



Sri Lanka Shippers' Council
ESTD. 1966

51st Annual General Meeting

ANNUAL REPORT & ACCOUNTS

2020/2021

SRI LANKA SHIPPERS' COUNCIL

The Sri Lanka Shippers' Council is the apex body representing Sri Lankan Shippers, which was established in March 1966 to protect and promote the interests of shippers. It was the first National Shippers' Council to be set up in Asia and was formed on a request made in 1965 by the local Committee of the Ceylon/Continental Conference, and a subsequent request made by the Director of Commerce in January 1966, to the Ceylon Chamber of Commerce. The Council is also a founder member of the Association of Shippers' Councils of Bangladesh, India, Pakistan, and Sri Lanka (ASCOBIPS), founded in 1981 and the Asian Shippers' Council, founded in 2004. Sri Lanka Shippers' Council has become a member of the Global Shippers Forum in April 2015. The Global Shippers' Forum (GSF) is the world's leading trade association for shippers engaged in international trade moving goods by all modes of transport.

Membership of the Council consists of Chambers of Commerce, Trade Associations & individual organisations. The Managing Committee of the Council only consists of 14 Products Associations (PA's) with voting rights. Currently, the Council represents a large percentage of the import/export trade in the country through its broad-based representation and membership of these trade Associations and individual Companies.

The Council has now opened its doors to individual companies as Associate Members so that companies in the import/export trade could have access to the Council's resources and expertise to resolve their shipping related problems.

The Sri Lanka Shippers' Council is headed by an elected Chairman and assisted by two Vice-Chairmen who are also elected by the constituent members.

The Ceylon Chamber of Commerce provides secretarial services to the Council and also acts as the Secretariat.

The Council actively supports the Sri Lankan Government's vision of making Sri Lanka the Logistics Center in the Asian region, which would result in the generation of enhanced economic activity, employment, and wealth. As such all Council activities have been planned and prepared to support this vision and to facilitate International trade.

OUR VISION

“To enhance the competitiveness of our members by abolishing hidden logistics costs.”

OUR MISSION

We facilitate our customers to be more competitive in their Business Logistics, performance, and cost, by the following.

1. Being the APEX Body, protect the interest of our members and being a strong Advocate to the Government.
2. Ensuring cost effective strategies are developed and implemented in the logistics and value chain to make our members more competitive.
3. Facilitating greater efficiencies in logistics by reducing logistics barriers and simplifying trade.
4. Acting as the mediator in resolving conflicts amongst our customers (members).
5. Facilitating a level playing field by developing and promoting a code of conduct / ethics for our customers (members).
6. Establishing a centre for excellence for information sharing and to upgrade competencies of members to compete globally.
7. Leveraging regional and global partnerships and facilitating global best practices in logistics in Sri Lanka.

It is the Council's firm belief that in order to be competitive with the international market Sri Lankan shippers should.

- a) Have a clear understanding when deciding on Carriers /Freight rates and be clear and free of any ambiguity with regard to the Freight rates and matters prevailing in the Market.
- b) Have freight and associated costs stabled, particularly for traditional exports such as tea, rubber, coconut products, which account for at least 70% of total export volume out of Sri Lanka. A major part of the turnover of these exports in foreign exchange is retained in the country and it is vital to protect these industries from international competition. Furthermore, these commodities are with relatively low margins and usually with forward trading patterns cannot absorb constant and continuous cost escalations.
- c) Concurrently are the major exports such as garments are usually traded on FOB terms and the local manufacturers are constantly under pressure to provide low priced services, thus are unable to absorb any additional charges keeping in mind that almost all material for these industries are being imported. Therefore, the

constant increases in charges could seriously affect such industries as they are called upon to pay these charges both at the point of import of raw materials and export of finished products.

- d) Have reasonable Service providers who would not take undue advantage from their captive customers.

OUR OBJECTIVES AND KEY BENEFITS TO MEMBERS

1. To provide for consultation/dialogue between shippers and Ship-owners/ Conference Lines/Shipping Agents/Airlines/Airline Agents, Sri Lanka Ports Authority/ Customs and Government on matters of common interest.
2. To bring together the representatives of various shippers' associations, trade, and industrial associations/organizations, for consideration and discussions of the problems affecting shippers in Sri Lanka.
3. To represent the views of shippers in regard to the composition of freight rates, availability and adequacy of shipping space and services including sailings / flights. Port/ Customs efficiency. Adequacy of Ports and Customs facilities and / charges
4. The Council in principal will not come into agreement on behalf of its members in relation to freight contracts. (The Council will encourage confidential shipper/carrier freight negotiations) However, if the circumstances necessitate negotiation and entering into agreements with ship owners/Conference Lines/Shipping Agents/Airlines/Airline Agents on matters affecting shippers, which involve general principles and policies or on such other matters, if referred to the Council, upon receipt of such matters, the Council will act to safeguard the interest of the shipper/Country.
5. To undertake research/studies on problems affecting shippers in Sri Lanka.
6. To circulate information and statistical data and to publish newsletters, brochures etc., for the benefit of shippers.
7. To convene independently or jointly with other organizations, conferences, seminars, or meetings in furtherance of the objectives of the Council.
8. To accept any grants, gifts, or donations whether in cash or securities and any property either movable or immovable and/or give any grants etc., in the furtherance of the objectives of the Council.
9. To make Rules, Regulations or Bye-Laws for the conduct of the affairs of the Council and to add, to amend, vary or rescind them as from time to time.
10. In the interest of the shippers, the Council will wherever possible nominate its members to institutions where key functions in the shipping industry are taking place.
11. The Council will closely work with international Shippers' Councils in order to interact and pass on information that could be beneficial for shippers and the country.
12. To take all such other steps as may be necessary or conducive to the interests of the Council members.

THE COUNCIL

Mr. Suren Abeysekera
Chairman

Mr. Russell Juriansz
1st Vice Chairman

Mr. Imalka Kumarapeli
2nd Vice Chairman

HONORARY MEMBERS

Late Mr. S.S. Jayawickrama
Mr. Chullante Jayasuriya

SECRETARY GENERAL

Mr. Manjula De Silva

SECRETARIAT

The Ceylon Chamber of Commerce

TRADE ASSOCIATIONS

The Ceylon Chamber of Commerce	Mr. Russell Juriansz (Representative) Mr. Christopher Koilraj (Alternate)
The Ceylon Chamber of Commerce Import Section	Mr. Niranjana Dissanayake (Representative) Mr. Jerald Suvendra (Alternate)
Joint Apparel Association Forum	Mr. Suren Abeysekera (Representative) Mr. Imalka Kumarapeli (Alternate)
The Colombo Rubber Traders' Association	Mr. Trisherman Frink (Representative) Mr. Anura Edirisinghe (Alternate)
The National Chamber of Commerce of Sri Lanka	Mr. Rohan De Silva (Representative) Mr. Tissa Ruberu (Alternate)
The Ceylon Coir Fibre Exporters' Association	Mr. Shavesh Mendis (Representative) Mr. Kithsiri Palihawadana (Alternate)
The National Chamber of Exporters' of Sri Lanka	Mr. Shiham Marikar (Representative) Mr. Parakrama Weerasinghe (Alternate)
The Sri Lanka Freight Forwarders' Association	Mr. Rohan Silva (Representative) Mr. Dinesh Sri Chandrasekera (Alternate)

**The Sri Lanka Apparel Exporters’
Association**

Mr. Sean Van Dort
(Representative)
Mr. Kumar Seneviratne
(Alternate)

**Sri Lanka Association of Air Express
Companies**

Mr. Sanjeeva Abeygoonewardena
(Representative)
Mr. Stewert Enoch
(Alternate)

Sri Lanka Logistics Providers’ Association

Mr. Andre Fernando
(Representative)
Mr. Gayan Maddumaarchchi
(Alternate)

Tea Exporters’ Association

Mr. Gehan Kuruppu
(Representative)
Mr. Shiral Fernando
(Alternate)

**Sri Lanka Fruits & Vegetable Producers,
Processors & Exporters’ Association**

Mr. Zuraish Hashim
(Representative)

Hub Operators Association of Sri Lanka

Mr. Jagath Pathirana
(Representative)
Mr. Sagara Peiris
(Alternate)

Free Trade Zone Manufacturers’ Association

Mr. Tyronne Weckasinghe
(Representative)
Mr. Dhammika Fernando
(Alternate)

