

New code	Nber establ.	Unit: MWh					Cons. per est. 1997 - MWh	Average growth 1993-97
		1993	1994	1995	1996	1997		
Agriculture								
011	4331	45.928	48.025	53.037	59.193	56.727	13	5.42%
012	961	6.109	7.452	9.675	11.398	12.279	13	19.07%
013	210	1.127	1.043	1.408	2.223	2.464	12	21.60%
02	22	125	142	139	136	141	6	3.06%
05	64	2.003	2.185	2.408	3.148	4.225	66	20.51%
	5588	55.292	58.847	66.667	76.098	75.836	14	8.22%
Industry								
10-11-12-13-14								
21 Mining & quarrying								
151-152-153	142	14.548	13.622	14.801	15.572	15.656	400	0.74%
154	49	3.642	3.463	4.351	4.349	4.199	110	1.86%
155	113	11.008	11.889	12.029	11.511	11.786	86	3.62%
156	433	15.653	17.276	20.145	22.823	23.967	104	1.72%
157	131	8.592	9.303	9.695	10.022	9.891	55	11.24%
158	492	14.543	15.667	16.504	17.524	18.628	76	3.58%
159	92	18.181	19.300	19.561	18.891	19.185	38	6.38%
16	5	3.004	2.767	2.885	2.878	3.117	209	1.35%
17-18-19								
20	1516	26.604	25.161	24.430	20.100	18.352	623	0.93%
21	1069	8.412	8.780	9.210	9.350	9.299	12	-8.87%
22	51	7.333	8.788	7.977	4.954	4.371	9	2.54%
23	366	6.378	6.940	7.711	7.768	7.936	86	-12.13%
24	11	12.709	13.558	12.808	14.519	18.298	22	5.62%
251	142	9.414	11.724	10.966	10.819	11.312	1.663	9.54%
252	54	2.268	2.109	1.919	1.883	1.886	80	4.70%
261-262-263	76	25.487	27.640	29.462	30.152	29.638	35	-4.51%
264	112	1.257	1.475	1.610	1.660	1.718	390	3.84%
265	95	26.947	26.967	26.236	24.839	23.358	15	8.12%
266-267-268	49	133.508	137.143	132.698	141.637	136.851	246	-3.51%
27-28	21	5.261	4.884	3.743	3.275	3.418	2.793	0.62%
29-30-31-32-33	1053	11.993	12.272	12.629	13.096	12.729	163	-10.22%
34-35	560	6.909	7.180	8.055	8.133	7.611	12	1.50%
36	72	836	933	960	959	1.079	14	2.45%
40	1338	7.735	8.434	8.733	8.636	8.375	15	6.59%
41	45	1.828	1.877	1.930	1.990	2.340	6	2.01%
45	541	44.860	44.947	48.778	49.916	72.410	52	6.37%
	863	1.328	1.461	1.527	1.710	1.899	134	12.72%
							2	9.35%

Reuters Business Briefing

98 UK: STANDARD & POOR'S ASSIGNS 'A' RATING TO ENEMALTA CORP. - OUTLOOK STABLE.

ON, July 9 /PRNewswire/ - Standard & Poor's today assigned its single-'A' long-term corporate credit rating to Enemalta Corp. (Enemalta). The outlook is stable.

The rating on Enemalta reflects 100% government ownership and strong support of the Republic of Malta. The rating also reflects risks which include, exposure to imported fuel prices and foreign currency exchange movements, debt service coverage levels, a weak but improving outlook for efficiency measures, and the lack of a transparent tariff-setting mechanism. Enemalta's funds from operations interest coverage has been weak in recent years at of 1.5-2.2 times (x), but is projected to improve to over 3.0x under a scenario of stable fuel prices, and over 2.5x with rate increases in fuel prices.

Enemalta was established in 1977 as the sole energy provider for the Republic of Malta through three divisions - a vertically integrated electrical utility division, and petroleum and gas divisions which import and distribute gasoline, fuel oil, jet fuel, and petroleum gas, and other products. As such, its daily role in the Maltese economy is of critical importance. The government maintains very close ties to the company through a number of means, including some guaranteed debt, influence over director and senior management appointments, and close supervision and approval of key investment and operational decisions, including tariff revisions. Given social and political pressures, and with no independent regulator, the company has historically faced barriers to achieving a truly cost-plus tariff framework, but new tariffs enacted in late 1997 should help substantially in turning around poor financial performance by the electricity division in the past.

The company's electricity division comprises the bulk of its assets and employees, with 466MWV of current generating capacity. Without domestic fuel sources, the company must import oil for its generation plant. Coal was discontinued as a fuel source in the mid-1990s for environmental reasons. The company's staffing levels and other cost factors are high compared to its peer companies partly as a result of the country's small size, with a population of 376,000, and lack of economies of scale, but also as a result of government ownership and a corporate culture lacking in commercially-driven decision-making and pricing. The company is under increasing pressure to commercialize its operations such that each division becomes commercially viable on its own, and is undergoing a human resource audit to identify opportunities for streamlining operations.

OUTLOOK: STABLE

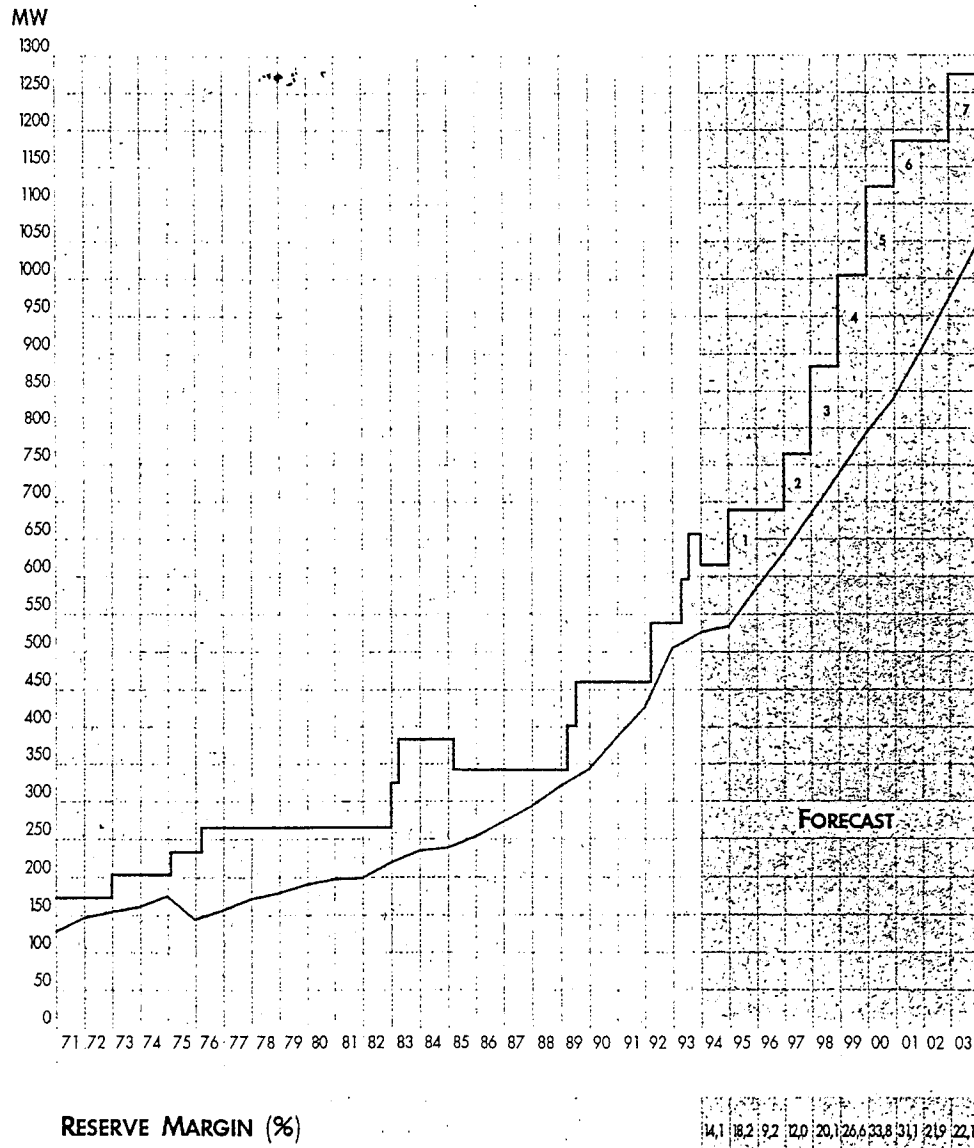
Standard & Poor's full government ownership and support, as well as its monopoly position in both electricity and petroleum distribution, will continue to support the rating, Standard & Poor's said. - CreditWire
 C&P Standard & Poor's CreditWire -0-07/09/98

CONTACT: Thomas Doud, 852-2533-3520, or Ana Nogales, 44-171-626-3619, both of Standard and Poor's/
 Website: <http://www.ratings.standardpoor.com/>.
 PRNewswire 09/07/98

DEVELOPMENT PLAN 1994-2003

APPENDIX C

system maximum demand and
generation plant installed capacity

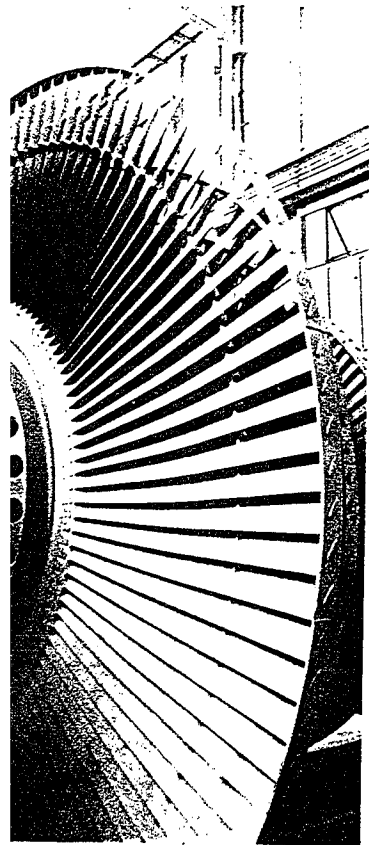


notes

- 1 2 x 37,5 MW Gas Turbine -1995
- 2 2 x 37,5 MW Gas Turbine -1997
- 3 1 x 120 MW Steam Unit (New Station) -1998
- 4 1 x 120 MW Steam Unit (New Station) -1999
- 5 1 x 120 MW Steam Unit (New Station) -2000
- 6 1 x 120 MW Steam Unit (New Station); 2 x 30 MW Units Decommissioned at Moni -2001
- 7 1 x 120 MW Steam Unit (New Station); 1 x 30 MW Unit Decommissioned at Moni -2003

“The Corporation continued to supply electricity
for Malta’s needs from the Power
Stations of Marsa and Delimara”

“Enemalta powering the Nation”



TATION TURBINE BLADES

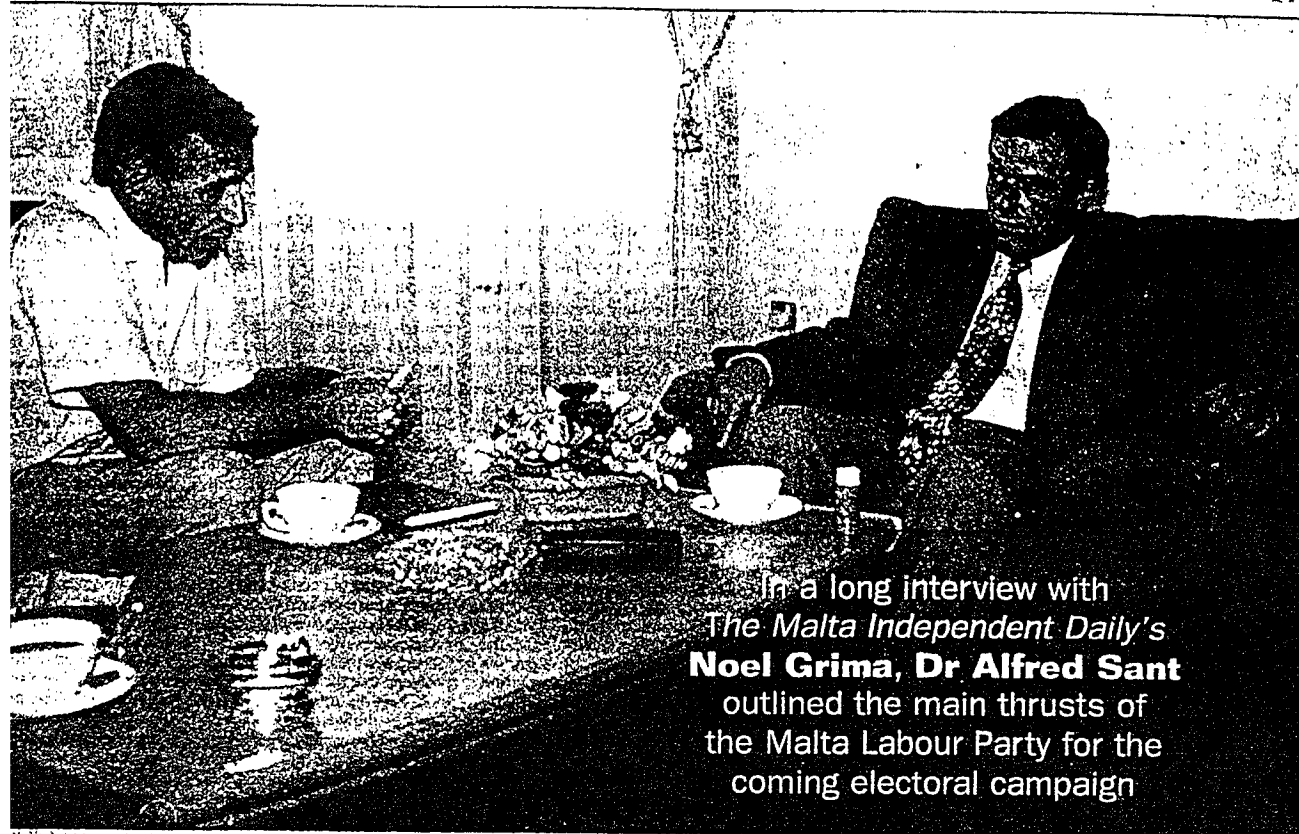
Plant	Commissioned	Capacity MW	Running Hours **	MWh Gen **	% of System Requirements
MARSA STATION 'B' STEAM					
1-F Tosi	1966	12.5	1021		
2-F Tosi	1966	12.5	1264		
3-F Tosi	1970	30	7073		
4-F Tosi	1970	30	2500		
5-General Electric (1956)	1982*	30	8066		
6-General Electric (1956)	1983*	30	8474		
7-Ansaldo (1956)	1984*	30	7510		
8-C A Parsons (1959)	1987*	60	4587		
TOTAL			41319	987561	57.6
GAS TURBINE					
1-GEC Alsthorn	1990	37	1231		
TOTAL				21553	1.2
DELIMARA POWER STATION					
1-BHEL	1992	60	7456		
2-BHEL	1992	60	6900		
TOTAL				669307	39.0
GAS TURBINE					
1-John Brown	1995	37	751		
2-John Brown	1995	37	1064		
TOTAL				37831	2.2

* Refurbished plant

** Estimated figures from 1st October 1996 up to 30th September 1997

Interview

a Independent



In a long interview with *The Malta Independent Daily's* Noel Grima, Dr Alfred Sant outlined the main thrusts of the Malta Labour Party for the coming electoral campaign

question of styles of management

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things are done. Fundamentally he is saying the same things that Dr Fenech Adami or Prof. de Marco are saying.

Even within the Nationalist Party there are those who feel this chasm between the old and the new.

This is the real issue.

So what do you see as the real result of these 21 months of a Labour government?

The many things that are clearly evident: we faced up to the deficit problem, we managed to push forward our proposals even in consultation with those who do not agree with us. For example: the removal of VAT took place in six months and it was managed in consultation with organisations which did not agree with its removal: they were

involved in discussions all the time and our decisions reflected also what they told us.

We made substantial progress with the EU and even here organisations which were sceptical about our vision were involved all the time. This system of management took place even where things had to be changed, such as the hospital building issue: we kept the work going, we were not going to stop the work that had been done but then we went for the most rational deci-

sion. The rational decision was to continue with the work and to expand it and we took that decision in consultation with the association of the doctors, MAM. They were fully involved in it.

This style then obviously led us to take longer in certain areas than we would have wanted as the procedures took longer. Thus, for example, the water and electricity rates: we said right from the very beginning that we would be very careful to change those things in which too

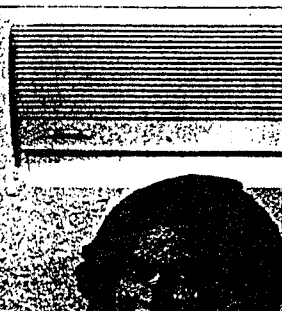
much pressure was being caused on certain persons, and that these changes would have been done in full consultation with the unions and all the social partners. This took time. One of the things in which I might have made a mistake was that instead of government going to the unions with its own proposals, it asked the unions to come up with their proposals, something which opened Pandora's box.

Continued on pages 18,19

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Pre-election campaign interview with MLP leader

MLP asks the country to

continued from page 17

But this is the way in which things will have to be done in this country. I think that this is the style we should have. We cannot go on with the system in which VAT was introduced by the PN government, with a sledgehammer, the same way in which the old Labour government introduced certain things, such as the private schools issue, with a sledgehammer.

The old clique, to use this phrase, is accustomed to fight tooth and nail in public, but the mindsets correspond to each other's, so they can work and understand each other in a certain way.

We do not work in this way: we have certain directions and we flesh them out in terms of give and take with certain organisations which are sceptical about the direction as we go along. This is the model in which we will go.

So you will put in front of the electorate the issue of differing styles.

This is obvious. We will tell the people: what do you want, that we parade as peacocks but then behind the scenes the message would be filtered through the family circles, the friends, the spinners, and we reach a hidden agreement? Or do you want that the issues are clear in front of all and

the government takes a decision and discusses it with everyone? This will be the main issue of the election: what style of management does this country want?

Can we go on with this supposed confrontation in public with many peacocks while underneath there are certain agreements being reached? Look at the yacht marina project: this is what happened, the subterranean agreements. Do you want me to tell you how many messages I received to tell de Marco to help me with Mintoff?

'We faced up to the government deficit problem: we are on target, as information coming out will show'

So are you saying that the government you are presenting to the electorate, more than offering results, will offer style? Will it be content or will it be style?

Both content and style. Look at the water and electricity rates problem. The Nationalist

Cabinet had been six years playing around with memos, with no decision taken. They neither consulted, nor took a decision. And when they decide they do not consult but keep going. We decided in a consultative mode. We faced up to the problem.

Take the financial deficit problem. The Nationalists attack us that for a whole year we mentioned just holes (*hofor*). But that is what we found - holes. Don't you tell the people about these things? Of course you tell them. You don't just tell people that there are holes, but you go ahead and solve the problems. Didn't we solve the problem of Posta Ltd? We faced up to the PBS problem, the Drydocks problem. We faced up to the government deficit problem: we are on target, as information coming out will show.

The other sides, and we in the media, say, that there are other issues. You are looking at the style of management but there is the issue that the water and electricity rates have been increased so much that many are hurting. And this has caused some to say that the MLP in government had abandoned its social principles.

This is a stupid argument, and an opportunistic one too. We said right from the beginning that we will have to take difficult steps.

We said we will help so that those who have the greatest burden will find support. This is all clear and transparent.

If you look at the lower income brackets, they have been given relief. In fact we are being criticised that this sector has been given so much relief that they can waste as much as they want. If you look at the subsidy rates we gave for the lower income, the people in this category are in a situation where they are now receiving bills which are even less than the bills they used to receive before, which is a mistake too: we might have gone too far here.

The number of people benefiting from this has increased from 4,000 to 9,000 because we expanded it on purpose.

There was the usual bureaucratic problem that the Social Services took long to inform the Social Services how many were on relief and how many were unemployed. Now we have brought pressure on them to correct this. All those on relief and all those unemployed now have so many rebates that they will be in a better position.

It is also true that those who consume much will be hit hard. We had to take certain decisions and it worked.

As regards economic confidence in the country, what does your government offer the country?

It is clear that if we do not drastic measures to reorient the economic growth of the country, we are going to have problems. The preceding government managed through de-spending. We said that if we do not increase the productive sectors, we will not get results.

Growth comes from tourism, the industrial sectors and financial sectors.

In tourism, we stopped haemorrhage there was and have achieved growth, through such measures as the Bug project, the removal of VAT, make the industry more competitive, the greater importance given to tour operators and travel agents. There we now have a bounce in the sector.

In the manufacturing industry we are now seeing the same bounce back. The problems always been in the local manufacturing sector and local consumption. Domestic consumption was fuelled by government spending. If you rein in government spending, domestic consumption will fall back. We are in the diet phase here.

But in the productive growth areas we are moving forward.

This is an economic approach. But at ground level certain matters have not percolated yet both in terms of the commercial sector and in terms of consumers, such as the income they used to get through overtime. The strategy is on target.

The next boost had to come from these new projects we are stimulating. It is not government which is doing these projects, it is the private sector. They are infrastructure projects. They are the Cottonera, Manoel Island, cruise liner terminal. All these were planned to be productive ventures, ventures which will increase the productive capacity of the country. Thus the cruise liner terminal will attract more cruise liners to Malta. We are also working on a yacht marina project for Gozo. All was in line.

So the strategy was to first mend our financial situation and get back to a productive mode and then to build new production modes to increase the productive capacity of the country. This was the strategy from the beginning.

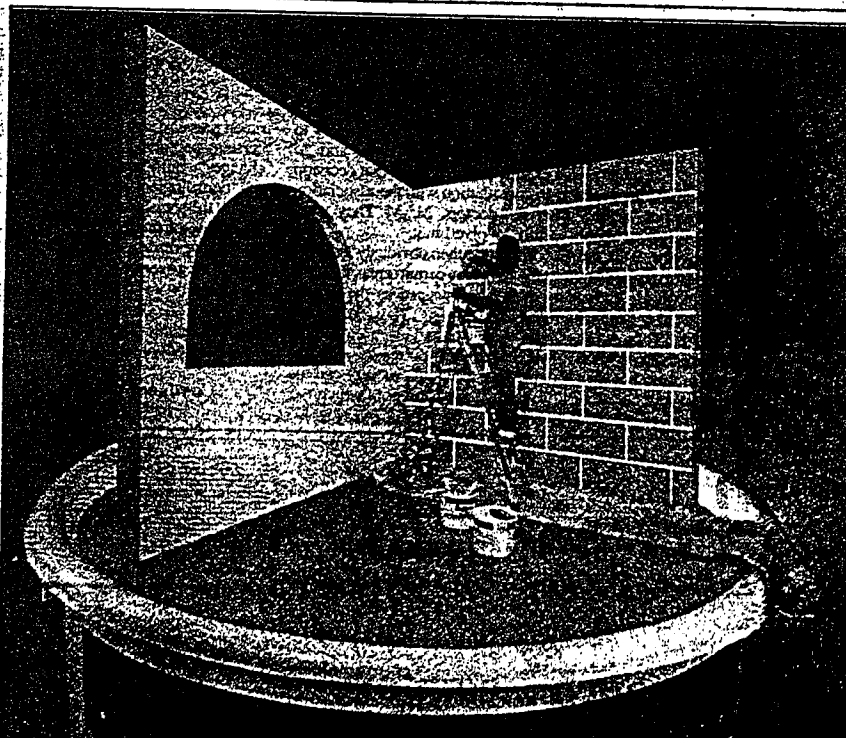
It is no use that Josef Bonnici writes that 11.2 growth in GDP means nothing. It means a growth that we now have a growth rate. Thus also exports in the first months have increased by 15 per cent.

This is something that has not percolated back to the citizen on the ground.

