



Privatization of Greek Ports

Dr. Thanos Pallis,
General Secretary for Ports & Port Policy (GSPPP),
Ministry of Development, Competitiveness & Shipping
Hellenic Republic

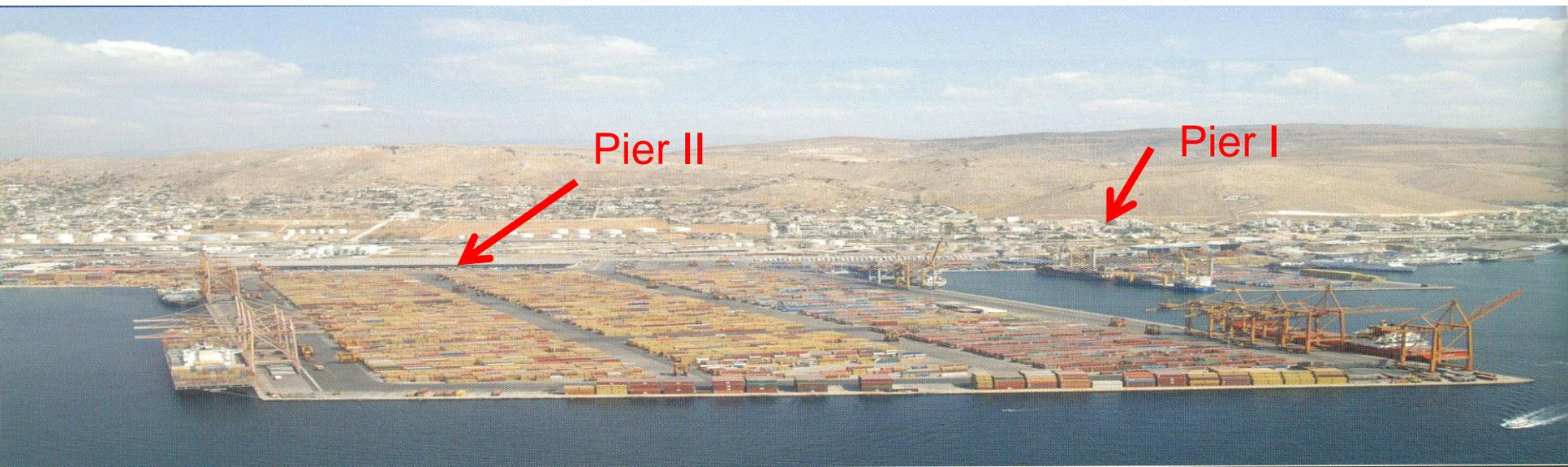
The Greek Port System:

Major Ports	<p>2 Major Trans-European Ports listed Sociétés Anonymes 75% owned by the state</p>	<p>Piraeus SA Thessaloniki SA</p>
	<p>10 Ports of National interest Sociétés Anonymes <i>owned by the state</i></p>	<p>Alexandroupoli Kavala Volos Rafina Lavrio Elefsina Igoumenitsa Patra Corfu Heraklion</p>
Small Ports	<p>38 Peripheral Ports public organisations</p>	<p>peripheral PAs - each managing a number of small ports</p>
	<p>Municipal Port Funds public organisations</p>	<p>1,250 Peripheral ports, marinas, fishing harbours and small harbours subject to the jurisdiction of local port authorities.</p>

Corporatisation took place in the early 1990s

+ The first private operator in Greece (2009)

- Concession of Piraeus container terminal **PIER II** plus rights to develop an adjunct Pier III to **Cosco Pacific** for 35+5 years
 - Lengthy process (5 years)
 - Immediate productivity/throughput increase
 - Investments by COSCO in line with plan
 - Renegotiation of several issues (i.e. *throughput guarantees vs. crisis; pricing vs. crisis; minor operational issues; etc..*)
- Difficulties of publicly owned terminal (**Pier I**) to remain competitive



+ Noteworthy:

- Inexperience of similar exercises led to difficulties and disruption of the process (*affects perceptions*)
 - Significant technical and operational ‘details’ were overlooked as the debate was political
 - A (successful) renegotiation between the state and the operator was essential and begun in Day 1.
- No reference to labour issues (*complicates the problem*)
- Relations between actors were not clarified – *nor is there a regulatory authority to monitor and facilitate settlements* (*affects planning*)
 - some tensions are already present
- This was the pre-2008 ‘port financialisation’ period: (*affects expectations*)
 - Investors were all around
 - Money were pouring



Why then?