INDIVIDUAL MEMBERS

20CUBE LOGISTICS (PVT) LTD
ADVANTIS FREIGHT (PRIVATE) LIMITED
AGILITY LOGISTICS (PVT) LTD
ANSELL LANKA (PVT) LTD
ANVERALLY & SONS (PVT) LTD
BOLLORE LOGISTICS LANKA (PVT) LTD.
C H ROBINSON FREIGHT SERVICES LANKA (PVT) LTD
CARE LOGISTICS (PVT) LTD
CEYLON TEA MARKETING (PVT) LTD
CITY CYCLE INDUSTRIES MANUFACTURING (PVT) LTD
CL SYNERGY (PVT) LTD
CONTROL UNION INSPECTIONS (PRIVATE) LIMITED
DSV PERSHIP (PVT) LTD
ESKIMO FASHION KNITWEAR (PRIVATE) LTD
EURO SUBSTRATES (PVT) LTD
EXPOLANKA FREIGHT (PVT) LTD
FASCINATION EXPORTS (PVT) LTD
FINLAYS COLOMBO LIMITED
FREIGHT LINKS INTERNATIONAL (PTE) LTD
FREIGHT MASTERS INTERNATIONAL (PVT) LTD
HAYLEYS PLC
HDDDES EXTRACTS (PVT) LTD
HELA CLOTHING (PVT) LTD
HELLMANN WORLDWIDE LOGISTICS (PVT) LTD
HOLDINGS (PVT) LTD MAC
IMPERIAL TEAS (PVT) LTD
INDUSTRIAL CLOTHINGS LTD
Jiffy Products S.L. (Pvt) Ltd Jiffy Products S.L.
KOKOSPEAT EXPORTS (PVT) LTD.
LALAN RUBBERS PVT LTD
LINEA AQUA (PVT) LTD
MABROC TEAS (PVT) LTD
MISA SMART LOGISTICS (PVT) LTD
NESTLE LANKA PLC
NOR LANKA MANUFACTURING COL. LTD
SALOTA INTERNATIONAL (PVT) LTD
SCANWELL LOGISTICS COLOMBO (PVT) LTD
SHERMANS LOGISTICS (PVT) LTD
SIAM CITY CEMENT (LANKA) LIMITED
TEA TANG (PVT) LTD
TIMEX GARMENTS (PVT) LTD
TRANS ORBIT LOGISTICS (PVT) LTD
TRELLEBORG LANKA (PVT) LTD
UNIVERSAL FREIGHTERS INTERNATIONAL (PVT) LTD
VAN REES CEYLON LTD
DP LOGISTICS (PVT) LTD
HELLMANN MAS SUPPLY CHAIN (PRIVATE) LIMITED

The Sri Lanka Shippers' Council AGM 2020/2021



Seated from Left to Right

Ms. Manori Dissanayaka (Secretariat, The Ceylon Chamber of Commerce), Mr. Gehan Kuruppu (Past Chairman, Tea Exporters' Association), Mr. Rohan Masakorala (Past Chairman), Mr. Imalka Kumarapeli (2nd Vice Chairman- Joint Apparel Association Forum), Mr. Russell Juriansz (1st Vice Chairman, The Ceylon Chamber of Commerce), Mr. Suren Abeysekera (Chairman- Joint Apparel Association Forum), Mr. Chrisso De Mel (Immediate Past Chairman), Mr. Dinesh de Silva (Past Chairman, Import Section of CCC), Mr. Rohan De S Wijeyeratne (Past Chairman), Mr. Chullante Jayasuriya (Honorary Member), Ms. Ushani Dassanayake (Secretariat, The Ceylon Chamber of Commerce)

Standing from Left to right

Ms. Sandali Nandasena (Secretariat, The Ceylon Chamber of Commerce), Mr. Niranjan Dissanayake (Import Section of CCC), Mr. Kumar Senevirathne (Sri Lanka Apparel Exporters' Association), Mr. Trisherman Frink (The Colombo Rubber Traders' Association), Mr. Andre Fernando (Sri Lanka Logistics Providers' Association), Mr. Shiham Marikar (National Chamber of Exporters' of Sri Lanka), Mr. Gayan Maddumaarchchi (Sri Lanka Logistics Providers' Association), Mr. Jagath Pathirane (Hub Operators Association), Mr. Zuraish Hashim (Lanka Fruits and Vegetable Producers, Processors and Exporters Association), Mr. Jerald Suvendra (Import Section of CCC)

OFFICE BEARERS

Sri Lanka Shippers' Council held its 50th Annual General Meeting on **16th July 2020** at 3.00 pm via Microsoft Teams Application.

Mr. Suren Abeysekera was re-elected as the Chairman and **Mr. Russell Juriansz** was re-elected as the **1st Vice Chairman** and **Mr. Imalka Kumarapeli** was re-elected as the **2nd Vice Chairman** for the year **2020/2021**. Many national newspapers covered the 50th virtual AGM of Sri Lanka Shippers' Council.



ACTIVITIES OF THE COUNCIL

The activities of the Council have been focused on issues faced by shippers on shipping and their operational activities. The Council always performed a lead role in resolving problems and serve as the focal point where various shipping and port, Airport & other authorities' related matters are brought up and discussed. In addition, the Council largely contributes in advising the Government authorities on matters relating to port and shipping whenever its advice is sought after.

The council's discussions and action-items this year were mainly focused around the following 10 subcategories:

- COVID-19 control measures – Impact to Imports & Exports
- Shipping and Logistics related Matters
- Present Market Indicators
- Customs/Sri Lanka Ports Authority/Maritime Affairs
- Airport Issues
- Education and Seminars

- Membership Drive, Fund Raising & Finances/Accounts
- Global Shippers' Forum (GSF)
- SLSC Website
- Any other matters

During the pursuing year, The Sri Lanka Shippers' Council continued its operations digitally using the WhatsApp community group and online meetings. Most of the committee meetings were held using Microsoft Teams software enabling the Executive Committee of the Council to meet virtually. The secretariat continued to administer these media while members were encouraged to share posts, comments, and news relevant and important to the industry both locally and internationally. These mediums have enabled the council to carryout its affairs even during periods where physical meetings and travel are curtailed for various reasons.

COVID-19 control measures – Impact to Imports & Exports

The Council continued to address shippers' issues with relevant authorities within the Pandemic period. The Chairman and the Vice-Chairmen represented the Council and the shippers' interest at large in many government meetings and was able to obtain solutions to shippers' issues during the pandemic period.

The Council continued to address unethical port rent and demurrage charged from importers during the Covid-19 period by participating in the Special Committee Meetings examining and solving issues of importers. Many demurrages and rent refunds were able to be collected by importers due to the intervention of the Sri Lanka Shippers' Council.

The Sri Lanka Shippers' Council was also able to influence a direction on the CICT refund issue pending from 2020 where they were not refunding collected rent even after a directive from the government but holding same in a credit account under importer's name. The Sri Lanka Shippers' Council was able to convince the Secretary to H.E. the president who gave a direction at a recently concluded stakeholder meeting to align CICT refunds in line with other terminals and government directions there by enabling importers to demand their refunds pending for over a year.

Sri Lanka Shippers' Council also forwarded a list of common issues faced by the shippers to the Presidential Secretariat to be taken up at relevant stakeholder meetings in future.

COVID 19 pandemic and the economic impact it caused consequent to the government regulations and restrictions that came about had a great impact on businesses. But under these trying circumstances, the Sri Lanka Shippers' Council pursued many issues while curfew and lockdowns were in force.

SHIPPING AND LOGISTICS RELATED MATTERS

Sri Lanka Shippers' Council continue to engage with the authorities in maintaining the status quo of transparent and all-inclusive freight structures to be market driven.

During the year under review, it was noted that many vested parties were lobbying to mislead the authorities to bring back unethical, anticompetitive practices once again by revoking the GAZETTE EXTRAORDINARY 1842/16 DATED 27.12.2013.

During the year under review, Sri Lanka Shippers' Council had several discussions with Director General Merchant Shipping and other relevant stakeholders to maintain the maximum sealing for the Delivery Order (DO) fee.

Discussions were mainly based on the following.

- **Delivery Order (DO) fee**

Issue: Shipping Lines, Consolidators and Freight forwarders charging higher DO fee from consignees, despite the prevailing stakeholder agreement – FCL-Rs.7,500 and LCL – Rs. 10,000.

- Unethical '**Surcharges**' charged by Service Providers and no action being taken by DGMS according to the prevailing Regulation in the country. The importer/consignee is also responsible for verifying whether all applicable charges are included into the "All Inclusive Freight" for 'freight collect' shipments and for 'freight prepaid' shipments, where only a DO fee could be charged.
- **Container deposit** – Container deposits to be refunded in full within an agreed period after containers being returned in good condition to the deport and submission of relevant documents to carrier. In case of a container damaged or necessity to wash, a joint survey to be conducted to agree on any additional cost payable.

Several lengthy discussions were held on these topics with industry stakeholders and DGMS. Some excerpts of those discussions are mentioned below.

1. Future trade complaints on charges to be handled by a "Complaints Handling Committee" and the committee to meet once a month at the office of DGMS. Nominations to serve on the committee from the current consultative committee to be forwarded to DGMS by SLSC/ SLFFA/ CASA/ JAAF/ CEYFFA by Monday, 01st February 2021. Ports and shipping ministry representative will also be part of this committee. It was stated that the complaints handling committee can only recommend to the DGMS and the disciplinary action against service providers who are not adhering to the prevailing law should be taken by the DGMS office. Further, the committee should deliberate only new issues after the new circular on agreements made comes out and not based on old ones.
2. Service Providers are not authorized to charge any amount as DO fees. They must first seek approval for their rate with DGMS for formal approval. All DO fees should be filed under the maximum amounts stipulated in the circular by DGMS.

