

Economic Freedom & Consumer Rights: Lessons from Sri Lankan Experience

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*Seminar on Economic Freedom in South Asia:
A springboard for socio-economic development*

Colombo, 16 October 2008

Agenda

- What economic freedom has achieved in the telecom industry
- Lessons for other infrastructure sectors/countries . . .

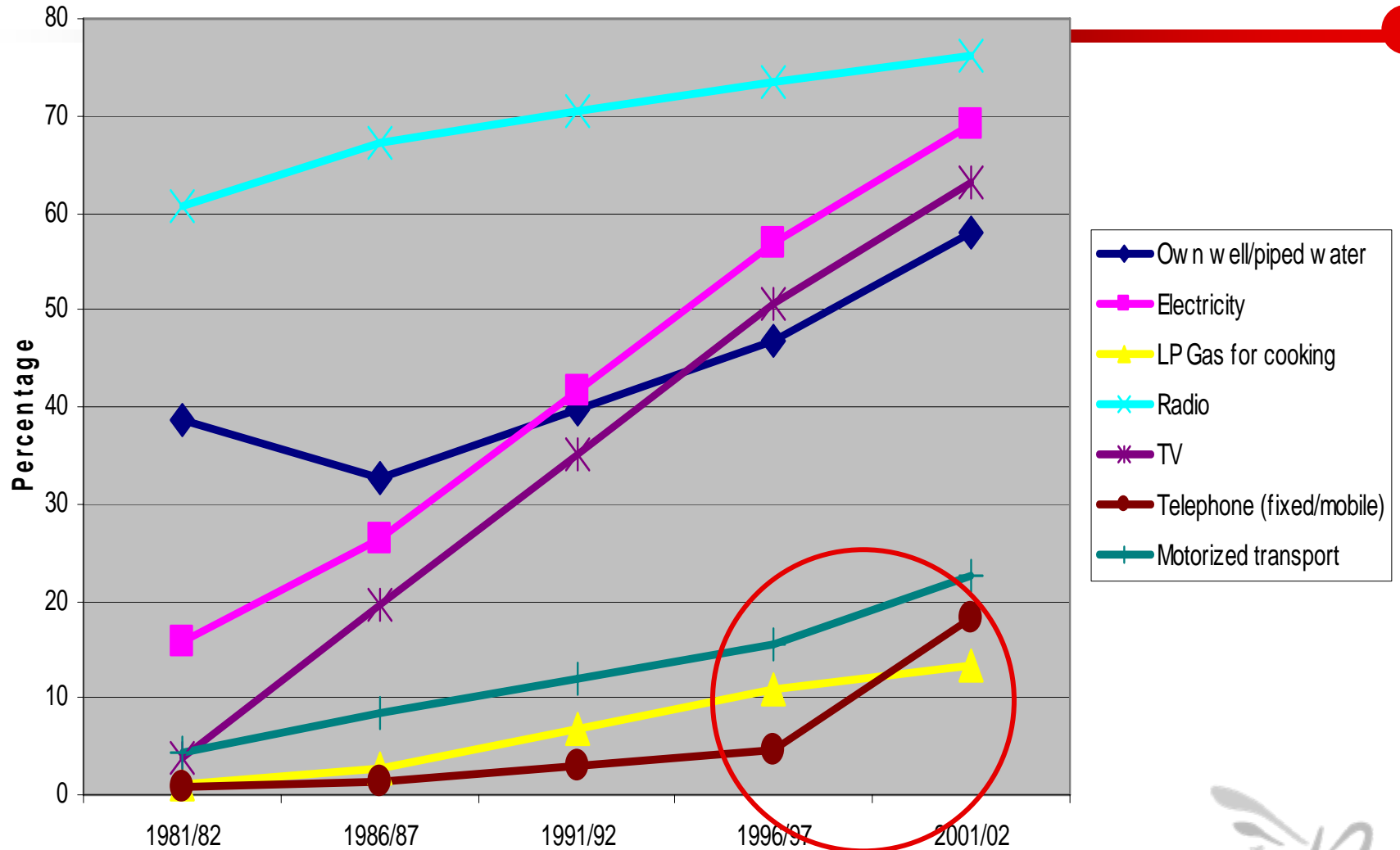


Surprising facts about Sri Lanka from H'hold Income & Expenditure Survey, 2006

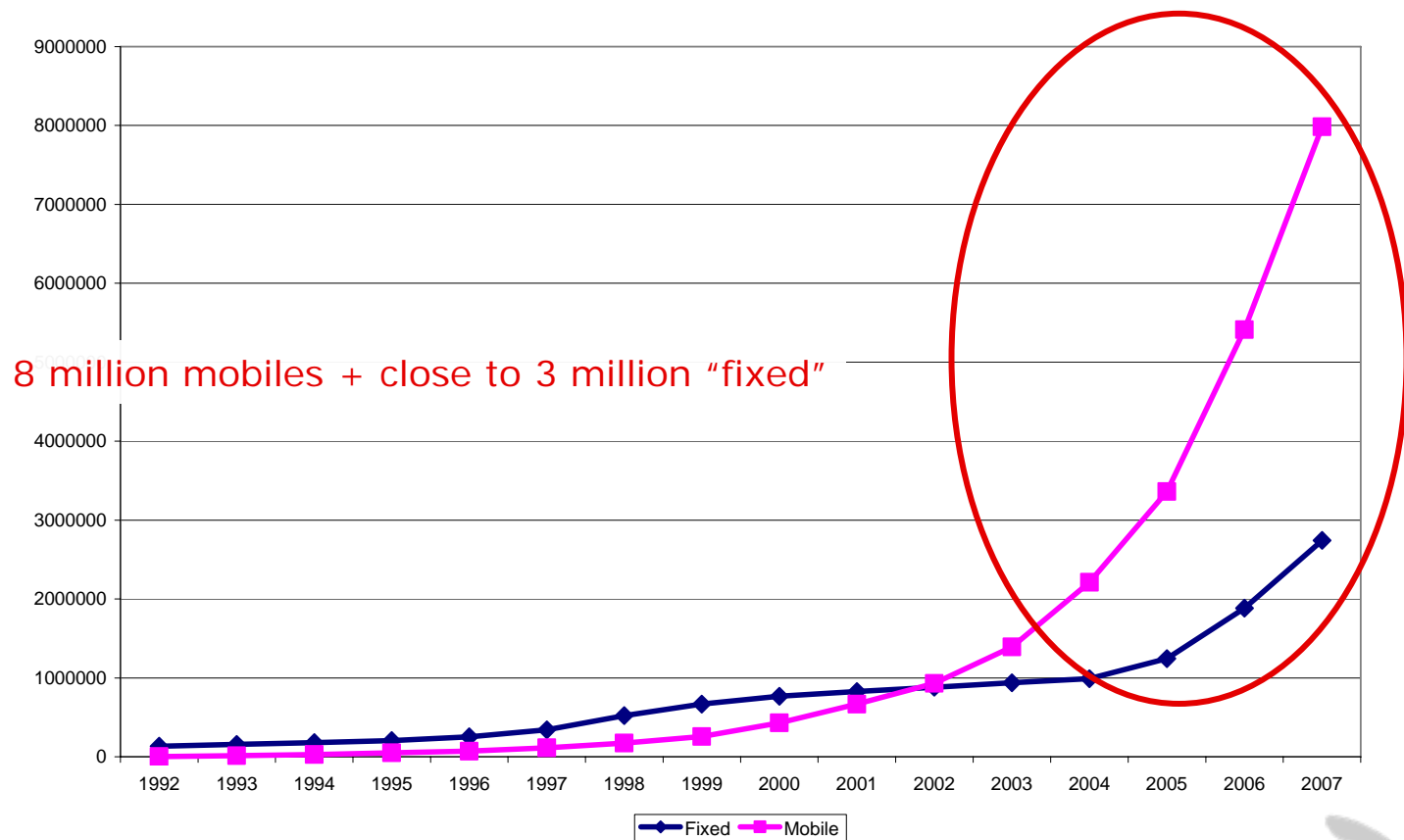
Homes with mains electricity	79.9%
Homes with fixed/mobile/both	46.5%
Safe source of drinking water	85%
Cooking with LPG	17.1%
Household non-shared toilet	89.1%

