



**CEYLON SHIPPING CORPORATION LTD.**

**CORPORATE PLAN**

**2015/2016 – 2019/2020**



Ceylon Shipping Corporation Ltd.,  
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## **LIST OF ACRONYMS**

<b>ASYCUDA</b>	-	<b>Automated System for Customs Data</b>
<b>C&amp;F</b>	-	<b>Clearing &amp; Forwarding</b>
<b>CEB</b>	-	<b>Ceylon Electricity Board</b>
<b>CFB</b>	-	<b>Central Freight Bureau</b>
<b>CFS</b>	-	<b>Container Freight Station</b>
<b>CGES</b>	-	<b>Commissioner General of Essential Services</b>
<b>COA</b>	-	<b>Contract of Affreightment</b>
<b>CPC</b>	-	<b>Ceylon Petroleum Corporation</b>
<b>CSCL</b>	-	<b>Ceylon Shipping Corporation Ltd</b>
<b>DWT</b>	-	<b>Dead Weight</b>
<b>F/T</b>	-	<b>Freight Tons</b>
<b>FOB</b>	-	<b>Free On Board</b>
<b>HRD</b>	-	<b>Human Resources Development</b>
<b>KPIs</b>	-	<b>Key Performance Indicators</b>
<b>LCC</b>	-	<b>Lanka Coal Company</b>
<b>LDWT</b>	-	<b>Light Dead Weight</b>
<b>LKR</b>	-	<b>Lankan Rupees</b>
<b>MICS</b>	-	<b>Member of Institute of Chartered Ship Brokers</b>
<b>Mn</b>	-	<b>Million</b>
<b>MOU</b>	-	<b>Memorandum of Understanding</b>
<b>MT</b>	-	<b>Metric Ton</b>
<b>NMTA</b>	-	<b>National Maritime Training Academy</b>
<b>NOL</b>	-	<b>Neptune Orient Lines</b>
<b>NVOCC</b>	-	<b>Non Vessel Operating Common Carrier</b>
<b>PESTEL</b>	-	<b>Political, Economical, Social, Technological, Environmental &amp; Legal</b>
<b>SCARC</b>	-	<b>Standard Cabinet Appointed Review Committee</b>
<b>SLPA</b>	-	<b>Sri Lanka Ports Authority</b>
<b>SWOT</b>	-	<b>Strength, Weaknesses, Opportunities, Threats</b>
<b>TEU</b>	-	<b>Twenty foot Equivalent Unit</b>
<b>UAE</b>	-	<b>United Arab Emirates</b>
<b>UPB</b>	-	<b>Unaccompanied Personal Baggage</b>
<b>USD</b>	-	<b>US Dollar</b>

# PART I

# 1. INTRODUCTION

## Our Vision

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**To develop a dependable and effective National Fleet of Ships, Shipping & logistic facilities for the country and becoming a Stakeholder in the endeavour to developing Sri Lanka as the Maritime Hub in the Region.**

## Our Mission

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- **To cater to the sea Transportation and related logistic needs of the Export, import and local coastal trades of Sri Lanka that needs the assistance from the national carrier and provide training opportunities for Sri Lankan Seafarers to make themselves competent for employment onboard vessels in international waters**
- **To be a Partner in maritime leisure , cruise liner passenger ferry activities in the Indian Ocean.**

## 1.2. Our Business Objectives

### 1.2.1. Towards the Trade and Customers:

- To act as a facilitator of nation's economic development by supporting anticipated economic resurgence of the country after the end of war by capitalizing on business opportunities in booming economies in the region.
- To satisfy Customers' needs at the least cost and time with the highest degree of reliability.

### 1.2.2. Towards the Country and Society:

- To facilitate developing the country as the Maritime hub as envisaged in the National Development agenda for the future.
- To provide competitive charges for any shipping needs of customers.
- Saving of valuable foreign exchange in carriage of government import cargoes on freight "to collect in Colombo" basis.
- To continue to be a shipping and logistic partner in country's electrical power generation sector.
- To become a Shipping partner in the in country's energy/petroleum sector.

#### At our office premises

- To develop human resource capital of the Corporation.
- To minimize energy, water consumption & wastage.

#### In operating ships:

- To take all necessary steps for minimizing environmental pollution.
- To take all necessary precautions for ensuring safety of lives and properties.

### 1.2.3. Towards the Owners:

- Highest contribution to the Government coffers by maximizing profit and saving much needed.
- Foreign exchange.



### **1.3. What we seek to achieve**

- a) To transform from being a Non Vessel Operating Common Carrier to a Vessel owning and Operating Carrier maximizing carriage of import cargoes of Government Sector Organizations.
- b) Carriage of crude oil for Ceylon Petroleum Corporation with the objective of owning and operating a Tanker (Suezmax).
- c) Owning/operating off Dry-bulk vessel/s to carry coal shipments to Lakvijaya Coal Power Plant at Puttalam .
- d) To become a fully pledged Logistics services provider in the country.
- e) To provide sea training opportunities for Sri Lankan seafarers Cadets with the acquisition of the Dry-bulk vessel/s and a Tanker vessel/s to help earn foreign exchange for the country through the employment of more Sri Lankan seafarers in foreign ships.
- f) To operate a Personal Baggage Clearance Warehouse in Colombo to cater to the personal baggage shipments of Sri Lankan expatriate workers at more competitive fees.
- g) To act as General Sales Agent and the Ground Handling Operator for Passenger vessels between Colombo and India.

### **1.4. Principle Objectives of CSCL as specified in the Articles of Association**

- a) To carry on business locally and internationally as Ship owners, Cargo / Passenger ship operators, Ship brokers, Merchants, Shipping agents, Ship managers, Consultants, Insurance and General brokers, Carriers, Forwarders and Clearing agents.
- b) To establish, maintain and operate shipping and road transport services.
- c) To purchase, sell, charter, hire, build or otherwise acquire ships or other vessels or any other mode of transport with all equipment and furniture, and to employ the same on the high seas, or on rivers, canals or lagoons in the conveyance of all kinds of cargoes of dry, bulk, liquid and gaseous cargo of any kind or description whatsoever .
- d) To purchase, sell, charter, hire, lease, build or otherwise acquire multi-model transport system and to employ same in the conveyance of all kinds of cargoes.
- e) To carry on business as tourist agents and contractors, and to facilitate traveling, and to provide for tourists and travelers, or promote the provision of conveniences of all kinds.

- f) To act as agents and managing agents, brokers or in any other capacity for any person, firm or company now existing or hereafter to be formed in connection with the business of shipping and multi-modal transport operations.
- g) To acquire concessions or licenses for the establishment and working of lines of ships or sailing vessels, or multi-modal operations between any ports or destinations of the world.

# PART III

## 2. Historical Perspectives

### 2.1. Historical Highlights

#### 2.1.1. Inception and the early years from 1971 - 1980

Ceylon Shipping Corporation (CSC) which was incorporated in 1971 under the Ceylon Shipping Corporation Act No 11 of 1971 is the only government owned national carrier of Sri Lanka. “Lanka Rani” was the first vessel commissioned by CSC in 1971. This Break- bulk conventional vessel was deployed in exporting of rubber to China and importing of rice from there under the Rubber / Rice Bilateral Agreement between Sri Lanka & China.

By 1985, CSC owned a fleet of nine secondhand vessels (eight conventional and one tanker purchased in 1974). During this period CSC was able to operate in the main routes from Colombo to Europe, China, Karachi and Middle East. Major exports carried were tea, rubber, coconut and coconut products. Australia, South Africa, West & East South America were catered through in collaboration with other lines.

CSC was supported by Central Freight Bureau (CFB) by allocating all government imports and 70% of private sector exports to strengthen the business performances of CSC. Moreover, CSC offered promotional freight to exporters to support export oriented industries in Sri Lanka which facilitated and encouraged Sri Lankan exporters in their overseas trading activities. CSC as the ‘one -stop –shop’ for all shipping needs was able to render an excellent service to her worldwide customers.

#### 2.1.2. CSC’s progress during 1980 to 1989

The port of Colombo was containerized in the year 1980 prompting CSC to commence containerized operations in the same year. CSC operated 04 container liner services to UK & Continent, Far East, Arabian Gulf & Red Sea and entered to a joint venture with Neptune Orient Lines (NOL) and it operated on the UK and North Europe routes. CSC was proud to offer the first containerized operations in the Indian Sub-Continent and supported containerization of Sri Lanka Ports Authority thereby facilitating Colombo port as the hub port in the region.

The joint venture with NOL was discontinued in 1982 and operated UK/North Europe service with her own three chartered vessels of 668 TEU capacity of each. This service earned enormous revenue and CSC commissioned the fourth vessel to Bombay and Karachchi to get cargo for the return trip as well.

During this period, “Mv Lanka Mahapola”, with a capacity of 408, TEU was introduced to Red Sea service in 1983 and an additional vessel was introduced in 1985 to cover Singapore as well. Further, Sri Lanka – Arabian Gulf service operated with 175 TEU vessels and South Asia Far East routes were covered by using another three vessels. It is also very vital to mention that, CSC could offer a car carrier service for importers with the collaboration of Mitsui OSK Line, Japan. CSC had joint services to USA with Maersk Line and United States Lines. Australian National Line joined with CSC to operate the Australia service and also a service to Colombia was launched in 1986 with the participation of Columbian National Line.

In addition to that, CSC was able to launch a shuttle service from Colombo to Karachchi, West Coast of India to Colombo and from the East Coast of India to Singapore.

During the pre- liberalization era, the upward trend of CSC emerged herself at the peak level in South Asian Region and she was proud to be the National carrier of Sri Lanka. The monopoly, which was prevailing in Sri Lankan shipping industry created many advantages to the country in many aspects.

### **CSCCL Owned Vessels (From the inception)**

<b>Name of Vessel</b>	<b>Date of Delivery</b>	<b>Date of Sales</b>
1. Lanka Rani	15-01-1971	22-05-1986
2. Lanka Sagarika	08-02-1972	05-07-1983
3. Lanka Devi	11-04-1972	01-02-1985
4. Lanka Kalyani	20-09-1972	02-09-1985
5. Lanka Kanthi	28-11-1972	21-08-1985
6. Lanka Shanthy	May – 1973	07-05-1986
7. Lanka Keerthy	Feb - 1975	26-03-1985
8. Lanka Ratna	29-08-1975	26-05-1986
9. MV. Tammanna	Sept. – 1975	06-04-1984
10. Lanka Siri	February – 1982	08/02/1993
11. Lanka Seedevi	March – 1982	08/02/1993
12. Lanka Srimani	August – 1982	20/07/1992
13. Lanka Srimathi	October- 1982	20/07/1992
14. Lanka Athula	09-09-1983	05-10-1989
15. Lanka Ajitha	10-01-1985	17-10-1989
16. Lanka Mahapola	29-06-1983	08-10-2013
17. Lanka Muditha	December – 1982	30-01- 2014

Table - I

### **2.1.3. Liberalization in the Shipping industry and its impacts to CSC (During '90's)**

The Shipping Industry was fully liberalized by the Government of Sri Lanka in 1989/1990 and CSC was exposed to the highly competitive market conditions. However, only the Europe service was allowed one year grace period for CSC to be steady when facing the competition. In order to face the competition, in 1990 CSC incorporated a marketing arm namely Ceylon Shipping Agency Pvt Ltd. in the year 1990 the Europe Service was also fully liberalized and CSC had to operate in highly competitive open market conditions.

CSC was converted to a Government owned Company as Ceylon Shipping Corporation Limited (CSCL) in the year 1992 under the conversion of Public Corporations and Government Owned Business Undertakings into Public Companies Act No 23 of 1987.

Unfortunately, CSCL failed to compete with the lower freight rates as did by other foreign shipping lines. They enjoyed the benefit of economies of scale as a result of operating new generation vessels round the world with larger capacities where CSCL was unable to respond to that fierce competition as our vessels were of approximately 1000 TEUs capacity with charter hire as high as US\$ 12,000 per day. The freight rate to Europe that was at US\$ 1600 per TEU drastically dropped around US\$ 450 creating unfavorable impacts and damages to CSCL business profitability.

During this period CSCL continuously recorded loss from her business activities and Treasury granted financial assistance to overcome the financial instability of the Corporation. CSCL market share in the Europe Service drastically declined by 81,500 TEUs in 1991 and 34,000 TEUs in 1995. In 1996, it further decreased to 24,292 TEUs. CSCL had to off hire four chartered vessels that plied the Europe route in 1996. With this decision, the market share reduced to 2275 TEUs in 1999 losing her hard won market share, setting red alarms to the future of CSCL business conducts.

There were some important changes and decisions made by CSCL to overcome the difficulty in trade that affected the organization in numerous ways. Some of those decisions were;

- Mv. Lanka Mahapola used to operate a Feeder Service between Colombo and Karachchi
- The operation of the Europe service continued as a Non Vessel Operating Common Carrier (NVOCC) with Shipping Corporation of India and Zim Line of Israel
- Aggressive canvassing of Government cargo
- Introduction of cargo forwarding and clearing service to Government and private sector customers with competitive rates
- Canvassing nominated cargo from ports world over to Colombo

CSCL tried hard to make profits even at difficult periods and time to time she was able to report considerable amount of profits by overcoming all hurdles in the trade. The following table – II depicts the financial performances of CSCL during last twelve years.

## 2.2. Highlights of services rendered by CSCL in the past

- First Break Bulk vessel Mv. Lanka Rani was purchased by CSC to facilitate Rice- Rubber bilateral Agreement between Ceylon and China in order to importing rice and exporting rubber.
- Operated CSC owned /chartered container Vessels in the main shipping routes – Far –East - Europe- Red Sea - P.Gulf.
- Joint shipping services to USA with Maersk Line & United State Lines.
- Connecting carrier arrangement with feeder operators in order to facilitate Multi- Fiber Agreement with USA
- Offered promotional freight rates to Sri Lankan exporters to support export oriented industries in the country.
- CSC/ CPC joint venture Company, Lanka Tankers Ltd. which was owned tanker vessel, MT Janashakthi operated till 1994
- Pioneers of operating container services in south - East Asia region
- Saving foreign exchange in carriage of Govt. import cargoes on freight “to collect” in Colombo basis
- Catamaran L/Rani & L/Devi constructed by Singapore yards for armed forces using technical know- how of CSC
- Developed human capital in the maritime industry by providing practical training onboard CSC vessels
- Facilitate for the transportation of goods required to North & East during war time by developing CSC owned vessel –L/Mudithe
- Carriage of cargo needed to Sri lankan armed forces at competitive rates all over the world
- Transport of container cargo,break bulk cargo ,project cargo ,household effects /baggage and vehicles.
- Global cargo logistics services (Door to Door delivery/packing /Unpacking/Stuffing/De-stuffing) with value added services.
- Ship Agency Services

## 2.3. Progress since the Year 2000 and Up to now

- Transporting of Coal for the Lakvijaya power plant of CEB since 2010 as entrusted by the Cabinet decision in February 2010 (From load port to anchorage in Puttalam port & lightering of coal from anchorage to jetty of the power station using barges)
- Acting as the ground handling operator & the agent for the operator of passenger ferry service between Colombo and Tuticorin (The service was operated from January to November 2011).
- Signining of a Contract of Affreightment for transport of coal with M/s PCL (Shipping) Pte.Ltd., Singapore valid from Oct 2014 to April 2017.

- Under the new business Model formulated for selection of the partner for coal transport following benefits were accrued to CSC/Country;
  - Low freight rates
  - Sea Training billets up to 100 for Sri Lankan Cadets on progressive basis during the 03 year Contract period
  - Naming of 01 or 02 Vessels being built & owned by PCL with the names of the choice of CSC
  - Development opportunities for CSC's owned 02 bulk carriers, to be delivered in Nov / Dec 2015 & Feb 2016,during monsoon period
  - Port Agency function for PCL's ships calling Puttalam port (an additional income to CSC)
  
- Transport of Crude Oil for the CPC as entrusted by the Cabinet decision in June 2014 / MOA to be signed between CSC & CPC

## 2.4 Financial Performances of CSCL

### 2.4.1 Review of past 10-15 years

2000 to 2014:

Year	Net profit after tax (Rs.Mn)
2000/01	291.00
2001/02	9.00
2002/03	(32.00)
2003/04	(76.00)
2004/05	48.00
2005/06	106.35
2006/07	(15.11)
2007/08	33.00
2008/09	(35)
2009/10	22.8
2010/11	13.38
2011/12	88.13
2012/13	218.80 *
2013/14	316.9

Table – II

(Source: CSCL- Annual Reports / Provisional Account)



**Financial Performances of CSCL- 2000/01 to 2013/14**

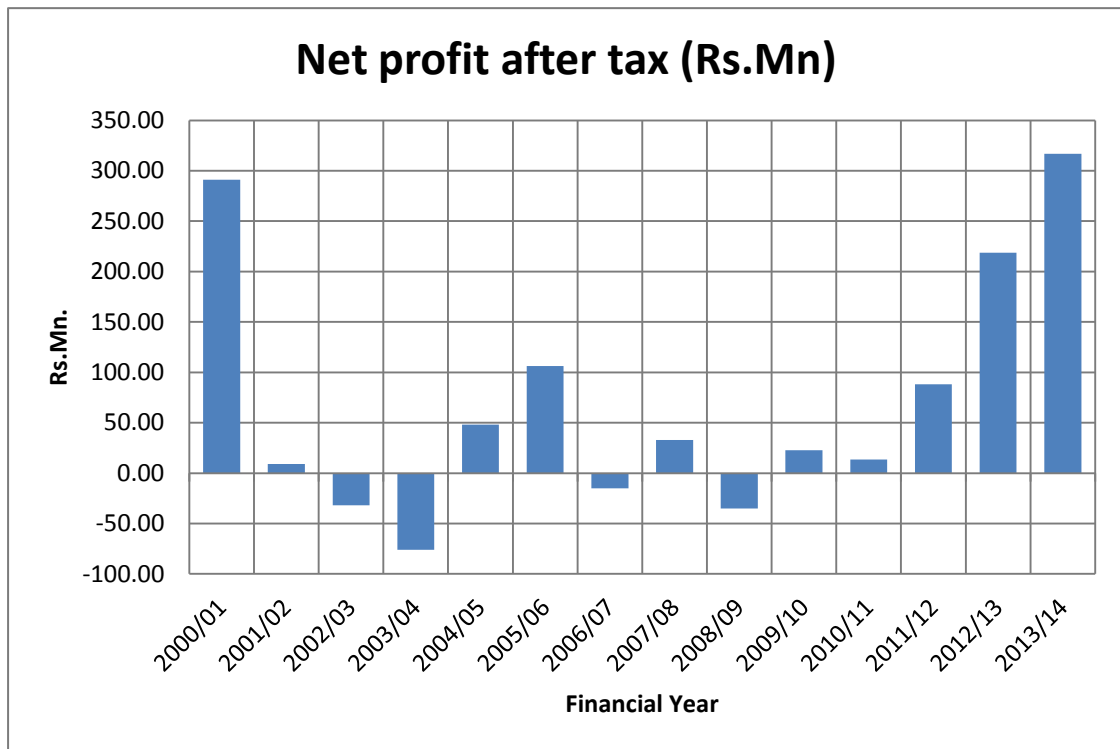


Figure – I

Source: CSCL- Annual Reports / Provisional Accounts

The above table – II and the Figure – I indicate the profitability of CSCL which has been gradually declined year by year losing her hard won market share in the trade up to the financial year 2008/09, after the withdrawal of the container liner service from South-Asia to Europe in 1997. High maintenance cost of CSCL owned two vessels, Lanka Muditha & Lanka Mahapola, made to incur a sizeable portion of the charter hire revenue of the 02 vessels. The continuous decrease in profitability of CSCL made an adverse situation for the company to meet the monthly management expenses and this bad financial condition restricted the future business expansions as well.

In spite of aforesaid situation, it is also significant to mention that, CSCL has not burdened the government for public funds after 1998; and has sustained on income generated by CSCL on its own from the services offered.

With the decision of the Cabinet of Ministers to entrust the transport of coal for the Lakvijya Power Station, CSC was able to consolidate the financial position gradually. Accordingly, it should be mentioned that on a positive note that CSCL was able to generate profits continuously over the last five financial years.

The timely fluctuation of Earning per share which has been in increasing trend over last 03 financial years, are graphed as follows.

The profitability forecast for the next 03 years will hinge around the coal transport Contract, which is yet to be decided by the Cabinet of Ministers depending on the outcome of the Coal Purchase Tender of Lanka Coal Company (Pvt) Ltd., coupled with the running costs, maintenance costs and loan repayment commitment to the People's Bank.

The dry-bulk shipping market segment is presently undergoing slump, which will affect the cash flows of CSCL when the newly built vessels presently being under construction are taken delivery; one in November 2015 and the other in February 2016.

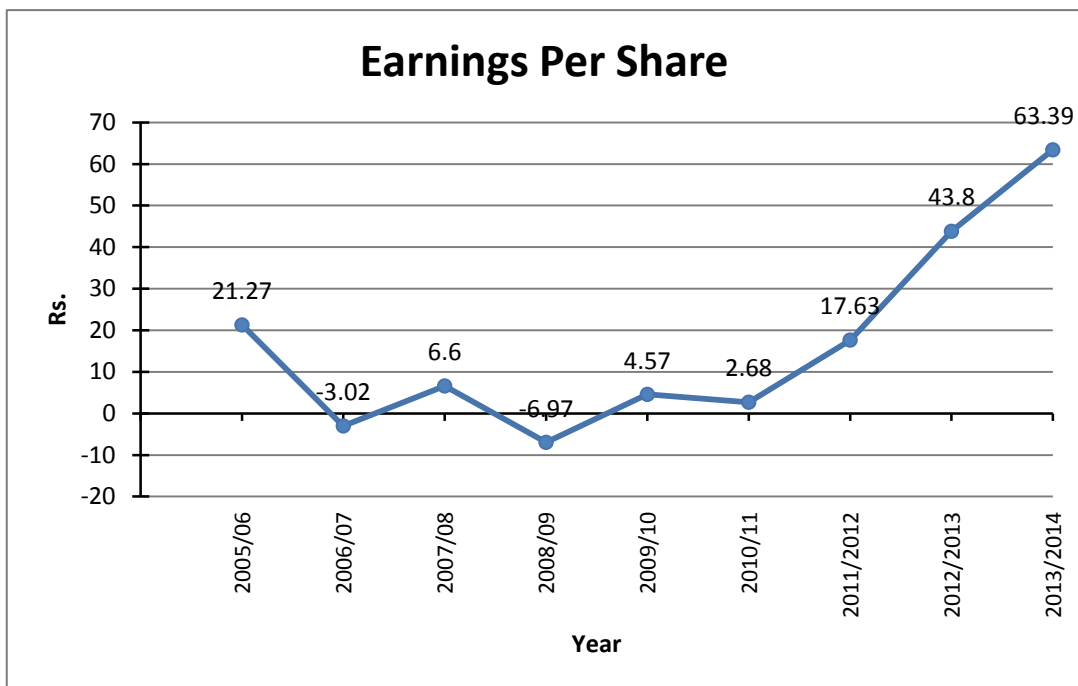


Figure-II

Source: CSCL- Annual Reports / Provisional Accounts

**PART III**

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## 3. Present Status

### 3.1. Global Shipping Industry Outlook

#### Segments of Global Shipping Industry

- Ownership & Structure of Global Shipping fleet
- Ownership & operational details
- Registration
- Vessel costs & Freight rates
- Ship Building
- Demolition & Vessels supply
- Demand & Supply statistic
  - Crude oil tankers
  - Product tankers
  - Chemical tankers
  - Automobile carriers
  - Dry bulk shipping
  - Container vessels

It is estimated that the operation of merchant ships contributes about US\$ 380 billion in freight rates within the global economy, equivalent to about 5% of total world trade.

Throughout the last century global shipping industry has seen a general trend of increases in total trade volume. Increasing industrialization and the liberalization of national economies have fuelled free trade and a growing demand for consumer products. Advances in technology have also made shipping an increasingly efficient and swift method of transportation.

As with all industrial sectors, shipping can be susceptible to economic downturns and it has inherently following several years of incredibly buoyant shipping markets. As for many trades much of the shipping industry has fallen prey to the worldwide economic downturn.

Notwithstanding the current situation, the longer term outlook for the industry remains very good. With the expansion of world's population, emerging economies will continue to increase the requirements for the goods and raw materials. For that shipping transport is so safely and efficiently contributed. Below graph in figure III illustrates, the volumes of world trade carried by sea has begun to steadily increase in recent years. In the longer term, the fact that shipping is the most fuel efficient and carbon friendly form of commercial transport works in favour of an even greater proportion of world trade being carried by sea. (Source- UNCTAD report on Review of Maritime Trade- 2014)

**World seaborne trade in cargo ton-miles by cargo type, 2000-2014  
(billions of ton miles)**

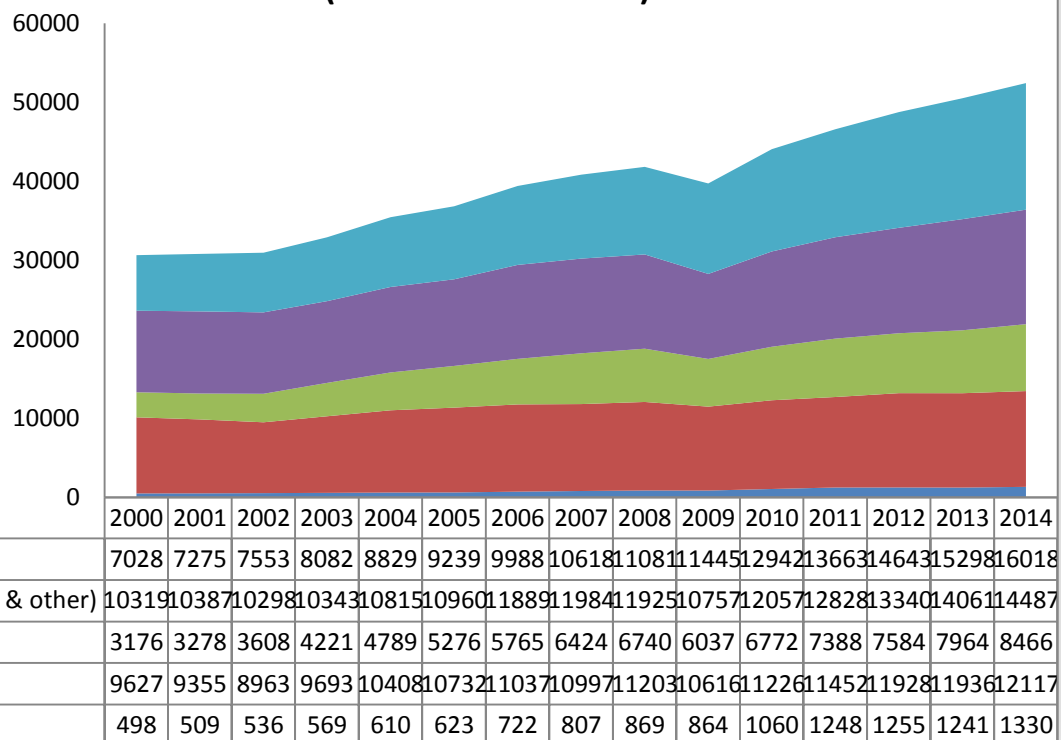


Figure III

### 3.2. Sri Lankan Shipping Industry Analysis

Sri Lankan Government heavily emphasizes for the utilization of its strategic geographical location and the improvement of maritime opportunities in its future prosperity. In that light, shipping industry has a pivotal role to play and CSCL being the national carrier has to lead from forefront.

Sri Lankan shipping industry approximately value nearly Rs. 200 billion that includes ship owning, sea transportation, port management, agency business, freight forwarding, ware housing, maritime recruitment, logistics etc.

Sri Lankan Export indices as per Central Bank Report- 2013 was with growth trend of 6.4% Y-O-Y (Year on Year) whilst the import indices on negative growth (- 6.2%). Accordingly, the country's economy was growing positively at around 7-8% and the transport / communication sector in the national economy rising to 9.4% which indicates that opportunities to shipping is growing greater than the general industry averages. (Annual Report- CBSL 2013)

Shipping being intensely globalized and open business, country like Sri Lanka has little power to lead in its participation in the industry especially in the container shipping business. Large global players are making consortiums in the container shipping in selected routes leaving few chances to small players.

Following Chart (Figure IV) shows the ships arrived in the country over period of last 05 years and the total cargo tonnage carried over that period.

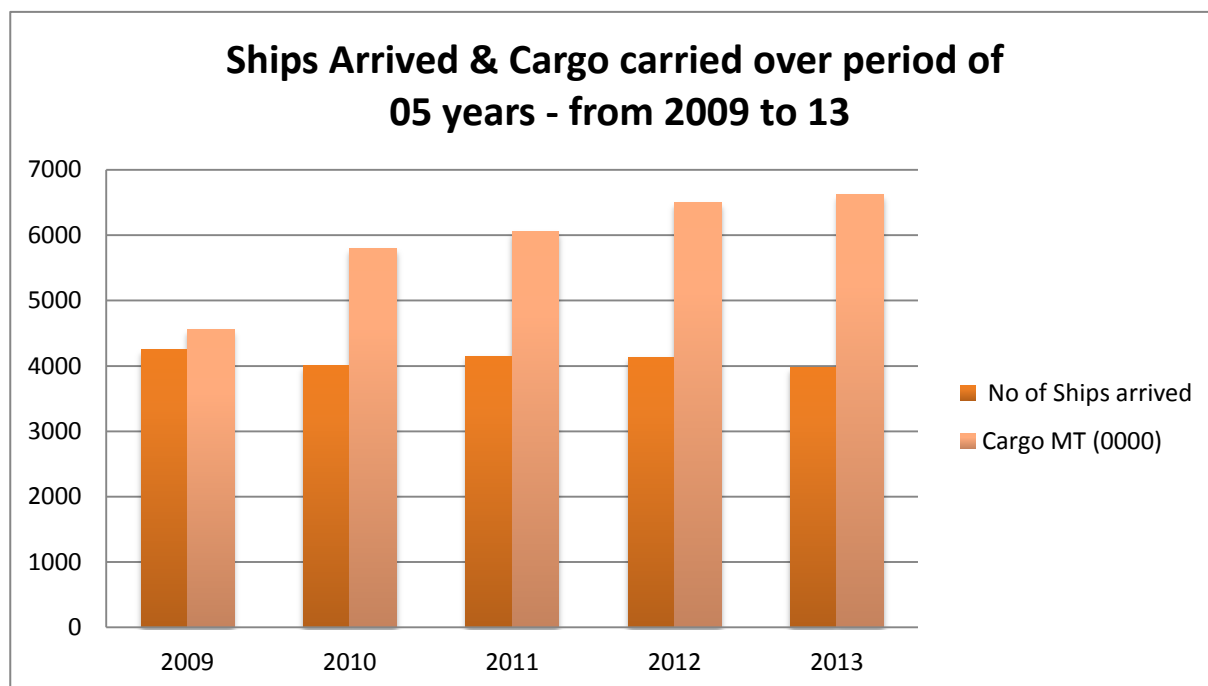


Figure IV  
(Source – Annual port Statistics- 2013 – SLPA)

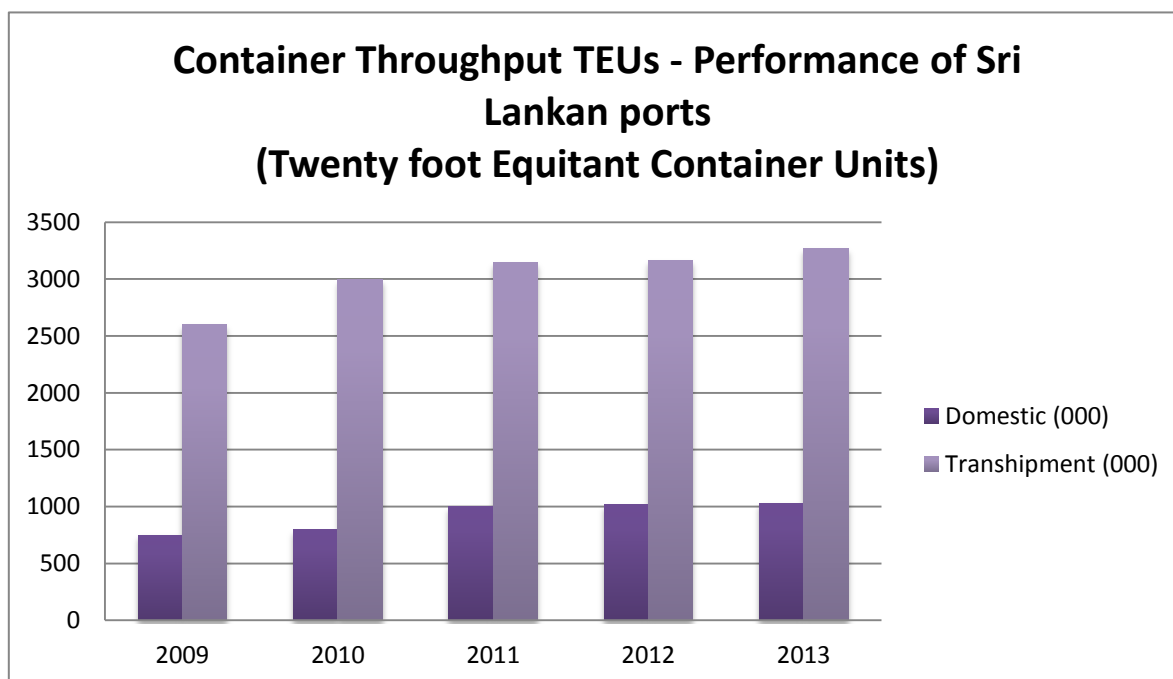


Figure V  
(Source – Annual port Statistics- 2013 – SLPA)

With the above data (figure IV), it is apparent that the number of vessels calling Sri Lanka has been declined although volumes were increased. This is due to ships becoming bigger and hence single ship is able to carry more than before. Also noted in (figure V) transshipment is 3-4 time higher than domestic cargo which would highlight it's developing as a hub port in the region.

