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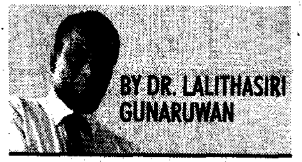
Role of transport in accelerated development



Part III

In summary, the preceding discussion has emphasised the importance of maintaining productivity of capital at high levels, if Sri Lankan economy is to successfully grow at accelerated rates without significant sectoral and macro-economic hick-ups. Capital productivity, or in other words, reducing ICOR will be of prime importance to sustain high growth rates.

While making every possible effort to reduce under-utilisation and to further improve productivity in the existing capital stock through better management of projects and efficient transport operations, care is necessary to ensure capital efficiency of new investments. Less capital intensive transport modes, such as public bus and railway, should be promoted.

Preventing the possibility of over-expenditure in investment should be assigned policy priority, and a transparent process of bench-mark comparison should be used to prevent such possibilities in awarding all large scale State sector contracts in the field of transport, whenever competitive bidding becomes impractical for whatever reason.

It is also of importance that such investment be strategically planned so that both capital accumulation and effective demand creation effects of investment are maximally exploited.

While it may not be practical to carry out all investments through budgetary financing, there could be local enterprises in view of undertaking the contracts locally.

Possibilities may also exist to obtain sub-contracts to local companies so that at least a certain percentage of capital invested would be ploughed back to the local economy, or to encourage, by loan agreements, formation of joint-ventures with local companies and/or State enterprises to undertake the projects. Establishment of an infrastructure development fund, from which local construction companies could source their capital at competitive rates, could enable them bid for transport infrastructure related projects, thus paving the way for maximum retention of profits generated through the execution of such projects.

Such effort will not only help transport sector continuing to support economic development process, but also becoming a growth puller.

It is time that transportation in Sri Lanka step beyond being a mere service provider for other sectors to grow, but grow in to the age of being an industrial cluster of itself, internalising all peripheral activities on which the Sri Lankan national economy has not hitherto been able to optimally benefit of a value generation.

Only then could the effective demand creation by transport services be accrued to the local economy, in return providing a boost to the local enterprises with more business as well as opportunities to grow and, one fine day, to bid for transportation-related contracts off-shore! That would be when the transport sector could strongly and sustainably drive our economy forward.

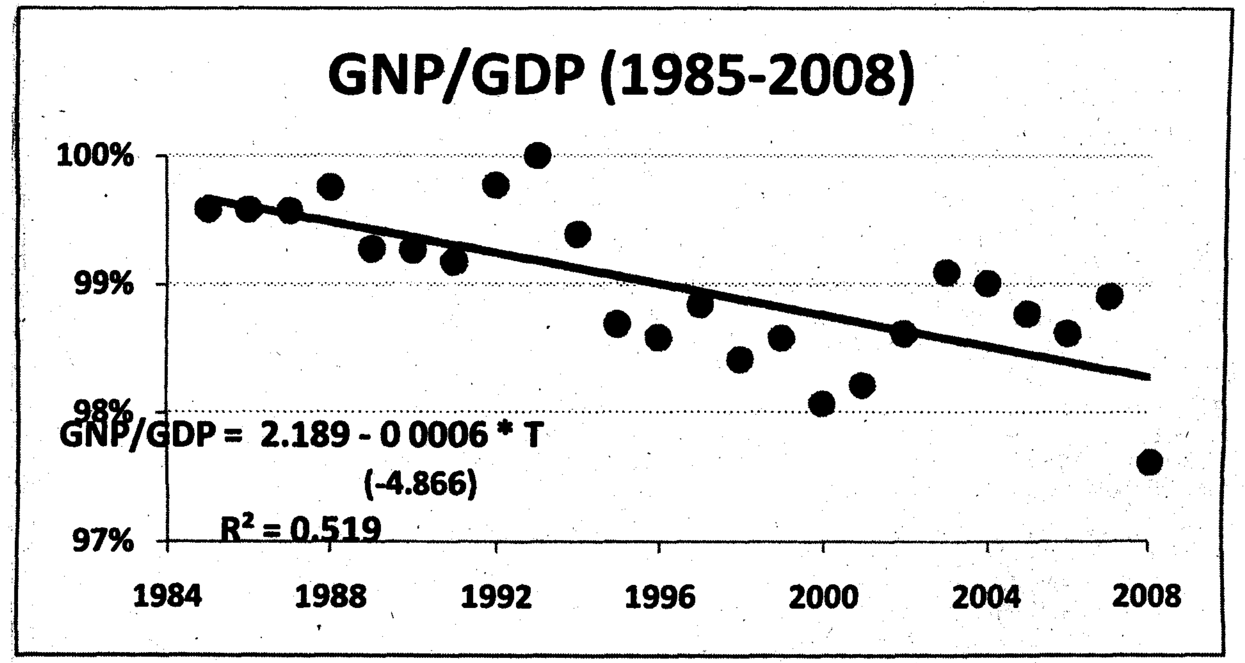
Concluded

Procurement of railway bridges	Per Tonne of Plate Girder (aprx 0.85 T/ft)	1
Complete Signalling and Communication system	Per kilometre	25
Procurement of New Coaches	Per carriage	40

Table 4 : Comparative Macroeconomic parameters at Improved ICOR

Parameter	ICOR of 4.5	ICOR of 4.0	Impact
GDPMP (Rs Mn)	12200	12200	
GDP Growth rate	9.2% p.a.	9.2% p.a.	
Per Capita Income (USD)	4400	4400	
Consumption (Rs Mn)	8900	8900	
C/GDP (%)	73%	73%	
Investment need (Rs Mn)	5050	4490	-11%
I/GDP (%)	41%	36%	- 5 points
Investm need (Rs Mn 2010 Pr)	3601	3201	- 9%
X - M (Rs Mn)	- 1750	- 1190	-32%
(X-M)/GDP	-14%	-9%	5 points
Total Trade (Rs Mn)	6900	6385	-8%
Total Trade (volume Index)	170	156	-8%

Next few years Tourism, for example, displays high transport intensity with almost one-third of the expenditure made in the economy by a tourist would be on transport and tour-related services. This would be even up to 60% if the expenditure on international air travel is spent on a Sri Lankan source. With tourist arrivals targeted to exceed 2 million by 2016, the transport sector should be prepared to produce value exceeding $ 1 billion per year on tourism alone by five years from now.



Source : Computed based on statistics published by the Central Bank of Sri Lanka