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**The Port of Piraeus
in the European port market**

*Summary points of the speech
of Mr Yiorgos Anomeritis
in the meeting
of chambers of Piraeus*

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1. The Port of Piraeus is a port of large sizes. The port of Piraeus is the largest passenger port in the world and one of the largest ports in Europe. It has 44 km seawalls and facilities covering inland port areas in 4 municipalities of Piraeus, Keratsini - Drapetsona, Perama and Salamina. It serves annually 40.000 ship arrivals/departures, 18.000.000 passengers, 3.000.000 vehicles, 500.000 vehicles - goods (car-terminal) and 2.500.000 containers (PCT and PPA).

The port of Piraeus is a port of complex activities: It exercises work in 7 sectors of port activity: (a) Coastal shipping, (b) Cruise, (c) Car-terminal, (d) Ro-Ro, (e) Containers, (f) Ship repair and (g) Environmental and Logistics operations. It is the main port of coastal shipping, connecting mainland Greece and the islands, the main cruise port (50%), the main port for containers (90%), the main port for cars (95%) of the country.

It is the only port that offers all the required port services: water, fuel oil, solid and liquid receptacle tankers, residual oil, electricity, fiber optics and internet, victuals, repairs, environmental services and it is fully connected to all activities with modern computer systems.

The port of Piraeus is the only major port in the Mediterranean, which has been certified by ESPO and Lloyd's as **ECOPORT**. It employs 15 contiguous and revolving programs of environmental protection for the land, water and gas space control, with a cost of 2.224.000 euros.

The port of Piraeus, under the management of PPA SA, is one of the few companies in the country which **operates 365 days a year, with 24 hours of continuous operation**, applying all Community and national rules of **Transparency**.

2. The Port of Piraeus is a port of public authority and entrepreneurial activity.

As in all ports the **land and maritime space belong to the State**. With the Concession Agreement (N.3654/2008) the management and exploitation of space allocated to it were handed to PPA SA. Piraeus

Port Authority was **established by Eleftherios Venizelos**, who was a citizen of Piraeus in **1930**. Established as the **Port Authority** in 1950 (N.1559/1950), it was transformed into a Societe Anonyme in 1999 (N.2688/1999), introduced in the Athens Stock Exchange in 2003, selling to retail investors a 25.86% stake, while in 2012, the State contributed to HRADF 74,14% of its shares.

The PPA is essentially a dual legal personality: It is simultaneously an Enterprise and an Authority through or in conjunction with other public bodies exercising public authority (free zones, customs, port, health, fire, portals of entry - exit of the country, security, environmental, towing, shipwrecks, etc.) and **is in fact the dominant Regulatory Authority in the area of its responsibility**, as evidenced by the most recent law (Law 3755/2009) for the concession of Piers to PCT.

3. The Port of Piraeus is the National Port of the Country.

The port of Piraeus from being a sub - Port Authority of Hydra in 1836, gradually became the main port of the country. From a local port (1830 - 1930) it was transformed, through the establishment of the PPA, into the largest commercial port in the country, which contributed to the revival of Piraeus and its transformation into an industrial centre of the country. **It is the shipping centre of the world for Greek and Greek owned shipping**, in which 900 shipping companies of N.2687/1953 N.27/1975 have their headquarters. 60% of imports - exports of the country move through the port of Piraeus. The set of huge facilities (infrastructure and equipment) were constructed with public funds, PPA own funds and community resources. If it is privatized by 100%, then a unique expertise of the country will be lost for 40 years. The port of Piraeus has twice the turnover of all aggregated major ports in the country!

4. European Port System.

The PPA is one of the 265 main port managers of the European port industry. It is a member of the Hellenic Ports Association (Elime), the

European Sea Ports Association (ESPO) and the Association of Mediterranean Cruise Ports (MedCruise).

The PPA is part of the European port system and any decisions taken or to be taken should be consistent with the principles of the *acquis communautaire*. The principle of efficiency, competition, transparency and protection of the environment are the essence of the principles of the European port system. According to the, to be voted during the Greek Presidency, new market regulation on port operations, in every major port an **Independent Port Authority** (or on country level) should be created, **a Supervisory Board Users** and **at least two managers and many users should be active. It is inconceivable, to operate as state monopoly or as private monopoly.**

The ports in the European Union have various legal forms, but mainly that of the company. In terms of shareholding structure:

- **90% of public character**
- **7% fully state ownership**
- **3% completely private.**

In the public character port shareholders are the State, the Local Government, the Chambers and operators and users in the area of Logistics and Shipping.