### 3.3. Current Status of CSCL Business

#### Major activities of CSCL

- Continue to be a ship owner
- Non Vessel Operating Common Carrier (NVOCC) / Freight Forwarding Operation
- 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.
- Total Logistics solution, Customs Clearing and Forwarding
- Chartering and Agency Functions.
- Ship Brokering.
- Management of Ships.

**Note:** Two container vessels lastly owned by CSCL named; Lanka Mahapola and Lanka Muditha were disposed in October 2013 and January 2014 respectively at sale prices of Rs114.00 Million and Rs 43.62 Million respectively due to their operating difficulties as consequences of aging of the vessels.

### **3.3.1 Organization Structure**

Please refer Annexure as follows;

1. Organization Chart for existing staff - Annexure -03
2. Organization Chart for proposed structure – Annexure -04

### **3.3.2. Department of Liner and Documentation**

This is one of the main profit centers in CSCL and it generates around 76 million net incomes per year. At the moment CSCL does not own a Liner service due to the non-availability of suitable owned vessels. But in early days CSCL operated a Liner service and this Department had been established to facilitate those functions.

At present, Liner Department engages in NVOCC (Non Vessel operating of Common Carrier) and freight forwarding operations which is a way of sending cargoes through other shipping lines by hiring space on their ships. This is a kind of shipping forwarder's function and CSCL is earning money through this business due to non-availability of owned vessels. The Department mainly handles cargoes imported by the Government Institutions and export consignments of Sri Lankan Diplomatic staff that are posted to overseas locations.

The main functions of the department are as follows.

- Overseas agency appointments, review of agents performances and control of such agents.
- Contracting and co-ordination of contracts with overseas service suppliers such as container services suppliers, container terminals, transport operators, other shipping lines etc.
- Commercial decision making with regard to routes, rates etc.
- Costing of voyages, evaluation of voyage performances and preparation of various reports for the MIS.
- Booking space from Main Line Operators.
- Preparation of Management Information Reports for decision making purposes.
- Liaising with the Shippers' Council.
- Compilation of statistics, competitor activities and recent developments.
- Provision of customer services such as provisions of information, Government sector FOB cargo acceptance, booking passage etc.

Critical success factor of this operation is the full implementation of the Public Finance Circular 415 dated 06/05/2005 issued by the Treasury to be applied for the Government Institutions.



### **3.3.3. Logistics, Clearing & Forwarding**

This Department provides Logistics supports to NVOCC (Non Vessel Operating Common Carrier) / Freight forwarding operations handled by the Liner & Documentation Department. Main functions are handling of customs clearance of cargo and providing total logistics services on behalf of CSCL customers. This section is one of the profit generators of CSCL. It is expected to further strengthen this operation with Public Private Sector participation.

### **3.3.4. Department of Marketing & Sales / Public Relations/ Customer Care**

Marketing Department, which plays a vital role in attracting both government and private sector customers, puts their fullest effort to generate more businesses to CSCL. In early days CSCL had a very strong in house marketing force but after the liberalization process in the Shipping Industry CSCL's market share has been dramatically decreased which was a big challenge for marketing.

### **3.3.5. Chartering & Agency Department**

CSCL offers agency services for foreign vessels calling Sri Lankan ports for cargoes discharging/loading/Bunkering etc.

➤ **Key functions of the department are;**

- Handling of port agencies on behalf of Owners, Charterers and Receivers.
- Chartering functions.
- Ship Broking functions.
- Port/Documentation, Agency functions and Customs Clearance of coal shipments for Lakvijaya Power Station in Puttalam.
- Compilation of Statistics.
- Project/special studies.

➤ **Agency Functions;**

This department acts as Colombo Port Agents for foreign Principals, the Government and Local Institutions.

- Handles receiver's agency functions of vessels carrying fertilizer consigned to Ceylon Fertilizer Co. Ltd. and Colombo Commercial Fertilizer Ltd.
- Agent for M/s PCL (Shipping) Pte. Ltd., Singapore Handles port agencies for Ad-Hoc callers.

Agency functions at the ports of Trincomalee, and Galle are handled through sub-agencies.

➤ **Chartering/ Brokering Functions;**

- This department functions as an in house chartering broker for CSCL and for government institutions and the Private Sector as and when required such services.
- Prepare charterparties.

➤ **Port Agency/ Documentation functions of the Coal Shipments;**

- Coordination with all relevant stakeholders and Sri Lanka Customs and monitor port/documentation functions to ensure smooth functioning of coal discharging operations and looking after the interests of the power plant by giving the vessels fast turnaround.

➤ **Key income sources are,**

1. The agency fees charged from relevant parties/principals as Receiver's Agent / Owners Agents.
2. Customs clearance charges of bulk, address commissions, commission on lightering of bulk shipments and additional commission on coal discharging over 1.5 million MT a season.
3. Commission on Demurrages of the coal vessels if any.
4. Other Agency Activities such as crew changes/Cash to Master/ Ships' Provisions/Delivery of Spare Parts etc

CSCL at present transport coal for the Lakvijaya power station phase I, II and III which were commissioned in 2010, 2013 & 14 respectively which need 2 million MT of coal to generate 900MW power to national grid.

**Projected Revenue of the Chartering & Agency Department for the year  
2015/2016**

Details		Income in USD
Agency Commission on Bulk Cargo	A	445,800.00
Address Commission on Bulk cargo	B	3,100,000.00
<b>Total</b>		<b>3,545,800.00</b>

Table III  
(Source –Chartering & Agency Department)

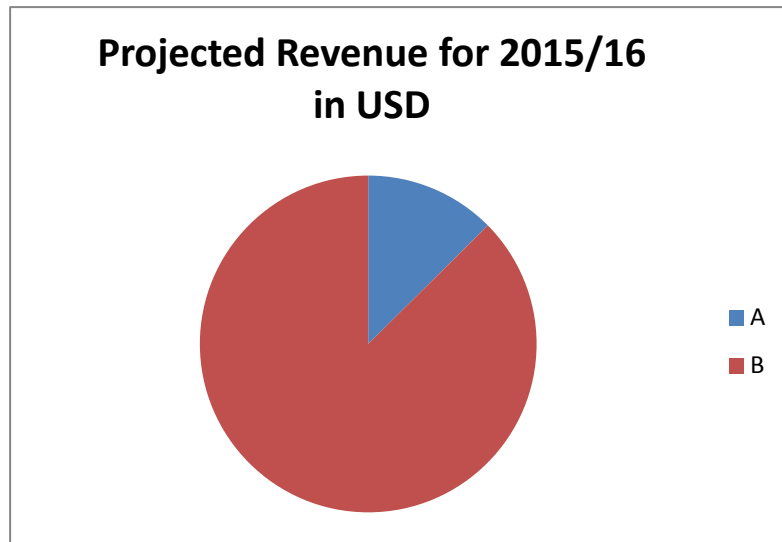


Figure VI

(Source – Chartering &amp; Agency Department)

### **3.3.6. Business Development Department**

Business Development Department has been entrusted with exploring new business opportunities and projects for CSCL.

This Department would initiate and set up new business activities for the organization and look for new market opportunities and endeavor to grab potential new businesses in order to face intense competition in the shipping industry and enhance the profitability of the organization. Followings are the main functions presently handled by the Business Development Department.

- Business plan and Business reports
- Carry out Feasibility studies on new projects
- Business negotiations for transportation of crude oil for CPC
- Securing an investor to set up an unaccompanied Baggage Warehouse
- Commercial matters related to resumption of Passenger ferry service between Thalaimannar and Rameshwaram & Colombo / Tuticorin
- Maritime training and Crew Agency functions for the vessels owned by PCL and its affiliate companies
- Represent CSCL in respect of bilateral agreement between SAARC Countries
- Compiling statistics and performance reports: - Monthly / Quarterly / Annually
- Prepare 05 years Corporate Plan for CSCL
- Business project for Floating Bunker Storage
- Negotiation for partnering with Cruse line operators
- Projects assigned by the higher management of CSCL in time to time

### **3.3.7. Technical and Coal Lightering Operations Department**

This department is responsible to supervise all aspects of the constructions of 02 new bulk carrier vessels which are being built in a shipyard in China. Functions of the Technical Department includes as follows;

- Technical functions including .Maintenance, repairs, supply of spares, supply of Bunkers, supply of crew, supply of provisions and arranging class surveys for the CSCL owned vessels.
- Function of Designated Person Ashore for owned vessels.
- Function of Company Security Officer for owned vessels.
- Implementation and maintaining of International Safety Management System on board CSCL own vessels.
- Technical functions of coal lightering operation.
- Technical Management of CEB lightering vessels (02 Nos Tugs and 03 Nos Barges and 01 Line Boat).
- Coordination with Seller/Shipyard for the new ship building project (02 Nos new bulkers) at Weihai Shipyard in China.

### **3.3.8. Finance Department**

The Finance Department provides assistance to the management of the CSCL on financial affairs, where such financial matters are conducted in an effective manner.

This department is responsible mainly for the following functions.

1. Finance, Accounting & Reporting.
2. Budgeting.
3. Treasury Operations.
4. Taxation.
5. Corporate Reporting.

The Finance Department acts as a guide to various internal departments in matters such as Finance Regulations, Circulars, rules and amendments thereon.

The Finance department consists of the following divisions.

- Revenue
- Liner/Container Service
- Payments
- Management Information
- Bookkeeping
- Supply and Crew Wages

### **3.3.9. Internal Audit Department**

This Department is an independent body and functions directly under the Chairman. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes.

The authority has been given to the Audit Committee through the Audit Committee Charter to act independently. According to the Audit Committee Charter, Internal Auditor should assist the Audit Committee through the submission of relevant reports to assist in the deliberation and Internal Auditor should arrange Audit Committee which should meet at least once in three months time.

### **3.3.10. Legal and Insurance Department**

Legal & insurance department is entrusted with all the Legal & Insurance matters of CSCL. Insurance covers are arranged by Legal & insurance department for CSCL vessel fleet, the crew, vehicle fleet, office equipment and Personal Accident and Health Insurance Cover for employees. In addition burglary covers for Cash in Transit and Cash in Safe units are also placed appropriately and handle all related claims.

The department safeguards the interest of CSCL in all the legal matters before court of law retaining the services of the prominent counsels as and when necessary.

### **3.3.11. Human Resources Department**

Human Resources department is handling all the HR related activities within CSCL.

The total 125 staff strength of CSCL is comprised of;

- Executives	-	59
- Clerical Staff	-	41
- Minor Staff	-	24
- Contract	-	<u>01</u>
Total	-	<u>125</u>

Since Shipping is an international Business, foreign and local training facilities are provided to the employees in CSCL to enhance the knowledge and skills of the Maritime Sector. In addition, CSCL provide training facilities for the undergraduates who require industrial training in fulfillment of their degree courses.

#### **➤ Local Training**

The HR department annually organizes training programs for the employees in all the departments in CSCL in association with key Training Institutions such as SLIDA, FDSL, IPM (Institute of Personnel Management), National Institute of Labour Studies, Center for Banking Studies, Academy of Financial Studies, PRAG Institute & Vocational Training Center.

➤ **Overseas Training;**

CSCL has been continuing to send one or two executives every year to follow a course of MSc. in Shipping Management at World Maritime University (WMU), Sweden under sponsorship to develop knowledge of the employees and to exchange views internationally.

Our primary objectives are to maintain high levels of professional standards and to ensure optimum utilization of Human Resource at organizational as well as national and international level.

### **3.3.12. Administration Department**

This department carries out all administration related functions of CSCL. The followings are some of the major functions currently performed by the department.

- Supervision and maintenance of the CSCL Building premises, CSCL Quarters including water supply, electricity, telephone, cleaning and the security service.
- Overall supervision of the CSCL vehicle fleet (License, Insurance, Fuel and repairs & replacements).
- Overall supervision of postal work, distribute and dispatch official letters.
- Supervision and maintenance of CSCL Telephone System.
- Supervision of repairs of office equipment and CSCL vehicles in accordance with the Tender Procedures.
- Over all supervision of CSCL Library and the General Stores.

According to the new structure of CSCL, IT department, Procurement and Building Maintenance are also the responsibility of the Administration Department.

### **3.3.13. Computer Department**

- Supervision of Net work system, administration of Web site & E-mail facilities with SLT Domain Functions and the Antivirus maintenance
- Maintaining newly implemented Tally System (Financial Package), Modified Pay roll system.
- Maintaining Electronic Cargo Manifest System Shipping Module and the ASYCUDA system (Online entry process of CUSDEC with the Custom System).
- Overall supervision Backup system, Hardware & Software maintenance and purchasing software & spares.

### 3.4. Our Resource Base

#### ➤ Human Resources

##### **Chairman and Board of Directors**

Shashi Dhanatunge	Chairman
G.D.M De Silva Gunasekara	Executive Director
M. Wijeyewickrema	Director
E.J.Edirithilake	Director
P.W.Sirimanne	Director
T.S.Nanayakkara	Director
A.K.Senevirathne	Director (Treasury Representative)

##### **Team of Management**

S. M. D. N. Dharmapriya	General Manager
E. M. S. Perera (Mrs.)	Deputy General Manager (Legal/Insurance & Human Resources)
Vikum Pradeepa	Finance Manager
S. L.Rajapakse	Technical Manager
C. Jayasinghe (Mrs.)	Business Development Manager
M.M.J.Indraneela (Miss)	Manager (NVOCC, Logistics, Documentation & Marketing)
Prasanna Samaranayaka	Legal & Insurance Manager
Y.Ponnamperuma	Internal Auditor
I.Danthanarayane	Acting Manager (Chartering & Agency)
Lalith Gunarathne	Head of Administration

Under several voluntary retirement schemes, CSCL has successfully retrenched 232 employees since 1992 until 2005. The Corporation has 125 permanent employees as of today, which includes skilled, trained and professionally qualified staff.

#### ➤ Physical Resources

- Ships

The last ship was added to the national fleet of ships owned and operated by CSCL way back in 1983. Although it possessed a considerable number of ships throughout its renowned history, by the year 2013, CSCL had only two small multipurpose ships of 30 years old in its fleet. The last ship of the fleet was sold off in the year 2014.

CSCL is in the process of building 02 new Ultramax sized dry bulk vessels being under construction intended for the carriage of coal for the Ceylon Electricity Board. Accordingly CSCL has entered in to a contract with AVIC Shipyard, China with the financing by the Peoples Bank of Sri Lanka at a cost of USD 35 million each. The first vessel is scheduled to be delivered on or about 15<sup>th</sup> November 2015 and the second vessel will be delivered on or about 05<sup>th</sup> February 2016.

- **Buildings**

CSCL does not have an own building for the office except for two residential Quarters. The management is exploring the opportunities to construct an office building for CSCL in affiliation with the Sri Lanka Ports Authority.

➤ **Investments**

CSCL has investments in following companies;

- Ceylon Shipping Lines – 156,948 shares valued of Rs. 35.1 Mn (39% of shares are now retained with CSCL).
- Ceylon Port Services Ltd – 5,000 shares (value: Rs 2.09 Mn).
- Mercantile Shipping Co – 238,506 shares (value: Rs. 21,607,005).
- Ceylon Shipping Agency Pvt Ltd, Sri Lanka – Fully owned subsidiary of CSCL currently pending wind up.
- Ceylon Shipping Agency Pvt Ltd, Singapore – 24,500 shares (value: Rs. 4.9Mn).
- Associated Newspapers of Ceylon Ltd – 31,206 shares (value: Rs. 4,680,900).
- Sri Lanka Port Management & Consultancy Ltd – 1,500 shares (value: Rs.15, 000 this is an Investee Company).
- Lanka Coal Company Ltd – (200,000 shares valued at Rs. 2 million).

### 3.5. Maritime Education

CSCL used to provide essential sea training for the Engineering Cadets (students) of the Moratuwa University for years on its owned vessels and the last ship was Mv.Lanka Mahapola which was used to provide this practical onboard training. With the chartering out of the vessel on bareboat charter, CSCL was not able to continue this service as per the charter terms since the crew was engaged by the charterer.

In view of above, the Moratuwa University students found it difficult for some time to complete their courses. The same fate befell on the Cadets of the Mahapola Training Center of the Sri Lanka Ports Authority. Therefore, the continuance of these courses by the Moratuwa University and the Mahapola Training Center has been at stake until CSCL acquire ships in the future.

There are 04 government owned and 03 privately owned Maritime Training institutes in the country to provide the theory phases of seafarers training as given below. Due to lack of ships belonged to CSCL there have always been a backlog both nautical & engineering cadets waiting for sea training for months or years after completion of their academic courses.



- **Nautical Institutes**

- Government Institutes

1. Institute of Engineering Technology –Katunayaka
2. University of Moratuwa
3. Ocean University of Sri Lanka
4. Mahapola Training Institute

- Private Institutes

1. CINEC
2. Lanka academy of technological studies (Pvt) Ltd
3. Mercantile Seaman Training Institute

Presently there are about 1,300 cadets and ratings waiting for sea training. They can immediately earn USD 3,000 per month at the 3<sup>rd</sup> officer/ 3<sup>rd</sup> engineer level if they complete initial courses including on board sea training. Once these junior offices reach the pinnacle of their carrier as the Master mariner and Chief Engineer after about 12-15 years they can earn USD 10,000- 12000/per month which will be a vast potential of earning of foreign exchange to the country.

CSCS was determined to find a solution to this problem in the country without waiting for delivery of CSCS owned 02 vessels which are being built in the Chinese ship yard.

It was with that noble intention of providing relief to the state of affairs in sea training that CSC developed a “Business Model” that can address the sea training problem by finding the best capable partners to CSC for the carriage of coal. Accordingly, it was able to find a partner for coal transportation M/S PCL Shipping PVT LTD, Singapore who has agreed to provide 100 sea training billets for Sri Lankan trainee Seafarers during their 03 years contracted period of carriage of coal and also provide employment opportunities for Sri Lankan seafarers on their fleet of ships. CSCS has secured crew agency in Sri Lanka of PCL & its following 03 Subsidiary companies.

1. PSM Perkapalan SDN BHD, Singapore
2. Sandigan Ship Management Pte. Ltd., Singapore
3. Synergy Maritime Recruitment Services Pvt Ltd., India
4. Wilhelmsen Marine personnel (Hong Kong) limited.,Malaysia

<b>Maritime Training provided to the cadets for a period of 03 Months 01<sup>st</sup> January to 31<sup>st</sup> March 2015 by CSCL</b>				
Categories of Cadets	University Of Moratuwa	CINEC	Mercantile Training Institute	<b>Total</b>
Deck Cadets	04		02	<b>06</b>
Engine Cadets	01			<b>01</b>
Electrical Engineering Cadets		02		<b>02</b>
<b>Total</b>	<b>05</b>	<b>02</b>	<b>02</b>	<b>09</b>

Table IV  
(Source –Business Development Department)

Most of the countries (i.e. Japan, China, India & Philippines) have separate dedicated institutions to provide sea training for the youth of the country aspiring to be seafarers since seagoing is a very lucrative foreign exchange/ saving mode for any country. Countries like Philippines, India have adeptly grabbed this opportunity by direct intervention of the respective Governments. Since the Sri Lankan Government is taking all steps to increase foreign exchange earnings through the export of skilled labour instead of unskilled labour, it is high time that CSCL to run a dedicated “Training Ship” the cost of which should be financed by the National Budget under the vote of Higher Education or Vocational Education. The deficit between the course fees and operating costs of the Training Ship will be outweighed by the foreign exchange earnings with long term benefits for the economy/ society.

### 3.6. Empowering CSCL as the National Carrier

CSCL now functions under the Companies Act and has adopted a Memorandum and Articles of Association, which provides a considerable degree of autonomy to the institution. Therefore, the necessary regulatory framework is in place for CSCL to forge ahead as an enterprise, generating its own funds for future expansion and growth.

The trade bodies of Sri Lanka, which were instrumental in liberalization of shipping, have now, realized the necessity of a strong national fleet. They have emphasized and highlighted the need of revamping the National Carrier, due to various bitter experiences encountered in the hands of cartels of foreign lines that increase freight rates and other related expenses at their whims and fancies.

Sri Lankan exporters and importers have been facing various problems such as shut-out of cargo, roll-overs, non-availability of containers, sailings and space, by-passing of vessels at short notice, freight rate increases in every 2-3 months, application of surcharges, lack of consultation between ship owners and trade bodies etc which ultimately discourage Shippers and Consignees in various aspects. Rate stability and frequent sailings are of utmost importance for shippers. Fixed sailings are required for planning productions ahead and exporting goods to foreign markets satisfying today’s just-in-time logistics and supply requirements of buyers with minimum warehousing.

The present management has realized the pitfalls of a pronounced Public Dimension is seeking to infuse CSCL with a strong Enterprise Dimension to implement strategies to once again reach and sustain the pre-eminent position it enjoyed in the past and to meet the expectations of the trade. Internal and external environments are conducive for such revival.

### 3.7. CSCL Performance during 2009 - 2014

The following Chart (Figure VII) shows the source of net profit generated over last 05 years.

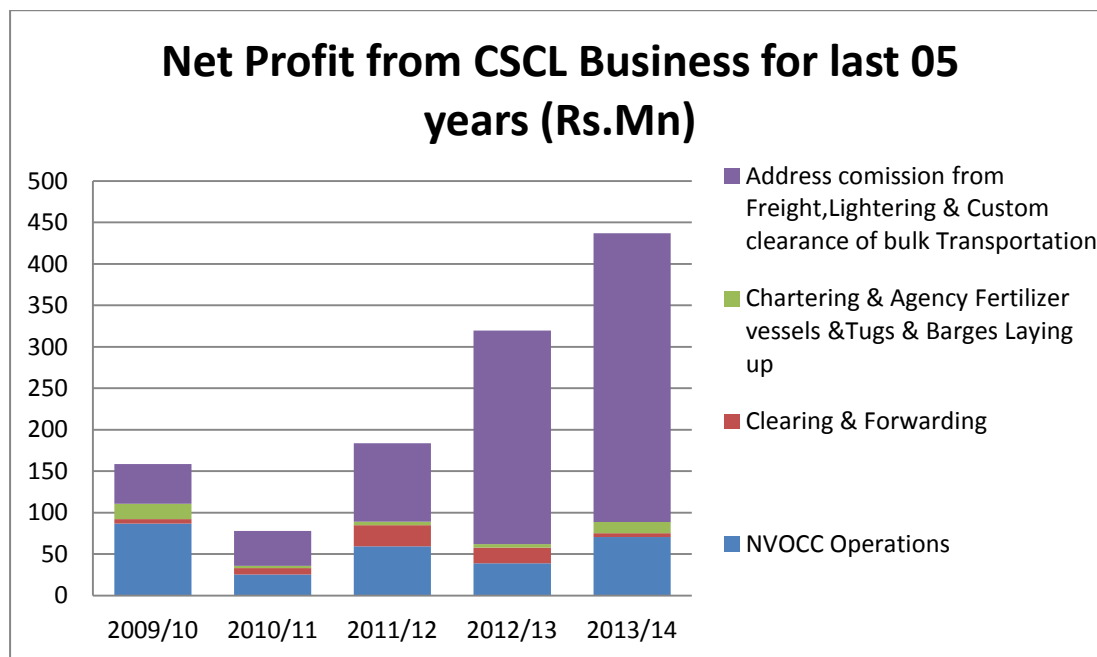


Figure VII  
(Source: - CSCL Annual Reports & Departments' Records)

#### 3.7.1. Carriage of Government and Non- Government Cargo on NVOCC basis – (Non Vessel Owning Common Carriers)

This Scheme has been a way of steady income for CSCL and effective mechanism in saving freight cost of government institutes in terms of foreign exchange. The Marketing force of CSCL does an aggressive cargo canvassing from the government institutions that do not support CSCL under the Circular No 415 dated 6<sup>th</sup> May 2005 issued by Department of Public Finance.

For many years, imports into Sri Lanka have been more than exports in both value terms and by volumes. As per the 2013 Central Bank Report, total value of imports in that year was Rs. 2,324 billion.

Assuming that the share of import cargo by the government sector is about minimal 15% of this value and the freight quantum is about nominal 3%, govt. sector freight bill for shipments on liner vessels could estimate about Rs. 69.72 billion. If at least 10 % of this estimated freight bill payable to foreign lines could be saved by securing business for CSCL foreign exchange to the turn of Rs. 6,972 million could be retained within the country.

This is not an optimistic estimation. CSCL continues to serve export and import trades on NVOCC basis since CSCL has no owned fleet suitable to operate liner services. This operation is handled by the Department of Liner and Documentation. CSCL has not been able to recommence liner services due to lack of capital to acquire new vessels which is very capital intensive.

On NVOCC basis, CSCL carries cargo in many trade lanes such as Europe, Far East, USA, Australia, New Zealand, Black Sea, Mediterranean, India, Pakistan, Bangladesh etc. earning decent profits from these activities.

**Profits earned from NVOCC operation during past 8 years**

Rs. Mn.

Year	Revenue	Cost	Profit
2006/07	245.29	167.76	77.53
2007/08	334.37	245.81	88.56
2008/09	551.01	422.53	128.48
2009/10	281.35	194.68	86.67
2010/11	163.55	138.02	25.53
2011/12	221.94	162.68	59.26
2012/13	527.00	488.00	39.00
2013/14	243.01	172.58	70.43

Table V

Source: CSCL- Annual Reports

Despite the fact that outlook for shipping industry was not so promising due to the impact of global financial crisis in the past few years, CSCL continued to engage in its core business sector of NVOCC operation in a profitable manner.

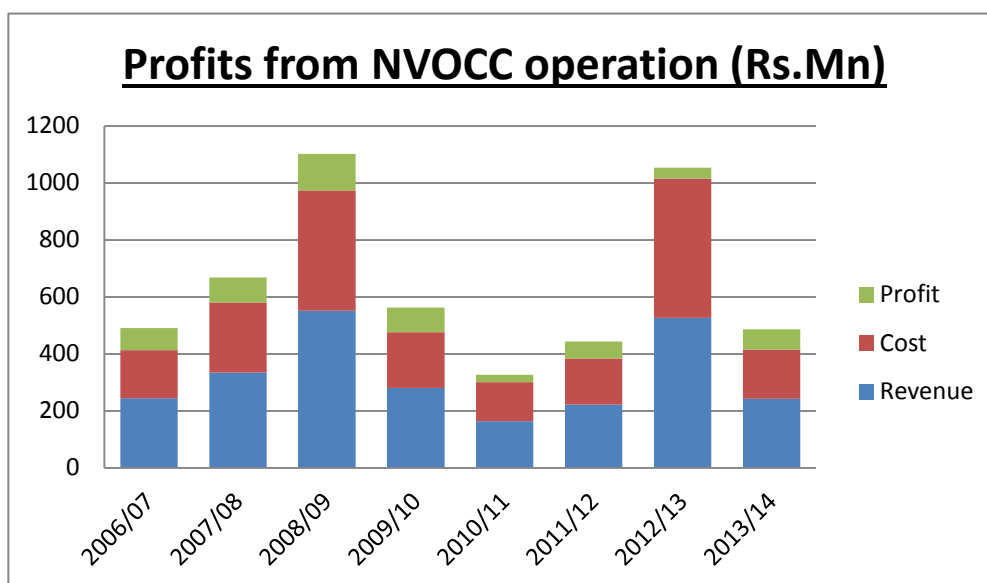


Figure VIII

(Source: CSCL- Annual Reports &amp; Department Records)

Due to the impact of global economic crisis CSCL also had to experience a downward trend in profits earned throughout the period concerned. In view of the current difficult conditions which are affecting not only CSCL but almost all business sectors in the economy due to global economic downturn, CSCL has been trying its best to secure more government sector business.

However, the continuation of Government Sector Import Cargo Reservation Scheme under Public Finance Circular no.415 dated 06/05/2005 is a major success factor for CSCL.

### 3.7.2. Customs Clearing and Forwarding

Even though clearing and forwarding business is very competitive, CSCL has achieved a considerable progress in this sector. CSCL offers these services for government sector as well as for private sector customers.

CSCL's total logistics solutions include, but not limited to; fumigation, obtaining approvals from various authorities such as Forest Dept. Archaeological Dept, Quarantine, etc. on behalf of customer, packing, labeling, stuffing, lashing, securing cargo in containers, picking up from door to the CFS or port, Customs clearance and delivery up to the door at the destination country with value added services. Depending on the requirements of customers CSCL can offer tailor-made logistics solutions.

CSCL is planning to capture more private sector customers in future, by enhanced marketing efforts and offering most competitive rates and quality service. Presently, CSCL provides total service package by outsourcing transport requirements, which is very costly. CSCL intends to increase profit margins with the infusion of additional resources such as setting up of a warehouse, more wharf personnel and vehicles and thereby cutting costs.

