

# BRIDGE

JULY 2021 | 12TH EDITION

## Ceylon CINNAMON

In conversation with the legendary **HERMAN  
GUNARATNE** 06

## TRINCOMALEE HARBOUR

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## NATIONAL CARRIER OF SRI LANKA

## *Celebrates* GOLDEN JUBILEE

by Rochelle Palipane-Gunaratne

## ENVISIONING THE FUTURE OF PORT OF COLOMBO

AS A **MARITIME HUB**

In conversation with  
**Capt. NIHAL KEPPETIOLA**  
Chairman Sri Lanka Ports Authority



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CEYLON  
ASSOCIATION OF  
SHIPPING AGENTS

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**TIME  
IS MONEY  
IN THE  
SHIPPING  
BUSINESS**

ANDER CRENSHAW

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*Ceylon*  
**CINNAMON**  
**THE SPICE THAT LAUNCHED A THOUSAND SHIPS**

06

A peacock flew among the cinnamon bushes as we embarked on an exploration of the lush plantation, atop the Mirissa Hills. Surrounded by fauna and flora and soaring above the Weligama Bay, the sixty acre property is a tropical paradise within the paradise isle.

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 A KEY FOREIGN EXCHANGE EARNER *to* SRI LANKA**

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Last week's incident in which a drone attack to the 'Mercer Street' left two of its crew dead proves the paramount need of Maritime Security. Similar to any industry today, the maritime industry is no less dynamic and pioneering. In recent years the industry has witnessed ground-breaking innovative changes with more focus on the nascent Maritime Security sphere.

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The transportation of dangerous goods or hazardous cargo is a volatile subject which has been thrust into the limelight due to the recent spate of accidents on board ships transporting these goods. While the shipping fraternity is aware of the meticulous procedures that should be followed during the transportation of DG/HC, it is imperative that we, the 'hoi polloi' gain a clearer understanding of it. Iqram Cuttilan, Chairman of Ceylon Association of Shipping Agents (CASA) broached the controversial subject in the following interview.

## TRINCOMALEE HARBOUR

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Trincomalee harbour in the eastern coast is undoubtedly one of the most important assets that Sri Lanka possess. In addition to being a natural deep-water harbour, its strategic location in the Indian Ocean has always been of much interest to all Seafarers which in turn has shaped and led to its history.

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IS A SOURCE OF PRIDE  
TO MOTHER LANKA

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*Ceylon*

**CINNA**

Warm shades of red married to  
brown hits my eyes, and allures  
my nose exotic adventure in  
forgotten, overgrown kingdoms

Cinnamon Dreams by Joseph Kushnir

# AMON

**Cinnamomum Ceylanikum Cinnamon**

**THE SPICE THAT  
LAUNCHED A  
THOUSAND  
SHIPS**

In conversation with the legendary  
**HERMAN GUNARATNE**



A peacock flew among the cinnamon bushes as we embarked on an exploration of the lush plantation, atop the Mirissa Hills. Surrounded by fauna and flora and soaring above the Weligama Bay, the sixty acre property is a tropical paradise within the paradise isle.

Within the plantation is the sprawling villa belonging to Miles Young, Warden of New College, Oxford in England. As an expert in the subject of all things Cinnamon, he has solicited the assistance of the veteran Tea Maestro, Herman Gunaratne to overlook the property which has the villa, a converted old manor house and a museum which will be open for viewing soon. The unique aspect of the museum are its rare cinnamon infused artefacts, in addition to a café and other amenities. As an expert in the field of Cinnamon, Miles along with Herman intend to give an immersive experience of the rich legacy and future prospects of Ceylon Cinnamon.

It was at this breathtakingly beautiful location that is steeped in mystery and romance and famed for its luxurious feel and elegance as it celebrates the Cinnamon, a spice which was once valued as highly as gold that I had the honour of meeting the iconic Herman Gunaratne, a man with impeccable tastes and a legend in the tea industry, having been appointed as the Chairman of the Upcountry Division in charge of 100,000 acres of tea. Renowned for his expertise and his association with the plantation Raj as interestingly depicted in his memoirs, 'The Suicide Club' and the subsequent books, 'The Plantation Raj,' 'The Tortured Island,' 'For a



Sovereign State,' and 'God's Secret Agent', Herman himself brings with him a wealth of knowledge, charisma and expertise in promulgating the spice. As he stated, "Cinnamon was the cause of many battles in the ancient world and Ceylon, with its abundance of verdant cinnamon bushes being the cynosure of all eyes. One of the most memorable moments of my career was a brief rendezvous with Lord Louis Mountbatten – the South East Asian Commander for all Allied forces who admitted that Ceylon was considered to be the most prized possession of the British Empire due to its cinnamon followed subsequently by tea".

The spice was sent to Egypt and re-exported to flummox the buyers as its origin was jealously guarded and rightly so. In keeping with the enigma surrounding cinnamon was another myth of a bird called, 'Cinnamologus,' who according to legend made its nests from cinnamon sticks.

While its source was kept a mystery by the traders to their source, today it is well known that Cinnamon came from the pearl of the Indian Ocean – Ceylon – the birth place of Cinnamon.

Ancient hieroglyphics and other inscriptions prove that Ceylon Cinnamon has been a valuable commodity for centuries. It was particularly prized for

its health in the Middle East. Ancient Egyptians used it as long ago as 2000 BC and even the Bible makes mention of Cinnamon in proverb 7:17 when it says "I have sprinkled my bed with myrrh, aloes and cinnamon". "In Exodus, 30:23, God directed Moses to make a holy anointing oil composed of myrrh, SWEET CINNAMON, Kaneh-bosem, cassia, and olive oil. "And you shall make of these a sacred anointing oil blended as by the perfumer; it shall be a holy anointing oil," is a reference in the Bible of a period in time dating back to four millennia.

Cinnamon was a component of the Ketoret which is used when referring to the consecrated incense described in the Hebrew Bible and Talmud. It was offered on the specialized incense altar in the time when the Tabernacle was located in the First and Second Jerusalem Temples. The ketoret was an important component of the Temple service in Jerusalem. It was so highly prized among ancient nations that it was regarded as a gift fit for monarchs and even for God: a fine inscription records the gift of cinnamon and cassia to the temple of Apollo at Miletus. It is also alluded to the Herodotus and other classical writers.

Though it was too expensive to be commonly used on funeral pyres in Rome, the narcissist Emperor Nero is

said to have burned a year's worth of the city's supply at the funeral for his wife Poppaea Sabina in AD 65.

Prior to the founding of Cairo, Alexandria was the Mediterranean shipping port of cinnamon. Europeans who knew the Latin writers who were quoting Herodotus knew that cinnamon came up the Red Sea to the trading ports of Egypt.

Through the Middle Ages, the source of cinnamon was a mystery to the Western world. Herodotus and other authors assumed Arabia was the source of cinnamon and claimed that giant Cinnamon birds collected the cinnamon sticks from an unknown land where the cinnamon trees grew and used them to construct their nests and the Arabs employed a trick to obtain the sticks. This story was current as late as 1310 in Byzantium, although in the first century, Pliny the Elder had written that the traders had made this up in order to charge more.

The first mention of the spice growing in Ceylon was in Zakariya al-Qazwini's Athar al-bilad wa-akhbar al-'ibad ("Monument of Places and History of God's Bondsmen") in about 1270. This was followed shortly thereafter by John of Montecorvino, in a letter of about 1292. Indonesian rafts transported cinnamon (known in Indonesia as kayu



manis- literally “sweet wood”) on a “cinnamon route” directly from the Moluccas to East Africa, where local traders then carried it north to the Roman market.

Arab traders brought the spice via overland trade routes to Alexandria in Egypt, where it was bought by Venetian traders from Italy who held a monopoly on the spice trade in Europe. The disruption of this trade by the rise of other Mediterranean powers, such as the Mamluk Sultans and the Ottoman Empire, was one of many factors that led Europeans to search more widely for other routes to Asia.

The botanical name derives from the Hebraic and Arabic term amomon, meaning fragrant spice plant. From their word for cannon, Italians called it canella, meaning “little tube,” which aptly describes cinnamon sticks.

In the first century A.D., Pliny the Elder wrote off 350 grams of cinnamon as being equal in value to over five kilograms of silver, about fifteen times the value of silver per weight.

## A spice worth fighting for

Portuguese traders finally landed in Ceylon at the beginning of the sixteenth century and restructured the traditional production and management of cinnamon by the natives. The Portuguese established a fort on the island in 1518 and protected their own monopoly for over a hundred years.

In the 17th century, the Dutch seized the world’s largest cinnamon supplier, the island of Ceylon, from the Portuguese, demanding outrageous quotas from the poor laboring Chalia caste. When the Dutch learned of a source of cinnamon along the coast of India, they bribed and threatened the local king to destroy it all, thus preserving their monopoly on the prized spice. They established a trading post in 1638, took control of the factories by 1640, and expelled all remaining Portuguese by 1658. “The shores of the island are full of it”, a Dutch captain reported, “and it is the best in all the Orient: when one is downwind of the island, one can still smell cinnamon eight leagues out to sea.” The Dutch East India Company continued to overhaul the methods of

harvesting in the wild and eventually began to cultivate its own trees.

The British took control of the island from the Dutch in 1796. However, the importance of the monopoly of Ceylon was already declining, as cultivation of the cinnamon tree spread to other areas and the more common cassia bark became more acceptable to consumers, and coffee, tea, sugar, and chocolate began to outstrip the popularity of traditional spices. Source: Wikipedia

## Health properties

The vast spectrum pertaining to cinnamon is broad as it is wide and includes the medicinal properties that alleviate many illnesses. Medieval physicians used cinnamon in medicines to treat coughing, hoarseness, and sore throats. The spice was also valued for its preservative qualities for meat due to the phenols which inhibit the bacteria responsible for spoilage, with the added bonus being the strong cinnamon aroma masked the stench of aged meats. Cinnamon has not lost its lustre even in today's illness ravaged world as it is a natural remedy against many diseases. For instance an element in cinnamon is believed to mimic insulin which reduces the blood sugar level which is a natural remedy for sufferers of type 2 diabetes.

Ceylon Cinnamon is gaining global prominence once again as many have recognized the amazing health properties of Ceylon Cinnamon. The composition of Ceylon Cinnamon is of much higher quality especially the essential oils derived from the Ceylon Cinnamon Bark as well as the leaves of the tree. It is also considered an aphrodisiac.

In comparison, the Cassia Cinnamon which is produced in other countries has high levels of Coumarin which can damage the liver.

## Regions of growth

The best Ceylon Cinnamon is grown

in the south west corner of Sri Lanka starting from Ambalangoda, Hikkaduwa down to Matara as the climate makes it ideal for propagation.

The Ceylon Cinnamon farms are still owned by small holders. This is the legacy of the Dutch who divided the land into small plots, so the locals would cultivate and sell them the Cinnamon. Since large scale Ceylon Cinnamon farms are limited, the use of pesticide is very limited even though the Ceylon Cinnamon tree does get affected by blight.

Cinnamon farmers usually sell the Ceylon Cinnamon bark and the dried leaves to a processor in the village, who in turn peels it and makes the Cinnamon sticks.

Once the Cinnamon is processed it is sold to traders who either export it or distribute it locally. Many of the processors have limited Cinnamon cultivation of their own but they do serve a valuable function in bringing the product to market and developing value added products from Cinnamon.

## Quality Control

The Sri Lanka government is attempting to reform the industry. In order to do this they have set up a Cinnamon research Station in close proximity to the coastal city of Matara. The research involves the development of new breeds of Cinnamon to increase the quality and oil content. This is not genetic modification or a GMO. These are Cinnamon plants that have been cross bred to produce a stronger plant. The research station has also developed new tools and chairs to make peeling Cinnamon easier. They have also a training facility where students are taught how to peel Ceylon Cinnamon. In addition the Sri Lankan government has introduced new standards for Cinnamon exports called SLS-81 standards which aims to set benchmarks for quality.



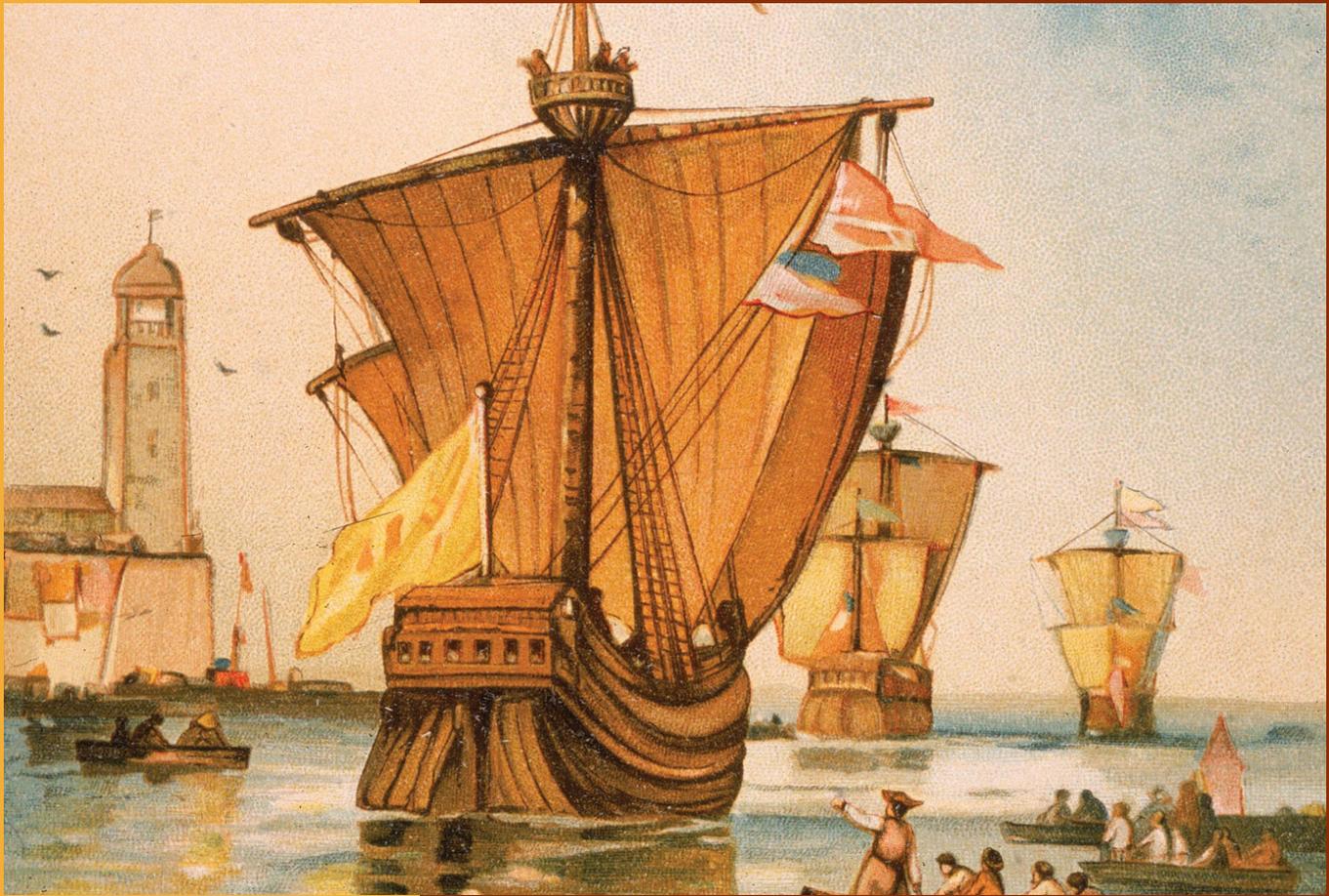
# SEAFARING: A KEY FOREIGN EXCHANGE EARNER *to* SRI LANKA



Capt. Ajith Peiris



Prof. (Dr.) Lalith Edirisinghe



Since ancient times, Sri Lanka attracted many sea travelers from other countries due to its strategic location. Further, Sri Lanka being an island, the only access available for all such travelers was the sea which also contributed to the development of trade. The Portuguese, the Dutch and the British invaders who came under the guise of traders ruled then Ceylon from the 16th to 20th century. The other countries such as France, Spain and Netherlands used their naval power to rule invading Asia and Africa and spread their languages, religions and cultures which later became subcultures of the invaded nations. It is significant to note that approximately 85% of the world trade is transported by sea, today. When huge loads of goods are transported, the sea transport has become the preferred mode. All countries usually use shipping to transport cargo at lower cost. The vessels used for transportation consists of dry cargo vessels (such as bulk carriers, general cargo), fluid carriers (product carriers, oil tankers, gas carriers), passenger ships, container ships, reefer ships, Ro-Ro ships and special vessels (built to carry a specific type of cargo such as paper, livestock carriers). Nevertheless, sea transportation comes with its inherent risks and issues. It is relatively the slowest of all modes of transportation and gets exacerbated due to several unforeseen delays that occur at ports, storms, and adverse weather conditions in the sea.

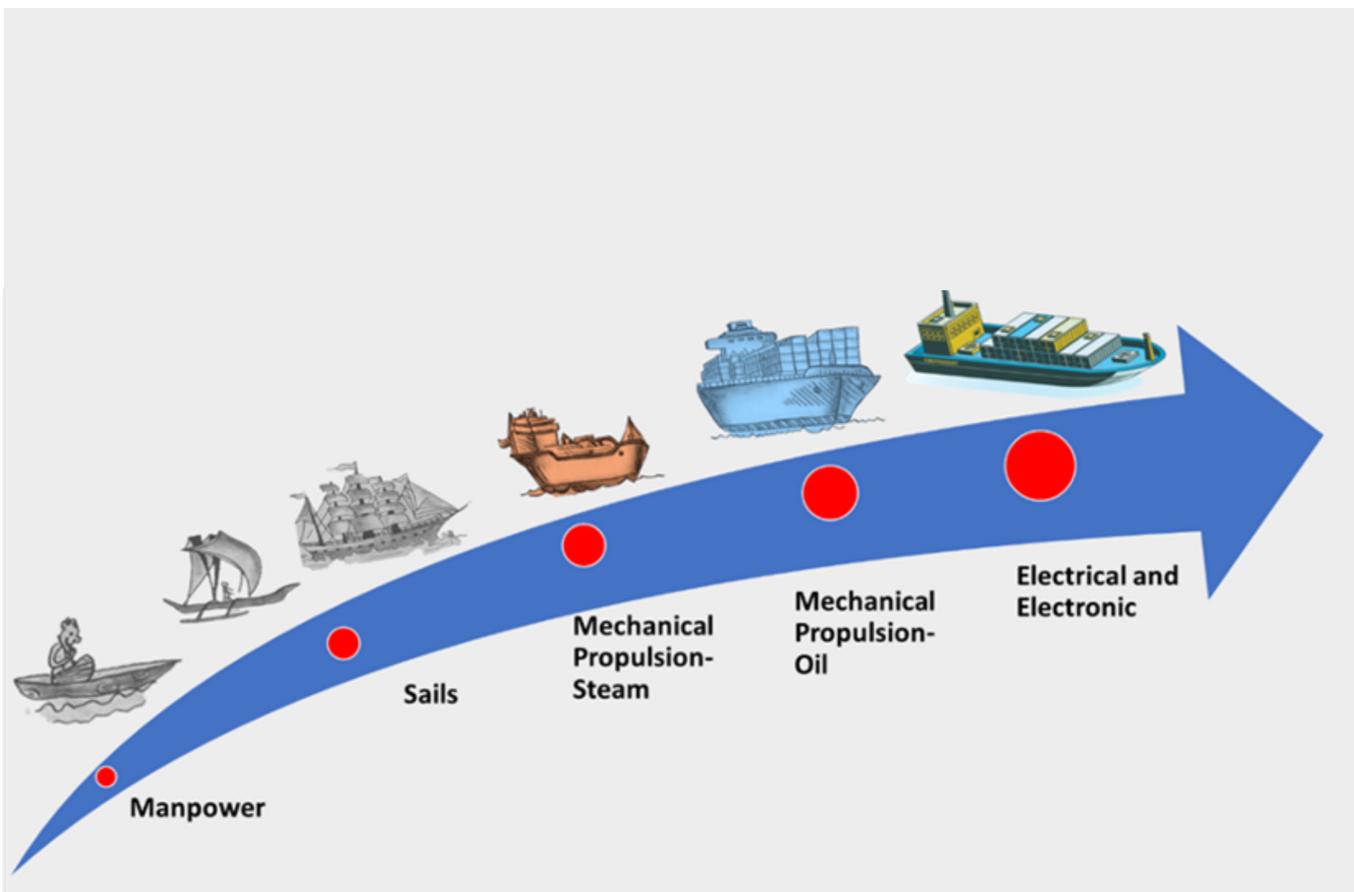


Figure 1: Systematic transformation of seafarers' job role and skills demanded

The existence, development and progress of international trade and shipping has taken place as a derived demand of international trade. The construction of spacious ships paved the way to increase world transport tonnage while gaining the scale of economies in the context of economics. The sophistication of ships from manpower to electrical and electronic is illustrated below.

As shown in the above illustration, maritime transport was a highly labor-intensive industry in the past. For example, when human labor was used to propel a ship, it needed many crew members. To control such a group, effective and efficient management strategies were used. In the present-day context, to drive the maritime seaborne sectors, it is imperative to have a competent and skilled pool of human resources. International Chambers of shipping estimate declares that there are 1,647,500 seafarers in the world [1] of which there are only about 16,000 active seafarers in Sri Lanka who account for 1% of the world seafarers pool. However, these 16,000 seafarers bring in about USD 300 million per annum as foreign currency to the country.

