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Greece's 'privatization menu' on display; goal through 2018 at 6.1-6.2 bln € (naftemporiki.gr)

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After the current euphoria from the 2016 "privatization season" dissipates, the monetary goal for 2017 and the narrow deadlines for a series of other projects mean that the government and is purpose-specific fund will have to accelerate actions.

By T. Tsiros & G. Kanoupakis

The memorandum-mandated monetary target for privatizations in Greece reaches an ambitious, by Greek standards, figure of 3.2 billion euros 2017, given that creditors had first lowered the target for the ongoing year.

Nevertheless, 2016 has so far been a "banner year" for the leftist Greek government's obligations vis-à-vis the third bailout program (memorandum) as far as privatizations are concerned, with several high-profile projects – the Piraeus port authority, 14 regional airports, the Helleniko property development and even the rail operator (Trainose) either awarded in international tenders or finally set in to motion.

The current "Greek program", or third bailout, expires in August 2018, with the privatization fund (TAIPED or HRADF) now obliged to meet even higher targets. Creditors have pointed out that cash from privatizations will fill state coffers and help Athens meet fiscal targets, whereas the boost to economic activity from the sales is projected to generate higher tax revenues from profits in the future, boost GDP and create more jobs in the recession-battered country.

After the current euphoria from the 2016 "privatization season" dissipates, the monetary goal for 2017 and the narrow deadlines for a series of other projects mean that the government and is purpose-specific fund will have to accelerate actions.

Another factor complicating the "privatization equation" for 2017 is the fact that a handful of listed companies will now go on the "sale block" at a period when the general index of the Athens Stock Exchange is hovering at historic lows – at around 500 points.

The ubiquitous “political costs” are also present, given that the current leftist government assumed power with a distinctly ant-market, pro-statist ideology. Nevertheless, in a most recent interview, Greek Prime Minister Alexis Tsipras delineated his latest political stigma by saying that “amid the current period what is leftist (policy) is for more investment to take place and for new jobs to be created.”

The total sum that Greece must put in the revenue column from privatizations through August 2018 is 6.1 to 6.2 billion euros, as per the revised memorandum text.

Although the figure is a far cry from a whopping 50-billion-euro total that representatives of the then “troika” cited during a press conference in Athens in February 2011, the more realistic figure come amid the seventh year of recession in the country, and with commercial and corporate values at all-time lows.

One optimistic estimate for 2016 is that money from privatizations will reach two billion euros, of which 1.234 billion euros is the concession price for 14 regional airports, awarded to a consortium led by Germany’s Fraport.

Besides the cash for a majority stake and management of the Piraeus Port Authority (OLP) from Chinese state-controlled multinational Cosco, other reachable goals for 2016 are an extension of the concession for the Athens International Airport and a sale of the state’s remaining shares, to Deutsche Telecom, in the telephony utility OTE, where DT already retains a controlling interest and management.

The latter is cited as a prerequisite for Athens to receive a sub-tranche of bailout money (2.8 billion euros) in the autumn, with the OTE share transfer expected in a few weeks.

Another lesser privatizations on schedule for 2016 is a concession tender for the Egnatia motorway across the breadth of northern Greece.

However, 2017 will test the privatization fund’s ability to reach the 3.2-billion-euro goal, even if money is carried over from exceeding 2016’s targets.

The primary candidates for privatization in 2017 are a handful of utilities that form the backbone of state-run enterprises in the country, such as the Public Power Corp., the dominant power provider in the country, the Athens and Thessaloniki water companies and even the Thessaloniki Port Authority.

TAIPED must alter schedule for sell-offs to make targets (ekathimerini.com)

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State sell-off fund TAIPED will need to revise its plan for the utilization of public properties, as a target for the collection of 2.5 billion euros from privatizations within 2016 is seen as unattainable.

Even if significant, politically sensitive projects are accelerated, such as the sale of a 17 percent stake in Public Power Corporation, it is doubtful whether they will be completed by the end of the year, let alone be paid for in time.

TAIPED has been authorized to collect 5.8 billion euros in total up to 2018. This breaks down into 2.5 billion for this year, 2.2 billion in 2017 and 1.1 billion euros in 2018.

The solution likely to be sought will be a compromise with the country's creditors for the collection of 2 billion euros, as the TAIPED chairman has said, and the deferral of the remaining 500,000 euros to the next couple of years. This is certain to be accepted, though it may not be attainable in practice anyway. That's because the broader economic conditions may not be the best possible for the sale of holdings such as those in PPC or the Public Gas Corporation (DEPA) and will have to be scheduled for end-September.