**Net Profit Generated from Cargo Forwarding and Clearing**

Year	Net Profit (Rs.mn)
2006/07	0.48
2007/08	6.25
2008/09	4.99
2009/10	5.32
2010/11	7.44
2011/12	25.72
2012/13	19.0
2013/14	4.88

Table VI

Source: CSCL- Annual Reports / Provisional Accounts

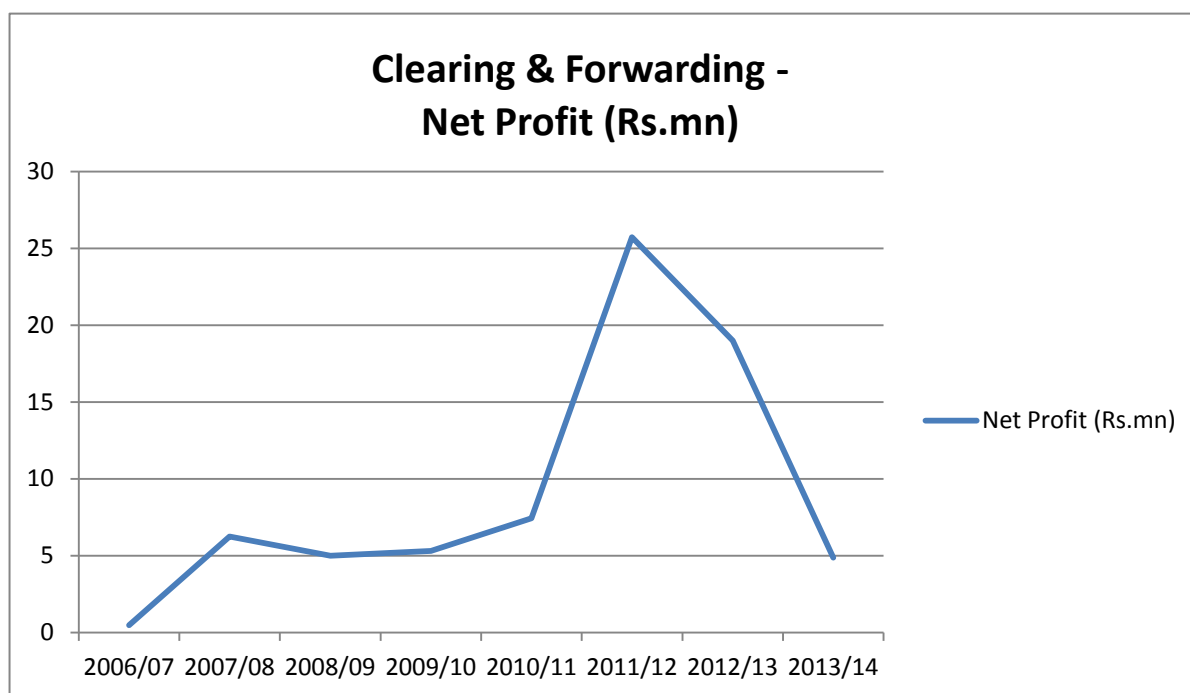


Figure – IX

(Source: CSCL- Annual Reports &amp; Department Records)

Customs clearing and Forwarding section as one of the lucrative business segments of CSCL had increased their profits year by year bringing favorable financial supports CSCL. CSCL handles most of Government cargoes of Ministry of Foreign Affairs, Sri Lanka Railways, Sri Lanka Broadcasting Corporation, State Pharmaceutical Manufacturing Corporation and shipments of local Universities etc. Net profit of the department has been decreased by 24% over the last financial year due to the competition and high cost of service.

### 3.7.3. Carriage of Coal for Lakvijaya Power Plant

Coal requirement of CEB's current coal fired thermal power plant is as follows.

Power Plant	Unit	Generating Capacity (MW)	Operational from (year)	Coal requirements (Per annum) MT
Lakvijaya at Puttalam	1	300	2010	750,000
	2	300	2013	750,000
	3	300	2014	750,000
Total				2,225,000

Table – VII

Lanka Coal Company (Pvt) Ltd. (LCC) has been established as a subsidiary of Ceylon Electricity Board for the supply of coal for CEB's coal fired power plant, by a Cabinet decision. Other stake holders of LCC are General Treasury, CSCL & Sri Lanka Ports Authority. Coal transportation to the power plant involves two modes;

1. From load ports to anchorage of the port of Puttalam, situated about 4.2km offshore, by Supramax/Panamax sized bulk carriers.
2. From anchorage to Jetty of the plant by self-propelled barges (Lightering Operation)  
The following chart denotes the physical & financial output of the coal operation of last five years from its beginning.

The following chart denotes the physical & financial output of the coal operation of last five years from its beginning.

### Performance of Coal transportation- 2009/10 to 2013/14

#### Net Profit on Freight earned from Coal Transportation

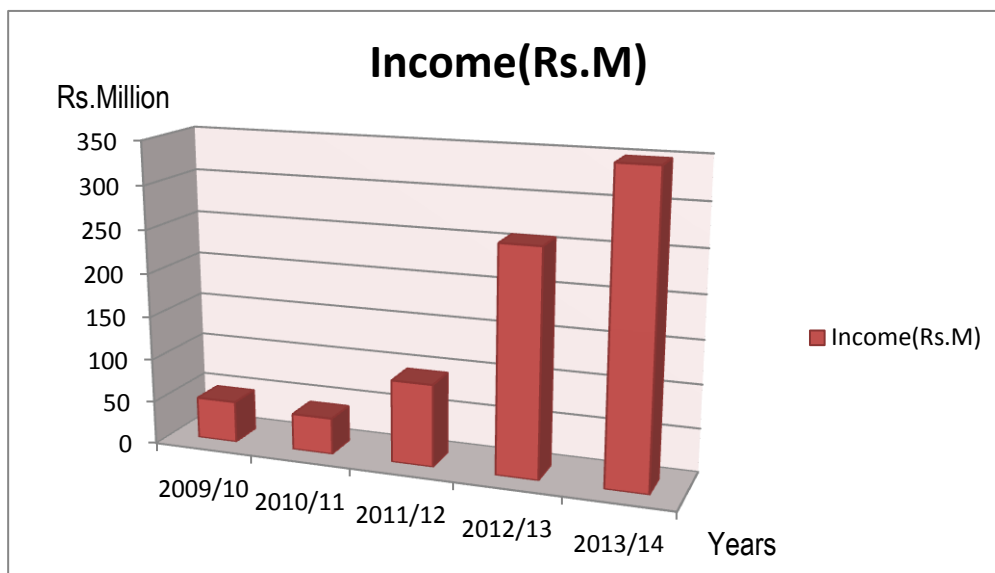


Figure X

### 3.7.4. Chartering and Agency Functions

#### Annual Income from Agency Functions, Charter Hire and Coal Transport

Year	Agency fee (SLRS)
2006/07	8,337,830.83
2007/08	27,726,131.08
2008/09	24,821,132.78
2009/10	18,761,020.86
2010/11	2,816,592.50
2011/12	4,079,820.00
2012/13	5,003,500.00
2013/14	13,252,000.00

Table IX

Source: Department of Chartering & Agency



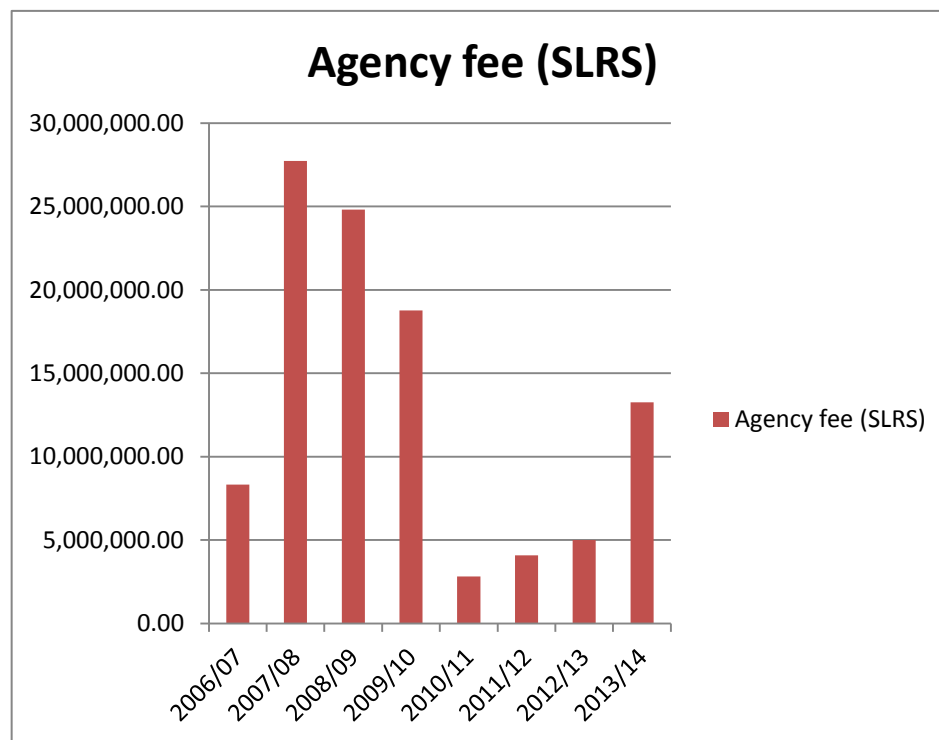


Figure XI

Source: Department of Chartering &amp; Agency

The above chart denotes overall income from Chartering & Agency functions handled by CSCL, which shows a substantial decrease in last 3 to 4 years. CSCL performed the agency functions for the Commissioner General of Essential Services (CGES) to carry essential goods to North from 1995 and it generated a considerable income to CSCL but CGES ceased operation and therefore CSCL lost the agencies in 2009. (Mv. Mercs Yala off hired on 16<sup>th</sup> March 2009 and Mv. Mercs Ruhuna off hired on 19<sup>th</sup> February 2009)

Lanka Muditha, which is one of the vessels of CSCL chartered to Sri Lanka Navy off hired in February 2010. This department started to make less income mainly due to the loss of CGES's chartered vessels operation and also the redelivery of Lanka Muditha by Sri Lanka Navy. Further, this department handled the Colombo port agency of coastal tankers operated by the Ceylon Petroleum Corporation for carriage of petroleum products to North of Sri Lanka. However, with the opening up of A9 road, it became less costly to transport oil products by road to the North and therefore sea transportation was discontinued which affected vessel agency earnings for CSCL. This department presently handles the port agency functions for the vessels carrying coal to the country under the agreement with the partner – M/s PCL, Singapore.

### 3.7.5. Crude Oil Transportation for Ceylon Petroleum Corporation

CSCL re-commenced carriage of Crude oil for CPC in November 2014 after its operation ceased in 1994 under joint venture arrangement with CPC and operated the tanker vessel, M/T Janashakthi. In terms of the Cabinet approval granted on 19<sup>th</sup> June 2014, CSC selected a partner, M/s Luna Shipping Enterprises to cater to the transportation of crude oil from Jebel Dhanna, UAE and commenced operation in early November 2014.

Following are the details of shipments carried during November 14 to early January 2015.

Vessel's Name	Sailed Jebel Dhanna – Port of Loading	Arrived Colombo SPBM	Quantity Carried
MT. Gemina	25/10/2014	04/11/2014	86,492 MT
MT. Al jalaa – V- 01	14/11/2014	25/11/2014	88,087 MT
MT Al jalaa – V- 02	04/12/2014	12/12/2014	83,960 MT

Table IX

Source: Business Development Department

Due to a dispute M/s Luna Shipping Enterprises had with the head owner of the vessel the interruption of this operation occurred. The negotiations are underway to resolve the matter amicably with tri-parties.

Meantime, CSCL has sent a new proposal with Memorandum of Agreement to CPC to jointly work with them for transportation of crude oil for which the feedback from CPC pending.

### 3.8 Contribution to the National Economy

Ceylon Shipping Corporation Ltd., as a National Carrier in Sri Lanka contributes to the National Economy in following areas.

- Transportation of coal which is required for Lakvijaya Power Plant which generates electricity to National grid at cheaper rate in compared with most of the other power generating sources.
- Saving of freight bills in terms of foreign exchange for the Government institutions at large by carrying their import cargoes at competitive lower freight rates on FOB terms under the Government sector Import Cargo Reservation Scheme than the higher freight rates which would have been incurred on CIF terms.
- Foreign exchange earnings through local agency service for Fertilizer vessels.
- Providing Maritime training for Sri Lankan merchant shipping Cadets.
- Maintaining Profit and Financial contribution towards the General Treasury by way of dividend.

## 3.9. Internal & External Analysis

### 3.9.1. SWOT Analysis

<b>a) <u>Strengths;</u></b>
<b>Corporate</b>
<ul style="list-style-type: none"> <li>• 100 percent government owned National Carrier.</li> <li>• Worldwide agency network.</li> <li>• Location: - Location of the office premises is adjacent to the Port of Colombo and all operational and commercial activities are within manageable time.</li> <li>• Cargo reservation Scheme through Public Finance Circular No. 415</li> </ul>
<b>Goodwill</b>
<ul style="list-style-type: none"> <li>• CSCL was the most successful and well known government enterprise in the Liner Shipping, Chartering, Brokering and Agency Business and was Star Performer in the Indian Sub-Continent to Europe route. CSCL Bills of Lading is held in high reputation in this route.</li> <li>• Most of the Shipping professionals working in the Sri Lankan Shipping industry have been trained by CSCL.</li> <li>• Training opportunities have provided for Sri Lankan Cadets to create qualified seafarer base in the country.</li> </ul>
<b>Government</b>
Government backing with Reservation Scheme and giving opportunity to match the freight rates.
<b>Financial</b>
<ul style="list-style-type: none"> <li>• Self-running on owned funds without financial assistance of Treasury since 1998</li> <li>• Positive level of working capital to manage current business activities</li> <li>• Regular income from Coal Transportation.</li> </ul>
<b>Human Resource</b>
<ul style="list-style-type: none"> <li>• Professional trained and experienced staff.</li> <li>• 19 out of 59 executives have trained abroad (32%).</li> <li>• 04 executives are holding professional qualification in Shipping MICS (Members/ Fellows of Institute of Chartered Shipbrokers, London).</li> <li>• 11 executive officers possess Msc. in Shipping.</li> <li>• Committed and motivated workforce to work on time.</li> <li>• Personnel reputation on rendering good services.</li> </ul>

<b>b) Weaknesses;</b>	
<b>Corporate</b>	<ul style="list-style-type: none"> <li>• Overall Productivity of rendering services is low due to bureaucracy</li> <li>• Promotions and increments are based on experience (seniority) instead of performance</li> <li>• Over staff in certain categories. Heavy paper works due to lack of integrated network</li> <li>• Human resources requirements and recruitment are reflecting different ways due to preferences and interference</li> <li>• Inability to exercise real commercial and operational functions due to government AR and FR</li> <li>• Lack of autonomy to make quick decision on competitive shipping market</li> <li>• Traditional administrative practices that kill the time and opportunities</li> <li>• Unavailability of own office premises.</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>• Lack of capital to make use of new profitable business opportunities available today</li> <li>• Delay in receiving freight payments from public sector customers</li> <li>• Inability to secure financial guarantee from Treasury</li> </ul>
<b>c) Opportunities;</b>	
	<ul style="list-style-type: none"> <li>• <b>Expansion of target market</b></li> <li>• Since public entities are motivated to increase their ongoing output there expected to be an expansion of the target market to CSCL especially for NVOCC and logistic sector.</li> <li>• New projects of the Government such as Puttalam Coal Power Plant phase i and ii, redesigning and expansion of Sri Lanka Railways are creating needs of shipping and logistics.</li> <li>• New ports being developed in the country will offer more shipping and logistics opportunities to CSCL to commence coastal cargo and passenger services and ship agency representations and ship supply service.</li> <li>• Interest shown by reputed foreign ship owners and operators to work jointly with CSCL in venturing in to new business activities.</li> </ul>
<b>d) Threats;</b>	
	<ul style="list-style-type: none"> <li>• With disposing of 02 owned vessels, L/Mahapola and L/Muditha, CSCL presently carries out its business without its owned fleet.</li> <li>• Government policy changes on public enterprises would impact on CSC's future.</li> <li>• Negative fluctuation of charter market.</li> <li>• Many of the top level managers who are nearing retirement and non-availability of trained, competent staff to fill this gap.</li> <li>• Dry bulk charter market is presently undergoing slump which would be affected to the cash flows of CSCL when the nearly built vessels are taken delivery.</li> </ul>

## **3.9.2 External Environment**

### **3.9.2.1 Regional Environment in Shipping Industry**

Neighboring India has become one of the biggest import and export centers in the world. Cargo movements between India and Sri Lanka are on the increase and this is expected to further grow with impending conclusion CEPA between the two countries. Moreover Sri Lanka being one of the important gateway locations for Indian Cargo movements to the rest of world, shipping and port sector in Sri Lanka will have greater opportunities for further development.

### **3.9.2.2 Country Environment in Shipping Industry**

Peace benefits are currently spreading all over the country creating new business opportunities in a sound economic and social environment. Many reputed foreign companies engaged in the shipping industry are showing keen interests for joint cooperation with CSCL for new business ventures. The government policy on supporting to empower and strengthen the Public Enterprises in Sri Lanka has uplifted the commercial activities of organization such as CSCL to be profit earning centers.

## **3.9.3. Achieving towards Maritime Hub Status in Sri Lanka**

In terms of the Government Policy, Maritime Hub status in Sri Lanka is one of the strategies to develop maritime industry in Sri Lanka. Following actions have been highlighted in achieving this objective.

- Develop Sri Lankan ports to provide fastest & efficient services.
- Regulations for shipping trade.
- Promulgating regulations to suit present & future aspirations of the shipping industry in Sri Lanka.
- Strengthening National Carrier to own and operate ships and cater for growing demand for seafarers training.
- Strengthening of the status of Director General Merchant Shipping.
- Cruise Tourism Industry.
- Developing maritime training & recruitment.
- Develop passenger ferry activities in the Indian Ocean.

### 3.10 Key Performance Indicators (KPIs)

No	Objectives	Activities/ Strategies	KPI's	Baseline year	Targets/ Lead Unit					Remarks
					2015/16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	
<b>1</b>	<b>Thrust Area - Shipping &amp; Logistics Services</b>									
1.1	Facilitation of Government sector Import Cargo	Non Vessel Owning Common Carr ( NVOCC) Operation	Cargo movements (TEUs) Freight Tons(F/T) Vehicles handled (Units)	658 5,010.18 0	732 2,418.00 5	769 2,538.90 5	807 2,665.85 6	847 2,799.14 6	890 2,939.09 6	Services of NVOCC operation >Exports - From Colombo to any port of globe >Imports from; Indian Subcontinent Far East Australia Pacific Middle East North Continent Europe etc.
1.2	Providing logistic solution with value added services for import & export cargo (Total Logistics solutions)	> Clearing & Forwarding activities > Door to Door delivery Service > Packing, stuffing ,de-stuffing, forwarding,transporting,fumigatin	Number of jobs handled	471	536	563	591	620	652	Jobs handled in Govt. & Private sector organizations >Ministry Of Foreign Affairs >State Engineering Corporation Ltd. >Sri Lanka Broad Casting Corporation >University of Moratuwa  >University of Ruhuna >Medical Supplys Division >Srilanka Railways
1.3	Providing Chartering ship brokering & Ships and Port Agencies service	> Ships Chartering > Ships Agency > Port Agency service  > Owner agency > Charterer agency > Receivers agency > Project studies >Crew handling	Receivers Agency Fertilizer Vessels CEB Tugs & Barges Laying-up Ad hoc callers * port agency(cbo/putla * crew handling	19 6 0 0	25 6 12 12	26 6 13 13	27 6 14 14	28 6 15 15	29 6 16 16	> Handling receivers agency of Fertilizer vessels calling Colombo > Handling Coal Agency lay-up of tugs & Barges  >Handling port agency and crew handling on Colombo Putlam

### 3.10 Key Performance Indicators (KPIs)

No	Objectives	Activities/ Strategies	KPI's	Baseline year	Targets/ Lead Unit					Remarks
					2015/16	2016/ 17	2017/ 18	2018/ 19	2019/20	
<b>2</b>	<b>Thrust Area - Facilitation for upgrading National Grid</b>									
2.1	Transportation of Coal for the National Coal Power Project at Norochcholai	<ul style="list-style-type: none"> <li>&gt; Operation of Coal Vessel's Bulk Carrier for Norochcholai Power plant</li> <li>Propel Barges</li> <li>&gt; Lightering operation</li> <li>&gt; Custom Clearance of Coal Vessels</li> <li>&gt; Vessels' Dispatch</li> </ul>	<ul style="list-style-type: none"> <li>Number of Bulk vessels handled</li> <li>Number of months operated per annum</li> <li>Number of Tons carried (MT)</li> <li>Number of vessels</li> <li>Number of hours</li> </ul>	31	32	32	32	32	32	<ul style="list-style-type: none"> <li>&gt; Transportation of Coal for the Coal Power Plant Project at Norochcholai to generate 900MW. Electricity to National Grid under phase - I,II and III</li> <li>&gt; From total time yield</li> </ul>
<b>3</b>	<b>Thrust Area - Sustainability &amp; Commercial Viability &amp; developing the country as Maritime Hub</b>									
	<ul style="list-style-type: none"> <li>&gt; Stengthening National Fleet</li> <li>&gt; Transportation of Coal required for</li> <li>&gt; Saving of Foreign Exchange</li> <li>&gt; Training of Seafarers in the country</li> <li>&gt; Creating job opportunities in the Maritime field</li> <li>&gt; Increasing job opportunities</li> <li>&gt; Strengthening Sri Lankan Flag of Registry</li> <li>&gt; Developing Logistics Sector</li> <li>&gt; Ship Chandelling</li> <li>&gt; Bunkering operation</li> <li>&gt; Building of a nationality own fleet and strengthening of CSC as a National Carrier</li> <li>&gt; Developing ports &amp; domestic shipping sector</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Purchase of 02 "PANAMAX" Bulk Vessels</li> <li>&gt; Purchase of tanker vessel " SUEZ MAX" Crude Oil Tanker</li> </ul>	<ul style="list-style-type: none"> <li>Freight tons for 02 vessels</li> <li>Time Charter hire</li> <li>Number of voyages handled</li> <li>Freight Tons (F/T)</li> </ul>		126,000	126,000	126,000	126,000		<ul style="list-style-type: none"> <li>63000 MT per vessel</li> <li>&gt;CSC will be placed order for 02 new buildins of Panamax vessels which would be delivered for operation first vessel by November 2015.</li> <li>02nd vessel by February 2016</li> <li>&gt; It is intended to Charter out two Panamax Bulk Vessels for suitable partner with the recovery of Dry bulk time charter market</li> <li>&gt; It is expected to deploy Suesmax vessel for crude Oil business</li> </ul>

### 3.10 Key Performance Indicators (KPIs)

No	Objectives	Activities/ Strategies	KPI's	Baseline Year 2014/15	Targets/ Lead Unit					Remarks
					2015/16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	
<b>4</b>	<b>Thrust Area - Developing Human Resources in the Maritime Sector &amp; Providing Training Opportunities to Seafarers</b>									
	To provide professional training for youth seafarers/marine officers & ratings >saving foreign exchange >training sea fareres >strengthening National fleet	> providing for Mandatory Navigation Training > providing training for Marine Engineering Cadets >Sea training for Ratings > Crew Agency Functions	Number of Students > Navigational Courses > Engineering Courses > Ratings total	10	50	100+56	100+56	100+56	100+56	01. Mandatory on board practical training under third party vessels will be provided by CSCL. 02. Panamax vessels ordered by CSCL will be designed to accomodate 28 Trainees per vessel.
				(started at the end of year 2014)						
<b>5</b>	<b>Thrust Area - Infrastructure &amp; Services</b>									
	Facilitation of Unaccompanied Baggageged Clearance	> UPB Opearation > Custom Bonded Ware house	Container 40' Movements ( Forty Equevalent Units) (FEU)		40	50	60	75	100	> Licence to operate Custom Bonded Warehouse/ UPB operation to be obtained from the Ministry of Finance/ SL. Customs > CSCL intends to purchase or hire on lease basis a earehouse to carry out UPB operation mainly to cater clearance of Baggage of Sri Lankan expatriates.
<b>6</b>	<b>Thrust Area -Facilitate for Crude oil transportation</b>									
	Catering for Carriage of Crude Oil from UAE/Oman/Iran	> Charter a Tanker vessel on voyage charter to transport of 02 Million MT Crude oil per annum > Acquire Auezmax Tanker vessel	> Freight ton ( MT) > Brokerage Commission			2 Mn	2 Mn	2 Mn	2 Mn	> Negotiation/ Co-ordination with CPC to facilitate Carriage of Crude Oil for the country from the Ministry of Finance/ SL. Customs > Saving of Foreign exchange drain out of the country



### 3.11. Corporate Strategies

Based on the objectives mentioned above, following strategies are implemented to achieve targets and goals of the Organization.

Item	Activity	Key responsible officer/ Department
S1	<p>❖ <b><u>Development of NVOCC Operation</u></b></p> <p>a) Securing all government sector import cargo under Cargo Reservation Scheme</p> <p>b) Negotiations with Mega Carriers/ Ship owners to get concessionary rates for space hire</p> <p>c) Guiding &amp; monitoring Foreign Agency network</p> <p>d) Expansion of Marketing Strategies</p>	<p>❖ <b>Manager(Liner, Commercial, NVOCC &amp; Marketing)</b></p>
S2	<p>❖ <b><u>Fully Pledged Logistic Solution</u></b></p> <p>a) Door to door delivery services with value added supportive services</p> <p>b) Cater for all government sector logistics service</p> <p>c) Guiding &amp; monitoring field staff</p> <p>d) Reduction of clearing time</p> <p>e) Expansion of Marketing Strategies</p> <p>f) Infrastructure development</p> <p>g) Minimizing cost of Business</p>	<p>❖ <b>Manager (Liner, Commercial, NVOCC &amp; Marketing)</b></p>
S3	<p>❖ <b><u>Transportation of Coal for the Coal Power Plant</u></b></p> <p>a) Deliver efficient service for transportation of coal on Bulk Vessels</p> <p>b) Take care of lightering operation</p> <p>c) Business optimization</p> <p>d) Effective Agency related &amp; Customs clearance service for Coal Project</p> <p>e) Extension of contracts/ approvals</p>	<p>❖ <b>General Manager</b></p> <p>❖ <b>Technical Manager</b></p> <p>❖ <b>Acting Manager (Chartering &amp; Agency)</b></p>

### 3.11. Corporate Strategies

Item	Activity	Key responsible officer/ Department
S3	<p>❖ <b><u>Transportation of Coal for the Coal Power Plant Project</u></b></p> <p>f) Deliver efficient service for transportation of coal on Bulk Vessels</p> <p>g) Take care of lightering operation</p> <p>h) Business optimization</p> <p>i) Effective Agency related &amp; Customs clearance service for Coal Project</p> <p>j) Extension of contracts/ approvals</p> <p>k) Taking measures for the continuation of coal transportation &amp; lightering operation and negotiate with CEB, LCC and the Government</p> <p>l) Deploy 02s new PANAMAX Bulk Vessels of DWT 63,000 for this operation</p> <p>m) Contract of Affreightment (COA) with LCC/ CEB</p> <p>n) Joint partnership with a suitable operator to deploy additional vessels required for the carriage of coal</p>	<p>❖ <b>General Manager</b></p> <p>❖ <b>Technical Manager</b></p> <p>❖ <b>Acting Manager (Chartering &amp; Agency)</b></p>
S4	<p>❖ <b><u>Chartering &amp; Agency Ship brokering functions</u></b></p> <p>a) Uplifting of Ship Agency, Port Agency, Receivers' Agency &amp; Ship brokering functions</p> <p>b) To engage in Trading Services</p> <p>c) Expansion of Marketing Strategies</p>	<p><b>Acting Manager (Chartering &amp; Agency)</b></p>

### 3.11. Corporate Strategies

Item	Activity	Key responsible officer/ Department
S4	❖ <b><u>Chartering &amp; Agency Ship brokering functions</u></b> d) Uplifting of Ship Agency, Port Agency, Receivers' Agency & Ship brokering functions e) To engage in Trading Services f) Expansion of Marketing Strategies	❖ <b>Acting Manager (Chartering &amp; Agency)</b>
S5	❖ <b><u>Strengthening National Fleet</u></b> a) Proceed with acquiring 02 new building vessels b) Coordination with Treasury & Ministry facilitate of vessels c) Coordinating with Ship Yards & Ship Financier and other relevant parties d) To acquire tanker vessel	❖ <b>General Manager</b> ❖ <b>Technical Manager</b>
S6	❖ <b><u>Maritime Training</u></b> a) Providing Mandatory Practical training on board CSCL vessels (which are to be purchased by CSCL) b) Coordination with Govt. & Private Maritime Training Academies c) To secure more training facilities for trainee cadets on third party vessels d) To engage in crew agency function	❖ <b>Manager (Business Development)</b>
S7	❖ <b><u>Resumption of passenger ferry service between Thalaimannar &amp; Rameshwaram</u></b> a) To secure funding/investment to refurbish the existing jetty at Thalaimannar b) To coordinate with all stake holders. c) Inviting Expression of Interest. d) MoU to be signed between investor & CSC and also Sri Lanka Railway & CSC	❖ <b>General Manager</b> ❖ <b>Manager (Business Development)</b>

### 3.11. Corporate Strategies

Item	Activity	Key responsible officer/ Department
S8	❖ <b><u>Unaccompanied Baggage Clearance Operation</u></b> a) Negotiations with SLPA to get utilize their warehouse to allocate a plot of SLPA land b) Appoint UPB Foreign Agency Network c) Coordinate/ discussion with Customs/ Ministry of Finance to obtain license d) Infrastructure Development e) Deploy labour force/ outsource where necessary f) Canvassing through Foreign Employment Bureau g) Implement Marketing strategies	❖ <b>Manager (Business Development)</b>
S9	❖ <b><u>To recommence Feeder Service between India &amp; Colombo</u></b> a) To formulate business proposal with a suitable Partner/Investor to recommence the service b) Mou to be signed between Partner & CSC	❖ <b>General Manager</b> ❖ <b>Manager (Business Development)</b> ❖ <b>Deputy Manager (Business Development)</b>
S10	❖ <b><u>Human Resources Development</u></b> a) Continues training and capacity building of the Human Resources to meet with future challenges b) Knowledge base Management c) Learning & Growth Restructuring of organization structure in line with present business scenario.	<b>Deputy General Manager (Legal/ Insurance &amp; Human Resources)</b>
S11	❖ <b><u>Streamlining Administration Function</u></b> a) Minimizing Wastage b) Streamlining repair & maintenance of vehicles c) Streamlining of overall administration functions d) Monitoring & keep track record of pool vehicles	❖ <b>Executive Director</b> <b>Head of Admin</b>

# PART IV

## 4. Future Prospectives

### 4.1. Development of Ongoing Business Activities for the next 05 Years (2015/ 2016 to 2019/ 2020)

CSCCL’s major income is generated from Carriage of Coal to Lakvijaya Coal Power Station. The following chart, (Figure XII) shows that 80% of CSCCL income has been generated through this operation in the year 2013.

