

**MOTOR VEHICLES INCREASE**

The entire transport sector has undergone major changes over the last eight years, with the motor vehicle situation experiencing the most significant shifts. Several factors have caused these radical changes in the motor traffic scene among the most prominent being the heavily capital intensive investments and development programmes launched in the late 1970's, the introduction of an open general licensing category for import of commercial vehicles, the availability of lump sum depreciation concessions in respect of commercial vehicles and the liberalisation of import licensing for vehicles such as passenger cars which did not come under the OGL category.

These factors all contributed to a heavy increase in the number of vehicles registered, going up from 5,400 in 1976 and 8,800 in 1977 to 42,400 in 1979 and 63,800 in 1980. In the four years since 1981 upto 1984 the number of registrations have been around 37,000 each year. An interesting feature of these registrations is the rapid increase in the numbers of motor cycles and motor cars. Nearly 50,000 new cars have been registered between 1977 and 1984. This trend continued into 1985 and in January 1985 there was a record 783 motor cars registered and in the first three months of 1985 as many as 17,000 new cars were registered.

Sri Lanka's car ownership per thousand inhabitants which was 7 in 1975 had increased to 9.1 in 1984. This figure was considerably high compared to the standards of many other developing countries. For instance, India, Pakistan, Burma

**-PASSENGER CARS PER THOUSAND**

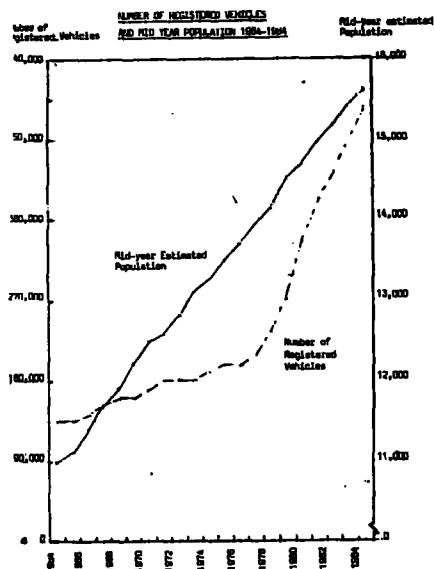
| Country   | 1975   | 1980   |
|-----------|--------|--------|
| Sri Lanka | 6.81   | 9.09   |
| Indonesia | 1.27   | N.A.   |
| Pakistan  | 2.79   | 3.47   |
| Burma     | 1.23   | 1.23   |
| Indonesia | 2.93   | 4.32   |
| Malaysia  | 34.14  | N.A.   |
| Egypt     | 5.80   | 10.25  |
| Japan     | 153.98 | 202.59 |
| U.K.      | 249.26 | N.A.   |
| U.S.A.    | 496.58 | 520.34 |
| Canada    | 388.51 | 428.37 |

Source: \* 1984- Statistics Dept, Central Bank of Sri Lanka.

and Indonesia had less than 5 per 1000 inhabitants. More significant was the fact that there was hardly any growth in the vehicle ratios in these other countries when compared with Sri Lanka (See table).

The trend in the new registration of motor cars has been an increase since 1978 particularly during the review period of 1966 to 1985. The peak year was 1979 when the number was 10,848 cars.

In the period prior to 1977, the growth rate in new registrations of cars was below 4,000 per year, while after 1977 it was over 5,000 per year. However, from



**TABLE 2. NEW VEHICLE REGISTRATIONS**

| Year | Cars   | Motor Cycles | Private Coaches | Others | Total  |
|------|--------|--------------|-----------------|--------|--------|
| 1978 | 6,833  | 5,257        | 266             | 11,808 | 24,214 |
| 1979 | 10,848 | 15,459       | 1,576           | 14,511 | 42,394 |
| 1980 | 6,730  | 34,725       | 2,658           | 19,665 | 63,776 |
| 1981 | 5,760  | 17,160       | 2,330           | 12,141 | 37,391 |
| 1982 | 5,667  | 10,847       | 96              | 12,871 | 29,481 |
| 1983 | 5,470  | 14,431       | 99              | 17,176 | 37,176 |
| 1984 | 5,115  | 16,873       | 62              | 16,813 | 38,863 |

Source: Department of Motor Traffic

1979 there has been a slowing down in the growth rate of new car registrations.

Sri Lanka's demand for new cars was always in excess of supply due to import restrictions. The situation changed however from 1978 with the liberalisation of imports. The government recently announced further concessions permitting certain categories of persons to import specified types of vehicles. There will be an upper limit of 1850 cc cylinder capacity and 6,000 US dollars for petrol cars, and 2200 cc and 8,000 US dollars for diesel cars. The new categories of persons entitled are secretaries of Ministries, heads of government departments; professionals approved by the trade Ministry such as lawyers, doctors, accountants and engineers. The tourist industry, on the recommendations of the Ministry of State; registered companies with a post tax profit of Rs 350,000; and others who have declared an assessable income of Rs 180,000 last year.

The sale of cars imported under these categories will be prohibited during the first three years of import. There is no doubt however, that these concessions will result in a further increase in the car population; although the outflow of foreign exchange on this account could result in a further deterioration in Sri Lanka's balance of trade. Table 3 gives an indication of the CIF price of some popular imported brands of motor cars. G.J.

Table 3

**CAR MARKET PRICES IN SRI LANKA AS AT 1986-01-01**

| Brand Name | Japanese Yen | Sri Lanka Rupee |
|------------|--------------|-----------------|
| Mitsubishi |              |                 |
| Gallant    | 1,120,000    | 145,600         |
| Mazda      | 824,700      | 107,211         |
| Datsun     | 686,900      | 99,297          |