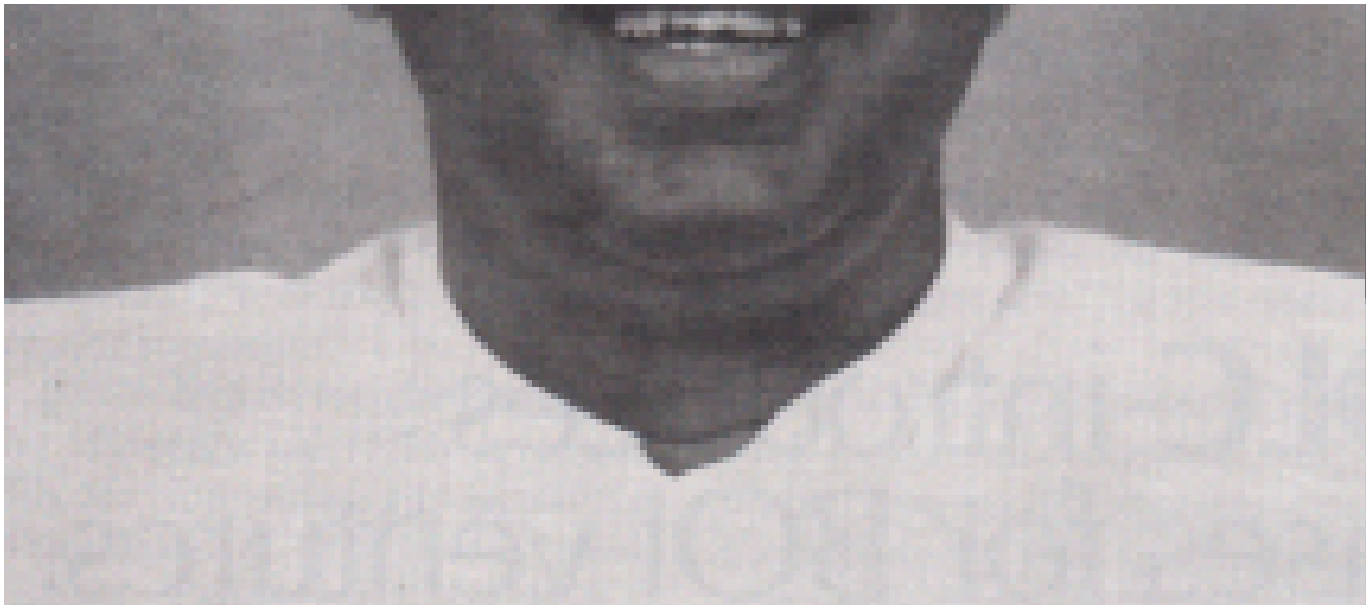


Sri Lanka Telecom in Perspective



The privatization of Sri Lanka Telecom, through the sale of a 35 percent stake in the government-owned telecommunications company is going on smoothly. The initial trade union protests have
not stalled the process. Instead, there is co-operation from the majority of trade unions. The interest shown in this sale by foreign investors is most interesting, especially in a situation where
government telecommunication services are up for sale in many parts of the world, says the Minister of Posts and Telecommunications, Mangala Samaraweera in an interview with Lucien Rajakarunanayake for “Business Today”. The Minister says it is possible that the privatization of Sri Lanka Telecom may be an ideal case study of transparent privatization of a government venture.

**BT: You are known to be one among the ministers of the present government most committed
to privatization. What is the reason for this special commitment?**

It is more a matter of facing up to the practical realities of the world today than a commitment to any particular policy. Specially, in the field of telecommunications which is my particular subject, with the massive developments which are taking place, as a country which hopes to be the hub of the Asian economy in the next two decades, one of the most essential pre-requisites would be an efficient telecommunication service which would meet the demands of the new century. In order to do so, among the first things which the Government committed itself to was to privatize, or I would rather say bring in private investment into telecommunications in order to inject new technology, resources and talent into it, to make a more efficient and dynamic service so that we could compete with the other countries in this region, which are already moving in that direction.

BT: That is about telecommunications. But what is your view of the other privatization pro grammes being carried on by this government?

Basically, the word privatization received a bad name or left a very bitter taste because of the forms of privatization done by the previous government, in the 41 privatizations they carried out. These in fact were daylight robbery of national assets, and therefore a lot of people reacted against it. But, I firmly believe that privatization is the only solution for countries like ours because we must reduce the burden of the government. The government must be there to govern and also look

after subjects such as education, the health sector, perhaps provide a safety net for the poorer sections of society, while letting businesses run business, and letting the other sectors which are of a commercial nature to make profit so that it can enhance the economy at large. Therefore, I am a firm believer in privatization because I believe that governments must be small, and small governing is beautiful. Therefore, we must re-think the role of modern governments in the next century, to ensure that the people will get the actual benefits of what a government ought to do.

