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Greece faces ‘fire sale’ shortfall

By By Kerin Hope and Ralph Atkins in Athens and Gill Plimmer in London

George Provopoulos, the Bank of Greece governor, said the four-year austerity packagea to be voted on Wednesday by the Greek parliament puts too much emphasis on tax increases and not enough on spending cuts.

Further questions have arisen, meanwhile, over sources of revenue for the state from its planned “fire sale” of assets – aiming to raise €50bn ($72bn) by 2015.

The austerity measures call for an independent privatisation agency to be established within weeks to handle a programme of disposals, including the sale of strategic stakes in state-owned utilities and leases in state-owned property for tourist development.

Independent research suggests, however, that Greece will struggle to raise much more than a quarter of the €50bn it needs from the assets sales and privatisations unless it adds more prime land and cultural heritage to its sales list.

Only €13bn of assets are ready to sell, leaving a €37bn shortfall, says a study by the Privatisation Barometer, a Milan-based institute sponsored by Fondazione Eni Enrico Mattei and KPMG. This includes €6.6bn from offloading stakes in 15 listed groups and an “optimistic” €7bn from the sale of 70 unlisted groups, where the yields are more difficult to assess.

“At this stage, no one really knows what Greece Inc is worth, but it’s clear that it will fall short,” said Bernardo Bortolotti, a corporate finance professor at the University of Turin who produced the analysis.

The Greek government has already privatised assets worth €25bn in banking, telecoms and energy since 1997, mostly in “salami-style” offerings of equity tranches in state-owned companies.

On Tuesday night, thousands of trade unionists gathered outside the parliament building on Syntagma Square, demanding withdrawal of the proposed privatisations. The Socialist government was struggling to rally dissident deputies with close ties to unions as debate on the measures continued ahead of the vote.

Riot police used teargas against militants who attacked shops and set fire to rubbish bins in streets around the square as the unionists’ protest was breaking up.

A 48-hour walkout by public-sector workers shut down state-owned banks and government offices, city transport and most ferry services to the Aegean Islands. Work stoppages by air traffic controllers delayed dozens of international flights using Athens airport.

The Indignant Citizens movement, running a Syntagma Square protest camp, asked supporters to stay in the streets throughout Tuesday and Wednesday.

Manolis, a civil engineering student, said: “This is the climax of a month-long protest against measures that are just too harsh for people to take ... We plan to be here nonstop.”

Theodoros Pangalos, deputy premier, said the next €12bn tranche from an international bail-out loan would not be disbursed unless parliament backed the new measures.

“If we don’t get the money, we face a terrible scenario ... a return to the drachma, with banks besieged by terrified crowds wanting to withdraw their savings,” he said. “We will see tanks protecting banks because there won’t be enough police to do it.”