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**IT'S NOT THE TOWERING SAIL,
BUT THE**

UNSEEN

wind

THAT MOVES THE SHIP.

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CASA reserves the right to alter or edit material submitted for publication in consultation with the writer/s and the decision of the Editorial Board would be final in the case of any differences of opinion.

Nilushi RAISES THE BAR IN MINNESOTA 65

It is indeed a cause for pride for Mother Lanka when one of her own daughter's achieves recognition. Nilushi Ranaweera, having gained prominence as an Assistant Attorney General in the state of Minnesota, USA has indeed made her Motherland proud and her story is inspirational.

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Moving on from a year of unprecedented challenges unlike ever faced before in this generation, the New Year brings renewed hope and optimism, along with these renewed ambitions the new YoungShip Executive Committee was appointed at the recent Annual General Meeting held on the 3rd February 2021, with their first Executive Committee Meeting held on 12th February 2021.

DELAY INHIBITS THE UPWARD GROWTH TRAJECTORY OF THE PORT FLOAT AN OPEN TENDER ENABLING A BENEFICIAL CONSORTIUM TO AVOID THE GEO POLITICAL TUSSLE IN FUTURE DEVELOPMENT - CASA 25

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Bank of Ceylon is resilient in issuing a clarion call to the shipping and logistics sector to maximize on the opportunities for growth through the bank's attractive investment portals.

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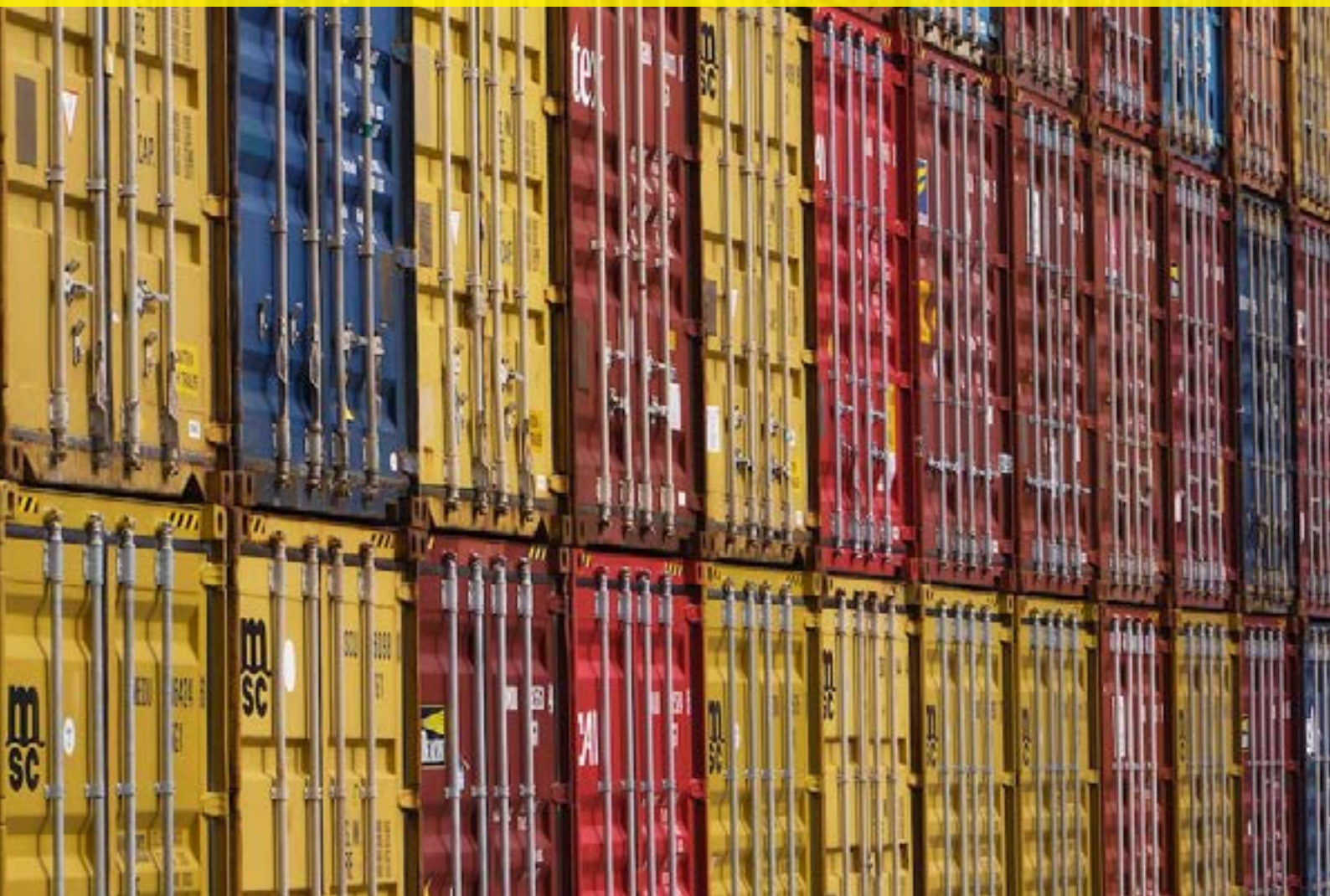
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CASA
DISCUSSES the
UNPRECEDENTED
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CONTAINERS
and RISING
FREIGHT RATES



Why is there a container shortage globally?

CASA: Since the middle of 2020 and the outbreak of COVID-19, the global shortage of shipping containers has become a hot topic. Before the pandemic, experts anticipated a positive growth rate in the container industry through 2024. Yet the current crisis has caused the entire supply chain to function at a snail pace or in some instances to come to a relative stand still.

Containers that were mainly shipped from China (Far East) destined to the US and Europe were held up as all twenty four elements pertaining to the cycle of shipping from the depot to the shipper, port to the ship and more were severely affected due to labour shortage, inefficiency at terminals functioning without full force, ships being delayed at ports as the average turn-around time of 80 days exceeded 120 days – causing an unprecedented disruption to the industry.

What was the effect on Sri Lanka?

CASA: In the Port of Colombo we handle a throughput of 80% of transshipment cargo out of an estimated total throughput of 6.8 million TEUs with the balance being imports and exports. In Sri Lanka we were able to balance out the requirement of containers for export with the imports despite there being a disparity in terms of the container requirements for exports which is predominantly in 40's while imports are predominantly 20's. With the import restrictions imposed by the Government, there was a dip in the imports coming into the country resulting in a shortage of containers mainly 40' which are required for exports. To meet the 40' container requirement for exports, the alternative was to reposition empty 40' containers which is a costly exercise. Shipping lines were not willing to spend

In the Port of Colombo we handle a throughput of 80% of transshipment cargo out of an estimated total throughput of 6.8 million TEUs with the balance being imports and exports.

extra money to reposition containers. In view of this, most exporters faced a shortage of equipment for their export requirement during the last six months in Sri Lanka.

In addition, there has been a huge demand for containers in China due to the increase in exports from China, to USA and Europe. Chinese exporters were willing to pay higher freight rates which resulted in lines increasing the freight rates on all trade lanes. This had a knock-on effect on all countries globally and there was a huge increase in freight rates. The situation in Sri Lanka was further exacerbated by the government imposing restrictions on imports into Sri Lanka resulting in a reduction on the volume of cargo coming into the country as well as lesser equipment mainly 40' containers coming in as imports.

How significantly have the freight rates

increased?

CASA: The freight rates have drastically increased in the long haul; for instance, the Shanghai Rotterdam Index which is mainly the route from Asia to Europe increased by 311% within the last 6-9 months (April to December) in comparison to 2019 -2020. Since the shippers were willing to pay, priority was given to the long haul sectors. This also resulted in either shipping lines dropping the Colombo call on certain services so that they could carry the long-haul cargo or did not accept cargo into Sri Lanka. This compounded the situation by lines reducing their space for Colombo exports as well as creating a shortage of containers for loading our exports.

The only way of getting space and equipment for Sri Lankan exporters was to pay higher freight rates in line with what was being charged from the Far east.

Will the issue persist indefinitely or do you see a solution on the horizon?

CASA: It all depends on the congestion in ports in Europe and USA – if that continues, the situation will persist but we are hoping it will be resolved during the next quarter. In the preceding years we have faced severe congestion due to the massive surge in cargo from China to the west prior to the lull during the Chinese New Year but this year several factors such as the pandemic, disproportionate freight rates and more, makes Sri Lanka less attractive for the lines.

Present freight rates shows a significant spike up to three or four fold levels or over 300% levels. Carriers should take in to consideration freight surge ex Sri Lanka too to pave the way for additional vessel space allocations instead of the comparison made with other origins.

It is obvious that other manufacturing load ports are pitched higher than Sri Lanka due to Country's GDP, own geopolitical geological structures to name a few.

What is the solution?

CASA: There are a few key points which were suggested at a Ministry meeting held recently regarding various issues pertaining to the current crisis. One such matter was the excess of 20 foot containers as SL exporters converting to 20 footers incurs an additional cost but if the shipping lines can provide an alternative in terms of cost, we can make use of the stagnant lot which would be mutually beneficial for all stakeholders.

It is a widely known fact that the most popular equipment used by modern day sea transportation is the 40HQ. There are selected types of commodities which attracts 20DC equipment hence substituting 20DC does not always appear pragmatic.

Carriers should pay more attention to positioning idle 40 empties from identified surplus locations and fast track the process. Carriers give priority in repositioning containers to locations where they command higher rates considering the huge build up of empties at certain locations and the space restrictions on vessels which limit the number of empty containers which could be loaded.

We have observed that there are many

long idle units in the Gulf trade as well in addition to those in Europe and USA currently. The Present heavy port congestion taking place in the trans-pacific trade too contributes largely to the 40HQ shortage situation.

Thus, expediting the empty reposition process from surplus locations to demand locations would enable the shipping industry to find an immediate solution.

An additional, a shorter term solution is to expedite the process which would lead to the release of the containers, currently amounting to around 800 which are being held at Customs as a result of investigations/detentions/forfeitures and other issues. Resolving this stagnated issue will ease the congestion considerably.

As well, the inability to reimburse the Terminal Handling Charges (THC) from the shipper makes the shipping lines circumspect in calling Colombo as vessels are concerned about the yield and since the charge is being recovered by other ports worldwide, it is considered a disadvantage for us in Sri Lanka. However, if the exporters of SL are willing to pay higher rates the shipping lines will be more encouraged to make available the equipment and space needed for Colombo.

Global projections due to present circumstances that are taking place currently

'Global cargo traffic jam could last 2022,' states an article found in the Bloomberg/ Drewry on March 2, 2021. An excerpt from the article reiterates the statement;

A cargo traffic jam on the world's roads, seas and air corridors could easily continue into next year, continuing to increase shipping costs, according to the head of one of the biggest U.S. freight brokers. The domestic freight markets are extremely dislocated and the global air-freight and ocean markets have tremendous amounts of constraints around them," We could be standing up a pretty strong freight market throughout 2021, if not into 2022."

Maritime rates have surged the most. The cost of shipping a 40-foot container from Hong Kong to Los Angeles has nearly quadrupled in the last year, said Bloomberg Intelligence analyst Lee Klaskow, based on data from research firm Drewry.

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CRUISE
TOURISM *in*
SRI LANKA:
THE WAY
FORWARD

Prof (Dr.) Lalith Edirisinghe & Sampath Siriwardena



Preamble

Cruise tourism is characterized by bringing large numbers of guests to concentrated areas of destinations for a brief period, using water as the medium of transport thus multiplying and concentrating the impact. Cruise development may lead to loss of precious biodiversity and destruction of cultural heritage if infrastructure and itinerary development outpace monitoring and evaluation of environmental and cultural resources and fragility. The impact, challenges

and implications of cruise tourism development are representative of our planet's overall challenges in approaching economic development.

This article examines a case for the development of Sri Lanka's Cruise Tourism strategies and seek to spread awareness of sustainable development in cruise tourism, by making a collaboration across the region and stimulating the strategic implementation of best practices and innovation to make cruise tourism as a more effective sector in the tourism industry.

Coastal tourism / Cruise tourism

In recent years, the new form of coastal tourism / Cruise tourism has earned a well-deserved reputation in Sri Lanka. The cruise tourism has delivered enormous economic, social, and environmental advantages to the island. Cruise tourism has the potential to bring more economic benefits to destination, but it also generates the negative impacts, that can severely affect the environment and the host



Figure 01: A cruise ship on anchorage in Le Havre- France

communities. Tourism’s growth into a large-scale, global industry was its predominant success in the 20th century. Controlling the cruise demand and mitigating the negative impact of cruise tourism will be the challenge in the 21st century.

The premise of sustainable tourism strategy is that the unique natural and cultural heritage offered by a destination is what generates its brand reputation, its values, and what drives tourists’ demand. It is of utmost importance to manage the growth to preserve the natural and cultural heritage assets of a destination and to sustain tourism’s long-term economic sustainability.

The envisaged sustainable tourism strategies that can drive the new paradigm shift are as follows:

1. Approach island cruise tourism development by focusing efforts on controlling demand (Identifying the actual demand of cruise passenger)

2. Assess the development needs (Infrastructural, Technological, Human Development) across the entire value chain and develop a mechanism.

3. Quantify the value of natural and cultural heritage conservation to cruise tourism.

4. Optimize the value of the destination’s natural and cultural heritage through appropriate pricing models

5. Drafting a cruise tourism promotion policy which is required to be linked through the other tourism policies and stakeholders.

6. Stimulate innovation and island interest in improving quality standards of cruise tourism

7. Integrate a peer to conduct training and research development to develop data base and monitor their performances for future enhancement of the industry.

Key stakeholders and their responsibilities

A person, group, or organization that has direct or indirect interest towards to an entity or a venture in an organization, are called stakeholders. Hence stakeholders’ actions decision, views and directions can severely affect the cruise market or to the entire tourism industry. Collaborative efforts of stakeholders ensure that marketing strategy is more sustainable and balanced because it is the key to attract more cruise passengers. Therefore, more cruise ships are necessary to be attracted to the Colombo port, Galle Port and to the Magampura Port (Hambathota Port, is just 10 nautical miles away from main East-West sea route) by implementing collaborative marketing strategy which will deliver a long term sustainable growth to the

Table 01: Relative Importance of Different Modes of Transport - Percentage Distribution of Arrivals - 2006 to 2016

Carrier	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Air	99.9	99.9	99.9	99.9	99.9	99.8	99.7	98	98.3	98.6	98.2
Passenger Ships	0.1	0.1	0.1	0.1	0.1	0.2	0.3	2	1.7	1.4	1.8
Total Percent	100	100	100	100	100	100	100	100	100	100	100

Source: SLTDA Statistical Report-2016

Despite having much tourist arrivals comparing to the recent years, tourist arrivals have been crossed over 2.3 million benchmarks in 2018.

cruise industry. It is also required to attract the ships to the other sub ports as well, Trincomalee harbor (which is the second-best natural harbors in the world), KKS Port, Olivil Port are among of them.

Expected Outcomes

Various studies at different levels of cruise industry show that the cruise industry is both supply and demand driven. The above-mentioned strategies will create a new era and it will be a dynamic approach for the developments of the islands cruise tourism market and certainly it will lift the entire tourism industry into a better position. This will also create a dialogue among the industry veterans and as well as beyond the country to make more cruise ship calls to Sri Lanka, which will be eased to setup up a collective marketing plan with the attraction of new cruise lines. Not only that, this will outline various valued propositions of different destination's marketing strategies from which Sri Lanka could learn a lesson.

While developing the cruise tourism in the island, there will be distribution of income of the individuals and households. Specially some rural areas of the country will certainly be

developed with the integration and promotion of niche market. Establish partnerships with key global players (Royal Caribbean and Carnival Cruise Lines) with different agents and destinations will certainly be an added benefit to develop the tourism infrastructure layer of the country. Understanding the strategic advantage of the location open the door to create a solid network with the global giants (Such as Royal Caribbean and Carnival Cruise Lines etc.) in the global cruise tourism market and attracting new passengers will give host of benefits to the industry as well as to the country.

Despite having much tourist arrivals comparing to the recent years (2010 to 2018), tourist arrivals have been crossed over 2.3 million benchmarks in 2018. Although there is an upward trend in the tourism market, Table 01 and Table 02 illustrates that there is a decline in the cruise ship arrivals from 2011 to 2015. According to market information, Sri Lanka gets

approximately 25000 cruise passengers for a year; 2016 it was recorded as 24609. Entire country handles approximately half of a century ships per year which is a paradox considering its strategic position in South Asia, exposure to China's Belt and Road Initiative, the ability to reach Europe and the Middle East faster, and deep-water ports.

Tourism Education

Another main point is tourism education. Sri Lanka is currently lacking enough quality tourist guides, trained chauffeurs and skillful forerunners who make business decisions on cruise tourism. It also evident that, there is a large knowledge gap between the academic and the industry practitioners. Also, there aren't many researchers available in the country to conduct research on cruise tourism. Therefore, universities and

Table 02: Passenger Ship Arrivals - From 2007 TO 2016

Name/Location of Port	2014		2015		2016		2017		2018		2019	
	All	PS	All	PS	All	PS	All	PS	All	PS	All	PS
Colombo	3742	36	4197	37	4405	43	4329	44	4331	55	4198	53
Trincomalee	127	2	164	3	216	4	233	5	189	4	142	7
Galle	60	2	72	6	96	6	87	4	84	5	43	1
Kankasanthurei, Myliddy, Point Pedro, Karainagar	34	0	32	0	25	0	63	0	59	0	11	0
Hambanthota	335	3	295	8	281	6	230	5	270	10	214	6
All ports in Sri Lanka	4298	43	4760	54	5023	59	4942	58	4933	74	4608	67
Passenger ships as a percentage of Total ships		1.0		1.1		1.2		1.2		1.5		1.5

Source: Sri Lanka Ports Authority



respective academic institutions such as the government entities, private universities, hotel schools in Sri Lanka should open the doors to promote quality and skillful professionals to meet the international recognized professionals. CINEC Campus commenced a BMgt. (Hons) in Tourism and Hospitality Management Degree specializing Cruise tourism three years ago. The first cohort is expected to be graduated next year. BMgt. (Hons) in Tourism and Hospitality Management degree is a program which students can obtain an honors degree of 4 years duration with specialization in the field of Cruise Tourism Management or Travel and Event Management. Travel and Tourism generated US\$7.2 Trillion in 2015, accounting for 9.8%

of global gross domestic product, and 1 in 11 jobs worldwide were in the Travel and Tourism sector. Tourism and Hospitality is one of the fastest growing industries, so those who obtain this qualification will have a great demand in both local and international job market. During the specialization year these undergraduates will gain a comprehensive knowledge on (i) Managing Cruise Market; (ii) Managing Cruise Products; (iii) Cruise Operations Management; (iv) Cruise line Operations; and (v) Cruise Ship Facilities before they obtain the six month industry training. Similarly, there are other higher education institutes in Sri Lanka conduct similar programs which is an encouraging factor.

