

# BRIDGE

DECEMBER 2022 | 16TH EDITION

**AN  
EXPERT'S  
VOICE ON  
THE IT/BPM  
LANDSCAPE  
OF SRI  
LANKA:**

44

FEATURING **JEHAN  
PERINPANAYAGAM**

An Interview with the **28**

**GOVERNOR  
OF CENTRAL  
BANK OF  
SRI LANKA**



**DR. P. NANDALAL  
WEERASINGHE**

**LOGISTICS,  
YESTERDAY; SUPPLY  
CHAIN, TODAY; AND  
SUPPLY NETWORK,  
TOMORROW**

38

A discussion with

34

**Mr. Chaminda  
Perera**

**General  
Manager - Cargo  
SriLankan Airlines Ltd.**

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Featured Image: CASA MARITIME CONFERENCE 2022

CEYLON ASSOCIATION  
OF SHIPPING AGENTS  
CONDUCTS ITS

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**BLOODIEST  
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OF ALL  
TIME  
VOC SHIP  
BATAVIA - 1629**

Chandra Godakanda Arachchi.  
Master Mariner, Oil, gas and LNG industry Professional

# CEYLON ASSOCIATION OF SHIPPING AGENTS CONDUCTS ITS

# 56TH

# ANNUAL GENERAL MEETING

Ceylon Association of Shipping Agents (CASA), the voice of the shipping industry and the apex body that represents shipping in Sri Lanka, tracing its roots back to 1944, held its 56th Annual General Meeting on the 9th September 2022 at the Balmoral hall of The Kingsbury Hotel amidst a large and representative gathering of over 500 participants. Minister of Ports, Shipping and Aviation Hon. Nimal Siripala De Silva graced the occasion as the Chief Guest and the Hon. Kanchana Wijesekera, Minister of Power and Energy, Mr. K. D. S. Ruwanchandra, Secretary, Ministry of Ports, Shipping and Aviation, and Mr. Upul Jayatissa, Managing Director, Sri Lanka Ports Authority, attended as Guests of Honour.



Ms Shehara De Silva Group Managing Director of McLaren's Holdings was re-elected for the second consecutive year as the first woman chairperson of CASA for the period 2022/2023 whilst Mr. Shano Sabar, Deputy Managing Director Hayleys Advantis (Pvt) Ltd, and Mr. Janesh Ratnadasa, Executive Vice President Asha Shipping (Pvt) Ltd, were elected Vice Chairman and Treasurer respectively.

The Executive Committee elected for the period 2022/2023 comprises Aitken Spence Shipping (Pvt) Ltd, Ceyline Agencies (Pvt) Ltd, Hemas Maritime (Pvt) Ltd, Inchcape Mackinnon Mackenzie (Pvt) Ltd, Malship (Ceylon) Pvt Ltd, Marine International Agencies (Pvt) Ltd, Penguin Shipping Enterprises (Pvt) Ltd, Setmil United Cargo (Pvt) Ltd and Simatech Marine Lanka (Pvt) Ltd.



The Ceylon Association of Shipping Agents, well known by the acronym CASA, is the voice of the shipping industry of Sri Lanka and has served the industry with unwavering focus and dedication since the association began as the Ceylon Shipping Committee in 1944.

### Young Leader Awards

In addition to the usual proceedings of the AGM a new feature was the CASA young leader awards. The CASA Young Leader awards 2022 was planned, in association with YoungShip, to recognize the high achieving youth within the shipping fraternity who have gone above and beyond their usual realm of duties to achieve excellence. The Young Leader awards are presented under 3 categories, Namely.

- Young Leader in Sales Excellence
- Young Leader in Support service Excellence
- Young Leader in Operational Excellence

Mr Kirk Baldsing from Hapag Lloyd



Lanka Emerged as the winner of the Young Leader in Sales Excellence award while Ms Kanchana Bopitiya from Hapag Lloyd Lanka emerged as the winner of the Young Leader in Support service Excellence award and finally the Young Leader in Operational Excellence. Was won by Mr Prasanna Rathnayake from GAC Sri Lanka.

The eminent panel of judges who oversaw a rigorous selection process consisted of Prof. Indika Sigera, Dr. Sulochana Sigera, Mrs. Gayani De Alwis, Mr. H.D.A.S. Premachandra and Prof. Lalith Edirisinghe.

### Worldlink Shipping Donation

Worldlink Shipping, celebrating their 25th Anniversary and in appreciation of the support given to them by

their customers and the industry stakeholders during these 25years of their remarkable journey, decided to offer, in celebration of this milestone, scholarships to 07 deserving individuals from CASA Member Companies to follow the foundation diploma of the Institute of Chartered Shipbrokers UK through the Sri Lanka Branch.

Ms. Vera Wickramasinghe the Founder & Owner of Worldlink Shipping Colombo (Pvt) Ltd handed over the cheque for the Scholarships to Ms. Shehara De Silva Chairman CASA.

### Token of appreciation to Professor Lalith Edirisinghe.

The "Bridge" magazine has made tremendous progress since launching and is now looked forward to in shipping and trade circles while renowned personalities have been featured in interviews. The value of a magazine depends on the articles it carries and Professor Lalith Edirisinghe and his colleagues, who have been contributing consistently to the bridge magazine with very informative articles for each and every edition since its inception, was recognized by CASA receiving a plaque from Chairman CASA Ms Shehara de Silva.

### Sponsors

We would also like to thank our sponsors of the evening GAC Sri Lanka and Hayleys Advantis the Platinum



Sponsors, Worldlink Shipping and Unifeeder group the Gold Sponsors, Inchcape Mackinon Mackenzie, Aitken Spence Maritime and World Subsea our silver sponsors along with SAGT, CICT, HIPG and Centrum Marine Consultancy all the other sponsors without whom this event wouldn't have been possible.

### Ceylon Association of Shipping Agents

The Ceylon Association of Shipping Agents, well known by the acronym CASA, is the voice of the shipping industry of Sri Lanka and has served the industry with unwavering focus and dedication since the association began as the Ceylon Shipping Committee in 1944.

Its members represent all international shipping lines who call Sri Lankan ports due to its very strategic location in close proximity to the main international shipping lanes.

Members of CASA are involved in vessel agency, husbanding services and act as manning/crewing agents for leading ship owners and managers. CASA members also provide various other services to ship owners/managers in the ports of Sri Lanka and at off port locations.

CASA through its sub committees mentioned below have regular dialogue with stakeholders, government institutions, regulatory bodies and other government and private sector agencies, CASA seeks to effect an interchange of ideas and information, represent and advocate the views of the association in all official fora and shape

the future of the industry by investing in education and training for its members and working with maritime training academies to train seafarers.

- Container Operations – Mainline and Feeder Operators
- BreakBulk, Bulk, Tankers, Casual Callers and Bunkering
- Documentation and Information Technology
- Education and Training
- Public relations and Publicity
- Maritime Security Services
- Finance and Tariff
- Membership Activities
- Crew Management, Manning and Training.

# CASA MARITIME CONFERENCE 2022 NEW TECHNOLOGY IN GREEN SHIPPING



Ms Shehara De Silva Chairman CASA lighting the digital oil Lamp



CASA Exco Present at the Maritime conference 2022



CASA Exco Present at the Maritime conference 2022



1st Session Panel discussion

The CASA Maritime Conference 2022 was held on the 6th of October 2022 at the Grand Ballroom – Hotel Galadari focusing on the theme “New technology in green shipping” celebrating World Maritime Day 2022 which fell on 29th September.

The event was addressed by Chairperson CASA Ms Shehara De Silva and Chief Guest for the event, Hon Nimal Siripala de Silva Minister of Ports, Shipping and Aviation. While speaking at the event the Minister recalled Sri Lanka's rich Maritime history and went on to emphasize on prioritizing the local investors when awarding projects in the maritime industry.

The keynote was delivered by SLASSCOM Vice Chairman and JKH Group Infomate Ltd. CEO Jehan Perinpanayagam.

It was also interesting to note that CASA conducted the lighting of the Oil lamp digitally an industry first, once again highlighting CASAs commitment towards digitalizing the Maritime

Industry, while stressing on the need to digitalize the processes in the local shipping industry if Sri Lanka is serious about moving ahead with the region and creating a sustainable Maritime industry.

The 3 key focus areas of the conference were; Towards a sustainable future -The Green Transition of the Maritime Industry from a Terminal Perspective, Digitalization - Role of Technology in the Maritime & Logistics Industry -stake holder's Perspective and finally Marine Waste Management; Oil Pollution; Sustainability & Energy Transition – Greener Shipping -LNG/ Fuel.



Hon Nimal Siripala De Silva Minister of Ports Shipping and Aviation addressing the Gathering



2nd Session Panel Discussion



Mrs Anoma Ranasinghe – Head of Conference Committee \_ Chairman -CASA - Education \_ Training Committee

### The Green Transition of the Maritime Industry from a Terminal Perspective

The first Session of the day was on the lines of “Green Initiatives carried out in terms of the equipment & processes used.” Conducted by Mr Harikrishnan Sundaram Chief Executive Officer, Colombo West international Terminal (CWIT) followed by Mr Upul Jinadasa – Chief Operating Officer , South Asia Gateway Terminals Pvt Ltd (SAGT) who spoke on Sustainable Initiatives carried out; in terms of GRI, EDA process and other Digitalization initiatives. Thereafter Mr Hugo Zou – General Manager -Engineering & Mr Allen Qian,

Deputy General Manager – Operation from Colombo International Container Terminals Ltd (CICT) touched on Sustainable Initiatives carried out; in terms of Productivity, Efficiency drives to alleviate SL's proposition as a transshipment hub) and finally Mrs Geethika Perera – Deputy Chief Engineer, Planning & Development – Sri Lanka Ports Authority. (SLPA) spoke on the progress of the Port Community System which will be implemented soon.

For the panel discussion that followed, the 4 expert speakers were joined by panelist Mr Jeevan Premasara – Senior General Manager -HR & ADM -Hambantota International Port Group pvt Ltd.(HIPG) and the session was moderated by Ms Dhashma

Karunaratne - Chief Operating Officer – Freight Sector, Assistant Vice President – Business Development Maritime, Freight & Logistics Sectors Aitken Spence Shipping Limited.

### Digitalization - Role of Technology in the Maritime & Logistics Industry - Stake holder's Perspective

Post-lunch session titled “Digitalization - Role of Technology in the Maritime and Logistics Industry-stakeholders perspective” saw EFL Global Chief



Digital Officer Ahmed Irfan, Maersk Line Head of Sales and Commercial for Sri Lanka and Maldives Fawmy Siddeek, Sri Lanka Customs Deputy Director ICT Division Thilaka Pragharatne and CASA Chairman Documentation IT Committee and General Manager, Hayleys Advantis, Information Systems Chrisantha Fernando as speakers.

Kale Logistics Director Vineet Malhotra joined the panel discussion along with the speakers and the discussion was moderated by Youngship Patron and GAC Logistics Head of Liner and Logistics Products Navin Perera, and Youngship Vice Chairman and Meridian Maritime Services Ltd. Director Operations Maleena Awn.

