TELECOMMUNICATIONS SECTOR IN SRI LANKA:
INEFFECTIVENESS OF A NEW MODEL OF GOVERNANCE

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ABSTRACT
This paper examines the telecommunications industry in Sri Lanka and assesses the effectiveness of regulatory arrangements associated with the liberalization of the telecommunications industry from a management point of view. The review focuses on the scope of services, price and the quality of services available to customers after liberalization. This study finds that despite the early establishment of the Telecommunications Regulatory Commission (TRC) to monitor the industry, its interventions have been only partially successful in making the telecommunications industry conducive to service providers and customers. While liberalization of the telecommunication industry is favoured, the role of the regulator has been criticized in regard to; its independence, impartiality, capability, transparency and accountability. In conclusion, the study questions whether the current model is the most appropriate for the circumstances prevailing in Sri Lanka.

Key Words: Privatization, Telecommunications, Regulation, Governance
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INTRODUCTION

The emergence of a market based new managerial approach in the 1980s encouraged Governments to re-assess the role they had been playing during the era of the welfare state. The concept of ‘efficiency’ was the central to this debate. Liberalization of economy and removal of controls or state intervention in the business sector were seen as the best policy option to facilitate a market driven public management system. Public policies were therefore, aimed at creating free markets and providing an enabling environment for the private sector to perform and these were expanded to less developed countries (LDCs) as aid conditionalities by international agencies such as the World Bank and the IMF (Hughes, 2003; United Nations, 2001; Pollitt, 2000, 2001, 2003; Hood, 1991; Holmes & Shand, 1995; Minogue, Polidano & Hulme, 1998; Osborne & Gaebler, 1992; Cope, Leishman & Starie, 1997; Minogue, 2000).

Privatization of state owned enterprises (SOEs) was a main concern in this reform process and it was coupled with a regulatory role by the state as a ‘facilitator’ in order to ‘guide, correct and supplement’ economic functions when the market mechanism alone could not perform (Musgrave & Musgrave, 1989). The regulatory regime is meant to be independent of political intervention in addressing market failures. As Stelzer (1989:72) explains it is ‘a tool for capturing the efficiency enhancing benefits of private sector reliance on capital markets without conferring monopoly profits on investors’ in the modern economic era.
The telecommunications industry, which has long been regarded as a heavily regulated natural monopoly dominated by public ownership until the 1980s, was the most ground-breaking industry in its transformation during the last 30 years. It began to transform into private sector properties in Western Europe, the United States, the UK and Canada in early 1980s followed by other regions, New Zealand, Japan and Australia (Cowhey & Klimenko, 2000). But for LDCs, the telecommunications which was commonly ‘inherited from colonial administration’ (Cowan, 1990:83) was suffering from lack of resources: financial; technical; and managerial, in order to meet challenge for shifting ‘from analogue to digital’ (Mansell, 1997:970). Yet, these countries realized the importance of basic infrastructure facilities such as telecommunications is a must to climb its development ladder. In addition, they were forced by their development partners for such reforms (Fraser, 1988; Hughes, 2003; Jackson & Price, 1994). As a result, liberalization of telecommunications industry in LDCs was then started, through measures such as deregulation, opening up market for cellular, paging and other value added services, partial to full privatization (Hays, 1997).

Sri Lanka was not an exception. Its public enterprises management, lack of commercial activities, inflexible pricing policies, inadequate capital investment on modern technology, lack of corporate vision, out-dated procurement systems and high debt were identified as major deficiencies of the Government (PERC\(^1\): 1998). In the mid 1980s, Sri Lanka launched its privatization programme as advocated by its development partners, the World Bank and the IMF. However, it was ‘a trial and error type’ implementation (Kelegama, 1993: 32). The partial

\(^1\) The Public Enterprises Reform Commission (PERC) established by Sri Lanka Public Enterprises Reform Act No 1 of 1996 is the responsible agency for implementation of the Government’s privatization and public enterprise reform programme.
privatization of Sri Lanka Telecom (SLT) in 1997 has been recognized as the most spectacular privatization reform took place so far in Sri Lanka. It was accompanied by an establishment of a regulator to oversee the market. Yet, the experience after eight years of privatization especially its regulatory arrangements are subject to criticism.

