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Export  
Development  
Board

# Business Lanka

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Strengthening Connections

## Sri Lanka The Future Hub for Logistics



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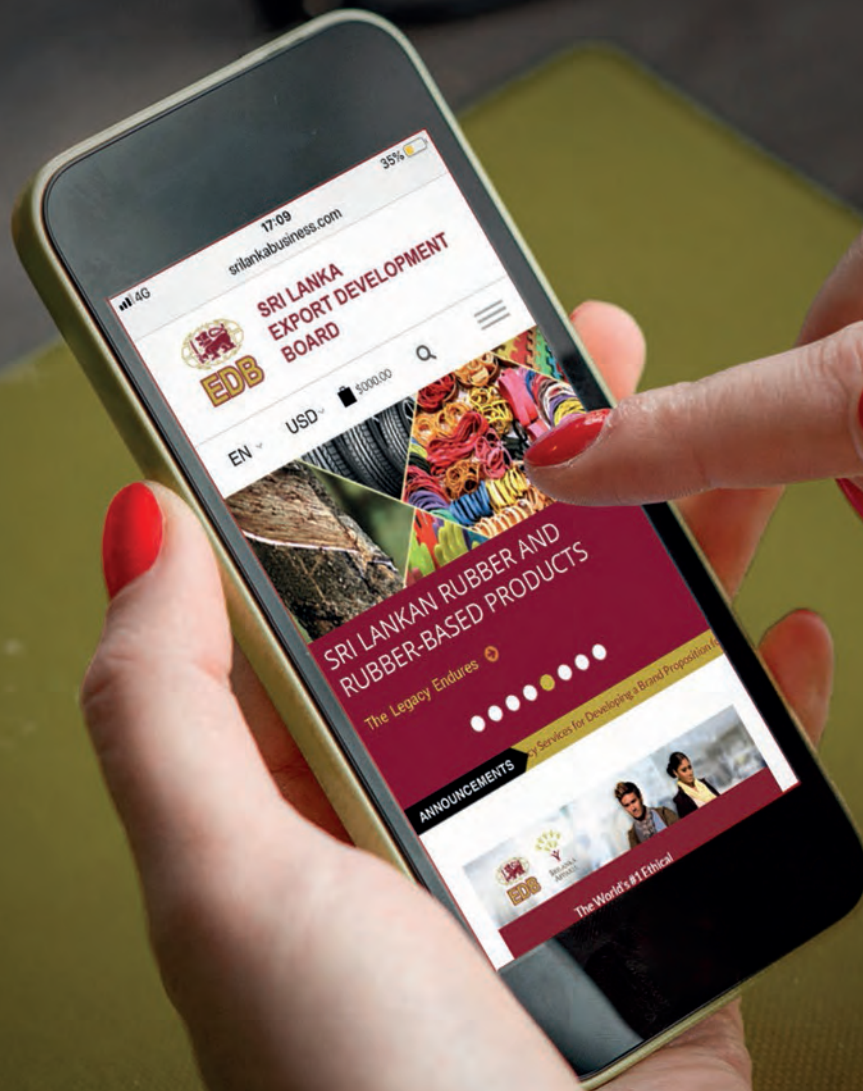




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# Ayubowan!

**Welcome to the latest edition of Business Lanka. Our focus in this issue is on logistics, which is a sector that is becoming increasingly important for Sri Lanka.**

Due to its geographical location, Sri Lanka is strategically positioned to cater to domestic and international logistic requirements. Modern day service providers direct their attention to the rapidity with which they can deliver their products or services to the consumer efficiently while staying cost effective. In order to do so, necessary infrastructure needs to be in place. Sri Lanka has identified the potential as well as the gaps that need to be filled to propel the logistics sector forward. Initiatives have been taken and projects are in progress to achieve the desired results. The Sri Lanka Export Development Board (EDB) will take active participation in this endeavour to ensure that the interests of the industry is represented.

In this issue we discuss the projects in progress and initiatives taken for the improvement of the logistics sector. We take an in-depth look at the evolution of the logistics sector post World War II; discussions on the Maritime City and Colombo Port City; the role of SriLankan Cargo in facilitating the logistics sector; the operations and progress of the Colombo Port; the important role of imports to the economy; collaboration in the shipping industry; the emergence of Hambantota Port as a logistics hub, and the future of logistics in relation to the fourth industrial revolution.

We hope that the articles featured will provide an impetus for further discussion on the various issues raised and enable an approach that will produce positive results going forward.

**Sri Lanka Export Development Board**



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**LOGISTICS** FOR  
SUPPLY CHAIN OPTIMISATION



## PAST, PRESENT AND FUTURE

# Evolution of the Logistics Sector

**Logistics has become a key sector in the world today and Sri Lanka due to its strategic geographic position has the potential to become a logistics hub. Rohan Masakorala, Chairman of the Advisory Committee for Logistics discusses the evolution of the sector post World War II.**

## Past

Before the end of the second world war, logistics was a word associated with the military. This included procurement, maintenance, and transportation of military equipment, material, and personnel. After the end of the second world war as international trade grew and more countries joined the United Nations, rules-based cross border trading systems were introduced, after which international trade grew further. International transportation was the link for global trade and was the keyword until the late eighties. Ocean and land transportation and in some countries, the railway were the key movers of merchandise over and within borders to facilitate trade, production and distribution. Logistics was not a trade term at this juncture in history.

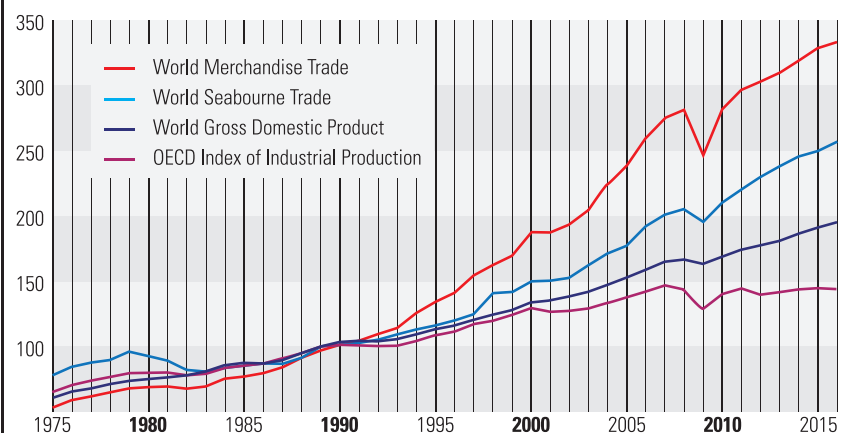
Containerisation of shipping took place in the 1950s, with the invention of modern shipping containers. The development of container ships transformed many bulk formats of cargo into packed products making a revolution in the international shipping and ports business. Since then, the revolution of the world of transportation industry has continued over the last seven decades and

the way global trade is done has changed with the joining of the air transportation sector for high value cargo with the third industrial revolution. By the 1980s the concept of shipping had transformed into multimodal transportation and freight forwarding, giving birth to a new generation of service providers that evolved in between cargo owners (shippers) and transport providers such as airlines and ship operators.

One of the main reasons for logistics to improve and develop was the rules-based trading environment

created by the GATTs which is now known as the WTO. Many countries around the world joined the WTO with the third industrial revolution and are competing in a global platform to gain market access to export services and merchandise on fundamental economic theories based on traditional comparative and competitive advantages of each nation. As a result, increased movement of raw material, semi-finished goods and finished goods were traded across borders in addition to commodities and energy in the

**Evolution of Global Trade (1975 – 2016)**





global trading platform by the end of the 20<sup>th</sup> century. Trillions of dollars' worth of merchandise was moving across borders mainly using oceans as the number one mode of transport and by this time the business of freight forwarding too evolved to support global trade.

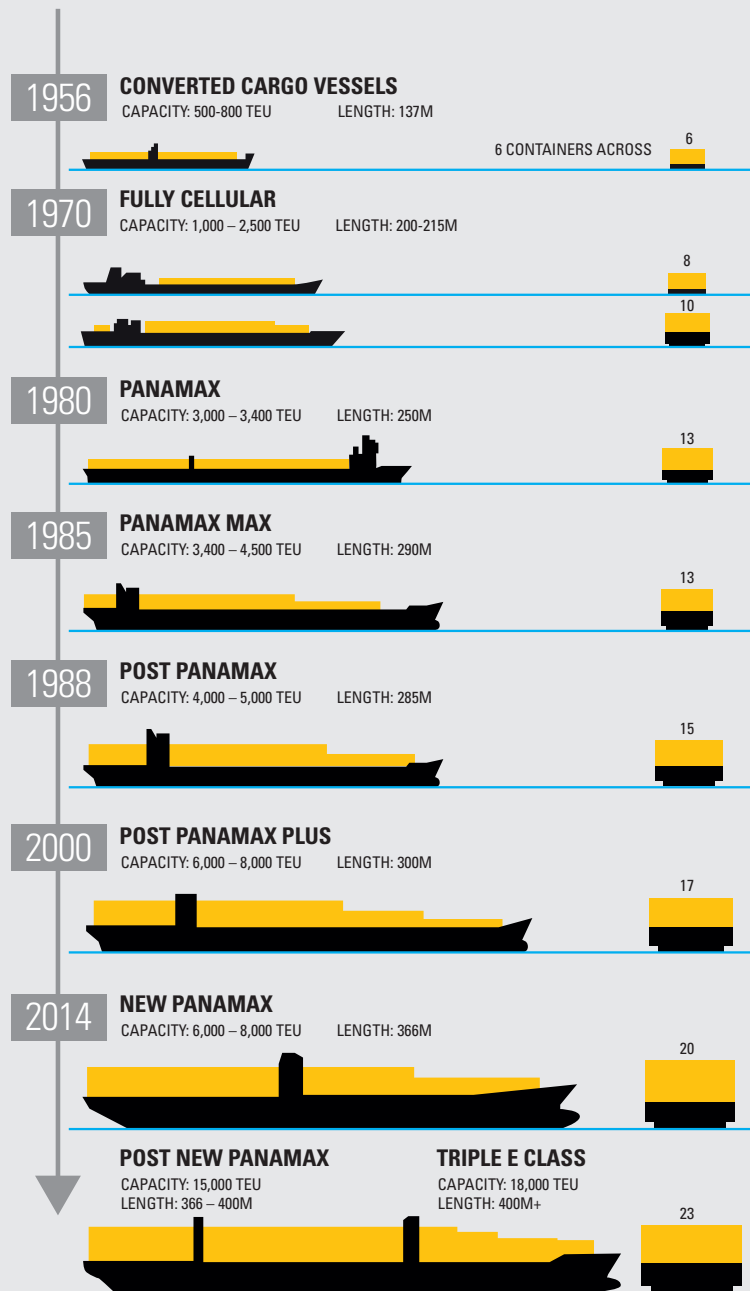
By the beginning of the new century, shipping, ports and freight forwarding were well established support services and were emerging as logistics services. Ocean shipping was considered the cheapest and most efficient mode of transport that made transportation cost very competitive and countries with cheap labour became the new manufacturing centres for consumer products by the year 2000. Shipping companies invested more on new bigger ships to carry different commodities and the container shipping industry grew rapidly as the world trade grew at double the speed of economic growth of the world until 2008.

The freight forwarding industry, which started on a smaller scale as freight brokers, expanded into a big global business. As third party logistics providers, they were able to assist many SME producers to achieve scale and help move cargo into locations previously thought as impossible for SMEs to obtain competitive transport freight rates to sell products. More and more smaller shippers started to use international and national freight forwarders to obtain scale rather than directly dealing with shipping lines by the end of the 20<sup>th</sup> century. The global economy and the global shipping and freight forwarding industry had a healthy growth until the economic bubble in USA in 2008.

