

Seminar on "Measures to Revive Domestic Construction Industry"

Seminar Report

FEBRUARY 2020 **27**

@ Main Hall,
The Sri Lanka Foundation Institute,
Colombo 07

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1. Welcome Address



Eng. Col. Nissanka N. Wijeratne
Secretary General/CEO
Chamber of Construction Industry of Sri Lanka
Former Secretary
Ministry of Housing & Construction and Foreign
Employment Promotion
Former Chairman/ICTAD

Eng. Col. Nissanka N. Wijeratne, Secretary General/CEO of CCI Sri Lanka welcomed Resource Persons namely Mr Mahinda Siriwardana, Plnr Lakshman Jayasekara, Mr Mohan Peiris PC, Eng. Plnr. Nihal Somaweera, and Eng Mevan Gunatilleke, who had accepted the invitations to address the Seminar.

Next, he explained that when the Chamber of Construction Industry of Sri Lanka had discussions with many companies associated with construction industry, most of them acknowledged, that at present the Construction Industry is undergoing a difficult period after Easter-Sunday bomb blasts which created a serious set-back on our economy and which was also felt by the Construction Industry as well. From this unexpected downfall, we have not yet returned to normalcy yet.

Most of the companies asserted the problem of delayed payments for work completed. Now it appears that the payment due, might not be received till June 2020.

Considering the importance and urgency attached to this situation, CCI Sri Lanka thought it would be most appropriate to discuss these issues with some other topics having direct relevance to Construction Industry. Hence, this Seminar which is titled as “Measures to Revive Domestic Construction Industry”.

Eng. Wijeratne also extended a warm welcome to all attendees.

2. Opening Address



Eng. Maj. Ranjith Gunathilleke
President
Chamber of Construction Industry of Sri Lanka

Eng. Maj. Ranjith Gunathilleke, President of CCI Sri Lanka making the opening address welcomed all professionals listed as speakers to the Seminar and the audience.

Referring to the recent past, he said, last 12 months had been a turbulent period for the construction industry as duly elaborated by CEO/CCI Sri Lanka in his welcome address. CCI Sri Lanka discussed this matter with various stakeholders and the outcome was last Seminar held in November 2019 on “For Construction in Sri Lanka What Next...?”. At the time none was certain what is going to happen in next twelve months.

❖ Next Five Years

By now, it has been declared that General Elections are to take place around April – May 2020. After election, Eng. Gunathilleke said, that the turbulent period may go off and firm national policies, targets, tasks will be in place with a firm vision for the country. He also expressed confidence that politically there will be stability and we will be definitely able to achieve it. He further noted that professionals present in the Seminar need not entertain any doubts on achieving the set vision.

❖ How to achieve that?

Eng. Gunathilleke said that the Central Bank of Sri Lanka (CBSL) was represented in the Seminar by its Deputy Governor, Mr Mahinda Siriwardana who is privy to the secrets of National Planning and Policies of CBSL and General Treasury. He would enlighten us on how the policies would impact construction industry enabling us to be ready for next five years.

The second Speaker Plnr. Lakshman Jayasekara, Project Director of Western Region Planning Project/Aerocity Development Project would inform the audience with what economic planning is taking place for implementation in next five years and how funds are expected to come in and the PPP model of development.

As regard to inordinate delays in conflict resolution in construction industry, the most suitable person as former Chief Justice and Attorney General, Mr Mohan Peiris, PC will address the Seminar. Eng. Gunathilleke remarked that he was fed up with the procedures related to litigation, mediation, adjudication and arbitration. He opined that litigation is time-consuming whilst mediation is somewhat better provided the mediator is competent and said that adjudication had no legal binding. He also said, arbitration takes a period as long as 4-5 years.

As to the subject of improvements to railway network and investment potential, Eng. Plnr. Nihal Somaweera is the most knowledgeable, being a former Secretary to Ministry of Transport, whom we have invited to the Seminar. Eng. Gunathilleke while admitting his poor knowledge on this subject matter said all he knew was that British rulers started railway in the year 1864 and developed it to tracks of length 1600 km and after independence during last 70 years, we have only removed tracks equivalent to 10%. While expecting to hear of metro light railway and Colombo Suburbs railway projects Eng. Gunathilleke expressed his wish to see a railway operational in Colombo in the near future under one of those projects.

Eng.Col. Nissanka N. Wijeratne, Secretary General/CEO of this Chamber will speak on the present plight of the construction industry and the possible remedial action that could be implemented by the Government to boost the industry. As Eng. Wijeratne is the most experienced person to talk on this topic, his presentation is bound to be of much interest.

Referring to the last speaker of the day, Eng. Gunathilleke said, Eng. Mevan Gunathilleke happens to be his own son who was scheduled to speak of exporting construction services. Eng. Mevan Gunathilleke having experience in this field would elaborate on benefits to be accrued, the obstacles to be encountered, government support needed etc. in exporting construction services.

Eng. Gunathilleke explained that the six subject areas included in the agenda are so important; it will be an uphill task to cover all six areas in one session. He also expressed the view that each subject would in fact need one session. In this context, this Seminar is of immense value to professionals and expressed that participants would gain much being present here.

Eng. Ranjith Gunathilleka lamented the difficulties in securing sponsors for this type of Seminars. He noted the CCI Sri Lanka, although incorporated and approved by an Act of Parliament, is a non-profit organization.

In this context, he said, the CCI SL very much appreciates and thank the CEYLEX Engineering (Pvt) Ltd, which is a subsidiary of LTL, and the Merchant Bank of Sri Lanka and Finance PLC which is a subsidiary of Bank of Ceylon for coming forward to sponsor the Seminar.



3. Economic Outlook of Sri Lanka and Prospects for Construction Sector



Mr Mahinda Siriwardana
Deputy Governor
Central Bank of Sri Lanka

Mr Mahinda Siriwardana, Deputy Governor of Central Bank of Sri Lanka (CBSL) thanked the Board of Management and the Council Members of CCI Sri Lanka for providing him the opportunity to address the construction community at the Seminar. He said, first he would deal with the general economic outlook, and then on government's medium term targets and then move onto prospects for the construction sector, which he hoped to be the basis for deliberations for the rest of the Seminar.

❖ Economic Outlook

In the past, Sri Lanka has advanced to a service oriented economy from an agricultural economy, while the evolution of the industry has been gradual. For example in the year 2019, (Jan-Sep) the agricultural sector's contribution to economy was 7.6% while the service sector recorded 62.2%. The industry sector has been at 30.2%.

Nevertheless from year 2013, the economic growth has been at or below 5%. In the year 2019 it has been recorded at 2.6%. This situation has been a matter of major concern to professionals, economists, industrialists and all other stakeholders to the economy. However this low growth could be attributed to various factors like;

- Unstable political situation
- Inconsistent and unpredictable economic policies pursued by consecutive governments
- Unfavourable weather conditions (floods, droughts, etc)
- Stagnant productivity
- Global downturn
- Cuts in government expenditure

- Spillover effects of Easter Sunday attacks
- Although it is too early to assess the possible impact of the spread of the Corona virus, economic growth is likely to be somewhat affected at least in the short run. However it will depend on how long it will take to curb the spread of virus.

❖ **Economic Recovery**

The economy has commenced recovering from the effects of Easter-Sunday attacks due to various supportive factors. With the Presidential Election in November 2019 the political stability has returned. It is expected to be further strengthened after forthcoming Parliamentary Election. Other supportive factors for recovery could be identified as, low and stable inflation environment, competitive exchange rate, low lending rates, improved consumer and investor sentiment and relaxed fiscal and monetary policy measures.

The inflation as measured using both CCPI and NCPI has remained relatively low at single digit. The near term forecast suggests that inflation will hover around 5% in 2020 and stabilize between 4-6 percent thereafter. The CBSL is vigilant on policy measures to check the situation.

❖ **Competitive Exchange Rate**

- The Sri Lanka rupee, which appreciated by 0.6% against the US Dollar in 2019, remained broadly unchanged during 2020.
- Gross official reserves increased to US\$ 7.6 Billion by end of December 2019, providing an import cover of 4.6 months.
- The current low lending rates are expected to ensure a broad based and sustained recovery in economic activity. There has been considerable decline in lending rates of both average weight lending rate and new lending rates from 235 and 93 basis points respectively. It will help growth of private sector credit. It was expected to grow up to Rs. 750Bn in 2019, but the actual growth was only upto Rs.250 Bn. The CBSL hopes to maintain steady growth in private sector credit especially in the latter part of 2020.
- Relaxed fiscal and monetary policy measures such as tax reduction package has helped gather momentum in recovery.

Mr Mahinda Siriwardana, next moving onto external trade pointed out in 2019, the trade deficit contracted significantly, driven by a sharp contraction in the imports. The exports increased by 0.4% over the previous year (2018) to reach US\$ 11.94 Billion whereas imports declined by 10.35% compared to year 2018. The value of imports in 2019 stood at US\$ 19.9 Billion which was US\$ 22.2 Billion 2018. The contraction in trade deficit was US\$ 2.3 Billion making the actual deficit at US\$ 8 Billion. This was possible due to policy measures taken by CBSL to contain imports. A significant decline in imports was driven by reduction in imports for personal vehicles, gold, rice, refined petroleum and base metals.

The marginal increase in exports was due to increase in textiles and garments, gems, diamonds and jewellery, transport equipment and coconut products. Then moving onto budget deficit, Mr Siriwardana expressed the view that according to reports currently available, in the first ten months of 2019 there has been a considerable decline in government revenue and the fiscal deficit has widened. Accordingly the capital expenditure of the government too has a marginal decline as regard to construction sector due to policy prioritization of the public sector projects.

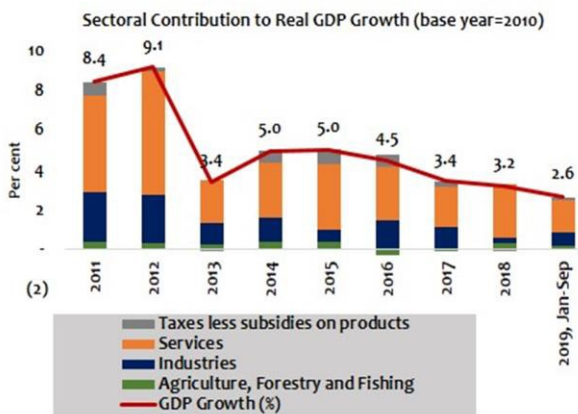
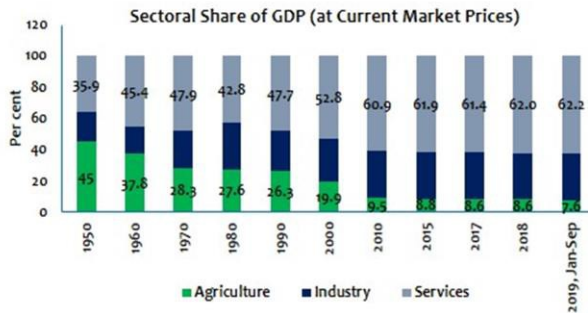
As for foreign loans, from 2009 the component of foreign concessionary loans has gradually declined due to Sri Lanka graduating to a middle income economy, compelling the government to go to international markets to seek loans at commercial interest rates. The result is at present the non-concessionary loans make up 57% whilst concessionary loans amount to 43% of overall foreign debt. With increased foreign debt, the country's vulnerability to external shocks has also increased, requiring policy makers to remain more vigilant.

❖ **Medium Term Targets**

Reference has been made in the government policy document on medium term targets and expectations for key macroeconomic variables. Accordingly by year 2025, it is expected to reach the GDP growth of 6.5%, inflation to be brought down to below 5% and budget deficit to be contained to 4%.

In government expenditure in 2019 and 2020 overshoots are visible. But from next year (2021) or latter part of this year (2020) it is expected to commence fiscal consolidation process by containing expenditure and increasing revenue collections. After Parliamentary Elections it is expected a budget inclusive of appropriate structural reforms will be presented aimed at making the set medium term growth momentum a reality.

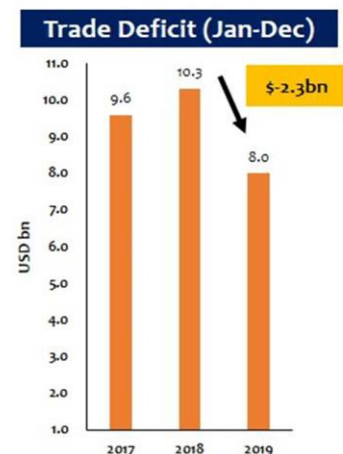
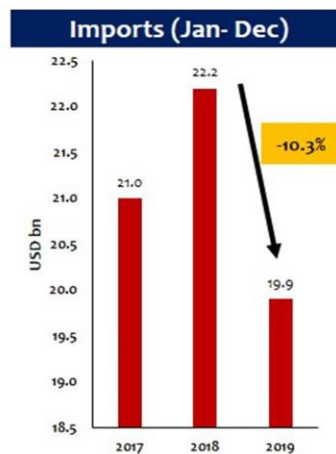
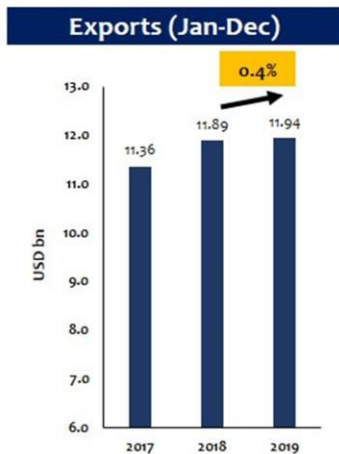
Sri Lanka advanced to a service oriented economy from an agricultural economy, while the evolution of the industry sector has been gradual...