(clear scope was present)

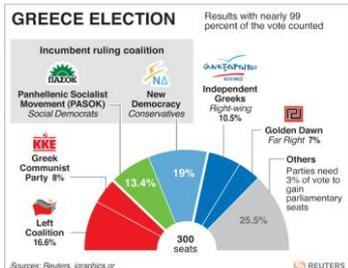
- Limit the **financial risk**;
- Pass the **market risk** to the terminal operator;
- Shorten the time for completing the **investment**;
- Lower **administrative & operational costs**
- Provide annual **income** when PAs accounts deteriorated
- Improve the company's capitalisation in **stock market**;
- Expansion of **port services** & related activities.



Since then: The Greek dept crisis



- The size of the dept results in fiscal crisis
- May 2010: IMF in Greece
 - MoU I on the adjustment of the Greek Economy: Bailout & Austerity measures – Scope: remain part of the Eurozone
- February 2012: MoU II
- Program monitored by the *Troika*: IMF, European Commission, ECB
- May 2012: Elections (political turmoil)





Ports part of the structural reforms program

(without pre-determined decisions on ownership)



■ MoU I:

- **Sell shares:** 23,1% of Piraeus; 23,4% of Thessaloniki; (State retains 50,01%).
- Greek government to either sell the rest of the shares or to concession rights to operate ports and provide services
- Hellenic Republic Asset Development Fund (HRADF) to organise and execute the privatisation of all different sectors including ports

■ MoU II

- **Sell shares:** 23,1% of Piraeus; 23,4% of Thessaloniki; (State retains 50,01%).
- Annex II: “Government to concession rights to operate in all 12 port SAs as well as in smaller ports”
- Government defines a strategy to integrate ports into the overall logistics & transport system, specifying the objectives, scope, priorities & financial allocation of resources. The strategy ensures the implementation of TEN-T priorities and the establishment of the foreseen corridors. It will also ensure the efficient use of the assigned Structural and Cohesion Funds

+ Structures of the program

■ Agents involved

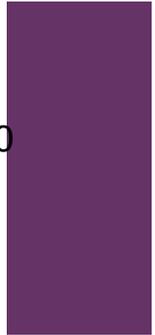
- **“Hellenic Republic Asset Development Fund - HRADF”** established to organise the privatisation of all different sectors including ports
- **General Secretariat for Ports and Policy (GSPP)** monitors the process while develops the national port policy and planning

■ Two major projects study the optimal reorganization of the port portfolio

- **“Poseidon”**: refers to the 12 Sociétés Anonymes
- **“Nereides”**: refers to the remaining Greek ports

