

NEWS ROUND UP

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President raps politicians for country's paralysis

President Maithripala Sirisena yesterday during his Independence Day address made a string of political and economic observations focusing on development, fighting corruption, holding provincial council elections and criticised actions during the recent Constitutional crisis and moves by the United National Party (UNP) to establish a National Government.

Delivering his address to the nation to mark the 71st Independence Day, Sirisena took on several key issues and made fresh observations on past events. He noted that over the decades governments made up of different political parties had failed to develop the country and meet the aspirations of the people. He also pointed out many of them had failed to protect vulnerable communities.

“Whatever the reasons and whoever was responsible, we all, as political leaders have failed to bring about the economic development our country and the people expected for decades. The people of the country are no longer ready to continue in an economic recession while experimenting on economic development themes and rectifying errant ways. The political leaders who lead the country should be aware of this. Through that, the school education system, university education system, and fundamental reformations of the vocational and technological education should be made in tune with the international standards of the 21st century,” he said.

Moving onto politics, which made up the bulk of his address, Sirisena made an unexpected criticism of parliamentarians loyal to Opposition Leader Mahinda Rajapaksa and their behaviour in Parliament during the Constitutional deadlock in November.

“Most of the governments which came to power destroyed the aspirations of the people. All of us know that the real institution of the people’s supremacy, the Parliament, has tarnished its image.

How maliciously the MPs took actions to throw chilli powder at police officers inside the chamber and also to bring a knife into the chamber and to destroy the resources used by the MPs that are maintained by funds of the people. At present the people see the Parliament as a mirror image which shows the deterioration of the society.”

“Every government spent their time to find solutions for the communal conflict. They gave priority to this issue. They attempted to find solutions. As a result of this, finding solutions for the economic crisis of the country was postponed. All gave priority for the ethnic issue.”

Sirisena also pulled no punches in his criticism of the UNP and noted that he does not agree with efforts to establish a national government, which would allow for Cabinet and Non-Cabinet positions to be expanded.

“We established Provincial Councils more than thirty years ago. Today, from annual Budget allocations to Provincial Councils, only 15% is left to development and capital funding. Of these, recurrent expenditure and maintenance costs is 85%. So, we need to act immediately to transform this upside down situation. I see the failure to hold Provincial Council elections for the last one and a half years as a challenge to democracy. Non-Government Organisations do not come forward to talk about that.”

“I see the proposal about a national government in the media. It is necessary to ask how ethical is to claim the formation of a national government by joining with a political party which has only a single Member of Parliament. I only see that as an attempt to increase the number of ministers and increase in the facilities of the ministers and MPs. From what I have seen in the media, I strongly disagree to the idea of proposed national government.”

He emphasised that expanding the Cabinet through the formation of a national government does not meet with the aspirations of the people and therefore should not be a focus. He advocated that politicians should instead focus on their responsibilities and duties to the country rather than what they would get out of holding public office.

"If the number of ministers is reduced to 25 with a single party running a government, as I believe it, is the wish of the people. Before questioning the duties and responsibilities that should be accomplished by the country for you, it is necessary to think about the duties that should be accomplished by you on behalf of the country. 'What will we get?' or 'What we will receive?' are questions asked by most. But everybody knows that the most essential thing is to accomplish the duties and responsibilities on behalf of the nation."

Sirisena contended that Sri Lanka needs governance that is clean and focused on long term gains for development.

"Today, what we need is not fraudulent pretension of serving the people, but a clear and far-sighted clean governance. In our common vision, we have to protect our indigenous values and be cable of winning over the challenges of today's reality of globalisation."

"In addition, since 2015, we completely removed the fear that was prevalent in the country. We won that situation. How difficult it is to remove corruption? I see a scarcity of honest politicians. Therefore, on the 71st national independent day, we must determine to make Sri Lanka a powerful and prosperous nation in Asia that cannot be undermined."

Concentrating on a green economy and elimination of poverty, a stronger Parliament and better election system, more advanced education system and skilled public officials were among what he thought was needed for Sri Lanka to prosper.