Ceyline / CINEC highlighted this opportunity and discussed the above matter with the Hon Minister of Ports and Shipping who will take the initiative to draw up a proposal with the Cabinet

of the government to approve a project to increase the pool of active seafarers from the existing 16,000 to 50,000 within a period of 5 years.

CINEC has been a pioneer training seafarers and is the leading Maritime Training Institute (MTI) in Sri Lanka that conducts maritime training programs at all levels (support, operational and management) and the only such MTI in Sri Lanka to conduct Management Level (Captaincy, Chief Officer, Chief Engineer, Second Engineer) programs. CINEC is the only MTI in the world to manage MTI's of two other countries namely the State MTI of Seychelles since 2013 and Fiji since 2014.

It's significant to note that the seafarers are paid fairly higher attractive salaries. So an increase of seafarers' pool from the existing 16,000 to 50,000 will in turn increase the foreign currency earnings from the current USD 300,000 to USD 1 billion. The planned endeavor will not only contribute to foreign exchange earnings but also address a social issue in the country. At present, there is a higher percentage of unskilled women who seek employment in the Middle Eastern countries as domestic workers to earn a very low salary. When mothers are compelled to leave children to economically support families, it disrupts secure home environment for children. However, sending trained and skilled workers on ships not only generates higher earnings, but also

complements the income earned sending unskilled women to Middle-East countries and drastically reduce child abuse that takes place in the absence of their mothers.

The newly formed association in the maritime sector, the Association of Seafarer Recruiting Agents (ASRA), is a timely initiative and will lead a Public/Private Sector Project (PPP) to embark on a task to increase the employment of Sri Lankan youth on ships. The purpose of forming ASRA is to encourage its members to explore and increase the employment opportunities to the Sri Lankan youth on foreign ships and to be the voice of the seafarer manning industry and to represent matters related to the seafarer recruiting industry to the relevant authorities, associations, and the Sri Lankan Government [2].

It is imperative that providing high quality training is the key for better employment opportunities on foreign ships. The good news is that Sri Lankan sailors are popular among reputed foreign shipping companies. With more focused training and educational approach, even the youths in rural areas of Sri Lanka can be trained to join this lucrative field and earn good salaries bringing in foreign currency.

Policy makers in Sri Lanka need to identify the potential in maritime training and education. They also need to be aware that International



Figure 2: The hybrid seafarer training includes well-equipped virtual environments and are ready to take any challenges at sea

Convention on Standards of Training, Certification and Watch keeping for Seafarers, 1978, or the STCW Convention requires that training and assessment of seafarers are administered, supervised, and monitored in accordance with the provisions of the STCW Code; and those responsible for training and assessment of competence of seafarers are appropriately qualified in accordance with the provisions of the Code[3].

As reflects in Figure 2, the seafarer training should include well-equipped virtual environments to prepare trainees to take up any challenge at sea. The training of seafarers has been designed to impart knowledge, understanding and make the trainees acquire the essential competencies where to perform a range of duties concerned with the operation and upkeep of the vessel, its equipment, and its operations. They require mastering all skills associated and prescribed in their rank.

The theme of the World Maritime Day 2021 is linked to the United Nations Sustainable Development Goals (SDGs), particularly SDG 4 on education and training; SDG 8 related to decent work; SDG 9 on innovation and industry that relates to the promotion of a resilient maritime sector; and SDG 5 on gender equality is linked to efforts to promote seafaring as a career for all, including particularly women [4].

The importance of exploring other competitive areas such as systematic capacity building for training and development in maritime sector has become critical under these circumstances. The efforts should not only expand training facilities in the maritime sector but also should encourage the younger generation to join hands with the industry. In this regard, social awareness for maritime and shipping education at pre-secondary level education would be essential. It may be timely for the respective ministries to make consolidated efforts in developing academic curriculum. This will undoubtedly facilitate vertical integration between school-university-industry which is of critical importance for the development of Sri Lanka

International Maritime Organization (IMO) has decided to make 2021 a year of action for seafarers who face unprecedented hardships due to the COVID-19 pandemic considering their vital role as key workers for global supply chains. Mr. Kitack Lim, the Secretary General, at IMO, says "Seafarers have always been at the centre of all our work - be it in the area of safety, maritime security, or environmental protection" [5]. The United Nations General Assembly (UNGA) comprising of 193 member states has by consensus, adopted a

resolution on 1st December, calling all nations to co-operate and help designate seafarers as key workers, a group who has been greatly impacted by the COVID restrictions placed worldwide, making crew changes and repatriation of seafarers have been increasingly logistical challenges for all involved [6].

The World Maritime Theme for 2021, "Seafarers: at the core of shipping's future" seeks to increase the visibility of seafarers by drawing attention to the invaluable role they play now and will continue to play in the future. The focus on seafarers comes as the COVID-19 pandemic has placed extraordinary demands on seafarers, with hundreds of thousands of men and women stranded on ships for months beyond their original contracts, unable to be repatriated due to national travel restrictions. Throughout the year, the World Maritime Theme will also put the spotlight on other issues related to the human element of shipping, including the safety and security of life on board ships, seafarers' well-being, and the importance of ensuring an appropriately trained and qualified workforce, ready to meet the challenges and opportunities of digitalization and automation.

[1] ICS, "Shipping and World Trade: Global Supply and Demand for Seafarers," ICS, [Online]. Available: <https://www.ics-shipping.org/shipping->



Figure 2: Future seafarers of Sri Lanka on a site visit to CINEC Campus

fact/shipping-and-world-trade-global-supply-and-demand-for-seafarers/. [Accessed 23 07 2021].

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**BRIDGE**

## ABOUT AUTHORS

### CAPT. AJITH PEIRIS

A Master Mariner who began his career on an Indian State training ship 'Rajendra' in 1974 on a scholarship received from Ceylon Shipping Corporation. After completion of training in 1976, he joined the Ceylon Shipping Corporation fleet and sailed in all ranks ranging from Cadet to Ship Captain before joining a German Shipping Company. He qualified as a Master Mariner and was appointed Captain of a foreign going (Class I) ship at the age of 28 years. He served as a member of the Committee appointed by His Excellency the President on Maritime Affairs in 2009/2019. He also served as a member of various key positions including, Advisory Board appointed by the Minister of Ports & Shipping; Select Committee on Maritime Affairs of Ceylon Chamber of Commerce; and Advisory Committee of CASA. He is the founder Chairman, Association of Seafarers Recruiting Agents (ASRA). Capt. Ajith Peiris is currently the Executive Chairman of Ceyline Group of Companies, and Chairman/President of CINEC Campus.

### PROFESSOR (DR.) LALITH EDIRISINGHE

Professor Edirisinghe commenced his career in 1981 as a Cadet Officer in Merchant Navy. He counts 38 years work experience in the corporate sector including Ceylon shipping Corporation and Board of Investment of Sri Lanka. He is an Expert- Consultant in Transport and Logistics appointed by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). He holds a PhD, in Transportation planning and Logistics Management. He is a Chartered Logistician and Chartered Marketer and an office bearer of the Sri Lanka Society of Transport and Logistics, University of Moratuwa. CINEC and Professor Lalith Edirisinghe were instrumental in establishing Logistics as a part of school curriculum in Sri Lanka. He is the author of first logistics textbook and shipping textbook written in Sinhala introducing many theoretical models in shipping and developed new theories and concepts in transport. He was the project Chairman of the first ever National Logistics Awards 2018 conducted by Chartered Institute of Logistics and Transport Sri Lanka and currently serve as the Chairman of the Panel of Judges in the National Logistics Awards 2021 organized by the Sri Lanka Freight Forwarders Association commemorating its forty years of services. Prof. Edirisinghe is a past student and a Prefect Teacher of Ananda College, Colombo and at present, he is the Dean of Faculty of Management and Social Sciences and the Head of Higher Education Society Linkage Cell of CINEC Campus.

# CASA CONTINUES TO STRESS THE URGENCY TO DEVELOP EAST CONTAINER TERMINAL

**Expresses the urgency of ECT to remain competitive and retain its strong position in the region  
Says transshipment volumes at risk if ECT is not expedited**



The need to enhance deep water terminal capacity in Colombo Port has been discussed in many platforms during the last few years due to the surge in container volumes from the Indian Sub Continent as well as the new port developments which is taking place in India.

We have seen a growth in container volumes at the Port of Colombo whenever capacity is added. It is very visible when comparing the Port statistics from 2017 to 2018, where we

saw an increase of nearly 13.5% with CICT being in full operation.

Without any capacity being introduced in 2019, the volumes increased only marginally. The volume increase between 2018 and 2019 was only 2.6% due to the port of Colombo reaching saturation point. In 2019 the Port could only handle 7.2 million TEUs.

These results show that adding capacity at a brisk pace is the most important factor for Sri Lanka to retain its position

as the best connectivity port in South Asia

The only deep water terminal in Sri Lanka is CICT with a depth of 18m and the existing facilities have reached saturation for 6th generation container mega carriers. Even though Shipping lines are interested in bringing more volumes to Colombo they're unable to do so due to inadequate berths with deep draught.

As a result of this the local trade could

To regain confidence it will be of utmost importance to contract long term support of the Shipping Lines to commence moving volumes through ECT and POC.

lose out in terms of opportunity cost, volume that could be handled, knock on income, additional services and all the economic benefits that could accrue to the country as a result of more ships being served.

### Immediate next steps

We have been informed that for the operationalization of ECT, the SLPA has already floated tenders for the procurement of Ship to Shore Gantry Cranes, Rail Mounted Gantries, Straddle Carriers as well as for the civil works to extend the berth to 1200 Mtrs.

It is of utmost importance that the tender deadlines are met and the tender awarded to the successful bidder without any delay so that the container handling equipment could be delivered at least by end 2022. Any delay will result in the commissioning of the ECT to handle the larger vessels being delayed thereby resulting in Colombo losing out on attracting the newer services and usage as a Transshipment hub.

The Urgent equipping and fully operationalizing ECT will ensure additional capacity is added to the Port

of Colombo which is now congested as the current capacity is about 8.0 million TEUs. ( handled in 2019 – 7.2 million TEUs). A further delay means that the current volume is in danger of moving to Indian/ or other regional ports.

Urgently addressing this matter will enable the Port of Colombo to regain the lost volume due to the congestion caused by Covid 19 pandemic. It will also ensure that the Port Of Colombo will have berths to handle deep-draught large vessels, maintain Colombo's role as the Transshipment Hub of the Indian Sub-Continent and create other opportunities for the Shipping Industry (bunkering, crew transfers, ship supplies, etc.)

In the short term SLPA should also optimize operations in the existing facilities of ECT. The crane productivity needs to be increased to 25 moves per hour with current cranes, employ dedicated yard equipment and Terminal Operations System (TOS) at ECT, procuring additional dedicated Prime-movers for quay-side and yard operations or outsource same, improve the speed of ITT movement at ECT as currently delays are experienced. Setting up of a central operations center to coordinate all operations between terminals and pilot station is also a need of the hour.

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

## Opportunities as a regional transshipment hub

Increase in regional transshipment volume is also demanding for more capacity. India and Bangladesh are port of Colombo's primary transshipment markets. The key drivers are the size of the import/export volumes at these ports and proximity to the port of Colombo. The import/export volume of India stands at 12.31 million TEUs and is expected to grow at a compound annual growth rate (CAGR) of 7.9% (2015 to 2041). 23% of India's transshipment volume is handled via port of Colombo. Similarly 33% of Bangladesh's transshipment volume is handled via port of Colombo and the import/export volume is expected to grow at a CAGR of 9.5%. Therefore it is of utmost importance that the port of Colombo is able to handle the surge of transshipment cargo in the coming years.

## Conclusion

CASA has always been committed to positioning Sri Lanka as a maritime hub and has continuously advocated policies to this effect. We have taken up the urgency of developing and operationalizing the East Container Terminal in many forums as the transshipment hub status that Colombo holds is at stake due to the current capacity crunch. Many regional ports are increasing capacity and operational efficiencies which will affect the competitiveness of Colombo if we don't act fast.

With the change in the hierarchy of the SLPA, CASA urges the government and all authorities to expedite the procurement of equipment, extension of the berth and fully operationalize the East Container Terminal

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

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**SRI LANKA:  
STRATEGICALLY  
POSITIONED TO  
SERVE THE  
BURGEONING  
GLOBAL MARITIME  
SECURITY TRADE**

A large red and black oil tanker ship is shown from a high-angle perspective, sailing on a deep blue sea. The ship's deck is visible, showing various structures and equipment. The water is a vibrant blue with some white foam from the ship's wake.

Last week's incident in which a drone attack to the 'Mercer Street' left two of its crew dead proves the paramount need of Maritime Security. Similar to any industry today, the maritime industry is no less dynamic and pioneering. In recent years the industry has witnessed ground-breaking innovative changes with more focus on the nascent Maritime Security sphere.

Ever since 2010, Sri Lanka's approach to global maritime security could be characterised as being more assertive. Following the cessation of the war, Sri Lanka, specifically the port of Galle has been functioning as a hub for operations pertaining to the logistical solutions offered to a number of international shipping lines. Through this lucrative avenue, Sri Lanka has fulfilled one of the crucial elements in its post-war transformative objective in being considered as a relevant and credible player in the region.

**Speaking to industry experts from CASA provides an insight into the dynamics of the Private Maritime Security Operations (PMSC) in Sri Lanka.**

## **IN LIGHT OF INCREASING THREAT TO THE MARITIME INDUSTRY**

by Rochelle Palipane Gunaratne

The government approved tertiary educational institutions offering programs in subjects pertaining to maritime security on par with international standards has enabled civilians to be trained in the field, providing ample opportunities for employment.

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### **BRIDGE: What is the preamble to the inception of this industry in Sri Lanka?**

The country of Somalia became birthplace of the new age of piracy after the collapse of the government in 1991, fierce civil war, and the birth of the inefficient new government. Set on a strategic point on the Horn of Africa, Somalian-fisherman and ex-militia begun to raid the shipping lanes in the narrow sea channel known as The Gulf of Aden. These attacks created a massive economic impact, as international military fleet patrol these waters daily.

With the emergence of piracy at sea off Somalia and in the Gulf of Aden, we have expanded our business portfolio to provide comprehensive maritime security solutions to vessels transiting high risk areas (HRA) in the Indian Ocean, Red Sea and the Gulf of Aden. The Ministry of Defence, Sri Lanka, has authorised the Global Private Maritime Security Companies to provide maritime security services through their appointed respective shipping agents to handle embarkation / disembarkation of armed maritime security teams from

the Port of Galle, Sri Lanka.

### **BRIDGE: What is the significance in opting for Galle?**

The globally recognized Private Maritime Security Companies has opted for Galle as the perfect location East of the HRA, enabling ships to get their weapons and sea marshals off or on depending on the route the vessels are taking.

### **BRIDGE: What are the attractive offers provided by SL?**

Approximately twenty five local shipping agents represent a number of globally recognized private maritime security companies and these foreign private maritime security companies obtain contracts from ship owners to provide the security guards for the ships, while we the agents provide the logistic facilities in terms of Land to Sea (vice-versa) transfers, Air Port Transfers, Liaising with the Sri Lanka Navy for the storage of the weapons & equipment in

the Naval Armory, Accommodation etc.,

The Weapons and the Sea Marshals are owned by private maritime security companies who are registered with the International Maritime Organization (IMO).

### **BRIDGE: How has the country benefitted from this category?**

Essentially the demand continues to generate foreign exchange with a significant growth spurt economically. It has also created niche industries due to the indirect involvement of hotels and transporters.

While initial preference was granted to European security marshals, the potential for our own ex-militia personnel has grown throughout the years. Further the government approved tertiary educational institutions offering programs in subjects pertaining to maritime security on par with international standards has enabled civilians to be trained in the field, providing ample opportunities for employment.

The mushrooming effect of the floating armories poses a threat to what we offer as an authentic service.

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### **BRIDGE: What are the volumes generated since inception?**

At its peak from 2010 to 2016, we had unprecedented volumes of 900 vessel calls a month which never existed in the port of Galle. Yet there was a significant drop in volume despite the increase in demand due to the floating armories that are sporadically and haphazardly set up in the ocean and pose a threat to a more ethical functionality.

### **BRIDGE: What caused the shift?**

Due to the beefing up of security measures in the international HRA waters, the impact through piracy drastically declined, yet the demand for security continues to rise despite the reduction of PMSC operations.

Further, the mushrooming effect of the floating armories poses a threat to what we offer as an authentic service.

The clients should realize that the floating armories are not a practical alternative despite the reduced cost as the unethical and severe inhumane malpractices associated with such

is heavily unregulated with these contraptions gaining notoriety as rampant infectious zones. Therefore the onus is on the shipping company to choose wisely.

### **BRIDGE: How has pandemic impacted the local industry and what are SL's USPs?**

Charting through stormy seas within the context of the 'new world' has not been an easy feat but due to the high demand associated with the PMSC industry to SL, the Navy took the initiative to follow the government directives to provide uninterrupted service in Galle without any risk of infection to all concerned.

This timely intervention was instrumental in generating vital foreign exchange to the country when all the other avenues were impeded. Revenue generation persisted uninterrupted in addition to the increase in service opportunities for local sea marshals due to the implementation of travel bans in several other countries.

Moreover, we have been commended as one of the very few locations that

provides a much needed respite for sea marshals as most are restricted within the confines of the ship for several months. Due to the pandemic, the situation has exacerbated for sea marshals as many ports have banned them from disembarking and visiting their loved ones but due to the stringent precautionary measures implemented by our Health Departments it has been possible to disembark without the danger of transmission even during the height of the government imposed lockdown as the industry only paused briefly, commencing operations within a matter of days.

This was made possible by mainly the Navy and other authorities who spearheaded the initiative to come up with a SOP regulation guideline inculcating heavy involvement, monitoring and supervision from their end to ensure a framework was set up to do these Sea Marshal embarkations and disembarkations in a safe and secure manner. Incidentally, a strict protocol is in motion if someone is tested positive for Covid-19. They have been granted authorization to follow the measures accordingly within a bio bubble concept in order to curb the community transmission. Due to the effectiveness of the process, the work has continued without disruption

Aptly called the pearl of the Indian Ocean, Sri Lanka possesses a relatively battle-hardened navy, specifically in the sphere of asymmetric maritime warfare.

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enabling the industry to flourish and continue unabated.

### **BRIDGE: What are the concerns raised during this period?**

The threat to the industry which is based mainly on cost is felt profoundly as the SOP has altered drastically and the additional safety methods such as PPE, sanitation, usage of multiple vehicles and rooms as its imperative to maintain the one meter distance when transporting and lay overs.

At the initial stages of the pandemic we were at a critical juncture as the shipping community initiative required the quarantine centers for the SL Sea Marshals to be managed by the Navy but due to priorities on recruitment, they had to exit the facility. Thereafter, the shipping community took the initiative and arranged the quarantining of SL sea marshals at an affordable, and economical cost.

While many would value safety above

cost, especially during these uncertain times when health is of immense value, we face challenges by low cost, low budget floating armories which are set up sporadically without proper health protocols.

The clincher in terms of USPs is the unparalleled location as there is no other alternative East of the HRA where it's safer for sea marshals to sign off if it's an East bound vessel or sign on if it's a West bound vessel with their weapons and ammunition kits.

Aptly called the pearl of the Indian Ocean, Sri Lanka possesses a relatively battle-hardened navy, specifically in the sphere of asymmetric maritime warfare. The armoury is professionally handled by the government under the Sri Lanka Navy ensuring the safety of the citizens and the regional countries.

Additionally, the logistical facilities provided for the sea marshals outrivals the rest from the villas to transport to the repatriation opportunities as Sri Lanka per se is a hub, making overseas travel easy as the flights are connected to any location in the world.

Moreover the USP during the pandemic

is exemplary leaving no room for failure, success rates to date handling the sea marshals in a superior manner ensuring the safety of all concerned. Covid 19 task force rules followed strictly by the Ministry of Health and the SL Navy in a humane, responsible way.

### **BRIDGE: Who does the industry owe its success to?**

While there is multiple stake-holder involvement since inception for the industry to 'sail smoothly' (pun intended), there are a few governing bodies that deserve to be named individually; The Ministry of Health and all other ancillary and auxiliary services, Sri Lanka Navy, hotel providers and transporters especially those who stepped in at crucial moments, and the Ceylon Association of Shipping Agents (CASA). Manpower companies providing the sea marshals and others who continue to render their unstinted support to make this initiative a resounding success for Sri Lanka.