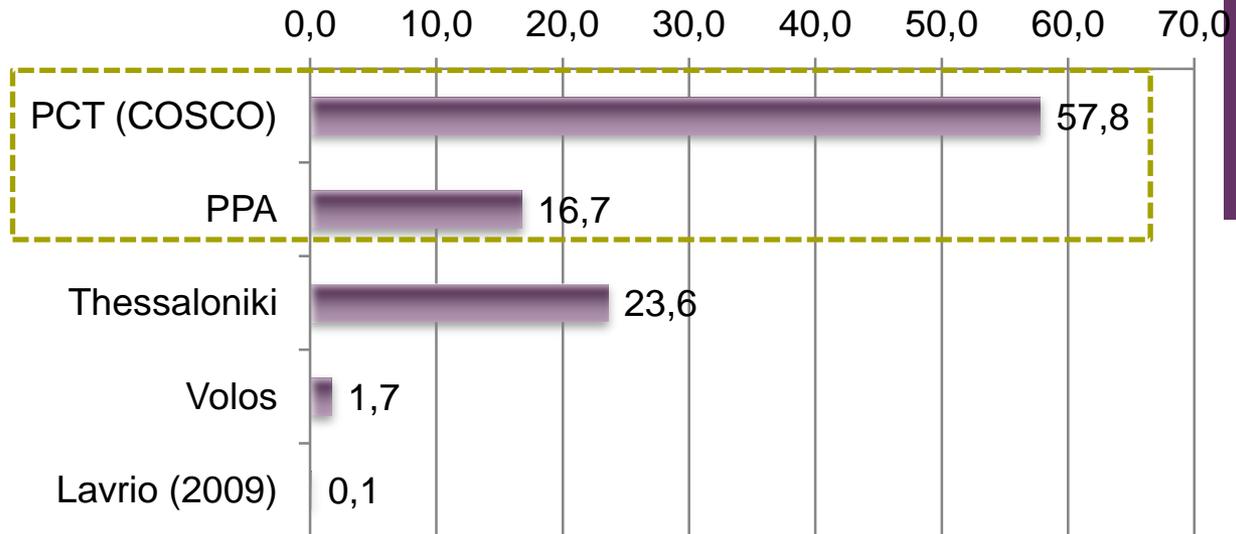
■ Decisions to be taken and execution of the Program to begin in Q3 of 2012

+ Numerous ports but few of size



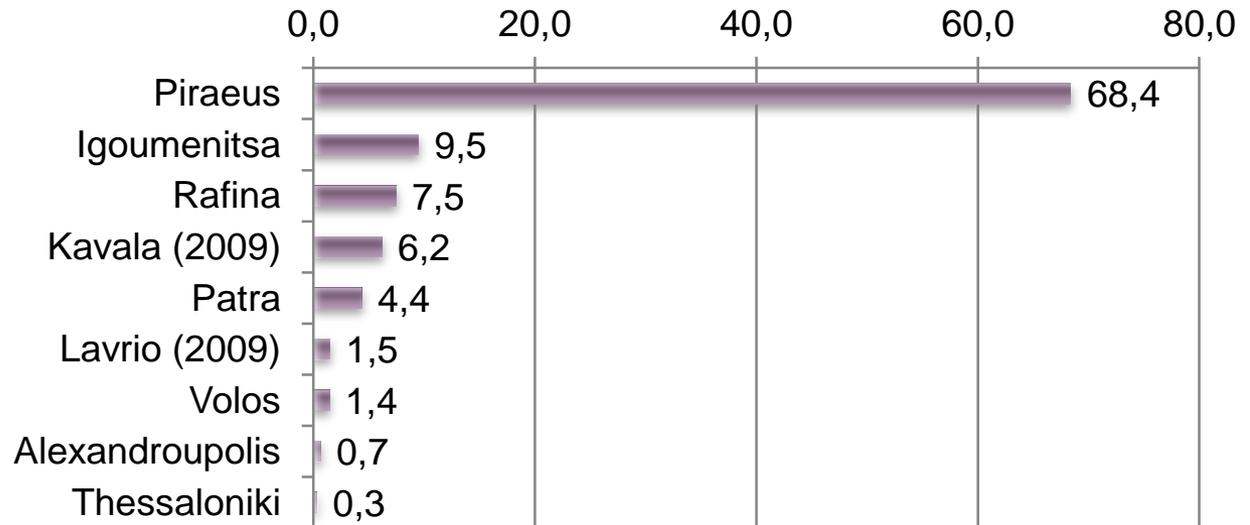
Container Traffic, 2010 (in TEUs)

Piraeus Port	863,808
PCT (COSCO)	669,864
PPA	193,944
Thessaloniki	273,282
Volos	19,802
Lavrio	1,599



Passengers Traffic, 2010 (in '000 persons)

Piraeus	20,336
Igoumenitsa	2,830
Rafina	2,231
Kavala	1,848
Patra	1,305
Lavrio	453
Volos	431
Alexandroupolis	196
Thessaloniki	101



+ Key Questions

- **Extraction of regulatory activities from the PAs - a 'national port regulator' with existing entities turning to operating companies.**
 - Could the remaining functions change ownership?
 - To float newly created corporate entities on the Stock Exchange or not?