"We must be determined to build a prosperous and harmonious nationhood and also build a superior economy in Sri Lanka. Therefore, we need to build a green economy that will contribute to eliminate poverty. We need to introduce a system of checks and balances and a mechanism that strengthens parliament to eliminate political anarchy through a proper election system. Furthermore, introducing the skills required for the state governance is very essential." (Daily FT)

Fraudulent ATM skimming: Industry says situation under control but urges vigilance

The Payment Card Industry Association of Sri Lanka and the Sri Lanka Banks' Association (Guarantee) Ltd. yesterday said that fraudulent withdrawals of funds via ATM skimming is being investigated and action is being taken but urged the public and customers to maintain great vigilance.

In a statement, the two organisations said member banks have received complaints from some customers that their savings/current accounts have been debited through fraudulent ATM withdrawals. This was a result of some card data that had been compromised through ATM skimming activities, where cloned cards have been created to make these fraudulent withdrawals. As soon as they received complaints, member banks took prompt action to attend to the complaints received and credit the accounts upon verification.

In addition, banks have proactively contacted customers whose cards had been used at identified ATM locations where the skimming had taken place.

"We wish to confirm that all member banks have taken steps to bring the situation under control as soon as the compromised details were identified. Also, as a body, all banks are working collectively with relevant authorities to bring the fraudsters to justice," the joint statement said.

"We also wish to inform the general public that the ATM networks and the cards are safe for transacting. We urge the general public to inform their respective banks immediately in the event any unauthorised/suspicious transactions are noticed on their account. The public is also advised to subscribe for the SMS transaction alert facility through their respective banks," the joint statement by the Payment Card Industry Association of Sri Lanka and the Sri Lanka Banks' Association added. (Daily FT)

SL draws record \$ 2.3 b FDI in 2018, eyes \$ 3 b this year despite political challenges: Malik

Despite political challenges, Sri Lanka has drawn the highest ever Foreign Direct Investments (FDIs) worth \$ 2.3 billion last year, prompting Development Strategies and International Trade Minister Malik Samarawickrama to be optimistic of increasing it to \$ 3 billion this year.

The 2018 achievement and forecast for 2019 was revealed by the Minister when he spoke at the launch of a Rs. 30 billion mixed development project in Battaramulla by the Ministry of Megapolis and Western Development on Friday as a public private partnership with Riemersma Management Company (RMC)'s Essar Project.

Minister of Development Strategies and International Trade Malik Samarawickrama
"Despite the political crisis towards the end of last year, we have overcome it and are moving forward resolutely," said Minister Samarawickrama.

"What is clear from how it was resolved is that there is no room for unconstitutional acts in our country, and we have shown that the Judiciary stands firmly and strongly on the side of what is right.

This should give an enormous sense of confidence to any foreign investor – and where the Judiciary remains independent and just, there is a good foundation for international business. We have shown the resilience of our institutions – something which our Government strived hard to build since winning the elections in 2015," the Minister added.

He said last year Sri Lanka welcomed two delegations of Sovereign Wealth Funds including from the Investment Corporation of Dubai, Temasek International of Singapore, Khazanah Malaysia, and the Kuwait Investment Authority. "During these visits, they explored opportunities in the Megapolis project, as well as strategic tourism projects," he added.

He also said last year the BOI introduced the 'SWIFT' online portal for investor applications and investor approvals, connecting dozens of regulatory agencies and other authorities with just a few clicks. "We have an ongoing work program to improve the 'Ease of Doing Business' as per the World Bank index, and I am pleased to report that in the 2019 report, Sri Lanka jumped up 11 places. We hope to keep improving, with our eye on reaching 70th place by 2022," Samarawickrama added. (Daily FT)

Malik welcomes Dubai's Essar for Rs. 30 b mixed development PPP in Battaramulla

Development Strategies and International Trade Minister Malik Samarawickrama on Friday welcomed Dubai's Essar for undertaking the Rs. 30 billion mixed development project at the multimodal transport hub in Battaramulla under a public-private partnership.

"This is being done as a private-public partnership with a reputed foreign investor, and it is exactly the kind of investment project that our Government welcomes and encourages," said the Minister at the inauguration of the project.

The venture aims to integrate a multi-modal transport centre that plans to locate all major administrative functions in the capital with investment from Riemersma Management Company (RMC)'s Essar Project on a public-private partnership basis.