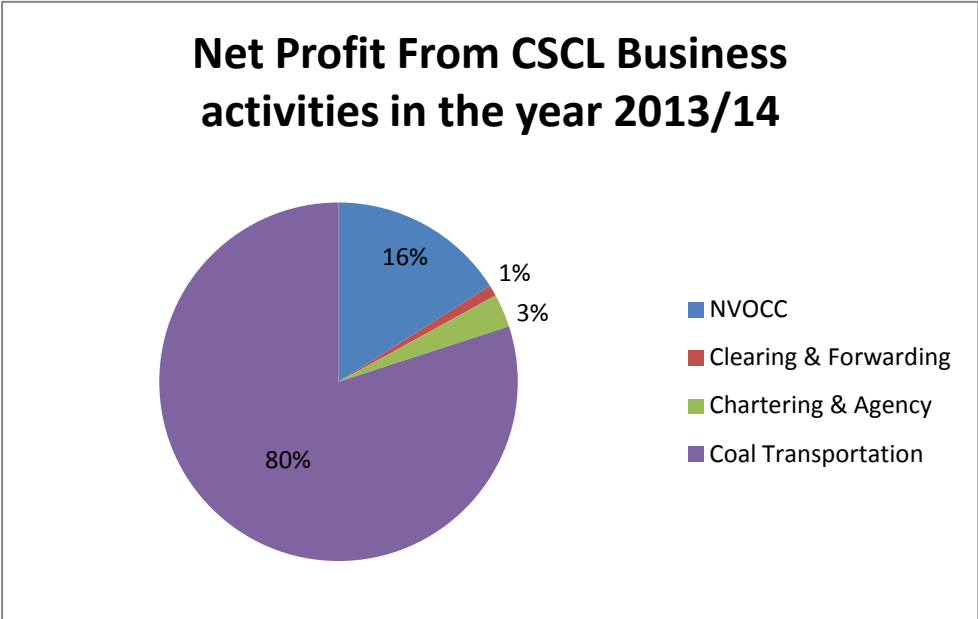


Figure-XII

Source- CSCCL Annual Reports & Departments’ statistics

#### 4.1.1. Coal shipments to Lakvijaya Coal fired Power Station at Puttalam

CSCCL had entered in to a contract with Lanka Coal Company (PVT) limited, on behalf of CEB for the carriage of coal mainly from Indonesia to the Puttalam power plant on FOB terms under the Phase I, II and III.

The Government has now taken a decision to invite the quotations for the supply of coal on CIF basis where CSCCL will be requested to match the freight component of the lowest quotation quoted by the Bidder to be selected. .

### **4.1.2. Carriage of Government and Non-Government Cargo on NVOCC basis**

For many years imports into Sri Lanka have been more than exports in both value & volumes as per Central Bank Report – 2013 total volume of imports in 2013 was Rs. 2376.26 billions.

Assuming that the share of import cargo by the Government sector is about minimal 15% of this value and also the freight quantum is about nominal 3% of Government sector freight bill for shipment on liner vessels could estimate about Rs.10.69 billion. If at least 50% of this estimated freight bill payable to foreign lines could be saved by securing business for CSCL foreign exchange to the turn of Rs. 5345 million could be retained within the country.

In order to target an enhanced share of this market, CSCL is in the process of strengthening its marketing efforts to secure all government sector imports under the circular of PFD:-415 dated 06/05/2005 and developing contacts with container liner operators for obtaining competitive freight rates for ship space with world-wide location coverage.

### **4.1.3. Customs Clearing & Forwarding**

CSCL will continue to further develop the customs clearance and forwarding function as detailed in **Figure IX** which also provides back up support for the NVOCC operation. CSCL presently arrange total logistics solutions to the customers with a value added services including packing labeling, stuffing, lashing / securing, transport, customs clearance of cargo. Efforts will be made to target handling more project cargo which is giving a higher profit margin. CSCL is having a disadvantage of not having required equipment and infrastructure to handle such cargo which will be overcome by entering in to long term agreements with reputed providers of such services for outsourcing.

### **4.1.4. Chartering & Agency Service**

CSCL will continue to act as agents for foreign ships calling Sri Lankan ports and also as receivers' agent for Govt. sector importers of cargo protecting the interests of Govt. sector clients. In order to further improve this business, CSCL is essentially required to have close contacts with the foreign ship owners and the local importers. CSCL is currently in the process of developing such contacts by establishing close relationships with the foreign ship owners and operators.

## **4.2. Proposed New Businesses for Future**

### **4.2.1. Unaccompanied Baggage Clearance & Customs Bonded Warehouse**

This is for clearance of the personal baggage being sent to the country by Sri Lankan expatriate workers. As of present it is estimated that around 1.8 million Sri Lankan workers are serving in various parts of the world. Currently there are five private companies approved to operate such bonded warehouses and CSCL is also making plans to establish a business venture for Customs Bonded Warehouse and Personal Baggage clearance in partnership with a foreign investor.

#### **4.2.2. Container Feeder Service between Sri Lanka & Bangladesh/ South Indian Ports**

CSCL intends to recommence the feeder operation between Sri Lanka and ports of South Indian Region including Bangladesh which was operated by CSC during 80's & 90's. CSCL is looking for a Partner / Investor to recommence this feeder service.

#### **4.2.3. Maritime Training for Sri Lanka Youth on CSCL owned Vessels.**

With the purchase of 02 new Break bulk Vessels with facilities to accommodate 20/25 Cadets per vessel CSCL intends to provide seafarer training to the youth of the country. There is a worldwide shortage of navigational and engineering professionals required to work on ocean going merchant vessels. Those who are to be trained in these fields are expected to secure high paying employments on board the foreign vessels whereby earning most needed foreign exchange to the country. CSCL is planning to establish this facility providing with mandatory on-board training facilities on its vessels to be purchased in near future. This project is specially focused on training and development of Sri Lankan marine officers and ratings and will also be equipped to provide professional and vocational maritime training that meets the national and international Standards.

#### **4.2.4. Building of Vessels**

##### **❖ Dry Bulk Ship- 02 Panamax Vessels (63,000 DWT each)**

The process is underway to acquire new building 02 Dry Bulk carrier of 63,000 DWT. The agreement has been signed between CSCL and the shipyard Avic Shipping China to build the two ships at a cost of USD 35 million each. The 1<sup>st</sup> vessel has been scheduled to launch in its 3<sup>rd</sup> milestone from dry dock to the water by 15<sup>th</sup> June 2015 and is expected to be delivered on or about 15<sup>th</sup> November 2015.

The keel laying as the 2<sup>nd</sup> milestone of construction of the 2<sup>nd</sup> ship is due on or about 18<sup>th</sup> June 2015 and this vessel is expected to be delivered on or about 15<sup>th</sup> February 2016.

The 02 new ships have been designed and equipped with an additional deck for the accommodation of Sri Lankan merchant shipping Cadets to be trained, and also with the CSCL understanding of the National requirement of serving the maritime educational sector by producing experienced and qualified cadets for the country's need as well as securing a considerable inflow of FOREX earning for the country in future.

##### **❖ Suezmax Tanker**

Purchasing 01 Suezmax tanker about 163,000 DWT that is dedicated to the transportation of Crude Oil to Sri Lanka will enable the vessel to be operated at a fixed cost per annum. This will save the country a substantial amount of foreign exchange now being paid to foreign companies as freight charges, demurrage cost & bunker escalation costs.



As per the records of Ceylon Petroleum Corporation Crude Oil transport operation, it is presently required to ship **around 90,000-135,000 Metric tons of Crude oil +/- 5%** per every fifteen days or three weeks respectively from Persian Gulf to Colombo. The project is based on the captive market opportunity of CPC. They currently import 2 Million Metric Tons of Crude Oil per annum, which is expected to be doubled since CPC refinery capacity is planned to be increased from current 50,000 barrels per day to 100,000 barrels per day.

A feasibility study and the business proposal, which was approved by the Department of National Planning of the General Treasury has already been submitted to the Standard Cabinet Appointed Review Committee (SCARC) for final approval, to proceed with this project.

❖ **05 Nos. Self Propelled Barges (SPBs)**

**Lightering Operation of Coal from Mother Vessel to Jetty at Norochcholai by SPBs**

Discharging of coal in the port of Puttalam is restricted by climatic patterns. In any year coal can be discharged only from October to April (07 months) excluding South-West Monsoon Period. Even during the Monsoon period discharging can be carried out only up to wind force -3 as per BF Scale.

Average unloading speed at anchorage is about 05 days to unload of a ship load of 55,000 MT. During the last delivery period of coal CSC has delivered 1.8 million MT by 32 Vessels, from mid-September 2014 to mid-April 2015.

Self-Propelled Barges which can carry about 2,000 MT per trip has been used for lightering operation of coal from Mother Vessels in anchorage.

About 05 SPBs Self- Propelled Barges are needed for the lightering of coal quantity required annually. Plans are underway to own and operate barges by CSC own, for which feasibility study has been approved by the Department of National Planning of General Treasury. This will save the foreign exchange portion that is now being paid to foreign barge operators.

**4.2.5. Resumption of passenger ferry service between Thalaimannar and Rameshwaram**

Under the bilateral agreement signed between Sri Lanka & India in 2015 the discussions are underway to resume the passenger ferry service between Ports of Thalaimannar & Rameshwaram which was suspended in 1980's during war time. This service would enable people of the two countries to get connected thereby uplifting the cultural and economic relationships between two countries and also promoting trade tourism and new employment livelihood opportunities for the people in the region.

The prerequisite for the commencement of this service is the refurbishment / reconstruction of the pier that is connected to the newly built railway network up to the Thalaimannar in Sri Lanka side and also a similar facility in the Indian side at Rameshwaram as well. CSCL is in process of selecting an investor who could finance for refurbishment of existing jetty Thalaimannar or reconstructing a new jetty. Also following facilities are to be newly constructed at the site to recommence the operation.

1. A terminal building for the security, immigration, custom & quarantine formalities
2. Custom warehouse / bonding area for keeping any commercial cargo that will need to be stored until custom cleared.
3. Banks, duty free shops, other sanitary facilities etc.
4. Vehicle parking area for vehicles that will be carried inward outward under international procedure until released from custom.
5. Staff Accommodations.

#### **4.2.6. Cruise Operation between South Indian Regions**

CSCL is in discussions with the prospective partners who would like to partner with CSCL with a view to financing for the expansion of passenger jetty at the port of Colombo and the improvement of one stop shopping facilities in cruise tourism under BOI project. The outlook of this industry in the region as per studies shows that;

- There are 176 million upper and middle class Indians and Asians touring by cruise ships.
- The South Asians market has the greatest potential; particularly the India, which is one of the least penetrated markets by the cruise line industry.

#### **4.2.7. Floating Bunker Storage**

CSCL is exploring all the possibilities to operate an offshore bunker floating storage as marine fuels in Sri Lanka. The operation will not hamper the business of the bunker suppliers presently operating in the industry. Instead, they would benefit from lower wholesale bunker supply at home at cheaper prices through the economies of scale; for distribution same as presently as retail suppliers. The lower cost through bulk supply at the home port will translate into lower bunker prices at retail level than now offered in Sri Lanka comparatively, which can effectively compete with the Singapore market.

#### **4.2.8. Sampur Project I & II**

Coal fired power plant, Shampur Project I & II under Indian and Japanese funded project are in progress which are scheduled to be commissioned by the end of 2018. CSCL anticipate for catering for the carriage approximately 1.5 Million MT of coal required for each project.

### **4.3. Streamlining & Strengthening of the National Carrier – CSCL**

#### Business Perspective

- Providing guaranteed business with homeport bound coal cargoes for 02 bulk carrier Vessels under constructions.
- Continuous implementation of Cargo Reservation Scheme to allocate all the government import cargo under the Ceylon Shipping Corporation Bill of Lading.

#### Human Capacity building

- To provide mandatory practical sea training required for Sri Lankan merchant shipping Cadets to complete the Navigation and Maritime Engineering Studies in line with Government Policy to make Sri Lanka a Maritime hub and develop human capital in the Maritime sector in Sri Lanka.
- To provide industrial training for undergraduate students of Sri Lankan Govt. & Private Universities and Higher educational institutes in the maritime field.

## 5.1 Financial Forecasts for On-going Businesses

USD/LKR EX Rate 134.71 (07.04.2015)

Million Rupees

No	Project Name	In Rupee Mn	2015/16	2016/17	2017/18	2018/19	2019/20
1	General Cargo Transport (on chartered ships/space- NVOCC Operation)	Revenue	191.81	201.40	211.47	222.04	233.14
		Cost	123.73	131.15	139.02	147.36	156.20
		<b>Profit</b>	<b>68.08</b>	<b>70.25</b>	<b>72.45</b>	<b>74.68</b>	<b>76.94</b>
3	Bulk Cargo Transport (on chartered ships)	Revenue:					
		Freight + Lightering	273.20	273.20	321.44	321.44	321.44
		Cost	2.01	2.01	2.01	2.01	2.01
	<b>Profit</b>	<b>271.19</b>	<b>271.19</b>	<b>319.43</b>	<b>319.43</b>	<b>319.43</b>	
4	Ship Agency Services	Revenue -Fertilizer	1.46	1.46	1.46	1.45	1.46
		Revenue -Barges	12.00	12.00	12.00	12.00	12.00
		<b>Profit</b>	<b>13.46</b>	<b>13.46</b>	<b>13.46</b>	<b>13.45</b>	<b>13.46</b>
5	Clearing & Forwarding Services <i>Cargo</i> <i>Total Logistics</i>	Increase					
		<i>Revenue-coal</i>	32.00	32.00	32.00	32.00	32.00
		<i>Revenue</i>	14.81	15.55	16.33	17.15	18.02
		<b>Total Revenue</b>	46.77	47.55	48.33	49.15	50.02
		Cost	9.93	10.55	11.14	11.71	12.51
	<b>Profit</b>	<b>36.84</b>	<b>37.00</b>	<b>37.19</b>	<b>37.44</b>	<b>37.51</b>	
5	Maritime training	Revenue	1.80	1.80	10.00	10.00	10.00
		Cost	0.00	0.00	0.56	0.56	0.56
		<b>Profit</b>	<b>1.80</b>	<b>1.80</b>	<b>9.44</b>	<b>9.44</b>	<b>9.44</b>
TOTAL		<b>Revenue</b>	527.08	537.41	604.70	616.08	628.06
		<b>Cost</b>	135.67	143.71	152.17	161.08	170.72
		<b>CSCL Total Profit</b>	<b>391.41</b>	<b>393.70</b>	<b>452.53</b>	<b>455.00</b>	<b>457.34</b>

## 5.2 Financial Forecasts for Future Projects - Short to Medium Term

No	Project Name	Note	Expected period of Commencement	*365	2015/16	2016/17	2017/18	2018/19	2019/20
1	Crude Oil Transport	1	October 2015	Revenue	34.09	34.09	2584.74	2584.74	2584.74
				Operating Cost	0.00	0.00	2122.18	2139.35	2222.95
				<b>Profit</b>	<b>34.09</b>	<b>34.09</b>	<b>462.56</b>	<b>445.39</b>	<b>361.79</b>
2	Construction of Dry Bulk Carriers (02 x Bulk Carriers of 63,000 DWT each)	2	vessel 1-Nov 2015 vessel 2-Feb 2016	Revenue	94.06	740.23	928.83	1306.01	1494.61
				Cost(DOC+loan)	350.03	2050.32	2008.11	1965.89	1923.67
				Depreciation	148.77	517.06	517.06	517.06	517.06
				<b>Profit</b>	<b>-404.74</b>	<b>-1827.15</b>	<b>-1596.34</b>	<b>-1176.94</b>	<b>-946.13</b>
3	Customs Bonded Personal Baggage clearance	3	November 2015	Revenue	31.90	32.54	33.19	33.85	34.53
				Operating Cost	25.24	25.74	26.26	26.78	27.32
				<b>Profit</b>	<b>6.66</b>	<b>6.79</b>	<b>6.93</b>	<b>7.07</b>	<b>7.21</b>
4	Purchase of 06 Self Propelled Barges for Coal Lightering Operation	4	April 2016	Revenue	0.00	1073.25	1073.25	1073.25	1073.25
				Operating Cost	0.00	1001.69	991.79	989.93	989.93
				<b>Profit</b>	<b>0.00</b>	<b>71.56</b>	<b>81.46</b>	<b>83.32</b>	<b>83.32</b>
5	Operation of Container Feeder Service between Sri Lanka & India	5	May 2016	Revenue	0.00	1024.62	1024.62	1055.36	1087.02
				Operating Cost	0.00	910.15	910.15	928.03	928.03
				<b>Profit</b>	<b>0.00</b>	<b>114.47</b>	<b>114.47</b>	<b>127.33</b>	<b>158.99</b>
				<b>CSC Profit sha</b>	<b>0.00</b>	<b>11.45</b>	<b>11.45</b>	<b>12.73</b>	<b>15.90</b>

## 5.2 Financial Forecasts for Future Projects - Short to Medium Term

No	Project Name	Note	Expected period of Commencement	*365	2015/16	2016/17	2017/18	2018/19	2019/20
6	Sampur Coal Project - phace 1- 1.5m MT(Indian funds) -phace 11-1.5m MT(Japanese funds)	6		Revenue				152.60	514.40
				cost				2.01	2.01
				Profit				150.59	512.39
<b>TOTAL</b>				Revenue	160.05	2904.73	5644.62	6205.82	6788.55
				Operating Cost	524.04	4504.97	6575.55	6569.06	6610.97
				Profit	-363.99	-1714.71	-1045.40	-490.57	20.59
				Profit sharing	0.00	11.45	11.45	12.73	15.90
				CSCCL Total Pro	(363.99)	(1703.26)	(1033.95)	(477.84)	36.49

### Note

EX.rate 134.71 (2015.04.07)

- 1 To secure Crude oil business by October 2015 and deploy a Suezmax for this service by 2017/18.
- 2 New vessels will be reached at the end of 2015 and early 2016.  
loan installements will be paid from July 2016  
Charter hire USD 5850/day for the 1st year & increased by USD 2000 in each year  
Revenue(C/H) calculated only for the 1st vessel for four months in 2015/16 (csc annual report)  
years  
Depreciation USD 5258/day-- 05 & 02 months for two vessels in 2016/17 (csc annual report)
- 3 Custom bonded ware house/ UPB operation will be started at the end of this year in SLPA land
- 4 To purchase of self propeller barges for lightering in 2016/17
- 5 Joint venture for Feeder operation will be started in 2016/17
- 6 Sampur project for coal power will be started in 2018



## 5.3 Summary

### Financial Forecasts for On-going business & Future Projects

	Rupees Million				
	2015/16	2016/17	2017/18	2018/19	2019/20
**Revenue	687.13	3442.14	6249.32	6821.90	7416.61
Cost of Sales	659.71	4648.68	6727.72	6730.14	6781.70
Gross Profit	<b>27.42</b>	<b>-1206.54</b>	<b>-478.40</b>	<b>91.76</b>	<b>634.92</b>
<b><u>Other income</u></b>					
Dividends	1.20	1.20	1.20	1.20	1.20
Net exchange gain	12.00	12.00	12.00	12.00	12.00
<b><u>Total Operational Profit</u></b>	<b>40.62</b>	<b>-1193.34</b>	<b>-465.20</b>	<b>104.96</b>	<b>648.12</b>
> Profit on "on-going business"	391.41	393.70	452.53	455.00	457.34
> Profit on "future projects"	-363.99	-1703.26	-1033.95	-477.84	36.49
<b><u>Net Financing Income</u></b>					
Interest on Fixed deposits & Tresury Bills	6.00	6.00	6.00	6.00	6.00
Interest on Staff Loans	1.20	1.20	1.20	1.20	1.20
<b>Total Income</b>	<b>47.82</b>	<b>-1186.14</b>	<b>-458.00</b>	<b>112.16</b>	<b>655.32</b>
Less: Administration Expenses	292.83	306.01	319.78	334.17	349.21
Interest Expenses	1.26	1.26	1.26	1.26	1.26
<b>Total Expense</b>	<b>294.09</b>	<b>307.27</b>	<b>321.04</b>	<b>335.43</b>	<b>350.47</b>
<b>***Net Profit from Ordinary Activities</b>	<b>-246.27</b>	<b>-1493.41</b>	<b>-779.03</b>	<b>-223.26</b>	<b>304.85</b>

NOTE

Assumption -Administration expenses increased by 4.5% in each year



# Annexure 01

# ACTION PLAN - 2015

## 1. On Going Operations

Business Activity	Total Estimated Cost For 2015	Allocation for 2015	Milestones 2015									Output Target (Cumulative 2015)	Cumulative Revenue as at end 2014	Cumulative Physical Progress as at end 2014	Expected Benefits/ Results	Officer Responsible for Implementation Designation/Tel
			Revenue Targets in Rs. Million.													
			1 <sup>st</sup> Q		2 <sup>nd</sup> Q		3 <sup>rd</sup> Q		4 <sup>th</sup> Q							
			Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%						
NVOCC operation (carriage of cargo on 3 <sup>rd</sup> party vessels)	140.91 Rs. Mn	Self	FT	45.08	22	57.38	28	51.23	25	51.23	25	204.92 Rs. Mn	241 Rs. Mn			Miss Jayantha Indraneela Manager (Liner, Documentations, Logistics, Sales & Marketing) 2325744
			PT	152 TEUs		194 TEUs		172 TEUs		172 TEUs		690 TEUs	657 TEUs			
			PT	433 F/T		551 F/T		492 F/T		492 F/T		1,968 Freight Ton	4,967 F/T			
			PT	1 Units		2 Units		2 Units		2 Units		7 Units	5 Units			
Freight Forwarding Activities	Rs. 10.15 Rs. Million	Self	FT	3.46	22	4.41	28	3.94	25	3.94	25	15.75 Rs. Mn	14.99 Rs. Mn	472 Jobs	Miss Jayantha Indraneela Manager (Liner, Documentations, Logistics, Sales & Marketing) 2325744	
			PT	109 Jobs		139 Jobs		124 Jobs		124 Jobs		496 Jobs				

Chartering & Agency Activities	Fertilizer Agency	Rs.0.375 Million	Self	FT	0.2	08	0.2	08	0.52	30	0.73	54	1.65 Rs. Mn	1.6 Rs. Mn	20 Vessels	Mr. I. Danthanarayana Act. Manager (Chartering & Agency) 2422078
				PT	03 Vsl		03 Vsl		08 Vsl		11 Vsl		25 Vessels			
	LCC/CEB craft management/Agency	Rs. 0.308 Million	Self	FT	3.0	25	3.0	25	3.0	25	3.0	25	12.0 Rs Mn	12.0 Rs. Mn	05 Crafts	Mr. N. Dharmapriya GM 2328997  Mr. S. L. Rajapakse Manager – Coal Project 2422807  Mr. I. Danthanarayana Act. Manager (Chartering & Agency) 2422078
				PT	-		-		-		-		05 Crafts			
Coal Operation		Rs. 3.0 Million	Self	FT	134	34	134	34	-	0	123	32	391 Rs. Mn	271 Rs. Mn	30 Vessels	Mr. Nihal Dharmapriya GM 2328997  Mr. S. L. Rajapakse Manager – Coal Project 2422807  Mr. I. Danthanarayana Act. Manager (Chartering & Agency) 2422078
				PT	12 Vsl		12 Vsl		- Vsl		11 Vsl		35 Vessels			

## 2. New Projects

Business Activity	Total Estimated Cost	Allocation for 2015	Milestones 2015				Output Target (Cumulative 2015)	Cumulative Revenue as at 2014	Cumulative Physical Progress as at 2014	Expected Benefits/Results	Officer Responsible for Implementation Designation/Tel
			Financial Targets in Rs. Million.								
			1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q					
Purchase of 02 Bulk Carrier vessels for transportation of Coal	Rs. Mn 9,930.91	Rs. Mn 4,122.97	* 02 nos of Ultramax Bulk carriers are being built at AVIC shipyard in China. * First vessel schedule to be delivered end of the year 2015. * Funds facilitated through a People's Bank loan (Interest, 6 months LIBOR + 5.5 % p.a.).							1. Saving of foreign exchange 2. Building of national fleet 3. Training of sea farers 4. Creating job opportunities 5. Strengthening of National fleet 6. Development of Logistics sector 7. Shipping sector developments	Mr. Nihal Dharmapriya General Manager 2320861  Mr. S. L. Rajapakse Manager – Coal Project 2422807

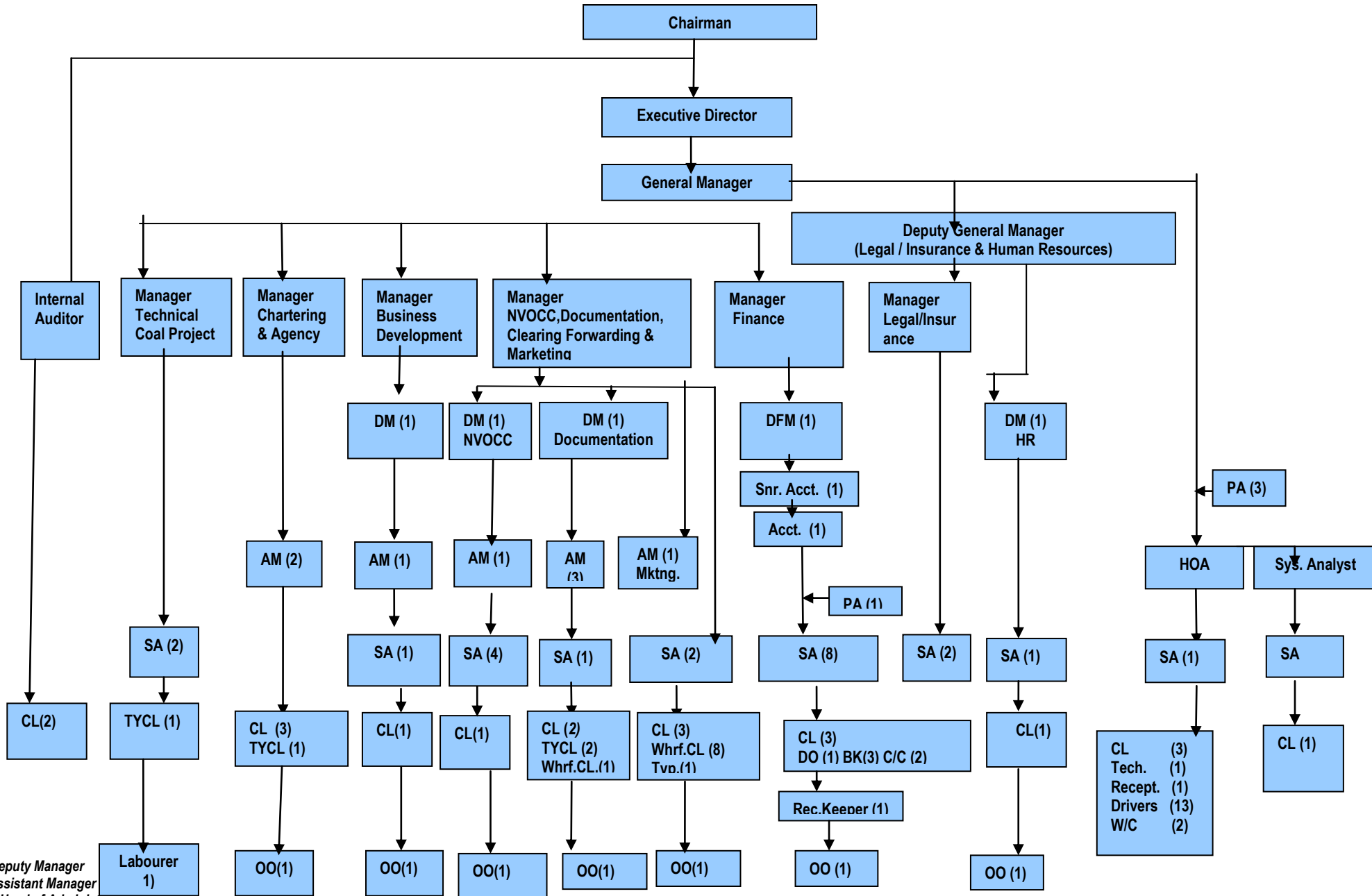
Maritime Training  * Providing on board training facility for Deck & Engine cadets - Crewing agency			F T  P T	Rs. 02 Million  25 Student	Rs. 02 Million  25 Student	Rs. 02 Million  25 Student	Rs. 02 Million  25 Student	Rs. 08 Million  100 Students			To provide Professional Maritime Training for youth Seafarers / Marine Officers & Ratings  1. Saving of foreign exchange  2. Building of national fleet  3. Training of sea farers  4. Creating job opportunities  5. Strengthening of National fleet	Mrs. C. Jayasinghe Manager – Business Development 2327801
Transportation of Crude Oil			F T  P T	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	28.28 Rs. Million  1,710,000 MT			1. Saving of foreign exchange  2. Training of sea farers  3. Creating job opportunities  4. Development of Logistics sector  5. Shipping sector developments	Mrs. C. Jayasinghe Manager – Business Development 2327801
Custom Bonded Warehouse	Rs 30.0 Million		F T  P T	Rs. 3.6 Million  40 FEU	Rs. 7.2 Million  80 FEU	Rs. 10.8 Million  120 FEU	Rs. 14.5 Million  160 FEU	Rs 36.10 Million  400 FEU			Clearance of Unaccompanied Personal Baggage for Sri Lankan Expatriate Workers	Mrs. C. Jayasinghe Manager – Business Development 2327801

**Annexure 02 Action Plan for implementation of New Projects**

Section No.	Project Name	2015/16	2016/17	2017/18	2018/19	2019/20	Officer Responsible
1	Carriage of Crude oil for CPC	Quarter 4					Mr.C.Jayasinghe-Manager(Business Development)
2	Customs Bonded Warehouse	Quarter 4					C. Jayasinghe (Mrs.) -Manager (Business Development)
3	Operation of Feeder Service	Quarter 2					Mr.S.M.D.N.Dharmapriya- General Manager , Mrs.C Jayasinghe -Manager (Business Development)
4	Purchase 01 Oil Tanker			Quarter 2			Mr.S.M.D.N.Dharmapriya - General Manager & Mr.Rajapakse Technical Manager
5	Construction 02 Panamax vessel	Quarter 4	Quarter 1				Mr.S.M.D.N.Dharmapriya - General Manager & Mr.Rajapakse Technical Manager
6	Purchase of 06 Self Propelled Barges for Coal Lightering Operation		Quarter 1				Mr.S.M.D.N.Dharmapriya- General Manager, Mr.I Danthanarayana - Act.Manager(Chartering & Agency)

