



**SRI LANKA
SHIPPERS' COUNCIL**

ANNUAL REPORT

&

ACCOUNTS

2008/2009

THE COUNCIL

Mr. Randolph Perera
Chairman

Mr. Gehan Kuruppu
Vice Chairman

HONARARY MEMBERS

Mr. S.S. Jayawickrama

OBSERVER

The International Chamber of Commerce

SECRETARY GENERAL

Mr. Harin Malwatte

SECRETARIAT

The Ceylon Chamber of Commerce
50, Nawam Mawatha
Colombo 02

Telephone: 2422156

Fax: 2449352

Email: sushani@chamber.lk

Web: www.slsc.ws

MEMBERSHIP – 2008/2009

TRADE ASSOCIATIONS

<i>The Ceylon Chamber of Commerce</i>	Mr. Ruwan Senanayake (Representative)
<i>The Ceylon Chamber of Commerce Import Section</i>	Mr. Adrian Oswald (Representative)
	Mr. Dinesh de Silva (Alternate)
<i>The National Chamber of Commerce of Sri Lanka</i>	Mr. Gihan Kuruppu (Representative)
	Mr. Nalin Jayasinghe (Alternate)
	Mr. Tissa Ruberu (Alternate)
<i>Exporters' Association of Sri Lanka</i>	Mr. Lasantha Wickramasekara (Representative)
	Mr. Rohan Daluwatte (Alternate)
<i>The National Chamber of Exporters' of Sri Lanka</i>	Mr. Rasa Weerasingham (Representative)
	Mr. L.S.G. Tillekeratne (Alternate)
<i>The Colombo Tea Traders' Association</i>	Mr. Chandra Corea (Representative)
	Mr. Manjula Agalawatte (Alternate Representative) (Util November 2008)
<i>The Colombo Rubber Traders' Association</i>	Mr. M.F. Jiffry (Representative)
<i>The Ceylon Coir Fibre Exporters' Association</i>	Mr. Randolph Perera (Representative)
	Mr. N. Ramanathan (Alternate)

The Sri Lanka Freight Forwarders' Association

Mr. Ruwan Waidyaratne
(Representative)

Mr. Niral Kadawatharatchie
(Alternate)

The Sri Lanka Apparel Exporters' Association

Mr. Rohan Ranasinghe
(Representative)

Mr. Ajith Jayasekara
(Alternate)

Sri Lanka Fruits & Vegetable Producers, Processors & Exporters' Association

Mr. Zuresh Hashim
(Representative)

Mr. I. G. Mohamed
(Alternate Representative)

Sri Lanka Association of Air Express Companies

Mr. Sanjay Wijewardene
(Representative)

Sri Lanka Logistics Providers' Association

Mr. Nuwan Samaranayake
(Representative)

Mr. Andre Fernando
(Alternate)

Mr. Harith Jayasuriya
(Alternate)

Sri Lanka Coir & Allied Products Manufacturers Association

Mr. Lakshman Tillekeratne
(Representative)

Mr. Shalinda Perera
(Alternate)

Seethawaka Industrial Park Manufacturers' Association

Mr. Malik Ahamadeen
(Representative)

Mr. Kumar Indurangala
(Alternate Representative)

Joint Apparel Association Forum

Mr. Sean Van Dort
(Representative)

Mr. M. S. Jayakumar
(Alternate Representative)

Tea Exporters' Association

Mr. Linton Santiago
(Representative)

INDIVIDUAL MEMBERS

Canro Exporters
City Cycle Stores
Cross Ocean Logistics (Pvt) Ltd

Excel Global Holdings (Pvt) Ltd

Fascination Exports (Pvt) Ltd
Freight Links International (Pte) Ltd
Finlays Colombo PLC

Hayleys Ltd
Hela Clothing (Pvt) Ltd

Imperial Teas (Pvt) Ltd

JAL Shipping & Logistics (Pvt) Ltd

MAC Holdings (Pvt) Ltd

Neil Fernando & Co. (Pvt) Ltd

Orient Garments Ltd
Oxley Threads Lanka (Pvt) Ltd

Riston Teas (Pvt) Ltd

Standard Trading Co. (Pvt) Ltd
Shermans Logistics (Pvt) Ltd

Tea Tang Ltd

Van Rees Ceylon Ltd

SRI LANKA SHIPPERS' COUNCIL

Sri Lanka is a nation depending heavily on shipping services. Historically Colombo has been recognized as the most important and strategic geographical point in the east-west maritime group, which was also named as "Silk Route"

The Sri Lanka Shippers' Council 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 Sri Lanka Shippers' Council is the apex body that represents the interest of shippers.