The lease declaration for the land plot, which was leased to Essar Project for a 99-year lease for Rs. 1.4 billion, was handed to the investors at the launch on Friday.

"As the subject Minister for investment, I am very pleased to see this project being inaugurated, and it demonstrates the confidence that foreign investors have in our country, our Government's economic policies, and our people. My Ministry, and the Board of Investment that functions under us, remain very committed and focused on facilitating investments in a proactive and investor-friendly manner," he said, and congratulated Minister Patali Champika Ranawaka for his great leadership in this initiative.

"We are committed to supporting you, from an investment promotion and investor facilitation perspective, and will continue to work together to bring high quality foreign partners to high potential projects such as this one," Minister Samarawickrama told Essar officials.

"I am pleased to see a respected company like Essar from Dubai investing in the project, and we invite them to bring other companies from Dubai and the wider region to invest in Sri Lanka. We have many opportunities ranging from energy to transport infrastructure to high-end manufacturing, and tourism. Combined with our excellent geographic location and pro-business policy environment, I am sure you will be able to uncover lucrative investment opportunities in Sri Lanka," he added.

He said the project has the potential to transform the economic landscape of this area, and bring new vitality and dynamism to the people and businesses of Colombo.

The project will initiate its plans in a 415-perch land plot, with the Koswatta to Kaduwela main road running behind it and the Battaramulla to Rajagiriya main road running in front. It proposes to build two towers with 35 storeys and 26 storeys, the first allocating a net space of 20,000 m² for government and private offices, and the latter with 250 standard apartments and 100 hotel apartments.

The project will also be part of a Light Rail Transport (LRT) system which will run from Kaduwela to Fort. In addition, the apartments will be priced targeting the employees in the area. The entire project is expected to be completed within the next five years.

"This mix development project, which was launched as a public-private partnership project, is an important milestone project for our Ministry. This project proposes to locate all major administrative functions within municipalities of Kaduwela, Sri Jayawardenapura Kotte, Urban Council of Maharagama, and Pradeshiya Sabha of Kotikawatta-Mulleriyawa, and integrate these identified areas of the administrative capital, and gazette and declare it as separate Municipal Council in the future," the Minister of Megapolis and Western Development Patali Champika Ranawaka stated at the launch.

RMC's Essar Project Managing Partner Kier Riemersma told the Daily FT that the timeframe for this development will be three and a half years with 12 months of design and engineering, which will be followed by the construction cycle of two and a half years. He explained that they are the Development Manager of this development project.

"We oversee the entire project, which includes putting the investment consortium together, procuring the design team, the engineering team, the construction company, the hotel operator as well as sales, leasing, and management for the project," he added. (Daily FT)

US says eager to build on partnership with Sri Lanka

The United States has said it remains eager to build on the partnership with Sri Lanka and advance shared interests in the Indo-Pacific region, Secretary of State Michael Pompeo said in a message on the occasion of Sri Lanka's National Day.

Extending wishes for peace and happiness in the year ahead, Secretary Pompeo said the US is looking forward to working together to further deepen the ties between the two nations.

Full text of Secretary Pompeo's message:

On behalf of the Government of the United States of America, I extend to Sri Lanka very warm wishes as you commemorate your national day.

The United States remains eager to build on our partnership with Sri Lanka and advance shared interests in the Indo-Pacific region based on our common democratic values. Sri Lanka's democratic institutions and constitutional processes have ensured your country's continued advancement.

We look forward to working together to further deepen ties between our nations, promote shared prosperity, and secure a stable and peaceful future.

As you celebrate your national day, I extend my best wishes for peace and happiness in the year ahead. (Daily FT)

Piramal Glass laments Govt. failure to reduce furnace oil prices

Piramal Glass Ceylon PLC is urging the Government to reduce furnace oil prices similar to petrol and diesel if it is sincere in encouraging more exports.

"We regret to note that the relevant authorities have reduced the prices of petrol and diesel but have not addressed the price of furnace oil price inspite of drastic reduction of international crude oil prices," Piramal Glass said in a statement.