'The important th

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Speaking of the social side, there is the divorce issue, an issue the country must one day face. Will the party led by you change anything regarding how to face the issue?

On the divorce issue I had spoken even before the last election, in press conferences and speeches. I had indicated I would take a personal initiative.

But this personal initiative has to be sanctioned on the political level.

The party must take a position, not necessarily to say that we are in favour of divorce, because I believe this is something which must be solved in the personal conscience.

But certainly there must be the argument that whatever happens, there must be a referendum on divorce.

This is also the suggestion of the Cans Movement.

It is a proposal with which I do not agree, personally, because a referendum means that the majority imposes its will on the minority. But if the party agrees that there must be a referendum, I will not oppose this.

When you say you will be facing the country on the style question, and one examines issue after issue, one finds out that there are difficult decisions to take. Thus for example, the restructuring of industry, the financial deficit: government had said we have three years of restrictions. Where have we arrived in all this?

Restructuring is continuing: we have a consultative machinery in place and a synchronicity with the EU. The financial package, the structural plan and the ongoing programme are ready.

Could it be that the other counterparts have stood back and are waiting to see what is happening?

Not at all. There are no problems. The only problem which cropped up has been the GRTU one which is insisting that 50 percent of the available funds go to the small enterprise. I am amazed that such a controversy could have arisen.

Another issue which cropped up has been whether they should be commercial enterprises or industrial enterprises. It has always been like that: that industrial enterprises with a possibility of having a commercial enterprise as part of the distribution system of the industrial enterprise being restructured.

But the political problem took away attention from the restructuring process.

We had to sign these past few days but then the GRTU problem cropped up.

One other issue on which we are moving forward has been the privatisation issue. With regards to the Maltacom privatisation we are on target. We have said that a percentage of the revenues would go for the restructuring effort.

One other area of government effort has been in the budgeting sector. It was clear that one could not solve this overnight; we are braking. Certain work we do does not appear in the media.

Thus we have 5,000 employees in industrial grades while we have a certain number of vacancies for clerical workers. We are working on a programme where we choose 200 from these 5,000, give them training for three months and put them into the clerical grades instead of recruiting from outside. Would you imagine that out of these 5,000 one would not find 200 with enough skills to be

'As far as cost-cutting is concerned we are, I think, on track. The big problem is the social fund, the social policy'

upgraded? It might have been that the way in which this venture was structured did not work, or it could also have been that there was a certain inability to understand what it's all about.

The important thing is that within the same budgets more is being done without going for a greater expenditure. Thus the Cabinet committee on recruitment might be bureaucratic but at the same time it ensures that you enroll who you really want. Thus also in the

finance department, we have operated a restructuring to help workers move into the tax evaluation system.

We are on target, we are pushing through. As far as cost-cutting is concerned we are, I think, on track. The big problem is the social fund, the social policy.

But government ministries and departments have been held to their estimates, without supplementary estimates.

The problem is the problem of accruals. Government departments, especially the spending ministries, work on a cash basis only, so you get a piling up of accruals. This happens in the medicals sector. Thus also Public Works do not know what their accruals amount to; at one point they tell you it is Lm6m, then Lm4m and then Lm10m. Thus in the last loan we raised, we inserted Lm10m extra, the idea being to see all the accruals at end of 1997, to clear away certain

accounts. But then the focus started being lost.

So the political problem made the whole country lose its focus.

How do you rate the party's chances in the election?

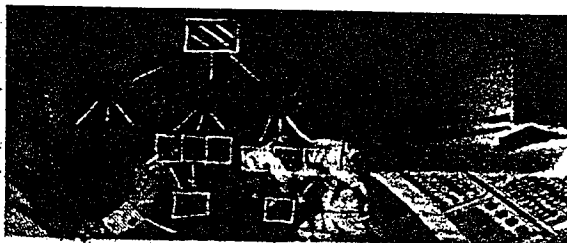
Very well. It is a winnable election and I think we will win new votes. That is what our surveys tell us.

So your message to the electorate is that once we find a solution to this political problem, ...

No, I do not consider it as just a political problem. I see it as a choice: do we want to continue on the old style of peacock against peacock and then we agree behind the people's back, or do we want a structure which with a participatory manner, even if some do not agree, such a wish regards to the EU, one arrives at a solution which is acceptable to all?

Continued on page 20

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on pages 18,19

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peared, as they have also reappeared on Palace Square accompanying certain Opposition MPs. These things had been over for the past year and a half.

Apparently one of these bullies went somewhere recently and told them: You will see what we will do when we are in government. This kind of approach is over. This used to blenish both parties in the past. In the past year and a half we have shown that the police can indeed be an accountable and serious corps.

We will also have some new proposals on the social aspect. Now that we have been in government we can better understand the needs.

One other new offer will be in the accountability sector. The country needs a rolling forecast in government finances. This is a crucial issue. One other adjust-

ment needs to be made in the sector of the consumer. And also in the corruption issue. Many say that corruption will not be an issue, but I am not so convinced. It is true that they accuse us of not having taken steps against the barons. I say that we took the steps we could take in the circumstances but in many cases we cannot go to the procedures phase.

In the past year we have been speaking to the Opposition regarding a final draft of the bill against corruption. Certain disagreements we have with the Opposition are fundamental, such as who directs the battle against corruption - what powers should these powers have. It also became clear the reticence of the magistrates and the judicature to be involved in these type of investigations.

Which voter will the party target?

We will not target just one voter. Obviously we want to keep the Labour family united through communication. We want to keep with us the voters who have approached our party and who have come to understand our vision. But we also need to communicate with the voter on the other side to reassure him that whatever happens, he does not need to worry.

The coming electoral campaign must be quiet and calm, one which gives all the opportunity to see and evaluate the issues, so that all can see how we see things.

It will be an electoral campaign which does not disrupt the summer holidays, it will also be a campaign which will be fought out more on the media, especially television. It will also be an electoral campaign which does not repeat the controversies of the past.

As a party, the Labour Party will repeat the 1996 decisions: no car-cades, no streamers and banners, no pictures of candidates.

There will be a certain urgency to solve this problem so that the country moves on.

One must quantify the urgency. I know that the media speak much about urgency. When there is a political or economic controversy, it is good that it be clarified: the issue must be worked out.

This is also the result of what happened with regards to what my party thought about my opinion some weeks ago. Had it 'gone my way' the whole issue would have been solved a month ago.

must be talked out. Having said that, I do not agree that we have kept Parliament alive for nothing. For example this week, the Opposition lost a historic chance to show that where something is not controversial, we do not need to stop everything until a new government is sworn in. Who will win if the tourism bill is stopped, when the bill had its second- under an Opposition MP and when parts of it were prepared by the PN government?

I believe some things need to have their time, despite the uncertainty. At the beginning of the year they told us that there was a lot of uncertainty because of the strike at the Freeport. But now go and look at the figures. It is true that domestic consumption has to move forward, for we have a problem there. The economy is becoming freed from politics and I think this is a good thing.

So both the style of the electoral campaign and the election itself are also a reflection of this whole style of government.

It is like that. That is also how it should be. The ideal would be to have an election on the Australian model, one does not know there is an election on. This does not mean that the issues are not raised. In Australia there is also however a high abstention rate. I have also assisted at a Belgian election, and even there the issues are aired and discussed.

We do not really have to have the situation where persons on their death bed are taken to vote.

That is part of the Maltese

University of Malta

ADMISSION - 1998

pective students, including MATSEC candidates waiting for their matriculation examination results and University students waiting for their Final Year results, are invited to submit their application for admission to all diploma, undergraduate and postgraduate degree courses commencing in 1998, as follows:

University of Malta, Msida

Admission commencing

Date	Time
Wednesday, 22 nd July	8.30a.m. to 12.30p.m.
Thursday, 23 rd July	8.30a.m. to 12.30p.m.
Friday, 24 th July	8.30a.m. to 12.30p.m.

University Gozo Centre, Xewkija

Overnment deficit being cut back

Ivan Brincat

E MINISTER Leo Brincat said that the government managed to curb down on government deficit as government income and expenditure decreased. He said that the financial deficit curbed and now stood at Lm48.6 million compared to the Lm63.7 million in the previous year. He added that the sale of Maltacom shares did not amount to Lm30.2 million bringing the government deficit to just over Lm18.4 million.

Representing figures on the first six months of the year and comparing them to the January-June period of last year, Brincat said work on the 1999 budget commenced before the start of the year. He said they were working on a budget which had a social

surplus. "The government would increase the budget, but we would like to present a social budget, Mr Brincat said. He said the government was examining various possible options. "We will do nothing

which will effect the low-income groups." The minister would not be drawn into saying whether taxes will be increased to ensure more government income.

Mr Brincat said this improvement in the country's finances was mainly due to fiscal and administrative measures taken by the government as well as control in government spending.

The minister said that government was monitoring the situation every month. "Normally we used to compare figures every six months but now we are trying to make sure that the government is still on track on a monthly basis."

Mr Brincat said this was being done to make sure that government keeps to the set projections and also to make sure that no supplementary estimates are needed.

Government revenue increase by Lm22.5 million over last year and this excludes the sale of Maltacom shares. From Customs Duty, government earned Lm9.1 million more. This increase was mainly due to the levy on fuel and on cigarettes.

Mr Brincat said the government also managed to increase its revenue through tax collection. This included settlement

tax, withholding tax as well as the collection of arrears which amounted to an increase of Lm2.6 million over last year.

The minister said that government was collecting more funds from CET than from VAT. Although the figures show a Lm3.1 million shortfall over VAT, Mr Brincat said that the VAT used to include figures from corporations. "In net terms, government earned more from CET."

In the first six months of the year, government's revenue from CET was Lm35.8 million.

The Central Bank also had an increase in profits of Lm1.8 million while the income from vehicle licenses increased by more than Lm2.6 million.

Mr Brincat said recurrent expenditure increased to Lm262.7 million, that is Lm10.4 million more than last year.

The cost of personal emoluments decreased by Lm2 million in the first six months of the year. This was mainly due to the transfer of AFM and Department of Civil Aviation to the Malta International Airport in May.

Overtime for civil servants decreased by

Lm500,000 from Lm2.4 million.

Capital expenditure in the first six months decreased by Lm2.6 million. It was Lm26.8 million. Mr Brincat said this should not have an adverse effect on the economy.

He said the decrease was due to the fact that funds to the shipbuilding were passing through the Treasury Clearance Fund. Moreover, the decrease was also due to the fact that the Malta International Airport plc will buy equipment instead of the Department of Civil Aviation.

He said all showed that the government's commitment to control public funds was on the right track.

This could be done mainly because government set up three Cabinet sub-committees presided by the Prime Minister to control public funds, recruitment in the public sector and to improve efficiency in government departments.

A permanent committee was also set up to consult the government on how to manage the public deficit.

Mr Brincat said that government is projecting a deficit of Lm80 million by the end of the year.

EC BRIEFING

Van Miert mulls position as Electrabel contracts sealed

Competition commissioner Karel van Miert has written to the political body representing the directors of Belgium's municipal companies, Intermixt, stating he still has (unspecified) problems with Electrabel's long-term exclusive power supply contracts (*ECE 93/17*). The same letter has been sent to the Belgian minister of foreign affairs. Van Miert said he assumed Flemish home affairs minister Leo Peeters had given his agreement (as indeed he has, countersigning the deals on behalf of the Flemish government), but that he would ask some additional questions. In the meantime, all Electrabel's municipal customers (81% of the 589 municipalities in Belgium) have now signed 15-year contracts and taken a share in the 5% equity 'inducement' offered by the power utility.

Portugal's Tapada plant project running to plan

The Tapada combined cycle power plant under construction in northern Portugal is on target to begin operations by March 1998, the developer Turbogás' general manager Graham Miles said this month. The 1,000 MW plant at Tapada do Outeiro, to be fired by gas from the Maghreb pipeline (*see page 9*) will supply 20% of Portugal's electricity and may export energy to Spain. The project is being partially-financed with loans from the European Investment Bank (*ECE 81/17*). A 25-year power purchase agreement (PPA) between Portugal's state-owned electricity company Electricidade de Portugal (EdP) and Turbogás was cleared by the Commission earlier this year (*ECE 89/21*). Turbogás is a joint venture between the UK's PowerGen, EdP and Germany's RWE, Siemens and Koch.

Libyan gas for Italy's ENI, privatisation underway

Italian energy giant Ente Nazionale Idrocarburi (ENI) revealed this month that it has signed a \$3bn gas production and supply deal with Libya's National Oil Corporation (NOC). Agreed in June, the deal covers exports from Libya's onshore Wafa field and offshore block, via a 520 km pipeline between Libya and Sicily's Capo Passero (*ECE 78/16*). The deal allows Italy to reduce its dependence on imports from Algeria, Russia and the Netherlands. But EU officials warned that the deal may be affected by the US government's d'Amato legislation which penalises non-US companies from investing over \$40m/yr in the energy industries of Libya and Iran (*ECE 92/1*). Meanwhile, the Italian government has sold a 14% stake in ENI for L7.698 trillion (\$5.04bn), reducing its stake from 85% to 71% (*ECE 94/20, 91/25*). The offer was heavily oversubscribed, prompting Mario Draghi, director-general of the Italian treasury, to remark that the sale of further state assets may be accelerated. The government is due to privatise electricity group Enel at end-1997.

EBRD backs energy efficiency in eastern Europe

The European Bank for Reconstruction and Development (EBRD) is financing a Ecu40.6m multi-project facility for energy efficiency projects in central

and eastern Europe. Financed with France's Compagnie Générale de Chauffe (CGC), the facility will help develop a network of energy service companies in the region to provide energy efficiency advice to public and private sector clients. CGC, a subsidiary of France's Compagnie Générale des Eaux, is the world's largest thermal energy management and maintenance company.

UK gas regulator delays domestic competition

UK industry regulator, Ofgas, has delayed introducing the second phase of competition in the domestic gas sector in southern England by a month. It follows the findings of an Ofgas-commissioned report which warned that customers could face disruptions unless British Gas was given adequate time to resolve computer system problems. Instead of opening in mid-January 1997 as envisaged, competition will now be introduced in the south of England by February, and in the south-east by March 1997. The first phase of competition in the south-west of England started in April after a month's delay (*ECE 89/21*). The UK's entire domestic gas sector is due to open to full competition by April 1998. Meanwhile, Ofgas's director general, Clare Spottiswoode, said last month that the UK's gas and electricity regulators should be merged by 2000. Speaking at a gas industry conference, she said the two bodies "this winter will see a lot more interaction than ever before. Eventually they will be merged".

Spanish coal closures hit opposition

Plans by the Spanish government to close state-owned coal mines in the Asturias region by 2002 are "a stab in the back," according to Isidro Fernández Rozada, senator of the ruling Popular party. Earlier this month, industry minister Josep Piqué said the government will stop subsidising coal mines in six years, a move which will result in the closure of state coal group Hunosa, employer to 9,300 people. Compensation to the region will come from a Pta70bn fund for reindustrialisation of the coal mining areas, paid over a three-year period, and funded by the proceeds of the government's privatisation programme. In July, the Asturias region received EU funds from the Rechar 2 programme which promotes regeneration projects at former coal-mining sites (*ECE 91/14*).

Ireland backs case against Sellafield

The Irish government is backing a private law suit brought by four nationals against British Nuclear Fuels (BNFL) over its nuclear power station at Sellafield in the north-west of England. Irish environment minister Brendan Howlin confirmed that the government is offering financial, legal, scientific and research assistance to four residents of Louth, in north-east Ireland, who are bidding to have Sellafield closed on the grounds that it poses a threat to health and the environment. The four argue that the BNFL's Thermal Oxide Reprocessing Plant (Thorp) contravenes both the Euratom Treaty and the EU's 1995 Environmental Impact Assessment directive. The case is due to be

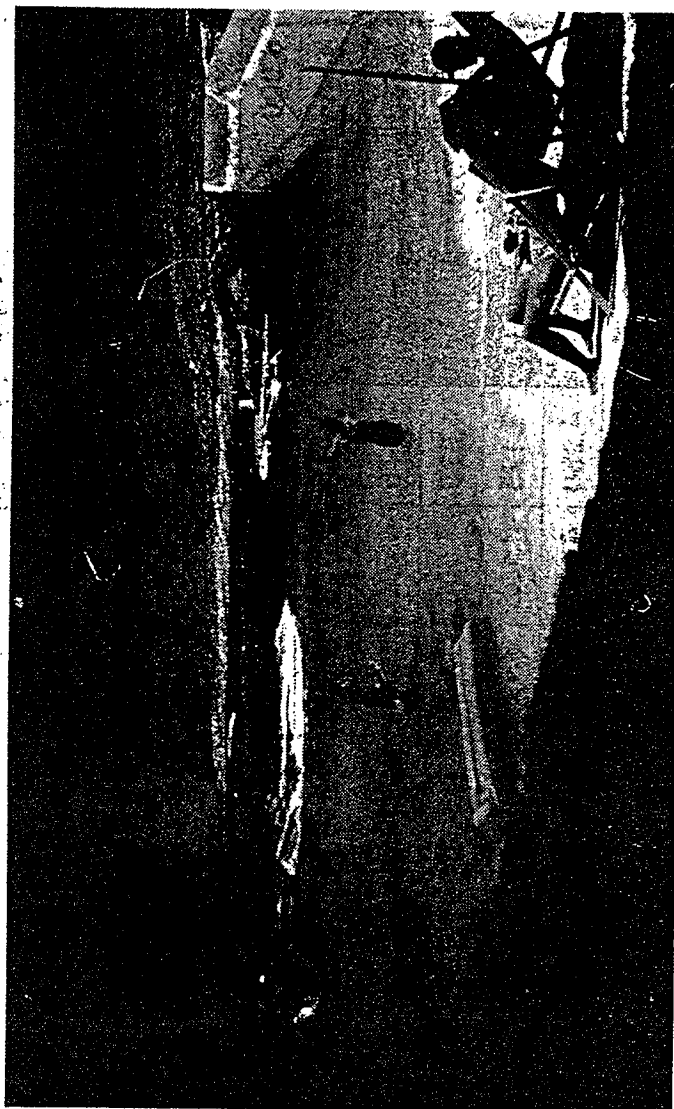
Tourism decline reversed

By Anthony Manduca

The latest annual report and accounts for the National Tourism Organisation, Malta, has shown that the decline in tourism which had persisted in 1995 and 1996, has been reversed. The chief executive of the NTOM, Alfred Cassar Reynaud, says in the introduction to the report that: "In 1997, the main challenge facing the Maltese industry was to stem the downward trend in tourist arrivals which had persisted over the previous two years. I am glad to report that, in the year in review, this decline was halted and indeed, reversed."

Figures show that the total tourist arrivals in 1997 amounted to 1,111,161, an increase of 57,373 visitors, or five per cent, on 1996. The growth originated mainly from the United Kingdom, which accounted for 66 per cent of the year's surplus. The numbers from Germany increased by about five per cent, while tourist arrivals from Italy increased marginally by one per cent. The French tourist market, however, remains disappointing. Major Cassar Reynaud says in his report: "France, however, at minus three per cent in 1997 is still underperforming."

The Benelux countries as well as Sweden witnessed a sharp increase in their tourist arrivals in Malta. Belgium increased by 17 per cent, Holland by seven per cent and Sweden by 15 per cent. 1997 also saw a significant breakthrough in Russia with 21,339 tourists, or a 57



INCREASE: Earnings from tourism increased to Lm249.8 million in 1997

per cent increase over the previous year. Although the amount of American tourists is still low, there were 15,000 US visitors in 1997, a 25 per cent rise on 1996. Arrivals from Japan also increased by 31 per cent.

As regards seasonality the latest statistics show that summer accounted for 36 per cent of total tourist traffic, with the shoulder and winter periods providing for 45.5 per cent and 18.5 per cent respectively. The figures also confirm the shortening of the average length of stay of visitors in Malta.

In 1997 the average length of stay was 9.6 nights, compared to 10 nights in 1996 and 12 nights in 1992.

The latest report also highlights the importance of tourism as a contributor to the national economy. In 1997 earnings from tourism reached Lm249.8 million, an increase of Lm21 million over the 1996 figure. This represents about 24 per cent of Malta's exports of goods and services. The previous highest figure for earnings from tourism goes back to 1994, when it stood at Lm241.8 million. On a per

capita basis earnings from tourism last year increased to Lm224.84 from Lm217.19 in 1996. During 1997, an additional 621 employees joined that part of the labour force directly engaged in hospitality, putting the total to 9,078. Figures for hotel occupancy levels between January and October show that occupancy in five-star properties contracted to 53.2 per cent from 59 per cent in 1996. An occupancy of 72 per cent was recorded for four-star hotels, compared to 70.6 per cent in the first 10 months of the previous year.

20th July 95

C. S. S. S.

/ Bernard Cauchi
Corporate Services Manager

act from: The Malta Independent
19th July

mitted for your information.

Appendix 29

Abela says tariffs may be adjusted

Abela

Government will consider a reduction in rates as the price of oil dropped in months, Prime Minister Alfred Sant yesterday in a public interview held at Dud Sliema.

Journalist Miriam Dalli interviewed Sant who kick-started with a veiled message that during the summer holidays the country will have no tolls. "First we are going to enjoy the summer holidays the country will have an intense political activity will be held."

Sant said that the country has to choose between a party which has strong values and a party which has strong values and a party which still adopts the old ways of running things.

Sant said that the rise in tariffs and overtime charges had to be introduced because of the bleak financial situation. He said the government is willing to finan-

cially relieve certain families in need. He said the tariff burden will be reduced by Lm2.4 million. He insisted that one must reflect on how the people may benefit from a decrease in the price of oil.

The Prime Minister also hinted that he may decide to go for a referendum on divorce. He sustained that personally he does not agree with a referendum but from "what I am hearing" one may consider this option.

Asked about George Abela's resignation as deputy leader, he said he still enjoys a very good personal relationship with his former consultant and deputy leader. However Dr Abela's resignation was forced by "contrasts" that were created when the party had to take decisions about fundamental issues.

He said that the government is working on a budget with a social-conscience where those who receive a British services pensions will receive the two third's pensions without

deductions. Other minorities such as the overseas parent families will be given attention as well. Dr Sant also made reference to the housing problem which he said merits priority.

In the meantime at a party activity in Marsaxlokk, opposition leader Dr Eddie Fenech Adami criticised the government's decision to cut its expenditure in the fight against drugs. He said that Dr Sant had promised to fight the drugs war, but had failed miserably.

The Nationalist leader said that when the Malta Labour Party executive last Thursday was discussing the resignation of deputy leader George Abela, the Nationalist Party was approving 33 new candidates.

Earlier yesterday while addressing new candidates during a seminar, Dr Fenech Adami stated that the choice in the next election is between Dr Sant's divided party and a united Nationalist Party.



Chairman / Chief Executive Officer
act from: The Malta Independent
26/7/98

27/7/98
Bernard Cauchi

mitted for your information.

Bernard Cauchi
IT/Corporate Services Manager

Appendix 30

PM hints at Enemalta privatisation

By Franco Aloisio

Prime Minister Alfred Sant yesterday said that a future Labour government could privatise Enemalta corporation on the same lines as Maltacom, of which 40 per cent of its shares were sold to the public. Speaking during the second round of his Saturday evening interviews held in Bugibba, Dr Sant said the partial privatisation of Enemalta would be a welcome move for the corporation.

Journalist Godfrey Grima interviewed Alfred Sant and, amid rowdy comments from those present during the meeting, asked the Prime Minister about his personal life. Dr Sant answered these questions in a cool and calm manner.

Yesterday's meeting was characterised by an unplanned power cut, which ironically took place when Mr Grima asked Dr Sant about Dom Mintoff.

Dr Sant said the present political crisis can be solved only if a general election is held or if Mr Mintoff resigns from Parliament. He added that the next election would be won on the basis of the people's decision between the old and new leadership styles of government.