### Marine Waste Management; Oil Pollution; Sustainability & Energy Transition – Greener Shipping - LNG/ Fuel

Moving onto the final session of the conference, it mainly focused on "Marine Waste Management, Oil

Pollution, Sustainability and Energy Transition – Greener Shipping - LNG/ Fuel." For this unique and timely session the speakers consisted of University of Ruhuna Professor in Oceanography Prof. Turney Pradeep Kumara, Environmental Foundation Ltd. Director Dr. Sewwandi Jayakody, UN Global Compact Network Executive Director Rathika De Silva, Hayleys Energy Services Lanka Ltd. Director/ CEO Ricky Barnett.

In the subsequent panel discussion, the speakers joined the moderators, McLaren's Group Management Ltd. Group Chief Commercial Officer Mahesh Kurukulasuriya and GAC Shipping Ltd. Manager - Commercial Anjalika Perera.

Main sponsors were Colombo Logistics and Smart Marine Lanka and Hayleys Energy Services. Co-session sponsors were Kale Logistics, Inchcape Shipping Services and EFL.

### Ceylon Association of Shipping Agents

The Ceylon Association of Shipping

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Ms Shehara De Silva Chairman CASA delivering the opening remarks



Mr Allen Qian, DGM of Operations, CICT



Mr Ahmed Irfan - Chief Digital Officer- EFL Global



Mr Hugo Zou, GM of Engineering, CICT



Prof. (Mrs) Sevandi Jayakody – Chair Professor, Wayamba University of Sri Lanka



## Message from Chairman



**SHEHARA  
DE SILVA**

Dear CASA members

CASA has played a pivotal role in the shipping industry and I am honored to be re-elected to serve its membership for year 2022/2023. I would like to thank the CASA exco and the subcommittee chairs for all the work done throughout the past year behind the scenes for the betterment of the industry.

In the past year Sri Lanka faced the most turbulent year in its recent history, with an unprecedented economic, political and social crisis. We as a nation are at a crucial juncture, where long term, sustainable, political and economic reforms are the need of the day. The shipping industry lies at the heart of our island nation, powering the economy by facilitating trade and earning foreign exchange as a service export, accounting for more than 3% of GDP.

CASA' Objectives in the past year has been primarily to maintain the flow of cargo given the challenges, improve processes using digital technology, rebuff negative publicity for the port of Colombo and maintaining the confidence of our principals to continue vessels calls, protect space allocations, transshipment hub services and also market ancillary services in ports and off port limits. This year digitalization of shipping industry processes will be a key objective for casa and our exco and subcommittee chairs are fully aligned to work with all the border authorities to achieve this vital objective.

I would like to extend my sincere gratitude to the CASA advisory council for your advice, guidance and support in crucial policy related issues which affect the shipping industry. Your experience and vision is paramount to our industry and our country and on behalf of the entire Exco, I extend our gratitude for the financial support extended to CASA in the past year to bear unexpected costs.

As we brave through another challenging year, I look forward to the support and continued engagement from you all and I assure you of my utmost commitment in leading CASA and serving the shipping industry in the coming year.

**Shehara De Silva**

Group Managing Director - McLarens Holdings Limited

## Message from Vice Chairman



**SHANO  
SABAR**

Dear CASA Members.,

I take this opportunity to sincerely thank the entire membership of CASA for placing their trust and confidence on myself to serve as Vice Chairman for the second consecutive year and I look forward to extending my fullest support towards achieving all endeavours of CASA.

We have gone through some challenging periods in the recent past from the outbreak of Covid-19 to economic downturn which hindered our normal day to day life and business activities. Despite these impediments, I am glad that under the dynamic leadership of our Chairperson, all members of the Executive Committee and other committees worked tirelessly in resolving many industry related issues. The dedication and commitment of our Secretary General and his team are a great strength and noteworthy to mention here for the success of CASA's activities.

For our future ahead, as the voice of the shipping industry, we have to closely involve ourselves with all stakeholders of the industry to come up with a sound policy and a formidable action plan to elevate the status of Sri Lanka as a maritime hub in our region. To start with it, we should focus more on ease of doing business and use digitization or creating a paperless environment as one of the main tools in simplifying process and procedures that our members have to deal with in their day to day activities with many government institutions. Fast-tracking enhancement of container handling capacity at Port of Colombo and providing a conducive setting for all maritime related ancillary services at all ports in Sri Lanka are other areas that CASA's continuous input is vital with relevant stakeholders for value creation to the industry and to the entire membership.

I am confident that the present Executive Committee with the support of all other Committees will continue to extend their support for the progress of our industry and our journey towards achieving all our expectations.

Thank you.

**Shano Sabar**

Deputy Managing Director – Hayleys Advantis Ltd

## Message from Treasurer



**JANESH  
RATNADASA**

Dear CASA Members,

I am deeply honoured and privileged to be elected as the Treasurer for the 2nd consecutive year to serve the membership of CASA for the year - 2022/2023.

My heartfelt gratitude to all members who supported CASA to overcome many challenges faced during these unprecedented times as an Association. We are very proud of the many achievements in relation to how issues in the past year were managed together successfully and continuing to do so this year will put us in a stronger position to look after the interest of our members more effectively. As Treasurer, I am pleased to report that the Association is in a stronger financial position, and over the years I have witnessed our Association's tremendous growth. We shall always endeavour to work together unitedly as we have done in the last year to achieve our common objectives as an industry.

I am confident that under the able leadership of our Chairperson, Vice Chairman, Secretary General, Executive Committee, and committees, we will go on to achieve much more in supporting our membership by liaising with regulatory bodies and government institutions continuously to bridge the gap and streamline processes.

I look forward to working closely with you to achieve our common objectives.

**Janesh Ratnadasa**

Executive Vice President – Asha Shipping Ltd.



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The company provides Ship's agency services for bulk carriers with special focus on project cargoes, crew changes and supplies and have successfully procured Tug services for Sri Lankan ports in the recent past.

Colombo Logistics has entered into agency agreements with many global forwarders provide extensive forwarder networks.

It is also renowned for providing local logistical services such as supply of specialized equipment, technical support, transport, Customs and regulatory clearances and manpower for infrastructure development projects.

Operates a large fleet of trucks catering to the needs of the Importers, Exporters and projects. Industry-acclaimed exclusive Inter Terminal Transfer (ITT) hauler helps Colombo retain region's premier transshipment hub status.

Colombo Logistics holds regional dealership of the world-renowned brand of terminal tractors - CAPACITY from USA. Company is a proud recipient of the 'Best International Sales award 2015' from CAPACITY in recognition of the growth in sale including supply done to fulfill the entire terminal tractor requirement of the Colombo International Container Terminal (CICT) in the port of Colombo.

Situated closer to the main port access road offering unparalleled advantage to the clients in terms of quick and easy access to the port, the container depot managed by Colombo Logistics Terminals (Pvt) Ltd, is equipped with many side-loading empty handlers to ensure quick turn time for the trucks. The depot offers a complete range of

container repair, maintenance, and cleaning services to shipping lines as a part of the integrated depot service.

The company also operates a modern warehouse covering 3000 sqm area for cargo storage with a large paved front yard. 50 m long loading bay enables simultaneous loading/unloading of 12 containers. Use of 1000 units of stackable steel pallets increase the warehouse capacity three folds. The facility is also equipped with a range of handling equipment including 45 Ton Kalmar reach stackers and caters to world's leading consolidators of garments and accessories for major buyers in the main markets of USA and the EU conforming to stringent quality and security standards. Laden container storage and reefer plug-in facility are other services that are offered.

A team of highly experienced customs house agents perform cargo clearance for Imports and exports, Transshipment (Sea-Sea/Sea-Air), Entrepot and Multi Country Consolidation (MCC) operations with special focus on regulatory clearances for project cargo.

Colombo Port Services (Pvt) Ltd, which is a fully owned subsidiary of Colombo Logistics World

Provides skilled equipment operators and supervisory staff for yard and gates, labor for container lashing and reefer monitoring services at the Colombo International Container Terminal (CICT) in the port of Colombo.

Complete maintenance services for the terminal tractors (ITVs) including in-warranty services and supply of spare parts is also being carried out by Colombo Port services which also offers

On-Dock Empty depot facility at CICT where consignee-returned empties are stored, cleaned and repaired for re-positioning on behalf of shipping lines.

Supply and management of skilled operators at Ro-Ro Terminal for stevedoring and providing skilled labor for vessel mooring operations at the port of Hambantota is done by another company in the group - Hambantota Logistics (Pvt) Ltd. Recruiting, training, and deploying of workers of various categories are systematically done for orderly and safe handling of highly valuable cargo of vehicles.

Standard operating procedures developed in conjunction with the terminal in keeping with best practices of world-class Ro-Ro terminals are strictly adhered to by the workers numbering over to 350, ably managed by a skilled management and supervisory team.

Provides much needed jobs for the youth in the deep south of the island which is bound to be a major center for manufacturing and logistics in the future. The company is well positioned to expand its services in keeping with the growing demand.

Colombo Logistics World draws talent available within the group to execute projects. Through the work done so far, gained a tremendous amount of experience on dealings with various regulatory authorities and government entities for obtaining necessary clearances. Cordial relationships developed with all stake holders has been a tremendous asset to the clients who embark on infrastructure projects in the country.

## Colombo Logistics Group of Companies

Colombo Port Services (Pvt) Ltd | Colombo Logistics World (Pvt) Ltd | Colombo Logistics Terminals (Pvt) Ltd  
Hambantota Logistics (Pvt) Ltd | Integrated Logistics Service (Pvt) Ltd | Colombo Logistics USA LLC  
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Verité Research is an independent think-tank based in Colombo that provides strategic analysis to high level decision-makers in economics, law, politics and media.

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**Hafsa Haniffa**  
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**Nishan de Mel**  
 Series Editor



Image courtesy of Unsplash

## Cigarette Taxation Formula – The Cost of Forgetting

In 2019 the government introduced a policy where taxes and prices on cigarettes would be based on an indexation formula. Forgetting to implement the policy is costly: it has resulted in a foregone revenue of 85 billion from 2020-2022 and will cost a further 45 billion in 2023.

Sri Lanka is presently facing the most severe economic crisis in its history. The main problem is that Sri Lanka's debt has become unsustainable. That means, the expected revenues of the government are insufficient to meet the expected expenditure to run government and pay interest on government debt. One of the critical adjustments required for economic recovery is to substantially increase government revenue.

### Price/tax formula as response to economic crisis.

In order to achieve an increase in revenue, a pricing formula on fuel and electricity has been mooted.