This paper focuses on the role of the regulator as the newly created governing body to facilitate market conditions in the telecommunications industry and its impact on the telecommunications industry in Sri Lanka. It investigates whether the newly created regulatory bodies are appropriate mechanisms to manage the privatization process for a natural monopoly in a low income country like Sri Lanka. The next section of the paper reviews the experiences of the telecommunications industry privatization and its regulatory arrangement in general and identifies issues related to regulatory regime. It then discusses the revolution that took place in the telecommunications industry in Sri Lanka. The final section reviews and analyses the major regulatory interventions by the Telecommunications Regulatory Commission of Sri Lanka followed by the conclusion.

REGULATORY REGIME IN TELECOMMUNICATIONS INDUSTRY

The telecommunications industry was one of the first utility services to be privatized in the UK, followed by most other western countries and much of the rest of the world. LDCs and the countries in transition were not excluded. The notion behind the establishment of a regulatory body coupled with privatization was the belief that a mechanism for ‘ensuring efficiency’, ‘setting standards of service’ and for ‘exercising financial audits’ (Minogue, 1998:31), separated from the operational activities was necessary in order to create the effective level playing field required for development of the telecommunications industry in order to deliver cheaper and
better quality services to customers. The advantages of such a regulatory body are multidimensional: it could ensure fair enforcement of Government policy; hold operators accountable for performance; address consumer issues; monitor changing industry needs; and, provide feedback to the policy making units (Jain, 1993). The good governance which could not establish by the Government itself was expected to create by these new agencies. The question remains as to whether these arrangements have been able to deliver the expected results due to various reasons such as complexity & uncertainty, artificial monopoly situations, and price and quality issues.

**Complexity and uncertainty**

The telecommunications policies as well as the regulatory arrangements have become complex and inconsistent mainly due to the special nature of the telecommunications industry, i.e. dramatic technical advances and growing interests in various services within industry. This has become a real regulatory challenge as the appropriate regulation depends on ‘the industry structure’ (Jackson & Price, 1994:13). However, as Bishop, Kay & Mayer (1995) argue that whatever the structure, the regulator should be capable of providing expertise by identifying the precise sources of market failures; targeting regulation specifically at these failures; designing a simple and straight forward regulatory mechanism; and properly disseminating these arrangements to the public, otherwise regulation will create complexity and only be at a cost to the Government. For instance, Australian telecommunications industry is looked after by several regulators² and unless the general public is very much alert to the changes occurring, they may

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² Australian Competition and Consumer Commission (ACCC), Australian Communications Authority (ACA), Telecommunications Industry Ombudsman (TIO) and Australian Communications Industry Forum (ACIF)
never know where to go when a need arises (Saunders & Harris, 1994). The scenario in LDCs is the same. Sri Lanka For instance, had a regulator for the telecommunications industry since 1980s, well before the privatization took place but the general public was unaware of such arrangements.

Regulation of public utilities, particularly price regulation, is subject to periodic reviews after, for example, five or ten years. This requires cost details of operators which the regulator often has difficulty in obtaining due to confidentiality which providers assert over their figures. This has created uncertainty. For example, in the UK, after British Telecom (BT) was privatized; the price cap, initially set for five years, was revised three times within the next four years. This indecisive regulatory intervention created uncertainty among potential investors who saw the utility industries as risky (Saunders & Harris, 1994). For LDCs, this is a major problem as they need foreign investment, technology and managerial knowledge to support their infrastructure such as telecommunications services.

