

Chronic power shortages in Sri Lanka

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Large parts of Sri Lanka, including the capital Colombo, have been afflicted with power blackouts and rationing since early July. The energy crisis has severely disrupted public life and added to the economic crisis of the country. Most affected have been ordinary workers, who cannot afford private power generators like the wealthy elite, and now face increased unemployment as companies shed staff and scale back production.

Daily power cuts started with a one-and-a-half hour blackout in the evening, and increased to eight hours a day—three-and-a-half or four hours in the evening and the remainder early in the morning. While the blackout time has been reduced to three hours a day, neither the Peoples Alliance (PA) government nor the Ceylon Electricity Board (CEB)—the state-run power generation, transmission and distribution authority—have given any estimate as to when the power rationing will end.

In a country where household electrification has reached over 60 percent, the blackouts have forced millions of Sri Lankans to revert to using kerosene lamps or candles for light, with all the associated safety risks. Five children have already died due to fires or accidents caused by unsafe lighting. Colombo National Hospital has reportedly treated 40 burn patients, many with serious injuries. During August and September a number of burnt children were reportedly admitted to the Lady Ridgeway Children's Hospital in Colombo. This is under conditions where only the major hospitals have been exempted from the power cuts. Patients admitted to other facilities have been asked to bring candles.

The blackouts have also caused severe disruption to students, particularly those preparing for mid-year and end-of-year exams. A deputy principal of a leading school told the *Sunday Times*: "They (students) have projects to carry out and exercises which need to be

done daily to prevent them falling back in their work. Some children adjust sleep and study according to power cuts, but majority find it very hard."

The economic impact of the energy crisis has been to aggravate a descent into recession. Already suffering due to the global slump and the on-going civil war between the government and the separatist Liberation Tigers of Tamil Eelam (LTTE), inadequate power supplies and rising costs have led to threats by major companies to relocate to other countries.

The Nawaloka Group, one of Sri Lanka's leading business groups, has already closed a factory and relocated to the United Arab Emirates in part due to inadequate electricity supply. The president of the Chamber of Small Industries told the media that small and the medium industries were being badly affected by power shortages and many were on the verge of closing down. Corporate analysts have expressed concerns that the power cuts, on top of the war and political instability, will further discourage foreign investment into Sri Lanka.

Sri Lanka has experienced periodical power shortages throughout the 1990s. The usual reason given has been that inadequate rain prevented optimum generation by the hydro-electric plants, which produce the bulk of Sri Lanka's power. All the evidence, however, points to the shortages being the result of inadequate planning and cost-cutting by authorities.

The former chief engineer of the Ceylon Electricity Board (CEB), T. Siyambalapitiya, has alleged that the Peoples Alliance government failed to implement recommended solutions. A coal power plant, capable of generating 300 megawatts of electricity, was proposed in 1996 as a matter of urgency to overcome supply shortages and expected increases in demand. It has never been built.

Instead, the government has relied on short-term, costly solutions when confronted with the inadequacies

of the existing generation capacity. During a power crisis in 1996, the CEB hired emergency, diesel-fueled mobile power plants from Dutch company, Aggreko. In early 2000, it again hired mobile plants from Aggreko, capable of generating 60 megawatts of power. In January this year it rented a further 40 megawatts of mobile capacity. While the CEB sells power at 4.50 rupees per kilowatt, Aggreko has profited from the crisis by charging at 12 rupees.

In a bid to overcome the shortages, the CEB has now announced it will buy its own naphtha and other diesel-fueled generators, capable of producing 300 megawatts of power. The cost of electricity generation will be far in excess of the proposed coal-powered plant, with the extra charges passed directly onto the consumers.

The Ceylon Electricity Board Engineers Union (CEBEU) has accused the Treasury, the Board of Investment, the Ministry of Power and Energy and politicians of “dragging the CEB into this crisis by interfering with [its] activities”. Bitter political infighting has taken place between the government and the opposition United National Party (UNP) over the allocation of energy construction contracts and delayed their implementation.

The CEB is now in a desperate financial position. In 1996, the company registered profits of over four billion rupees. In 2000, it ran up losses of 3.9 billion rupees, with the losses expected to rise to 18 billion rupees by the end of this year due to the cost of hiring and purchasing emergency generators.

There are now accusations that the government will seek to exploit CEB’s crisis to push through the privatisation of the energy industry. CEB is one of the largest state-owned monopolies in Sri Lanka, employing about 15,000 workers and possessing billions of dollars in assets. Its sale has been repeatedly recommended by international financial institutions such as the International Monetary Fund (IMF), the World Bank and the Asian Development Bank. Privatisation has met with opposition, however. In 1996, electricity workers struck against a proposal to sell the CEB, forcing the Peoples Alliance government to shelve its plans.

Calls for privatisation are now resurfacing again. At a conference last month, called by big business to discuss the power crisis, speakers such as the Ceylon Exporters Association chairman Patrick Amerasinghe insisted that

the only solution to the power cuts was to allow the private sector to enter the energy industry. Far from ending the chronic electricity shortages, however, the privatisation of the CEB will only exacerbate the existing problems as well as lead to the axing of jobs and higher electricity bills.



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