



# Privatization of Greek Ports

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# The Greek Port System:

<b>Major Ports</b>	<p><b>2 Major Trans-European Ports</b> listed Sociétés Anonymes 75% owned by the state</p>	<p>Piraeus SA Thessaloniki SA</p>
	<p><b>10 Ports of National interest</b> Sociétés Anonymes <i>owned by the state</i></p>	<p>Alexandroupoli    Kavala Volos                Rafina Lavrio                Elefsina Igoumenitsa        Patra Corfu                 Heraklion</p>
<b>Small Ports</b>	<p><b>38 Peripheral Ports</b> public organisations</p>	<p>peripheral PAs - each managing a number of small ports</p>
	<p><b>Municipal Port Funds</b> 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)*

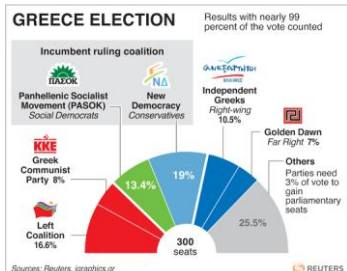
- Limit the **financial risk**;
- Pass the **market risk** to the terminal operator;
- Shorten the time for completing the **investment**;
- Lower **administrative & operational costs**
- Provide annual **income** when PAs accounts deteriorated
- Improve the company's capitalisation in **stock market**;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

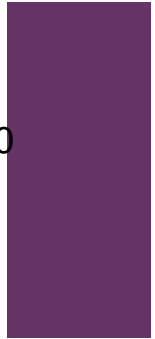
## ■ Two major projects study the optimal reorganization of the port portfolio

- **“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

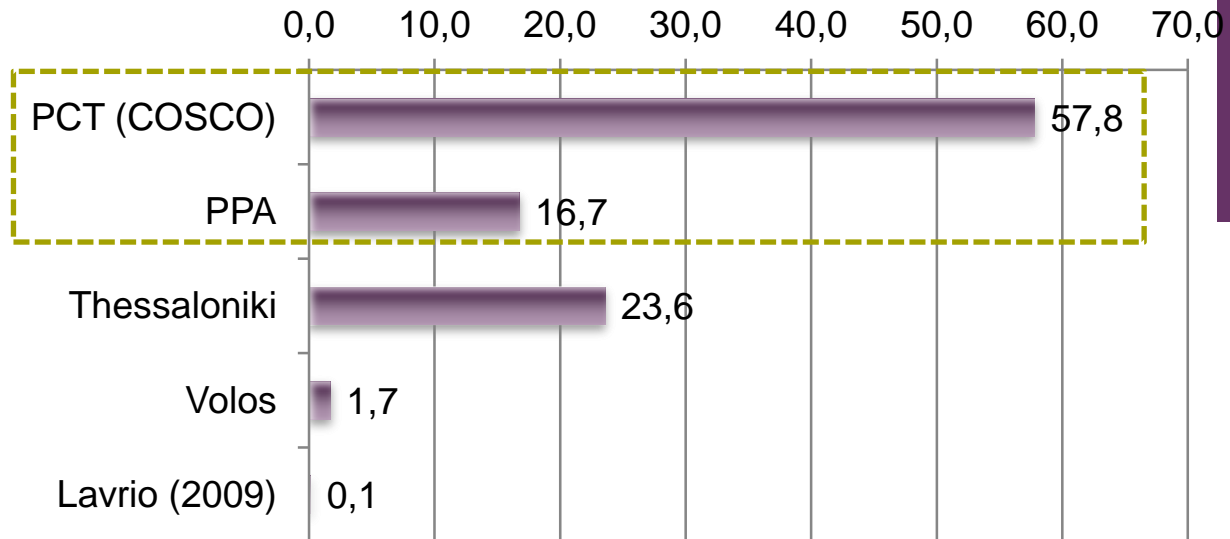


# + Numerous ports but few of size



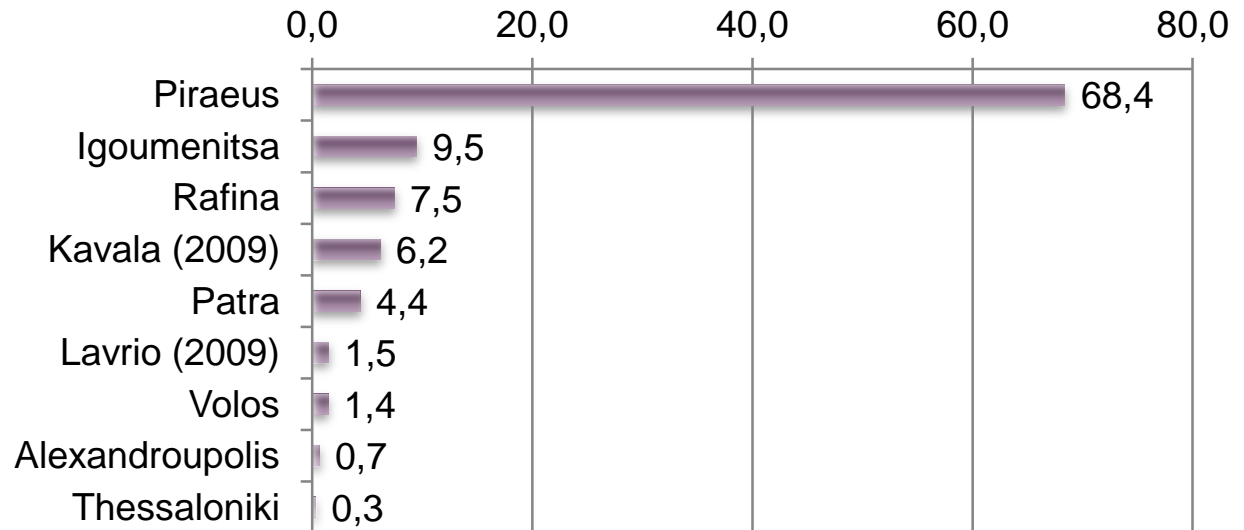
## Container Traffic, 2010 (in TEUs)

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

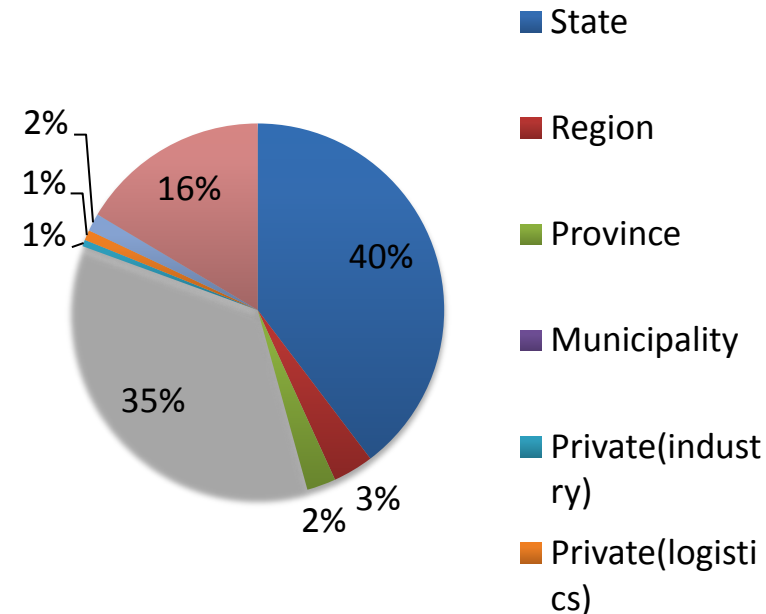
# + Concession, Concession, Concession !!

## *(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