**Artificial monopoly situation**

The main problem associated with telecommunications services is the issue of natural monopoly particularly in the fixed line market. The concerns of economies of scale limit rival entry to the industry and its classic form of network character suggest that only one operator represents optimum solution (Nemec, Sagat & Vitek, 2004). Regulatory interventions by the Government aimed to correct market failure created by the monopoly situation particularly where a public monopoly becomes a private monopoly and to create market conducive for rivals (Hughes, 2003; Kay & Thompson, 1986). Governments have taken steps for initial reforms such as creating duopolies (The UK and Australia) and horizontal separation of the industry into circles (India) in
order to avoid artificial monopolies. But experiences in LDCs such as Sri Lanka suggest that such monopolies have been formalized through regulation (Jayasuriya & Knight-John, 2000).

**High prices and low quality**

One of the main roles of the regulator is to make the market competitive to bring prices down. This has created many problems in the quality of products and services almost everywhere, except in some OECD countries (Price, 1994). In the UK for instance, each regulatory body was authorized to obtain privatized companies’ service quality measures by the Competition and Services (Utilities) Act of 1992. Further, the consumer was given a voice to act against any quality issues and malpractices by operators. In developing counties, for example in Sri Lanka privatization of telecommunications agreement included permission for annual tariff increases in domestic services for five years (Jayasuriya & Knight-John, 2000; Samarajiva, 2000) in order to satisfy the main incumbent’s interests. This has resulted in price increases, especially in domestic call tariffs.

**SRI LANKAN EXPERIENCE**

In Sri Lanka, the only service provider, SLT was unable to keep up with the demand for telecommunications services and, in the past, the waiting lists for telephone lines had exceeded the number of existing lines. The billing system was in arrears by three to four months and the financial accounting reports were late by three to four years. SLT had over 8500 employees and its operating profit in the year of privatization (1997) was about US$75 million. Yet, of the annual turnover of SLT, about 46 percent was accounted for by international incoming calls.
By the mid 1990s, it was estimated that an additional US$450 to 500 million was urgently required to meet the estimated demand for telephones by 2000.

**Development of the telecommunications industry in Sri Lanka**

The telecommunications industry in Sri Lanka was inherited from the British. Since independence in 1948 the industry had no investments and therefore, was performing poorly. The Department of Telecommunications (DoT) was separated from the postal service in 1980 as an initial solution to its inefficient performance. But, even after the separation, DoT was unable to operate as a commercial entity and to raise funds or retain earnings for internal use, mainly as it was still subject to the requirements that Government placed on its departments. Despite the investments through loan funds obtained from the World Bank ‘in return for reforms’ (Samarajiva, 1993:39), DoT had difficulties meeting demand reliably. In particular, it failed to take up the opportunities which arose after open economic policies were adopted in 1977. For example, the extra demand for telephones created by the Sri Lankans who went to the Middle-East for employment and high usage of existing network facilities brought the situation into further deterioration. In the early 1980s, it was found that ‘38 percent of telephone lines in the Greater Colombo area were out of order at any given time’ (Abeynaike, 1986 cited in Samarajiva, 1993:40). By this time applicants on the waiting list for telephones (about 245,000) exceeded the number of existing lines and the waiting periods were on average 10 years (Shetty, 1996; TRCSL, 1998). This was resulted in issuing licences to private telecommunications bureaus for provision of international, local and long distance calls and fax services. These private sector bureaus were flexible and customer-oriented and hence became a temporary solution to this serious problem.
**Liberalization process**

The liberalization process originated with the recommendations of the presidential committee appointed for this purpose. First, the enactment of Sri Lanka’s Telecommunications Act No. 25 of 1991 was separated policies, operations and regulation, assigning responsibilities to the ministry, Sri Lanka Telecom and Sri Lanka Telecommunications Authority (STA- the regulator) respectively. Subsequently, having realized the importance of assigning priority to policy changes (President of Sri Lanka, 1995; Taylor, 1996), the National policy on the Telecommunications Industry was introduced in 1997, accompanied by necessary amendments to the existing act. The main objectives of the policy were provision of quality telecommunications services to all by eliminating long waiting lists, allowing private sector competition, increasing local value addition through local manufacture & construction and protection of defence, security and environmental interests of the country (TRCSL, 1998).