Logistics Competence

Logistics is an area that has been grossly neglected in Sri Lanka. Although, it is fundamental to develop transportation plans on a strong logistics platform we hardly see it is happening. Logistics and transport are the two sides of a coin. While shipping is considered a “service” industry under the context of Marketing, cruise tourism is even more sensitive in its service characteristics. On the other hand, unlike the cargo transport by sea, passenger ships are not prescribed under “derived demand”, in the context of economics. Therefore, this area

Table 03: International LPI results: 2012, 2014, 2016, and 2018 (Selected components)

Indicator	Rank				
	(out of 155 countries)		(out of 160 countries)		
	2010	2012	2014	2016	2018
Logistics Performance Indicator	137	81	89	Sri Lanka was not considered for LPI Ranking	94
Infrastructure	138	89	126		85
Logistics Quality and Competence	142	68	66		109
Customs	143	71	84		79

(Source: Connecting to compete 2018, The World Bank)

Our country does not have enough logistics and supply chain facilities to cater the tourist's demand.

should be handled delicately, and professionals and academics need to provide the synergy the industry needs. the quality of logistics a country provides strength and it really matters for cruise tourism under these realities.

The Way Forward

Promote cruise tourism in Sri Lanka is a need of the hour. We need to develop a state policy or state promotion plan to promote cruise tourism in Sri Lanka. State intervention is highly required to promote the cruise tourism because many adjacent areas need to be developed to create a positive environment. It may be timely that Ministry of Tourism and shipping authorities draft a cruise tourism strategic promotion plan to put forward the cruise market and bring it in to the global heights.

Another crucial point is the availability of infrastructure facilities at the main ports, it is required to provide the basic infrastructure facilities to promote cruise tourism, such as to provide Infrastructure facilities, ICT facility (Wifi Area), Whisper radio technology, toilet facility and basic sanitary facilities, Bathroom facility, restaurant facility,

Smoking room, Conference room, are some of them to bring more ships in to the country. At the same time, we ought to enhance the peer facilities to berth passenger ships into the country (Specially Colombo Port) rather than operating them at cargo docking berths. It is to be noted in the figure 01 that other countries create a homely environment at the port premises for passenger arrival and departure.

Another main point is the ground handling facilities in Sri Lanka. Our country does not have enough logistics and supply chain facilities to cater the tourist's demand. Such as they do not have luxurious buses, ICT facilities, proper radio facilities, quality tourist guides, chauffeurs, language translators and many more. Therefore, industry partitioners and competent authorities of government need to take immediate measures to meet the industry requirements by giving them a proper training or providing those required facilities.

About Authors



Professor (Dr.) Lalith Edirisinghe

Professor Lalith Edirisinghe commenced his career as a Cadet Officer in Merchant Navy in 1981. He counts 40 years work experience in the corporate sector including Board of Investment of Sri Lanka. He is an Expert- Consultant in Transport and Logistics appointed by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Prof. Edirisinghe holds a PhD, in Transportation planning and Logistics Management. He is a Chartered Logistician and Chartered Marketer. He is the author of two textbooks on Logistics and Shipping in Sinhala language for the first time in Sri Lanka. Prof. Edirisinghe was a student and a prefect of Ananda college and at present, is the Dean of Faculty of Management and Social Sciences and the Head of Higher Education Society Linkage Cell.



Mr. Sampath Siriwardena

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MT NEW DIAMOND INCIDENT **A MODERN DAY VESUVIUS**

**CLEAR
WARNING
FOR SRI
LANKA TO
RISE UP
AND TAKE
ACTION**



by Chamindhri Wimaladharma &
Rochelle Palipane-Gunaratne



"Injustice, swift, erect, and unconfin'd,
Sweeps the wide earth, and tramples o'er mankind"
- Homer, The Iliad.

Everything was just the way it was supposed to be in Pompeii on August 24, 79 A.D. An abundance of wealth was bestowed upon the inhabitants of this Roman trading town. Things were near perfect. Life was agreeable, affable, and idyllic for all...and it was only getting better or so it seemed. Yet, just then, when things couldn't have seemed more certain, Mount Vesuvius blew.

Where there had been life and a thriving civilization... there was silence for the next 1,669 years. Viewing events through the lens of history and hindsight is unfair to its participants. Their missteps are too obvious, their vanities are too abundant, and their inferiorities too absurd. They appear to be mere imbeciles on parade. Still, they were human just like we are human...no smarter, no dumber. We're not here to ridicule them; but rather, to learn from them. In the case of Pompeii, the warning signs were evident to those who bothered to heed them. Unfortunately, ignoring these warnings proved fatal.

The superhuman feat by Sri Lankan naval officers saved the lives of the crew on board MT New Diamond and curbed a greater tragedy, that of oil spillage. Yet, what ingenuity have we innovated to face a similar or worse situation, if God forbid - it ever occurs again...? Are we willing to heed the warning or do we like the residents of Pompeii remain stoic in the face of the emitting gases of 'Mount Vesuvius' before it exploded?

Incident

On the 3rd of September 2020, a distress call was received by the Maritime Rescue Coordination Center confirming a fire in the engine room of the supertanker MT New Diamond caused by an explosion of a boiler. At the time, the vessel was approximately 38 NM off Sangamankanda Point on the East coast of Sri Lanka.

MT New Diamond was on charter to the Indian Oil Corporation (IOC) by the vessel manager, Athens (Greece) based New Shipping Limited, and was carrying an estimated two million barrels of crude oil, on its way from the port of Mina Al Ahmadi in Kuwait to the Indian port of Paradip, where the state-owned IOC has a refinery.

The initial fire irrupting on board the supertanker was doused by a team of experts which included Sri Lanka Navy, Sri Lanka Coast Guard, Indian Navy, ship salvors and local maritime service providers.

Various sea and air crafts including, tugboats, naval ships and coast guard aircraft, were required to bring the blaze under control and was finally extinguished after three days of round-the-clock coordination.

With the engine disabled, MT New Diamond needed to be towed back out to sea, away from the coast of Sri Lanka as it had drifted closer to shore when a re-conflagration was reported on the 7th of September. The vessel was then carefully towed back out and was held with tug assistance in international waters, while sampling and survey efforts were being carried out.

Assessment of the damage and salvage work commenced as the fire was extinguished on Wednesday 9th September. Rescue operation specialists and marine pollution analysts with the help of military and civilian vessel crew and various other marine experts attempted to arrive at the best course of action to mitigate a marine disaster never before experienced in the Indian Ocean region.

The fire injured a crew member who was hospitalized in a stable condition and another was missing, presumed dead. Twenty of the uninjured crew members were then taken to Galle



This region of the Indian Ocean is home to several species of whales, dolphins, sea turtles, sharks and for its size, one of the most diverse marine ecological systems in the world.

where they remained till repatriation was arranged. The captain remained on board a rescue vessel to help with firefighting efforts. There was a total of 23 crew members on board when the initial distress call was received.

The chance of a crude oil leak or of the fire spreading into the crude oil storage area was carefully managed, and divers deployed to seal a crack which had emerged in the hull as a result of the fire. The vessel was then, towed to Fujairah port in the U.A.E escorted by Indian Coast Guard vessels, reaching Fujairah on the 8th of November, after four weeks under tow. The supertanker was to be sold for scrap, given her age (20 years) and extent of the damage by fire, once the cargo on board was discharged.

Environmental Impact

The explosions which resulted in fires, began in the engine room and later spread to the deckhouse and stern areas of the tanker. The fires on board the vessel caused a bunker fuel (commercially known as heavy petroleum distillate or HPD) leak identified by aerial imagery as stretching over an expanse of 2 NM. Chemicals were sprayed to disperse the

oil and minimize impact on marine life. This region of the Indian Ocean is home to several species of whales, dolphins, sea turtles, sharks and for its size, one of the most diverse marine ecological systems in the world.

The Indian Coast Guard (ICG), Sri Lanka Coast Guard (SLCG) and Sri Lanka Navy worked tirelessly, along with the Marine Environment Protection Authority (MEPA) for five continuous weeks to prevent an unprecedented marine disaster.

The Indian Coast Guard (ICG) is the Competent National Authority under the South Asian Co-operative for Environment Protection (SACEP), an eight-member inter-governmental organization established in 1982 to promote and support protection, management and enhancement of the environment in the South Asian region. Sri Lanka Coast Guard (SLCG) is the Sri Lankan equivalent of the (ICG). A bilateral Memorandum of Understanding (MoU) between the Indian Coast Guard and Sri Lanka Coast Guard also exists detailing cooperation on several maritime issues including emergency response coordination and marine pollution prevention, in the Indian sub continental waters.

As the fire was contained to the superstructure of the tanker, there was no damage to the cargo hold, preventing the leaking of crude into the



The MT Diamond incident exposed our vulnerability, but it is still not too late to rectify matters for the prevention of further disasters,

ocean. However, authorities monitoring the situation ensured that the required pollution response equipment was on hand, ready for immediate deployment if needed.

Claims of the State & Ship Owner's Liability

Sri Lanka Attorney General (AG's Department) has, as of date, submitted claims for services provided by the Sri Lankan Navy, Air Force, Ports Authority and Marine Environment Protection Authority (MEPA). The captain of the vessel pleaded guilty to the charges related to causing an oil spill and violations of the Marine Pollution Prevention Act No. 35 of 2008. He was permitted to leave Sri Lanka in October after the payment of the fines to the Court as ordered.

Required reports and documented evidence of the incident to support the claims of the state were filed by MEPA

on the instructions of the Attorney General's Department. The assessment of the ship owner's liability in the case of MT New Diamond was complicated than most due to several reasons, one of which was the three-tiered operating structure of the vessel. IOC was the charterers of the supertanker while New Shipping Limited (Greece) was the ship operator whereas the registered owner of the vessel was Porto Emporios Shipping Inc., (Greece) at the time of this grave incident. Part of the settlement of the costs of the rescue operation was settled by the vessel's Protection & Indemnity (P&I) Club. Protection & Indemnity (P&I) or Ship owner's liability insurance is a form of marine insurance which protects ship owners, ship-operators, and charterers of ships against third party claims for liabilities attributable to (the) operation of a ship. The P&I Clubs provide insurance to its members against, among other things, the liability claims as a result of a collision, damages to or loss of cargo, damages to fixed or floating objects as well as civil liabilities imposed after pollution or an oil spill.

In light of the potential marine disaster which was skillfully averted, and the costs of restitution had the worst occurred, the question remains whether

local subject experts are adequately informed of the laws and legislations both locally and internationally that preside over matters relating to marine environmental damage caused by commercial shipping.

Another aspect of the potential costs associated with a disaster of this magnitude, is the inadequacy of local regulations governing safety of the marine environment. The Marine Pollution Prevention Act does not provide a fuller coverage in punishing the perpetrators while obtaining the maximum damages for losses incurred, which left the AG's department to resort to ratified global conventions such as the International Convention on Salvage (Salvage Convention) 1989.

Under the Law of Salvage, contractual salvors undertaking operations would be entitled to a reward of one-fourth the value of cargo salvaged subject to the 'no cure, no pay' concept. However, in this instance under the instructions of the AG's Department, unwittingly took on the role of the statutory salvor foregoing any rewards allowed, which could now be claimed by Boskalis Smit Singapore Pte Ltd, the contractual salvors appointed by the owners of the distressed ship.

The International Maritime Organization (IMO) being the watchdog of commercial shipping drafts and adopts international maritime legislations where MARPOL convention (1973, 1978) plays a leading role in such environment related area, out of a total of 21 international legal instruments.

Sri Lanka, as of date is a party to only 4 of 21 IMO Conventions related to the marine environment and its protection. This leaves the State exposed to huge potential clean-up costs and no recourse to claiming damages from the offending party.

Expert Opinion

“Our Southern coastal belt sees over half of the world’s crude oil tankers sail by, yet we are still not adequately equipped to handle situations of this nature. The MT Diamond incident exposed our vulnerability, but it is still not too late to rectify matters for the prevention of further disasters,” – stated Dr. Dan Malika Gunasekera, Attorney-at-Law of the Supreme Court of Sri Lanka. He obtained his Master of Laws (LLM) degree from University of Utrecht, The Netherlands in International Law with honours cum laude, and Doctor of Philosophy (PhD) from University of Hamburg, Germany in International Commercial Maritime Law with honours cum laude. He is a Scholar of International Max Planck Research School for Maritime Affairs, Germany, and the former Dean of the Faculty of management, Humanities and Social Sciences, CINEC Maritime Campus, Sri Lanka, former Executive Director of Ceylon Shipping Corporation (CSC), Representative for Sri Lanka for the Comité Maritime International, Ex- Executive Council Member of Ceylon Association of Shipping Agents (CASA), and Member of the Executive Committee of the Nautical Institute, Sri Lanka Branch. He served in the Boards of Ceylon Shipping Lines, Lanka Coal Company, and Ceylon Ports Service as a Director. His publication on Civil Liability for Bunker Oil Pollution Damage based on the Bunker Oil Convention of 2001 is an internationally renowned piece of literature, which is

available in prestigious libraries and universities worldwide.

With an extensive experience and expertise in the technical, business and legal areas of the maritime sphere, Dr. Dan shares his expert opinion with regard to the MT New Diamond catastrophe that serves as a warning for Sri Lanka to take immediate action in securing its maritime space.

Q. What was your involvement in this matter?

As a private practitioner in law and other areas related to the maritime industry and having researched and published materials in oil pollution damage caused by ships piqued the interest within media circles who sought my opinion and that led to my involvement in the matter.

Q. Explain the conventions which SL is subject to.

There are number of conventions or regimes related to liabilities on oil pollution by ships while there remains three main Conventions that deal with the liabilities of the ship owners.

International Convention on Civil Liability for Oil Pollution Damage 1969 that was adopted in the aftermath of the SS Torrey Canyon disaster off the western coast of Cornwall, England, on 18 March 1967 that caused a huge environmental disaster. At that time she was the largest vessel ever to be wrecked. Thus led to the imposing of liabilities on the perpetrators who are four folded – the ship-owner, manager, operator, and charterer of the ship.

Yet the particular polluter would not be absolutely liable due to the presence of a maximum liability cap as an absolute liability would draw the ire of ship-owners who would refuse to transport crude oil. This convention was also imposed to safeguard the

shipping trade, oil trade and address environmental concerns. The limitation of liability is based on the tonnage of the ship. Subsequently the 1971 FUND Convention enabled a 2nd tier compensation regime that would facilitate potential claimants.

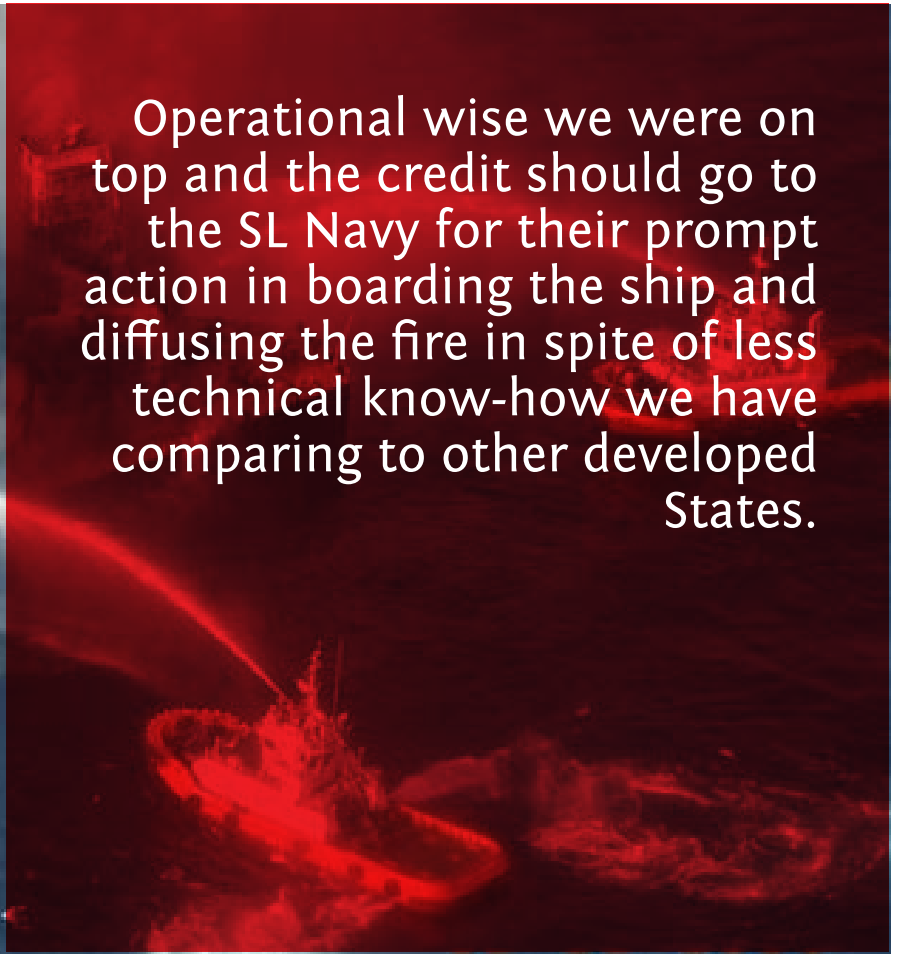
With the gradual development of super tankers and the enlargement of the oil trade, the 1969 and 1971 conventions were revised and replaced by 1992 CLC and 1992 FUND conventions which increased the limitation of liability based on tonnage.