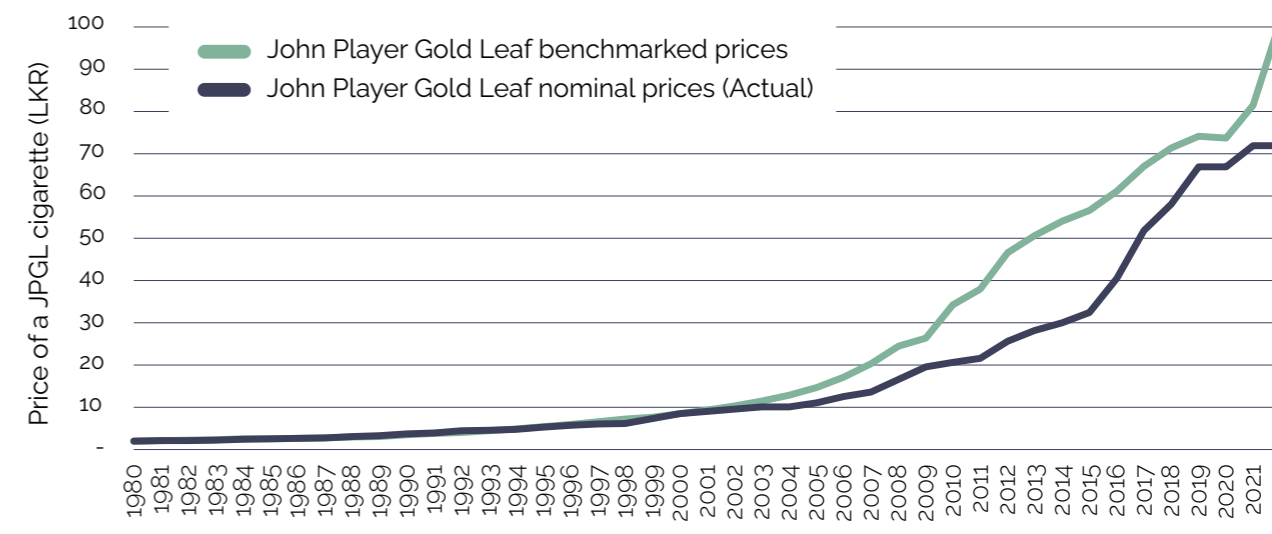
The benefit of a formula is that it adjusts prices in line with economic fundamentals on a timely and sustained basis, overcoming the delays and inconsistencies created by leaving price adjustments to discretionary, ad-hoc policy action.

However, presently there has been forgetfulness in terms of another pricing formula that has been presented in previous budgets. That is the formula on the pricing and taxation of cigarettes.

### Will the new budget pick up cigarette taxation, from where it was left in 2019?

The budget speech in March 2019 announced a policy aimed at a formula

Exhibit 1: Affordability of JPGL (based on the nominal price and the benchmark price)



based on systematically indexing the prices of cigarettes in line with nominal GDP growth. In the words of the then Finance Minister "Excise duty on cigarettes will now be based on indexation with a minimum annual duty increase capturing annual inflation and GDP growth. This will ensure revenue protection and control affordability"

A previous insight by Verité Research calculated that the government would have raised an extra 20 billion in revenue from cigarette taxes in 2020 if taxes had been adjusted in line with the price/tax formula articulated in the 2019 Budget; and if these tax adjustments were calibrated and applied rationally according to the length of the cigarette, to all the different brands of cigarettes in the market.

The present insight sets out the calculation of that revenue

consequence from 2021 to 2023. It finds that that Sri Lanka will have forgone LKR 85 billion in the three years from 2020 to 2022 due to the failure to implement the price/tax formula. Rectifying this failure would increase revenue from cigarette taxation by LKR 45 billion in 2023.

Presently, there is a gap between knowledge and action. With Sri Lanka about to announce a revised budget, in the throes of its economic crisis, it would do well to implement the cigarette taxation formula, with immediate effect, and begin to recover the significant revenue lost from failing to do so.

### Gap between knowledge and action.

Several past insights by Verité Research and similar research interventions

**With Sri Lanka about to announce a revised budget, in the throes of its economic crisis, it would do well to implement the cigarette taxation formula, with immediate effect**

by the Institute of Policy Studies (IPS) and the National Authority on Tobacco and Alcohol Taxation (NATA) have repeatedly pointed out that the failure to engage in the proper taxation of cigarettes has a significant consequence on revenue.

The methodological guidance necessary for implementing the cigarette taxation formula has been published and is accessible to the government. However, Sri Lanka has since failed to apply this policy announced in the budget (see: *A Technical Case for Affordability Based Pricing of Cigarettes*, September 2014, Verité Research Working Paper).

The calculations find that if the price/tax formula is implemented the government can increase its revenue by 45 billion in 2023. To put this additional revenue collection into perspective, it can double the support in the form of Samurdhi payments which are intended to provide relief to the poorest and most vulnerable bottom three income deciles in Sri Lanka.

In addition to the revenue benefits, social benefits in the form of reducing

Exhibit 2: Formula based price and tax for 2022 and 2023

Brand	Indexed Price 2022 (in LKR)	Applicable Taxes 2022 (per stick)	Indexed Price 2023 (in LKR)	Applicable Taxes 2023 (per stick)
JPGL	99.39	74.54	119.27	89.45
Capstan	70.99	53.24	85.19	63.89
Navycut	85.19	63.89	102.23	76.67
Bristol	85.19	63.89	102.23	76.67
Benson & Hedges	99.39	74.54	119.27	89.45
Dunhill	99.39	74.54	119.27	89.45

\* Nominal GDP increase in 2022 and 2023 have been estimated as 25, 20 percent respectively, based on current inflation rates and projections.

the health-related harm from cigarette consumption, which also contributes to lower health care costs, can be achieved with the proper implementation of the formula on cigarette taxation.

### How to apply the formula on cigarette taxation?

The methodological and technical guidance for pricing and taxation of cigarettes in Sri Lanka is based on the Verité Research working paper cited above, resolves three critical analytical issues: (1) Finding the benchmark price for the most consumed type of cigarette (2) Specifying the criteria on which the benchmark price of cigarettes should be updated (3) Applying a coherent method for price differentials between different types of cigarettes.

Applying the methodology as per the working paper, and further guidance from the Verité Research and NATA publication on Sri Lanka's compliance with the global Framework Convention on Tobacco Control shows that the current price of the JPGL cigarettes is 29 rupees below the benchmark price (figure 1). Applying the benchmarked criteria of 75% tax in price for cigarettes, the targeted taxation per cigarette by brand is given in exhibit 1. (See: FCTC Evaluation Sri Lanka's compliance with Article 6, 2016, Verité Research & NATA)

The methodology requires an estimation of the benchmark price for JPGL which is calculated to maintain the same level of affordability that the cigarette brand had from 1981 to 2000. Affordability is maintained by growing the price of JPGL cigarettes by the growth in nominal GDP. This is conservatively estimated to be 25% in 2022 and 20% in 2023. This is a conservative estimate, because the annualized rate of inflation for the first four months of 2022 alone is 49.5% and, for food inflation the annualized rate for

that period, is 60%.

Prices for the other cigarette brands are then calculated by adjusting the benchmark price relative to the length of the other brands in order to prevent substitution between cigarettes.

The 75% tax in price applied to the price estimates provides the target tax amounts. The calculated revenue lost is the difference between the estimated tax revenue if the formula was implemented, against current/applied taxes and revenue. Recognizing that reduced quantities will be sold at higher prices, the quantity sold is estimated by applying a price elasticity of demand of 0.5, based on the international norm for cigarette demand calculations, to estimate sales under revised prices in relation to the quantity sold in 2019.

### The forgetting of the cigarette taxation formula since 2020.

A previous insight, "Cigarette Tax Indexation, Getting It Right and Getting it Wrong" (Verité Research, August 2019) showed that the cigarette taxation formula, despite being announced in the budget in 2019, was forgotten when it came to implementation. This forgetfulness has continued and become a pattern in the years that followed. There were three instances in which cigarette taxation and prices were amended since November 2019 (when a presidential election was held in Sri Lanka), where the formula remained forgotten, and taxation policy remained ad-hoc and adverse to revenue improvement.

**Instance 1** (December 2019): Excise taxes on cigarettes ranged from 11.67 rupees to 42 rupees per stick. This was increased to amounts ranging from 13.36 rupees to 48.35 rupees per stick for different cigarettes. However, this only offset the removal of VAT and NBT taxes from cigarettes, and therefore did

not impact either the price or the tax in price of cigarettes.

**Instance 2** (2021): The price of the most consumed cigarette brand in Sri Lanka, JPGL increased from 65 rupees in 2020 to 70 rupees in 2021, without any change in the taxation until November 2021. As of May 2022, it remained at the same price. Taxation on other brands were similarly flawed.

**Instance 3** (November 2021): The 2021 budget speech announced an increase in the price of cigarettes by 5 rupees (even though the law only empowers government to set the taxes, not the price). The overall tax rate as a percentage of the price of cigarettes, however, was reduced in this instance. For the cigarettes of less than 60mm, which had the second highest market share, the tax per cigarette stick was reduced from LKR 13.36 to LKR 6.75, a reduction of almost 50%.

At a time when the government is required to increase revenue to ensure debt sustainability and is increasing VAT despite the annualized inflation being about 50%, there is a strong case for applying the cigarette price and tax formula to increase government revenue and reduce the tax burden on other forms of essential consumption.

The failure to implement the tobacco price/tax formula means that the government has forgone and continues to forgo a significant stream of revenue. The cumulative foregone revenue since 2020 up to the end of 2022 amounts to 85 billion. If tobacco price/tax formula is implemented properly it is expected to generate an additional revenue of LKR 45 billion in 2023. In times of rising cost of living and severe economic hardship failing to optimize the revenue stream from cigarette taxation would constitute a significant failure in public finance management. ♦



Verité Research is an independent think-tank based in Colombo that provides strategic analysis to high level decision-makers in economics, law, politics and media.

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## Tourism Could Not Have Solved Sri Lanka's Foreign Exchange Shortage

A key debate during Sri Lanka's economic crisis is whether the current dollar shortage is a short-term liquidity problem or a more protracted and systemic issue that requires debt reduction. This insight responds to the view that the dollar shortage is a short-term liquidity problem primarily caused by reduced tourism revenue since the onset of Covid. As this insight describes, there are three reasons to be skeptical of this argument.

Sri Lanka lost access to credit from international financial markets following the rating downgrade in April 2020. The official view of the government was that Sri Lanka could sustainably finance its external debts, provided tourism returned to normal levels post-pandemic. The expectation was that tourism would bring in an additional USD 4.9 Billion in foreign currency inflows as the industry returned to pre-pandemic levels.

This view bolstered the position that Sri Lanka was facing only a short-term foreign currency liquidity problem until

the Covid-19 related impact on tourism was overcome. As such, policy makers continued servicing the debt instead of restructuring it. This continued until Sri Lanka ran out of reserves and was forced to suspend debt payments with

**Sri Lanka's estimates of tourism spend a day from its survey is extraordinarily high compared to peer countries, and even those with higher per capita GDP**



**Exhibit 1:**

Country	Foreign exchange receipts per tourists per day		GDP per capita (2019)
	Average (2015 - 2019)	2019	
Sri Lanka	USD 168	USD 181	USD 3,852
Thailand	USD 158	USD 164	USD 7,817
Indonesia	USD 136	USD 129	USD 4,135
India	USD 126	USD 130	USD 2,101
Vietnam	USD 114	USD 133	USD 2,715
Nepal	USD 54	USD 48	USD 1,195

Source: Sri Lanka Tourism Development Authority | Ministries of Tourism of relevant countries | OECD

**The Sri Lanka Tourism Development Authority (SLTDA) reports that from 2012 to 2019, on average, only 11% of tourists stayed in five-star hotels in Sri Lanka**

an announcement to that effect on the 12th of April 2022.

This insight sets out three mistakes that were made in buying into the optimism that normalizing tourism would resolve Sri Lanka's external debt servicing problems. They are: (1) over-estimating tourism inflows; (2) failing to understand the two-way street of tourism; and (3) neglecting the current account dynamics.

**Over-estimation of tourism inflows**

Sri Lanka estimates its tourism earnings based on an exit survey conducted at the airport (see Box 1). In 2018-2019, 5,033 tourists were surveyed. However, as the sample selection method is not disclosed, whether this is a representative sample of tourists is unknown. Comparative analysis

indicates that there may be serious flaws in the survey design. As shown in Exhibit 1, Sri Lanka's estimates of tourism spend a day from its survey is extraordinarily high compared to peer countries, and even those with higher per capita GDP.

