

## **Sri Lanka govt urged to scrap bottled water price - Global DataPoint (London, England) - October 6, 2018**

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Sri Lanka's government should remove price controls on bottled water that became effective Friday, 5 October, as it could limit consumer choice and prompt producers to reduce quality to cut costs, a free-market think-tank said. "As more than 120 companies battle for a foothold in Sri Lanka's competitive bottled drinking water market, worries over unsafe and low quality products is concerning, said Advocata, a Colombo-based independent policy think-tank. "Advocata urges the government to engage relevant stakeholders and reverse the decision to unnecessarily intervene in an already competitive market." In an extraordinary gazette notification released earlier this week, the Consumer Affairs Authority (CAA) imposed price controls on bottled water, to be enforced starting today. The controls will distort the market and encourage lower quality or shortages. The maximum retail prices under the price controls range from 26 rupees for bottles smaller than 500ml to 50 rupees for a one-litre bottle and 170 rupees for seven litres. Current market prices for a 500 ml bottle of water range from 45 rupees for Arpico and Kchoice brands, 50 rupees for Elephant House and 85 rupees for the Olu brand. Advocate said that while setting maximum prices on goods and services, known as a Price Ceiling, are meant to protect consumers from being exploited, the reality may be different. A publication to be released next week by Advocata, called Price Controls in Sri Lanka; Political Theatre, reveals that for the items surveyed, price controls do not serve the intended purpose. Coupled with loose enforcement, consumer price controls in Sri Lanka have skewed the market towards a preference for lower quality products. The price controls on water bottles, will likely to do the same. With the bottled water market having over 120 competitors, until today consumers had the choice of buying a 500ml water bottle at 45-50 rupees or at 80 rupees, according to their personal preferences and budgetary constraints but that is no longer the case, Advocata said. In responding to price controls, the usual case is that producers would resort to producing low quality products in order to remain within the vicinity of the controlled price, said Ravi Ratnasabapathy, Resident Advocata Fellow and co-author of Price Controls in Sri Lanka report. In Sri Lanka, bottled water is regulated by the Ministry of Health through the Food (Bottled or Packaged Water) Regulations, 2005 framed under the Food Act No. 26 of 1980. There had not been major health and quality related concerns until 2016, where a CAA directive indicated that plastic mineral water bottling standards were enforced starting September 1, 2016 following the authority detecting several brands using low quality plastic bottles. The likely result of the introduction of this new price control - limiting the sale of a 500ml water bottle to Rs.35 - is that producers have to now cut down on production costs, to reduce the final cost per bottle, Advocata said. Low production cost lead to the sourcing of low quality raw materials, in this case; water and plastic. It also unclear whether the price controls also apply to glass bottles, which may be priced out of the market. © 2018 Global Data Point. All Rights Reserved. Provided by SyndiGate Media Inc. ( Syndigate.info)."