Dr Sant admitted that his government might have lost contact with the people. However, he said his was a modern government which operated openly. He added that Malta needs a stable government.

Regarding the water and electricity rates, Dr Sant said certain individuals received bills which were absurdly high and which were the result of billing errors on the part of Enemalta.

The Prime Minister said during these last months the government's revenue had increased while expenses were kept under check.

Dr Sant said that the Nationalist Party would reintroduce VAT. He added that the excise tax and duties have to be modified to reflect Malta's commitment to the Free Trade Zone with the European Union. He said there was a consensus throughout the country that income tax rates should not be raised.

At the end of the interview Mr Grima asked Dr Sant about the options available for the election date. Dr Sant replied an election could be held within the coming year.

In the meantime journalists tried their luck with MLP secretary general Jimmy Magro and asked him when the election would be held. Jokingly, he replied it would be held in January!



ENEMALTA CORPORATION

Central Administration Building, Church Wharf, Marsa HMR17 Tel 22980 420/438

Chairman / Manager Petroleum


from: The Times

25/7/98

ed for your information

ay wish to see the article overleaf.

27/7/98



Bernard Cauchi

Corporate Services Manager

Oil exploration in Gozo

Sant cautiously optimistic

There is muted optimism over the oil explorations in Kerzem, after it was found that the rock structure is similar to that in Sicily where oil was found.

The prime minister said yesterday that similar structures in Sicily had proved "interesting".

"Although it is not my intention to raise expectations (*nonflu l-aspettattivi*), results so far are positive since the rock structure at a depth of one kilometre is similar to that in Sicily which had led to interesting oil discoveries," he said.

Dr Sant was speaking after a walkabout in It-Tokk Square in Victoria, where he met members

Michael Testa

of the business community and other people.

He was accompanied by Tourism Minister Karmenu Vella.

However, it would not be possible to reach any conclusion about the possibility of the presence of oil in commercial quantities until drilling went down to a depth of five kilometres, expected to be by the end of this year, Dr Sant said.

However, Gozo was already benefiting from oil exploration and one hoped for more positive

developments.

During the last 18 months, the number of trading licences had increased by an average of 85 per year compared to the annual average of 62 in the previous years.

Dr Sant said that trade had started picking up but had slumped because of the World Cup tournament and political issues.

On the positive side, the removal of VAT had reversed the stagnation in the business sector in Gozo, he said.

During his walk, self-employed

(Continued on page 14)

32. SCENARIO PLANNING

32.1 FOCUSED SCENARIOS - MANAGED WORLD

32.1.1 Greater disposable income. A growth of 11.2 % in Malta's GDP.*

32.1.2 Trade Deficit Decreases. Exports increase by 15%.*

32.1.3 "Government Deficit Being Cut Back" 29 - Minister of Finance Appendix 24

32.1.4 Price of Oil continues to fluctuate moderately.

32.1.5 Present threat of embargo on Libyan Oil is removed.

32.1.6 Ente Nazionale Idrocarburi (ENI) Italian energy giant signs a USD 3 Billion gas production and supply deal with Libya's National Oil Corporation through a 520 KM pipeline. Pipeline will pass relatively near Malta which can also be used as a booster station - Appendix 25 (30)

32.1.7 Government declared policy is to keep Enemalta as a natural monopoly, but to be run on appropriate commercial lines by selling 40% of its assets to the private sector – Appendix 30 (35).

* Appendix 23 - Extracts from an interview with Dr Alfred Sant - Prime Minister of Malta by Noel Grima in 'The Malta Independent' of Thursday 16 July 1998 - 'A question of styles of management.' 28

- 32.1.8 Increase in energy deriving from renewables. New technology becomes available for production of energy from wastes. (Appendix 26 Photovoltaics: What, Where, Who!) 31
- 32.1.9 Options available for Malta to join European Energy Networks either through electric submarine cables or gas pipelines interconnected from Sicily.
- 32.1.10 Malta strikes oil on its continental shelf. Able to produce economically and would enable the country to become a net exporter of oil. Appendix 31 (36)
- 32.1.11 Increase in IT around the world would sustain and increase employment in this industry (Highest ever monthly export figure by ST Malta). 32 Appendix 27
- 32.1.12 Liberalisation of airlines in Europe and US, provides cheaper flights, thus there is an increase in tourist industry - 'Tourism decline reversed' Appendix 28 (33)
- 32.1.13 Continued control of inflation in line with other industrialised countries, makes Maltese industries more competitive.
- 32.1.14 Maltese currency able to retain its present value, thus avoiding devaluation which would spiral the prices of imported goods.
- 32.1.15 Industrial Trade Unions become less militant, as they are understanding that they have to change their old tactics if they want to survive in the current market environment.

32.1.16 Free Trade Agreement with EU more suitable for Malta. Able to obtain more benefits with less controls from Brussels.

32.1.17 Separation of the two roles Enemalta is still fulfilling, provider and regulator of services, would strengthen the regulatory process which is primary concerned with protecting consumers by ensuring that they are charged fair rates for the level and quality of services provided. It is also instrumental in diffusing the tensions usually surrounding changes of tariff rates to which consumers are sensitive.

32.1.18 Conclusions

(i) Several options are available for Enemalta when it comes to decide on future investments.

(ii) Establishment of Regulator would release the Corporation from this Role, enabling it to improve the quality and get fair commercial prices for its services.

(iii) Advanced IT should enable the Corporation to tackle its major problems on debt collection, high losses in electricity distribution and improve stock control.

(iv) Reasonable oil prices would avoid spikes in Corporation's expenditure. Covering this risk by 'hedging' on the oil market would guarantee stable rates on production costs.

(v) Stable Maltese currency would contain the Corporation's exposure on foreign exchange.

(vi) Better understanding with Trade Unions, who accept partial privatisation as a start.

(vii) More respect for the Environment by following a sound energy policy to increase electricity supplies from renewables.

32.2 FOCUSED SCENARIOS - ALL CHANGE

32.2.1 Disposable income constant or falling due to political instability. Malta going to the polls after just two years of Labour Government.

32.2.2. Malta's GDP growth is skewed towards consumption and not export - oriented sectors. Central Bank of Malta concerned about rate of credit growth.

32.2.3 Enemalta unable to sustain development and has to resort to inefficient old plant, thus quality of supplies is less reliable.

32.2.4 Oil prices continues to spike up.

32.2.5 Political instability in Eastern Europe, Middle East and North Africa due to religious fundamentalism.

32.2.6 Less exports and lower earnings from tourist industry, would effect Malta's balance of payments. This would put pressure on the local currency which would have to be devalued unless trends are corrected. Devaluation would expose Enemalta to higher costs on oil products and wider exposure on foreign loans.

32.2.7 Renouncing EU Membership may leave the country on its own in the Mediterranean Basin practically defenceless.

32.2.8 Environmental problems (Global warming with much more higher temperatures in Summer) on the increase.

32.2.9 Conclusion

I) Falling demand through recession in manufacturing industry and reduction in number of tourists would strongly effect Enemalta's operations.

(ii) Higher Oil prices would expose the Corporation to further problems as it would decrease the profitability of the Petroleum Division.

(iii) Renouncing to EU Membership may not have been a wise decision, as the required culture change would be postponed.

(iv) Enemalta's financial situation is in disarray. Early election has forced government to withdraw most of the new tariffs approved in November 1997, with the result that the Corporation is even worse off due to the delays in issuing of bills.

Appendix 29 - PM says Tariffs may be adjusted downwards. 34

(v) Industrial Trade Unions remain Militant.

32.3 ACTION SCENARIOS - MANAGED WORLD

- 32.3.1 Before projects are undertaken financial and economic feasibility studies are to be developed. Only those projects with a reasonable return on investment are to be given the green light.
- 32.3.2 As partial privatisation takes place, Enemalta sells Delimara Power Station to a Multinational Company which will now supply electricity to the Corporation in a form of BOT. This will enable Enemalta to overcome its liquidity problems. Also benchmark its operations at Marsa Power Station against those achieved at Delimara Power Station being run by the private sector.
- 32.3.3 Trade Unions are to be given the facility to investigate the current financial situation of the Corporation, so that Enemalta could get their commitments in cost effective exercises which need to be carried with urgency.
- 32.3.4 Reduce exposure on the Oil Market price fluctuations by taking best options available.
- 32.3.5 Buying 'Futures' would reduce high exposure (Cost of Petroleum Products and Loans) of the Corporation on exchange hikes.
- 32.3.6 Shortening of billing period through remote reading of electricity heavy consumers. Invest in electricity prepayment metering system to reduce high debts and improve cash flow.
- 32.3.7 Develop strategy to increase energy consumption derived from renewables.

32.4 ACTION SCENARIOS - ALL CHANGE

32.4.1 Would the Corporation be able to meet its future investments needs?

32.4.2 Would downsizing be required, if the Trade Unions will not agree to cost cutting measures? Would this create problems for our political masters?

32.4.3 Would the Corporation be able to survive if there would be another oil shock?

32.4.4 Would financial problems force the Corporation to be privatised?

32.4.5 Would Enemalta's customers accept the new version of the Corporation; moving from social (as it is at present) into a commercial enterprise?

any part of such excess, in particular such part thereof which derives from the sale of petroleum.

19. Any funds of Enemalta not immediately required to be expended in the meeting of any obligations or the carrying out of any functions of Enemalta may be invested from time to time in such manner as may be approved by the Minister.

Investment
of funds.

Appendix 33

20. (1) The prices to be charged by Enemalta for the supply of electrical energy and related services shall be in accordance with such tariffs as may, from time to time, be prescribed.

Prices, fees
and other
charges by
Enemalta.

(2) Nothing in subsection (1) of this section or in any such tariff as aforesaid shall prevent Enemalta from charging other prices by special agreement.

(3) In prescribing tariffs and entering into agreements relating to prices to be paid for electrical energy and related services supplied by Enemalta, the Corporation shall ensure that the prices charged are adequate to provide sufficient revenue in any financial year –

- (a) to cover operating expenses, including taxes, if any, and to make provision for adequate maintenance, for depreciation, for interest payments on borrowings and for other interest payments;
- (b) to meet periodic repayments on long term indebtedness to the extent that any such repayment exceeds the provisions for depreciation; and
- (c) to create reserves to finance a reasonable part of the cost of future expansion, being expenses, repayments and reserves incurred or made by the Corporation in the exercise of its functions relating to electrical energy;

and any such tariffs and agreements shall not give undue preference as between consumers similarly situated or make undue discrimination between persons similarly situated having regard to the place and mode of supply, the quantity of electrical energy supplied, the consumer load and power factor, the purpose for which the supply is given and any other circumstance which could justify a preferential or discriminatory treatment.

(4) The prices to be charged by Enemalta for the supply of petroleum (including the charges to be made by Enemalta, for the purposes of subsection (3) of this section and other related purposes, the use of petroleum by the Corporation in the generation of electrical energy and the provision of related services) shall be in accordance with such rates as the Minister, with the concurrence of the Corporation and after taking into account the relevant social and economic aspects, may from time to time determine.

21. (1) Enemalta shall cause to be prepared in every financial

Estimates of

LIST OF INTERVIEWS CARRIED IN CYPRUS

- Interview 1 Mr Costas Ioannou
Transmission and Distribution Manager of EAC
Monday 11 May 1998 - Time 11.30 to 12.30 Hours
(Pages 172 to 187)
- Interview 2 Mr Moysis Stavrou
Financial Controller of EAC
Started Monday 11 May 1998 - Time 11.30 to 14.15 Hours
Completed Tuesday 12 May 1998 - Time 08.00 to 10.00 Hours.
(Pages 188 to 210)
- Interview 3 Mr Costos Ioannou
Designate General Manager of EAC
Tuesday 12 May 1998 - Time 10.00 to 11.30 Hours.
(Pages 211 to 219)
- Interview 4 Mr John M Louisides - Hon Consul General for Malta at Limassol Office
Tuesday 12 May 1998 - Time 15.00 to 17.30 Hours.
(Pages 220 to 228)
- Interview 5 Mr Dinos Ioannou - Human Resources Manager of EAC
Wednesday 13 May 1998 - Time 10.00 to 13.00 Hours.
(Pages 229 to 245)
- Interview 6 Mr Dimitrios Pilides - Generation Manager of EAC
Thursday 14 May 1998 - Time from 10.00 to 12.15 Hours
(Pages 246 to 257)
- Interview 7 Mr Michael N Ioannou - Accountant at Larnaca
Area Office - Friday 15 May 1998 - Time from 10.00 to 11.30 Hours
(Pages 258 to 265)
- Interview 8 Mr Charalambos Constantinides - Area Manager of South East District
situated in Larnaca on Friday 15 May 1998 - Time from 11.30 to 12.15
Hours
(Pages 266 and 267)
- Interview 9 Mrs Andrea (Computer Supervisor) and Mr George (Meter Reader
Supervisor) at South East District Office in Larnaca. Friday 15 May 1998 -
Time 12.15 Hours to 13.30 Hours.
(Pages 268 to 270)

TRANSMISSION AND DISTRIBUTION MANAGER

MR COSTAS IOANNOU

MONDAY 11 MAY 1998 AT 11.30 TO 12.30 COMPLETED

1) Q. Are you ever asked to attend Board Meetings

A. All the Managers are asked to attend Board Meetings when there is a subject in the agenda that relates to their relative field of activities. Each Manager will defend the documents submitted to the Board for approval.

2) Q. How are you made aware of Board's Policies

A. The Secretary of the Board of Directors will inform in writing the Manager concerned when there is a policy decision relating to his section. Besides Board minutes are circulated to the managers so that they will always be conversant with what is being discussed in the Board.

3) Q. Are Management Meetings Held. How frequently.

A..Management Meetings are held but not very frequently or better still not a frequently as they should

4) Q. How do you communicate with your staff

A. I communicate both in writing and verbally. I make sure I make myself accessible to each of my staff, which in the head office alone account to more than 100 employees of which more than 50 are engineers. They never need an appointment to see me. If I am busy they just come back later.

5) Q. What are the ways you use to listen to your subordinates

A. Reply to question 4 applies to this question aswell.

6) Q. What part do you and your section play in the establishment of Business Plans and Annual Estimates

A. A very important part. Each year we submit estimates for the coming financial year, besides updating annually the 5 and 10 years plans. The Authority budget has to be submitted to the House of Representatives for discussion and approval.

7) Q. Does the Finance Section keep you updated with monthly expenditure

A. Yes, they do, they send us very interesting data besides the monthly and cumulative expenditure. Income from tariffs by each category of consumers. We are interested in these figures even though we are engineering staff.

8) Q. Do you take necessary action to control over expenditure and check the reason for under expenditure

A. Definitely. We have two persons in the planning department verifying the expenditure of my section. They have to report to me on monthly basis if we are going

- 9) Q. When the Authority decides to upgrade the transmission (say 132K) and distribution systems, who makes the final decision. Do you make feasibility studies first. Do you employ consultants to take the decision for you.
- A. The Planning Department will come out with a study and/or proposal. It will have to be endorsed by me. If it requires an expenditure above a certain limit it has to be approved by the Chief Engineer of the Authority. (The Chief Engineer is actually the General Manager). Very rarely we are employing consultants. In the past we used to employ consultants much more frequently. Yes, for each project we do feasibility studies to ensure the project carries an economic benefit.
- 10) Q. Have you ever thought of interconnecting with the European/Mediterranean Electricity grid or even the thought is not economically viable.
- A. The nearest country is Turkey with whom we have a lot of problems, therefore it is useless to even think of such project with the current situation
- 11) Q. Do you cater for both the HV and LV Systems. If not who is responsible for the Medium and Low Voltages.
- A. Yes, my section cater for all the Transmission and Distribution Systems.
- 12) Q. How do you co-ordinate with the generation section.
- A. We have a very close relationship. New transmission systems need to be in phase with our generation development programme. Also we have close collaboration for the central system known as SCADA is under the control of the T + D Section and our people on this system work all the time very closely with the generation control rooms in each power station.

- 13) Q. Do you outsource major capital works in the transmission and distribution systems.
- A. Yes we do outsource a lot of capital works to cyriot companies to avoid having to increase the number of our employees.
- 14) Q. Do you award your contracts on turn key basis or separate contracts.
- A. Very few on turn key contracts are awarded. We normally go for separate contracts so that our staff get the required experience besides being cheaper.
- 15) Q. Is the final say to place order of the adjudicating team.
- A. Depends on the value of the order. Example my limit is up to orders having value of £ 30,000. Up to £ 75,000 will be awarded by the Chief Engineer approval only. The Chief Engineer and the Chairman go up to £ 200,000 and therefore only contracts above the latter limit go to the Board.
- 16) Q. Do you always, go for the cheapest or do you use different criteria.
- A. No we go to the cheapest only if it meets our specification. So we are very careful with our specification to ensure that manufacturers with low quality products will not be able to compete in our tenders. Still the adjudication team will have to say why the cheapest or second cheapest etc are being discarded.
- 17) Q. Do you accept new manufacturers without any conditions
- A. In our tenders , I will give you a couple to see for yourself, we ask for references. Unless the bidder gives these references, which we check ourselves, he will not qualify for the award of our order. We ask for sales made to electricity utilities made in the last 10 years. Details of the bidder's financial standing etc.

18) Q. Do you outsource maintenance work or at least part of it. Who does the trenching work, erection of poles including those for street lighting.

A. No we do not. It is too important to be carried by somebody else. Yes we outsource all the functions mentioned above.

19) Q. Do you have a maintenance workshop for the distribution section. Do employees work on shift work.

A. Yes, we have a maintenance workshop for the distribution section. It is not as good as we would like it to be and we are planning to have a modern workshop fully equipped. They work normal hours plus overtime in case they have urgent work.

20) Q. Assume you have to import most of the products required - do you use frequent tenders. Periodical Contracts (3 to 5 years) For how long do you stock.

A. Our tenders normally cover 1 to 3 years requirements, very seldom 3 years. We want to see competition increasing so we do not want to tie ourselves with 5 years contracts, we issue over 500 tenders annually.

21) Q. How long does it take to award contract from inception of tendering procedure.

A. Depends on the type of tender. We have tenders which we call enquiries which are the major part of our tenders. We send our invitations to all known manufacturers and we also publish them in the local Government Gazette. Such enquiries are normally concluded and orders placed within a period of 10 weeks. For international tenders it normally takes about 7 months from date of publication up to placing of order.

22)

Q. Do you prefer going for underground or aerial extensions. For underground works do you use trenches or tunnels.

A. We prefer to go underground, as they are better. But we do it in cities and particularly in the centre as underground extensions are very expensive, otherwise we have to go for aerial lines. It is impossible to go underground everywhere but we are planning to increase underground extensions. We use trenches not tunnels as the latter are even more expensive.

23)

Q. For bulk loads or multiple apartments what criteria do you apply when deciding whether a new substation or a feeder from an existing substation is required. Who pays.

A. The choice for substations is purely on technical reasons depending on the load of the building block and on the conditions of the neighbourhood. If in the next block there is already a substation, a new substation will not be required. But our experience in recent years shows that we should get a substation whenever we can, otherwise it would be very difficult to find the required space later. Objection from tenants re magnetic fields, noises. Nobody would later want a substation. Normally for a few blocks we insist for space in the basement as one of the conditions for the supply of electricity - unless we are offered a substation we shall not extend supply. This is done at the planning stage. No it does not depend on the number of apartments in the block, for even if the load is low, we still insist to have a substation to ensure the future requirements of our customers can be met.

Who pays? We pay the promoter for the cost of the land and building where we are building the substation, than we shall charge them on the KVA they want. Its at present £75 per KVA. They have to pay this charge.

- 24) Q. What types of meters are you installing on LV and HV.
- A. Still Ferraris for single phase and low voltage commercial concerns, but for big consumers we have gone to solid state very reliable electronic meters. We charge our Maximum Demand on KVA, with a power factor of over 0.9
- 25) Q. What action do you take to avoid theft of electricity particularly by illicit connections, (by passing of the meter). What type of seals do you use.
- A. Actually, the theft of electricity is very limited. Have done several campaigns in the past. The way to control is through frequent readings of our meter readers. They are obliged to check the meter and the seals and report any irregularities. Also the computer programme we have for billing issues a forecast consumption of each customer and therefore the meter reader is already aware that consumption he is to expect. If consumption goes below or above a certain percentage he checks further.
- 26) Q. Do you organise surprise inspections.
- A. We do, especially on big consumers. Sometimes we send people from the audit department or some other department before the end of the month and then after the meter reading we double check our findings. Check their Maximum Demand.
- 27) Q. How many theft of electricity cases were identified in 1997
- A. Very few definitely less than 10.
- 28) Q. What is the procedure you have to adopt when you trace a theft of electricity case.
- A. Reply given already against question 26.

- 29) Q. How often do you change or calibrate your meters
- A. Depending on the type of meter. The system is computerised and we check the sophisticated meters at least every 10 years. 3 Phase meters every 15 years and 1 Phase domestic every 20 years.
- 30) Q. In dedicated substations do you meter on the HV side
- A. Definitely
- 31) Q. Do you have an efficiency unit
- A. We are still to enhance our internal audit department with engineers and technical staff to be able to establish this section.
- 32) Q. The SCADA system you have just installed is it dedicated on the T + D Section or have you incorporated the generating side.
- A. Generation, Transmission and primary distribution system.
- 33) Q. Up to what voltage does the SCADA system cater
- A. Up to Primary Distribution System.
- 34) Q. The losses of electricity in your system is one of the lowest in Europe. Can you give a reason for that.
- A. The reason being that our Transmission and Distribution System are not so long. We make special efforts when we plan the system to take into account the losses and siting of substations, size of the conductors which are all taken into consideration to

35) Q. Can you split your losses between technical and non technical losses

A. We consider all losses as technical, as non technical losses must be very low as they can arise from stopped meters for a very short period between the readings or theft of electricity which as I have explained is very low.

36) Q. From where do you calculate your losses from those generated or those sent out of stations busbars.

A. From those sent out from busbars.

37) Q. Do you have High Voltage or Low Voltage problems with your clients. Do you compensate for damages caused by High Voltage

A. By law we are obliged to keep our voltage +/- 6% and it is very very rare that we exceed these limits. Regarding compensation we have our insurance cover in case by mistake our technicians connect higher voltage.

38) Q. Cyprus is a pioneer in Solar Energy. What is the reason for that, besides having the sun all the year round. Is it economically viable to instal solar water heaters because the domestic rates are high. They do not appear so to me.

A. Yes, Cyprus is a true pioneer in Solar Heating. The major reason is that in Cyprus there are a number of manufacturers who have managed to produce a cost effective design of Solar Heating.

- 39) Q. Do you subsidize solar energy in any way.
- A. No definitely we do not, one of the reasons we do not subsidize is that as an Authority we consider Solar Water Heaters as bad for us, for all the year round they are off our circuits and than they are switched on when we do not need them as we have peak demand on our systems. Nevertheless as a country there is a saving and have to accept the situation, but without subsidizing the solar units.
- 40) Q. What is the average number of hours without supply suffered by each client in 1997 through faults.
- A. Very negligible. I can say zero
- 41) Q. Do you have problems or criticism in the media due to lack or quality of service.
- A. Have a set of sensitive media in Cyprus. People are also sensitive. Media are very accessible. We do see some criticism for things say we dig a trench and it takes 2 days instead of 1 day, we immediately see protests in the papers. We get complaints for siting of HV Lines and substations. Everybody wants electricity but than does not want towers, substations etc
- 42) Q. How many employees do you have in your section
- A. T + D - over 100. 50 are engineers. The T + D department has 5 subsections, one is the planning section, another is specifications, maintenance and construction section, operation section, purchasing section and strategic planning section.
- 43) Q. How are they split between Engineers, Supervisors, Skilled Employees, Unskilled Labour.

44) Q. Do you have Engineers in each District Office

A. We have 3 area offices which again will have some district offices. We try to decentralise. The Area Manager who has got a lot of power or rather delegation. In each area we have between 20 to 30 engineers.