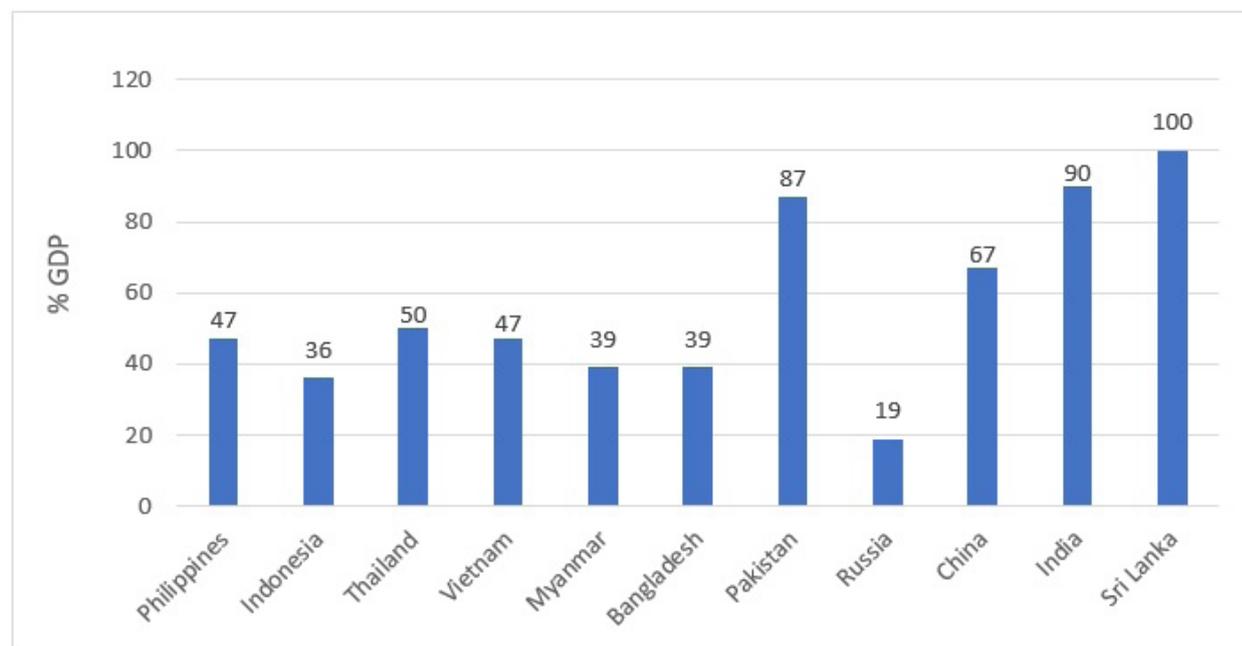
# COVID-19, FISCAL POLICY AND PUBLIC DEBT IN EMERGING ECONOMIES

## Harini Weerasekera

Harini Weerasekera is a Research Economist at IPS with research interests in taxation, labour and migration, and econometrics and economic modelling. She holds a BSc in Economics from the University of London and a BA in Economics from the University of Colombo with First Class Honours. She also graduated with an MSc in Economics from the University of Warwick where she authored a thesis on border tax evasion in Sri Lanka. (Talk with Harini: [harini@ips.lk](mailto:harini@ips.lk))



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

**Figure 1: Public Debt to GDP ratios in Selected EMDEs - 2020**

Source: International Monetary Fund. (2021, April). *World Economic Outlook Database April 2021 edition*.

Sri Lanka's fiscal landscape left much to be desired even before the repercussions of the COVID-19 pandemic were felt. One year into the pandemic, the country's already tight fiscal space has become further constricted, leaving some tough decisions to be made in the pandemic recovery period. A third wave of COVID-19 that the country is currently experiencing will further delay such recovery efforts.

Although some fiscal tools have been included in Sri Lanka's COVID-19 recovery plan, there is general consensus that the size and scale of the country's fiscal stimulus package have been inadequate against the scale of the crisis. Conversely, wealthier countries have been rolling out some of the historically largest fiscal stimulus packages. This blog discusses the global tilt towards fiscal policy reliance in the aftermath of the pandemic, and deliberates on how far the developing world can adopt a similar strategy.

### Global Fiscal Policy Tilt

Even prior to the COVID-19 crisis, there has been a shift in the thinking around loose fiscal policy and fiscal stimulus. New thinking in the developed world is that debt is more sustainable than it was once thought to be and that fears around borrowing and spending leading

to inflation are something of the past. This largely stems from the post-global financial crisis (GFC) experience, where unsuccessful austerity measures weakened economies faster than their tax revenues could sustain them. The belief now is that governments can outgrow even large volumes of debt, such that a country's interest payments can be outpaced by economic growth resulting from the stimulus.

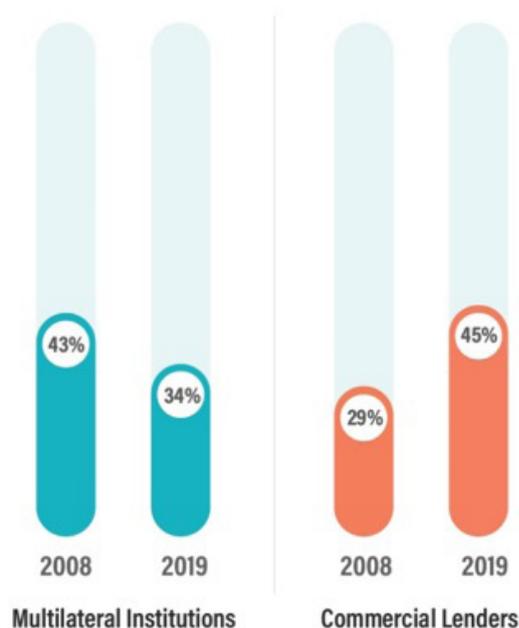
However, this unprecedented level of stimulus that raises concerns of inflation, overheating and reaching unmanageable levels of debt, is of particular worry for developing countries. The assumption of continued loose financial conditions relies on interest rates around the world remaining at low levels. However, large fiscal stimulus in the USA might result in a post-pandemic consumer boom that pushes up prices. Indeed, US inflation rates reached a 13-year high of 5% in May 2021. This could force the Fed to raise interest rates in order to clamp down on an overheating economy; the consequences of which will impact heavily on developing economies. They could experience capital outflows if interest rates increase in the USA and push up the dollar, thus making it more challenging to manage and sustain high levels of debt, which are usually held in dollars. Finances in this part of the world would suffer as a result, and this would compound the difficulty of

fighting the pandemic.

Furthermore, economic consequences are not felt equally across the world, such that advanced economies and developing economies face different challenges and therefore require different policy strategies for recovery. The key differences lie in: higher poverty rates where more people are made vulnerable due to the pandemic; larger informal sectors where governments find it more difficult to provide assistance; and weak public finances. While governments in wealthier countries have deployed trillions of dollars in fiscal relief measures for pandemic recovery, developing countries do not have the fiscal space for the same. The need for this type of fiscal support during the pandemic, along with drops in revenues, has raised debt loads to unprecedented levels across the globe. This will have far-reaching consequences for emerging market and developing economies (EMDEs) in particular, that run the risk of facing a debt crisis.

### Is the Developing World Heading Towards a Debt Crisis?

Government deficits and debt has risen to unprecedented levels across the board. Average overall deficits as

**Figure 2: Compositional Shift in EMDE Debt (% Share)**

Source: *The Economist* (2021)

A recent study by the World Bank classifies a 'fourth wave' of debt accumulation to have begun in 2010, whereby global debt has reached USD 55 trillion by 2018, making this wave the largest and fastest-growing of four historical waves.

a share of GDP in 2020 reached 11.7% for advanced economies, 9.8% for emerging market economies, and 5.5% for low-income developing countries. Average public debt worldwide reached an unprecedented 97% of GDP in 2020 and is projected to stabilise at around 99% of GDP in 2021.

Despite higher debt, average interest payments are generally lower in advanced economies. According to Modern Monetary Theory, advanced economy governments can print money to sustain spending without being operationally constrained by revenues and rising national debt. As issuers of international reserve currencies, they can do so with limited risks. For some EMDEs however, financing large deficits continues to be challenging, given limited scope to raise revenue in the near term (Figure 1).

A recent study by the World Bank classifies a 'fourth wave' of debt accumulation to have begun in 2010, whereby global debt has reached USD 55 trillion by 2018, making this wave the largest and fastest-growing of four historical waves. The preceding three waves ended in financial crises—the Latin American debt crisis of the 1980s, the Asian financial crisis of the late 1990s, and the GFC of 2007-09.

Although debt financing can help meet urgent needs, the concern is that the current fourth debt wave is taking

riskier forms. Low-income countries are increasingly borrowing from creditors outside the traditional Paris Club lenders, such as China, as well as from international capital markets. The latter tends to impose nondisclosure clauses and collateral requirements that can make the scale and nature of debt somewhat ambiguous.

Given these characteristics of the fourth debt wave, which is now being further exacerbated by the COVID-19 crisis, already debt-strapped economies such as Sri Lanka will find themselves in a particularly tight spot. In addition, this wave has coincided with multiple challenges for EMDEs, such as weaker growth prospects in a fragile global economy, growing fiscal and current account deficits, and a compositional shift toward short-term external debt, which could amplify the impact of shocks.

In terms of this compositional shift, for instance, emerging market public external debt owed to multilateral institutions dropped from 43% in 2008 to 34% in 2019, while the share for commercial lenders jumped from 29% to 45%, and meanwhile, overall bilateral lending fell. This shift from concessional toward financial market and non-Paris Club creditors have raised concerns about debt transparency and collateralisation.

Thus, despite exceptionally low real

interest rates, the latest wave of debt accumulation could follow the historical pattern and eventually culminate in financial crises in EMDEs. These risks were illustrated by the recent experiences of Argentina and Turkey, which witnessed sudden episodes of sharply rising borrowing costs and severe growth slowdowns.

### Striking a Balance

Given the above, the developing world is not placed in a comfortable position to expedite discretionary fiscal policy in the manner seen in the advanced world. Specific policies need to be tailored for developing countries, including Sri Lanka, to handle this twin crisis, and specialised support required from the international community. These can include improving debt management practices to mitigate riskier debt portfolios, improving debt transparency through public debt statistics dissemination practices, improving tax collection and administration, and exploring ways to spend more efficiently, including alternative methods of disbursing cash transfers to household and firms.

\*This blog is based on the comprehensive chapter on fiscal policy in IPS' forthcoming 'Sri-Lanka: State of the Economy 2021' report.



# COVID-19 AND SRI LANKA'S EXTERNAL SECTOR: CHALLENGES AND POLICY CHOICES

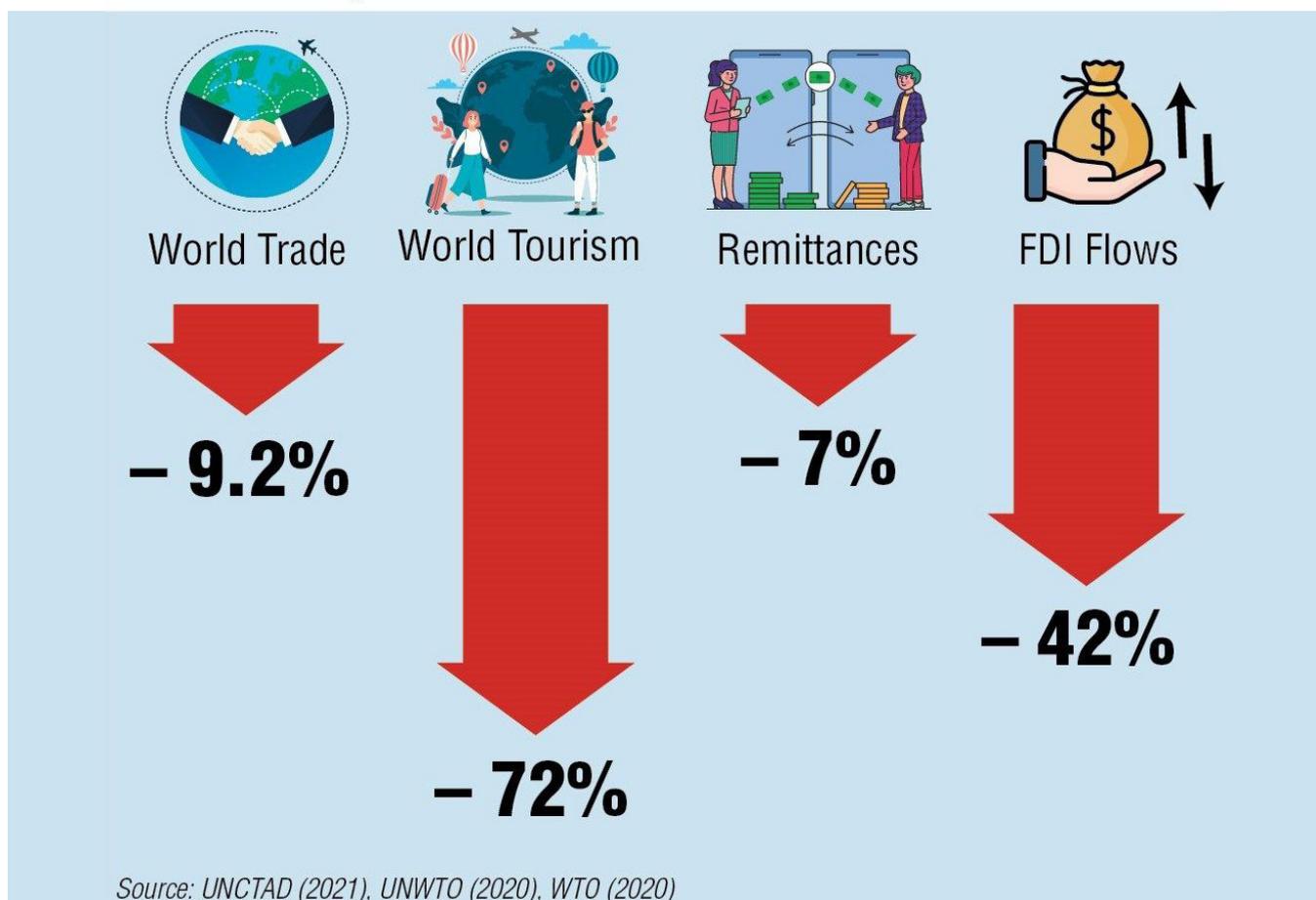
**Tharindu Udayanga**

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

## Sectoral Impacts of COVID-19 in 2020



The COVID-19 pandemic exerted significant downward pressure on global trade as well as the global economy at large. Unprecedented declines in merchandise trade, foreign direct investment (FDI) flows, tourism and cross-border migration have all been hallmarks of the economic fallout. As a result, growth expectations for countries worldwide dimmed. Nonetheless, thanks in part to substantial expansionary monetary and fiscal policies being rolled out to achieve pre-COVID economic recovery levels and the development of vaccines, the contraction in global trade and economic output are less than what was anticipated.

The Sri Lankan economy too has been impacted by these external developments, witnessing fluctuating fortunes in its external sector performance. This blog discusses the impacts of global economic developments on Sri Lanka's external sector and suggests ways to cushion them.

### Sectoral Impacts of COVID-19

The impact of COVID-19 on global trade flows was substantial, contracting merchandise trade by -5.3% in 2020, albeit a much-improved outcome from the initial -12.9% forecast. As expected though, global FDI flows saw a sharp decline in 2020 contracting by 42% in 2020 compared to 2019. There have also been significant impacts on other forms of cross-border capital flows such as world tourism, migration and related cross-border remittance flows.

Even before the pandemic, Sri Lanka's long-term export growth rate was on a declining trend, despite some improvements in the immediate pre-COVID-19 years. In 2020, the pandemic amplified this long-term decline. Merchandise exports contracted by -15.6% in 2020 compared to 2019, reflecting both demand and supply shocks.

Apparels, Sri Lanka's major merchandise export, faced disruptions with the onset of the pandemic, with earnings from textiles and garments (T&G) falling by 21% in 2020. Furthermore, surveys suggest that as many as 89% of Sri Lankan apparel workers were temporarily retrenched from March-May 2020, with partial or no pay during the first wave of COVID-19.

Compared to exports, Sri Lanka's import expenditures fell even more sharply in 2020, contracting by as much as -19.5%. A part of the decline was no doubt a reflection of weakened private investment, declining oil prices and subdued consumer demand. However, a large quantum of the drop in import expenditures is due to restrictions imposed on 'non-essential' imports and import-substitute sectors.

International arrivals to Sri Lanka declined by -73.5% in 2020. By contrast, Sri Lanka's worker remittance inflows have performed much better than what had been forecast. In 2020, after an initial brief drop, remittances



In the context in which Sri Lanka is struggling to access international capital markets in a COVID-19 environment, an enhanced inflow of FDI will provide relief on the external front.

grew by 5.5% to USD 7.1 billion. FDI flows to the Sri Lankan economy have been on a declining trend over the years. The pandemic has amplified this trend, with inflows contracting by -43.6% in 2020 compared to the previous year.

### **Challenges and Choices**

Sri Lankan exports traditionally target product markets in a few destinations such as the US, UK and some EU countries. Its export basket too remains rather limited, with overwhelming dependence still on T&G and a few agricultural products. The need to revive export performance with sound strategies such as export diversification and exploring new markets will take on even more urgency in the wake of the pandemic if the country is to build resilience to face such events in the future. The recent announcement by the EU to review Sri Lanka's GSP+ status only adds to the urgency to strengthen domestic export resilience.

As countries adjust to the economic fallout of the pandemic, existing global supply chains will change. Sri Lanka too must be prepared to change direction in favour of strengthening such regional and global opportunities. Restricting imports should be viewed as a temporary solution; not only does it limit consumer choice, import restrictions also have other long-term costs. These include the possibility of tariff retaliation by trading partners, adverse impacts on domestic manufacturing for exporting, and resource misallocation. Though the dependence on import compression has facilitated an improved trade balance, increasing export revenue is a must to stabilise Sri Lanka's external sector,

including its exchange rate, in the medium to longer term.

Although Sri Lanka has seen an increase in remittances, weak employment conditions in migrant-hosting countries may cause an upturn in return migration. Thus, there is a need to formulate policy action in support of resettling, providing jobs, and facilitating business openings. Equally, retaining investors' confidence through sound policy decisions, ensuring domestic security measures, and providing a transparent and accountable regulatory environment are essential to attracting more FDI. This is vital in view of the government's stated policy intention to move away from debt-creating capital inflows to non-debt-creating sources. In the context in which Sri Lanka is struggling to access international capital markets in a COVID-19 environment, an enhanced inflow of FDI will provide relief on the external front.

However, Sri Lanka must be watchful that a growth recovery kick-started by FDI inflows is not solely dependent on sectors such as mixed development projects as the contribution of such activities to productivity-driven growth is minimal. In turn, the long-term sustainability of such a growth momentum is also in doubt. Secondly, as geopolitical tensions and rivalries heat up as countries race ahead to recovery, inviting FDI into strategic sectors such as ports and energy should be done in ways that safeguard Sri Lanka's sovereignty and security.

\*This blog is based on the comprehensive chapter on the external environment in IPS' forthcoming 'Sri-Lanka: State of the Economy 2021' report.

PREEMPTIVE  
SOLUTIONS TO  
COUNTER  
EMERGENCIES  
THAT ARISE  
FROM  
TRANSPORTING  
HAZARDOUS  
CARGO – Chairman of CASA

*by Rochelle Palipane Gunaratne*



The transportation of dangerous goods or hazardous cargo is a volatile subject which has been thrust into the limelight due to the recent spate of accidents on board ships transporting these goods. While the shipping fraternity is aware of the meticulous procedures that should be followed during the transportation of DG/HC, it is imperative that we, the 'hoi polloi' gain a clearer understanding of it. **Iqram Cuttilan**, Chairman of Ceylon Association of Shipping Agents (CASA) broached the controversial subject in the following interview.



### **Q: What's the overall percentage related to the transportation of DG / HC?**

As a percentage, it is difficult to indicate an approximate amount but there is a significant number classified as hazardous or dangerous being transported by sea. For instance, cargo such as wood in its natural state is considered non-dangerous good, but introduce it to fire and its flammable nature comes to the fore.

### **Q: What is the procedure followed by shipping agents in Sri Lanka?**

In the case of loading hazardous cargo, when a booking inquiry is made, the exporter or shipper has to provide information of the cargo and submit the Material Safety Data Sheet (MSDS) of the specified cargo.

The material safety data sheet (MSDS) is a compulsory document which contains information on how the cargo should be packed, stored, transported and the measures to be taken in case of an emergency as well as reaction to various materials viz cause combustion etc.

Thereafter the shipping agent will

provide this information in a particular format as required by the shipping line, attaching the MSDS and send it to the shipping line which has a specified Dangerous Cargo Handling Desk (DCHD). The DCHD will in turn inform if it is acceptable or non-acceptable to be loaded on a vessel that particular line operates. If the vessel is being operated by another line, this information is submitted to the DCHD of the operating line and approval is requested.

Additionally the hazardous cargo request is sent to the Port of Destination, Port of Transshipment as well all the ports which the vessel calls enroute to the TS port of destination port. Approval is sought from these ports for the cargo to be discharged, TS or be in transit as the case may be.

The reason for this is that certain ports have very strict hazardous cargo policies. What is permitted to be in transit at one port may not be permitted in another port. Hence to avoid any issues the request is sent to all ports and approval obtained.

For instance, If I am representing Line A, I will send the request to the Dangerous Cargo Desk of the Principal of Line A. If Line A is planning to operate the vessel, then it is a straightforward procedure. Since we are working in through alliances /consortia, the cargo maybe loaded on a vessel of Line B. Therefore the DCHD of Line A will forward the request to the DCHD of



Line B requesting their approval. Upon their approval the green light is given to board the ship accordingly.

Thus, the acceptance of cargo is strict administered specifically pertaining to DG/HC. Information is given in advance to the vessel and the ship planner to make arrangements for stowage on board the particular ship.

DG/HC cargo is stored at a special stowage location, segregated from the normal cargo in a specific area with easy accessibility in the event of an accident.

Thereafter, once it is loaded all the ports the vessel is calling and the final destination the port have access to the necessary information. There is an information flow right throughout that this particular cargo is on board the ship. Every stake holder is kept informed and the process incurs paying meticulous attention to detail.

When the cargo arrives to Sri Lanka either to be discharged, in transit or being transhipped, a Dangerous Cargo Declaration (DCD) is provided to the SL Ports Authority Safety Section which contains all necessary information pertaining to the DG/HC. Thereafter the Safety Section peruses the document and makes the decision to either grant permission or not grant permission for the specified cargo to enter the port.