In public ports operating activities or land space are allocated through long-term Concessions from the government to the port managers.

The European model of operation of the port industry is the only model which can be installed in the reform of the country's port system.

5. The National Port System.

The National Port System, in line with the views of Elime, **shall** after the reshuffle of 2001 in SA harbors, municipal and regional, **be reformed on the basis of a recent law (N.4150/2013)**, which has adopted but not applied. According to the recommendations of Elime,

the International Consultants of Government (Project Poseidon 2012), and conditions of the Memorandum II we aimed at bringing to reform the port system, in order to develop it, with new holding companies, new SA in the large ports, mergers, new institutions such as the Independent Ports Authority etc.

The comprehensive reform of the Greek port system will give new values and growth prospects. **Without reforms in the overall operation of ports and managers, any privatization will offer little in the development of the country.**

6. PPA SA: A large economic size.

The PPA is going through its fourth profitable year following the developments of 2009. With a turnover of 115 million euros, a development program of 960 million euros, it saw recently, despite the various pressures, to be approved by the European Commission, the construction of the southern port cruise costing 120 million with 95% through community participation, which is also the highest participation rate that has ever been given in the European Union.

The PPA has progressed in **322 Concessions Agreements** (sewage, fuel oil, waste, areas for use, etc.) with the most significant being the Concession of Pier II and the eastern Pier III (containers) to PCT SA for investments in infrastructure and equipment of 340 million euros. This investment is already being completed, while the PPA in four years (2010-2013) received revenue of 158 million euros. Already PPA SA, despite any potential legal related issues, went to Plan B' modification of the original concession agreement for new investments worth 240 million euros for the construction of the Western Pier III and the Oil Pier. According with international financial advisers and the letter of the Greek Republic to the European Commission (DG Comp), **the Net Present Value of the concessions of PPA amount to 678 - 1.013 million euros**, depending on the assumption scenarios, versus 478 million NPV of the guaranteed consideration of 2009. **Note that according to the**

new promoted Agreement, the capacity of Piers II and III increased from 3.400.000 TEU (containers) to 6.200.000 TEU with the guaranteed 4.750.000 TEU and the guaranteed minimum 3.083.000 TEU, with the rent rate remaining stable to 24.5% of turnover from 2017. (Today it is 21.50%).

The current value of the PPA under two different valuation methods amounts to 1.150 million euros without capital gains and investments of third parties through part concessions.

Note that the **EU grants to PPA SA**, which will qualify as State aid and sought after, **amount to 285.000.000 euros.**

7. Attica Port System.

In accordance with the provisions of Articles 39 and 40 of L.4150/2013 voted by this Government, the **“Attica Port System”** must be created, ex the merger listed on the ASE of PPA with the ports of Attica, Elefsina SA, Rafina SA and Lavrio SA. Activation of the above articles leads to new values and share capital increase, which in my opinion should be done before any privatization, in order for the value of the PPA to be magnified even more.

8. Trans-European Networks.

The European Union passed the new regulation on European Networks (TEN - T) and the new Fund “Connecting Europe” **with a budget of 23 billion euros**, in which Network and Fund **the Port of Piraeus has now been picked** and will thus be able to finance new infrastructure projects **until 2030.**

9. Ports and Cities.

Greece, due to its polynesian territory, is the most multitudinous port region of Europe. The approximately 800 ports play a key role for the internal market and tourism and are important for the international maritime transport of southern Europe.

The ports are growth engines; this requires comprehensive and collaborative design, if we want to maximize the multimodal capabilities. They are hubs of the trans-european network (TEN - T) and strong pillars supporting insularity policies. It is inconceivable for them to be treated as collection mechanisms or as tools for solving local interests.