45) Q. Assume you operate in gangs - how many employees would there be in a gang.

A. Usually gangs which are used for the construction of overhead networks have 10 persons. The other small gangs consist only of 2 persons, driver and technician. The driver is also a technician who by law is required to be well trained in artificial respiration. So actually they are two technicians who repair lines, fuses, change meters etc.

46) Q. Do you provide transport for each gang - who drives the vehicle.

A. Reply in 45 above

47) Q. How do you cover for faults occurring during silent hours or weekends.

A. We have a 24 hours service in all areas. People know the telephone and phone in case they require our service after office hours.

48) Q. Do you feel you have enough delegation, or do you consider that certain decisions which you can take, you are still required to refer to higher up.

A. I think I have enough, but sometimes I consider there is more room for delegation.

49) Q. Can you hold meetings with Unions. Are you authorised to take decisions during such meetings.

A. Yes quite frequently. Yes in collaboration with the personnel.

50) Q. Do you feel the Unions are militant. Are they reasonable or do they always want to have their way even when the employee is at fault.

A. No not militant. Unions here are strong but very reasonable and logical particularly if you keep them informed. Unions just try to mitigate the penalty due to the employee who is at fault but never do they try to exculpate him if he is in the wrong.

51) Q. Do you have excessive sick leave problem. Fake injury leave. Employees certified medically on Light Duties

A. I would not say we have. We have seldom cases here and there but not many. No we do not see fake injury leave or employees certified on light duties.

52) Q. Does Military conscription of your employees create problems in the logistics of your staff, or is it something every employee looks forward to.

A. National service is done before employment and therefore there is no problem. Than they are in the reserve where they have to go for a day every two months. It does not create any problem for us.

53) Q. How much productive do you consider are your employees. Can you give a percentage.

A. I would say 80%

- 54) Q. Do you care of their training
- A. Very much so
- 55) Q. Are your employees multiskilled. Are they very flexible.
- A. Yes they are multiskilled and very flexible.
- 56) Q. How disciplined are they. Can they work on their own or do they want supervision from their line managers.
- A. The Majority work on their own without supervision.
- 57) Q. How much pride on the job do your line managers have. Do they take the initiative or do they just wait for instructions from above.
- A. Depends on the individual. We send our line managers to a lot of courses on Management skills. Some are very good at it others are not, it depends on their character.
- 58) Q. What are the working hours of your staff
- A. 38 hours in the Winter and 36 hours in the Summer.
- 59) Q. Do you also maintain street lighting fixtures
- A. It is done by the Area Offices. Have agreement with the municipalities which have to pay a fee per lamp installed. Off course they pay both for consumption and for maintenance.

60) Q. Do you have quality control section or quality circles

A. Not to a degree we should have.

61) Q. Do you have the authority to recruit the employees required or do you have to follow standard procedures and therefore unable to recruit the most appropriate staff.

A. No not. Nobody has the right to recruit his staff. It has to be done through standard procedures, by doing advertising in the media, applications, written examinations, oral examinations, etc. We see some outside interferences, but I can say that 8 out of 10 we employ are the best.

62) Q. Can you transfer/discipline/discharge employees who are not pulling their weight.

A. There is a code of practice which has to be followed including punishments we can apply.

63) Q. Can you award your employees say through excelerated increments. Can you give special allowances.

A. No very rarely.

64) Q. Are you restricted in the distribution of overtime required among your employees or do you give overtime to whom you are sure is able to carry the work properly and at the shortest time possible.

A. Provided there is included in your budget an amount for overtime, you can explain the reason why you need to employ overtime, than each sectional head can authorise overtime in this context.

65) Q. Are engineers paid for overtime work.

A. They are entitled to overtime, but we have a procedure from Middle Management upwards that they do not claim even if they work extra hours. Myself I work many extra hours but do not claim as otherwise I can create my overtime similarly apply to Middle Management.

66) Q. Can you give a percentage of overtime required compared to basic hours of work.

A. Very low, and this applies to field work and very rarely to office staff. Than we have a system where a consumer would not allow us to work on the lines due to his production programme, we work on a Sunday but he has to pay for the extra expenses the Authority is being involved.

67) Q. What do you consider are the strengths and weaknesses of the Authority

A. Strengths

- (i) Staff very well trained
- (ii) Sound Technical Procedures - we are proud of them and always try to improve them
- (iii) Reliable system and respectability from the consumers
- (iv) Sound Organisation which is dependable
- (v) Good Financial Standing

68) Q. What do you consider are the opportunities and threats on the horizon for the Authority.

A. Opportunities

(i) Since we are joining the EU in the next few years we need to change the mode of operation into a more efficient one, gain more independence and start working more as a business rather than a government organisation.

Weaknesses

(I) Too much interference and Government control in recent years. Want to be more autonomous; more flexibility.

Threat

(I) Sensitivity of the consumers with anything that has to do with electricity.

(ii) Liberalisation or privatisation, but this could be opportunity as well.

It will be very difficult for somebody to beat us, but still if we shall have someone to compete with it would be better as at present we have to compete with, ourselves above. This is therefore a threat but may turn to be our best opportunity afterall.

FINANCIAL CONTROLLER

MR M STAVROU

MONDAY 11 MAY 1998 AT 12.30 TO 14.15 HOURS

UP TO SECTION D QUESTION 24

A) GENERAL

1) Q. How does the finance section feature within the Authority

A. The finance section is one of the 3 sections which reports directly to the General Manager. The others being the Human Resources and Commercial Sections. The Generation, Transmission, and Distribution Sections though they are on the same level of the 3 other sections report to the Deputy General Manager or as we call him here the Deputy Chief Engineer so as you can see the Finance Section is very important to the Authority.

2) Q. What are the objectives of the section

A. Make sure that the Authority has a sound financial position, we keep as low as possible the expenses, we make enough surpluses to keep the Authority alive and to support the future investment and expansion of this organisation. We have to

very sound credit control procedure which we adhere to very scrupulously to ensure we have a very healthy cash flow which is of utmost importance to the Authority. Our ratios confirm this. The first phase above of the new Power Station at Vassilikos costs USD 350 Million.

3) Q. What are the responsibilities of the section

A. You must have the funds when the organisation needs you.

4) Q. To whom do you report

A. Replied in Question 1

5) Q. Where does the Internal Audit Office feature in the Authority

A. Until 3 years ago the Internal Audit Office was the responsibility of the Financial Controller of the Authority. Actually I consider that IA is still far from doing the jobs it is intended to be done by his office. At present due to lack of staff, he just test the figures presented to him. We send all documentation re payments we make, It is a control over the financial section.

6) Q. How strong it is

A. Recently it was decided to upgrade this office to enable the I.A. to check also matters relating to the engineering side. It is now independent section on its own, although the staff in that section still belong to the finance division. We had some problems to release them from my section, but hope to clear this problem very soon. We want to employ specialised staff in the IA office, such as engineers, IT people etc.

7) Q. To whom does the IA report

A. Reply given in 6

B) BUSINESS PLANS/BUDGETS

1) Q. How does the finance section involve itself in the formulation of Long/Medium/Short Term business Plans

A. We play an important role in these plans. One of my assistants is wholly dedicated for the preparation of feasibility studies, business plans, annual budget. By the way another of my assistant is in charge of I T Department but we are working to move this section out of the finance, so that it will also become an independent section. The finance section is the mover for these plans in 1994 we published a 10 year plan to 2003. At present we are working to update and issue a fresh long term plan to go to 2010. He acts as a coordinator collecting data from other sections and than we publish the Annual Estimates, Medium and Long Term Business Plans.

2) Q. Do you present annual budgets in Parliament

A. Yes, we have to. It is required by Law. We cannot make any expenses unless our budget is approved by the House of Representatives.

3) Q. Are annual budgets discussed in Parliament

A. Replied in 2 above. They are also discussed widely, but first it has to be approved by our Board of Directors, then by the Minister - The Minister of Commerce and Industry. He or his staff carry further checking. After we agree it is passed to the Ministerial Council and finally goes to the House of

have to be present and reply directly to the questions raised by the members. We have to satisfy them with our replies before they approve.

4) Q. Assume you produce Monthly Management Accounts

A. We do Bi-Monthly Mangement Accounts

5) Q. To whom are they circulated

A. Circularised to the Board and Managers

6) Q. Are they discussed at Board's Level and Management Meetings

A. We have management meetings but not so frequently. It depends on the General Manager personality.

7) Q. Do you receive feedback from other Managers requesting more data

A. Yes, we receive a lot of feedbacks, comments, enquires on the Management Accounts.

8) Q. How is budgetary control established

A. The budgetary control is established by our Law as we have to ensure we adhere to the approved estimates. The Law was established in 1987 and it took all the freedom we used to have under our 1952 - Electricity Authority Law which was Antonouous.

9) Q. Do you allow items not budgeted to be included

A. No way. If we have something major we shall have to go back to the House of Representatives with a supplementary Budget before we can expend on this

unforeseen item. This happened only once. We are very strict on this, as we have the Auditor General of the Republic who is always on our heels.

C) ELECTRICITY TARIFFS

1) Q. How free is the Authority in establishing of tariffs. Do you have pressure from the media when you put your rates up.

A. We are not very free. By the way the tariffs are the responsibility of the commercial manager.

2) Q. What is the basis you use to establish tariffs. Do you have to care about the social aspect in the tariffs or do you work on short or long run marginal costs only.

A. We do not work on managerial costs. We carried out a study using long run marginal costs but our proposals have not yet been approved by our Board and/or the Ministry. No we do not take into consideration the social aspect in our tariffs.

3) Q. Is there cross subsidization between the sectors

A. There are cross subsidies between the sectors in our tariffs.

4) Q. In your accounts I saw that the Government subsidizes the tariffs. How is it when you make a handsome profit. Such arrangement would not be accepted by EU. Are you working to remove these subsidies

A. No, we do not receive any subsidies from Government. That grant represents the original shareholding of the Government when the authority was established in 1952. In respect of the grant against taxes, we were always taxable but up to 1992/1993 we always had capital allowances to offset taxes due. From 1992/93 we began to accumulate taxes which we contested. The taxes due was over £ 24 Million. The Cypriot Government decided to give us a grant against these taxes

with a promise that from 01 January 1995 we start to pay taxes due. This was agreed and the contestation settled. Corporation Tax is 25%.

5) Q. Besides the variable on fuel costs - when did you last revise the basis of your tariffs.

A. Already replied. We were not allowed to raise our rates, but in November 1992 we were allowed to apply a surcharge of 15%.

6) Q. Are industrial rates charged on KVA or KW

A. Both

7) Q. Do you consider Hotels and Catering Establishments as Industrial

A. No we consider these as commercial and have a different tariff structure for this sector.

8) Q. Do you have multi tariffs (Day and Night) To whom are they applicable.

A. We have an off peak tariff. It is also applicable to the domestic sector. We have another tariff for heating but is not very popular as it is done through ripple control after 23.00 hours for domestic water heaters.

D) ELECTRICITY SALES

1) Q. Is the finance section responsible for reading/billing/collections of bills/credit control

A. Yes, we are responsible for all functions. We have a target to keep our debtors not more than 10% of our sales which give a debtor ratio of 36 days

Actually it was even better in the past years, as it was down to about 7 or 8% then it went up to 11%, and now we have brought the ratio down to 10%

2) Q. Do you have any contracts re reading/billing/collections with other utilities - Water - Gas - Telecommunications.

A. No we do it on our own. We just collect television licences on our bills for which we get a 2% commission, but other utilities like the Water they have their own. When we join EU and there would have to be liberalisation this would be an opportunity for the Authority.

3) Q. How is the reading carried. Manually or do you have hand held computers

A. Reading is carried by hand held computers. They are programmed in a way to enable the meter reader to gauge the consumption of the customer. Transfer of data is done quickly and bills are issued within 5 days from date of reading.

4) Q. What is the period between reading and issuing of bills

A. 5 days the most.

5) Q. Type of payments accepted - Direct Debits/Cheques/Payments at Commercial Banks Counters/Credit Cards/Cash Collections at District.

A. Everything mentioned above except credit cards.

6) Q. By chance do you have the percentages of the types of payments used

A. I will supply data requested, showing the last billing cycle collections.

- 7) Q. From your accounts it appears you practically have no or little problems with collections, which means you have either good credit control or the culture is to effect payment immediately.
- A. We have some problems but very minor.
- 8) Q. Do you send hasteners to those who do not pay on time or do you suspend immediately.
- A. We send hasteners and suspend with urgency if bill remains pending.
- 9) Q. Do you allow payment by installments. Do you charge interest on outstanding balances
- A. We do not allow payment by instalments, but we do not charge interest.
- 10) Q. Do you have outside pressure (Both from internal quarters and outside the authority - mainly politicians) not to suspend to defaulters.
- A. Only pressure we might have if it is something that will disrupt the national economy. We are very strict and we are not easy.
- 11) Q. Do you treat consumers on same wavelength irrespective if they are Government Department, domestic, industrial, commercial etc
- A. We do not suspend government departments for although they may delay payment for a few days we are 100% sure payment would be done within next 10 days after hastener.

- 12) Q. Who orders and carries the suspensions
- A. Area Manager
- 13) Q. Who orders reconnections
- A. Area Manager after receiving payment.
- 14) Q. Do you charge a penalty for reconnections besides payment of bills
- A. We charge a small fee of £2 for reconnection.
- 15) Q. Do you get paid by Public Lighting consumption
- A. Yes from the municipalities. Actually these are our worst debtors for they take a long time to settle.
- 16) Q. Do the Authority carry new Street Lighting Projects
- A. Yes against payment. We do not allow them to outsource the maintenance of S/L, so we do it for them.
- 17) Q. Who orders them. Who pays for these projects
- A. The Municipalities
- 18) Q. Who does the Maintenance to Street Lighting fixtures
- A. Already replied under 16.

19) Q. Going back on billing of electricity consumption, are you thinking on embarking on the introduction of electricity prepayment metering

A. This is something we are considering, this inspite that our debtors ratio is not very high, but there are still 10% to collect.

20) Q. Your losses in transmission and distribution are very low and compare favourably with European Utilities, do you have an idea of the percentage of the split between non technical losses and technical losses

A. Mostly they are technical losses.

21) Q. Do you carry inspections for theft of electricity

A. Yes, it comes from the financial section. They are important for us to keep our customers on the alert.

22) Q. Actually you do not seem to require them, as losses are very low, but what are the reasons for such an achievement compared to utilities in the Mediterranean countries. Is it you have a different culture. Is it you have very good apparatus installed

A. It is the culture, as whatever apparatus you use, if they want to steal electricity they will do it.

23) Q. How many cases do you trace annually relating to theft of electricity

A. I have been in this position for 6 years and I can remember only 5 cases.

24) Q. What is the procedure applied. Do you have to go to court or do you have appointed more employees who would cater immediately for such cases.

A. According to our Law, we are entitled not to give them electricity again. We call them here, make our estimate, they cannot argue otherwise we shall not restore supply. We never had any contestations and they pay immediately. I remember one bringing £ 7,500 in cash for he did not want to make a cheque in favour of the Authority so that people would not know he was stealing electricity.

E) PROCUREMENT

1) Q. Is your section involved in the procurement of fuels for the power stations and other goods

A. Unfortunately no. That function is left totally to the Transmission and Distribution Section, which has a procurement section. Their responsible is to organise the tender but when bids are received everything is referred to the relative section manager for adjudication and order in accordance with procedures you already know about.

2) Q. How is the tendering procedure

A. We issue international tenders, advertise in the EU journal because of the loan. We have a public opening at the EAC. Schedules are made public and tender is referred to the Manager concerned for adjudication. There is always valuation team. We have no interferences whatsoever in placing of orders which is the responsibility of EAC only.

3) Q. What is the custom, to go for the cheapest

A. No always go for the lowest evaluated bid. We take into consideration several factors particularly ISO. Whatever we ask in the specification must be there, otherwise discard.

4) Q. Do you have to report why if cheapest is discarded

A. Yes as I said above, we go for the lowest evaluated bid which very often is not the cheapest.

5) Q. Is the Authority challenged if you do not go for the cheapest.

A. Yes, we have been challenged and even taken to court in some cases. Sometimes we lost these cases, but in most of them we were given favourable sentences in court.

6) Q. Do you have to send your tenders for approval to a Government body before placing order

A. No all remains within EAC, even for major capital expenditure orders.

7) Q. Do you scientifically test the goods offered before they are accepted. who do you do it

A. We usually ask for test certificates from international bodies. We also ask for samples sometimes.

8) Q. Do you go on long term tenders. How long 2/3 or 5 years

9) Q. Do you accept alliances with suppliers

A. Yes. But in the Authority we have a provision that we need to receive at least 3 bids if we are to proceed with an order. Up to sometime ago it was 5 otherwise we cancel. But this mainly refers to major capital projects, as for normal tenders we always receive a large number of offers. We want to ensure we do not fall into the hands of a cartel.

10) Q. How is stock control carried. Do you check that there is no over or under stocking

A. Yes, we look at the stock and my section goes round and offer suggestions to reduce overstocking. We make a stock take throughout the Authority at year end.

11) Q. Do you apply the 20/80 (Pareto) rule in the Authority

A. Yes but mainly it is done by the Internal Auditor Office.

12) Q. How many substores do you have

A. We have 5 main substores, but than we have minor substores where we have an office or workshop, like powerstations. Our main stores is in Limasol.

13) Q. Do you have to make all your purchases by tender, even small purchases

A. What is meant by small. Say £500 No up to £ 2,000 we ask 3 or 4 quotations. For less than £ 1,000 we go direct still we avoid to do this. When we need something we just inform the procurement section and they care for that, we only see what we have ordered and that's that.

14) Q. Do you centralise purchases from one office or substores or district can make purchases as well of day to day goods.

A. Yes we centralise purchases, but district or area office can make certain purchases.

15) Q. How do substores report issues to your accounts

A. Through direct lines when issues are made.

16) Q. Do you do forward buying (futures in the oil market)

A. No we are not allowed to do any speculations or hedging, neither in currencies, interest, swaps or commodities.

F NEW SERVICES

1) Q. How is your section involved in the provision of new services for electricity supply

A. My section is out of this. We only get involved immediately a service is given for billing purposes. That is the responsibility of the commercial department and it is done at Area Offices where we have an accountant as our representative.

2) Q. Do you have a fixed charge for an application. Does it differ between single and three phase. What is the maximum amperage allowed.

A. There is no charge for new services which is within 75 feet from a suitable source of supply. If service is more than 75 feet they have to pay the excess over the 75 feet both for single and three phase. We still going for 20 amperes

3) Q. Who cater for the estimates if necessary

A. We have a fixed charge per foot.

4) Q. Do you have an established criteria for blocks of apartments or do you cater on case by case basis

A. We estimate 2 KVA per flat ADMD - After Diversity Maximum Demand over 18 KVA they will be charged, we charge then £c 80 per KVA. This figure is revised per annum on the Capital Expenditure made on the HV and LV Systems. The planning department decides whether a feeder or substation is required.

5) Q. Do you share the cost of new substations with other parties

A. Yes we buy or rather pay for the space and building of the substations and than we charge them per KVA as explained above.

6) Q. Do you effect refunds to original promoters. If you use their substations for the Authority or third parties

A. No we do not as we are paying for the substations and they are only paying for the KVA demand.

7) Q. Does each block of flats have its own substation. How many units there need to be in the block before you ask for a substation.

A. Have explained how we work it out already.

8) Q. Assume you have Works Orders system for each project whether private or of the Authority.

A. Yes

9) Q. Do you meter on the high voltage side for dedicated substations

A. Yes naturally

10) Q. Who does the maintenance to substations even those dedicated to particular consumers

A. Yes all the maintenance is done by us and is to our account.

G) GENERAL BANKING FACILITIES AND LOANS

1) Q. How free is your section to conduct contracts with local and/or foreign financial institutions

A. 100% free. No restrictions at all.

Q. But do you ask for Central Bank Approval?

A. Yes what I do is that I write to the Central Bank and ask them to obtain offers for a Loan for that project. My request is also copied to the Ministry of Finance to keep them informed from the start. The Central Bank will obtain offers from the Capital Market. Then they will come back with copies of all the offers and also telling us that for EAC and for the economy of Cyprus as a whole, the Bid from that Bank is most favourable. We then draw the agreement and obtain the loan.

2) Q. Do you need approvals from the Board/Ministry of Finance/ Central Bank of Cyprus

A. Yes we have to get the Ministry of Finance approval, since by law we have to borrow with a Government Guarantee and they have to sign the guarantee agreement. The Central Bank of Cyprus is involved as it acts as the adviser to the Minister of Finance. The Government insist to have a Guarantee to save on interest. Last week we took a loan from EIB for 30 Million ECU's for 15 years fixed at 4.5% The Loan with Sumitomo Bank is 6 months LIBOR plus 17 Basis Points.

3) Q. Do you have a Treasury Committee

A. We do not call it a Treasury Committee, it is a sub committee of the board. Matters relating to finance and discussed within this sub committee of the board. This is only an advisory committee. When it comes for day to day matters, it is only the Financial Controller who takes the decision. The Board Members are not executives and stay out of the running. They are there to establish the policy and we have to oblige, but they do not get involved in operations.

4) Q. How is it formed

A. Reply is given in No 3

5) Q. Do you consult any or all the above

A. Reply is given in No 3.

6) Q. Who make the final decision re borrowing, particularly on long term basis

A. Already replied under questions 1 and 2

7) Q. Do you use foreign or local consultants

- 8) Q. Do you do Swaps - interest or exchange
- A. Not allowed to do any Swaps by Government as they are considered as speculation. But perhaps they will look at it soon, as it is very prudent to cover certain risks, although which way you go you are always taking risks.
- 9) Q. Do you do forward buying of currencies
- A. Same reply as in 8
- 10) Q. Do you borrow with a Government Guarantee
- A. Already replied under question 2
- 11) Q. How will EMU effect the Authority
- A. We have not studied it yet, but we do not think it will have any effect on the Authority as it will be like any other foreign currency.
- H) IT/IS
- 1) Q. Assume you have several very well established IT/IS Centres. Your offices are fully networked etc. Can you amplify a bit please
- A. We are improving on IT/IS At present we are introducing a new general ledger, accounting system. At present we have an order with a German Company SAP valued over £c 8 Million. It is a very wide and large IT/IS project - involving Accounts - Material Control - H R Management. The project is scheduled to come on stream on 01 January 1999. The system is huge and personally I think I is to big for us, we shall need a lot of money to keep it going, still that is only my opinion.

l) WAGES/SALARIES PAYMENTS

1) Q. Assume this function is under your section. Do you cater for all payments from one section or from several offices

A. It is under my section. It is only at Head Office and we cater for all employees of EAC. Mostly we use direct debits but those who want to get paid by cheques, will be accommodated as well.

2) Q. What punching do you use

A. No. Punching is only used in the Power Stations. All employees except managers and Assistant Managers have to sign. Any employee who persists in coming late will be warned in writing and when it comes to promotion such matters will be strongly considered and penalised for it. This besides wages deductions. Still we do not have such problem. We may introduce electronic punching when we move to the new head offices we are building and particularly when we shall introduce flexible hours.

3) Q. Do you pay in arrears or todate

A. We always pay for the current month, on the last Friday of the month. Our industrial staff are paid weekly.

4) Q. How frequently do you pay

A. Replied in 3 above.

We have in the Authority the 13 th Salary. In December we get two Salaries, one before Christmas and one after Christmas. The 13th Salary is equal to the 12th Salary in respect of basic pay.