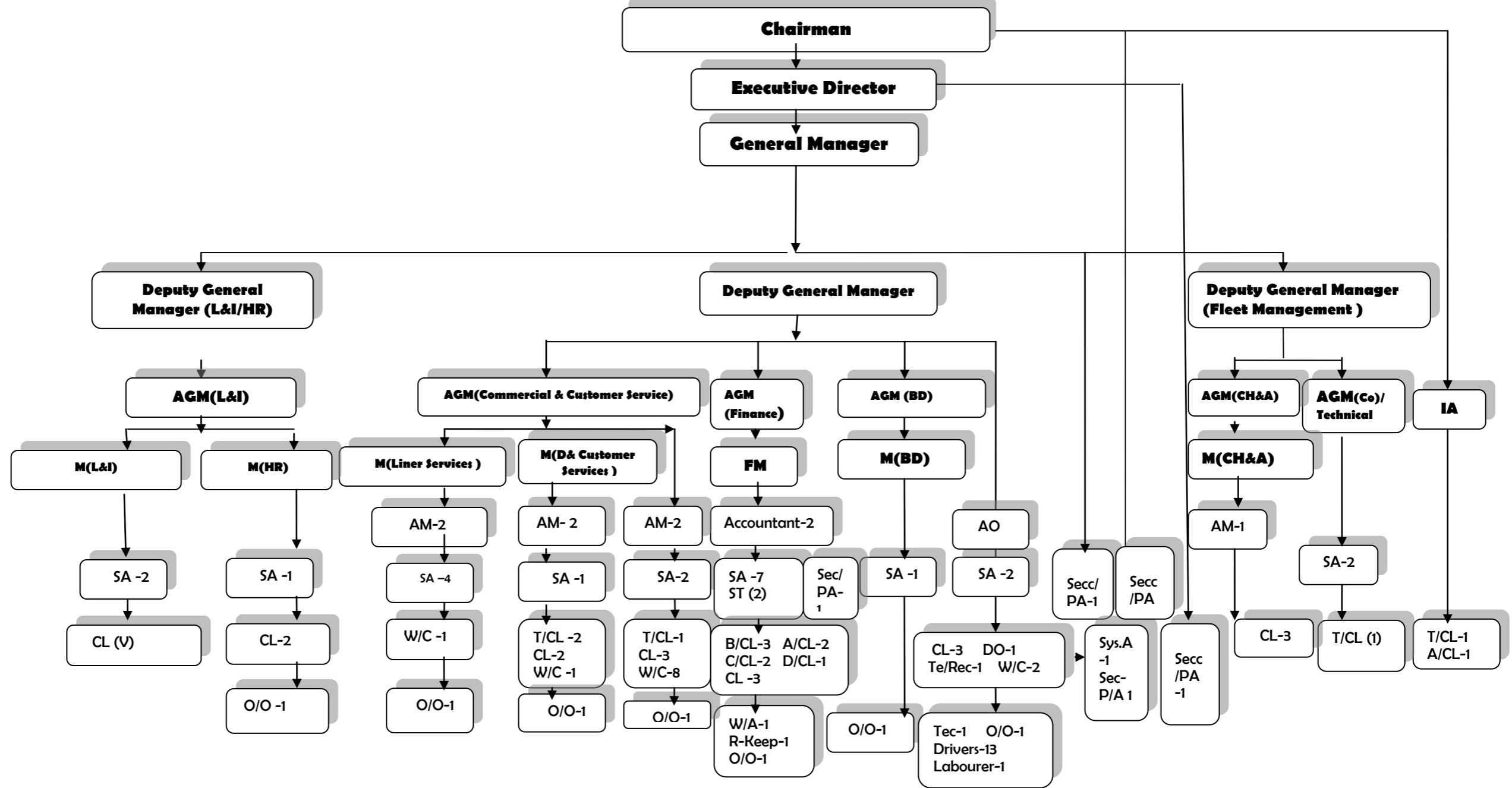
**Annexure - 03**

**Organization Chart**



**Note:** DM: Deputy Manager  
 AM: Assistant Manager  
 HOA: Head of Administration  
 PA: Personal Assistant  
 SA: Staff Assistant  
 CL: Clerical Grades  
 TYCL: Typist Clerk  
 Whrf. CL: Wharf Clerk  
 Lbr. / OO: Labourer / Office Minor Grades

### PROPOSED ORGANIZATION CHART



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## LIST OF ACRONYMS

ASYCUDA	-	Automated System for Customs Data
C&F	-	Clearing & Forwarding
CEB	-	Ceylon Electricity Board
CFB	-	Central Freight Bureau
CFS	-	Container Freight Station
CGES	-	Commissioner General of Essential Services
COA	-	Contract of Affreightment
CPC	-	Ceylon Petroleum Corporation
CSC	-	Ceylon Shipping Corporation Ltd
DWT	-	Dead Weight
F/T	-	Freight Tons
FOB	-	Free On Board
FOC	-	Flag of Convenience
H&M	-	Hull & Machinery
HRD	-	Human Resources Development
KPIs	-	Key Performance Indicators
LCC	-	Lanka Coal Company
LDWT	-	Light Dead Weight
LKR	-	Lankan Rupees
MICS	-	Member of Institute of Chartered Ship Brokers
Mn	-	Million
MOU	-	Memorandum of Understanding
MT	-	Metric Ton
NMTA	-	National Maritime Training Academy
NOL	-	Neptune Orient Lines
NVOCC	-	Non Vessel Operating Common Carrier
P&I	-	Protection & Indemnity
PESTEL	-	Political, Economical, Social, Technological, Environmental & Legal
PPP	-	Public Private Partnership
SCARC	-	Standard Cabinet Appointed Review Committee
SLPA	-	Sri Lanka Ports Authority
SOR	-	Scheme of Recruitment
SPB	-	Self Propelled Barges (SPB)
SWOT	-	Strength, Weaknesses, Opportunities, Threats
TEU	-	Twenty foot Equivalent Unit
UAE	-	United Arab Emirates
UPB	-	Unaccompanied Personal Baggage
USD	-	US Dollar
YOY	-	Year over Year

# PART I

# 1. INTRODUCTION

## 1.1 Vision & Mission

### Our Vision

---

To develop a dependable and effective National Fleet of Ships and shipping logistics facilities for the country.

### Our Mission

---

- To cater to the sea transportation and related logistics needs of the export, import and local coastal trades of Sri Lanka that needs assistance from the National Carrier and create Sri Lankan Seafarers conforming to international standards.
- To be a partner in people to people connectivity.

## 1.2 Our Business Objectives

### 1.2.1. Towards the Trade and Customers:

- To act as a facilitator of nation's economic development by supporting anticipated economic resurgence of the country after the end of war by capitalizing on business opportunities in booming economies in the region.
- To satisfy Customers' needs at the least cost and time with the highest degree of reliability.

### 1.2.2. Towards the Country and Society:

- To facilitate developing the country as the Maritime hub in the region as envisaged in the Government policy.
- To provide competitive charges for any shipping needs of customers.
- Saving of valuable foreign exchange in carriage of government import cargoes on freight "to collect in Colombo" basis.
- To continue to be a logistics partner in country's thermal power generation.
- To become a logistics partner in the country's energy / petroleum sector.

#### At our office premises

- To develop human resource capital of the Corporation.
- To minimize energy, water consumption & wastage.

#### In operating ships:

- To take all necessary steps to avoid environmental pollution.
- To take all necessary precautions for ensuring safety of lives and properties in compliance with International Safety Management System.

### 1.2.3. Towards the Owners:

- Highest contribution to the Government coffers by maximizing profit and saving much needed foreign exchange.

### 1.3. What we seek to achieve

- a) To transform from, being a Non Vessel Operating Common Carrier to a Vessel owning and Operating Carrier.
- b) Maximizing carriage of import cargoes of Government Sector Organizations.
- c) Carriage of crude oil for Ceylon Petroleum Corporation with the objective of owning a Tanker/(s) (Suez Max) through strategic partnerships with CPC and an Investor.
- d) Operate and manage CSC owned Dry-bulk vessels (Panamax) to carry coal shipments to Lakvijaya Coal Power Plant at Puttalam.
- e) To become a fully pledged Logistics provider in the country with a Public Private sector participation.
- f) To provide sea training opportunities for Sri Lankan seafarers Cadets with the acquisition of the Tanker/(s) and the Dry-bulk vessel/(s) thereby earn foreign exchange to the country by security employment in foreign ships.
- g) To engage in trading services with the intention of securing supply and shipment contracts for commodities such as fertilizer, coal, bitumen by bidding for tenders published by the government/private institutions.
- h) To operate a Personal Baggage Clearance Warehouse in Colombo to cater to the personal baggage shipments of Sri Lankan expatriate workers.
- i) To act as General Sales Agent and the Ground Handling Operator for Passenger vessels between Colombo and India which is expected to recommence with new strategies to operate it viably.
- j) To strengthen own fleet of ships of Sri Lankan National Carrier through strategic partnerships with ship owners and investors.



## **1.4. Principle Objectives of CSC as specified in the Articles of Association**

- a) To carry on business locally and internationally as Ship owners, Cargo / Passenger ship operators, Ship brokers, Merchants, Shipping agents, Ship managers, Consultants, Insurance and General brokers, Carriers, Forwarders and Clearing agents.
- b) To establish, maintain and operate shipping and road transport services.
- c) To purchase, sell, charter, hire, build or otherwise acquire ships or other vessels or any other mode of transport with all equipment and furniture, and to employ the same on the high seas, or on rivers, canals or lagoons in the conveyance of all kinds of cargoes of dry, bulk, liquid and gaseous cargo of any kind or description whatsoever .
- d) To purchase, sell, charter, hire, lease, build or otherwise acquire multi-modal transport system and to employ same in the conveyance of all kinds of cargoes.
- e) To carry on business as tourist agents and contractors, and to facilitate traveling, and to provide for tourists and travelers, or promote the provision of conveniences of all kinds.
- f) To act as agents and managing agents, brokers or in any other capacity for any person, firm or company now existing or hereafter to be formed in connection with the business of shipping and multi-modal transport operations.
- g) To acquire concessions or licenses for the establishment and working of lines of ships or sailing vessels, or multi-modal operations between any ports or destinations of the world.

# PART II

## 2. Historical Perspectives

### 2.1. Historical Highlights

#### 2.1.1. Inception and the early years from 1971 - 1980

Ceylon Shipping Corporation (CSC) which was incorporated in 1971 under the Ceylon Shipping Corporation Act No 11 of 1971 is the only Government owned national carrier of Sri Lanka. "Lanka Rani" was the first vessel commissioned by CSC in 1971. This Break-bulk conventional vessel was deployed in exporting of rubber to China and importing of rice from there under the Rubber / Rice Bilateral Agreement between Sri Lanka & China. By 1985, CSC owned a fleet of nine secondhand vessels (eight conventional and one tanker purchased in 1974). During this period CSC was able to operate in the main routes from Colombo to Europe, China, Karachi and Middle East. Major exports carried were tea, rubber, coconut and coconut products. Australia, South Africa, West & East South America were catered through in collaboration with other lines.

CSC was supported by Central Freight Bureau (CFB) by allocating all government imports and 70% of private sector exports to strengthen the business performances of CSC. Moreover, CSC offered promotional freight to exporters to support export oriented industries in Sri Lanka which facilitated and encouraged Sri Lankan exporters in their overseas trading activities. CSC as the 'one-stop-shop' for all shipping needs was able to render an excellent service to her worldwide customers.

#### 2.1.2 CSC's progress during 1980 to 1989

The port of Colombo was containerized in the year 1980 prompting CSC to commence containerized operations in the same year. CSC operated 04 container liner services to UK & Continent, Far East, Arabian Gulf & Red Sea and entered into a joint venture with Neptune Orient Lines (NOL) and it operated on the UK and North Europe routes. CSC was proud to offer the first containerized operations in the Indian Sub-Continent and supported containerization of Sri Lanka Port Authority thereby facilitating Colombo port as the hub port in the region.

The joint venture with NOL was discontinued in 1982 and operated UK / North Europe service with her own chartered three vessels of 668 TEU capacity of each. This service earned enormous revenue and CSC commissioned the fourth vessel to Bombay and Karachchi to get cargo for the return trip as well. During this period, "Lanka Mahapola", with a capacity of 408, TEU was introduced to Red Sea service in 1983 and an additional vessel was introduced in 1985 to cover Singapore as well. Further, Sri Lanka – Arabian Gulf service operated with 175 TEU vessels and South Asia Far East routes were covered by using another three vessels. It is also very vital to mention that, CSC could offer a car carrier service for importers with the collaboration of Mitsui OSK Line, Japan. CSC had joint services to USA with Maersk Line and United States Lines. Australian National Line joined with CSC to operate the Australia service and also a service to Colombia was launched in 1986 with the participation of Columbian National Line.

In addition, CSC was able to launch a shuttle service from Colombo to Karachchi, West Coast of India to Colombo and from the East Coast of India to Singapore. During the pre liberalization era, the upward trend of CSC emerged herself at the peak level in South Asian Region and she was proud to be the National carrier of Sri Lanka. The monopoly, which was prevailing in Sri Lankan shipping industry created many advantages to the country in many aspects.

**CSC Owned / Operate Vessels (From the inception)**

➤ **Conventional Vessels owned / operated by CSC**

<b>Vessel's Name</b>	<b>Date of Delivery</b>	<b>GWT (MT)</b>	<b>Bale Capacity</b>	<b>Date of Sales</b>
1. Lanka Rani	15-01-1971	15,472	18,382	22-05-1986
2. Lanka Devi	11-04-1972	14,326	17,908	01-02-1985
3. Lanka Kalyani	20-09-1972	6,376	8,734	02-09-1985
4. Lanka Kanthi	28-11-1972	6,790	10,680	21-08-1985
5. Lanka Shanthi	May – 1973	14,580	17,086	07-05-1986
6. Lanka Keerthi	Feb - 1975	12,068	15,463	26-03-1985
7. Lanka Ratna	29-08-1975	15,305	19,798	26-05-1986

Table – I

➤ **Container Vessels owned / operated by CSC**

Vessel's Name	Date of Delivery	GWT (MT)	TEUs	Date of Sales
1. Lanka Amitha	1977	13,880	606	
2. Lanka Amila	1977	13,880	606	
3. Lanka Aruna	1983	20,144	1,074	
4. Lanka Asitha	1983	20,137	1,074	
5. Lanka Sagarika	08-02-1972			05-07-1983
6. Lanka Siri	Feb.- 1982	3,831	175	08/02/1993
7. Lanka Seedeivi	March – 1982	3,831	175	08/02/1993
8. Lanka Srimani	August – 1982	9,700	412	20/07/1992
9. Lanka Srimathi	October- 1982	9,700	412	20/07/1992
10. Lanka Athula	09-09-1983	10,600	537	05-10-1989
11. Lanka Ajitha	10-01-1985	10,600	537	17-10-1989
12. Lanka Mahapola	29-06-1983	11,372	410	08-10-2013
13. Lanka Muditha	Dec- 1982	3,000	86	30-01- 2014

Table – II

➤ **Bulk Vessels own / operate by CSC**

Vessel's Name	Date of Delivery	DWT (MT)
1. Ceylon Breeze	30-01-2016	63,600
2. Ceylon Princess	July-2016	63,600

Table – III

### 2.1.3 Liberalization in the Shipping industry and its impacts to CSC (During 90's)

The Shipping Industry was fully liberalized by the government of Sri Lanka in 1989/1990 and CSC was exposed to the highly competitive market conditions. However, only the Europe service was allowed one year grace period for CSC to be steady when facing the competition. In order to face the competition, in 1990 CSC incorporated a marketing arm namely Ceylon Shipping Agency Pvt Ltd. in the year 1990 the Europe Service was also fully liberalized and CSC had to operate in highly competitive open market conditions. CSC was converted to a Government owned Company as Ceylon Shipping Corporation Limited (CSCL) in the year 1992 under the Conversion of Public Corporations and Government Owned Business Undertakings into Public Companies Act No 23 of 1987.

Unfortunately, CSC failed to compete with the lower freight rates as quoted by other Container Shipping Lines. They enjoyed the benefit of economies of scale as a result of operating new generation vessels round the world with larger capacities where CSC was unable to respond to that fierce competition as our vessels were of approximately 1000 TEUs capacity with charter hire as high as US\$ 12,000 per day. The freight rate to Europe that was at US\$ 1600 per TEU drastically dropped around US\$ 450 creating unfavorable impacts and damages to CSC business profitability. During this period CSC continuously recorded loss from her business activities and Treasury granted financial assistance to overcome the financial instability of the Corporation. CSC market share in the Europe Service drastically declined from 81,500 TEUs in 1991 and 34,000 TEUs in 1995. In 1996, it further decreased to 24,292 TEUs. CSC had to off hire four chartered vessels that plied the Europe route in 1996. With this decision, the market share reduced to 2275 TEUs in 1999 losing her hard won market share, setting red alarms to the future of CSC business conducts.

There were some important changes and decisions made by CSC to overcome the difficulty in trade that affected the organization in numerous ways. Some of those decisions were,

- The operation of the Europe service continued as a Non Vessel Operating Common Carrier (NVOCC) with Shipping Corporation of India and Zim Line of Israel
- Aggressive canvassing of Government cargo
- Introduction of cargo forwarding and clearing service to Government and private sector customers with competitive rates
- Canvassing nominated cargo from ports world over to Colombo

## **2.2 Highlights of services rendered by CSC**

- First Break Bulk vessel Mv. Lanka Rani was purchased by CSC to facilitate Rice- Rubber bilateral Agreement between Ceylon and China in order to importing rice and exporting rubber.
- Operated CSC owned /chartered container Vessels in the main shipping routes – Far –East - Europe- Red Sea - P.Gulf.
- Joint shipping services to USA with Maersk Line & United State Lines.

- Connecting carrier arrangement with feeder operators in order to facilitate Multi- Fiber Agreement with USA
- Offered promotional freight rates to Sri Lankan exporters to support export oriented industries in the country
- Pioneers of operating container services in south - East Asia region
- Saving foreign exchange in carriage of Govt. import cargoes on freight “to collect” in Colombo basis
- Catamaran L/Rani & L/Devi constructed by Singapore yards for armed forces using technical know- how of CSC
- Developed human capital in the maritime industry by providing practical training onboard CSC vessels
- Facilitate for the transportation of goods required to North & East during war time by developing CSC owned vessel –L/Mudithe
- Carriage of cargo needed to Sri Lankan armed forces at competitive rates all over the world
- Transport of container cargo, break bulk cargo, project cargo, household effects /baggage and vehicles.
- Global cargo logistics services (Door to Door delivery/ packing / Unpacking/ stuffing/ De stuffing) with value added services.
- Ship Agency Services

### **2.3 Progress from 2000 to 2015**

- Transport of Coal for the Lakvijaya power plant of CEB since 2010 as entrusted by the Cabinet decision in February 2010 (From load port to anchorage in Puttalam port & lightering of coal from anchorage to jetty of the power station using barges)
- CSC was the ground handling operator & the agent for the operator of passenger ferry service between Colombo and Tuticorin.(The service was operated from January to November 2011)

- CSC signed the new contract for transport of coal from Oct 2014 to April 2017 with ship owning company M/s PCL (Shipping) Pte.Ltd., Singapore, who was selected through a competitive Bidding process and evaluation by a Pricing committee (TEC Level) appointed by the Treasury and SCAPC. PCL owns about 100 bulk carrier ships.
- Under the new business Model formulated for selection of the partner for coal transport following benefits were accrued to CSC / Country;
  - Low freight rates on coal transportation
  - To provide sea training billets up to 100 for Sri Lankan Cadets on third party vessels
  - Naming of 01 or 02 Vessels being built & owned by PCL with the names of the choice of CSC
  - Port Agency functions of PCL's ships calling Puttalam port was assigned to CSC
- Transport of Crude oil for the CPC as entrusted by the Cabinet decision in June 2014. ( A Joint committee consisting senior officials of CSC, CPC, Ministry of Ports & Shipping and Ministry of Petroleum Resources Development was appointed in 2015 to look in to the ways and mean to deploy a Tanker for the transportation of Crude oil).

### **2.3.1 Progress of 2015 and beyond**

- CSC's newly build 1<sup>st</sup> vessel MV Ceylon Breeze was delivered at Wehai Ship yard on 30<sup>th</sup> January 2016 and the other sister ship is planned for deliver in July 2016.

## **2.4 Financial Performances of CSC**

CSC kept working hard to make profits even at difficult periods and time to time it was able to report considerable amount of profits by overcoming all hurdles in the trade. The following table depicts the financial performances of CSC during last fifteen years.



**2.4.1 Review of past 10-15 years (2000/01 to 2014/15)**

Year	Net profit after tax (Rs.Mn)
2000/01	291.00
2001/02	9.00
2002/03	(32.00)
2003/04	(76.00)
2004/05	48.00
2005/06	106.35
2006/07	(15.11)
2007/08	33.00
2008/09	(35)
2009/10	22.8
2010/11	13.38
2011/12	88.13
2012/13	218.80
2013/14	250.00
2014/15	263.00

Table - IV  
(Source: CSC- Annual Reports / Draft Accounts)

**Financial Performances of CSC- 2000/01 to 2014/15**

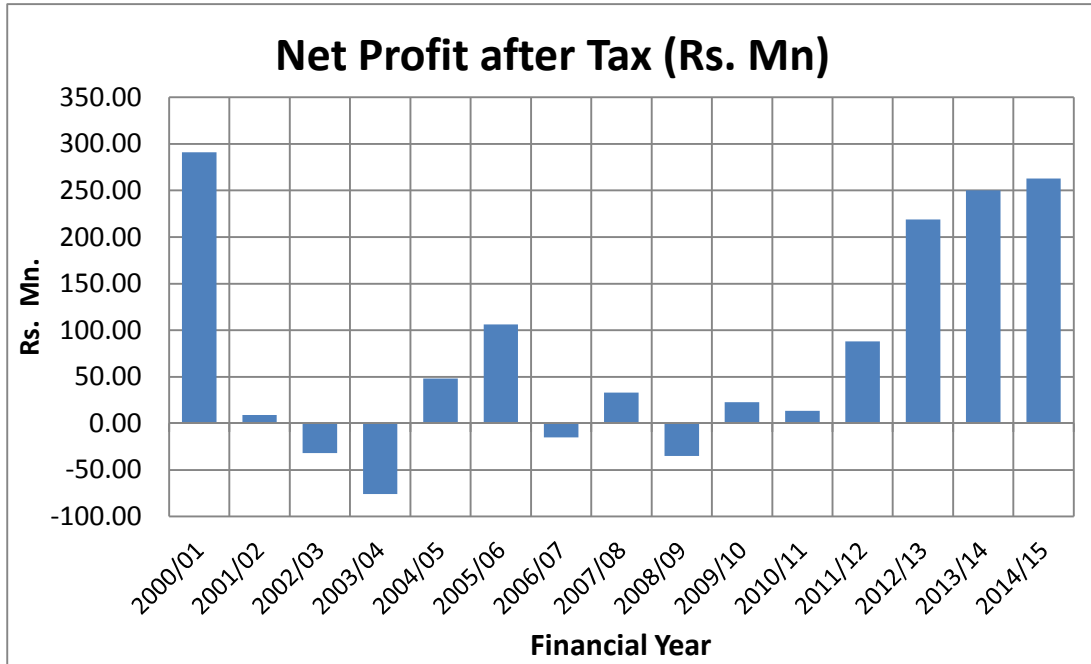


Figure - I

## Ceylon Shipping Corporation

The above table – IV and the Figure – I indicate the financial performance of CSC up to the year 2008/09.. From the year 2001/02 to 2011/12 shows an adverse situation for the organization and it affected to meet the monthly management expenses at that time. This bad financial condition has restricted the future business expansions as well. This was mainly due to the fact that the high maintenance cost for CSC old aged owned two vessels, Lanka Muditha & Lanka Mahapola. It is also imperative to mention that, CSC has not burdened the Government for funding after the year 1998 and it has sustained on income generated by its own from the services offered. It is also pertinent to mention on a positive note, that the CSC was able to generate profits continuously over the last four financial years and expected that this position will improve in forthcoming years with envisaged new business activities and new management strategies, subject to securing a more conducive re-finance package for the two new bulk carriers and / or a joint venture partner for funding and commercial management.

The timely fluctuation of Earning per share of CSC has been in increasing trend Year over Year (YOY) during last five financial years, which are graphed as follows.

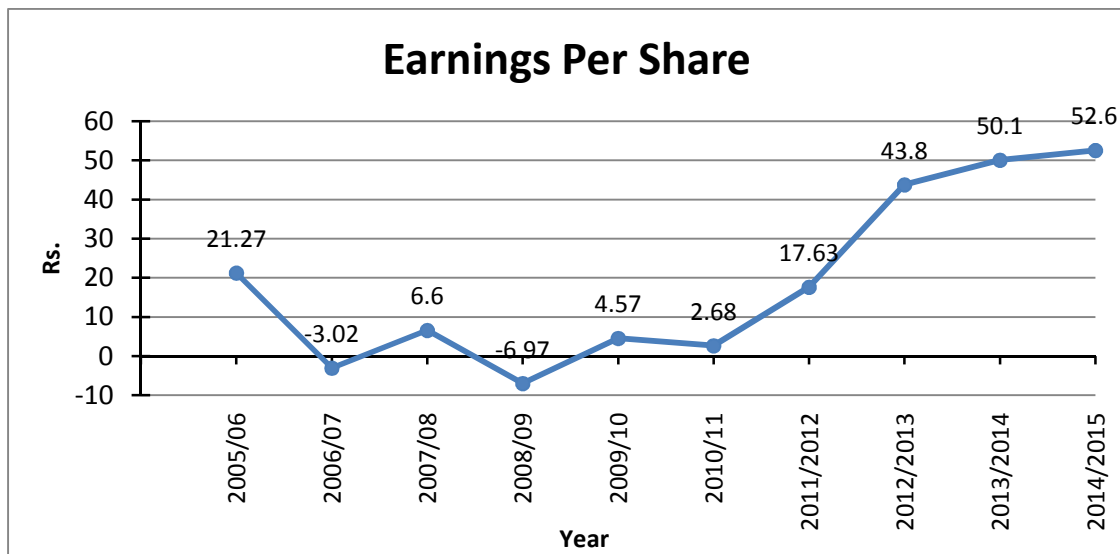


Figure-II

(Source: CSC - Annual Reports / Draft Accounts 2014/15)

CSC has made all efforts to create a positive enterprise image by identifying a niche and new strategies for diversification in future to overcome all obstacles and negative trends which were experienced due to many reasons in the past. CSC intends to be one of the most successful state institutions and a trend seller in the shipping business.

# PART III



## 3. Present Status

Corporate Plan 2016/2017 – 2020/2021

### 3.1. Global Shipping Industry Outlook

#### ➤ Segments of Global Shipping Industry

- Ownership & Structure of Global Shipping fleet
- Ownership & operational details
- Registration
- Vessel costs & Freight rates
- Ship Building
- Demolition & Vessels supply
- Demand & Supply statistic
  - Crude oil tankers
  - Product tankers
  - Chemical tankers
  - Automobile carriers
  - Dry bulk shipping
  - Container vessels

#### ➤ The World economy & demand for Seaborne Transport

The world economy is highly dependent on shipping, which meets approximately 95% of the global demand for transport. Over time, changes in global growth are expected to lead to changes in the world's seaborne trade centre of gravity. The shipping market is characterized for a great degree by market cycles. This instability creates a potential for high profits but also considerable losses in the downturns. With the current reduced level of world economic growth coinciding with overcapacity in the global fleet, the shipping market is experiencing tough conditions.

According to the UNCTAD Report, Review of Maritime Transport 2015, the volume of world seaborne shipments expanded by 3.4 per cent in 2014, that is, at the same rate as in 2013. Additions to volumes exceeded 300 million tons, taking the total to 9.84 billion, or around four fifths of total world merchandise trade.

Dry cargo was estimated to have accounted for over two thirds of the total, while the share of tanker trade, including crude oil, petroleum products and gas was estimated to have slightly declined from nearly 30.0 per cent in 2013 to 28.7 per cent in 2014. Dry cargo shipments increased by 5.0 per cent, while tanker trade contracted by 1.6 per cent. Within dry cargo, dry bulk trade, including the five major bulk commodities (iron ore, coal, grain, bauxite/alumina and phosphate rock) as well as the minor bulk commodities (agri bulks, metals and minerals, and manufactures) is estimated to have increased by 5.0 per cent, taking the total to 4.55 billion tons.

Although the growth in coal trade is estimated to have decelerated significantly to 2.8 per cent as compared with over 12.0 per cent in 2012 and 5.0 per cent in 2013, dry bulk shipments continued to be supported by the rapid expansion of global iron ore volumes, which in turn, was driven by China's continued strong import demand.

“Other dry cargo” (general cargo, break bulk and containerized) accounted for 35.2 per cent of all dry cargo shipments and is estimated to have increased by 4.9 per cent to reach 2.47 billion tons.

Containerized trade, which accounted for about two thirds of “other dry cargo”, was estimated to have increased by a strong 5.6 per cent, taking the total to 1.63 billion tons. (UNCTAD Report, Review of Maritime Transport 2015).

➤ **World seaborne trade in cargo ton–miles by cargo type, 2000–2015  
(billions of ton–miles)**

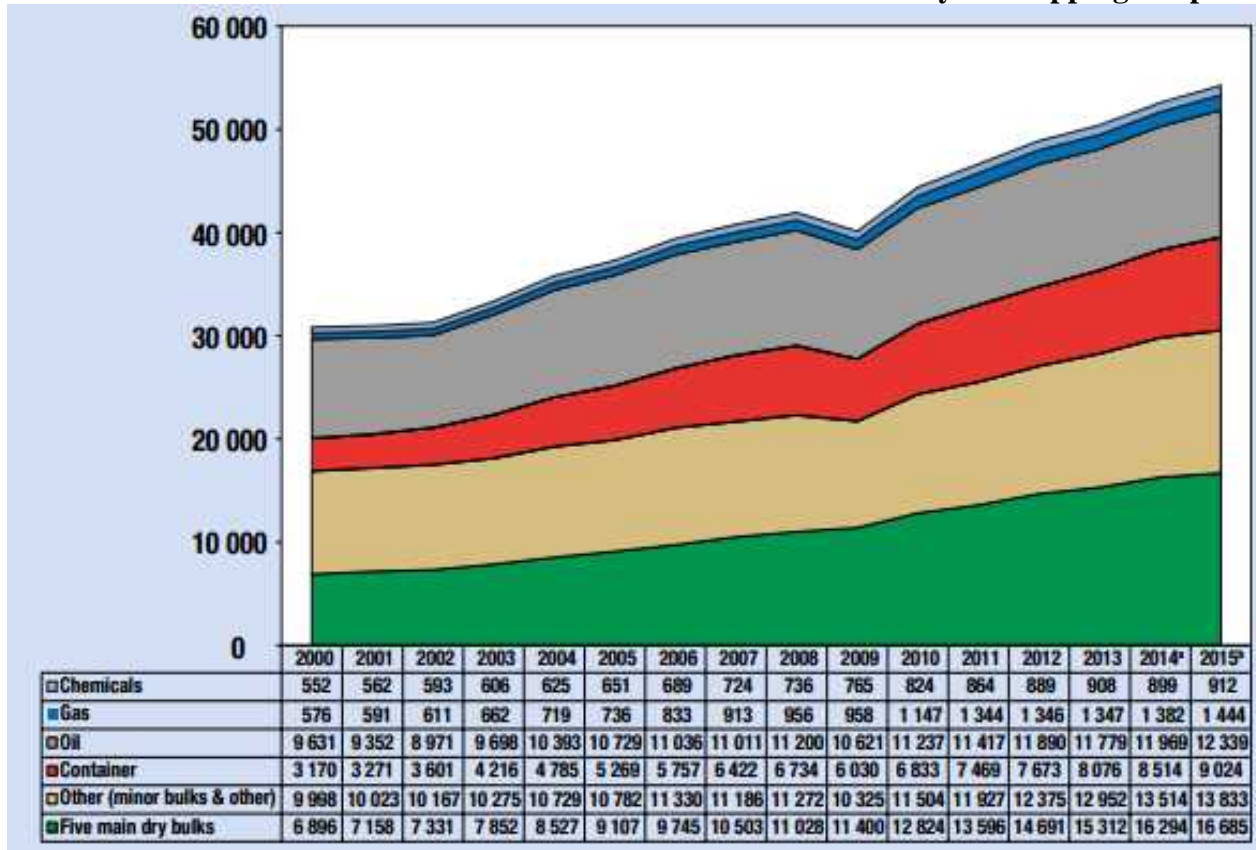


Figure III  
(Source- UNCTAD report on Review of Maritime Trade- 2015)

➤ **Dry Bulk Freight Rates**

Despite a strong start and high expectations for a positive impetus carried over from 2013, the dry bulk market freight rates faced another challenging year influenced by the surplus capacity that still exists and the uncertainties in demand projections in 2014. Bulk carrier earnings fell 5 per cent from 2013 to reach an average of \$9,881/day. The low level of earnings exerted financial pressure on owners and led to several companies filing for bankruptcy. As an overall indicator of the continued depression in dry bulk earnings, the Baltic Exchange Dry Index slid to a low level of 796 points in July 2014, to end at 910 points in December 2014. Average earnings in the bulk carrier sector remained low and highly volatile in 2014. Capesize earnings during 2014 averaged \$13,309/day, down 15 per cent from 2013.