3. Delivery Order Fee (DO) - Chairman briefed the committee that the request by CASA to charge two tier fees structure by SLFFA was not agreed citing that there is no such policy and they can only charge one rate across the board. (Shipping lines don't have differentiation policy on charges). CASA proposed to increase their liner DO fee to forwarders from Rs.7,500 to Rs.10,000. This was not agreed by DGMS and SLAFFA.

Considering the previous amounts agreed in 2015, Stakeholders agreed to accept an increase in the Maximum DO Fee as below.

- FCL: Rs. 7,500 + annual inflation rate starting from 2015 to 2021.
- LCL: Rs. 12,500

DO issued from a Shipping Agent to a Consolidator, from a Consolidator to an FF & from an FF to the ultimate consignee – To be discussed amongst SLFFA/CASA and CEYFFA and to be informed to DGMS.

DO fee will be reviewed annually and maybe revised based on annual inflation rate published by Central Bank of Sri Lanka. DO fee should not be charged on USD basis and it should be on Sri Lankan Rupees.

No shipping line/ consolidator/ service provider can hold a DO (after all contractual, documentary and payment obligations are fulfilled by an importer) as collateral for any past dispute between contracting parties.

4. All other surcharges apart from DO fee and container deposit should be included in the "All Inclusive freight". It was agreed not to have any other surcharges on the Invoices other than DO fee and container deposit. Any other commercial agreement/ payment settlement plan between parties including origin and destination agents should be under the prevailing law and governed by Extraordinary Gazette Notification No. 2041/10 of 17th October 2017.
5. Maximum time period that should be taken to refund Container Deposits to consignees to be 30 days after successful return of the container in good condition with all paperwork completed. Stakeholders agreed to revisit this timeline and further reduce same after 3 months period.
6. Directive to be issued by DGMS based on the points agreed above. Draft was prepared with the comments received from the trade.

Since there were no agreement amongst the stakeholders regarding the ceiling of DO fee, the matter was escalated to the Secretary, Ministry of Ports & Shipping. All stakeholders were called for a meeting on 11th June 2021.

The Sri Lanka Shippers' Council keeping to its Mission and Visions to safeguard shippers from unethical charges and rising DO fees was able to push to influence the following decisions at the meeting with Ministry.

Maximum Delivery Order Fee for import shipments.

For FCL import shipments.

Maximum DO Fee that should be paid by a consignee/ importer (except Freight Forwarder /Consolidator) is Rs 11,000/=.

Accordingly,

- From Shipping Lines to freight forwarders – The maximum Liner DO Fee should be Rs. 9,000/=.
- From Shipping Lines to Consolidator – The maximum Liner DO Fee should be Rs. 9,000/=.

For LCL import shipments.

Maximum DO Fee that should be paid by a consignee/ importer is Rs 12,500/=.

Accordingly,

- From Consolidators to freight forwarders - The maximum DO Fee should be Rs. 10,000/=.

According to the current law (Gazette No. 2041/10 of OCTOBER 17, 2017) DGMS has powers to;

Extract from the Gazette, Clause 9 & 10

Quote:

"9. (a) Where any information or, contained in any document submitted as required under these regulations, is found to be incorrect or false; or

(b) Where any licensed service provider violates the provisions of these regulations,

the Director General may, after an inquiry, take steps to suspend or cancel the license issued to such company or withdraw or suspend the use of any privileges granted to such company."

10. Any person who acts in contravention of any provision of these regulations, or furnishes any information or explanation containing any particulars which to his knowledge are false or incorrect, shall be guilty of an offence and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding five thousand rupees or to imprisonment of either description for a period not exceeding one year, or to both such fine and imprisonment. "

Unquote

Subsequently a detailed guideline was issued by DGMS captioned '**Guideline No.4 on Local chargers on Imports to Sri Lanka**' specifying the maximum DO fee chargeable, Maximum no. of days during within a container deposit should be refunded to importers and a Complaints, Disputes and Noncompliance Handling mechanism through a Recommendation Committee. This is a long pending achievement by shippers in the country as it would then regularize these charges for imports thus manipulation of charges will not be possible by service providers. The Sri Lanka Shippers' Council was able to spearhead this win for the trade together with other right-thinking associations such as JAAF, Import section of CCC & SLFFA.

During the year, the Sri Lanka Shippers' Council also protested against several unethical requests from various industry bodies such as CEYFFA to raise existing charges and introduce new surcharges to the trade (USD 6 per CBM for LCL shipments, DO fee increase to LKR 15,000/= for LCL, IMPLEMENTATION OF COST RECOVERY SURCHARGE, etc.). The council successfully curb these unethical charges being introduced to the trade and safeguarded shippers from potential unscrupulous cost increases.

The Sri Lanka Shippers' Council will continue to support the Government and its membership to uphold fair trading practices in a transparent business environment for the benefit of importers, exporters and shipping lines and agency networks. The Council continues to advise its members to take up any matters relating to unethical charges by the service providers to the Director General of Merchant Shipping with the supporting documents and holds a seat in the newly created Recommendation committee of DGMS.

A press release was made from the council on the DGMS new Guideline No.4 on Local chargers on Imports to Sri Lanka.

Present Market Indicators

Various predictions on market conditions were discussed at Council committee meetings. China Freight Index (China Exchange) and Drewry's World Container Index were followed by the Council as reference material.

The Sri Lanka Shippers released several press articles related to present market conditions including effects of 2 global events that took place during the year. They were well publicized in the local and international media.

Sri Lanka exporters, importers battle high rates, box shortfalls to maintain trade lifeline

Sri Lanka's exporters and importers are working against multiple global and domestic logistics disruptions in the post-Covid-19 period to keep exports ticking and supply the country with essential foods and raw material as freight rates soar.

Exporters are also facing shortfalls of containers with import controls in Sri Lanka, compounding global bottlenecks in shuttling empty containers.

Though freight rates have started to stabilize gradually from Covid-19 peaks, Sri Lankan shippers are paying high rates and battling capacity bottlenecks.

Perfect Storm

Freight rates from Colombo to Europe, China and Hong Kong have jumped over 200 per cent, to the US over 150 per cent and to Singapore over 100 per cent, Sri Lanka's Shipper Council Chairman Suren Abeysekera said.

Freight rates were competitive before the Covid-19 pandemic, helped by large container ships coming into service, but pandemic disruptions rapidly pushed up rates as ships were taken off service reducing capacity.

The Shanghai Freight Index has jumped three-fold compared to 2019 last quarter while the Drewry's World Container Freight Index also shows a threefold jump from 2019 with the average spot freight rate jumping from 1500 dollars in March 2019 to 4800 dollar by March 2021, Abeysekera said.

"In my 21-plus year experience I have never seen something like this before," Abeysekera said calling it a 'perfect storm' in ocean freight.

The resurgence of economic activities after Covid-19 lockdowns ended, and the rush to build up stocks had created congestion in the global logistics system.

Shipping companies were making large profits and orders have also been placed at shipbuilders.

"Whatever that stopped during COVID, couldn't come back to its former glory even though the industry came back quickly to match the consumer demand," Abeysekera explained.

Costly Delays

Across the logistics chain, there are delays and congestion, which is a cost to shippers.

"Congestions created at ports amplify this issue with ships spending more time close to ports rather than moving cargo on water," Abeysekera said.

While global trade has not actually grown, it is the disruptions and delays that are causing capacity problems, he said.

"Remember the number of ships in the world has not suddenly increased but most are out of schedule creating havoc to demand when it needs supply."

"It is our understanding that the current volatility in the ocean freight market would continue throughout 2021 and shippers in the country should adapt to the new norm in containerized shipping," he said.

The industry has taken several initiatives to mitigate the situation; more innovations are being underway, but there are also measures that authorities can take, he said.

Box Shortfall

Overall ships are fuller than before, reducing the ability of shuttles to be emptied. Globally there were difficulties in getting hold of empty containers and also specific types such as food-grade boxes, refrigerated containers and different sizes such as 40-foot containers and 20-foot containers.

Vessels delaying their return to Asia due to congestion in export destinations had also contributed to a shortfall of containers in Asia. Others have also got stuck in inland ports.

There is at least one investigation by regulators to probe whether an artificial shortage is created, he said.

In Sri Lanka exporters are facing difficulties getting empty containers in general and specific types of containers.

Sri Lanka's import controls had created shortfalls of empty containers, whereas, in the past, there was an excess of boxes on the island.

"Specifically, for Sri Lanka, the reduction of imports has had a direct impact on container availability," Abeysekera said.

"Generally, Sri Lanka has an imbalance in the number of containers with more inflow than outflow. But currently, it is reversed."

Due to import imbalance, the 20' equivalent size containers have a better availability compared to 40' and 45' containers in Sri Lanka.

