

BRIDGE

MARCH 2020 | 8TH EDITION

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IMPLICATIONS FOR SRI LANKA**

A QUARTERLY PUBLICATION BY



CEYLON
ASSOCIATION OF
SHIPPING AGENTS

Rs.600/-

ISSN 265 1-026X



9 772651 026005

No 56, Ward Place, Colombo 7, Sri Lanka

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A Tribute TO ALL THE CORONA WARRIORS...

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IS IT STILL LIQUID GOLD, or a white elephant? THE TEA INDUSTRY OF SRI LANKA

by Rochelle Palipane Gunaratne

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Over three billion people worldwide consume this beverage, which is considered liquid gold or black gold. Legend has it that, the leaves from a nearby tea bush or tree had wafted through the air and made its way into the cup filled with boiling water meant for Emperor Shen Nong of China's Tang dynasty. Subsequently the water had changed colour, exuded an aroma and was refreshing.

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COVID 19

THE WATERSHED THAT
IS BOUND TO CHANGE
HUMANITY

By Rochelle Palipane Gunaratne



A pandemic of mammoth proportions which shows no partiality has caused life as we know it, to come to a halt! The earth, rotating on its axis continues unperturbed from dusk till dawn – almost sighing with relief at the hiatus it is experience after years of being subject to tremendous abuse.

As I write this, it seems the world has gone into lockdown mode or it is rapidly getting there as many countries shut the borders and warn citizens to stay indoors. It is an unprecedented crisis which has literally rocked the world into a state of fear which is almost tangible.

This is due to Coronavirus disease 2019 (COVID-19), also known as the Wuhan coronavirus or Chinese coronavirus. The disease was first identified in 2019 in Wuhan, China, and has since spread globally, resulting in the 2019–20 coronavirus pandemic. Common symptoms include fever, cough, and shortness of breath. Muscle pain, sputum production and sore throat are less common. While the majority of cases result in mild symptoms, some progress to severe pneumonia and multi-organ failure. The rate of deaths per number of diagnosed cases is on average 3.4%, ranging from 0.2% in those under 20, to approximately 15% in those over 80 years old [source Wikipedia]. The daily updates show an alarming rise in the disease worldwide.

While the world watched with bated breath, the leading manufacturer and importer, China seemingly contained the disease within the parameters of its country by applying stringent laws on travel and food. Yet, the spread of the disease took a deadly turn when it reared its virulent head in various parts of the world through those who had travelled to either their adopted lands or to random vacation spots. Some who had the virus had refrained from informing authorities or follow the quarantine procedures.

Hence the strain could not be restrained and within a short duration it spread to South Korea with a carrier (Patient 31) of the virus attending a church gathering with thousands being affected within days. Thereafter, the virus sailed or flew across the seas to

the Mediterranean to the vibrant Italian coast which went into closure within a week since its first diagnosis as it was a culture shock to the Italians to refrain from social gatherings which kindled the fire until it became an inferno raging through the country, causing thousands of deaths in its wake. Throughout this crisis, our very own island nation was maintaining a steady pace as the very first patient who herself was a Chinese visitor, was cured by our efficient medical staff at IDH and sent home after a grand farewell but the tourists continued to flow with quarantine measures being taken as the passengers entering the Bandaranayake International Airport (BIA) were monitored and quarantined. This seemed to contain the virus manifesting in the country until two weeks ago when a group of Sri Lankans returning from Italy crudely shouted their way past airport personnel refusing to board the buses which were to take them to the quarantine wards. Some of the returnees from South Korea too had craftily slipped passed the temperature detectors by dosing themselves with antibiotics to avoid detection of their fever and returned to their homes. This along with the negligent attitude of a few who had continued with their daily routine, taken vacations and clearly refused to act responsibly, brought the country to a relative standstill with many as 50 people being diagnosed with the virus within days (12th - 19th March).

On 11th March, a Sri Lankan tour guide was identified with positive signs of the virus which was transmitted through a group of Italian tourists he had travelled with. Subsequently, the government imposed a closure of all schools but by the 16th of March the spread of COVID 19 reached a dangerous level (Mainly due to negligence by the masses) which caused authorities to declare a four day holiday to the work force. While many are facing the crisis with trepidation and anxiety and striving to ensure a semblance of economic stability, the future is uncertain but could there be a sliver of hope?

Speaking to a handful of industry experts gives clarity to the current


At present, we are looking to fulfill our basic needs according to Maslow's hierarchy of needs which is the key to surviving in these dire straits and we cannot put anyone at risk.

crisis with future predictions not being made at this juncture.

Sarinda Unamboowe, CEO & Managing Director of MAS Kreedaa, heading Environmental Sustainability for the group referred to its impact as being catastrophic as retail outlets worldwide were stalling their orders and recalibrating with significantly lower orders. "At present, we are looking to fulfill our basic needs according to Maslow's hierarchy of needs which is the key to surviving in these dire straits and we cannot put anyone at risk. The repercussions are bound to be colossal yet we need to face each day positively and keep moving forward as we, not merely one country albeit one industry but the whole world is facing this dilemma together. Thus the solutions in the wake of its destructive trail would have to be collective, that which would uplift each industry similar to the rising of the Phoenix from the ashes," said he.

As people stay indoors as per government directives, the financial movers and shakers of our country have made extremely magnanimous gestures which are timely and relevant to flatten the curve and tide us over these unprecedented times.

Speaking to prominent businesswoman



While the world pauses for a brief moment there is hope for the world to evolve even in the financial spectrum with the dynamics of each industry being tested for the true purpose of their existence.

and co-founder of several companies, Varuni Fernando who along with her business partner Dilith Jayaweera and the Board of Directors had reached an unanimous decision to offer the famous property Citrus Waskaduwa (Waskaduwa Beach Resort PLC) to be used as a quarantine centre by the National Operations Centre to prevent COVID 19. Varuni who has spearheaded many campaigns, such as 'Api Wenuwen Api,' which have ignited a profound loyalty towards the country said, "Life is precious and in keeping with our mandate which is "Purpose beyond Profit," which is incorporated with a deep sense of patriotism, I believe that the most pressing need of this hour is to provide a chance at life to each and every citizen of Sri Lanka, as we need to band together as a country in order to overcome this threat." Referring to similar measures taken by several companies and brands, she suggested that the brands have to develop an affinity towards the consumer not merely as a commodity which is solely focused on profit but a staunch supporter during time of crisis."

While the media platforms are flooded with the effects of the pandemic, it is heartening to see that the downward spiral is contained by counter measures put forth by various organizations and individuals.

"Corona has taught Sri Lanka to identify the paramount need of having a National Single Window in operation where the Sri Lanka government committed to the World Trade Organization under its trade facilitation agreement for which the Trade Facilitation Commission is rigorously working.

Automation is necessary and all government bodies should support the effort to promulgate this platform. The large, medium and SME's are supporting the economy exponentially but the government should establish an ease of doing business atleast in future," stated Dinesh De Silva, Member of the National Trade Facilitation Committee, past chairman of Industry Associations -Import section and Shippers Council. He further added that the our government should have taken stronger precautionary measures through persistent public awareness campaigns at the onset as it would have prevented (atleast to a great extent) the prevailing situation which has proved disastrous to almost all the industries island wide. Yet due to its global reach, the pandemic has crippled business worldwide, giving the world leaders an opportunity to find a solution to sustain humanity and ensure that all the cogs in the wheel function once again. There will eventually be a paradigm shift in humanity as the aftermath of this might leave us with severe shortages, with the

entire supply chain being affected and the buying power dwindling causing the imports and exports to re-evaluate the overall operations."

A representative of John Keells Holdings PLC, one of Sri Lanka's leading conglomerates spoke of the decision to flatten the curve by being proactive- employees were requested to work from home except for those who have to meet the demands pertaining to essential needs. It is a challenge but we have taken ample precautions, with safety measures in place for frontline staff and customers. As a market leader, we have also taken the initiative to support the country by offering Trinco Blue due to its close proximity to the naval base as a quarantine centre. We are also continuously supplying the staff at IDH with provisions and other urgent requirements."

While the world pauses for a brief moment there is hope for the world to evolve even in the financial spectrum with the dynamics of each industry being tested for the true purpose of their existence. Meanwhile our heroes; the medical community, Tri-Forces, Police, conglomerates, multi-national companies, larger and smaller local companies, and random groups and individuals have valiantly stepped up to give whatever they could in the form of skills, time, money and the greatest which is love through humane efforts.



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COLOMBO SAGT- (SATURDAY)	COCHIN (MONDAY)	JEBEL ALI (SUNDAY)	KANDLA
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COLOMBO COCHIN GULF Service (CCG-E)

COLOMBO SAGT- (TUESDAY)	CHENNAI (FRIDAY)	VIZAG (SUNDAY)	KRISHNA (TUESDAY)	KATUPALLI (WEDNESDAY)
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INDIA WEST COAST Service (IWCS)

MUNDRA (THURSDAY)	GOA (SUNDAY)	MANGALORE (TUESDAY)	COCHIN (THURSDAY)
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IMO2020 - GLOBAL SULPHUR CAP; IMPLICATIONS FOR SRI LANKA



Background

In 2016, the International Maritime Organization (IMO) agreed to set a worldwide sulphur limit of 0.50% m/m (mass by mass) referred to as 'IMO 2020' for fuel oil used on board ships in order to improve the ecological footprint of the industry. This regulation, which came into effect from 1st of January 2020, is the largest reduction in the sulphur content of marine fuel undertaken at one given time (Refer Table 01 below).

Moreover, on 1st of March 2020, a "carriage ban" too came into effect which prohibited the carriage of fuel oil with a sulphur content exceeding 0.50% m/m for use on board ships, unless the ship has an exhaust gas cleaning system. This article, based on a Strategic Insight piece developed in mid-December, explores the implications for businesses after two months into IMO2020 implementation.

Prior to implementation of IMO2020, the two most popular options that were likely to be adopted by carriers were identified as scrubbers and Very Low Sulphur Fuel Oil (VLSFO). However, with scrubber installation being stalled due to limited shipyard space and the COVID - 19 impact on China, VLSFO turned out

be the popular option for carriers.

The IMO2020 Compliant Fuel – VLSFO

Although, there were speculations of a shortage of VLSFO prior to IMO2020 coming into effect, the increased supply of VLSFO helped eliminate the occurrence of a VLSFO shortage in the market. Countries such as China too implemented policies with the aim of increasing VLSFO supplies. However, this did not materialise due to COVID - 19 impacts and the expected Chinese VLSFO supplies will see a delay in entering the market. This coupled up with seasonal price pressure that comes with refinery maintenance is likely to factor into the price premiums of VLSFO. The price differential between VLSFO and HSFO (High Sulphur Fuel Oil) is currently between USD 150-200 per ton and this differential is expected to narrow in the long run even though, refineries may attempt to maintain their price premium. The industry is however, advised on the possible increase in vessel transit times since ships may sail at slower speeds in order to conserve

fuel (slow steaming). Further, industry experts have stressed the importance of using VLSFO from the same supplier as mixing VLSFO made from different chemical processes could give rise to safety issues.

How will IMO2020 affect Businesses?

In line with the expectations of domestic traders (exporters/importers), freight rates in Colombo have only seen marginal increases owing to the inherent advantages of the Colombo Port such as the country's trade direction and supportive regulations such as the "ALL IN FREIGHT rate". However, the freight increases were further diluted with disruptions in the movement of freight internationally due to the outbreak of COVID-19.

The expected surge in diesel prices too did not materialize due to sufficient availability of VLSFO and blending components at the start of the year, which removed the risk of using more diesel to maximize production of the compliant fuel. The growing international diesel inventories and



Worldwide (Outside an ECA)		Inside an ECA	
Date	Sulphur %	Date	Sulphur %
prior to 1 January 2012	4.5% m/m	prior to 1 July 2010	1.5% m/m
on and after 1 January 2012	3.5% m/m	on and after 1 July 2010	1.0% m/m
on and after 1 January 2020	0.5% m/m	on and after 1 January 2015	0.1% m/m

Table 01: Global Sulphur Limits, Source: IMO

crude oil prices responding to the outbreak of COVID - 19 (with China as a key driver of crude oil prices) too ushered into the downward pressure of diesel.

Opportunities for Sri Lanka: Hambantota as a Bunkering Hub?

Sri Lankan policymakers will need to act decisively to leverage on the bunkering potential for the country. Hambantota Port is well placed within close proximity to the East-West shipping lane and over 50% of the world's oil shipments pass in close proximity. This gives strategic reasons for the Hambantota Port to gain advantage in light of the IMO2020 regulation.

Hambantota International Port Group (HIPG) awarded a tender to Sinopec Fuel Oil Sales Co. Ltd for oil trading activities and the operation and maintenance of their oil bank. Two new oil refineries were also commissioned out to be set up in Hambantota. Therefore, with IMO2020 sulphur cap

now in place, the port can potentially leverage on the bunkering opportunity with these partnerships. However, alongside these developments, the port should also look at enhancing its storage capacity in order to be competitive with other regional hubs.

The vast amount of land available around the port will also act as a lever to enhance the bunkering potential. Building factories around the port, to handle more cargo will improve the outlook for the port since then it can provide bunkering facilities for both non-cargo-calling vessels and cargo-calling vessels. It could also offer an array of additional services such as tank cleaning, sludge removal, scrubber treatment, testing facilities etc. that has arisen from the IMO2020 regulation.

As observed by industry experts, if the land around the Hambantota port can be converted into a Free Trade Zone (FTZ) then the port could be developed into a captive market where many ships will anyway have to stop for cargo operations.

