

Aleksandar Obradović, CEO "Power Industry of Serbia," the changes are not something to be scared of, but to be seen as the only remedy

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Everything you could hear in the media on the new organization of EPS, such as mass layoffs, losing business activity, converting the company into news-stand-like company and lack of work – is all untrue. – The baselines for the reorganization of EPS, which the Government of Serbia accepted on 16 November, will be applied. - Reorganization is the process that should start just now.

When on January 1st, the high voltage market for buyers will be opened, nothing will happen that will dramatically change the current daily activities of the "Electric Power Industry of Serbia" and subsidiary companies, and not even in the moment when EPS becomes a joint-stock company, nothing will be changed overnight - says in the interview for "kWh", Mr. Aleksandar Obradović, General Director of EPS.

He points out that the changes represent gradual process, for which the new organizational plan has to be made, which will include changes that will occur in the first three months, and those which will happen in six month period, a year or five years. Mr. Obradović also said that the employees and the public will be informed about all new challenges and tasks, and there's no room for fear of losing their jobs. According to him, in the reorganization that EPS is to undergo, the only remedy is that this company becomes successful and profitable.

Why was there, especially in Vojvodina, raised a big fuss in the public about the Baselines for the reorganization of EPS, which was adopted by the Serbian government?

There are very strong lobbying groups that do not want changes in EPS, actually they do not want EPS to be more efficient. They are confusing the concept, which was adopted by the Serbian government, and the reorganization of EPS. And, those are two different things operationally.

What will actually happen on January 1st?

Opening of the market is our obligations under the Energy of Law and starting from January 1st begins the first phase of liberalization of the high voltage electricity market. This is an obligation that will be fulfilled. Negotiations with potential buyers are ongoing and EPS should make every effort to gain their trust. All these buyers have had the right, for eight years, to choose the supplier, but they were not obliged, as now is the case. In spite of all the circumstances, I am still convinced that EPS is their strongest partner and that we will gain their confidence to continue cooperation. I believe that our offer will be the best for them too.

What about turning EPS into a joint-stock company, has anything changed there?

No. The decision to start the process of EPS undergoing the corporatization and changing into a joint- stock company has not changed. All the baselines for the reorganization of EPS, which were accepted by Government of Serbia on November 16th, will be applied. In the Resolution of the Government of Serbia, it is clear that the reorganization includes the change of the legal form into the joint stock company and the changes in the organization and management of the company, and the compliance of acts in accordance with the changed activity concept should also be done. It is only a matter of time. The management of EPS is aware of a range of required activities in order to fulfill all the conditions for reorganization. And not only in EPS, but also in the Serbian government, many events should be covered in order to succeed. However, the Memorandum of Association and procedures have already been prepared. The truth is, I was more optimistic and I was hoping that everything would be completed by the first of January, but the transition into a joint-stock company will happen very quickly, at the beginning of 2013.

Many EPS management offices were planning reorganization, but the support of the owner, the state, regularly failed. Is it any different now?

We have a great support from the Ministry of Energy, Development and Environment, and from the Government of Serbia. Although the changes in EPS are resulting from the Energy Law, the bases for the reorganization are completely confirmed by the recent conclusion of the Government of Serbia.

What are the starting points for the corporatization of EPS, which the Government of Serbia adopted?

These baselines will define the future electricity market. One of the important points in the government's conclusion is that the activities of general interest, which are governed, will be incorporated in EPS that will function as a group. These activities of general interest will be affiliated companies, i. e. subsidiary companies within the group. Thus, the distribution

system Operator will become a subsidiary company with activities of general interest, and the Supplier will be the same and it is now in the process of obtaining a license from the Government of Serbia in order to become a public supplier. Both subsidiary companies will operate within the group, but as companies with activities of general interest. Everything else will represent market activities. The following should be made in a unified manner: the managing and running business in the field of the economy, finance, legal affairs, information and technical support, as well as wholesale trading electricity; property and ownership rights concerning the production facilities should be established, and the ownership of the electricity distribution networks ensured. Adopted baselines enable EPS and the management to implement the cutting edge management systems in the new management model in order to optimize the system and increase the efficiency of the company. The Management of EPS will have full control and the possibility to apply these optimization models. It is important to understand what the concept is, and what the actual process of reorganization is.

What is the difference between these two terms - the concept and reorganization?

The concept depends on the owner, i.e. the state that decides on the way EPS will take. The State dictates the main concepts of company development. And, one thing is concept and the other is the manager decision. The government has made the decision and that decision has to be respected and the concept is now to be implemented. The employees and the public are interested in the details of reorganization – what it means, how it should be done and what will be the result.