**Q: What is the shipping**

### **agents role in this function?**

The agent acts as the facilitator in disseminating information which he has received to the authorities and various parties concerned on the arrival of a vessel with any hazardous cargo. The agent is not the originator of the information but a mediator.

### **Q: At the event of an emergency, what is the action taken?**

With regard to any issues that may involve leakage on board the ship, the Master informs the shipping line and the Agent at the next Port of Call. Thereby, arrangements are made to attend to stop the leak on board the vessel if it is possible or discharge the container at the particular port for the cargo to be reworked either by removing the leaking barrel/drum and allowing the rest of the cargo to remain in the container and continue on its voyage, or destuff the entire load of cargo in the container and stuff it into another container after removing the leaking/damage barrels/drums.

### **Q: Are accidents caused due to the transport of DG a rare occurrence?**

Cargo leaking in containers is a regular occurrence which is mainly due to the bad packing, stuffing, handling or lashing. At times this can also happen due to the vessels rolling and pitching during its voyage as a result of bad weather which results in the cargo inside the container shifting from side to side and damaging the barrels/drums.

Accidents on board tankers/bulk carriers too occur.

The issue of the spillage occurring at sea is that the vessel crew do not have the facility to attend to the leak due to the stowage of the container, accessibility to the container or even expertise in dealing with specific types of cargo. Hence shore assistance is required to deal with such adversities.

### **Q: What are your views regarding the most recent catastrophe on board the 'Xpress Pearl'?**

It is a very unfortunate situation for the whole vessel to catch fire and be destroyed.

In this particular instance, when the Master and crew observed the leaking container, they tried to discharge the container at the next ports of call. Unfortunately the specific ports namely, Hamad and Hazira were unable to handle the container due to various reasons. Colombo was the next port of call after Hamad and Hazira, and the Agent was notified only a few hours before the vessel arrived at the anchorage of the Port of Colombo. The agents had notified the Safety Section of the SLPA of the leak.

From the news reports it was mentioned that after the inspection of the SLPA Team the next day, a fire broke out onboard. Initially the ship's crew tried to douse the fire with the equipment and facilities on board. They were initially successful but when the fire erupted again, shore assistance was sought. SLPA Tugs were mobilized to

support the efforts to extinguish the fire. The strong winds and the incremental weather exacerbated the situation, causing the flames to ignite.

All efforts by the SLPA emergency services as well as other parties who were deployed to extinguish the fire proved futile due to the severity of the fire and the strong winds. Whilst tremendous efforts were deployed, the raging inferno could not be quelled.

### **Q: What are some of the hypothetical causes for such calamities?**

Shippers/Exporters are required to abide by the IMDG regulations when packing/stuffing/loading hazardous cargo.

There could be instances when the exporters use packing material which are of inferior quality to pack DG which when subjected to the rolling and pitching of the vessel at high seas can cause breakage of packing spillage, friction, thereby igniting a fire.

Another possible cause would be the non-declaration of hazardous cargo by the exporter in order to avoid paying higher freight rates which is charged for the carriage of hazardous cargo.

This results in calamities of this nature – risking lives and property.

### **Q: As you perceive, what are the lessons we can learn from these hazards?**

We need to act immediately to ensure that the proper declaration process is followed and adopted at the Port of Loading. In addition, survey companies should monitor the packing process from inception, with additional safety precautions being followed and the rules of transporting DG implemented by IMO adhered to at all times. This will

be a step forward in avoiding severe calamities in future.

Yet, if it does occur, we need to respond accordingly and be vigilant and cover all aspects from the emergency responses to the legal proceedings and stop causing a frenzy and losing our credibility. Instead we should handle these occurrences professionally.

Q: What is the preemptive action necessary to prevent accidents of this nature?

More often than not, the owners of the cargo know more about the dangerous goods than the transporter, good communication between exporters and importers is essential to safely transport goods that are dangerous in nature.

It is also why we need a code of conduct, conventions and governing bodies such as the International Maritime Organization (IMO) to regulate the transportation of goods in order to keep safe from pollution or loss of lives.

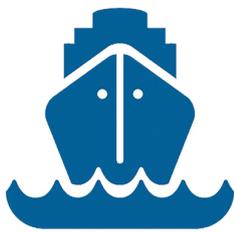
### **Q: What do you wish to convey to the authorities?**

As an industry – if we are promoting Sri Lanka as a Maritime hub, we have to enhance the facilities in handling emergencies which should be on par with international standards with continues training as emergencies do occur on a regular basis at other ports as well and the manner in which we can combat these outbursts are to be prepared.

It is also critical to be congruent with the IMO conventions by updating laws and requirements, while formulating a dedicated team together with the private sector in a PPE to deal proactively with emergency situations. Moreover, the compensations and investments received can be utilized in a constructive manner towards emergency response enhancement.



# McLARENS GROUP



Maritime & Logistics



Petroleum & Energy Sector



Manufacturing & Distribution Sector

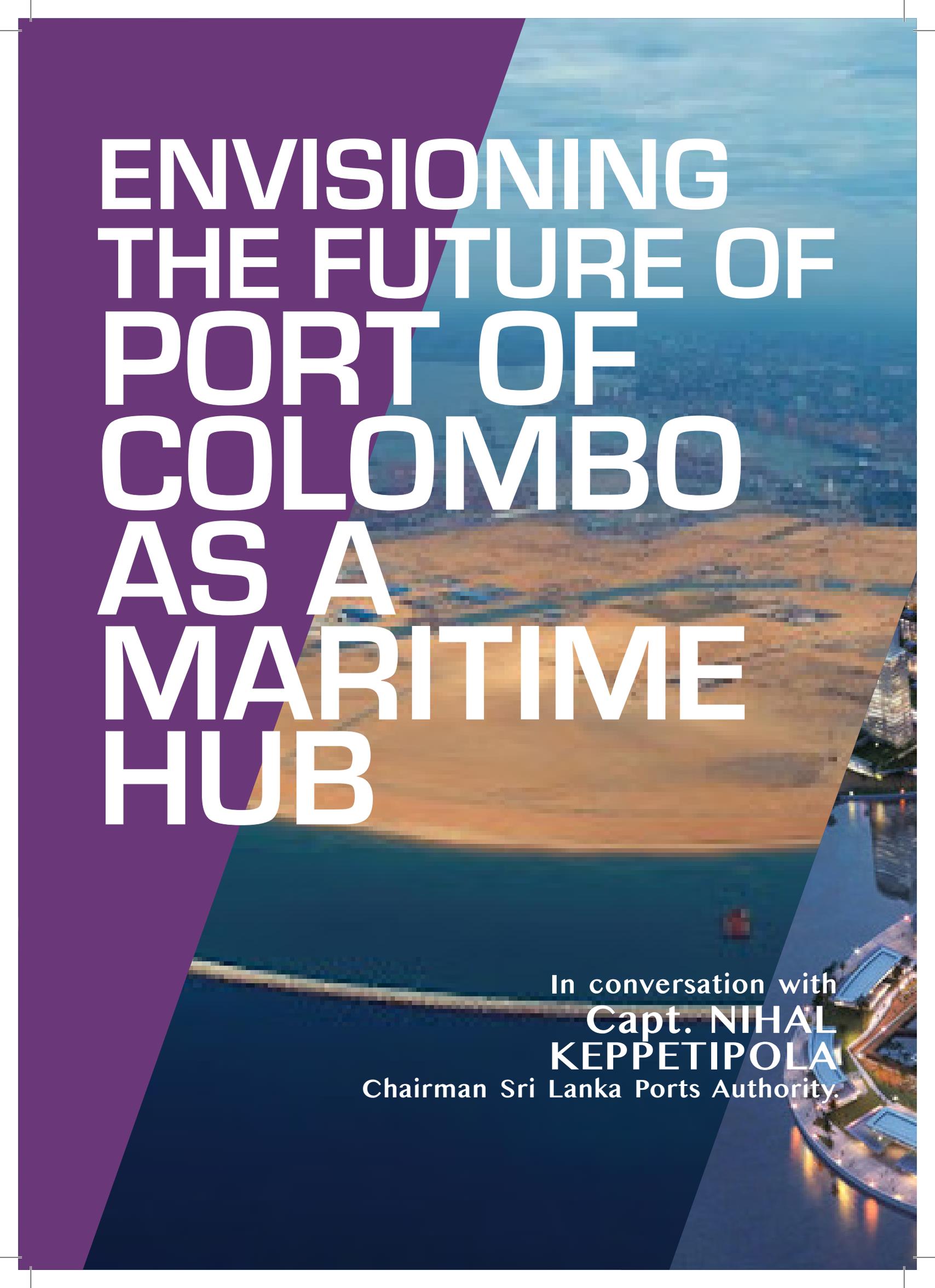


Property & Strategic Investment Sector



Leisure Sector





# ENVISIONING THE FUTURE OF PORT OF COLOMBO AS A MARITIME HUB

In conversation with  
**Capt. NIHAL  
KEPPETIPOLA**  
Chairman Sri Lanka Ports Authority.



Sri Lanka Ports Authority always had a vision of making Sri Lanka a maritime Hub. What are the initial steps which need to be taken to make this vision a reality?

Keeping in line with the Global Demand in the Maritime Supply Chain and logistics, SLPA need to fast track the already delayed terminals and the container handling capacity in the Port of Colombo and Hambantota. Parally it's essential to develop new facilities and modernize the existing facilities for logistics .Construction and running of the East and West Container Terminals (ECT & WCT) at the Colombo South Port should be expedited which will add another 6 million TEUS to the existing throughput capacity. Both ECT & WCT will be deep water terminals which could handle current VLCCs drawing 17meter draught and geared with 26 across STS cranes.

Recently we saw a backlog in the Port of Colombo which led to many main lines bypassing Colombo which was a lost opportunity for Sri Lanka. What steps will be taken to avoid a situation like this

## happening in the future?

The COVID-19 pandemic has significantly affected the global maritime trade and the global economy. Being part of the global supply chain we are no exception. In order to ensure continuous operations, the Port of Colombo launched a resilient response initiative in the face of Covid-19 pandemic to ensure the safety and security of the port community so that the supply chain link through Colombo stays uninterrupted. Currently we have fully vaccinated our staff. We have developed contingency plans in terms of different shift systems to act during pandemic situations.

## Being the second largest natural harbor in the world, the Trincomalee port is often overlooked. What plans do we have to develop this port?

The Port of Trincomalee is identified as a key location in the economic development plan for the north-eastern part. Emphasis is focused on the main benefits having natural deep water, sheltered, with unique tourist attractions and ample land for industrial and logistics activities in the proximity of the port.

With the development of rail and road network within the country, connectivity to- from the Port would be enhanced. Hence, it will be developed as a direct link between Ports of the Bay of Bengal and also a Coastal port of Sri Lanka.

## What do you think

## is the role played by Port of Hambantota in the journey to become a maritime hub?

It's no secret that currently Port of Colombo is focusing on Container cargo and therefore it is vital that Hambantota takes over the conventional cargo operations complimenting it's Free Zone Logistics activities. Hambantota has currently emerged as the only RORO transshipment Hub in South Asia. In addition it's gradually gearing to be firstly a regional container port and thereafter open up globally.

It has a role in the energy sector. It is expected that Hambantota will improve as a bunker hub for vessels and emerge as an industrial port for Sri Lanka. These industrial value added activities under the free zone concept can lead to economic gains to Sri Lanka and the region.

## Cruise tourism is a highly potential sector for tourism sector. Please brief us on the initiatives taken to develop a fully-fledged passenger terminal and Yacht Marina.

Cruise tourism is a steadily growing market segment in the leisure industry. It is closely connected with port functions as pilotage, mooring of vessels and facilitations for passengers which is a responsibility of port authorities. Although Port Authority has been providing these facilities to match its organic growth it needs the inputs of

other drivers of this market, to embark upon future expansion programmes to improve the functions and develop the facilities. In this context, it is required to identify the capacity and access, potential players in this industry are having growth patterns and future plans to enable the SLPA to develop a model for development of facilities, operation of related tourism services in an alliance with SLPA.

SLPA has initiated action to construct a modern warehouse at UCT for logistics facilities and the Bandarnayake Quay (BQ) warehouse facility would be relocated in this warehouse. Once the warehouses are released in steps, the passenger terminal project would be initiated at the BQ Terminal.

The overall objective of the Government and the SLPA is to develop the Port of Galle as a regional port for tourism and commercial activities. SLPA has built a small yacht berthing facility inside the commercial Port of Galle. Considering long term economic development in the region, SLPA is in the process of re-visiting the proposed outer breakwater development project in Galle. Extensive studies have been conducted for this project and the design is ready. Once the project is implemented, the whole Galle bay will be protected from high waves and provide safe haven for mooring yachts. This will open avenues to create various facilities for Yacht Crews in and around Galle.

## How do you see digitalization affecting ports? Are we ready for digitalization?

SLPA has taken steps towards promoting contactless documentation thus the clearance of all imports at the Port of Colombo through electronic payments via the Internet. This allows port users to make payments from their homes or offices to clear goods from the Port of Colombo. Container Terminals of the port introduced an

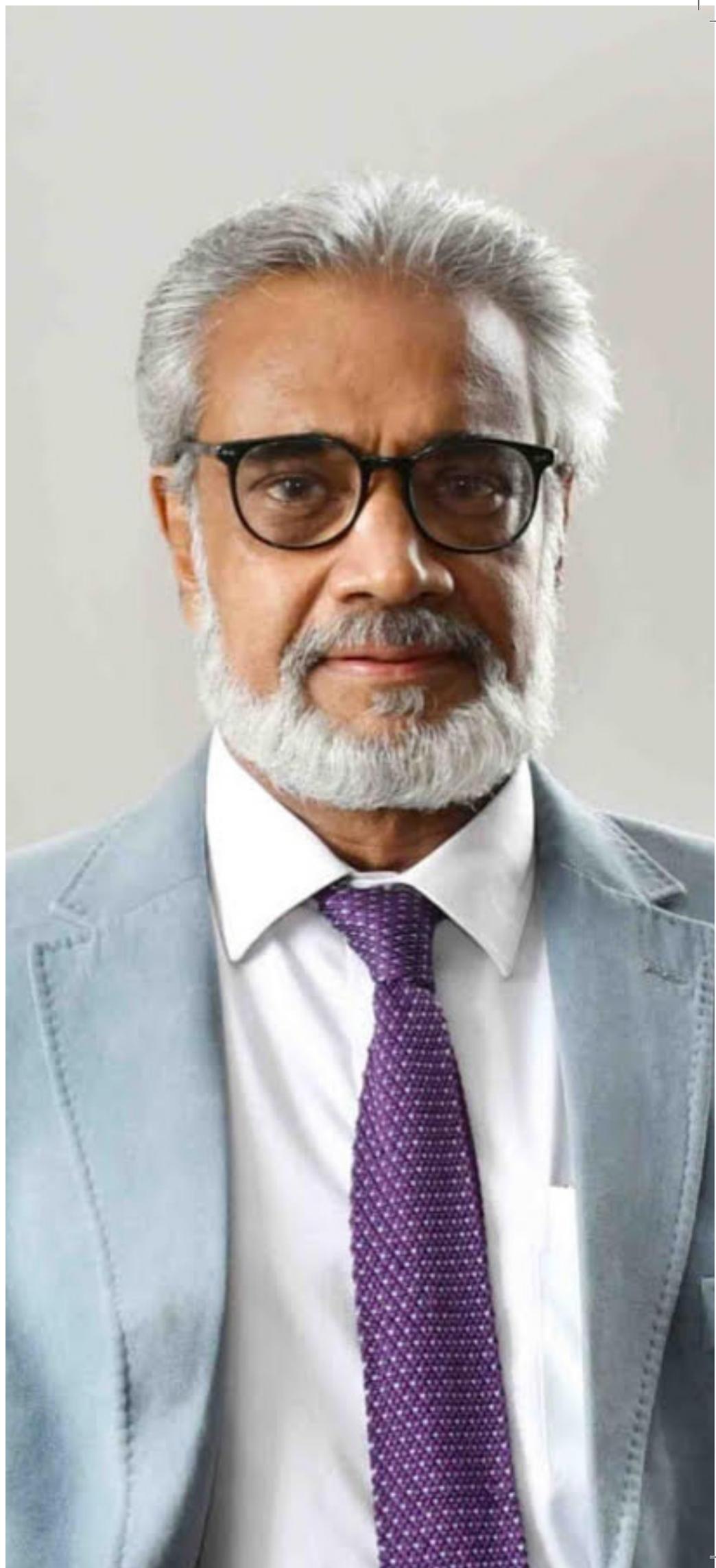
e-clearance process for CHAs to lodge import container clearance documentation and release electronic Delivery Advice /Gate pass.

The number of administrative documents in the manual process is numerous, involves lot of process time, administrative checks and administrative burden to SLPA. Accordingly, SLPA has already taken steps to initiate the digitalization process of SLPA by upgrading the existing Terminal Management system with N4, introducing cargo management system, digitalize payment facilities etc. In order to increase business efficiency and promote a paperless business environment, a Port Community System (PCS) to Port of Colombo has been identified. A prefeasibility study for the development of PCS system to Port of Colombo has been already completed and it is planned to initiate a feasibility study along with technical and functional requirement of the PCS for the Port of Colombo in October this year. This will create the path to implementing the PCS to the Port of Colombo by 2022.

## How do you envisage the port of Colombo in 15 years?

Whilst strengthening and gearing up to become the Maritime Hub in the South Asian region, Port of Colombo must have a Container operating capacity higher than the demand capacity. When observing the cellular fleet growth, VLCC order book, the Global Throughput Growth, ISC, SA and Far East production growth, it's my fervent opinion that Port of Colombo should have a container operating capacity of around 15 -20 M TEUS within the next 15 years. Modern logistics facilitates, with digitalization will ensure minimal human presence in the terminals and efficient and effective services in the Supply chain Management.

Port of Colombo and Sri Lanka will certainly be operating as the Maritime Hub in the South Asian Region in 15 years from now.



**CLARION SHIPPING  
SETS PACE WITH  
STRATEGIC  
EXPANSION TO  
SERVE CUSTOMERS  
AROUND THE  
COUNTRY**



The shipping and logistics industry in Sri Lanka is a vital component that contributes immensely to the country's economy and is instrumental in ensuring business and economic growth in the region. With the COVID-19 pandemic that has engulfed the entire world, Sri Lanka, too, has faced exponential challenges across every industry and business sector. However, shipping entities such as Clarion Shipping (Pvt) Ltd. have been resilient throughout this period and ensured that new processes were introduced to advance its service provision and add more value to the company.

To find out more about their perspective on the current industry environment, we sat down with Director/CEO of Clarion Shipping (Pvt) Ltd. Mr. Tharanga Perera for this interview.

### **Q1. What is the significance behind Sri Lanka as a logistics hub, and how has the aftermath of COVID-19 impacted the country's shipping industry as of current?**

A1. Sri Lanka is strategically located in the centre of the Indian Ocean, roughly about 10 nautical miles off the traditional East-West maritime trade route, with approximately 60,000 ships passing through annually. The Port of Colombo is a significant player in the region and acts as a major transshipment hub connecting India and other countries.

At the initial stages of the pandemic, there was a substantial fall in international trade, and Sri Lanka being a key trading hub in the region, experienced a fall in cargo volumes. Similar to transshipment volumes, due to broad import restrictions, we saw a steady decline of imports to the country as well.

However, recently a modest upturn in maritime trade has begun to emerge as new services introduced during the pandemic, supported the Port of Colombo to maintain its momentum.

The SLPA's initiatives such as integrating paperless solutions to many port-related services and digitalising and streamlining port-related processes supported immensely with the uninterrupted continuation of port operations.

### **Q2. What strategies should be implemented in instigating a recovery**

### **process that would also assist when facing similar situations in the future?**

A2. One of the best strategies would be investing in technology. The world is increasingly relying on digital technology to help weather the current COVID-19 storm. Furthermore, the continuous development in this area would assist in better managing unforeseen events in future. With social distancing protocols and work from home practices being the new norm today, adopting modern technology such as the cloud, the internet-of-things and data analytics will create new ways to move products.

Under the current circumstances we see that businesses and consumers have adopted a digital approach by buying and selling goods online. For Sri Lanka to gain from this trend, prioritising national digital readiness should be given utmost importance so that more local businesses can benefit from the digital economy.

### **Q3. Is your organisation working on any systems implementation focusing on maximising your operations or increasing your efficiency?**

A3. Since its inception in 1999, Clarion Shipping has expanded its service portfolio to cover all aspects of logistics services, cementing its position as a reliable logistics partner in Sri Lanka. Clarion is also a pioneer shipping agency with license to operate in all commercial and fisheries ports in Colombo,

**With the globalisation of businesses and subsequent competitive pressures, almost every company is striving to deliver customised products worldwide with an emphasis on reliability and timely delivery.**

Galle, Hambantota, Trincomalee and Kankesanthurai. The company's parent company is Hayleys Advantis Ltd., the transportation and logistics arm of Hayleys PLC.

Clarion Shipping is shouldered by four pillars; Clarion Marine, Clarion Freight, Clarion Containers and Clarion Bulk. Moving forward, our company has taken steps to integrate all four pillars to provide our customers with the benefit of experiencing end-to-end visibility across diversified logistics needs and, hence, initiate a hassle-free one point of contact with this integration.

Additionally, we are expanding horizontally to reach out to our stakeholders and customers from every part of the country. We are currently expanding our branch network and have shortlisted two office locations in Trincomalee and Hambantota and will also expand into Kankesanthurai, making Clarion Shipping the only fully-fledged company to have that additional reach set in place, covering a vast customer base in Sri Lanka.