Therefore, with the right vision coupled up with necessary regulative support and human capital, Hambantota can work towards becoming a significant bunkering player in the region with

complementary services. However, it should be noted that the port's business model should not only revolve around fossil fuels as this may be challenged with newer, cheaper alternate sources coming into place to power ships in the future.

Annexure 1

Carriers have a number of options in order to comply with the IMO2020 regulation (refer the below figure).

The full strategic insight document (released in December 2019) on the IMO2020 - Global Sulphur Cap; Implications for Sri Lanka, can be accessed by scanning the below QR code.





WHAT'S SHAPING THE ECONOMIC OUTLOOK FOR SRI LANKA IN 2020?

The Ceylon Chamber of Commerce recently released its Outlook 2020 Report that explores the year ahead. The theme of the outlook for 2020 revolves around driving economic growth vs economic stability. This article will review in brief the key insights from the report covering the performance of the economy in 2019, and then explore the outlook for 2020.

Sri Lanka's economy grew at a slower rate of 2.6% during the first nine months of 2019, compared to the 3.3% growth recorded in the corresponding period of 2018. The growth was adversely affected by the 21st April attacks and in particular, growth of tourism and related activities. However, most of the activities which were affected by the 21st April attacks are recovering faster than initially expected which would help accelerate in the next few quarters.

Sri Lanka's economic growth is expected to recover moderately in 2020 and rise above 3% compared to an



With consumption and demand expected to rise in 2020, sectors such as Fast-Moving Consumption Goods (FMCG) and Consumer Durables are expected to perform better.

estimate of 2.8% in 2019. International forecasters put growth between 3.3% -3.5% at present with the CBSL expecting growth to be above 4%. Our view is that growth will be above 3% and is likely to be under 4% for 2020 supported by the tax revisions and other relief measures provided by the new President.

2019 saw stability in the currency, decline in interest rates and a sharp contraction in the trade deficit. The Export Development Board has set a target of USD 18.5 billion in terms of earnings from merchandise and services exports in 2020, a rise of 15% compared to 2019. The concern for 2020 is that the contraction in the trade deficit will not continue in 2020 with weak export growth and slowdown in the pace of import contraction.

The growth momentum from the stimulus measures can be maintained with the swift implementation of key reforms. The Ceylon Chamber has highlighted some of the other key activities for reform in the 2020-25 period in its publication of the working draft of the Sri Lanka Economic

Acceleration Framework (www.seaf.chamber.lk) in September 2019.

With consumption and demand expected to rise in 2020, sectors such as Fast-Moving Consumption Goods (FMCG) and Consumer Durables are expected to perform better. The performance of the Agricultural sector will once again be sensitive towards weather patterns.

The outlook for the global economy in 2020 is more positive relative to 2019 as key trade concerns eased during the end of 2019. However, the recovery from the slowdown in global GDP growth is sensitive to risks such as further escalation of Middle East tensions, non-implementation of the Phase I trade deal between China and US, and risks such as the Novel Corona virus disrupting the growth and trade momentum.

The Outlook 2020 report, published by the Economic Intelligence Unit (EIU) of the Ceylon Chamber, explores the macroeconomic and sector outlook for the year ahead. The sectors covered include Apparel, Consumer Durables,

FMCG, Tourism, Construction, Agriculture, Plantations and Dairy, following interviews conducted with experts in each sector. The report provides a review of the economy's performance, and of each sector's perspectives on the year ahead. To obtain a copy of the report, please email shiran@chamber.lk. The e-version of the book can also be purchased under the 'publications' tab on chamber.lk (<https://www.chamber.lk/index.php/business-publications/outlook-2020-detail>).

More details can be accessed by scanning the below QR code





IS IT STILL

LIQUID
GOLD,
OR A WHITE ELEPHANT?

T H E
Tea Industry
of SRI LANKA

BY ROCHELLE PALIPANE GUNARATNE

Over three billion people

worldwide consume this beverage, which is considered liquid gold or black gold. Legend has it that, the leaves from a nearby tea bush or tree had wafted through the air and made its way into the cup filled with boiling water meant for Emperor Shen Nong of China's Tang dynasty. Subsequently the water had changed colour, exuded an aroma and was refreshing. The discovery had led to China's monopoly on its trade routes but it was the British who promulgated tea throughout the empire which spanned the globe. During its zenith, the might of the empire laid hold of the tea plant which was tried and tested in many of its colonies. The coffee blight in Ceylon, spawned the tea industry with its first plant taking root in the cool climes of Kandy in the Central region which was planted and cared for by the industrious James Taylor in Loolecondera Estate. The first crates filled with tea made its way to the harbor on the backs of majestic elephants and bullock carts through winding hills and valleys, creating a buzz amid the high echelons of British society who added value to it by establishing the traditional high tea embraced as an unique definition of the English. Burgeoning English societies and the aristocracy itself, with Queen Victoria at the helm stamped its seal of approval, making Ceylon tea the most sought after commodity.



Fast forward 150 years and where does Ceylon tea stand?

Roshan Rajadura, Managing Director of Hayleys Plantations PLC with over 30 years of experience in the tea trade gave us an insight into its operations through the eyes of a leading tea manufacturing company. Commencing his career as a Planter, Roshan's greatest wish is to improve the quality of life of the plantation workers.

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 We are completely dependent on the global market with prices varying according to demand and supply
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Tea in a global setting

"In Sri Lanka, Tea is an export driven industry, with 95% of our products being exported to various parts of the world. Therefore, we are completely dependent on the global market with prices varying according to demand and supply.

During the British colonial era Ceylon Tea held a monopoly which was undisputed. While the British had already established tea plantations in India, the nationalization of our estates prompted them to invest in Africa (predominantly Kenya). This has led to severe competition with Sri Lanka, Kenya and India vying for supremacy in the trade. While the operations in India and Sri Lanka are similar, the labour cost in Kenya is considerably lower with the unions being less authoritative and demanding, thus making it a cost effective commodity.

With the introduction of the global village concept allowing a more lenient entry into the market, we have also seen Vietnam, Indonesia, China, Taiwan, Korea, Mozambique and other countries emerging as competitors in the sphere. As well, countries which are still part of the British Empire such as Australia, New Zealand and Canada were largely a tea drinking population until coffee acceded as the most favoured beverage among the populace," said he.

Change of dynamics

"The dynamics of the Sri Lankan industry too has changed with 76% of tea being produced by Tea Small Holders from the Sabaragamuwa and Ruhuna Province. The organized estate sector produces an estimated 23% of tea."

Productivity-wage based model – Tea Small Holders

"Around 80% of the tea small holders operating in the low country own less than two (02) acres of land each. The masked difference in their operation is the leniency afforded to them as they have less to no overheads. While an estimate of 40%-50% harvest their own plot of land, others work at will or as required, which does not restrain the workers who are paid Rs.30 per kilo and pluck a minimum of 20kg-30kg within a few hours. It is considered a win-win situation as wages are paid based on productivity, with most owners increasing their plots within the last twenty five years as this model has proven to be successful."

Attendance wage-based model- Organized sector

"As an organized sector, we abide by a plethora of rules and statutes which are over a hundred years old. We have to conform to many regulations such as the labour laws of the country, minimum wage and more, which

are rigid yardstick used to measure the organized estate sector. We are mandated to give 300 days of work, irrespective of the various issues that rise such as the fluctuations in crops and profit. Moreover, we have to placate the unions who have been controlling the tight-knit communities that live in the estates.

The unions which rose to power in the early 80's were considered sacrosanct and infallible with the people blindly following the leaders due to limited access to information and resources. Initially this was promptly capitalized by corrupt officials and political entities. With the advancement of technology, the younger generations have access to information and able integrate and socialize with all classes of society island wide. This has resulted in an increase in out-migrations and posed a significant dearth in the number of labourers who are willing to pluck tea. In the past, tea plucking was not regarded as a lucrative trade with many employees remaining in the lower end of the spectrum – caught up in a vicious cycle of poverty until the introduction of humane laws which raised the income generation and other benefits.

The wages in the organized sector, with its resident workforce is solely based on attendance, with a tea plucker working eight hours shifts inclusive of intermittent breaks. Yet, during the hours of work, the capacity plucked

//
Steady stream of pluckers
have to work on rotation
basis but the challenge
faced by the organized
sector is the shortage in
labour.

//

even amid cool conditions is often 18kg per employee which creates severe gaps in productivity and profit. We also provide numerous benefits for our employees such as health care and child care among others and the established infrastructure and clauses cater to the employees welfare with a strong social support system from the 'womb to the tomb'. In addition to the benefits provided by the companies, the government per se provides housing to the workers.

In addition we have to ensure the workforce is motivated through various schemes and contend with promises made by various ruling parties during the election period as it upsets the equilibrium of the workforce.

In keeping with the consumer requirements, with global awareness and environment friendly products gaining top priority, the Tea industry has obtained the most amount of certifications within the main industries of Sri Lanka. Therefore, we adhere to the stringent measures required to obtain the global certifications and licenses which adds to the overall cost.

This model which is detrimental to the political entities and unions in the region is either bound to remain stagnant or fail in the near future as it is as old as the tea industry itself. It worked in the empirical realm when the British controlled the supply and distribution, yet it is ludicrous to

continue thus with the onset of socio-economic change. Change is inevitable and it should be implemented for the sustainability of the trade."

Winds of change

"Unlike many other products, tea has to be plucked constantly to ensure the consistency in production, thus a steady stream of pluckers have to work on rotation basis but the challenge faced by the organized sector is the shortage in labour. This can be countered with the Revenue Share Model (RSM) which we introduced as an opportunity to enhance their earnings and break away from the unionized stranglehold which threatens to mar the growth potential. The RSM allows the employee to maintain an allocated crop and earn more within the estate itself. The unions which are threatened by this new approach have caused a reluctance in the workers who are resistant to change but we have also seen certain individuals who are keen to explore new prospects.

While the wages of a tea plucker are increased every two years, the tea prices are less and the labour productivity has lessened due to the reluctance of many who wish to pursue this task as a career. While the whole community have and are rising above the poverty line, tea plucking is still considered the lower rung in terms

of employment and these perceptions need to change drastically for the youth to step in.

The whole industry has to band together to produce our premium quality tea, which is still favoured worldwide and should be capitalized by the tea exporters through extensive promotions and marketing campaigns in order to strengthen the existing markets and explore new opportunities," concluded Roshan.

Setting the wheels in motion – Implementation of the 2030 Way Forward Initiative

Following the production of tea is the vital aspect played by our Brokers – Anil Cook, Managing Director/ Executive Director of Asia Siyaka Commodities PLC and a Committee member of the Ceylon Tea Traders Association – the Apex body of the Tea industry. One of the primary functions of the Colombo Tea Traders' Association is the management of the Colombo Tea Auction, which it has handled, without a break, since 1894. The first undertaking of this Association, on being formed in 1894, was to review the

loose collection of rules under which the auction of tea had been conducted, hitherto, so as to ensure the orderly and efficient operation of the auction. On November 1, 1894, recommendations on the "Rules of the Conditions of Sale", were ratified. Thus, the By-Laws and Conditions for the Sale of Tea by Public Auction came into formal existence. This set of By-Laws and Conditions for the Sale of Tea by Public Auction, which was later extended to include the Sale of Tea by Private Treaty, by which the auction is regulated, has been reviewed and updated by the Colombo Tea Traders' Association, at regular intervals, to provide a stable, reliable and credible procedure for the sale of Tea and to meet the requirements of the changing circumstances of the Trade, with the progressive increase in production volumes and the development of the Tea Industry "The world at large has continuously faced crisis and the Tea industry per se has been pounded by various issues such as climate change, political and financial setbacks and more but it does prevail. The tea industry has had to endure various onslaughts resulting from the weakening of the Russian economy to the Iranian sanctions, Japan's change in policies on tea, the drop in global prices, the inability of our tea estates to break even in key markets among others which have been detrimental to the trade.

This has prompted us to sustain the industry through the implementation of the ten year plan, which is the 2030 Way Forward Initiative. Through this designated platform, we will be looking to accelerating the processes pertaining to Sustainability, Research & Development, Quality, Processing and Branding & Marketing of the overall tea industry. These are critical factors which need to be addressed. Some of the steps which are set in motion is the research, which will enable us to take measures to produce drought resistance plants, to develop the existing markets and promote our tea to all corners of the world."

Since each stake holder is vital for the



smooth running of one of Sri Lanka's largest commodities, we were privy to the bulk exporting landscape through the eyes of Ravi Gunaratne, Director of the prestigious Anverally & Sons – With a global reach of 85 countries, Anverally & Sons is one of the leading exporters of bulk tea. "I cannot say that exporting bulk is easy as currently the situation in the local industry is critical with the downsizing of production and crops in the 1st quarter. As well, most of our bulk tea was exported to the Middle East and Russia in the past. These countries have been dealt financial blows, causing lapses in the economy and reducing the purchasing power – prompting us to look into tapping potential markets in different regions while increasing our value. Since the onset of the recent world crisis due to the pandemic, we have experienced the lockdown of many of our mammoth markets but we have to change the trajectory by coming together as an industry to face the dilemma. Together we can persevere and withstand the storms."

Ceylon Tea has evolved to a great degree since its first flush to refresh the palette and warm the hearts of billions worldwide offering numerous value additions from green tea to golden tips, silver tips, hand-made teas and more with numerous companies and the government investing on research and development .

Dilhan Fernando, CEO of MJF, owners of the award winning Dilmah brand emphasized the daily intake of tea, referring to the beverage as an essential requirement for wellness, containing antioxidants which are truly beneficial for health. It is also a beverage that significantly boosts the immune system. "The value or need for tea will always give us new options to explore but in order to do so we have to align a strategy that is practical and doable and work towards attaining our goals."