What will actually change?

Everything that was in the media these days on the new reorganization of EPS, such as mass layoffs, losing the business activity, changing the company into something at a level of a news-stand and shortage of work – is all untrue. The State, as the owner, disclosed the way EPS will take and what the baselines are. And a Detail Program on how fast will things develop and what will happen on the way, is about to be made. We are at the very beginning. The concept clearly defines the market and the general interest activities. EPS organized in this way can function, but the question is whether we are going to achieve the concept goal. The possibility of reforming EPS should be used and stronger emphasize should be given to the management for implementation of reforms. And, it has been virtually impossible in up to now environment.

Are you saying that the fear of the Union of “Elektrovojvodina” is insubstantial?

In "Elektrovojvodina", there appeared some semi-information and untruths misused for political purposes. The way they look now, both EPS and the company for electricity distribution will no longer look like, and it's not because of the Serbian government and the management, but because of the Energy Law. And the Law provides that the companies for distribution will not be able to function in the same way, and the changes were to occur on October 1st yet. Changes in the law ensued from Serbia's intention to join the European Union, and by being a member in the Energy Community of Southeast Europe. That's why the decision of the Assembly of the Autonomous Province of Vojvodina on the status of PD

"Elektrovojvodina" is surprising, because it concludes that Vojvodina is almost against this membership. So, I think that it is necessary to review the decision of the Assembly of Vojvodina. Because the owner of EPS and other subsidiary companies is the State and/or the Serbian Government who has decided on what is the concept EPS should follow. And I wonder how it is possible that management and the union go into action against the state and the government. I believe that we left the concept of self-government and that one company cannot say that it disagrees with the decision of the Government of Serbia. Because, it is not the property of "Elektrovojvodina", but the property of state and/or all citizens of Serbia. One should recall of the fact that the social property by the law of 1990, when EPS was formed, was transformed into state property and that has been valid for all these years. And property of EPS belongs to the state and all citizens of Serbia, and is only given to the use of EPS and the companies.

Is there any truth in the opinion that the reorganization will leave a great number of EPS workers jobless?

This thesis is fictional and untrue. Since the reorganization is the process that is just about to start. I responsibly claim that everything would be in agreement with the management of companies and with all the unions, and the public as well. My idea is to fight for every job. But lest not forget that EPS needs the change of the employees' age and qualifications structure, and everything will be customized to workflows. A drastic reduction of the number of employees, being speculated in recent days, is out of the question. Everything is just at the beginning, and when the reorganization process starts we will see if 600 or 6 employees are the surplus or we may need to hire more people.

Some "currents", according to companies are now offering the concept of five public suppliers and five distribution system operators, instead of the government proposal of having only one supplier and operator. Can it be changed?

Serbian state in the ownership structure of EPS is represented by the government and it is the most authoritative. How many distribution system operators and public suppliers there will be, is governed by the Conclusion of the Government of Serbia and, as long as this stays the same, there is no need for EPS to act differently. I think that the debate over the number of operators and public suppliers has been completed by the adoption of Reorganization Baselines.

Do you recognize the fear of losing power in those requests?

Power is a relative form. In this case, the word corporatization is misused and equated with centralization and Belgradization. The Opponents to the state concept are basing all the theories on the opinion that all regions will be shut down and that workers in some parts of Serbia will lose their jobs. Centralization means only that something will be done from a single center, for example, printing of electricity bills can be centralized in Kragujevac or Pirot. And what does that have to do with Belgradization - nothing. And the distribution system operator does not have to be in Belgrade. It is important to say that all people employed in EPS who were doing some job will continue to work on it. Centralization allows for some functions to be cheaper. An example is CEZ that did not set up the call center in

Prague, where life is expensive, but formed it in the poorer part of the Czech Republic. In our case, Belgrade may even lose if all the functions were integrated. It is estimated that only the centralization of public procurement would lead to savings of 25 to 30 % compared to the existing procurement. In EPS, this sum would equal hundreds of millions. We should not be afraid of centralization, because it increases efficiency and has nothing to do with losing jobs. I understand the resistance to raising the prices and reducing the number of employees, but I just cannot understand fighting the effectiveness. I have no justification for that, other than narrow, personal interests.

Does the owner, i.e. the state understand the need that EPS could no longer function without the electricity price correction?