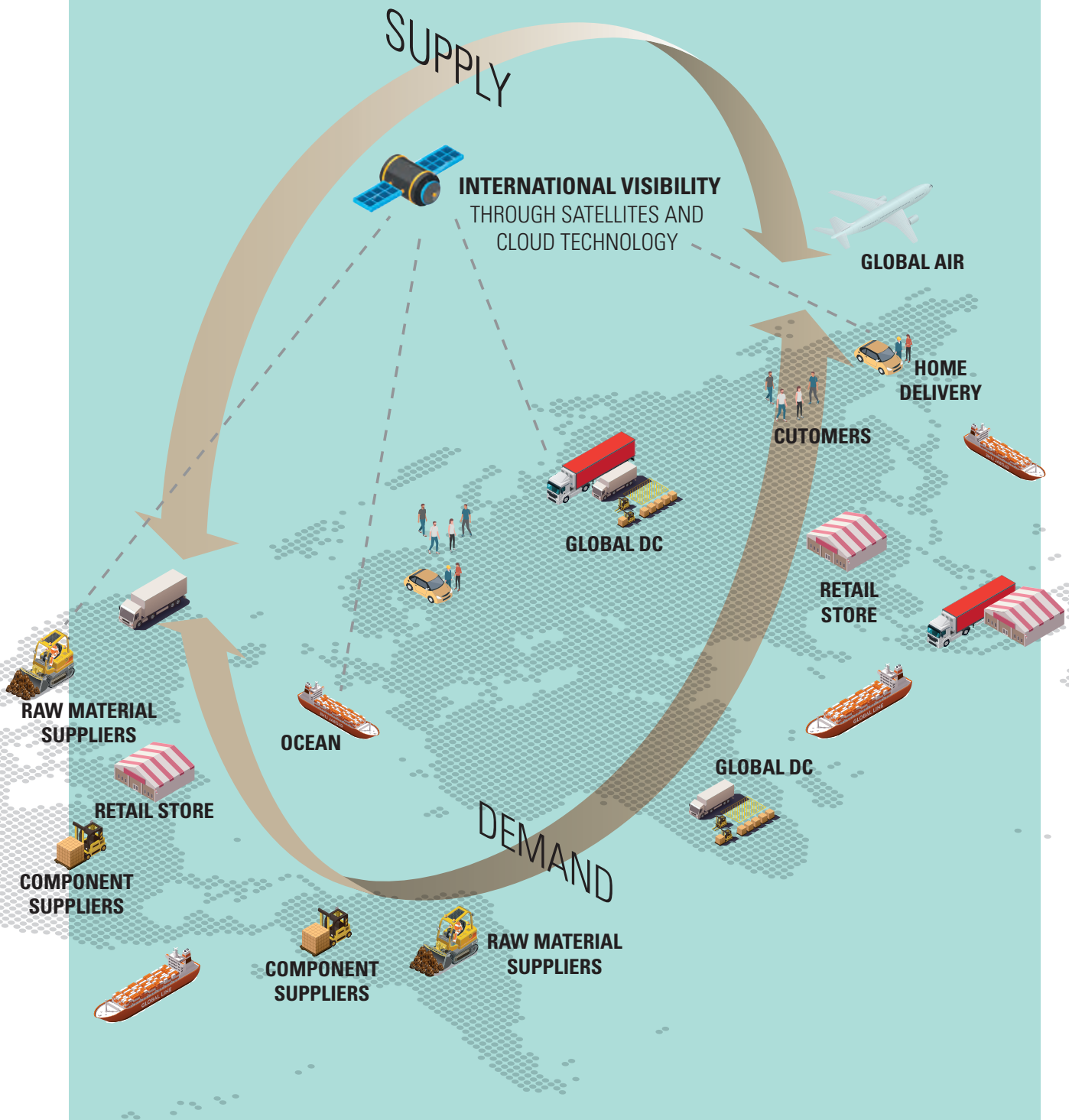
However, by the late 1990s, the early stage of the fourth industrial revolution had started with the birth of the next level of technology-based industrial developments giving a new meaning for production technologies and the creation of the global platform of information through the internet. Then came the birth of the fourth industrial revolution where developed economies had

**Half a century ago, cargo vessels and tankers were converted to hold containers while today, ships are designed to maximise capacity.**

## Evolution of the Container Ship



## 21<sup>st</sup> century logistics and beyond





the capability to change product cycles into much shorter cycles and improve product efficiency in many folds using computer software. That's the revolution leading us today into modern logistics.

## Present

The technological disruption of the global trade and traditional international trade corridors were converted into modern new supply chains, where production became even more complicated but cheaper as many countries got into the supply chains instead of producing the full product from end to end. Today we are witnessing this new global order and as a result, commercial logistics have become a keyword in international trade for countries to become more competitive. Indeed, it's not just transportation anymore, but the world of digital technology has become a part of the business of logistics.

Google it. Go for a lecture or attend a seminar, mostly one will notice that the first picture that appears or explains logistics would be a ship, an airplane, truck or railway connecting two places via transport networks. Ask a managing director what logistics is, most will direct you to the shipping department, transport manager, freight forwarder or warehouse supervisor.

In many parts of the world, specially the developing world, where exports and international trade are an essential component of development, the word logistics is totally misunderstood and confined to a mere small component such as shipping or transport of a logistics activity. This results in lower focus by the government, top managements of companies leading to productivity deficiencies across supply chains. Even today most freight forwarding companies adopt the term logistics to uplift status or to glorify perception without understanding the proper meaning and the deliverable of logistics management.

Ships, airplanes, trucks and rail, are modes of transportation, within national and international borders.



Then comes trade facilitation institutions that provides regulatory services such as customs, ports and airports for transport connectivity. Combining these two is the transport eco-system. They play a very important role in achieving modern efficiencies for logistics services providing national and global connectivity but that is not logistics management either.

In a broader description, logistics services are a combination of multiple networks, services, technologies that connect the dots between supply chains and value chains that arise from raw materials to production to consumption. If one studies the World Bank Logistics Performance Index (LPI), you will notice that Singapore, though the number one maritime capital of the world holding the best airport position in the world, stands at seventh position in the LPI index. Whereas Germany, Sweden, Austria and Japan all stand ahead of Singapore in the global LPI rankings. This indicates that there is a more complex, hidden reason and meaning behind logistics.

**Logistics services are a combination of multiple networks, services, technologies that connect the dots between supply chains and value chains that arise from raw materials to production to consumption.**



**Logistics is much broader than transportation. While transportation focuses on the ‘movement’ of goods from one place to the other, logistics refers to the whole ‘flow’ management which includes not only transportation, but also includes manufacturing, storage, handling, inventory, packaging, transformation using technology and human resources...**

In today's complex national and international trade and commerce networks, supply chains as well as value chains require advanced technology, skill and knowledgeable workforce with proper know-how to offer solutions to global customers. Advance nations invest in big expenditure on R & D. They analyse, break open product cycles, delivery cycles, customer behaviour, using advanced data techniques moving towards artificial intelligence for better outcome. This results in advanced designs, solutions and customer friendly delivery modes. Today, top logistics companies of the world such as, FedEx, DHL, McLane and UPS are turning commerce into e-commerce through software platforms. The logistics strategy of these advance countries and service providers are way beyond physical transportation of goods. Careful strategising, planning and constantly innovating to reduce costs, increasing speed to give a new value addition to connect global trade are the focus to be ahead of competition. As a result, Germany has become the number one country in Logistics Performance Index. It is not a secret that it is one

of the most advanced economies of the world, that uses technology and automation to be ahead of the curve in logistics management.

In the global scale, where international trade is connected through multi modes of transportation, many get confused and link logistics as a transportation subsidiary. On the contrary, logistics is much broader than transportation. While transportation focuses on the ‘movement’ of goods from one place to the other, logistics refers to the whole ‘flow’ management which includes not only transportation, but also includes manufacturing, storage, handling, inventory, packaging, transformation using technology and human resources in some sense, and many other things to fast track commerce with less waste and higher productivity.

### **The future**

If countries want to connect into the global supply chain, the policy makers and regulators along with the national workforce should understand the concepts of logistics beyond transportation. Whether one is running a factory, office, supplying





raw material or providing a service logistics management, it has to be done skillfully. Every element of the value or the supply chain needs to be managed with proper planning, documentation and processes to ensure a smooth logistics chain to minimise waste and cost and to bring down unit costs of production of both goods and services. Most logisticians are good mathematicians, statisticians who are well trained for data analytics to support both the top management and the lower management of organisations. As such, logistics is a subject that needs professionals who could see the bird's eye view to solve complex problems in the global supply chains.

Part of the secret of Alibaba's or Amazon's single-day sales exceeding annual sales of many companies is none other than technology-based logistics management, which carefully plans outsourcing to delivery on a customer friendly e-commerce logistics platform. Successful companies around the world will use massive logistical improvements to reduce day to day operational costs but increase sales through increasing scale and volume.

Therefore, it is important that corporate leaders understand that logistics is a specialised field of its own way beyond shipping, warehousing, courier services, road/rail transportation and air freight anymore. It's about managing all operations within and externally of the product or services from sourcing to destination. If logistics is properly understood, companies will adopt more technology and allocate more resources on human capital development to handle such technologies. Most companies invest on technology, automation or equipment by just following others, but does not train staff with the proper know-how to obtain maximum logistical benefits through such investments. After all, what is the use of the most advance phone if one does not know its features and how to operate the same to better manage day to day operations or if one does not know the functions of an Excel sheet but is given an advanced ERP system to innovate, the result may be wasted capital.

In my opinion, the future of digital logistics is at the cusp of the fifth industrial revolution. Companies and countries who are left behind will find

it extremely difficult to connect to global supply chains and value chains if the modern logistics industry is not understood but is kept as a fancy transportation tool. ■



**Rohan Masakorala** is an economist by profession and the CEO of the Shippers' Academy Colombo. He is the Chairman of the Advisory Committee on Logistics of the Export Development Board.

Note: in compiling this article, internet related information and contents have been used.

## MARITIME HUB

# Sri Lanka has the Potential to Develop to a Higher Status

**With the Western Region Megapolis Master Plan, logistics is considered as an important area to develop. A logistics corridor and cargo village have been envisaged, where it is not only the Colombo Port City, but identified areas of the western coastal belt will form a larger maritime city. Madhawa Waidyaratna, Additional Secretary (Megapolis), Ministry of Megapolis and Western Development elaborates on the plan.**

## Colombo Port City and the logistics sector

The Colombo Port City is an unprecedented USD 15 billion foreign investment in Sri Lanka to develop a newfangled zone for economic and financial activities as well as state-of-art living. Although it has no direct association with logistics but it might have a facilitating role in promoting companies to establish their operations in Sri Lanka. The Port City is basically going to be the financial city and the target is to attract the main international companies in various sectors to the country. While the focus may not be on logistics, at the same time, it will cater to the industry.

When you attract investors and you establish international companies, you have to provide them the right living standards. Therefore, the Port City will provide that space and that spatial structure, with good living conditions so that potential people will come and establish in Sri Lanka. The Port City adds about 269 hectares of land to the country, which has been divided into five major areas. That is, out of the 269, 40 hectares will be developed as the Financial District, where the financial and economic activities will take place. Then 85 hectares are demarcated as the International Island District, and

15 hectares as the Marina District. Another 35 hectares will be developed as the Central Park Living District, that is for residential purposes. 95 hectares marks the Island Living District. The rest will be allocated for infrastructure such as roads and other facilities.

## Progress of its development

The entire reclamation process was completed at the beginning of January this year. Now, we are at the stage of building the required infrastructure. It is a long-term project, and while developing the infrastructure, we propose to take the approach of clustering. That is, we will develop some areas early and provide them to potential investors.

During the initial stage, we have estimated a population of 75,000. If you take the timeline, it basically expands up to 2041. This year we have completed the reclamation work. Then by 2020, we will be completing the initial infrastructure. Prior to commencing on the construction work, we have identified a few major projects. One is the International Financial Centre, then the International-level Education Facility, Health Centre facility and a Convention Centre, which will be the initial projects for attracting

people. That is before seeking private investments, we will develop common facilities. Those will be the initial projects.