While much was said on the subject of tea, we also spoke to Chaminda Jayawardane, Managing Director of Lumbini Tea, owner of the Dalu brand situated amid the majestic Sinharaja forest in the low country. "While the urgent need of the hour is to counter

the effects of the crisis at hand which has resulted from the pandemic and is bound to affect the tea industry of Sri Lanka, it is my belief that the value and the demand for tea at large will continue to grow worldwide, which we should cater to but the archaic methodology's which have proved futile need to change with all stake holders working together to promote the country and the tea without merely trying to exploit the industry for their personal gain."

Finally and most importantly are the SME's who bring in the revenue to the country by marketing tea in a special light, Shantha Kumara, of Silk Route Ceylon Merchants (Pvt) Ltd promoting Ceylon Tea through the Ceylon Kisses brand, "Tea will always be considered a beverage that draws people together as it spirals into something far greater than a mere beverage. While we stand with an industry that has grown exponentially throughout its 150 year old journey, we believe that we can prevail even in small way and contribute towards the success of it despite the adversities we face along the way."

Let's Thrive and not merely survive

The crux of the matter is to move forward with a likeminded-goal oriented force, with the times instead of just showcasing the laurels we have received in the past as the Tea Industry of Sri Lanka requires vitality in order to thrive and not merely survive in the global arena.

- James Taylor arrived in Ceylon in 1852, settling down at the Loolecondera Estate, Galaha. He begins a 19-acre tea plantation on the Loolecondera Estate in 1867, laying the foundation for what would become Sri Lanka's largest export industry for over a century.
- In 1872, a fully equipped tea factory began operating on the Loolecondera Estate.
- In 1873, Ceylon Tea made its international debut when twenty-three pounds of tea produced by James Taylor reached London.
- During the 1880s, tea production in Sri Lanka grew rapidly with planters from all over the hill

country visiting Loolecondera to learn the basics of growing and manufacturing tea. By the late 1880s, almost all the coffee plantations had been converted to tea as it was seen as a more lucrative alternative.

- With the development of technologies such as the Sirocco tea dryer in 1877 and the tea-rolling machine in 1880, commercial tea production was now viable.
- In 1883, with the backing of the Ceylon Chamber of Commerce, the first of many public Colombo tea auctions was held on the property of Somerville & Co.
- In 1884, the Central Tea Factory was built on the Fairyland Estate (Pedro) in Nuwara Eliya.
- In 1891, Ceylon Tea was sold at the London tea auctions at an astonishing price of LKR 36.15 per lb.
- In 1892, James Taylor, the pioneer of the tea industry in Ceylon, died at the age of 57.
- In 1894, the Colombo Tea Traders Association was founded, followed by the formation of the Colombo Tea Brokers' Association in 1896.
- This period witnessed a significant increase in production. By 1899, nearly 400,000 acres of land was already under tea cultivation.
- 1915 was a historic year as Mr. Thomas Amarasuriya was appointed as the first ever Sri Lankan Chairman of the Planters' Association.
- The Tea Research Institute was set up in 1925 to improve production techniques and maximise yields. As a result, by the end of this period,
- Sri Lanka was producing more than 100,000 metric tons of tea, mainly for export.
- In 1932, the Ceylon Tea Propaganda Board was established.
- Higher standards were prescribed to prohibit the export of inferior quality teas.

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By the late 1880s, almost all the coffee plantations had been converted to tea as it was seen as a more lucrative alternative.

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- The world's largest tea bush which yielded four pounds of tea leaves in a day was found in Ceylon in 1934.
- In 1935, Ceylon became a founding member of the International Tea Market Expansion Board (ITMEB).
- In 1940, the Tea Research Institute made a breakthrough in the control of the leaf eating Tea Tortrix Caterpillar. This was done by intentionally spreading a parasite, *Macrocentrus homonae*, introduced from Java.
- In 1941, M/s Pieris & Abeywardena, the first Ceylonese Tea brokerage firm was set up.
- In 1944, the Ceylon Estate Employers' Federation was founded.
- In 1951, Export Duty was levied on tea.
- In 1955, the cultivation of the first clonal tea fields began. This is a method of controlling plant breeding to produce the best strains of tea.
- The State Plantations Corporation was established in 1958.
- In 1959, an Ad Valorem Tax was imposed on teas sold at the Colombo auctions.
- The very first Instant Tea plant was set up by Halssen & Lyon of Germany at Agarapathana in 1963.
- In 1965, Sri Lanka became the largest exporter of tea in the world.
- To celebrate 100 years of Ceylon Tea, the first International Tea Convention was held in 1966.
- The Sri Lankan government nationalised and took over privately held tea estates in 1971-72.
- In 1976, the Sri Lanka Tea Board, the Janatha Estate Development Board, and the Tea Small Holding Development Authority were established. Export of tea bags too

began in this year.

- Sri Lanka was the official supplier of tea at the Moscow Summer Olympic Games in 1980 and the Brisbane Commonwealth Games in 1982.
- In 1981, Sri Lanka began importing tea for blending and re-exporting.
- The production and export of green tea started in 1982.
- In 1983, the CTC (Crush, tear and curl) tea processing method was introduced in the country.
- To commemorate 125 years of Ceylon Tea, an international convention was held in Colombo in 1992. The Tea Research Board was formed. Export duties and Ad Valorem Taxes were abolished.
- In 1993, state-owned tea estates were returned to the private sector.
- In 1997, tea exports from Sri Lanka reached 250,000 metric tons.
- With the closure of the London Tea Auction in 1998, the trade in Ceylon Tea centred solely on the Colombo Auction.
- In 1999, the Sri Lanka Tea Board globally trademarked the Lion logo as an emblem of 100% Pure

Ceylon Tea.

- The production of Ceylon Tea exceeded 300,000 metric tons in 2000.
- 2001 saw the setting up of a Tea Museum in an old tea factory in Hanthana, Kandy.
- In 2002, the Tea Association of Sri Lanka was formed.
- In 2008, the export revenue from Ceylon Tea reached USD 1 billion.
- In 2011, the Sri Lanka Tea Board obtained the necessary Geographical Indications (GI) certification for Ceylon Tea, meaning that only tea produced in certified regions of the Island and meeting stringent quality norms could be marketed as 'Ceylon Tea'. This was an important step in ensuring quality and preventing counterfeiting. Sri Lanka also became the first country to be recognised as a producer of Ozone-friendly tea.
- The year 2017 marked the 150th year of Ceylon Tea. Since James Taylor established the first commercial plantation in 1867, the Sri Lankan tea industry has come a long way, now generating over USD 1 billion in export revenue and employing over 1 million citizens.

(Source- www.pureceylontea.com
Official website of the Sri Lanka Tea Board)



ADVANTIS ENGINEERING OPENS STATE-OF-THE-ART REEFER FACILITY AT THE PORT OF COLOMBO

Advantis Engineering, the fully owned engineering subsidiary of Hayleys Advantis Limited recently revamped its reefer operations at the Port of Colombo premises to a brand new, state-of-the-art facility, putting them in a unique position to offer an exceptional service to partner brands. Gracing the occasion on the opening day of the reefer operations facility were the Board of Directors of Hayleys Advantis and many of the company's distinguished clients.

Adding to over 15 years of experience and expertise in reefer services and operations, the enhancement of the facility at the Port of Colombo supports Advantis Engineering's underlying premise of serving the requirements of its customers in a streamlined and efficient manner. With a dedicated reefer team present at the Port of Colombo at all times, Advantis Engineering is now able to pave the way for better coordination and monitoring of these complex refrigerated containers.

In addition to being ISO 9001:2008 and ISO 45001:2018 certified, the state-of-the-art facility comprises of all elements required to further strengthen these complex reefer operations. This includes a dedicated administration office, 24x7 control room, workshops and spare parts storage, making it a more convenient, one-stop destination for clients at the Port of Colombo.

The facility offers extended services of all types of reefer container repairs using guaranteed original spare parts. In



order to streamline the repair process, the onsite warehouse enables the Advantis Engineering team to have quick access to necessary spares around the clock. Additionally, the facility is fully equipped to facilitate all types of manufacturer warranties in relation to refrigerated containers.

"As Sri Lanka aspires to become South Asia's foremost maritime, logistics and distributions hub considering its geographical position, our reefer operations and service facility at the Colombo port has put both Advantis Engineering and our nation at a competitive edge, given the proximity to many emerging markets. We are confident that our technologically advanced facility would enable the Colombo Port to further their label as a strategically important hub in the region", said Kamal Wimalaratne, General Manager of Advantis Engineering.

On site assistance for technical issues along with routine maintenance, reefer temperature monitoring, and pre trip inspections can also be carried out at the facility. Together, these services allow for quick turnaround times to ensure that reefer containers will reach their next port of call on time. Additionally, Advantis Engineering's reefer facility is also at a unique advantage to offer rentals of refrigerated containers for commercial purposes. As a combined entity, strategically located within the confines of the Colombo Port, the unit is geared to meet the logistics requirements of any client.

The reefer operations and services arm of Advantis Engineering offers refrigerated shipping containers, also known as reefer containers, which plays an integral role in the storage and transportation of perishable goods for periods ranging from one-off event hire to more permanent solutions. Being a subsidiary of Hayleys Advantis Limited, the transportation and logistics arm of Hayleys PLC, the company also offers innovative modular space solutions through their flagship brand Convertainers® and pre-engineered steel buildings, sale and rent of containers/reefer containers, security seals, identification wristbands and a wide portfolio of engineering and logistics products and services .

REEFER SERVICES & OPERATIONS

WHAT SETS US APART

- ✓ ISO 9001:2008 & ISO 45001:2008
- ✓ GUARANTEED ORIGINAL PARTS
- ✓ BONDED WAREHOUSE FOR QUICK ACCESS TO SPARE PARTS
- ✓ MANUFACTURER WARRANTY HANDLING
- ✓ APPROVED REFRIGERANTS
- ✓ 24/7 SERVICE & MAINTENANCE (WITHIN COLOMBO)

OUR SERVICES

- ✓ ALL TYPES OF REEFER REPAIRS
- ✓ ON SITE ASSISTANCE
- ✓ MAINTENANCE & SERVICES
- ✓ REEFER RENT
- ✓ PRE-TRIP INSPECTION
- ✓ SUPPLY OF REEFER SPARE PARTS
- ✓ REEFER TEMPERATURE MONITORING

SERVICE BRANDS



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of
**DEVELOPMENTS
HAMBANTOTA**



Introduction

Hambantota Port is located at the very centre of a main international shipping route that connects the East and West. The port lies just 16 nautical miles from the main trade route of Asia and Europe, earning its name as the 'gateway to South Asia'.

Rapid growth in economic development in emerging markets surrounding the Indian Ocean, such as the Bay of Bengal and East Africa, has created growth opportunities for Sri Lanka's port industry, in addition to more established maritime business with India.

On a macro level, HIPG has a strategic plan to develop Hambantota Port as a catalyst for the lateral growth of the Hambantota District. The plan is based on a proven formula used by the parent company of its JV partner, China Merchants Group, to develop Shenzhen's Shekou Free Trade Zone.

The "Shekou model", which is also termed as a PPC concept (Port, Park, City), was used for the development of a port, an industrial park and subsequently a city. Once a small coastal fishing village, Shekou is now a metropolitan hub located at the southern tip of Shenzhen. Shekou was developed as China's first port, open to foreign trade and run entirely by business enterprise.

Hambantota International Port (HIP) was recently certified ISO 45001: 2018 compliant for their Occupational Health & Safety Management System (OH&SMS), by the International Organization for Standardization headquartered in Geneva, Switzerland.

Business Development

As per the current context, HIPG is continuously indicating high performance on Roll on Roll off cargo (RORO), whereas throughput numbers doubled in the year 2018 compared to 2017. Further, records indicate over 70% increment of throughput volume achieved in the year 2019 compared to 2018. Some of the key factors for volume growth are the increase in the level of service quality, introduction of Terminal Operating Systems (TOS) , investment on new advance technological equipment (Safeneck with Terburg Tractor) which can handle any type of RORO cargo in HIP, Terminal Service agreement with major RORO shipping lines. Finally and most importantly, continues training on staff and skill development.

In addition, HIP is developing the platform to carry out a vehicle value addition facility within the port with the possibility of re-exporting to other countries by utilizing the tax free advantages under the free port concept. This is one of the key concepts according to the One-Stop Service for RORO cargo.





Energy Hub

The most recent venture of HIPG was entering into an agreement to supply bunkering facilities to ships calling at the port, as well as vessels moving on the sea lanes. HIPG has already embarked on its ambitious plan to position the Hambantota Port as a source of IMO-compliant fuel for the region.

The foundation for this was laid by the recent award of a tender to Sinopec who is a strategic bunkering partner of international repute. Located between Singapore and Fujairah – the world's number one and two bunker suppliers to the world respectively – Sri Lanka is well placed to exploit the potential of this trade, a completely new business vertical introduced by HIPG/CMPort.

Hambantota will be one of the major ports within the region to provide low-sulphur marine fuel, in compliance with the IMO 2020 rule, which will ideally position the port to take advantage of the increase in demand expected to take place in 2020. The HIP tank farm has 14 tanks with 80,000CBM capacity.

The management experience and expertise available to HIP from China Merchants Energy in Singapore will enable the port to provide a range of related maritime services not limited to bunkering.

Another area HIPG is focused on is further developing facilities for LPG handling, for which it intends partnering with local companies. This would vastly benefit LPG users in the country whilst enabling the port to become a regional distributor of LPG. HIPG's agreement to provide port facilities to Laugfs – a major player in Sri Lanka's energy industry, currently engaged in expanding its footprint overseas – is a step in this direction. The port has dedicated two jetties for oil, gas and petroleum business to facilitate energy companies like Laugfs, which plans on bringing LPG in larger vessels from international markets.