Thereafter in the year 2001 third important convention came into being that of the Bunker Oil Convention (BOC), which was adopted to ensure the settlement of adequate, prompt, and effective compensation to be made available to persons who suffer damage caused by spills of oil, when carried as fuel in ships’ bunkers. This Convention applies to damage caused in the territory, including the territorial sea, and in the exclusive economic zones of States Parties. The Bunkers’ Convention provides a free-standing legal regime covering pollution damage and preventive measures.

Q. What were the conventions SL was able to adopt in this case?

Since MT New Diamond was a tanker, and Sri Lanka being a party to CLC 1992 we were covered by that regime, but however the BOC is not yet in force as Sri Lanka still lacks a corresponding local legislation. Nevertheless, the Marine Pollution Prevention Act covers this area domestically as it has incorporated the provision of CLC 92.

“Marine Pollution” is a subject associated with the responsibility of which is vested in the Minister-in-Charge of the subject of “Environment”. The Marine Pollution Prevention Act No. 35 of 2008 has designated the Marine Environment Protection Authority (MEPA) as the “National Agency responsible for marine pollution prevention related activity”. Formulation and implementation of National Oil



Operational wise we were on top and the credit should go to the SL Navy for their prompt action in boarding the ship and diffusing the fire in spite of less technical know-how we have comparing to other developed States.

Spill Contingency Plan is one of its more important functions. The National Oil Spill Contingency Plan (NOS COP) which has been prepared by the MEPA provides a guideline, and enables control of marine pollution including these types of incidents with oil spill contingency plans in place.

Q. What are the governing bodies that control the coastal areas of Sri Lanka?

There are three kinds of controls, namely the Port-State Controller being the Director General of Merchant Shipping together with Sri Lanka Ports Authority (SLPA),

Coastal-State Controller being the MEPA aptly supported by the Sri Lanka Navy and Sri Lanka Coast Guards, while the Flag State Controller in relation to

Sri Lanka flagged vessels being again the DGMS.

Q. What is the area covered by these acts around Sri Lanka?

The 12 NM zone known as the Territorial Sea is connected to the sovereignty of the land territory while the 188NM of Exclusive Economic Zone beyond the territorial sea boundary is within the competence of the local authorities attending to marine environmental issues having jurisdictional competence. Thus, the said EEZ falls within the pollution buffer zone of the country so that the Marine Pollution Prevention Act provides the necessary teeth to act against these kinds of pollution incidents.

The MT New Diamond disaster occurred in the EEZ but even if an incident occurs in the high seas beyond the 200 NM

zone (188NM + 12NM), the Act will be still imposable had the pollution damage caused within such waters of the land. Furthermore, MEPA is also competent to act in cases where any pollution incident that occurs internally within a 3 KM radius to the baseline of the country as enacted therein.

Q. What was the total compensation received?

While a sum of LKR 443 million was awarded to SL Navy and the Indian counterpart, MEPA received LKR50 million for the oil slick.

Q. At the time of releasing the ship was there an understanding on the

under-taking?

We let the ship go on the undertaking that the agreed compensation will arrive. Compensation matters were handled by a law firm in SL for the Shipowner and the Salvor.

Q. Who were responsible to pay the compensation?

The ship owners while the contractual salvors paid us as they could obtain reimbursement as against their reward.

Q. Is there a provision to arrest anyone in this case?

No arrests are allowed and the Magistrate handled the dispute correctly by refusing to arrest the Captain while imposing a greater penalty as much as LKR 12 million on the Captain of the ship who was merely detained until released upon payment of the fine. By this tactical initiative, she avoided an international controversy which we would have been embroiled in, had we resorted to taking matters to our own hands.

Q. Had the tanks carrying the crude oil been damaged and started to seep out into the ocean, what would have been the repercussions of this?

It would have been considered the second largest oil disaster at sea over the disaster in Parana River, Argentina when a collision between a tanker and a bulker resulted in an oil spill ten years ago, and after the Exxon Valdez incident. Even with all the salvage

operations underway, the futility of those attempts are seen in the oil drenched marine life and its environs even to this day. Our tourist hotspots such as Arugambay and Nilaveli would have been drastically affected.

Q. In what capacity did we lose out?

It was our failure to adhere to proper legal measures as we missed out on a golden opportunity due to the incompetence and lack of knowledge.

Operational wise we were on top and the credit should go to the SL Navy for their prompt action in boarding the ship and diffusing the fire in spite of less technical know-how we have comparing to other developed States.

Yet legally there were a number of errors which were made viz., when the SL Navy boarded the ship they attained the status of statutory salvor unlike the contractual salvor whom the ship had appointed beforehand.

When a salvage operation is performed, the law entitles you to claim a reward subject to 'no cure no pay'. However, the contractual salvor arrived from Singapore after the salvaging operations were thus completed by SL Navy and the Indian counterpart, and the ship was simply handed over to the contractual salver without any legal binding in order to secure a significant claim as what we received was a mere pittance compared to the salvage reward claimed by the contractual salvor and it was through them that the SL Navy received a compensation.

The psychological trauma and other factors such as the fact that preventive measures in all its entirety were taken by the SL Navy has to be compensated. Even a conference call or a media briefing is compensable but were not taken into consideration when the matters were being discussed. By entering into a proper legal agreement and coordinating the legal framework strategically, we could have earned more for the country and channeled it into developing our salvage operations by acquiring sophisticated equipment such as oil booms, skimmers, oil collecting vessels and marketed our

capabilities while seeking international expertise to attain a higher level of competence in salvaging operations as they would have stepped in with gusto, at least in this Indian Ocean region.

Q. What has impeded our progress in this area?

The problem in this country is the dualist system which follows the commonwealth tradition that requires the adoption of local laws in line with that of the international legal regimes to which we become party. While the IMO has developed over 100 conventions we have ratified only four in this area of protection and preservation of the marine environment due to various challenges which are primarily technical. For instance the international laws which are to be implemented in Sri Lanka have to be translated to the vernacular but certain legal and technical jargon pertaining to these international laws do not have the corresponding word in the Sinhala language, i.e. it was very recently that the term for 'logistics' was included in the Sinhala dictionary.

During the IMO audit which was conducted about four years ago, it was apparent that Sri Lanka was lagging behind in enacting the international laws into the domestic legal system.

Q. With all these impediments is it apt to call ourselves a maritime hub?

Bona fide maritime experts realize that we are only a transshipment hub but the potential to attain the zenith as a maritime hub is still on the horizon unless we act fast.

Q. What are some of the lessons learned and how can we



We have to understand that most incidences end up in a court of law, hence the reformation of the law is crucial to the future of the industry and our country.

rectify these matters?

Reforms are needed for our laws, and integrate the international laws to the local system with immediate effect. For example, our local law on Salvage harks back to 1984 and considered archaic as the salvage operations have evolved considerably.

The Marine Pollution Prevention Act which was amended a few years ago, further requires moderations, and the recommendation placed before the cabinet are in a state of limbo as it has to be reformed expeditiously though till now there has been no debate.

Bring in international laws or at least if we are not capable of doing so due to the terminology and other drawback, it can be included in our Marine Pollution Prevention Act or by amending the Merchant Shipping Act appropriately, thereby being capable of handling these situations. Further a clearer law on statutory salvage needs to be established.

The lead role in handling the legal lacunae can be taken by Ceylon Association of Shipping Agents (CASA) due to the local representation of international lines and direct access to the DGMS who is the local regulator connected to IMO. There are other stake holders as well that can expedite these processes, and myself who can be present as a legal expert.

We have to understand that most incidences end up in a court of law, hence the reformation of the law is crucial to the future of the industry and our country.

The erstwhile Chairman of SLPA, Dr. Parakrama Dissanayake emphasized the importance of forming a single regulatory body similar to the Maritime Bureau in Singapore, which would not function as a monopolizer but a centralizer in all maritime related matters of the country.

During the recently concluded draft National Maritime and Logistics Policy, which I moderated, saw over 80 agencies converging to discuss matters pertaining to maritime and logistics

which proves that one centralized body will help channel all the resources we have in terms of experience and expertise as many of the stakeholders function in isolation and each one has something of value towards the strengthening of the trade through a One-Stop-Shop solution.

The government too has to give ear to the Maritime Policy, which has been drafted for the sixth time already, but sadly it has not been tabled in Cabinet yet, thus nullifying the time and effort which has gone into creating a concise document. The inertia in policy transferring to legislation which is needed to create the framework for success has to be addressed as the public and private sector participation in tandem is pivotal for progress in the maritime industry.

DELAY INHIBITS THE UPWARD GROWTH TRAJECTORY OF THE PORT

FLOAT AN OPEN TENDER ENABLING A BENEFICIAL CONSORTIUM TO AVOID THE GEO POLITICAL TUSSLE IN FUTURE DEVELOPMENT - CASA

The Ceylon Association of Ships' Agents (CASA) is the "VOICE" of the Shipping industry in Sri Lanka. The prestigious Association consists of over 130 member companies, who represent every Global Shipping line and the regional shipping companies. Every Export cargo or Import cargo container would be shipped out or brought in to Sri Lanka by one of its member companies which represents the shipping lines. In this context CASA's membership works very closely with all Exporters and Importers and other stakeholders in the shipping industry.

How has the delay in operationalizing ECT impacted the local shipping trade?

CASA: The impact of the delay has been colossal in terms of the loss of opportunity and the upward growth trajectory of the Port. From a shipping Line's perspective they look at the additional capacities that are coming on stream in ports, so they can estimate the future capacities and plan their

services accordingly, so as a result of ECT remaining idle for a period of five years, we may have lost many lines which could have called Colombo. Currently, the Port of Colombo has almost reached its capacity and is facing congestion.

In quantifying the volumes according to Port statistics from 2017 to 2018, the throughput increased by nearly 13.5% as capacity was available with CICT being in full operation. This enabled the volume handled in the Port of Colombo

to exceed the 7 million TEUs in 2018.

Without any capacity being introduced in 2019, the volumes increased only marginally. The volume increase between 2018 and 2019 was only 2.6% due to the port of Colombo reaching saturation point. In 2019 the Port could only handle 7.2 million TEUs. This is where we are stuck now but if they had brought ECT in we could have expected a similar kind of increase as seen in 2018 which was 10-13%. Thereafter, we see a drastic drop in 2020 due to the

COVID situation, capacity crunch and the delays faced.

The Shipping lines we represent would definitely like to bring more volume to Colombo. But we are unable to do so as we do not have adequate berths with deep draught. If ECT was ready, many of the shipping lines which have larger ships would have called at Colombo but regrettably we are unable to cater to their request due to limited deep draught berths. It is only Colombo International Container Terminals (CICT) who has the deep draught berth where the larger vessels could berth. ECT could have increased the capacity manifold, surmise it to say, the local trade has lost out in terms of opportunity cost, volume that could have been handled, knock on income, additional services and all the economic benefits that could have been accrued to the country as a result of more ships being served.

What should be the next move in order to overcome this stalemate?

CASA: We, as the key stake holders in the industry, have been stressing on the importance of the terminal becoming fully operational in the shortest possible time due to capacity constraints which is effecting the progress of the Colombo Port in maximizing its full potential as the Transshipment Hub of this region. With the recent events unfolding and the decision taken by the government to continue to own and operate ECT as a 100% SLPA terminal we are relieved that development can now be fast tracked.

With immediate effect SLPA needs to procure Post-panamax ship to shore Gantry cranes and Rubber Tired Gantries (RTGs) through a fast track procurement process. SLPA should place the order before 31st March 2021 for delivery before the end of the first quarter of 2022, Fast-track construction of quay up to 600m, dredge adjacent quay wall area to 18m + and expand yard area. All of these measures above should take place concurrently.

Urgently operationalizing ECT ensures additional capacity to the Port of Colombo which is now congested

as the current capacity is about 7.4 million TEUs. (handled in 2019 – 7.2 million TEUs). A further delay means that the current volume is in danger of moving to Indian/ or other regional ports. Urgently addressing this matter enables SLPA to regain the lost volume due to the congestion caused by Covid 19 pandemic (handled in 2019 – 7.2 million TEUs against 2020 – 6.9 million TEUs). It will also ensure that SLPA has berths to handle deep-draught large vessels, maintain Colombo's role as the Transshipment Hub of the Indian Sub-Continent and create other opportunities for the Shipping Industry (bunkering, crew transfers, ship supplies, etc.)

In addition, the implementation of online clearance and cargo handling processes, promoting "ease of doing business" can be a vital selling point for SLPA. Minimize and streamline Customs processes while benchmarking best practices of top hub ports such as Singapore, Dubai and Port Klang.

SLPA should also optimize operations with the existing facilities. The crane productivity needs to be increased to 25 moves per hour with current cranes, employ dedicated yard equipment and Terminal Operations System (TOS), procuring additional dedicated Prime-movers for quay-side and yard operations or outsource same, improve the speed of ITT movement at ECT as currently severe delays are experienced. (At least 2 or more operators will bring in competition and improve service delivery) and the setting up of a central operations center to coordinate all operations between terminals and pilot station.

The fullest support of all CASA members is guaranteed in operationalizing the terminal as speedily as possible. We are willing to liaise with SLPA to canvass for additional volume to be handled at ECT with shipping lines. Those who have the expertise in shipping and port management would be willing to serve on a committee in consultative capacity which could be set up with the Ministry and SLPA Management.

Fast tracking ECT also means the opportunity to garner new business and focus on creating customer centricity. To regain confidence it will be of utmost importance to contract long term support of the Shipping Lines to commence moving volumes through ECT and POC. Moreover, it is of utmost importance to set up a strong marketing team to meet with the lines and negotiate on guaranteed berthing, productivity and tariff matters, commence online dialogue with shipping lines through agents, implement 'Free Terminal' (free of customs intervention) concept in ECT which will encourage lines to bring in large quantities of a cargo for storage and re-handling in the terminal on transshipment status.

What is CASA's suggestion for the operationalizing of West Container Terminal without embroiling it in a controversy similar to ECT?

While we expedite the operations within ECT, it is imperative that we explore further possibilities for growth through WCT. Unlike the controversy procrastination in operating ECT due to it being used as a pawn in a political power play with the idea of a PPP in 2016, operationalizing in 2018, trilateral MoC in 2019 and the government takeover in 2019 which has only resulted in excessive disadvantages and lost opportunities, WCT can be propelled further and faster by floating an EOI which gives a more transparent and broader opportunity such as a consortium with foreign shipping lines and International Terminal Operators. This could result in more independent, high volume, ship to ship relay operations which are taking place in Singapore and Port Klang among others.

The success of a terminal depends on the volume it can attract. Floating a tender is a measure to nullify the geo political tussle and enable an open playing field for the shipping lines, terminal operators and other interested parties to express their interest under the terms and conditions stipulated by SLPA which will prove to be beneficial for the shipping trade and Sri Lanka.



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FEEDER CONNECTIVITY



COLOMBO COCHIN GULF Service (CCG-W)			
VESSEL	COLOMBO	COCHIN	JEBEL ALI
	SAGT		
CCG WB	SAGT - TUESDAY	THURSDAY	TUESDAY

COLOMBO COCHIN GULF Service (CCG-E)					
VESSEL	COLOMBO	CHENNAI	VIZAG	KRISHNA	KATUPALLI
		FRI	SUN	TEU	WED
CCG EB	SAGT- SATURDAY	MONDAY	WEDNESDAY	FRIDAY	SATURDAY

INDIA WEST COAST Service (IWCS)					
VESSEL	COLOMBO	Mundra	Goa	Mangalore	Cochin
	SAT <td>THU <td>SUN <td>TEU <td>THU </td></td></td></td>	THU <td>SUN <td>TEU <td>THU </td></td></td>	SUN <td>TEU <td>THU </td></td>	TEU <td>THU </td>	THU
IWCS	SAGT- SATURDAY	THURSDAY	SUNDAY	TUESDAY	THURSDAY

INDIA WEST COAST Service (IWCS)		
VESSEL	COLOMBO	TUTICORIN
	JCT	DBGT
TCT	SAGT	DBGT

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OUTLOOK 2021: DRIVING GROWTH- BRIDGING DEFICITS

KEY INSIGHTS FROM THE ANNUAL PUBLICATION OF THE ECONOMIC INTELLIGENCE UNIT (EIU) OF THE CEYLON CHAMBER OF COMMERCE

Economic growth was derailed in 2020 owing to the COVID-19 pandemic. As Sri Lanka looks to recover from this setback and rebound stronger, the focus on growth by policymakers should see GDP growth recovering back to 4-5% levels in 2021. While growth is a priority, the economy will have to navigate through its refinancing of external debt in a challenging external environment. In this sense, policymakers need to bridge the sentiment gap with global credit rating agencies as well as investors/analysts to understand the efforts taken to tackle fiscal deficits and refinancing strategy. It will be a crucial year to attract FDI and generate a high export revenue to manage the deficits.