BT: The privatization of Sri Lanka Telecom is one that initially caused considerable trade union concern and protests. What is the situation today?

Yes, in fact it was on December 14, 1995, immediately after the budget, that I told all the trade unions in SLT, more than thirty of them in fact, representing various interests in SLT that we will be re-structuring SLT within the coming year. As part of that, we also invited members of the trade unions to participate in the re-structuring programme, and we requested that seven union members of their own choice should be nominated to the PERC Telecom Cell. In response to that, some of the unions said they wished to have nine representatives to which we agreed. They have participated in the re-structuring process throughout. But unfortunately we found that some of the unions, a minority of representatives of unions, were not at all interested in finding solutions to the workers' grievances through the re-structuring process. They were in fact there to sabotage the entire privatization programme, even though we had clearly stated that the re-structuring and the privatization of Telecom is government policy and therefore not negotiable. So, those elements eventually dropped out, but I am glad to say that the majority of unions stayed on and had a very fruitful dialogue, where they accepted the fact that this will be re-structured, and within that re-structuring they discussed how best some of the issues of the workers are to be addressed. I am glad to say that when we finally converted Sri Lanka Telecom into a fully government- owned company, as a first part of this process on September 25 this year, thanks to the constructive participation of these unions, we had managed to resolve almost 99.9% of the burning issues of the workers. Many of these were non-issues, because they were completely misinformed for various political benefits and strategies of the unions, which were trying to sabotage the process. However, we have managed to address all other issues.

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governments must be small, and small governing is beautiful."

That is why I think that immediately after the conversion to a company a minority of these vociferous unions did their very best to mobilize the workers to strike against privatization, and also against the conversion into a company. They had three meetings in one day trying to whip up feelings and they failed miserably, I am glad to say, because most of the unions in that joint federation refused to join in. Specially, the Engineers Union, which is crucial, being a very sensible and educated union, after the management explained the actual situation to them also pulled out, and therefore none of the anticipated union opposition ever materialized, and we hope that the rest of the re-structuring process will be as smooth as it has been so far.

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BT: However, there have been some statements made that the conversion of SLT into a wholly government-owned company has been done with a certain lack of transparency. What have you to say on that?

Absolutely false. Because, I don't think anything could be more transparent than the manner in which we had conducted this whole programme. As I said, we initially announced the re-structuring programme on December 14 last year. Since then PERC met regularly, together with the unions who wanted to be there and participated constructively and every stage was minuted and kept very open. Eventually, in order to convert Sri Lanka Telecom Corporation into a fully government-owned company we had to go to Cabinet, where it was fully discussed and all the members of the People's Alliance, including the LSSP leader Mr Bernard Soysal agreed to the conversion. It was announced in Parliament when the Telecommunications Amendment Bill was presented, that this is to be converted into a public company and we have also advertised the fact that we are selling off 35 percent of the shares of this company. These advertisements have been placed internationally and locally, in all the wellknown journals, so I can't see how any government or anyone could be more transparent than this. I think the rest of the re-structuring programme will also be so. transparent, and I believe that one day the re-structuring of Sri Lanka Telecom may well be considered as a classic case study of transparent privatization.

BT: You gave licenses to two companies, Telia and Bell Canada, to set up

wireless-loop telecommunication services, providing 100,000 lines each, to meet the pressing demand for telephones. They both said, when this project was announced, that they would begin operations by late August or in September. It is now mid-October. What is the reason for this delay, and is any monitoring of their work being carried out?

Yes, we have been monitoring their work, and they have assured us that despite the slight delay they will be starting before Christmas, sometime in December. We can't forget that the power crisis would have affected the work of these. companies too. One of the companies has already had its name launch. They have brought the equipment and they are setting it up very quickly. Already, over 80 expatriates from both companies, Swedes and Americans, are in Sri Lanka trying to set these up. I think it will be very interesting that by the end of the year we will have two very efficient companies competing with SLT, and I have been assured that the rates will also be very competitive, and our objective of providing people with phones on demand will be one step closer to reality.

BT: Since you mentioned demand, what is the nature and extent of the demand for telecommunications today, and how do you see it grow?

