

Greek PM to rule today on state airline sell-off

By Kerin Hope in Athens

Costas Simitis, Greece's prime minister, will decide today whether to approve the sale of Olympic Airways, the struggling state carrier, to a private Greek airline.

Olympic's privatisation is seen as a test of the governing Socialists' will to push ahead with structural reform. The airline is close to collapse, with accumulated debts of more than \$100m after two failed restructurings in the past five years.

Axon Holdings, a Greek conglomerate that operates a small loss-making private carrier, made the highest of four bids for Olympic in an international tender, reportedly offering Dr100bn (€293m, \$248m) for a 51 per cent stake. But Axon's offer is controversial because it calls for firing more than

one-third of Olympic's 7,000 employees, according to Greek bankers familiar with details of its business plan.

The final terms of sale would be agreed through talks with the transport ministry.

Last year British Airways pulled out of a management contract with the airline after deciding against buying a strategic stake.

Mr Simitis faces some difficult choices over the privatisation.

Already under attack from leftwing Socialists over the government's plans for pension reform, he is due to stand for re-election as Pasok leader at a congress in October.

Olympic's 20 trade unions will control a substantial package of votes at the congress.

The government has pledged to transfer employ-

ees made redundant by the privatisation to other public sector jobs, but the pilots' union is holding out for better terms.

Axon, controlled by the Liacounakos group, the Greek representative of Boeing Corporation, is understood to be planning a rights issue on the Athens stock exchange to finance the acquisition, and would also launch a corporate bond.

Cyprus Airways, the partly privatised Greek-Cypriot carrier, had been considered the front-runner to acquire Olympic. But its financial offer was reported to be much lower than Axon's.

The other bids, from a Greek shipowner and an Australian airline consultancy, in co-operation with the Olympic pilots' union, were considered unsatisfactory.

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