#### **Q4. What can cause challenges in the logistics industry at present?**

With the globalisation of businesses and subsequent competitive pressures, almost every company is striving to deliver customised products worldwide with an emphasis on reliability and timely delivery. Some of the industry's challenges can be attributed to inefficiencies in business process improvement, reverse logistics, inventory control, visibility, etc.

#### **Q5. What makes the logistics sector exciting, and what kind of career opportunities can a new entrant to the industry expect to find?**

The transportation and logistics industry is the pillar of any economy, and the driving force behind all sectors, be

it agriculture, manufacturing or services. It covers several facets and levels. Therefore, opportunities for career advancement is always available. By learning and training on the job, employees within the logistics sector can learn about operations from the beginning and move upwards to enhance their career prospects through abundant experiences.

#### **Q6. In your opinion, how do you see the future in the logistics industry in Sri Lanka?**

Like most industries, the transportation and logistics industry is confronting immense change. Like any other change, this brings both risks and opportunities. For logistics companies to succeed, they should focus on new technology, new market entrants, customer expectations and new business models.

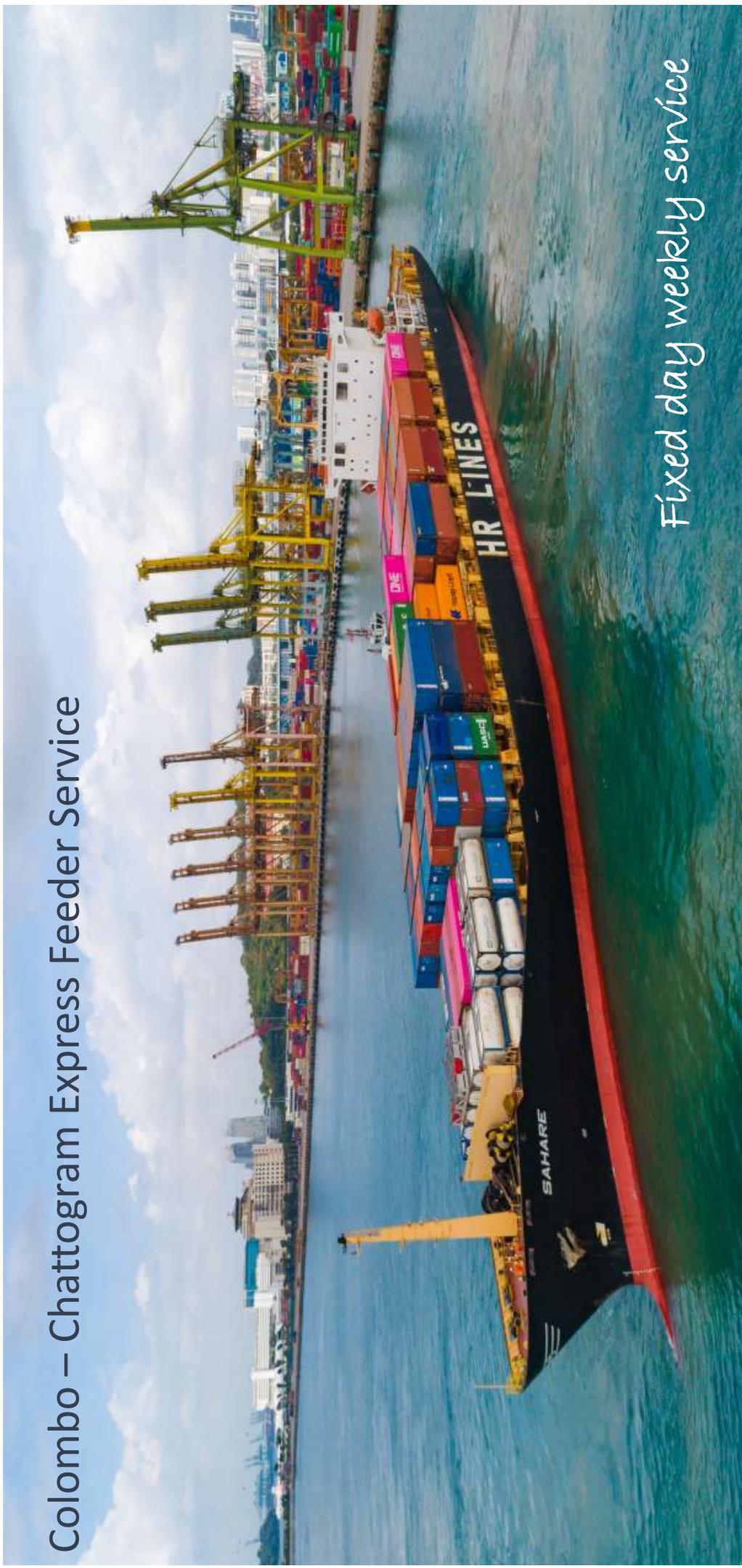
As consumers are increasingly using online platforms to buy and sell their goods more frequently than ever, logistics demand is most certainly growing exponentially. To keep up with the increased demand, we will witness the emergence of robotised warehouses, drones for deliveries, unmanned vehicles and advanced analytics through big data harvesting thereby digitally revolutionising the logistics industry in Sri Lanka.

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#### **Mr. Tharanga Perera's Bio**

*Mr. Tharanga Perera, who has had an extensive career in the shipping sector, recently reached a milestone, having completed 25 years in the industry. Having started from humble beginnings, today, he heads Clarion Shipping (Pvt) Ltd. which is a subsidiary of Hayleys Advantis. He is a product of Thurstan College and went on to complete his MBA aspirations from Buckinghamshire New University, UK. He is an avid boxer and a keen Badminton player.*

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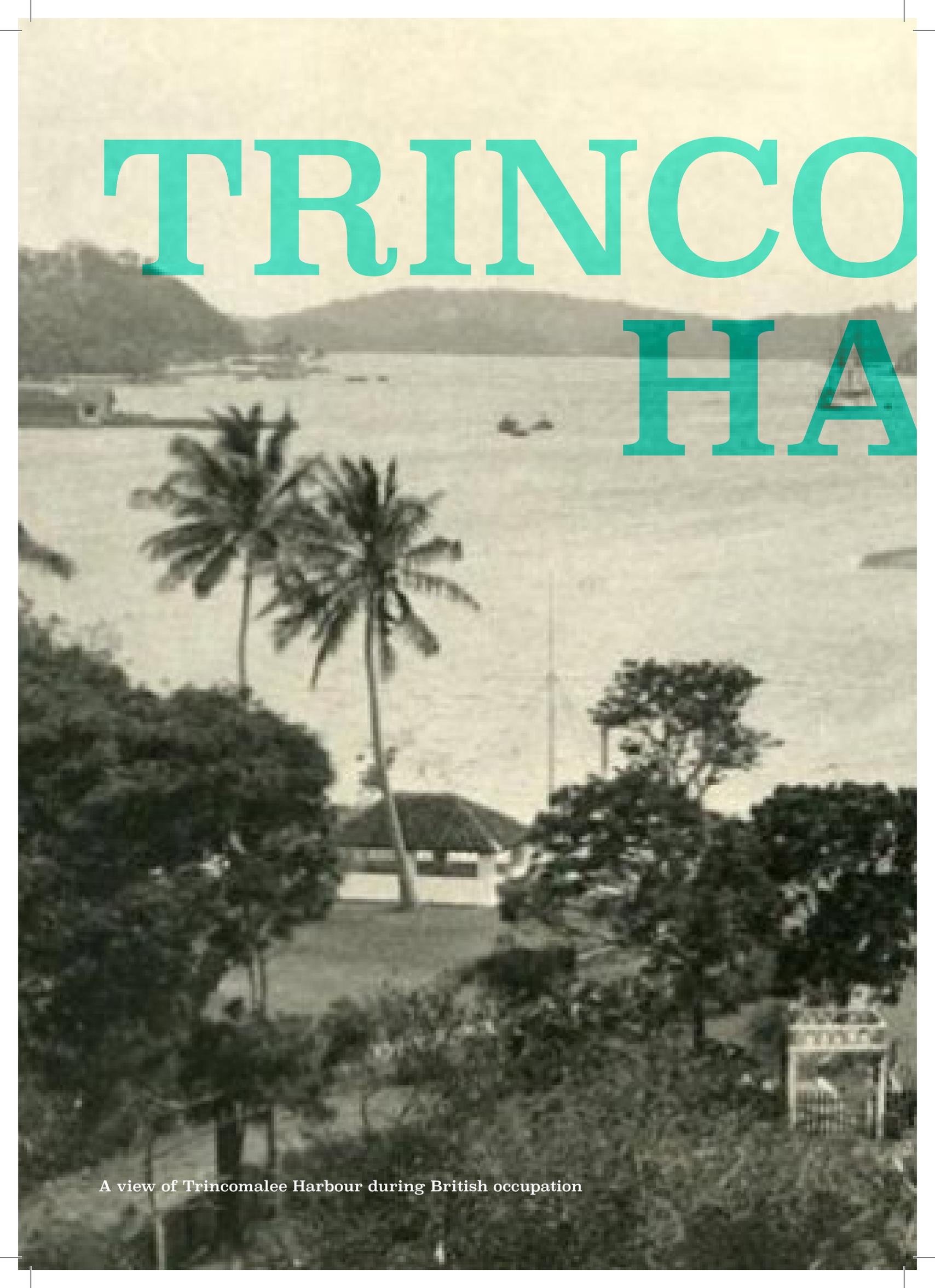
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# TRINCO HA



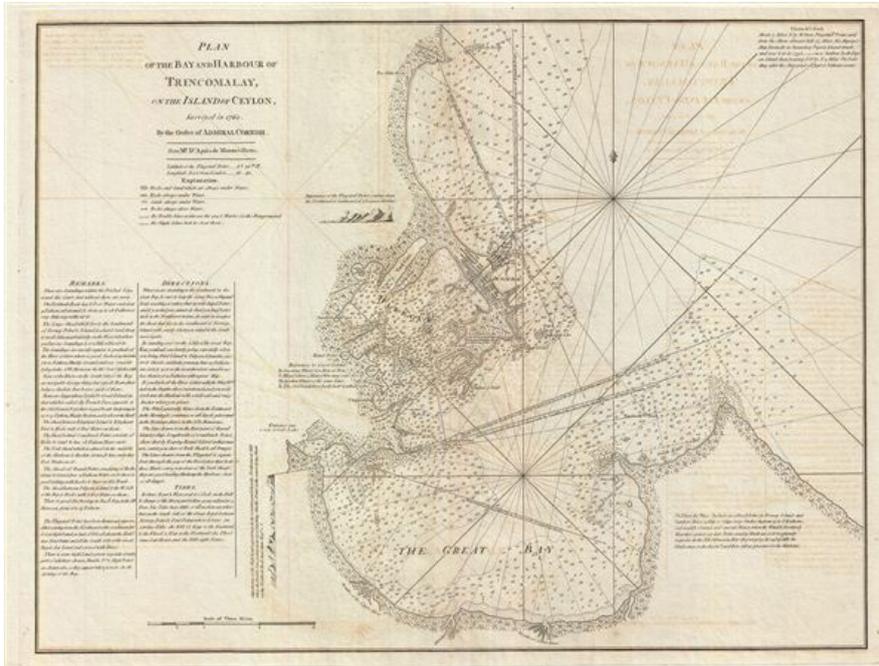
A view of Trincomalee Harbour during British occupation

# TRINCOMALEE HARBOUR

RTD. REAR ADMIRAL ANURA DANAPALA

*Trincomalee harbour in the eastern coast is undoubtedly one of the most important assets that Sri Lanka possess. In addition to being a natural deep-water harbour, its strategic location in the Indian Ocean has always been of much interest to all Seafarers which in turn has shaped and led to its history. The harbour, is overlooked by terraced highlands and its entrance is guarded by two headlands with a water extent of approximately 1630 hectares (4,000 acres). The entrance channel is approximately 500 meters wide leading to the inner bay which uniquely includes number of Submarine Canyons making Trincomalee one of the finest deep-sea harbours in the world.*

# HISTORY



**Map of Trincomalee Bay and Harbour as Surveyed in 1794**

These geographic attractions have inevitably attracted Seafarers like Marco Polo, Ptolemy and many traders from China and East Asia since ancient times. Trinco, as it is commonly called, has been a sea port since the days of the ancient Sri Lankan Kings. The earliest known reference to the port of Gokanna is found in the Mahavamsa stating that in the 5th century BC, when King Vijaya who having failed to convince his brother to come to Sri Lanka as his successor, got down his youngest son Panduvasdeva, who landed at Gokanna and was subsequently enthroned at Upatissagama. It has also been recorded that King Parakramabahu I used Gokanna (Trincomalee) as his eastern port, to launch a successful invasion of Burma in the 12th century. As per historical records in Chulawansa, Trincomalee Harbour due to its unique shape depicting a Bull's eye, which may have been the reason it was known as Gokanna. In certain historical accounts it's also known as Gokanna Thittha and Gonagamaka Pattana.

By about the latter part of 12th Century Arya Chakravarthi Kings were controlling Gokanna area and they referred to this place as Thirukonamalai. In Tamil, the word thiru refers to Hindu religious

places built on hills, while the words kona and malai refer to peak and mountain respectively. Hence historians have pointed out that the name Thirukonamalai may have been created by combining these three words together, and literally refers to the sacred range of hills in this region which are dotted with Hindu temples and shrines. With the years passing by it is believed that Thirukonamalai eventually became the anglicized Trincomalee.

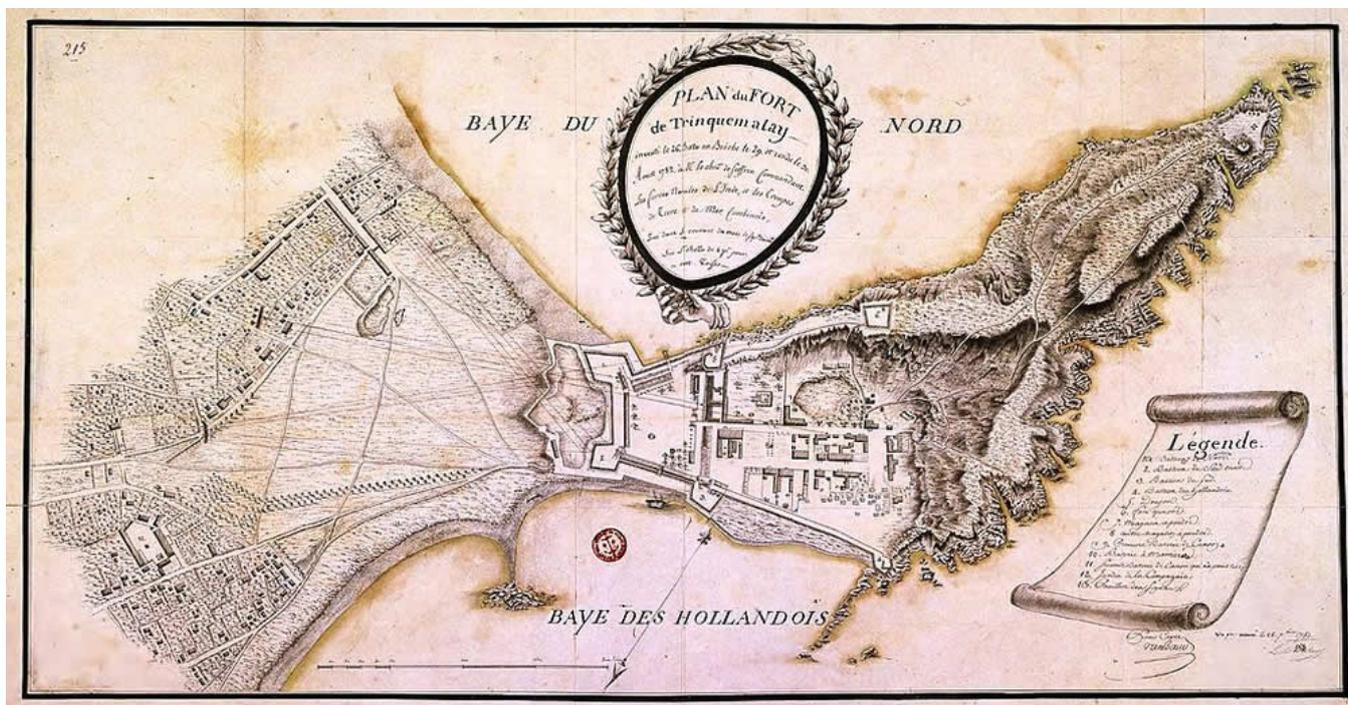
By about the 7th century BC Trincomalee began to function as a commercial port after it was included in the trade routes of the East and West. Merchants from Greece, India, Persia, China and Rome arrived to trade silk, expensive carpets horses, perfumes etc. in exchange of ivory, gems, spices etc. Due to these arrivals the area flourished and became a major settlement of Indo-Aryan immigrants. The Temple of a Thousand Columns (also called Koneswaram Temple), located at the extremity of the peninsula, came into use as a Hindu temple sometime in the 7th century or earlier.

In addition to above goods trade, foreign merchants found Trincomalee harbour very spacious and well protected from any adverse sea conditions. Due to this ability of accommodating large number of ships within the port, many seafarers preferred to visit and conduct their trading which resulted in the popularity of Trincomalee amongst the foreign merchants from Europe and far east.

According to the Mahavamsa, King Vijaya's successor, Prince Panduvasudeva landed with his followers at the Gokanna port when he migrated to Sri Lanka from India, with the Prince's wife Princess Baddhakachchayana following suit.

In the 11th century A.D. when the Chola Empire invaded Sri Lanka, it was through the Gokanna port that they landed and extended their power up to the Polonnaruwa kingdom. It was King Vijayabahu who restored Gokanna port as a commercial trade point after expelling the Chola invaders in the year 1070 A.D.

The country was once again under threat in the year 1215 A.D. due to the invasion of Kalinga Magha, who set



**Plan of Fort Trincomalee made by the Admiral Chevalier de Suffren of the French Navy**

up a fortress at Gokanna. It was King Parakramabahu I who redeemed the port from these invaders. Aside from these invasions, there were conflicts between the Sinhala Kings and the Arya Chakravarthi Kings of Jaffna over the ownership of the port.

During the colonial expansion into the Indian Ocean from the 15th to the 20th centuries, the ownership of Gokanna port changed many hands and was occupied by the Portuguese, Dutch, French and finally by the British who used the natural harbour and its precincts extensively at different intervals of our history. All of them as well as the ancient Sri Lankans, recognised its value as a harbour and used for significant economic and military activities in the east.

The Portuguese, who were the first Europeans to occupy in the 17th century, fortified their control by constructing bastions and command positions. They razed down many religious structures and Temples, using its stone to construct their own Forts to govern the area and subsequently the Dutch expanded and built another to protect the harbour.

A new threat encumbered on the Dutch

possessions of Ceylon, with the arrival of French Fleet in March 1672, which represented an enormous naval power for the Indian Ocean. The French had developed a plan of expansion in Asia to the expenses of the Dutch. Part of this plan was also the foundation of an important trading station in

Trincomalee. However, due to continued attacks and harassment by the Dutch, diseases and the lack of food provoked many death casualties amongst the French and on 9 July 1672 the short French intermezzo in Sri Lanka more specifically in Trincomalee came to an end.



**Harbour Defence armaments been unloaded in Trincomalee harbour by Royal Navy Ships**

One of the most conspicuous structures in Trincomalee is Fort Frederick, built in 1624 by the Portuguese and exchanged hands with many modifications until the British took it over in 1795. Hence it is evident that throughout the lengthy colonial occupation by the Portuguese, Dutch, and French, Trincomalee harbour functioned mainly as a Naval Base capitalizing its strategic location, until the British gained lasting possession of it in 1795. When the British took control from the Dutch, Trincomalee Port was said to be one of the best ports under their control and the Royal Navy was able to fully exploit on this major asset by dominating the Indian Ocean to a great extent. They completely fortified the harbour and its surrounding areas for any kind of sea borne attack resulting in Fort Ostenburg which was built on top of Ostenburg ridge at the entrance to the inner harbour. Its importance as a major British base was further heightened after the Japanese ousted the British from Singapore in World War II.

The British used Trincomalee has an anchorage for Royal Navy ships in the Indian Ocean. Further they established a coaling station in Trincomalee as part of their large network of support to steam powered ships from the age of sailing and this facility was able to cater to the whole region throughout the empire. This was the beginning of a permanent Royal Navy shore establishment in Trinco and with this dominance the facilities at Royal Naval Dockyard increased leaps and bounds. A large tank farm was built close to the Dockyard to store fuel oil of any size fleet, along with dry docks and maintenance facilities to support any ship of the Royal Navy. Due to the increase in personnel on shore and from visiting ships the Royal Naval Hospital Trincomalee was established within the yard.