- Economic growth has been at or below 5% since 2013
- The low growth was mainly due to;
 - Unstable political situation
 - Inconsistent and unpredictable economic policies pursued by consecutive governments
 - Unfavourable weather conditions
 - Stagnant productivity
 - Global downturn
 - Cuts in government expenditure
 - Spillover effects of Easter Sunday attacks

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During the year 2019, the merchandise trade deficit contracted significantly, driven by a sharp contraction in import expenditure



Reduction in the Trade Deficit during 2019 was mainly supported by

A significant decline in imports driven by :

- Personal vehicles USD 758 mn (-48.2%)
- Gold USD 436 mn (-99.4%)
- Rice USD 94 mn (-88.0%)
- Refined petroleum USD 231 mn (-7.9%)
- Base metals USD 120 mn (-17.6%)

A marginal increase in exports driven by:

- Textiles and Garments USD 279 mn (+5.2%)
- Gems, Diamonds & Jewellery USD 28 mn (+10.0%)
- Transport Equipment USD 26 mn (+21.3%)
- Coconut USD 19 mn (+6.0%)

❖ Construction Sector

Mr Siriwardana focusing attention on construction sector said Sri Lanka's industry sector activities are dominated by construction, mining + quarrying, manufacture of food beverages and tobacco , manufacture of textiles, wearing apparel and leather related products. In 2018, the construction sector accounted for 26.2% of the industry sector, which was about 6.8% of GDP.

According to the survey of CBSL, in the year 2016, the three major areas of activity in construction sector were the construction of buildings (44.1%), construction of roads and railways (33.2%) and construction of utility projects (16.5%).

However in the recent past, a slowdown in construction sector appears. With subdued construction activities, the contribution of construction sector to the overall GDP growth has declined. One reason being remarkable decline in the number of sales transactions related to the condominium property.

❖ Current Issues

- Mr Siriwardana said the cash flow issue arising from delayed payments to contractors is affecting all small and medium contractors, sub-contractors, suppliers, building material producers, etc. and the Ministry of Finance is making arrangements to expedite the release of funds.
- To help the construction industry, action has been taken to reduce income tax rate from 28% to 14% along with VAT reduction and abolition of NBT.
- With the declining market lending rates the private sector credit is expected to expand in the future.
- A credit package for SME sector is to be implemented which will help the recovery of construction sector. The proposed SME credit support programme will provide special credit support to eligible SME borrowers including those in construction sector.
- Other issues including the high cost of building materials, shortage of skilled labour, construction volume, and competition from foreign contractors, delay in plan approvals need high priority. The national policy document of the government "Vistas for Prosperity and Splendor" has duly recognized the importance of construction sector to national economy.

In this context the strategies and key activities to be implemented could be outlined as per following:-

Government has identified the construction sector as an important subsector in the "National Policy Framework: Vistas of Prosperity and Splendour"

Strategies

- Facilitate a speedy approval process
- Ensure the security of domestic small and medium subcontracting firms
- Investment assistance to move to technical solutions to address labour shortage



Key Activities

- Establish a system in which all required approvals can be obtained in one place or through the Internet
- Reduce time taken for approval of any building to be constructed to a total of 3 weeks
- Provide opportunity to pay past loans subject to grace periods that could be negotiated
- Replace the present system with the 2014 tax system and scrap the 15% VAT on apartments
- Reserve all state construction work for the domestic construction firms
- Revise the licensing system to regulate construction firms in their procurement of raw material
- Create facilities to train workers for the machinery to be increasingly used in the industry to overcome the issue of labour shortage
- Introduce new loan scheme for construction sector

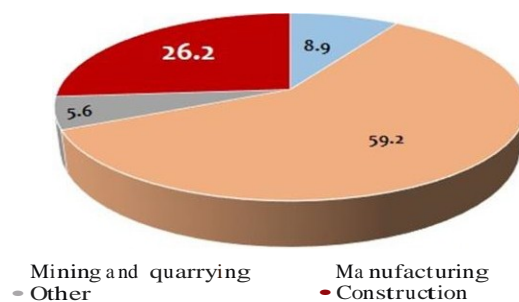
These policy measures are expected to generate a number of opportunities for the domestic small and medium sub-contracting firms

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"Construction" in the Industry Sector in Sri Lanka...

- Sri Lanka's industry sector activities are dominated by construction; mining & quarrying; manufacture of food beverages & tobacco, and manufacture of textiles, wearing apparel & leather related products

Composition of Industrial Activities in 2018



Sources: Department of Census and Statistics, Central Bank of Sri Lanka

In 2018, the construction sector accounted for 26.2% of the Industry sector, which was about 6.8% of GOP

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According to the Survey of Construction Industry 2016/17, three areas dominate the construction sector...

**Distribution of Value of Contracts done by
Types of Construction Activity- 2016**

Type of construction activity	Value of Contract (Rs. Mn)	Percentage Share
Construction of buildings	281,205	39.4
Construction of roads and railways	309,539	43.3
Construction of utility projects	97,554	13.7
Construction of other civil engineering projects	11,266	1.6
Demolition and site preparation	83	0.0
Electrical, plumbing and other construction installation activities	9,935	1.4
Building completion and finishing	4,299	0.6
Other specialized construction activities	314	0.0
Total	714,195	100.0

**Distribution of Value of Work done by
Types of Construction Activity- 2016**

Type of construction activity	Value of work done (Rs. Mn)	Percentage Share
Construction of buildings	140,900	44.1
Construction of roads and railways	106,030	33.2
Construction of utility projects	52,642	16.5
Construction of other civil engineering projects	7,520	2.4
Demolition and site preparation	73	0.0
Electrical, plumbing and other construction installation activities	9,064	2.8
Building completion and finishing	3,089	1.0
Other specialized construction activities	314	0.1
Total	319,632	100.0

Sources: Department of Census and Statistics, Central Bank of Sri Lanka

Construction of buildings, roads and railways, and utility projects are the key areas.

Government's projects pipeline will generate opportunities for the local construction industry ...

City Development Projects

- Lotus Tower project
- Strategic Cities Development Project (Kandy, Galle, Jaffna, Kurunegala)
- Township Development Projects
- Western Region Aero City Development Project
- Western Region Tech City Development Project
- Maritime City development project
- Western Region Administrative Cities Development Project
- Small Township Development Projects
- Greater Polonnaruwa Town Development Programme
- Urban Regeneration Project

Water Supply

- Water Supply and Drainage Projects
- Waste Water/ Sewage Treatment Plant Projects

Transport

- Light Rail Transits System
- Western Region Transport Development Project

Expressways

- Central Expressway Project
- Southern Expressway Extension Project (Matara – Hambantota)

Roads and Highways

- Outer Circular Highway Phase III (9.6km)
- Elevated Port Access road Project
- Northern Road Connectivity Project
- Southern Road Connectivity Project
- Integrated Road Investment 1, 11 Programs
- Priority Roads Project (PRP - Phase I & II)
- Major Bridges Construction Project of the National Road Network under JICA STEP Loan
- 100,000 KM Rural Road Development Project

Other

- Energy Sector Projects
- World Bank funded Climate Resilience Improvement Project
- Exim Bank (Hunan Branch) funded project
- New Bridge Construction project over Kelani River at Peliyagoda

Source: Ministry of Urban Development, Water Supply and Housing Facilities

3

Private sector construction work will also increase...

- The Colombo Port City is expected to provide higher value addition while creating immense potential within the development initiative...
 - The global launch of the CPC will kick off at the World Cities Summit 2020 in Singapore in July
 - A construction boom in relation to the CPC development is expected to take off in 2020/21
- Construction of apartments, hotels and shopping centers will continue, particularly in Colombo and suburbs.
- Housing sector, which still has an unmet demand, particularly from the middle income segments, is also an area with high potential
- Promotion of construction services could help increase foreign exchange earnings.

Construction sector participants will have to be ready for the emerging opportunities with new technologies while positioning themselves to benefit from these opportunities.

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Mr Mahinda Siriwardana concluded his presentation with following observation:-

The construction sector in the past has contributed immensely to economic growth and development of the country and supported livelihoods of the public through generating productive employment opportunities while also creating an enabling environment for the economic activities to pick up.....

It is our view that, in spite of challenges faced by the sector from time to time, the construction sector will prove its resilience and expand further in the future, utilizing the opportunities and prospects ahead of the country.

➤ **Questions from the Audience**

Question No 01 - My question is in regard to delayed payments to contractors by the employers. CBSL published the Bank lending rate as 15% which was consistent from 2015. There is also the lending facility rate which is around 10 – 11%. There is difficulty in interpreting this position. Standard bidding documents say the lending rate is the lending rate to commercial banks by CBSL plus 1%?

Answer - **By Mr Mahinda Siriwardana**
Basically lending rates are determined by the monetary policies. The interest rates in operation right now are 05% for deposits by commercial banks and 12.5% for borrowings from CBSL. But the interest rates applicable to customers by commercial banks have variations and may be higher. It will be better if the standard bidding documents are specific on making delayed payments.

Question No. 02 - For development activities we had two specific development banks. By now these development banks too have turned into commercial banks. Without a proper development banking system how will it be possible to achieve the development targets envisaged by CBSL?

Answer - **Mr Mahinda Siriwardana**
In fact most of the development activities are being carried out by Commercial Banks. In government's policy document, there is an indication for setting up of a special development bank. Until such a bank comes up we have to go with the existing system.

Question No. 03 - The projects forecasts for the future are too general in nature. In the past we have specific massive projects like Mahaweli Project which made a boom of domestic construction industry. What about having such a project after general elections to kick start a revival in domestic construction industry?

Answer - **By Mr Mahinda Siriwardena**
The general nature of my presentation was in the first part where I was giving a general outlook of the economy, the slowdown of the recent past etc.

However in latter part of my presentation I was specific on measures taken and expected to be taken like tax reduction, and projects in the pipeline for development etc. Although not up to the extent of Mahaweli Project, the projects earmarked for future on priority basis will be mega projects within a holistic approach to overall economy.

Question No.04 - **Eng. Capt. Lal Tennakoon (CCI Sri Lanka)**
Even with the government guarantees, some banks do not provide loans for construction projects. Will there be an adverse impact on local construction industry?

Answer - **By Mr Mahinda Siriwardana**
I am not in a position to comment on the issue on behalf of the government. I am of the view the government is making every effort to maintain liquidity in construction projects.

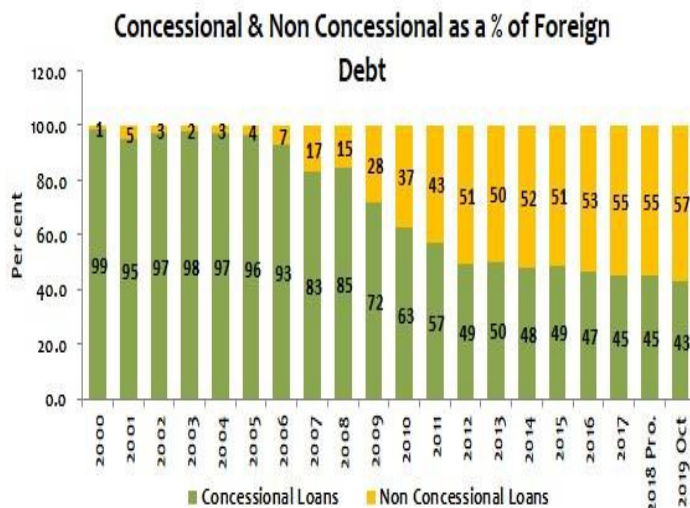
Question No. 05- **From the audience**
There was news that the government has requested for a moratorium for 03 years from India to repay loans. In this scenario, is it possible for the government to continue further borrowings?

Answer

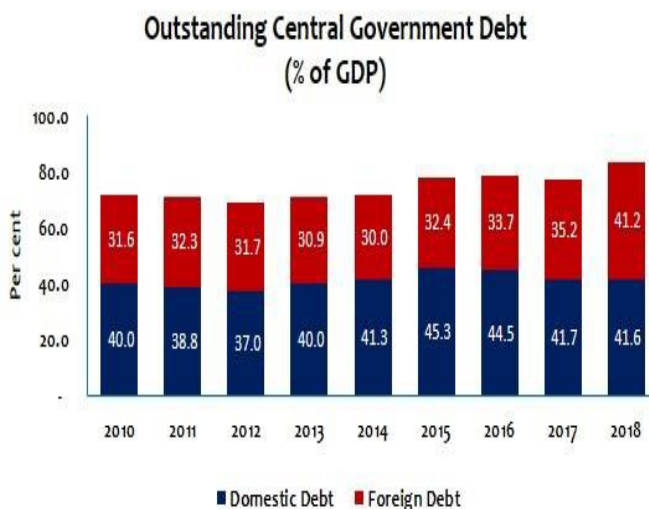
- By Mr Mahinda Siriwardana

As for proposed moratorium, I also came to know about it through newspapers. As regard to further borrowings there is no issue provided the borrowings are within the limitations approved by the Parliament.

With Sri Lanka becoming a middle income economy, the share of concessional loans has declined gradually



- With increased foreign debt, the country's vulnerability to external shocks has also increased, requiring policy makers to remain more vigilant.



4. Use of PPP Model for Economic Development



Plnr. Laksman Jayasekara
Project Director
Western Region Planning Project
Actg. Project Director
Aerocity Development Project

Mr Lakshman Jayasekara thanked the CCI Sri Lanka for the opportunity granted to address the Seminar and said as the Project Director of Western Region Planning Project & Aerocity Development Project, he is representing the Ministry of Urban Development, Water supply and Housing Facilities.

Then referring to the current financial situation of the government, Mr Jayasekara said, recently Ministry of Finance sought parliamentary approval to raise debt limit from Rs. 721 Billion in the original vote on Account to Rs. 1,078 Billion (Rs. 357 Billion more) for the next four months. The outstanding payments due to contractors and suppliers in 2019 amounted to Rs.156 Billion. Out of this amount, major portion is to road and health sectors.

