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## **State-run Electricity Company (cfe) Manager: Government's Financial Crisis Management Strategies Resounding Failure**

*by Steven Ranieri*

*Category/Department: General*

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In a report delivered Oct. 21 to senior officials, Guillermo Guerrero Villalobos, director of the Federal Electricity Commission (CFE), said diverse strategies in the past five years to stabilize the company's finances have been unsuccessful. Government actions such as numerous financial restructurings, assuming the company's debt, constant subsidies and budget increases, and implementing "realistic" rate hikes, said Guerrero, have failed because they did not go far enough, and because of the sheer impossibility of adequate debt restructuring in the short-term. The total cost of the government's emergency bail-outs since 1985 surpasses \$10 billion. If subsidies were included, the total would be equivalent to about \$30 billion. Due to financial crisis and budget cutbacks, investments in the country's electricity grid has declined in recent years. Meanwhile, energy consumption is rising at a rate higher than GDP growth: in the 1985-1990 period, electricity consumption rose 3% per year, compared to average GDP growth of 1.6% per annum. Despite negligible economic growth from 1981 through 1987, electricity demand increased by a total 41%. (Source: El Financiero, 10/22/90)

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