Other Services

Further, HIP has developed bulk and break bulk cargo operations in Hambantota enhancing advantages of economic of scale for stake holders. It has also introduced vessel berthing facilities (vessel lay-ups) for afloat repairs at international level. The port is well on its way to becoming one- of- a- kind in Sri Lanka, as it is the only port in the country designed to handle such a wide range of services in the maritime and logistics fields.

Another important recent development for HIP was the one stop service centre, established by the Board of Investment of Sri Lanka (BOI) at the port. The centre would provide facilitation services, including the granting of investment concessions to prospective investors.

HIPG will promote investment both locally and internationally to attract port related industries to Sri Lanka. The one stop service centre is the launch pad for the next stage in port development, when Sri Lanka would join the global value chain by further fostering international trade and commerce from the southern tip of Sri Lanka.

HIPG, together with HIPS, are in the process of developing the port stage by stage, driven by the needs of its customers. As the port and surrounding industrial park and real estate development area evolves, this will act as a stimulus for industrial, economic and social development in Hambantota and its adjacent areas. It will also bring greater economic benefits to the government and people of Sri Lanka, while presenting unparalleled opportunities for local and foreign investors in taking advantage of opportunities in a region which is growing exponentially and making its mark in the world.



LNG - THE FUTURE MARINE FUEL - SUPPLY CHAIN



Captain Chandra Godakanda Arachchi – Gladstone LNG

Chandra - Joined Lanka Kalyani as a Deck Cadet in November 1975 and worked in all ascending capacities on board commanding CSC ships at the age of 28 years. Thereafter, he worked as a pioneer Mooring Master for Ceylon Petroleum Corporation prior to moving to SLPA as a Marine Pilot. He migrated to Australia in 1996 and worked as a Marine Surveyor (oil and gas) before joining Santos (oil & gas producer) during the latter part of 2005. He has been working as a Permit Authority in the oil and gas industry (Hot work, Cold Work, Excavation work and Confined Space Entry). He is also a qualified Safety Systems Auditor. He has been working as a Controller for Santos GLNG Primary Control Centre from inception; looking after GLNG assets gas wells, hub compressors, turbines, power plants and all other associated plants remotely from Brisbane and high pressure gas network spanning over 600 kilo meters in East Queensland. He worked as a Marine Superintendent (LNG Loading) on secondment during the initial LNG loadings of the projects at Curtis Island Gladstone prior to making the decision to move back to Brisbane. He received the Gold Medal for the prestigious Chief Officer's Examination which was conducted in India.

LNG is much cleaner than any other marine fuel in terms of SO_x, NO_x, CO₂ and other particles.

The Shipping industry emissions had been a significant contributor to global environment pollution, with marine fuel being capped only to 3.5% (mass by mass) of Sulphur content up until 01st January this year. Marine heavy fuel is processed from the residue of crude oil in the post distillation process after extracting all light end products. Heavy marine fuel, upon combustion, emits noxious gasses such as Sulphur oxide (SO_x) which are harmful to humans. Such emissions affects agricultural crops, forests and aquatic species among others. The excessive emissions which are dropped into the ocean over a long period of time could contribute towards the acidification of the oceans. In fact noxious gas emissions had been a silent cause of many health issues affecting the coastal communities adjacent to busy ports and shipping lanes. The South West coastal belt of Sri Lanka is no exception, with the bustling East West Silk route at our door step with over 200 ships passing daily; especially in the Southern part of Dondra Head. The marine fuel regulation, which was initially implemented in 2005 under Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL convention) of the International Maritime Organisation (IMO) has seen slow progress, with strict measures being enforced from the beginning of this year to ensure the long overdue change which is needed to improve the air quality and our breathing space in addition to protecting the environment.

The aforementioned change is the current restriction placed on the global shipping industry which has to utilize cleaner marine fuel amounting to a maximum of 0.5% Sulphur content. This has led to preliminary discussions by industry professionals to explore the

possibility of utilising natural gas (LNG) widely in marine engines. Eventhough LNG bunkering is not widely utilized, it is making an impact and creating a niche market and it is necessary to explore the supply chain, pros and cons of natural gas (LNG) as a Marine fuel.

Liquified Natural Gas produced in Eastern Australia is mostly Methane (approximately 98%) extracted after drilling from underground coal seams which are millions of years old. All Australian oil and gas producers are subject to stringent government regulations which are being monitored by the regulator in context of health, safety and environment. It is interesting to note that gas wells drilled onshore in Australia are completed and operated in an environment friendly atmosphere. There are a vast amount of pad wells which means that a mere spot on ground is used to drill multi directional wells -initially drilling vertically then virtually horizontally to extract gas. There could be as many as twelve wells in a pad well.

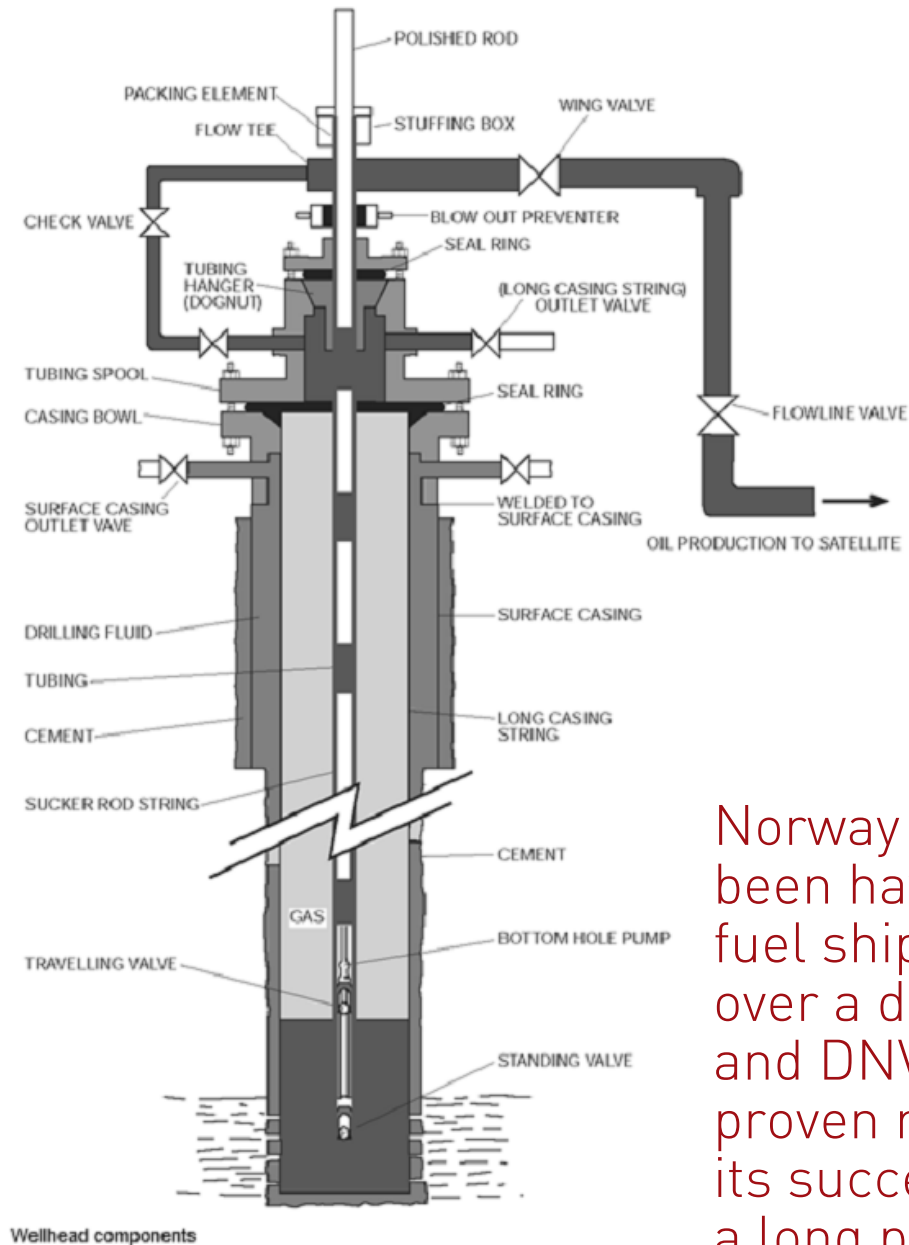
Coal seam gas reservoirs inherit sufficient gas pressure which causes the gas to migrate to ground level via annulus of gas wells. It is not unusual for water to migrate up together with gas, therefore the initial process is to remove liquids by a separator. Some reservoirs have a substantial quantity of water, therefore the artificial lifting of water is required at times with different types of submersible pumps (positive displacement Progressive cavity pumps, Linear rod pumps etc) being used to pump water enabling space for coal seam gas to make way into the reservoir. Water pumped out is processed through membranes (reverse osmosis) to get rid of salinity and PH balancing process to make it acceptable quality water before being directed for various applications including irrigation. Water with high salinity is stored in lined bunds for further processing. Gas emanating from the well is then directed to compressors (different types including gas turbine compressors, electrically driven compressors, reciprocating engine driven compressors etc) in order to compress gas to a higher pressure for pipeline transport. Compressed gas contains suspended water and

Coal seam gas reservoirs inherit sufficient gas pressure which causes the gas to migrate to ground level via annulus of gas wells.

moisture which is then processed via a dehydrator using moisture absorbing harmless chemicals. Coal Seam Gas (Methane) under high pressure is then transported by a pipeline to a LNG plant. There is a huge network of high pressure gas pipelines which runs into thousands of kilometres. It is similar to a condensing process by cooling. LNG is a cryogenic liquid, maintained at -161°C, the methane volume being condensed to 600 to 1 with a density of about 0.42 tonnes per cubic metre.

LNG Loading

The need to make LNG from natural gas is to make it possible for sea and land transport. Six hundred cubic meters of natural gas will make only one cubic meter of LNG. As the LNG is loaded at -162° C, it is imperative to cool down the pipe work and ship tanks down to loading temperature prior to commencement of loading post purging of lines and tanks with Nitrogen. The cool down process has to be gradual and within an acceptable rate in order to avoid integrity issues of pipework and tanks. As the loading continues the pressure in tanks (Membrane type) tend to rise due to the boil of gas (BOG). The pressure in tanks has to be managed within an acceptable limit in order to maintain the integrity of tanks. This is mainly done by the BOG compressor directing the BOG to generators as fuel gas or by unacceptable venting.



Cross section of a well

LNG discharging

LNG is discharged into dedicated LNG tanks built in thick concrete with sufficient insulation. LNG has to be heated to ambient temperature before being used by heat exchangers in order to convert back to natural gas depending on the flow rate required for consumption. The other supply option is to utilise the services of a FPSO (Floating production storage and offloading) to process and heat up LNG, using sea water and heat exchangers. Ideally, the environmental impact study has to be carried out to fathom the impact on marine life as the cooling of the immediate surrounding area could affect the natural habitat.

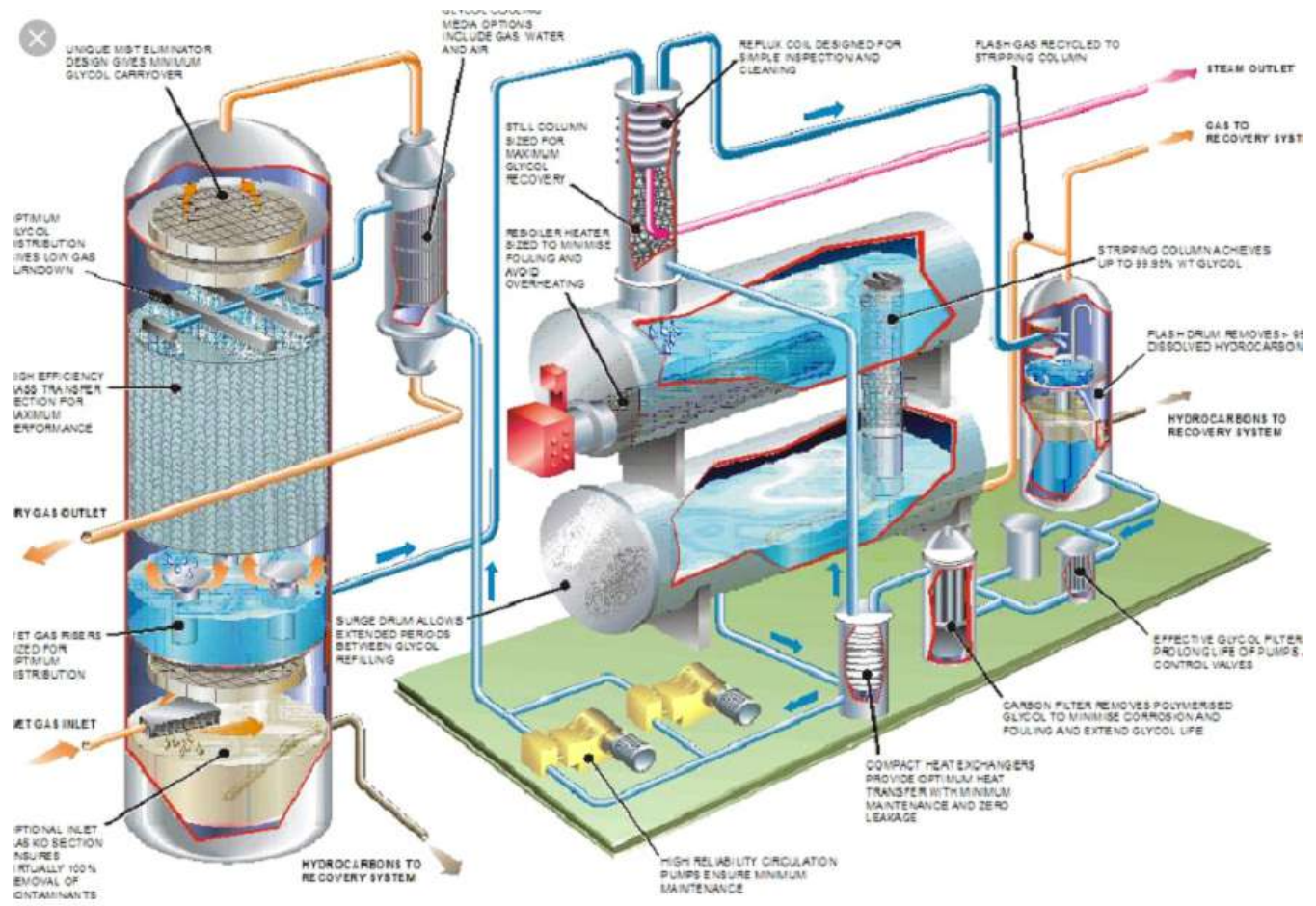
FPSO may not be the ideal solution for the West coast of Sri Lanka due to the strong South West monsoon from May to September. Natural gas receiving power plants may run the risk of losing minimum fuel gas pressure when the FPSO is required to vacate the berth due to strong seas. In this scenario only the line pack (gas stored in pipework with pressure) is available to run the power plant.