5) Q. How much is the percentage of overtime compared to basic pay

- 6) Q. Who authorises work on overtime
- A. The Manager. There are guidelines how overtime is authorised.
- 7) Q. Who approves overtime payment
- A. The Assistant Finance Controller.
- 8) Q. Except for the operatives in the power station, do you have other shift work
- A. No shift work is done by operatives in the power station and a small group who is on stand by for faults that occur to the Transmission and Distribution Systems. Our distribution is very reliable and rarely do we have faults or power cuts.
- 9) Q. What is the culture of the industrial employees
- A. I think they are quite good, satisfactory. Most of them are qualified employees. They have pride on their job.
- 10) Q. Do they need supervision to work. How much would you give as a percentage for productivity
- A. Definitely. But this depends on the Supervisor. If he is good and lead his gang than constant supervisor is not required but in other cases supervisor is required. Still our employees consider themselves like government employees where they do not have threats of discharges. When it comes to productivity I would give between 60-65%.
- 11) Q. What is the culture of the white collar employees
- A. White collar employees produce more. Our employees are nothing special, but I still think they are above the average.

12) Q. Do you have high absenteeism so that they can work overtime. Is there an unofficial organisation between the employees you rub my back today and I rub yours tomorrow and we both benefit.

A. No. The system does not allow this. Most of the Sick Leave is taken by female employees. We do not have a problem with male employees. We still have a few cases. We do not have such problem in Power Stations where there is shift work.

13) Q. Do you outsource work, eg building of substations, trenching works, transport of goods from main stores to district or sites of work, clearance of goods from ports or airports to stores etc.

A. Yes, all the above services are outsourced.

14) Q. Does the finance section has a say on new employment within the authority

A. No only the Board of Directors.

15) Q. Are you provided with the necessary manpower you deem required

A. Yes, no problem on that.

J) GENERAL

1) Q. What do you consider are the strengths of the Authority

A. (I) Employs staff of very high calibre.

(ii) Very good use of resources making EAC an Authority of very high standing in Cyprus.

(iii) Very sound financial standing, with very good returns on our assets, although we are a monopoly if you ask our customers they will confirm how satisfied they are with our services which we consistently upgrade.

(iv) The aim of all the employees is all concentrated towards the goal of making the satisfaction of our customers our No 1 objective.

2)

Q. The Weaknesses of the Authority

A. The only weakness I can see is that we are less autonomous than our own Law had envisaged. It takes ages to have our estimates approved by the House of Representatives we cannot employ people when we really need them and this sort of bureaucracy which is hampering our operations. Therefore the weakness is the legal framework in which we have to operate

3)

Q. The opportunities facing the Authority

A. Not much more opportunities in Cyprus. Perhaps diversify some of the work. Perhaps when there would be liberalisation of the communications sector we might consider offering some of our distribution system to communications cable. In fact all the cables we are purchasing, we are including a fibre optic cable as one of the cores so that it can be used for that purpose in the future.

We can lease our cable to Cable Television Companies/Computer Companies/Communication Companies. We are keeping quiet right now until liberalisation arrives.

4)

Q. The Threats facing the organisation

A. (1) Liberalisation of the Electricity Industry in Cyprus due to our country becoming an EU Member. Still I consider this as a very small threat, as we are an island and while one can liberalise the generation sector, the grid cannot be liberalised. Even on generation we shall have the competitive edge. This threat can only come from multi nationals who may bring sea going power stations. Internally this is not a threat. One can see that though, say cement factories can have their own power generation they have never gone towards this operation for they know our service is of a very high standard reliable and very economic to beat. Cyprus is still a small island and there is no economies of scale. Who

350,000 customers. It would not be economically viable. Therefore while on paper it may seem to be a threat, it would not materialise due to the several barriers for a new entrant.

CHAIRMAN OR CHIEF EXECUTIVE OFFICER

MR COSTAS IOANNOU

DESIGNATE GENERAL MANAGER

TUESDAY 12 MAY 1998 AT 10.00 HOURS

1) Q. What is the Mission of the Authority

A. Provide a reliable electricity supply to our customers at the cheapest price possible.

2) Q. Is it declared

A. Yes it is. You can see it in our Annual Report as from 1996.

3) Q. What are the objectives

A. Similar to the missions, but with further emphasis to serve our customers.

4) Q. Are they specified or just implied

A. Is it specified. You can see it in our Annual Report as from 1996.

5) Q. What is the Legal Framework

A. Semi Government Organisation established by law of 1952. It has a Board of Directors which is appointed directly by the Council of Ministers. The Board of Directors meet approximately once every month in order to take policy decisions. They are not paid by the Authority. They are technocrats, economist, accountants, who are non executives but establish policies and procedures. They are appointed for a period of 3 years. The executive power is vested in the Chief Engineer or as we call him in the Authority the General Manager and other permanent staff.

6) Q. Why is the Authority called semi-governmental organisation if it belongs 100% to the Government

A.. It is just a word to show that we are not a government department but actually we are 100% owned by Government of Cyprus.

7) Q. How are the relations with the Government conducted

A. They are conducted through the Ministry of Commerce and Industry, who is the Minister responsible for the Authority.

8) Q. Who appoints the Chairman and Directors

A. Already replied under 5 above.

9) Q. Are they politically appointed or on personal basis

A. More on personal basis, but normally the President of Cyprus would see that all political parties are represented on the Board through the appointment of these members.

10) Q. What are the functions of the Directors. Are they executives or advisers

A. They are advisers. Have already replied.

11) Q. What is the influence of the Government on the Authority

Re: Employment
Collective Agreements
Discipline of Employees
Transfers of Employees

A. We need the approval of the Government but whom to employ we are free
No influence from the Government. But in salary increases we have to
follow the National policy. Our employees have a slightly better wage than
those paid to Government employees.
No influence whatsoever, that is 100% our responsibility.

12) Q. What relations do you have with Government Departments or other Parastatal
Bodies:-

Say Ministry of Finance (i) Approval of Projects
(ii) Taking of Loans
(iii) Government Guarantees
(iv) Approval of Estimates/Business Plans
(v) Tariffs Structure
(vi) Remuneration to Employees
(vii) Procurement of goods - Capital Assets
and/or Working Capital.

A. (iv) There is a national policy on this item and we have to comply.

We deal only with our Ministry as explained above. Ministry of Finance is only contacted when we have to take foreign loans as they have to guarantee the loan according to the Cypriot Law. For approval of Estimates and Tariffs structure we have to go to the House of Representatives.

13) Q. Do you have to reply to Parliamentary Questions on the operations etc of the Authority.

A. Yes. Not only do we have to reply but we have also to go to Parliament to explain directly regarding all Authority's operations.

14) Q. Is the Authority at Liberty to suspend electricity supply for non-payment to Government Departments

A. Yes definitely. We threat Government Departments the same like any other customer.

15) Q. What are the Relations of your Authority with Local Authorities Municipal Councils/Improvement Boards/Village Commissioners.

A. They are our customers, important customers and we have very good relations with them. We try to help them as much as we could, but finally they have to pay for all services rendered to them - consumption, maintenance and new lamps required.

- 16) Q. A past annual report stated that the Authority has contested in court a decision of the Inland Revenue Department on Corporation Tax. Does this mean that the Authority can contest the Government on Legal Matters
- A. Yes we can contest the Government although we avoid to do so as much as possible, but we do not accept things lying down and what happened on the corporation Tax's issue is a good case in point.
- 17) Q. Do you hold Management Meetings. How frequently?
- A. Yes but not as frequently as we should.
- 18) Q. Who communicate Board Decisions to Managers
- A. The secretary of the Board of Directors will inform in writing the Manager concerned when there is a policy decision relating to his section. Besides Board Minutes are circulated to the Managers so that they will always be aware with what is being discussed at Board's level and the Manager can raise the issue if he feels a different procedure should be applied.
- 19) Q. Membership in EU. How is the Authority preparing for issues on privatisation/environment/legal matters/culture change of employees
- A. We have a committee on this matter. But the committee is working to ensure that the Authority is so productive and so efficient that the people in the Government would not see any benefit of privatising the Authority.

20) Q. What are the views of the Board on employees production

A. The Board would not know so much as it does not involve itself in the running of the Authority, they just view the results good or bad, and it is on these results that they make their comments and establish policies and procedures. But I believe that their feeling is that our employees are highly productive.

21) Q. Do you feel military conscription hampers productivity because you have to release your employees for a number of weeks annually

A. No not a problem, our employees are released for only one day every now and then. When they join the Authority the military conscription would be completed already.

22) Q. Your employees ratios are very healthy, how and what do you do to motivate your employees.

A. Confirm it has been difficult in recent years to motivate our employees. They already have good wages, have several schemes. Now we are focusing on Job satisfaction, increased empowerment, delegation of duties and other benefits which are not of monetary nature.

23) Q. Do you believe in employees empowerment and delegation. How much delegation is allowed to your managers.

A. Yes, we believe in this and we try to do all possible to delegate further. We have had very good results.

24) Q. Would you like to see your organisation delayed further

A. Yes personally I would. At present the organisation has too many layers. We are at present working on a new management structure which has been worked out for us by our consultant - Storm and Webster - an American Management Consultancy Firm. They have given us some good ideas which we hope to adopt.

25) Q. What are the effects on the Authority of the Turkish invasion

Could it be a blessing in disguise, as it is keeping this part of your country more united, to ensure it always represents one common front to the occupiers.

A. After the invasion, I must admit that everyone on this side irrespective of his political belief, has now one goal that of being much better than those on the other side so that they would see for themselves what they have lost when they separated from us. Everyone here has recognised that to survive we need a sound economic and technical base. It is not a question of common front but a question of survival. As you know we kept supplying them with electricity even after the invasion. We consider they owe us some £150 x Million by way of electricity supplied. The situation is not as bad as it was before. In the past because the distribution system was going in and coming out of their area we could not even meter it, but now we have rectified this matter and supply going to the other side is metered. In the early stages they were wasting a lot of electricity because they were not paying for it.

26) Q. How militant are the Unions representing the employees. How are industrial problems settled. Do the unions have influence on the Government.

A. Unions are not militant. They are very reasonable provided you keep them informed. We have 4 unions in the Authority, One of them is a house union representing shift

27) Q. What feedback do you have from your clients. Has the Authority carried any research. What were the findings

A. Yes we have carried surveys both through a cross section of our customers and our employees. In a nutshell the results showed that our customers are more satisfied with our performance than our own employees. This is healthy as it is clear that our employees themselves still want to raise our standards. The customer satisfaction got a figure of about 90% the remaining 10% did not say they were not satisfied but they suggested further improvements.

28) Q. How strong is your Internal Audit Department

A. Not as strong as we wish. We have recognised this and we are strengthening the office, so that from just financial matters, it would be capable of auditing engineering sections.

29) Q. Do the departments have a free hand in the introduction or changing of Information Systems.

A. Yes, but conditional, as approval needs to be obtained from the Information Systems Manager who would also give his views and final say on the department's proposals put forward.

30) Q. What do you consider are the strengths and weaknesses of the Authority

A. Strengths (i) Staff very well trained

(ii) Sound Technical Procedures - we are proud of them

and always try to improve them

(iii) Reliability of the system and respectability from the consumers

Weaknesses

(l) Too much interference and Government control in recent years. Want to be more autonomous more flexible.

31) What do you consider are the opportunities and threats on the horizon for the Authority.

A. Opportunities

(l) Since we are joining the EU in the next few years we need to change the mode of operation into a more efficient one, gain more independence and start working more as a business rather than a government organisation.

Threat

(l) Sensitivity of the consumers with anything that has to do with electricity.

(ii) Liberalisation or privatisation, but this could be opportunity as well.

It will be very difficult for somebody to beat us, but still if we shall have someone to compete with it would be better as at present we have to compete with ourselves above.

This is therefore a threat but may turn to be our best opportunity afterall.

INTERVIEW HELD ON THE AFTERNOON OF TUESDAY 12 MAY 1998

TO MR JOHN M LOUISIDES HON CONSUL GENERAL FOR MALTA

AT HIS LIMASSOL OFFICE

POLITICAL ISSUES ABOUT CYPRUS

1) Q. What is the President's functions?

A. Here the President is like a Prime Minister and therefore he is an executive.

2) Q. Does he come from a Political Party?

A. Ye he was re elected in February 1998 in the name of the Democratic Rally Party. He chooses the Ministers who are technocrats, economists, advocates etc. They are not members of the House of Representatives but they are still connected in some way with one of the various political parties we have in Cyprus. He does so to ensure that all parties normally work together like a sort of national government.

You can see some ministers serving under different presidents and this is healthy as it provides continuity to the executive side of Government.

3) Q. Something that really marvels me is that you have no less than five separate and different political parties represented in Parliament and than you still find ways how to reach a consensus? Than in Malta we have just two political parties and they are practically both negative when in opposition.

A. The parties here fight each other prior to an election, but immediately the dust of the election settles, everything returns to 'business as usual' with no further complications. When there is a bill being discussed in Parliament all parties will give their views and where possible a consensus is reached. Until now we never had any problems on major issues. They vote when they are assured of at least they have a simple majority.

4) Q. Cyprus - do all parties have the same foreign policy particularly on the membership with EU?

A. At first there was a left wing party, who was not agreeing with membership of Cyprus in EU But finally they also agreed and therefore we have a common foreign policy i.e. Joining EU mainly for political reasons.

5) Q. Cyprus - What about the internal issues. Is there a consensus there as well?

A. There are some small differences.

6) Q. What are the major differences?

A. Mainly how to deal with the Turks. The socialist and left wing parties would do all possible to get better benefits for the workers, pensioners and those with low income. Still it is not always possible to meet their demands.

There are no big differences among the parties.

7) Q. What is the Council of Minister

A. Have already replied in Question 2. They are executives but they are not representatives in the House of Parliament. They can promote a law but it is the house which is the legislator. This is very good for Cyprus as it is separating the executive from the legislative members.

8) Q. What is the National Council.

A. They are representative from the Parties. They mainly discuss the political situation in Cyprus.

9) Q. When does the House of Representatives meet?

A. Weekly, normally for 3 days sometimes even more.

10) Q. Do representatives have other work?

A. Yes they do

11) Q. Are there any religious problems in Cyprus?

A. There are no such problems.

12) Q. Why do youths like military conscription?

A. Youths look forward for it. They do not try to evade it, to the contrary they feel honoured to have contributed towards the well being of Cyprus. Some even ask to stay even more than learn how to fend for themselves and it does a lot of good to their character and their culture. This can be seen from the low criminal records we have in

13) Q. Have seen that Cyprus has to spend huge millions annual on military matters. Assume you have a special tax to enable the country to support such huge expenditure. What are the views of the man in the street on such a Tax?

A. Everybody has to pay a tax equivalent to 10 days of his pay to finance the military. Can assure you that there is no contestation from anybody to pay this tax as we know on it depends our survival, our well being and therefore we have to contribute.

People do not like war but we have to defend ourselves.

14) Q. Local Authorities. There are three different authorities. How do they work?

A. The district commissioner is not elected he is appointed by the President. Therefore it is a political appointment.

Then there are the local councils. They are elected and they represent the political parties. Personally I do not like it. I would prefer to see people being elected on their personal ability because they are ready to contribute towards their town or village.

15) Q. In another book I have read that a local council can ask to be promoted to the next scale of local authority - called 'Improvement Board'. Who decides this? What are the benefits to move into this scale of local authority?

A. The approval comes from the Minister responsible for Local Authorities. He will have talks with the district commissioner and the local councils who would explain the reasoning behind their request. He will see for himself their ability to upkeep their community, the collection of municipal taxes, electricity taxes etc.

They can make special taxes for the district provided they are approved and therefore one may find that in Limasol we are paying higher local taxes than Lamaca. It is a matter of necessity. If you want to embellish the area of the district more than other districts, you can do that as long as you have the required funds.

16) Q. How much interest is there, when it comes to elections for the local authorities?

A. About 70% turnout.

QUESTIONS ON THE EAC

1) Q. As an outsider/customer how do you view the EAC?

A. More or less they do well.

2) Q. But why do they do well - because they give good service, because they are a monopoly and can charge higher rates than other countries?

A. They have a good service, but I still think they charge more than they need to and therefore they make huge annual profits, but must admit that the electricity service is very reliable. We must not forget that in our rates we have been paying for the last 24 years for electricity being consumed by the other side.

3) Q. But when we come to the service the EAC renders, what are your comments? Is the service reliable, do you have cuts in electricity supply.

A. Very seldom. I may say supply is very good. We rarely see any power cuts, do not have any fluctuations in voltages. The quality of service is very good and immediate. They come very quickly when you phone them even if it is their silent hours.

If the electricity goes and you will call them they will tell you also approximately the length of the period without electricity. They will tell you just 30 minutes, about an hour or say about four hours. But all these are not frequent at all as the service is very reliable.

4) Q. How do you consider the rates being charged? Are they good value for services rendered?

A. I still think that the charges are a bit on the high side and could be a little lower.

5) Q. With regard to meter reading. Are you satisfied with their service - do they take mistakes - do they call when you are at home - can you pass readings on the phone?

A. Usually, we do not even see him. All meters are installed outside the house in a wooden box. They just take the reading and you will receive the bill soon after.

6) Q. Are the ways of settlement satisfactory for you.

A. Yes no problem. I either send cheque to their area office or ask my bank to settle.

7) Q. Do you hear other people grumbling about errors in the bills or how high are the bills?

A. People sometimes grumble about the high rates but not in respect of errors in the bills?

8) Q. Can you contest a bill on the phone or are you requested to write.

A. On the phone is enough. They will reply to all your queries there and than.

9) Q. Have you ever had a contestation yourself or you know someone who had such a problem?

A. Not on electricity. I had a problem on water. When I contested it they came immediately, they found I have a leak. Since it was beyond my control they accepted to reduce my bill. But this concession would be for one time only and if I will have another problem I will have to pay in full.

10) Q. Do you hear people stating that they steal electricity?

A. Very very seldom, but I just read about it in the newspapers once every year. You do not see such a thing. It is not the culture of the Cypriot people to steal electricity.

11) Q. If somebody does not pay his bills - do you receive a warning or your supply will be suspended.

A. You will receive a warning and than have your supply suspended soon after. I remember once I did not receive my bill but than received the warning. I phoned excusing myself and arranged for payment to be made immediately to avoid further problems.

12) Q. What do you think about their employees. Are they hardworking, lazy?

A. In my opinion generally they work hard but not as hard as employees of a private contractor.

13) Q. If you have 10 points, how much you would rate their productivity?

A. I would give an 8

14) Q. Are they flexible? Suppose they are doing a job which they can complete within half an hour, do they leave because it's time for clocking out or do they carry on with the job?

A. I would say they would stay, but you will see from their faces that they do not like it at all. In the past they used to oblige quite happily, but nowadays the Unions would force them just to do the work within the specified time and nothing more. This shows that certain values or the pride of the job have been lost.

15) Q. If they are on the job at what time do they leave - before clocking out time, at clocking out time or after clocking out time?

A. They stay until the time their offices closed, neither before nor after. They never leave their place or site of work until it is time to clock out. You have no problem on that.

16) Q. While on the job, do they loiter?

A. They work, not that they do not rest a little, but they do not loiter, they stay on the job at all time until they complete the job.

17) Q. Are their employees, polite or rude?

A. They very polite generally. You will find an exception but generally they are very polite.

18) Q. Do they wear the Authority's Uniform?

A. No normally they do not wear any working uniforms.

19 Q. Do their employees work more than a Government Department and more than the Private Sector?

A. They work more than Government employees but less than the private sector.

20) Q. How do they keep their vehicles.

A. All vehicles are kept clean with no damages

21) Q. Suppose this lamp in front of your office is burnt - how long do they take to repair it.

A. (Jokingly) they will take sometime to repair it, they will bring a highlift an employee goes up to check it than comes down to take the new bulb and then repair it. But I think they can do it in less time.

When I report a burnt out lamp they normally come within 2 to 3 days from my report.

22) Q. What are your views on their quality of works?

A. I think their quality of work is highly acceptable, they are clean. I never had a problem with electricity, but sometime ago I had a problem on my telephone line. They came on the first working day after my report. Repaired my line within an hour. I offered them a £c 10 tip but they refused it. That was very impressive for me.

HUMAN RESOURCES MANAGER

MR DINOS IOANNOU

WEDNESDAY 13 MAY 1998 AT 10.00 HOURS

(A)

1) Q. Number of Employees in the Authority

A. As at 31 January 1998 - 1867 employees.

2) Q. Number of employees in each grade

A. 284 - Professional Staff, 1,218 - Technical Staff, 365 - Clerical Staff

3) Q. Distribution by Districts/Power Stations/ Workshops

A. Main workshops at the Power Stations. Nicosia Area - 358 employees Limasol Area - 425 Lamaca - 264 Head office 333 Moni P/S - 248 Dekelia P/S 239.

We are now working to man the new power station at Vasillikos

(B) RECRUITMENT/SUPERANNUATION

1) Q. Is the Authority Free to employ workers or does it require to get permission from Government.

A. We are free to employ, provided we have put in the budget and it has to be approved. After we have that approval we will then advertise in the media and the Government Gazette. We have no outside interference from that side.

2) Q. Do you require to go to the Employment Authority or are you free to hire direct.

A. No we do not - Procedure as explained in B1. How we recruit them we have an official internal procedure which gives the procedure to be adopted. For low posts we hold written examinations and interviews etc.

3) Q. Do you employ apprentices

A. We do not employ apprentices. We just offer vocational training to technical schools students and university but no apprentices. We call them training schemes which run for 6 weeks with no obligation to employ them.

4) Q. Do you have your own training centres

A. We do not have training centres. We have outdoor training facilities, say to train linesman, we have a big yard with poles where we train linesman. Trenches where we train jointers etc.

5) Q. In what skills do you train your employees

A. We have not yet managed to convince the unions to enable us to train our employees in different skills. Who instal the service also instal the meters, but the stringing of the lines is done by the construction gang.

6) Q. Are your employees trained in more than one skill. Say Jointers/Linesman - Fitters Electrical and Mechanical so that they are Multi Skilled

A. No that's very unfortunate.

7) Q. Is training an ongoing process

A. Yes we see that at least all employees receive a one week's training annually. Some training would be on the job.

8) Q. Is training targeted just to lower grades or do you train your Engineers and Managers in Management Skills

A. All employees receive training pertaining to their grade.

9) Q. Do you support your employees who wish to proceed to the University or go for a Masters Degree

A. Yes we have a scheme where we finance our employees to go for higher education.

10) Q. What is the leaving age

A. 60 years

- 11) Q. Assume you do not have sex discrimination. Therefore females can reach top posts. Do you have female Managers or Assistant Managers. How many female engineers do you have. Do you have females in industrial grades - technicians - fitters - electricians - jointers - linesman etc
- A. No we do not have any sex discrimination. We have no female managers or assistant managers, but in the finance section we have a good number of female accountants coming up which would surely reach the top management posts in the future. No have no female engineers yet. We have female inspections - they have the electricity fitters licence issued by government and draughtsperson.
- 12) Q. Do you retain female employees when they get married.
- A. Yes
- 13) Q. Do you retain female employees when they become pregnant
- A. Yes.
- 14) Q. Do you offer child care centres
- A. No
- 15) Q. Do you allow your female staff to go on 3 years unpaid leave after childbirth. Can they return back to work
- A. No they are only allowed 16 weeks in all prior and after childbirth and they have to return back to their jobs.

16) Q. On what grounds can you discharge employees

A. On disciplinary ground only. This is very seldom. In the last 4 years since I was here we discharged only 3 employees. If he is to be dismissed for something serious, we also offer him the chance to resign so that he will not lose his benefits.

17) Q. What is the annual employees turnover

A. Very little. One per year. We are a good company paying high remuneration with lowest working hours in Cyprus, what else could our employees ask for?

C) SAFETY/INSURANCE/HEALTH SCHEMES/WELFARE/SOCIAL

1) Q. What apparel (safety) do you have to provide to your employees

A. We provide with all sorts of safety apparel.

2) Q. Are they at liberty to wear safety apparel and/or Authority's uniforms

A. For some trades its compulsory to wear safety apparel. They may be dismissed if they are noticed without safety apparel. Even working on outside jobs have to wear the authority apparel otherwise they will be dismissed.