Then in 2026, we will complete the Health Centre and the Convention Centre. After that, part of the land will be utilized by the Chinese investor and the rest by the Sri Lankan Government. But the land will be given to the investor on a long-term lease basis, and in turn they can then sublease it to potential investors. That is the plan for the Colombo Port City. All activities are happening simultaneously. In a part of the City, infrastructure development will take place. Once those areas are completed, then we will move into other areas. The first clusters will be offered to potential investors.

## Significance of the Colombo Port City considering the geographical location of the country

If you take the major international air and maritime routes – including cargo transportation lines and the oil transportation lines – everything goes via the Indian Ocean. We have to keep in mind that we are located right in the middle of the Indian Ocean.

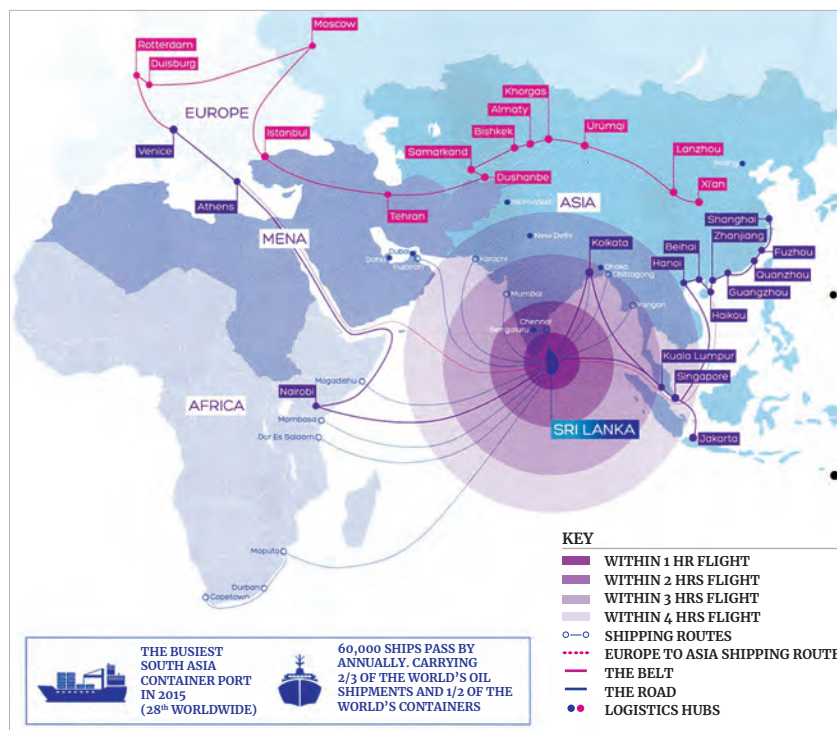


I have to highlight one factor. In the 18<sup>th</sup> century, according to the American scholar Robert D Kaplan, the most important ocean in the world was the Atlantic, since all the commercial and trade activities happened between Europe and America. Nevertheless, he says in the 21<sup>st</sup> century, the most important ocean is going to be the Indian Ocean. A substantial amount of trade activities are taking place between the western and eastern part of the world. Especially with China becoming a world economic superpower.

Very soon, China is going to become the number one economy in the world. Their products are exported globally, especially to Europe, where the majority of the markets depend on Chinese products. They have also shifted their production facilities to China, therefore logistics operations and transportation is going to take place between East Asia and Europe. In the meantime, China has its raw material base in the African continent in countries such as South Africa, Uganda, and Tanzania. Thus, the transportation of a substantial amount of raw material as well as the export of finished goods, all happens via the Indian Ocean. We are located right in the middle of the shipping routes, so it's very important.

If you look at the Belt and Road Initiative, China is connected to Europe through the surface highway covering many countries and also the sea route, which is through the Indian Ocean. We have at the moment three major ports: Colombo, Trincomalee and Hambantota. They all connect to major international shipping lines and routes in the world. Specially, in Trincomalee, we are hoping to connect with the East Asian part of the world, like upcoming Kunming city in China, Thailand, Myanmar and Singapore. Then on the other side, Hambantota will be connected to all the major shipping routes within our territorial waters.

After 2012, of course, we now have mega ports, that is, mega terminals that can cater to massive mega ships. A mega terminal has capacity to



**A substantial amount of trade activities are taking place between the western and the eastern part of the world. Especially with China becoming a world economic superpower.**

handle a ship with more than 15,000 boxes. Before 2012, we did not have that facility. What has happened was, majority of regional transshipment cargo had to go through Singapore because only Singapore had that facility in the region. Mega ships need more than 16-metre draft of depth of harbour basin. After 2012, we now have mega ships that reach us. We are in a good position, where we can operate as a mega hub.

In fact, it was a lost opportunity. If you take Singapore, it is the second busiest port in the world. Some years ago Rotterdam was the number one. Now, if you look at the ranking of the world's busiest ports, number one is Shanghai, number two is Singapore, then few other Chinese ports. Rotterdam ranks at ten. Even Dubai is ranked at number

## COLOMBO PORT CITY AT A GLANCE



Land Area (ha):  
**269.4**



Total GFA (m<sup>2</sup>):  
**269.4**



Public Open Space/  
resident  
**7m<sup>2</sup>**



Sellable Land (hc):  
**175.9**  
\*Excluding 3.1 ha  
Marina Area



Population (pp):  
**75,000**



Tallest Tower:  
**75** storey (350m)

11 or 12. Sri Lanka is 25. The thing is, in port business, we are in a good situation; we are ranked at 25 out of all the major ports in the world. But comparatively, our cargo handling capacity is less. For example, if you take the number one port Shanghai, it handles about 42 million TEUs per annum (TEU – twenty-foot equivalent units). Singapore handles about 36 million TEUs per annum. Sri Lanka just reached the seven million mark in 2018. That's mainly from Colombo, our main port. Comparatively more than 90 per cent of the cargo is handled through Colombo. And, more than 75 per cent of that volume comprise transshipments. Import and export is less than 25 per cent. Although our ports are performing well, unfortunately our total Logistic Performance Index is not up to par with our international peers. The Logistics Performance Index (LPI) represents numerous facilities like infrastructure, customs, other services; not only ports and transportation.

We are looking very seriously into how to improve LPI ranking. If we are supposed to increase our LPI value, we have to improve our infrastructure facilities, customs and logistic competence and improve the efficiency

of the stakeholder performances connected to the logistic operations. The Ministry of Megapolis and Western Development has initiated several projects to improve the facilities in the logistic sector.

Colombo is supposed to be the major port in the East Asia Ocean. But Singapore grabbed the opportunity. If you look at the geographical and geopolitical situation, Singapore was far behind us. But we did not utilize the opportunity. Singapore became the number two port in the world. Considering the critical geographical location and the geopolitical scenario, we still have the potential to develop into a higher status.

## Challenges

There are two perspectives. One is how the logistics operation can facilitate our exports. But that has some limitations. Logistics as an industry has a tremendous potential to grow. For example, we have the potential to become the number one transshipment hub in the region.

At the moment, more than 85 per cent of the regional transshipment cargo is handled by Singapore. While less than 15 per cent of the Indian



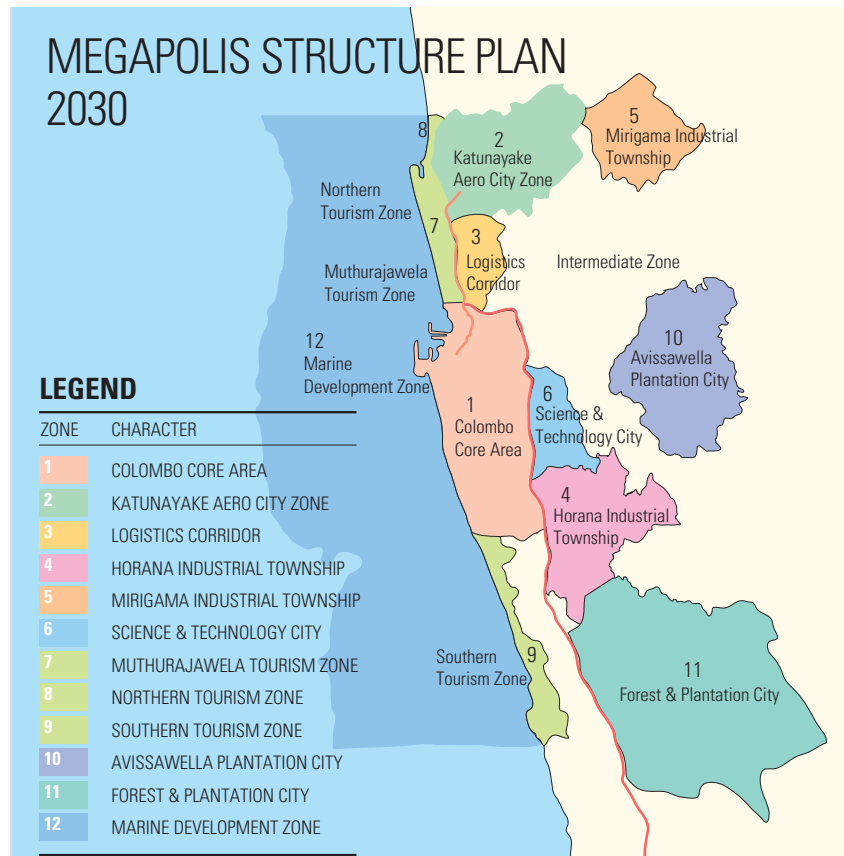
transshipment cargo comes to us, the rest goes to Singapore. Despite our close proximity to India, we only handle less than 15 per cent of the Indian transshipment cargo.

If you take logistics as an industry, it has a lot of opportunities for multi-country consolidations (MCC), entrepôt trade, warehousing and cold storage. That is why we thought as the Megapolis Ministry to facilitate those work by developing three designated areas, for logistic operations, which will operate together with the relevant implementation agencies such as Sri Lanka Ports Authority, Sri Lanka Customs and various other stakeholders.

### Modern logistical park in Welisara

Welisara, has been identified as one such potential area for a logistics facilitation centre. We are in negotiation with the Ministry of Defence to release the identified land in Welisara. This land spans over almost 95 acres and is currently used for storage of explosives for commercial purposes. This was done during the second World War by the British. It is now a highly residential area, therefore the storage of explosives bear some potential risks. What we suggested is to shift this to another suitable location and develop the land as a logistics park. That is a very appropriate area for a logistic park because there is connectivity to both highways. That is, the Outer Circular Highway connection goes to Kerawalapitiya and also to the Kandy-Colombo Highway. The Katunayake Airport connection is also there. Within a very short time you can send cargo to the airport and sea port. Further, there is connectivity with the Elevated Port Access Expressways to reach the port.

There will be connectivity from Orugodawatta to the Port City. This area has been identified as a potential area for a Logistics Corridor in the Megapolis Master Plan prepared in 2016. This area – Wattala, Ja-Ela, Ekala,



**Considering the critical geographical location and the geopolitical scenario, we still have the potential to develop into a higher status.**

now Welisara – is in close proximity to both airport and the seaport.

This project will be implemented as a Private-Public Partnership (PPP) without being a burden to the Government Treasury. Investors have shown interest. It will be not only a mere logistic facilitation centre, it will be an area with relevant residential facilities to work, and also a green belt. It will live up the logistic park. The residential area is for the people who are working, to accommodate them in that area because people cannot be moved from certain other places for that purpose. And, for middle income groups such as Government employees.



Forty eight acres will be designated as the logistics park. There will be modern warehousing. We have also proposed for Value-Added Logistics, because there is great demand. For instance, pharmaceuticals will be a potential area for Value-Added Logistics. Likewise, we intend that the logistic park will have diversified logistic operations. We intend to have a certain area for empty container terminals, where there is a big shortage of storage for empty containers.

The second area dedicated for logistic operations is Bloemendhal. We have several phases, which covers about 800 acres in total. But we will be having phased-out implementations. For the initial implementation, the cabinet has already approved the 4.5 acres already demarcated for the Ports and Shipping Ministry. That is for expansion of their logistic facilities in port. There was a cabinet approval recently granted for developing this land totally for warehousing.