But the overall export cost of two 20' containers instead of a 40' container was not the same.

Shippers Innovating

Shippers are taking several measures on their own to mitigate the fallout and maintain the external trade lifelines of the country.

Forecasting volumes to shipping lines and maintaining accuracy is one way to make sure shipments can be made on time.

"Currently, the earlier you could forecast the lines, the better chance for exporters/ importers to obtain space on vessels," Abeysekera said.

"Presently, forecasting is done as early as and when found weeks ahead by some users. This helps with rates as well."

The creation of a common container pool without having to look for containers in specific yards would also help, he said.

It is not clear whether an online database could be set up for container freight stations to update data daily.

Official Measures

State authorities could also take measures that would help combat the problem.

Sri Lanka has lost a number of ocean services during the congestion that happened during a Covid-19 spike at Colombo Port last year.

Though many lines have returned some are still bypassing Colombo.

“Sri Lanka should market its Colombo port internationally as a port which successfully combats Covid-19 and attract vessels back to its shores which will increase capacity for local importers and exporters,” Abeysekera said.

Attracting new lines to Colombo would also help.

Sri Lanka can also invite shipping lines to use Colombo as their hub in Asia, he said.

Additional ships calling in Colombo will give more business to shipping agents and other service providers including husbandry and ship services.

Sri Lanka however has placed controls on foreign ownership of shipping agencies, which some say has prevented the island from following on the path of Singapore where regional offices are set up.

Fast-tracking clearances by border agencies would also help, he said.

Sri Lanka can also relook at import controls, he said. Ad hoc changes are creating ripples and uncertainties in the market.

While the cost of shipping had hit record levels, shippers have to put up with very high service charges from middlemen such as freight forwarders, consolidators.

He says such gauging is unethical given the current context.

What shippers are doing and what Shippers’ Council says can be done to further mitigate the crisis

1. A quick solution to the problem we see from the shippers’ side, is properly forecasting volumes to shipping lines and maintaining the accuracy of these projections. Currently, the earlier you could forecast the lines, the better chance for exporters/ importers to obtain space on vessels. Presently forecasting is done as early as 4 weeks ahead by some users. This helps with rates as well.
2. Another opportunity available for shippers is getting into strategic contracts with SSLs with volume/rate commitments from both sides. Current spot rate markets are bullish and most of the time-space not awarded or containers rolled at transshipment points due to yield restrictions.
3. Shipping lines are also encouraging renewing of annual contracts prematurely giving the opportunity to secure rates and capacity at current levels in case the situation develops further and also to have confirmed space in the current context.

4. Importers and exporters should relook at their entire supply chain/ value chain activities and not in EXIM trade in isolation to attract transportation cost benefits in this challenging period

5. Another new option has emerged from shipping lines deploying smaller vessels to ply between specific port pairs which help to speed up transit between key economies and cut down congestion having to carry, load/ unload and experience congestion calling many ports on the way. This is at a premium rate but provides consistency and dependability to freight transportation thus relieve pressure on main ocean line hauls.

6. Availability of a common container pool in Sri Lanka without having to look for containers in specific yards would also help to quickly track and issue containers to exporters from a central repository.

Sri Lanka exporters braced for delays, larger freight charges from Suez Canal shock.

Sri Lanka's exporters and importers are braced for a spike in already high freight rates and delays amid rising fears that Suez Canal will be closed until next week as frantic efforts are made to dislodge a massive container ship that has run aground in the vital waterway.

Over 200 vessels, made up of bulk carriers, container vessels, crude and gas carriers are have piled up on both sides of the canal since Ever Given, a 20,000 TEU container vessel ran aground blocking the Suez Canal on March 23.

Over 12 percent of the global trade is estimated to move through the Canal and most of Sri Lanka's exports to Western Europe and the US East Coast.

Related

Sri Lanka exports and imports could be disrupted if Suez Canal remains blocked

Suez Canal shipping suspended amid efforts to re-float grounded Evergreen vessel

Ripple Effect

"We feel that there will be a ripple effect of the blockage in Suez on exports out of Sri Lanka," Suren Abeysekera, Chairman of Sri Lanka's Shippers Council, which represents exporters and importers, said.

"Our only form of quick movement out of Asia is Suez so I think roughly 50 ships pass on a daily basis but for two days everything is on hold now,

"So it will not help up with exporting to Europe and the US east coast and also the raw materials that come in through that route will have definite delays and also the empty containers that come back to Asia that will also impact more."

Some of the raw materials for exports come from Asia, which may not be affected.

Rehan Lakhany, Chairman of Original Apparel exporters said the effect could be “devastating” if the crisis is extended.

“Hopefully if the vessel is moved in the next couple of days, we won’t see a serious impact, if it takes longer then it will be devastating,” Lakhany said.

“If there is an impact then it will make our exports expensive. If the retailers are not able to put the styles up on time, they will have to fill the empty shelves with alternate products or will have to look at optional air freight and air freight at the moment is very expensive.”

The Suez problem came just as Sri Lanka’s exports recovered to grow 2.5 percent from a year earlier in February 2021, after falling 9 percent in January.

Related Sri Lanka exports up 2.5-pct in February, EU shipments surge in 2021

Freight Rates

Freight rates which had rocketed over 300 to 400 percent during the Coronavirus crisis in 2020 had started to move up to new highs over due to the crisis, according to reports.

In the apparel trade, buyers take care of the shipping, he said. However, importers will have to bear the cost.

Reports said it may take as long as next Wednesday to move the Evergreen line vessel whose bow is stuck fast on a sand bank on the side of the Suez Canal. Dredgers are already at work, shifting the sand.

If the cargo has to be moved to lighten the ship, heavy lift helicopters may have been used, taking more time, salvage experts have said.

“Global supply chains are already affected, turnarounds are delayed, and congestion is building up,” Rohan Masakorale, head of Sri Lanka’s Shippers’ Academy said.

“It is not only containers but bulk cargo and crude,” he said. “Deliveries to refineries are delayed and there is already a rise in fuel prices.”

Each day, around 50 to 75 ships pass through the Suez Canal.

The Suez Canal Authority said on February 06, the highest recorded in 150 years passed of 5.8 million tonnes passed through the canal.

Among 35 vessels in the South Convoy larges was the 222,000 Ever Genius, on the way from Sri Lanka to the Netherlands. On the 40 vessel Northern Convoy the 193,000 tonne CSCL Pacific Ocean from UK to Malaysia was the largest vessel.

Sri Lanka Customs

The Council is pleased to announce that the dialogues with the Sri Lanka Customs continued during the year under review through the pandemic. Concerns of the Importers and Exporters with regard to various policy matters and operational issues were brought to the attention of the Director General of Customs and received positive responses to solve large number of operational issues during this period.

SRI LANKA CUSTOM'S TRADER RE-REGISTRATION INITIATIVE.

Sri Lanka Customs has initiated a programme captioned "Sri Lanka Custom's Trader Re-registration initiative" to streamline the access control to Customs portal (Asycuda World). A series of discussions were held at Sri Lanka Customs with the stakeholders to implement this programme.

Sri Lanka Shippers' Council played a leading role in this venture by rallying around other relevant stakeholders to discuss and propose a suitable list of information that should be in the re-registration form. The Council made great strife in converting some of the compulsory fields in the form to optional by convincing the SL customs possible repercussions in trying to collect and store personal data. The trade benefited immensely due to this intervention from the Council to minimize the required information and most companies re-registered with Customs swiftly thereafter.

All guidelines and communications received on the above subject were circulated by the secretariat. Despite several requests from the trade to Director General of Customs, (DGC) the deadline was extended only up to 14th November 2020 (only 2 weeks period). On the request made by the trade participants at the last meeting had with the Customs, most fields which required "personal details" had been changed to optional.

Sri Lanka Customs suspended AW facility for the companies who did not complete the electronic registration by 1st of January 2021. This was after an extended deadline.

SL Customs has introduced a SMS alert system to notify trade whenever the assessment notice for Import or Export Cusdec is generated. It was requested to inform Risk Management Unit (RMU) of SL Customs if the SMS alert has no relevance to your imports/exports and also to inform RMU if the nominated person of your company does not receive an alert from Customs for the Cusdec lodged by the company.

MODERNIZATION OF SRI LANKA CUSTOMS.

The Council serves on the expert panel appointed by the Presidential Secretariat to modernize Sri Lanka Customs activities to be the best and most efficient customs in Asia. Several subcommittees as follows were appointed under the above main committee to collate proposals to be submitted to the five member Presidential Commission of Inquiry (Col) which was set up

under the directive of H. E. the President to study the prevailing situation in Sri Lanka Customs and make suitable recommendations.

- Customs Policy Committee
- Customs Trade Facilitation Committee
- Customs System Modernization Committee
- Customs Risk Management Committee
- Customs Export and SME Development Committee
- Customs Trade Facilitation Committee
- Customs Enforcement Committee
- Customs Welfare Committee
- Customs Tariff Committee

Council is a part of the following subcommittees.