- **To bundle PAs or not to bundle?**
 - Bundling of PAs (specialisation) - "Small is not attractive"
 - Management of various ports under holding PAs companies
 - Listed and non-listed ports

- **To bundle 'sectors' or not?**
 - Cargo based: Container/cargo/cruise/ferry
 - Would it be beneficial if different sectors offered under different packages?

- **Clarification of state-aid issues**

+ Key Issues in question

■ Which is the primary goal?

- Money generator to lower the dept? or structural reform seeking returns in the long-term?
 - Focus on upfront monetisation or on interest and investment?
- Develop & invest in port services in cooperation with strategic investors or not?
- Ambiguity generates delays

■ Bureaucratic issues:

- The crisis multiplied the public agencies involved in privatisation
 - different agents different priorities &
 - a very specialised sector;
- Expectations about the extent of the program and the size or returns mount unrealistically
- Public attitude: 'demonization' of direct talks with potential investors

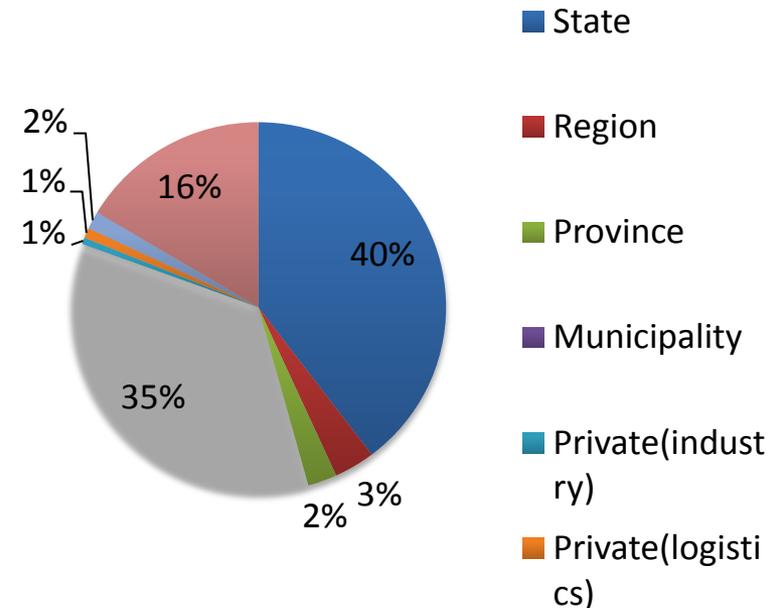
+ Concession, Concession, Concession !!

(what does the GSPPP advocate)

■ Transform existing Port Authorities to publicly owned landlord PAs via:

1. Specialization of ports - Coordination port development with broader transportation plan (**national level decisions**)
2. Clarification of the regulatory functions of 'new' public PAs (**regional level entities**)
3. Concession agreements
 - Some bundling possible & essential
 - Early market sounding investigation
 - Early workforce restructuring
4. Consider 'front-loading' payments due to the dept crisis but not 'obsession with cash'
5. We need to speed up due to developments in the region

Ownership of port authorities in Europe (2011)



Source: ESPO, 2011

+ The timeline (under review?)

■ Q2 2012

- Adoption of the National Port Strategy, as a part of the National Transport Strategy

■ Q3 2012

- Creation of the four Port Authority companies
- Adoption of port labour legislation
- Decision on port services scheme
- Adoption of concessions legislation

■ Q4 2012

- Launch of calls for tender for port terminal concessions