Mr Jayasekara, said under this scenario, it will be an almost impossible task for the government to continue with conventional system of providing funds for the development projects in the future. As such the government needs to come out of this dilemma. The only way out is to take cognizance of our assets, not money available, and to move forward in a non-conventional model which is the Public-Private Partnership (PPP).

❖ **PPP Model**

Mr Jayasekara explained PPP as a partnership between the public sector and the private sector for the purpose of delivering a project or service traditionally provided by the public sector. It recognizes that both sides have certain advantages, and by allowing each to do what it does, but public services and infrastructure, including business opportunities can be provided in the most efficient manner. In other words it is the collaboration between a government agency and a private sector company that can be used to finance, build and operate projects.

❖ **PPP Model types**

Mr Jayasekara presented the following as the commonly accepted PPP-Models in the world.

- Build - Operate - Transfer (BOT)
- Build - Own - Operate (BOO)
- Build - Own - Operate- Transfer (BOOT)
- Design - Build
- Design - Build - Finance
- Design - Build - Finance - Operate (DBFO)
- Design - Build - Finance - Maintain (DBFM)
- Design - Build - Finance - Maintain - Operate (DBMFO)
- Design - Construct - Maintain - Finance (DCMF)
- O & M (Operation & Maintenance)
- Swiss Challenge Method
- **Any other innovative methods, negotiable. (Apart from above any type of innovative methods are welcome)**

Mr Jayasekara pointed out although without funds for investment, the government of Sri Lanka is asset-rich with land, sea, and the skilled population. On the other hand private sector, both domestic and foreign, has access to finance.

❖ **Success Stories**

Mr Jayasekara moving into success stories in Sri Lanka on PPP Model indicated following for inspiration:-

- **Port City** - Sea was the only asset Sri Lanka had. Now the value addition amounts to Rs.220 Billion. No loans are involved.
- **Telecom** - About 20 years back there was no gain to government coffers from telecom sector. By now with five major telecom players, the revenue derived to government amounts to 10% of overall revenue of government. This was made possible by PPP with Nippon/Japan.

- Havelock city
- Liberty plaza
- Onali building
- Sri Lanka Airlines (PPP under Emirates)
- Colombo-South Container Terminal
- Mount Clifford Range Residencies with ICC. (joint project of ICC and National Housing Development Authority. Housing Units were sold over even before the project to be completed)

Mr Jayasekara also pointed out two failure stories

- Embilipitiya Paper Mill
The investor sold the Machinery and equipment and vanished.
- Pelwatte Sugar Factory

❖ **PPP Projects Recently Identified**

Mr Jayasekara presented the following list of recently identified projects of Government of Sri Lanka :-

- Kahatagaha Graphite Lanka Ltd – value added products to be made from graphite mines
- Lanka Mineral Sands Ltd. – value added products to be made from mineral sands mines.
- Eastern Valaichchenai, Embilipitiya Paper Mills & North Saltern
- The Ceylon Ceramic Corporation Factory at Oddusudan re-invigorated through a joint-venture operation with Samson Rajarata Tile (Pvt) Ltd.

The Ministry of Urban Development, Water Supply & Housing Facilities is designing following projects to be implemented under PPP model. Not confining to Colombo City the projects are strategically spread to Colombo suburbs as well. The list is given below:-

1. Multi storey Car Parking Project (2000- 5000) cars
2. Horana Industrial Township Development Project-Millewa Industrial Township Development (735 Acres)
3. Western Region Light Rail Transit (Public Private Partnership) Project
4. Logistic & Business Park, Ekala

5. Aviation Academy, Katana
6. Negombo Eco-Bridge, Katunayaka
7. Agro Expo Hub, Badalgama
8. Cargo Village, Katunayaka
9. Airport Gateway, 18th Mile Post
- 10.2nd Runway, Katunayaka
- 11.72,000 Affordable Housing Project for Middle Income Families

Mr Jayasekara then moved on to elaborate on each project

1. Multistory Car Parking Project (2000- 5000 Cars)

For this project lands owned by UDA/state sector have been identified at Chatham Street, Chalmers Granaries, Union Place, Gold Market and Telecom car park. The expected benefits are land saving, time saving, less congestions in the city, smooth traffic movement, new income generation methods for private and public developers. The mode of construction is of pre-engineered steel structure, local assembly. The approximate construction cost per car space is US\$ 3200 and total cost for a park for 250 cars amounts to US\$ 800,000. The approximate annual income estimated based on 12 hours operating time per day after reducing operating cost is US\$ 600,000.

PROJECT OVERVIEW

BENEFITS

- Land saving
- Time saving
- Less congestion in the city
- Smooth traffic movement
- New income generation method for the private & public developers
- Reduction of housing cost









2. Horana Industrial Township Development Project

The aim is to accommodate the many large scale industries which are scattered in the Western Region without proper planning

The land, in extent 730 acres, is located at Millewa. It is identified by BOI for type-B category industries, i.e. rubber based industries and steel fabrications. The estimated cost of project (with land cost) is US\$ 386 Million. It is expected to generate 100,000 employment opportunities by 2025.



3. Western Region Light Rail Transit (Public Private Partnership) Project

The identified LRT line length is 82.6 km (red line – 34.4 km/green line 28.7 km/blue line 21.5 km). Expected foreign investment is 3,992 Mn US\$ while GOSL's investment will be LKR 28,983 Mn. Implementation agency is Urban Development Authority.

The suburban cities to be connected and covered by LRT network are :-
Ragama, Kadawata, Kiribathgoda, Kelaniya, Peliyagoda, Fort, Slave Island, Kollupitiya, Kirulapone, Moratuwa, Katubedda, Piliyandala, Boralessgamuwa, Narahenpita, Nugegoda, Borella, Dematagoda, Kottawa, Pannipitiya, Thalawathugoda, Isurupaya, Koswatta, Manelgama, Hunupitiya.

According to current reports this project is currently on hold subject to new prioritization policy of new government.



4. Logistic & Business Park, Ekala

- The aim is to increase logistics operational space for warehousing, storages, value addition etc. (approximately 700,000 sq.m by 2025).
- To provide 100,000 sq.m for business and commercial spaces
- To provide 500,000 sq.m space for meetings, conference and exhibition facilities, etc.

5. Aviation Academy, Katana

Mr Jayasekara said in keeping with the presidential election manifesto of H.E the President “vistas for prosperity and splendor” an Aviation University and a Nautical university are to be established with the aim of improving the quality in these fields.

It is expected that Asia-Pacific region will have the highest demand for aviation professionals in the future. The aim is to train and transfer of new technologies to the local workforce and foster culture of innovation.

The student population is to be 10,000. The total cost is estimated to be Rs.19,450 Mn.

6. Negombo, Eco-bridge

Government/Private land around Negombo lagoon is to be utilized for the project. This will be for the public to gather and enjoy the nature with many health enhancing activities and entertainment. Along with 40 accommodation units it will be beneficial for eco-tourism. The traditional fishermen will avail the opportunity to showcase traditional fishing activities. Project will create job opportunities and revenues for all benefitting from the Negombo lagoon.



BENEFITS **NEGOMBO ECO-BRIDGE**
KATUNAYAKE

- Allow **public** to **gather, enjoy** the nature with many **health enhancing** activities and entertainment
- Create **job opportunities and avenues** for all **benefiting from the Negombo Lagoon.**
- **40 accommodation units**
- Beneficial to **showcase the traditional fishing activities** through **eco-tourism**, making the traditional fishermen gain from the project.

7. Agro Expo Hub, Badalgama

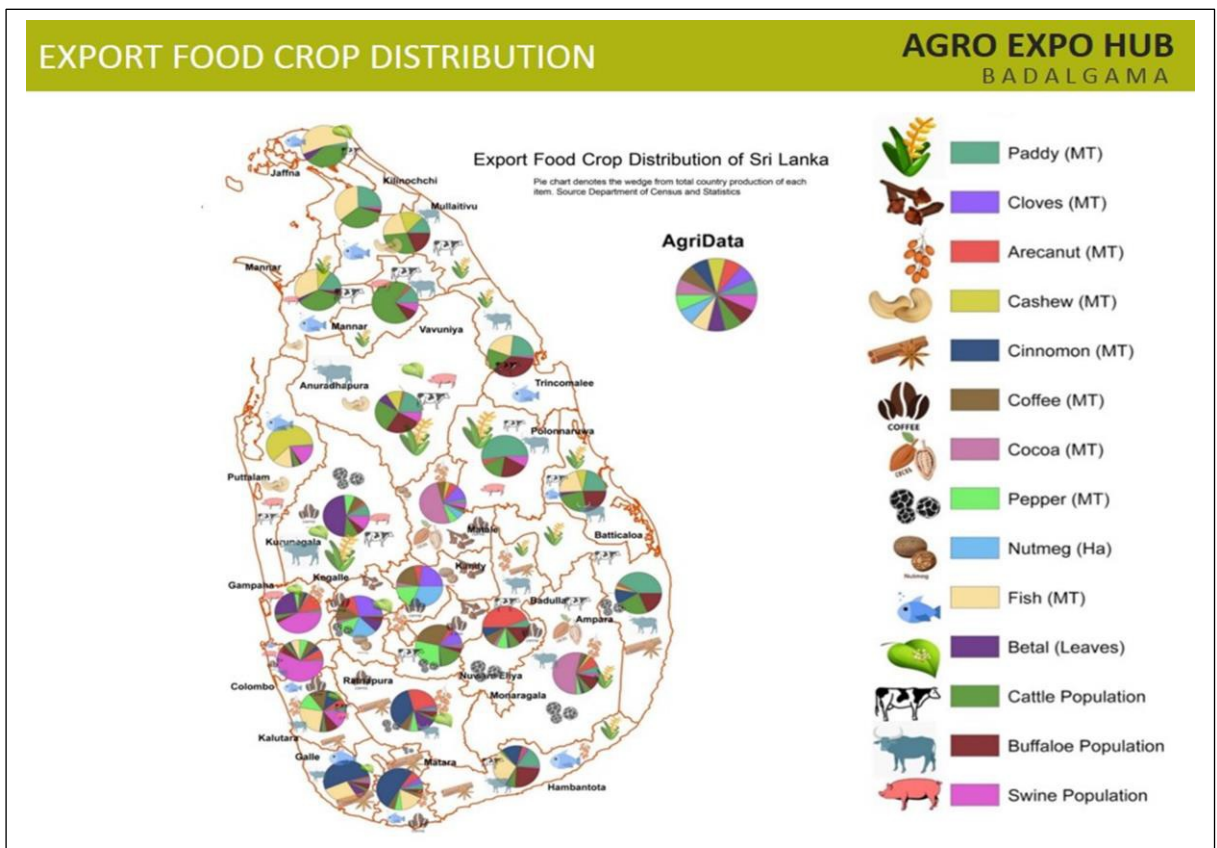
The government owned land, 830 acres in extent is to be used. The idea behind the project is to foster environment friendly agriculture for exports to global market. Global demand for processed and value added food is increasing rapidly. Instead of exporting in raw forms, in this project the food is to be value added, reproduced and refined and packed to the globally acceptable norms. Paddy, cloves, pepper, cashew, cinnamon, coffee, cocoa, arecanut, nutmegs, fish, betal, cattle-products etc are targeted to be reproduced and exported. The total cost is Rs. 9850 Mn.



BENEFITS

**AGRO EXPO HUB
BADALGAMA**

- **Global demand** for processed and value added food is **increasing rapidly**.
- As an agricultural country, Sri Lanka has strong potentials **Targeting the global export market**
- Export Revenues will strongly help to regain the Agriculture based economy to the country.
- It is expected vast opportunities and activity agglomeration within the Badalgama area.
- Creates Approx. 1 Million **direct and indirect** job opportunities