William Pitt, the British Prime Minister during the early 19th century, once commented about the strategic Trincomalee harbour saying: "The finest and most advantageous Bay in the whole of India. The equal of which is hardly known, in which a whole fleet may safely ride, and remain in tranquility", while Admiral Nelson spoke about Trincomalee as the "Best Port of the world". With time Trincomalee



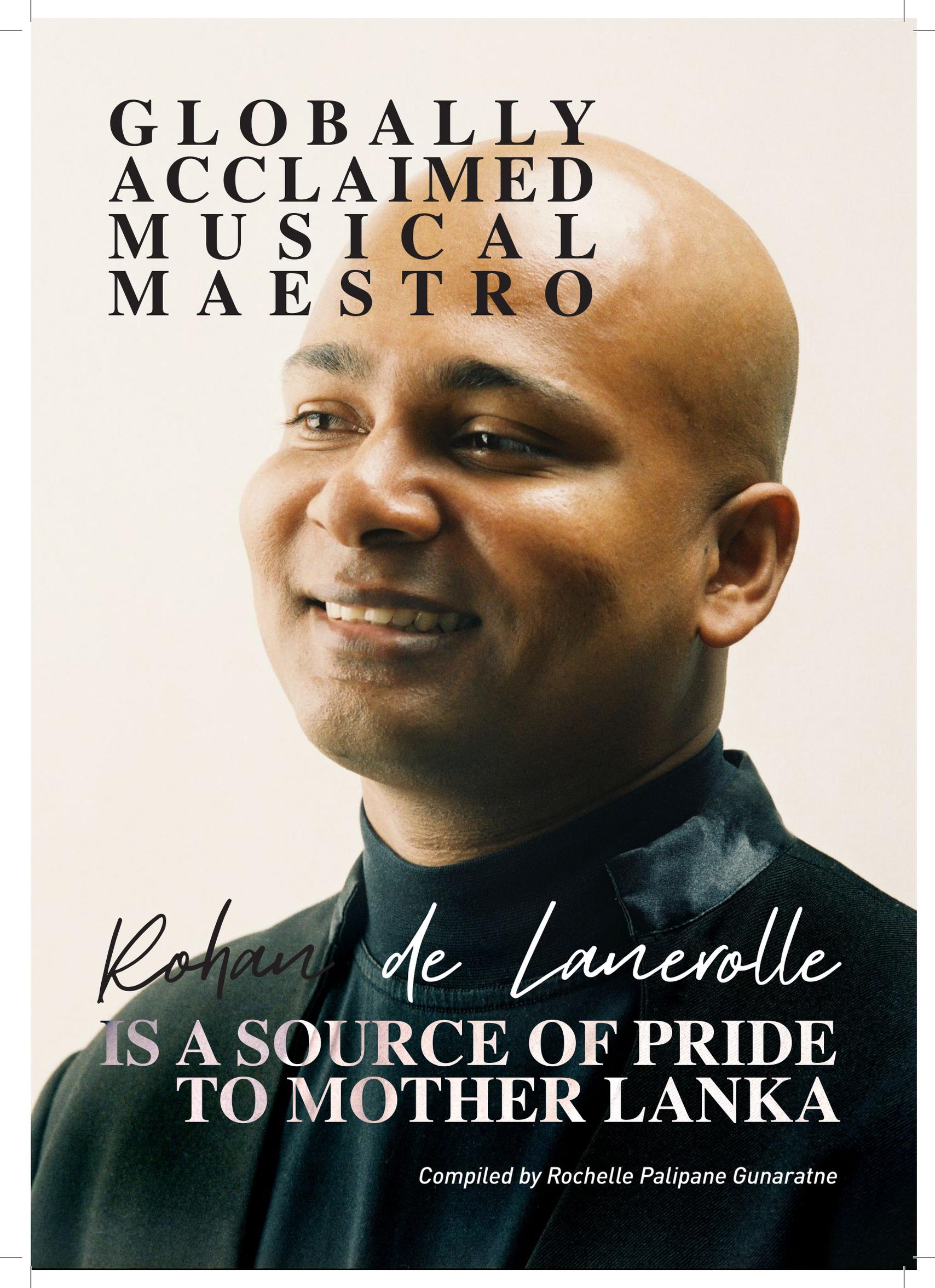
became a logistic hub for Royal Navy operations and the dominating role it played was unbearable to the Imperial Japanese Navy, so much so that they attacked this harbour in 1942 and sank three British warships at anchorage.

The Royal Navy presence in Sri Lanka came to an end in 1956, when Prime Minister S. W. R. D. Bandaranaike

requested the removal of all British service personnel from the island. This resulted in Trincomalee Naval Dockyard been handed over to the Royal Ceylon Navy on 15th October 1957 at a ceremony attended by Deputy High Commissioner of United Kingdom to Sri Lanka Mr Timothy L Crosthwait and Prime Minister of Sri Lanka Hon SWRD Bandaranayake.

#### CHRONOLOGY OF OCCUPATION IN TRINCOMALEE:

- Danish: May 1620 – 1621.
- Portuguese: July 1623 – 2 May 1639.
- Dutch: 2 May 1639 – 1640.
- King of Kandy: (the Fort was destroyed in 1643 and abandoned) 1640 – September 1665.
- Dutch: September 1665 – 8 January 1782.
- French: (the fort remains in Dutch hands) (March 1672 – July 1672).
- English: 8 January 1782 – 28 August 1782.
- French: 28 August 1782 – 1783.
- Dutch: 1783 – 26 August 1795.
- English: 26 August 1795.

A close-up portrait of Rohan de Lanerolle, a bald man with a slight smile, looking upwards and to the left. He is wearing a dark blue turtleneck sweater. The background is a plain, light-colored wall.

**GLOBALLY  
ACCLAIMED  
MUSICAL  
MAESTRO**

*Rohan de Lanerolle*

**IS A SOURCE OF PRIDE  
TO MOTHER LANKA**

*Compiled by Rochelle Palipane Gunaratne*



Sri Lanka's sensational musical maestro's most recent accomplishment is the invitation to be the founding member of the prestigious 'International Choral Conductors Federation' (ICCF).

Rohan de Lanerolle, a name synonymous with the global music fraternity has a list of stellar achievements which are a source of pride to the Motherland.

Magister Chori,

- Member of the Croatian Conductor's Association,
- Adviser to the Visual & Performing Arts University Sri Lanka
- Founder / Artistic Director of the National Unity Orchestra – Sri Lanka.
- The only Sri Lankan to function as Artistic Director of two International Chords: The Fricilia Mixed Choir, Manado – Indonesia and the Ao Naga Choir, Delhi – India.
- Rohan was appointed Choir Director in March 2019 to the largest Government Girls School Choir - Visakha Vidyalaya who have under his leadership won the All Island Choir competition after a period of six (6) years.
- Rohan has conducted master classes for Chords and Soloists in Indonesia, USA, Singapore, Malaysia, Australia and Sri Lanka.
- He has judged National and International choral festivals / competitions such as;
  - 17th Budapest International Choir festival & competition
  - 18th Venezia in Musica Competition – 2019
  - Musica Eterna Roma" - Italy 2018
  - 1st "Salzburg International Choral Celebration & Competition" - Austria 2017
  - Venezia in Musica" - Italy 2016
  - "The 11th In Canto Sul Garda Competition"
  - "Queen Choral Festival" - Italy 2015
  - "Voyage of Songs", Hong Kong 2014 & Zhuhai – China 2011
  - The 1st "Asian Cantate" – Bangkok 2013
  - The "Klang Music Festival" – Malaysia 2011
  - Local singing competitions
- Rohan has sung as Soloist for Mozart's Coronation Mass under Gabor Hollerung at The Salzburg Dome – Austria
- Handel's Messiah – all three sections in Singapore and Malaysia under Lee Chong Min.
- Performed in The Oderzo Dome and the Abbey of Folina, Treviso – Italy,
- Graced the Weill Recital Hall at Carnegie Hall, The Asia Society Hall - New York, St John's Smith Square, Sheldonian Theatre, The Adrian Boult Hall, The Edwin Evans Hall and the Solihull Arts Complex – UK, The Bentley Music Auditorium - Malaysia, St Pauls Church – Chicago, St Andrews Cathedral – Singapore, The Princess Diana Room of The Castle of the Angers – Frankfurt, The Commercial Center Hall for the annual business Gala Ball – Graz, The Bunjil Theatre – Melbourne and extensively in Sri Lanka.
- Rohan forms one half of The De Lanerolle Brothers who are singers and business partners - entrepreneurs.



**Q.Was being a conductor, part of the great plan in your life?**

Never! But God altered the course of my destiny in the most amazing manner. Everything aligned for the culmination of this grand moment and I feel blessed.

**Q.When did your epiphany in the field of conducting occur?**

I was approached by Fricilia who was from Indonesia who met me in person in Hong Kong during a competition. She was instrumental in having me visit Manado for a workshop and then invited me to take up the position of Artistic Director of her choir thus bridging a link into a brand new world of conducting....

**Q.Did you take to it as a duck to water?**

Yes, I glided into it with ease. Initially it proved to be challenging as the languages posed a barrier but we

passed that hurdle with the power of music that transcends all. The ebb and flow of music is the key to building bridges and borderless communication

**Q.How do you keep the choristers enthralled albeit the momentum upbeat when conducting?**

I witnessed the passion the students had for singing despite the hardships they faced and I was intentional about achieving goals together. Thus it was imperative that I continuously keep myself up-to-date on the new techniques and ensure that the sessions be it in-person or online are lively and engaging.

**Q.What does this new role entail in terms of your professional career?**

The next phase of my journey into the

genre of conducting has begun and while it is more challenging in terms of the responsibilities, the opportunities that it garners far outweighs and creates a sense of excitement. Surmise it to say, I feel like a gleeful child eager to know the rest of the story.

**Q.Is conducting something very difficult and what do you really work on as a Conductor?**

All it requires is a good ear and the ability to know how to draw the best from the participants of the choirs. For me, it doesn't matter even if a Conductor throws his feet around as long as the person can get what is required from the choir so that they can make a lasting impression on the audience. For me personally, it's about getting the basics right but I emphasize and work continuously on technique which includes many aspects. It is no mean feat and it requires continuous zeal towards achieving the goals.

**Q.What is the origin and**



### agenda of the ICCF?

Its origin is in Rome, Italy. The setting up of this federation is to allow a platform for all conductors from all parts of the globe to meet for a common goal- world music. This platform will allow anyone to connect with anyone through the federation. It will broaden collaborative opportunities where the standard of choral music will be uplifted and enriched in all countries.

What are the other countries that are a part of this body and who are the other prominent figures that have been invited to be part of this federation?

There is representation from Singapore, Indonesia, Hong Kong, Russia, Austria, Germany, Italy, Slovenia, United Kingdom, Sweden, United States of America, Argentina, Malaysia, Canada, Norway to name a few. While every member is in a class of their own, I have had the privilege of working alongside Brady Aldred (USA), Susanna Saw ( Malaysia), Tracy Wong (Canada), Wolfgang Ziegler (Austria), Michele Josia and Fabrizio Barchi (Italy) to date and I am eagerly awaiting the opportunity to work with many others.

### Q.What was your reaction upon hearing the news?

It was bewilderment initially, followed by the realization that it is cause for immense pride for Sri Lanka. I believe that SL has retained high standards in the field of Choral singing, with four Championships to its name in addition to Gold and Silver awards won at varied global platforms bringing fame to our country. Due to this we as a country have a valid recognition and standardized representation from Sri Lanka in an international body and it is certainly an advantage. I believe that I will be able to gain extensive exposure by working alongside the expert panel of representatives enabling Sri Lanka to reach higher parameters.

Q.How can we as a country, in the throes of development gain global traction in choral music and how can Sri Lanka, as a country support its musicians and help others to achieve similar heights?

Certainly, there is a lot of groundwork to be done, which involves propagating

the sphere of choral music to the provinces and creating a wholesome approach. Further, the up-and-coming musicians should inculcate a sense of patriotism – country before self. Eventhough, the authorities might lack in drive sporadically, one needs to keep focused and move forward while simultaneously networking with the international community and be creative in your thinking.

### Q.What do you wish to say to those interested in representing the country in international platforms?

Always be humble and willing to enhance your knowledge. Be sincere and work towards the growth of the industry instead of personal gain and you will be duly compensated. Believe in the fact that international recognition can be gained even by living in one's country of birth if you are passionate about your skill and willing to dedicate yourself to sharing the best of it with those around you.





CEYLON SHIPPING CORPORATION (CSC)  
NATIONAL CARRIER  
OF SRI LANKA  
CELEBRATES  
GOLDEN JUBILEE



**FIFTY YEARS OF YEOMEN SERVICE**

by Rochelle Palipane-Gunaratne



Ceylon Shipping Corporation, the national carrier of Sri Lanka is commemorating fifty years of yeomen service on June 06, 2021. Being in the limelight for half a century is no easy feat but the prestigious entity continues to sail through with grandeur since its inception on June 06, 1971.

The historical day marked a turning point in the shipping industry of the island, blazing a trail in the contemporary shipping industry of Sri Lanka, when the country's legislatures gave the nod to establish Ceylon Shipping Corporation as a fully government owned commercial enterprise. The infant National Carrier under the brand name of CSC grew from strength to strength and earned the credibility as a dependable carrier from Europe to Fareast and North of India to Australia .CSC helped many non-traditional export produces to enter global markets and establish footholds when the freight was a prohibitive factor and sailing opportunities were minimal at the time.

With a Vision, 'To develop a dependable and effective National Fleet of Ships for the country,' and a Mission, 'To cater to the sea transportation needs of the export, import and local coastal trades of Sri Lanka that needs assistance from the National Carrier,' CSC has buoyed through challenges and continues stealthily in its quest.

# CSC in collaboration with the Colombo Port was instrumental in introducing containerization to South Asia in the year 1980

## In Retrospect

Due to centuries of colonization, the voice of the islanders were repressed and even after gaining freedom in 1948, the main industries were being governed by the colonial rulers. Yet the revolutionary ethos that prevailed subsequently resulted in the late Prime Minister, S.W.R.D. Bandaranayake authorizing the nationalization of most primary industries and business ventures since 1956. This included the vesting of power to the locals in the sphere of ports and shipping under Mr. P. B. G. Kalugalle, Minister of Shipping, Aviation and Tourism. During that period the ship agency services calling at Sri Lanka ports were handled by a handful of entities who were primarily governed by foreign parties. This functionality was challenged by the local entrepreneurs who converged under the banner of the National Shipping Association, making representations to the government.

A significant milestone in the annals of our maritime history was the

purchase of the first ship Lanka Rani, The first CSC owned vessel, a bulker in the year 1971. Thereafter, numerous conventional vessels were added to the fleet of the National Carrier-Lanka Sagarika, Lanka Keerthi, Lanka Ratne, Lanka Kalyani, Lanka Devi, Lanka Kanthi, Lanka Shanthi, Lanka Siri, Lanka Seedeви and the tanker, Tammanna to name a few.

These measures progressed into establishing an official premise for the Ceylon Shipping Corporation (incorporated in 1971). The initial office at No. 6, Sir Baron Jayatilleke Mawatha, Colombo 01 was declared open on January 01, 1975. The first Chairman was Mr. P. B. Karandawela. During the same year, the Ceylon Shipping Lines Ltd., was incorporated into CSC.

## History in the Making

CSC in collaboration with the Colombo Port was instrumental in introducing



containerization to South Asia in the year 1980. This was a landmark achievement for the Corporation, the industry and the island nation which had made great strides within a short duration. Laying further claim to its fame were the prestigious awards and accolades which have been bestowed to CSC throughout the years from Lloyds of London and Port of London Authority as the Star Performer for three consecutive years from 1993-1995 and 1997, in recognition of the excellent service provided in the South Asia – Europe trade route.

Moreover, the commencement of the containerized service resulted in the acquisition and expansion of the fleet of container ships; Lanka Asitha, Lanka Aruna, Lanka Ajitha, LankaAthula, Lanka Srimani, Lanka Srimathi, Lanka Siri, Lanka Muditha, Lanka Mahapola and more. These ships sailed through the mighty oceans proudly brandishing the Sri Lankan flag worldwide.

In its journey, CSC has been guided by visionaries such as the late Minister,

LaithAthulathmudali during his tenure as the Minister of Ports & Shipping. Further, CSC has served as a major Maritime University to many quintessential professionals in the industry, both locally and internationally, rendering a yeomen service to the upliftment of the industry. It is not an exaggeration if someone introduces CSC as the Alma Mater of current industry experts.

It has also been pivotal in the export and import trade by providing vital assistance to the local customers by offering promotional ocean freight rates which have a competitive advantage in the global market in addition to providing cutting-edge solutions and strategies for the sustainability and growth of the industry.

Despite various setback in terms of civil strife and intense competition from larger foreign shipping companies, CSC's contribution towards the economy and the progress of the country is significant, which makes it a key governing body in the shipping fraternity

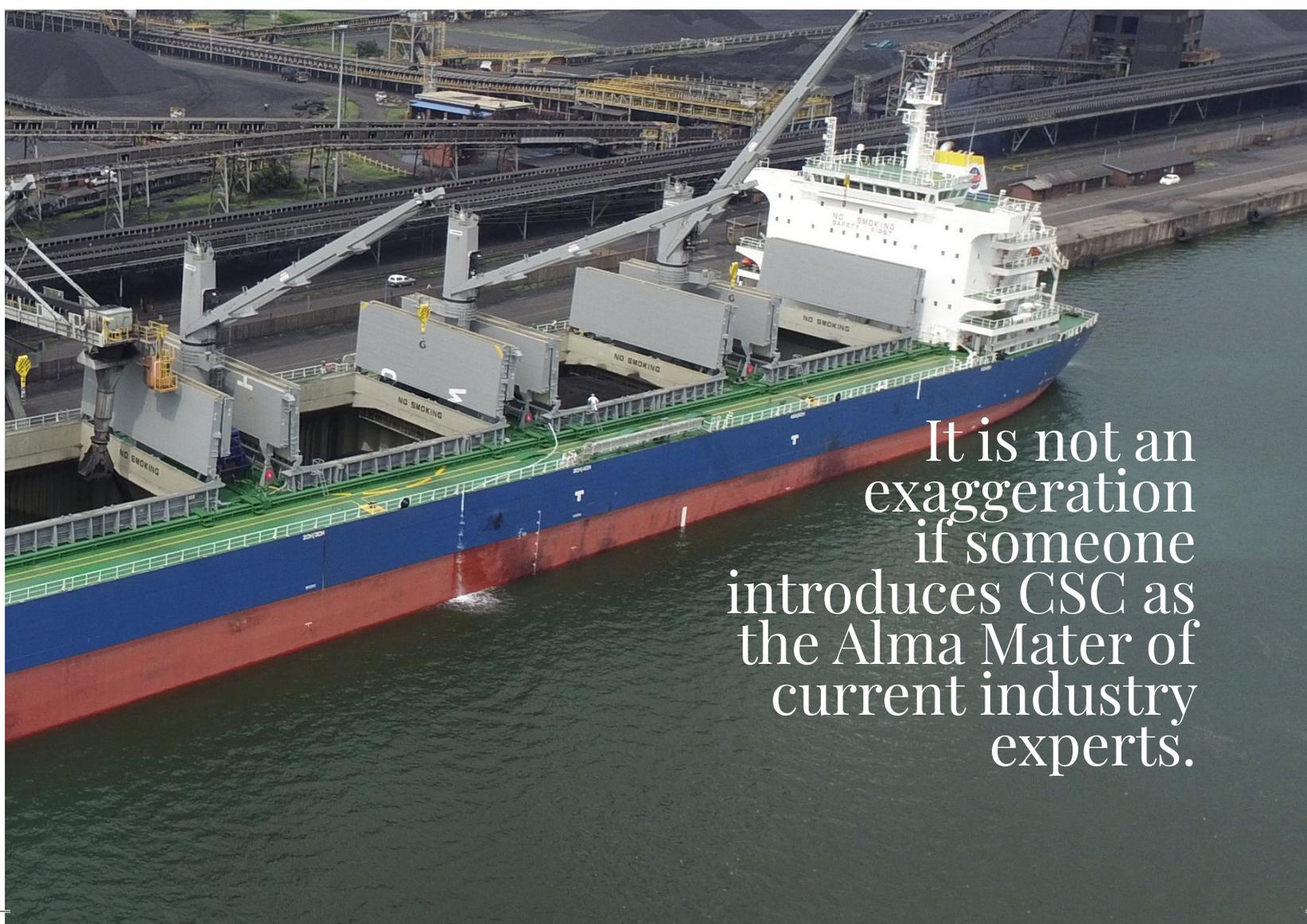
at large.

Having gained traction in the global league, CSC continues to be steered forth with resilience and fortitude by the current administration who are presently exploring new frontiers in the vast ocean of endless possibilities and carving a niche in the horizon that is beneficial for the country as a whole.

## Pioneering Efforts CSC owned vessels

Ceylon Shipping Corporation owns two Ultra max type bulk vessels namely; 'Mv. Ceylon Breeze' and 'Mv. Ceylon Princess' with the Dead Weight capacity of 63,000 MT of each which were built in Avic Shipyard, Wehai, China and delivered on 30th January 2016 and 23rd June 2016 respectively.

The two vessels owned by CSC are deployed for the transportation of coal from port of loadings to the anchorage of Norochcholae which carry



It is not an  
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Chairman - Attorney-at-law  
**A.S. Weeraman**



around 700 – 720,000 of 30% of coal requirement per annum. This operation is carried out from mid September each year to April in the following year due to the South West monsoon which occurs during the rest of the period where the vessels are utilized in the international charter market. During the last five years the vessels were employed in an optimum way with 98% to 100 % utilization.

## Trading and Training Concept

The two ships have been designed and equipped with an additional deck each for the accommodation of 26 Sri Lankan marine cadet officers per vessel and 52 cadets for both vessels at any given time. This is in conjunction with the national requirement of serving the maritime educational sector by producing experienced and qualified Marine Cadets for the country's need as well as securing a considerable inflow of FOREX earning to the country in future. The superior quality of training provided to the cadets guarantees excellence in their career aspirations, with recruits rising in ranks as Ships' Captains and Chief Engineers in international vessels among other opportunities.