The 15 acres of the Bloemendhal Garbage dump has been handed over to Sri Lanka Customs to build its verification centre because there is a considerable problem of transport navigation at Orugodawatta as the containers travel along the main road. Presently the custom verification on the cargo is happening in three places including Peliyagoda, and Orugodawatte. Those three places will be moved to a single location; Bloemendhal that is next to the Port Access Road. Sri Lanka Customs has already received the land to develop the custom verification centre. This will reduce the traffic generated by the containers. It is a very important aspect for security too. Containers will be inspected and verifications will be done in one place. It will also be efficient with a minimum processing and verification time.

Four and a half acres of land will be given to the SLPA for multi-country consolidations. It is a big business. There is lot of potential for which there are many investors. We do liberation of land with Government funds. The major challenge we are facing is

unlike in large countries like South Korea or China, we do not have land in abundance. Most of the areas are built areas (brown field operation) because we have to acquire some of these land. In Sri Lanka, traditionally, majority of the land are owned privately, because if you want to use lands for development purposes, you have to acquire it, which is a long and a very cumbersome process.

There is an elevated highway that starts from Peliyagoda and extends to Port City, which has a ramp access to the Port. From this place, they can transport cargo without disturbing the general traffic. At the moment the

project has been processed and the contract is already approved.

The railway line that goes up the Port is going to be rebuilt and we want to have a railway shunting yard. It had existed merely as a service line for the port, this will be developed as a shunting yard. Therefore, in the future, if we need to ship our containers, we can immediately send it to Ragama and then from Ragama to Welisara. When we have to deliver to Trincomalee, the cargo can be sent by train swiftly.

We use our rail facilities to transport containers very rarely, which happens in many countries in a big scale. In China, they use rail tracks

## COLOMBO COMMERCIAL CITY DEVELOPMENT PLAN (2019-2030)

### LEGEND

ZONE	CHARACTER
1	EXCLUSIVE PREMIUM MIXED DEVELOPMENT
2	PREMIUM MIXED DEVELOPMENT
3	HIGH DENSITY GREEN MIXED DEVELOPMENT
4	HIGH DENSITY COMPACT MIXED DEVELOPMENT
5	COMPACT LOGISTICS DEVELOPMENT
6	HIGH DENSITY RESIDENTIAL DEVELOPMENT
7	CENTRAL TRANSIT BASED DEVELOPMENT
8	MODERATE DENSITY RESIDENTIAL - WATTALA
9	MODERATE DENSITY LOGISTICS DEVELOPMENT
10	MODERATE DENSITY RESIDENTIAL - KOLONNAWA
11	MODERATE DENSITY RESIDENTIAL - RATMALANA
12	LOW DENSITY GREEN RESIDENTIAL
13	LOW DENSITY GARDEN
	COLOMBO COMMERCIAL CITY PLANNING BOUNDARY

SOURCE: URBAN DEVELOPMENT AUTHORITY, DEC 2018



for cargo transportation. The cabinet has given approval for the shunting yard, which will be developed in collaboration with the Ports Authority.

Kimbula Ela area is completely occupied by the under served community and unauthorised buildings and it is highly polluted. There is a project, which is going to be started from next year by SLLRDC to develop that area to have an aesthetically pleasing environment, waterfront development and it also provides residential facilities to the people who work in these logistics areas. All in all, we are creating not just operations for an entire sector, but facilitating all other aspects as well.

We have identified areas that are presently occupied by unauthorized settlers in about 45 land parcels. The people are being resettled to new buildings and at the moment, in Bloemendhal area, they are given new residential facilities and those lands are redeveloped and given for logistics purposes. The UDA has already identified this particular area adjacent to the Ports. Bloemendhal, Kimbula Ela, Mahawatha and Modera and certain DS divisions have been taken into development from 2019 to 2021.

The Ports Authority has also planned to develop North Port, which extends to Kelani river mouth. The purpose is to provide facilities for feeders especially. The North Port area is very close to Kimbula Ela, Mahawatha and Modera.

Our projects mark the land development for these facilities and collaborate with the Ports Development Section. At the moment the Maritime City Development is ongoing. In terms of transport infrastructure projects, we have many prerequisites to fulfill such as feasibility studies including traffic impact assessment, social impact assessment and financial assessment.

### Project completion expected by 2025/2026

Project activities are short-term, mid-term and some are long-term. Now apart from these, we have operations spearheaded by land SLLRDC, which



Proposed cargo village and value-added logistic zone.

**The main future development corridor of the country from Colombo to Trincomalee, which is identified in our National Physical Plan is directly served by the areas identified for logistics operations in the Megapolis plan.**

is in Muthurajawela. About 80 acres, some companies have already shifted their operations to the Muthurajawela area: Hemas, John Keells, Pyramid Lanka, Dark Lobe, Global Logistics, and the 70 acres are in the process of being developed. All in all when everything come into operations, there will a drastic difference in logistic operations of the country.

The main future development corridor of the country from Colombo to Trincomalee, which is identified in our National Physical Plan is directly served by the areas identified for logistics operations in the Megapolis plan. We have made significant progress and work is on-going. We are confident that we will be able to complete the project as planned and have a huge positive impact on the socio-economic development process of the country. ■



**Madhawa Waidyaratna,**  
Additional Secretary  
(Megapolis), Ministry of  
Megapolis and Western  
Development.

Interviewed and compiled by  
BT Options.

## AIR CARGO

# SriLankan Cargo: Facilitating the Logistics Sector

SriLankan Airlines, in addition to being the National Carrier of Sri Lanka, is the sole ground handler for passengers and cargo for all airlines operating into the Bandaranaike International Airport (BIA) and the Mattala Rajapaksa Airport (MRI). Chamara Ranasinghe, Head of Cargo, SriLankan Airlines speaks on the operations of airline/cargo logistics.





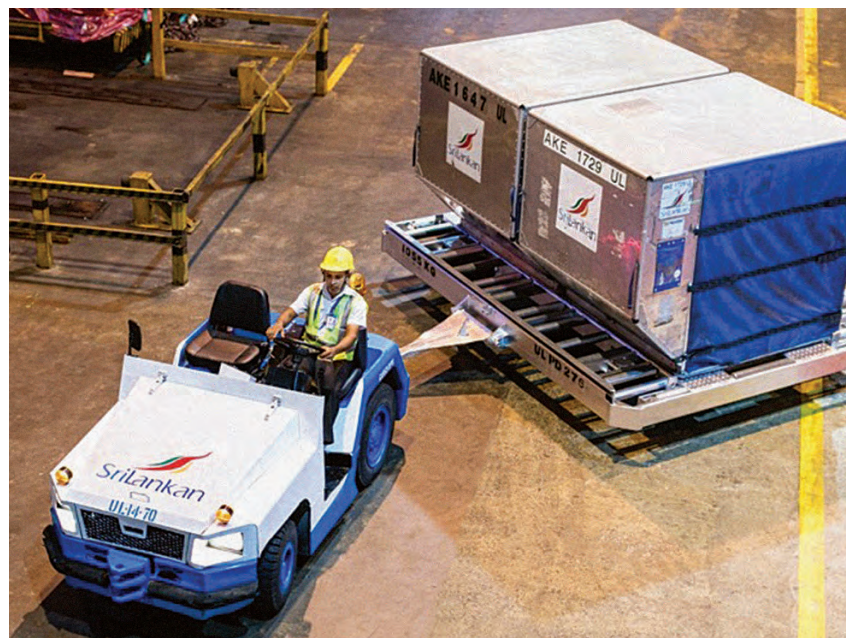
Currently, all air cargo is handled at BIA and by SriLankan Cargo. As the cargo arm of the Airline, SriLankan Cargo provides ground handling services to over 30 passenger and freighter airline operations. Ground handling operations essentially include ensuring that the cargo is ready for carriage through build up, storage, polythene wrapping for protection against adverse weather conditions, import retrieval, customer delivery and following the certified process as an airline after the cargo is accepted at the cargo terminal.

The SriLankan air cargo terminals are equipped to handle all commodities of cargo from temperature sensitive perishables to dangerous goods and maintain the highest level of standards as per international regulations and certifications, ensuring that airlines operating to Sri Lanka as well as the direct customers for air freight logistics are guaranteed the safe and secure transportation for all movements to and from Sri Lanka. BIA handled a total air freight throughput of 277,000 MT for the financial year 2018/19.

The Sri Lankan air freight exports primarily consist of general cargo accounting for 58 per cent of all exports, namely the exports of garments into Western Europe and the USA, which accounts for 36 per cent and 25 per cent of the total air freight market respectively. The second largest exports segment is the perishables, which include fruits and vegetables, seafood and live plants with the main consumer market being the Middle Eastern and South Asian markets accounting for 51 per cent of all perishables exports, as well as Europe accounting for 36 per cent of the same.

As the National Carrier for Sri Lanka, one of the main ambitions of the Airline's commercial operation is to promote Sri Lankan exports and further the national interest of the country. With Sri Lanka being renowned for its agricultural capabilities and products such as fruits, vegetables and seafood,

**Sri Lanka being renowned for its agricultural capabilities and products such as fruits, vegetables and Seafood, the focus of the Airline together with the Export Development Board has consistently been to drive the ability for these exports to be attractive in the international market.**



the focus of the Airline together with the Export Development Board has consistently been to drive the ability for these exports to be attractive in the international market in bringing in foreign investments and trade into the country.

As the base carrier, SriLankan Airlines operates the largest number of flights out of Sri Lanka and measures are taken to ensure that local exports are a primary focus in terms of the allocated cargo belly capacity on the fleet of 13 Wide Body and 13 Narrow Body aircraft. Maldives is a key consumer for perishable goods in the region, primarily from India as well as Sri Lanka and the purchasing power for air freight services in India are at times higher than Sri Lanka due to the low cost

of production and historically narrow margins kept by the shippers, leading to carriers being able to maintain a lucrative air freight rate. However, Srilankan Cargo takes steps to ensure that support for the local produce is provided which is exemplified on the uplift on the Maldives sector and further evident with perishables accounting for over 60 per cent of the total recorded carriage of SriLankan airlines air freight out of Sri Lanka.

Garments, as previously indicated represent the largest share of Sri Lankan exports accounting for over USD five billion and SriLankan Cargo ensures to provide the best opportunity in international markets for this segment as well. While the direct SriLankan Airlines network into these key garment markets in Europe and USA are limited, the Airline ensures to provide the customers with the maximum logistical reach through Special Prorated Agreements (SPAs) with partner carriers and an extensive

trucking network that has successfully allowed the connection of cargo movements to over 230 global destinations for cargo originating in Sri Lanka.

The Airline aims to further encompass the SriLankan Cargo vision “to be the preferred global air cargo hub, connecting Sri Lanka to the world” through spearheading several projects that focuses on enhancing the current services provided to customer airlines, global exporters and importers as well as in developing Sri Lanka’s transshipment hub status. In facilitating the forecasted average seven per cent year-on-year growth for Sri Lankan air freight exports, the Cargo division aims to enhance the current saturated 250,000 MT handling capacity amongst the two cargo terminals at BIA and maximize its utilisation through investment into infrastructure that allows for the vertical utilisation of terminal capacities.

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The division further aims to enhance the quality of Sri Lankan perishable exports that account for 40 per cent of total air freight exports out of Sri Lanka, through segregating the terminal capacity with a 100 per cent cool chain complicit dedicated handling area for perishable cargo, that ensures that the quality of the produce accepted at BIA is maintained right up to its destination. The developments in temperature-controlled facilities further enhance the country's ability to attract pharmaceutical transshipments, a lucrative air freight commodity accounting for a year-round global supply and demand as it is inelastic to the global levels of trade. SriLankan Cargo will ensure the "cool chain" is maintained even with the partner ground handlers at the transit points and destination. The division will also maintain segregated general cargo and courier handling areas for ensuring the cargo is processed and handled with the highest levels of speed and efficiency which is an increasingly mandatory requirement in the air freight logistics sector. In further enhancing the ease of access to customers, the ground handling operation of the Airline is concurrently looking into the possibility of maintaining an off-airport site imports delivery terminal at a convenient location for customer road freight network.

