

Before the state decides on privatization, this public enterprise should get to the stock market in order to determine its real value. On the occasion of the new visit of the Serbian Prime Minister Aleksandar Vučić to Germany and the meeting with the Chancellor Angela Merkel, there were speculations that one of the topics of discussion will be selling Power utility company EPS to RWE. For now, nobody can tell the details how the German partner would enter EPS, through the small or big door, i.e. by buying the minority or majority of share package, the reason for that is because the RWE has never given the public announcement about it.

On the other hand, it is clear that Serbia would also not open this subject, if there were another possibility to fill the 2.5 billion euros hole in the budget, which means 8 percent of GDP.

What could EPS expect from entering of German RWE?

In the EPS, the answers are that it is within the range of Management activities to decide on business in order to make the company more successful, but the strategic decisions on the future ownership transformation, or on the entering of strategic partner, are left to the government.

It is necessary that the planned reorganization and corporatization of this public enterprise take place as soon as possible in order to make this company more efficient, regardless the ownership structure, as it is emphasized in EPS.

The politicians and government will give the final decision on EPS privatization, agrees also Prof. Nikola Rajaković, the former Secretary of Ministry for Energy, who says that during the meeting of Prime Minister Vučić with German Chancellor energy will certainly be discussed, because the RWE is still interested to invest in potential of hydro sector in Serbia, i.e. in the renewable energy resources. First of all, the discussion will also be about the mutual company, "Moravske hidroelektrane" established by EPS with Germans, when it was planned to build five hydro power plants, total capacity 150 megawatts, on the River Velika Morava. The investment would be in amount of 352 million euros.

By the way, from all these stories about great businesses with German energy giant RWE, which were announced by all previous governments, including this new one, only good wishes and empty promises are left. There are some signed memorandums which obliged none of the signed parties for anything, and not one realized German investment in EPS.

Let us remind ourselves, last time there was a word that RWE could become serious strategic partner of EPS, during the visit of Aleksandar Vučić, the Deputy Prime Minister at that time, to Germany, immediately after the constitution of the New Government was in July 2012. On the occasion Mr. Vučić, personally signed the mutual declaration with the representative of this German company, by which the construction of the new block of the thermal power plant "Nikola Tesla" B3, capacity 700 megawatt should be confirmed.

The signing of this document should have enabled investing in Serbian energy in amount of

more than two billion euros. Apart from some studies that are developed in the meantime, this question has not been opened yet.

And that is not the only document signed with Germans. EPS and RWE signed a memorandum on cooperation in November 2009, and in July 2010, but in August 2011 the mutual company EPS-RWE "Moravske hidroelektrane" which deals with planning and projecting, was established. Since then, we have not received any news from them.

If we are talking about the privatization of one and only Serbian energy company, Mr. Rajaković believes that for Serbia and EPS the best solution would be to search the strategic partner by public tender, and the winner should be the company that gives the best offer.

-For long time we have been "offering ourselves" to the RWE and waiting for the realization of some of the signed memorandumsto start. We have lost a lot of time, and done nothing, says our interlocutor.

Before the state decides to privatize EPS, this public enterprise must get to the market in order to determine its real value, adds Mr. Rajaković. Only after that, can the decision be made about what is to be sold, but in no case, only the part of EPS should be sold, e.g. TPP Morava in Svilajnac, but the whole share package of 15.20 to 25 percent, says Rajaković.

On the other hand, EPS could be successful as a public company,if it improves the charging rate of debts, and decreases losses, which would increase the filling of the budget for sure.

-If EPS gets a newpartner, whoever it wouldbe, the state and the consumers must know that everyone who buys EPS wants to make profit, and it is realistic to expect the price increase of electricity. There will be no exceptions, or rescheduling of debts for those who do not pay, but the discipline for chargingof electricity will be rigorous, concluded Rajaković.

Arsić: The value of Electric Power Industry will only grow

Milojko Arsić, professor at Belgrade Faculty of Economics, is of the opinion that the State should remain the majority owner of EPS.

- EPS should not be sold, because its value is only going to grow, unlike „Telekom“ which is in quite different situation since the „shares“ of this telecommunication operator will drop in future. Due to rise in prices of electricity and drop of expenditures , it is expected that the value of this public entity will grow. In case the State decides to make some kind of sale, then they should look for minority partner, but they should choose carefully. It would be nice if that could be the European Bank for Reconstruction and Development (EBRD) which would put EPS in order. They would professionalize the management, introduce the procedures for concluding contracts with private companies, make better organization of the company and reduce the number of employees - Arsić said.

He adds that EBRD would be a temporary, and not a strategic partner, and a part of the contract shall state that if EBRD decides to sell their minority part, the state will be not obliged to sell its majority part at the same time.

According to Mr. Arsić, EPS should concentrate on rehabilitation of the existing capacities.

The state would provide the competition in energy production field by giving the private companies permissions to build huge power plants. EPS is pretty much in arrears, its financial state is not so good, and if they decided to build new capacities by themselves, the State would have to provide the guarantees which would lead to the increase of public debt.