The year 2019 is taken for comparison purposes as 2020 and 2021 were not typical years. These years saw significant shocks (2020 COVID pandemic and the 2021-22 economic crisis), which disrupted normal trends in tourism.

In 2019, Indonesia's GDP per capita was 7.3% more than Sri Lanka's. Yet, Indonesia estimates spending per tourist per day to be almost 30% less. Thailand has a GDP per capita that is more than double that of Sri Lanka. Yet, it estimates spending per tourist per day to be about 10% less.

The Sri Lanka Tourism Development Authority (SLTDA) reports that from 2012 to 2019, on average, only 11% of tourists stayed in five-star hotels in Sri Lanka. This low take up of the higher end accommodation, does not support the estimated spending for a tourist couple being at USD 362.50 per day.

**According to SLTDA, Sri Lanka experienced the highest reported earnings in tourism in the year 2018 at USD 4.4 Billion. This earnings figure is a calculation done using three variables:**



Number of tourists arrivals counted by Department of Immigration in 2019

*in 2019 - 1.91 Mn*



Estimated average duration of stay by a tourist

*in 2019 - 10 days*



Estimated foreign exchange receipts per tourist per day in 2019

*USD 181.2 /tourist.day*

**Tourism is a two-way street**

Relaxing of COVID regulations and encouraging tourism flows is a two-way street. This increases foreign exchange inflows as well as outflows, as Sri Lankans also travel as tourists to other countries.

**...it was not reasonable to expect that tourism earnings could compensate for the loss of access to financial markets.**

For instance, in 2019, India accounted for 19% (355,002) of Sri Lanka's total tourists. However, in the same year 350,000 Sri Lankans visited India as tourists. As such, while tourists coming from India would have added to

foreign currency inflows, this benefit is significantly reversed by outflows on the two-way street of tourism between India and Sri Lanka. In the case of India, net inflows could have even been negative.

Therefore, the key variable should be expected net foreign exchange inflows from the two-way street of tourism, rather than expected one-way inflows from tourism. Focusing exclusively on inflows from tourism (already over-estimated) led to misplaced confidence that tourism returning to normal would enable Sri Lanka to fully recover its rapidly deteriorating balance of payments position.

**Neglect of current account dynamics**

The third visible indicator that was neglected was the inadequacy of tourism inflows to cover the balance of payments shortfall, within normal

current account dynamics. These dynamics were already evident from past years. In the years that tourism was normal and high and there was a high estimate of foreign exchange inflows from tourism, Sri Lanka's balance of payments position was maintained only by being able to borrow much of what was repaid in debt. Hence, expecting tourism to compensate for the foreign exchange deficit was overly optimistic.

For example, in 2019, Sri Lanka reported a total cumulative receipt of USD 4.3 BN from tourism. However, in the same year, Sri Lanka issued ISBs worth USD 2.5 BN. This shows that even with tourism bringing in high foreign exchange inflows, Sri Lanka still needed to issue bonds to meet its foreign exchange requirements. Therefore, the existing current account dynamics already showed that it was not reasonable to expect that tourism earnings could compensate for the loss of access to financial markets. ♦

**Exhibit 2:**

Year	Tourist arrivals (in thousands) (A)	Average duration of stay (number of nights) (B)	Average spending per tourist per day (USD (C))	Earnings from tourism (USD Thousands (A*B*C))
2015	1,798	10	164.1	2,980,653
2016	2,051	10	168.2	3,518,489
2017	2,116	11	170.1	3,924,932
2018	2,334	11	173.8	4,380,628
2019	1,914	10	181.2	3,606,930
2020	508	8	158.1	682,407
2021	194	15	172.6	503,548

Season's Greetings



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Customer Service Award (Outbound trade)  
ICS CUSTOMER SERVICE AWARDS  
2021



**Winner**  
Ocean Carriers NVOCC - Silver  
National Logistics Awards  
2022



**Winner**  
Customer Service Award (Inbound trade)  
ICS CUSTOMER SERVICE AWARDS  
2020

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An Interview with the

# GOVERNOR OF CENTRAL BANK OF SRI LANKA



**DR. P. NANDALAL  
WEERASINGHE**

**1. Trade has always been a key facilitator of the Sri Lankan economy. To kickstart international trade and make SL a trading hub; what are the immediate challenges that need to be overcome to?**

Sri Lanka has lost its competitiveness in the international trade which is reflected in falling share of Sri Lankan exports in total global exports (declined from about 0.37 per cent on average in 1950's to about 0.06 per cent on average since 2000). Also, the trade openness which is the share of total trade (Exports + imports) in the GDP has also been declining in the recent decades (declined from about 60 per cent on average during 1980's to about 40 per cent during 2010-2020), indicating the need to introduce measures to promote international trade. Also, the exports, as a share of GDP, has declined significantly from the 33.3 per cent peak in 2000 to about 14.8 per cent in 2021. In addition, export volume has remained stagnated for about a decade and the trade deficit has been widening creating pressures on the external current



account. All in all, the need to revive trade is unquestionable.

Some of the major challenges faced by the merchandise trade sector over the past decades were as follows.

- Lower market and product diversification
- Rigid and unsupportive labour laws
- High utility costs
- Lack of investments into the tradable sector
- Lack of Free trade Agreements (FTA) in general and lack of usability of the FTAs signed
- Inconsistent trade related policies by various governments
- prioritising export promotion in selected sectors to drive the overall export performance.
- Appropriate revisions to the import tariff regime could be used to boost selected economic sectors
- Coordinated efforts on branding, not only the country but also the targeted export products are imperative.
- it is important to reap the maximum benefits from Colombo and Hambantota seaports as well as Katunayake and other international airports with required developments/ changes to make them more efficient in cargo handling and competitive among other ports and airports in the region.

In the medium term,

- it is vital to develop policies to diversify exports, in terms of both products and markets. Exploring new export opportunities to upgrade Sri Lanka's export base towards high value added technologically intensive exports remains important.
- Consistent economic policies, stable macroeconomic conditions, a competitive exchange rate, low and stable interest rates, improving doing business conditions, and appropriate management of foreign relations are necessary to enhance investor confidence in the export sector, to attract FDI flows to export oriented winning industries, and to resolve the numerous legacy issues that restraint the performance of the export sector.

**2. Sri Lanka plays an integral role, as the hub of the Indian Ocean, yet the attractiveness to the global corporates (shipping, aviation, logistics, FMCG, Manufacturing etc.) is deteriorating given the volatility of macroeconomic factors. What measures should Sri Lanka take to position as a lucrative country for investments.**

- Sri Lanka is strategically located in the Indian Ocean at the center of the international trade routes, mainly connecting East and West, while its proximity to major ports in the Indian subcontinent makes the country a prime location for a service hub. However, the country has not been able to reap the full potential of its geographical advantage and remained less attractive mainly due to weakness in the business and economic environment.
- In this regard measures should be focused on improving doing business environment of the country. In terms of developing Sri Lanka as a hub for international trading and investment activities, upgrading infrastructure facilities in line with the shift in global trade trends is important. Accordingly, further investments are required in logistics infrastructure, while improving air connectivity for facilitating multi-modal transport systems.
- Further, simplifying processes and legislation through favorable regulatory changes as well as better inter-institutional integration with reduced bureaucracy remain as policy priorities. In the meantime, the implementation of a transparent, simplified and consistent tax structure is also vital in attracting global corporates.
- Moreover, initiating modern trade policy reforms which actively promote technology absorption, adoption of more digitized systems, skill upgrading, and competitiveness of the market, while introducing new policy reforms to address the issues regarding labour markets, assets ownership, and facilitating a smooth legal procedures relating to foreign investments will further encourage the investments inflows.
- Promoting of the Colombo Port City as a special economic zone and International Financial Centre, positioning the Colombo and Hambantota ports as commodity trading hubs and establishing modern investment zones for local and foreign private investors are also important.

**3. The Port of Colombo was recently ranked as the most efficient port in South Asia and the Indian Sub-Continent by the World Bank and S&P Global Market Intelligence and Financial Services. What role must the port and its connected stakeholders play in Sri Lanka's journey of economic recovery?**

- The process of economic recovery would be a rough sail, which requires the concerted efforts of all the stakeholders of the economy. In the economic recovery path, the logistics sub sector in the port sector will have a greater role in supporting economic activity and integration in international value chains going forward. In this context, the Port of Colombo and its connected

*The shortage of foreign currency affects not only the shipping industry but also many sectors that involve foreign business partnerships, mainly the importers.*

stakeholders are catalysts in determining the progress in economic recovery.

- Considering the growing importance of the Port of Colombo in international trade, continuous efforts should be put in place to develop the port infrastructure and other related auxiliary facilities to attract more shipping lines.
- Policy authorities, particularly, the Port Authority must be focused on establishing digital information platforms, such as port community systems, to gain a competitive advantage in the region. Automation of the port and auxiliary activities will also uplift the labour force of the economy from low-skilled to high-skilled labour. Establishing an automated warehouse system that facilitates the automatic calculations of cargo information will further smoothen port activities.
- Increasing the quality of the services granted by the port with innovative practices may be an added benefit to economic wellbeing. Enhancing the employees' skills at an international level will also cater to the improved reputation of the country while attracting more international customers while retaining the existing ones. Maintaining a high level of soft skills, including providing great hospitality for international customers, will indirectly make a financial gain at zero cost. Maintaining reliability and transparency in the transactions will further assure the confidence of international companies.
- Although the port activities have been dampened partially due to the import restrictions, alternative ways should be explored in terms of increasing the capacity to provide more services to other international shipping lines.

**4. The dollar crisis has unprecedented repercussions on the nation, including maritime and shipping which is a key**



**industry. Issues such as inability to remit principal's dues in a timely manner, due to the scarcity of foreign currency. What are your suggestions for policy changes to sustain the industry in the short term?**

**Major measures implemented so far by the Government and the Central Bank to improve the forex liquidity**

The shortage of foreign currency affects not only the shipping industry but also many sectors that involve foreign business partnerships, mainly the importers. The Government and the Central Bank continue to implement policy measures to reduce the pressure on the Balance of Payments (BOP) and foreign exchange shortages in the domestic foreign exchange market. In this regard, the following policies have been implemented so far.

- Initiated negotiations with the IMF for a macroeconomic stabilisation programme.
- Announcement of an interim decision to suspend foreign debt service payments in relation to selected foreign debt instruments and initiated the foreign debt restructuring process.
- Curtailing import payments being made through informal channels other than the formal banking system, restrictions on the use of open account, consignment account, Documents against Acceptance (DA) and Documents against Payment (DP) terms.
- Imposed several restrictions on selected non-urgent and non-essential imports.
- In view of curtailing large volatility in the intraday exchange rate, the Central Bank started publishing a middle rate and a variation margin of the interbank weighted average spot exchange rate.
- The Central Bank issued regulations, reducing the limit of the value of foreign currency notes that any person in, or resident in, Sri Lanka may retain in his possession.

Due to the measures implemented by the Government and the Central Bank, the severe shortage in foreign exchange has somewhat eased.

Once the IMF programme is fully functional and envisaged inflows are realized, the liquidity pressures in the domestic foreign exchange market are expected to smoothen further.

