

# Jamaica Public Service Company, Limited 1998

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## Chairman and Managing Director's Letter

Last year we announced to our shareholders that the Company was at the beginning of a period of change. This fiscal year, we experienced the transition in all its dimensions. And, as everyone knows, transitions are never easy. Yet, the vision of becoming "a world-class organization, providing superior service, while achieving financial viability" has been our constant focus amidst challenging circumstances.

### No Illusions

We started 1997/98 with no illusions. The corporate goals of transforming customer service, improving the system reliability and achieving profitability could not all be attained simultaneously. So strategically, customer service, being the area most urgently in need of attention, was given priority. Improvements in the reliability of the system, although not mutually exclusive to our overall goals, was given secondary focus. Profitability was recognized as an inevitable outcome of the two.

The beginning could not have been worse. On April 6, a switching error at a critical junction on the transmission system resulted in an all-island blackout - the first of its kind since the 1994 explosion at our Old Harbour Power Station. The Company's woes increased when the problem of "flashing" occurred on its transmission and distribution system, owing to drought. This caused frequent service interruptions to our customers, particularly some in the southeastern section of the island. The result was a steep rise in the average monthly customer minutes lost and the number of complaints per ten thousand customers.

## Pressing On

Despite these setbacks, we were not daunted, but tackled the problems by way of systematic analysis and expeditious implementation. In many cases, we expanded our search for solutions by drawing on the experience of other countries around the world. Happily, these efforts paid dividends and by the end of the year, we were able to reduce both the average monthly customer minutes lost, and the number of complaints per ten thousand customers were reduced by more than 80%.

## Customer Service Training Programmes

During the year, the Company embarked on intensive training programmes for customer service staff and completed the renovation of six of its 22 commercial offices. Among other things, customers saw the establishment of a twenty-four hour Call Centre and the upgrading of the payment links between JPSCo and National Commercial Bank. All of these have created a Company that is gentler, more efficient and considerably more responsive to customers. The findings of an independent Customer Survey conducted by Market Research Services Ltd. and statements made by the Office of Utilities Regulation attest to this.

In making the transition, we took into consideration the fact that the people in our organization were our most valuable resources. A Morale Survey was done to determine the factors which influence performance, a manpower strategy was fashioned to develop a highly trained and flexible workforce and training was increased to address the skill and knowledge gaps within the Company.

## Financial Performance

Operating revenues unadjusted for the decline in fuel prices was \$10.4 billion in 1997/98. This represents an increase of approximately 5% compared to revenues in 1996/97.

Total operating expenses remained constant at \$11.1 billion. Fuel cost declined by \$307 million as a result of lower fuel prices and depreciation by 1.346 million further to the reduction of the carrying value of the net plant to a realistic value. All other operating costs together increased by 37% over 1996/97. This is attributed to expenditure necessary to improve performance in the generation and power delivery systems. The net impact was the containment of operating losses to \$1.2 billion; the same as 1996/97. Net loss (before exceptional and extraordinary items) is \$2.0 billion compared to the \$1.5 billion in the prior year. This is accounted for by the increase in interest costs. The accounts also reflect full liability to customers for fuel over-recovery which will be refunded commencing February 1999.

## The Price of Transition

It was a rough year; however, we learnt a lot. We have seen the difficulty of cultural changes in the workplace, the importance of analysis, the value of teamwork and most of all, we have learnt that transitions come at a price. We have paid the price through hard work and determination. Although we have not achieved all our goals, we are committed to improving current levels of satisfaction with our service and our system reliability. We feel a sense of pride that through teamwork, our staff have been able to meet many of the challenges which faced us.

Recognition and appreciation must be given to the Company's Board of Directors, Management and Staff for their unwavering support throughout the year.

In closing, we look forward to the continued efforts of all in the coming year as reliability, improvement and profitability remain our biggest challenges.

Gordon Shirley  
Chairman

Derrick Dyer  
Managing Director

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