- Customs Trade Facilitation Committee
- Customs Export and SME Development Committee

Several meetings were held under the leadership of DG Customs to prepare submissions in each sector. Sri Lanka Shippers' Council actively participated in these discussions and have proposed many recommendations from the shippers' side to uplift the standards of SL customs which will then support trade activities in the country. Final proposals submitted by the committees were collated by the Customs and handed over to the DGC to be presented to the Presidential Commission of Inquiry.

SRI LANKA CUSTOMS'S AUTHORIZED ECONOMIC OPERATOR (AEO) PROGRAMME

Launching ceremony of SL Custom's AEO programme - Monday 14th September at SL Custom's main auditorium.

SL Customs has completed the pilot project with 30 companies to identify resource requirement and specific issues related to different economic operator categories. This scheme is a voluntary scheme with a two-tier approach.

- Compliant Economic Operators - Operators with high legal and operational compliance
- Authorized Economic Operators - Operators with high level of supply chain security. Operators who have continuously operated as CEOs for minimum of one year is eligible for this tier.

Current Green channel facticity will be eliminated once AEO programme is fully operational.

Sri Lanka Shippers' Council was an active member of the discussions initiated by the Sri Lanka Customs along with other stakeholders. SLSC is working closely with SLC to implement this programme without any hassle to the trade.

Launching Ceremony of Sri Lanka Customs Valuation Database and Website.

Sri Lanka Shippers' Council continues to support customs & trade to understand above initiative.

Inbound cargo data integration with Custom's ASYCUDA system - Automation of the Air Cargo Manifest

Sri Lanka Customs has automated the manifest write-off at the Air Cargo Village (KTIM2 Office) with effect from 12th October 2020 in order to facilitate the trade. Sri Lanka Shippers' Council participated in all discussions and implementation of this automation and have shared valuable input to improve and streamline the air cargo manifest automation.

SRI LANKA PORTS AUTHORITY

During the course of '20- '21, SLSC has had very productive round table discussions with the SLPA to discuss various issues pertaining to the industry. Some of the issues highlighted were; shortage of equipment, shortage of space in warehouses, delays in de-stuffing of LCL cargo, enhancing infrastructure facilities at the Port, request to link online payment with all banks, to clear Dangerous Cargo after 4.30 p.m., Port demurrage waivers during Covid-19 situation, etc. The Council has in many occasions written to the SLPA chairman requesting his intervention to resolve issues faced by members of the council. This meeting was called by SLPA chairman to address these repeated requests and issues.

SRI LANKA SHIPPERS' COUNCIL MEETING WITH THE CHAIRMAN AND SENIOR MANAGEMENT OF THE SRI LANKA PORTS AUTHORITY HELD ON 15TH DECEMBER 2020.



A delegation of The Sri Lanka Shippers' Council (SLSC) comprising leading senior representatives of the constituent Trade and Product Associations of the Council, convened a meeting with the Chairman of the Sri Lanka Ports Authority (SLPA), General Daya Ratnayake, to apprise him of the prevailing challenging and demanding ground situation and the serious implications and disruptions on the supply chains due to the effects of COVID-19 Pandemic prevailing during this period in time. , to understand how the Sri Lanka Ports Authority was planning to meet these unprecedented challenges faced by the country and to make recommendations to reduce the impact faced by the shippers whom we represent.

Council's recommendation was based on the following factors. The effects of Covid-19 on supply chains across South Asia and the Asia-Pacific, is perhaps the single most salient issue affecting economies in the respective geographic areas.

Shifts to global supply chains were already in motion prior to the pandemic, due in part to the U.S.-China trade dispute but also to longstanding erosion of China's manufacturing advantages. The chaos unleashed by Covid-19 and the trade dispute accelerated what were previously three- to five-year time horizons into the much-nearer term. The severe impact it has had on Sri Lanka, which is entirely dependent on exports and imports, is no exception. On the contrary, the impact of the disruptions has had a far more serious effect on the country's economy which is predominantly exports based and is also heavily dependent on imports because of scant natural resources.

It is with these objectives, that the SLSC sought the meeting, the intention of which was twofold. The first was to provide an up to date situation analysis based on the experiences and impact of the constituent member associations of the SLSC and the second, to obtain first hand, the measures that have been taken and that are being taken by the Ministry of Ports and Shipping and the SLPA to alleviate the disruption to port operations and restore normalcy amidst the challenges that it is faced with.

Opening the discussion, General Daya Ratnayake, Chairman SLPA, warmly welcomed the delegation.

He emphasized that the main objective of the SLPA at this critical moment, was to continue port operations without disruption. While accepting that there had been serious difficulties for importers and exporters, both operational and in other critical areas, he emphasized that the

Pandemic has provided a unique opportunity to cooperate with and operate among the 3 port terminals as one team, to improve the services for and cater to the requirements of the port users. He added that the situation has greatly improved since several immediate measures were implemented.

The Chairman of the SLSC, Suren Abeysekera, expressed his appreciation to the Chairman SLPA, for hosting the discussion. Making a brief introduction of the SLSC, Mr. Abeysekera informed the SLPA Chairman that the SLSC was established in 1966 to protect the interests of shippers. It was the first National Shippers' Council to be set up in Asia and was formed on a request made in 1965 by the local committee of the Ceylon Continental Conference and a subsequent request made by the Director of Commerce to The Ceylon Chamber of Commerce. He stated that the SLSC is the apex body that represents the interests of shippers. Members of the delegation introduced themselves and the sectors that they represented.

The Chairman, SLSC, whilst thanking the Chairman SLPA and his senior management for measures taken by SLPA to operationalize the East Container Terminal (ECT), to assist exchanging seafarers with the help of the Sri Lanka Navy, and to improve the operations amidst challengers to the port.

The Chairman SLSC next outlined the meeting objectives, which in the first instance was intended to strengthen relations between the SLPA and the Council. To pave the way for continuous engagement and discussions to address existing and future issues for the betterment of all stakeholders. Then the SLSC Chairman outlined in detail, the points of discussions:

PORT CONGESTION

The severe congestion at the Port of Colombo has created serious operational challenges in several critical areas, which were identified as listed below:

1. Port congestion, its effects affecting importers and exporters alike.
2. Delays in obtaining delivery of LCL shipments from the port due to deconsolidation delays and requested for contingency plans if staff at the BQ got COVID 19 infected.

3. A status update on port, terminal, ITT activities, berthing delays, container build up in yards (import and transshipment containers) and requested an estimated time frame for port operations to return to normalcy.

4. Action plans developed by the SLPA to manage port activities during the COVID-19 pandemic.

The situation is exacerbated by the tightening of vessel space availability and rapidly increasing freight rates. Colombo commands the bulk of India's transshipped volume, especially for trade in and out of the country's east coast corridor, with fewer direct long-haul sailings. Further delays could be anticipated with more disruptions due to an anticipated acute labor shortage following the enforcement of fresh community lockdowns intended to contain surging COVID-19 infections, creating significant vessel buildup at the port.

There were berthing delays, sailing delays, and ITT [inter-terminal transfer] delays experienced as well.

During the general Discussion which followed, individual members of the Council also expressed their concerns and views:

1. Current port congestion. The Chairman explained the delivery of LCL shipments from the port and how it has affected the importers, exporters, and transshipment operators.

a) Vessels with essential import consignments bypassing Colombo port creating production delays, execution of export orders, cancellation of Export contracts and added costs to importers.

The ripple effects that is created to the manufacturing industry and essential commodity availability in the country due to a shortage of raw materials to meet both export-oriented manufacturing, local essential-commodities due to berthing delays and by passing of vessels.

b) Carriers rejecting freight bookings to Colombo or diverting services resulting in delays to import of and clearance of raw materials and cancellation of sales/export orders

c) Increasing freight rates for Sri Lankan Exports at a time when exports have been identified as the main revenue generator, capable of resuscitating the economy through an EXPORT LED ECONOMY. For example, Freight rates from Shanghai to Colombo has increased drastically.

d) Due to Artificial demand created at Colombo with blank sailings, vessels bypassing, and delayed berthing gave rise to limited space available for Inbound & outbound cargo for exporters and importers from Colombo

e) Loss of international export markets, due to inability to execute orders on a timely manner, resulting in buyers diverting sourcing to alternative options/countries.

f) Shortage of equipment for exports (empty) due to carriers not repositioning empties.

g) Perishable export commodities affected severely due to longer waiting times or extended transit times.

In addition, individual members expressed their concerns and suggestions, pertaining to their respective sectors:

Shortage of empty containers as a result of slow de-stuffing. One of the reasons was slow customs processing,

- LCL de-stuffing to be taken outside the port, which would restrict the number of clearing agents, workers/transporters visiting the port and Safety measures can be enhanced
- Lack of equipment to handle different cargo – which is pending for the last 15 years. A ten-year master plan to be implemented. In order to project the image of the Colombo port as a main transshipment hub.