The Local Authorities and Regions underlie the functioning of democracy and the development of the country. Especially concerning local affairs, Local Authorities have precedence over the Government, which is now limited to the legality of their actions. **Regional and Local Authorities are required to participate in the share capital and administration of Port Organizations and certainly not interfere in their business operations.**

Across Europe and Greece ports are maritime edges of cities. Most cities have developed thanks to shipping and ports. But the magnification today of cities to urban centres and ports to network hubs has created new facts, which can only be resolved by consensus. **City and Port** are different legal and economic personalities, **must operate in a coordinated way and consensually** to serve the national economy and local - regional societies, always within the rules of a single European ports policy. **The economic correct without the collective social relations can not be accepted in areas of increased ethnic and social co-responsibility.**

10. The reform that changes the Greek port system must take as **constants** the following positions:

- The ports and the terrestrial areas are **public property.**
- **Managing bodies of ports are specific legal personalities,** which in the context of international, European and domestic legal rules apply modern and effective governance through the port.
- **Shareholders of the managing bodies of ports is the public majority, the Local Government, Chambers, users of ports and carriers and shipping companies.**

- **The port operators always work with corporate governance rules**, and the areas of their responsibility and activity **can be conceded to more than one user**, in the context of EU Regulations, with concession agreements, respecting the principles of transparency and the Market.
- **City, port users and enterprises must collaborate through modern corporate management bodies (Companies) under the monitoring of the “Independent Supervisory Authority”**.
- **The port enterprises within corporate social responsibility must pay a percentage of their profits to the institutions of the City designated uniform for all cities** in the limits of which port facilities operate, following a decision of the Government.

The Greek port system offers great investment opportunities at a national, regional and local level, particularly in the freight, passenger, and cruise sectors. The position of the country and each city separately to port networks, as its insularity, constitute factors attracting investment, which through the port infrastructure will act as a multiplier for the city and for the country.

11. The institutional framework of the Crisis – Privatizations.

The economic crisis in Greece many times raised the issue of reforms and privatization in the dialogue table with the troika and the European Commission. The record of decisions of memoranda is the following:

A.: Memorandum I (N.3845/2010).

- The troika nominated the sale of 74.14% of the shares of PPA SA
- Following a joint examination of the legal difficulties, the sale of 23.86% of the shares of PPA SA was decided.
- Provisions of L.3845/2010 included the following:1.4.3 “The portfolio of ports will be reorganized into separate groups, which requires the completion of several acquisitions. About the PPA a sale of a 23.1 % stake is planned in the ...”

B.: Memorandum II (N.3985/2011).

In Annex VI for the Privatization Program (p. : 692, 722, 723 GG) SOEs are divided into (a) Sale of shares, (b) Concessions and (c) Real Estate. In the point 2012 Q 3 PPA referred to as Port of Piraeus in column “Concessions” and not “Sales” with a comment “Identifying appropriate policy. Establish regulatory authorities by September 2012.”

C.: Memorandum III (Law 4093/2012).

In section 6.3.2 entitled “Maritime Activities in Ports” has included the following sentence: “In line with the new ports policy and the organizational model for the ports Hellenic Republic Asset Development Fund (HRADF) defines a particular privatization strategy **mainly through concessions in order to make better utilization of ports** (February 2013)”.

Table on page 5633 of the same Law Gazette (OG A 222/12.11.2012) in the column of the year **2014** as point 7 “**Exploiting PPA, THPA and peripheral ports**” **without reference to sales percentage of shares**, such as written for example: OPAP 33%, PPC 17% or the word “sale” for other businesses.

It is obvious that in the Memorandum III (N.4093/2012), no specific mention of selling shares of PPA SA is recorded as accurately recorded in the memorandum I (L.3845/2010). On the contrary, the Memorandum III requires that privatization should be done mainly through concessions.

12. Crisis and Privatization.

Privatisation is used as one of the ways to repay creditors and HRADF has undertaken the appropriate procedures.

But especially for the port industry, since “**ports are growth engines**”, according to the recent words of Commissioner Slim Kallas, privatizations should take into account:

- The European acquis and EU regulations.

- The conditions of the ASE.
- The legal complications that emerge due to “Port Authority”, foreshore and seashore, aggradations, and archaeological sites.
- The lack of investor interest for such infrastructures etc.

The privatization options are theoretically two:

- The solution of **the sale of all shares** of the port company to a private investor.
- The solution of **concessions** of infrastructure or activities.