3) Q. Do you take disciplinary measures against employees not found wearing safety apparel

A. They are dismissed if found not wearing safety apparel. These are compulsory.

4) Q. Do employees have pride in wearing the Authority Uniform

A. Yes they have pride, although during the Summer we have problems with the overalls, as they are working in the heat of say 50 and one really has to be tolerant on those days which normally are also very humid. But when it is compulsory like areas with asbestos, no excuses are accepted.

5) Q. Do you consult the Unions about the apparel to be provided

A. No we do not, but the Unions here insist that we provide apparel to our employees. The Unions would beg us to discipline employees who are found not wearing safety apparel given by the Authority.

6) Q. What insurance cover do you have for your employees, besides that of Social Security which I understand they contribute for.

A. All employees are covered on a 24 hours GPA scheme. Besides we offer our employees to cover their families under a Group Life Insurance to which they contribute a small amount as we manage to obtain good rates when we go for a public tender.

7) Q. Do you cover your employees with health schemes

A. Yes, it is free of charge.

8) Q. Do you have a Welfare and/or Social Committee

A. Yes we have a committee elected by the employees. The Authority contributes about £ 200,000 per annum to this committee to organise welfare schemes and benevolent funds.

9) Q. For what do your employees have to contribute or receive free of charge

A. Practically nothing. We have some houses by the seaside where our employees can have their vacation against a relative small payment.

10) Q. Do you give free electricity to your employees

A. No otherwise we would be discriminating against the customer. They request this facility each time we arrive for a new collective agreement but we reject it as it is not allowed by law.

11) Q. Do you have to provide free transport to your employees from their homes and back

A. Only to employees who work at the power stations.

12) Q. Do they have canteens at their places of work

A. In the offices, the canteens serve only liquids hot or cold. In the Power Stations we have proper canteens. The canteens are run by private contractor but food is subsidised by the Authority.

13) Q. When do these canteen open

A. They open all the time in the offices and up to 3 pm in the power stations.

D) HOURS OF WORK

1) Q. I read that your employees work only 37 1/2 hours per week, that is very good for them even by European Standard

A. We work 38 hours in Winter and 36 hours in Summer.

Office open from 07.30 to 14.15 Monday to Friday except Tuesdays when we work another 3 hours from 14.45 to 17.45 in the Winter. In Summer we work from 07.15 to 14.30 each day except Friday when we stop at 14.15.

Technicians in area and district offices start at 7.00 but stop the same time as they have a break for which we pay an allowance so that they stay on the job and not come to district to have lunch.

2) Q. What are the actual hours of work. Do you have overlapping hours. Need to amplify about shift work

A. Maintenance workshops in Power Stations work on day basis only. There are no overlaps. We have an extra shift which acts as relievers to cover v/l and s/l We work on 5 shift system.

3) Q. How much do you estimate is the percentage productivity of your employees

A. I estimate between 70 and 80% We do appraisal reports annually. The problem with these reports have to be shown to employees and certain marks are no longer confidential. I remember until 6 years ago they were confidential and very reliable, than parliament decided we have to show the appraisal reports to our employees who have also to sign them. Marks shot up since than. But we also train supervisors on how to give the marks. Also we held seminars to our employees so that they would know what

- 4) Q. How many days of Optional Vacation Leave do they have
- A. That depends on the years of service, the maximum is 28 days.
- 5) Q. How many Public Holidays do you have in each year
- A. 14 days
- 6) Q. What is the average of Sick Leave taken by employees. Do you have a segmentation of this Sick Leave
- A. This can be found in the Annual Report. It was 9.3 days per employee in 1996.
- 7) Q. How flexible are your employees
- A. Our grades are very rigid. Nowadays we no longer have drivers, we have driver/workers.
- 8) Q. How many cases of discipline do you have each year
- A. Very few - not more than one per year.
- 9) Q. Do you have a segmentation of these cases
- A. Not applicable
- 10) Q. Are Managers allowed to discipline their direct employees
- A. Yes but not to discuss them.

- 11) Q. How are transfers of employees between districts organised. Are they the responsibility of the Manager/Line Manager/Human Resources Manager/Chairman
- A. To be transferred, there must be a vacant post and request can only arise when a promotion is being considered.
- 12) Q. Do you have political interferences re transfers
- A. There are interferences irrespective that we try to believe there are not.
- 13) Q. What is the percentage of overtime in ratio to basic pay
- A. I don't know but I believe it has gone up as we are understaffed in some sections like DO
- 14) Q. Is overtime carried in emergencies
- A. Yes in an emergency
- 15) Q. Is overtime an exception or the rule
- A. It is the exception
- 16) Q. Do you have to split your overtime between employees or is it a management discretion only
- A. It is a management discretion only, but Managers have to work within the budget.
- 17) Q. Does Military Conscription affect the productivity of your employees

- 18) Q. Who pays during the period the employees have to go each year to train in the reserve
- A. Employees go once every month. The Authority pays for the period.
- 19) Q. Do you feel that Military Conscription is of benefit to the productivity of your employees, because it keeps them always on the alert.
- A. Yes it gives our youths pride and enable them to form a sound character.
- 20) Q. Do you have to employ more workers due to the required Military Conscription
- A. No
- 21) Q. What services do you outsource to contractors
- A. Trenching, erection of poles. Still we need the Union permission to outsource work to contractors.
- 22) Q. Do you benchmark your employees ratio. With whom
- A. No
- E) PAY STRUCTURE AND REWARD SYSTEMS
- 1) Q. Do you have Collective Agreements.
- A. Yes 4 of them we have one with each union.

2) Q. How many

A. 4 Collective Agreements - one with each union

3) Q. With how many unions do you negotiate

A. 4 in No

4) Q. Who can represent your employees during the Collective Bargaining.

A. All the Unions in fact we sign 4 different collective agreements. We do not sign collective agreement until we have reached agreement with the 4 unions. But when we come to new salaries/wages, we are to conduct the negotiations on the directives issues by the Ministry of Finance.

5) Q. Do you allow Collective Agreements to expire before starting negotiating a new contract or do you see to conclude a new contract before the expiry of the current one.

A. After it expires.

6) Q. How many scales do you have in your pay structure

A. 19

7) Q. How many times is the highest scale larger then the lowest scale

A. About seven times

- 8) Q. The average earnings per capital in Cyprus is around USD 14,000 per annum, where do your employees average earnings feature - above or below this average.
- A. Above average earnings
- 9) Q. Is it possible to have the average earnings of your employees for some years.
- A. From the Annual Report
- 10) Q. Is your pay structure equivalent/higher/below that in the civil service. Other Parastatal Bodies. Private Industry.
- A. About the same. Private Industry is much lower.
- 11) Q. How does/do your reward system/s operate
(1) Do you have annual increments. (2) Who authorises them. (3) Are they automatic. (4) Are they awarded besides any cost of living increases approved by the Government.
- A. (1) Yes (2) Manager (3) Almost Automatic (4) Yes
- 12) Q. Who can authorise accelerated increments
- A. The Board of Directors only.
- 13) Q. Do you have Broad Banded pay structure
- A. No. The American Consultants on Management suggested this structure but it is still being considered.

- 14) Q. Do you have to pay Bonus at Mid or End of the Year to your employees
- A. We pay 13th Salary at the End of the Year.
- 15) Q. Is it by law
- A. No it is not by law, but the Government and semi Government Organisations and most of the private enterprises also pay the 13 th Salary.
- 16) Q. Is it the same for everybody
- A. No It is the equivalent of the December Salary.
- 17) Q. Do you pay your employees who work on shifts extra allowances
- A. Yes
- 18) Q. Do you have to pay extra allowances for night shifts/Holidays and Sundays Attendance - How much
- A. Yes - Double for Sundays
- 19) Q. Who work on shifts besides the Power Station Operations
- A. Stand By Gang
- 20) Q. Do you have maintenance Workshops. Are they on shift work
- A. Yes in the power stations and area offices. They work on day basis.

21) Q. Do you have 'On Call' systems

A. Yes

22) Q. How are promotions given

A. Depends on the grade. Some are by progression but from grade 8 upwards there must be vacancies and there would be applications and selections.

23) Q. Are promotions given automatically through a progression system

A. Up to certain level promotions are by progression as explained above.

24) Q. What effect has seniority on promotions

A. Here seniority still plays a big part. Say there is a vacancy in a grade 9 post. Only those already in Grade 9 or the next lower grade, in this case grade 8 staff can apply. But than seniority is given lowest mark when you are promoting employees coming from same scale. Therefore seniority is important but not to the extreme, it is performance that counts.

25) Q. Can you reward individual workers

A. No

26) Q. How. Do you have alternatives to money or recognition

A. No. We only write letters of appreciation to those employees who rarely perform.

27) Q. Do you have worker of the month or year awards

A. No

28) Q. Do you think the pay structure and reward systems match the objectives of the organisation.

A. Very difficult question. We are so rigid, we cannot act on our own as we may upset the whole of Cyprus, but had it been my organisation I would change the present pay structure and reward systems to ensure those who perform are rewarded.

The same matter was suggested by the American Consultants who brought with them abundance of suggestions applicable to America, but not to Cyprus otherwise we shall have huge problems with the Unions. America is one thing, Cyprus and the Mediterranean is a different world.

29) Q. When was the last industrial action in the authority

A. 1974

F) GENERAL

1) Q. What do you consider to be the strengths of the authority

A. (i) Monopoly although we do not take advantage of it

(ii) High Caliber of our staff and their productivity which for a Mediterranean country is very high.

2) Q. The Weaknesses

A. Too rigid schemes of service and no flexibility in interchanging people from one area to another eg cannot interchange a typist with a data processing clerk or engineers even in the same office. They have a title and they stay there for ever or until they apply for a vacancy. Too rigid which also damages their own capabilities which would always remain limited to their job.

3) Q. The opportunities facing the authority

A. Future Hi Tech We are spending a lot of money to ensure our IT system is of the highest quality. This may help us to enter the telecommunications area when this sector is liberalised when we join the EU. We can offer services to the Military Forces of Cyprus if the need ever arises.

4) Q. The current and future threats facing the authority

A. Our employees are feeling the threat of privatisation because we are following membership in EU. The Unions stated they will never allow privatisation to take over the Authority

GENERATION MANAGER

MR DIMITRIOS PILIDES

THURSDAY 14 MAY 1998 AT 10.00 HOURS

1) Q. Are you ever asked to attend Board Meetings

A. Yes I do attend board meetings when there is a subject relevant to my work. If I submit a report to the General Manager who considers it should be referred to the Board, I would then be called to defend my report. There are then special Board Meetings when all the Managers are requested to attend. This when the Board feels it is appropriate. Our General Manager is always present during the Board Meetings.

2) Q. How are you made aware of Board's policies

A. We get a copy of all Board Minutes so that we are always informed what is being discussed.

3) Q. Are Management Meetings held. How Frequently

A. Yes, but not as frequently as they should be.

4) Q. How do you communicate with your staff.

A. I run a very liberal department. If I need to give precise instructions I will write. My office door is always open and my staff can come in at any time to discuss both business and personal matters if they want to. I made it a point that I visit each power station every week so that employees would know that I am always with them.

We together establish a maintenance programme for the year for both power stations which we do all possible to meet. We are building a new power station at Vassilikos which would also have steam plant installed. Although combined cycle plant are more efficient say 55% their fuel is double that of the steam plant which has an efficiency of up to 35% therefore the CC is still not making up for the extra cost in fuel as efficiency is not double the Steam Plant.

5) Q. What part do you and your section play in the establishment of Business Plans and Annual Estimates.

A. We are the biggest spenders of the Authority for the Generation plant is much more expensive than the transmission capital expenditure. But we also see that we economise on our resources. We offer suggestions how to improve our performance.

6) Q. What are the ways you use to listen to your subordinates.

A. Have replied to this in Question 4

7) Q. Does the finance section keep you updated with monthly expenditure.

A. I receive quarterly reports.

8) Q. Do you take necessary action to control over expenditure and check reason for under expenditure.

A. In power stations a budget should not be taken very seriously, as there are so many variables outside one's control that you will be lucky if you manage to remain within the budget. O K a budget needs to be done and reasons need to be given on the variances but that's that. Controls are more appropriate for new projects.

9) Q. When the Authority decides that additional generating plant is required, who decides on the Mix required. Do you employ consultants to draw reports for the Authority.

A. We employ consultants, actually they were MEP on the Vassilikos Power Station, but finally it is the generating department to decide whether to accept or reject the consultant's proposals. Our consultants together with our staff have formed a management team for the project.

10) Q. Do you award contracts for new generation plan on turn key basis or several separate contracts.

A. We go for several separate contracts so that our engineers will get much more experience then with a turn key contract.

11) Q. How do you co-ordinate with the distribution section.

A. We do not work very much with distribution, we deal and coordinate a lot with transmission. We always had good coordination, but with the SCADA we work together all the time, both in planning and action.

12) Q. Who carry Plant Maintenance. Do you outsource this work or do you have your own maintenance workshops.

A. Good Plant Maintenance is the secret to reliability of your plant give good maintenance and your plant will achieve what it is intended of it. Another secret is good quality fuel oil. We do not inject chemicals into our fuel. A manufacturer have made tests for 6 months, but the promised savings did not appear, so we did not accept the offer. I have a feeling that chemicals would in the long run damage the plant. We have very strong maintenance department in each power station we do not outsource this work.

13) Q. How many staff do you have in the maintenance workshops. What hours do they work.

A. I do not know the exact numbers but all inclusive maintenance teams would consist between 80 and 90 employees. There are engineers, technical staff experts with instrumentation electrical and mechanical gangs. They work normal hours from Mondays to Fridays and work overtime when necessary. But normally maintenance is only carried between Mondays and Fridays.

14) Q. How many operatives do you have in each station.

A. We work on 5 shift cycle, with 12 people in each shift plus shift engineer and assistant shift engineer 14 total. Sometimes they are as low as 9. Actually the compliment is 10 operatives and 2 relievers but we can go as low as 9 without requiring a reliever to work overtime. Moni is manual and we still have the same number of staff as in Dhekalia per shift.

15) Q. Do you have any sort of shift work or stand by for maintenance jobs.

16) Q. Do you have shift engineers round the clock in each station.

A. Yes, we have two all the time.

17) Q. Do engineers work the same hours as the operatives.

A. Yes, 8 hours shift

18) Q. Do you have an efficiency unit

A. We have a statistical department in each Power Station and they produce efficiency figures of each machine in operation every week. We are trying to establish an internal audit department which will have engineers to check the efficiency in each power station separate from the present teams.

19) Q. What is the percentage of units used in stations

A. About 5 to 6%

20) Q. From where do you calculate the losses of electricity in the system from those generated or from those sent out.

A. From those sent out. The transmission losses here are 2/3%. Then we have another 3% in the distribution.

21) Q. Have read that at present there is a lean period in the industrial sector due to restructuring problems, but still electricity consumption is increasing - what are the sectors making up for this downturn.

A. Most probably it is going to the domestic sector.

transportation. Slanting rooms conserve a lot of energy both in winter and summer. We have still to make proper regulations on insulation of houses and offices in order to conserve energy. This should be done in Cyprus as well.

- 22) Q. What fluctuations do you have on peak loads during the Winter and Summer.
- A. No longer have fluctuations between Winter and Summer peaks, the peaks are occurring at different times. I think in 2 or 3 years time the Summer peak would exceed the Winter peak. In winter our peak is flat due to storage heating, which we release at very low price.
- 23) Q. What fluctuations do you have between day and night loads
- A. At present it is 2 to 1 being the worst case.
- 24) Q. Environmental issues, must give you some headaches as you are still using High Sulphur Fuel Oil (3.5%). Are you thinking of moving for Low Sulphur Fuel Oil (1%)
- A. We are already burning 2% Fuel Oil and Vassilikos will use only 1% Fuel Oil.
- 25) Q. Do you form part of the Fuel Procurement Committee
- A. Definitely. We do all the work ourselves including the adjudication.
- 26) Q. Do you face criticism from the media or environmental pressure groups on the emissions from Power Stations Stocks.
- A. We are a very easy target for the media.

Human Resources

27) Q. Do you feel you have enough delegation, or do you consider that certain decisions which you can take, you are required to refer to higher ups.

A. We are an organisation with a rigid structure with established costs, we are almost inflexible. Flexibility can be seen but it is done on the free will of the employee, you cannot force anybody.

28) Q. Can you hold meetings with Unions. Are you authorised to take decisions during such meetings.

A. Yes, I can but cannot take decisions unless it is very small internal matter, otherwise all has to go to the Board.

29) Q. Do you feel the Unions are militant. Are they reasonable or do they always want to have their way even when the employee is at fault.

A. No the unions here are not militant. They are very reasonable. I can say that at present the Unions have very sensible committees. It was not always like this. Unions in every move now weight both their interest and the authority interest.

30) Q. Does Military Conscription of your employees create problems in the logistics of your staff, or is it something every employee looks forward to.

A. No, because conscription is done before any employee joins the Authority.

31) Q. How much productive do you consider are your employees. Can you give a percentage

A. I am not very pleased of the productivity of the Maintenance Department, which I consider it is about 70%. I still think there is vast room for improvement. I know maintenance of generating plant is difficult, maintenance engineers are a special breed. You need drive, motivation, practical, be prepared to work sometimes not as a boss, you have to get yourself dirty, you have to go into places, you must have the machine, you must feel it. These men are not easy to find. I have come in this position after 34 years. I was the youngest engineer ever to graduate at 22 1/2 years, I have gone through all the generation posts. I have gone all through the ranks and maintenance was the field I liked most. It needs a lot of sacrifices but it gives you a lot of pride and job satisfaction I am not sure I have the right persons in post all the time particular in Mechanical Engineering which account for 80% of the maintenance work.

32) Q. Do you care for their training

A. Most of the training should be done on the job. You cannot train anybody who is not interested.

33) Q. Are your employees multiskilled. Are they very flexible. Do operatives carry maintenance work

A. Operatives do not carry maintenance work. If it is something they can do they would do. They can make a joint if necessary. They are not multiskilled but they are not inflexible in fact they do work which pertains to other trades.

34) Q. How disciplined are they. Can they work on their own or do they want supervision from their line managers

A. Most of them are disciplined and can work on their own, but you still find exceptions which need a lot of pushing from their supervisors.

35) Q. How much pride on the job do your line managers have. Do they take the initiative or do they just wait for instructions 'from above'

A. Again you have both. Those who are ready to work on their own, they have a lot of freedom. In general I think line managers have the initiative. But everybody has to work in accordance to the appropriate safe working procedures.

36) Q. What are the working hours of your staff - operatives and maintenance.

A. Operatives. 0800 to 1600 - 1600 to 2400 - 0000 - 0800 Shift Engineer work an hour before to ensure appropriate handover.

37) Q. Is there a long overlap on the shift hours

A. There is no overlap in the shift hours. The incoming employees come 10 minutes earlier to take over - those going out will leave a bit late if necessary.

Q. Do they claim overtime for staying after work to give handover?

A. No it is in their interest to know what is happening. This will avoid problems for them later.

- 38) Q. Who gives handover of the work. Is it just engineers.
- A. Every employee finishing work. If the next employee will not turn up he has to stay until a reliever turns up.
- 39) Q. Do you have the authority to recruit the employees required or do you have to follow standard procedures and therefore unable to recruit the most appropriate staff.
- A. There is a standard procedures which has to be followed very scrupulously.
- 40) Q. Can you transfer/discipline/discharge employees, who are not pulling their weight.
- A. Can do all, except discharge employees.
- 41) Q. Can you award your employees, say through excelerated increments. Can you give special allowances.
- A. Can only recommend. There is a very long appraisal system.
- 42) Q. Are you restricted in the distribution of overtime required among your employees or do you give overtime to whom you are sure is able to carry the work properly and at the shortest time possible.
- A. No we do not have such restriction, but we still do all possible to distribute overtime fairly provided the employee pulls his weight. But still we are free in awarding overtime. We resisted this procedure and the Unions accepted our version. It is one of the greatest mistakes of management if it losses this right.

43) Q. Are engineers paid overtime

A. Yes but they cannot establish their own overtime, above a grade 15 they are not entitled. A lot of engineers stay on their own and they do not claim overtime.

44) Q. Can you give a percentage of overtime required compared to basic hours of work

A. I would say 10%

45) Q. Do you have problems with sick leave. Injury leave

A. Yes, but not with engineers, it is with workers. It was worst until a few years ago but now we have curtailed it. No we do not award those who do not take sick leave, we should do. Our employees are controlling themselves now, for if one is taking frequent sick leave his colleague would challenge him as he has to work long hours even though he earns overtime. Our employees do not like to work overtime. We do not need to call relievers, it depends on the shift and on the type of the day.

46) Q. What do you consider are the strengths and weaknesses of the Authority.

A. Strengths

- (i) Highly qualified staff
- (ii) We have the correct personnel to do all jobs required
- (iii) Good Financial standing of the Authority

Weaknesses

(i) Institutional problems - rigidity. I remember when I was a young engineer I could almost fire a person. I could call the labour office and ask them to send 10 persons for an interview to choose the best 3 to employ them, now not even the general manager can do it. All is very rigid.

The politicians who have created the rigidness now are shouting for liberilisation and privatisation when it was the politicians who have created this problem by demanding rigidness. You cannot privatise a Utility in an island. The social factor has to remain we give electricity even to the furthest farm on the island, even if it is not economic.

47)

Q. What do you consider are the opportunities and threats on the horizon for the Authority

A. Opportunity Let the Organisation as it is but give it more authority and responsibility to achieve. Our prices compare very well with those in Europe, this inspite we do not enjoy economies of scale, we are not on the European grid, so we need more plant, inspite of all these difficulties we produce our electricity cheaper than in Europe - Then why privatise? If we are left on our own we may produce electricity 15% cheaper. We have tedious tendering procedure which do not always give you the appropriate for money. It is the institutions that need to change not the employees.

INTERVIEW ON FRIDAY 15 MAY 1998

MR MICHAEL N IOANNOU

ACCOUNTANT AT LARNACA AREA OFFICE

TIME 10.00 TO 11.30 HOURS

Mr Michael N Ioannou is explaining the billing procedure of EAC. (Mr Ioannou is at present reading an MBA with Henley Management College).

- (i) Cyprus is divided into 38 Billing Zones. These zones are read bi monthly. There are 2 other Billing Zones for Heavy Consumers which are read monthly. To be classified as a Heavy Consumer, the load should be 75 KVA.
- (ii) Each zone represents an area - either a city or town or an area where the villages are small.
- (iii) Take an example - Nicosia which is the biggest city, therefore more meter readers are dedicated to that area.
- (iv) We receive a bi monthly programme from the Finance Department at the Head Office and the target date in that programme is for us as the bible, which for no reason can we deviate from the dates. Everybody has to follow strictly as otherwise there would be a

- (v) Each meter reader is everyday provided with a hand held computer having a programme of the readings to be taken on that day. The programme would show all the details of the consumer, together with an estimated consumption, the meter should expect. If the consumption registered is lower or higher by a certain percentage he would enquire with the customer immediately why there is low or high consumption.
- (vi) Immediately he returns to the area office, he places the hand held computer on the server, so that a list of exceptions would be issued. Normally the exceptions would not be more than 10 each day.
- (vii) The exceptions would have to be cleared by end of next day, rain or shine, so during the night the readings are transferred to the Head Office Main Frame. The readings are transferred through dedicated telephone lines between the Area Office and Head Office.
- (viii) Head Office would complete the billing within next two working days and therefore bills are ready for distribution/posting.
- (ix) For mailing of bills we have two procedures. for the cities and suburban area where there is a government post office assigned to the area, bills are sent by normal mail. Bills relating to the rural areas are sent to the area and district offices and in turn we send them to the co-operative banks.
- (x) EAC has several agreements with co-operative banks to collect on its behalf the electricity consumption bills, and EAC pays a small commission to them. Payments have to be made by due date shown on the bills.
- (xi) Co-operative Banks have good contacts with their members, and our bills are collected soon after delivery. If some do not collect the bills, the Banks would even call them, as there is a very good personal contact with the members.