The prevailing situation at the Port of Colombo had been conveyed by the country's international buyers, Sri Lankan exporters were by and large, unaware of the ground situation and had to be imported through external sources due to real time information received by all stake holders. (According to the communication released by SLPA, no ships have bypassed Colombo, although according information, vessel calls to Colombo had been cancelled or several vessels had bypassed the Port of Colombo).

Delegates requested the SLPA hierarchy to initiate clear, precise, and up to date information and communication lines as a regular status update to the trade and web site to be updated on a real time basis.

Ensure proper transparency, efficiency, and competitiveness among regional ports

Rubber Products Sector: -

The local representative of a foreign investor had reported that 65 raw material containers were stuck at various regional ports for 2-3 weeks due to unavailability of connections and due to the congestion at the Port of Colombo. The result is that raw materials and other essential items and merchandise getting delayed, which are critical for production. Due to this, the production lines have temporarily ceased. If there had been correct and accurate information, the manufacturer would have planned and ensured the transfer of global supply to other customers from other ports.

As a precautionary measure to protect their Global clients/buyers, the production facility was shifted temporarily to other countries to meet the demand and protect global clients, which is a loss and confidence towards the country.

The issue here is that information stating that the port operations were back to normal, but the information received from overseas customers were different. (According to the lines, the port operations will not be restored fully, for few more weeks).

From an Investor's point of view, the importance of the availability of up to date information by SLPA was strongly emphasized, with communications on the operational status, through SLPA.

International Investors would expect clear communications of the port's operational status through:

- Accurate, verified and confirmed information about terminal congestion – The SLPA's website MUST be updated on real time.
- Regular updates on a fixed frequency on the container situation and vessels that bypass Colombo.
- Consolidation of planned equipment availability by shipping lines in coming weeks
- Details of SLPA's Contingency plans to build confidence by all stake holders.
- Expected period of recovery to normalcy in/out flows.

Urgent requirement to update the SLPA's website with critical information.

For example, the Message from the Hon. Minister of Ports & Shipping on the SLPA's web site is in Sinhala Language. International investors and customers will not be able to comprehend nor understand the content. The needs and requirements of international customers have to be considered and addressed. Data is not updated in the de-stuffing bay at the Port Authority.

Apparel Sector: -

Quoting a message received from an International customer

"We have been informed by our member partner that we will not be able to accommodate any delays beyond December 20th and we have requested our vendors to shift some of our units to other countries as a risk mitigation factor".

Comparing the statistics from September to November 2020, losses have been 25% to 30% of exports whereas in Bangladesh there has been a 2% increase. The ships that have bypassed Colombo have been diverted to India. This has created an opportunity for other ports to grow.

Other than the COVID issue, both Imports and exports have been affected due to the current situation in the port. Production lines had to shut down

Sri Lanka Logistics & Freight Forwarders Association: -

Around 72 ships omitted/ bypassed Sri Lanka as of Psychosis December 1, 2020. This information is available, accurate and up to date information is important for Global buyers and Suppliers to manage the logistics and the entire supply chain. Situations can be managed only with accurate and correct information. Knowing the plan of action of the SLPA is of paramount importance to mitigate the negative effects and these actions have to be updated in the SLPA site.

During one weekend, there were around 8000 tea containers which were moved, but the positive work done by SLPA was not included nor updated on the website.

Although the Colombo port is important to all shipping lines, once they have decided to go elsewhere, it is difficult to get them back.

Mr. Suren Abeysekera – representing largest apparel buyer in Sri Lanka

If the information (correct situation at the port) is known well in advance, we can get the raw material and there is a possibility to change the mode of shipment and the production line or fulfilment does not get affected.

Based on the false information (the port is normal, vessels are coming) if we send the containers and they get stuck and go to India, then we will lose the credibility of Sri Lanka as an on-time delivery partner in the supply chain.

In Chennai, there is congestion developing at the Chennai Port.

Chennai port authority and Customs Associations have already issued circulars about the pending congestion for the transporters to plan their activities well ahead.

Before the congestion occurred, these authorities have taken action to inform the traders.

This type of forward information is lacking in Colombo.

Perishable exports sector (Fruits & vegetables)

Unlike other types of Cargo, the shelf life of perishable cargo is limited to 2 weeks in most cases. Vessel delays and omissions are detrimental to exporters of perishables and to their buyers/customers in the Middle East and EU regions. Concerns of losing their offshore buyers.

While appreciating that the vessel operations to and from of Colombo are not within the control of the SLPA, we hope that some concessions are granted for perishable cargo, where the vessel operators are adequately updated and given priority for on boarding of perishable cargo. (Fast track the perishable exports).

Following the discussions on the issues faced by shippers, The Senior Management of the SLPASLPA explained the current situation and the plans and action taken to mitigate the situation.

Weekly meetings with Terminal operators, CASA and SLAVO, break bulk container operators were held to address the current situation. SLPA accepted that during the last 1 ½ months, there had been issues which were previously discussed.

During the 1st wave of Covid-19: -

Entire port volume, domestics and transshipment had dropped and the SLPA had taken immediate measures to control and improve the situation without a total shutdown.

During the 2nd wave of Covid-19: -

The situation aggravated and became worse than the 1st wave.

However drastic steps were taken to bring the situation under control and at present, the situation has started improving and it is on the road of recovery to near normalcy.

Infection started at the Dockyard and around 52 positive cases were reported with two Customs officers also been infected. Workers at JCT got infected and their fellow workers panicked, and unrest was built up by their fellow workers due to the fear of the pandemic. Infected patients were sent home. However, the port continued to work with low labor/ low output due the sagging morale. Workers at SAGT and CICT got infected too (CICT- are all hired workers, except gantry crane operators and supporters who are on the pay role of CICT).

Amidst all these difficulties, the port operation has continued without total shut down.

PORT OF COLOMBO

1. Berthing issues - 14th December, JCT/SAGT/CICT berthing schedules: There is no berthing delays in all 3 terminals Joint statement will be issued explaining the current situation for CASA to share with their principles

Same to be shared with the Trade and to be uploaded in the SLPA website.

2. terminal operations – all 3 terminals have improved

3. Logistics – during 1st wave, there were issues LCL/FCL clearing / de-stuffing issues /congestion

LCL/FCL Ratio: Out of entire 650,000 TEUs of imports containers, LCL is just 5% including MCC and all LCL, 95% is FCL

FCL delivery has been improved and now online

During 2nd wave – there was no problem in LCL/FCL cargo clearing. All 3 terminals were online and no one need to come to the Port to clear the cargo. All online.

No congestion at all for FCL/LCL delivery

Statistics: only 46 containers to de-stuff as at 14th December at SLPA

All statistics are on the SLPA website -

Gate Statement: from 08th to 14th December 2020

13th Sunday– total no of boxes for exports receiving - 371

Total no of boxes for Imports Delivery – 46

Action plan put in place by SLPA to manage port activities within the COVID-19 pandemic.

- **Shortage of labor** – additional staff were recruited (200) including crane operators/ skilled labor. Additional staff being trained. 3 teams working on roster basis at JCT/ CICT has hired staff, operation commences at ECT with additional staff
JCT operates full capacity without nay labor shortage
- **Distance between CICY and JCT to transfer boxes-11 Km round trip:** most ships having direct connections with JCT to work with ECT in ECT. Internal arrangement to share resources among 3 terminals/pool resources
- **Task Force appointed at the Port to mitigate COVID.** Strategic plan was implemented to control and prevent the COVID within the Port premises. A number of testing and awareness programme were conducted and has helped to relive the Fear **Psychosis** among workers. Accommodation with all facilities was established

Suggestions and way forward.

- An SOP to be developed to face any future pandemic or calamity in order to continue operations unhindered in the port.

- Need for open and timely information and communication from SLPA to stakeholders (particularly to importers and exporters) regarding impending delays or congestion so upstream and downstream activities could be planned accordingly.
- SLPA and terminals to actively market Colombo port with the ship owners to swiftly bring back discontinued services and vessel calls which would increase transshipment/ ocean market capacities.
- Develop ECT on apriority basis and increase the use of the port of Hambanthota for containerization.
- Any clearing issues: Contact details of duty officers at 3 terminals to be shared – Follow –up
- Update SLPA site, situation update from SLPA

The meeting, which was conducted in a positive and cordial atmosphere, concluded the decision by the Chairman of the SLPA and the discussants, to continue with regular engagement through pre-determined meetings.

Maritime Affairs

SOP developed for empty container returns.

A standard SOP was developed jointly by relevant stakeholders (Shipping lines, terminal operators, transporters, depot operators and CHAs) in the special committee pertaining to empty container return procedure. Council at the special committee objected to a clause in the SOP which stated, “Customs and SLPA to blacklist the importers who are not returning empty containers properly.” As there was no contractual agreement between importers and Customs/ SLPA it is not possible to blacklist importers on this account. Chairman had requested to rephrase the clause in the SOP as “if the consignee had not returned the empty containers according to contractual obligations, the shipping lines may take action to blacklist consignee for breach of contract.” The proposed change was agreed by the committee and has been incorporated.

