The Defence Industry in Greece is running out of time

The local defence industry is dominated by three large inefficient state owned companies which have been protected and left out of any reform programme since 2004. There are six medium to large private companies active in defence. The two privately owned shipyards rely heavily on MoD contracts and they fiercely compete with each other, two companies are partly active in defence software applications, while one company is active in defence electronics and communications and the other in metal products. The industrial landscape is completed by a group consisting of about 10-12 small to medium size privately owned companies that rely heavily on offsets.

The defence companies in Greece are rarely prime contractors. But even in the few cases that they are prime contractors, systems design and integration is done by foreign partners. Therefore, value added is low, engineering capabilities are on the decline and R&D activity is confined to a very limited number of companies. Their participation in leading technologies is limited.

The three state owned companies have recorded declining turnover and heavy losses for a number of years.

The two larger state companies have been left out of the restructuring and consolidation movement in Europe and they are marginalised. The last reform efforts date back to 2000-2003 period. Then, the Hellenic Aerospace Industries privatisation process was terminated after two European consortiums failed to make a realistic offer in the wake of the fighter aircraft procurement. HAI still remains the most important defence industry centre in Greece with considerable valuable tangible assets. But it lacks focus as it is involved in two many subcontracting agreements with a variety of defence companies mainly for manufacturing certain parts in aero structures or for maintenance. In recent years a number of MoUs have been signed with foreign manufacturers in anticipation of new contracts but few have been transformed into firm orders. There is a lot of underemployment in the electronics. A major investment in composite materials occurred in 2004-5 as a result of an offset obligation of Eurocopter for the NH-90 2003 contract. R&D activity is limited although HAI participates in the new UCAV European initiative. Fragmentation of workloads inefficient internal structure and management failure has resulted in a cost structure which is uncompetitive.

The other major company Hellenic Defence Systems (HDS) has been for decades marred by inefficiencies and lack of adjustment. It has evolved from the merger of two companies one active in ammunition the other in light arms manufacturing that the previous government has initiated as part of a more general restructuring plan that remains to the day on paper. It comprises of several plants dispersed mainly around Athens and one major installation in Aigion. On the ammunition side the engineering capabilities have declined and inefficiencies are growing. On the light arms manufacturing the situation is better but activities are loss also making. HDS has to go through a radical downsizing and restructuring process in order to survive over the longer term.

The Hellenic Vehicle Industry (HVI) has been partially privatised by 43% in 2000 and the management has passed to the private investor Mytilinaios. After several years of improvement mainly in financial operations and sub contracting the company returned to profitability. However, the lack of major contracts on behalf of the MoD since 2003, the failure to develop new products and services and the inability to formulate a strategic partnership with a foreign established manufacturer have resulted in a reversal of earlier successes. Since 2007 the company has posted heavy losses and the private investor has unsuccessfully tried to sell his stake.

The two shipyards have been privatised in different periods. The Elefsis Shipyards privatisation occurred in the mid nineties but the original owner withdrew and the present owner took over in 1999. It is in general an efficient well organised company. It relies on MoD contracts and therefore is vulnerable to defence spending cuts. The larger shipyard ENAE has been sold to HDW in 2003. Since then, the ownership of HDW has changed hands several times and now belongs to the Thyssen Group. Despite efforts by the new management major inefficiencies remain and the company is troubled by conflicts with the MoD on a number of existing contracts.

The private sector has been active in defence for a long period but there are few success stories. Intracom Defence is probably the most successful company in the sector with extensive R&D activity and participation in cross border collaborative programmes but also with the development of products. Some foreign manufacturers have been alienated by the company's pricing policy and have moved subcontracting to other local manufacturers. In the same subsector several smaller companies are active with various degrees of success. MILTECH, SONAK, THEON SENSORS, SPACE HELLAS have all managed to consolidate their position and establish links with foreign manufacturers that go beyond the offsets programmes.

In software development and applications for defence there were several companies that have attempted to specialise but with limited success. From the existing software companies two have been consistently active in defence: Singularlogic and Info-quest. However, contracts are limited as the MoD has a policy to internally develop all necessary applications. As a result of this policy development has been slow and in certain areas computerisation has been limited.

In metal products METKA is the main company with extensive contracts in defence participating in the Leopard tank and PATRIOT programmes. N. Kioleidis has also capabilities in vehicles superstructures and has worked in a number of programmes for specialised vehicles such as tankers and tank carriers.

There are also several smaller companies active in various subsectors: VALPAK is manufacturing camouflage systems, DEFINET is active in castings and filters and ELFON in cabling.

The recent decline in MoD contracts and the resulting shrinkage of the offsets business has badly affected turnover and profitability of all companies and led to the closure of several smaller firms that failed to develop other activities.

Dr. S. Travlos/January 2009

MAIN GREEK DEFENCE COMPANIES (*)

COMPANY	TURNOVER	EMPLOYMENT
HELLENIC AEROSPACE INDUSTRY	181038	2900
HELLENIC DEFENCE SYSTEMS	77000	1735
HELLENIC VEHICLE COMPANY	83948	700
ENAE SHIPYARDS	197500	1400
ELEFSIS SHIPYARDS	79164	940
INTRACOM DEFENCE	78800	NA
METKA	248818	282
INFOQUEST	443835	NA
SINGULARLOGIC	81850	700
SPACE HELLAS	44756	210
KIOLEIDIS	25000	250
MILTECH	8800	110
MARAK	13700	121
SONAK	24958	100
THEON SENSORS	10474	NA
VALPAK	1740	115
ELFON (**)	6000	NA
DEFINET (**)	11000	NA

(*) DATA FOR 2007

(**) DATA FOR LATEST YEAR AVAILABLE

STATE OWNED COMPANIES

100% STATE OWNED LAST ATTEND TO PRIVATISE 2001	100% STATE OWNED LAST REFORM MERGER 2003	51% STATE OWNED PARTIAL PRIVATISATION 2001
HELLENIC AEROSPACE INDUSTRY	**HELLENIC DEFENCE SYSTEMS**	**HELLENIC VEHICLE INDUSTRY**
EMPLOYMENT: 2900 TURNOVER: 181 mil NET INCOME: -30.1 mil	EMPLOYMENT: 1735 TURNOVER: 77 mil NET INCOME: -112.8 mil	EMPLOYMENT: 700 TURNOVER: 84 mil NET INCOME: -1.1mil
ACTIVITY	**ACTIVITY**	**ACTIVITY**
Upgrades of systems, engine maintenance, structures, aircraft fuel tanks, door frames, electronics.	Ammunition, fuzes, explosives, light arms, medium caliber guns, barrels, mortars, missile parts.	Assembly of vehicles, tanks, armoured vehicles, superstructure parts.
PARTNERS	**PARTNERS**	**PARTNERS**
LOCKHEED MARTIN, EADS, DASSAULT, ROLLS ROYCE, SNECMA, PRATT & WHITNEY	RHEINMETALL, DIEHL, FN HERSTAL, RATHEYON, IMI, HK	DAIMLER CHRYSLER, MA GENERAL, KMW

State owned defence companies with a combined workforce of 5335 turnover of 342 mil. euro and losses 144 mil. euro are protected from any restructuring over the past 5 years. Consolidation is long overdue involving considerable downsizing of workforce (40%), closure of plants, partial or full privatisation and considerable new investment and R&D activity.