At present, we have 245,000 subscribers in this country. As on June this year, there were at least another 250,000 on the waiting list for telephones. That is also not a true reflection of the actual number in waiting, because most people pay up only when they know that the exchanges have been completed. Basically, the demand is growing so rapidly, we believe that in the Year 2000, in just three years time, the demand will rise to 1 million phones.

At the moment, Sri Lanka. Telecom has agreed to supply at least 250,000 additional telephones by August next year. That programme is now continuing, and is at various stages of progress. Also, with the two wireless-loop operating services coming online, there will be 200,000 additional lines. But we still have to find ways and means of providing at least another 500,000 phones in the next few years. With the restructuring of SLT, I hope the new company will have the stamina and dynamism to meet this challenge.

BT: To get to a different area, what steps, if any, is your ministry taking to improve the telecommunications facilities in the Jaffna peninsula and other areas of the North, which are now under military control?

In fact, initially we took immediate steps to give some much-needed telephones to the military and some government institutions. There are about 34 telephones which we have provided at the moment for their use. We have already started work on re-installing the telecommunication towers at Jaffna and Kilinochchi. But, I think as the LTTE also knows, every time they leave a city after defeat, the last thing they destroy is the telecom tower, simply because it takes the longest time, and is one of the most costly exercises in restoration. That of course will take some time, and because it costs so much, tender procedure and all that will take almost one year.

But in the interim, we have already initiated work on providing some radio links to Jaffna, with the assistance of Motorola. Through this scheme, we hope to be able to provide at least 300 phone links, with IDD facilities, in Jaffna in the next four months.

Meanwhile, there is another programme which we hope to complete within the next six weeks. That is to start a few telecommunication bureaus to serve the general public of Jaffna. At the moment several hundred people from the peninsula come to Colombo and other areas of the South, at great cost, to make telephone contact with their relatives abroad. These bureaus will provide that facility for them in Jaffna. However, for reasons of security, initially these will be manned by the security personnel.

BT: What exactly is the status with regard to the privatization of telecom today. Have you received any bids or expressions of interest?

We are about four weeks behind the initial time schedule, but things are still going very smoothly. The financial consultants Deutsche Morgan Grenfell and PERC have been doing an excellent job, and now we have just sent out the Information Memorandum, and I am told that nearly 75 companies have shown interest. I am told that the response is very good and encouraging. I would say that by November we would be able to have a closer look and see which parties. are really interested and then short list, and hopefully by early January we should be able to take a final decision.

BT: This would mean that the sale of 35 percent of the shares of Sri Lanka Telecom will have to wait till January?

Yes, but that is no cause for concern. The initial spadework has been done, and once the short-listing is completed there will not be much time spent in coming to a

final decision. The more interesting thing is the level of interest shown, despite the fact that there are so many telecommunication projects up for privatization all over the world, from outer Mongolia to many of the former states of the Soviet Union, which are seeking foreign partners for telecom projects.

BT: It would appear that privatization of telecom, or the sale of 35 per cent of the stake in this government company, would be the largest contributor to make up the government's target of Rs 21 billion from privatization. I mean the budget target. Do you think this is a realistic assessment?

I would say not. First of all, I would like to say that although the budget may be one of the considerations, we are not just selling the assets in order to balance the budget. As I said earlier, the actual realities of the modern world are far more compelling than the budget deficit. But we believe that it is a realistic figure, and I believe we will be pleasantly surprised.

BT: What is the picture you see with regard to Sri Lanka's future in telecommunications?

Firstly, I feel that Sri Lanka being strategically located where it is, perhaps it will be the centre of the telecommunications industry in the South Asian Region. To get this process going I have already proposed an initial conference of SAARC Telecommunications Ministers in Sri Lanka, and this will be taken up in Kathmandu in January. This I hope will help make Sri Lanka the telecommunications gateway to South Asia. Also, by means of introducing the new revolutionary methods of telecommunications I can see immense benefits to Sri Lanka. I am sure it will lead to revolutionary changes in the spheres of education, agriculture and so many other areas of social and economic activity. We have now issued licenses for data communication services which say they may be able to provide information to farmers in their own areas about

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the prices of their commodities, through the rural or local banks. Perhaps, through the advance of data communication many villagers will be helped in the health sector. They need not come to Colombo or any other main city to consult a doctor.

We hope that in the next few years they may be able to consult a specialist while being in the village, through special advances in data communication already available. The area is vast, and I think that this is the interesting thing about new telecommunication or information technology-it is not elitist. It is something that can go down to the grass roots and help everyone, from the poorest person to the biggest corporate owners in the world. The benefits. of this I think will seep through in the next five years.