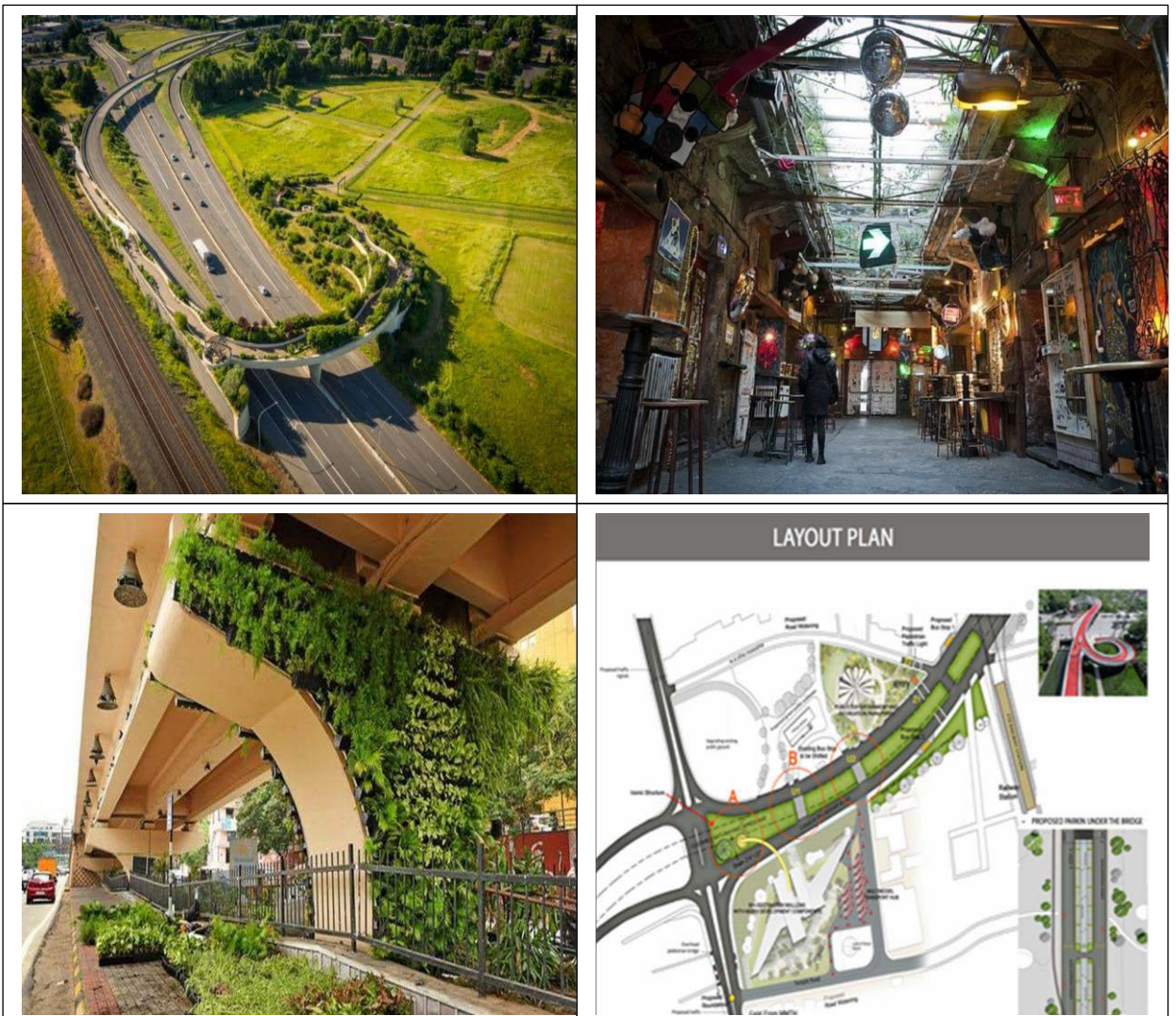


8. Cargo Village-Katunayake

A government land of 250 acres is earmarked for this project. The objective is to cluster all scattered local air cargo industries to a central location which is 02 km to airport. This will increase modern cargo handling/processing facilities by additional 500,000 mt. It is also expected to facilitate an efficient and reliable cargo platform for fishery, horticulture, agro products, food & beverages and other time sensitive local industry products. The total cost amounts to Rs.62,300 Mn.

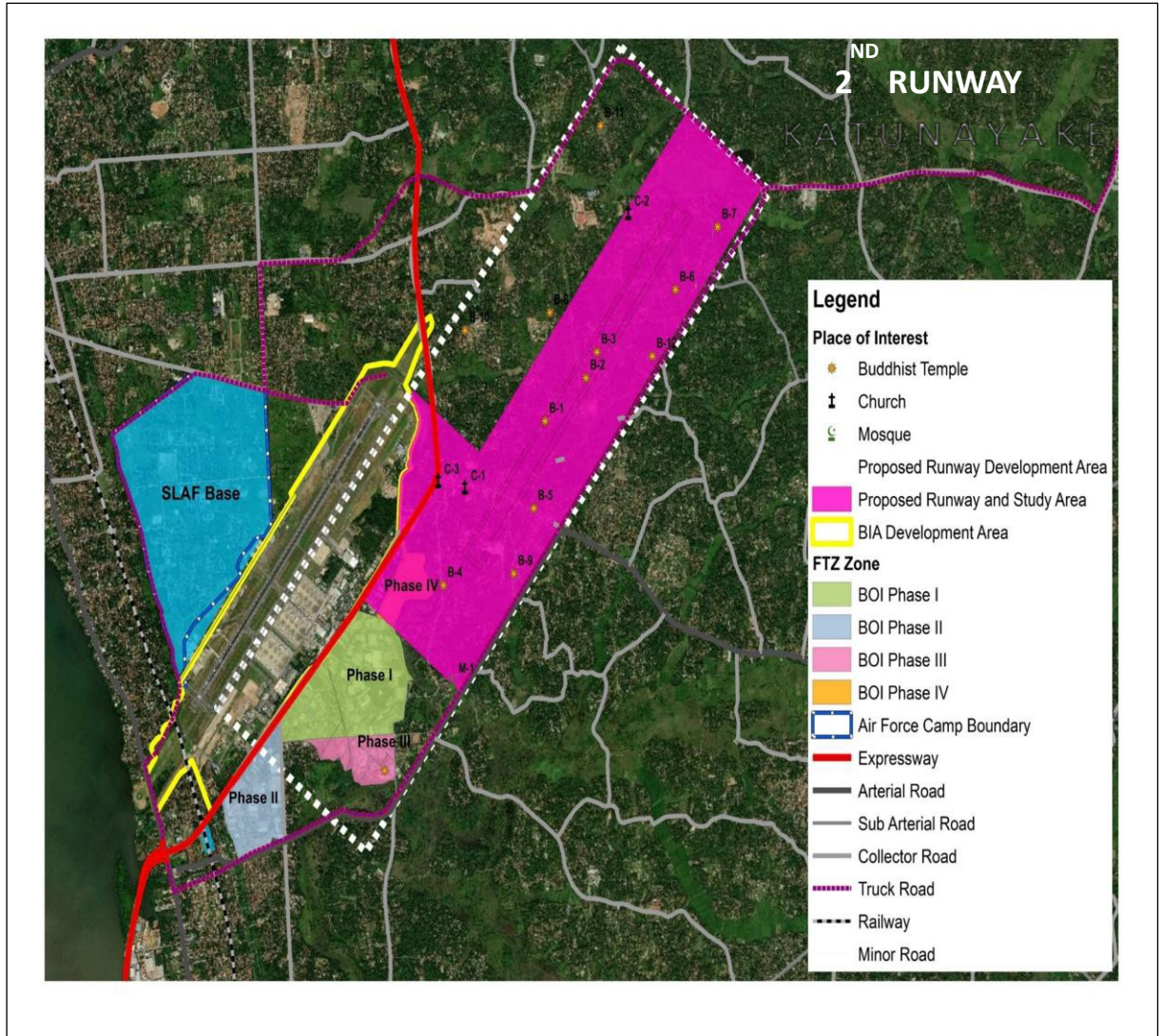
9. Airport Gateway (18th Mile Post)

The extent is 08 acres of land at 18th Milepost (02 km to airport) to showcase Sri Lanka as an iconic environment feature to the world. It is designed to be a celebrative path with entertainment activities to the tourists along with shopping experience to all travellers and public. It will also serve as an integrated transport facility connecting mainly long distance destinations. Approximate cost is Rs.3348 Mn.



10. Second Runway, BIA, Katunayaka

BIA at Katunayake is currently servicing around 200 aircrafts per day. The future requirement is to service 400 aircrafts per day.



11. 72,000 Affordable Houses Project

The aim is to build 72,000 houses in Colombo city and suburbs (two bed room and three bed room units) for middle income groups. Accordingly the units will be priced at Rs. 06 Mn and Rs. 08 Mn respectively.

The target group will include young executives, professionals and government employees.



❖ **Expenditure**

Mr Jayasekara revealed that total government expenditure required for all projects to cover land cost and external infrastructure would be LKR 15 Bn and US\$ 80 Mn which is expected to be raised by issuing Unit trusts or Asset Securitization (Airport Bonds) in the capital market, based on asset value.

❖ **Potential Stories**

Mr Jayasekara also pointed out the potential available for generation of electricity on PPP basis. The potential exists for solar energy upto 6430.35 MW and wind energy upto 57.5 mw (onshore and offshore). As at present our power generation is below the available potential. Concluding the presentation Mr Jayasekara stressed the following

❖ **PPP Model is based on :**

- Payment upon delivery (no delivery no pay) – Timely delivery
- Risks allocation (who does what best)
- Value for Money (VFM) – Whole – Life costing
- Competition to get best value
- If the above is not achieved as agreed upon the exit clause

- To encourage the private investments, state provides capital subsidy, revenue subsidy, tax breaks etc.
- Government can leverage lands, sky, sea, canals, policies, tariff & efficiency (easy to do business), regulatory approvals (CEA, UDA, BOI) etc.

PROJECT OVERVIEW

Concept

Industrial Township Development with integrated activities by harnessing the available potentials within the region and capitalizes on key economic drivers of the region for massive investment.

Aim

To accommodate the large numbers of large scale industries which was scattered in the Western Region without proper planning.



5. Can Adjudication be made more Meaningful?



Mr Mohan Peiris, PC
Former Chief Justice &
Attorney General

Mr Mohan Peiris, PC, former Chief Justice and Attorney General commencing his presentation on “Can Adjudication be made more Meaningful” thanked the CCI Sri Lanka for opportunity granted to address the Seminar.

Mr Peiris, explaining the conflicts, interpreted it as disagreements which are of ultra-importance to the human society. Such disagreements may be the results of either two parties or two beliefs. These conflicts are unavoidable in human relationships. Such differences manifest in the construction industry as well. Therefore, conflicts or disputes in the construction industry must necessarily arise. In this context, it is timely to consider how our legal system could help the construction industry. From his past experience, he pointed out the legal system and the lawyers were not very popular among the public and said wherever lawyers are there are complications.

❖ Complexity

Construction industry involves supplies, procurements, claims and designs etc, which make the basis for conflicts or disputes. The complexity of disputes in construction industry is aggravated by the following factors:-

- Correspondences and government regulations involved and requirements of the project.
- Volumes of documents/designs to be produced before civil courts/commercial courts.

Due to the severity of complexity, it is understandable that the mediator, adjudicator, arbitrator, conciliator or negotiator should have a sound knowledge of construction industry. It is a must to select an arbitrator who has a working knowledge on construction process. He/she should be familiar with rules and regulations and physical aspects of construction as well for speedy delivery of resolution.

❖ **History of Conflict Resolution by third party**

❖ **Need for Arbitration** Negotiations, mediations, conciliations and arbitration were the oldest forms of resolution long before the formal litigation procedures evolved. The purpose and intention was to resolve disputes and to maintain peace. According to evidence available, ancient Greeks and Romans in around

3000 BC had kept their disputes before third parties for resolution. So third parties have played a significant role in conflict resolution in the very olden days. In this regard Mr Mohan Peiris recalled how during his school days, the conflicts were resolved by the contractor, resident engineer and the owner at an informal meeting talking to each other in the evening followed by a handshake.

However, third party mediation always does not bear fruit. That is why today disputes have to be resolved through complicated method of negotiations. In the complex nature of laws and regulations the civil courts/commercial courts cannot cope with the volumes of disputes. Hence, the need arises for Arbitration.

❖ **Arbitration**

The main characteristic of Arbitration is that it does not need help of a court. The parties of Arbitration are two autonomous parties who can meet anywhere, even under a banyan tree, at any time even at 8.30 in the morning, choosing their own method, choosing their own third person they agree upon, to resolve their own dispute. So did the ancient Greeks who were free to select one of their own as the arbitrator.

❖ **Legal System**

The most important thing after arbitration is the enforcement of decisions agreed upon at the arbitration. Without enforcement, all other arbitrators, judges, lawyers are superfluous. According to ancient Greeks, the promises made as agreements should be honoured and treated as sacred and defaulters were to be subdued with the wrath of god. As such when it comes to enforcement there must be a legal system.

❖ **Arbitration vz Legal System**

With the passage of time, Arbitration system has taken control of formal legal system. Unfortunately some judicial pronouncements made have not been helpful at all. Some appellate court judges in some countries have expressed the view that arbitration process cannot be possible without the intervention by formal legal system. Mr Mohan Peiris dissented on this view by saying that it is not entirely correct and also altogether not incorrect.

The reason is that foremost feature of arbitration is its innate private character. It is a product produced by two autonomous parties and what should it mean to Judges? It is the intention of the parties to remain out of civil or commercial courts.

However the question arises as to how the award agreed upon at the arbitration becomes legally binding.

As to make the arbitration award to be attached with legal binding two views are expressed by the Judicial Pronouncements:-

1. To consider the arbitrations as branch of private law. That is to enforce the implementation of arbitration award through the law of contracts without special statutory mechanisms.
2. To treat arbitration as a public law in which remedy is judicial review.

To enlighten the audience on this matter, Mr Mohan Peiris quoted the legal luminary Lord Muskhill who compared the relationship between the court and arbitrator as a relay-race. At the initial stages of arbitration the baton is with the courts. There is no other organization present to prevent the baton being taken away except arbitrator. When the arbitrator takes the baton, he retains it until they make the award. Once the award is made then again it will be a matter for the courts.

❖ **Arbitration Act of Sri Lanka**

Sri Lanka's Arbitration Act places the challenges coming before arbitrator/tribunal to be taken up (by lawyers) all the way upto High Court. However, even if such a challenge is pending in High Court the Arbitrator/tribunal can continue proceedings till an award is determined.

Next Mr Peiris explained certain advantages of Arbitration as per following :-

- Significant advantage of arbitration is its ability to follow procedures to reach enforceable decisions with the backing of the state.
- Arbitration provides for flexibility in choosing procedures and arbitrators.
- Courts playing a supporting role to arbitration.

❖ **Impediments to Arbitration**

Mr Peiris expressed the view that the legislature by its wisdom had placed certain impediments to restrict the power of courts in favour of arbitration. However legislature by its lack of knowledge on construction and the related business environment has enacted regulations by which the ultimate purpose of legislation is discouraged. For example every time a ruling is given during proceedings, lawyers rush to courts with appeals. The Arbitration Act was meant to address the issues of construction sector, industrialists, business community etc. faster to make way for economic rejuvenation without being subject to adverse technicalities being fought in court rooms. Mr Peiris also highlighted the fact that all stakeholders, arbitrators, courts and all related parties must perceive the overall vision of the Arbitration Act to make it more meaningful and beneficial.

❖ **How to make adjudication more meaningful?**

Before moving on to the question of how to make adjudication more meaningful, Mr Peiris wished to pose the following questions to the stakeholders to reflect how they had responded to them in the past.