In the mid 1990s, the liberalization process was extended by granting permission to two fixed line operators using Wireless Local Loop (WLL) technology (SunTel and LankaBell) and four mobile telephone operators (CellTel, Mobitel, Lanka Cellular, and MTN).

In August 1997, the Government divested 35% of its stake in SLT to Nippon Telegraph and Telephone Corporation (NTT) of Japan (for US$ 225 million). Management control of SLT was assigned to the same company through another agreement by the Government. At the same time 3.5% of SLT’s shares were distributed among SLT employees. In December 2002, the Government floated 12% of its remaining stake at an initial public offering (IPO) leaving it with only 49.5%.
Telecommunications regulatory commission of Sri Lanka (TRCSL)

The first regulatory body, STA established in 1991 was unsatisfactory. It was argued that STA did not have the independence, power, structure, resources or accountability (World Bank, 1995; Samarajiva, 1993). Hence, the Sri Lanka Telecommunications Act No. 27 of 1996 converted STA into a more independent body, namely the Telecommunications Regulatory Commission of Sri Lanka (TRCSL). The regulator had three broad objectives; setting up cost-based tariff structure, preventing anti-competitive practices and advising the Government on telecommunications related issues. Under these broad objectives, the responsibilities of the Commission were to: ensure the provision of qualitative, reliable and efficient national and international telecommunications services by operators while protecting and promoting the interests of consumers, purchasers and other users; maintain and promote effective competition within the industry; promote research & development activities for the industry in order to make Sri Lanka the hub for international transit services in the region; and advise the Minister on granting licences, policy issues, pricing, interconnection charges, tariffs, and matters relating to the International Telecommunications Union (ITU) (GOSL, 1991). The Commission was made the sole body in Sri Lanka authorized to conduct inquiries on public complaints or public interests in this sector as directed by the Minister.

New features of telecommunications industry after liberalization

At the partial privatization that took place in 1997, three main decisions were taken by the Government: first, not to issue any new licences until 2002; second, to vest monopoly power on SLT for international voice service operations until 2002; and third, to grant permission for minimum annual tariff increases for domestic services of 25%, 25%, 20%, 15% and 15% by SLT for five years till 2002 (Samarajiva, 1993, 2000; Jayasuriya & Knight-John, 2000). These
decisions by the Government created various positive and negative impacts in the industry as per Table 1.

- Privatization of SLT resulted in an increased number of telephones in the island. Between 1991 and 1997, the number of SLT lines was increased by almost 150 percent. This figure further increased by 161 percent from 1997 to 2003 indicating a 27 percent of annual growth rate. Establishment of SLT under deregulation policy in 1991 resulted in a real initial boom (Bowman, 1993). The total number of fixed lines (including WLL connections) by the end of 2003 was 939,000 compared to 80,000 in 1980.

- The mobile telephone market showed a remarkable growth and its current market segment of the total phone market is 60 percent (CBSL, 2003). It grew at a compounded annual rate of 54 percent from 1994 to 2003 compared to 21 percent growth in the fixed line market (including WLL) over the same period. The mobile telephone network has expanded by 50 percent in 2003 after a 40 percent increase in 2002 (CBSL, 2003). This has resulted in increasing the tele-density (number of telephones per 100 persons) of both, fixed lines from 0.7 in 1991 to 4.9 in 2003 and of mobile phones from 0.1 in 1991 to 4.9 in 2002.

