



Weekly Briefing

**Slovenia Economy briefing:
Recent developments in economy
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Briefing on recent developments in economy – Slovenia

The past month was marked by a simultaneous development of two related issues: the debate about the foreign investment in the second railway track on the relation Divača-Koper, and the drastic structural changes in the leadership of the Port of Koper, followed by a series of protests of the workers and the local community. Within the second railway track building plans the requirements of Hungary as a foreign investment partner was questioned, and the role of the Slovenian Railways in the changes within the Port of Koper was seen in media as another aspect of the same complex issue.

The Port of Koper and its history

The Port of Koper is Slovenia's only sea port and is run by the company with the same name which is a state owned company for port services and logistics. It was established in 1957 as the northernmost port of Yugoslavia (SFRY), just three years after the 1954 London memorandum gave Italy the port of Trieste and Yugoslavia felt the need to establish a port of its own in the Gulf of Trieste. Through the following decades it was slowly growing and adding terminals, while also building a solid coast on steel pilots. Through the following decades, the port was rapidly growing, now consisting of two piers and 12 terminals: Container terminal, Car and RO-RO terminal, General cargo terminal, Reefer terminal, Timber terminal, Dry bulk terminal, Silo Terminal, Alumina terminal, Iron ore and coal terminal, Liquid cargoes terminal, Livestock terminal and Cruise terminal.

In the nineties, the decade after the 1991 independence, the business orientation of the Port of Koper started to change, the Yugoslav markets were replaced by the Central European markets and the company was reorganized to become a public limited company with its shares on Ljubljana Stock Exchange. In 2004 the port received the status of an EU port and border inspection post for

goods entering and leaving the EU customs zone. In 2007 the annual maritime throughput for the first time exceeded 15 million tons and the following year another million more. In 2008 the port of Koper signed a concession agreement with the Republic of Slovenia for management, development and maintenance of port infrastructure for a period of 35 years. After the effects of the economic crisis the growth picked up slowly to surpass 18 million tons of annual cargo throughputs in 2013. That year The Port of Koper was also officially included in the EU's Mediterranean and Baltic-Adriatic transport corridors. It has the status of Type I. Free Zone.

Today the ownership of The Port of Koper is divided between the Republic of Slovenia (51%) and the Slovenian Sovereign Holding/ SDH (11,3%), Republic of Slovenia established pension fund management company Kapitalska družba (4,98%), Municipality of Koper (3,14%) and 1,54% as fiduciary account at Citibank.

The workforce organization and the 2017 accident

By the end of 2016 The Port of Koper had 1071 employees, but this number only represents less than a half of the total number of workers in the port. The other 1237 (as of December 2017) are employed through the so-called Port Services Providers (»IPS«), subcontracting companies who provide workers employed by those firms or even sub-sub contracted. The status of these workers, compared to the properly employed 1071, is much worse, not only by the salary, but also by working conditions. The problems with IPS have been accumulating throughout the last two decades and several issues were repeatedly addressed by media, the syndicates and the local community alike:

- the IPS employ the workers on a very unstable basis, sometimes they even work without the contract or are forced to open their own fictional sub sub contracting company to take responsibility for the insurances

- it was reported repeatedly by the IPS workers that they only get one part of payment through a bank transfer and the rest in illegal cash payment

- the IPS workers often do not get proper training for their job in the port and are rotated too often for them to learn the safety procedures and regulation for each of the demanding posts

- often IPS workers are not even health-checked before they start working in the port, which is otherwise a requirement and there were reports about the falsification of the health inspection documents

- the IPS workers are routinely forced to work a number of hours per month which seriously exceeded the legal regulation of 40 hour work week; some reported working over 300 hours.

- the legal status of the IPS companies should legally be that of employment agencies, but they try to avoid that by presenting themselves as sub contractors for port services, which lessens their obligations towards the employees (as ruled in the court decision of December 12, 2017)

July 29th 2017 a tragic work accident happened in The Port of Koper which again brought to the public eye the problems with the employment system of IPS. A Bulgarian worker was severely hit by a ship lift when cleaning the ship and he died in the hospital afterwards. The accident was investigated without any clear results, but the issue was brought up again in the late 2017 changes in the management of the Port of Koper as one of the reasons for change.

Changes in the management structure

The Port of Koper is run by the 4 members' management board and 9 members' supervisory board. The supervisory board consists of 4 representatives of the capital, 1 representative of the local community and 3 workers representatives.

The first obvious changes started to happen in summer 2016, when the Slovenian Sovereign Holding (SDH), the administrator of 62,3% of The Port of Koper, proposed to the meeting of the shareholders to replace three members of the supervisory board, allegedly in order for the changed supervisory board to

enable better state control over the port and better functioning in the following years. The members to be replaced were the president Alenka Žnidaršič Kranjc, and two members Andrej Šercer and Elen Twrdy. The replacing three members proposed were Jürgen Sorgenfrei, Andraž Lipolt and Klemen Boštjančič. The change in 2016 did not happen, because the announcement of SDH was followed by a large strike and a public protest in the first days of July. The strike brought on an almost complete blockade of the port, but also serious traffic jams of 15 km long rows of trucks and trains stopped on the way to Koper.

A similar proposal was brought to the shareholders meeting a year later, in June 2017. Slovenian Sovereign Holding proposed the replacement of the supervisory board president Alenka Žnidaršič Kranjc and member Elen Twrdy with Milan Jelenc (from Slovenian Railways) and Barbara Nose. This time the listed reason for replacement was the inability of the supervisory board to successfully solve the IPS workers' issue. Media pointed at the choice of the replacing supervisory board members, especially local media claiming that this choice might mean the intention to establish closer ties between The Port of Koper and Slovenian Railways, related to the second track Divača-Koper investment plan.

The same reason – failure to end the problematic IPS employment system was presented as the main reason for fault-based dismissal of the members of management board in late December 2017. Board president Dragomir Matić and members Irena Vincek and Andraž Novak were replaced by Dimitrij Zadel as president and Metod Podkrižnik and Irma Gubanec as members. The new management board soon undertook the first measures in relation to the tragic accident and dismissed one of the workers who are claimed to be responsible for the accident, Mladen Jovičić. Jovičić is also the head representative of the Port syndicate, and therefore after his announced dismissal, the workers started a protest, claiming that Jovičić was targeted for being critical to the changes inside the management structure and the IPS affair was only used as a ploy to radically change the management with one that would better follow the strategy of the

Slovenian Sovereign Holding. A »white strike« followed, with workers only doing their official workload and that led to the blockade of the Port. Only in the first days of February an agreement was made between the new management and the workers. But still more shifts and changes can be expected in the following weeks, with the most recent one happening February 9 when the workers' council proposed a replacement of their representative in the Management board, Stojan Čepar, for being allegedly too obedient to the demands of the management board.