Sri Lankan government imposes IMF privatisation demands

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Late last month SriLankan Airlines signed an agreement with Pakistan International Air Line (PIA) to lease three A330 planes to PIA. The deal, which is another stage in the privatisation of the national carrier and follows job downsizing in preparation for its sale, is in line with International Monetary Fund demands for the "reform" of Sri Lankan state-owned-enterprises (SOEs).

The new leasing arrangement follows announcements by Prime Minister Ranil Wickremesinghe that several state-owned enterprises, including the Hilton Hotel, the Grand Hyatt and Lanka Hospitals, will be put up for sale. The government, he said, was considering the sale of Mattala airport and Hambantota seaport to the Chinese companies that built them in order to reduce government debt.

Minister of Development Strategies and International Trade Malik Samarawickrama told the recent Sri Lanka Economic Summit: "Over the next few months it is our intention to dispose of hotels, Lanka Hospitals and private commercial property in Colombo business districts via the stock exchange or through requests for proposals," he said.

In a report last May, the IMF said it wanted the privatisation of SriLankan Airlines completed by September this year. According to the Sri Lankan ministry of finance, the national carrier had a debt burden of over 62 billion rupees ($US427 million) and was seeking a suitable business partner.

Last February, the airline ended its Colombo–Rome route and plans to withdraw from its Colombo–Frankfurt and Colombo–Paris routes by October.

On June 28, SriLankan Airlines chairman Ajith Dias told staff that ground-handling duties currently organised by the airline at Bandaranaike International Airport (BIA) will be privatised. Airline workers have protested against the move, pointing out that ground-handling is profitable for the airline and warning that other departments, such as catering and engineering, would also be sold off to private companies. A staff representative told the media that the government was forcing the airline to "suffer a slow but natural death."

The privatisation of SriLankan Airlines is an indication of what is in store for other Sri Lankan SOEs. The IMF regards Sri Lanka's state-owned enterprises as a major burden on the economy as well as a potential source of profit for private investors.

Its May report declared: "Sri Lanka had some 235 public enterprises representing 17 percent of the nation's economic activity in 2010. Although some SOEs are profitable and performing well, collectively they represent a drag on the private economy and a drain on public finances (both directly, and through the state banks, which fund the largest SOEs)."

The IMF identified six of the largest SOEs—Ceylon Petroleum Corporation (CPC), the Ceylon Electricity Board (CEB), SriLankan Airlines, National Water Supply and Drainage Board, Airport and Aviation Services Limited, and Sri Lanka Ports Authority—and demanded major "structural reforms."

It called on the government and the SOEs to publish "statements of corporate intent," outlining "the SOE's mission, high level objectives, and multiyear corporate plan; capital expenditure and financing plans; explicit financial and non-financial targets; and description and cost of non-commercial obligations."

The IMF declared that the CPC and CEB were losing money because of "implicit energy subsidies—retail fuel and electricity prices have been set below cost-recovery levels" and signalled that the government would increase the rates on these items, as well as water, by

December.

“The authorities will introduce a formula-based automatic pricing mechanism for petroleum products, so as to ensure that future losses by the CPC and large retail adjustments are avoided. Also, the Public Utilities Commission will be granted enhanced authority to set electricity and water tariffs in a cost-reflective manner,” the IMF said.

The Sirisena-Wickremesinghe government has included these directives in the ministry of finance’s half-year report, declaring that the CEB would “move towards cost reflective pricing policies” and that the National Water Supply & Drainage Board was quickly moving “to reduce non-revenue water.”

Addressing the recent Sri Lankan Economic Summit, Development and Trade minister Malik Samarawickrama said the government was establishing a public private partnership (PPP) framework that “clearly lays out policy, legal and institutional obligations for contracting PPPs.”

He said that a Public Enterprises Development Bill, which is aimed at “efficient governance” of SOEs, will be presented to parliament next month. This means downsizing, layoffs and attacks on working conditions similar to those being already being implemented at SriLankan Airlines.

A job destruction “Voluntary Retirement Scheme” has already been introduced at the Sri Lanka Transport Board. Minister of Fisheries and Aquatic Resources Mahinda Amaraweera has also announced that 415 jobs, or almost half of the 1,100 positions at the Fisheries Corporation, should be eliminated in order to create the conditions to convert the state-owned corporation into a private public partnership.

The Sirisena-Wickremesinghe government is acutely aware that these moves to corporatisation and privatisation will face stiff resistance from the working class. This is why Colombo is strengthening the police-state apparatus built up during in the 30-year civil war against the separatist Liberation Tiger of Tamil Eelam.

The government has enacted a range of new laws on national security and organised crime that will be used to curb all democratic rights, including strikes, workers’ protests and demonstrations. A warning of how these new measures will be used is indicated in the police repression against the struggles of university students and the crackdown against the recent strike by non-academic university staff.