Air as a mode of transport is progressively becoming a preferred method, in a sector that is presently being revolutionised due to consumer access to technology and consumer demand having developed to levels remaining unchanged for local or cross border delivery. The growing online purchasing in B2B, B2C and even C2C markets have led to an e-commerce "boom" and is a prime example of enhanced customer demands for speed, efficiency and transparency in service. The proposed dedicated courier cargo handling area is focused on developing Sri Lanka as an e-commerce hub, as the commodity is perceived to be the future of the air cargo industry alongside the

afore mentioned pharmaceuticals movements. In keeping in line with the need for digital improvisation in the cargo industry with a focus on efficiency, the cargo operations movement to encourage e-AWB movements has resulted in a 70 per cent penetration in the Colombo market, pursuing a 100 per cent penetration by 2020. SriLankan Cargo Operations launched its first mobile app in October 2018, enhancing the ability for customers to track shipments, access information on charges applicable, flight status, flight schedules and volume calculation of cargo.

The enhanced customer demands have further resulted in cargo volumes being transported via multi modal processes, that is a combination of air, sea and road and

### **SriLankan Cargo Operations launched its first mobile app in October 2018, enhancing the ability for customers to track shipments, access information on charges applicable, flight status, flight schedules and volume calculation of cargo.**

Sri Lanka is presently one such hub for sea-to-air and air-to-sea transport due to its strategic geographical location. SriLankan Cargo further aims to develop and capture these segments facilitated by infrastructure developments that would enable Sri Lanka to develop the vision of being a key hub in Asia.

The potential for developing Sri Lanka as a hub and developing the national exports are exponential and SriLankan Airlines, through its cargo arm is poised and dedicated to ensure that national interests are met and that the nation is able to capitalise on global air cargo trends in strengthening the Sri Lankan logistics sector. ■



**Chamara Ranasinghe**, Head of Cargo, SriLankan Airlines.



## TRANSSHIPMENT

# Colombo Port: Where We are Now and Where We are Headed

Sri Lanka, as a country with a strategic geographical location, has connected the East and West from time immemorial. The potential still remains, as Sri Lanka gears up for the future of logistics services that the Colombo Port is expected to have the capacity to provide.

“Currently we are performing very well in connectivity and container handling, but we have so much further to go in the provision of logistics services,” says Upali de Zoysa, Additional Managing Director,

Sri Lanka Ports Authority, adding that Sri Lanka definitely has the capacity to provide more maritime services. The Colombo Port holds the responsibility for the supply and maintenance of infrastructure, superstructure, pilotage services, docking, shipping and ancillary services.

## Colombo Port

The history of the Colombo Port dates back to ancient times, however, it is during British colonization,

that Colombo became a transport centre for the shipment of plantation products, which were exported from Sri Lanka. Operations continued post-Independence as well, growing into container handling in the 1970's. In the 1980's during Hon Lalith Athulathmudali's tenure as the Minister of Trade and Shipping, he developed the port as a transshipment centre.

Previously, the Queen Elizabeth Quay Terminal, became, with the increase of volume of shipments, the Jaya Container Terminal (JCT) with



the financial and technical assistance of Japan. The South Asia Gateway Terminal (SAGT) was developed in 1999, with the evolution of the shipping industry. The requirement arose to allow for mega carriers, which meant that a deeper draft port was needed as a part of Colombo Port. The South Port of Colombo was a result of this requirement, consisting of three container terminals: South, East and West. Each has a capacity of 2.4 million TEUs. The Unity Container Terminal caters to Feeder Vessels and Colombo International Container Terminal remains the only deep draught terminal in the Colombo Port at the moment with the competitive advantage of handling more volumes with bigger and deeper draught vessels. The operations of the terminals have been through Public Private Partnerships (PPP), which have deemed to be successful.

The need for space for more container handling has arisen, upon which there has been a much abetted topic on developing the East Container Terminal. After several years of discussion, it was decided that the East Container Terminal will be operational by December 2020.

This is an important development to move forward moving, since there is a risk of ships bypassing Colombo Port to berth at a more favourable port in another country.

Even with the lack of the East Terminal, the present terminals perform very well, handling 7.2 million TEUs in the past year. The statistics earned Colombo Port the 22<sup>nd</sup> position among container handling ports in the world. In terms of connectivity, Sri Lanka holds the 13<sup>th</sup> position, which is an extremely high performance record, considering the small size of the country.

### Logistics and Colombo Port

Despite these considerable achievements, the Port of Colombo falls behind in term of logistics, compared with other developed Asian ports including Hong Kong, China and Singapore. Therefore, maritime fraternities, at high level forums such as the Sri Lanka's National Export Strategy conference, have emphasized the importance of developing logistic services offered by the Colombo Port.

**Maritime fraternities, at high level forums such as the Sri Lanka's National Export Strategy conference, have emphasized the importance of developing logistic services offered by the Colombo Port.**



At present, Sri Lanka ranks at the 116<sup>th</sup> position within the Logistics Performance Index (LPI), a position behind its peers in Myanmar, and Laos. Despite Sri Lanka's status as a developing maritime nation, the country has not performed in logistics due to the scarcity of adequate warehouse facilities and lack of coordination among freight related Government border agencies. Hence, the Port of Colombo plans to initiate two new projects, the National Single Window (NSW) and the Trade Information Portal (TIP), with the objective of improving the LPI ranking and overall logistics performance.

The Colombo Port currently offers limited warehouse space; the 5,000sqm<sup>2</sup> Container Freight Station (CFS) 1, the CFS 5 and 4, which combine together to offer a further 5,000sqm<sup>2</sup>, as well as the Bandaranaike Quay, which comprises four warehouses. The maximum space of 18,000sqm<sup>2</sup> within the Port premises is further supplemented by the area in Peliyagoda, which provides

an additional 19,500sqm<sup>2</sup>. There is a plan in place to develop the Japanese warehouse – currently occupied by Sri Lanka Customs to house detained cargo – into a bonded warehouse. The CFS 3, utilized as a bonded facility will be converted into the main stores, as the present main stores will be demolished to accommodate the elevated highway.

With the exception of CFS 1, the warehouses were designed to function as conventional cargo operation units, that is, for unloading cargo into the warehouses, and delivering, rather than as container storages. Therefore, the Port offers unsophisticated logistic services as compared to developed logistics centres, which maintain certain standards and feature advanced technologies.

### New projects

Having realised the importance of adapting contemporary logistics facilities, the Port Authority has

**The Port of Colombo plans to initiate two new projects, the National Single Window (NSW) and the Trade Information Portal (TIP), with the objective of improving the LPI ranking and overall logistics performance.**







identified two projects, which include the development of the Bloemendhal area. The Port has signed an MoU with the Urban Development Authority to further increase the land area to 5.5 acres of land from the existing 4.5 acres. The logistics service centre will be developed through the participation of the public and private sector investors.

The Port of Colombo has improved its container terminal business due to the participation of the public and private sector. The Port has maintained its high standards due to the SAGT and the Colombo International Container Terminal (CICT), which in turn, have compelled the SLPA managed JCT to also adapt new technologies and best practices. The three terminals collaborate to promote Colombo as a crash hub. The same principle must be applied to the improvement of the logistics services.

Thus, another project has been identified centred around the CICT head office building. The five-hectares in the South Port area will be developed into a logistics distribution centre in collaboration with the China Merchants (CM) Port, in addition to the Port's warehouses catering to that demand. Transshipment hubs around the world are proving to be lucrative, due to Multi Country Consolidation (MCC) and value additions. Thus, by developing the centre to be a multi-

story building, the Colombo Port too would reap the benefits of its connectivity and as a transshipment centre.

CM Ports had invested 146 million US dollars in Sri Lanka. Since the Hambantota Port did not meet with the specification, the proposal was directed to Colombo Port. The project will commence next year, and will be equipped with a cold storage facility, catering to the existing need.

The two projects will focus on the needs of the MCC operators who prefer to receive space within the port itself. A new pilot project also focuses on implementing a Warehouse Management System (WMS) and improving the cargo management system, in order to provide electronic payment and delivery facilities. Similarly, both SAGT and CICT have their own cargo management systems, while Sri Lanka Customs has the ASYCUDA system.

There are two projects under the supervision and monitoring of the Ministry of Development Strategies and International Trade. The National Single Window (NSW), a trade facilitation agreement signed among members of the World Trade Organization (WTO) through an agency, and the Trade Information Portal (TIP) implemented and monitored by the Department of Commerce.

## National Maritime and Logistics Policy

In 2017, the National Maritime and Logistics Policy was developed under the Ministry of Ports & Shipping and Southern Development. Once approved by the Minister, the Policy will be presented to the Cabinet. In addition, the National Port Master Plan for Sri Lanka was developed by the Consultant, Maritime and Transport Business Solution (MTBS) and financial assistance was given by the ADB.

Based on the National Port Master Plan, the Sri Lanka Ports Authority has formulated the corporate plan for the next three years. The annual Action Plan is based on the corporate plan, where warehousing, logistics services, Port Community System (PCS) and other issues are addressed. By next year, SLPA anticipates being able to facilitate more capacity.

## A transshipment hub

Given Sri Lanka's geographical location, the country is in close proximity to the main sea routes and there is also a diversion from the main routes. Therefore, the Sri Lankan ports currently cater to major international shipping lines MSC, Maersk, CMA CGM and others. There are 22 major mainline operators; and Sri Lanka



**Aside from Multi Country Consolidation, Sri Lanka also has potential to develop its entrepôt trade (EPD). Within the foreseeable future, the focus will also be given to increasing warehouse capacity, value addition and distribution and quick dispatch of LCL cargo.**

also caters to eight feeder operators through the strong feeder network in place. With the geographical advantage and the excellent facilities such as infrastructure, superstructure and state-of-the-art of technology, the country has the potential to attract more investors.

As a service oriented country, especially in-terms of importation of raw material, the traders must be able to receive their wares at a minimal cost, so that they can then compete with international competitors. Therefore, an electronically operated port with better logistic facilities is vital. Through establishing a better Multi Country Consolidation system, similar to Dubai or Singapore, Colombo will be able to attract more transshipments. In addition to receiving more volumes and shipping lines, the traders too would then benefit from the frequent sailings to Colombo.

Aside from Multi Country Consolidation, Sri Lanka also has potential to develop its entrepôt trade (EPD). Within the foreseeable future, the focus will also be given to

increasing warehouse capacity, value addition and distribution and quick dispatch of LCL cargo.

Approximately 96 per cent of the imports at the Colombo Port are full containers, which are directly delivered from the terminals, which all offer transparent electronic documents. However, with 32 border agencies without a proper communication link, traders encounter difficulty in clearing the cargo. Thus it is necessary to address the issues in the National Single Window (NSW) project within the next two years with measures implemented thereby enabling Sri Lanka Ports to reach its potential. ■



**Upali de Zoysa**  
Additional Managing Director,  
Sri Lanka Ports Authority.  
Interviewed and compiled by  
BT Options

# Imports: An integral Part of the Economy



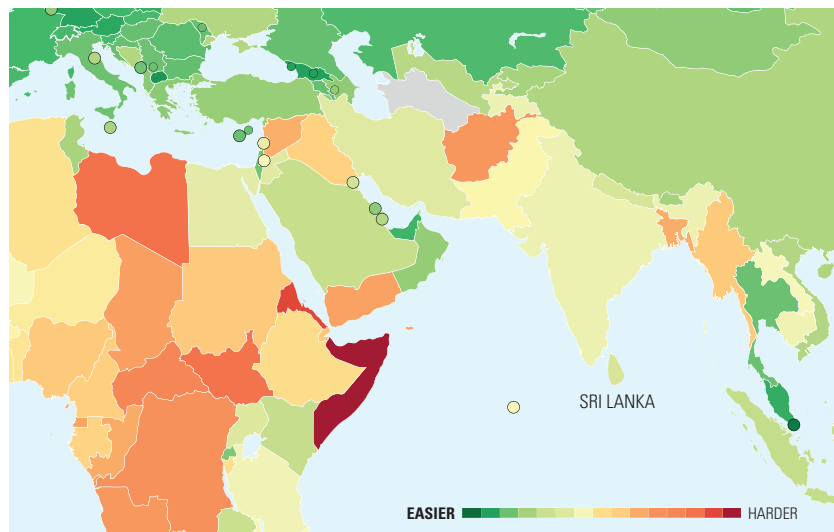
**Importation is the process of sourcing goods from one country and making them available for reselling or reprocessing for value addition in another country. In Sri Lanka, the expenditure incurred through imports increased by six per cent to USD 22.233 million in 2018..**

**T**he growth in expenditure was due to the imports of products such as fuel, personal motor vehicles, textiles, and fertiliser. Despite the popular perception that importing products negatively impact the country's economy as it is viewed

as draining the country's wealth, imports are essential to the national economy. The Import Section of the Ceylon Chamber of Commerce is the most significant group of businesses that provide leadership and act as the voice of the Import Trade.