(xii) If for some reason some members still do not collect our bills, we recover the bills from the Banks and arrange for door to door delivery ourselves.

(xiii) We give them another week, but after that, we shall have no alternative but to disconnect.

Question - Do you have problems to do disconnections?

(xiv) Nothing at all. It is the primary duty of each employee of the Authority to give priority to collection of bills. Therefore when the Technical officer is ordered to suspend supply, he would ensure that on that same day these orders are executed.

It is our creed to ensure that bills are settled immediately to ensure no arrears appear on the next bill.

As you can see from our debtors' ratio of 36 days, all bills are collected much earlier than the 60 days period between the bills.

Actually most of the bills are collected by the 25th day from the reading, and the 36 days debtors ratio arise due to some delay we face from government departments who pay some 10 days later and the municipalities councils which take a little more time to pay our claims for Street Lighting.

We do not allow payments by instalments, and though we may feel sorry when we come to suspend customers having a social problem, we suspend supply as we are a commercial entity not a Government Social Security department.

It is better to suspend when the amount is low, rather than allowing bills to escalate.

(xv)

Question - How would technical people know that say Mr X has not paid?

We have a procedure. Whenever bills are paid by due date or later on, they go straight into the maniframe at the headquarters to update the records immediately.

On the other hand the mariframe everyday issues suspensions orders showing debtors who should have their supply disconnected.

The suspensions orders are issued 15 days after bills were originally due for settlement to ensure that all measures have been taken including a final written warning of three days.

The final warning is given only to those customers who had their bills delivered by post. We do not give a final warning to those customers to whom we had already delivered our bill by hand.

I repeat that disconnections are actioned immediately on receipt as we have to adhere to our bill, 'do not allow arrears by the time the next reading is due, otherwise the system would get messy.' If we leave arrears on next bill, which would show when the current bill is to be settled, customers would think that also the arrears can be settled by that date and therefore we cannot disconnect. Therefore rain or shine we disconnect to ensure we have no arrears by the time we start reading the next cycle.

Can assure you that because of this hardline system, we have little or practically no problem on arrears. We have the law in our favour and we go by it.

(xvi) Question - Do you differentiate when customer is Commercial or Industrial?

No, we do not differ on the sector. We may be a bit soft for a short period with a domestic customer whom we know he has a current problem, but never with a commercial or industrial one. They know that for we rarely see one customer from these sectors featuring in the suspension list.

QUESTIONS ON NEW SERVICES FOR ELECTRICITY

Procedure for a new service for electricity

- A) The procedure being described relate to a Single Phase Domestic Customer.
- (I) His Electricians who holds a licence issued by the Government Examinations Board, would make a request to certify the electricity internal installation of the premises in question, he has just completed. If all is OK we issue the certificate.
- (ii) This certificate would have to be attached to the application made by the customer, with whom we shall also sign an agreement.
- (iii) We ask for a small deposit against future consumption.
- (iv) If lines are already passing by, we shall service his application within two working days.
- (v) The account number for that premises is issued immediately we sign the agreement and the deposit is therefore made. Therefore the account number is immediately inserted for the normal billing procedure by the next billing cycle.

- (vi) We try to have some other services in that area and provided the customer agrees we may delay the extension of services by a week or so. But this has to be with his blessing provided he can wait otherwise we shall extend service within next two working days at no cost provided nearest suitable source of supply is within 75 feet or 25 yards.
- B) The next procedure is in respect of an electricity service/s for a block of apartments or bulk supply.
- (I) Here we might need a substation and/or a meters room. It depends one may request separate meter for each apartment or a bulk meter for the block.
- (ii) The first thing an Architect in charge of building a block of flats must do is to call at the Lands Office from where he would later acquire the permission to build. But the architect knows that without a clearance from EAC the building permit would never be issued. Therefore he calls at our offices, discuss with our planning department and depending on how that area is served, it is decided whether a substation is required or not.

In most cases we shall request space for a substation and also meters room. All meters serving the block will be installed there so that our meter reader would not waste time when he goes to read the meter.

If it is decided to have a substation we shall arrange to purchase the land and the building of substation. We shall then charge the promoter per KVA being supplied. At present we are charging about £c 75 per KVA.

But I must say that we only pay if our substation is situated at ground level. If it is in the basement, we do not accept to pay anything as we would not have created any hardship to the promoter.

We pay the market price for that area. Normally the substation would be about 20 sq mtrs.

C) Theft of Electricity

(i) We have some theft of electricity cases in this area, but still not very much. Sometime ago we found a customer who installed a piece of equipment which he said he has bought from England. We took the police and prosecuted against him. We later learnt it's called 'Block Box'. Still until now these cases are rare but we make inspections to ensure we keep our customers on the alert.

(ii) Our meter readers are also very good, but besides well trained in meter reading, they are also to check the seals, illicit connections etc.

We do not send our meter readers at the same address, but they change their reading area after each cycle so that we shall minimize collusion with our customers as much as possible.

(iii) In that case where we found the 'Block Box' we suspended his supply, until we worked out the estimate for stolen electricity and he has paid it in full. Until he pays we would not reconnect.

(iv) I sometimes go myself to do inspections with a technical person, but the most important person is the meter reader for he goes frequently on spot - at least 6 times a year.

D) Solar Heating and Slanting Roofs

FRIDAY 15 MAY 1998

MR CHARALAMBOS CONSTANTINIDES

AREA MANAGER OF SOUTH EAST

DISTRICT SITUATED IN LARNAKA

TIME 11.30 TO 12.15 HOURS

- A) Substations
- (i) Transmission Substations. We have to purchase the land for these substations either from the private sector at market prices or on lease from the Government at nominal amount.
 - (ii) Distributions Substations. We endeavor to buy the land and build our substations ourselves. This is normally very difficult to do in cities due to lack of space, but than we have to purchase a building within a high rise building to serve as a substation. Here again we pay market value. Still where possible we would still like to purchase an area where we shall build our own substation.
 - (iii) We pay at market prices, normally within the same value we have just purchased in a similar area. We carry the negotiations but we still wait for Board's approval to come, which invariable until now, our negotiations were always accepted by the Board.

(v) In rural areas we are not requesting high rates, as the government has instructed us not to request high charges so that people would continue to live in rural areas as much as possible. This would avoid having people to move to the cities due to lack of facilities. This provided the form is within IKM from our nearest source of supply.

B) Street Lighting

(i) These projects we do for municipal authorities. It is up to them to decide what they want, and what they request we shall supply for which they pay. They also pay for consumption.

(ii) The Public Works Department is in charge of high ways and orders to instal public lighting in these roads. We also receive payment for the project plus consumption from this government department.

C) Stores

(i) All prices in our stores are declared by the headquarters and the average price is the same for that item throughout Cyprus.

(ii) As an Area Office, we issue tenders for purchases of consumables. Our limit as Area Managers is £c 15,000

(iii) For new schemes of electricity extensions our limit is of £c 30,000

(iv) All purchases are sent to headquarters who cater to do all the payments from a centralised Accounts Payable Office.

FRIDAY 15 MAY 1998

INTERVIEWS AT THE METER READING OFFICE

WITH MRS ANDREA (COMPUTER SUPERVISOR) AND

MR GEORGE (METER READER SUPERVISOR)

- (i) In Lamaca Town we have 9 meter readers.
- (ii) We have divided Lamaca District in 38 zones and every working day we have to read a zone.
- (iii) In Nicosia there are 18 meter reader.
- (iv) In Lamaca Town we have 57,000 accounts.
- (v) The daily average read by these meter readers is about 400 meters.
- (vi) With 9 meter readers we have to cover their vacation and sick leave and do not work any overtime.
- (vii) We do not have problems to read meters as our meters are installed outside. We make estimations where meters are installed inside, but still ensure that meters are read every now and then.

- (viii) When the meter reader brings his readings, we check the exceptions before we transmit the readings to our headquarters in Nicosia. We have to ensure we meet the deadlines given in the bi-monthly meter reading programme issued to us by head office.
- (ix) The exceptions are cleared the following days after the meter reading. We normally have 10 exceptions daily.
- (x) We may have some contestations, but very often our meters are correct.
- (xi) Meter readers are well trained in reading all types of meter without any problems, and although they are not technicians, they are well capable to notice any interruptions.
- (xii) We do not have problems with using metal seals as our meter readers are very disciplined. We do not dream having one of our meter readers fiddling with our meters. It would be considered as a big sin.
- (xiii) Meter readers read areas by rotations, they change the area in every cycle.
- (xiv) We seal maximum demand of heavy consumers on monthly basis.
- (xv) No our meters do not have maximum demand or KVA accumulations.
- (xvi) KVA is charged on all consumers having over 75KVA whether they are factories or hotels. They are treated the same.
- (xvii) Meter readers can go on foot, we have two motor cycles and also two cabs for rural areas.
- (xviii) The farthest part is about one hour away.

- (xx) To overcome problems of closed premises where meters are installed inside, we arrange special readings or talk to them over the phone to arrange an appointment.
- (xxi) We report any interruptions traced immediately to our technical department.
- (xxii) We never face problems with broken meters even though they are installed on the outside.
- (xxiii) Our Culture is that what belongs to the Government we pay to the Government and what belongs to us we must have by right.

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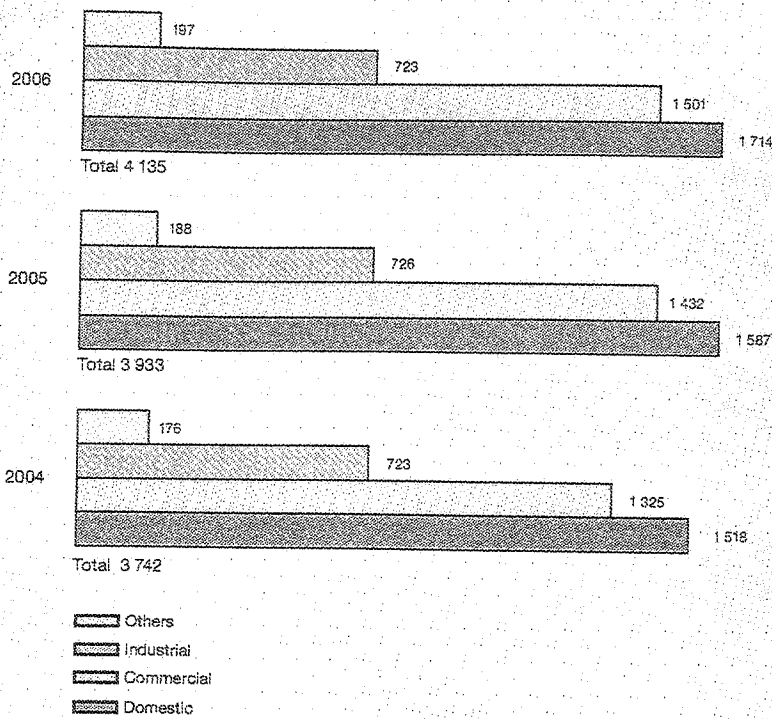
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(Fig. 6)

SALES OF ELECTRICITY
(millions kWh)



CALL CENTRE

The EAC's decision to set up a Call Centre is of strategic importance since it has already entered a competitive environment following the liberalisation of the energy market.

The Call Centre will enable the EAC to provide good quality service and information to consumers/customers quickly and efficiently, to promote the image of a progressive and dynamic Organisation and, in general, to respond to the expectations of consumers/customers.

The EAC Working Group that was set up to oversee the establishment of the Call Centre has been cooperating fully with the Irish firm ESB International, whose tender for Consultancy Services was selected.

The whole project is progressing on schedule and will be completed towards the end of 2008. Technical specifications have been drawn up and on 22nd December, 2006, the EAC issued a Call for Tenders for the purchase of the necessary infrastructure (technical equipment, software, etc.) in collaboration with the Consultants.

Customer Service Business Unit

RENEWABLE ENERGY SOURCES

In accordance with the provisions of the relevant European Directive 2001/77/EC during our accession process and our compliance with the Directives, Legislation and Regulations of the European Union, the Government has taken legislative, regulatory and administrative measures for the promotion of the use of Renewable Energy Sources (RES) and, more generally, of energy conservation with the ultimate goal of increasing the contribution of RES to the country's energy balance. As the main producer and supplier of electricity in Cyprus, the EAC could not but contribute actively to this effort, so as to satisfy the demands of the European Union regarding RES, while acting within the strict framework of Cyprus' appropriately adapted and amended Laws and Regulations. Within these frameworks, the EAC realises various researches and studies for discovering spaces or methods for the use of Renewable Energy Sources.

The EAC cooperates well with the Energy Service of the Ministry of Commerce, Industry & Tourism for joint action on the subject of RES. Interested applicants/producers are given all possible technical assistance and priority examination of their applications to install units for generating electricity from RES.

In accordance with existing Legislation and the relevant decisions of the Council of Ministers, the EAC is obliged to purchase electricity produced from Renewable Energy Sources and to distribute it on its grid at a price determined by the Cyprus Energy Regulatory Authority (CERA). To this end, a 15-year purchase agreement is signed between the Producer and the EAC. In addition to the purchase price paid to the Producer by the EAC, the Producer receives a subsidy from the Special Fund for Finance/Subsidies once approved and part of the Subsidy Scheme and having signed the Subsidy Agreement with the Special Fund Management Committee.

By the end of 2006, 109 Photovoltaic Systems were connected to the EAC Grid, producing up to 5kW with a total voltage of 474,34 kW and a total production of 388 160 kWh. Great interest has been expressed in connecting other new systems, despite the high installation costs of such systems at present. Several applications have also been received for the installation of Wind Farms but these are currently at the stage of obtaining the necessary approvals.

Customer Service Business Unit

SUPPLY OF ELECTRICITY TO THE OCCUPIED AREAS

From 18th January until 20th May 2006, electricity was supplied to the occupied areas in response to a request by the Turkish Cypriot community following faults in the Power Stations in the areas under Turkish occupation. A special tariff for the supply of electricity to the occupied areas was approved by the Cyprus Energy Regulatory Authority on 19th January 2006 after the submission of a proposal by the EAC.

The total amount of electricity supplied to the Turkish-occupied areas during the period mentioned above was 40 598 101 kWh and it was valued at £2.610.357,49, including VAT and renewable energy charges. The cost of the electricity was paid by the Turkish Cypriot community.

TECHNICAL ISSUES

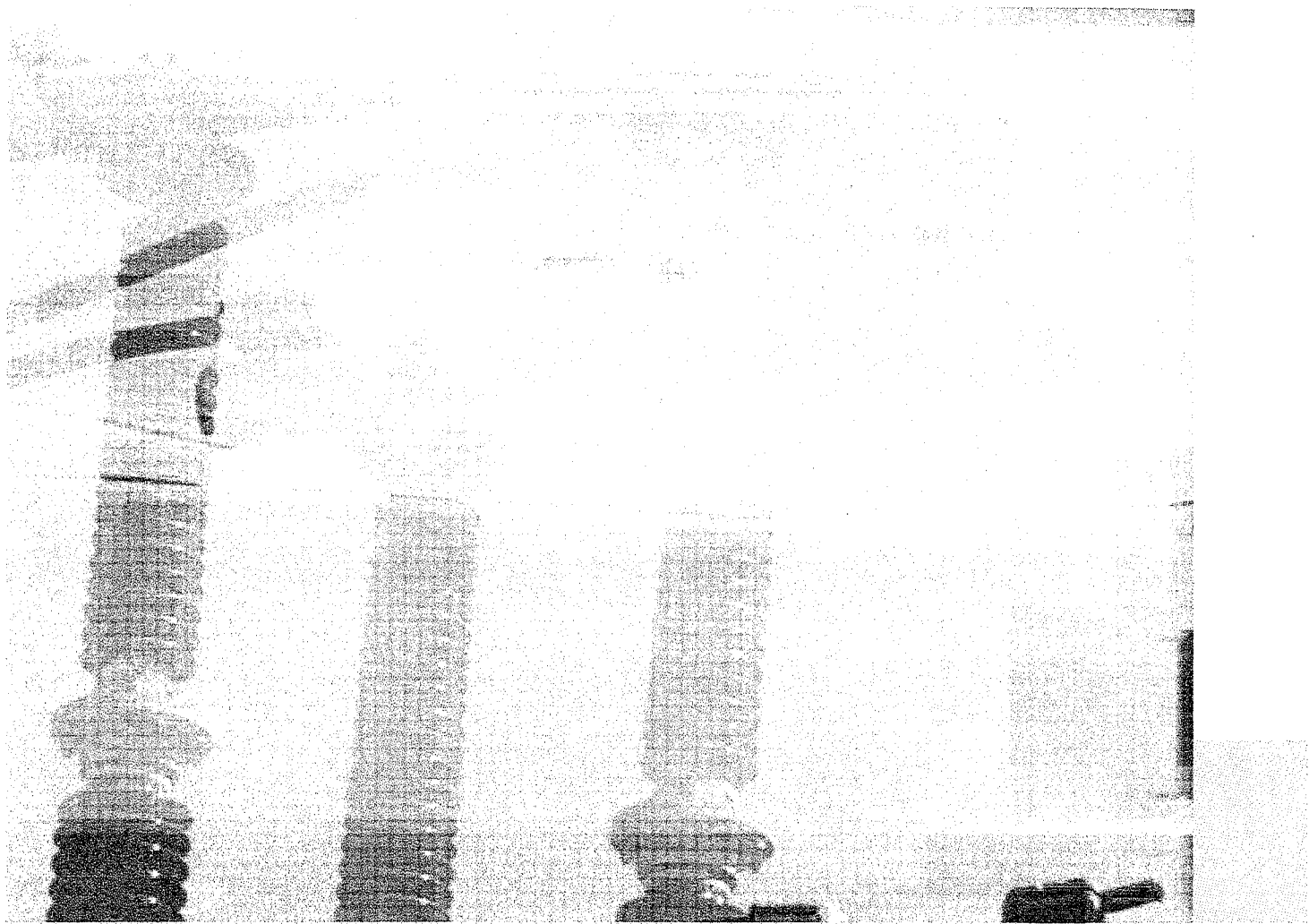
During 2006, the department of the Customer Service Business Unit responsible for Technical Issues dealt mainly with the following issues pertaining to:

- The Metering system
- Street Lighting
- Energy Conservation
- Wiring Regulations for electrical installations in buildings
- Electricity Generation via Renewable Energy Sources
- Revenue protection from electricity theft
- Monitoring of the quality of electricity supply.

Specifically, during the year under review, the Meter and Relay Testing Centre (MRTC) received 48 500 new meters. A total of 39 461 new meters were checked and calibrated, 7 231 second-hand meters were repaired and recalibrated, about 1 698 Ripple Control Receivers were programmed and tested and 998 street lamps were repaired and tested.

In 2006 the AMR system was expanded and all personnel involved in its use were given the relevant training. Some 419 meters have been disconnected and measurements are now recorded automatically. Moreover, specifications were drawn up and tenders awarded for the equipment used in the MRTC and Area Offices relevant to the Metering system and Street Lighting.

Regarding the monitoring of the quality of supply to customer premises, the Executive Section installs Power Disruption Analysers and, wherever it is considered necessary, corrective measures are taken.



EAC REVENUE PROTECTION

In 2006, personnel dealing with EAC revenue protection from theft of electricity checked 4 672 meters on the premises of high-risk customers. Of these, 3 014 were found to be intact, while 1 428 meters had been tampered with, though they showed no sign of electricity theft. In 230 instances, meters were found to have been tampered with and there were signs of electricity theft. In relation to these, a total of £550.053 was recovered in respect of unrecorded consumption, damage to EAC equipment and the cost of investigating the cases.

Investigations that began in 2001 into 168 cases of electricity theft (the Masoura case) continued during 2006. The total value of unrecorded consumption has been estimated at £2,9 million and payment of £1.064,448,60 has been arranged. The EAC has taken legal action against those involved in order to recover the remainder.

Customer Service Business Unit

QUALITY CERTIFICATION OF THE METER AND RELAY TESTING CENTRE

In the context of the EAC's declared policy of upgrading the quality of its operations and its customer services, the Organisation took the strategic decision for Quality Certification/ Accreditation of its workshop in the Meter and Relay Testing Centre (MRTC). Certification work is now at an advanced stage and it is planned that ISO 9001:2000 Certification of the workshop will be obtained during 2007. The relevant Accreditation work is due to be completed by December 2007.

Certification of the workshop will be in accordance with ISO 9001:2000 while Accreditation will be ISO/IEC17025.

The relevant Quality certification will essentially give the Centre a written guarantee that monitoring and testing procedures at the MRTC comply with required specifications. The Accreditation Certificate will recognise the technical capability of the MRTC to carry out the relevant testing and calibration work on meters and the results of these tests will be accepted anywhere.

PUBLIC RELATIONS

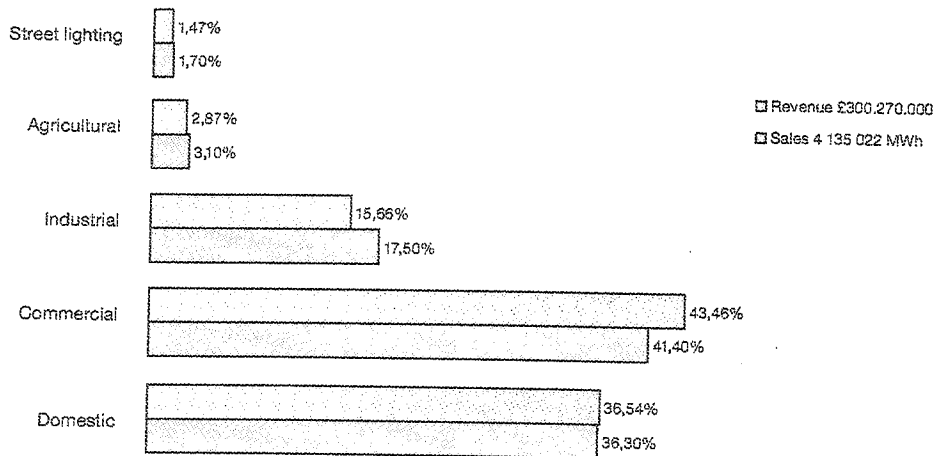
The continuously growing demands of its customers and rapid developments in technology oblige the EAC to plan Public Relations campaigns aimed at letting customers know about all issues pertaining to energy and the Authority's work.

It falls to the Public Relations Department to plan total PR campaigns aimed at upgrading the image of the EAC, establishing a single corporate identity, improving the Organisation's relations with the general public, involving it in society and ensuring that the public is fully aware of the EAC's activities and services.

In this context, the EAC continued in 2006 to provide advisory services to all its customers on matters of interest to them. The General Terms governing the provision of electricity, EAC policy on electrification, tariffs and general information are among the topics that are always of interest. As it happens every year, during 2006 lectures were given to organised groups and to groups of EAC customers on issues concerning the conservation and safe use of electricity, the new tariffs and electromagnetic fields.