- The number of licenced service providers in the telecommunications industry increased to 39 as of November 2003. This was a recent increase due to the removal of monopoly power of SLT and licensing over 30 External Gateway Operators for international calls. As a result, out-going call tariff has dropped by an estimated 50% (CBSL, 2003).
Despite the overall increase in service provision, the number of applicants in the waiting list has been experiencing an upward trend (except 1997/8). In addition, the use of the internet in the country is very low for reasons such as the high rate of local call tariffs and expensive computer equipment. Yet, it shows an increasing trend over the last few years signalling a 38 percent of annual growth rate from 2000 to 2003.

EFFECTIVENESS OF THE TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA (TRCSL)

Many argue that the efficiency of service provision can be improved without changing the ownership (Bishop & Thompson, 1992; Aharoni, 1988; Vickers & Yarrow, 1988). Yet, if privatized telecommunications industry is to be efficient competition and regulatory interventions are necessary. TRC is mainly responsible for three types of regulatory arrangements: competition related regulation; oligopoly/monopoly supervision; and social regulation. The effectiveness of the regulatory intervention by the TRC to date is discussed below.

Competition related regulation

Creating competition in the telecommunications industry is limited due to two main reasons: fast changing technology; and huge cost involved in expanding networks. Osborne & Gaebler argue that ‘if not structured carefully, markets that look competitive, can also succumb to monopolistic power’ (1992:106). Even in the UK, once Oftel tended to wait and see behaviour failing to introduce appropriate competition (Veljanovski, 1989; Bishop et al, 1995; Clark, 1999). The increased number of service providers after privatization is common everywhere, but it does not
confirm the geographical inequality in service provision is guaranteed (Eng, 1988; Stelzer, 1989).

In Sri Lanka competition is undoubtedly visible in the mobile phone market. This is due to a number of factors: competition among operators; affordable initial price (prepaid systems); constant improvements in mobile phone technology; quick supply; expansion of coverage; declining number of public payphones; shortage of fixed phone supply; opening up of new market segments (war-torn areas) due to peace building efforts (CBSL, 2003). Because of the high level of existing competition, the deregulation of the mobile phone market is currently under consideration by the regulator. But, the experience in other market segments is different. For example WLL operators were mainly concentrating high volume clients in densely populated areas until recently.

Further, despite the long debate, there is no competition policy established in Sri Lanka yet. The existing Fair Trading Commission (FTC) which is currently responsible for competition issues is almost inoperative.

**Oligopoly/monopoly supervision**

The monopoly right of SLT to provide international services after privatization enabled exceptionally high international call tariffs in Sri Lanka till 2002. Rajan (1991) argues that India did a similar thing in its 1994 reforms by limiting the competition in manufacturing telecommunications equipment. The removal of the SLT monopoly in August 2002 resulted in a huge reduction in international call tariffs. However, the fall of market share of SLT in the international call market has not affected SLT’s financial position. SLT has increased its’ operational income from Sri Lanka Rupees (SLR) 200 million in 1980, SLR 5.4 billion in 1992
and SLR 13.7 billion in 1997 to SLR 20 billion in 2003\textsuperscript{3} and it had 85% of the fixed line market, 11% of the mobile phone market\textsuperscript{4}. By April 2004 it owned 66% of the total phone market revenue (Zita & Kapur, 2004). Despite many efforts to increase competition, the emergence of this artificial monopoly may have been resulted from the guaranteed tariff rebalancing system agreed at the time of privatization. Therefore, since the privatization of SLT, prices have risen rather than fallen in Sri Lanka. Further, a new fixed line phone connection would still require time from months to years and applicants on the waiting list increasing (Table 1). Transfer from one to another service provider is still unavailable though the 10 digit numbering system to technically enable has been in place since 2003.