## Ease of Doing Business Index – 2018



**A nation's ranking on the Ease of Doing Business Index is based on the average of ten sub indices:**

- **Starting a business** – procedures, time, cost, and minimum capital to open a new business.
- **Dealing with construction permits** – procedures, time, and cost to build a warehouse.
- **Getting electricity** – procedures, time, and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.
- **Registering property** – procedures, time, and cost to register commercial real estate.
- **Getting credit** – strength of legal rights index, depth of credit information index.
- **Protecting investors** – indices on the extent of disclosure, extent of director liability, and ease of shareholder suits.
- **Paying taxes** – number of taxes paid, hours per year spent preparing tax returns, and total tax payable as share of gross profit.
- **Trading across borders** – number of documents, cost, and time necessary to export and import.
- **Enforcing contracts** – procedures, time, and cost to enforce a debt contract.
- **Resolving insolvency** – the time, cost, and recovery rate (%) under bankruptcy proceeding.

### The Import Section of the Ceylon Chamber of Commerce

The Import Section of the Ceylon Chamber of Commerce has been in existence for 84 years and is an integral part of the Ceylon Chamber. The Section plays an important role in the advancement of the import sector of the country. It continuously monitors the structures, regulations and procedures that govern the import and export trade. The Section actively engages all stakeholders to overcome new challenges and seek solutions.

Delano Dias, Chairman, The Import Section of the Ceylon Chamber of Commerce stated, "We are not a pressure group but an industry representation. We support the Chamber policies that promotes liberalization of the economy; we consider the national interest first and represent the trade entities that respect laws of this country and operate ethically. We facilitate trade and assist members to effectively contribute to the economic growth in the country".

Sustaining the balance between exports and imports is crucial for any economy. No country can exist solely on imports. Promotion of

import substitution is national policy. Sri Lanka is an import dependent country as a significant volume of current exports too are dependent on imported inputs. Businesses import goods when they do not have viable options locally, meaning the right quantity, quality and price. If raw materials within Sri Lanka require more processing, then it increases cost of production. For instance, some garments require special fabrics. Instead of spending resources which in turn add to costs to produce the fabric, they may be imported economically, helping to bring down the cost of the finished product.

### Transformation

Some of the Laws and Regulations governing the Import/Export trade are in existence for years without any updating according to present day requirements. Local industry must compete in the fast evolving international sphere and the laws and regulations of the country must facilitate such commercial activity. The Government is proceeding with necessary reforms under the The National Export Strategy and the National Single Window initiative. These projects are being implemented to maintain consistency in trade policies and to build a foolproof system in order to achieve desired levels of efficiency in the administrative structure. Regrettably they proceed at a very slow pace.

The Import Section is driving the National Single Window Initiative that would interlink 35 border control agencies under the leadership of Sri Lanka Customs, that would eventually address most of the burning issues affecting the import trade. Therefore, The Import Section liaises with these agencies and Sri Lanka Customs regularly in order to ensure that the current service levels are improved to the desired levels. The National Trade Information Portal is another important initiative that would be beneficial to the trade and start-ups in general. However, the success of it depends only on the active inputs and



**The Import Section fully endorses the National Single Window initiative. This system will digitalise all documentation and minimise the manual or human intervention in activities at border control agencies minimising corruption.**

support of the individual officers of the organisations. This website portal that connects all border agencies will be linked to the International Trade Portal which provides essential information for the trading community in Sri Lanka wishing to import and export goods.

The Import Section fully endorses the National Single Window initiative. This system will digitalise all documentation and minimise the manual or human intervention in activities at border control agencies minimising corruption.

The National Export Strategy is another initiative by the Export Development Board and the Ministry of Development Strategies and International Trade to further advance the country's trade growth performance. The National Export Strategy is a short term and long term plan, devised with consensus from the entire business community led by the private sector.

It covers the boarder agency control operations and the elimination of legal limitations in age old Acts governing them. The strategy

looks at how to facilitate exports and imports within an improved regulatory framework. The members of the industry have pointed out the drawbacks on present Acts and Regulations. Through proposed implementation, Sri Lanka will have the prospect of reaching new levels of competition in the international exporting community.

### **Overcoming industry challenges**

The industry however, faces varying challenges such as unpredictable policy changes and risky regulations instigated by individual agencies without references to the industry.

The Import Section believes in constant interaction with the border control agencies to ensure operations are conducted within the laws and their core activities support the trade.

Furthermore, unannounced tariff changes without stakeholder agreement have impacted trade interests and international competitiveness. Moreover,

proposed Security Scanning of FCL cargo at the Sri Lanka Ports at an extra cost would be a deterrent on cost efficiencies. Although need for security and modernisation is appreciated, members of the industry strongly believe that extra charges could be considered only if there is corresponding value addition and or an increased efficiency in the service.

The Import Section views the trade and industry at a national level. They represent national entities that respect laws of Sri Lanka. The Imports Section urges the Government to engage them as an important stakeholder in the improvements to the necessary infrastructure to smoothen operations. Sri Lanka has to strive to be export oriented and therefore imports too have a prominent element in this equation. ■



**Delano Dias**, Chairman, Import Section, Ceylon Chamber of Commerce and Executive Director/CEO, Millers.

Interviewed and compiled by BT Options

## WORKING TOGETHER

# Enabling an Environment Conducive for Collaboration

**The Sri Lanka Shippers' Council was inaugurated in March, 1966 at the behest of the local Committee of the Ceylon/Continental Conference, and a subsequent request made by the Director of Commerce in January 1966, to the Ceylon Chamber of Commerce to protect and promote the interests of importers and exporters of the Island. Their journey has been long. Suren Abeysekera, Chairman, Sri Lanka Shippers' Council elaborates on the progress thus far.**

As the first national shippers' council in Asia, the mandate of the Sri Lanka Shippers' Council was to look after the interest and support the trade to perform proficiently within the import and export sector, which comprises parties engaged directly in manufacturing, exporting and importing goods such as FMCG to Sri Lanka; and service partners who are supporting the industry including freight forwarders, logistics service providers as well as the new hub operators. An approved association of the Ceylon Chamber of Commerce, the Sri Lanka Shippers' Council was initially tasked with representing the shipping community of the island to express their views and negotiate on their behalf with shipping lines, particularly Shipping Conferences, on matters such as freight rates, quality of service, and tariff conditions. Its role today has evolved and the Council is involved significantly in transforming Sri Lanka into a logistics hub thus highlighting the future potential of the industry.

## The role of the Sri Lanka Shippers' Council

Sri Lanka Shippers' Council is the main body representing importers and exporters in the country, providing an

organised machinery to address trade issues faced by shippers in relation to carriage of goods and other landside activities to support development of the trade. While the original objectives of the Council remain the same, the way the Council functions has evolved throughout the years. Despite its evolution, the Council remains committed to safeguard shippers from unlawful trade practices and arbitrary surcharges.

It is a well-known fact in the industry that in addition to freight rates, shipping lines as well as freight forwarders levy numerous other surcharges – often arbitrarily. Prior to a national legislation, which addressed these surcharges, approximately over 40 such charges existed with service providers charging additional fees without any form of control or authority to regulate. Unlike leading players in the industry, the regular importer or exporter was not able to cope with these charges nor counter the same due to their inability to negotiate.

Surcharges were levied on many situations, for example, there were surcharges to issue a receipt as acknowledgment of the shipment and to issue a Bill of Lading as evidence of carriage or when manifesting information to foreign customs agencies which is a statutory

requirement of the carriers. Some of these charges were manipulated, so that the costs for certain services offered free-of-charge to some parties but was recovered by additional surcharges levied upon the importer or exporter. While rates to ship goods were decided by market forces, the surcharges would non negotiable.

"Five years ago, we partnered with several other bodies including the Joint Apparel Association Forum to introduce a legislation where all surcharges had to be included in the rate that was offered," explained Suren Abeysekera. "The legislation was through an extraordinary gazette. Even to issue a receipt, whatever charge that was been charged also had to be included within the all-inclusive rate that you are offering, that's the final rate, no more additional surcharges. That way, you would compete with others in the open market for all charges. Thus, ultimately the best party with the best service and rate, wins the business. This promoted the open market concept, fair trade and negated anti-competition between players, which hugely benefitted the industry and reduced overall supply chain costs. This concept is now being studied globally."

The Council also concentrates on issues related to quality of logistics



services and available equipment, infrastructure needs and resolve trade disputes to create an enabling environment for trade to develop. The Sri Lanka Shippers' Council also functions as an advisory to border agencies, Government departments and various ministries to drive export strategies and improve import facilitation that are cardinal needs of the trade currently. While these objectives stem from the original idea, the Council has gone further in terms of engaging in dialog with relevant stakeholders to make the trading environment conducive to local entrepreneurs.

As a location dependent country, Sri Lanka is located in the main east-west shipping route and acts as a key hub for air transportation as well. The Island is blessed with good connectivity due to its location in the Indian Ocean central to SEA, Africa, Middle East, as well as, proximity to Europe, the Far East and India, one of the biggest developing economies in the world currently. Given this strategic

advantage, most of the world's shipping industry giants play a pivotal role in the Island's maritime sector. However, when Sri Lankan importers or exporters need to communicate with these global players, they may not be able to negotiate diligently or have the know-how to resolve disputes favourably with these international players.

The Sri Lanka Shippers' Council represents 14 key sectors in this country, be it tea, rubber, apparel, freight forwarders, hub association, courier association, the National Chamber of Exporters or the Chamber of Commerce. The Council addresses shippers' issues and concerns with these global players providing a voice even to the smallest exporter or importer in the country. They are being represented, and their issues addressed aptly.

The Sri Lanka Shippers' Council also plays an advisory role to the Government in terms of policy and strategy development or when international agencies engage in trade

development activities in the country. "We are a part of these discussions, providing shippers' point of view, so that frameworks that are being developed address shippers' needs being key stakeholders in an export economy. In fact, we are working very closely with Sri Lanka Customs on some of these new initiatives based on WTO trade facilitation and also very closely with ITC through EDB, for National Export Strategy implementation. Therefore, whenever there is an issue that we need to discuss, be it process, or be it charges, we are there to represent shippers," said Suren Abeysekera.

### **Sri Lanka Shippers' Council at the international level**

The Sri Lanka Shippers' Council was also a founder member of the Association of Shippers' Councils of Bangladesh, India, Pakistan and Sri Lanka (ASCOBIPS), founded in 1981, and the Asia Shippers' Council



founded in 2004. The Council is also a member of the Global Shippers' Forum (GSF), who act as the main body representing shippers globally. The current Chairman of the Forum is also from Sri Lanka, Sean Van Dort, former Chairman, Sri Lanka Shippers' Council. Together, the Sri Lanka Shippers' Council and GSF addresses issues that arise locally, regionally and internationally, collaborating with the World Shipping Council, the IMO, UNCTAD, WTO and other international bodies, to make sure that the shippers' interests in the global trade are looked after.