- Have we honoured/respected the objectives behind the provisions of the Act?
- Have we been really engaged with due diligence before action to prosecute a claim?
- Have we acted with honourable faith to reach a win-win situation to all parties?
- As arbitrators, are we willing to maintain autonomy of the parties concerned and co-operate with them for speedy resolution?

Mr Peiris was of the view the responses of the stakeholders to above questions are mainly negative due to following reasons :-

- Lack of preparation in collecting documents
- Lack of knowledge in procedures
- Inadequate instructions to counsels
- Lack of professionalism
- Failure to look at the bigger picture
- Arbitrator sittings are short and not more than 03 hours a day
- Postponements are readily and happily granted

In this context Mr Peiris queried “Are we to blame the Arbitration Law?” We need to repent blaming ourselves for failure, if any, in Arbitration as Latin saying goes “Mea Culpa. Mea Culpa, Mea Maxima Culpa” “(Through my fault, through my fault and through my most grievous fault)”

Mr Mohan Peiris emphasized the importance of changing our attitudes. This comes only in a paradigm shift in our value system. To achieve this schooling in dispute resolution is required for our arbitrators, lawyers, engineers, quantity surveyors, accountants, etc. This needs to be incorporated into our curriculum of legal and university education not as an elective but as a mandatory subject.

🗨️ Mr Peiris also pointed out the need for quick vetting procedure for arbitration.

🗨️ It is also important to impose the qualifications of arbitrators.

🗨️ It is time to appoint a commission to overhaul the arbitration regime in Sri Lanka and recommend reforms.

➤ **Questions from the Audience**

Question No. 01 - In the United Kingdom, according to statistics, around 95% of the disputes are successfully settled at adjudication level through “Technology Courts” In Sri Lanka adjudication level procedure seems somewhat powerless in the process of arbitration and disputes remain dragging on for a longer period?

Question No. 02 - In the United Kingdom there is an Adjudication Act whereas we don't have one in Sri Lanka. What we have is CIDA Act, which is effective from 2014. Disputes in construction industry in Sri Lanka need to be resolved under the provisions of CID Act. Accordingly, after adjudication it has to go to Adjudication Appeals Boards which are to be appointed by CIDA. For the last 06 years Appeals Boards have not been appointed by CIDA making way for arbitrators to earn income. But what CIDA Act says is to go for arbitration after adjudication?

Answer - **By Mr Mohan Peiris, PC**

I am in agreement with you. However the question is what the stakeholders have been doing all this time. The adjudication belongs to people and not merely to Judges and Lawyers. As such all related parties in the construction industry should stand up to see that necessary regulations are implemented under CIDA Act.

Answer - **By Arch.H K Balachandra**

As far as disputes are concerned, CIDA provided for mediation and reconciliation as priority before going for adjudications, because the objective of CIDA is to resolve them within a short timeframe with agreed quality, cost and time.

By now CIDA is ready to register adjudicators from professionals like architects and engineers who will be familiar with the construction process. So when a complaint is received by CIDA for the appointment of a n adjudicator it will be a matter of nominating a qualified adjudicator.

06. Improvements to Railway Network & Investment Potential



Eng. Plnr. Nihal Somaweera
Former Secretary to Ministry of Transport
Project Consultant
Colombo Suburban Railway Project

Eng. Plnr. Nihal Somaweera, former Secretary to the Ministry of Transport, and currently Consultant to Colombo Suburban Railway Project commencing his presentation said he was happy to speak after presentations made by an Economist, a Town Planner and former Chief Justice and Attorney General.

When speaking on “Improvements to Railway Network & Investment Potential” it should be noted that Colombo metropolitan region meant entire Western Province, Eng. Plnr. Somaweera said.

The Eng.Plnr. Somaweera explained that Railway is not very popular among the administrators of the country. There are over 104 trade unions representing various categories of employees in the Railway Department. The disputes are a daily occurrence. The Department is running century old machines amidst many a dispute.

But to the average citizen or the general public the railway sector is very important, especially during peak hours. The impact of Railway could only be seen when there is a strike.

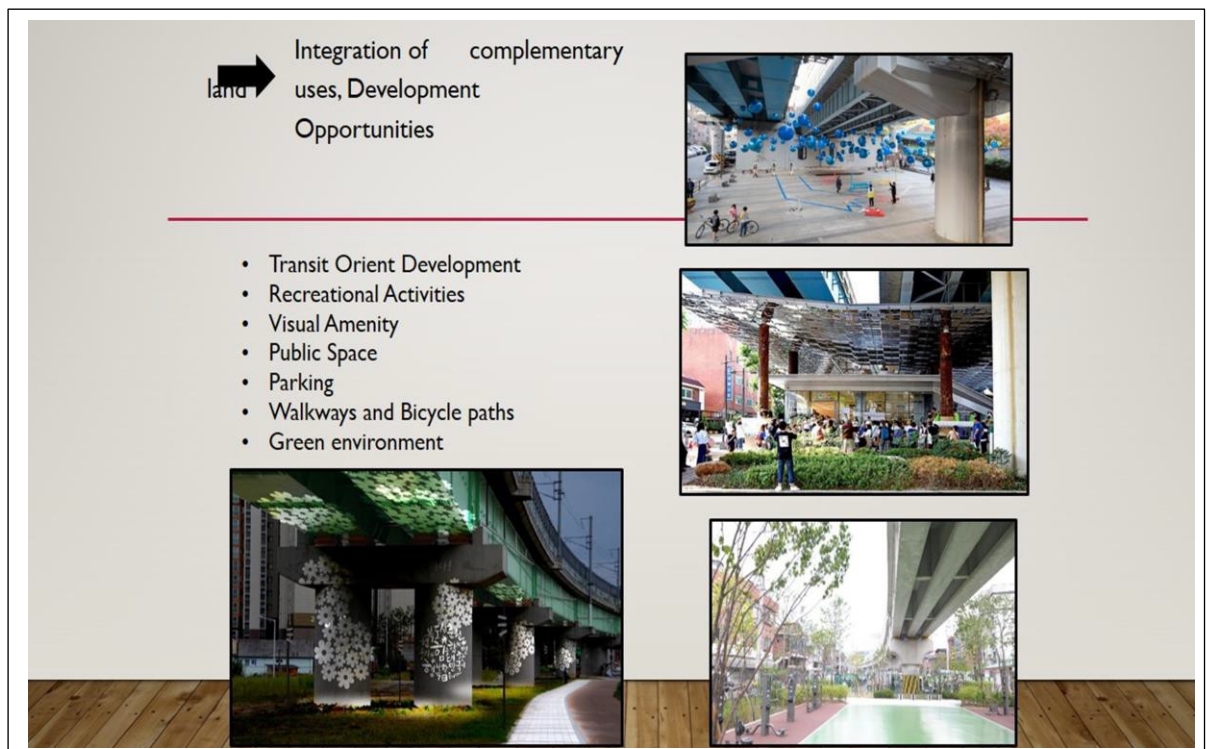
The nature of railway is capital intensive and that was the reason Sri Lanka could not expand the track network for 72 years after independence. In the past, during this period, about 100 km of tracks were dismantled, especially beyond Awissawella. Earlier from Awissawella railway was operating via Kahawatta to Opanayake on one side and via Yatiyantota to Karavanella from the other side. The stretch upto Awissawella was saved due to changing Kelani Valley line from the narrow gauge to broader line.

❖ Traffic Situation – Colombo

- Colombo city attracts about 1.7 Mn People on daily basis from various regions. The annual increase of commuters to Colombo City is estimated at 5%

- Now it has become very popular to use private transport like cars, three-wheelers, mobikes etc. within the city as the buses are very slow, less than 10 km per hour, due to congestion.
- Apart from traffic congestion due to vehicular emissions the city is experiencing air pollution. The risk exists for the air pollution to increase upto fog levels like in New-Delhi where only upto 10 ft in front is visible, along with health hazards to the community. The traffic congestion cost to the economy is estimated at half a Billion Rupees a day.
- In Colombo the road density is very high leaving no space for expanding roads due to high-rise buildings. The demolition of high-rise buildings is a costly exercise with enormous compensation involved.
- Out of the seven main transport corridors connecting regions to Colombo railway covers four corridors. In the Colombo metropolitan region 20% of the commuters use railway for their transport. During the peak hours each railway corridor caters to 40% of commuters.

However in national terms the railway share in transport is 05% and in general terms 13% in 04 corridors to Colombo city.



❖ Master Plans for Metropolitan Region

- JICA first commenced drafting a Master Plan for transport sector for Colombo in the year 2012 and presented the completed Master Plan in 2014. And it was reviewed by experts from University of Moratuwa.
- Thereafter Megapolis Master Plan came up and it was in fact a land use plan containing transport sector as one component. So the basic input was from JICA funded Metro Plan.
- A transport policy was drafted by the then Ministry of Transport and Civil Aviation and it was posted in the website of the Ministry for public comments.
- Another important plan is the Railway Master Plan being drafted with assistance from ADB. It is completed upto 75% by now.



❖ Problems identified in Transport Master Plan – 2014

- Insufficient Linkage – Major issue is there are no lateral connections and only radial lines for four corridors. The reason being historically the railways were constructed by the British not for passenger transport but to transport produce from plantation sector to Colombo harbour.

- Lack of feeder services – For railway to thrive feeder services are essential. In most of the cities bus stations are far away from railway stations.
- Lack of railway access to airport – In almost all countries in the south Asian region there are railway links to international airports. In Sri Lanka although tracks are in place to airport no reliable operations of service is in place.
- Deteriorated Rolling Stock, tracks and signaling system – Thanks to our railway Engineers/Technicians out of 13 locomotives imported in the year 1952 under Colombo Plan, 12 Nos are still being operated 01 No having been destroyed by a bomb blast by LTTE. This engine type can be found nowhere in the world and not even in a museum. Sri Lanka's engineering staff manufactures spare parts and keeps them in running condition. For rolling stock latest procurement was in year 2000, for 10 Nos ALSTHOM engines. But now only 03 Nos are running due to defects in control system. The manufacturing company is no longer in the rolling stock business. As Sri Lanka is many years behind in the use of railway engines and compartments when procurements are made Sri Lanka has to go for tailor made products with redesigning, of which manufacturing and delivery may take 5 - 6 years. About 04 or 05 years back new power sets were imported.
- Insufficient line capacity – In Sri Lanka 90% of our railway tracks are single lines. The 10% of double or treble lines are concentrated in Western Province. This created congestion in Colombo city especially between Colombo Fort and Maradana as all technical & commercial movements are being done on these tracks.
- Low level of service of KV line – The reason is the line operates on a single line.

❖ **Priority Projects Identified**

With the view to make improvements to transport sector the following projects have been identified for implementation:-

- Railway Efficiency Improvement Project (Detailed below)
- Colombo Suburban Railway Project (to turn the railway into passenger carrying railway as detailed below)

- Light Rail Transit Project (This is proposed under Ministry of Megapolis and part of preparatory work has been completed)
- Bus Priority Project (This has been implemented in certain areas as a pilot project. However, it was not been a success due to bottlenecks mainly with the requirement of three lanes in one direction to succeed.)
- Bus Rapid Transit Project (Feasibility was done on Galle road without success due to availability of 03 lanes confined only upto Dehiwala)

❖ **Railway Efficiency Improvement Project (REIP)**

- New island-wide railway telecommunication system to be installed. For a loan of US\$ 160 Mn agreement has already been signed between GOSL and ADB and tender is under submission to Cabinet of Ministers
- Online railway ticketing and seat reservation system will be effected. Nowhere in the world the current ticket type is being used except in Sri Lanka. The company that produces this type of tickets is due to be wound up. Online ticketing will help the commuters to obtain tickets from anywhere. Government has given green light for this project. The tender documents are under submission to the Cabinet of Ministers.
- Operation headquarters and train control centre with modern facilities will be located under one roof. The tender has already been closed.
- Maintenance capacity improvement – New workshop and stores. This is now in tender stage. In the 1960s workshop of CGR at Ratmalana was the best in Asia. By now the machinery and equipment are outdated because, we do not use steam locomotives. Requirement exists to bring modern machinery. Earlier railways had a labour force of 7000 and by now it has a shortage of 2000.

As such new Machinery needs to be newly installed as detailed below:

- ✚ Traction motor repair equipment
- ✚ Universal Armature machine
- ✚ Milling machine
- ✚ Tie tamping and Balance profiling machine
- ✚ Bullate profiling machine

- Projects readiness improvement and implementation facilities. Some families living within project areas are needed to be relocated to clear land for projects. The resettlement programme is to be implemented in Malapalla housing scheme and for this 120 Nos. houses have been obtained from UDA.

❖ **Colombo Suburban Railway Project (CSRP)**

This project could be defined as long term intervention of Sri Lankan railways to cover the upgrading and electrification of Suburban Railway network of 210 km as detailed below. It has 04 components:-

- Kelany valley line – Colombo to Awissawella (64km)
- Main line – Colombo to Rambukkana (83km)
- Coastal line – Colombo to Kalutara (43km)
- Negombo line and airport link – Ragama to Negombo (23km)

This is the first ever largest rail project in Sri Lanka. We had a similar project, after war ended, to reconstruct the northern railway line of 250km. However, in that project 70% of the construction was carried out by agencies which were subsidiaries of Indian Government leaving a small portion to Sri Lankan companies mainly for supply of materials.

However, under ADB arrangement for CSRP there will be more opportunities for local contractors with all small scale works and foreign contractors joining with local counterparts for large scale constructions.

❖ **Present situation of CSRP**

- Pre-feasibility was undertaken and completed by EGIS International, a French company using a ADB grant.
- Detailed feasibility and detailed consultancy have been awarded to Dohwa Engineering of Korea.
- Dohwa Engineering has completed the feasibility and detailed design for Kelani Valley line.
- Feasibility and detailed design for other three lines are in progress

❖ **Present Status of Kelani Valley Line**

The stretch covers from Maradana to Awissawella

- The detailed design has been completed and the draft Bid document is nearing completion.