Almost half, should be higher now

Household Access, 1981-02 (Consumer Finance Survey adjusted)

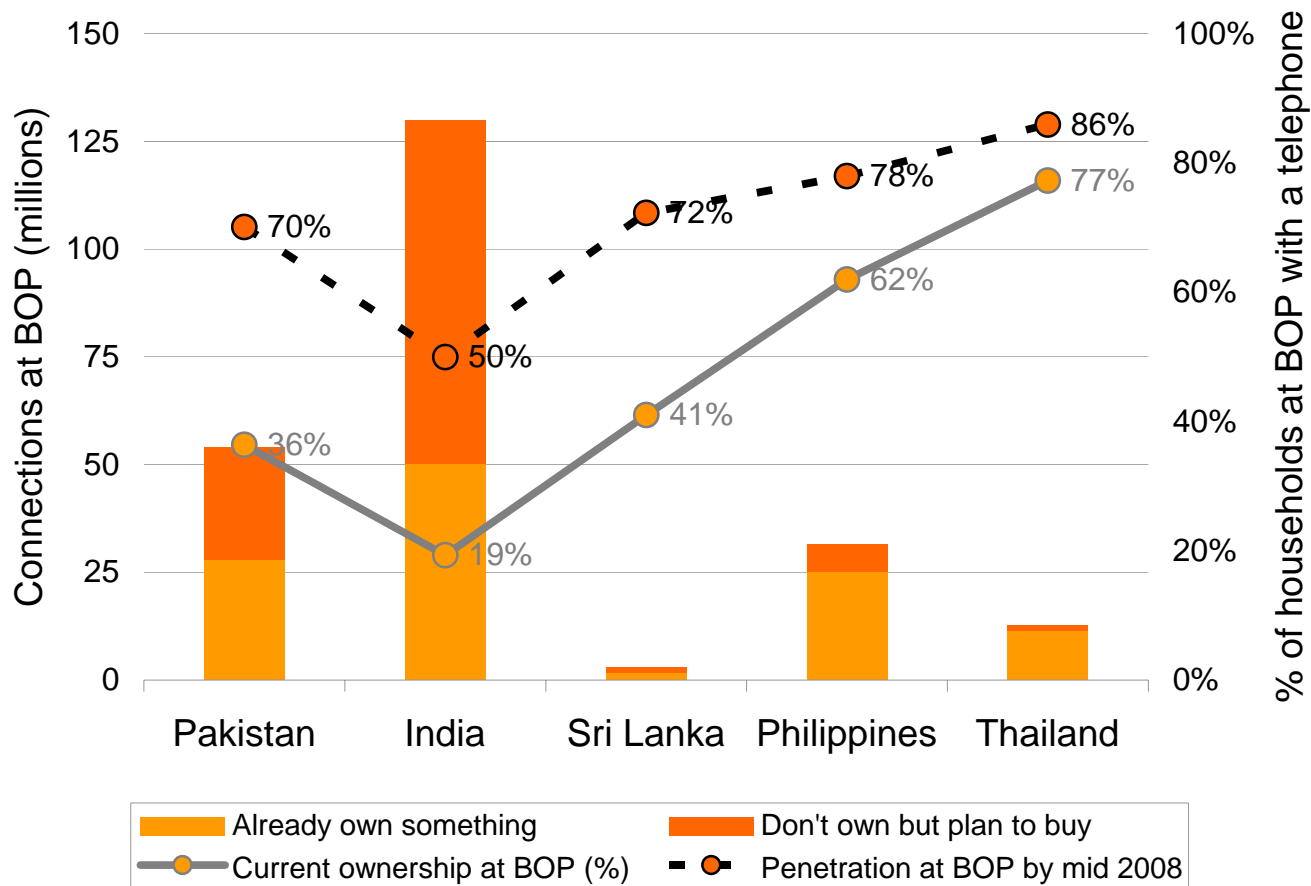


Supported by TRC data; high growth occurs in period