

Obradovic: Only borrowing can help “increase voltage”

Categories : [Uncategorized](#)

Date : February 27, 2013

Aleksandar Obradovic, acting CEO of EPS, talks about the problems of the largest energy company in Serbia. As soon as next month EPS could have problems with paying wages and settling tax obligations

The public perceives EPS as a single company, but in reality it functions as a system of 12 largely independent companies. The executives of these companies are not accountable to CEO, but to the Board of Directors. Namely, the accountability system according to which the Board of Directors has such a great power in decision-making, but does not participate in the daily operations of the company, can be characterized as “bizarre”. EPS can no longer be a public enterprise, it must go through corporatization process and, accordingly, establish an appropriate system of accountability. Chief Executive Officer should be in charge of the operations of the entire system, but EPS still need accountability pyramid. It has been diluted in recent years, so that we have found ourselves in a situation where “we’re all to blame, but it’s no one’s fault”.

At the beginning of his interview for “Novosti” Aleksandar Obradovic, acting CEO of “Electric Power Industry of Serbia” uses these very words to describe a situation in EPS.

Does this mean that functioning of EPS currently depends on one man, the Chairman of the Board of Directors?

- This whole situation has demonstrated that EPS, if it is to take a step in the right direction, doesn’t need only new people, but also systemic changes. The biggest shock to me wasn’t the obstruction in organization of Board’s meeting, but the fact that the Chairman said he was not acquainted with the difficult financial situation in the company.

The Board of Directors has rejected a new loan of EPS at one of the previous meetings, while further borrowing has not yet been on the agenda...

- We have already defaulted on commitments for goods and services in value of RSD 20 billion due for payment last year. What we were supposed to pay last year was transposed to the current year. Now we are facing new financial commitments. I informed the Board of Directors that as soon as in March we could encounter problems with settling our obligations to banks and the state, through wages and taxes. That's why I proposed borrowing as a solution that could help us "overcome" the current problems with fixed costs and ensure supply to customers.

So, you will be looking for a loan in the market, without government guarantee. Is EPS able to pay off another loan?

- We don't ask for government loan guarantee. Banks see EPS as a stable partner, because it is the dominant producer and distributor of electricity. However, like all financial institutions, the banks insist on transparency. The biggest scandal is the fact that the previous management, but the previous government as well, was constantly misleading the public as regards the actual state of affairs in this company. The problem with cash flow dates back to 2008, when the gap accounted to RSD 6 billion.

How did the previous government approve of borrowing and can EPS now borrow on more favorable terms?

- EPS was taking out loans in that period, but it wasn't paying its suppliers. Now we have to pay RSD 20 billion due for payment last year. The idea is to take a new loan with longer repayment period, from 3 to 5 years, to prevent the possible problems with shortage of money occurring in intervals of three month. Thanks to new system of tariffs and liberalization of the market, we have the potential to meet our obligations. Although the current prices are much lower than market ones, new system will allow us better positioning.

Is this the announcement of a future sale of EPS?

- No, it isn't. The main goal is to implement systemic changes so that EPS could become a profitable company.

Do people have to be afraid of layoffs?

- People are scared of the new organization of business, but I'm afraid that if we keep doing things in the old way, all jobs will soon be endangered. If we did not have enough money to settle our obligations, that would become a huge problem to the Government. The aim is not to get people fired, but to systemize job positions as soon as EPS becomes the corporation. Only then will we be able to determine which positions are necessary, and which ones are redundant. As far as I can see, we have the surplus of administrative staff, while we significantly lack the skilled workforce in the mines, heating plants, as well as engineers.

When will the electricity price be increased?

- The Government has continuously kept taking something from EPS, without giving anything in return. Due to system of tariffs and much cheaper electricity than in other countries EPS

has already subsidized companies and households with EUR 6 billion for the past eight years. We've just started to increase prices, but the process is currently being blocked. We are now awaiting the establishment of the subsidiary company, i.e. distribution system operator, which is legally entitled to seek an increase in price from regulators. In fact, EPS or, more specifically, our Board of Directors is now blocking the price increase.

BANKRUPTCY AND STATE

Can EPS go bankrupt and endanger the supply of electricity?

- EPS will not go bankrupt and electricity supply is safe. Although a public company cannot go bankrupt, eventually the state will have to provide money. It must always find money for EPS. The problem is if we become a burden for our Government. EPS should be making money, not taking it.

RECEIVABLES

At any time EPS has unpaid account receivables amounting to 110-120 billion dinars - says Obradovic.

- However, it is difficult to collect all these debts, because among debtors there are plenty of companies undergoing restructuring. Interest will be written off, but the Government is trying to come up with an adequate framework for the settlement of the remaining part of the debt.

Source Vecernje novosti/Serbia Energy