- The Environment Impact Assessment (EIA) report is under submission to Central Environmental Authority. It needs to undergo a mandatory period of two months for public comments.
- Resettlement of families is completed upto Malapalla. On 27-02-2020 the key handing over ceremony for the first batch took place at Malapalla housing scheme.
- National planning approval has already been received.

❖ **Kelani Valley Line – Phase – I**

- This covers nearly 35km from Maradana to Padukka.
- Upto Makumbura (20km) elevated double tracks will be constructed. As such no need will arise for road fly-overs, parallel roads and fencing upto Makumbura. As tracks will be of elevated structure existing 20 Nos level crossings will be eliminated.
- From Makumbura to Padukka for 15 km, at grade double line will be built. For expansion of tracks, project will make use of existing ROW (Right of Way) thereby minimizing land acquisitions.
- UDA has agreed to provide 1244 housing units for relocation purpose

❖ **Project Feasibility**

Eng. Plnr. Nihal Somaweera presented the feasibility of Kelani Valley Line Project with following statistical terms:

➤ Investment cost – US\$ 1.2 Bn

🚧 Construction cost	-	53%
🚧 Rolling stock	-	18%
🚧 Modern systems	-	9%
📊 Economic Internal Rate of Return	-	15.78%
📊 Economic Net Present Value	-	US\$ 1967 Mn
📊 Benefit to Cost Ratio	-	2.73

Eng. Plnr. Somaweera explained that the railway is capital intensive and cost is above three times higher than a highway due to investments involved for rolling stocks, laying of tracks, electrification and signals/communication systems.

Eng. Plnr Somaweera making reference to a recent document of CBSL and the General Treasury, stated that current foreign debt percentage to GDP is 45% and the next couple of years are expected to be difficult for Sri Lankan economy. However from 2023 foreign debt percentage will reduce to around 36% and government will have the space to go for foreign borrowings. The JICA loans are on concessionary terms including 40 years for repayment and a grace period for 05 years. Despite these difficulties, project preparatory works are being continued

❖ **Priority LRT Lines**

Government has identified two lines to be of priority basis

- Purple line from Malabe to Fort via Borella is 16 km and estimated at US\$ 4 Bn. Detailed design is reaching completion. As the loan from JICA is a tied – loan, the government is intent on renegotiating to make it open to be competitive.
- Red line from Kadawatha to Kirilapona is 33km and estimated cost amounts to LKR 1700 Mn. It is highly feasible to be on PPP basis as land and property assets are available. On the model of Hyderabad LRT, this project will be open to investors. This needs to be coupled with real estates. As the biggest land owner having 14,000 acres of land, Sri Lanka Railways has potential for use of land for PPP. The evaluation process is in progress. Eng.Plnr Somaweera further noted that LRT will not be a competitor to Sri Lankan Railways but a feeder service.

❖ **Opportunities for Construction Industry**

The Kelani Valley line project under CSRP will not only be a railway but an urban development project as well.

With this project an eastern corridor will be opened up with massive structural changes to townships along Kelani Valley.

The opportunities for civil construction activities and for providing modern services will ignite a construction boom. The concept of transit oriented development areas next to stations are in place in the designing.

Although main contractors will be foreign it is required for them to join with local partners. Further local construction companies are expected to make use of the opportunity for bidding for operation and maintenance activities, and for beautification of infrastructure too.

PROPOSED MULTIMODAL HUB AT COLOMBO FORT



CSRP ; KV LINE , VERTICAL ALIGNMENT

12



07. Protect and Boost Domestic Construction



Eng. Col. Nissanka N. Wijeratne

M.Sc (Construction Management) Loughborough, UK

B.Sc Eng.(Sri Lanka), MICE, C.Eng

Secretary General/CEO

Chamber of Construction Industry of Sri Lanka

Former Secretary

Ministry of Housing & Construction and Foreign

Employment Promotion

Former Chairman/ICTAD

Eng. Nissanka N. Wijeratne commencing his presentation on “Protect and Boost Domestic Construction” said he hoped to identify factors affecting domestic construction industry and talk on remedial action required to protect and boost the industry.

Eng. Wijeratne next opted to present each issue in point form and elaborate on each of them.

❖ **Overview**

- Construction industry contributes about 8% to GDP & provides employment to 650,000.
- In recent history Sri Lanka suffered a negative growth only in 2001. As reported by some construction companies, present situation is worse than in 2001.
- It is said that outstanding payments to construction companies amount to Rs.156 Bn . The turbulent situation arose to construction sector due to constitutional crisis in Oct-Dec 2018, afterwards returned to normalcy in March 2019, but the fallouts from Easter Sunday attacks in 2019 are yet to be settled.
- Crisis situation due to many factors

❖ **Factors Affecting Domestic Construction**

1. Cash flow problems due to delayed payments or non-payment for work done.
2. Lack of sufficient work load

3. Unequal competition from foreign companies
4. Awarding contracts without proper tender procedure
5. Large constructions undertaken by parties not competent
6. Delays in preliminary planning clearance and development permit
7. Issues on developing multi storied apartments and office buildings
8. Lack of grading system for consultancy practices and property developers
9. Reluctance of banks to extend credit facilities
10. Lagging behind in technology
11. Shortage of construction workers
12. Difficulties in supply of local materials



❖ **Cash flow Problems**

- The timely payments are very important to construction companies. Construction is a low capital and high turnover industry.
- Some measures announced by government will ease liquidity. Corporate tax reduction to 14% from 28% w.e.f. 1st April 2020 will yield advantages from July.

- It is proposed to introduce a Construction Industry Security of payments Act or make suitable amendments to Construction Industry Development Act. Settlement of Interim Payment Certificate should not be considered a contractual dispute but a legal right. We should be inspired by the Construction Industry Payment and Adjudication Act of Malaysia.
- Interim Payments Certificate to be issued within 14 days & settlement within 14 days.
- Release retention on reaching the limit against a bank guarantee. Revised Procurement Guideline 5:4:6 states retention “may” be released. It should be made mandatory.
- Due to slow down in activities many SME companies are facing tax penalties for not paying the taxes in time. These should be waived off as a concession.

❖ **Lack of Sufficient Work Load**

- Sri Lanka’s debt to GDP is 82.9%. But when government borrowings from banks are considered it is almost 100% . Foreign debt component is 41.2%.
- This year foreign debt repayments total is US\$ 6.0 Bn.
- As such there is little space to borrow further for capital spending. Therefore need arises to think of alternatives
- Government can construct buildings on tripartite arrangements between contractors and banks with government entering into lease agreement for 20 years.
- Power generation projects can be implemented on BOT or BOOT with power purchase agreements. Hindrance is Sec 9 of Sri Lanka Electricity Act, No. 20 of 2009 which stipulates the CEB/State Sector should have more than 50% shares in such a venture with capacity over 25MW.

Best example is Vietnam, In 2017 the government called RFP to set up large solar power plants with a total capacity of 850 MW and to purchase power at US Cents 9/KWh. By December 2019 investors established solar plants with total capacity 5000 MW and the government was able to reduce purchase price to US Cents 7.

Even in Sri Lanka there has been a proposal from 2012 to establish a LNG power plant including off-loading platform, with investment of US\$ 1.35 Bn and capacity 1200 MW, to sell power at US Cents 7 per KWh. But todate this could not be started.

- Similarly, it is possible to set up Urea Factory against a purchase agreement to supply the annual requirement of 400,000 MT. The cost difference will be about US\$ 195 per MT. Annual saving of US\$ 78 Mn.
- Other countries have developed roads, water supply schemes, etc, on similar arrangements.
- Such projects would involve sufficient work load for domestic contractors/constructors without much strain on Government budget.

❖ **Unequal Competition From Foreign Companies**

- In most countries various measures are taken to safeguard the domestic industry
- Foreign construction companies are provided many incentives by their governments to undertake work outside the country including easy bank facilities
- Some of these companies first undertook foreign funded projects and were allowed duty free import of plant & machinery. Now they use these on locally funded projects
- In recognition of this unequal competition, the election manifesto of HE the President promised to limit all state construction work to local companies
- It is proposed that all projects funded locally should be limited to local companies. Majority foreign funded projects can be allowed to foreign companies but they must form joint ventures with local companies up to 40% of the value of work. CID Act should be amended accordingly.
- The above proposals are conforming to National Policy on Construction.
- For example in Maldives foreign companies are not allowed to bid for projects under US\$ 05 Mn and for state funded projects.

❖ **Awarding contracts without Proper Tender Procedure**

Transparency in Tender Procedure will reduce cost and provide better competitions and equal treatment to everybody. The CCI Sri Lanka has received various allegations leveled against several contract awards.

- The CCISL proposed to include a nominee of Chamber in every Technical Evaluation Committee (TEC) as an observer for contracts over Rs. 150 Mn. The CCISL discussed this matter with COPE Chairman of Parliament and his response was positive.
- The awarding of Contracts to state sector institutions without competitive tenders is a bad practice. In appreciation of the role played by state corporations in training technical professionals, allowing of 5% preference could be considered.
- Even for foreign funded projects, competitive bidding procedure is recommended.

❖ **Large constructions undertaken by Parties not competent**

At the CCISL Council meeting a matter came up on few high rise buildings being constructed by certain parties without the appropriate registrations.

- The Section 38 of CID Act states that every identified construction work should be carried out by a registered contractor according to the procedures and standards prescribed. As large constructions could be undertaken by registered contractors with low capacity and under qualified this sections needs to be amended to read as

“Contractor with appropriate registration with the Authority in order to ensure the quality of Construction Work”

- The Development Permit requires certification by Chartered Architect/Chartered Civil or Chartered Structural Engineer etc., but does not require to indicate who the contractor (appropriately registered) is. The Development Permit should be amended to include the contractor with appropriate registration with CIDA.

❖ **Delays in Planning Approvals/Development Permits**

- At present it takes upto 12 months, in certain instances even longer to get the planning approvals, especially the Development Permit.

The process of granting approvals for planning and development permits needs to be operated from one centre thereby avoiding delays from running to many different places. Such a methodology will even improve on the “Ease of Doing Business” index to attract Foreign Direct Investment (FDI). In the Presidential Election Manifesto of HE the President it was pledged to reduce the time taken for approval of any building to be constructed to a total of 03 weeks.

- In order to make this timeline mandatory, amendments to UDA Act and CID Act should be introduced.
- In Singapore applications for approvals of large buildings could be submitted online using BIM software and compliance to planning regulations are also checked by using a special software and the clearance is given within one day. In Sri Lanka too a similar online system could be developed for drawings using “Revit Architecture” software. The compliance to planning regulations too could be checked with a computer software.

❖ **Developing Multi Storeyed Apartments & Office Buildings**

- Our banks consider that this sector has reached saturation point whereas we are nowhere near. Still in Colombo, apartments are only 9%. In most major cities in the region, it is 30 – 50%.
- In recent years a movement away from Colombo city to suburbs was noticed which may cause further traffic congestion in the future.
- Recent VAT removal is a step in right direction to promote apartment buying. Apartment mortgages to middle & low income first time buyers at concessionary interest rate of 6% and payback period of 40 years shall be mooted. Concept of mortgages from “Father to Child” which is two generation mortgage, needs to be introduced.
- Suitable lands for high rise buildings are scarce and when available very costly. Government should provide lands with 40P and above at concessionary prices to construct middle and low income apartments. In this regard UDA can step into purchasing suitable lands and release them subsequently for apartment housing. Use of residential premises for business purposes on roads less than 10 m width should be phased out within 3 years, to inspire investors to build office buildings with adequate car parking facilities.
- Banks should be encouraged to lend for middle and low income apartment projects.



- ❖ **Lack of Grading System for Consultancy Practices/Property Developers**
 - Undoubtedly the grading system introduced for contractors in the year 1980 contributed much to the development of construction companies. At the initial stages there were construction companies who were opposed to the move. However, by now there are many highly capable companies who can even compete with foreign contractors.
 - If a similar grading system is implemented for consultants and property developers it will have a positive effect in the long run for the quality of performance in the construction industry.
 - Such a system will facilitate to develop the confidence among end-users by generating confidence in public to buy property from a good graded developer.

- ❖ **Reluctance of Banks to extend Credit Facilities**
 - Banks consider construction as a very risky sector for lending. To overcome this situation need arises for a development bank to promote capital projects, infrastructure projects and export of construction services.
 - The DFCC and NDB which were established as development banks by now have turned into commercial banking.

❖ **Lagging behind in Technology**

- Still Sri Lankan companies cannot compete with many foreign companies on technology and work capacity. In Singapore all documentation from planning approvals to contract awards are being performed online through BIM-Software. The foreign companies/investors expected to Port-City in Colombo would be using new technology and BIM software in their activities.
- The most Projects on FDIs will have contract documents based on BIM.
- Still very few of our professionals are fully competent on BIM.
- Need arises to develop capacity to new challenges of technology.

❖ **Shortage of Construction Workers**

- In the construction industry a shortage of skilled workers is acutely felt.
- School leavers are reluctant to join the construction field preferring three wheeler driving, security service or any other state sector employment.
- CCISL proposes that 30,000 youth from Samurdhi recipient families be recruited to Volunteer Force or Civil Defense Force (CDF) and released to companies after vocational training on project basis. Companies will pay agreed daily amount.
- Similarly a campaign should be launched to change attitudes of youth to attract them to construction sector.



❖ Supply of Local Materials

- One of major difficulties encountered by contractors is setting up rock quarries and borrow pits for gravel. The government should step into identify suitable locations on district basis and to protect those sites from new human settlements. The contractors should have access to such listed sites for their project requirements.
- **Sand:-** The island-wide annual requirement for sand is 22 Mn cubic meters. The sustainable extraction from river basins is only 10 Mn cubic meters per annum, without damaging environment.