This was despite much faster growth in iron ore trade (driven by an increase in Chinese imports) than in the Capesize fleet (which grew by 4 per cent in 2014). The Panamax market continued to be

negatively affected by oversupply of tonnage (driven by strong deliveries of Kamsarmaxes) and slower growth in coal trade (due to declining coal imports into China), with average earnings dropping down 5 per cent to \$6,260/day and reaching as low as \$2,137/day in June 2014. Supramax average earnings fell by 12 per cent to reach \$10,819/day in 2014, dropping as low as \$5,905/day in August before recovering for the remaining months and ending at \$8,769/day (Clarksons Research, 2015c). The Indonesian ban on exports of unprocessed bauxite and nickel ore resulted in a weak Supramax market in the Far East. The dry bulk market rates for 2015 and beyond will continue to be dominated by growing supply and uncertainties concerning the demand for dry bulk commodities from China. Factors that could influence demand in the future include innovation in technologies that seek to improve fuel efficiency and substitute for coal, and the increased number of countries that are setting policies and regulations aimed at reducing carbon emissions. (UNCTAD Report, Review of Maritime Transport 2015).

➤ **Daily earnings of bulk carrier vessels, 2008–2015 (\$ per day)**

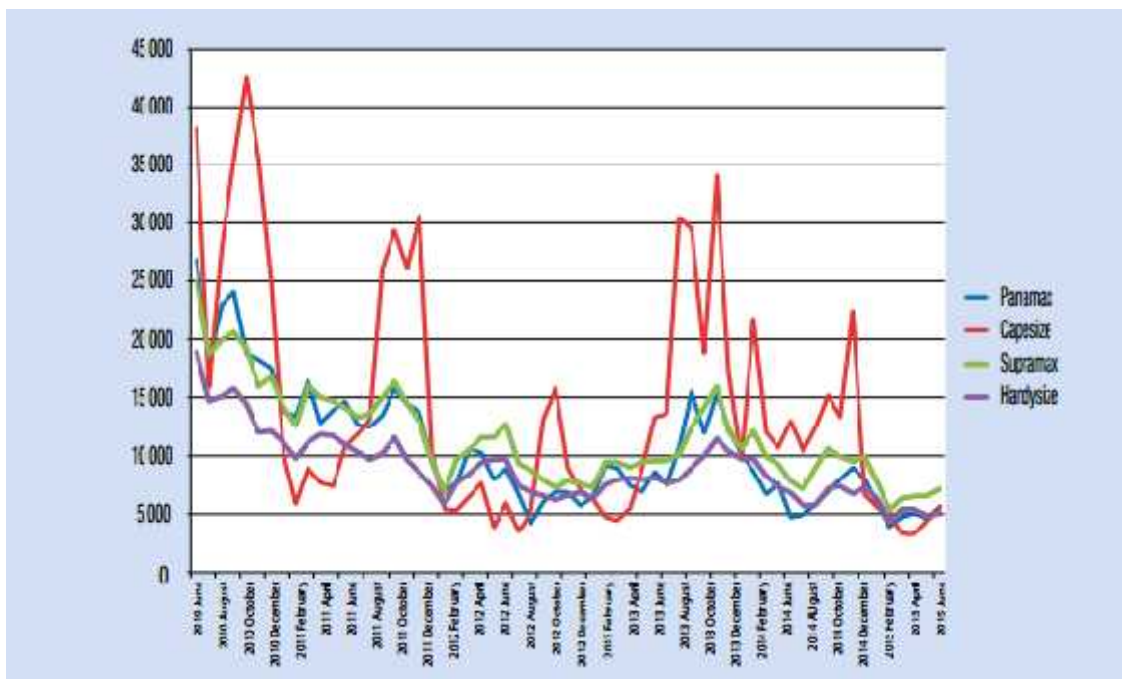


Figure IV

(Source- UNCTAD report on Review of Maritime Trade- 2015)

➤ **Dry bulk trade volume and tone-mile demand: Moderate growth ahead**

**Dry bulk trade volume and tonne-mile demand: Moderate growth ahead**

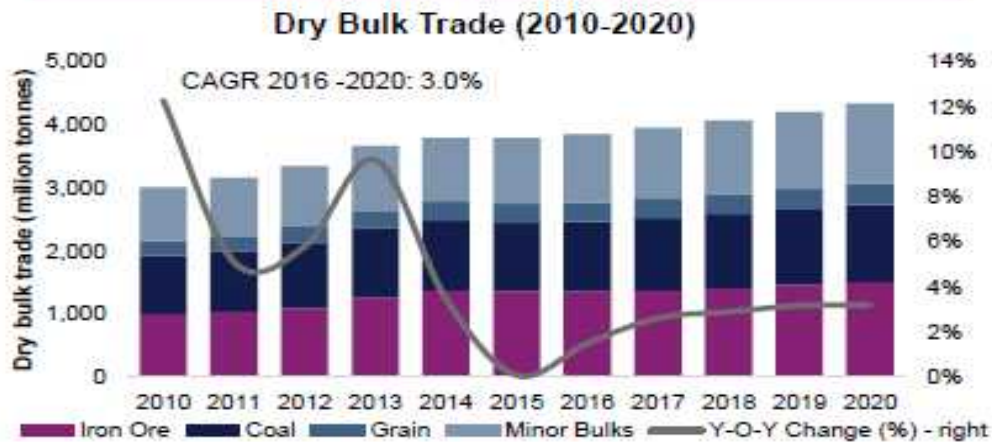


Figure V

(Source- Industry Overview – Drewry Maritime Advisors 2015/ 16)

### 3.2. Sri Lankan Shipping Industry Analysis

The country, being an island nation its economy is to a greater extent depends on imports and export trade. Sri Lankan Government heavily emphasizes for the utilization of its strategic geographical location and the improvement of maritime opportunities for its future prosperity. In that light, shipping industry has a pivotal role to play and CSC being the national carrier has to lead from forefront. Sri Lankan shipping industry approximately value nearly Rs. 200 billion that includes ship owning, sea transportation, port management, agency business, freight forwarding, warehousing, maritime recruitment and logistics etc.

As per the Sri Lanka Central Bank Report- 2014, the earnings from exports increased by 7.1% in 2014 compared to 2013. Expenditure on Imports in 2014 increased by 7.9% compared to 2013. A large increase of 87.7% was recorded in Break-bulk cargo handling, reflecting the handling of increased imports of fertilizer, iron/ steal and vehicles at both Colombo & Hambanthota Ports. (Annual Report- CBSL 2014) Shipping being intensely globalized and open business, country like Sri Lanka has little power to lead in its participation in the industry especially in the container shipping business. Large global players are making consortiums in the container shipping in selected routes leaving few chances to small players.



Following Chart (Figure VI) shows the ships arrived in the country over period of last 05 years and the total cargo tonnage carried over that period.

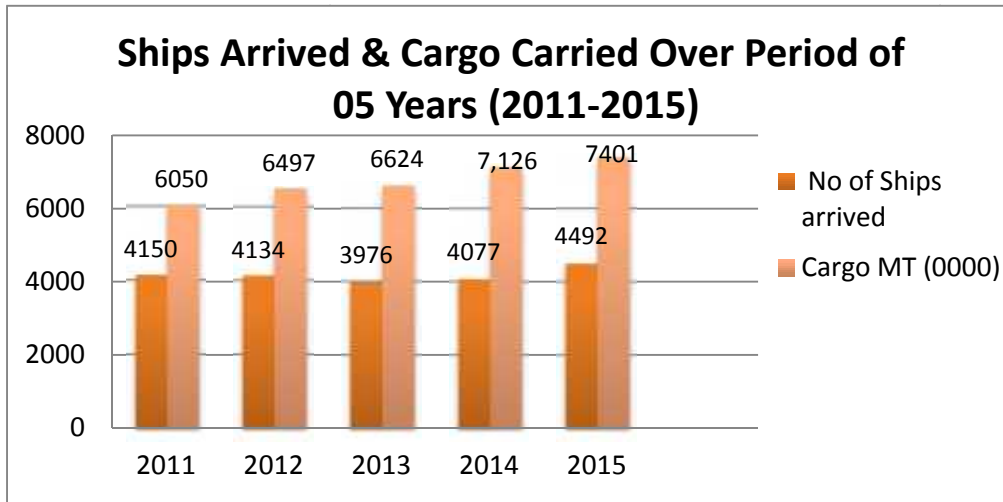


Figure VI  
(Source –

Annual port Statistics- 2015 – SLPA)

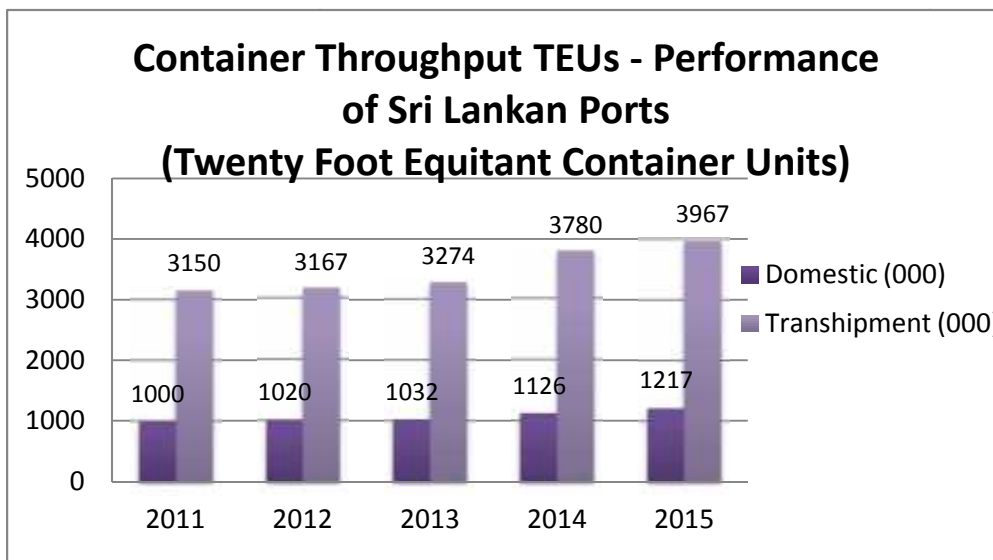


Figure VII  
(Source –  
Annual port

Statistics- 2015 – SLPA)

With the above data (figure VI), it is apparent that the number of vessels calling Sri Lanka has not much being increased compared to the increased of volume of cargo. This is due to ships becoming bigger and hence a single ship is able to carry more cargo than before. Also, as noted (figure VII) an increase in transshipment by 3-4 times higher than domestic cargo, which is an indication that Sri Lanka is developing as a hub in the region.

### 3.3. Current Status of CSC Business

#### ➤ Major Activities of CSC

- Continue to be a ship owner
- Non Vessel Operating Common Carrier (NVOCC) / Freight Forwarding Operation
- 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
- Total Logistics solution, Customs Clearing and Forwarding
- Chartering and Agency Functions
- Ship Brokering
- Management of Ships
  - Commercial Management
  - Technical Management and Manning

#### 3.3.1 Organization Structure

Please refer Annexure 03

#### 3.3.2 Department of Liner and Documentation

This is one of the main profit centers in CSC and it generates around 76 million net income per year. At the moment CSC does not own a Liner service due to the non-availability of its own vessels suitable for the purpose. But in early days CSC operated a Liner service and this Department was established to facilitate those functions.

At present, Liner Department engages in NVOCC (Non Vessel operating of Common Carrier) and freight forwarding operations which is a way of sending cargoes through other shipping lines by hiring space on their ships. This is a kind of shipping forwarder's function and CSC is earning money through this business due to non-availability of own vessels. The Department mainly handles cargoes imported by the Government Institutions and export consignments of Sri Lankan Diplomatic staff that are posted to overseas locations.

The main functions of the department are as follows.

- Overseas agency appointments, review of agents performances and control of such agents
- Contracting and co-ordination of contracts with overseas service suppliers such as container services suppliers, container terminals, transport operators, other shipping lines etc.
- Commercial decision making with regard to routes, rates etc.
- Costing of voyages, evaluation of voyage performances and preparation of various reports for the MIS.
- Booking space from Main Line Operators.
- Preparation of Management Information Reports for decision making purposes.
- Liaising with the Shippers' Council.
- Compilation of statistics, competitor activities and recent developments.
- Provision of customer services such as provisions of information, Government sector FOB cargo acceptance, booking passage etc.

Critical success factor of this operation is the full implementation of the Public Finance Circular 415 dated 06/05/2005 issued by the Treasury to be applied for the Government Institutions, which has been reissued in 2016 with the concurrence of the Cabinet of Ministers.

### **3.3.3. Logistics, Clearing & Forwarding**

This Department provides Logistics supports to NVOCC (Non Vessel Operating Common Carrier) / Freight forwarding operations handled by the Liner & Documentation Department. Main functions are handling of customs clearance of cargo and providing total logistics services on behalf of CSC customers. This section is one of the profit generators of CSC. It is expected to further strengthen this operation with Public Private Sector participation.

### **3.3.4. Department of Marketing & Sales / Public Relations/ Customer Care**

Marketing Department, which plays a vital role in attracting both government and private sector customers, puts their fullest effort to generate more businesses to CSC. In early days CSC had a very strong in house marketing force but after the liberalization process in the Shipping Industry CSC's market share has been dramatically decreased which was a big challenge for Marketing Department to regain it. However, with the approved SOR from the General Treasury being adopted by the new management, it is anticipated that a full restructuring process would be taking place to meet the objectives of the CSC in more aggressive and effective manner.

### **3.3.5. Chartering & Agency Department**

CSC offers agency services for own vessels and foreign vessels calling Sri Lankan ports for cargoes discharging/loading/Bunkering etc.

➤ **Key functions of the department are;**

- Handling of port agencies on behalf of Owners, Charterers and Receivers
- Chartering functions
- Ship Broking functions
- Port/Documentation, Agency functions and Customs Clearance of coal shipments for Lakvijaya Power Station in Puttalam
- Compilation of Statistics
- Project/special studies
- Lightering Coal

➤ **Agency Functions;**

This department acts as Colombo Port Agents for foreign Principals, the Government and Local Institutions.

- Handles receiver's agency functions of vessels carrying fertilizer consigned to Ceylon Fertilizer Co. Ltd. and Colombo Commercial Fertilizer Ltd.
- Agent for M/s PCL (Shipping) Pte. Ltd., Singapore Handles port agencies for Ad-Hoc callers.
- Own vessels

Agency functions at the ports of Trincomalee, and Galle are handled through sub-agencies

➤ **Chartering/ Brokering Functions;**

- This department functions as an in house chartering broker for CSC and for government institutions and the Private Sector as and when required such services.
- Prepare charter parties.

➤ **Port Agency/ Documentation functions of the Coal Shipments;**

- Coordination with all relevant stakeholders and Sri Lanka Customs and monitor port/documentation functions to ensure smooth functioning of coal discharging operations and looking after the interests of the power plant by giving the vessels fast turnaround.

➤ **Key income sources are,**

1. The agency fees charged from relevant parties/principals as Receiver's Agent / Owners Agents.

## **Ceylon Shipping Corporation**

2. Customs clearance charges of bulk, address commissions, commission on lightering of bulk shipments and additional commission on coal discharging over 2.2 million MT +/- 10% in a season.
3. Commission on Demurrages of the coal vessels if any.
4. Other Agency Activities such as crew changes/Cash to Master/ Ships' Provisions/Delivery of Spare Parts etc

CSC at present transport coal for the Lakvijaya power station phase I, II and III which were commissioned in 2010, 2013, 2014 & 15 respectively which need 2.2 million MT + / - 20% of coal to generate 900MW power to national grid.

### **3.3.6. Business Development Department**

Business Development Department has been entrusted with exploring new business opportunities and projects for CSC. This Department would initiate and set up new business activities for the organization and look for new market opportunities and endeavor to grab potential new businesses in order to face intense competition in the shipping industry and enhance the profitability of the organization. Followings are the main functions presently handled by the Business Development Department.

- Prepare Business plan and Business reports
  - Carry out Feasibility studies on new projects
  - Business negotiations for transportation of crude oil for CPC
  - Securing an investor to set up an unaccompanied Baggage Warehouse
  - Commercial matters related to resumption of Passenger ferry service between Thalaimannar / Rameshwaram & Colombo / Tuticorin
  - Maritime training and Crew Agency functions for the vessels owned by PCL and its affiliate companies & providing training opportunities for Sri Lankan Marine Cadets
  - Represent CSC to pursue the maritime activities in bilateral agreements signed between Sri Lanka and other neighboring countries / SAARC
  - Compiling statistics and preparing performance reports: - Monthly / Quarterly / Annually
  - New Business projects for CSC
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- Prepare 05 years Corporate Plan for CSC
  - Business project for Floating Bunker Storage

- Negotiation for partnering with Cruise line operators
- Projects assigned by the higher management of CSC in time to time

### **3.3.7. Technical and Coal Lightering Operations Department**

This department is responsible to supervise all aspects of the constructions of 02 new bulk carrier vessels which are being built in a shipyard in China. Functions of the Technical Department includes as follows;

- Technical functions including .Maintenance, repairs, supply of spares, supply of Bunkers, supply of crew, supply of provisions and arranging class surveys for the CSC owned vessels.
- Function of Designated Person Ashore for owned vessels.
- Function of Company Security Officer for owned vessels.
- Implementation and maintaining of International Safety Management System on board CSC own vessels.
- Technical functions of coal lightering operation.
- Technical Management of CEB lightering vessels (02 Nos Tugs and 03 Nos Barges and 01 Line Boat).
- Coordination with Seller/Shipyard for the new ship building project (02 Nos new bulkers) at Weihai Shipyard in China.

### **3.3.8. Finance Department**

The Finance Department provides assistance to the management of the CSC on financial affairs, where such financial matters are conducted in an effective manner.

This department is responsible mainly for the following functions.

1. Finance, Accounting & Reporting.
2. Budgeting.
3. Treasury Operations.
4. Taxation.
5. Corporate Reporting.

The Finance Department acts as a guide to various internal Departments in matters such as Finance Regulations, Circulars, rules and amendments thereon.

The Finance Department consists of the following divisions.

- Revenue

- Liner/Container Service
- Payments
- Management Information
- Bookkeeping
- Supply and Crew Wages

### **3.3.9. Internal Audit Department**

This Department is an independent body and functions directly under the Chairman. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. The authority has been given to the Audit Committee to act independently. According to the Audit Committee, Internal Auditor should assist the Audit Committee through the submission of relevant reports to assist in the deliberation and Internal Auditor should arrange Audit Committee which should meet at least once in three months time.

### **3.3.10. Legal and Insurance Department**

The Legal & insurance Department is entrusted to handle all Legal & Insurance matters pertaining to the day to day operational activities of CSC. Some of the important Insurance covers arranged by this Department entail vessel fleet insurance, both Hull and Machinery (H&M) and Protection and Indemnity (P&I), vehicle fleet insurance and the office equipments against burglary and theft. The Personal Accident cover and Health Insurance Cover for CSC employees are also under the purview of this Department. Apart from above, a burglary cover for Cash in Transit and Cash in Safe units are also placed appropriately. The handling of all incidental claims in relation to insurance constitutes a significant part of daily work of the Department.

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Further, this Department safeguards the legal interest in all litigation activities for and against CSC in liaison with Attorney General's Department and also by retaining prominent legal counsels as and when deemed necessary. Attending to labor and Human rights matters are also a part of the routine work of this Department.

### 3.3.11. Human Resources Department

Human Resources Department handles all the Human Resources related activities within CSC. The total 119 staff strength of CSCL is comprised of ;

Executives	-53
Clerical Staff	-40
Minor Staff	-23
Casual	-03
Total	<u>119</u>

Ceylon Shipping Corporation operates worldwide services in sea transportation as the National Carrier. Since Shipping is an international industry, foreign and local training facilities are provided to the employees in CSC to enhance the knowledge and skills in the Maritime Sector in keeping with the International Standards.

#### ➤ Local Training

The HR Department annually organizes training programs for the employees in all the Departments of CSC in association with key training institutions such as Sri Lankan Universities, SLIDA, FDSL, IPM (Institute of personal Management), National Institute of Labor studies, Center for Banking studies, Academy of Financial Studies, PRAG Institute & Vocational Training Center. In the year 2015, there were 58 Nos. of employees were encouraged to participate in various seminars, competitions, events, workshops and forums which enable them to develop and sharpen their knowledge and skills.

#### ➤ Overseas Training

CSC has continued to send one or two executives annually to follow a course of MSc in Shipping Management at World Maritime University, Sweden to develop knowledge in rigorous procedures complying with Maritime Laws and to exchange views internationally.

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In addition, there were 02 Nos. of employees were participated for foreign training programmes on maritime activities in China in the year 2015. Our primary objectives are to ensure high level of professional standards and to ensure optimum utilization of Human Resource at the organizational as well as international level.



➤ **Recognition to Long year Service of CSC Employee**

A grand ceremony for image building of CSC was held in recognizing the employees who have served CSC over 25 years and above for their loyal services to the organization at the Kingsburry Hotel on 23<sup>rd</sup> July 2015 and 22 Nos. of Executives, 13 Nos. of Clerical staff received the awards at this ceremony.

**3.3.12. Administration Department**

This department carries out all administration/procurement related functions of CSC. The followings are some of the major functions currently performed by the department.

- Supervision and maintenance of the CSC building premises, CSC Quarters including water supply, electricity, telephone, cleaning and the security service.
- Overall supervision of the CSC vehicle fleet (License, Insurance, Fuel and repairs & replacements).
- Overall supervision of postal work, distribute and dispatch official letters.
- Supervision and maintenance of CSC Telephone System.
- Supervision of repairs of office equipment and CSC vehicles in accordance with the Tender Procedures.
- Over all supervision of CSC Library and the General Stores.
- Carryout all Procurement matters of CSC according to the Tender Procedures and followed by the Government Procurement guide lines.

According to the new structure of CSC, IT department, Procurement and Building Maintenance are also the responsibility of the Administration Department.

**3.3.13. Computer Department**

- Supervision of Net work system, administration of Web site & E-mail facilities with SLT Domain Functions and the Antivirus maintenance
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- Maintaining Electronic Cargo Manifest System Shipping Module and the ASYCUDA system (Online entry process of CUSDEC with the Custom System).
  - Overall supervision Backup system, Hardware & Software maintenance and purchasing software & spares.
  - Implement of new ERP System for integrated CSC Operation and Service Departments.

### 3.4. Our Resource Base

#### ➤ Human Resources

##### Chairman and Board of Directors

Shashi Dhanatunge	Chairman
Dr. G.D.M De Silva Gunasekera	Executive Director
A.K. Seneviratne	Director (Treasury Representative)
S. Goonewardene	Director
T. Nanayakkara	Director
K.J.T.L. Nandana	Director
M. Kannangara (Ms.)	Director

##### Team of Management

S. M. D. N. Dharmapriya	General Manager
E. M. S. Perera (Mrs.)	Deputy General Manager (Legal/Insurance & Human Resources)
Vikum Pradeepa	Finance Manager
S. L.Rajapakse	Technical Manager
C. Jayasinghe (Mrs.)	Business Development Manager
M.M.J.Indraneela (Miss)	Manager (NVOCC, Logistics, Documentation & Marketing)
Prasanna Samaranayaka	Legal & Insurance Manager
Y.Ponnampereuma	Internal Auditor
I.Danathanarayane	Manager (Chartering & Agency)
Lalith Gunarathne	Head of Administration

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The present cadre of human resources is 119 permanent employees as of today, which includes skilled, trained and professionally qualified staff.

#### ➤ Physical Resources

- **Ships**

**MV Ceylon Breeze**

CSC newly built ship MV Ceylon Breeze has been delivered from the Avic ship yard of Weihai and sailed for her maiden voyage to load a shipment of coal from the port of Vostochny, Russia. The vessel ETA to the Port of Puttlam to discharge coal was on 15<sup>th</sup> March 2016. The Vessel delivery ceremony has been organized by CSC on 15<sup>th</sup> March 2016 in the port of Colombo. The vessel will be heading to the port of RBCT, South Africa to load another shipment of 61,500MT of coal required for Lakvijaya Power Plant of which ETA of Vessel will be end of April 2016.

**MV Ceylon Princess**

CSC is in the process of building another new Ultramax sized dry bulk vessel MV Ceylon Princess being under construction. Accordingly CSC has entered in to a contract with AVIC Shipyard, China with the financing by the Peoples Bank of Sri Lanka at a cost of USD 35 million each. The second vessel Ceylon Princess is scheduled to deliver in July 2016.

The opportunity is securing to the best utilization of vessels and obtaining the consultancy service from Earnst & Young as advised by the Cabinet Committee Meeting held on 09<sup>th</sup> February 2016 to seek a possible Joint Venture Agreement.

- **Buildings**

CSC does not have an own building for the office except for two residential Quarters. The management is exploring the opportunities to construct an office building for CSC in affiliation with the Sri Lanka Ports Authority. CSC has also requested to allocate a building for CSC office premises within the city of Colombo from Ministry of Mega polis & Western Development.

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➤ **Investments**

CSC has investments in following companies;

- Ceylon Shipping Lines – 156,948 shares to the valued of Rs. 35.1 Mn (39% of shares are now retained with CSC).
- Ceylon Port Services Ltd – 5,000 shares (value: Rs 2.09 Mn).
- Mercantile Shipping Co – 238,506 shares (value: Rs. 21,607,005).

## Ceylon Shipping Corporation

- Ceylon Shipping Agency Pvt Ltd, Sri Lanka – Fully owned subsidiary of CSC currently pending wind up.
- Ceylon Shipping Agency Pvt Ltd, Singapore – 24,500 shares (value: Rs. 4.9Mh).
- Associated Newspapers of Ceylon Ltd – 31,206 shares (value: Rs. 4,680,900).
- Sri Lanka Port Management & Consultancy Ltd – 1,500 shares (value: Rs.15, 000 this is an Investee Company).
- Lanka Coal Company Ltd – (200,000 shares valued at Rs. 2 million).

### ➤ **Achievements**

CSC won the National Chamber of Commerce – Bronze Star Award for the year 2015

CSC has been awarded by MLC 2006 Certificate for 05 years by Lloyds Registry, UK for complying its maritime training & recruitment procedures

MV. Ceylon Breeze ceremonial acceptance at the port of Colombo on 15<sup>th</sup> March 2016

MV. Ceylon Breeze has been successfully complied with the following international standards

- International Sewage Prevention Certificate
- International Oil Prevention Certificate
- International Load Line Certificate
- International Air Pollution Prevention Certificate
- Cargo Ship Safety Radio Certificate
- Cargo Ship Safety construction Certificate
- International Tonnage Certificate
- Minimum Safe Manning Certificate
- P&I Certificate
- LRIT Certificate

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- Certificate of Class
- Registry Certificate
- Cargo Gear Certificate
- Panama flag Certificate
- Hull & Machinery Insurance Certificate
- Certificate of Compliant

### 3.5. Maritime Education

CSC has been providing essential sea training for Sri Lankan marine cadets of Maritime institutes in Sri Lanka on CSC owned vessels. It has been planned to accommodate 12 marine cadets from Government Maritime institutes onboard MV Ceylon Breeze, which is added to CSC fleet on 30<sup>th</sup> January 2016. Next batch of 12 cadets will be trained on MV. Ceylon Princess which is expected to be delivered in July 2016. The discussions are underway with Director General of Merchant Shipping and Class of the Vessels to increase the number of training berth up to 26 berths per vessel enabling to provide more training facilities for Sri Lankan Youth.

- **Nautical Institutes**

- Government Institutes

1. Institute of Engineering Technology –Katunayaka
2. University of Moratuwa
3. Ocean University of Sri Lanka
4. Mahapola Training Institute

- Private Institutes

1. CINEC
2. Lanka academy of technological studies (Pvt) Ltd
3. Mercantile Seaman Training Institute

Presently there are about 1,300 cadets and ratings waiting for sea training after completing their academic training in the Nautical Institutes. They can immediately earn USD 3,000 per month at the 3<sup>rd</sup> officer/ 3<sup>rd</sup> engineer level if they complete initial courses including on board sea training. Once these junior offices reach the pinnacle of their carrier as the Master mariner and Chief Engineer after about 12-15 years they can earn USD 10,000- 12000/per month which will be a vast potential of earning of foreign exchange to the country.

CSC has also developed a “Business Model” that can address the sea training problem by finding the best capable partners to CSC for the carriage of coal. Accordingly, it was able to find a partner for coal transportation M/S PCL Shipping PVT LTD, Singapore who has agreed to provide 100 sea training billets for Sri Lankan trainee Seafarers during their 03 years contracted period of carriage of coal and also provide employment opportunities for Sri Lankan seafarers on their fleet of ships. CSC has secured crew agency in Sri Lanka of PCL & its following 03 Subsidiary companies.

1. PSM Perkapalan SDN BHD, Singapore
2. Sandigan Ship Management Pte. Ltd., Singapore
3. Synergy Maritime Recruitment Services Pvt Ltd., India
4. Wilhelmsen Marine personnel (Hong Kong) limited.,Malaysia

<b>Maritime Training provided to the cadets for year 2015/2016</b>						
Categories of Cadets	University Of Moratuwa	Ocean University	IET Katunayake	CINEC	Mercantile Training Institute	<b>Total</b>
Deck Cadets	06	-	-	06	06	<b>18</b>
Engine Cadets	02	02	08	01	-	<b>13</b>
Electrical Engineering Cadets	-	-	-	03	-	<b>03</b>
<b>Total</b>	<b>08</b>	<b>02</b>	<b>08</b>	<b>10</b>	<b>06</b>	<b>34</b>

Table V

(Source –Business Development Department)

Most of the countries (i.e. Japan, China, India & Philippines) have separate dedicated vessels to provide sea training for the youth of the country aspiring to be seafarers since seagoing is a very lucrative foreign exchange/ saving mode for any country.

Countries like Philippines, India have adeptly grabbed this opportunity by direct intervention of the respective Governments. Since the Sri Lankan Government is taking all steps to increase foreign exchange earnings through the export of skilled labour instead of unskilled labour, it is high time that CSC to operate and manage its two vessels which have been specially designed for Trading ( carriage of bulk cargo) plus Training with a separate deck to accommodate marine cadets.