**Suggested policy changes to sustain the maritime and shipping industry**

The Foreign Exchange Department of the Central Bank has proposed to the Ministry of Finance to review the existing foreign holding restrictions imposed for non-resident investors in resident freight forwarding companies and shipping agents, in order to facilitate foreign investments to these sectors.

Seeking the possibility for agents to make payments to the Ports Authority in US dollars instead of in rupees, in the context where a large portion of receipts to Colombo International Container Terminals and South Asia Gateway Terminals are made in US dollars.

**BRIDGE**

There is a need to improve the data collection in relation to the foreign exchange earnings from the maritime and shipping industry. The Central Bank implemented the first phase of the new comprehensive data gathering system on cross border transactions and domestic foreign currency transactions known as the International Transactions Reporting System (ITRS) in June 2022 with the participation of Licensed Banks. The full implementation of the ITRS is expected to help policy formulation in many aspects by providing valuable inputs for both statistical and regulatory purposes.

**5. In your view, what steps should the state implement to sustain the maritime industry in the long term? And in turn, how could the industry help the state?**

- Attracting more investments to enhance the port-related infrastructure and port capacity by increasing number of deep water terminals, enhancing the capability of handling a much larger volume of deep draught vessels, and upgrading facilities for handling break bulk and non-container vessels to attract the international shipping networks.
- Introducing a modernized investor-friendly national policy while allowing to establish smooth and efficient processes to conduct transactions in the industry.
- Improving the ease of doing business environment through establishing required legal infrastructure with smooth and simple procedures and exploring the digitalized system for the supply chain management.
- Taking necessary measures at the diplomatic level to initiate business agreements with other countries and international organizations, while encouraging regional investments, public-private partnerships (PPPs), and more bilateral agreements that boost economic performance will also expand the maritime network of Sri Lanka.
- Utilizing currently underutilized port capacities in the country, while promoting the domestic and international connectiveness in the supply channels.

On how the shipping industry can contribute to the Sri Lankan economy, any expansion of the maritime activities will support the real economy directly, while providing growth impetus for other industries, particularly in enhancing the efficiency of international supply network facilities. Sri Lanka's central location, where the East-West shipping route passes about six to ten nautical miles south of the island, would enhance the capability of attracting more shipping lines to the country than other peer countries in the region. Capitalizing on these advantages would also support attracting more foreign direct investments to the country thus facilitating the external account balances. Further, Sri Lanka can enhance the foreign currency inflows to the economy through the well-established maritime industry in the country by facilitating the operations of maritime transport agencies, maritime and coastal water transport activities, storage facilities in seaports, and other maritime transport activities. Further, the broader expansion in the maritime industry would be a source of direct and indirect employment in the country.

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A discussion with

# Mr. Chaminda Perera



**General  
Manager - Cargo  
SriLankan Airlines Ltd.**

*A Brief background on yourself and how you embarked on a career in Airline industry, when your family was from Sea Freight/ Ports.*

Though both my grandfathers and my father were connected to maritime ports in their careers, I indulged in toy airplanes and aviation related books as my early childhood hobbies, leading to an initial dream of becoming an airline pilot. As life progressed to a young adult and having completed my schooling career, the childhood dream slowly diminished as financial factors in the family were not conducive to sustaining a piloting qualification. At this juncture, my father was

## I wanted to take up a challenge as you have to embrace them time to time in a career. That keeps you up-skilled and updated.

influential in inducting me to a blue-chip conglomerate to their maritime arm, where after a two-week period, I realized that this sector was not to my satisfaction, and I vied away from it. In this backdrop, the seed that was planted in my early childhood started germinating and I pursued opportunities in the national airline of Sri Lanka "Air Lanka," achieving successful recruitment from many applicants that led to the start of my career in the aviation industry.

*Sri Lanka is referred to as a Transshipment hub in the maritime industry, however this is not the case when it comes to air cargo, what can be done to make Sri Lanka an air cargo Hub.*

Sri Lanka is naturally situated in a location that is ideal for a transshipment hub, with the shortest connecting times to key hubs in the Indian subcontinent, the Middle East, the Far East and Europe, which the maritime industry has been able to capitalize on with the infrastructural developments accommodated over the past decade. In terms of air freight, Sri Lanka presently maintains the Bandaranaike International Airport in Katunayake as the key point of air cargo imports, exports and transshipments, with the cargo terminals handling volumes presently exceeding the available capacity. As the sole ground handler, SriLankan Cargo intends to enhance the handling capacity through the inclusion of a new cargo imports terminal in 2023, with the aim of further developing a dedicated cargo terminal for general cargo, a cool chain compliant perishable center and a courier center to cater to the growing demand for e-commerce. The SriLankan Cargo division is further gearing up to enhance the cargo operations at the country's second airport, the Mattala Rajapakse International Airport in Hambantota, in collaboration with the Airport and Aviation as well as Customs authorities in Sri Lanka. These initiatives would provide the ideal infrastructural requirements for establishing the country as a key transshipment hub for air cargo.

*What made you decide to comeback to Sri Lankan Airlines (UL) after obtaining an exposure in working with global brands such as China Airlines, Emirates and*

*Lufthansa before that.*

Honestly, I looked at the opportunity ahead of me for my career advancement. Secondly, I wanted to take up a challenge as you have to embrace them time to time in a career. That keeps you upskilled and updated. Thirdly, I wanted to bring back what I have gained from my experiences in the industry to the national carrier.

*Is there untapped potential at UL; what are the potential emerging markets Sri Lankan Airlines is targeting in the next 5 years*

Africa will tend to become a key area of interest for both passenger and cargo operations owing to the possibilities for some of the fastest connecting times via Sri Lanka as a hub connecting India, the Far East and Australasia for leisure traffics and facilitating commercial trade. The airline commenced scheduled operations into Nairobi, Kenya catering largely to the cargo demand for movements of roses from Kenya to Australia, which, however, was not sustainable for dedicated cargo operations on passenger belly capacity, with the rising costs and the uplift of passengers impacted by COVID-19 restrictions. The African operations, however, are a key point of interest in the airline's business plan, primarily focusing on Seychelles, Nairobi and Addis Ababa. We are keen on having our presence in Vietnam and Cambodia in the Far-East at least with a codeshare partnership to start with.

*There are many types of cargo which is shipped via air cargo, are there any cargoes that Sri Lankan Airlines is targeting specifically? Maybe a niche product E.g. Live Fish.*

The uplift of perishables such as fruits and vegetables, live fish and seafood takes precedence from the airline's key cargo market, Sri Lanka, in support of the local export industry as the national carrier as well as from the network due to the additional advantage of gaining the ideal revenue management benefit brought about by the density of perishable shipments in combination with general cargo shipments. Further, the airline focuses on the growing

e-commerce movements, which represent the future of the air freight industry with the exponential growth experienced by the sector brought forward three years as a result of the pandemic, as well as the lucrative yields allowed.

*Since of late Air Cargo rates seem to be dropping drastically, just as Sea freight will the rates drop even further? what are your thought?*

It is inevitable that the air and sea cargo rates will decline once the capacity tends to normalize. However, the balance may have been shifted to that of the logistics service providers than in instances prior, due to the deeper understanding amongst the logistics stakeholders on the required mutually beneficial operations in maintaining sustainable operations in mitigating the experienced disruptions during the pandemic. As such, this in combination with the rising inflation rates may not see yields returning to that of the pre-COVID-19 levels in the near or foreseeable future as the industries will try to reach a consensus.

*Sri Lankan Airlines is mainly a passenger Carrier, are there any plans to expand into a fleet of Cargo planes?*

It is always a feather in the cap of a cargo division or the entire airline per say. We will embark on freighters as the environment is favorable for our operation.

*With Sustainability being a key focus and the Airline industry being a significant contributor to CO2 emissions what steps are being taken to mitigate this impact at Sri Lankan Airlines?*

Taking forward its green legacy, SriLankan Airlines introduces a voluntary carbon offset programme that will inspire every passenger to make a greener choice when crossing oceans. As the national carrier of Sri Lanka, SriLankan feels extremely proud to support a broad range of environmental initiatives and to demonstrate action when it comes to the environment and climate protection. SriLankan's concrete steps are manifold and start with educating their staff members on the impact each of them have on the environment and when it comes to daily life or travels, to highly sophisticated process improvements that result in flying the aircraft more efficiently, therewith reducing fuel burn and CO2 emissions.

SriLankan Airlines being one of the forerunners in the Aviation-environment arena gained worldwide recognition for its pioneering efforts when the prestigious 'Business Traveler' magazine ranked the airline second among airlines in the Asia and Asia-Pacific region for having the lowest carbon footprint recently. The region includes the Middle East, South Asia, the Far East and Asia-Pacific (Australasia), home to most of the world's finest airlines. Business Traveler (www.businesstraveller.com) has given SriLankan an evaluation of

72.8, only slightly short of the 73.4 of the Taiwanese carrier Trans Asia Airways which is in first place. Globally, SriLankan is ranked 17th. SriLankan Airlines won the prestigious Best Aviation Sustainability Program Award, beating out several contender airlines at the recently concluded Sheikh Mohammed Bin Rashid Al Maktoum (SMBR) Global Aviation Awards for its groundbreaking signature upcycle project, 'Mathaka.' Project Mathaka was launched by the Environment Affairs and Sustainability Division of SriLankan Airlines, to minimize its contribution to landfill waste and ecological footprint by repurposing the airline's scrap material into a variety of lifestyle products.

In relation to the cargo operations, SriLankan Airlines presently maintains a fleet of electric ground handling equipment with the focused enhancement to account for 50% of the fleet by 2030. Complimenting to the Company's corporate environment policy, SriLankan Cargo signed an e-AWB (Air waybill) as an initiative to reduce paper consumption and cultivate and promote a paper free work environment that would enable SriLankan Cargo to perform their functions with greater efficiency. The current e-AWB penetration accounts for 85% of all exports uplifted out of Sri Lanka with a targeted 100% penetration by December 2022. Though it is one of the many documents that need to be digitalized, we as the national carrier, have taken steps to lead and encourage stakeholders to move towards digitalization in Sri Lanka.

*Many companies such as Amazon have started to operate their own fleet of aircrafts, in the long term how do you see such moves effecting the air cargo industry.*

E-commerce giants such as Amazon owning a fleet of aircraft allows the company an additional level of control over the network and the service commitments for its customers in the ultra-fast delivery of packages. This would close the gap with integrated express carriers such as FedEx, UPS and DHL, and thereby reduce the share of e-commerce movements on other freighter and belly hold cargo carriers.

*There have been many shipping lines who have decided to enter the Air cargo Market, what are your thoughts? Will this be a sustainable proposition for Customers?*

The world's largest container shipping company, MSC Mediterranean Shipping Company SA, has just announced that it intends to enter the air freight market by 2023 as a means of complementing its core business of container shipping. The ability for such companies to combine solutions for integrated transportation may provide an improved reliability and efficiency for customers through the company controlling the end-to-end logistics process. The ability for air freight logistics to be reliable, resilient, and adaptable have been key factors for the entry of shipping companies to the industry, however, due to the narrow margins allowed in both industries, managing commercially viable operations will be an added risk for the companies, with negativities directly impacting the benefits sought by customers.

