



## Sri Lanka Shippers' Council

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### **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.

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