



EUROPEAN COMMISSION  
EUROSTAT

Directorate D: Government Finance Statistics (GFS)

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Ms Maria Stavropoulou  
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Piraeus 46 & Eponiton street  
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Greece

**Subject: Classification of entities guidance request  
Hellenic Aerospace Industry S.A (HAI S.A.)**

**Reference: Your letter dated 12/09/2019**

Dear Ms Stavropoulou,

We have received your letter requesting Eurostat's opinion on the sector classification of the Hellenic Aerospace Industry S.A (HAI S.A.). In accordance with Council Regulation (EC) No 479/2009 article 10, paragraph 1, after examining your request, please find below Eurostat's view on the sectorization of the above-mentioned unit in the light of ESA 2010.

## **1. THE ACCOUNTING ISSUE FOR WHICH A CLARIFICATION IS REQUESTED**

The issue to be analysed is the sector classification of the Hellenic Aerospace Industry S.A (HAI S.A.) an entity operating under the mandate to deliver services and products to the Greek Armed Forces (mainly the Greek Air Force).

Together with the request for advice, ELSTAT has provided a note with its analysis on this case concluding that the entity should be classified in the government sector in the framework of ESA 2010.

## **2. METHODOLOGICAL ANALYSIS**

### *2.1. Accounting provisions*

The ESA 2010 Manual on Government Deficit and Debt, notably Part I on delimitation of the general government sector.

Institutional units and groupings of units are defined in ESA 2010 chapter 2. The market/non-market delineation and the market/non-market test are defined in ESA 2010 chapters 3 and 20 (20.19-20.2 and 20.29-20.31). Cases when the output is sold only to

government or to government and others, are referred to in the ESA2010 paragraphs 20.24-20.28.

## 2.2. *Description of the case*

### Background

The Hellenic Aerospace Industry S.A. is a public corporation. It was created with the aim to establish and to operate a modernized airline industry for the needs of the Greek Armed Forces. Companies objectives were extended further by the 2005 Law, which included services in the electronics sector (telecommunications, computer control systems, fire control and radio transmission systems), engines and their accessories, energy systems and weapon systems of all kinds (installed in flying, ground, ship and all types of land vehicles), and the provision of vocational education and training.

### Eurostat's analysis

#### *a) Institutional unit*

On the basis of the information contained in ELSTAT's note, Eurostat understands that, following the Legal provisions, HAI is able to draw a full set of accounts, it can own assets and incur liabilities on its own behalf, it is takes economic decisions for which it is responsible and accountable by Law. HAI is therefore an institutional unit under ESA 2010 paragraph 2.12.

#### *b) Control*

As indicated by the Greek statistical authorities in their analysis, majority of HAI shares are owned by the Greek State. Also by Law is the participation of the Greek State in the share capital of the company cannot be less than 51%. The President, the Chief Executive Officer and the members of the Board of Directors are appointed and dismissed by decision of the Minister of Finance.

Taking into account the above, the entity should be considered under ESA paragraphs 20.309 and 20.310.

#### *c) Market/non-market nature*

As regards the quantitative test, the Greek statistical authorities confirmed in their note that, starting from the year 2009, the entity is fulfilling the 50% test, that is, it covers more than 50% of its costs by its sales over a sustained multi year period (ESA2010 20.29).

The qualitative test, however, shows a different situation. Firstly, majority of company's production is purchased by government. According to ELSTAT information, sales to government are in most years bigger than the sales towards the non-government units. The Greek statistical authorities note that, there is no observable tendency that production would be oriented to non-government customers. Secondly, HAI is a sole supplier to government of its services; it does not compete with any private supplier. And, finally, there appears to be no competitive tendering system in place, HAI is operating under the agreement with the Greek State. Therefore following the ESA2010 paragraph 20.27: "*if the public producer is the only supplier of its services, it is presumed to be market producer if its sales to non-government units are more than half of its total output or its sales to government fulfils the tendering condition of paragraph 20.25*", HAI cannot be deemed a market producer.

Taking into account the above, the entity should be considered a public non-market producer. It is therefore should remain classified in sector S.1311.2.

### **3. CONCLUSION**

In conclusion, HAI is public non-market producer, on this basis HAI S.A. should be classified to the institutional sector S.13.

### **4. PROCEDURE**

This view of Eurostat is based on the information provided by the Greek authorities and on the understanding of Eurostat of certain legal documents available to Eurostat only in Greek. If this information turns out to be incomplete, or the implementation of the operation differs in some way from the information presented, or there may be inaccuracies in the assessment due to the translation risk, Eurostat reserves the right to reconsider its view.

In this context, we would like to remind you that Eurostat is committed to adopt a fully transparent framework for its decisions on debt and deficit matters in line with Council Regulation 479/2009 and the note on ex-ante advice. Eurostat therefore publishes all official methodological advice (ex-ante and ex-post) given to Member States on its website.

Yours sincerely,

*(e-Signed)*

Luca Ascoli  
Director