Suren Abeysekera also represented Sri Lanka at the Global Shippers' Forum annual meeting in London. This year, he is scheduled to make presentation of the current status of the legislation on surcharges. "Five years have passed since the introduction, and this has helped the Sri Lankan shipping community in terms of identifying true cost" he emphasised. "Because, ultimately it matters; for example, whatever that you buy from retail is inclusive of all costs somebody else had paid. Anyone who is importing goods has already charged all these back to the consumer. As such, identifying and

paying accurate cost derive savings for consumers finally and attracted additional business to those engaged in legitimate trade providing true cost. So those who said, introducing this kind of legislation will affect the country's maritime industry negatively were inaccurate. By introducing this kind of regulations, it has helped importers and exporters to make products more competitive."

### Maintaining quality standards

The Sri Lanka Shippers' Council also ensures that quality standards of equipment used for trade are met and maintained. In Sri Lanka, there are diverse imports coming into the country, as well as diverse exports. "If I concentrate on containerisation only for the moment, we need particular types of containers for the majority of our exports. For example, if you talk about tea exports, it requires food grade containers, because you cannot use a container that came with maybe fertilizer or something similar to pack world renowned Ceylon Tea and send it off," he commented.

The Council therefore focuses on the quality standards of the

containers, and the services offered and process improvement where value addition can happen. The Council continuously discusses these areas with not only the service providers, but internally with its membership as well. The Council continues to explore opportunities to better shippers' interactions with Customs, and other Government agencies to improve quality of service offered to importers and exporters.

"We have been having sessions to educate our product associations on collaboration and at every meeting, we talk in length on these lines, so each association can carry back useful information to their particular trade association to make improvements in how they conduct affairs" Suren Abeysekera disclosed. "We also coordinate with different import/export licensing authorities, Sri Lanka Ports Authority, Sri Lanka Airport and Aviation Authority to address common concerns and infrastructure deficiencies. Some of the infrastructure that we have in the port and airports are age-old. Thus, we want to focus on how to improve current offerings that would support increased efficiencies in this sector."



## Sri Lanka as a logistics hub

In previous years, Sri Lanka was mostly used as a trading hub. Traders would come from different countries in the silk route and they would bring in their goods and some of their services that were traded in the Port of Colombo. There was less manufacturing of goods in the country that were exported except for the well-known Sri Lankan spices and tea.

Therefore, the focus has constantly been on developing the country as a maritime hub. At the Port of Colombo, the majority of container volume are for transshipments. Sri Lanka has taken this advantage as a maritime hub and Sri Lankan ports are increasing capacities to cater to the needs of this sector.

However, in terms of international trade, the focus has shifted away from trading goods and services based on a maritime hub. The modern-day businesses concentrate on the speed of product delivery to their customers and how cost efficient they are in terms of their goods and services. Therefore, there is a supply chain that encompasses raw material production in different parts of the world being shipped to another country for manufacturing and ultimately distributed globally in an effort to attract best cost and profit. "If you look at apparel, whatever that we consume as apparel, the cotton starts somewhere in Africa or in India, the thread is being done in China and the material is maybe dyed in Taiwan or maybe in South China or Vietnam, and then the goods maybe produced in Sri Lanka for a brand selling in US or Europe" he stated, explaining the process.

Having realised the importance of transforming into a logistics hub rather than continuing to function as a maritime hub, Sri Lanka has now initiated several projects with this in mind. As Suren Abeysekera explained, Sri Lanka has four advantages towards becoming a logistics hub; location, connectivity, infrastructure and regulation. As an existing maritime hub located in the Indian Ocean, the country already possesses the ability,

space and the knowledge necessary to operate as a logistics hub. Due to the connectivity which Sri Lanka currently enjoys, all major carriers call Colombo Port serving various destinations. In terms of infrastructure, the ports, investment promotion zones, and highways which connect these places have enabled Sri Lanka to reach its goal as a logistics hub. With regards to regulation, Suren Abeysekera said, "We are slowly going in the right direction with the introduction of hub regulation and the logistic hub concept already in place, helps Sri Lanka to reach its aspirations to operate as a fully-fledged logistic hub."

Apart from being geographically located within days from the Far East, Europe, Asia, Australasia and Africa, one of the other most important advantages Sri Lanka has is its ease of access to India. One of the biggest markets with a population of over one billion, India presents a superb opportunity to the Island in terms of logistics services, be it warehousing, simple value addition, manufacturing, part assembly or shipping final products.

In terms of areas for the logistics hub, the Sri Lankan ports such as Colombo and Hambantota as well as specified bonded areas like Mattala Airport and the Mirijawila zone can manage manufacturing, minor processing and logistic value addition. Meanwhile the Export Processing Zones (EPZ) in Katunayake and Koggala can handle minor processing and logistic value addition.

Entrepôt trade, off-shore business, front end services, headquarters operations are other activities fueling the growth of commercial hub concept in the country. Logistics hub activities also offer the opportunity for improvements in warehousing, value addition, as well as pick and pack.

"We have a conducive environment where the new legislation of the hub defines boundaries for the Customs minimal involvement in the operation and if you look at cost, we are approximately 30-60 per cent cheaper than the neighboring hubs

like Singapore and Dubai depending on the product. Thus, we have the location advantage and cost advantage," he stated. Sri Lanka has the capacity to grow further in this space.

In the past five years, Sri Lankan Hub operators handled approx. 20,000 containers a month, out of which over 70 per cent is incremental business. "We recognise that there should be additional controls in place that would leverage some of the environmental issues, but the concept is something

**Apart from being geographically located within days from the Far East, Europe, Asia, Australasia and Africa, one of the other most important advantages Sri Lanka has is its ease of access to India. One of the biggest markets...**

that we should clearly take to the next level for Sri Lanka to succeed as an export based economy," Suren Abeysekera stressed.

The Council provides assistance to the committees appointed by the Ministries to draw up logistic related process and future development plans. The Council was a signatory to the National Export Strategy developed two years ago by the EDB in consultation with ITC. Within the Strategy, the hub concept is highlighted, and the Sri Lanka Shippers' Council sits in these stakeholder discussions and advisory committee meetings, supporting the development of entrepôt trade process regulations.

"Since this is a new sector in the country, there is a need to educate the public, the trade, and overseas investors in terms of its concept. We partner relevant stakeholders in



**“We feel from the Government side, there should be additional support to those who would want to enter into the logistics sector. The Government should step into improve the ease of doing business in the country so that new players will want to enter the industry...”**



**Suren Abeysekera** Chairman,  
Sri Lanka Shipper's Council.  
Interviewed and compiled by  
BT Options

these efforts. The Sri Lanka Freight Forwarders Association and Logistics hub association are members of our Council, so we sit together and discuss their issues to support overall logistics functions in the country,” commented Suren Abeysekera. “We feel that through the Global Shippers’ Forum, and the other bodies we partner with, we should be able to have an inclusive attitude in terms of promoting Sri Lanka as a logistic hub, so that’s what we aspire to do,” he added.

Suren Abeysekera also said. “We also have another point of action in relation to the National Export Strategy, it is to educate shippers and those involved in the trade to build much needed capacity in logistics workforce which the country will require on its journey to become an integrated logistics hub”. In this endeavor CINEC campus and Institute of Shipping & Logistics partner with the Council to award annual scholarships to deserving young talent in the industry. “These parties have been very supportive in terms of helping to build the talent pool so that there is future growth in logistics in the country” Suren Abeysekera commented.

### **The responsibility of the Government**

“We feel from the Government side, there should be additional support to those who would want to enter into the logistics sector. The Government should step into improve the ease of doing business in the country so that new players will want to enter the industry swiftly without having to consider lengthy procedure and controlling laws. We also feel appropriate shipping liberalisation for international involvement and growth of industry is needed, particularly in terms of harnessing new technology. Looking at the neighbouring liberalised economies one could easily understand various benefits this would attract to the maritime and logistics industry,” Suren Abeysekera opined. Adequate dialog needs to be established on this point between

those who are already in this space and those who aspire to come into the business including beneficiaries such as importers and exporters thereby creating an enabling environment for business.

“We also work with the border agencies such as customs and several other agencies in terms of trade facilitations. Because we want to see the industry go to a place where things happen virtually, we are pushing ourselves and our members to move into the digital world, and to support the initiatives of the Government agencies to go online so that there are adequate facilitations for trade and as there would be less intervention of humans, reduce corruption as well” he mentioned.

He emphasised that the country is taking steps in the right direction. He also commended Sri Lanka Customs, stating that Customs was “one of the main organisations who have led the race in terms of digitalisation and entered the so called 21<sup>st</sup> century and they are well ahead in terms of the ability to get into the next level. While we salute them, we work very closely with them to support those agencies.”

### **The future**

The Council is involved in almost all necessary meetings connected to logistics and transportation in the country. From five-year strategy meetings to development of road maps and policies, the Council offers valuable advice and assistance to implement plans connected to logistics. However, the Council continues to lobby to address some of the pain points covered in this article. “I must say, there has been good response from some of the quarters, but the challenges that are mentioned cannot be overcome within a month or two, so it will be continuous work that we need to do,” he went on to say. “I know the previous Chairmen have done immense work for the Council to get to this place. The two Vice Chairmen and I will do the best to take it forward, but we recognise that it is an ongoing process that we need to work on diligently.” ■

## POTENTIAL

# Hambantota Port: the Future Hub for Logistics

The Southern Port of Hambantota offers an excellent base for logistics operations in the future and the Board of Investment of Sri Lanka is keen to promote FDI to this location with the view of developing this important and growing sector.



The Hambantota Port is a strategic gateway and offers bunkering facilities to visiting ships.

One of the main advantages that Hambantota offers to potential investors in the logistics sector is a deep water port that is in close proximity to the major international east-west shipping route. It therefore follows that the new shipping hub of Hambantota represents a strategic gateway to India, which by 2030 will represent one of the largest economies in the world.

Another attractive point of the Harbour is the fact that it can offer bunkering services to visiting shipping vessels. This will include fuel, water, a change of crew as well as other services that are usually offered by leading harbour complexes.

The fact that Hambantota is in the centre of the energy supply lines between the Middle East and East Asia is an important selling point. The Port also needs to be considered as of global strategic interest because of the importance it has been accorded in the Chinese Government's plan for the 21<sup>st</sup> century Maritime Silk Road. It will connect China to markets in Africa, Europe and Asia through trade and investment plying across the Indian Ocean.