Membership of the Council consists of Chambers of Commerce and Trade Associations, and fifteen such organisations are currently members of the Council and the Council represents more than 95% of the import/export trade. The Council derives its broad based representation and membership from these trade Associations. 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 a Vice-Chairman who is 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 promotes the Sri Lankan Government's vision of making the Colombo Port a competitive Maritime & 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.

The Sri Lanka Shippers' Council is 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.

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 customers 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) Not have any ambiguity in freight rates;
- 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 turn over 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.

OVERVIEW OF THE ECONOMY

Economic Growth

In 2007, the Sri Lankan economy recorded a growth of well above 6 percent for the third consecutive year for the first time since Independence, demonstrating that Sri Lanka has now moved on to a higher growth path of above 6 percent per annum from the historical average of around 4-5 percent. The external sector demonstrated its resilience to external shock, with the balance of payment recording a surplus of US dollars 531 million, which raised the country's external reserves to a higher level, along with a greater stability in the exchange rate. The economic growth in 2007 was mainly driven by the performance in industry and services sectors which grew by 7.6 percent and 7.1 percent, respectively, while the agriculture sector grew moderately by 3.3 percent.

Services Sector

The services sector made the highest contribution 62 percent to the overall growth, while the industry and agriculture sectors contributed 32 percent and 6 percent, respectively. The services sector growth was driven by export trading services and port related services, reflecting the healthy external demand, while the domestic oriented services, such as banking and telecommunication services also contributed significantly toward the better performance. Gross inflows on account of transportation services continued to perform better, led mainly by a substantial increase in port related activities resulting from a higher volume of cargo handling, and increased earnings from passenger fares due to the expansion of flying destinations, flying hours and frequency by SriLankan Airlines.

Port Services

The cargo handling ports and civil aviation sub-sector grew by 8.8 percent as against 20 percent growth in the previous year. The deceleration was mainly due to a lower growth in transshipment throughput volumes handled by the Colombo port compared to the previous year with the capacity constraints of Colombo port. During the year, the Colombo port including the South Asia Gateway Terminals (SAGT) handled a volume of 3.38 million TEUs, recording a 9.8 percent increase. This is the highest recorded TEUs handled by the Colombo port. Transshipment volumes, which account for over two thirds of the total throughput handled, expanded by 9.7 percent when compared to 36.6 percent growth in 2006. Total ship arrivals has increased by 5 percent to 4,710. The healthy export and import growth during the year and productivity improvements through increasing berth and yard capacity, replacing old cranes with modern ones and introduction of a new terminal management system have supported the developments. Air cargo volumes also grew by 5 percent reflecting a relatively lower expansion in aviation industry.

Recognizing the important contribution of the port sector to the economy and to meet the growing competition for port services in the region, necessary steps have been taken to implement several port development projects. The construction of the Colombo Port Expansion Project (CPEP) has been given priority, as capacity limitations at the port could lead to loss of its market share in transshipment. The CPEP includes construction of a breakwater sufficient to accommodate three terminals, dredging, establishment of a new marine operations center, relocation of a submarine oil pipeline etc. After completion of the project, it is expected to increase the current container handling capacity up to 5.7 million TEUs by 2010 and further to 8.1 million TEUs by 2015.

Several regional port development projects were also in progress in 2007. The Galle port development by constructing an outer breakwater to facilitate the berth of large vessels and a new multi-purpose terminal to meet the future demand and to reallocate bulk cargo handling from the port of Colombo, commenced with a load provided under a bilateral arrangement. The new terminal will help to reduce the waiting time of vessels, and will cater to large vessels. Furthermore, the project will greatly facilitate the Southern area development plan, which is presently being implemented. Basic infrastructure facilities required for the new Hambantota Sea Port Development project are being provided. As the international shipping routes fall closer to the Hambantota port, the port is expected to be more competitive on cargo handling as well as the supply of other ancillary services. The first phase of the project is expected to commence in 2010. At the same time, the Olivil Port Development Project was also in progress in 2007.