## Current Status of

## CSC Business

- Major Activities of CSC
  - Ship Owning, Management and operations
  - Carriage of Coal for Lakvijaya Power Station which involves shipments by bulk carriers to off shore anchorage and lightering operation to the Jetty of the Plant
  - Non Vessel Operating Common Carrier (NVOCC) Service
  - Total Logistics solution, Customs Clearing and Forwarding (Door delivery and pick up services of any type of import and export cargo along with value added services)
  - Ship Chartering
  - Ship Agency Functions
  - Ship Brokering
  - Sea Training provided to Sri Lankan Merchant Shipping Cadets (Government Sector & Private Sector Institutes)

## Transportation of Coal to Lakvijaya Power Plant at Puttlam

With the expansion of business activities, Ceylon Shipping Corporation has been playing a major role in coal transportation for the smooth functioning of Lakvijaya Power Plant in Norochcholae while saving a significant amount of foreign exchange. In order to facilitate this operation, CSC has entered into a contract with Lanka Coal Company (Pvt) Ltd (LCC) on behalf of CEB for the carriage of coal mainly from South Africa, Indonesia or Russia to Norochcholae on FOB (Free on Board) basis terms under phase I, II and III by matching the freight quoted by supplier on CIF (Cost, Insurance & Freight) terms. The total requirement of coal to generate 900 MW is 2.25 million MT per annum. In order to cater for the sea transportation of coal, CSC has been partnering with a third party operator/ ship owner to carry the balance quantity of coal. The vessels carrying coal can reach only upto the anchorage of the port of Puttlam situated about 4.2 km offshore.

Lightering- From Anchorage to the jetty of the power plant, coal is carried by Self - Propelled Barges (SPBs) for lightering operation. Presently there are 06 barges deployed for lightering through a third party operator. The rate of lightering from SPBs are around 10,000MT of coal per day.

## Active engagement in



## the Container Trade

CSC engages in NVOCC business (Non Vessel Operating of Common Carrier) and freight forwarding operations which is a way of sending cargo through other shipping lines by hiring space on their ships. This is a kind of shipping forwarder's function due to non-availability of owned container vessels at present. This is one of the main profit centers in CSC.

CSC offers world wide NVOCC services through CSC's long years of experience in agency networking globally. This venture mainly handles cargo imported by the Government Institutions such as SPC, CEB, Sri Lanka Railway, CPC etc. and export consignments of inclusive of those belonging to Sri Lankan Diplomatic staff posted overseas. In the past, CSC operated a Liner service inclusive of 10 to 12 CSC owned or chartered container vessels.

## Total Logistics Solutions

CSC provides Logistical support to NVOCC (Non Vessel Operating Common Carrier) / Freight forwarding operations in handling of customs clearance of cargo and undertakes separate government and private sector cargo clearance, specifically handling the export cargo freight forwarding with door deliver service for Sri Lankan diplomats.

## Plans for the development of the National Carrier

Being an Island, Sri Lanka has not utilized the coastal waters to maximize the transportation links like Australia, Japan, Philippines and UK. Coastal Shipping would be the most environment friendly and least disruptive method of cargo movement that CSC could explore.

The Coastal Shipping service connects various parts of the island through the water, which as a result will have a strong socio-economic impact around the island, especially outside Colombo.

The proposed coastal service will provide job opportunities in related areas rather not limited solely to the western province. This coastal shipping service would enable to stimulate the economy in the entire country, and thus help to create a more even and rapid socio-economic growth.

### Proposed Service

Vessel size: 3500 GRT

Route: Colombo –Galle- Trincomalee- KKS

Passenger and cargo capacity – 200 pax + 200 Freight Tons

Round trip – around 10 days

### Issues to be addressed:

- Vessel to be a Sri Lankan flagged vessel (to reduce the port dues)
- Draught – Draught at KKS to be increased
- Cargo handling facility - KKS to be functioned
- Passenger movement facility- dedicated passenger terminal to be operated
- Favorable Government policies to be introduced –Regulation/Tax benefits

Rail / road connectivity to be developed

## 2. Deploy vessels for Crude oil transportation with a joint venture partner on PPP basis with a tripartite arrangement with CPC

Purchasing one Tanker around 163,000DWT that is dedicated to the transportation of Crude oil to the country will enable the vessel to be operated at a fixed cost per annum. This will save the country a substantial amount of foreign exchange which is currently being paid to foreign companies as freight charges, demurrage cost and bunker escalation costs on Crude oil transportation to the



country.

As per the records of Ceylon Petroleum Corporation (CPC), it is presently required to ship around 90,000 - 135,000 +/- 5% Metric tons of Crude oil every 15 days or every three weeks respectively from the Persian Gulf to Colombo. The project is based on the captive market opportunity of CPC. They currently import 02 million MTs of Crude oil per annum which is expected to be doubled since CPC's refinery capacity is proposed to be increased from current 50,000 barrels per day to 100,000 Bbls per day.

### 3. Cater for sea transportation of the fertilizer imports in the country

Sri Lanka's state Fertilizer firms, Lanka Fertilizer Company Ltd. and Colombo Commercial Fertilizers Ltd import around 400,000MT per annum of fertilizer to the country. The annual freight paid out of the country is USD 8 - 10 million. It was observed when bids are invited by the two companies for the procurement of fertilizer on CIF (Cost Insurance & Freight) basis that the bidders have been in the habit of manipulating freight charges by adding the freight component to the FOB cost. Therefore correct freight charges are not shown in the quoted price which has to be matched by CSC. Those given rates are very unrealistic when compared with the normal market freight rates. Through the above process, the valuable foreign exchange that will drain out in terms of freight

can be halted to a greater extent if the sea carriage will be on FOB basis and arranged through CSC. Otherwise it will be paid out to the foreign supplier on CIF terms.

In order to overcome such situations, it is suggested to call the quotations for the procurement of fertilizer only on FOB basis and once the supplier will be selected, the relevant freight charges should be obtained at the second stage from the selected supplier which could be offered to CSC to match the freight charges.

### 4. Purchase 02 second-hand vessels or bareboat charter vessels to employ for the carriage of coal - together with CSC owned vessels, Mv. Ceylon Breeze & Mv. Ceylon Princess

A feasibility study for purchasing two additional dry bulk vessels on second hand basis or on Bareboat charter basis to CSC fleet is being carried out in order to increase the total vessels required for sea transportation of coal to Norochcholae power station, thereby saving the total freight charges within the country.

With the expansion of Lakvijaya Power station for another 300MW, these additional ships could easily be employed for a period of 06 months and during the rest of the period it is expected to be chartered to the international market during South West monsoon period.

### 5. Promote Sri Lanka Flag Registry

With the consent of the Director General Merchant Shipping (DGMS), Ceylon Shipping Corporation intends to promote the Sri Lanka Flag as Flag of Opportunity for the Ship owners worldwide, with the view to increasing the earnings in terms of foreign exchange for the country. CSC wishes to act as the Exclusive marketing arm with a suitable partner to be selected on competitive basis and appoint capable foreign agents to promote the Sri Lanka flag registry in the globe.

### 6. Operate a feeder service between Sri Lanka & Bangladesh/ South Indian Ports

The process is underway to recommence the feeder operation between Sri Lanka and ports of South Indian Region which was operated by CSC during the 80's & 90's. CSC is searching for new partners/ investors to recommence this feeder service. A Memorandum of Understanding (MOU) has already been signed by the two countries to harness joint business opportunities. There is a proposal from Bangladesh Shipping Corporation (BSC) to operate a joint Container Feeder Service between the two countries.

In Bangladesh, the main export commodities are ready-made garments, jute products, food items, frozen foods and medicines. There is a



considerable volume of Bangladesh export and import cargo to Europe and Mediterranean countries which are carried via Singapore. It is forecasted that the import and export trade in Bangladesh would be increased by 15-20 % annually.

The transit time from Bangladesh to Europe via Singapore is around 25 days whilst via Colombo is around 20 days. There is an opportunity to diversify Europe bound Bangladesh imports and exports which is presently transhipped via Singapore. The Main Line Operators (MLOs) ship via Colombo would reap the benefit of time and cost savings and the port of Colombo would be benefitted with a newly generated cargo volume.

### 7. Operate passenger cum cargo vessels (ROPAX) between Colombo - Tuticorin - Cochin- Male

CSC intends for the resumption of the passenger ferry service between Colombo and Tuticorin which was operated in 2011. This service will be extended with another Indian port and Male providing sea transportation of passengers and cargo. The objectives of the services are;

- To develop linkage in passenger movement by sea between Sri Lanka and India and enhance people to people connectivity in the neighboring countries.
- To develop socio - economic benefits of the people of the above countries.

- To operate a sustainable passenger ferry service with the private sector participation.
- To create separate market segment for the development of Tourism.

With the development of infrastructure facilities at the Colombo passenger terminal which would enhance the cruise tourism in the country.

Based on the service features and facilities of this proposed ferry service, and strategy of the ferry operation, passengers can be encouraged to use the service by offering competitive rates and attractive baggage allowances compared to those offered by the airlines. In addition there would be more opportunities to earn in areas such as entertainment, catering and duty-free products. Further, this service could be utilized to offer leisure and entertainment and special packages to organize official and private functions.

### 8. Building a Boat for the carriage of passengers and cargo at Norochcholae

A special Boat service for conveyance from the Jetty of the Lakvijaya Power Station and / or Navy Detachment at Norochcholai to the vessels carrying Coal anchored at the port of Puttalam, Sri Lanka is being operated from 2014. CSC, being the agent for coal operation will be attending the vessel on-board for agency activities with respective government officials while vessels are at anchorage. Further cargo (all provisions) is being transported by

the same boat simultaneously for the requirement of the vessels.

The following main functions are being carried out by the use of this boat service;

- To attend to the arrival / departure (Agency) formalities for the vessel
- Supplying of Provisions / spare parts
- Organizing of crew change
- Facilitating of the Surveyor to survey the vessel

Since CSC has tied up an agreement with Lanka Coal Company / CEB to act as an agent for the coal transportation vessels and providing services from 2010 to date. It is noted that CSC is provided with an opportunity to operate a boat service facility to cater to this requirement in a safe and profitable manner. The idea is to own and operate a boat service annually during the non-monsoon period. Several discussions were held with senior officials of CSC on the above requirement.

Presently CSC is spending Rs. 11,000 to 12,000 per trip, totaling around Rs. 3.7 million per annum for the cost of the boat services. However, the construction cost would be around Rs. 4.7 million and Return on Investment (ROI) will be in one and half years.

During the South West Monsoon the boat could be utilized for the following revenue earning modes.

- deploying the boat for whale-watching



Development of the bunkering market has been crippled due to limitations in onshore tank capacity of only 35,140 MT.

- deploying Battalangundo tour

### 9. Build and Operate Multi-Country Consolidation (MCC)/ Unaccompanied Baggage (UPB) Warehouse

In diversifying business strategies, CSC intends to exploit new business opportunities. Ground works are being carried out to set up an Unaccompanied Baggage Clearance and Multi-Country Consolidated warehouse.

It is expected to build a State - of - the Art Warehouse and Logistics city in close proximity to the port of Colombo with a centralized office comprising of related authorities to fulfill the requirement of the industry whilst contributing towards the 'Single Window' concept. This proposal would be under the Private Public Partnership (PPP) with the contribution from the stakeholders of the trade. The proposed warehouse will be equipped with the state-of-the-art infrastructure, modern equipment, advanced technology and know- how for ensuring the fastest handling and delivery of cargo to overcome the prevailing impediments. It is expected to attract more MCC cargo traffic to port of Colombo for other competing regional logistics hubs.

An investment of USD 20 million is projected for this venture. Presently the discussions are underway with Urban Development Authority (UDA) to identify suitable land for this project.

### 10. Operating a Floating Bunker Storage

Currently, in Sri Lanka Bunkering to the ships is mainly provided based on the port of Colombo which is limited to a quantity of 30,000MT per month when compared with the sales of a true Maritime hub in the region, Singapore which is over 3.5 million MT per month. Development of the bunkering market has been crippled due to limitations in onshore tank capacity of only 35,140 MT.

Inevitably, the onshore tank capacity expansion has limitations on both lands and capital investment and it is also time consuming. An alternate model is to open up the opportunities to operate Floating Bunker Storages as is the case in most international bunkering ports, such as Singapore.

It would be expected to set up a joint venture with relevant foreign parties for the operation and management of offshore floating storage for marine fuels in Colombo and Trincomalee as CSC has applied the Bunker License from CPC. With this operation, the bunker suppliers in the industry would benefit from a lower break-even marine fuel cost per ton with healthy competition among them. Therefore the lower cost will translate into lower bunker prices offered in Sri Lanka comparatively with the Singapore market. At present Colombo bunker price (Low Sulphur Fuel oil) is USD 35 -40/ pr MT is higher than the Singapore bunker price.

### 11. Establish an office building in Fort and Staff Quarters in Puttalam

Since CSC has no land/building, it is expected to build a suitable office premise in Colombo in close proximity to SLPA/Customs and Puttalam as well to facilitate and create easy accessibility for cargo operations.

### 12. Construct office premises for CSC

The process is underway to construct CSC owned office premises at Colombo 15. This has been a dream for CSC management and staff for a long period.

### 13. Warehouse in Hambantota

The acquisition of a warehouse is pivotal in order to develop logistics activities. As such CSC expects to lease/ rent suitable land in Hambantota to facilitate logistic activities.

In addition to the above new business projects, CSC is exploring the business opportunities in the following sectors as well.

### 14 . Cater for LNG transportation for 600 MW LNG power plant which is to be built in the near future as per the 2021 Budget Proposal.

# INSIGHTS FROM ITIC

## An underestimated letter of guarantee

A South American port agent acted for a ship that discharged a bulk cargo at his port. There was a cargo shortage in an amount that exceeded the customs allowance, which meant that there would be customs duty and possibly a fine to pay which is common in South America under local law the agent has a joint and several liability with the carrier for customs claims. Therefore, before the ship sailed, the agent took the precaution of obtaining a letter of guarantee from the ship owner's P&I Club. In due course, the customs authorities imposed customs claims in the amount of US\$ 113,250. The P&I Club appointed lawyers to defend the customs claim, but lost in court some six years later. In the meantime the ship had been sold, and the P&I Club therefore dis-instructed the lawyer and was only willing to contribute the amount of the letter of guarantee to the settlement. Unfortunately, the agent had underestimated the potential claim, and had only obtained a letter of guarantee for US\$ 63,000. In view of the lengthy legal proceedings, the customs authorities had also added interest of US\$ 43,314. This meant that the agent was found liable for the additional US\$ 50,250 not covered by the P&I Club letter of guarantee plus the interest - a total of US\$ 93,564. This amount was reimbursed by ITIC.

Ship broker fixed a vessel for an initial period of 3 months with subsequent optional periods of 3 months. The optional periods were declarable 30 days prior to expiry of the preceding period. The charterer was a regular client of the broker and the broker kept track of such options for them. Unfortunately when counting back to calculate when the notice was due the broker overlooked the effect of February only having 28 days. The notice was given late. The owner had the right to reject the option

and either ask the charterer to pay more or fix the vessel elsewhere. On this occasion the owners however waived their rights and continued the fixture at the existing rate.

ITIC sees many claims which involve time – whether it be calculating time, or missing time bars. You should ensure that you have systems in place to avoid being involved in these types of dispute.

## February is the shortest month



## The forgotten tug costs

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A Scandinavian port agent was asked by the owners of a ship to provide a proforma disbursement account for a call at their port. When the final disbursement account was sent to the owners, they questioned the fact that it included a charge of US\$ 17,500 for tugs that had not been part of the proforma disbursement account. The original proforma disbursement account was used by the owners when calculating the rate required for the fixture, which meant that the owners had not allowed for the tug charges. The owners claimed the tug charges from the port agent. Although the owners were regular callers at the port and ought to have realised that tugs were required, they claimed to have only read the bottom line when negotiating the fixture and the agent's omission had therefore caused them a loss.

The clearance of import containers discharged at a Saudi Arabian port was delayed by two months due to the local ship agent's inability to submit the import manifest in respect of the containers and cargo to the Saudi customs authority via their SAUDI ELECTRONIC DATA INFORMATION (SEDI) system. The agent was unable to input details of the cargo into the SEDI system because only one of their employees had access to this system via a unique password, and this employee had left the company. When the employee left the company he had handed details of the password to the HR department, who had

misplaced it, thereby causing the delay. The delay in delivery resulted in additional port storage costs of almost US\$ 30,000. ITIC reimbursed this amount.

## A protected password

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## Agency appointment agreement

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FONASBA and BIMCO published in 2017 a new agreement for use by ship agents. The agreement is intended to cover one-off port calls and sets out the parties' obligations in a short and simple way. ITIC's claims director, Andrew Jamieson, was a member of the committee that produced the document. At a webinar publicising the agreement, Andrew commented that while many agency appointments were casual and concluded either verbally or more usually by a brief exchange of emails ITIC had seen owners imposing written terms. The difficulty with these documents is that they often were adapted from general service provider agreements and so did not deal with the specific issues of a port call. Alternatively, they were unreasonably onerous for the ship agent. This newer agreement, which is the first to specifically address one-off port calls, was drafted with input from both ship agents and owners. It therefore provides a balanced approach to this type of business.

The agreement wording can be downloaded from ITIC's website:

<https://www.itic-insure.com/knowledgezone/article/itic-circular-fonasbaand-bimco-launch-new-agencyappointment-agreement-136763/>

## Turkish trouble

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The Turkish office of an international agency group was appointed to handle a ship's call at their local port. The owner was an existing customer of the group but had not called at that Turkish port before. Turkish regulations prohibit any vessel directly or indirectly related to the Republic of Cyprus from calling at Turkish ports. In the agent's pre arrival messages to both owners and charterers they mentioned that anything linking the vessel to Cyprus could lead to the ship not being allowed to berth. In spite of the agent's express warning to their principal a document was sent to the agent showing the address of the Panamanian registered owning company as being c/o a company in Cyprus. The agent failed to notice the address and the documentation was forwarded to the authorities. The vessel was not allowed to berth. The agent's position was that the owners were warned about the embargo of all things Cypriot, and failed to take the necessary action. The owner claimed the agent should have carefully reviewed the document. The owner deducted their alleged losses from other sums due to the agency group. Ultimately the owner told the agent that they would accept 50% responsibility. This still left the agency group with a shortfall of US\$50,000 which was reimbursed by ITIC.

## Not so peachy

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A clerical error by a ship agent meant that the temperature on a reefer container, carrying a shipment of peaches, was set at 5.5C instead of 0.5C. The shipping line passed the cargo claim of US\$59,000 to their agent. The agent settled the claim and was reimbursed by ITIC.

ITIC frequently handles claims involving erroneous temperature settings on reefer containers.

A ship agent was advised by the local pilots' association that ships arriving or departing the port needed to give two hours' notice for pilot services instead of one. Unfortunately, shortly after the change came into effect, the agent overlooked the new requirement. As a result there was no pilot available for a ship arriving at the port under their agency. The vessel missed its berth and was delayed by 2 days. The agent received a claim of just under US\$50,000, which was reimbursed by ITIC.

## All in the timing

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# AN ALGORITHM TO REDUCE CONTAINER REPOSITION COST THROUGH VIRTUAL CONTAINER YARD



By Hansa Edirisinghe

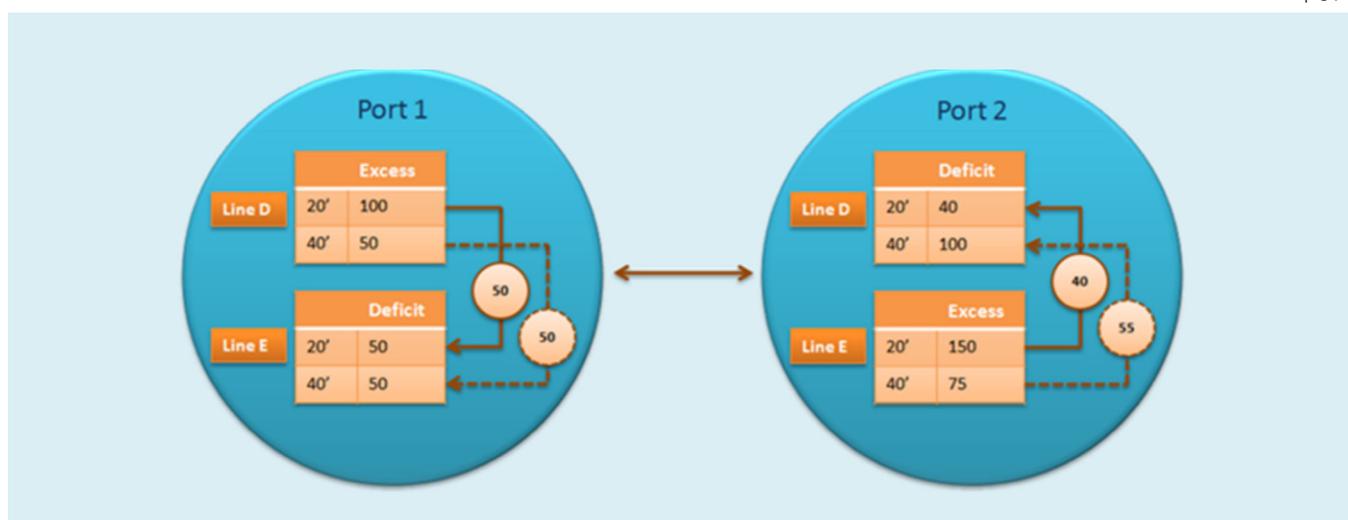


Fig 01: Inter-port VCY Model (Source: International Journal of Logistics Systems and Management)

## Virtual container yard

Container inventory imbalance causes a substantial cost to carriers amounting to twenty two percent in the overall cost structure of containers. The most popular mechanism to overcome this problem is the repositioning of empty containers from the idle location to other locations where they are in demand. Also, there is no commonly accepted standard system to minimize the idle time of empty containers at storage. The virtual container yard (VCY) is a novel strategy underpinning the container interchange between carriers that could substantially reduce this ever-increasing container empty repositioning cost. And it ensures maintaining a balanced container inventory in a port through interchange between carriers. The VCY became a popular topic in the literature in the current decade as the alternative methods such as foldable containers did not prove expected results. This paper considers the operationalization of the VCY through the context of computing and information communication technology (ICT).