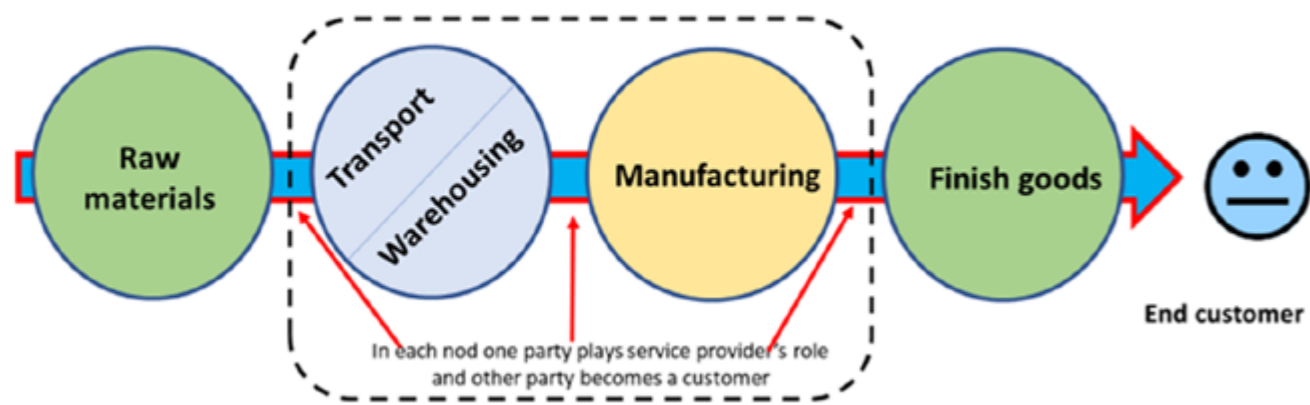
# LOGISTICS, YESTERDAY; SUPPLY CHAIN, TODAY; AND SUPPLY NETWORK, TOMORROW



**Prof. (Dr) Lalith  
Edirisinghe**

Multiple events of the past years drove companies to reconsider the design of their global supply networks. Initially, the pandemic has destroyed the ongoing global supply-chains and companies have scrambled to increase supply-chain resilience thus ensure capacity and availability. In the aftermath of COVID as well as through the invasion in Ukraine, it clearly reflects a ripple effect of events that disrupt these same supply-chains in new ways [4]. This background has lead industry experts and academia to create a synergy and provide seamless awareness about the fast tracked these global trends pertaining to supply of goods and services. Working in isolation and trying to “reinvent the wheel” is fundamentally detrimental to a sustainable world.

**Isolated Business Environment**

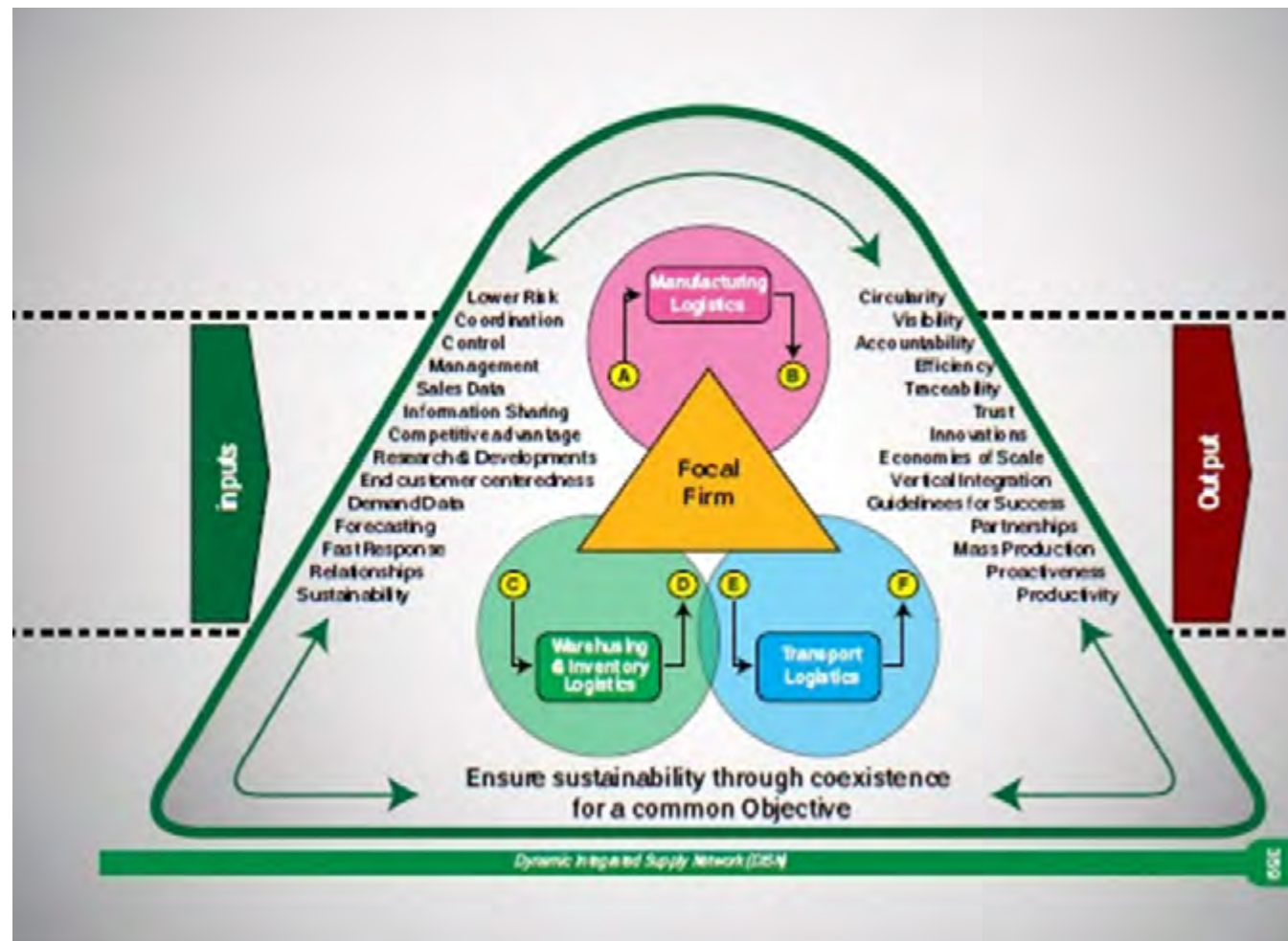


Now, there are another two interchangeable terms namely, supply network and supply chain network. A supply network could be defined as a cluster of suppliers that adds value for customers by manufacturing and delivering products in the day-to-day business process. In contrast, a supply chain network reflects the links

between players in the supply chain and how information and materials flow between these links. It ultimately becomes a series of interconnected chains which allow for more flexibility in terms of how goods are distributed. With unbelievable technology enhancement in the recent past the virtual connectivity has made these

mechanisms more complex.

Irrespective to the fact that key activities pertaining to a supply chain naturally delivers according to the fundamental objectives of logistics engineering science present supply chain management is more of a traditional business approach. Over



In a supply chain network, a group of suppliers work together to fulfill customer orders while its chain characteristics are still in existence.

the generations a considerable transformation of business management from a single party logistics operation to a third party (or 3PL) has taken place.

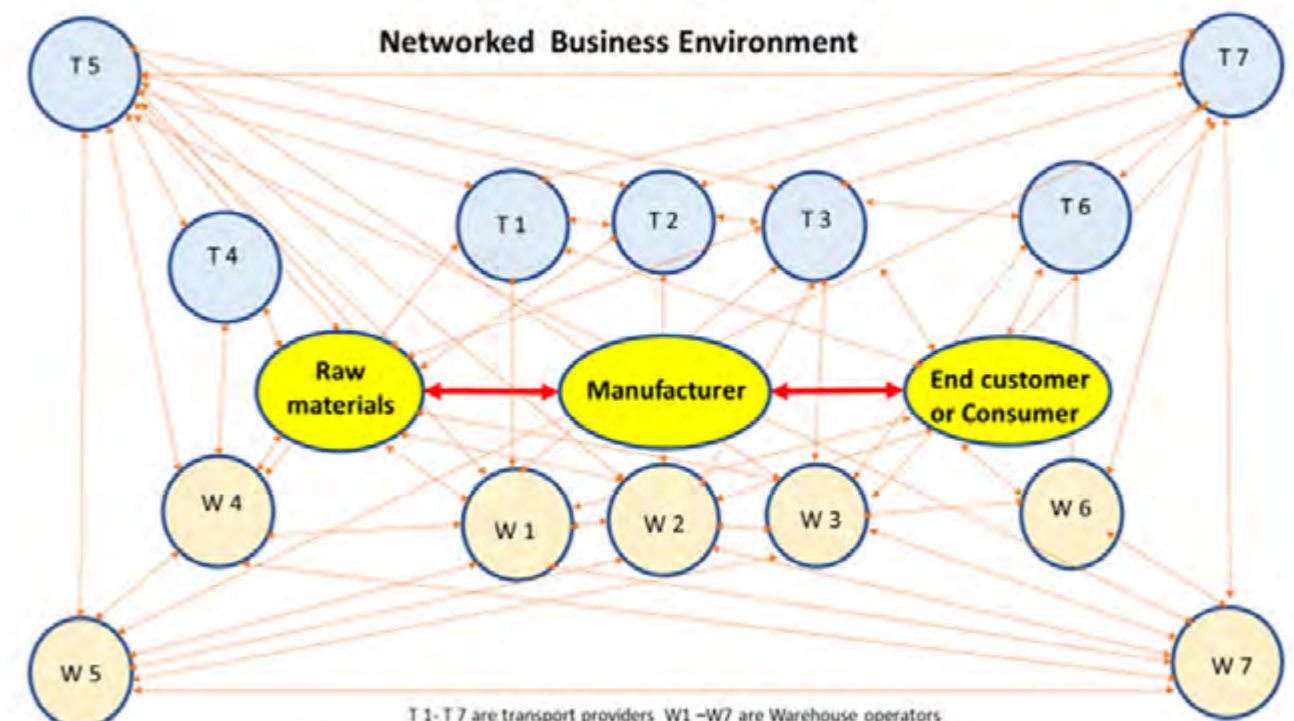
Because a supply chain consists of individual processes of a chain activity that links raw materials, work-in progress materials and finished goods that represent a single part of a supply network. Accordingly, it may be argued that the supply chains and supply networks cannot be differentiated within which chains are purposely generated alternatively using the players existed in a network.

Supply-chain networks are more global than ever and are typically structured with five key areas: external suppliers, production centers, distribution centers (DCs), demand zones, and transportation assets [2].

The network design in supply chain determines its physical arrangement, design, structural layout and infrastructure of the supply chain. Here the major decisions to be made are on the number, locations and size of manufacturing plants and warehouses and the assignment of retail outlets to warehouses, etc. This stage witnesses some other major sourcing decisions as

well [3].

The focal firm needs to consider many aspects as shown in the picture during the process of making inputs to outputs. Links in the supply chain begin with the producers of the raw materials and end when the supplier delivers the finished product to the end user. In a supply chain network, a group of suppliers work together to fulfill customer orders while its chain characteristics are still in existence. As the term suggests, the supply chain system is a linear process that moves material from one point to another. This type of system is more common in manufacturing and typically



involves the movement of goods from the manufacturer to a distributor.

Multiple events of the past years drive companies to reconsider the design of their global supply networks. Initially, the pandemic has destroyed the ongoing global supply-chains and companies have scrambled to increase supply-chain resilience thus ensure capacity and availability. In the aftermath of COVID as well as through the invasion in Ukraine, it clearly reflects a ripple effect of events that disrupt these same supply-chains in new ways [4].