The first solution no longer applies anywhere, not only in European ports, but also worldwide. And where applied (eg in the UK by Thatcher in 3 ports) led to failure. The assumption that in ports the shape of a (state or private) monopoly should be excluded, is globally accepted.

The privatization options, which can be promoted due to the economic crisis and the country's commitments, should combine three conditions:

- a. To contribute directly revenue to HRADF
- b. To support the growth prospects and
- c. To be compatible with national and Community law.

13. MOTION of PERSPECTIVE

Which satisfies the three previous conditions.

1. Immediate reform of the Greek port system under Article 39 N.4150/2013 to create Central Port Networks

2. Increasing share capital of PPA SA, in accordance with Article 40 of N.4150/2013 and creating Attica Port System

3. Sale of 23% (or 39% of the new shares) **of the shares of PPA SA and Thessaloniki Port Authority SA**, either through ASE or as a package with a minority rights to investors.

The sale (a) will deliver **160.000.000 euros** directly to HRADF and (b) 51% of their shares will remain under public control.

4. Securitization of guaranteed revenue from concessions or issue convertible bonds.

According to the financial reports present the NPV of conceded items from the PPA amount to 678-1013 million euros. This means minimum **income potential from 231 to 336 million euros** for the pessimistic scenario, with a guaranteed revenue sold 60 % and a discount rate of 11%.

5. The combination of 3 and 4 reveals that keeping the 51% in HRADF could have income from the above transactions of 496.000.000 euros.

6. Long-term concessions and investments in superstructures and services that maintaining the existing work environment will bring new significant additional revenue to the government, the PPA and HRADF.

14. Piraeus and the port towards 2021. As is known, the investment program of PPA SA, which has been approved by a large majority of the bodies of Piraeus in 2010 aims to:

- a. Couple the **City and the Port** with new venues and activities.
- b. Complete the **Cultural Coast of Piraeus** by 2018, an area of 180.000m² facing the sea, three museums, theme parks etc. and the underwater passage that connects the cruise sector and Piraiki with the Cultural Coast.
- c. Co-host the 2015 **European Maritime Day** and events with this axis, since the Piraeus and its Port was chosen by the European Commission for 2015.
- d. Help **municipalities of Piraeus and Salamis** to be recognized within the next year as **European Capital of Culture 2021**. For this purpose, the PPA will allocate the entire Kynosoura area for the creation of a historic park.
- e. Participate in the preparation of events for the **anniversary of 2.500 years of the Battle of Salamis in 2021** through a special purpose, which is to be established.

The infrastructure and the outlook for the Port, both through the development program of the PPA, and through public and community resources **with the active participation of the Region of Attica** for the required new projects can give Piraeus a new perspective on economic and cultural development, which will maximize value and social benefits to the Public, the PPA S.A., the Municipalities and the surrounding area.

The Port of Piraeus is the timeless headquarters for the pioneer Greek shipping, the premier port of Greek port industry, the great historical landmark of the city of Piraeus, it is a symbol. And symbols as it is known are very difficult to measure in terms especially when they are circumstantial.

Port Privatisation Options

Port Models	Port Regulator	Port Landowner	Port Operator
Public (7%)	Public	Public	Public
Private-I (88%)	Public	Public	Private
Private-II (2%)	Public	Private	Private
Private-III (3%)	Private	Private	Private

(100%)

PORT TRAFFIC TABLE P.P.A. 2013

PASSENGERS THROUGHPUT

ROUTE	TRANSPORTED PASSENGERS
SHORT SEA	5.741.167
ARGOSARONIC	1.856.519
ARGOSARONIC CRUISE	45.076
PERAMA - SALAMINA FERRY	7.730.555
TOTAL OF DOMESTIC TRANSPORTED PASSENGERS	15.373.317
INTERNATIONAL CRUISE	2.296.457
TOTAL OF PASSENGERS TRAFFIC	17.669.774

VEHICLE THROUGHPUT

VEHICLES	TOTAL
PASSENGER CARS	1.476.231
TRUCKS	265.193
BUSES	14.212
MOTORCYCLES	793.771
TOTAL	2.549.407

CARGO TRAFFIC

CARGO CATEGORY	TRANSPORTED CARGOES
CONTAINERS (T.E.U.)	644.055
CAR - CARGOES (VEHICLES)	448.682

Source: P.P.A. S.A.