not covered by Central Bank data (2002-)



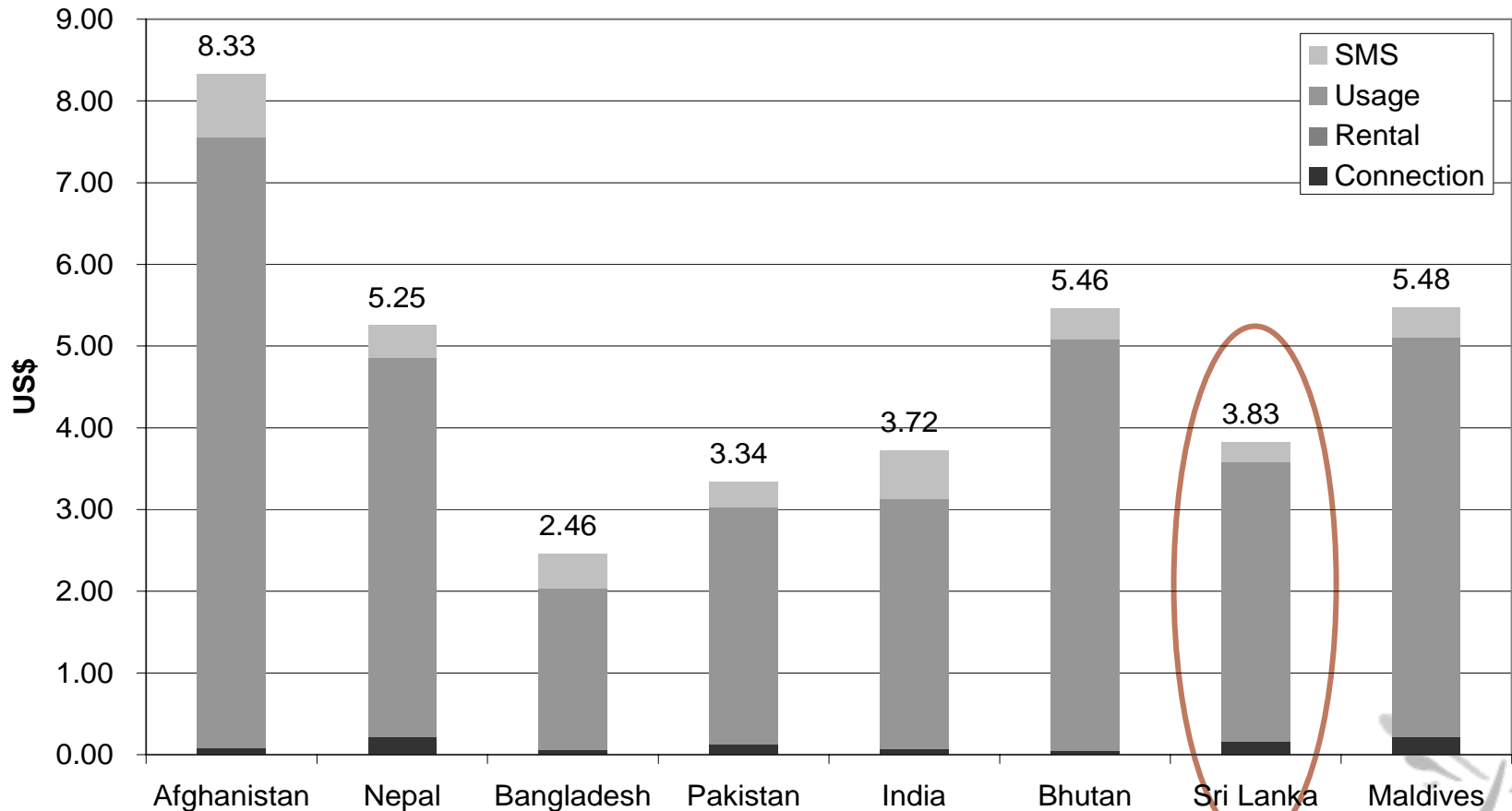
72% of Sri Lanka BOP households will have access in 2008 (projected) → higher for country as a whole