It is possible to obtain 4 MCM of manufactured rock sand per annum from various manufacturers.

The alternate solution is the supply of washed and sieved off shore sea-sand. In the western sea-coast, the available sand deposits are sufficient for 150 years while in the Eastern coast the deposits are growing day by day.

At present the sea-sand plant at Muthurajawela operated by SLLRDC, is providing not more than 01 MCM per annum. The maximum possible at this location is 03 MCM per annum.

- For the balance 05 Mn cubic meters it is proposed to install 02 washing stations at Chilaw and Batticaloa.

Concluding his presentation Eng. Nissanka N. Wijeratne played a video displaying a construction of 57 floor building by a Chinese company in a record time of 19 days to emphasize on the technological challenges our companies will have to be prepared.

Click here : https://youtu.be/9pkgiQx_uuE



08. Increasing Export of Construction Services



Eng. Mevan Gunathilleke
Executive Director
Sanken Overseas (Pvt) Ltd.

Eng. Mevan Gunathilleke, Executive Director, Sanken Overseas (Pvt) Ltd expressed his gratitude to CCI Sri Lanka for the invitation to speak on behalf of Private Sector on “Increasing Export of Construction Services”.

Eng. Gunathilleke expressed the view that if the domestic construction industry is to be revived the role needed to be played by the private sector is very important. The new ideas and new methods deviating from traditional ways tend to come from private sector rather than public sector. That is one of remedies we have to revive the domestic construction industry out of the current turbulent situation.

Next, Eng. Gunathilleke said in the 1990s Sri Lanka cricket was in a situation similar to what domestic construction industry is experiencing today. During that period Sri Lanka had good players and talents and was competing at international level as well. However, Sri Lankan cricket did not have the support of the government to take cricket to the next level, due to lack of funds. To get more funds cricketers had to play or perform better and win competitions. The today’s construction industry is where Sri Lanka cricket was in 1990s. The construction industry too has capacity and the capable companies. But the industry is short of funds.

These are the situations where we should have “Out of the Box” thinking or “In Fact” thinking to get out of the box. In this sense, we are in a vicious circle.

To explain his point, Eng. Gunathilleke displayed a slide with pictures of two wicket keepers in 1990s namely Lanka de Silva and Romesh Kaluwitharana. Both had similar average ODIs, average first class and the number of matches etc. However, out of them only Kaluwitharana is in the memory of cricket fans to date because he was in the team, around 1995, with Arjuna Ranatunge, Sanath Jayasuriya and others, who came with out of the box thinking and finding new methods to win matches. Then funds began to flow in to Sri Lanka Cricket.

It is not possible to take construction industry in isolation of other industries and find solutions because all sectors are co-related and inter - dependent.

Although construction industry contributes to around 8% to GDP we should be mindful that it is a secondary industry to other industries as construction industry cannot sustain on its own. If the primary industries do not perform well, for whom the construction industry is going to put up buildings for? he posed the question. So it is pointless always asking the government for projects or funds. It is important to understand the problem being encountered by the government whoever is running it.

❖ **Vicious Circle**

For the construction industry to survive it should get projects/contracts from the government. For such projects/contracts to emerge there should be development/production in the country. Development and production is not possible without investments. Investments emerge as equity or debt. The equity is possible only when there is economic yield. The economic yield to the industry and the country is possible if the previous project had been completed at economic price. If that was accomplished double the price, economic yield is not forthcoming leading to borrowings.

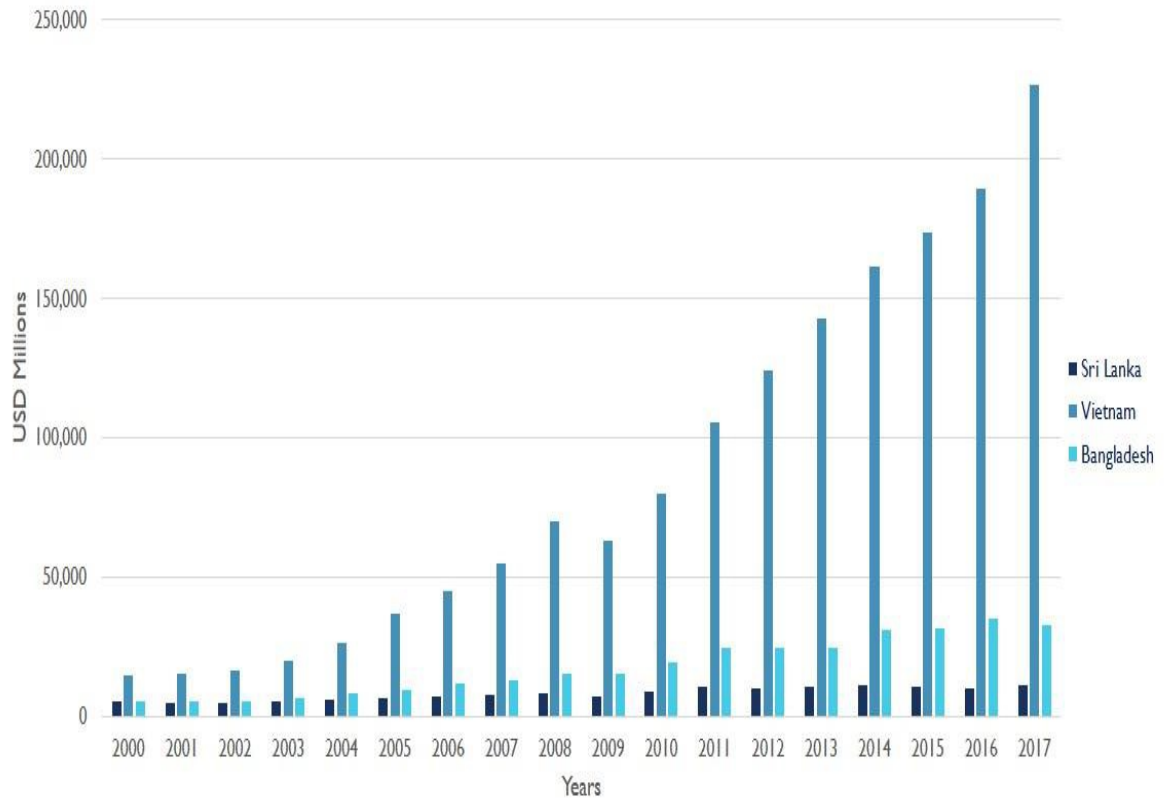
❖ **Export of Construction Services**

One way of breaking the vicious circle is to overcome the shortage of funds by the export of construction services. By exports, funds will come into the country to launch more projects. No government had paid much attention to this area, as it does not attract immediate votes.

Eng. Gunathillake wished to draw the attention of the audience to the export performance of Sri Lanka, Vietnam and Bangladesh. Making a comparison, Eng. Gunathilleke asserted in year 2000 export incomes of Sri Lanka and Bangladesh was US\$ 5Bn each and Vietnam had US\$ 10 Bn. By now Sri Lanka's export income amounts to US\$ 11 Bn while Bangladesh has an income of US\$ 32 Bn. Vietnam's current export revenue stands at US\$ 226 Bn. In this context increasing export revenue is the best way to break the debt trap and keep the economy running.

However, the quality performance depends on the resources available in each country.

COMPARISON OF EXPORTS - SRI LANKA, VIETNAM & BANGLADESH



Sources: Central Bank of Sri Lanka, Sri Lanka Customs, EDB, General Statistics Office of Vietnam, World Integrated Trade Solution

❖ Export Sector in Sri Lanka

Sri Lanka's National GDP is US\$ 88.9 Bn (2018) and its export income component amounts to 18% which is US\$ 15 Bn. In Vietnam the exports represent 150%-200% of GDP whereas in Singapore export revenue is almost 100%. Out of the export revenue of US\$15 Bn in Sri Lanka the construction industry's contribution amounts to less than 1%, in actual terms 0.1%. This means in the year 2018, the construction industry has brought in only US\$ 6.0 Bn by exporting construction services. The funny thing, Eng. Gunathilleke said, that US\$ 6.0 Bn brought in is equivalent to around 95% of the turnover of Sanken Overseas which he is attached to.

○ **Reluctance of local companies:-**

The reason for, low export income in construction sector is the reluctance of local companies to take risk and venture into foreign markets.

While local construction industry is a secondary industry, the exporting services is a primary industry as it brings foreign income direct to Sri Lankan economy.

As at present only one or two companies are engaged in export sector and consequently there is no voice for governmental concessions in facilitating business overseas.

❖ **Human Resources**

Unlike other industries, plantation or governmental activities, for the construction industry, the human Resource factor is very important. Sri Lanka has the professionally qualified resource in abundance. Sri Lankan high academic excellence and involvement in engineering sector is visible and is felt the world over.

Eng. Gunathilleke said in UK in his interactions with other companies he found many Sri Lankans offering their services as Architects, Engineers, Quantity Surveyors, etc. However, Sri Lanka is not benefited from them, because these highly qualified are working for foreign companies. So other countries are utilizing our talents. Citing an example to our local intellectualism, Eng. Gunathilleke referred to late Eng. D J Wimalasurendra who promoted the concept of hydro-power in Sri Lanka, even before British rulers, who did wonders in Sri Lanka, could believe it would be feasible.

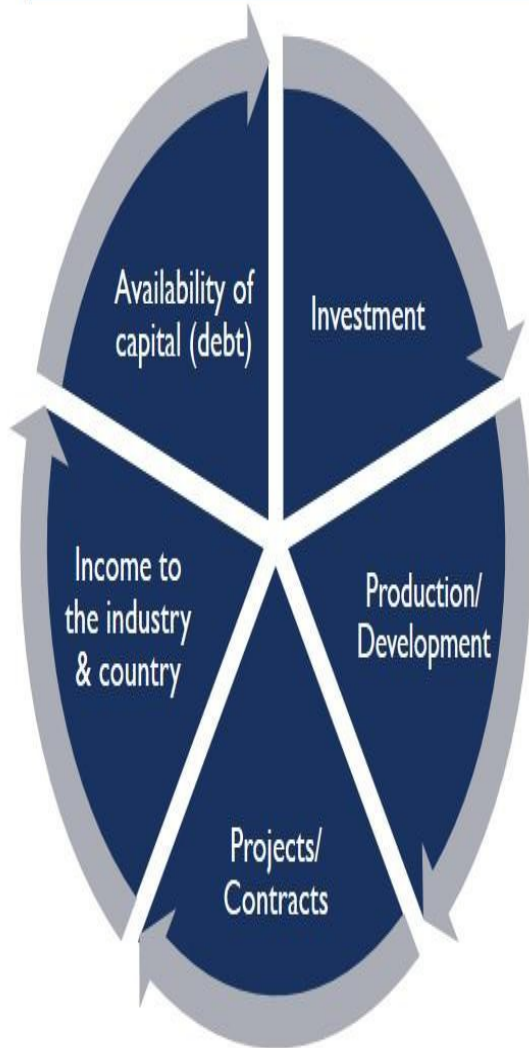
○ **Understanding Local Potential**

Like all winners of 100 meters at Olympics since 1932 are of African origin, yet citizens of USA or other North European countries, who exploited their talents by way of migration or other means, Sri Lankan talent in construction industry is being exploited by foreign countries like Middle-East, UK, Australia etc. by foreign contractors.

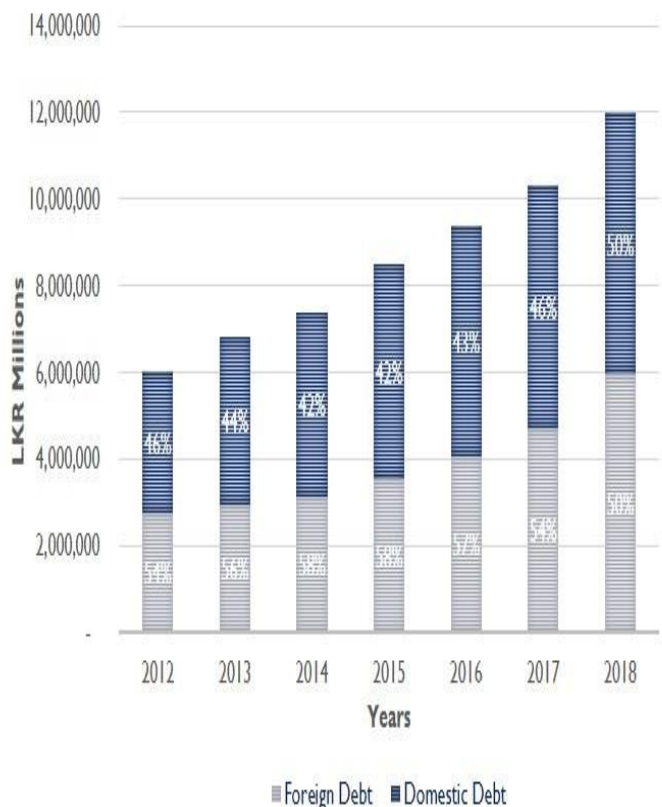
This is similar to our construction industry and global construction industry as well.

This needs to be changed with local companies taking over foreign undertakings with our local talents and resources.

ECONOMY OF SRI-LANKA



Composition of Government Debt 2012-2018



Sources: Central Bank of Sri Lanka Annual Report 2016,2017,2018

❖ How to enter Foreign Market

In the past there were main obstacles like CBSL regulations, exchange controls, customs issues, etc. when embarking on overseas projects. However, by now we, as front-runners have cleared them thanks to intervention by CCISL and other supportive agencies.

Eng. Gunathilleke said that very often he was asked the following questions.

- How did you commence overseas operations?
- How to tender foreign projects?
- How to find correct markets?