3 KEY TAKEAWAYS

Growth to rebound in 2021 supported by growth in key Sectors and consumption

Sri Lanka's GDP recorded a 5.3% contraction during the first nine months of 2020. The economy had contracted 1.7% in Q1 (Jan-Mar) and 16.3% during Q2 (April-June) amidst COVID-19 lockdowns and recovered to grow by 1.5% in Q3 (Jul-Sep). After a contraction in 2020, GDP is expected to rebound to a growth of between 4-5% of GDP in 2021. led by growth in key sectors like Construction, Manufacturing, Agriculture and improvement in Services activity namely tourism in

the second half of 2021. In Growth will also be supported by improvement in consumption as incomes improve supported by the low interest rate environment.

Sectors have shown significant resilience in 2020 with better performance expected in 2021 fuelled by the lower interest rate levels. Sectors focusing on the domestic economy such as construction is expected to have higher activity given the government focus on the sector while emerging sectors like ICT/BPM, Electronic and Pharmaceutical will support Sri Lanka's export growth ambitions.

Low Interest Rates, Volatile LKR and

Continuation of Import Restrictions

The economy could see the continuation of the low interest rate regime in 2021 particularly during the first half of the year as policymakers to look spur credit, investment and economic growth. The LKR will be volatile during 2021 (we have seen the LKR depreciating by about 5% since January 2021 owing to debt concerns). with several episodes of volatility (steep depreciation followed by an appreciation) driven by a mix of sentiment and concern on fundamentals. We will see the LKR (spot and forward rate) continue to be volatile as CBSL manages the debt outflows in the lead up to the 1 July 2021 sovereign bond outflow. Given the pressure and the rise in oil prices, there could be more restrictions applied on import items in the coming quarter.

Global GDP and Trade to Rebound in 2021 but Risks Linger

Global GDP growth and trade volumes are expected to rebound in 2021 driven by the improvement in demand expected with the rollout of the COVID-19 vaccines; Risks and uncertainty remain high in 2021 with uncertainty on efficacy and coverage of vaccines and how it can curtail current and future outbreaks of COVID-19. Recovery of key exports markets like the EU and US and tourism source markets are key to rebound/growth of Sri Lanka's economic sectors which are export facing.

Insights on the Performance and Outlook of the Logistics

2021 OUTLOOK: 5 KEY TAKEAWAYS

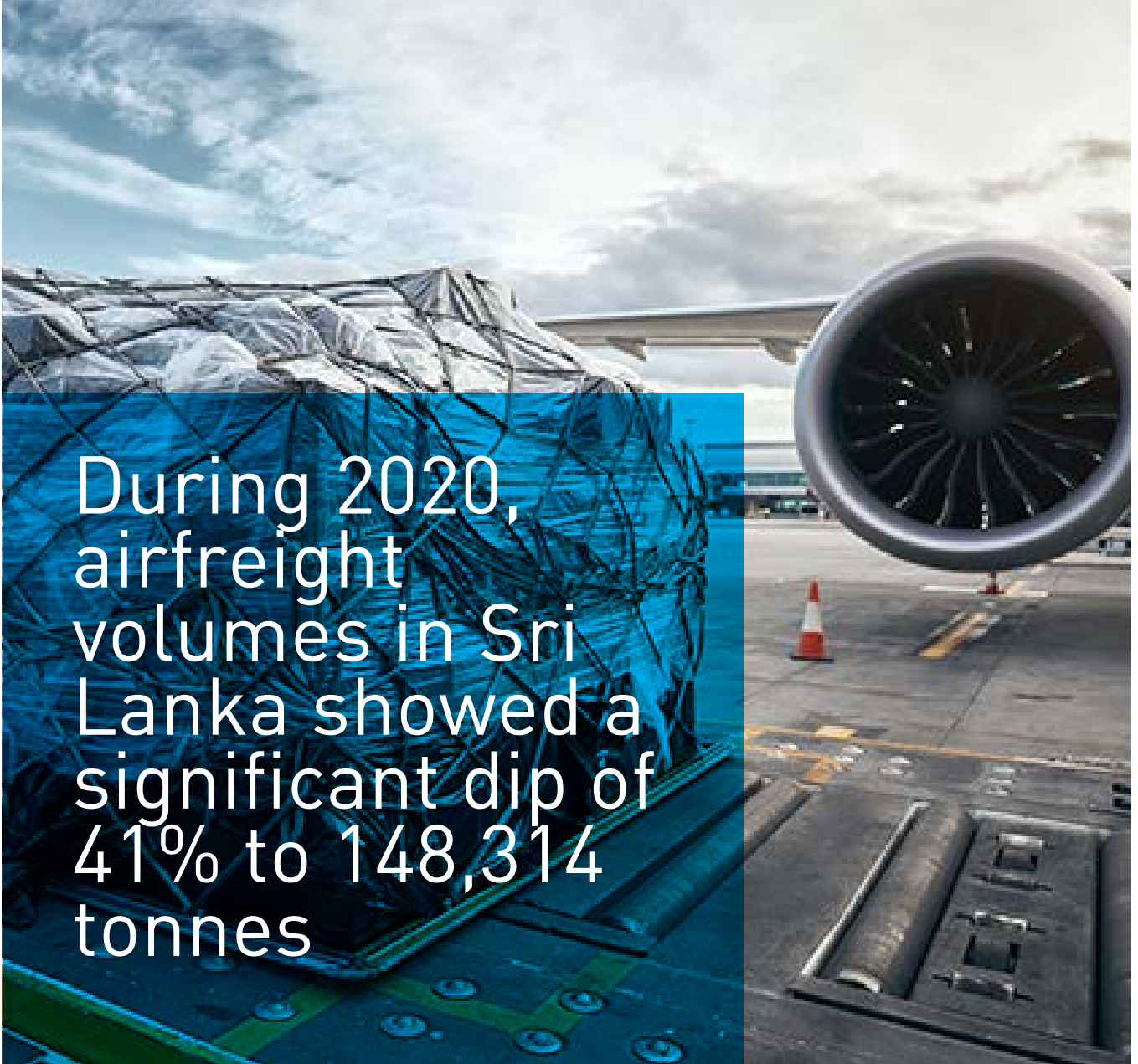
1. Freight forwarders are also expected to perform well with higher rates, but freight rates are expected to stabilize towards Q2-2021, with the easing of cargo rush.
2. Freight and maritime services are keenly waiting for easing of Government import restrictions to benefit from free flow of cargo volumes.
3. Sri Lanka's exports mainly are in low volume low yield products and that makes challenging for bearing of high freight rates.
4. With the gradual shift to online platforms, warehousing industry is expected to perform functions of warehousing as well as distribution. A lot more innovations and creativity is expected to emerge within the industry with the pandemic in 2021.
5. India is continuing its efforts to increase its maritime share with proposals such as the new transshipment port in the Great Nicobar to rival Colombo Port. This may pose a threat to Sri Lanka in the coming years owing to the industry's high dependence on India's transshipments.

Sector (Ocean Freight, Air Freight, Warehousing and Freight Forwarding)

Sri Lanka's strategic location along the main air navigation and marine routes within the South Asian region has made the country a lucrative destination for the development of the logistics industry. The port of Colombo was ranked 24th among the Top 50 World Container Ports, during last five years based on the volume of containers handled. Logistics industry contributes to 2.5% of the country's GDP, which accounts for around USD 2 Bn. During the last decade, the Port of Colombo recorded a stable growth in container traffic and the port is mainly engaged in transshipment operations, which accounts for more than 75% of the total container throughput. Sri Lanka is considered as the main transshipment hub for the Indian subcontinent, especially to India and other South Asian countries.

Performance: Ocean Freight

Total container throughput during the first seven months of 2020 recorded a drop of 7% compared to the same period of 2019. Export and Import container throughput declined by a notable 17% during the period under concern. The laden volume of export freight during the Q1-2020 was 9% less than the corresponding period of 2019 while import laden volume picked up by 6% in Q1-2020 with shipments being placed before the COVID -19 outbreak globally in March. In Q2-2020, the laden volume of ocean freight exports declined by 28% compared to the same period of 2019. Meanwhile, the laden volume of imports dropped 42% due to the impact of the pandemic globally and drop of ocean imports resulting from Government restrictions on importation of certain commodities. In transshipments, a severe hit was reflected in Q2-2020, even though Q1 recorded better performance compared



During 2020,
airfreight
volumes in Sri
Lanka showed a
significant dip of
41% to 148,314
tonnes

to 2019.

Although the Colombo port operations continued with less disruptions (other than the drop in export and import trade) during the first wave of COVID-19, the second wave post September 2020 had significant impacts on operations with port terminal personnel being infected. This resulted in shutting down of operations of two main terminals especially due to the labour shortages as more positive cases were reported in the Colombo Port and people were reluctant to report to work. This shut down led to a large backlog and build-up of ships which had to wait for berthing. With immediate execution of appropriate measures, the port operations were restored and continued in full compliance. Congestion in the Port of Colombo, impacted severely on transshipment cargos, as delayed berthing created connectivity issues with the main line. To cope with the challenges that came out with the pandemic, the shipping lines restructured their services and took

actions to reduce capacity (reduced number of sailings) and opted for slow steaming measures. During Q3-2020, cargo volume picked up driven by cargo from Far East and faster than anticipated recovery of most of the export sectors of Sri Lanka. With reduced capacity, the demand picked up and as a result freight rates increased. During Q4-2020, demand picked up drastically and freight rates spiralled upward resulting in increased financial burden on freight forwarders and importers.

Performance: Air Freight

During 2020, airfreight volumes in Sri Lanka showed a significant dip of 41% to 148,314 tonnes, while April recorded the lowest air freight handling which was more than 80% down on a Y-o-Y basis. During Q1-2020 air exports were 18% behind the performance in the same period of 2019, mainly due to the closure of the airport during the latter part of March. During Q2-2020, Air exports recorded a decline of 62%

compared to the corresponding period of 2019 as anticipated due to closure of borders due to the pandemic, (as reported by the Sri Lanka Logistics and Freight Forwarders Association). During Q3 and Q4 air exports declined more than 40% on a Y-o-Y basis.

Air imports dropped by 15% in Q1 and a noticeable 64% in Q2. This drop was heavily impacted by the import curtailing measures imposed by the Government. During Q4 imports improved compared to Q3, but was still 24% below the performance of Q4-2019. Air transshipments in Q1-2020 were 24% behind compared to the same period of 2019, meanwhile Q2 recorded a 80% decline owing to the regional impact of the pandemic. Transshipments went up in Q3 and Q4-2020, but still performed well behind the performance of the same periods of 2019. During the same period, air imports declined by 35% compared to the same period of 2019. Air transshipment was the most affected operation category in air freight, which dropped by more than 60%.

Performance: Warehousing

Warehousing is the most commonly outsourced function in the logistics market in Sri Lanka. Hence, Third-party logistics (3PL) companies have gained significant importance in the logistics industry, for their efficiency in integrated logistics services according to customer needs. The growth in FMCG, consumer durables and e-commerce are also demand-drivers for warehousing in Sri Lanka. The e-commerce sector is expected to grow by USD 400 Mn by 2022, which will

result in accelerating demand for 3PL services. The warehousing market of Sri Lanka is fragmented and is driven by products such as tea, apparel, timber, FMCG and other retail products. With the increase in exports of perishables, especially Sri Lankan fruits and vegetables, there is an increasing demand for cold storage spaces in the market.

According to Industry experts the warehousing industry recorded a mixed performance in 2020. During the first wave of COVID-19, most of the warehouses were in operation, even though the country was in a lockdown.

In June, as the manufacturing sector recovered, the warehousing industry benefitted and performed well. During the second wave of the pandemic, the income generated from storage reduced as manufacturing dipped in October, but handling income compensated it as some of the warehouses started to support supermarket chains in on-line order fulfilment. With the pandemic, some changes are required by the destination countries in certain type of packaging, bundling and separation to assist with more online type of orders which can be considered as an opportunity that emerged with the pandemic.



This article is based on the content of EIU's recently published 'Outlook 2021- Driving Growth, Bridging Deficits' report, which explores the macroeconomic and sector outlook for the year ahead—covering sectors which include apparel, tourism, FMCG, construction, agriculture, fisheries, pharmaceutical, IT/BPM, logistics, and more.

For more information/ purchase the report visit: <http://www.chamber.lk/index.php/business-publications/outlook-2021-driving-growth-bridging-deficit-detail>

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YOUNGSHIP AGM 2021



Moving on from a year of unprecedented challenges unlike ever faced before in this generation, the New Year brings renewed hope and optimism, along with these renewed ambitions the new YoungShip Executive Committee was appointed at the recent Annual General Meeting held on the 3rd February 2021, with their first Executive Committee Meeting held on 12th February 2021.

A new executive committee 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. YoungShip Sri Lanka has also taken a proactive step to be the association representing the youth of the shipping industry with the addition of the Associate Member category, allowing for the first time for individuals working in non CASA Member companies to join YoungShip (any individual currently working in a company associated to the Maritime industry) thereby greatly increasing its representation within the Shipping industry.

The Executive Committee for the year 2021 comprises a group of committed, enthusiastic young professionals. The 10 member executive committee is as follows:



Office bearers

Chairman – Mr. Rishantha Mendis (Prudential Shipping)
Vice Chair – Ms. Maleena Awn (Wilhelmsen Meridian Navigation Ltd)
Secretary – Mr. Nirmal Dissanayake (Eastern Maritime (Colombo) Ltd)
Treasurer – Mr. Prashan Fernando (Panama Shipping (Pvt) Ltd)
Assistant Secretary – Ms. Sasanka Edirirathnage (GAC Shipping Ltd)
Assistant Treasurer – Mr. Sunera Wijesekara (Eastern Maritime (Colombo) Ltd)
Immediate Past Chair – Mr. Jehan Rodrigo (Mackinnon Mackenzie & Co (Sh) Ltd)

Members of the Executive committee

Mr. Shane De Alwis (Hapag Lloyd Lanka (Pvt) Ltd)
Mr. Wilhelm Yohan Randy (Maersk Lanka Pvt Ltd)
Ms. Aruni Wijepala (Hayleys Energy Services Lanka (Pvt) Ltd)
Ms. Yuwani Opatha (Ceyline Shipping (Pvt) Ltd)

Some of our plans for the forthcoming year include the YoungShip Open Quiz 2021, many Networking nights, pub quizzes, Seminars/workshops with industry speakers/panelists, CSR initiatives to name a few of the projects in the pipeline.

The Executive Committee wishes to convey its sincere thanks and appreciation to its Patrons & The Ceylon Association of Shipping Agents (CASA) for their continuous support and guidance to YoungShip.

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!!

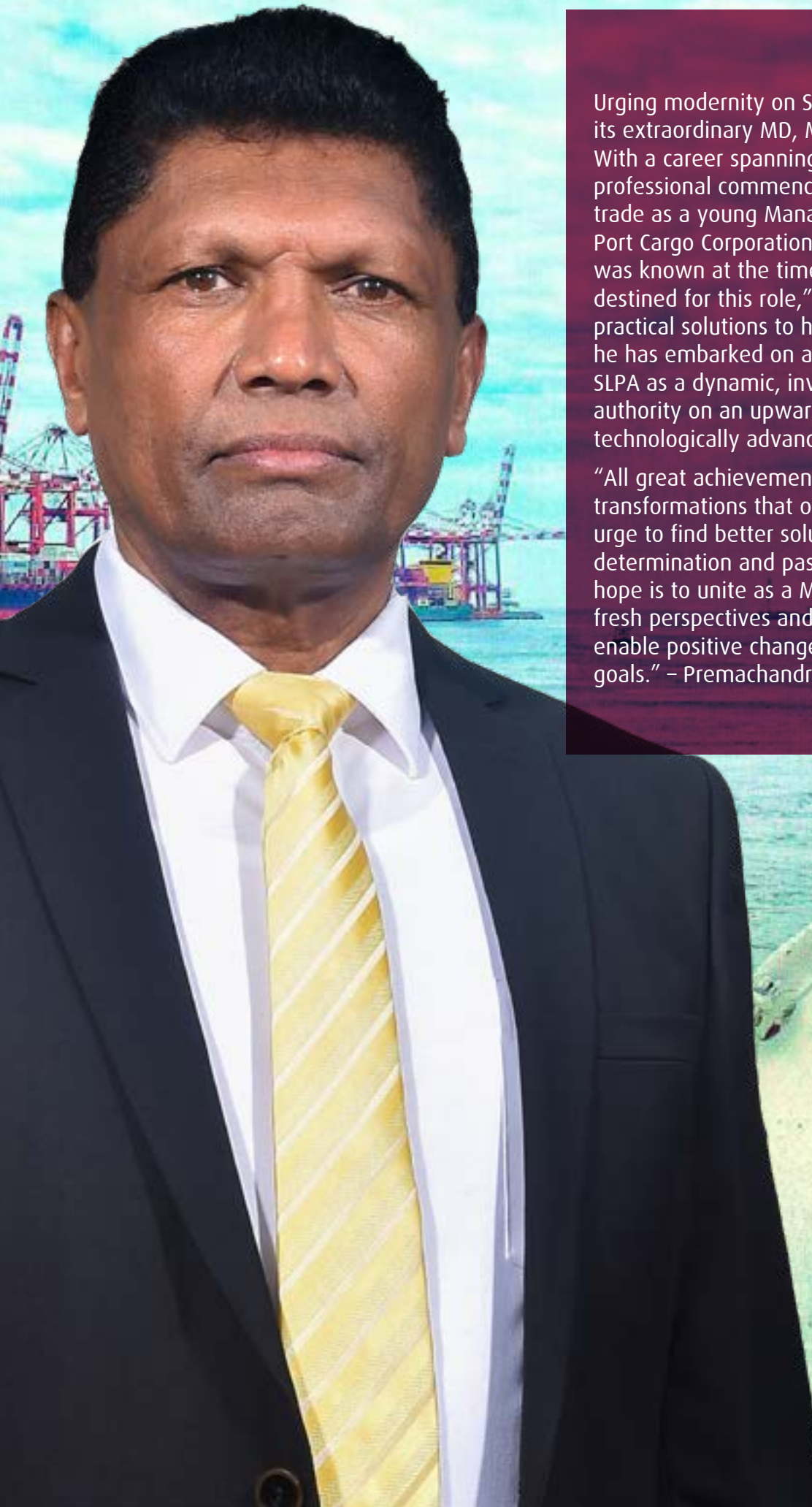
SRI LANKA PORTS AUTHORITY

SYNERGIZING STRENGTHS in CREATING SEAMLESS BORDERS



Interview with
**MR. ANANDA
PREMACHANDRA**
MD OF SLPA

by Rochelle Palipane Gunaratne



Urging modernity on Sri Lanka Ports Authority, is its extraordinary MD, Mr. Ananda Premachandra. With a career spanning over four decades, the professional commenced his journey in the trade as a young Management Trainee in the Port Cargo Corporation- as the establishment was known at the time. "I believe I was destined for this role," stated he. Preferring practical solutions to highfalutin theory, he has embarked on a mission to present SLPA as a dynamic, involved and responsive authority on an upward trajectory well into the technologically advanced future.