(Fig. 7)

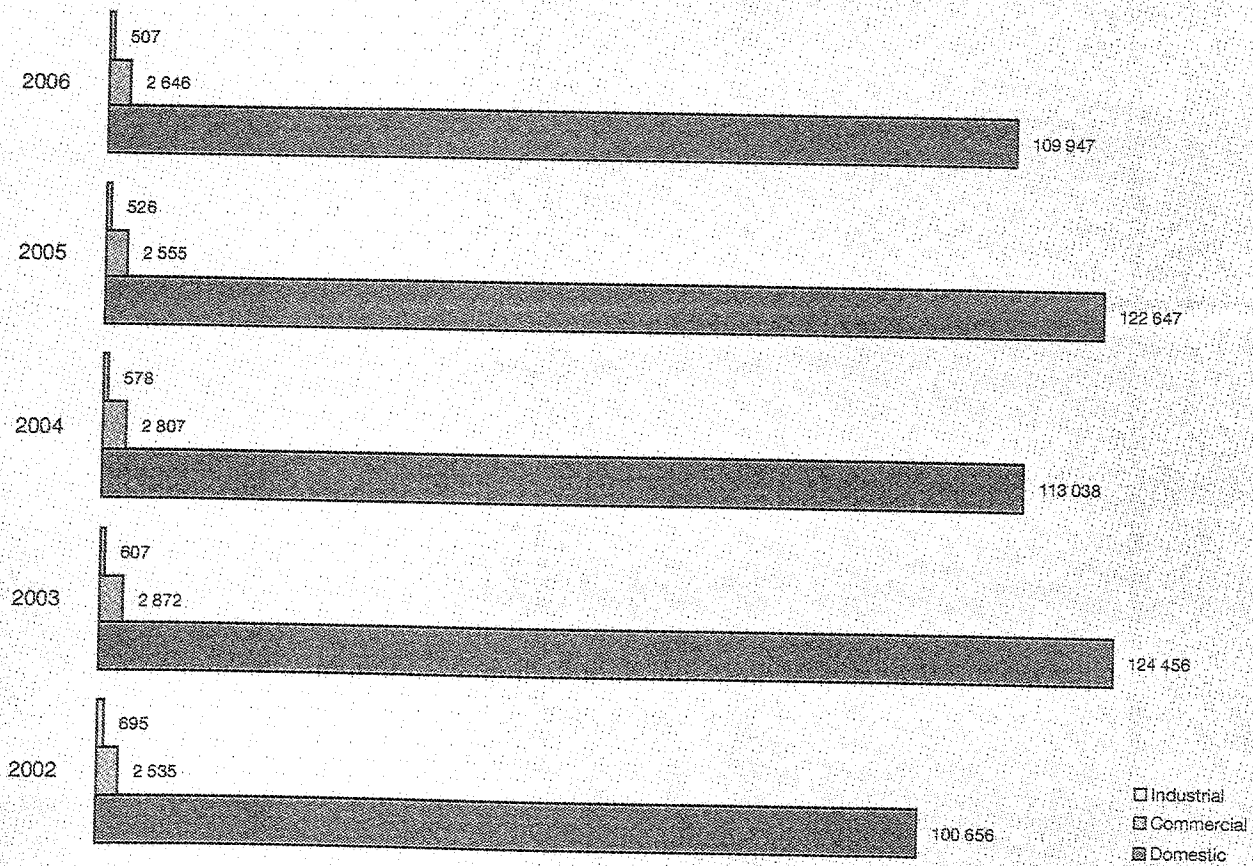
ELECTRICITY SALES & REVENUE BY CONSUMER CLASS



(Fig. 8)

OFF PEAK ELECTRICITY SALES

Tariff Code 55 - Thousand kWh



Human Resources Management

HUMAN RESOURCES MANAGEMENT

The Authority's staff

The number of employees in post and their distribution by category is shown in the table below.

	2006	2005
TOTAL	2 091	1 942

Four employees who have been missing since the Turkish Invasion of 1974 are included in the above figures. The employees in active service at the end of the year were, therefore 2 091.

The Authority's pensioners

The total number of pensioners at the end of the year who received pension was 996 (including six missing persons since the Turkish invasion of 1974) compared to 942 at the end of the previous year. In addition 215 pensions were paid to widows and orphans of deceased pensioners/employees compared to 207 at the end of the previous year.

Manpower indicators and Productivity

Variations in productivity are shown in Figure 9 (page 64) which indicates the relationship between the Authority's manpower, the total units billed and the number of consumers during the ten year period 1997-2006.

Absenteeism due to sickness and/or industrial accidents was 3,3% or 11,8 days per EAC employee compared to 3,4% or 12,3 days per employee at the end of the previous year.

Human Resources Management

Furthermore, the new collective agreement provides for certain pay increases and increases in the EAC contributions to the medical fund and to the employee and pensioners insurance scheme, as well as it provides for a reduction in car loans granted to traveling officers.

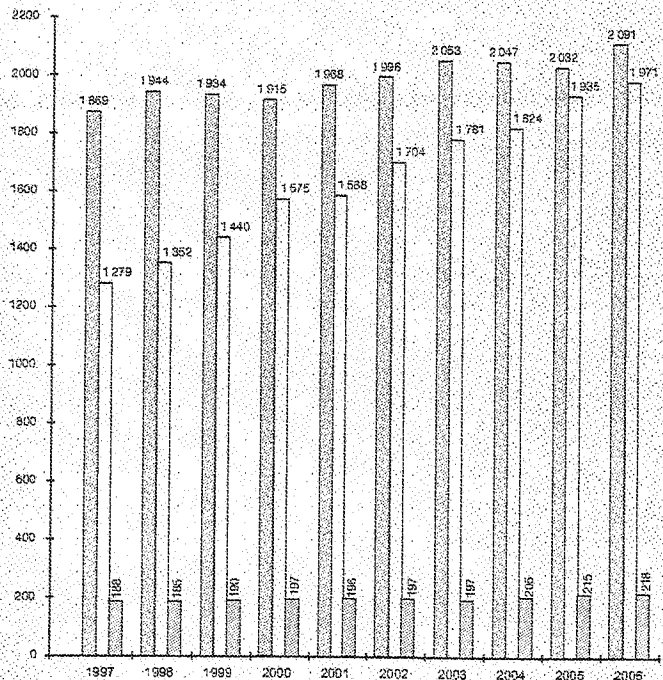
It is also worth noting that during the year the EAC and one of the four Trade Unions had reached an agreement for extending the retirement age. The EAC's General Manager forwarded to the Ministry of Commerce, Industry and Tourism the required pension law changes seeking the approval of the Government and the House of Representatives. It is also important to mention that within the year an agreement was signed between the EAC and the Transmission System Operator providing among other things for the TSO's personnel matters.

Regarding the settlement of various personnel matters, the Human Resources Management and the Unions met several times during the year maintaining that way, good industrial relations within the EAC.

(Fig. 9)

MANPOWER INDICATORS

- ▣ EMPLOYEES IN SERVICE
- ▣ SALES (thousand kWh) PER EMPLOYEE
- ▣ CONSUMERS PER EMPLOYEE



Finance Management Unit

FINANCIAL STATEMENTS

The financial statements of the EAC for the year 2006 together with the supporting statements are set out in pages 86 to 111. The principal financial statistics for the ten-year period 1997-2006 are summarised on page 78.

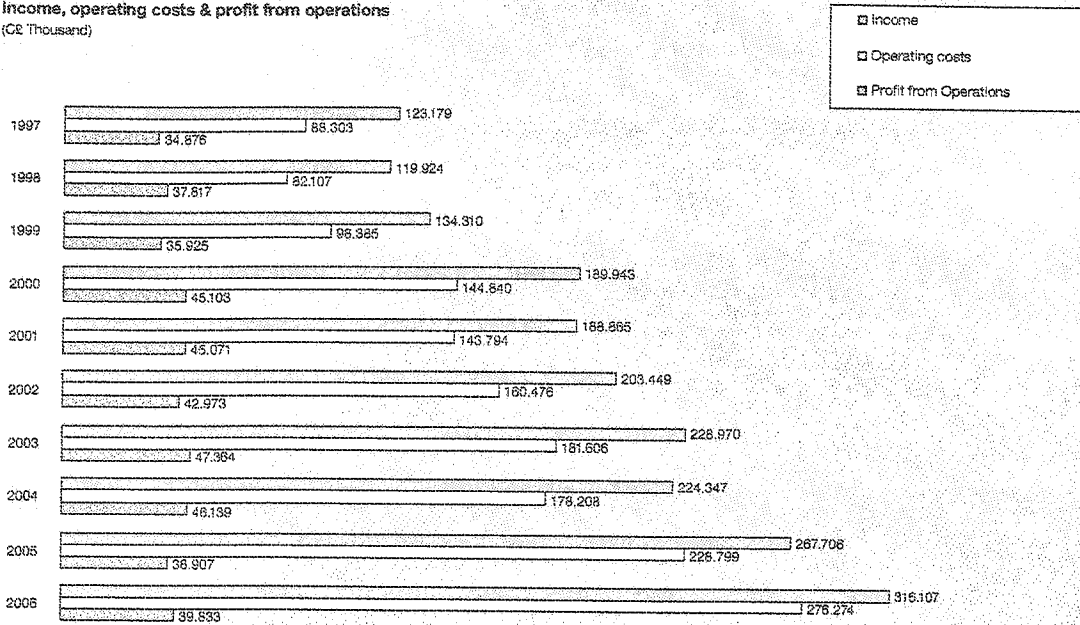
Table 3

Consolidated income statement for the year ended 31 December 2006 and changes from previous year

	2006	2005
Revenue		
Operating revenue		
Other revenue		
Operating expenses		
Operating expenses		
Other expenses		
Operating profit		
Operating profit		
Other profit		
Profit before tax		
Profit before tax		
Other profit		
Profit after tax		
Profit after tax		
Other profit		
Profit for the year		
Profit for the year		
Other profit		

(Figure 10)

Income, operating costs & profit from operations
(C£ Thousand)



FINANCIAL RESULTS

The financial results for the year and the changes from the previous year are shown in Table No. 3 (page. 74). The income from sales of electricity for the year, totalled to C£300,307,000 (an amount of £37,000 relates to charges arising from unrecorded consumption) showing an increase of C£47,365,000 or 18,7%. The total operating costs were C£276,274,000 showing an increase of C£47,475,000 or 20,7%. After accounting for finance cost amounting to C£7,715,000 there was a profit before tax of C£32,118,000 compared to a profit of C£33,209,000 in the previous year. After the deduction of tax amounting to C£9,511,000 the net profit was C£22,607,000 (2005:C£23,452,000).

ANALYSIS OF OPERATING EXPENSES

Table 4 (page 76) gives an analysis of the operating costs according to each category. The principal factors underlying the changes are reviewed below.

The average cost of fuel oil used by the EAC power stations increased by 31,3% to C£142,60 per metric tonne. The consumption increased by 2,3 % to 1 144,1 thousand metric tonnes. As a result of the above the fuel oil bill increased by C£41,626,000 to C£163,149,000.

The total salaries and related costs amounted to C£65,052,000 out of which C£6,880,000 was capitalised in fixed assets and work in progress. The amounts capitalised relate to expenditure for development projects executed by the Authority's employees during the year. An amount of C£58,172,000 or 89,4% was charged to the revenue account. The increase of C£2,727,000 or 4,4% to the total salaries and related costs charge is due mainly to the increase of cost of living allowance.

The deficiency contribution to pension schemes was C£10,499,000 (2005: C£11,103,000). This contribution was the result of the latest actuarial valuation carried out as of 31 December 2006.

Materials services and other expenditure were C£22,983,000 (decrease of C£526,000 or 2,2%). The depreciation charge was C£32,042,000 (increase of C£664,000 or 2,1%).

Finance Management Unit

CAPITAL REQUIREMENTS AND SOURCES OF FINANCE

Capital expenditure during the year amounted to C£70.769.000 compared with C£56.248.000 in 2005 (increase of C£14.521.000).

The amount paid for taxation during the year amounted to C£6.063.000 (2005: C£6.086.000).

Loan repayments amounted to C£20.436.000 (2005: C£19.562.000).

The total financing requirements of C£97.268.000 were covered by internal sources and consumers contributions. Table 5 (page 77) shows the financing requirements during the year and the sources of finance.

Table 4

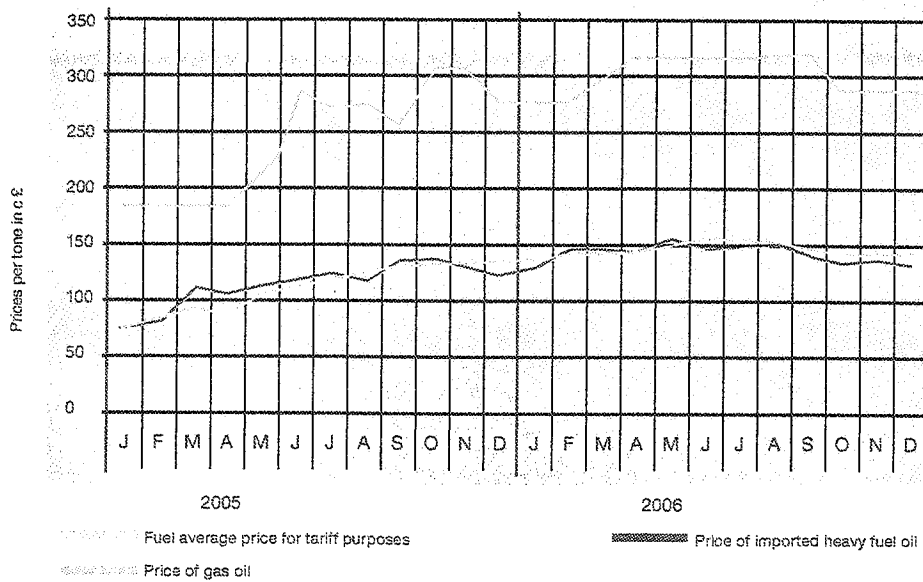
Analysis of Operating costs

	2006	%	2005	%
Operating costs	276,274	100,0	276,274	100,0
Operating costs	276,274	100,0	276,274	100,0
Operating costs	276,274	100,0	276,274	100,0
Operating costs	276,274	100,0	276,274	100,0
Operating costs	276,274	100,0	276,274	100,0
TOTAL	276.274	100,0	276.274	100,0

Consolidated Balance Sheet at 31 December

	2005	2006
Assets		
Intangible assets		
Property, plant and equipment		
Investments		
Financial assets		
Current assets		
Trade receivables		
Prepaid expenses		
Other receivables		
Inventory		
Other current assets		
Liabilities		
Provisions		
Financial liabilities		
Current liabilities		
Trade payables		
Other payables		
Other current liabilities		
Long-term liabilities		
Other long-term liabilities		
Equity		
Share capital		
Reserves		
Retained earnings		
Other reserves		

(Figure 12)
 Prices paid for fuel oil & average prices used for tariff purposes
 (fuel adjustment clause)



Report and consolidated financial statements 31 December 2006

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Report of the Board of Directors

1. The Board of Directors presents its report together with the audited consolidated financial statements of the Authority and its subsidiary Elektriki Ltd (together the "Group") for the year ended 31 December 2006.

Principal activities

2. The principal activities of the Authority, which have not changed since last year, is the generation, transmission, distribution and supply of electricity in Cyprus. Following an amendment in the Law on 24 November 2000 the Authority has been empowered to engage in activities that are relevant with the exploitation and development of its assets, technical capabilities, installations, services and knowhow.

Review of business developments, current situation and the results of the activities of the Authority

3. The financial position of the Group as presented in the consolidated financial statements is considered satisfactory. The Board of Directors is not anticipating any significant changes in the activities of the Authority in the foreseeable future.

Results

4. The results of the Group for the year are presented on page 86. The net profit for the year is transferred to reserves.

Board of Directors

5. The members of the Board of Directors at 31 December 2006 and at the date of this report are presented on page 14. All of them were members of the Board of Directors for the whole year 2006 except Mr. Panayiotis Hadjicharalambous who was appointed as director on 22 June 2006 and Mr Charis Charalambous who was director as at 1 January 2006 and resigned on 10 June 2006.
6. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

7. Except from the matter discussed in Note 26 of the consolidated financial statements, there were no other material events which occurred after the end of the financial year.

Dividend

8. The House of Representatives on 28.7.2006 enacted an amendment to the Electricity Development Law which provides for the payment by the Authority to the Republic of Cyprus part of its surplus of the previous financial year and additional amount (up to 10%) from its accumulated surpluses. Based on the above Law and the Letter of the Minister of Finance dated 23.11.2006 the Authority deposited to the Government Consolidated Fund the amount of £7,5 million for the financial year 2005 and £7,5 million for the year 2006.

Auditors

9. The auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office.

By order of the Board of Directors

Charilaos Stavrakis
Chairman

Nicosia
29 May 2007

Consolidated Financial Statements

Consolidated income statement for the year ended 31 December 2006

	2006	2005
Revenue	1,000,000	950,000
Cost of sales	(400,000)	(380,000)
Gross profit	600,000	570,000
Operating expenses	(200,000)	(190,000)
Operating profit	400,000	380,000
Finance income	10,000	5,000
Finance costs	(5,000)	(10,000)
Profit before tax	405,000	375,000
Income tax	(80,000)	(75,000)
Profit for the year	325,000	300,000

The notes on pages 90 to 111 are an integral part of these financial statements.

Consolidated balance sheet
at 31 December 2006

Assets		
Intangible assets		
Property, plant and equipment		
Investments		
Financial assets		
Other assets		
Liabilities		
Financial liabilities		
Other liabilities		
Equity		
Share capital		
Reserves		
Retained earnings		
Other reserves		
Minority interests		
Total		

On 29 May 2007 the Board of Directors of the Electricity Authority of Cyprus authorised these financial statements for issue.

C. STAVRAKIS M. STAVROU H. HADJIYEROU
Chairman General Manager Executive Manager Finance

The notes on pages 90 to 111 are an integral part of these financial statements.

Consolidated Financial Statements

Consolidated statement of changes in equity for the year ended 31 December 2006

	HKD	US\$	HKD	US\$
Balance at 1 January 2006	1,000,000	1,000,000	1,000,000	1,000,000
Net profit for the year	2,400,000	2,400,000	2,400,000	2,400,000
Dividends	(200,000)	(200,000)	(200,000)	(200,000)
Share repurchase	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Balance at 31 December 2006	1,200,000	1,200,000	1,200,000	1,200,000

(1) The Capital Reserve represents a government grant.

The notes on pages 90 to 111 are an integral part of these financial statements.

Financial Statements

Notes to the consolidated financial statements

1. General Information

The Electricity Authority of Cyprus is a Public Corporate Body which was established in Cyprus under the Electricity Development Law Cap.171 of 1952. It is managed by a Board of Directors, consisting of a Chairman, Vice-Chairman and seven members, who are appointed by the Council of Ministers.

The address of the Authority's Head Office is at 11 Amfipoleos Street, Strovolos, P.O.Box 24506, CY-1399 Nicosia, Cyprus.

The Electricity Authority of Cyprus pursuant to the above Law is engaged in the generation, transmission, distribution and supply of electricity in Cyprus. Following an amendment in the Law on 24 November 2000 the Authority has been empowered to engage in activities that are relevant with the exploitation and development of its assets, technical capabilities, installations, services and knowhow.

With the accession of Cyprus to the European Union and the opening up of the electricity market to competition, the Electricity Authority of Cyprus in preparing for its harmonisation with the European Union has taken all the necessary steps in order to conform with Directive 2003/54/EC of the European Parliament and of the Council of 19th December 1996 concerning common rules for the internal market in electricity.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Electricity Authority of Cyprus have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with both these reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission. In addition the financial statements have been prepared in accordance with the requirements of the Electricity Development Law, Cap. 171 of Cyprus and the Laws regulating the Electricity Market of 2003-2006. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

Adoption of new and revised IFRS

In the current year the Authority adopted all new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2006. This adoption did not result in substantial changes to the Authority's accounting policies.

Consolidation

Subsidiary undertaking

Subsidiary undertaking, is that entity in which the Group has an interest of more than 50% of the voting rights or otherwise has the power to exercise control over its operations. The subsidiary undertaking is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated as is also the case with unrealised losses unless cost cannot be recovered.

Revenue recognition

Revenues earned by the Authority are recognised on the following bases:

(a) Sales of electricity

Sales of electricity represent amounts receivable, based on consumption recorded by meters, net of V.A.T. Sales also include an estimate of the value of units supplied to consumers between the date of the last meter reading and the year end, and this estimate is included in receivables in the balance sheet.

(b) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the Authority.

(c) Consumers' capital contributions

Consumers' contributions towards capital expenditure are treated as deferred income and released to the income statement over the average estimated economic lives of the related assets (33 1/3 years). This period is regarded as a reasonable approximation of the estimated period of the customer relationship. Subsidies granted by the Authority against such capital contributions are deducted from the amounts receivable and charged to the revenue account in the year in which they are granted.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Authority's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Cyprus pounds (C£), which is the Authority's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Consolidated Financial Statements

Employee benefits

The Authority operates two defined benefit plans and various other defined contribution plans the assets of which are held in separate trustee-administered funds. These plans are mainly funded by the Authority.

Retirement benefit costs relating to the defined benefit plan are assessed using the projected unit credit method. Under this method, the cost of providing defined pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of professionally qualified actuaries who value the plan at least once every three years.

The portion of actuarial gains and losses to be recognised is the excess, over and above the greatest of the 10% corridor of the present obligation of the defined benefit plan and the 10% of the present value of the assets at the previous reporting period, divided by the expected average remaining working lives of the employees.

The Authority's contributions to the defined contribution plans are charged to the income statement in the year to which they relate.

Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. For projects carried out by outside contractors, cost is based on the value of work executed and certified by engineering consultants. For projects carried out by the Authority's own staff, cost comprises materials, labour and related overheads.

Major spare parts and stand-by equipment are accounted for as property, plant and equipment when the Authority expects to use them during more than one period.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to their residual values, over their estimated useful lives. The principal asset life periods used for this purpose are as follows:

	Years
Freehold land	Indefinite
Power station buildings	30
Other buildings	35
Power station plant and machinery	25
Other plant and machinery	25 - 30
Lines and cables	35 - 40
Meters	15
Motor vehicles	5
Furniture, fittings and office equipment	10
Tools and instruments	10
Hardware	5
Software	3

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and these are included in the income statement.

Consolidated Financial Statements

Emission Rights

Based on the Cyprus Law for the Scheme of Greenhouse Gas Emission Allowance Trading, N.132(I)/2004, greenhouse gas emission allowances are allocated to the various operators (companies) with the objective of reducing the level of pollution in the atmosphere.

Each operator, whose annual emissions exceed the number of emission allowances for the specific year, is obliged to buy as many emission allowances as required to cover the shortage and in addition to pay a penalty fee for each tonne of excess emission as well as to sell any surplus. Granted CO₂ emission allowances are initially recognised at nominal value (nil value) when the Group is able to exercise control. Purchased CO₂ emission allowances are initially recognised at cost (purchased price) within intangible assets. A liability is recognised when the level of emissions exceeds the level of allowances granted. The liability is measured at the cost of purchased allowances and then at the market price of allowances ruling at the balance sheet date, with movements in the liability recognised in the income statement.

The intangible asset is surrendered at the end of the compliance period reflecting the consumption of economic benefit. Surplus emission allowances can be carried forward and off-set future shortages (up to the end of the compliance period) or to be sold. Proceeds from the sale of surplus emission allowances are recognised upon the sale of these rights.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. In general, cost includes purchase cost, transport and handling costs but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Provision is made for damaged, deteriorated, obsolete and unusable items where appropriate.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Segmental reporting

The financial statements are also presented in separate statements per business and geographical segment. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The analysis per business segment is prepared for the activities of generation, transmission, distribution and supply which also complies with the requirements of the Laws regulating the Electricity Market of 2003-2006.

Comparative information

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk management

Financial risk factors

The Group's activities expose it to interest rate risk, currency risk and credit risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Authority's income and operating cash flows are dependent on changes in market interest rates. The Authority is exposed to interest rate risk in relation to its long-term borrowings. Borrowings entered into at variable rates expose the Authority to fair value interest rate risk. The Authority's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

b) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Authority's functional currency. The Authority is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, Euro, Swiss Franks and Pound Sterlings. The Authority's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The net foreign exchange difference debited to the income statement amounts to C£1,103,000 (2005: C£1,795,000 credit) which relates to financing activities (Note 10).