LNG is much cleaner than any other marine fuel in terms of SO_x, NO_x, CO₂ and other particles. The most significant environmental advantage is the fact that LNG has very negligible SO_x, which means it will be relatively easy to comply with new marine fuel

Norway has been having LNG fuel ships for over a decade and DNV has a proven record of its success for a long period of time.

emission regulations. There have also been many discussions on the possibility of installing scrubbers to get rid of exhaust gas SO_x when using Sulphur based fuel but it will be an additional workload to the mariner to maintain scrubbers in order to keep exhaust gas within required environmental regulations. In addition to environmental advantages, LNG is extremely cost effective. Norway has been having LNG fuel ships for over a decade and DNV has a proven record of its success for a long period of time.

There are quite a few LNG engine manufacturers such as Rolls Royce, MAN Diesel and Mitsubishi with over twenty ships currently utilizing LNG



Gas Dehydration unit

as marine fuel. This number keeps increasing rapidly. The above mentioned manufacturers offer two types of engines- the first one powered solely with LNG and second with dual fuel, LNG and Diesel. LNG tanks are usually located on deck and this is a major concern in terms of space. However, there are studies underway to integrate LNG tanks to the hull. Another concern is said to be the Methane slip effect on engines during low load. This issue is currently being addressed in all probability to introduce an artificial load during such low loads, similar to load banks in some generators. Another major concern is the lack of sufficient LNG terminals globally, however a number of LNG terminals are being built around the world to cater to the ever-growing demand. Another matter of concern is the dearth in LNG suppliers though there are numerous LNG plants currently being built, including four major LNG plants in Queensland, Australia with an investment of nearly 100 billion dollars. All four LNG plants based in Queensland commenced exporting in 2015. Likewise, there are LNG Plants in the West coast and Northern Territory

of Australia as well. Therefore, it will be a matter of time before levelling out the supplier concern of marine community.

Safety is paramount in any industry and LNG is no exception having its own inherited safety risks such as handling cryogenic liquid and all other risks associated in the gas industry. Currently all LNG storage tanks located on decks are connected through pipes to the engine room with all the pipe work in the engine room having similar to double skin to hold the pressure in case of a pipe rupture. Additionally there are automatic shutdown systems built for the purpose of tripping tank safety valves (XVs) in case of an excessive rate of flow (which could happen in case of a rupture of a pipe) or detection of an excessive Lower Explosive Limit (LEL) percentage. Training, continuous simple risk assessments, awareness, no short cuts and doing the right thing all the time is the key to being safe.

There are LNG road tankers currently in operation in Europe and the technology is ideal for a country like Sri Lanka, particularly at the preliminary stages of LNG fuelling due to the capital cost

involved in building pipeline networks. LNG can then be transported to other ports around the coast as well. LNG can be used not only as a marine fuel but also for other major plants such as power plants. Coal power generation will be a thing in the past when all the emission regulations are introduced and enforced to countries like Sri Lanka as it will become expensive (health and environment impacts on a tiny island) to run a coal plant for power generation. In addition to several other ports, the Port of Rotterdam too is already geared with the LNG bunkering facility and Colombo being a major port should implement the plan for a LNG terminal without delay in order to be on par with the major ports in the world.

LNG loading and handling is relatively easy for anyone with sufficient tanker experience. Therefore, it is important for young seafarers to learn the fundamentals of operating the LNG tankers as a prerequisite to the future sustainability and success of the Shipping industry.



EXPRESS BOAT SERVICES

Colombo & Galle



DONDRA EXPRESS

Type : Crew / Supply Boat
 Classification : Bureau Veritas
 IMO number : 8981860
 Flag : Sri Lanka
 Call sign : 4RBX

GALLE EXPRESS

Type : Crew / Supply Boat
 Classification : Bureau Veritas (BV)
 IMO number : 8846981
 Flag : Sri Lanka
 Call sign : 4RBV

CAPACITIES

Free Deck Space : 50 M2
 Deck Cargo Capacity : 10.00 MT
 Accommodation : 6 Crew, 40 Pax
 (reclining seats)
 Fully air conditioned
 Life Rafts : 2 x 25 Men
 Speed (Maximum / Cruising) : 16 / 12 Knots.
 Trading Limits : Unrestricted Navigation

FIRE FIGHTING / SAFETY

Safety Equipment as per SOLAS, Flag and Class Society requirement.

CAPACITIES

Free Deck Space : 50 M2
 Deck Cargo Capacity : 10.00 MT
 Accommodation : 6 Crew, 50 Pax
 (reclining seats)
 Fully air conditioned.
 Life Rafts : 3 x 20 Men
 Speed (Maximum / Cruising): 16 / 12 Knots.
 Trading Limits : Unrestricted Navigation

FIRE FIGHTING / SAFETY

Safety Equipment as per SOLAS, Flag and Class Society requirement

Contact for Boat Hires in Colombo
 PIC: Shehan Perera
 Mobile: ++94710698517
 Email: shehan.perera@slsc.lk

Contact for Boat Hires in Galle
 PIC: Chandima / Thilina
 Mob: ++94716861397 / ++94714518126
 Email: marketing@slsc.lk

SRI LANKA SHIPPING COMPANY LTD.



LNG PROG

By Steve Breiner

CESS

Steve is an officer who sailed with the Australian Navy, having joined Darwin LNG upon leaving the Navy. A few years later he joined Gladstone LNG, LNG Plant Operations as a Controller. Steve was working in Curtis Island Gladstone LNG Plant operations from the commissioning of the plant to full on operations. He has extensive experience and knowledge in all aspects of LNG Plant operations. This year he joined the Primary Control Centre team, GLNG in Brisbane as a Controller looking after GLNG upstream gas wells operations, hub compressors, turbines, power plants and all other associated plants including a high pressure gas network spanning over 600 kilo meters in East Queensland remotely from Brisbane.


The purpose of the GLNG plant is to process and convert the upstream coal seam gas into liquid form which condenses the volume to 1/600th of its gas volume. By reducing the volume, it enables it to be stored and then commercially transportable. This is carried out by cleaning the gas of impurities, drying the gas of all entrained moisture and then chilling the gas into liquid form at -162 degrees Celsius.

The coal seam gas enters the plant from the upstream wells between 5700 and 10000kPa. Typically, the inlet pressure will vary during operation between 5.7 and 6.3 Mpa for efficiency. The gas will go through three initial process units to clean and dry the gas to a specification that allows chilling and liquefying of the gas without the potential of freezing any water or CO₂ in the process. The initial three units for the cleaning and drying of the gas are known as the purification side of the process. This involves inlet separation, acid gas removal and dehydration of the gas.

- Inlet separation is the start of the process, it involves the feed gas entering the plant and going through a large horizontal inlet separator vessel designed to remove any liquid slugs or oily water present in the inlet feed stream. Water drops out into the vessel and gas exits through the top. Gas then travels through an inlet filter coalescer that removes solid particles and liquid droplets greater than 100 microns. This is done to avoid any damage to the plant inlet control valves. Feed gas will then go through a gas preheater which is a shell and tube design that uses hot oil as the heating medium. Gas is heated to compensate for the Joules Thompson cooling effects to maintain the temperature of the feed gas to design limits of downstream piping. Next the gas goes through a set of control valves and a metering skid made up of two ultrasonic flow meters that help maintain flow control.
- Feed gas will now enter the acid gas removal unit. The unit begins with an inlet filter coalescer that is designed to remove any trace of liquids or particles that may still be entrained in the feed gas. The feed gas then enters an Absorber column that removes any entrained CO₂ and H₂S. This is achieved by feed gas flowing up the tower through trays against a counter current flow of a chemical called Amine flowing down the tower. The amine absorbs CO₂ and H₂S before being regenerated via a Regenerator tower column to be re-used in the process. Feed gas exits the Absorber tower at around 50 degrees. It is then passed through a Propane chiller vessel which is a shell and tube design to reduce the temperature and drop out any carry over moisture.
- Feed gas will now enter the dehydration unit. Feed gas travels through a knockout drum that captures and removes moisture from the Propane Chiller vessel. It then travels through a two-stage filter coalescer that removes any moisture or contaminants down to one micron in size. The feed gas now enters the Molecular sieve beds or dryer beds. These beds use an activated alumina desiccant to absorb any remaining moisture or CO₂. Molecular Sieve after filters are then used to remove any carry over dust down to one micron. Next the feed gas travels through mercury removal beds which contain a carbon activated catalyst that is designed to remove any trace of mercury that could damage downstream heat exchangers. Lastly the feed gas will pass through Mercury removal after filters that are designed to capture any carryover catalyst dust from the mercury removal beds. Gas is now on spec and ready for the liquefaction / refrigeration side of the process.

Once the gas has been purified to the required specification it is processed through what is known as the liquefaction side of the process. This involves a refrigeration process consisting of three cascading refrigerant units –Propane, Ethylene and Methane.

The Methane feed gas begins its path through this refrigeration process at a temperature of 20 degrees with a pressure of 5840kPa. The Liquefaction process chills and liquefies the gas by first processing it through a series of Propane and



At the completion of the liquefaction side of the process the LNG has been liquefied and is sent to storage tanks at a temperature of -152 degrees at a pressure of 100kPa.

Ethylene chiller vessels. The feed stream is then dropped in pressure via JT valves into three individual Methane flash drums where the pressure drop results in a corresponding temperature drop. At the completion of the liquefaction side of the process the LNG has been liquefied and is sent to storage tanks at a temperature of -152 degrees at a pressure of 100kPa.

- The Propane system is the first unit of the liquefaction process. The unit is a closed loop that uses LM 2500 GE turbines to drive three stage centrifugal compressors to re-compress all boil off vapours produced in the refrigeration process. The Propane system uses three stages of chiller vessel which are core in shell design. Each is covered by liquid Propane at different temperature and pressure set points. As the process flows travel through the cores of the chillers, they are cooled by expelling their heat into the liquid propane covering the cores which causes propane to boil off as vapour which will be recompressed via the centrifugal compressors. The main purpose of this propane system is to chill the feed gas from 21 degrees down to minus 32 degrees, to cool and condense The Ethylene discharge flows from 40 degrees down to minus 32 degrees and to de-superheat the methane discharge flows from 40 degrees down to minus 3 degrees.
- The Ethylene system is the second unit of the liquefaction process. The Ethylene system is also a closed loop that uses LM 2500 GE turbines to drive two stage centrifugal compressors to re-compress all boil off vapours produced in the refrigeration process. The Ethylene system uses two stages of chiller vessels which are core in shell design. Each stage (One high and one low) is covered by liquid Ethylene at different temperature and pressure set points. As the feed gas flow travels through the cores of the chillers, they are cooled by expelling their heat into the liquid Ethylene; covering the cores which causes Ethylene to boil off as vapour which will be recompressed via the centrifugal compressors. The main purpose of this system is to cool, condense and slightly sub-cool the feed Gas. The Ethylene system also cools and condenses the Methane compressor discharge and sub-cools the inter-stage Propane refrigerant. The feed gas stream is cooled to -91°C at the outlet of the low stage Ethylene chillers. Under normal operating conditions the Ethylene low stage feed condenser is the first exchanger where Feed Gas condenses to a liquid (LNG).
- The Methane system is the third unit in the liquefaction process. Unlike the Propane and Ethylene units the methane unit is an open loop that combines with the feed gas stream. The main purpose of this system is for the "open loop" Methane and Feed Gas flow to be liquefied and cooled by, chillers, economisers, pressure drops and flashing, so that it can be stored at near atmospheric pressures when the LNG is ready for export. The Methane system also uses LM 2500 GE turbines to drive three stage centrifugal compressors to re-compress all boil off vapours produced in the refrigeration process. The liquid methane is dropped in pressure and temperature across the three stages of flash drums – High stage, Inter-stage and low stage flash drums. The high stage flash drum drops the temperature from -95 degrees to -118, the inter-stage flash drum drops the temperature from -118 degrees to -134 degrees and the low stage flash drum drops the temperature from -134 degrees to -152 degrees. All boil off vapour produced in the flash drums are recompressed via the centrifugal compressors.

The last part of the process is referred to as storage and loading. The liquefying of the gas has reduced its volume by 600 times, so the LNG is now able to be stored in two 140,000m³ capacity storage tanks equipped with cryogenic Ebara loading pumps. The purpose of the storage and loading side of the process is to store the produced LNG close to the atmospheric pressure via one final drop in pressure as it enters the storage tanks. The LNG is now ready for export. The transfer of the LNG onto LNG carrier ships is then carried out using the Ebara pumps to transfer the LNG via a loading pipeline onto the ship via four LNG loading arms, three for loading and one for vapour return to the storage tanks.