"All great achievements, designs and transformations that occur, based on an urge to find better solutions is followed by a determination and passion to achieve goals. Our hope is to unite as a Maritime fraternity with fresh perspectives and novel ideas that will enable positive change in achieving our ultimate goals." - Premachandra.



OVERSEAS EXPOSURE

During my 42 year career, I left Sri Lanka four times to pursue overseas assignments but each time I returned to Sri Lanka I reprised my role at SLPA. The first time was to Belgium to obtain my Masters Degree, the second was to seek employment in Port of Fujairah in 1991 as a Terminal Coordinator for Port of Fujairah—handling relay traffic for the Indian subcontinent but I returned in 1 □ years. In 1999 I had a stint at Westport of Malaysia as the Technical Advisor and the Head of Container Terminals Department. I returned once again to SL as the Additional Managing Director of SLPA in year 2000 and in November 2002 I joined CMA CGM as the Regional Manager Ports and Terminals for the Asia Region based in Malaysia, India and South Korea. That was the longest overseas

employment until 2015 in which I traveled extensively and widened my knowledge and expertise.

Upon my return to SL after my last foreign exertion, I was contracted as the Managing Director to SLPA but left in 2018, having completed the contractual term to join Laugfs group as the CEO of Laugfs Terminals Ltd to commission and operate the LPG transshipment hub for South Asia at the Hambantota International port which I successfully accomplished during my tenure until October last year. Ultimately I returned to SLPA at the latter half of 2020 and it looks as if I belong to this institution and there is still unfinished work for me to do here” said Mr. Premachandra who endearingly refers to SLPA as Mother.

Q. Drawing on your overseas experience what can you bring to the development of the SLPA?

The time is ripe for Sri Lanka to ride the wave of development to be on par with the rest of the world and I intent to give back the knowledge I garnered to ensure that we benefit from over 17 years of exposure to some of the most advanced ports and terminals worldwide.

It is imperative that automation driven technology is embedded into our development plans. Originally, ECT was to be similar to the previous terminals with rubber tired gantries with diesel driven engines operated manually, yet we opted for a green terminal with semi-automated operations. The new terminal will have the ability to convert to full automation at any given time inclusive of other features such as least emissions, least light infiltration , least volume of noise filtering to the city, clean water, generation of electricity and more. The plans envisaged is to employ women to handle fifty percent of the jobs; achieving some of the SDG goals. This will be the first green terminal in south Asia region. These facets of development and sharing of the knowledge I gathered overseas are repayment of debt from me to my mother for giving birth and bringing me up as a professional. It is part of the legacy I wish to leave behind for SLPA and the

country.

Q. Has SLPA already cleared approvals from environmental authorities and other related institutions?

When the South port was built, SLPA obtained environmental clearance for all terminals and the entire South port. Thus it does not necessitate additional approvals for us to proceed in our progressive development plans.

Q. Does SLPA have the funds for the development of ECT? Does SLPA plan to get any funds from other sources such as Asian Development Bank (ADB)? Are

there any pledges already made?

Currently SLPA has the funds for proposed development as we anticipated this scenario in which SLPA would have to eventually shoulder the responsibility of developing ECT. After the first phase is complete we have the capacity to start earning. However, we will not completely rule out borrowing as this venture will cost approximately USD 700 million and it practically should not be launched with our own funds not because SLPA cannot afford it but we have to be tight-fisted for the sake of the country in spending foreign currency. We have further requirements for the future and we need to retain a bankable set of accounts with SLPA so that we can go ahead and borrow for the expansion of the harbor by building an extension to the South port breakwater and the new North port breakwater.

SLPA's primary task is developing ports with the development of terminals being considered secondary. We have to encroach larger areas of the sea and enlarge our port by creating break waters and open up opportunities for port related business and terminal development. It is only in this manner that we grow in tandem with the global shipping trade and can remain competitive as a hub port. For this purpose it is necessary to retain the ability to borrow, with us, for future developments such as the WCT 2 breakwater extension which may cost USD 200-250 million and is due to start in 2023.

Q. What's the management structure for ECT? Would the management have more authority than the current JCT? Any legal snags?

We have still not considered that area as we have a period of one and a half years before commissioning it entirely. We intend to introduce a completely independent structure to run ECT with minimum human intervention as automation is resourceful in eliminating many inefficiencies. An autonomous body with the independence to manage its business operations and offer the clients a high quality service is the way forward.

Q. would you consider a PPP?

The government has already made a decision that ECT will be owned and operated by its own entity. I am of the view that if we have the right kind of freedom we can go for a commercial partnership which will not involve capital infusion by the private sector. The terminal can be owned and managed by the government entity and it can still partner with shipping lines. The most viable option would be business deals dedicating terminals to clients who can fill them with new

business and synergize the sister terminals in order to serve as "one port of Colombo" with a competing community of terminals.

Q. Development of WCT: is ADANI JKH the confirmed developer? Has the cabinet approval been granted and what are the indicative timelines for the development?

SLPA has already issued the letter of intent and initialed the BOT agreement; the primary document that commits SLPA to go into partnership with the consortium. This project requires some time to get off the ground as the development and partnership related preliminary work has to be attended to as it's a massive development project. The cost would amount to around USD 800 million to complete a 1400m long state of the art terminal. The development timeline is three years from signing. Although the SLPA has already launched the twin tenders for full development of ECT prior to the commencement of WCT commencement it is our intent to simultaneously develop both ECT and WCT.

Q. What are the plans for the North Port? Have any plans been drawn with indicative timelines?

Currently the ADB funded technical assistance project is underway to carry out the feasibility studies for the North breakwater which once built, would extend from the mouth of the Kelani River towards the deep sea. The first phase of this mega port expansion is building of the extension of the existing southern breakwater. The WCT 2 extension of 2.5km of breakwater will facilitate not only the WCT 2 but also a LNG terminal at the tip of the breakwater at the deep end. This will fulfill the requirement of the country for deepwater LNG facilities. In this manner on the southern side a large water area beyond the current boundary of the port will be added to the existing South Harbour. The building of a new break water from Kelani mouth towards the sea port of Colombo would house the two current harbours into one basin. These twin breakwaters would be like two claws of a crab enclosing both existing harbours.

In the old harbour there is an island breakwater which is restricting the deepening of that old port. Once the North Breakwater is completed, SLPA plans to remove that and allow ECT and SAGT to extend their berths by 1000m within the new harbor. This will also add a cross berth of 700 meters in length - all with the depth of 20 meters.

To build WCT 2 SLPA has to start breakwater construction by at least 2023 and a three year timeline is anticipated for construction. Development of WCT 2 behind the breakwater

COLOMBO IS MOVING IN LEAPS AND BOUNDS TO COMPENSATE THE LOST YEARS.

should take place simultaneously and be completed by 2026/2027. ECT 2 will be adding four million TEU capacity which would be sufficient for another 3-4 years at the current rate of growth.

We have to keep berth occupancy at the level of 65% or 70% so that ships would not wait for berths instead the berths would wait for ships.

In order to continue to provide this capacity growth the North breakwater project has to start between 2026 and 2030. If we delay or refrain from doing so we are bound to be in dire straits once again. When comparing the figures of the past, the terminals will be full to capacity by then. In the past whenever a new capacity was added in a matter of three years, each new terminal was swallowed up by growing demand. WCT and ECT will give a massive dose of capacity attracting major shipping lines to consider services via Colombo.

Surmise it to say, when shipping lines are invited in this manner they would like the port to grow in tandem with them in to the future. Therefore it is imperative that you share the plans for the next decade at least so that they would be comfortable in continuing with Port of Colombo as their hub. This is the current plan being implemented in phases and you could see the barges and crafts engaged by international consultants outside the Kelani River mouth carrying out the various studies and in order to design the North breakwater at this very moment. Colombo is moving in leaps and bounds to compensate the lost years.

Q. You mentioned that ECT will be ready within one and half





IT IS NO LONGER VIABLE FOR GALLE TO BE DEVELOPED AS A COMMERCIAL CARGO HANDLING PORT.

years so does that mean that ECT and at least one terminal of WCT will be operational by then?

Exactly! Everyone agreed to the timelines. It is a captive market and there is no reason why anyone should wait without launching a terminal. Our current plan is to launch the first 600m of berth of ECT with brand new equipment by end 2022. Thereafter by 2023 the whole terminal will be completed. Once completed the terminal will be a green facility with a 1320m long berth adding a handling capacity of four million TEUs annually with automated equipment for the first time in the South Asian region. I know that the ADANI and JKH consortium would go for similar if not superior technology. It is a motivating factor and we are on the brink of breaking into the new world in terms of technology.

Q. What is SLPAs role in developing other ports; Galle,

Kankasathurai and Trincomalee?

The port is shallow with a depth of 8m and the terrain is full of wrecks and rocks. It is inevitably a popular location for divers. Even the colonial masters did not consider it as a suitable location for a deep water port as they had the knowledge of terrain.

We had ambitious plans for Galle prior to the emergence of Hambantota port. There was a plan launched in the 90s to build a new breakwater with financial assistance of Japan that envisaged enclosing the entire bay area but currently it is far from our reach due to the high cost involved. Any deepening involves rock removal which is very costly and such developments are not financially viable.

With the development of the highway and extension of railroad to Hambantota, it is no longer viable for Galle to be developed as a commercial cargo handling port.

The plan of the government and SLPA was to develop it as a tourist destination to attract yachts and passenger trade.

There are plenty of investment opportunities for the private sector in port of Galle and the RFP has already been launched to attract the private sector to invest in tourist related activities such as managing the yacht harbor and related businesses.

The Kankasathurai harbour is currently being developed as a minor port with the financial assistance from the Indian government by way of a USD 45 million soft loan. Right now the consultancy team is carrying out studies in rehabilitation of the old breakwater, which has been damaged due to the tsunami. The primary task is rehabilitating the breakwater and building two new berths for small ships. The sea is quite shallow in the approaches to the port. Therefore it is not possible to have a deep water port in KKS. Planned depth is 11m with the inclusion of two berths suitable for conventional cargo and passenger crafts. Work is already underway and we have acquired 50 acres of land around the port. In order to secure the port we have already built a parapet wall and a gate complex enclosing 15 acres of land immediately behind the berths. The additional land of 35 acres for port related business is being acquired through the governmental institutions concerned. It will be a catalyst to develop the northern region. The population living around the port are eager for the port to be developed.

With regard to Trincomalee we have not been able to attract reasonable investment yet. Trinco is still not well connected in terms of roadways, and rail network even though the primary road is available and the rail connection is available up to China bay. The extension of the Northern highway would be of great value in facilitating development of Trinco. There are plans to extend the rail tracks to the Ashraff jetty for which the land acquisition process is already under way.

You also have to take into consideration that Trinco is not in close proximity to the main sea route but adroitly positioned for the Bay of Bengal rim to serve as a port for the region. The port development master plan which was launched in 2018 includes two ambitious projects – the development of a

deepwater conventional cargo terminal and an oil terminal. The latter is for the use of IOC and Petroleum Corporation to handle petroleum products in Trinco which may take shape over the years.

The other plan is to create deepwater conventional cargo berths as the Ashraff jetty has only a depth of 12m. The proposed new berths will be 15.5m to 16m deep to accommodate fertilizer and steel imports.

Q. What are some of the additional developments which would be beneficial for the industry?

Personally, I think there is a dire need to go for a port community network to link all stakeholders to one hub. We felt the urgency during the lockdown. Minor advances such as online payment systems have been implemented already and individual agencies operate own systems linking their customers. However, there is no common platform to act as a one stop gateway for ease of doing business. We clearly have a long way to go when we compare with developed ports worldwide. We yet have several documents being passed from hand to hand and people waste a lot of time and energy chasing behind various officials to get clearances. This archaic system should be replaced with a portwide network hub.

There are many single window projects being talked about but we haven't seen much action apart from mere talks and the only windows we see at the moment are in home and office. (Tongue-in-cheek)

SLPA is launching the port community network project and ADB has agreed to fund the preliminary process. There is a team of consultants appointed by the ADB carrying out the scope and requirement study right now leading to a RFP. We do not wish to own or operate it but foresee it to be a PPP type investment. It is ideally a good opportunity for the private sector to invest in introducing a community system but we have spearheaded the preliminary work as a main stake holder since there is no process owner today to take up the task. It is a priority project we need to launch for ease of doing business within the port community.

Q. What are some of the other opportunities for the private sector to get involved in?

Within a short time there will be a RFP for developing of a logistics center in five acres of SLPA land in the Bloemendhal area. Initially the land will consist of this acreage but we are gradually relocating our quarters over there in order

to expand. There is some additional land in close proximity owned by the railway department and the UDA. Altogether the area identified for this mega development is around 19 acres. Starting with our five acres, we have an extremely ambitious plan to introduce a multi-modal exchange in the premises between rail and road. The location is ideal as the outer circular highway/port access elevated highway connecting to the port would give easy connectivity to traffic from this location. There is a railway line passing by which makes it an ideal location for a hub for transportation. This is our plan and the blueprint has been drawn. One part is being offered to the private sector and whoever takes it on, has the opportunity to be a partner of a mega development of 19 acres. This is launched by SLPA, with the active participation and cooperation of the UDA and the Railway Department.

We also have a medium term plan to relocate some of our very old buildings used as staff accommodation in order to clear land space in close proximity to the port for port related activities. For this purpose we have chosen a large land area owned by us in close proximity to the city which is presently idle.

Q. What are some of the other concerns you wish to highlight in the article?

We need to educate our people on the aspect of implementing PPP. If the opportunities are offered to the private sector for investment they think of it as a sale of public property. Foreign investment is seen as colonization. Many do not understand when a PP partnership operates a local company that only the dividends declared can be taken out and the rest remains. The country needs injections of capital in terms of FDI not only to strengthen the balance of trade but also to spur economic growth. The public have to be made aware of advantages in order to bust the myth and false propaganda associated with PPP ventures as they are crucial to development. We have seen very few industry professionals who venture forth through public debates and forums in order to educate the people.

However, corruption is rampant and is not relegated to the public sector alone; as in my forty two years in the industry I have learned an important fact that, "if you have a giver, there will be a taker." Throughout the years many people have tried to buy me but I was not available in the commodity market. I know the enticement that comes along with this vice and it is rampant in every level. There is no point in trying to have a face to face confrontation as the unethical business needs to be deregulated. Thereafter, the processes need to be simplified and digitalized as much as possible. Subsequently, the online facilities need to be created to inhibit the opportunities to meet and remove the barriers. As it would limit the opportunities for all these elements to define things and have control in their hands, which gives them an opportunity to make money. We need to get rid of corruption and that'll help us to create efficiency and reduce cost of imports exports and general trade and attract good investment as they would like to see a corruption free

environment. It is pivotal for the entire trade to band together to eliminate this vice.

There's no reason to point fingers but conduct a massive exercise to simplify processes so that human intervention can be minimized and simultaneously exercise these regulations and controls which are set in place to eliminate corruption and that will create a smooth environment for business to thrive.

Q. With reference to MOUs between terminals to accept each other's cargo depending upon availability – is that happening effectively?

During the lockdown the terminals understood the need to work together. In one instance I recall how CICT came to a standstill as JCT was not functioning due to a covid-19 scare. Thus until JCT recommenced its operations CICT's efficiency dropped heavily. It proved that Terminals are not independent but interdependent. Good corporation between terminals exist today and it is necessary. On a daily basis I see the traffic on emails going back and forth on transfers, responses and so on and we are working towards an inter-terminal transfer software introduction. On the surface there is a challenge posed as the terminals are competing as well and there is a limit to working together. We have our own respective clients who have confidential agreements with each terminal and that has to be respected but we have a good rapport which has been built within a framework between terminals.

Q. In a few years SAGT is due to return to SLPA? For SAGT it is an ideal opportunity and for ECT it'll be a back-to-back terminal. What are your thoughts on this matter?

It is already a back-to-back terminal. We have created direct gate links bypassing the main road between both CICT and SAGT, thereby making it possible for the three terminals to directly transfer containers without using the main road. The myth has to be busted as the ownership of the terminal is immaterial in synergizing the arrangement between two terminals. There is a wave prevention wall which is a physical wall between the two terminals which was built to prevent the sea from attacking the land before South port came into being which stands between the two terminals and we intend remove it when feasible. Our terminal design of ECT will open up these barriers and receiving and exchanging

COLOMBO IS THE ONLY ENEMY OF COLOMBO.

cargo through the wall towards SAGT and vice –a versa will take place swiftly. No matter who owns and operates the terminals, it can be operated as one unit, which will be vital for future operations at the Port of Colombo.

With regard to SAGT 'returning' to SLPA, I have no bearing on political decisions as the current term will last only for nine years but there is a provision which allows an extension of that if required. There is a freedom for the current operators of SAGT to approach the government and the government to offer an extension. There is also freedom for SAGT to let go and say thank you and walk away. It is up to them to decide based on the trend of the world.

