

The lack of references, insufficient financial capacities and very high tender' demands often asked by international lenders are just some of the obstacles to Serbian companies to get big jobs in the energy sector. Joining the consortiums helps in meeting the tender conditions, but even then sufficiently to obtain the most valuable projects. Therefore domestic electrical machinery production seeks help from the state.

System of Electric Power Industry of Serbia (EPS) for past decades is the backbone of the capacity employment of domestic electrical machinery production, but in recent years the bearers of projects for construction of new power facilities are mainly foreign companies. The reason for this situation lies in the inability of the domestic economy to independently carry out this type of facility. In such projects, local companies are subcontractors of foreign companies", explain from EPS noting that they often recommend the maximum engagement of domestic production capacities within foreign carriers contracts. In several projects in recent years, domestic companies were carriers of the contract, wherever practically it was possible. However, it was not possible for some projects, explained in EPS.

The main project contractor of the construction of the first large thermal power plant in Serbia after three decades will be a Chinese company CMEC (China Machinery and Engineering Company). Selection of the Chinese company for the construction of a new unit of 350 MW in Thermal Power Plant "Kostolac B" is the result of the fact that the project is financed from the loan of Chinese Exim Bank. The image in which the financier elected the prime contractor could be repeated in other large investments in the energy sector, whose implementation is expected to begin in the next few years. About the construction of thermal power plants and the expansion of coal mine "Stavalj", as an investment of about 800MEUR, it is discussed, namely, with the Czech company Alta, on the construction of the reversible hydro power plant "Bistrica", worth about 600MEUR, it was negotiated with the Canadians and foreign partners are sought also for hydro power plants on the Drina and Danube...

Joining the companies from Serbia is the only way in which they can be competitive to strong foreign corporations. By the individual competing at tenders for large projects, despite the knowledge, experience and resources, they cannot compete with foreign companies and be carriers of operations, but in practice only domestic operative can be subcontractor or the labor of foreign companies force in their own country.

As subcontractors, local companies are forced to accept jobs at blackmail-dictated prices, which in most cases cover only the actual business costs. This means that local companies as subcontractors do not have the opportunity to participate in the profits distribution in proportion to their participation in the project. No profit, no investment in development and modernization, neither the equipment nor the education and training of its own staff of all profiles and professions. Therefore domestic companies are losing the race with technological developments and the ability to be competitive in future jobs. At the same

time domestic companies remain without reference and so lose the opportunity of participating in tenders in Serbia and abroad”, explain from the association of “Electrical Machinery Production”.

Fight for reference

In domestic companies believe that the state should support them and point out Croatia as a good example, which employed its companies by direct allocation of jobs which they used then as a reference for projects abroad.

A working group consisting of representatives from the Ministries of Economy, Energy and Mining, Finance, Public Procurement Office, EPS, chambers of commerce of Serbia and Belgrade, as well as Business Association “Electrical Machinery Production” has been formed at the beginning of 2015th in Serbia, whose aim is to create an institutional environment for employment capacity and further stabilization of Serbian electrical machinery production. The working group should prepare over Serbian Chamber of Commerce a proposal of binding measures for handling public companies in public procurement, which, then, should support the Serbian Government, businessmen expect. Some of the businessmen suggestions are that domestic companies should receive contracts worth at least 60 percent of the total value of the project, which is implemented through a loan or strategic partnership, and that in 2015th and 2016th primarily should be realized projects that provide the maximum percentage of Serbian electrical machinery production. It was also suggested to strictly apply domestic legislation on licenses for foreign companies.

Association “Electric Machinery Production” also demands that permits for foreign workers should be issued by the principle of one to three involved domestic workers, following the example of Turkey, which applied rule one foreign in five domestic workers. Another proposal is that public companies commit, before the announcement of the tender worth over 500,000 EUR, to deliver terms to Serbian Chamber of Commerce, which will give its consent to disclosure if Serbian companies can be offered individually or in a consortium. “In this way, the state would create fair conditions for local companies in competing for getting jobs on equal terms with foreign companies primarily in Serbia and then abroad. We expect the state to support local companies and encourage them to preserve existing jobs and create new”, said Babic.

In the Public Procurement Office, however, say that the economy proposals that favor domestic companies in public procurement procedures are contrary to EU directives. “The law still provides preferential treatment to domestic bidders in the amount of five percent of the price, or five weights. One of the essential requirements of the EU in the negotiations is to equalize the treatment of domestic and foreign bidders “, said Predrag Jovanovic, director of Public Procurement Office.

He adds that local companies could acquire necessary references also over tasks they

perform as subcontractors. "The local company that worked as a subcontractor can use references on these works also in future public procurement procedures and in this way, through several jobs, to qualify to perform independently. If the requirements of the tender in terms of the required capacity and references set too high, the bidder may submit a request for the protection of the Republican Commission pointing to discrimination," said Jovanovic.

Chances in sight

EPS invests on average 200 MEUR per year in facilities maintenance, and the participation of local companies in the maintenance and overhaul of manufacturing and distribution facilities is important, explain in EPS.

During 2014th, it was invested 105 MEUR only in the maintenance of EPS mines and power plants, while the same percentage was allocated for the investment and maintenance in the distribution sector.

In EPS state that in the mining sector, the majority of jobs in volume, and at a price of done works belong to local companies, while a large part of the work is performed by maintenance pits service from EPS system. Participation of foreign companies on maintenance and repairs in the mines is very small, less than one percent. Also, when purchasing equipment for maintenance, local companies are largely represented and services are exclusively related to the Serbian companies.

Among the examples of cooperation with local businesses is revitalization of the aggregate in hydro power plant "Djerdap 1", where many jobs besides contractor, the Russian company "Silovije masini", do experts from local companies and institutes, as well as the revitalization of four aggregates in Hydro power plant (HPP) "Bajina Basta" where Austrian company "Andritz hydro" and domestic companies were engaged.

One of the leading world companies Mitsubishi Hitachi Power Systems in Japan also has recognized that domestic companies have the quality and engaged them as equal partners in the consortium for the project of flue gas desulfurization in thermal power plant "Nikola Tesla A" whose evaluation is in progress. Domestic companies would be in this business, with a budget of around 200 MEUR and it is financed from Japanese ODA loans, could get a job worth 63 percent of the total supply.

It would be the first time that domestic companies participate in the percentage of projects financed by foreign loans", said Babic.

In the region is imminent the realization of the desulphurization project in Tuzla, Kakanj, Ugljevik, Gacko, but also in Obrenovac power plant TENT B. With references acquired in the project TENT A, domestic companies believe that there are great chances for new jobs in the future, and thus to recruit workers.

Consolidated offer

Business Association "Electrical machinery Production" was formed in 2009th with the



Serbia: 200MEUR annual overhaul turnover in Serbian power plants & mines, competition between international and local companies

objective to establish a unified competitive bid to qualify for jobs in energy development in Serbia. Members of the association are ATB Sever, Gosa FOM, Energoprojekt Entel, Energoprojekt oprema, Mihajlo Pupin Institute -Automatika, Minel kotlogradnja, Rudnap group, Termoelektro Enel, Feromont Engineering and the Institute of Nuclear Sciences "Vinca".