Although container interchange is not yet a popular mechanism, shipping lines used to interchange their ship space (slots) since last three decades. When CSL realized that they should collaborate to fill their ships they formed strategic alliances, but it took considerable time to form shipping alliances and exchange slots. Slot exchange became a buzz word in the container shipping industry years later after the economic benefits it offered were realized and understood. However,

since the container exchange is perceived as a complicated mechanism the decision to exchange containers needs a serious evaluation of its pros and cons in every individual case. This obviously involves many decision parameters. Therefore, the authors believe that ICT could bridge this industry gap and facilitate most effective and economical decision to exchange containers. Accordingly, his paper discusses the possibility of deriving a VCY solution through an algorithm.

## The concept of algorithm

Algorithms have been used to aid decision-making for centuries and pre-date computers. Algorithms need data, and their effectiveness and value tend to increase as more data are used and as more datasets are brought together. In this scenario, there is no one correct solution, but there is a best possible solution, depending on what you want to achieve. Also, there are multiple ways to approach the problem, based on what strategy you choose to have for your game play. Think for a moment about how an organization makes a decision. First come the facts, the data that will inform the decision. Using these facts, someone formulates alternative courses of action and evaluates them according to agreed-on criteria. The decision maker then chooses the best alternative, and the organization commits itself to action (Mankins & Sherer, 2014). Today, an algorithm can assemble many more facts about the accounts than any human being could easily process namely, lengthy payment histories, extensive demographic data, and so on. Using these facts, it can

separate the accounts into simple categories, say red-yellow-green. In the same manner VCY uses present and forecasted container inventories to develop an algorithm and solve the container interchange problem.

To better understand the concept of algorithm, consider how we solve the VCY problem manually. We collect data of those carriers who have excess containers (offeror) and those with deficit inventories (offeree).

Presume line D and line E operating in two ports/locations. Line D has excess containers only and line E has deficit inventory. For example line D in port 1 has excess 100x20' and offers 50x20' and 50x40' (150 TEUS in total) that is required by line E. Line E reciprocally offer 40x20' and 55x40' (150 TEUS in total) that is required by line D at port 2. The financial benefits to lines D and E can be calculated on the basis that line D need not export 50X 20' and 50X40 empties from port 1 while line E need not import same quantity from elsewhere to port 1. Similarly, line E need not export 40X 20' and 55X40 (150 TEUS) empties from port 2 while line D need not import same quantity from elsewhere to port 2. However, it is to be noted that various operational costs associated with a 40' are not always the double of the cost incurred by a 20'. The feasibility of interchange should be calculated based on consolidated financial cost and consideration of non-financial benefits such as marketing advantages as well (Edirisinghe, et al., 2015). It is clear from this simple example that it is unrealistic to solve this problem manually and derive at the most economical decision. Therefore, we deal with some simple data and then see if we can derive an algorithm from that process. However, this does not

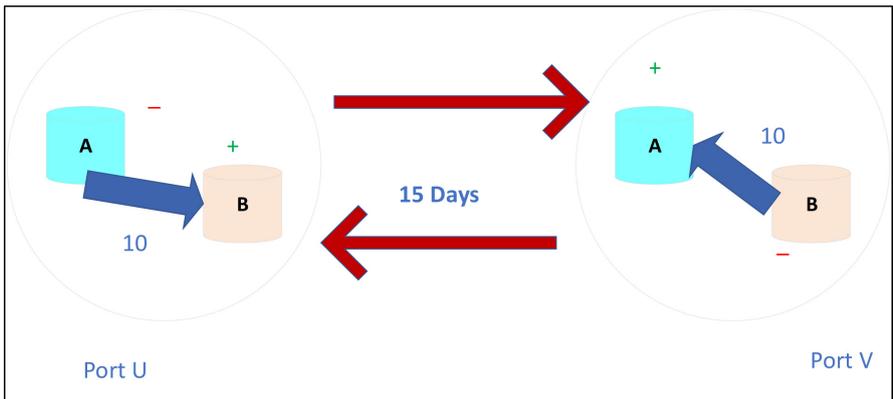


Fig: 02: Simple Exchange

consider the distance the containers will be carried after borrowing. We try to solve a smaller part or an easier version of the problem and then work to conquer the entire problem. Many problems are naturally solved by solving one piece at a time, but sometimes you need to figure out how the problem can be simplified. Search through common data structures and algorithms that you know and see if any of them could be “plugged-in” to solve the problem. It’s a “Solution Looking for a Problem” (Learneroo, 2019)

container stock of Line A in both port U and V. Same data recorded for Line B as well. The transit time from U to V was recorded as 15 days. We assume that Line A in port U has 10x20’GP containers, Line B in port V also has 10x20’GP containers and need to ship 10x20’ container from U to V and vice versa. This is the simplest scenario in the VCY that we must run through the proposing algorithm because of the transit time does not matter in this scenario. Let’s look at more complex situation.

## VCY Model

According to problem scenario, there are several important data elements were identified as the variables for the proposing algorithm. These elements are,

1. Sea ports around the world and the shipping lines provide services to those respective seaports/country.
2. Current stock of different size (i.e.20’, 40’, 45’) and different types (i.e. GP, HC, OT, FR, FB) containers of each shipping line and each port/country who wish to join VCY.
3. Estimated container inventory in each port (type and size wise) as per annual stock forecast of lines who wish to join VCY
4. Transit time in number of days of port pairs Offered by each shipping line

### Scenario 1: A and B Lines in the port U and V (Figure 02)

We have already recorded the current

Q1x20’GP containers and Line B in port V also has Q2 x20’GP containers and B need to ship Q1 from U to V. Then the Line A in V has Q2 which need to be shipped to W. Accordingly, it could form two scenarios. i.e. if T1=T2 and if T1 <> T2. If the quantity from port V to W is same (Q1=Q2), then it may form one scenario but if the quantity is different (i.e. Q1<>Q2) it will form multiple scenarios. Similarly, it could form many scenarios under various combinations (i.e. Q3-n vs T3-n) and with more data elements and values.

The VCY demands a unit of measurement to determine its benefits because the exchange is not one-time activity but a continuous process. Once the first exchange is affected the offeror may request the offeree to reciprocate the similar benefits. This is because it is always not possible to have equal benefits are exchanged between offeror and offeree. This is one of the reasons why the ad-hoc container exchange does not materialize. However, if the benefits can be measured it is not necessary to exchange the benefits in a single activity. It can be carried forward like we do with money. Each carrier may do multiple exchanges and reciprocate at a different time or times, in the same port or in different ports. For example, carrier A offers 10 TEUs (Twenty Equivalent Units) to carrier B who will return them after 15 days in a different port. Then the overall benefit to B is 150 TEU/Days. Simultaneously, carrier B offers 25TEUs to carrier A who will return them in 4 days in an adjunct port and another 5 TEUs that will be returned after 10 days in another port. The total transaction could be

### Scenario 2: A and B Lines in the port U, V and W

We have already recorded the current container stock of Line A in both port U, V and W. Same data recorded for Line B as well. The transit time from U to V was recorded as T1 and the transit time from V to W was recorded as T2. We assume that Line A in port U has

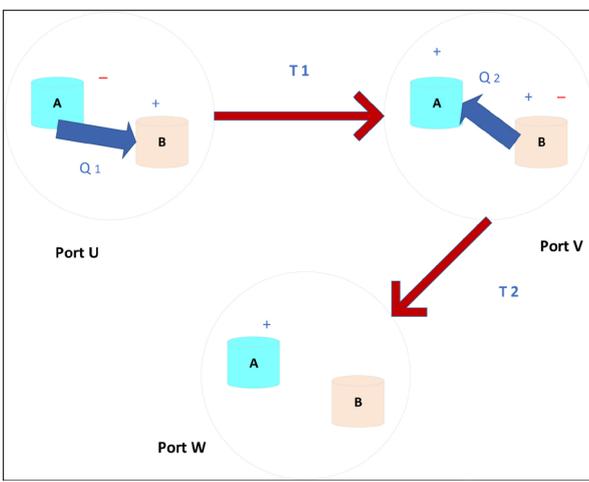


Fig 03: Virtual Container Yard

completed as A reciprocally gets 150TEU/Days.

## Process of determining the Capacity of exchange:

### Records Database:

Keeps track of all relevant data related to the liners, exchanges, capacity and unique and general factors influencing the calculation of unit of measurement.

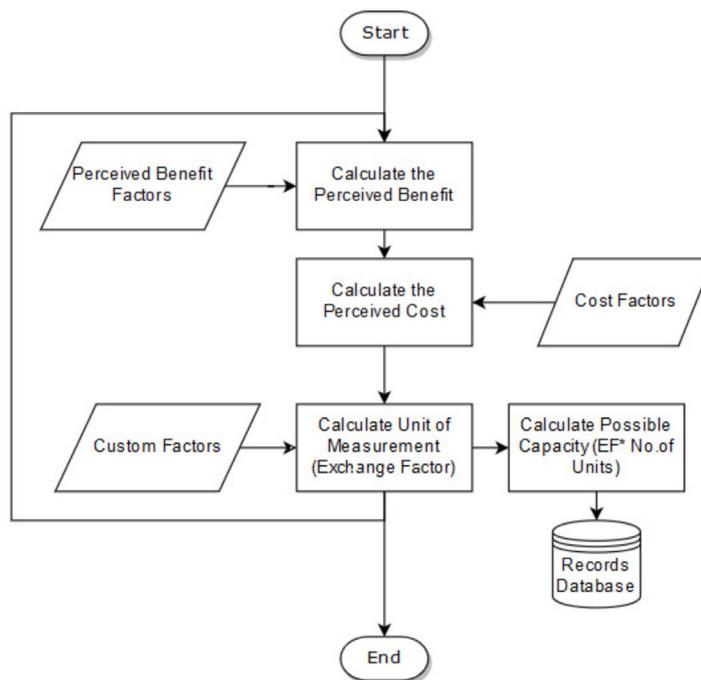


Fig. 04 Process of determining the Capacity of exchange

### Custom Factors:

The factors that are unique by the means of geographical, legal, technical and monetary factors for different liner services.

### Process of VCY

#### Assumptions:

1. Capacity related factors are preloaded to the system by its relevant stakeholders
2. All factors are fed and managed to ensure accuracy by the relevant user / Stakeholder (Liner Service)
3. The liner services agreed to use the system has the advantage of enjoying the benefits of the outcome by using the system.
4. It is assumed that the exchange occurs between the pre-agreed two parties.
5. If not, the system is expected to propose the benefits to the possible beneficiary.
6. The sole purpose is the 'Competitive Advantage' for the parties using the system will not be used to gain any unethical benefits for anyone interacting with the system.

redesigning people's roles to fit with the new process. The possible need for new skills could mean extensive retraining and may require hiring new talent altogether. There are many different types of algorithms, with differing functions, and associated issues of bias and transparency. Transparency must be a key underpinning for algorithm accountability. However, literature suggests barriers to a collaborative approach by carriers as confidentiality of information; regulatory, competition and social issues; and business philosophy of firms (Edirisinghe, et al., 2015). Today, many decisions that could be made by human beings

(from interpreting medical images to recommending books or movies) can now be made by computer algorithms with advanced analytic capabilities and access to huge stores of data. The growing prevalence of these algorithms has led to widespread concerns about their impact on those who are affected by decisions they make. To proponents, these systems promise to increase accuracy and reduce human bias in important decisions. But others worry that many of these systems amount to "weapons of math destruction" that simply reinforce existing biases and disparities under the guise of algorithmic neutrality (Smith, 2018).

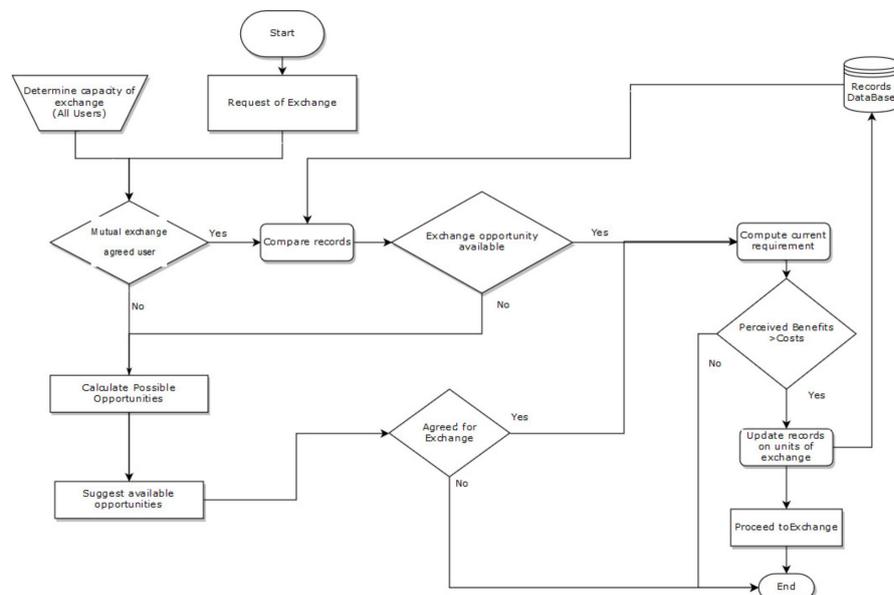


Fig. 05: Process of virtual container yard

The new decision procedures are likely to require investments in technology for example, software that embeds rules and new decision logic into the workflow systems. They'll also require

The implementation of the virtual container yard will be influenced by six key factors, namely complexity, attitudes, stakeholders, legal, organization and decision. Since the virtual container yard could reduce overall shipping costs, it is vital to examine the carriers' perception of this concept (Edirisinghe, et al., 2019a). Container shipping lines (CSL) interchange ship space (slots) to gain the advantage of economies of scale. However, they do not interchange containers at present according to

industry sources. Mutual agreements exist between CSL for collaborative activities and these agreements cover various activities, inter alia, container interchange; although it does not happen (Edirisinghe, et al., 2019). Carriers may be interested if the benefits of exchange are quantified in financial terms. One way to look at this requirement is to measure the cost of exchange as perceived by the individual carrier. The study may develop potential parameters that carriers consider as costs. Thereafter any shipping line

may be able to calculate own cost of exchange independently. Since each carrier has their own costing, operational, and marketing strategies the values of these parameters may be unique to each carrier. This needs a unit of measurement to quantify the individual cost. Similarly, the lines may look at the actual benefits that they derive from the exchange. If the quantified financial benefits supersede the cost of exchange the decision is very clear.

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# HOW IS DIGITALIZATION AND TECHNOLOGY CHANGING THE MARITIME INDUSTRY

Today, over 90% of international trade is carried by ships. Therefore maritime transport is an essential component of the global economy. The COVID-19 pandemic is a perfect example of how disruptions in this sector can have devastating impacts on the economy. At the same time, the pandemic has been a catalyst for digitalization and greater adoption of technology in the Maritime sector. There has also been an acceleration of new maritime startups leveraging on big data, artificial intelligence, robotics, block chain and other technologies providing solutions to ships and the shipping industry. Below are 5 of many applications of digital technology that have gained momentum in the recent years.

## Port Management

Port management involves several stakeholders who work together with shipping companies to ensure smooth operations that are effective and efficient. A major problem over the years has been the unreliability of data which causes confusions and delays which are costly to all parties involved. Ports and Shipping companies are now adopting comprehensive data exchange platforms that for example enable better scheduling of ship arrivals, deploying pilot tugboats

and managing vessels at Port. This helps improve the visibility of available resources and ensures cost effective Port management.

## Digital Documents

Paperwork and documentation can be exchanged over 100 times for a single container shipment according to research done by IBM and Maersk. The World Economic Forum estimates that document processing accounts for 20% of the total transportation costs

within global trade. Stakeholders in the industry are now working towards eliminating paper and these inefficiencies in the supply chain. For example; platforms such as; TradeLens and CargoX are using Blockchain technology to enable secure document sharing and supply chain visibility.

## Digital Health

Restrictions on crew embarkations and disembarkations along with strict regulations imposed by Ports due to the pandemic has resulted in a rise in the use of telehealth platforms. Ports

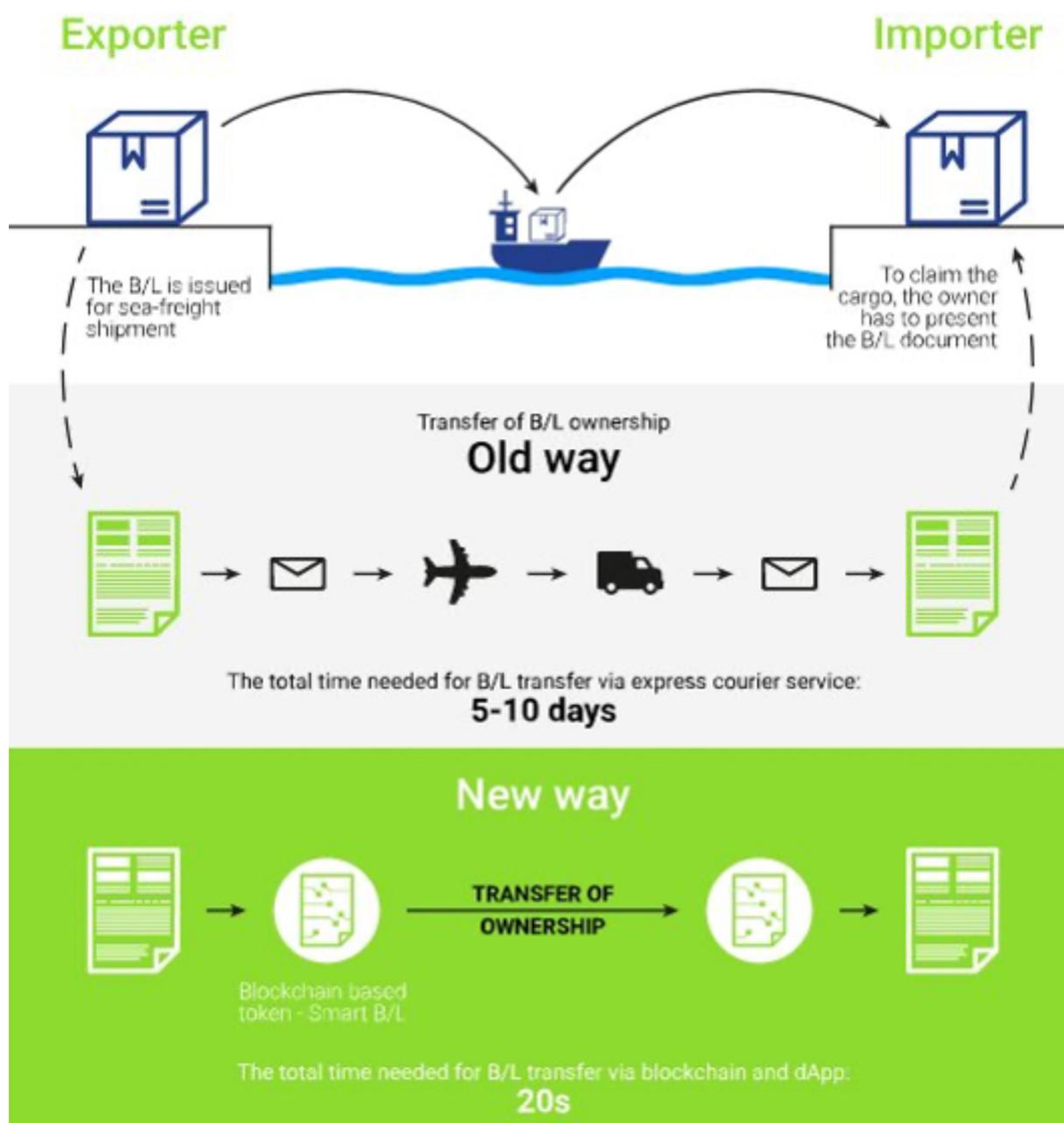


Image Source: CargoX



Image Source: World Bank Report- Accelerating Digitalization across the Maritime Supply Chain

Authorities and Shipping companies are trying to increase the health and safety of ship crew by using virtual consultation platforms, on board integrated health kits, wearables and thermal cameras.

## Ship supplies and

## surveillance

Unmanned Aerial Vehicles (UAVs) also called drones are being tested in many Ports for several applications. Common applications include: delivery of items to ships, ship surveys and security surveillance. Drones are generally faster, more ecofriendly and the more economical option. For example; Singapore has already

started commercial drone operations both during the day and night for deliveries to ships. Another example is the Norwegian Maritime Authority (NMA) who used drones to conduct sulfur emissions testing to monitor and ensure vessel emissions meet the new maximum limit mandated by the IMO and the European Union.

## Underwater Services

Underwater inspections are important to monitor ship hull conditions, damages, leaks and marine debris. The traditional method of inspection and subsequent services have been largely dependent on divers. Today, companies continue to develop new advanced underwater robots capable of carrying out inspections, cleaning and recovery. The Port of Rotterdam also uses underwater robots for quay inspections. These robots make inspections faster, cause less disruptions and provide objective data.

What do you think will be the game changing applications of digitalization in the years to come?



Image Source: World Bank Report- Accelerating Digitalization across the Maritime Supply Chain

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