I am aware that SAGT has a long life and has ambitious plans to invest in new equipment. We encourage them to do so. We are looking at working together under one seamless umbrella as sister terminals with seamless borders to serve clients of port of Colombo

The world is moving forward not by taking back what is offered to the private sector. Competition is extremely healthy and we should allow it to grow. Killing competition will not achieve anything for Port of Colombo. Competition brought Colombo Port from a mediocre level to the level we see today. Let competition thrive. This is my personal view.

I recall the golden words of the first CEO of SAGT, John Buckley, famous for his tongue lashing comments and his outspoken manner. When interviewed by media with regard to the Port of Colombo, he said these words which should be etched in stone; "Colombo is the only enemy of Colombo." Let me tell you what he meant by this. "If Colombo wishes to commit suicide it can do so by being stagnant without supplying right capacity ahead of demand; but no other port in this region can kill it." Colombo almost did commit suicide by not developing terminals with right capacity for a period





THE DEVELOPMENT OF HUBS IN THE EAST COAST OF INDIA WOULD HELP US.

of five years and thereby showing a dismal future to our customers. Which is why we should take hold of this golden opportunity to grow ahead of demand by injecting two fully fledged terminals concurrently.

Q, Can the development of regional ports especially in India have an impact and does it compliment us?

I always believe that it will compliment. Now we have moved into the next sphere, After all the largest Indian port operator is ready to invest in Port of Colombo. Its proof that there is no threat. Why does India need another hub? There is a greater advantage for them to invest and link their ports to Colombo.

The west coast of India is the region that generates 70% of India's total container throughput and only four percent is transhipped through Asian hubs, while 96% is carried by large ships from Ports like Mundra, Hazeera, Pipawav, JNPT and Kochin.

We never had control over the West Coast for decades. In the late 80's we lost control when JNPT was developed, followed closely by Mundra in 2002. Large ships carrying 14000 – 15000 TEUs can go to any of these ports. Therefore the development of Vizinjam in West Coast of India will not affect us. We can also rest assured that it will not attract east coast traffic

which has to bypass Hambanthota and Colombo unless they dig that canal in Palk-Strait called Sethu Samudram. It does not seem viable for a feeder ship to pass by two large ports especially Colombo that already has capacity to handle any of the largest container ships on the drawing boards and sail further North for 12 hours plus to feed a hub in the west coast of India .

The development of hubs in the East Coast of India would help us. We hope that Bangladesh would develop deep water ports so that feeder operators can engage larger feeders and cut down their long waiting times for berths. Right now we have quite a congestion in Colombo as the number of feeder sailings operating from Bangladesh is insufficient to cater to the demand and we have a backlog of boxes lying here. If Bangladesh develops deep water ports it would complement our operations as India has already developed in Vizag and Ennore. That would allow the lines to engage larger ships between hubs. They will have regional hubs in East Coast which is a welcome move.

With three tier transshipment trade developing, you have the mega hubs like Singapore, medium level hubs like Colombo and the regional level hubs in the catchment areas collecting sufficient volumes for ships carrying 5000-10000 TEUs to do the feedering. That's how I see the development of ports in the East coast of India and Bangladesh could compliment Colombo.

Q. Are there any plans in store for cruise terminals?

In the current development plans we have ideas to convert Bandaranayake Quay to a cruise terminal as it is ideally placed and the development cost is affordable. There is a new Port Authority Head Office being built at Lotus road and it is at its initial stage due to delays in processes. It is an initiative by the Road Development Authority to compensate demolishing of over 40 of our buildings inside the port to develop the elevated highway. In return they will be building the above mentioned new Maritime center building which will also be our head office. With that the old Port Commission Building, the iconic structure at York Street (which was the old passenger terminal) will be reconverted into a newer passenger terminal which will give passengers the access to walk into the city. Both the main berths of BQ can accommodate fairly large ships when developed as passenger jetties. It's a low cost development as it looks difficult to attract the private sector to this area since the pay back is to the country but not to the port operator. Therefore it looks as if the passenger terminal should be a government investment that could be absorbed /subsidized by the other incomes that the SLPA is making.

Q. What about the general cargo handling in POC, since BQ will

be converted to passenger?

We have not given due priority to conventional cargo handling over the years but we have to remind ourselves that conventional cargo is our lifeline as it would continue to flow into this country. We need to take effective measures to facilitate it.

Deeper berths are required for handling steel billets carried by large ships requiring deep draught and also fertilizer. Presently, there are steel and fertilizer vessels drawing to an 11.5-12m draught. We handle them at ECT in the short term but we need to have alternative berths.

Colombo has a big issue with deep water berths not being available for handling of general cargo but with the development of ECT, WCT and WCT 2 the shallower part of JCT will become vacant in time to come.

UCT is redundant already and freed up for conventional cargo. JCT 3 and 4 will have a long life due to its depth and we are looking at the possibility of deepening JCT 1 and 2 further.

Our plans include the provision of deepwater berths at the port of Trincomalee for conventional cargo and the government is keen to shift at least 50% of fertilizer handling to this port gradually.

Vehicle handling is already well established in Hambanthota port which is facilitated to handle significant volumes of cargo. In addition liquid cargo is already being handled in Hambanthota. Raw material handling for Cement is already in progress there.

However the major share of demand for fertilizer is from the Eastern and Northern provinces. Therefore it is difficult to handle fertilizer in Hambanthota due to high transportation costs.

We will anyway take all possible measures to retain majority of the volume in Colombo. Thus the trade would opt for the multiple choices available based on costs and practicality.

This is our plan for conventional cargo. Part of it will take place automatically due to the enhancement development of ship size and the trade; resulting in the berths becoming redundant and part of it is due to design and there will also be a natural flow of traffic to other ports.

In conclusion, Mr. Premachandra stated, "Finally and most importantly I wish to state that I love this job and I am passionate about what I do. In spite of bouquets and brickbats aimed at me I wish to make a lasting change which will benefit our country and her people if I am allowed."

Clarion call to the
shipping industry
towards economic
progress



Maximize
on the
opportunities for

grow



w t h

by Rochelle Palipane Gunaratne



Bank of Ceylon is resilient in issuing a clarion call to the shipping and logistics sector to maximize on the opportunities for growth through the bank's attractive investment portals.

Kanchana Ratwatte, Chairman of the country's prestigious state-owned banking entity- Bank of Ceylon has contributed a wealth of experience towards re calibrating the bank to conquer the challenges faced during this global pandemic.

With experience in the telecommunications industry as the Director General of Telecommunications, experience in Shipping as the Chairman of the Ceylon Shipping Corporation and experience in standardization as the Chairman of the Sri Lanka Standards Institution, and with over twenty years in the IT field with the private sector and a reputed Lawyer, Chairman Ratwatte contributes professionalism and a wide comprehension of what is required to ensure customer satisfaction and consistent progress for the nation through the Bank's journey towards consolidation.

BOC is seen as a panacea for many economic ills in the wake of the pandemic and its aftermath. What is your opinion?

Before I respond to the pandemic situation let me first draw your attention to the general economic situation that prevailed at the time; a new President was elected to office in 2019. It was an economy that had been battered by the devastating effects of the Easter bombing with the tourism industry reeling and all related industries being affected. Even without the effects of the sordid events general interest rates which had been single digit in the year 2014 had shot up to 15 or 16 % by 2019. There was a VAT of 15%. There were other taxes such as NBT and WHT. With all these high costs most enterprises were in great difficulty. It was in this backdrop that the GOSL intervened in offering a moratorium and also introducing a low tax regime with VAT being brought down to 8 %. Certain other taxes were removed altogether. We also saw a gradual reduction of interest rates which was reduced to single digits. Here was the platform that had been set by the Government to give a thrust and a turbo boost to the economy.

It was in this scenario that the World Health Organization (WHO) declared a state of pandemic in the first quarter of 2020. The Government of Sri Lanka was prompt in reacting to the situation by imposing a lockdown in the country. Despite the fact that this was an unprecedented situation, the nation prevailed through it. There were 11 deaths reported during the initial wave which was solely due to the aggravated stages of Covid-19 and not for the lack of food or for the want of better medical facilities or economic upheaval. The essential services pertaining to agriculture, finance, exports and logistics prevailed within the government directives.

As far as the banking sector was concerned, certain innovative measures had to be adopted to deal with the unfolding situation. The Central Bank of Sri Lanka (CBSL) and the Government of Sri Lanka through the intervention of the Treasury made timely decisions in order to enable the entrepreneurs to overcome the challenges that they were faced with.

It was in this context that a second and third moratorium were introduced by the Central Bank in the month of March until September 2020 with a further extension till March 2021. As per the features of the moratorium we were in a position to assist about 220,000 customers from various enterprises. While this resulted in the immediate negative impact of LKR six billion on our balance sheet it also resulted in all sectors keeping at bay the impact of the pandemic to a considerable extent.

The other significant feature that was introduced by the CBSL was the Saubagya Loan Scheme where loans were offered at a previously unheard of rate of merely 4% as working capital.

While the entire component of money disbursed by CBSL was LKR150 billion, BOC accounted for LKR 40 billion which was proportionately disbursed among the enterprises to rejuvenate the economy.

In your opinion is SL on the road to recovery?

Taking into consideration the various sectors; for instance in agriculture we are expecting a bumper harvest due to the adequate rain received. The export sector bounced back by 60-70 percent despite travel restrictions and limited buying power as the sector was flexible enough to adapt and evolve to suit the growing demands of the new normal. For instance the winter collection for 2020 planned by the garment sector transitioned towards the supplying of PPE kits which showed a surge in demand. Tourism had already been severely impacted by the Easter bombings during the preceding year and continued to plummet due to the lockdown. Yet despite that, we had over 3000 tourists visiting the country in 2020 and we were harnessing the available resources to cater to more arrivals in future until this new wave hit the entire world by surprise. The food and essential items were made available during the lockdown as essential imports were not hampered by the unprecedented situation. Additionally, many niche categories were identified and developed which resulted in an influx of SMEs and other entrepreneurs flourishing on a mass scale. People from all strata of society were compelled to make rapid transformations to the digital era almost overnight.

What were some of the loan schemes that were introduced by BOC?

The bank introduced a beneficial loan scheme; mainly targeting the SME sector.

The 'Divi Udana' which means the birth of life loan scheme is another agglomeration of 24 types of loans ranging from 8.5 percent to the lower end of six to four percent re-finance schemes. The lesser interest rates are mainly focused on deserving segments of entrepreneurs, such as women entrepreneurs, small borrowers or those from difficult areas and even special rates for environmentally friendly projects. Even 8.5 percent is a significant reduction in interest rates from 2019, which was about 15-16 percent as mentioned earlier. Initially the 8.5 percent loan was offered to the fisheries sector in a phased out scheme which commenced in Matara in order to upgrade the fisheries industry. LKR ten billion has been disbursed among a customer base of over 39,000 with more promotions and engagements underway to promulgate this scheme. We have significantly disbursed

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loans apart from the fisheries sector, to the agriculture sector, dairy sector and many more areas which was mainly focused on creating food security in these crucial times.

The advent of the annual 'Maha' season brings with it an additional crisis faced by the government which is inadequate storage facilities. While the produce during the 'Yala' season is often only one third of the crop, the balance 2/3 comes in Maha. Therefore in order to create a balance and food security the Pledge Loan Scheme enables a person who owns a storage facility to make it available for inspection, hand over the keys, source 25 percent funding while the Bank provides 75 percent of the funds in order to purchase the grain items for storage. This is accessible for paddy and maize and many more grains produced locally.

BOC has already funded 15-20 billion rupees worth of food storage during the Maha season. What we aim to achieve is the enhancement of the capacity to store over a longer period in order to ensure that the farm gate price increases and the farmer gets his due and is motivated to engage in agriculture which is a vision of the current government. Another focus area of the BOC's loan schemes covers the dairy and poultry sectors in which low interest loans are offered to entrepreneurs. The bank follows a two pronged approach in which the beneficiary farmer communities and the regional bank staff are addressed through seminars and workshops conducted by the senior management island wide.

The 150 year old history of tea is a legacy left behind by the British which brings significant foreign revenue to Sri Lanka. With over 500,000 estate workers and other stakeholders such as transport, shipping, warehousing and their families which amounts to over three million people who directly and indirectly benefit from the tea trade, therefore we need to maximize on the current global demand and extend an extensive support.

What has the government envisioned for the Shipping & Logistics trade?

While we have gained world prominence on a 150 year old tea industry that was introduced by our colonial rulers, we are on the cusp of creating our own promising destiny using the plethora of resources we possess as an island nation.

The vision of the GoSL since 2008 had been to create a maritime legacy. Therefore, development of the Colombo Port and Hambantota Port was conducted in stages and phases with over USD three billion being invested till the change of government in 2015.

While our island has been surviving mostly on agriculture based industries and foreign exchange derived from remittances, there is an obvious transition which needs to take place for an island nation which lies in the middle of the Malacca Straits and Suez Canal sea route. The existing Colombo Port is an additional three days of sailing in order to reinforce on medicine, food, refueling and other supplies, which birthed the idea of developing a new port in

Hambantota – a mere nine nautical miles from the sea route incurring lesser sailing time for ships.

The recent accident on the Suez Canal drew the attention of the entire world to the importance and value of shipping assets. Officially declared open in 1869 and nationalized in 1956, the Suez Canal has served as a major multi-faceted, transnational revenue earner. Initially managed by the French, followed by the British and now owned by the Egyptians, the canal provides a revenue of US \$ 15b to their economy.

The GOSL invested large resources for the development of the Colombo Port with the impending addition of ECT and WCT terminals which would provide additional capacity and Hambantota Port. Now, it is time for the private sector to reap the benefits by utilising the large infrastructure that's already in place. The proximity of the international airport to the port in Hambantota is a major advantage that could be exploited.

If the miniscule nation of Hong Kong rose from obscurity to become a major shipping hub which serviced mainland China and continues to be a force to reckon with even though China has opened its own ports, we too can position ourselves to be a force to contend with in the Shipping and Logistics sphere regionally and globally.

In retrospect, we too had our own container line and oil tankers which were competing with global giants as a respected carrier. Unfortunately that is relegated to the annals of our history, yet we need to re-emerge as a force to reckon with. Yes, we do see certain private sector conglomerates foraging into this area in the recent past which is definitely the path to tread.

Why should the stakeholders of the shipping & Logistics industry choose to bank with BOC?

Currently BOC has the most attractive single digit interest rates that are beneficial for all, with the Average Weighted Prime Lending Rate (AWPLR) at 5.6% and we do lend a lesser 1 to 2 percent to our prime customers which is a conducive environment for any industry. Our main focus is to restore the years the metaphorical locust has eaten away and BOC has pledged to extend extensive support needed to do so.

The world trend has continuously evolved with progress being made in leaps and bounds in the maritime industry from invasions to colonizations to the formation of Silk routes, Spice routes and other prominent milestones. Now with China propagating its One Belt One Route (OBOR) vision and the introduction of large carriers, the time is ripe for establishing larger ports for mid sea refueling and other logistical purposes. Hence, the importance of Hambantota, where even two internationally reputed hotel chains already have their imprint in place. The port related industries have not yet materialised at the rate the GOSL expected. We should strive now to expedite private sector investments into this area.

There is unity in diversity as the staff hail from all parts of the island and bring in their unique expertise.

We also need to develop the office spaces, banks, insurance companies and other port related industries to evolve into the Southern Business Hub. Due to its spaciousness, will not be congested as Colombo and its development will receive further infrastructure support from the government. The natural harbor of Trincomalee has also been the cynosure of all eyes; national and international and its development is pivotal for overall development of the maritime industry of SL in the near future.

BOC has a vast island wide network of branches and a strong international representation through our very own subsidiary in London, branches in Male, Hulumale, India and Seychelles. In these difficult times we have been able to increase the remittance market with foreign exchange. As against the previous year, 2020 saw an increase of 15 percent growth in this sector. Foreign remittances reached 2.7 billion USD in 2020 with the BOC component accounting for more than 40 percent of the remittance market of SL. This year the YoY incremental remittance amounts to 10 percent which is a stamp of confidence of the strength of the Bank.

We are vigorous and dynamic as a state bank and would take this opportunity to invite the shipping industry to take advantage of the thirst to lend on the part of BOC with its capacity remaining the highest in the country as the NUMBER ONE bank by far using any parameter.

What are some of the stellar achievements of BOC this year?

As stated above, BOC achieved USD 2.5 billion in foreign remittances which is 40 percent market share during the year and a 15% increase in comparison to the previous year. We have achieved a growth in our loan book of 28 percent for the financial year 2020. Our deposit base has grown by 15 percent from last year to LKR 2.3 trillion. Our asset base has grown to over LKR 3 trillion which is by far the highest by any

entity in this Island. We are also the largest commercial entity with its footprint island wide. Playing a true leadership role, we account for 23 percent of the banking sector assets and leading in loans, advances and deposits by well over the 23 percent market share.

What sort of workplace dynamics have played a key role in revamping BOC to fit into the 21st century?

BOC has encouraged open dialogue and approachability with a customer-centric focus in which the Bank takes the first step towards servicing the requirement of the customer. There is no hubris in being a prestigious state owned institute as the sole desire of its staff amounting to over 8000 island wide is to reach out to the nation and its people- which is evident in the Covid- 19 period and thereafter. The senior and middle management are keenly aware of the issues faced by their regional customers due to the close interaction and the rapport built. This has generated a positive impact as customers are more loyal towards the bank due to the support rendered during adversity.

There is unity in diversity as the staff hail from all parts of the island and bring in their unique expertise. Each of them contribute towards a stronger bonding and upliftment of the institution and the nation, which resonates in their commitment, engagement and involvement in their roles as it exceeds a mere occupation and can be defined as a vocation. With such a divergent associated with cultural, religious and ethnic beliefs a balance and mutual respect is prevalent in the staff who display excessive compassion and a willingness to support customers at any given time.