WISTA TOGETHER WITH CASA CELEBRATES *Womens Day* WITH A DIFFERENCE

Women's International Shipping & Trading Association (WISTA – Sri Lanka) together with Ceylon Association of Shipping Agents (CASA) held a thought-provoking session on innovation and transformation in the supply chain industry on 6th March at the Hilton Colombo Residencies.

Former Army Commander Daya Ratnayake, Chairman of Sri Lanka Ports Authority (SLPA) who was the chief guest, shared his views on transformations needed in the Industry with lessons learnt in the battle field which inspired the audience.

Mrs. Reshma Nilofer Naha added color to the event as the guest speaker and enthralled the audience with her success story of being the first Indian female Marine Pilot, holding the responsibility of steering ships from sea to Kolkata and Haldia ports. She shared her expertise and experiences in a male dominant Industry where she qualified as a river pilot in 2018 and then went on to become the first Indian Marine Pilot; topping the list in a rare career, hitherto dominated solely by men.

Mr. Ankur Seth, Transformation Program Director of Maersk Global Service Centers shared an insightful presentation on the second year Transformation journey of Maersk and the challenges faced in large enterprise transformations. He addressed the common failure points faced by enterprises and the required strategies, companies must adapt to in order to ensure successful transformations take place whilst generating sustainable results.

Mr. Bingumal Thewarathanthri, CEO of Standard Chartered Bank, Sri Lanka spoke about positioning Sri Lanka as the next supply chain hub. He shared valuable insights in to the trends in Industry 4.0 and how Sri Lanka should position itself as a regional hub to maximize opportunities emerging in the region.

The eminent panel moderated by Mr. Ana Senanayake, Managing Director- Lanka Shipping & Logistics Pvt Ltd. and panelists, Mr. Rakhil Fernando, Managing Director - Daraz (Alibaba Group), Dr. Ashan Amarasinghe, Group Innovations Officer - McLaren Holdings Ltd, Mr. Ankur Seth and Ms. Reshma Nilofer shared timely insights about disruptions and digital transformations taking place and how Companies in the Supply Chain must adapt to seize every opportunity. Reshma was able to give many tips to the many industry women who attended the session to commensurate Women's Day and she was able to share many inspiring success stories which was quite relevant to the event.

Over the years WISTA has collaborated with CASA in carrying out many initiatives successfully along with their Corporate Partner, South Asia Gateway Terminals having set the pace for many to follow suit. This event too was yet another milestones for the successful collaboration. The event was supported by Hayley's Advantis as the Gold sponsor and 3M, Scanwell Logistics & Maersk who were the Silver Sponsors.



MARCH



ANNUAL GENERAL MEETING

With the dawn of a new decade the new YoungShip Executive Committee was appointed at the recent Executive Committee meeting in February 2020. A new generation of leaders is in the mix with experienced members from various segments of the maritime and shipping industry coming together, showing promise for an eventful and educational year ahead whilst striving to empower the youth of the industry.

The committee for the year 2020 comprises a group of committed, enthusiastic young professionals who are keen to give back to the maritime industry and community along with enthusiasts in related fields from across the globe. The ten

member executive committee is as follows:

Office bearers

- Chairman – Jehan Rodrigo (Mackinnon Mackenzie and Company (Shipping) Limited)
- Vice Chairman – Rishantha Mendis (Prudential Shipping)

- Secretary – Maleena Awn (Wilhelmsen Meridian Navigation Ltd)
- Treasurer – Nirmal Dissanayake (Eastern Maritime (Colombo) Ltd)
- Assistant Secretary – Sandali Cooray (Ceyline Shipping Ltd)
- Assistant Treasurer – Navaneethan Raveendran (CMA CGM Lanka (Pvt) Ltd)

Members of the Executive committee

- Shane De Alwis (Hapag Lloyd Lanka (Pvt) Ltd)



CEYLON
ASSOCIATION OF
SHIPPING AGENTS



- Sachini Perera (CMA CGM Lanka (Pvt) Ltd)
- Nuwan Ekanayake (Maersk Lanka Pvt Ltd)
- Jerome Keegel (McOcean Logistics)

Over the last year YoungShip conducted the much-anticipated Open Quiz on the 8th of June 2019, hosting over 220 participants at the event which was run by the International Quizzing Association (IQA). We are proud to say we are part of IQA Sri Lanka's annual calendar, giving an opportunity for professionals in the shipping/logistics and wider business community/ industry to take part in such events, meet like-minded people and enhance their knowledge. Subsequently, the IMO 2020 Seminar and cocktails held on the 29th of November regarding the low sulphur fuel usage was a success with positive feedback from all attendees and invitees. YoungShip Sri Lanka was delighted to be the first association in Sri Lanka to conduct an open panel discussion on matters concerning the new IMO 2020 impending regulation and its implications. These two events were highlights of the calendar year in addition to the official launch and rebranding of YoungShip Sri Lanka in September of 2018 during the Sri Lanka Maritime Week event and visit

to the newly acquired China Merchant owned Hambantota International Port Group (HIPG) port in Hambantota – Sri Lanka on the 24th of November 2018.

Our plans for the forthcoming year include the YoungShip Open Quiz 2020, CASA Dinner Dance, Seminars/workshops with industry panelists and speakers and the CSR initiative, to name a few of the projects in the pipeline.

The committee wishes to convey its sincere thanks and appreciation to its Patrons Mevan Peiris and Navin Perera, The Ceylon Association of Shipping Agents (CASA), and our past Chairman Hasitha Dissanayake for their continuous support and guidance in conducting the affairs of YoungShip throughout the past years.

We extend our sincere gratitude to our committed sponsors and all organizations who have supported the empowerment of Youth and the growth of YoungShip since its inception.

We welcome on board our new members and extend our felicitation to our membership for their keen participation in all of our events. We look forward to yet another great year ahead!!

Ending with the words of Ryunosuke Satoro ~ "Individually we are one drop. Together we are an Ocean."

YoungShip KNOWLEDGE SHARING FORUM



Amongst the many initiatives undertaken in 2019, YoungShip Sri Lanka was proud to present a forum with the primary objective to gather our membership and form a discussion on current affairs of our industry. YoungShip Sri Lanka organised a Knowledge Sharing Forum in the form of a Seminar & Panel Discussion followed by a social networking event on 29th November 2019 at Elevate – Access South Tower, Union Place – Colombo 02. YoungShip Sri Lanka was proud to be the first organization to bring together industry representatives, experts in the field, Stakeholders, members and interested participants to an open seminar and panel discussion that aimed at discussing in detail the decision taken by the International Maritime Organisation (IMO) that is the

regulatory authority for international shipping to implement a global sulphur limit of 0.50% m/m (mass/mass) in 2020, a decision that was taken during its Marine Environment Protection Committee (MEPC). Under the new global limit, ships will have to use fuel oil on board with a sulphur content of no more than 0.50% m/m, against the current limit of 3.50%, which has been in effect since 1 January 2012.

The main type of “bunker” oil for ships is heavy fuel oil, derived as a residue from crude oil distillation. Crude oil contains sulphur which, following combustion in the engine, ends up in ship emissions. Sulphur oxides (SO_x) are known to be harmful to human health, causing respiratory symptoms



and lung disease. In the atmosphere, SOx can lead to acid rain, which can harm crops, forests and aquatic species, and contributes to the acidification of the oceans. IMO (International Maritime Organisation) 2020 is a regulation coming into effect from 01 January 2020 and imposed on all sea going vessels that operate globally. From 1 January 2020, the limit for sulphur in fuel oil used on board ships are to be reduced to 0.50% m/m (mass by mass). This will significantly reduce the amount of sulphur oxides emanating from ships and should have major health and environmental benefits for the world, particularly for populations living close to ports and coasts.

The speakers for the below brought in vast industry experience and knowledge on the topic.

Mr. Zafir Hashim, Vice President of John Keels Holdings (Sector Head - Transportation)

Capt. Mohit Chaturvedi, Managing Director – FAR Shipping Agency Lanka

Mr. Zafir Hashim discussed the implication of IMO 2020 for bunker suppliers & traders, whilst Capt. Mohit Chaturvedi examined the implications of IMO 2020 for liner and Shipping Agency sectors.

Subsequently a panel discussion brought together sector/



business leaders from various expertise to add insight relating to economics of supply and demand of low Sulphur fuel oil, discuss the implication of IMO 2020 for exporters & importers, present a terminals perspective on IMO 2020 & bring about any further insights from the bunkering aspect. The panelists comprised of:

Mr. Ibrahim Saleem, Director - Hayleys Advantis

Mr. Suren Abeysekera, Chairman - Sri Lanka Shippers Council

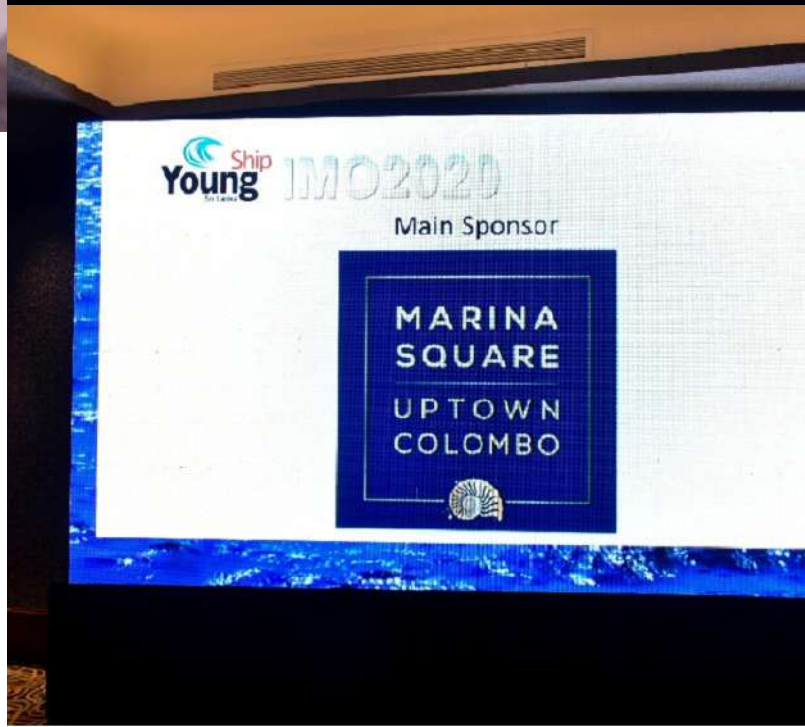
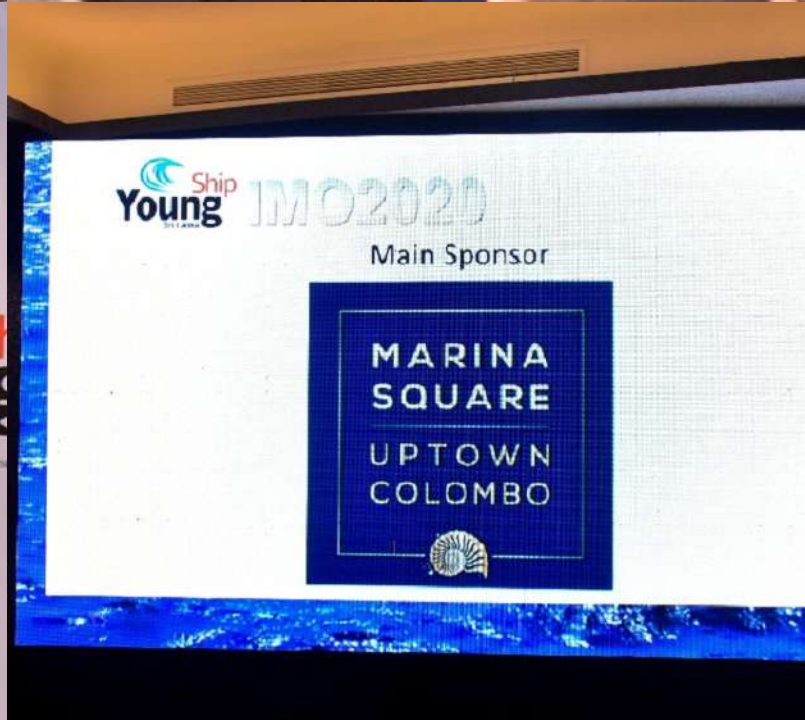
Mr. Justin Zhang, General Manager - Oil & Bunkering, Hambantota International Port Group (HIPG)

BRIDGE

Mr. Suraj Patnaik, Senior Vice President (Ops, Imports & Bunker Sales) – Lanka IOC PLC

Moderator: **Mr. Navin Perera**, Senior General Manager, GAC

The event was a success with positive feedback received from all invitees and attendees. The scope of discussion included addressing probable actions that vessel operators would have to opt towards (Usage of low Sulphur compliant fuel oil, vessels incorporating exhaust gas cleaning systems known as “scrubbers”, & steps to switch towards LNG in the future). The Panelists and speakers addressed the readiness of Sri Lanka to brace themselves for what lies ahead, the opportunities that could be capitalized on, and new knock on



industries that could arise in the forthcoming years.

We thank our main Sponsor Marina Square, Co-Sponsor Hambantota International Port Group (HIPG) who contributed to the success of this event. We extend our appreciation to the speakers, panelists & moderator for keeping everyone in attendance engaged and eager to know more. YoungShip endeavor to educate and empower the next generation and look forward to organizing yet another similar event focusing on current affairs of the maritime industry.

In light of IMO 2020, let us embark on a journey for a sustainable future for the next generation and the eco system!!