Eng. Gunathilleke advised that finding a correct market is very important. In foreign countries the Sri Lankan contractor is on his own. In Sri Lanka, the CCISL, government and other stakeholders may extend their helping hands.

The foreign market to be selected should not be a mature one. Mature markets are like Dubai, USA, Europe etc. where the level of technology is superior to Sri Lanka and with enough space for aggressive foreign competition.

Therefore market should be where Sri Lankan know-how is higher than country you are moving into. In such a country Sri Lankan know-how would be appreciated, yet it needs to be cost effective to locals compared to other foreign companies.

Eng. Gunathilleke opined that selecting a developing country in Africa, Seychelles, Maldives, Myanmar or Bangladesh is advisable. At the same time political stability or the security for the project, taxation, loans and facilities available for repatriation of funds are needed to be looked into.

❖ **Challenges**

The companies going abroad need to be mindful of the challenges lying ahead.

- **Foreign Territory** -
As there are no personal or business relationships, the disputes of any types should be avoided.
- **Logistical Issue/Procurement Issues**
Making procurements/stocks will take time where locations are in small islands of Maldives or less developed countries.
- **Limitations in litigation/arbitration**
It is always important to be a non-complainant in a foreign land.

- **Unpredictability of Payment**
This depends on the type of client.
- **Financial limitations in contractor financed projects**
For sustainable running of projects, it would be appropriate to enter into PPP, BOT or BOOT arrangements with the supportive roles of Sri Lankan government and foreign governments.

❖ **Construction Services Exportable**

Eng. Gunathilleke pointed out the export opportunities available to prospective construction companies.

○ **From operations in Sri Lanka**

Designing, estimation including quantity surveying, project management. At present most of global companies in developed and developing countries have the tendency for outsourcing their functions.

Sri Lankan companies with potential can take up such activities from Sri-Lanka with only single representative staying in the foreign location.

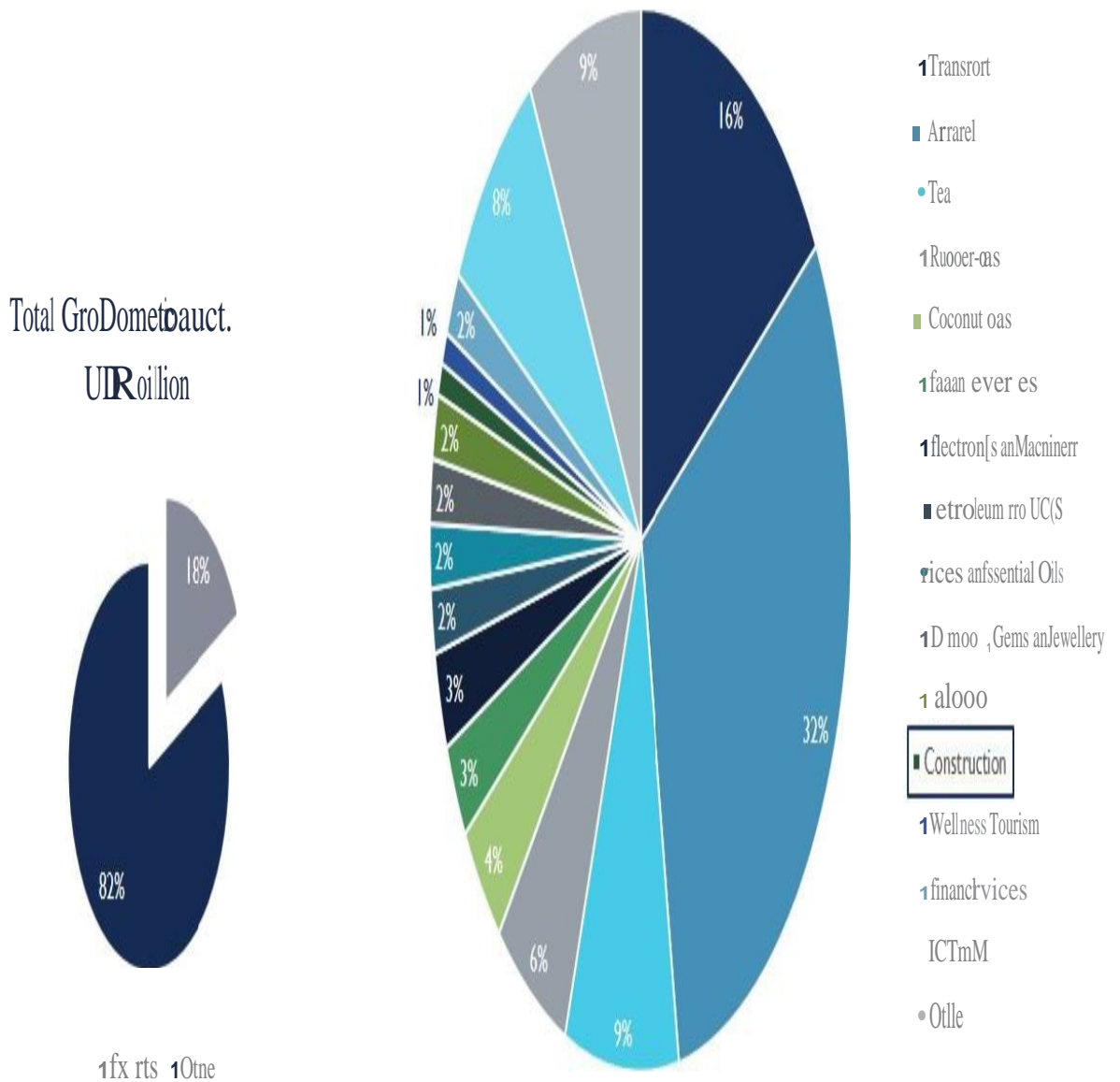
○ **Operation Outside Sri Lanka**

To be a sub-contractor to foreign main contractor.

- To start a joint venture (JV) with a foreign contractor.
- After working as joint-venture for 4-5 years to become a general contractor.
- Establishment of Government To Government (G2G) Projects. Sri Lankan companies could undertake foreign contracts.
- Entering into a new country with a strategic Joint Venture based on a win-win formula.




























Sri Lankan companies can enter into JVs as suppliers, quantity surveyors, etc.

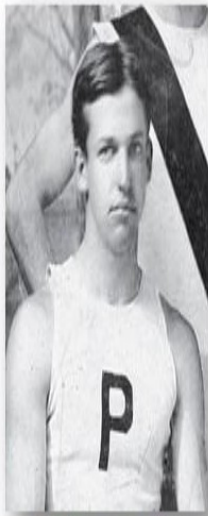
SRI-LANKA'S EXPORT SECTOR – SNAPSHOT OF 2018



Source: Central Bank of Sri Lanka, Sri Lanka Customs, FOB

100 METRES AT THE OLYMPICS

Year	Men's champion
1896 ^[10]	 Thomas Burke (USA)
1900 ^[24]	 Frank Jarvis (USA)
1904 ^[26]	 Archie Hahn (USA)
1906 ^[28]	 Reggie Walker (RSA)
1912 ^[27]	 Ralph Craig (USA)
1920 ^[28]	 Charlie Paddock (USA)
1924 ^[29]	 Harold Abrahams (GBR)
1928 ^{[30][31]}	 Percy Williams (CAN)
1932 ^{[32][33]}	 Eddie Tolan (USA)
1936 ^{[34][35]}	 Jesse Owens (USA)
1948 ^{[36][37]}	 Harrison Dillard (USA)
1952 ^{[38][39]}	 Lindy Remigino (USA)
1956 ^{[40][41]}	 Bobby Morrow (USA)
1960 ^[42]	 Armin Hary (EUA)
1964 ^{[10][43]}	 Bob Hayes (USA)
1968 ^{[44][45]}	 Jim Hines (USA)
1972 ^{[46][47]}	 Valeriy Borzov (URS)
1976 ^{[48][49]}	 Hasely Crawford (TRI)
1980 ^{[50][51]}	 Allan Wells (GBR)
1984 ^{[52][53]}	 Carl Lewis (USA)
1988 ^{[54][55]}	 Carl Lewis (USA)
1992 ^{[56][57]}	 Linford Christie (GBR)
1996 ^{[58][59]}	 Donovan Bailey (CAN)
2000 ^{[60][61]}	 Maurice Greene (USA)
2004 ^{[62][64]}	 Justin Gatlin (USA)
2008 ^{[63][66]}	 Usain Bolt (JAM)
2012 ^{[67][68]}	 Usain Bolt (JAM)



Thomas Burke



Percy Williams



Archie Hahn



Usain Bolt



Maurice Greene



Donovan Bailey

Source: https://www.wikipedia.org/wiki/100_metre_at_the_Olympics

09. Panel Discussion – Q & A

Panelists

Plnr. Lakshman Jayasekera	Project Director Western Region Planning Projects Aerocity Development Project
Eng. Plnr. Nihal Somaweera	Former Secretary Ministry of Transport Project Consultant Colombo Suburban Railway Project
Eng. Nissanka N. Wijeratne	Former Secretary Ministry of Housing & Construction Chairman/ICTAD Secretary General/CEO CCI Sri Lanka
Eng. Mevan Gunatilleke	Executive Director Sanken Overseas (Pvt) Ltd
Eng. Maj. Ranjith Gunathilleke	President CCI Sri Lanka
Arch. H K Balachandra	Director General CIDA

Eng. Capt. Lal Tennakoon having thanked the distinguished Sponsors Merchant Bank of Sri Lanka and Finance PLC and CEYLEX Engineering (Pvt) Ltd. and presenters for their contribution to the Seminar, invited questions from audience to the Panelists.

Question No. 01- General Question

Sri Lanka's dispute resolution procedure is as bad as litigation. We decided to cut short and go to arbitration for speedy resolution. Considering the long period of time being spent on arbitrations, our court system seems better than Arbitration. In Singapore, adjudication Procedure is completed mostly in 28 days. When there are long delays the construction industry suffers by way of payment delays to contractors/consultants, cash flow problems etc making an adverse impact. Is there any way forward?

Answer - By Eng. Maj. Ranjith Gunatilleka

With the view to facilitate speedy resolution of conflicts action has been initiated to amend the CID Act. The Chamber and the CIDA are very much concerned on this issue and are following up the matter.

By Eng.Col. Nissanka N. Wijeratne

In drafting the CID Act, I was very much involved. Then we identified that arbitration was worse than court procedures. At that time, adjudication was conducted by the provisions in the contract agreement.

There was no law for adjudication. Due to this reason, we included a section in the CID Act, for adjudication. Accordingly for selection of adjudicators, the regulations have already been published and gazzatted. So one phase has been covered.

However, the problem is with the regulations and procedures required for conduct of adjudications. They had been drafted, but for one reason or another, these regulations and procedures are yet to be published. We all stakeholders must get together and push for early enforcement of same.

Question No. 02- To Arch. H K Balachandra

Can CIDA, instead of being a book-seller, publish all documents on standards etc. on internet so that interested parties can visit the website and download same without coming to Colombo all the way from long distance places?

Answer - By Arch. H K Balachandra

- (i) The aim of CIDA is to prevent disputes before arising the need for adjudications. That is what the CIDA stands for. First, we have to examine the nature of disputes and understand the causes for arising disputes. So we have strengthened the capacity, competency, documentation, etc. to minimize and resolve disputes as soon as they arise.
- (ii) As for books on-line, the CIDA has made arrangements to open a “Payment-gateway” very soon to enable the interested parties to make fees on-line and thereafter to download books, documents, etc.

Question No. 03- To Eng. Mevan Gunathilleke

Question is about managing risk factor involved in Sri Lankan companies working in foreign countries. For example, when government of Maldives opens some Projects for international biddings, it offers a Maldives Sovereign Guarantee, which is not a balance-sheet sovereign guarantee. It does not have any securitization sovereign guarantee except for the Maldives. The political stability of the country is also not well. When you are dealing with Maldives government project, how do you manage the risk-factor?

Answer - By Eng. Mevan Gunathilleke

When there was a regime change in the Maldives about 05 years ago, the government of Maldives did not honour the sovereign bonds. As a result their credibility has reduced. In later years the Maldives has curbed in credibility. However in Sri Lanka, Indian or in even Singapore Banks the reduced credibility and its impact is visible. At the moment the Sanken Engineering is not engaged in direct projects with Maldives government.

However, the Sri Lankan government can intervene by releasing bonds from Sri Lanka. The Chinese companies have the EXIM bank to provide financial security for their contractors. The Sri Lankan government too can be helpful through relevant protocols to address the issue.

Question No. 04- To CCI Sri Lanka

In the year 1987, there was a Cabinet Memorandum to regulate and upgrade the consultancy services in the construction industry. The aim was to maintain high standards in consultancy services. Thereafter, there has been nothing heard about it. Similarly the report of the committee headed by late Lakshman Kadiragamer on the same subject has been submitted to the then government and its recommendations are not known to date?

Answer - By Eng. Nissanka N. Wijeratne

Thanking for all questions and comments made by the audience said the Chamber and CIDA have taken note of all issues raised and are keen to pursue follow up action.



10. Presentation of Mementos

Eng. Capt. Lal Tennakoon, Senior Assistant Secretary General of CCISL expressing appreciation and gratitude for their interesting and inspiring contributions to make the Seminar a success, called upon the speakers to accept the mementos offered as a token of appreciation by the CCI Sri Lanka.

The Mementos were received by:-

- Eng. Mr Mahinda Siriwardana Deputy Governor
Central Bank of Sri Lanka

- Plnr. Lakshman Jayasekera Project Director
Western Region Planning Projects
Aerocity Development Project

- Mr Mohan Peiris, PC Former Chief Justice and Attorney
General

- Eng. Plnr. Nihal Somaweera Former Secretary
Ministry of Transport
Project Consultant
Colombo Suburban Railway Project

- Eng. Mevan Gunatilleke Executive Director
Sanken Overseas (Pvt) Ltd
