

Sri Lanka: JVP Leader questions wisdom of promoting privatisation

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Those who claimed that privatisation was the panacea for Sri Lanka's economic ills had to present information about private institutions first, Janatha Vimukthi Peramuna (JVP) leader Anura Kumara Dissanayake said on Wednesday at a conference on privatisation of state assets.

Dissanayake said that the SLPP had campaigned in 2019 and 2020 on a platform of protecting and developing state assets. Therefore, if it embarked on a path of privatizing state assets, it should first go for an election and seek a new mandate. Dissanayake said that Sri Lanka had been privatising state assets since the 1980s and an overwhelming majority of those projects had led to disaster.

"In the 80s and 90s we privatised textile mills and paper manufacturing plants. Of course, there were issues with the quality of their products, but we have to understand that this was the 1980s. Now, these factories are closed, and we import almost all textiles now, burning a lot of foreign exchange. We also have a severe paper shortage and there are complaints that we don't have paper to print school textbooks, exercise books, term test papers and print newspapers. We privatised tea plantations, and these plantation owners claim that they can't pay a daily wage of Rs. 1000. So, before telling us why we should privatise the rest of state-owned enterprises, the proponents of privatisation must show us the data on the impact of previous privatisation endeavours," he said.

The JVP leader said that those who support privatisation often show Sri Lanka Telecom (SLT) as an example of the benefits of privatization. Dissanayake said that advocates of privatisation claim that before privatisation it took six to seven months to get a connection and that once the SLT was privatized everything changed.

"Is this what actually happened? If you look at the technological evolution of the telecommunications industry, the late 1980s and early 1990s saw boosts in digitization and wireless technologies. The privatization of SLT took place at a time when these technological developments were taking place.

"We benefited from technological developments in other parts of the world. The driver of efficiency in telecommunications in Sri Lanka was technological breakthroughs in the west, not privatization," he said.

Dissanayake added that during the current economic crisis, those who represent powerful business interests have done a good job of convincing people that the best course of action is to privatize state assets.

"People are suffering and when they see the electricity bill or suffer from fuel hikes, they have been told that this is happening because the Ceylon Electricity Board (CEB) and Ceylon Petroleum Corporation (CPC) are owned by the state. They think the prices have gone up because there are too many workers in these institutions," he said.

However, if the inefficiency of state owned enterprises is the reason for electricity and fuel price hikes, what could explain the dramatic rise in the prices of items like cement or biscuits or milk powder? the JVP leader asked.

“The government plays no role in producing cement. When it comes to milk powder, Highland only has about five percent market share and Highland is still cheaper than other brands. The advocates of privatization are silent on this. Or they tell us that milk powder is bad for the body, or we should not buy cement or biscuits. So, are we going to blame the inefficiency of the private sector for the price increase in biscuits? It is obvious that the current price hikes have little to do with the ownership,” he said.

Dissanayake said that the government is not proposing to only sell loss making institutions. Among institutions that are earmarked for privatization are profit making entities like the SLT, Sri Lanka Insurance Corporation and Sri Lankan ground handling and catering.

“Catering and ground handling departments of SriLankan make a lot of profit. I have looked at the annual reports of SriLankan catering from 2011 to 2021. They have been profitable in all years except 2020, they have been profitable even in the 2021-2022 financial year. It’s obvious why they made losses in 2020. If you look at ground handling, they are doing even better. They made a five billion rupee profit last year. The government is getting ready to sell them and I am sure there are many people ready to buy them. But what about the airline? No one will buy the airline because liabilities are higher than assets and this is a really bad time to run an airline. The government is ready to absorb all the losses of the airline, but even then there are no buyers. We will end up selling the profit-making entities and holding on to loss makers. This will only make things worse,” he said.

The JVP leader said that there are three main drivers that animate those who support privatization. Some of them are adherents of minimum government and believe that the government must not be involved in any businesses. On the other hand, the government is desperate for dollars.

“From 1980 we have failed to earn the dollars we need. In 2022, there is a gap of eight billion dollars to meet imports. If we had not defaulted we would have had to pay six billion dollars for debt servicing. How have we filled this gap? We used to make some money from tourism and foreign remittances. We filled the rest of the gap through borrowings and selling assets. Now we are scraping the bottom of the barrel,” he said.

Dissanayake added that another thing that animates privatization advocates is the opportunity to make money out of these transactions. He said that when large state institutions were privatized, those involved in the process made a lot of money.

“When Hingurana sugar was sold, the institution had 7000 acres of cane, a 300-acre plant nursery, a factory, and 70 million rupees in the bank and sugar in store. It was sold for less than sugar in the store. If we look at the current context, Minister Nimal Siripala is desperate to privatize SriLankan catering and ground handling because one of his deals went wrong a few months ago,” he said.

The JVP does not believe that the state should hold onto everything and try to involve itself in every sector, he said. However, the government has the responsibility to ensure that goods and services are available freely at a decent price, in good quality.

“We can control some aspects of the market through regulation. We can also intervene through the cooperative system. If you look at Amul, India’s dairy giant that makes billions of dollars in profit, is a cooperative. Fonterra, the producer of Anchor brand, is a cooperative. Imagine what we can do if we get small and medium scale rice millers into a cooperative and help them with finance and

technology? We could easily break the monopoly of big mill owners and reduce the price of rice. Look at the tile sector, two businessmen run the sector, and now apparently people have to wait for months to get tiles. If we believed the advocates of privatization, this shouldn't be the result of privatization. A JVP government won't allow monopolies," he said.

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