<http://www.>



VIRTUAL CONTAINER YARD

: A review of Literature



Prof. Lalith Edirisinghe

*Dean, Faculty of Management
and Social Sciences
CINEC Campus*

Introduction

In 2006, Journal of Commerce published the ideology about “virtual container yard” (VCY) citing exchange of empty containers in “street turns” instead of hauling them back to the ports. The concept is rather basic. Trucking companies post a description of their empty containers on a portal called eModal Web site, the shipping lines that own or lease the containers and the location of the boxes. Truckers who register for the program have access to the site will do street run more economically than those who follow traditional container return and collection from container yards . In 2015, the author of this article argued that the exchange could be done even at international scale between container carriers and proposed a vertical integration to the original VCY model. In other words, exchange of containers could be done in many locations simultaneously. Also, the exchange was not merely for domestic transport but included sea carriage between countries. However, the operationalization of extended VCY model is complicated. Therefore, popular game theoretic approach was used to describe this phenomenon. Accordingly, two exchange types were introduced in 2015 namely, intra-port and inter-port collaboration. This extended model of VCY has been evaluated by many authors and its pros and cons have been identified. This article provides a basic understanding about the second-generation model of the VCY and its potential in Sri Lankan context.

Containerization system is significant to the international trade as it holds good characteristics of sea transportation and was invented and first commercially implemented in the US in the mid-1950s . Majority of ocean bound liner cargo is transported in containers due to numerous advantages it offers to shippers, ship owners and port authorities . By adopting containerization, the industry opened the flood gates for global commerce (Stopford, 2009). Cargo travelling in sealed containers was far less susceptible to the perennial risk of pilferage; less likely to be damaged at sea. Containerization has made a significant change globally in the system of freight transport responsible for the acceleration of the globalization of the world economy since the 1960s (Bernhofen, et al., 2013). The system, led to greatly reduced transport costs, and supported a vast increase in international trade. The management of container fleets, regardless of type and size, is a rather costly operation. From 1981 to 2009, global transport of containerized cargo increased approximately 3.3 times faster than the world’s GDP (UNCTAD, 2011). The total existing cellular fleet as at 13th March 2020 (all sizes / all positions) stands at 6,143 active ships (including 5,351 fully cellular) for 23,670,615 TEU (Alphaliner, 2020).

Marketing Context

Physical goods can be stored and use when the demand is established. In the event of excess production, the producer or the wholesaler retains the goods (if not perishable) and market when the demand is re-established. On the contrary, shipping, in marketing terms referred as a service. Therefore, its "perishability" character influences carriers to share their excess capacity with competitors to minimize the direct loss as it cannot be hold until the demand is re-established. For example, a ship's unused slots (port pair) cannot be stored and will be perished once it is sailed from a port. This reality paved the way for liner shipping companies to exchange shots despite its possible marketing disadvantages. There are several tools for market cooperation in contemporary liner shipping: slot charter agreement, slot exchange agreement and vessel sharing agreement. However, the co-operative structures among liner companies began from conferences and consortia to the recent strategic alliances (Chen, et al., 2010).

Under alliance co-operation, carrier's decision-making in how to execute slot exchange with its partners is an important part of its slot allocation plan, which links to company's profitability. In a slot exchange co-operation, participating carriers seek to benefit in which their surplus of controlled capacities can be shared to exchange slots belong to partners for their shortages. To each participant, whether the exchanged conditions can bring more benefits is based on its slot allocation planning (Chen, et al., 2010). Therefore, collaboration between container carriers has a long history. Kadar (1996) disclosed that the purposes of alliance members are to



Figure 1: Container costs, Source: (Alderton, 2004)

effectively reduce costs, to increase the freight revenues without investing any more capital, and to enjoy economies of scale by sharing resources with other partners.

Economics Context

Shipping, in economics respective, is a "derived" demand of international trade. Accordingly, imbalances in empty container supply and demand are a consequence of trade imbalances along the main trade lanes. This is termed as a structural and endemic problem of the global trade by many authors. Demand for container shipping services is derived from demand for container trade (Lai, et al., 2010). In other words, demand for containers is derived from the demand for movements of cargo by exporters and importers. As explained previously, supplying of empty containers to exporters is an essential part of the chain in container shipping because a slot has no commercial value without a container. The import and export volume is not equal with each other in the foreign trade of the world countries, so empty container repositioning problem is caused by trade imbalanced exactly because of the different economic needs in different regions. As cited in Lai, et al., (2010) Demand for sea transport is derived from demand for goods to be transported (Jansson and Schneerson,

1987). Container handling within the chain may be completed in numerous ways including the use of shipping agents.

The "Wealth of Nations" written by Adam Smith in 1776 stated that "by means of water-carriage more extensive market is opened to every sort of industry than what land-carriage alone can afford it". The impact of shipping to the society was seen in this manner by this great philosopher long time ago which is still valid. Containers have been more important for globalization than free trade (The Economist, 2013). One of the most striking developments in the global economy since World War II has been the tremendous growth in international trade. Once countries get embedded in the global supply chains, they feel part of something much bigger than their own business (Friedman, 2005). About 90% of world trade is carried by the international shipping industry. Water transportation systems provides low speed and relatively low accessibility, but extremely high capacities (Banks, 2004). Containerisation which changed everything was the brainchild of Malcom McLean, an American trucking magnate. McLean understood that reducing the cost of shipping goods required not just a metal box but an entire new way of handling freight. Containerization which is believed to have developed after World War II has made a significant change globally in

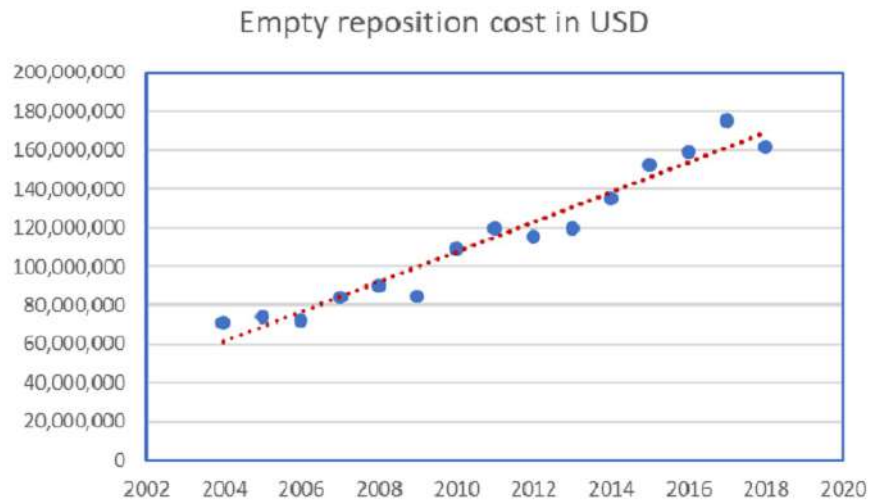


Figure 2: Cost associated with empty container reposition in Sri Lanka.

the system of freight transport. The first deep-sea container service was introduced in 1966 and in the next 20 years containers came to dominate the transport of general cargo, with shipments of over 50 million units per year .

Container Inventory Imbalance

The indispensable allocation of empty containers plays the squanderer in container logistics, which has become an urgent problem yet to be solved in practice and an interesting topic being studied in academic circles . Owing to an imbalance of trade, the shipping line accumulates many empty containers at some ports, while other ports are often faced with a shortage of empty containers . Within the whole world container traffic, the largest share of containers is in the status of repositioning . The movement of empty containers generates no profits for shipping companies, but it represents an essential operation to satisfy future transportation opportunities. Alphaliner's survey of the 10 largest container ports in the US showed that the total laden imports grew by 6.2% in 2018 to reach 20.66 million TEU while total laden exports grew by only 2.1% to 11.06 million TEU. The total number of empty containers handled at the 10

ports surveyed increased to a record of 10.89 million TEU, growing by 5.6% in 2018 with the incidence of empty container handling reaching an all-time high of 25.6% .

Empty container repositioning is an integral part of an overall efficient global transportation system. The empty container allocation problem in a port is related to one of the major logistics issues faced by distribution and transportation companies: the management of importing empty containers in anticipation of future shortage of empty containers or exporting empty containers in response to reduce the redundancy of empty containers in this port (Leung, et al., 2004). Ocean carriers currently spend close to \$100 billion per year operating their container assets and approximately \$15 billion of this directly related to cost of repositioning the empty equipment to its next exporting port.

Extended VCY Model (EVCY)

The primary argument of the EVCY concept is that "Collaboration" could be the most appropriate solution to the container imbalance problem in container liner shipping industry. This proposed solution has rooted in

following fundamentals. 1) Container shipping lines carry cargo stuffed in containers between ports. 2) Ship space (slots) and containers are complimentary to each other without which the "Container shipping service" cannot be rendered to its customers unless both components are available simultaneously at a given location. 3) Container shipping lines have collaborated to share slots to gain the advantage of scale of economies. 4) Major Container shipping lines have existing alliance agreements that have provisions to exchange equipment (containers). 5) Container shipping lines do not share their containers with other container carriers at present, but they are willing to collaborate and exchange containers if the overall benefits supersede perceived disadvantages. For example, majority of container shipping line agents in Sri Lanka are willing to collaborate and exchange containers as evidenced in previous study conducted by the researcher. Song & Carter (2009) in their study proposed external container sharing as a strategic option. It refers to pooling container fleets among different ocean carriers.

The concept of EVCY is based on the container exchange between carriers on a global platform. Each carrier has the full control of their containers with respect to release or hold for their own use. Shao et al. (2015), formulate this problem as maximum matching in a large general graph, and propose

a distributed matching algorithm to solve this problem. Lines may exchange containers provided it enhances value of the supply chain to all participants. The basic requirements that demands this action is that one carrier should be experiencing a deficit of containers (either the particular size or the type in demand) while another carrier has surplus on the identical size and the type of containers at the same time horizon and in the same location. The exchange provides a quick solution to the imbalance problem. The offeree will be able to fulfil the customers' empty container requirements promptly. As far as the offeror is concerned the cost of repositioning empty containers or the cost of inventory holding could be minimized. If the carriers are solely depending on their owned containers it obviously attracts two types of costs namely, the cost of empty repositioning from a nearby port or the opportunity cost of losing new business.

The Sri Lankan Context

The first ever container was unloaded in the port of Colombo- Sri Lanka in 1973 (Ratnayake & Wijeratne, 2012). Shipping is the most favoured mode of international transportation in Sri Lanka and more than 85% of ships arriving to Sri Lanka are container ships. The Government of Sri Lanka has embarked on a development agenda with the objective of converting the country to a naval, aviation, commercial, energy and knowledge hub in Asia (Edirisinghe & Muller, 2014) and every successive government focuses on naval activities in the country. It is also learnt that the container imbalance is a global issue. Brito and Konings (2013) in their paper states worldwide about 20% of total container flows at sea are empty and the costs of repositioning are about USD 400 per container. When the volume of domestic imports (in containers) of a country is greater than its exports such

location would ultimately end up with a surplus MTY stocks. This problem has been identified as a structural and chronic problem (Karmelic, Dundovic, & Kolanovic, 2012). This reality is applicable in the context of Sri Lanka as well. Therefore, finding a solution to container imbalance problem would be crucial at this moment and would provide many benefits to the country. With respect to Sri Lanka, 10,640,582 TEUs of empty containers have been handled in port of Colombo during past 15 years namely, 2004 -2013.

Figure 2 illustrates the cost associated with empty container movements in Sri Lanka during said period.

It was evident only handful of scientific researches are done in Sri Lanka regarding container inventory imbalance. It may be useful the Ceylon Association of Shipping Agents (CASA) –the official forum of shipping line agents in Sri Lanka take the leadership and conduct proper study on this sensitive issue thus help mitigate the negative impact to the industry.