The slow progress in the implementation of some planned infrastructure projects announced in the “Ten-year Horizon Development Framework 2006-2007 (THDF) needs to be addressed as a matter of priority sooner rather than later. Flagship projects such as the Colombo South Port Expansion Project, Hambantota Sea Port Development, Colombo – Katunayake Expressway, Colombo – Kandy Expressway, Southern Expressway, the Colombo Outer Circular Road, Weerawila Airport, etc., have been making slower progress than expected. These projects need to be expedited to achieve sustainable high economic growth in the medium term and to prevent cost escalations.

Export Performance

Earnings from exports increased further in 2007, with increases in volumes as well as prices in respect of some key categories of exports. Initiatives taken by exporters to meet intensifying competition in international markets, trading arrangements between Sri Lanka and her trading partners as well as the favourable performance of export destination countries in terms of economic growth, through much of 2007, helped raise earnings from industrial exports. Meanwhile, the unprecedented rise in petroleum prices in international markets indirectly had a favourable impact on Sri Lanka's key agricultural commodity exports, by raising demand for such exports. Consequently, export earnings in 2007 totaled US dollars 7,740 million, which is an impressive increase of 12.5 percent, year-on-year, compared to the previous year.

Industrial exports expanded by 10 percent in 2007, largely supported by a marked increase in the earnings from exports of garments and textiles. Exports of garments and textiles continue to be the largest source of foreign exchange earnings for Sri Lanka. Much of the increase in exports of garments and textiles could be attributed to the concessions received by Sri Lanka in respect of its exports to countries in the European Union under the Generalized System of Preferences (GSP+) scheme.

Import Performance

Expenditure on imports recorded relatively modest increases during much of the year 2007 mainly as a result of subdued increases in expenditure on consumer goods imports. However, by end 2007, expenditure on imports recorded an increase of 10.2 percent, year-on-year, due to significant increases in expenditure on imports of investment goods and more notably, petroleum. Imports of petroleum contributed 40 percent to the year-on-year increase in expenditure on imports in 2007, as a result of international petroleum prices rising to unprecedented levels towards the end of 2007.

A positive development in respect of Sri Lanka's imports in 2007 was the 19.6 percent growth in the cumulative expenditure on investment goods, which augurs well for future economic activity. The expansion of expenditure on imports of investment goods was underpinned by the accelerated development projects launched by the government and projects undertaken by the private sector, especially in the construction, telecommunication and information technology sectors.

Direction of Trade

The degree of concentration of Sri Lanka's export markets further decline in 2007, but a few Western countries, which account for more than 50 percent of Sri Lanka's exports, still comprise the largest markets. Although the share of exports to the USA declined further due to intense competition in the apparel market, the USA continued to be the most important market for Sri Lanka's exports. India, which had become an increasingly important market for Sri Lanka's exports following the implementation of the Indo-Sri Lanka Free Trade Agreement in 2000.

India also continued to be the largest source of imports into Sri Lanka in 2007, while Asian countries continued to dominate Sri Lanka's imports. India's share in Sri Lanka's total imports further increased to 23 percent in 2007, with Sri Lanka importing refined petroleum as well as several consumer durable items such as motor vehicles and a large number of commodities such as sugar, rice, onions and cement.

OFFICE BEARERS

At the Thirty Eighth Annual General Meeting held on 09th July 2008, Mr. Randolph Perera and Mr. Gehan Kuruppu were elected Chairman and Vice Chairman of the Council respectively.

ACTIVITIES OF THE COUNCIL

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

The following eight (8) action committees were appointed for better coordination and guidance purposes, while a past chairman was nominated as an adviser for each committee;

- Freight Rates
- Permanent Committee on matters of THC & other charges
- Customs/Sri Lanka Ports Authority/Maritime Rates
- EDI
- Airport Issues
- Education and Seminars
- Membership Drive, Fund Raising & Finances/Accounts
- SLSC Constitution
- ASCOBIPS/FASC/ASC
- SLSC Website

A detailed description of the activities of the Council appears elsewhere in this report. However, in this section for your easy reference we give below the main topics covered in the report.