Formulation of a National Policy for Shipping, Maritime and Logistics Sectors.

Stakeholders were again invited by the former Minister and the Secretary to the Ministry of Ports & Shipping to discuss the way forward on implementing the draft Policy for Maritime and Logistics Sector. Subsequent to the decision taken at the previous meeting, the final draft was circulated among the stakeholders requesting comments that needed to be incorporated into the final document. SLSC already provided strong feedback to the policy which was taken up for discussion at the above meeting.

The former Minister and Secretary to the Ministry have confirmed that further discussions with stakeholders are necessary on these topics and directed the subcommittees to once again initiate deliberations on these with relevant parties including SLSC and thereafter include in the draft appropriately. At the NES meeting with former Secretary Ports & Shipping, he had agreed that the policy was not in line and a committee was appointed to revisit the document with the involvement of all stakeholders and make appropriate revisions to prepare the policy document before end of this year. It was stated that former Secretary, Ministry of Ports and Shipping has already appointed a committee comprising of professionals from the University of Colombo to revisit the policy document.

A letter to Secretary, Ministry of Ports & Shipping was submitted along with observations made by the Council to the former Secretary, Ministry of Ports & Shipping. The same letter was copied to Hon. Minister of Ports & Shipping and to the Secretary to the President as well.

The Council had received a response from the Senior Advisor to the President, Dr. Sarath Jayaneththi following the letter sent to the Secretary to H.E. the president by the Council. He requested Council to share the source document of the draft Maritime Policy to study further and check with the line Ministry for further clarifications.

Meeting with State Minister of warehouse facilities, container yards, port supply facilities and boats & shipping industry development.

Sri Lanka Shippers' Council participated in this meeting and shared observations and recommendations made by the private sector stakeholders to overcome current logistics issues in warehouses at SLPA.

Collaboration with CASA to find solutions to Box shortfall and vessels bypassing.

The Council collaborated with Ceylon association of Shipping Agents to address the increasing export worthy container shortage and arbitrary bypassing of Colombo port by their principles' vessels. CASA has responded positively by requesting members of the Shippers' Council to write to CASA directly on particular issues to be taken up with their membership for resolution. Chairman repeatedly stressed the importance of committee members grabbing this opportunity to keep CASA informed of shippers' difficulties so that a more holistic approach could be taken to resolve current issues including the service providers in the discussions.

Sri Lanka Shippers' Council Concerns - X Press Pearl Catastrophe.

Sri Lanka shippers' Council issued the following press release on the X Press Pearl Catastrophe. The statement was carried in almost all local print media and was recognized by the international maritime magazine 'The Loadstar' also to be included in their June '20 issue and also by the Global Shippers' Forum, UK.

Sri Lanka Shippers' Council Concerns - X Press Pearl Catastrophe.

The Sri Lanka Shippers' Council (SLSC) is the apex body representing importers and exporters of the country. It has a 50 + years rich history representing the interests of shippers in the Island. It was the first National Shippers' Council to be set up in Asia now having 15 product member associations and over 50 individual members representing almost all industries engaged in international trade making it one of the most vibrant councils in the Country. The Council's engagement and contribution towards drafting some of the policies of national importance and its involvement in the reform process of border agency activities during the past years are noteworthy.

Introduction

1. Sri Lanka is an Island and our lifeline is our port. There is a greater need to secure it from disasters and having adequate control measures in place to avoid such occurrences is of paramount importance.
2. SLSC calls for a thorough and impartial investigation on this incident; particularly keeping politics and geopolitics aside from the probe so that justice will prevail.
3. The investigations should cover all aspects pertaining to the incident i.e. From exporter cargo declaration, Origin port functions, responses and responsibilities of ports en route, duties executed by the ship captain and crew, its principle office response, local ship agent's conduct and local authority communications/ actions taken during the incident to accurately understand where lapses have taken place resulting in this disaster.
4. Pertinent authorities such as Director General of Merchant Shipping should exercise its powers swiftly and take immediate remedial action on these pressing matters to curb damages.

Effects to shippers

1. It is noted that the ship was carrying many imports to the country including raw materials for the apparel industry and other sectors' imports that got affected and engulfed in the fire.
2. However, so far there have been no reports of considerable delays in other vessel operations or imports due to the fire.
3. But the industry may experience additional delays in future due to stringent checks that may have to be in place by harbor master and/ or Sri Lanka Port's Authority (SLPA) before authorizing ships to enter Colombo port increasing congestion and delaying ships' operations.
4. 1500 containers being destroyed in the vessel can have a short to midterm scarcity of empty containers in South Asia - which is currently experiencing a severe shortage of empty containers for exports owing to Covid-19 effects. So, the loss of these containers will then attract additional costs in terms of having to reposition empty containers from other regions to fulfill export requirements.
5. Due to these frequent incidents in and around Sri Lanka, the premiums that needs to be paid as cargo insurance by shippers can increase. This will then have other ripple effects such as price increase in commodity goods resulting in inflation and export manufacturing cost increase hence reducing our export competitiveness globally.
6. Another macro effect could be the higher number of maritime insurance claims driving increases in insurance premia for vessels (implemented by P&I clubs) calling Colombo which then would obviously be passed down to shippers increasing already very high shipping rates further.

Changes necessary

1. Considering the catastrophe at hand, there is a dire need for authorities and SLPA to be better prepared with equipment and know-how to manage ship fires of this nature particularly owing to Sri Lanka being a busy transshipment port (within the first 25 in terms of volumes globally). Of course, the cost of upgrading infrastructure and increasing maintenance cost will drive operational cost escalation but a mechanism should be in place where the importer and exporter will not have to bear these increases finally.
2. If Sri Lanka is to reach its aspiration to become the maritime hub of South Asia using its unique strategic location, the maritime industry needs to upgrade its salvage and other connected services required to support distressed ships that pass by the Island on a daily basis. If not, we become less attractive to the international shipping networks in terms of developing Colombo as a hub port.
3. The role of ship agents in Sri Lanka should also be reviewed. Considering they are representing international shipping lines in the country and compensated for handling containers including transshipment, have they taken adequate proactive measures including investments made to ensure the safety of their principles' ships and the cargo they carry as imports and exports to and from the Island? Furthermore, what additional steps could be taken to collaborate more with authorities to upgrade infrastructure to handle modern box ship/ ultra large vessel emergencies?
4. The International Maritime Organization's IMDG Code has clear guidelines to handle these types of cargo and incidents. However, the resolutions and international laws ratified need to be locally included appropriately in country legislation for it to be considered as the law of the land. Experts point out that some of the resolutions ratified internationally is not adequately passed in Sri Lankan legislation which may be a hindrance to suitably argue these cases in the Island should the need arise.

The way forward

1. SLSC proposes Sri Lankan authorities to implement an 'Advance Manifest Submission' system for all cargo arriving to Colombo port including for transshipment before the ship sails origin ports similar to all developed countries and major ports to assess risk before allowing ships to enter its waters. Currently, this requirement is closer to the vessel arrival in Sri Lanka and do not provide adequate time to risk assess the incoming goods or vessels to be better prepared for eventualities such as this. It is now more than a requirement an obligation.
2. There should be a scientific and professional approach to ascertain the colossal damage this incident caused to Sri Lankan waters/ coasts, its economy and environment considering short, mid, and long-term effects before deciding on amounts for compensation. Suggest an independent body to lead this study without prejudice. Politicians should keep away from decision making in this regard.
3. In a nutshell, most of these items could be well addressed and rectified if a robust longer-term Shipping and logistics Policy is implemented in the Island. SLSC has been in the forefront providing valuable input to several drafts of such policy document but

unfortunately Sri Lanka has failed to come up with a fair and comprehensive document to address this requirement owing to some quarters in the industry using such opportunity to further personal business gains over national interests. The government should take appropriate action to involve experts in the industry and main industry bodies in developing such policy soon and successive governments should continue to endorse the policy if we are to succeed in our commercial maritime activities.

Airport Issues

Meeting with Secretary State Minister of Aviation Services and Export Zones Development, on 02.09.2020 to resolve Border Management Issues to Facilitate Exporters.

The meeting was chaired by the Secretary to the Ministry. The officials of AAASL and representatives from the relevant stakeholder associations were at the meeting.

Operational issues presented by the participants were discussed in detail while few issues were sorted then and there at the meeting.

Main points were.

- Fishery sector issues
- Establishment of Scanners
- Plans were presented on expansion of BIA and development of Mattala Airport for perishable exports

It was requested to develop the plan to be implemented in stages: short, medium, and long term.

A follow up meeting was held on 04.09.2020 at the AAASL, chaired by the Chairman AAASL. At the meeting, a high-powered Committee to evaluate and make recommendations for critical issues encountered in Air Cargo and Freight Management Operations was set up under the leadership of Chairman/AAASL. Sri Lanka Shippers' Council has a permanent position in the high-powered committee to address shippers' concerns in the air cargo area.

