

National Paper Company to be privatised

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- Market share reduced from 25-5%
- Turnover reduced from Rs 1000m to Rs 400m

by HIRAN H. SENEWIRATNE

The Government, under its economic reform programme, will restructure the National Paper Company Ltd (NPCL) in the near future.

The strongest trade union in the company, the Inter Company Employees Union, backed by the JVP, is strongly opposing the move on the grounds that it will put thousands of employees' jobs in jeopardy.

The Public Enterprise Reform Commission (PERC) is presently looking at the possibility of privatising the entity and is awaiting Cabinet approval, said a top official of the PERC.

"In the interest of the local paper industry, NPCL is listed for privatisation," said Minister of Industries Rohitha Bogollagama.

He said the Government expects private sector participation to develop the paper industry into international standards.

"We want to privatise it, because it has been running at a loss for some time," said Secretary to the Ministry of Enterprise Development, Industrial Policy and Investment Promotion Ranjit Fernando.

He said the PERC will go ahead with its task as soon as Cabinet approval is given, "but I am not in a position to give a time frame right now".

NPCL Chairman Palitha Ganegoda said the organisation is now running at a loss and will be restructured very soon to make it a profit making venture and also compete with international brands. It is awaiting Cabinet approval. NPCL has two factories at Embilipitiya and Valachchenai.

He said the NPCL, earlier known as the Paper Corporation, dominated the local market till quite recently, but has now become a white elephant due to its uncompetitiveness in the business.

He said the rot had set in 1995, with the reduction of import duty to 10 per cent from 45 per cent. "We gradually lost the market to imported paper products," he said.

Another reason for the venture to make losses is the increasing cost of production. He said that if the cost of production was low, they could have competed even with low priced goods flooding the market, but today cost of production and the low priced imported goods are badly affecting the company.

Ganegoda said locally made products cannot compete with low cost imports from countries such as India and Indonesia.

Technology

He said technology is changing throughout the world and all the machinery is computerised while in Sri Lanka, we are still in primitive stages. "If we are to remain in business, we have to infuse new technology, while giving other incentives," said Ganegoda.

"The best quality paper is 100 or at least 97 per cent white, but the local paper has a slight brownish colour," he admitted. He said with the introduction of new technology, local paper can be improved to this standard.

This is a reason why NPCL products cannot compete with imported stuff. "Imported paper materials have flooded the local market now, but they can compete with the local brand because they are of international standards," he added.

"When we were dominating the market and were doing well, the authorities did not upgrade the machinery at either factory," said Ganegoda.

He said the Valachchenai and Embilipitiya factories have not been upgraded since their inception in the 1950s and the early 1970s respectively. The Embilipitiya factory is mainly producing paper for general usage and has the capacity of 50 MT per day, while the local consumption is 200,000 MT.

The Valachchenai factory manufactures

Reasons for failure

- * Duty reduction from 45% to 10%
- * High cost of production
- * Competition from other countries
- * Outdated technology



The now defunct Embilipitiya factory is on left while the still functioning Valachchenai factory is on right



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- Minister Bogollagama



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At a glance		
	Embilipitiya	Valachchenai
Established	1970s	1950s
Capacity	50 MT per day	100 MT per day
Production	-	10-15 MT per month
Usage	General	Industrial
Employees	573	850
Acreage	580	300
Highlights	Closed since April Treasury spends Rs 11.5m monthly to pay salaries	Functioning

paper for industrial use and never stopped operations even at the peak of LTTE problems. The factory has given employment for 850 people, he added. It still has room for expansion.

The Embilipitiya factory has been closed since April 2003. The Treasury spends Rs 11.5 million monthly to pay the salaries of its employees.

According to Ganegoda, the Embilipitiya factory had more than 3920 employees in 1987. When the present Government came into office in 2001, it had more than 1900 employees.

He said: "The industry has a ready market. Therefore, the company has to gear itself for change. In 1997, the estimation for the upgrading of the Embilipitiya factory was Rs

500 million". The Embilipitiya factory now has only 574 employees as most of them have left by accepting the Voluntary retirement Scheme (VRS). NPCL has given three VRSs from the time the present management took office in December 2001. According to Ganegoda, more than 955 employees had been retrenched.

The Embilipitiya factory is located in a 580-acre land in an ideal location for the

paper industry, but has become unsuccessful due to its failure to change with time, he added.

Duty reduction

NPCL General Manager J.C.A. Abeyratne said the import duty reduction in 1995 had taken them by surprise. The government did not even give a grace period for the company to upgrade its factory.

"We were badly hit in 1997 when our market share went down to five per cent from 25 per cent," said Abeyratne. In 1996, the turnover of the company was Rs 1.4 billion.

He said though the printing industry started developing rapidly, local paper could not cater to modern printing machines.

"NPCL is a national asset. It should not be privatised, but the Government should take over and give the necessary support to make it a viable entity," a veteran SLFP Trade Union leader said.

The JVP MP for Anuradhapura District K.D. Lankantha said both factories are national assets.

"There is no need for privatisation of NPCL at this juncture, since it can be revived by providing tax relief and infusing new technology to safeguard the jobs of the people," he said.

Lankantha, also the Secretary of the All Ceylon Trade Union Federation, said the Government's privatisation campaign for the NPCL has put thousands of employees' jobs into jeopardy.

He said if the Government supports the organisation with incentives, it has the capability to provide thousands of employment opportunities in the country.