\textbf{Social regulation}

Social regulation is adopted to protect the interests of citizens and consumers on quality, safety and pollution controls. In order to do this, the Sri Lankan Government has taken various measures, but the effectiveness in such interventions has been questioned in various ways;

\textit{Independence of the regulator}

Having realized the importance of keeping policy, regulation and operations separated from the commercial and technological changes, Governments have been trying to ensure fairness of policy implementation through legislative frameworks. Many countries, following the UK examples, instituted prior structural regulations to prevent monopoly abuses. In Sri Lanka, STA was established well before the privatization of SLT and was strengthened in 1996 with

\textsuperscript{3} Annual reports of SLT in various years
\textsuperscript{4} Mobitel, one of the four mobile phone operators was started as a joint venture between NTT (40%) and Telstra (60%), Australia. In 2002 NTT bought Telstra’s 60% of stake in Mobitel and became the sole owner.
the establishment of the TRCSL. This was done with the belief that it would be immune from Government political pressures.

But the experience of the independence of the regulator shows some interesting points for discussion. The first regulator, STA established in 1991, was functioning under the ministry with no difference from a Government department, having no funds or expertise. The TRC was provided with resources to build up expertise and experts were recruited from outside. It developed some degree of independence, was able to initiate interconnection regime and established a favourable foundation for competition when the duopoly operators were licenced. But, the same Act made the secretary to the ministry of telecommunications, the statutory chairman of the Commission, an indirect control by the Government. The appointment of three other Commissioners (experts in management, law and finance) was left to the minister. The minister in charge of the industry became the final authority to issue licences and to take other important decisions. This situation advertently led to a partial or bias decision making by the regulator. In addition, TRC has become an opportunity for employment for SLT’s retired personnel. The worse case scenario a former Managing Director of SLT became the Director General (DG) of TRCSL in 1999. Hence there is some ambiguity about the Commission’s relationship with the Government (Samarajiva, 2000) and this was once questioned by one of the WLL operators publicly (Zita & Kapur, 2004). Even the draft Communications Policy of 2002 which is to be implemented does not indicate any measures to avoid these ties.
Efficiency of the commission

The Government was unable to retain the staff hired initially in 1996 and there was a high turnover in its key positions which includes three DGs in just three years by 2000. The Government simply was unable to offer them internationally competitive salaries and fringe benefits. The ultimate result was that ex-SLT employees’ joining the Commission and the independence or the provision of regulatory expertise became unimportant in the agenda.

Interconnection charges

The telecommunications industry becomes a monopoly as only one company owns the widely spread network. Therefore, the regulatory issue appears as the interconnection regime for other users to use the main incumbent’s network in a fair and efficient way. This most important aspect of regulation, despite its promise to arrange interconnection at a non-discriminatory way, appears to have been implemented unsatisfactorily in Sri Lanka. The regulatory arrangements such as Alternative Disputes Resolution (ADR) were ready in advance, but non-compliance by the main incumbent was the main barrier for implementation (Jayasuriya & Knight-John, 2000). The TRC’s practice with regard to interconnection matters has been to intervene only when the operators had been unable to come to a settlement. The interconnection between SLT and WLLs was based on a sender-keeps-all basis with two operators splitting physical interconnection costs on a 50:50 basis. But the extension of SLTs exclusive gateway rights in the international segment till 2002 kept WLL operators at a disadvantaged position (Jayasuriya & Knight-John, 2000; Shetty, 1999).

SLT’s fixed mobile interconnection regime showed the same type of anti-competitive behaviour and the mobile operators had to pay higher national call tariffs. In 1999, TRC
intervened, proposing a Calling Party Pays (CPP) system to eliminate prevailing anti-
competitive behaviour of operators of the fixed-mobile, and mobile to mobile interconnection
regimes but were never able to implement due to disputes between mobile and fixed line
operators on call charges. The TRC has again called for a public hearing on this. Zita &
Kapur (2004) see this as a regulatory capture by political influences and as a result of this,
some non-facility based operators such as ISPs and data operators were driven out of business
(see table 1).