BOC has a broader vision and mission which is intertwined with the vision of the present Government, HE the President and Prime Minister to ensure the enhancement of the local industry. This was prevalent prior to the pandemic as greater focus was channeled to the introduction of technology, local entrepreneurship and the introduction of Sri Lankan brand names.

What expertise and experience have you brought to this prestigious establishment?

Although I am a relative newcomer to the banking industry, my involvement and experience in various capacities in the public sector has been fruitful in enhancing my current posting as it gives me an overall understanding of a vast caliber of customers and their unique requirements. It has also been vital in steering this prestigious establishment in accomplishing the vision of a nation at a time the global community is trying to grapple with the most difficult crisis. We are resilient in these difficult times and have stood by our loyal customers.



Sri Lanka's Post-COVID-19
Recovery:

THE NEED FOR INCLUSIVE ECONOMIC GROWTH

Wimal Nanayakkara

Wimal Nanayakkara is a Senior Visiting Fellow of the IPS with research interests in poverty, and is a specialist in Sampling. He was previously engaged at the Department of Census and Statistics, where he functioned as the Director General for 12 years. Wimal received his BSc in Mathematics and Physics from the University of Peradeniya and holds a Postgraduate Diploma in Applied Statistics from the University of Reading, UK. (Talk to Wimal - wimal@ips.lk)



'Talking Economics', the blog of the Institute of Policy Studies of Sri Lanka (IPS)

High levels of inequality impede sustainable growth and development of a country. Sri Lanka made impressive strides to reach an upper middle-income country (UMIC) status in July 2019, only to slip back a year later. The COVID-19 crisis, amid growing inequities, is likely to make the task of regaining UMIC status even harder.

The present health pandemic is exerting significant adverse impacts across many sectors of the Sri Lankan economy. In particular, economic activities related to tourism and travel and associated activities of hotels and restaurants are struggling. So too are apparel exporters, small/medium-scale enterprises, and construction related activities. Many of these economic activities are dominated by the self-employed and daily wage earners. COVID-19 in particular has been especially harsh on the poor, running the risk of widening existing socio-economic inequalities. Indeed, any further increase in income inequality, which is already high in Sri Lanka (Figure 1) could lead to social unrest.

This blog highlights the main sectors and social groups that are adversely affected, and explains the need for inclusive economic growth (IEG) post-

COVID-19 for Sri Lanka to emerge as a peaceful and developed country.

UMIC Status in 2019

Although Sri Lanka achieved UMIC status in July 2019 based on its gross national income (GNI) of USD 4060 per capita in 2018, the country was at the lower end of the threshold for UMICs. As predicted in an earlier blog, Sri Lanka slipped back to a lower-middle income country (LMIC) in July 2020. This was due to (1) the revision of the threshold for UMICs by the World Bank in 2020 and (2) Sri Lanka's poor economic performance in 2019.

A number of facts showed that Sri Lanka was not ready for UMIC status in 2019, such as declining gross domestic product (GDP) growth rates and relatively high levels of inequality. Sri Lanka's GDP had been declining from 5% in 2015 to 3.2% in 2018 and to just 2.6%, after the terror attacks in April 2019, and the country's GNI dropped to USD 4020 per capita in 2019, pushing it back to LMIC status.

Although Sri Lanka managed to bring down poverty to a satisfactory level as

per its national poverty headcount ratio, according to UMIC standards, more than 40% of the country's population would be in poverty. This is based on USD 5.50 per person a day, the global poverty line for UMICs.

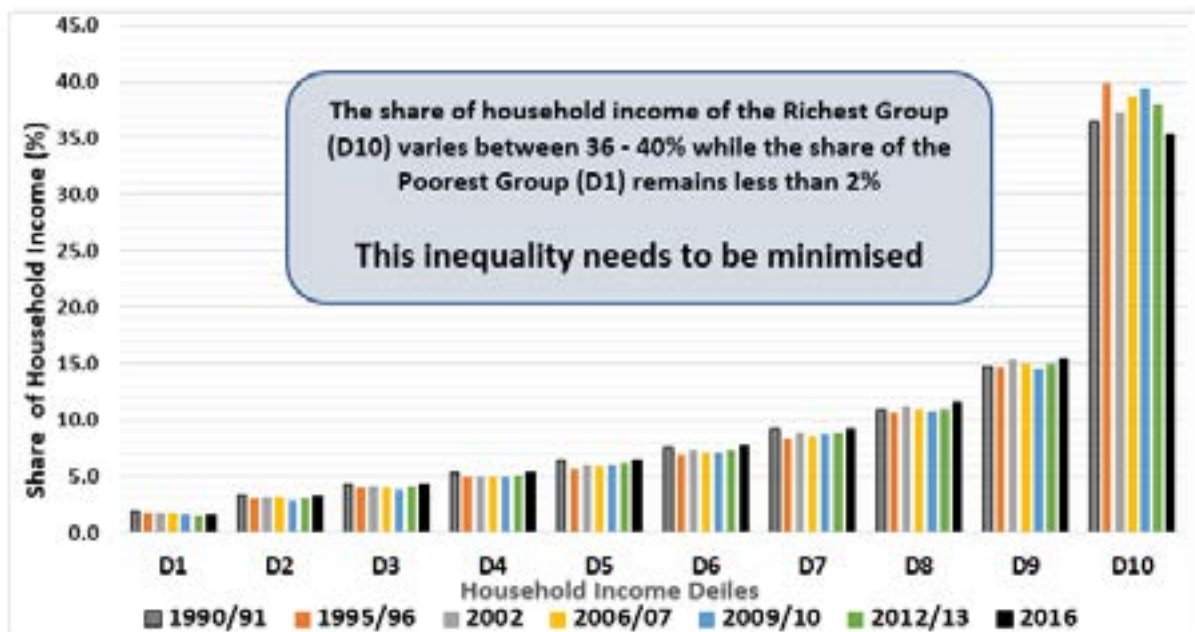
Another major issue is persistently high income inequality. When such a large proportion of the country's population is in poverty, with high income inequality, is it possible to consider Sri Lanka a UMIC? The policies implemented thus far have failed to reduce the gap between rich and poor. This gap could further widen due to the adverse effects of COVID-19, which impacts the poor disproportionately.

Setbacks and Opportunities

Following are some of the key sectors of the economy affected by COVID-19 which were earning much needed foreign exchange for the country.

Tourism: When the sector was gradually recovering after the April 2019 Easter Attacks, COVID-19 struck the country in March 2020 bringing the tourist arrivals to zero thereby affecting

Figure 1 - Share of Total Household Income by Household Income Deciles – 1990/91 to 2016



Source: Prepared by the Author based on Household Income and Expenditure Surveys (1990/91 to 2016), Department of Census and Statistics.



For Sri Lanka to emerge as a peaceful and developed country, economic growth needs to be inclusive, though it is a significant challenge.

the livelihoods of more than 400,000 Sri Lankans who directly depend on the industry. The number of those indirectly affected could be as high as 1.5 million.

Migrant Workers: By mid-October 2020, over 54,000 migrant workers had returned and around 43,000 were still awaiting repatriation. However, there is an increase of 3.9% in worker remittances from January to November 2020 (USD 6.291 million), compared to the same period in 2019 (USD 6052 million). Encouragingly and defying expectations, remittances hit a historic high of USD 813 million for December 2020 reflecting a 22.2% year-on-year growth compared to December 2019. Therefore, the main concerns related

to this sector at present would be the reintegration of the returnees and survival of the families who depend on remittances from their loved ones.

Exports: Due to the combined efforts of the government and the exporters, the overall export earnings which declined from USD 966 million in February 2020 to USD 282.3 million in April, managed to make a 'V' shaped recovery reaching USD 1.09 billion by July 2020 and then to remain around USD 1 billion until September 2020. Unfortunately, the second wave of COVID-19 has pushed export earning down to USD 848 million in October and then to 819 million in November. The EDB's revised target for 2020 is USD 13.4 billion, out of which 88.5% was achieved by November.

The remarkable performance in the export sector up to September 2020 clearly shows that possibilities exist for Sri Lanka to recover and move forward with new thinking, efficient planning, swift action and collaboration between public and private sector agencies. It is noteworthy that the government has given the highest priority to develop this sector which would create employment and economic opportunities at all levels, while earning much needed foreign exchange, at this difficult juncture.

Inclusive Economic Growth

For Sri Lanka to emerge as a peaceful and developed country, economic growth needs to be inclusive, though it is a significant challenge. Thus, any strategy for post-COVID-19 recovery should ensure IEG that would create economic and employment opportunities for all, including especially the poor and the vulnerable. For Sri Lanka's persistent high income inequality to be bridged, the following categories of persons require special attention: (1) self-employed; (2) daily wage earners; (3) returning migrant workers and their families; (4) tourism sector workers (5) socio-economic groups with a high incidence of poverty and (6) all others whose livelihoods have been hit.

Pro-poor and inclusive growth strategies should also include:

- (1) coordinated and targetted social safety nets;
- (2) equitable, quality education and skills development;
- (3) agricultural sector development, including modernisation and guidance to increase productivity; ethical marketing facilities; and minimising post-harvest wastage; and
- (4) increased female labour force participation, by creating decent employment opportunities closer to where they live, permitting working from home, flexible working hours, etc.



Working Remotely in the Age
of COVID:

WHO IS LEFT BEHIND?



By Nisha Arunatilake and Chamini Thilanka

Articles written by two or more researchers at the IPS are featured under this section. IPS researchers are assigned to specific research units, but often work across units in cross-cutting thematic areas.

'Talking Economics', the blog of the Institute of Policy Studies of Sri Lanka (IPS)

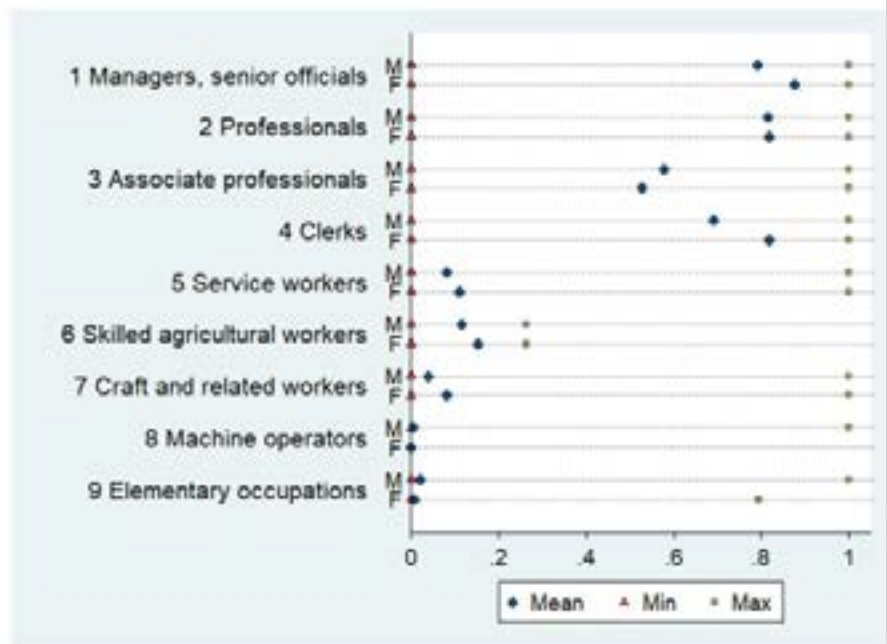
the labour force participation rate decreased from 51.1% to 50.2% and the unemployment rate increased from 4.6% to 5.4% from second quarter (2Q) 2018 to 2Q 2020.

The COVID-19 pandemic which was first reported in Sri Lanka in January 2020 has distressed the country's labour market. According to the Department of Census and Statistics, with the onset of the pandemic, the labour force participation has decreased and the unemployment rate has increased, indicating reduced job openings. For example, the labour force participation rate decreased from 51.1% to 50.2% and the unemployment rate increased from 4.6% to 5.4% from second quarter (2Q) 2018 to 2Q 2020. This is partly due to the measures taken since mid-March to contain the spread of COVID-19 through curfews and lockdowns.

To continue economic activities under such constraints, the Sri Lankan government advised full or partial work from home (WFH) policies. For many businesses and workers, WFH practices are a new experience. Further, not all workers are able to effectively carry out WFH (Saltiel, 2020). The practicality of WFH depends on three main factors. One, the nature of the work and the possibility of conducting job-related activities from home. Two, the capability of the management and workers to adapt to WFH. Lastly, the availability of information and communications technology (ICT) infrastructure and access to the internet for both the workers and businesses.

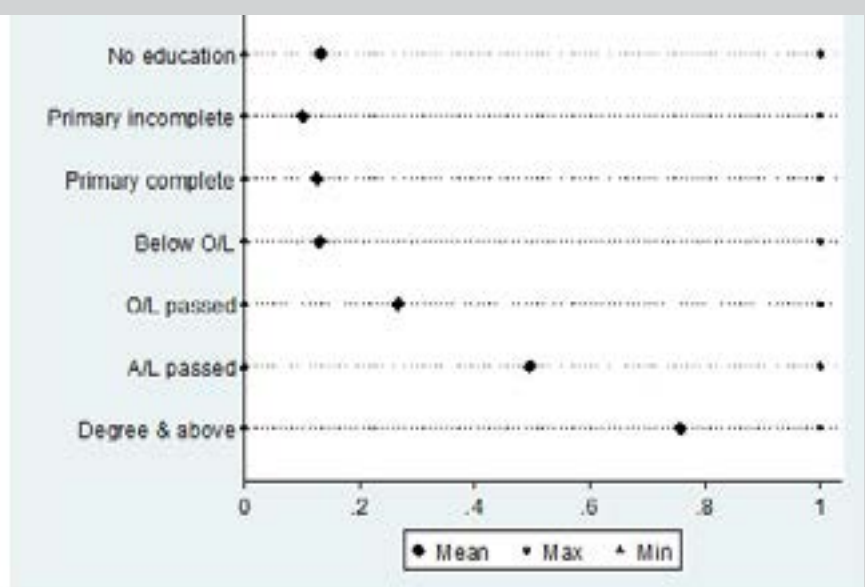
Better information on the types of workers who are able to continue to carry out their tasks from home can

Figure 1. Plausibility to work from home by major occupation category



Source: Authors' calculations

Note: M-Male; F-Female



Source: Authors' calculations

the plausibility to work from home is more for females than for males. This is possible due to the fact that women choose desk jobs.

help the government to design policies to reduce disruptions to economic activities. This blog examines the plausibility to WFH for different types of workers in Sri Lanka.

COVID-19 and the 'new normal'

Labour market disruptions induced by COVID-19 is not unique to Sri Lanka. According to the International Labour Organization (2020), around 68% of the total workforce, including 81% of employers, live in countries with recommended or required workplace closures. As per ILO estimates, just 18% of workers have occupations suitable for WFH and reside in countries with the infrastructure necessary to enable this practice. These statistics indicate that the numbers of occupations that are affected or minimally affected by social distancing measures are large, while the majority of occupations cannot be performed from home.

According to Dingel and Neiman (2020) and Mongey and Weinberg (2020), even in advanced countries with very good ICT infrastructure coverage such as the United States, only 37% of jobs can

practically be performed entirely at home, although there are substantial differences across cities and industries. Besides, a country-specific result indicates that countries with lower income levels are less likely to adapt to WFH mode, resulting in a lower share of jobs that can be performed at home.

In an attempt to assess the plausibility to WFH, Dingel and Neiman (2020) classified occupations based on information gathered from surveys. The plausibility factor was determined based on the physical and social factors that influence the nature of work (e.g., frequency of using e-mails, frequency of job related out-door activities, etc.) as well as tasks performed at work (e.g., handling vehicles, controlling machines, working directly with public, etc.). By mapping the plausibility to WFH shares compiled by Dingel and Neiman (2020) to Sri Lanka's Labour Force Survey data, it is possible to assign plausibility to WFH shares to occupations in the country.

The ability to WFH varies between 0 and 1, where 0 indicates occupations that cannot be done from home at all, while 1 indicates occupations that can entirely be done from home. Occupations that can be partially done from home are indicated by a number between 0 and 1, where a number closer to one indicates an occupation that can mostly be done from home, while a number closer to zero indicate an occupation which can minimally be done at home.

The results show that on average (see mean values of Figure 1), the ability to WFH vary widely across occupational groups. Further, the plausibility to work from home is more for females than for males. This is possible due to the fact that women choose desk jobs. The data also clearly shows that workers in occupation groups requiring low skill levels are less able to WFH, while workers in high-skilled occupation groups are more able to WFH. However, other than for workers in skilled agriculture, at least some workers in all other occupation categories can work remotely.

Figure 2 shows how plausibility to WFH vary by skill level. As seen, workers with at least a degree are most able

to WFH. While the plausibility to WFH decreases for workers with lower levels of education.

The above analysis illustrates the plausibility to WFH for different types of workers in Sri Lanka. However, the actual number of workers who can WFH will not only depend on the work context and the nature of the job, it will also depend on the ability of the management to organise work so workers are able to WFH as well as their access to ICT infrastructure.

Way Forward

The government can improve WFH activities by supporting firms to organise WFH, and by improving access to WFH. As mentioned earlier, the nature of work and job-related activities only provides the plausibility of workers to WFH. For workers to actually WFH, managers of institutions must facilitate this by organising online reporting and monitoring mechanisms. Given that the concept of offsite work is new to Sri Lanka, not all managers will have the knowledge to facilitate WFH opportunities for their workers. The government can design policies to support such institutions.