Ask Randy

- Terminal Handling Charge
- Freight Rates & Surcharges
- Need for a Regulator to look after the interest of all stakeholders
- Maritime Policy of Sri Lanka
- Electronic Data Interchange (EDI)
- War Risk Surcharge
- Sri Lanka Customs
- Federation of ASEAN Shippers' Councils (FASC)
- Global Shippers' Forum (GSF) & the Asian Shippers Councils (ASC)
- Association of Shippers' Councils of Bangladesh, India, Pakistan & Sri Lanka (ASCOBIPS)

TERMINAL HANDLING CHARGE (THC)

Despite our continuous lobbying against the application of THC, the authorities continue to turn a blind eye. As a result, during the period under review we have seen shipping lines arbitrarily introducing various other charges apart from the Freight Rate and THC. This has affected the exporters' competitiveness in the international market whilst seriously affecting the consumers as a result of imported good going up in price.

Due to the silence of the authorities concerned on these unreasonable charges the lines have taken the advantage of increasing the THC without adapting to any consultative procedures with the shippers and importers.

Despite filing a fundamental rights case at the Supreme Court by the Sri Lanka Shippers' Council and other affiliated associations and organizations such as the Joint Apparel Association Forum, the Sri Lanka Apparel Exporters' Association, the Exporters' Association of Sri Lanka, Fascination Exports (Pvt) Ltd and Brandix Ltd, compelling the government authorities to take appropriate action on the subject matter, there was no favourable settlement for the exporters and importers.

However for the benefit of the industry the SLSC and JAAF continued their task in making representation to the government and was partially successful in the formation of a Permanent Committee on matters of THC and other charges, which was established by the Ministry of Ports & Aviation.

In October 2008, the members of the SLSC, on behalf of the shipping community, made written submissions to the Permanent Committee on THC requesting the committee to resolve THC and other charges through a meaningful dialog to help the domestic industry on disputed shipping matters. The Council is currently waiting for an amicable solution on this matter.

FREIGHT RATES & SURCHARGES

The year under review saw freight rates fluctuate mainly for the benefit of the shippers. However during the early part of the year a general rate increase (GRI) was to be introduced but this did not come about.

Freight rates were expected to reduce slightly as new shipping lines were to be introduced to Colombo, which would result in the availability of extra capacity. Mostly throughout the year the rates to the Far East remained stable. There was speculation that a bunker adjustment factor (BAF) was to be introduced especially on rates to the US.

Due to the prevailing global economic crisis, the industry experienced a downward trend in rates to all routes. Despite the reduced rates, the global economic situation has impacted both the import and export industry whereby some shipping lines had decided to cut-down on capacity and pullout their services. China/Colombo rates also reduced almost 50% and there was a marginal drop in export volumes. It is expected that this trend would continue throughout the forthcoming year as well.

NEED FOR A REGULATOR TO LOOK AFTER THE INTEREST OF ALL STAKEHOLDERS

Ask Randy

The Council continues to perceive the necessity of a regulatory body to monitor maritime service activities in Sri Lanka, which directly affect the importers and exporters. The SLSC reiterates that a regulatory body should not in any way interfere with free market economic policies. However their role should be to monitor and restrict/control any carterized activities in the market, thereby preventing unreasonable and arbitrary levies being imposed hindering the import export business in Sri Lanka.

ELECTRONIC DATA INTERCHANGE (EDI)

Request for update from ADRIAN OSWALD

It is with great enthusiasm that all are eagerly waiting to experience and to benefit out of the, fully implemented “Automated Cargo Clearance System” in Sri Lanka, but it is regrettable to state that not even ten percent of the total package has been implemented thus far. During the last several years, the Shippers Council, with the assistance of other stakeholders took many initiatives to push forward by having many discussions/presentations, with the main service provider M/s. eServices Lanka Pvt Ltd.

