Role of Insiders
- Political interference at different levels (from national political parties to elected officials where the investment takes place)
- Winning a privatisation does not guarantee that development or operation can take place: a separate licensing or approvals process is usually needed, depending on the investment
- Not in my Backyard (NIMBY) resistance
- Union resistance in strategic assets, translating into further political interference
- Danger in sectors that rely on a government monopoly (e.g. renewable energy risk on feed-in-tariff pricing levels)

# Conclusions

---

Greece is one of the most beautiful and diverse countries in the world, with unmatched beaches, nature and heritage.

Greece has **committed to privatisation**, and a number of transactions have taken place.

**HRADF and Public Real Estate.gr, together with partners such as Enterprise Greece, are committed to supporting investment in these sectors.**

Certain types of privatisation, e.g. non-strategic property assets, are occurring in a **straightforward** manner. Others are more complex.

**Winning a privatisation requires extensive preparation and expertise.**

Any decision to bid must involve an **accurate forecast of post-competition development, and the barriers and risks** involved in this.