### **3.6. Empowering CSC as the National Carrier**

CSC now functions under the Companies Act and has adopted a Memorandum and Articles of Association, which provides a considerable degree of autonomy to the institution. Therefore, the necessary regulatory framework is in place for CSC to forge ahead as an enterprise, generating its own funds for future expansion and growth.

The trade bodies of Sri Lanka, which were instrumental in liberalization of shipping, have now, realized the necessity of a strong national fleet. They have emphasized and highlighted the need of revamping the National Carrier, due to various bitter experiences encountered in the hands of cartels of foreign lines that increase freight rates and other related expenses at their whims and fancies.

Sri Lankan exporters and importers have been facing various problems such as shut-out of cargo, roll-overs, non-availability of containers, sailings and space, by-passing of vessels at short notice, freight rate increases in every 2-3 months, application of surcharges, lack of consultation between ship owners and trade bodies etc which ultimately discourage Shippers and Consignees in various aspects. Rate stability and frequent sailings are of utmost importance for shippers. Fixed sailings are required for planning productions ahead and exporting goods to foreign markets satisfying today's just-in-time logistics and supply requirements of buyers with minimum warehousing.

The present management has realized the pitfalls of a pronounced Public Dimension is seeking to infuse CSC with a strong Enterprise Dimension to implement strategies to once again reach and sustain the pre-eminent position it enjoyed in the past and to meet the expectations of the trade and the national security. In that, internal and external environments are conducive for such revival. Further, strengthening the CSC activities Cabinet decision has been granted in February 2016 to empower the public finance circular No.415 issued in 2005 and instructed all the Government institutions to import their cargo under CSC Bills of Lading.

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### **3.7. CSC Performance during 2010/11 – 2014/15**

The following Chart (Figure VIII) shows the source of net profit generated over last 05 years.

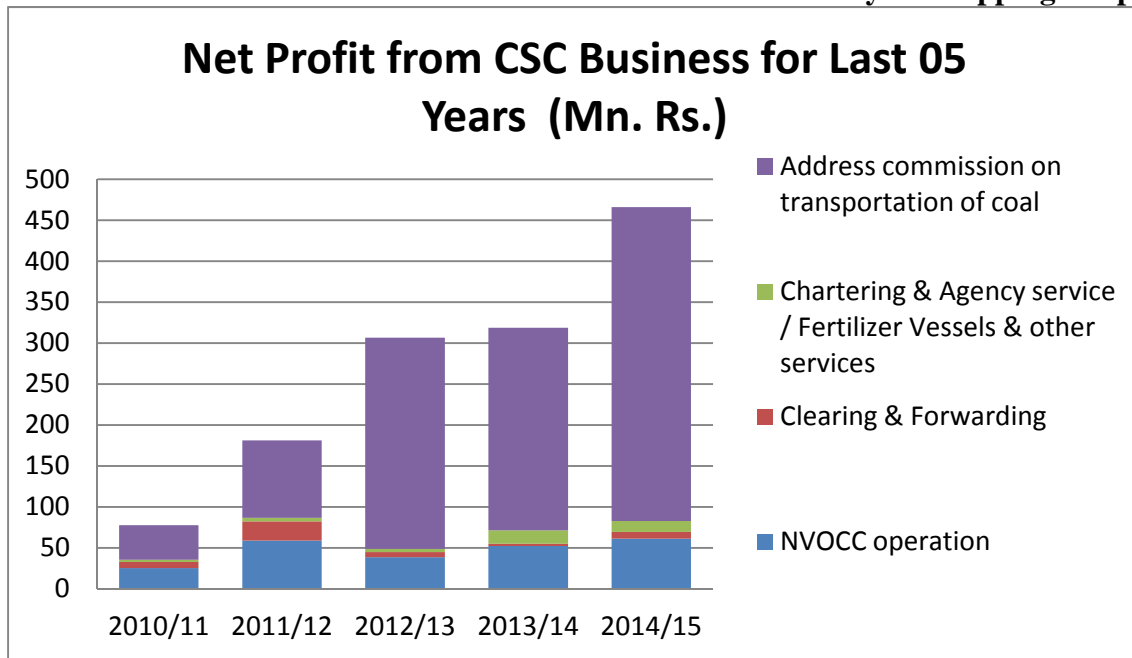


Figure VIII

(Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

### 3.7.1. Carriage of Government and Non- Government Cargo on NVOCC basis – (Non Vessel Owning Common Carriers)

This Scheme has been a way of steady income for CSC and effective mechanism in saving freight cost of Government institutes in terms of foreign exchange. The Marketing force of CSC does an aggressive cargo canvassing from the Government institutions that do not support CSC under the Circular No 415 dated 6<sup>th</sup> May 2005 issued by Department of Public Finance, and reviewed in 2016.

For many years, imports into Sri Lanka have been more than exports in both value terms and by volumes. As per the Central Bank Report 2014/15, the total value of imports in year 2014/15 was USD 19,417 Million.

Assuming that the share of import cargo by the Government sector is about minimal 15% of this value and the freight quantum is about nominal 3%, Govt. sector freight bill for shipments on liner vessels could estimate about Rs. 70.0 billion.



If at least 10 % of this estimated freight bill payable to foreign lines could be saved by securing business for CSC, foreign exchange to the tune of Rs. 7,000 million could be retained within the country. This is not an optimistic estimation. CSC continues to serve export and import trades on NVOCC basis since CSC has no fleet on its own that is suitable to operate liner services. This operation is specially handled by the Department of Liner and Documentation. CSC has not been able to recommence liner services due to lack of capital to acquire new container vessels which is very capital intensive.

Also, it must be recorded and agreed that the success of a Liner operation using own vessels would be on CSC's ability to secure sufficient cargo for the vessels on both directions i.e. In-bound and Out-bound, which is the real challenge due to low exports from Sri Lanka.

On NVOCC basis, CSC carries cargo in many trade lanes such as Europe, Far East, USA, Australia, New Zealand, Black Sea, Mediterranean, India, Pakistan, Bangladesh etc. earning decent profits from these activities.

**Profits earned from NVOCC operation during past 5 years**

Year	Revenue	Cost	Rs. Mn.
			Profit
2010/11	163.55	138.02	25.53
2011/12	221.94	162.68	59.26
2012/13	527.00	488.00	39.00
2013/14	231.17	178.83	52.34
2014/15	178.71	117.09	61.62

Table VI

(Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

Despite the fact that outlook for shipping industry was not so promising due to the impact of global financial crisis in the past few years, CSC continued to engage in its core business sector of NVOCC operation in a profitable manner.

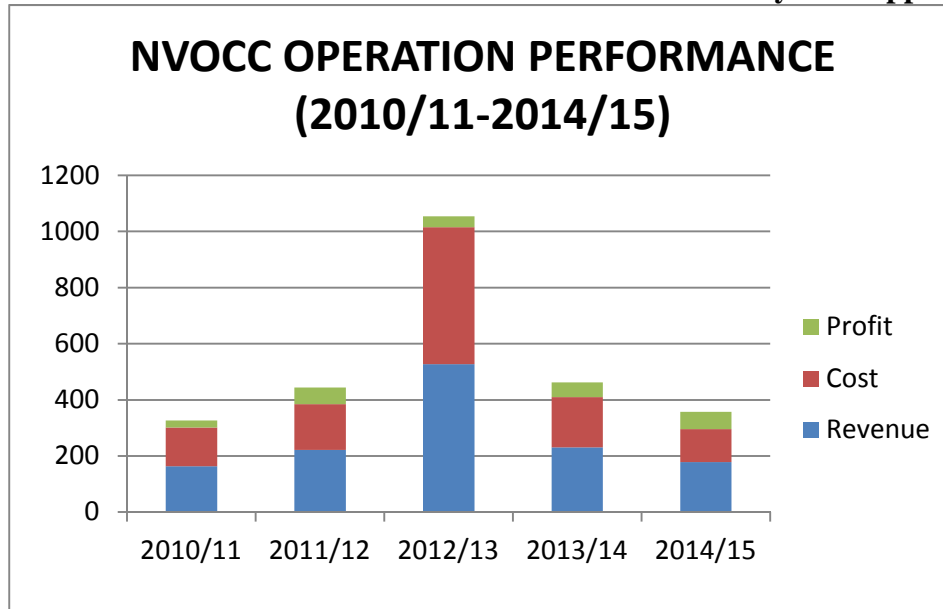


Figure IX

(Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

Due to the impact of global economic crisis CSC also had to experience a downward trend in profits earned throughout the period concerned. In view of the current difficult conditions which are affecting not only CSC but almost all business sectors in the economy due to global economic downturn, CSC has been trying its best to secure more Government sector business.

However, the continuation of Government Sector Import Cargo Reservation Scheme under Public Finance Circular no.415 dated 06/05/2005 is a major success factor for CSC.

### 3.7.2. Customs Clearing and Forwarding

Even though clearing and forwarding business is very competitive, CSC has achieved a considerable progress in this sector. CSC offers these services for Government sector as well as for private sector customers. CSC's total logistics solutions include, but not limited to; fumigation, obtaining approvals from various authorities such as Forest Dept. Archaeological Dept, Quarantine, etc. on behalf of customer, packing, labeling, stuffing, lashing, securing cargo in containers, picking up from door to the CFS or port, Customs clearance and delivery up to the door at the destination country with value added services.

## Ceylon Shipping Corporation

Depending on the requirements of customers CSC can offer tailor-made logistics solutions. CSC is planning to capture more private sector customers in future, by enhanced marketing efforts and offering most competitive rates and quality service. Presently, CSC provides total service package by outsourcing transport requirements, which is very costly. CSC intends to increase profit margins with the infusion of additional resources such as setting up of a warehouse deploying more wharf personnel and vehicles and thereby cutting costs.

### Net Profit Generated from Cargo Forwarding and Clearing

Year	Net Profit (Rs.mn)
2010/11	7.44
2011/12	23.44
2012/13	6.08
2013/14	4.88
2014/15	8.01

Table VII

(Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

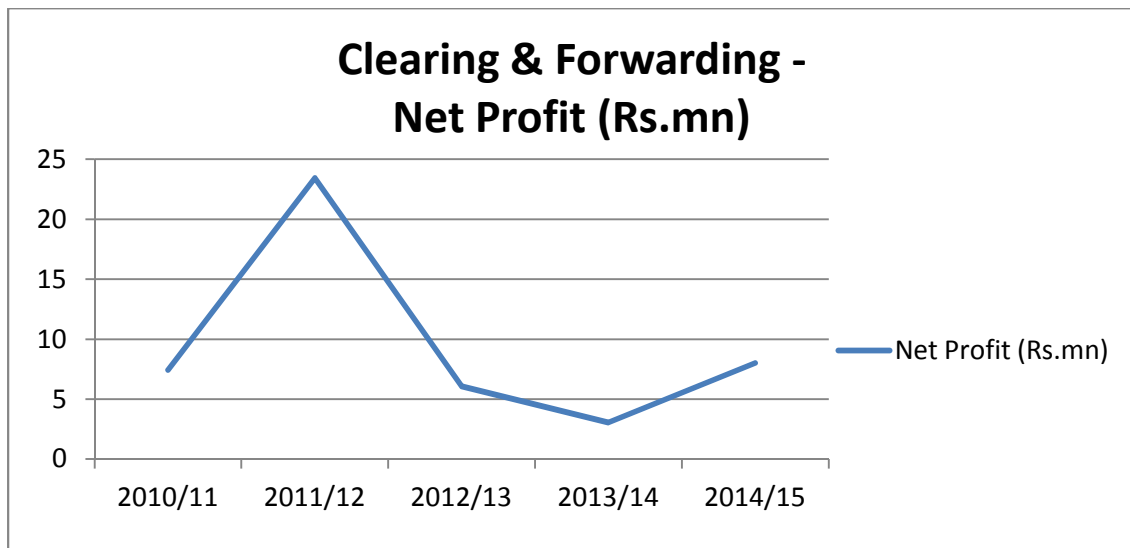


Figure – X

(Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

## Ceylon Shipping Corporation

Customs Clearing and Forwarding section as one of the lucrative business segments of CSC had increased their profits YOY bringing favorable financial supports. CSC handles most of Government cargoes of Ministry of Foreign Affairs, Sri Lanka Railways, Sri Lanka Broadcasting Corporation, State Pharmaceutical Manufacturing Corporation and shipments of local Universities etc. Net profit of the department has been decreased by 24% over the last financial year due to the competition and high cost of service.

### 3.7.3. Carriage of Coal for Lakvijaya Power Plant

Coal requirement of CEB's current coal fired thermal power plant is as follows.

Power Plant	Unit	Generating Capacity (MW)	Operational from (year)	Coal requirements (Per annum) MT
Lakvijaya at Puttalam	1	300	2010	750,000
	2	300	2013	750,000
	3	300	2014	750,000
	1	300	2015	2,225,000
	2	300		
	3	300		

Table – VIII

Lanka Coal Company (Pvt) Ltd. (LCC) has been established as a subsidiary of Ceylon Electricity Board for the supply of coal for CEB's coal fired power plant, by a Cabinet decision. Other stake holders of LCC are General Treasury, CSC & Sri Lanka Ports Authority. Coal transportation to the power plant involves two modes;

1. From load ports to anchorage of the port of Puttalam, situated about 4.2km offshore, by Supramax/Panamax sized bulk carriers. In the year 2015/16 , 39 voyages have been performed to carry the shipments of 2.25 Milion MT of coal.
2. From anchorage to Jetty of the plant by Self-Propelled Barges (Lightering Operation). Presently there are 05 SPB barges have been deployed and 10,000 MT of coal discharged per day.

Following chart XI denotes the financial output of the coal operation for last five years.

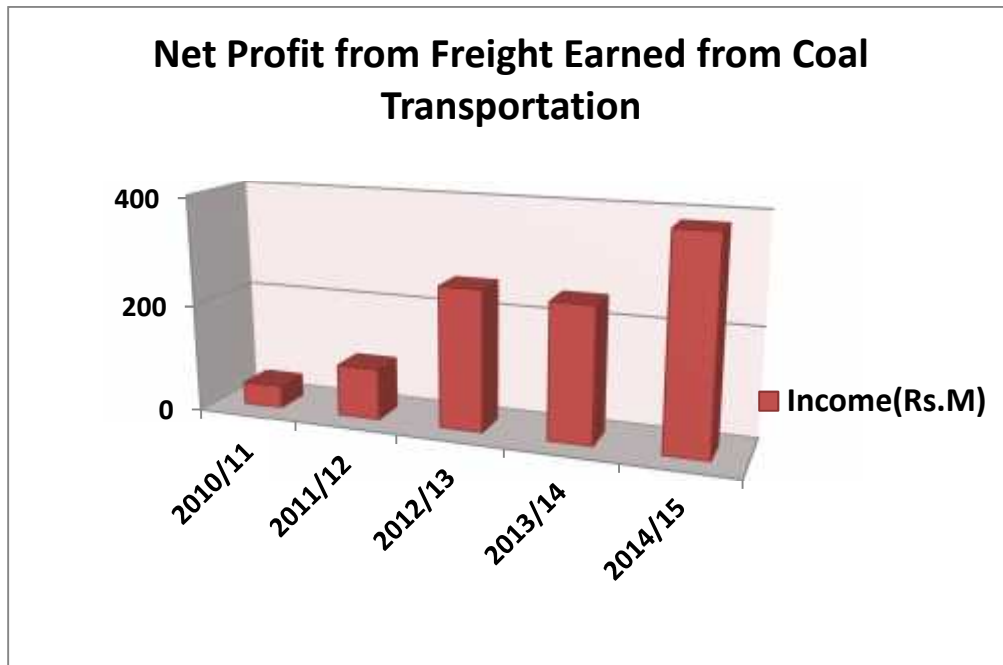


Figure XI  
 (Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

### 3.7.4. Chartering and Agency Functions

Annual Income from Agency Functions, Charter Hire and Coal Transport

Year	Agency fee (SLRS)
2010/11	2,816,592.50
2011/12	4,079,820.00
2012/13	5,003,500.00
2013/14	16,414,880.00
2014/15	13,316,000.00

Table IX  
 (Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

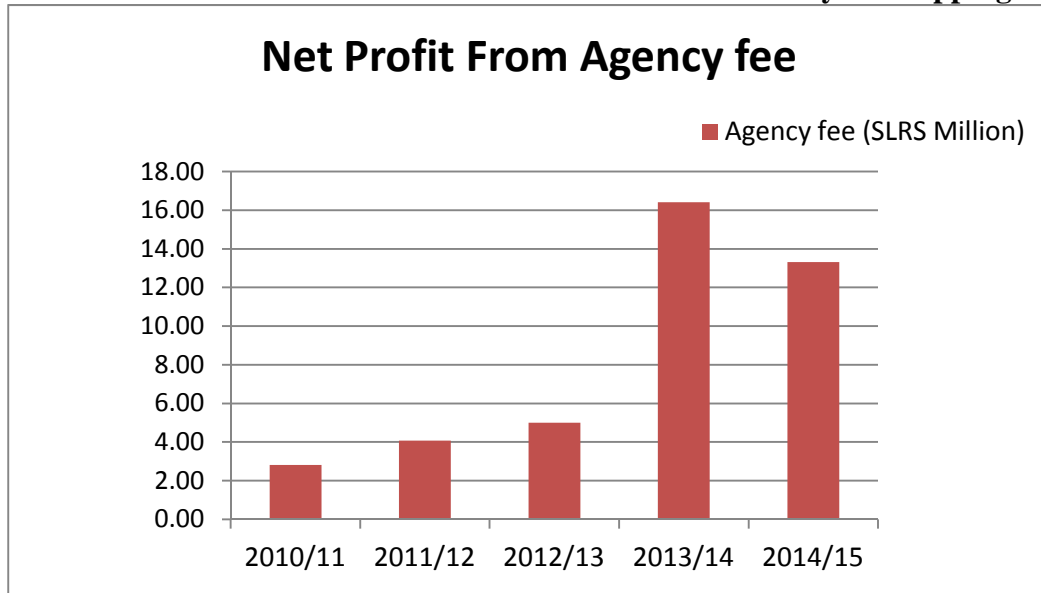


Figure XII

(Source: - CSC Annual Reports / Draft Accounts / Departments' Records)

The above chart XII shows overall income from Chartering & Agency functions handled by CSC, which has a substantial decrease in last 5 years. CSC performed the agency functions for the Commissioner General of Essential Services (CGES) to carry essential goods to North from 1995 and it generated a considerable income to CSC but CGES ceased operation and therefore CSC lost the agencies in 2009. (Mv. Mercs Yala off hired on 16<sup>th</sup> March 2009 and Mv. Mercs Ruhuna off hired on 19<sup>th</sup> February 2009)

Lanka Muditha, which is one of the vessels of CSC chartered to Sri Lanka Navy off hired in February 2010. This Department started to make less income on Agency functions mainly due to the loss of CGES's chartered vessels operation and also the redelivery of Lanka Muditha by Sri Lanka Navy. Further, this Department handled the Colombo port agency of coastal tankers operated by the Ceylon Petroleum Corporation for carriage of petroleum products to North of Sri Lanka. However, with the opening up of A9 road, it became less costly to transport oil products by road to the North and therefore sea transportation was discontinued which affected vessel agency earnings for CSC. This Department presently handles the port agency functions of the vessels carrying coal to the country under the agreement with the partner – M/s PCL, Singapore.

### 3.7.5. Crude Oil Transportation for Ceylon Petroleum Corporation

CSC had been envisaged for the transportation of crude oil to the CPC by the Cabinet of Ministers in terms of the cabinet decision dated on 02/11/2014.

Accordingly, CSC had organized 03 shipments with effect from November 2014, imported from the port of Jebeldhanna to Colombo SPBM at a quantity of around 86,000MT to 88,000MT per shipment. Due to a dispute between the head owner and the broker this operation was interrupted on early January 2015.

Meantime, it has been appointed a joint working committee under the chairmanship of the Secretary Ministry of Petroleum consisting of senior officials of CSC & CPC to explore the possibility of deploying Tanker / s for the transportation of crude oil.

### 3.7.6. CSC Performance in the year 2014/2015

The following Chart (Figure XIII) shows the source of net profit distribution over functions in the year 2014/2015.

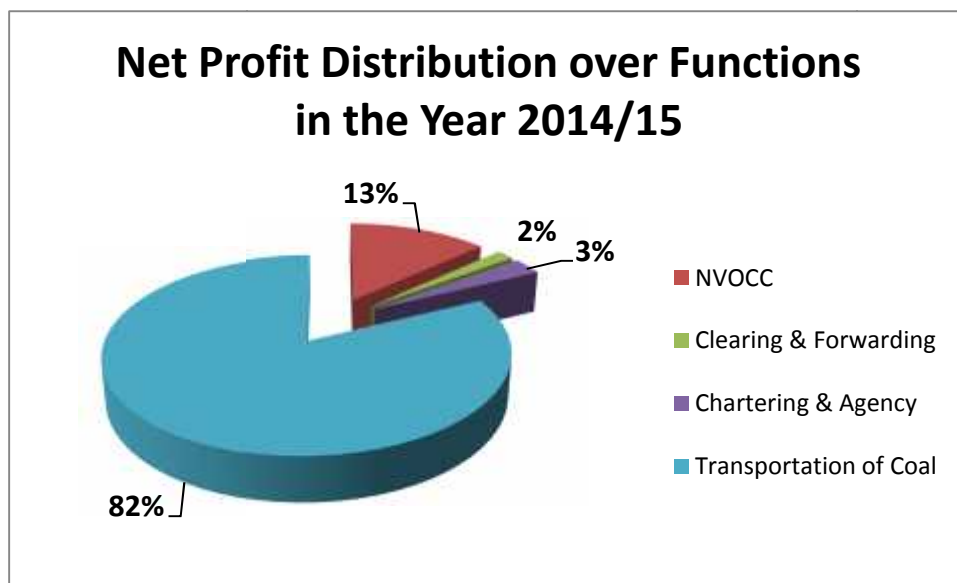


Figure-XIII

(Source- CSC Annual Reports/Draft Accounts/Departments' records)

### 3.8 Contribution to the National Economy

Ceylon Shipping Corporation Ltd., as a National Carrier in Sri Lanka contributes to the National Economy in following areas.

- Transportation of coal which is required for Lakvijaya Power Plant which generates electricity to National grid at cheaper rate in compared with most of the other power generating sources.
- Owning, Operating and Managing of CSC owned vessels.
- Saving of freight bills in terms of foreign exchange for the Government institutions at large by carrying their import cargoes at competitive lower freight rates on FOB terms under the Government sector Import Cargo Reservation Scheme than the higher freight rates which would have been incurred on CIF terms.
- Foreign exchange earnings through local agency service for Fertilizer vessels.
- Providing Mandatory sea training for Sri Lankan merchant cadets, in order to develop Sri Lankan Seafarer base.
- Maintaining Profit and Financial contribution towards the General Treasury by way of dividend.

### 3.9. Internal & External Analysis

#### 3.9.1. SWOT Analysis

a) <u>Strengths;</u>
<p><b>Corporate</b></p> <ul style="list-style-type: none"> <li>• Government wholly owned National Sea Carrier</li> <li>• Well reputed Worldwide agency network</li> <li>• Location of the office premises close to the port and other commercial centers are within manageable time</li> <li>• Cargo Reservation Scheme through Public Finance Circular No. 415 of 2005 and reviewed in 2016</li> </ul>
<p><b>Goodwill</b></p> <ul style="list-style-type: none"> <li>• CSC was the most successful and well known government enterprise in the Liner Shipping, Chartering, Brokering and Agency Business and was Star Performer in the Indian Sub-Continent to Europe route. CSC Bills of Lading is held in high reputation in this route.</li> <li>• Most of the Shipping professionals working in the Sri Lankan Shipping industry have been trained by CSC.</li> </ul>



- Training opportunities have provided for Sri Lankan Cadets to create qualified seafarer base in the country.

**Government**

Government backing with Reservation Scheme and giving opportunity to match the freight rates.

**Financial**

- Self-running on owned funds without financial assistance of Treasury since 1998
- Positive level of working capital to manage current business activities
- Regular income from Coal Transportation.

**Human Resources**

- Professional, trained and experienced staff.
- 21 out of 53 executives have trained abroad (32%).
- 04 executives are holding professional qualification in Shipping MICS (Members-3/ Fellows-1 of Institute of Chartered Shipbrokers, London).
- 12 executive officers possess Master Degree in Maritime Affairs / Shipping Management & Logistics
- Committed and motivated workforce to work on time.
- Personnel reputation on rendering good services.

**b) Weaknesses;**

**Corporate**

- Overall Productivity of rendering services is low due to bureaucracy
- Promotions and increments are based on experience (seniority) instead of performance
- Over staff in certain categories. Heavy paper works due to lack of integrated network
- Human resources requirements and recruitment are reflecting different ways due to preferences and interference
- Inability to exercise real commercial and operational functions due to Government AR and FR
- Lack of autonomy to make quick decision on competitive shipping market
- Traditional administrative practices that kill the time and opportunities
- Unavailability of own office premises
- Lack of commercial flexibility

**Financial**

- Lack of capital to make use of new profitable business opportunities available today
- Delay in receiving freight payments from public sector customers
- Inability to secure financial guarantee from the Treasury
- Higher Interest rates on Ship financing
- Higher Capital value of ships comparatively with market value of ships at the date of placing orders

**c) Opportunities;**

- Expansion of target market with the reissuance of Finance Circular No. 415
- Since public entities are motivated to increase their ongoing output there expected to be an expansion of the target market to CSC especially for NVOCC and logistic sector
- Lakvijaya Coal Power Plant phase I, II & III which generate the electricity at cheaper rates compared to other sources
- Building of Sampur Coal Power Plant Project
- New ports being developed in the country will offer more shipping and logistics opportunities to CSC to commence coastal cargo and passenger services and ship agency representations and ship supply service
- Interest shown by reputed foreign ship owners and operators to work jointly with CSC in venturing in to new business activities
- Providing investments on PPP business model

**d) Threats;**

- Government policy changes on public enterprises would impact on CSC's future
- Negative fluctuation of charter market, especially in dry bulk trade
- Dry bulk charter market is presently undergoing slump which would be affected to the cash flows of CSC when the nearly built vessels will be employed in the Global Market during the Monsoon period
- Many of the top level managers who are nearing retirement and non-availability of trained, competent staff to fill this gap

**3.9.2 External Environment**

**3.9.2.1 Regional Environment in Shipping Industry**

Neighboring India has become one of the biggest import and export centers in the world. Cargo movements between India and Sri Lanka are on the increase and this is expected to further grow with impending conclusion CEPA between the two countries.

Moreover Sri Lanka being one of the important gateway locations for Indian Cargo movements to the rest of world, shipping and port sector in Sri Lanka will have greater opportunities for further development.

### **3.9.2.2 Country Environment in Shipping Industry**

Peace benefits are currently spreading all over the country along with Good Governance Policy creating new business opportunities in a sound economic and social environment. Many reputed foreign companies engaged in the shipping industry are showing keen interests for joint cooperation with CSC for new business ventures. The Government policy on supporting to empower and strengthen the Public Enterprises in Sri Lanka has uplifted the commercial activities of organization such as CSC to be profit earning centers.

### **3.9.3. Achieving towards Maritime Hub Status in Sri Lanka**

In terms of the Government Policy, Maritime Hub status in Sri Lanka is one of the strategies to develop the maritime industry in Sri Lanka. Following actions have been highlighted in achieving this objective;

- Develop Sri Lankan ports to provide fastest & efficient services and quicker turnaround
- Relaxing Regulations in the shipping trade, in particular under Sri Lanka Flag and Coastal Shipping around the country
- Promulgating regulations to suit present & future aspirations of the shipping industry in Sri Lanka
- Strengthening National Carrier to own and operate ships and cater for growing demand for seafarers training
- Strengthening of the status of Director General Merchant Shipping.
- Cruise Tourism Industry
- Developing maritime training & recruitment
- Develop passenger ferry activities in the Indian Ocean
- Facilitate the National Carrier for the transportation of crude oil required for the country

# PART IV

#### 4.1. Development of Ongoing Business Activities for next 05 Years (2016/ 2017 to 2020/ 2021)

CSC major income is generated from carriage of Coal from Indonesia, South Africa or Russia to Lakvijaya Coal Power Plant. It is expected to develop this operation by deploying CSC owned vessels for the carriage of coal and build up a business model with 3<sup>rd</sup> party operation to generate more income for CSC.

The following chart, Figure XIV shows that 54% of CSC income will be generated through this operation in the year 2016/17.

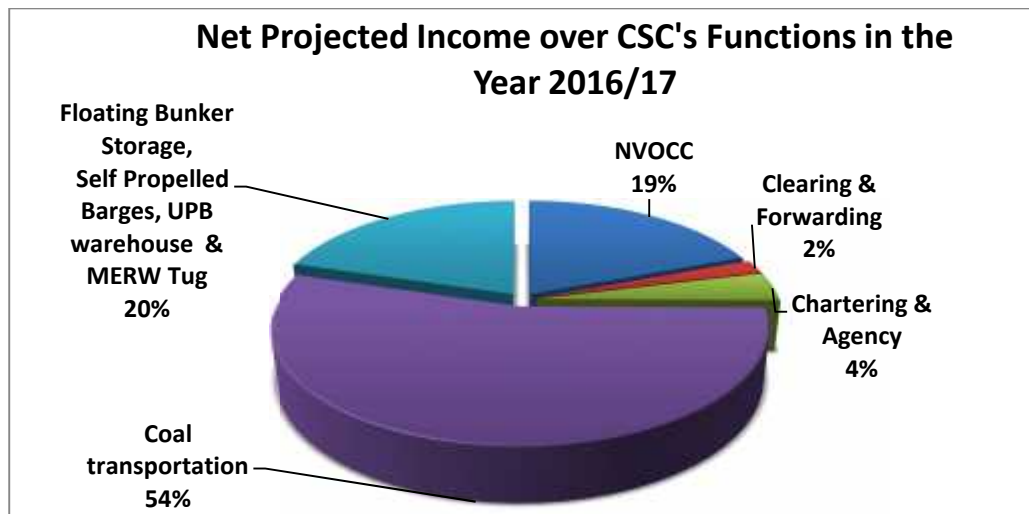


Figure-XIV

(Source- CSC Annual Reports/Draft Accounts/Departments' records)

##### 4.1.1. Coal shipments to Lakvijaya Coal fired Power Station at Puttalam

CSC has entered in to contract with Lanka Coal Company (PVT) limited, on behalf of CEB for the carriage of coal mainly from Indonesia to the Puttalam power plant on FOB terms under the Phase I, II and III. CEB invites the quotations for the supply of coal on CIF basis where CSC has been requested to match the freight component of the lowest quotation received. CSC was success to meet this requirement in partnering with a suitable bulk ship operator /owner with a view to catering for the carriage of coal required for Norochcholai power plant.