This background has lead industry experts and academia to create a synergy and provide seamless awareness about the fast tracked these global trends. Working in isolation and trying to "reinvent the wheel" is fundamentally detrimental to a sustainable world.

There are two ways a supply chain could be formed. One may use only

one player each activity in the chain. The productivity of a supply operation could be optimized through multiple players available and offer services simultaneously in a supply chain. Each player will activate only when that specific option provides most optimized solution and vice versa. As opposed to that another supply chain may use multiple players for each activity.

The term "chain" reflects a relatively stable foundation or existence compared to a "network". A network is highly complicated and volatile operational pattern and a high resilience. There could be multiple chains in a network. A chain describes a simple frequency, in a supply chain each logistics nodes are linked in a sequential order. In both scenarios namely, Supply chain and Supply network.

People have realized the productivity improvement in any business operation each logistics nod play a decisive

role. The smooth progression in each connecting nodes generate a chain that keeps the world of business alive. Generally, transport and inventory management (including warehousing) are the key contributors that facilitate the smooth connectivity between two operating platforms. For example, the raw material owner and the manufacturing firm is linked via transport and inventory activities. The more each player perform their respective activities in isolation, the more their supply chain is in danger. Organizations must be managed in a transversal way, considering all possible options and not in a compartmentalized way [5]. As a result, it is fundamental to retain the resources pertaining to transport, warehousing and logistics within the space surrounded in the focal firm. This scenario makes the existence of a supply activities in the form of a network facilitating easy and uninterrupted access.



### About author

**Professor Edirisinghe** commenced his career in 1981 as a Cadet Officer in Merchant Navy. He counts 41 years work experience in the corporate sector including Ceylon shipping Corporation and Board of Investment of Sri Lanka. He is a Consultant to the United Nations Secretariate, and a member of Advisory group of the European Union (EU). He holds a PhD, in Transportation planning and Logistics Management. He is a Chartered Logistician and Chartered Marketer. CINEC and Professor Lalith Edirisinghe were instrumental in establishing Logistics as a part of school curriculum in Sri Lanka. He is the author of first logistics textbook and shipping textbook written in Sinhala introducing many theoretical models in shipping and developed new theories and concepts in transport. He was the project Chairman of the first ever National Logistics Awards 2018 conducted by Chartered Institute of Logistics and Transport Sri Lanka and the Chairman of the Panel of Judges in the National Logistics Awards 2021 organized by the Sri Lanka Freight Forwarders Association (SLFFA). Prof. Edirisinghe is a past student and a Prefect Teacher of Ananda College, Colombo and at present, he is the Dean of Faculty of Management and Social Sciences and the Head of Higher Education Society Linkage Cell of CINEC Campus.

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# 25 Years of Excellence

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The recent economic challenges encountered by Sri Lanka are well documented. Businesses in Sri Lanka have to face up to and overcome, significant challenges including inflation, brain drain and limited foreign reserves. However, it has proved to be extremely resilient and innovative. The little island, despite the challenges, still has tremendous potential, is richly blessed with natural resources and with very talented human resources and much to offer to the world.

While debt-restructuring policies, Central Bank policies and macro-economic policies are being implemented to mitigate such crises, can Sri Lanka benefit through underlying support from a grass-root level? It cannot be denied that experienced and efficient entrepreneurs can revive the economy through the creation of jobs, enhanced productivity, and new technologies. In conversation with Jehan Perinpanayagam, CEO of Infomate and Vice Chair SLASSCOM, we came to understand how Sri Lanka can thrive with the support of a strong IT infrastructure and developing the IT / BPM Industry.

Jehan counts over 25 years of experience through his tenure at Sri Lanka's blue-chip conglomerate, John Keells Holdings (JKH). He has shown great resilience, creativity and acumen, amply demonstrated in pioneering the country's first rural BPMs and in transforming Sri Lanka's first shared services organisation to one of the leading BPM exporters in the country.

In addition to this, he is the pioneer in the Business Process Management (BPM) industry and counts valuable expertise in automation, ERP and SAP systems, while introducing international partnerships towards BPM services.

## Introducing SLASSCOM

The industry association for IT / BPM companies and the national chamber for the knowledge and innovation

industry is SLASSCOM, (Sri Lanka Association for Software Services Companies) SLASSCOM has 450 member companies and a corporate office of 20. The wide-ranging initiatives of SLASSCOM are supported by over 300 industries volunteers who are passionate in developing the industry and individuals who take great pride in the national cause of building the IT-BPM industry of Sri Lanka. The vision of SLASSCOM is to reach USD 5 billion in export revenue by 2025, a workforce of 200,000 and 1,000 start-ups. Sri Lanka has been called a hidden gem for outsourcing by AT Kearney and several leading international brands are serviced from Sri Lanka. These include London Stock Exchange Group, Moody's Analytics, Virtusa, HSBC, Pearson, WNS Global Services, IFS, RR Donnelley, and Innodata.

The key strategic initiatives of SLASSCOM are organised through 10 Global trade and investment, Capacity, Regional Development, Entrepreneurship and Innovation, Technology, Quality, Business Process Management, Human Resources, Women technopreneurs and ESG. Industry leaders and volunteers lead these forums.

The SLASSCOM Academy is yet another interesting initiative that aims to enhance skills by catering to a broad range of in-demand skills required by the industry. This platform has a combination of courses organised by both SLASSCOM and collaborating partners. One of the biggest new initiatives is termed the National Future

Talent initiative and aims to add several thousand to the IT / BPM workforce.

## Apart from building the fast-growing IT/BPM industry, SLASSCOM champions an Environment Social Governance vision.

We have purposed to build Sri Lanka's IT / BPM industry as a green, sustainable and responsible service provider and have envisioned Sri Lanka being the world's first green IT / BPM destination. In this regard we have partnered with the UN Resident Coordinator's office and a host of experts, government and non-government bodies to make this vision a reality. We believe that ESG will be a key differentiator in the global industry and that Sri Lanka's unique positioning will be pivotal going forward.

We have commenced numerous ESG related initiatives to promote diversity, inclusion, adoption of renewable energy sources, health and well-being together with social initiatives.

## However, the challenges seen in the current IT/BPM



## landscape are many.

Jehan believes that building capacity is key priority for the industry. SLASSCOM has developed and has ongoing programmes to create awareness of careers in IT / BPM, uplift talent, provide inputs to curriculums as per industry standards and partners with many government and non-government bodies. The programme includes technical as well as soft skills. Further, he believes that there needs to be measures both to retain talent in the country and develop new talent pools. Further, the new tax regime, whilst inevitable, has added in a fresh tax pressure on employees which is a challenge by itself.

Another priority is building international brand recognition which is an absolute necessity for the industry. Reinforcing Sri Lanka's resilience is key in giving existing clients and potential clients the confidence to remain or enter the industry respectively.

In addition to this, the shipping industry of Sri Lanka too can benefit from the IT industry. Sri Lanka has a geographical advantage in the logistics industry and the pandemic brought in strong lessons to the global market in general on the importance of digitisation. The local IT industry can use the learnings off COVID as a catalyst for growth in the shipping industry through the digitisation of the ports and customs documentation. The ICTA and the IT industry in general would I'm sure offer their wholehearted support towards this.

## A perspective on building hope of a better nation tomorrow

Uncertainty and the current tax net can be prime reasons why Sri Lankans are looking to migrate. Therefore, it is crucial that there is effective communication in place and that confidence is granted through state reformation. Further, immediate measures to drive Foreign Direct Investments (FDI) to encourage fresh investments can be a current quick measure that can be adopted. Additionally, involving the private sector alongside implementing valuable suggestions they offer, could be the way forward in helping the retention of

talent.

On a final note, Jehan emphasises that there are considerable ways the IT/BPM industry can contribute to rebuilding Sri Lanka. The industry, if marketed properly and conducive investment for investors established, can attract FDI's from leading international bodies. Sri Lanka already can boast of being the destination of choice of HSBC, LSEG, Sysco Labs, Virtusa and WNS to name just a few. In recent times, the country has had HCL and EY's GDS setting up locally. The IT / BPM industry has hundreds of high paying jobs on offer even at present which can boost employment and income levels. Moreover, the Government has the IT industry at its disposal to bring in digitisation of documentation.

## Sharika Mubarack (CGMA, ACMA, LLCM, ATCL, MBA)

Sharika Mubarack is a CIMA qualified accountant who has pursued her Masters Degree from the University of Leicester, UK. Sharika is a member of Chartered Institute of Management Accountants, UK and American Institute of Certified Public Accountants (AICPA). She possesses a Licentiate in teaching Speech and Drama from the London College of Music and is an Associate Performer of Trinity College, London.

Sharika brings in diverse exposure both in the fields of business and academics. She counts over six years of experience working in the hospitality sector, over ten years in the business sector and over twelve years of experience in the academic field.

She is currently attached as the Co-Founder and the Vice President of Aqcellor, South-East Asia. In addition to this, she also serves as a Post-Graduate dissertation supervisor at the Open University of Sri Lanka and works as a freelance academic and business writer for a line of prestigious corporates..



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# GAC BOLSTERS FLEET WITH TUG YEVIN





GAC Sri Lanka's latest service craft, the Anchor Handling Tug 'Yevin', is one of the most powerful and advanced tugs under the GAC's fleet of support vessels.

The fully-equipped 52-metre tug joined GAC Sri Lanka after serving as an offshore supply vessel in Malaysia, and is an invaluable addition to its existing fleet, boosting its ability to meet growing demand for specialised maritime services.

Yevin can accommodate up to 28 persons on board and has ample deck space for cargo. She can operate under tough weather conditions, - both in open waters and within port limits - under the supervision of a hand-picked, experienced crew, and has the staying power to operate well over 45 days at

sea, without making a port call.

GAC Sri Lanka's General Manager for Chartering and Tug Operations, Mohan Rodrigo speaks about the addition of 'Yevin' to the company's fleet.

**How has the capabilities of the GAC boat fleet has been enhanced by the addition of Tug YEVIN?**

With her fire fighting (Fi-Fi) equipment, clear deck space and bollard pull capacity of 64 tonnes, 'Yevin' is the perfect tug which enables us to offer a much wider range of maritime services including towing and anchor handling

assistance, firefighting and emergency response services, enabling GAC Sri Lanka to provide the full range of services as a reliable boat operator / tug service provider.

What are the services YEVIN provides, which were not part of the GAC portfolio of services before?

Fire fighting, salvage and rescue, towing assistance, anchor handling services and bulk deliveries can now be offered, both along Sri Lanka's coastline and in international waters.

**Are there any unique aspects of YEVIN or particularly interesting operations she has**

**undertaken thus far?**

Her main jobs have been assisting in tows and she has successfully completed many tow assistance operation in international waters. One was a particularly challenging charter operation where she and GAC's Tug 'Nina' towed 2 new-built vessels weighing 1,577 tonnes and 1,199 tonnes from Colombo yard to the West Container Terminal for loading.

**We are also looking forward to some very interesting jobs coming up in the near future.**

Are there plans to expand the GAC Sri Lanka fleet of tugs?

Yes, there is. GAC Sri Lanka currently operates a fleet of 13 tugs, crew and supply boats, the largest commercial

fleet in the country. Following the addition of 'Yevin', we are looking exploring the options to further expand our fleet with bigger and more powerful assets.