"Our continuous appeals to the authorities has gone unheard, heavily impacting the company profitability and sustainability of exports," it added.

Piramal said that it is very concerning to note the mixed approaches of the authorities towards exports. "Much focus is made on exports, by encouraging the business to promote their products, yet the Government does not create a conducive environment for same by creating a level playing field," it said.

"Whilst all neighbouring countries have linked the furnace oil price to the global crude oil rates, we regret to note that we in Sri Lanka are yet to implement same," it added.

Piramal Glass said it is continuously developing new bottle designs and markets for exports and accordingly investing in high tech infrastructure. "Our efforts has resulted to increased presence in the developed markets such as USA, Canada, Australia, etc. Current investment in infrastructure is to the tune of Rs. 1.35 billion which is mainly to cater international demand," the company said.

It said the Government's decisions to increase certain levies and taxes has impacted in the final products becoming more expensive. "This has resulted in the consumer shifting towards cheaper and illicit products. This turn of events has impacted several manufacturing industries including packaging. Thus we feel this decision has neither benefited the industry nor added any additional revenue to the Government. If these events continue, the fate of domestic industry would be a question mark," warned Piramal.

During the third quarter ended 31 December 2018, Piramal's export sale amounted to Rs. 733 million, marginally up from Rs. 729 million a year earlier. In the first nine months exports grew by 31% to Rs. 2.12 billion. For the nine months ended 31 December 2018, the company's gross profit margin has decreased from 21% to 16% as compared with previous year similar period.

The gross profit during the period under review was severely impacted by the fuel price increase to the extent of 35% in LPG and 15% in furnace oil which in turn has directly impacted the prices of raw material, packing material and transportation costs.

Profit after tax for nine months of FY19 declined by 38.6% to Rs. 154 million. See Page 3 for the full story.

The turnover for nine months at Rs. 5,485 million showed an 8% growth as against the previous year sale of Rs. 5,067 million. The export sales grew by 31% from Rs. 1,627 million to 2,123 million whilst a drop of 3% was seen in the domestic market from Rs. 3,440 million in F18 to Rs. 3,362 million in F19.

The 3rd Quarter ending 31 December 2018, has always been a very positive quarter for domestic sale each year due to the festival season. Yet these positive sentiments were not seen this year especially due to the unstable political climate in the country and the uncertainty towards the polices. The domestic sale of F19 Q3 was Rs. 1,226 million as against Rs. 1,256 million of F18 Q3 which showed a drop of 3%. Food, beverage and liquor segments continued to show a de-growth during the quarter as well as for the nine-month period when compared with the similar periods of the previous financial year. (Daily FT)

Who is fooling whom with another draft national maritime and logistics policy?

Last week it was reported that yet another draft shipping and logistics policy was handed over to the new Minister Sagala Ratnayaka, it was a policy drafted during former national list Minister Mahinda Samarasinghe who acted against the maritime and logistics 'Vision 2025' document prepared by the UNF Government endorsed by the President and the Prime Minister.

For the interest of the public, this was not the first policy document and may not be the final one either. In 1997, President Chandrika Kumaratunga was handed a so-called final document by late Minister A.H.M Ashraf and subsequently another committee was appointed to redraft a national policy and yet another presidential committee was appointed by President Mahinda Rajapaksa. None of it materialised as they were all done with vested interest and to protect the interest of few monopolistic companies. The same process has gone into publishing this draft too.

History of reforms

In the past, late Minister P.B. Kalugalle, under a closed economy, created Ceylon Shipping Corporation to suit the country's policy of a closed economy at that time. Then, late Minister Lalith Athulathmudali, under President J.R. Jayawardena, transformed Colombo port into a regional transshipment hub for containerised cargo as they wanted to industrialise the country, and President Premadasa took the next step of partially liberalising the shipping sector in 1991 where BOI replaced the GCEC where traders got massive freight reductions afterwards.

These were all done because Sri Lankans choose successive governments that adopted a free market policy since 1977. In 1999, for the first time President Kumaratunga opened the port sector for private and international investments. Now, all these massive steps were taken without any policy document on shipping or ports at that time but on government policy to make Sri Lanka a liberal trading hub.