Unless the government succeeds in slowing down growth



Some of the lowest prices in the world, based on comparing basket of services (Feb 2008; low-user basket)

Nokia TCO study says Sri Lanka is lowest out of 77 emerging economies



Pretty good performance

- Half the population connected for sure; possibly 70% households with some kind of phone access
 - Calling opportunities in 1992 = 100,000; now = 12,000,000
- Some of lowest prices in the world; only industry with decreasing prices when everything is increasing in price
- Quality of service not the greatest, but
- Choice is relatively good
- One of the biggest contributors to the Treasury
- One of the drivers of economic growth



Other benefits to consumers

- ❑ Disappearance of petty bribes needed for connections and maintenance
- ❑ Consumer orientation among operators with service being brought to consumers electronically and otherwise



Compared to

Table 1: Car journey time survey results (as average speeds, km/hour): Inward direction, morning peak

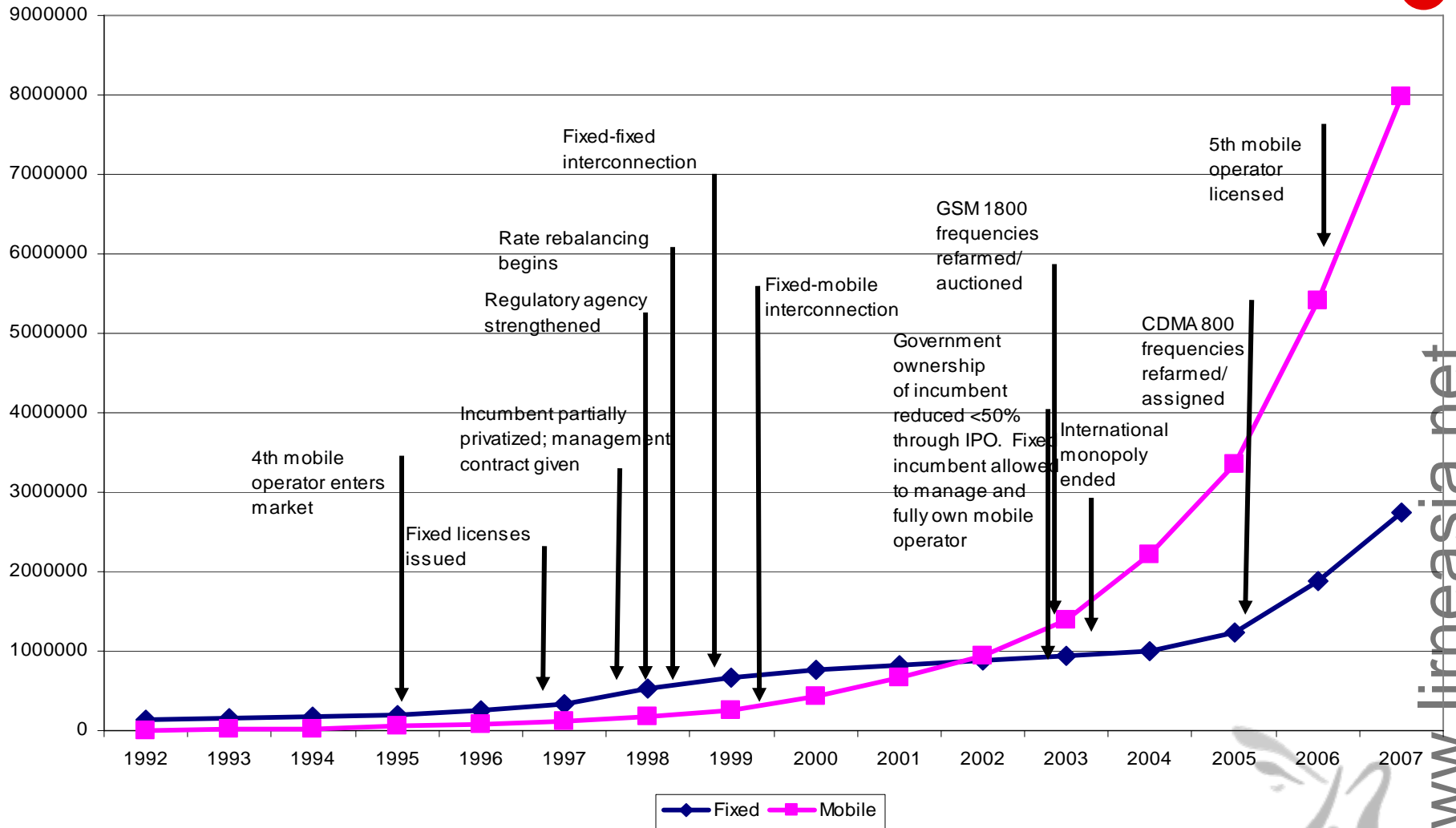
		1997	1999	2001
Colombo-Galle	Maliban Junction to Dickman Road	28	18	8
Colombo - Ratnapura	Maharagama to Kirulap	32	16	6
Colombo – Kandy	Kadawatha to Orugodawatte	23	22	11
Colombo - Puttalam	Mahabage to Kelani Bridge	18	16	7
Jayawardanapura - Kollupitiya	Battaramulla to Senanayake Junction	23	17	9
Colombo-Horana	Papiliyana to Vilasitha Nivasa Junction	27	17	8
Wellampitiya – Kaduwela	Abatale to Wellampitiya	28	18	9

Source: Transport Studies Planning Centre, Ministry of Transport

2001 data is latest; slower or faster today?



Time-line of policy/regulatory actions that led to good performance