Established in 1991 as a joint venture between GAC and McLarens Group, GAC Sri Lanka operates six offices across the country and is the leading provider of shipping, logistics and marine-related services. It is the only agent with physical presence in the country's four commercial ports.



# BLOODIEST MUTINY OF ALL TIME

## VOC SHIP BATAVIA - 1629

**Chandra Godakanda Arachchi.**

Master Mariner, Oil, gas and LNG industry Professional

Mutinies are hardly heard of this day and age though mutinies did happen even centuries ago though punishment at the time if found guilty could be execution. Mutiny is termed as an open rebellion against the authority of the unit or the ship particularly in armed forces and merchant navy.

There was a famous mutiny back in 1976 on Lanka Keerthi, a Ceylon Shipping Corporation vessel. Vessel was in anchorage in Tripoli, Libya for about a month causing food shortages and severe hardships for the crew on board. Crew were regularly complaining about insufficient food and the quality too, unsure though whether any attempts were made to purchase any additional provisions despite repeated complaints and discussions with the crew and senior officers. The situation dragged on without any satisfactory solution until crew's patience flew out

through portholes. Master, a foreign national was assaulted by the rough crew most of them from well-known Colombo suburbs known for fist fights. Chief Engineer and Chief Officer with helmets on pleading the crew on their knees not to assault them. Mutiny ended up with serious head injuries to the master. Working on ships in that era was relatively new for Sri Lankans with crew picked up to serve from various backgrounds certainly with a few rough necks too. First carpenter on m v Lanka Rani was a coffin maker just to give a perspective of the calibre of crew at

the time. Second Engineer with the greatest difficulty managed to intervene and stop the commotion. Master was taken ashore to be hospitalised, full complement of crew was forced to disembark by Libyan Police (who refused to get off the ship earlier) under warnings to shoot any crew disobeying orders, Libyan Police meant business and the crew went ashore in double quick time. New Master and the crew flew from Colombo, the business was honky dory from that point onwards. If one calls aforesaid a mutiny what happened in 1629 on Batavia was bloody

## As usual crew was allowed to go ashore in Cape of Good Hope, where Jacobsz, Cornelisz and Henrix went on a week-long drinking session and hard partying creating troubles ashore.

unimaginable.

Existence of VOC (Vereenigde Oostindische Compagnie) or Dutch East India company in Ceylon or the Dutch for one hundred and fifty years from 1640 to 1796 is known to most though what's unknown is VOC was the first multinational corporation in the world established on 20th March 1602 when six rival companies merged together to form a very powerful and ruthless at times forging ahead with their business objectives at any cost also evidently attacking at least one Portuguese trading ship Santa Catarina in the middle of ocean thereafter grabbing the victim ship's treasure thereby increasing VOC's asset base significantly. However VOC's lawyers argued attacking the ship was "Just war" despite about 70 crew losing lives, directed towards the Portuguese to end the monopoly of the ocean as none can claim the ocean as their own territory. Therefore, it was the VOC who first brought about the terminology "Freedom of Navigation or similar" in international waters. Readers to decide whether or not attacking a ship then robbing all treasure is an act of piracy or fighting for freedom of navigation in international waters. VOC also had engaged in torture, slavery and did anything good or bad to protect their business or Asian spice trade.

VOC's new polished wooden flagship Batavia, 57 metres in length and 10.5 metres wide 650 tons DWT with 24 cast iron cannons sailed on her maiden voyage from Texel in Holland on 28th October 1628 under Francesco Pelsaert, a senior merchant in Batavia (Formerly known as Jayakarta

now Jakarta). Adriaen Jacobsz, an experienced ship captain was second in command who was not too happy even at beginning of the voyage about appointing Francesco, a senior merchant to be in command. She was the glorious ship at the time with VOC demonstrating their power and wealth. Batavia set sail with six other ships in a convoy though ships got separated due to bad weather in Atlantic Ocean with only three ships were in sight on one another post the storm. Batavia had about 200 passengers including women and children, wives of those serving in Batavia, over 100 soldiers and crew totalling well over 325 on board though in present day terms it's unimaginable to have 325 souls in a ship of only 57 metres long. It is interesting to note that crew in most sailing ships used to sleep on hammocks underdeck, carried salted meat, live animals for slaughtering, wine and rum too. There was a middle level merchant Jeronimus Cornelisz on board, also 27 years old woman named Lucretia Janz Van der Mijlen who was sailing to Batavia to reunite with her husband, Boudewijn Van der Mijlen. Lucretia said to have managed to secure a small cabin due to her social status. Lucretia's maid Zwaantje Hendrix too was on board. Resentment between Pelsaert and Jacobsz grew from the word go of the voyage over the appointment. In the meantime Jacobsz tried to make advances to charm Lucretia without success then he turned to Hendrix for romantic comfort. Lucretia brought to the notice of Pelsaert of what occurred, soon Lucretia and Pelsaert became good mates. Jacobsz resentment for Pelsaert grew more and more during



Replica of Batavia

the voyage with Jacobsz beginning to daydream about how it would be like to overthrow Pelsaert to take command with the idea of pursuing a life in piracy with thrilling adventures in the oceans and becoming rich. Jacobsz with these thoughts in mind confided with Cornelisz who shared similar sentiments.

Batavia called Cape of Good Hope in mid-April, 1629 to source provisions, water etc. As usual crew was allowed to go ashore in Cape of Good Hope, where Jacobsz, Cornelisz and Henrix went on a week-long drinking session and hard partying creating troubles ashore. There were many complaints from crew as well as from residents of Cape of Good Hope. Pelsaert wasted no time in reprimanding Jacobsz over his behaviour. Voyage resumed after

the stop over, Jacobsz being a bit bitter about the reprimand held secret meetings with Cornelisz in order to turn their fantasies into reality. The pair planned to muster a group of rebels, do away with those who oppose and get rid of Pelsaert overboard and the pair was ready to set the plan into motion come June 1629. As part of the plan a group of rebels cornered Lucretia and sexually assaulted her, the plan was to discredit Pelsaert to gather momentum for the conspiracy so that conspirators could take the next step in their plan. Lucretia managed to escape the traumatised event, ran to Pelsaert who then wanted to take action against likely crew involved. Lucretia could identify (by voice) at least one crew who attacked her. In the meantime in a twist of events, Batavia ran aground on 04th June 1629 during Jacobsz watch

in the morning at Morning Reef near Beacon Island, Abrolhos off Western Australian coast, had bottom damage the she began to sink. Most of those on board including women and children managed to survive reaching a nearby Abrolhos islands. However about 70 people remained on board including Jacobsz managed to rescue some water and barrels of biscuits out of which 40 people drowned when the ship finally sank.

Pelsaert and Jacobsz set aside their differences were looking for drinkable water. Many discussions were held and decided to look for water in the islands thereafter decided to sail for Batavia should the water not found in the islands. Pelsaert later had to take the tough and desperate decision to sail on the long boat with 48 crew

to Batavia, Indonesia as the food and water left was not sufficient to last long given the number of mouths to feed, Jacobsz too joined the voyage on the long boat to Batavia which took 33 days with over 1600 miles. Batavia's boatswain was executed on arrival Batavia on Pelsaert's indictment on charges of outrages behaviour prior to the grounding of the ship. Jacobsz despite his contribution sailing to Batavia in the long boat was arrested for negligence on ship Batavia upon arrival in Batavia. Governor General of VOC Coen quickly released Sardam, for the rescue mission. Pelsaert had to wait another week to get Sardam ready so that Pelsaert could embark on the rescue voyage.

Cornelisz managed to survive the breaking and sinking of Batavia made

## The preacher Gijsbert Bastiaenz witnessed all the atrocities without having courage or the power to intervene to put a stop.

ashore in shallow corals. Helplessness of survivors in the islands created an opportunity for the criminal minded Cornelisz to convince a group of about 40 men for wrong doings to come on board with his plans. His intention was to seize any rescue ship that might arrive from Batavia failing which to spend his life seeking sensual pleasures. Cornelisz arrived the conclusion that it is imperative to eliminate all remaining survivors to put a stop to any opposition to his plans.

### The Massacre

Cornelisz tricked a party about 45, cabin boys, men and women into believing the water could be found in Seals Island, the group not finding any water upon landing whilst Cornelisz was certain they would not survive. He then instructed a group of soldiers under the command of Wiebbe Hayes to explore highlands for water however confiscating their weapons prior to leaving on the mission. Hayes was asked to set a smoke signal should they find water. Cornelisz did not expect them to return either. Next mission was to take many people by boats then pushing them overboard by Cornelisz's accomplices which they did drowning them all. Now having eliminated much of the potential opposition his next plan was to murder remaining survivors including women and children though sparing a few of the women for obvious reasons. Lucretia Janz too was included in the group and Cornelisz claimed Lucretia for himself. Cornelisz found out later that the group sent to Seals Island had survived longer than expected sent some of his accomplices to finish them off. A smoke signal was received from highlands, meant they

had found water, had means of survival detrimental to his plans. Cornelisz then sent another group to highlands in efforts to persuade Hayes and the group to join Cornelisz which Hayes turned down. Angered by not being able to persuade Hayes group, Cornelisz sensing the risk looming took the task himself of persuading and lure them into a deadly trap to eliminate Hayes group. However the result was entirely different as Cornelisz was overpowered and tied up when his gruesome reign came to an end, was held a prisoner. The preacher Gijsbert Bastiaenz witnessed all the atrocities without having courage or the power to intervene to put a stop. The preacher himself lost his wife and all his children in the massacre. He noted all these events in a letter which supposed to be still existing even today. Rescue ship Sardam was seen on the horizon.

Sardam the rescue vessel wasted lot of days trying to locate the wreck site as Batavia had already sunk. Pelsaert upon hearing what Wiebbe Hayes had to say upon arriving the islands, couldn't believe what happened, said he was holding Cornelisz a prisoner. Pelsaert captured rest of the mutineers when they tried to board Sardam. Mutineers offered no further resistance and laid down their weapons. Pelsaert could piece together what exactly happened in his absence and crimes committed upon interrogating the mutineers. Cornelisz blamed everyone but himself for the massacres and crimes.

- Murder of many Batavia's survivors
- Rape of women
- Looting of VOC property and private

valuables belonging to passengers and crew

- Above major crimes out of many

### Punishment

Cornelisz's both hands were chopped off prior to hanging until death whereas other mutineers with the exception of a few had one hand cut off before sending to gallows, especially set up in Seal Island for the execution. Few with lesser offenders were taken to Batavia and two were marooned in the Beacon island left for themselves to survive, perhaps the first Europeans live in Australia. Interestingly Australia was called New Holland before Australia, Tasmania was Van Diemen's Island (name of a VOC governor general).

It is also interesting to note, only 10 could be rescued out of 12 boxes of treasures on Batavia. Coen VOC Governor General at the time was appointed very young for the role, was extremely business smart changed the course of VOC. He was also an extremely ruthless administrator both in handling business treaties and personnel. All these for an extra Guilder for VOC.

There were only 116 Batavia survivors counted after the executions means more than two third had perished. Pelsaert passed away a penniless man within a couple of years post the mutiny whilst Governor General Coen did not last long either! Fate of Jacobsz not known after he was arrested in Batavia. Batavia mutiny is the bloodiest mutiny of all time all for being power hungry.

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