Indeed, it is good to have a set of macro-level policies to show our commitment to the world that Sri Lanka is for modernisation and transformation as it thrives to be the most liberal economy in South Asia and a hub in the Indian Ocean.

A national policy should not be a wish list that could be written by an undergraduate for a class room assignment. This draft policy is made of such ideas of protectionism and including investment criteria that is not even realistic and describes punishable offences, etc. The idea behind this seems to be to protect large-scale local private businesses with vested interest.

Clearly, the latest draft is made from the interest of protectionist and monopolistic interest and to satisfy bosses who pay salaries to some of the committee members. Monopolies are craftily listed as 'individuals', not as companies or businesses. Right now, two companies control nearly 70% of the agency business and this is the serious problem the whole country is facing. It is a known secret that these two organisations are using money and power to lobby against all reforms proposed by the Government to make Sri Lanka a liberal maritime economy.

Looking at the list, this report has been compiled by a very large number of people directly and indirectly attached to companies with personal business interest and has very low participation of independent industry persons including a cross-section of universities and other institutional frameworks and think tanks involved in policy development. Simply, the Institute of Policy Studies which runs under the Ministry of Finance is even not listed among stakeholders. Few weeks back, it was reported that the direct export sector has been completely left out of their views.

Draft policy to a minister, what is the ulterior motive?

As a practice, commission reports, policy documents, advisory reports are given to a Cabinet Minister as the final recommendations or findings by an appointed committee. This national policy was hurriedly given to the Minister as a draft after sitting for well over 12 months which saw the exporters and others protesting to its content and the way it was done by excluding them. It is an insult to say the least to the new Minister Sagala Ratnayaka.

In 1997, late Minister Ashraf handed over the final document to President Kumaratunga. However, Minister Sagala received a draft document as a media publicity effort. What can he do with this? A minister can provide a Cabinet subcommittee draft report to the Cabinet, but a draft of this nature cannot be presented and should not be presented to Cabinet as it will be an incomplete document and a waste of time to the Cabinet of Ministers.

Industry sources say that this was done as an eyewash attempt to mislead the judges and courts where opposition MP Vasudeva Nanayakkara has filed a case against monopolistic behaviour of a few agents who are now controlling nearly 70% of the market and derailing the liberalisation process of the Government. The petition to the courts was to direct the Minister, Secretary and the director merchant shipping to strengthen and establish new laws and regulations to stop monopolies being set up by companies and individuals which harm the national interest and the public. But conveniently the word "persons" has been put in the policy excluding companies and businesses.

It is understood that already a copy of this draft policy has been attached to the court documents to mislead the judiciary to say that Government has adapted a policy and that there is no need of strengthening monopoly laws etc.

Mangala given a slap

The ulterior motive of this document is to stop liberalisation of the shipping and logistics sector as well. Prime Minister Ranil Wickremesinghe has clearly spelt out in Parliament that shipping and logistics will be opened to make Sri Lanka a major Indian Ocean hub. The Finance Minister has already issued the policy statement in the Budget 2019 which was passed in Parliament, but this document of national policy does not even refer to such policy and has deliberately given a slap to the Government and the Finance Minister's policy declarations.

Some analysts say that this document is all about giving protection to commission agents in shipping and to showcase that agents as the kingpins of a maritime nation. It is a document to secure moneymaking for a few at the cost of the country and its people. President Sirisena has been brainwashed by former national list Minister Mahinda Samarasinghe who was working with the agents to stop the Government policy and to remove the nanny state concept and making Sri Lanka a true international trading location in the Indian Ocean using its locational advantages.

No man with common sense will agree that monopolies, price-fixing and stopping majority stake equity for business owners will convert this country into a maritime hub. Few agents with monopolistic behaviour have welcomed this before even a final document is seen.

We wonder who is fooling whom under the pretext of a national policy to get protectionist and business interest secured. The Shipping Minister and his advisors and the Government should be extremely careful of the whole exercise as it will give wrong signals to the world and make investors shy away out of this country and our regional allies too will look at this as a hostile document to build partnerships.

Part two will discuss the unprofessionalism of this draft 'National Policy for Maritime and Logistics' sector. Independent analyst on fee market. (Daily FT)