

Serbia: Privatization or real reorganization of state Power Utility EPS

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By the end of month, the Serbian Government should adopt the plan of reorganization of the Electric Power Industry of Serbia, as expected by the company's management, and, as one of important measures, the general manager Aleksandar Obradović emphasizes the reduction in the number of directors, which is currently around 600 in the subsidiaries and the parent company, and which will be reduced to a maximum of 300.

In addition, the management structure of the subsidiaries will be reduced from 13 to three, and the number of sectors from 60 to 37. Obradović claims that these measures will enable the savings of at least 36 million euros on annual basis, and the whole "package", in the opinion of the director and his team of associates, will create the preconditions for the EPS to operate according to market principles, to be more efficient and to achieve profit.

However, the professional public does not believe that the proposed measures will lead to a genuine rationalization of the company's operation and they qualify the measures as an insufficient and „populist act“. Again, when it comes to the EPS privatization announced by the Serbian Prime Minister Aleksandar Vučić, the opinions on this issue are diametrically opposed.

Serbian public does not believe that the „cutting down on directors “ in the EPS will render any positive results whatsoever. EPS management has not made public detailed solutions about the manner in which this should be carried out and what measures will be undertaken. If only a certain reduction in the number of directors is considered reorganization, then it can be said immediately that this will not lead to any positive results, because without other, substantial measures, there cannot be any rationalization of operation, reduction of losses and creation of a profitable company. So, if all comes down to "cutting down on directors", it will be possible to say with every right that this is a classical populist act which will not produce any effect. When the plan of specific business moves has been set forth, it will be possible to assess whether the measures proposed by the EPS management can lead to the achievement of set goals. On the basis of the so far said, an adequate professional estimate cannot be made except for an observation that the reduction in the number of directors does not represent reorganization.

EPS privatization is inevitable. Namely, the state has not shown any will to manage this system in the right manner so as to improve its business operations, but the only goal has been to set up party cadres at the head of the EPS, which has caused its weakening.

He adds that the Serbian state leadership is offering the sale of the minority part of the EPS so that the government impact on the making of business moves could still be crucial and so that the previous negative policy of party management could be continued. EPS privatisation

as imagined by the Serbian leadership is impossible. Simply, no foreign partner will be prepared to invest money in the EPS and to be deprived of management rights. Only if the government allows a foreign investor to manage and operate the company will the EPS be sold. So, the management issue is crucial for privatization, and not the issue of the major or minor share in the company .

EPS directors do not participate in the production, and precisely this segment represents the company's biggest problem. The losses in the electricity generation process should be eliminated. And this is impossible to achieve without rationalizing the number of EPS employees, which means that a dismissal of production workers must take place. The reduction in the number of directors is by no means a sufficient measure. If they want to carry out a genuine rationalization in the EPS, the state must dismiss a certain number of workers, because there are redundancies in the number of employees. Only when this has been done and when this company has been freed from party management, will we be able to talk about more efficient business operations and the creation of profits in the EPS. Of course, the state would be obliged to provide dignified severance wages for the dismissed and to create conditions for them to find new employment.

Any form of privatisation would be disastrous for the state and the citizens. The EPS can be a profitable company in state ownership, too, it is only necessary to introduce professional management instead of the party management, which would operate the company in an adequate manner and achieve profits instead of losses.