Current status of the EDI system;

In operation

- CUSDEC submission for Exports and Imports online 24 hours
- For BOI, air cargo CUSDEC could be forwarded directly to Air Cargo Village Katunayake by skipping the IS Dept
- Manifest reporting and submission
- On line Tea Board Approval for Tea Export shipments

Work under discussion and in progress

- Online shipping note submission
- Acceptance of BOI /Customs and SLPA payments electronically
- Acceptance of accompanying documents electronically
- Automation of manifest /Sub-manifest and Delivery Order

WAR RISK SURCHARGE

Ask Randy

Sri Lanka is still under held cover status and the SLSC would like the authorities to monitor the situation very carefully, as any impose of a war risk surcharge would be further detrimental to the export trade and Sri Lankan economy.

SRI LANKA CUSTOMS

Ask Randy

The Council on numerous occasions highlighted to the Sri Lanka Customs the importance of maintaining a close and meaningful dialog in order to bring solutions to many problems that the importers and exporters face.

FEDERATION OF ASEAN SHIPPERS' COUNCILS (FASC)

The 31st Annual General Meeting of the Federation of ASEAN Shippers' Council (FASC) was hosted by the All India Shippers' Council on 08th October 2009, in New Delhi, India.

A six member delegation led by the Chairman, along with the Vice Chairman, represented the Shippers' Council at the FASC AGM. Other members who took part are representatives from Indonesian National Shippers' Council, Malaysian National Shippers' Council, Thai National Shippers' Council, Korean Shippers' Council, Senegal Shippers' Council, Macau Shippers' Council and the Union of African Shippers' Council.

GLOBAL SHIPPERS' FORUM (GSF) & THE ASIAN SHIPPERS' COUNCIL (ASC)

Ask ROHAN MASAKORALA for an update

The Global Shippers' Forum (GSF) and the Asian Shippers' Council annual conferences were held from 16th to 18th September 2007 in Singapore to discuss the goals and challenges faced by shippers in the organization and development of the freight transportation industry. A three member delegation led by the Chairman represented the Sri Lanka Shippers' Council.

A major priority identified by the GSF was to call on Asian countries to undertake a major overhaul of their own laws and regulations, which should outlaw anti-competitive practices by liner conferences and discussion agreements. A group outlined in a 'Special Statement of Support of Competitive Shipping Reforms in Asia' issued following their meeting that there should be an immediate review by Asian governments putting forth competitive liner reforms which will enhance benefits for consumers and their economies alike. Similar efforts in Europe and North America have brought about similar results. It was positively noted that two of the largest growing economies being India and China have already initiated reforms to this end.

A Joint Declaration was signed by the: Asian Shippers' Council (ASC); Canadian Industrial Transportation Association (CITA); the European Shippers' Council (ESC); Japan Shippers' Council (JSC); and the National Industrial Transportation League (NITL).

ASSOCIATION OF SHIPPERS' COUNCILS OF BANGLADESH, INDIA, PAKISTAN & SRI LANKA (ASCOBIPS)

The Annual General Meeting of the Association of Shippers' Councils of Bangladesh, India, Pakistan & Sri Lanka (ASCOBIPS) was held in August 2007 in Mumbai, India. The Chairmanship of ASCOBIPS was handed over to the All Indian Shippers' Council. All member countries excluding Pakistan were present at this annual event.

The Sri Lanka Shippers' Council had provided its utmost support to India to take policy decisions.

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, 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 improve the service level of these organizations.

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 165 years. The Council members have had several meetings with the Chamber officials on policy matters relating to port and shipping.

MEMBERSHIP

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 membership committee is responsible for developing and increasing the membership of the Council.

The annual membership fee for Trade Associations/Chambers is Rs. 5,000/-, while the membership fee for individual companies is Rs. 2,000/-. However due to the escalating costs the Council decided to increase its annual subscription as follows from the forthcoming financial period.

- Associations Rs. 7,500/-
- Individual members Rs. 3,500/-

During the year under review, the Council approved membership for the following companies/organizations as Individual Members:

- JAL Shipping & Logistics (Pvt) Ltd
- Riston Teas (Pvt) Ltd
- Sherman Logistics (Pvt) Ltd

FINANCE

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

WEB SITE

The website is regularly updated with trade related information and hosts value added services. The website address of the Council is www.slsc.ws.

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.

***HARIN MALWATTE
SECRETARY GENERAL***

16th June 2008