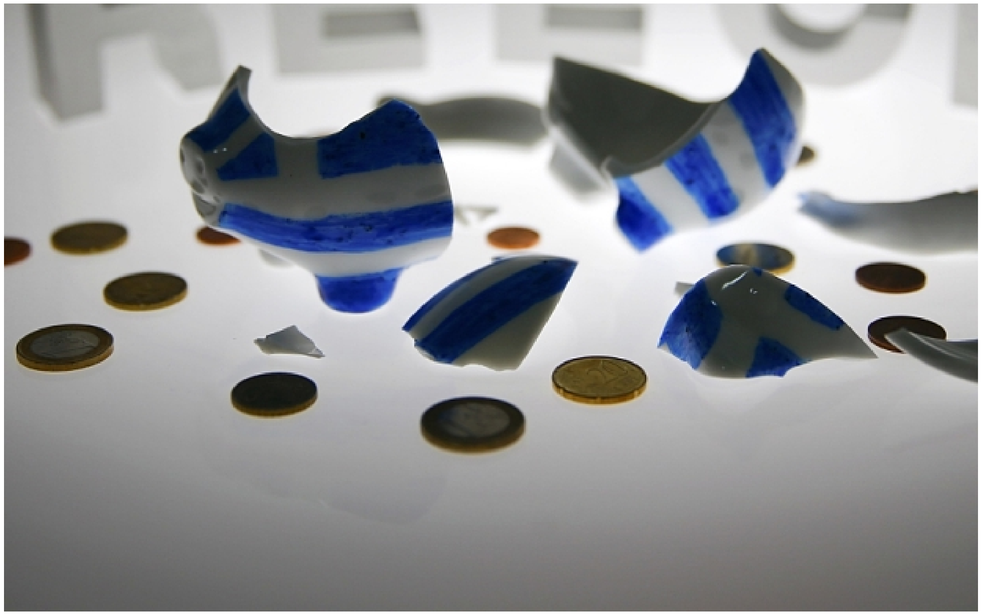
Greece sells airports to Germans as Bundestag prepares for day of reckoning

Syriza carries out first set of controversial privatisations which will hand control of regional airports to German company



Greece needs to secure €26bn bail-out disbursement before August 20

By Mehreen Khan

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The Greek government has rowed back on a promise to halt the fire sales of the country's strategic assets by approving the sale of its airports to a German company.

Operating rights to 14 regional airports, including those on popular holiday destinations such as Crete, will now fall under the control of Fraport AG, the operator of Frankfurt airport.

The €1.23bn deal represents a significant climbdown for Alexis Tsipras who had denounced attempts by the Troika to force various Greek governments to de-nationalise the country's ports, electricity networks and airports.

But the embattled prime minister has been forced into a number of concessions in return for an €86bn aid package to keep the country in the euro for the next three years. The deal comes as Germany's Bundestag prepares to vote on the package on Wednesday.

International Airport of Thessaloniki is part of a deal for Germany's Fraport to run 14 regional airports

Bidding for the airports was won by the German firm in November but the process was suspended by Syriza amid claims the tender broke competition rules. Fraport will operate the airports for the next 40 years under the licence agreement.

Former finance minister Yanis Varoufakis has attacked the sales for entrenching the country's oligarchic elites and hurting the government's coffers through under-priced sales.

In a line-by-line critique of the demands, he dubbed the privatisations as "a major disaster in every conceivable way – from the prices fetched to the rate at which the privatisations that occurred were overturned by the European competition commission and the Greek Council of State".

The sale comes as a host of eurozone parliaments are preparing to ratify the terms of the new rescue package - Greece's third bail-out in five years.

Germany's Angela Merkel is battling to fight down a rebellion in her ruling Christian Democrat party. As the eurozone's largest creditor state, Germany holds a blocking minority vote on European Stability Mechanism loans.

Although the package is likely to gain the necessary votes, more than 60 of Ms Merkel's parliamentarians voted to reject new bail-out talks in July. The rebellion is set to escalate to around 100 out of her 311 MPs.

The Chancellor has sought to convince sceptical lawmakers that Greece will be able to carry a the raft of onerous economic reforms in return for a first disbursement of €26bn due to be made by Thursday.

Disquiet in Berlin has also grown over the position of the International Monetary Fund, which is only likely to release its own funds to Greece in October.

The Dutch parliament, which has also taken a tough stance towards Greece, will also convene for a vote on Wednesday. Eurosceptics such as Geert Wilders have threatened to issue a motion of no confidence in Prime Minister Mark Rutte, who three years ago, vowed never to stump up the cash for another rescue deal.

Parliaments in Portugal and Austria are also due to vote on the measures before Greece is due to repay €3.2bn to the European Central Bank on Thursday. Both Spain and Estonia voted in favour of the package on Tuesday.

But in a sign that Greece has begun to turn a corner, ratings agency Fitch upgraded the country's debt by a single notch to 'CCC' from 'CC'. Though still deep in junk territory, the upgrade potentially makes it cheaper for the country to borrow money on the debt markets.

Fitch issued the rating ahead of the planned review set for November 13, saying "developments in Greece warrant such a deviation", and adding that the bail-out of Athens by its EU creditors had "reduced the risk of Greece defaulting on its private sector debt obligations".

However, Fitch added that "risks remain high" to Greece's chances of returning to more conventional funding, and that "it will take some time for trust to be restored between Greece and its creditors... the political situation in Greece remains unpredictable."

The speed at which the bail-out was agreed and "without the brinkmanship seen in the run-up to previous deadlines" was applauded by Fitch. Its analysts said this "suggests that relations with the creditors have improved, as implied by the public statements from key players, although they remain delicate."

But they warned that the ruling Syriza party is at risk of breaking up and snap elections are likely to be called in Greece before the end of the year, something which could harm relations with the country's EU creditors.

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