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##### 4.1.2. Operation of CSC Vessels- MV. Ceylon Breeze and Ceylon Princess

## Ceylon Shipping Corporation

CSC's first new vessel, Ultramax bulk carrier, Mv Ceylon Breeze, 63000 MT DWT has been delivered on 30<sup>th</sup> January 2016 at Avic Shipyard, Weihai, China. The vessel's movement up to 1<sup>st</sup> March 2016 after delivery and the details of the vessels are given below;

Type / Built	Bulk Carriers / Jan 2016	
Yard	Avic Shipyard, Weihai China	
Flag / Class / Callsign / IMO	Sri Lanka/ DNV-GL/ 4RDW/9734563	
Dead Weight / Draft (Design)	51,300T / 11.30 M	
Dead Weight / Draft (Scantling)	63,600T / 13.30 M	
LOA / Beam	199.85 M/32.25 M	
GT / NT (International)	37,000/21,500	
Holds / Hatches /Hatch type	5 HO /5 HA /Double skin folding	
Hatch sizes ( LxB )	No 1: 19.68 m x 18.26 m	No. 4: 22.96 m x 18.26m
	No.2: 22.96 m x 18.26m	No. 5: 22.96 m x 18.26m
	No. 3: 22.96 m x 18.26m	
Cargo gears	12CBM x 4 Nos 30Tcranes	
Grain Capacity	78,500 m <sup>3</sup> (100 % Full)	
Tank Top Strength	Design for Heavy Dry Cargo, discharging by Grabs with unladen weight of 20 T	
Speed	12 KNOTS	

➤ **Schedule of MV. Ceylon Breeze up to 15<sup>th</sup> March 2016**

Delivery of the vessel- 30<sup>th</sup> January 2016

Readiness for Sailing- 31<sup>st</sup> January 2016-15<sup>th</sup> February 2016

Sailed Weihai- 16/02/2016 – 1700 hrs

Arrival Dalian for Bunkers-17/02- 0254hrs

Departure Details- 17/02- 2148 hrs

Arrival Vostochny for loading of coal shipment- 21/02- 1324hrs

Cargo quantity loaded- 55,000MT of Coal

Sailed from Vostochny Russia- 27/02- 1330hrs

ETA Norochcholai- 15/05- 0800 hrs

A ceremonial function was held onboard the vessel to mark her maiden voyage at the port of Colombo on 15<sup>th</sup> March 2016.

➤ **Programme for the employment of Mv. Ceylon Breeze**

Vessel has been fixed for another shipment of 55,000 MT of coal from South Africa, RBCT port for the loading laycan of 27<sup>th</sup> March– 5<sup>th</sup> April 2016 and Expected time of arrival to the port of Puttalam is 20<sup>th</sup> April 2016. Board of Directors of CSC has appointed a Chartering Committee consisting of senior officials of CSC and TEC appointed by CSC Officials and the Ministry of Ports and Shipping to employ the vessel in the Global market during the monsoon period where the carriage of coal is not possible to the Port of Norochcholai.

The 02 new ships have been designed and equipped with an additional deck for the accommodation of Sri Lankan cadets to be trained, and also with the CSC understanding of 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 into the country in future.

#### **4.1.3. Carriage of Government and Non-Government Cargo on NVOCC basis**

For many years imports into Sri Lanka have been more than exports in both value & volumes as per 2014 Central Bank Report; total volume of imports in the year was \$19,417 million. Assuming that the share of import cargo by the Government sector is about minimum 15% of this value and the freight quantum are about nominal 3% Government sector freight bill for shipment on line vessels could estimate about Rs.10.69 billion. If at least 50% of this estimated freight bill payable to foreign lines could be saved by securing business for CSC foreign exchange to the turn of Rs. 5345 million could be retained within the country.

In order to target an enhanced share of this market, CSC is in the process of strengthening its aggressive marketing efforts to secure all Government sector imports under the circular of PFD:-415 dated 06/05/2005 reviewed in 2016 and developing contacts with container liner operators for obtaining competitive freight rates for ship space and wider coverage of world-wide locations.

#### **4.1.4. Customs Clearing & Forwarding**

CSC will continue to further develop the customs clearance and the forwarding function as detailed as per **Figure XIV** in the page 58, which also a support service for the NVOCC operation. It is expected to provide total logistics solutions to the customers including packing labeling, stuffing, lashing / securing, transport, customs clearance of cargo. Efforts will be made to target handling more project cargo which is giving a higher profit margin. CSC is having a disadvantage of not having required equipment and infrastructure to handle such cargo which will be overcome by entering in to long term agreements with reputed providers of such services.

#### **4.1.5. Chartering & Agency Service**

CSC will continue to act as agents for foreign ships calling Sri Lankan ports and also as receivers' agent for Govt. sector importers by protecting the interests of Govt. sector clients. In order to further improve this business, CSC is essentially required to have close contacts with the foreign ship owners and the local importers. CSC is currently in the process of developing such contacts by establishing close relationships with the foreign ship owners and operators.

## **4.2 Proposed New Businesses for Future**

(Subject to approvals from the Line Ministry and Cabinet of Ministers)

### **4.2.1. Unaccompanied Baggage Clearance & Custom Bonded Warehouse**

This is for clearance of the personal baggage being sent to the country by Sri Lankan expatriate workers. As of present it is estimated that around 1.9 million Sri Lankan workers are serving in various parts of the world. Currently there are five private companies approved to operate such bonded warehouses and CSC is also making plans to establish a business venture for Customs Bonded Warehouse and Personal Baggage clearance in partnership with an investor on PPP business model.

### **4.2.2. Trading Services**

CSC has commenced trading services as a new business area. Under this operation CSC intends to act as agent for reputed overseas suppliers of commodities such as fertilizer, coal, cement and Bitumen and bid for the tenders floated by the Government institutions. If and when such bids are successful CSC expects to get the shipping jobs of such cargo imports.

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### **4.2.3. Container Feeder Service between Sri Lanka & Bangladesh/ South Indian Ports**



CSC intends to recommence the feeder operation between Sri Lanka and ports of South India Region which was operated by CSC during 80's & 90's. CSC is looking for new Partner / Investor to recommence this feeder service. The discussions are underway with Bangladesh Shipping Corporation & CSC to commence a feeder service.

#### **4.2.4. Maritime Training for Sri Lanka Youth on CSC owned Vessels**

With the purchase of 02 new Break bulk Vessels with facilities to accommodate 20/25 Cadets per vessel CSC intends to provide seafarer training to the youth of the country. There is a worldwide shortage of navigational and engineering professionals required to work on ocean going merchant vessels. Those who are to be trained in these fields are expected to secure high paying employments on board the foreign vessels whereby earning most needed foreign exchange to the country. CSC will provide this facility for the marine cadets of Government Institutes mandatory on-board training on the CSC vessels.

This project is to focus on training of marine officers and will also be equipped to provide professional and vocational maritime training that meets the national and international Standards.

#### **4.2.5 Operating a Coastal Shipping Service**

Ceylon Shipping Corporation has identified the necessity of commencing a shipping connectivity between Sri Lankan ports. Being an island Sri Lanka has not utilized the coastal water to maximize the transportation links like Australia, Japan, Phillipines and United Kingdom. In order to extend the connectivity the state needs to build roads, rail lines, water systems, telecommunication and electricity lines, where as coastal shipping only requires the bare minimum of investment. It would be the most environment friendly and least disruptive method of cargo movement that the CSC could look for at present.

Coastal shipping service connects different parts of the island through the water, which as a result will have a strong socioeconomic impact around the island, especially outside Colombo. The proposed coastal service will open up the job market in the other areas rather than coming from the south, east or north of Sri Lanka to find a job in the west especially in Colombo.

They will have jobs created in their own regions where they live. That will actually build much greater understanding among different communities, create better family atmospheres, offer a highly motivated and

productive work force, and a much more peaceful society. These factors would enable to stimulate the economy in the entire country, and thus help to create a more even and rapid socioeconomic growth.

## **4.2.6. Building of Vessels**

### **❖ Suezmax Tanker**

Purchasing a 01 Suezmax tanker about 163,000 DWT that is dedicated to the transportation of Crude Oil to Sri Lanka will enable the vessel to be operated at a fixed cost per annum. This will save the country substantial amount of foreign exchange now being paid to foreign companies as freight charges, demurrage cost & bunker escalation costs on Crude oil transportation to the country.

As per the records of Ceylon Petroleum Corporation Crude Oil transport operation, it is presently required to ship **around 90,000-135,000 Metric tons of Crude oil +/- 5%** per every fifteen days or three weeks respectively from Persian Gulf to Colombo. The project is based on the captive market opportunity of CPC, They currently import 2 Million Metric Tons of Crude Oil per annum, which is expected to be doubled since CPC refinery capacity is planned to be increased from current 50,000 barrels per day to 100,000 barrels per day.

A feasibility study and the business proposal, which was approved by the Department of National Planning of the General Treasury has already been submitted to the Standard Cabinet Appointed Review Committee (SCARC) for final approval to proceed with this project. Discussions are underway with CPC to form a Joint Venture with a suitable partner on PPP business model to build / purchase suitable Tanker Vessel/s.

### **❖ 05 Nos. Self Propelled Barges (SPBs)**

#### **➤ Lightering Operation of Coal from Mother Vessel to Jetty at Norochcholai by SPBs**

Coal discharging in Norochcholai is restricted by climatic patterns. In any year coal can be discharged only from mid September to mid April (06 months) excluding South-West Monsoon Period. Even during the Monsoon period discharging can be carried out only up to wind force -3 as per BF Scale. Average unloading speed at anchorage is about 10 days to unload of a ship load of 80,000 MT. During one season it has been delivered 2.2 million MT by 39 Vessels which will be generated 900 MW electricity to national grid.

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Self Propelled Barges which carry 2000 MT per voyage uses for lightering operation of coal from Mother Vessels in anchorage, 4.2 km off shore to Jetty at Norochcholai Power plant.

05 SPBs will be needed for the carriage of coal under 03 Phases of the lightering operation. Plans are underway to secure a prospective partner for Lightering Operation for which feasibility study has been forwarded to Department of National Planning of General Treasury. This will save the Country's foreign exchange that is now being paid to foreign barge operators.

#### ❖ **Operation of a MERW Tug**

MERW is a vessel that "Maintenance and Emergency Response Work Vessel. The type of operation is mooring and unmooring of Tankers, meeting emergency response requirements attending to regular maintenance support services of Single Point Buoy Mooring (SPBM). Ceylon Petroleum Corporation (CPC) has been time chartering vessels from 1987 for carrying out offshore operations, mainly connected with the discharging of Crude Oil through Single Point Buoy Mooring (Crude Oil SPBM) facility and the submarine pipe line connected to the Buoy.

In the present Scenario, CPC uses a time charter MERW tug from a private owner at daily time charter rate of USD 5300/- per day. Therefore, it is a viable project to CSC to build a MERW tug for CPC for maintenance & emergency response work connected with SPBM. The Cabinet approval has been granted and facilitation needed to secure a soft loan through Treasury/ERD. The estimated investment of the project is USD 9 Million approximately and the expected income per annum is USD 0.18Million approximately.

### **4.2.7 Resumption of passenger ferry service between Thalaimannar /**

#### **Rameshwaram & Colombo / Tuticorin**

Under the bilateral agreement signed between Sri Lanka & India in 2011 the discussions are Underway to resume the passenger ferry service between Ports of Thalaimannar / Rameshwaram which was suspended in 1980's during war time. This service would enable people of both countries to get connected uplifting the cultural and economic relationships between two countries and also promoting trade tourism and new employment livelihood opportunities for the people in the region.

Salient Feature of this service is the pier was connected to the Thalaimannar rail track and also from Indian side Rameshwaram as well. CSC is in process of securing an investor who could finance for refurbishment of existing jetty Thalaimannar or constructing new jetty; and also following facilities are to be newly constructed at the site to recommence the operation.

1. A terminal building for the security, immigration, custom & quarantine formalities
2. Custom warehouse / bonding area for keeping any commercial cargo that will need to be stored until custom cleared.
3. Banks, duty free shops, other sanitary facilities etc.
4. Vehicle parking area for vehicles that will be carried inward outward under international procedure until released from custom.
5. Staff Accommodations.

The bilateral discussions are underway between Sri Lanka and India to resume the passenger ferry service between Tuticorin and Colombo which was suspended in November 2011.

#### **4.2.8. Cruise Operation between South Indian Regions**

CSC is in discussions with the prospective parties who would like to partner with CSC with a view to financing for the expansion of passenger jetty at the port of Colombo and the improvement of one stop shopping facilities in cruise tourism under BOI project. The outlook of this industry in the region as per studies shows that;

- There are 176 million upper and middle class Indians and Asians toured by cruise ships.
- The south Asians market has the greatest potential particularly India, remaining one of the least penetrated markets by the cruise line industry.

#### **4.2.9. Floating Bunker Storage**

The action is being taken to withdraw the stake of CSC under CSC Kandia Ltd (Subsidiary of CSC) enabling to reapply the bunker license under CSC. 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 Sri Lanka once the bunker license is issued to CSC. With this operation, the bunker suppliers in the industry would benefit from a lower breakeven 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 Singapore market.

#### **4.2.10. Operating Floating LNG & LPG storage**

Ceylon Shipping Corporation Ltd., to undertake offshore gas (LNG & LPG) related projects as a leader in maritime sector including floating storage to promote energy security and cater to South Asian markets. Also the project promotes and facilitates environmental friendly power generation. Proposals have been received to form a JV

(PPP) for strategic Partnership. MOU was signed between CSC and Exmar Ship management, Belgium and NDA was signed between CSC and Shapoorji Pallonji & Co. india.

#### **4.2.11. Shampur Project I & II**

Shampur Project I & II under Indian and Japanese funded project are in progress, scheduled to be commissioned by the end of 2018. CSCL expects to cater for the carriage approximately 1.5 Million MT of coal required for each project.

#### **4.2.12. Agency Representations ( Onshore Power Supply & Mooring System)**

- Installation of a Moore Master System (vacuum based technology to substitute rope and tug operations)
- Presently existing over 40,000 mooring operations at ferry, bulk handling, RO-RO and Container Terminals around the world.
- Replacement as an alternative Maritime Power Supply (AMP) System reduces environmental impact through On-shore power supply and mooring to ships.
- Low Co2 emissions
- Clients are SLPA, CICT & SAGT

#### **4.2.13. Flag of Convenience (FOC)**

- The foreign flag under which merchant ships register in order to save on taxes or wages, or to avoid government regulations.
- The country of registry offers low tax rates and/or leniency in crew and safety requirement.
- National Registry (Closed)
- Open Registry

### **4.3. Streamlining & Strengthening of National Carrier**

- Own, Operate & Manage the 02 Ultramax Vessels owned by CSC for I transportation of coal required for the country.

- Continuous implementation of Cargo Reservation Scheme to secure the Government import cargo under the Ceylon Shipping Corporation Bill of Lading.

**National Service – Human capacity building in the maritime field**

- To provide mandatory practical training on board vessels for Sri Lankan marine cadets to complete their Navigation and Maritime Engineering Studies with a view to developing Sri Lanka seafarer base in keeping with the Government policy to make Sri Lanka a 'Maritime hub' and develop human capital in the Sri Lankan maritime sector.
- To provide industrial training for undergraduate students of Sri Lankan Govt. & Private Universities, Higher educational institutes in the maritime field.

# PART V

5.1 Financial Forecasts for On-going Businesses

USD/LKR EX Rate 134.71 (07.04.2015)

Million Rupees

No	Project Name	In Rupee Mn	2015/16	2016/17	2017/18	2018/19	2019/20
1	General Cargo Transport (on chartered ships/space- NVOCC Operation)	Revenue	191.81	201.40	211.47	222.04	233.14
		Cost	123.73	131.15	139.02	147.36	156.20
		<b>Profit</b>	<b>68.08</b>	<b>70.25</b>	<b>72.45</b>	<b>74.68</b>	<b>76.94</b>
3	Bulk Cargo Transport (on chartered ships)	Revenue:					
		Freight + Lightering	273.20	273.20	321.44	321.44	321.44
		Cost	2.01	2.01	2.01	2.01	2.01
	<b>Profit</b>	<b>271.19</b>	<b>271.19</b>	<b>319.43</b>	<b>319.43</b>	<b>319.43</b>	
4	Ship Agency Services	Revenue -Fertilizer	1.46	1.46	1.46	1.45	1.46
		Revenue -Barges	12.00	12.00	12.00	12.00	12.00
		<b>Profit</b>	<b>13.46</b>	<b>13.46</b>	<b>13.46</b>	<b>13.45</b>	<b>13.46</b>
5	Clearing & Forwarding Services Cargo Total Logistics	Increase					
		Revenue-coal	32.00	32.00	32.00	32.00	32.00
		Revenue	14.81	15.55	16.33	17.15	18.02
		<b>Total Revenue</b>	<b>46.77</b>	<b>47.55</b>	<b>48.33</b>	<b>49.15</b>	<b>50.02</b>
		Cost	9.93	10.55	11.14	11.71	12.51
	<b>Profit</b>	<b>36.84</b>	<b>37.00</b>	<b>37.19</b>	<b>37.44</b>	<b>37.51</b>	
5	Maritime training	Revenue	1.80	1.80	10.00	10.00	10.00
		Cost	0.00	0.00	0.56	0.56	0.56
		<b>Profit</b>	<b>1.80</b>	<b>1.80</b>	<b>9.44</b>	<b>9.44</b>	<b>9.44</b>
<b>TOTAL</b>	<b>Revenue</b>	<b>527.08</b>	<b>537.41</b>	<b>604.70</b>	<b>616.08</b>	<b>628.06</b>	
	<b>Cost</b>	<b>135.67</b>	<b>143.71</b>	<b>152.17</b>	<b>161.08</b>	<b>170.72</b>	
	<b>CSCCL Total Profit</b>	<b>391.41</b>	<b>393.70</b>	<b>452.53</b>	<b>455.00</b>	<b>457.34</b>	



**5.2 Financial Forecasts for Future Projects - Short to Medium Term**

No	Project Name	Note	Expected period of Commencement	2015/16	2016/17	2017/18	2018/19	2019/20	
6	Sampur Coal Project - phase 1- 1.5m MT(Indian funds) -phase 11-1.5m MT(Japanese funds)	6		Revenue			152.60	514.40	
				cost			2.01	2.01	
				Profit			150.59	512.39	
<b>TOTAL</b>				Revenue	160.05	2904.73	5644.62	6205.82	6788.55
				Operating Cost	524.04	4504.97	6575.55	6569.06	6610.97
				Profit	-363.99	-1714.71	-1045.40	-490.57	20.59
				Profit sharing	0.00	11.45	11.45	12.73	15.90
				CSCCL Total Pro	(363.99)	(1703.26)	(1033.95)	(477.84)	36.49

Note

EX.rate 134.71 (2015.04.07)

- 1 To secure Crude oil business by October 2015 and deploy a Suezmax for this service by 2017/18.
- 2 New vessels will be reached at the end of 2015 and early 2016.  
loan installements will be paid from July 2016  
Charter hire USD 5850/day for the 1st year & increased by USD 2000 in each year  
Revenue(C/H) calculated only for the 1st vessel for four months in 2015/16 (csc annual report)  
years  
Depreciation USD 5258/day-- 05 & 02 months for two vessels in 2016/17 (csc annual report)
- 3 Custom bonded ware house/ UPB operation will be started at the end of this year in SLPA land
- 4 To purchase of self propeller barges for lightering in 2016/17
- 5 Joint venture for Feeder operation will be started in 2016/17
- 6 Sampur project for coal power will be started in 2018

## 5.3 Summary

## Financial Forecasts for On-going business &amp; Future Projects

	Rupees Million				
	2015/16	2016/17	2017/18	2018/19	2019/20
**Revenue	687.13	3442.14	6249.32	6821.90	7416.61
Cost of Sales	659.71	4648.68	6727.72	6730.14	6781.70
Gross Profit	27.42	-1206.54	-478.40	91.76	634.92
<b>Other income</b>					
Dividends	1.20	1.20	1.20	1.20	1.20
Net exchange gain	12.00	12.00	12.00	12.00	12.00
<b>Total Operational Profit</b>	<b>40.62</b>	<b>-1193.34</b>	<b>-465.20</b>	<b>104.96</b>	<b>648.12</b>
> Profit on "on-going business"	391.41	393.70	452.53	455.00	457.34
> Profit on "future projects"	-363.99	-1703.26	-1033.95	-477.84	36.49
<b>Net Financing Income</b>					
Interest on Fixed deposits & Treasury Bills	6.00	6.00	6.00	6.00	6.00
Interest on Staff Loans	1.20	1.20	1.20	1.20	1.20
<b>Total Income</b>	<b>47.82</b>	<b>-1186.14</b>	<b>-458.00</b>	<b>112.16</b>	<b>655.32</b>
Less: Administration Expenses	292.83	306.01	319.78	334.17	349.21
Interest Expenses	1.26	1.26	1.26	1.26	1.26
<b>Total Expense</b>	<b>294.09</b>	<b>307.27</b>	<b>321.04</b>	<b>335.43</b>	<b>350.47</b>
<b>***Net Profit from Ordinary Activities</b>	<b>-246.27</b>	<b>-1493.41</b>	<b>-779.03</b>	<b>-223.26</b>	<b>304.85</b>

## NOTE

Assumption -Administration expenses increased by 4.5% in each year

# ANNEXTURES

# Annexure 01

# ACTION PLAN - 2015

## 1. On Going Operations

Business Activity	Total Estimated Cost For 2015	Allocation for 2015	Milestones 2015 Revenue Targets in Rs. Million.									Output Target (Cumulative 2015)	Cumulative Revenue as at end 2014	Cumulative Physical Progress as at end 2014	Expected Benefits/ Results	Officer Responsible for Implementation Designation/Tel
			1 <sup>st</sup> Q		2 <sup>nd</sup> Q		3 <sup>rd</sup> Q		4 <sup>th</sup> Q							
				Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%					
NVOCC operation (carriage of cargo on 3 <sup>rd</sup> party vessels)	140.91 Rs. Mn	Self	FT	45.08	22	57.38	28	51.23	25	51.23	25	204.92 Rs. Mn	241 Rs. Mn		Miss Jayantha Indraneela Manager (Liner, Documentations, Logistics, Sales & Marketing) 2325744	
			PT	152 TEUs		194 TEUs		172 TEUs		172 TEUs		690 TEUs	657 TEUs			
			PT	433 F/T		551 F/T		492 F/T		492 F/T		1,968 Freight Ton	4,967 F/T			
			PT	1 Units		2 Units		2 Units		2 Units		7 Units	5 Units			
Freight Forwarding Activities	Rs. 10.15 Rs. Million	Self	FT	3.46	22	4.41	28	3.94	25	3.94	25	15.75 Rs. Mn	14.99 Rs. Mn	472 Jobs	Miss Jayantha Indraneela Manager (Liner, Documentations, Logistics, Sales & Marketing) 2325744	
			PT	109 Jobs		139 Jobs		124 Jobs		124 Jobs		496 Jobs				

Chartering & Agency Activities	Fertilizer Agency	Rs.0.375 Million	Self	FT	0.2	08	0.2	08	0.52	30	0.73	54	1.65 Rs. Mn	1.6 Rs. Mn	20 Vessels	Mr. I. Danthanarayana Act. Manager (Chartering & Agency) 2422078
				PT	03 Vsl		03 Vsl		08 Vsl		11 Vsl		25 Vessels			
	LCC/CEB craft management/Agency	Rs. 0.308 Million	Self	FT	3.0	25	3.0	25	3.0	25	3.0	25	12.0 Rs Mn	12.0 Rs. Mn	05 Crafts	Mr. N. Dharmapriya GM 2328997  Mr. S. L. Rajapakse Manager – Coal Project 2422807  Mr. I. Danthanarayana Act. Manager (Chartering & Agency) 2422078
				PT	-		-		-		-		05 Crafts			
Coal Operation		Rs. 3.0 Million	Self	FT	134	34	134	34	-	0	123	32	391 Rs. Mn	271 Rs. Mn	30 Vessels	Mr. Nihal Dharmapriya GM 2328997  Mr. S. L. Rajapakse Manager – Coal Project 2422807  Mr. I. Danthanarayana Act. Manager (Chartering & Agency) 2422078
				PT	12 Vsl		12 Vsl		- Vsl		11 Vsl		35 Vessels			

## 2. New Projects

Business Activity	Total Estimated Cost	Allocation for 2015	Milestones 2015				Output Target (Cumulative 2015)	Cumulative Revenue as at 2014	Cumulative Physical Progress as at 2014	Expected Benefits/Results	Officer Responsible for Implementation Designation/Tel
			Financial Targets in Rs. Million.								
			1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q					
Purchase of 02 Bulk Carrier vessels for transportation of Coal	Rs. Mn 9,930.91	Rs. Mn 4,122.97	* 02 nos of Ultramax Bulk carriers are being built at AVIC shipyard in China. * First vessel schedule to be delivered end of the year 2015. * Funds facilitated through a People's Bank loan (Interest, 6 months LIBOR + 5.5 % p.a.).						1. Saving of foreign exchange 2. Building of national fleet 3. Training of sea farers 4. Creating job opportunities 5. Strengthening of National fleet 6. Development of Logistics sector 7. Shipping sector developments	Mr. Nihal Dharmapriya General Manager 2320861  Mr. S. L. Rajapakse Manager – Coal Project 2422807	

Maritime Training  * Providing on board training facility for Deck & Engine cadets - Crewing agency			F T  P T	Rs. 02 Million  25 Student	Rs. 02 Million  25 Student	Rs. 02 Million  25 Student	Rs. 02 Million  25 Student	Rs. 08 Million  100 Students			To provide Professional Maritime Training for youth Seafarers / Marine Officers & Ratings  1. Saving of foreign exchange  2. Building of national fleet  3. Training of sea farers  4. Creating job opportunities  5. Strengthening of National fleet	Mrs. C. Jayasinghe Manager – Business Development 2327801
Transportation of Crude Oil			F T  P T	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	Rs. 7.07 Million  427,500 MT  (90,000 +/- 5% MT per Voyage)	28.28 Rs. Million  1,710,000 MT			1. Saving of foreign exchange  2. Training of sea farers  3. Creating job opportunities  4. Development of Logistics sector  5. Shipping sector developments	Mrs. C. Jayasinghe Manager – Business Development 2327801
Custom Bonded Warehouse	Rs 30.0 Million		F T  P T	Rs. 3.6 Million  40 FEU	Rs. 7.2 Million  80 FEU	Rs. 10.8 Million  120 FEU	Rs. 14.5 Million  160 FEU	Rs 36.10 Million  400 FEU			Clearance of Unaccompanied Personal Baggage for Sri Lankan Expatriate Workers	Mrs. C. Jayasinghe Manager – Business Development 2327801

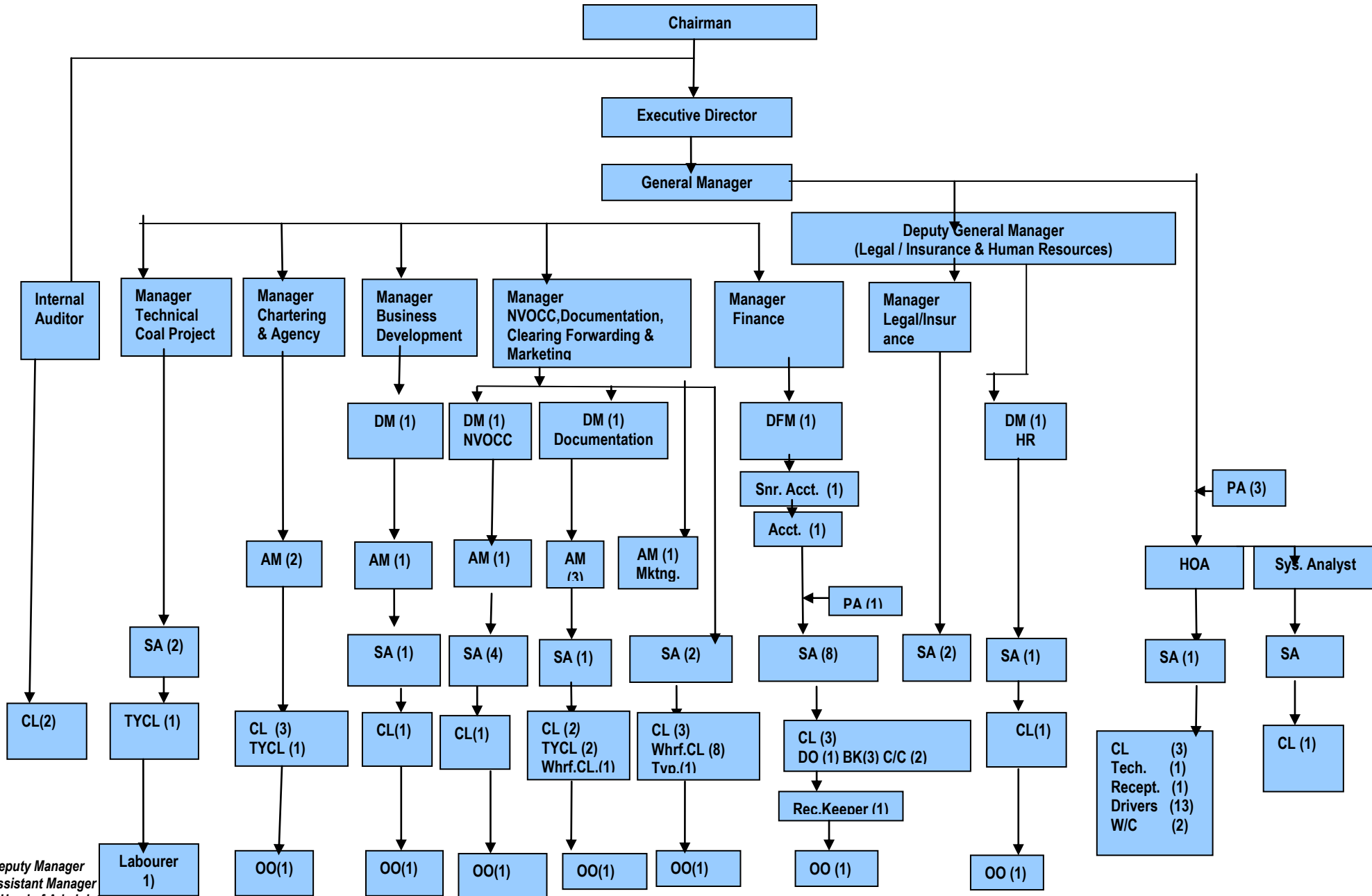
## **Annexure 02 Action Plan for implementation of New Projects**

<b>Section No.</b>	<b>Project Name</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Officer Responsible</b>
1	Carriage of Crude oil for CPC	Quarter 4					Mr.C.Jayasinghe-Manager(Business Development)
2	Customs Bonded Warehouse	Quarter 4					C. Jayasinghe (Mrs.) -Manager (Business Development)
3	Operation of Feeder Service	Quarter 2					Mr.S.M.D.N.Dharmapriya- General Manager , Mrs.C Jayasinghe -Manager (Business Development)
4	Purchase 01 Oil Tanker			Quarter 2			Mr.S.M.D.N.Dharmapriya - General Manager & Mr.Rajapakse Technical Manager
5	Construction 02 Panamax vessel	Quarter 4	Quarter 1				Mr.S.M.D.N.Dharmapriya - General Manager & Mr.Rajapakse Technical Manager
6	Purchase of 06 Self Propelled Barges for Coal Lightering Operation		Quarter 1				Mr.S.M.D.N.Dharmapriya- General Manager, Mr.I Danthanarayana - Act.Manager(Chartering & Agency)



**Annexure - 03**

**Organization Chart**



**Note:** DM: Deputy Manager  
 AM: Assistant Manager  
 HOA: Head of Administration  
 PA: Personal Assistant  
 SA: Staff Assistant  
 CL: Clerical Grades  
 TYCL: Typist Clerk  
 Whrf. CL: Wharf Clerk  
 Lbr. / OO: Labourer / Office Minor Grades

### PROPOSED ORGANIZATION CHART

