



TROUBLED TRANSPORTATION: LESSONS FOR COLOMBO FROM MANILA, BANGKOK AND HONG KONG

One of the most critical implications of Sri Lanka's current economic crisis is the hard hit on the transport sector. The foreign exchange shortage has made importing fuel a major challenge, severely affecting road transportation and further impeding the performance of an already crippled economy. This Policy Insight gives context to the ongoing transportation issues in Sri Lanka and offers medium- and long-term solutions to address the issues, based on lessons learnt from the experiences of Manila, Bangkok and Hong Kong.

Poor Public Transportation

The transportation sector in Sri Lanka absorbs a fair share of petroleum imports to the country and has a very low price elasticity. Despite the many price hikes in 2021, the Ceylon Petroleum Corporation (CPC) sold a total of 3.6 billion litres of petroleum products to the transport sector, which was higher than the average of 3.4 billion litres sold from 2015 onwards.¹ This trend of high demand continues even during the historically high petroleum product price in 2022.

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A key reason for this consistently high demand for fuel, particularly in commercial capital of Colombo, is the combination of the overreliance on private transportation and the weak public transportation system. The decline in the public transport sector amidst the above-mentioned consistent high demand for petroleum products in 2021 reflects the inadequate contribution of public transportation towards the transport sector in Sri Lanka. When the demand for petroleum products in 2021 was above the previous period's average, the operated kilometrage and passenger kilometrage of the public operator Sri Lanka Transport Board (SLTB)

declined by 19.7% and 28.4%, respectively, while the corresponding contractions in the private transport sector were 4.4% and 2.2%, respectively.² Some part of the decline in public transportation in 2021 can be attributed to COVID-19 related social distancing requirements in travelling. As such, amidst the severe financial crisis with the lack of capacity to import fuel in a timely manner and rising fuel prices due to global and exchange rate pressures, the key solutions to the transportation problem lie in improving the public transportation sector and exploring alternative means of transportation.



Image Credit: Shehan Gunasekera, Daily FT Sri Lanka.

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¹ Central Bank of Sri Lanka (2022). Annual Report. Colombo: Central Bank of Sri Lanka.

² Central Bank of Sri Lanka (2022). Annual Report. Colombo: Central Bank of Sri Lanka.

Grand Policies and Plans

Sri Lanka has undergone various planning and policy contexts in relation to public transportation. During the 2010-2015 period and its *The Emerging Wonder of Asia* development framework, the transport sector buzzwords included Bus Rapid Transit (BRT), Light Rail Transit (LRT) and Mass Rapid Transit (MRT). During the 2015-2019 period and its *Western Region Megapolis Master Plan*, the hype included the Rapid Transit System (RTS), the bus system, the rail system, the road system and the already heard LRT. In the most recent *Vistas of Prosperity and Splendour* framework, the lingo was peppered with a 'park and ride' system, metro rail system, radial and circular road system and the now familiar LRT. Despite varied packaging to cater to the administration's approach, most of these public transportation-related efforts during the last decade were broadly connected to the National Physical Plan (NPP).

LRT Drama

All previous policy frameworks have recognised the importance of developing an LRT system to ease congestion in transport and commuting but several reasons delayed its implementation. The approval from the Central Environment Authority (CEA) for the LRT was received at the latter part of 2018.³ There were delays in drafting a framework to regulate the LRT system. Subsequent to fulfilling these, in 2019, the Japan International Cooperation Agency (JICA) expressed willingness to provide a soft loan of USD 1.85 billion out of the total estimated investment of USD 2.2 billion for a LRT connecting Malabe and Fort. This included a 12-year grace period, 40-year payback period, and yen interest rate of 0.1%. By June 2020, Sri Lanka has already signed the agreement with JICA for a loan tranche of USD 270 million, preliminary work had begun, and a contract was signed with a project consultancy firm for USD 130 million. However, in 2020, the project was abruptly halted, the agreement with JICA was reversed and steps were made to seek new proposals from private investors under a Public-Private Partnership (PPP) arrangement.

The ever familiar - yet illusive LRT came to the forefront once again in 2022 when Sri Lanka attempted to woo Japan to extend support during the ongoing economic crisis. Sri Lanka has written to the Japanese Prime Minister requesting financial support while extending "deep regret in scrapping the LRT" project in 2020.⁴ Still, it is unclear why the soft loan from Japan was rejected in favour of a PPP and to date, public transportation in Sri Lanka is at an incipient level. When Sri Lanka returns to a position to consider such investments, there should be no room for further policy or planning mistakes or back paddling.

Lessons for Colombo

There are several lessons to be learnt based on the experiences of Metro Manila, Bangkok and Hong Kong which are case studies that Sri Lanka's transport sector can refer to in its efforts to develop public transportation.

Metro Manila's experience demonstrates the importance of creating a master plan and sticking to it. One such approach is legalising the transportation plan. This would make it more difficult for a

project to be postponed or disbanded when governments change. Another option is to garner support from the government, opposition and the public. If the public supports the initiative, the prospective government or the opposition, has a greater incentive to complete it.



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Bangkok's experience shows how successfully managed PPPs have assisted the development of infrastructure projects without burdening the government. In the case of the Bangkok Mass Transit System (BTS) Sky Train, the government did not provide any funding and as a result, does not face any risk associated with the operation of the light rail. A private company providing 100% of the funding and taking the aggregate risk for a project may be extreme in the Sri Lankan context. But it demonstrates that Sri Lanka can be on the lookout for a private company to finance and potentially fund part of a public transportation project.

Similarly, Hong Kong demonstrates how a private company can successfully run a mass transit system and profit by investing in its train stations and developing rental space. This success was mainly hinged upon Mass Transit Railway (MTR)'s capacity to develop the land and receive the rental income and the conducive environment in Hong Kong to do so. As such, incorporating rental space into transportation investments in Sri Lanka could pave the path for future investments in public transportation to become profitable.

However, a PPP should not be considered a "silver bullet" for Sri Lanka's public transportation issues. Bangkok's experience showed that projects developed on a piecemeal basis lack integration and become less efficient. As a result, Bangkok's Purple Line stops 1 kilometre away from the blue line at a different station. If Sri Lanka is to pursue PPPs for public transportation, an integrated approach where a transportation system is considered as a whole instead of a collection of independent projects is critical.

This Policy Insight is based on the new IPS publication 'Towards a Developed Urban Transportation System: Lessons for Sri Lanka' by Bilesha Weeraratne and Chathurga Karunanayake. The complete report can be purchased from the Publications Unit of the IPS located at 100/20, Independence Avenue, Colombo 07 and leading bookshops island wide. For more information, contact 011-2143107 / 077-3737717 or email: publications@ips.lk.



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³ Ministry of Megapolis and Western Development. (2018). *Annual Performance Report 2018*. Battaramulla: Ministry of Megapolis and Western Development.

⁴ De Silva, Harsha. (2022). "Sri Lanka in Dire Straits" Harsha Gives Update on SL Economy. Retrieved May 27, 2021, from Newswire. <https://www.newswire.lk/2022/05/05/sri-lanka-in-dire-straits-harsha-gives-update-on-current-sl-economy/>.