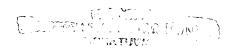
UNIVERSITY OF MORATUWA

FINANCING OF TOLL HIGHWAYS IN SRI LANKA; REALITY CHECK



By Gunathilaka. K.D.S 2005



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University of Moratuwa



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A Report submitted in partial fulfillment of the requirement for the Degree of Master of Science in Construction Project Management in the Department of Civil Engineering,

Faculty of Engineering

By Gunathilaka K.D.S.



Prof. Malik Ranasinghe

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Abstract

Highway infrastructure and good road network play important roles in the economic development of a country and their condition affects the economic returns. Traffic congestion is a critical problem due to poor road network and improving the road network properly is essential. Most developing countries like Sri Lanka face difficulties in improving the road infrastructure because of unstable economic conditions and lack of investment funds. As a result few highways of Class A are available in the road network of Sri Lanka and no expressways have been completed so far.

The concept of toll highway was initiated during last decade and it was perceived to be a better solution for solving funding problems for expressway constructions in developing countries. It allows private entities to participate, as there are several strategies for financing infrastructure projects on this basis. However, the nation's first toll highway, the Colombo-Katunayake Expressway (CKE) is held up at the construction stage and it lends to the argument that the toll highway concept is not viable for Sri Lanka.

This research studies the concept of toll highway together with various issues relating to financing such highways in Sri Lanka in order to check their reality. The analysis is based on a questionnaire survey conducted among 104 respondents of various stakeholder groups. The willingness of vehicle owners and drivers to pay tolls, the impact of time and fuel saving on toll highways in economic terms, the current condition of infrastructure project financing, willingness of investors and bankers to finance toll highways and the reasons for collapse of such projects in Sri Lanka are the key issues analyzed under this research.

Traffic congestion is the major problem in today's highway sector. Toll highways came into existence with Private Sector Participation (PSP) for highway investments and it is a good solution for traffic problem as well as overcoming funding problems to expressway constructions. Results of this research show that vehicle owners and drivers do not resist paying tolls for the usage of expressways. In addition, it has been observed that investors and bankers are neutral on financing toll highways in Sri Lanka. They like to finance projects provided that a long-term consistent policy and strong guarantee of the government are available. The findings of this research conclude that toll highways are economically beneficial to Sri Lanka.

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