



## **Pathfinder Economic Flash**

### **The CEB: Continuing as a Monster or becoming a Catalyst for Development**

Shock waves were felt throughout the power sector, especially by the Ceylon Electricity Board (CEB), during the first week of 2013. This was due to the Ceylon Petroleum Corporation's (CPC) decision to raise the price of Furnace Oil supplied for the thermal generation of electricity. It is reported that CEB, which has already incurred losses of Rs. 65 billion in 2012, will add a further Rs. 90 billion in 2013 due to this measure and other losses. Total losses for 2012 & 2013 would therefore, amount to Rs. 155 billion. Furthermore, a few years ago accumulated losses amounting to Rs. 30 billion had to be absorbed by the government to make the CEB balance sheet look viable.

These huge losses, which have led to the CEB being identified as one of the four publicly owned "Monsters", are standing in the way of upgrading the livelihoods of ordinary people of this country.

#### **Who bears the burden of CEB losses?**

These CEB losses are not borne just by the "government", but by the public at large - from those below the poverty line, and numbering 1.8<sup>1</sup> million, to small farmers, urban wage earners, SMEs and larger enterprises. This happens through taxes paid to the government by the public. As the major share of government tax revenue is derived from regressive indirect taxes, the burden falls disproportionately on low and middle-income groups, particularly as the rich tend to find loopholes to avoid payment of progressive direct taxes.

#### **Where does the loss occur? Does anyone have a clue?**

As the CEB is an integrated government-owned monopoly, does anyone in the institution, line ministry, Ministry of Finance or even the regulator (the Public Utility Commission) know which operations are profitable or loss making? For example, are the oldest hydro-electricity plants making a profit or loss and what are their exact values? Do the Mahaweli era plants have the same efficiency and profitability today? And more importantly, the cost comparison between thermal, hydro and other sources of power generation needs to be assessed in a transparent and accountable manner. In addition, it is important for the authorities to be aware of day-to-day

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<sup>1</sup> 2011

dispatching of electricity through different generators to maximize profits or minimize losses. The same is applicable with regard to the other aspects of electricity supply i.e. transmission, distribution, maintenance and the like. Another important dimension is transparency when it comes to above mentioned areas of operation as well as management.

The people and government of this country need to focus on economic growth of 8% or above, increasing exports and attracting investment. In order to realize the dream of sustainable growth at 8%, this monstrous, hemorrhaging of a single government owned enterprise must be checked sooner than later.

As emphasized by The Pathfinder Foundation (PF), on many other occasions, neither the political leadership nor policy-makers can postpone the reforms in this sector any longer. These reforms should include legal and institutional unbundling of CEB, introduction modern management and technology to ensure transparent and accountable behaviour and infusion of competition in whichever way possible.

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