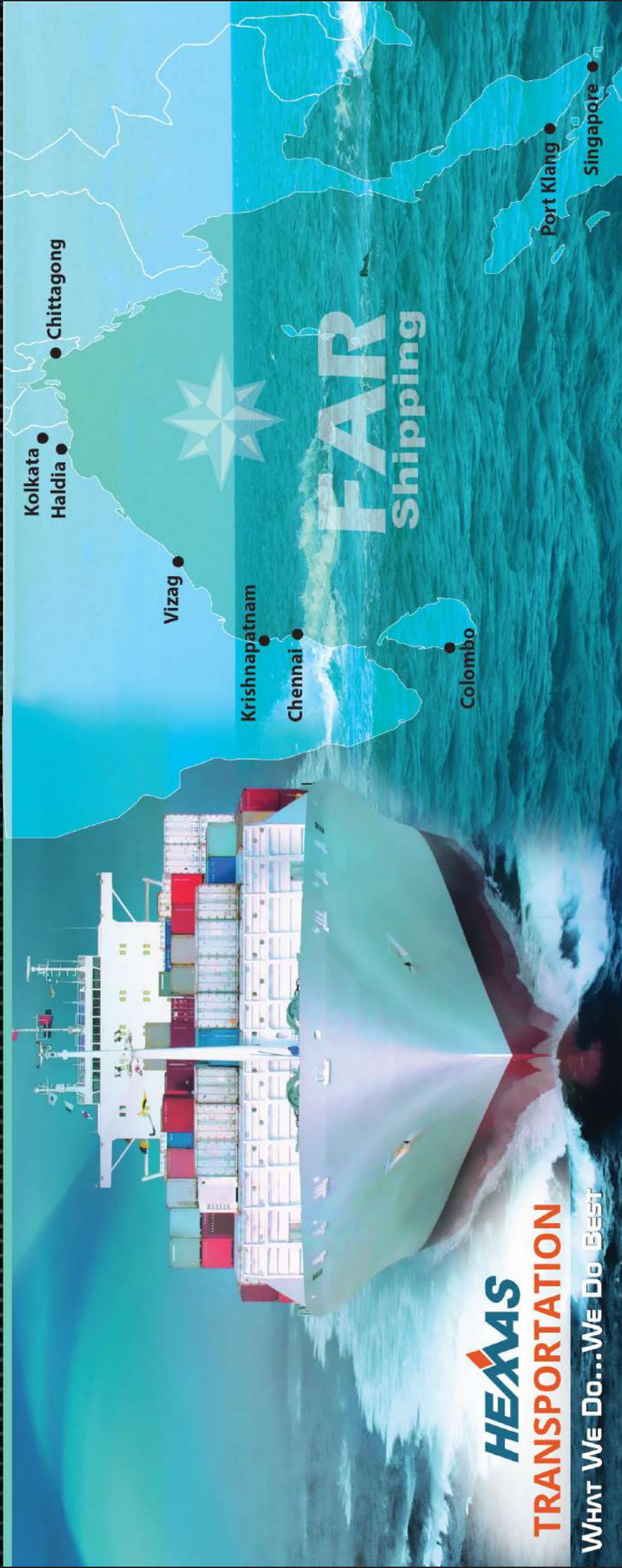
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A SRI LANKAN
PERSPECTIVE ON
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PORT-LED REGIONAL CONNECTIVITY AND DEVELOPMENT- OPTIONS

By *Admiral Jayantha Perera*





ADMIRAL JAYANTHA PERERA

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As the 19th Sri Lanka Navy Commander possessing thirty seven years of military experience, who wishes to constantly be associated with defence and maritime affairs both locally and internationally, Admiral Jayantha Perera is an expert in the area of maritime defence. As a professional aptly qualified in a myriad of military disciplines, which particularly captures the aspects of safe guarding maritime boundaries and enforcing principles of good governance in the ethical conduct of oceanic affairs, he was duly able to rise to the upper echelon of his military career, by being appointed as the 19th Commander of the Sri Lanka Navy in the year 2014. Having obtained his first Master of Science degree in Defence Studies from the University of Madras, his military inspirations further aspired him to pursue his career interests as a charismatic officer in the Sri Lanka Navy, where he was able to successfully complete his second Master of Science degree in Defence and Strategic Studies at the National Defence University of Islamabad, Pakistan. Before attaining the honour of being appointed as the 19th Sri Lanka Navy Chief, Admiral Perera also held many senior responsible naval appointments, where he was able to secure the glorious opportunity of becoming the first Commanding Officer of the SLN Flag Ship Sayura in 2000. The exemplary service rendered by him towards protecting the motherland, has made him walk-past milestones of victory by becoming a recipient of several gallantry medals, which were awarded for the acts of bravery performed both at the battle field and at sea. Presently his involvement as a resource person in the global maritime domain, has made him impart and share effortlessly, the knowledge and experience acquired over the years of serving in various capacities as a senior naval officer. Having participated at various forums as a guest speaker to communicate meaningfully the fundamentals and principles of maritime defence, the content of the article A Sri Lankan perspective on the subject of Port-led Regional Connectivity and Development-Options written by Admiral Jayantha Perera, descriptively presents his ideology of connectivity across oceans, which was well articulated and communicated at length, during the sessions of Indo-Pacific Regional Dialogue held in India.

The Pearl of the Indian Ocean as it may appear in the eyes of the Global community, Sri Lanka is often identified as an Island nation rich in strategic value, which often becomes appealing internationally for the plethora of beneficial avenues it opens up, to channel through and unleash the potential its surrounding sea routes may harbour. The chain of ports both in the form of natural endowments and man-made establishments that have spread round the island along the coastal belt of Sri Lanka, is considered to be a national asset contributing towards boosting economic progression within the country, while also becoming a pivotal growth driver enabling the strengthening of international sea route connectivity, leading towards enhanced integrated maritime corporation.

Being in possession of three large international ports namely: Port of Colombo, Port of Trincomalee and the Port of Hambantota, which constantly offer multiple economic growth prospects, the maritime sector of Sri Lanka is making strides and moving forward to help spur international trade and other oceanic activity. The maritime boundaries governing nations are often indicative of the extent of power gained by each nation over the oceans and sea channels, that lay in close proximity to the land surface inhabited by a nation's population. This which is commonly defined as territorial waters, allows nations to gain control and dominance over the sea space they are in possession of. In this context ports become essential connecting points, that help integrate all maritime platforms, which shall result in widening the partnerships between nations and eventually create synergy in their dealings.

As a neighbouring nation, the ties of friendship Sri Lanka shares with India have been long standing and multi-purpose driven. In the maritime domain there are abundant commonalities we share as nations, to be able to interact with each other and be associated with efforts initiated by each party. However as we continue to move along 2020 and beyond, it is timely that we begin to draw greater attention to the potential benefits the nations may avail from the maritime sector. When observed from such a perspective, the availability of port led regional connectivity and development opportunities are plentiful. Sri Lanka's stance in this context is multifaceted and provides a unique platform for the international community to become beneficiaries of.

Being positioned in a location that offers strong connectivity channels towards drawing together many international shipping routes, can be considered as a pivotal factor, which makes Sri Lanka stand out for the potential opportunities its ports could offer. Furthermore the speedy development that is taking place to improve the shipping logistics infrastructure facilities in and round the main ports of Sri Lanka, is allowing the expansion of existing terminals and building of new terminals with enhanced capacity, that could easily handle the largest categories of vessels. The changing nature and culture of the global shipping trade have allowed larger

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vessels to call on a fewer hub ports. At a time when global shipping operations are being largely diverted towards Asia, Sri Lanka has now become a transit hub that remains tailor made to meet the demands of the shippers and global trade partners. Furthermore the initiatives undertaken by the Government of Sri Lanka to expedite its off-shore hydrocarbon potential is also gaining attention, as a result of the development efforts being concentrated in the domain of port led growth. Therefore such branches of activity which deal with sea based affairs, will certainly be benefited by the advancements that are taking place in the port based sphere of work.

As the India Ocean region continues to grow at a rapid pace, it is expected to contribute 22.1% of the World GDP by 2025. Sri Lanka as an island nation, while its economy is heavily reliant on the inflow of maritime trade revenue contributions, if maneuvered carefully the nation may certainly be able to offer port driven growth opportunities, to further strengthen regional ties of economic corporation. Widely focusing on projected trade oriented growth prospects, the Sri Lanka Ports Authority (SLPA) has clearly envisaged the two way flow of business activity, that shall take place as a result of the capacity and efficiency enhancement strategies, which the Sri Lanka Ports Authority (SLPA) intends to initiate as a part of the National Port Master Plan.

The port of Colombo which was able to secure a milestone achievement of being able to handle a total of 7 million TEUs in 2019, was placed 11th in the Global Port Connectivity Index and was also considered the best port of connectivity in Asia in 2019. Moreover during the same year, the Port of Colombo was also positioned 22nd in the World Container Port ranking, which communicated to the international parties, the promising opportunities such an Island nation shall create to help extend the reach of off-shore business activity. However the National Port Master Plan formulated for the next thirty years, will certainly pave the way towards sustaining the on-going development, which the Port of Colombo is presently being benefited from. Setting in tandem modernization plans for the purpose of improving the level of efficiency improvement of the East Container Terminals (ECT

1 and 11), West Container Terminals (WCT 1 and 11), SAGT 11 and the JCT are under way, the execution of which is expected to offer a capacity of 18 Million TEUs by 2035. Furthermore a Memorandum of Cooperation (MOC) has been signed by Sri Lanka with India and Japan for the purpose of developing the ECT. However, its outcome is intended to materialize by 2020. As agreed while the full ownership of the terminal shall remain with the SLPA, as stipulated in the MOC 51% of the terminal operating company ownership will be transferred to the SLPA when formed.

The port of Hambanthota has begun gaining precedence as a lucrative window of connectivity, that would become instrumental in diversifying the array of port related services it could extend, to many branches of economic activity. The envisioned outflow of results of the Road and Belt Initiative launched by China however, may certainly become a value addition to further enhance the productive functioning of the Port of Hambanthota, that will further benefit the sea channels which traverse Eura Asia. Moreover, the Port of Hambanthota is an all purpose investment made ,that is able to cater to requirements of many sectors in the off-shore arena. The emerging off-shore exploration sector of Sri Lanka, is one economic unit that shall benefit greatly by the efficient performance of the Hambanthota port operations.

Immense emphasis has also been placed on the development of the Trincomalee Port, by adding novelty to the concept of Port Development. The anticipated transformation, which is in progress as an undertaking initiated by the SLPA, is intended to convert the Port of Trincomalee to a Megapolice centre enabling the port to function as an export hub. However for the primary purpose of allowing increased cargo handling capability, the Trincomalee Port was equipped with night navigation facilities in 2019, while also introducing a new radar system for monitoring all vessel movements. The

Similarly, attaining success as a unit will heavily depend on how well the port and maritime sector is able to sustain its financial stability.

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development tasks undertaken of this nature during 2019, was financed by a grant of USD 8.95 Million offered by the Japan International Cooperation Agency. As the Port of Trincomalee is considered to be the largest port of all ports located along the coastal belt of the Island, the SLPA is moving forward in leaps and bounds to convert the location to an industrial hub, that could make best use of the available land and water area of the Trincomalee Port and further enhance the spectrum of international trade operations Sri Lanka engages in.

As growth strategies are being concentrated in the areas of port development expansion work, quite mandatorily the SLPA is also keen on capitalizing on both the Galle harbour and the North Port, which are intended to carve a different dimension of improving channels of regional connectivity, that may eventually bring nations together across oceans. While holding on to such aspirations, the Government of Sri Lanka at present is also assessing the possibility of allowing the Gall Harbour to emerge as a tourist attraction, which in the long run will help continue to tap its potential as a natural harbor. Moreover, feasibility studies are being conducted to learn how well the North Port Project could be implemented and made functional. However it has been observed that, such implementations may eventually be able to add 10 Million more TEUs to the existing capacity by 2040.

In order to be able to keep up the pace and move forward firmly to grow into a regional connectivity hub, Sri Lanka has further advanced the extent of port oriented services being provided, with the primary purpose of creating a friendly environment for carrying out shipping operations conveniently. Strengthening the entire network of logistics, which links together the functional areas that facilitate the provision of port driven services is a mandatory factor, the SLPA and the relevant regulatory authorities are beginning to address and deal with responsibly. The growing support



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of this industry
should be offered
opportunities to
merge into the system.*

extended through multi-modal transportation systems, where air connectivity channels are also becoming readily available, has now begun to play a vital role in facilitating all logistics processes tied to the regular conducting of shipping activities. Adoption of digitized services enabling the rendering of all related services under one roof, while putting to practice the single window approach, allows the service providers to integrate their systems and work collectively to meet the expectations of the service recipients. While regulatory compliance has become a priority mainly in port related international engagements, policy revisions are due to be introduced to make the existing regulatory regimes applicable in these areas more investor friendly.

The way forward towards attaining desired results as a nation, often requires a collective effort to be concentrated in the relevant areas. Sri Lanka therefore, in this context has already commenced adopting a forward driven approach. Particularly several key areas have been identified as factors of growth and if utilized optimally, would bring in greater benefits to help transform the maritime sector of Sri Lanka, as a centre of regional connectivity. Developing the market which eventually enables the creation of business opportunities, is a mandatory branch of work that should be addressed in multiple ways. Enhancement of the industrial stream of activity, which is dependent on maritime operations that will further facilitate the ease of carrying out international business operations, is a priority which should be given substantial consideration in this regard. The service providers of this industry should be offered opportunities to merge into the system, to help open the sector for engaging in international trade operations. Furthermore the continued infusion of a blend of best suited technology and supporting infrastructure, should be practiced to upgrade the quality of services being provided and to also remain on par with changing trends of the global maritime arena. Capacity building strategies to create a talent pool, that may help steer the sector in viable directions should be enforced. Knowledge sharing and employment creation are two fundamental components to be worked on, the outcome of which will further facilitate the process of

producing professionals who may easily be able to lead the sector. Sri Lanka however is already moving along this path, where several educational institutions have undertaken the responsibility of accomplishing this mission.

An economic unit, seldom relies on its financial strengths to continue existing as a going concern. Similarly, attaining success as a unit will heavily depend on how well the port and maritime sector is able to sustain its financial stability. The inflow of funds that support the speedy and continued development of port driven operations, should therefore be an aspect to assess and implement to derive optimum economic gains. The SLPA along with other relevant institutions, have initiated efforts to seek opportunities that will provide suitable arrangements of funding enabling the initiation and sustenance of port oriented undertakings. Nevertheless introducing the Private Public Partnership (PPP) concept as a stepping stone to begin moving steadily in this direction, could be a timely approach Sri Lanka as a nation would benefit from if implemented. Supporting policies are vital to be enacted, to define the ideal framework within which the port and maritime industry should function. The need still prevails to formulate tailor-made comprehensive policies in certain identified areas, that will facilitate the process of sector oriented growth to help attract a larger quantum of investment towards the industry. The Export Development Board of Sri Lanka as a government institution vested with the responsibility of executing plans tied to the fulfillment of such purposes, at present is working on conceptualizing the framework of off-shore engineering and maritime sector development, which in the long run could be built in to the national development plans and agenda.

A mission can only be accomplished, when plans envisaged would unfold rightly and goals envisioned would be attained in due course, that will help complete the undertaken tasks navigated towards harnessing the economic value and strengths of endowments, a country possesses. The ports of Sri Lanka we shall therefore define as growth propellers, if maneuvered well will certainly fuel and steer the economy along pathways, which may enable the nations of the world to make best use of its sea routes.

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