I am aware of the social function of EPS and the price of electricity for households and businesses. It is also clear that by the maintenance of the number of company's employees social function is being performed. But I'm struggling to get to the higher cost of electricity, as it is important for overall energy efficiency in Serbia. Electricity in Serbia is used by the principle that out of a loaf of bread we eat only 20%, and 80 % we throw out the window. This is a picture of today's energy efficiency. We spend two to three times more energy per unit of GDP than the EU. I tried to explain to the representatives of the Serbian government that every 100 euros which comes to EPS we can turn over five times through the economy and our subcontractors in the mechanical industry. Thus, the money from EPS does not go directly to public spending. It is important that every dinar going in through revenues should be well used, and not lost. And the money gained from the higher revenues would not go to salaries, but invested in development. We believe that in 2013, we will be given the opportunity to increase the price of electricity, but we have to be a more efficient system. The public sees us as a company that is always seeking only to increase the price of electricity, the one that has a large number of employees and is not optimally organized. All this has to change, because this EPS, indebted and slow, cannot be the engine of the Serbian economy and development. By our own rationality, we must prove that we can do better.

How to make business more efficient?

If the public is asked to set their teeth and accept the price increase, the efficiency of the employees and of the directors of EPS must also increase. Therefore, the baselines imply: make EPS more efficient. And everyone who challenges this concept, is fighting against efficiency and rationality in the company. The process starts with changes from the inside, since no one else can provide us a new and sound company.

EPS is the house of all of us

Still, the whole country expects the maximum out of the employees in the "Electric Power Industry of Serbia". And always more, winter by winter. I don't want to reconcile with the fact that the superhuman efforts of our employees in the heating season remain unnoticed by the public. It seems that the citizens as well as the country are used to the flawless functioning of EPS. That's why I'm thankful to all the employees who maintain this system, Serbia and economy.

I'm not happy that the success of the employees in EPS is still ranked last when discussing topics such as the electricity price hike. Work and commitment of the employees have become the normal expectations. The successful revitalization and maintenance of the large system are rarely mentioned, often underestimated. I want to return pride to the employees and when they say: "I work for EPS", to know that they are working for a successful, strong and promising company.

Unfortunately, everything about EPS that appears in public moves our employees to the background. But people must be our top priority. I'm confident that the security and safety at work of the employees will be drastically increased from 2013. Because, if our employees do not feel safe, then we can build the company we want. I want that we, as a company, do much more for the safety at work. I want to say to the employees that the reorganization is something positive, that it is not the sack, fear or uncertainty. It is my goal to make the employees feel safer through the reorganization, and revenue increase from the energy prices we will transfer in order to make working conditions better and more efficient EPS with more investments.

Each activity in the process of the reorganization is part of the mosaic in which EPS can be a large and significant company. The support of the employees is important to me and I want them to start to think about EPS as their home. And I want to hear less noise from the companies "You from EPS". Where does that come from? The employees should know that each facility, branch, company is part of the large EPS. I want, in the following year, to get back the feeling of belonging to the largest economic system in Serbia.

In the new 2013, when we celebrate 120 years of electric power sector in our country, I sincerely wish to all the employees in "Electric Power Industry in Serbia" and their families a lot of health, happiness and success!

The "motor" must not be a loss-making company

How much did you succeed in financial consolidation of EPS?

What is the most important, the threat of the bankruptcy is removed. In order to survive 2012, certain obligations were moved into 2013. I expect that we will soon receive a clear signal about the electricity price. However, we will work on the change of the financial structure, because it is a paradox that the long-term investments are financed from the short-term loans. That would be the same as if you have bought the house on the credit card in 12 monthly installments instead of the 25 year home loan. Our plan is to deal with the large part of refinancing of the obligations in the first quarter of 2013. With structure change we will better control the finance with cheaper costs, and there will be a new reserve for new borrowing. I hope that the Annual business program in 2013 will be the last that I signed with the loss. Therefore, if we all talk about EPS as the motor of the Serbian economy that is not profitable at the same time, then we are not being very honest.

No best wishes list

In previous years, many documents for the strategic partnerships have been

signed in construction of the new capacities. Is it estimated which projects should be continued?

EPS will fulfill all the signed obligations, and each document states that the decision will be made based on the financial aspects. Now the projects, 12 billion euros worth, are in the game. EPS, as a loss-making company can't handle that. I hope that I will be more specific when I say which are the investments of the first and second priority at the beginning of the year, when it will be clearer what is the price which we will operate with in 2013, and when the new cooperative way of management is installed. Nevertheless, whatever projects are to be selected, the main criterion will be the profitability for EPS. There is no other parameter. It is easy to write the best wishes list for the investments, but it is something completely different to implement it in the real life.

Source; Kwh/Serbia Energy