The results also suggest that facilitating WFH may be a way to increase female labour force participation, as they have a higher likelihood of WFH. Further, access to ICT infrastructure and fast connectivity are essential to effectively WFH. Reducing gender inequalities in access to ICT can also improve economic activities under WFH, and increase female labour force participation. Moreover, policies to improve the coverage of good quality ICT infrastructure can also increase the effectiveness of WFH.

Meanwhile, given the nature of employment, workers in some occupations will find it challenging to WFH, and alternative strategies must be used to keep these workers active. Some examples of such strategies include working under strict social distancing measures and providing better protective gear to mitigate health risks.



Rubber

**RISEING ABOVE
GLOBAL
CHALLENGES
THROUGH
its FLEXIBLE
APPROACH**

compiled by Rochelle Palipane Gunaratne

Sri Lanka Export Statistics Information Technology Division /Sri Lanka Export Development Board Value in US\$ - US Dollars Millions

Code	Description	2016	
		Quantity	Value
S.020302	Pneumatic & Retreated Rubber Tyres & Tubes	36,461,536 No	479.46
S.020303	Industrial & Surgical Gloves of Rubber	29,333,725 Kg	175.95
S.020304	Gaskets, Washers, Seals etc. of Hard Rubber	28,189,724 Kg	88.4
S.020301	Rubber Plates, Sheets Rods of Vulcanized or Unhardened Rubber	6,874,338 Kg	21.63
S.020399	Other Rubber Products	2,353,383 Kg	1.01
S.020305	Hygienic or Pharmaceutical Articles	297,785 Kg	1.42
Total :			767.88

Sri Lanka Export Statistics Information Technology Division /Sri Lanka Export Development Board Value in US\$ - US Dollars Millions

Code	Description	2016		2017	
		Quantity	Value	Quantity	Value
S.020104	Crepe Rubber	12,015,068 Kg	25.74	9,039,439 Kg	22.53
S.020102	Sheet Rubber	1,629,697 Kg	2.66	2,940,430 Kg	6.13
S.020101	Latex Rubber	1,107,377 Kg	1.74	4,086,137 Kg	7.58
S.020103	Technically Specified Rubber	1,125,335 Kg	1.75	889,360 Kg	1.83
S.020199	Other Natural Rubber	273,994 Kg	0.72	265,550 Kg	0.8
S.020105	Block Rubber	15,123 Kg	0.08	9,431 Kg	0.06
Total :			32.68		38.93

Rubber or Hevea Brasiliensis in the scientific nomenclature is an eco-friendly tree. The discovery of rubber trees is attributed to the ancient tribes in South America known as the Aztecs, Mayans and Olmecs. They were known to have used the latex sap to carve rubber balls which were then used to waterproof clothes and create shoes. In 1525, Padre d' Anghieria reported that he had seen Mexican tribesmen playing with elastic balls. The first scientific study of rubber was undertaken by Charles de la Condamine, when he encountered it during his trip to Peru in 1735. A French engineer that Condamine met in Guiana, Fresnau studied rubber on its home ground, reaching the conclusion that this was nothing more than a "type of condensed resinous oil". The first use for rubber was an eraser. It was Magellan, a descendent of the famous Portuguese navigator, who suggested this use.

In 1876, the British smuggled out rubber-tree seeds from Amazonia to the Botanical Gardens in London. Through grafting, they developed more resistant varieties that were later sent to the Colonies in Asia where

massive rubber plantations were established, particularly in Malaysia, Ceylon and Singapore. Though a few Ceylon estates invested in large acreages of rubber-trees in bearing, it is with surprise that one realises how keenly and thoroughly the methods of collecting, purifying coagulating, drying smoking, and other forms of preparation were practiced in the island.

Through the years, Sri Lanka has established herself as a leading global sourcing destination for natural rubber and rubber-based products since the first seeds of rubber were planted in the island nearly 150 years ago. Rubber plantations were established in Sri Lanka, then Ceylon by the British for extracting latex for the manufacture of raw rubber grades namely, Ribbed Smoked Sheets (RSS) and latex crepe – the starting materials for the manufacture of moulded products such as tyres.

Amanda Weerasinghe, Mananging Director of Almar Trading Company (PTE) Ltd., a leading exporter of natural rubber in Sri Lanka and Chairman of Colombo Rubber Traders Association,

the apex body of rubber in the country, relates the trade's resilience in facing the adverse effects of the pandemic and its future prospects as an industry that has taken the world by storm since its first sapling took root in the paradise isle.

What is the prime grade of rubber in sri lanka?

Our prime grade of rubber is the PRIDE of SRI LANKA which is Thick Pale crepe 1X, which is the purest of all natural rubber grades, with very superior properties, produced solely in Sri Lanka.

We also specialize in Sole Crepe, Especially in Honey Sole crepe. We are approved shippers of RSS and crepe to many reputed manufactures globally.

What are some of the destinations

2017		2018		2019		2020	
Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
39,527,063 No	513.49	36,561,196 No	548.58	31,850,853 No	514.75	30,193,776 No	423.79
30,913,793 Kg	197.92	29,776,473 Kg	187.59	32,060,804 Kg	207.06	34,497,799 Kg	248.05
32,088,354 Kg	98.67	35,124,307 Kg	112.59	37,770,403 Kg	117.56	28,158,968 Kg	91.23
6,644,270 Kg	22.54	7,443,058 Kg	24.58	7,523,521 Kg	24.42	5,884,378 Kg	21.12
3,008,530 Kg	1.76	3,286,636 Kg	1.12	4,169,239 Kg	1.2	3,258,489 Kg	1.07
224,799 Kg	1.02	173,617 Kg	0.85	183,832 Kg	1.12	164,679 Kg	0.82
	835.41		875.31		866.11		786.08

2018		2019		2020	
Quantity	Value	Quantity	Value	Quantity	Value
10,054,872 Kg	24.22	8,544,789 Kg	16.27	7,016,072 Kg	15.42
1,367,532 Kg	2.29	2,106,335 Kg	3.32	4,318,450 Kg	7.15
1,600,149 Kg	2.48	959,166 Kg	1.24	2,895,691 Kg	3.98
526,975 Kg	1.29	816,025 Kg	1.55	980,344 Kg	1.84
404,751 Kg	1.22	509,857 Kg	1.62	394,832 Kg	1.27
27,285 Kg	0.09	66,627 Kg	0.19	160,493 Kg	0.43
	31.6		24.2		30.1

rubber is exported to?

We export rubber to many destinations, such as Japan, USA, Japan, India, Pakistan, Turkey, Germany, China, Italy, Spain, UK, Brazil, South Africa to name a few.

What are the main areas related to rubber?

Marketing, Production and Value addition.

In retrospect

Rubber production in Sri Lanka commenced in 1876, with the planting of 1,919 rubber seedlings at the Henarathgoda Botanical Gardens in Gampaha. The total extent under rubber in 1890 was around 150 ha and in the early 1900s it increased to around

10,000 ha. By 1982 the total extent under rubber was around 180,000 ha and the total annual production was 125 million kilogram. However, the total extent under rubber declined subsequently and at present it is around 120,000 ha. Rubber contributes about 0.6% of the total GDP. According to figures published in 2018 by the Rubber Research Institute of Sri Lanka, producing 82.6 million kg in 2018.

In the light of the recent pandemic was the local industry adversely affected?

Initially we were all perplexed with the lockdown which was imposed suddenly but all stakeholders were summoned to Temple Trees for a meeting chaired by the former Minister, Basil Rajapaksha who heard our grievances; one of which

being the urgent requirement centered on the Rubber Auctions which unlike the Tea auctions were conducted twice weekly at a central location with 20-30 buyers visually grading around 500 samples. The samples are not sent beforehand, therefore the buyers have to be present in person. Therefore a decision was made to conduct the auction once a week and for broker's representatives to adorn PPE kits which was a first, while adhering strictly to government directives. This timely decision stood in good stead for the industry to forge ahead amid the pandemic as the export of rubber was classified as an essential service.

This initiative strengthened our resolve and the industry geared up by securing the necessary permits and mobilizing the staff and other stake holders with immediate effect.

Production wise there was minimum impact as in the area of tapping only five percent was totally disrupted. When comparing 2019 versus 2020, the industry as a whole is a notch higher in terms of yield.

This is largely attributed to the weather and the adoption of innovative tapping

methods.

The industry's flexible (pun intended) approach was also instrumental in rising amid the crisis.

Statistically speaking how did we perform?

In terms of statistics, we have earned

786 million dollars in 2020 and 2021 looks equally good when comparing the 1st quarter of 2020 and the 1st quarter of 2021. Pneumatic & Solid Rubber Tyres & Tubes, Gaskets, Washers, Seals made from dry rubber is part of this component.

Liquid rubber products such as Surgical Gloves, and Examination gloves used in the pharmaceutical industry and Industrial Gloves is the balance part of the export component which falls into the value added market amounted to 34,497,799 Kg and that is on an upward

trend due to the surging demand worldwide. Therefore, the pandemic has boosted the industry.

The export performance in natural rubber (NR) quantities also shows an increase in figures amounting to USD 30m in 2020 in Crepe Rubber, Sheet Rubber, Latex Rubber, Technically Specified Rubber, Other Natural Rubber and Block Rubber which is an USD6m increase in comparison to the 2019 export performance which was USD 24m.



What are the benefits of this industry and the plant per se?

At present the industry benefits around 300,000 individuals from plantation workers to the exporters in total and Industry-wise it is one of three main exports, making it a force to contend with.

The rubber tree is environmentally friendly and beneficial in many aspects; as a renewable timber used as firewood or strong enough for furniture. In plantations it is beneficial for the soil as it retains moisture in the soil and is easier to sustain with replanting occurring every 30 years.

What are some of challenges faced currently?

The importing of chemicals for the sustainability of the industry has been hampered due to the ban imposed added to the restrictions on certain items that are required for pallets and packaging are some challenges faced by the industry during the recent past.


What are the future prospects?

The future for the rubber industry of SL looks surprisingly promising as the global demand is on the rise as the

pandemic has served as a blessing in disguise for the industry. Locally, the government has taken measures to increase the extent of land allocated to rubber. With the ban imposed on palm oil, the palm oil plantations are to be converted to rubber plantations.

Going for the billion dollar goal

In a bid to boost exports, the Central bank challenge for the rubber industry of achieving one billion dollars is spurred on by the rise in rubber prices and other factors such as the global demand which makes the goal achievable.



Brought to the isle by the British, the rubber tree took root and spiraled into a massive industry earning its place amid the three main exports of the island.

A rich heritage

The Colombo Rubber Trader's Association is a historically rich 100 year old entity which had its beginnings in the Rubber Committee of the Ceylon Chamber of Commerce which had looked after the interests of the Rubber Trade since 1891. Noticing the need for a separate body to look into the interests of the Rubber Industry, a meeting was held on the 27th of November 1918 when the Colombo Rubber Traders' Association was formally inaugurated. The members at this meeting were well known in the business circles of Colombo such as M/s. Hayley, Durrent, Mackwood, Oldfield, Henry De Mel, John Y Tarbat. The British Government knighted the last two gentlemen. The first Chairman of the CRTA was Mr. J. Lochore of Carson & Co. Ltd. The Committee initially had nominees from the sellers and buyers. The Brokers joined the committee thereafter.

The representatives on the CRTA were exclusively European till Mr. S. T. L. De Soysa from C W Mackie & Co. Ltd became the buyer representative on

the CRTA Committee in 1945. The first rubber sale was held on 4th of November 1910 before the formation of the CRTA. The war years saw the rubber auction being suspended. The first crepe auction after the war years was held on 2nd June 1950. The first sheet auction was held on the 30th of April 1981, after the termination of the Rubber/Rice pact with the Peoples Republic of China. The First sale of latex by Auction was held on the 24th of January 1997.

Its Mission is to 'To be the Premier Forum for Rubber Objectives To facilitate efficient and transparent trade between sellers, producers, buyers, exporters & dealers

To assist the growth and sustainability of the Rubber Industry in Sri Lanka.

To assist growth of value addition in the Industry by promoting Rubber based products manufacturing and to support the Industry efforts in moving up the value chain to become closer to consumers.

Promote co-operation among all sectors of the Industry through

clustering to create a Synergistic and dynamic Rubber industry.

To assist innovation, investments and productivity enhancements across the Industry.

To promote Sri Lanka's Rubber and Rubber products in global markets.

To effectively address major issues that affects the Rubber Industry.

To create and lead the Private-Public dialogue relevant to the Rubber Industry Initiatives.

To create and nurture new and productive relationships to harness support for the Rubber Industry.

To play the role of good Corporate citizens by promoting sound environmental norms, business ethics and fair social practices.

To safeguard and promote the common interest of members by taking prompt, legitimate and effective action to satisfy their business and professional needs.

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Nilushi
**RAISES THE
BAR IN
MINNESOTA**

By Rochelle Palipane Gunaratne



It is indeed a cause for pride for Mother Lanka when one of her own daughter's achieves recognition. Nilushi Ranaweera, having gained prominence as an Assistant Attorney General in the state of Minnesota, USA has indeed made her Motherland proud and her story is inspirational.

Give us a glimpse of your childhood?

I led an idyllic life in Batapotha, Madelgamuwa in Gampaha with my parents, retired Labour Commissioner Sarath Ranaweera and retired Teacher, Indrani Ranaweera and two older sisters, Vidushi and Mahishi. I studied at Holy Cross College, Gampaha. Being the youngest in the family was an added advantage as my parents did not burden me with many chores or expectations.

In retrospect, what was your childhood ambition?

I did not have grandiose ambitions for myself. I used to watch the ladies who were employed in the adjacent cashew factory walk by our home with much gaiety and laughter and aspire to be like them, as in my view they seemed so carefree.

What altered the course of your life and aspired you to

achieve more?

It was a word of encouragement and the belief that a complete stranger, Manjula Sandirigama had in me that changed my perspective about myself, instilling an ambition that seemed unattainable. When I was eleven we attended a wedding and Manjula asked me what my ambition was and I in my naiveté informed him about wanting to work at a cashew factory to which he responded in shock and disbelief and told me that I can study hard and give myself more options in life instead of settling for something less than my potential. Those words were like seeds that were planted in my heart and mind as I could not fathom the vision a stranger could have for me, it was an epiphany and thus began a life-long bond and a correspondence in which he, like an elder brother and mentor would always encourage me to pursue a career and dedicate myself to my studies.

In retrospect, I understand that encouragement and motivation is like honey to the soul. Most often we see the negative effects criticism or non-encouragement can do to a child. Therefore it is necessary for parents

and teachers to spur a child's ability to dream bigger.

Thereafter, it felt like my way was illumined by some magical aura which compelled me to strive for the best. My Ordinary Level examination and Advance Level examination results were astounding to all who knew me and I was able to choose my career path and obtained my degree from the Colombo University in 2005.

Were there moments when you felt like quitting?

One was a feeling of disillusionment which almost stopped me from pursuing my career in a field I had chosen, which was Law – The first few days I started interning for a prominent lawyer in Sri Lanka and accompanying him to court was disheartening as I saw how callously people were treated. I vowed not to be part of such a profession and I opted to do Accountancy instead.



***DREAM BIG AND
WORK HARD
– COMPETE
WITH YOU NOT
WITH OTHERS.
CHALLENGE YOU
NOT OTHERS. BE
HUMBLE ALL THE
TIME!***

***What made you
revive your career
aspirations for your
present profession?***

After marriage, my husband, Eranda Liyanapathirana and I migrated to USA and thereafter we became proud parents of two children, Akane and Krishan. Life was proceeding as usual but with time I felt a stirring in my soul to my affinity towards Law which had come to a grinding halt but I could not forego my familial responsibilities.

It was at this crucial juncture that my mother-in-law stepped in to take care of the children when I needed extra help in order to resume my studies and follow my dream to become a Lawyer. I felt that I needed to accomplish what had laid dormant for years especially to help those in need of a voice.

Subsequently, I entered Hamline University in Minnesota State in 2006 to read for my B.A. degree in Law and won the postgraduate degree in Law from Mitchell Hamline School of Law, located in St. Paul, Minnesota in 2016. Thereafter, I furthered my studies under the supervision of a government judge and was appointed as Assistant



Attorney General on August 23, 2019, in Minnesota State.

How challenging was it to pursue your goals the second time around?

Life is challenging, yet we must face the hurdles with a determination to overcome and succeed. Help does come in an unexpected manner and we have to be filled with gratitude for those who are willing to support you. We need to have a dream that benefits society as well as yourself and your family and leaves a strong impression in the world we live in – if not it is futile to merely exist for oneself.

What is the scope of your work?

I am managing our Statewide Expungement Program. We help people to seal their criminal records. Possessing a criminal record in the US makes it hard to find a job, house or good education. Yet, by sealing a

criminal record it helps a person to restore his/ her life. It is a very effective program and this work aligns with what I believe – that everyone deserves a second chance in life.

How best can you describe yourself and what has moulded you into the person you are today?

In a nutshell - I think it is my determination and hard work which brought me to where I am today. I like to challenge myself albeit to push myself out of the comfort zone. Surmise it to say, I believe when you challenge yourself you will realize how strong and how capable you are.

I had to overcome so many life challenges. Until I was about nine or ten years old, I had seizures and was constantly on medication. One of the side-effects of those medications was memory loss. Due to that my parents never pushed me in my studies as they felt that they should put undue pressure

on me but they were constantly worried about me. I am not the smartest but I will certainly work hard towards attaining my goals.

Who has helped you in your astounding journey?

I am grateful to my husband, my children, parents, siblings, Manjula 'aiyya' (brother in the vernacular), who became a constant source of inspiration, uncle Gunasiri Silva and aunt Anoma Liyanapathirana and the former school Principal of Holy Cross College, Gampaha, Rev. Mother Nelly Helen and Saddha Abeysekera and former Principal of the Yashodara Girls School who instilled self-confidence in me.

What is your message to the world?

Dream big and work hard – compete with you not with others. Challenge you not others. Be humble all the time!

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