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Privatisation

Greece hopes to signal it is open for business with infrastructure sales worth billions

€50bn
Commitment in 2010 for sale of state-owned assets by Greece

€3.5bn
Income from sales forecast by agency Taiped for 2016

KERIN HOPE — ATHENS

Disputes among hard-left cabinet ministers and lingering concerns about Greece's future in the eurozone have not made it any easier to sell the country's assets to foreign investors.

Still, such distractions have not dented Stergios Pitsiorlas's hopes of wrapping up three key infrastructure sales potentially worth billions of euros by early next year.

The chairman of Greece's privatisation agency, the Hellenic Asset Development Fund (Taiped), insists that deals involving ports, railways and airports that were frozen when the leftwing Syriza government took over in January are back on track.

"These are transactions that are going to have a big economic impact. When they're completed the Greek economy will present a very different picture," Mr Pitsiorlas said.

Greece committed to privatising €50bn in state-owned assets to help repay its debts when it accepted its first international bailout in 2010.

Yet the programme has so far been a mess and cash proceeds last year came to just €530m.

Members of the leftwing Syriza party have expressed deep objections to privatisation. Its angry confrontation with European partners earlier this year over a third bailout pushed Greece off the map for potential investors. Many investment bankers still consider Greece "not investible".

But after prime minister Alexis Tsipras agreed in August to a three-year, €86bn deal with creditors, which specified privatisations under way must be completed, Taiped resumed work.

Revenues from disposals will be minimal this year, but the agency forecasts income of €3.5bn in 2016 that will go towards reducing Greece's huge public debt, forecast to hit 200 per cent of national output next year.

A new Greek privatisation and investment authority is being set up with an ambitious target of raising €50bn from disposals of state-owned companies and property. At Syriza's insistence, a percentage of future revenues will be used to support economic growth, a move that helped overcome entrenched resistance to privatisation by a more hardline faction of the party.

Mr Pitsiorlas's overriding priority is to sign a contract in December with Fraport, the German airport operator, which agreed last year to pay €1.2bn for a 40-year concession to upgrade and manage 14 regional airports handling the bulk of tourist traffic to Greece.

"This is going to signal that Greece is now a stable country, that a large German investor doesn't hesitate to make such a big commitment here," he said.

Stefan Schulte, Fraport's chief executive, last week told the Greek newspaper Kathimerini: "We're in very constructive and targeted negotiations with Taiped . . . If all goes well, we'll start operating these airports by the second half of 2016."

Fraport and its Greek partner, Copelouzos, a construction group, would invest €330m in the first four years at cramped island airports that have seen scarcely any investment in the past two decades despite big growth in traffic.

"The example we have from other recent investments by Fraport is that traffic will immediately soar," said Mr Pitsiorlas, citing Varna and Burgas airports on Bulgaria's Black Sea coast, where traffic has doubled since the German operator took over.

Next is the sale of OLP, the state company that controls Piraeus port, and Train-OSE, the Greek railways operator — together they would enhance Greece's prospects of becoming a gateway to central Europe for Asian exporters.

Final bids are due by January for Train-OSE, which has a monopoly on an under-developed rail network desperately in need of investment. Bids are likely to be low, Mr Pitsiorlas said.

"The network needs huge improvement so we're not looking at big valuations but it's important to get an investor that can put money into rolling stock and human resources to cover customers' needs," he said.

The frontrunner is Romania's Grup Feroviar, a private company bidding in partnership with Watco, a private US-based rail operator.

China's Cosco group and Maersk of Denmark are keen potential bidders for OLP, the listed company that runs Piraeus port and controls sizeable tracts of state-owned land around the port zone. Cosco already ships containers to central Europe by rail from the port, where it operates a container terminal on a long-term concession.

Final bids for a 51 per cent stake are due next month. "We aim to finish this transaction quickly and have the new investor taking over early next year," Mr Pitsiorlas said. "This is a deal that should make Piraeus one of the world's leading container ports."