**Competitive prices**

In 1994, the Government made a commitment to provide access to telecommunications
facilities at cost based prices through its National Telecommunications Policy. But the TRC’s
ability to execute this commitment was limited mainly due to the absence of sound cost data.
The implementation of price-cap regulation which was included in all three fixed line
operators’ licences was suspended because of the permission given to SLT for rebalancing the
tariff till 2002. The suspension of implementation of New Communications Policy drafted in
2002 again verifies the uncertainty of the regulatory intervention by the TRC (CBSL, 2003)
and consumers are still awaited to experience benefits of privatization.

**Quality assurance**

The TRCSL is responsible for maintaining the standards of service quality in several ways
such as: quality of transmission networks; connect failure rates; measures of network
congestion; incidence of customer outages; and average repair times. In order to ensure these,
it has made service providers accountable for providing prescribed level of service quality to
consumers and appointed a committee of inquiry to handle matter related to disputes.
As a result of several public hearings, TRC has advised all three fixed line operators to issue monthly itemized bills\(^5\) to consumers, to maintain a mechanism for receiving consumer complaints and suggestions and to establish an independent Internal Billing Dispute Committee (TRCSL, 1999). But, despite TRC’s well documented instructions and directions, actual implementation in Sri Lanka often depends on the political will (Zita & Kapur, 2004). Consumers never had received an itemized bill free of change and the main incumbent’s arrogant type of behaviour evidences the existence of lack of governance.

The efforts of TRCSL to educate not only the general public, but also the school children on its activities are commendable because taking measures and its publicity on internet would not serve the purpose in a country like Sri Lanka. Giving voice to consumers’ interests and ensure those are treated seriously is one of the major role of the regulator (Jackson & Price, 1994). But, it is evidenced that Sri Lankans prefer to get their matters attended through known sources than to attempt changing systems (Samarajiva, 1993) and hence how far TRC’s efforts have been successful is doubtful.

**Transparency and accountability**

Maintaining a high level of transparency and accountability helps maintain good governance. It also helps to maintain independence in regulatory intervention. In order to ensure this, issuance of guidance for service providers, massive publicity for its decisions with justifications can be good measures. But, in countries like Sri Lanka,

\(^5\) The main reason for this was there were complaints to the Committee that subscribers suspect their lines were being used by unauthorized persons and the charges debited to the owners of the telephones.
‘management culture is notoriously difficult to change. It often requires a change in personnel…..or a period of intensive counselling to enable them to meet the new challenges they face’ (Cook & Kirkpatrick, 1995:132).

For example, privatization of the SLT deal itself and the management contract have so far been treated by the Government as strictly confidential documents. In such a system, whether the regulator as the new governing authority has been transparent, impartial or accountable for its operations would need in-depth study.

CONCLUSION

It is accepted that an effective and efficient regulator is essential for fostering and maintaining competition within telecommunications industry in order to deliver cheaper and better quality services to customers. The Sri Lankan experience suggests that the impact of privatization of Sri Lanka telecommunications industry and its new governing structure have been mixed. The industry has provided positive effects such as increased service provision, competition in at least some segments of the market, and a gradual increase in service quality. Yet, the competition in the fixed line market is almost invisible, resulting in high domestic call tariffs. The Government's promise to provide telecommunications services at cost-based prices has not been fulfilled. The interconnection regime has been hindered by the self-interested behaviour of the main incumbent. After all, the regulator has been questioned on its independence, impartiality, capability, effectiveness, transparency and accountability. This suggests that the conceptualization of a regulatory model to suit domestic requirements in Sri Lanka compatible with market driven management principles should be further investigated.
REFERENCE LIST


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# Table 1 - Telecommunications services in Sri Lanka

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<td>SLT telephone lines</td>
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<td>136</td>
<td>15.8</td>
<td>181</td>
<td>204</td>
<td>255</td>
<td>315</td>
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<td>Applicants on waiting lists</td>
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<td>96</td>
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<td>Wireless Local Loop telephones</td>
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<td>26.4</td>
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<td>121</td>
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<td>Cellular phones</td>
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<td>29.2</td>
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<td>115</td>
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Source: Central Bank of Sri Lanka, Annual Report - Various years