Right actions conducive to economic freedom

- Allowing market entry
 - Clean entry > dirty entry > no entry
- Market entry without spectrum is meaningless
 - Refarming and assigning as needed
- Adequate capital essential
 - Even the acquisition of a mobile operator by the fixed incumbent with potential for anti-competitive behavior helped drive the industry by creating a disruptive competitor
- Enough space for companies to develop new business model (no “command-and-control” regulation)



Lessons for other sectors/ other countries

The guiding principle

- Competition wherever possible; regulation where necessary
 - What is possible and what is necessary will change depending on sector, country and time
 - Reform is not one-size-fits-all
 - But that does not mean that the principle is not of general applicability



Good government

- Is needed for effective provision of infrastructure services
 - Where the best that can be achieved are workable markets
- Good government is unlikely when government is doing too many conflicting things
 - Supplying services
 - Regulating
 - Making profit
 - Serving those not served by the market



The solution includes

- Separating the functions
 - Do a few things well, not many things badly
- Ensuring enough information comes out for regulation to be effective
- Aligning incentives for efficiency and lawful behavior
- Creating the conditions for as much participation as possible in infrastructure industries = maximizing economic freedom



□ For more information

■ www.lirneasia.net

■ Column: <http://www.lbo.lk/showsubcategory.php?cc=24&t=s&nm=Choices> (www.lbo.lk, choices)