The following items in the proposal submitted by the Sri Lanka Shippers' Council regarding the areas of improvement in the BIA had already been addressed.

1. Establishing Scanners.
2. Lorry timing.
3. Simplifying the process of issuing Gate passes.

The Council continued to work closely with the Airport and Aviation authorities and during the year has taken up for discussion regarding cargo terminal charges revision, development needs of the Colombo Airport cargo village/ Air cargo terminal, etc.

Non-implementation of Cargo Accounts Settlement System (CASS) - IATA

The Sri Lanka Shippers' Council has unanimously to support the view of SLFFA its member on the Non-implementation of Cargo Accounts Settlement System in Sri Lanka as there is no benefit a 3rd party getting involvement on a bilateral agreement to recover freight charges.

EDUCATION & SEMINARS

Scholarship for Diploma in Shipping & Logistics offered by Institute of Shipping & Logistics.

The Institute of Shipping & Logistics has joined with the Council to enhance carrier development of young employees attached to the SLSC membership. The institute has agreed to offer one scholarship to follow **Diploma in Shipping & Logistics**.

In addition, candidates wanting to follow this Diploma in Shipping & Logistics and been nominated through the Sri Lanka Shippers Council will obtain a special reduced rate in fee of Rs. 42,500/=

CINEC – SLSC SCHOLARSHIPS IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT.

In addition, Sri Lanka Shippers' Council (SLSC) in association with Colombo International Nautical and Engineering College (CINEC) will once again be conducting a scholarship program for the SLSC membership on the following areas.

Scholarship 01 - Professional Diploma in Logistics and Supply Chain US\$ 750 - Full scholarship
Scholarship 02 - Professional Diploma in Logistics and Supply Chain US\$ 750 - 50% scholarship
Scholarship 03 - Certificate Course in Logistic Services, Freight Forwarding and Multimodal Transport Rs. 35,000/- Full scholarship

Shipping and Logistics Textbooks in Sinhala language by CINEC.

Sri Lanka Shippers' Council was recognized to pen a message to be incorporated in the first ever logistics textbooks in Sinhala published by CINEC as reference material for local curriculum. The Chairman forwarded a message endorsing CINEC's attempt to add much needed reference material in Sinhala for the subject 'Logistics'.

Sri Lanka Shippers' Council Virtual Seminar on DGMS New Guideline No.4 on Local charges on Imports to Sri Lanka.

During the year, the Sri Lanka Shippers' Council was able to organize its first ever Virtual Seminar using Microsoft Teams and You Tube Live stream. The response received from the trade for this seminar was overwhelming with approx. 600 participants registering for the seminar and having over 500+ participants join same on 2 platforms simultaneously (MS teams and You Tube Live). It

should be mentioned here that this was organized within the Pandemic period and such program organized by the council after almost 6 years. The unique feature of the seminar was its panel discussion which consisted of both service providers and service users on the same stage discussing and clarifying this new guideline to the industry issued by the pertinent authority. It was a resounding success of the Council.

National Logistics Awards (NLA) organized by the Sri Lanka Logistics & Freight Forwarders' Association

The Sri Lanka Shippers' Council Chairman was invited by the Sri Lanka Logistics & Freight Forwarders' Association to be one of the Panelist/ Judge for the National Logistics Awards (NLA) scheduled to be held later this year. It will recognize high performing Logistics & Freight Forwarding service providers in the country.

OTHER TRADE RELATED MATTERS ADDRESSED BY THE COUNCIL

Sri Lanka Trade Information Portal (SLTIP)

Official launch of the Step-by-Step procedures functionality of Sri Lanka Trade Information Portal (SLTIP), 09th February 2021

With a view to enhance the user-friendliness of the SLTIP, Department of Commerce (DOC) requested ITC's assistance under the 'EU-Sri Lanka Trade-Related Assistance' project to develop an additional functionality, displaying trade-related procedures in a sequential manner from the trader's point of view in the Sri Lanka Trade Information Portal (SLTIP), which was developed by World Bank and launch in 2018 under National Trade Facilitation Committee to fulfil the WTO TFA CAT C commitment to Sri Lanka.

As a result, ITC initiated work on the step-by-step functionality in 2019 which has been developed by ITC for 29 products mapped including 23 export commodities and 06 import products.

Recognizing the usefulness of the step-by-step functionality, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) provided further support to extend the product coverage and accessibility, taking into account the interest of the traders.

The step-by-step functionality contributes to enhance access to trade-related information and transparency of trade procedures for selected export and import products in Sri Lanka, and to drive simplification reforms of such procedures. This mapping exercise includes all documentary requirements and formalities published in a sequential manner, for ease of understanding of the users, particularly for SMEs and traders who are new to exporting/importing.

Available in English, Sinhala and Tamil, the step-by-step functionality serves as one-stop-shop providing useful, clear, precise, and up-to-date information on export and import

procedures and documents in Sri Lanka in an easily accessible manner for the business operators.

The Sri Lanka Shippers' Council has been a key contributor to this initiative and carries a link of the SLTIP in its website to promote and support this national endeavor to develop trade.

MEMBERSHIP DRIVE

The membership of the Council is open to all Trade Chambers and Associations engaged in Shipping and Port related activities as well as individual companies in the import/export trade. The executive committee is responsible for developing and increasing the membership of the Council.

During the year under review, following new members joined the council.

Committee Members

- Free Trade Zone Manufacturers Association joined as the 15th Product Association to serve on the managing committee.

Individual Members

- DP Logistics (Pvt) Ltd
- Hellmann MAS Supply Chain (Private) Ltd

FINANCE

The Ceylon Chamber of Commerce manages the Council funds on behalf of the Council.

THE CEYLON CHAMBER OF COMMERCE (CCC)

The Chairman of the Sri Lanka Shippers' Council is a member of the Committee of the Ceylon Chamber of Commerce, the oldest Chamber in Sri Lanka with a history of over 180 years. The Council members have had meetings with the Chamber officials on policy matters relating to port and shipping.

GLOBAL SHIPPERS' FORUM (GSF)

Annual General Meeting of Global Shippers Forum Association Ltd was held on Thursday, 17 December 2020. Due to the restrictions placed by many countries on international travel and the number of persons able to meet in one place, the meeting was held on-line using Microsoft Teams platform.

The following topics were discussed in detail at the meeting.

1. Container shipping markets and carrier competition
2. Container packing safety and cargo integrity

3. Cargo security
4. Greenhouse gas reductions
5. Pest contamination of cargoes and containers
6. Digitalization of transport documentation and procedures

Mr. Sean Van Dort was re-elected as the Chairman for GSF for the year 2020/2021.

There were few meetings of GSF Policy Council held during the year under review to discuss policy related issues and GSF interventions. Sri Lanka Shippers' Council continues to be an active member of the GSF.

WEB SITE

www.shipperscouncil.lk

Shippers' Council website was revamped with a new outlook. The site is regularly updated with trade related information and hosts value added services.

TRADE COMPLAINTS

The Council continues to facilitate the trade by assisting in the mediation of trade disputes among the shipping lines, freight forwarders, NVOCC Operators, Consolidators, and shippers.

REPRESENTATIONS

The Council continues to maintain its close association with the Government and Private sector organizations and also with the Trade Associations with a view to have a continued improvement on the required service levels.

Some highlights of direct representations made during the year were as follows.

- Representations at the Leadership of the Approved Associations meetings of the Ceylon Chamber of Commerce.
- National Agenda Committee on Logistics by the Ceylon Chamber of Commerce.
- Working group member of identifying Export Potential in Entrepot Trade Organized by Sri Lanka Export Development Board.
- Formulation of National Export Strategy (NES) - Core team and working Group member.
- Advisory Committee on Logistics by Ministry of Development Strategies and International Trade to implement Plans of Actions (POAs) in NES.
- Steering Committee - Formulation of a National Policy for Maritime and Logistics Sectors, Ministry of Ports & Shipping.
- Member of the stakeholder Group appointed by the Hon. Minister of Ports & Shipping to resolve issues relating to Ports/ Terminals and import container clearance delays during COVID-19 Pandemic.

- High-powered Committee chaired by Chairman of AASL to evaluate and make recommendations for critical issues encountered in Air Cargo and Freight Management Operations.
- Sri Lanka Customs Modernization Committee, appointed by the Presidential Secretariat.

SECRETARIAT

The Ceylon Chamber of Commerce provides Secretarial services to the Council. The infrastructure of the Chamber is readily available to the Council.

BY THE ORDER OF THE COUNCIL

Sgd.
Manori Dissanayaka
For Secretary

THE SECRETARIAT

Sri Lanka Shippers' Council
C/o. The Ceylon Chamber of Commerce
50, Nawam Mawatha, Colombo 2

Direct Tel: +94 11 2392840, 5588871, 5588880

General Tel: +94 11 2421745-7, 5588800

Fax: +94 11 2449352, 2437477

E-mail: slsc@chamber.lk

Website: www.shipperscouncil.lk