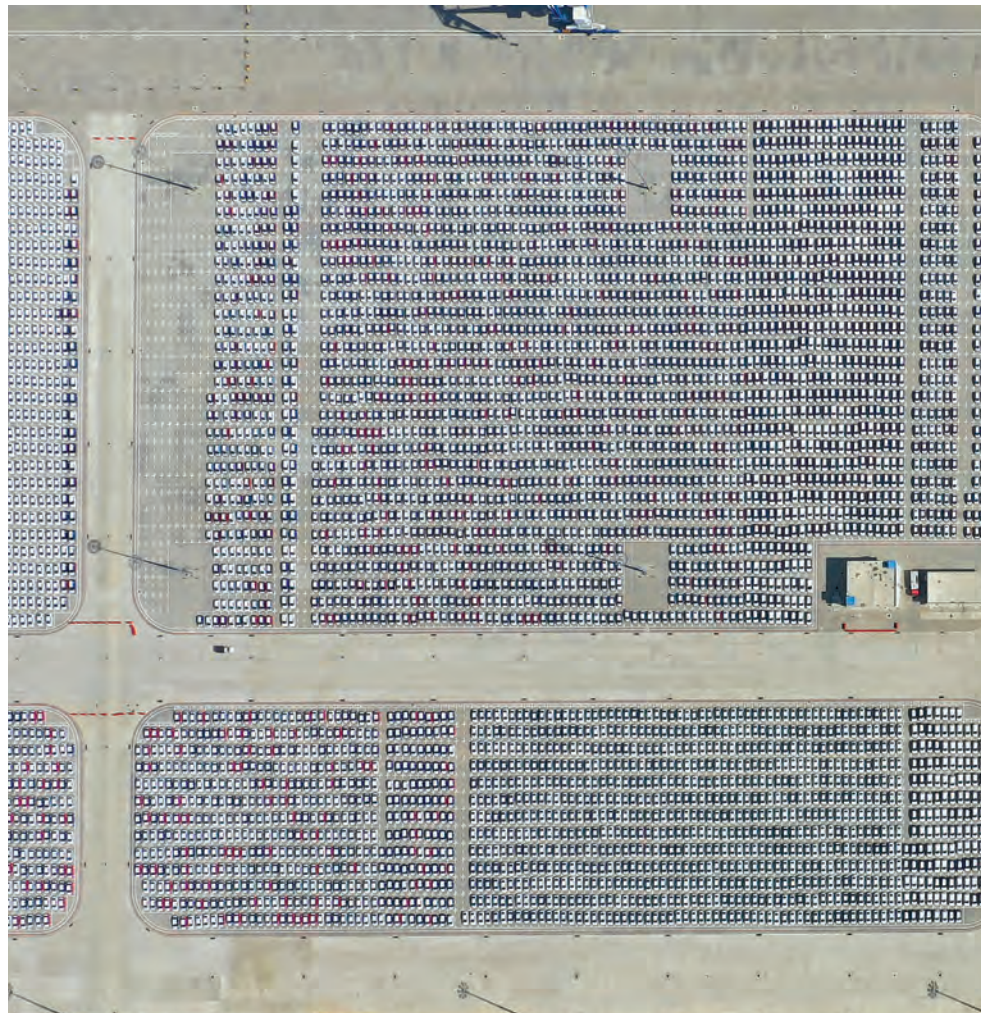
At the national level, the port of Hambantota will be connected to the Southern, Central and Eastern areas of the country through a network of expressways linking the different parts of the country. Hambantota

Port, which is built on 800 hectares of land can ideally operate as a logistic hub and as a centre for repairing ships.

BOI is also confident that Hambantota could indeed emerge in the future as a centre for vehicle assembly plants serving markets in Asia and Africa. Bunkering of ships also offer considerable benefits and Hambantota has 14 tanks with a capacity of 8000 cubic metres.

The second phase to build the harbour started in November 2012 and activities were completed in 2015. There are now opportunities to invest in a number of key industries such as petroleum-based fuel industries as well as petroleum

With 800 hectares of land, the port will be able to offer value added logistic services including freight forwarding, assembling plants, dockyards and warehousing.






products storage; the manufacturing of products such as fertilizers, glass recycling; Aluminium; sugar; power generation; value added logistics services; including freight forwarding and shipbuilding and assembling plants, dockyards and warehousing.

Given the importance of Hambantota it is not surprising that it has already generated three mega projects for the BOI, which include two oil refineries and one cement plant, which are to be established in the Southern Port City. These projects will generate a considerable number of employment opportunities and bring in much valued foreign exchange to our growing economy.

In addition by the establishment of such industries, Sri Lanka will diversify her current portfolio of exports. It is therefore very clear that Sri Lanka's future development of its logistics sector will be largely influenced by the development of Hambantota.

The growing importance of Harbours such as Hambantota, Colombo and Trincomalee in the future will be key factors in strengthening market access for Sri Lanka's exports overseas. Furthermore, geopolitical factors such as the rise of the Chinese, Indian and Indonesian economies will favour the current policy of the Sri Lankan Governments to focus their attention to make Sri Lanka a central logistic hub. 



The Hambantota Port offers extensive cargo storage capacity to international shipping lines.



**At the national level, the port of Hambantota will be connected to the Southern, Central and Eastern areas of the country through a network of expressways linking the different parts of the country.**



**Champika Malalgoda**  
Director General  
Board of Investment of  
Sri Lanka

All Photos – Hambantota International Port Group

## LOGISTICS AND TECHNOLOGY

# The Future of Logistics and the Fourth Industrial Revolution

**Despite its small island status, Sri Lanka has grown into an important transshipment hub in the Asian region and a site where many global shipping companies consolidate and de-consolidate their cargo for re-export, explains Roshan Silva, Chairman, Sri Lanka Logistics & Freight Forwarders' Association.**

**T**he International Finance Corporation (IFC) in fact has predicted an investment opportunity of USD 326 million to catalyze a model shift towards mass public and logistics transport based on the belief that special economic zones and similar ports can boost economic development. Being in the middle of a major trade route has always made Sri Lanka a strategic commercial and military naval base. As such, Ports continue to be one of the country's most lucrative investment opportunities in transportation.

The Port of Colombo is among the busiest seaports in Asia and continues to be the top container port in South Asia according to the statistics released by the World Shipping Council. In addition to its continuous growth of container traffic, the port also serves as an important transshipment hub and its positioning amidst the shipping lines that connects China with the Middle East and Europe. The Port's close proximity to India and the Indo-Sri Lanka Free Trade Agreement, enables the tax free export of selected items to India. The Indian Cabotage Laws prevent non-Indian shipping lines from carrying cargo between Indian Ports.

## Development of port infrastructure in Sri Lanka

The Colombo Port in Sri Lanka has become a large cargo destination as well as a regional transshipment centre. Transshipment trade is used to fill in unused cargo handling capacities of the port without having to make an additional investment on expansion and generating a good return on the incremental transshipment volumes.

While Colombo holds sway among the ocean ports in Sri Lanka, Trincomalee used to be the highlight of ancient navigation routes that ply near the country. The second best and the fifth largest natural harbour in the world, Trincomalee's entrance is guarded by two headlands and the effects of the seasonal weather changes and tidal waves on the harbour itself are minimum.

With an available water and land area as ten times larger than the Colombo Port, and the depth of the natural basin being able to accommodate even the proposed 18,000 TEU ships that have a deeper draft need of 25 metres, Trincomalee poses great potential to host bulk and break bulk cargo, and port-related industrial activities.

In consideration of the strategic importance of Trincomalee Harbour, the Sri Lankan Government recently established the Trincomalee Port City Development Project to develop the port and another 2,000 hectares in its vicinity owned by the Sri Lanka Ports Authority with funding from Japan and India.

Meanwhile the Hambantota Port, situated in the southern tip of Sri Lanka, is the latest addition to the country's international ports. Built with a Chinese loan, the port was leased for USD 1.12 billion to China Merchant Port Holdings for 99 years. The port is believed to play an important role in China's One Belt One Road Initiative that focuses on connectivity and cooperation between Eurasian countries, and is already at the centre for a series of Chinese funded investments in its economic zone.

## Logistics and transport are gaining importance

The liner shipping connectivity index, which measures how well countries are connected to global shipping networks, scores Sri Lanka at 53. According to estimates by KPMG, trade in the Asia Pacific region is said to grow at around 12 per cent each year. The Port of Colombo is already



According to a survey conducted by the Ceylon Chamber of Commerce it was identified that potential investors are mostly influenced by Sri Lanka's favourable geographic location and access to regional markets.







### **Mechanization, steam and water power**



### **Mass production and electricity**



### **Electronic and IT systems, automation**



### **Cyber physical systems**

seeing about 15 per cent annual growth in transshipments and was named as the fastest growing port in 2018.

The importance of air transport is such that it is essential in terms of getting the best out of globalization and international trade. Globally, nearly 35 per cent of trade is carried out through air transport and nearly half of the global air cargo is carried on passenger flights. Therefore, a growth in passenger flights has a knock on effect on cargo transport. We have ample evidence to show that liberalization of air transport reduces the cost of trade especially in higher value added supply chains such as parts and components, electronics, perishable food, cut flowers and also services such as tourism.

## **Regional contests**

Sri Lanka is consolidating its ties with countries such as China and India and forging new alliances with countries like Singapore, Thailand and Turkey. Sri Lanka needs good relationships with many countries in order to remain globally relevant and globally positioned. According to a survey conducted by the Ceylon Chamber of Commerce, it was

identified that potential investors are mostly influenced by Sri Lanka's favourable geographic location and access to regional markets. Over 33 per cent of the respondents stated that geographic location and access to regional markets are two of the most attractive factors when it comes to investment in the country. Thus, Sri Lanka will be truly unique in having preferential market access to a market of 2.7 billion with the FTAs with Pakistan and India.

## **Trends in logistics**

The current trends in logistics processes can be categorized in three different areas: IT and software, robotic and sensor technology, and networking. The combination of these three elements builds the foundation for trends in the logistics industry, which can be structured and distinguished in further categories (Kuhlmann & Klumpp, 2017).

These academics have decided the technological trends in four categories: business process management, competitive advantage, strategic management, and network structure. Global trends can be globalization or corporate social responsibility (CSR), whereas



basal trends focus more on the technological and organizational developments. Customer trends involve the trends in services, such as mass customization, and economic cycle trends, lastly, there are trends like GDP or demand cycles.

Social and business trends focus on trends that satisfy the public, such as fair and responsible logistics, or on-demand delivery. Technology trends, on the other hand, are focused on directions such as augmented reality, or self-driving vehicles. Such technology trends could offer a wide range of support in the logistics sector, for example, automatic forklifts or driver-less trucks. However, those trends would then also create new areas on safety, efficiency and quality.

Other researchers narrow the topic down to specific technological developments and describe how the industry expects certain developments to work out and how they could influence companies. In a study by Dills (2018), the focus is on the block-chain, a high-demand technology that not many know what it means. He argued that block-chain will have significant impacts on logistics, from which it could be referred to the use of “smart

contracts”, which will eliminate the necessity of an attorney. Eliminating the third-party in such contracts would generate substantial financial benefits for both parties. The block-chain could also help carriers by including information on insurance, inspection data, and other relevant information for transactions.

### The Fourth Industrial Revolution and its impact

The fourth industrial revolution also impacts the logistics sector. Innovative business models in the field of supply chain management can result from the evolution of existing products and services but can also represent a fundamental change in the way logistics services are produced and delivered. The four dimensions ‘customer’, ‘performance’, ‘value creation’ and ‘profit model’ are key elements of business models and underpin the fact that an innovative or new business model must not be limited to product innovation and novel services. The new business models, currently under discussion and development, would have been unthinkable without digitalization. Two features that are characteristic of new business models in logistics are the

intensive use of data and the digital interconnection of all partners along the value chain.

Logistics Service Providers (LSP) will need to reinvent themselves as technology companies to adapt to the paradigm shifts that the fourth industrial revolution has already initiated or will trigger in the future. Third- and fourth-party logistics service providers (3PL and 4PL) need to develop and launch new business models that can serve their changing customer base, current and new. The resulting transformation of the logistics industry is likely to further blur the borders between manufacturing, retail and logistics. It has been revealed in research that close to 50 per cent of logistics companies still focus on traditional business models, whereas a lower percentage of logistics providers have already digitized smaller or larger parts of their business models.

Logistics service providers need to define their strategic road map on how to respond to the digital transformation of logistics and supply chain management, internally and externally. Decisions need to be made on whether to expand existing business models or to develop new business models. The organizations

**Logistics service providers need to define their strategic road map on how to respond to the digital transformation of logistics and supply chain management, internally and externally.**





**From its inception, Sri Lanka Logistics and Freight Forwarders' Association better known by its abbreviated brand name 'SLFFA' has adopted a pragmatic approach to lending its voice to matters, which impact not only the logistics industry but other stakeholders including our customers.**

should understand the new and adopted business model opportunities and the changes in the supply chain and the required competencies.

A huge opportunity for LSPs that emerges in the wider context of digital transformation accrues from their expertise in orchestrating complex supply and manufacturing networks. Orchestrating is a key competency in the interconnected world. Taking on activities such as final assembly of products and product customization has been the starting point for the reinvention of the traditional logistics sector.

### **SLFFA – an indispensable stakeholder**

From its inception, Sri Lanka Logistics and Freight Forwarders' Association better known by its abbreviated brand name 'SLFFA' has adopted a pragmatic approach to lending its voice to matters, which impact not only the logistics industry but other stakeholders including our customers. SLFFA has steadfastly believed in creating a platform in which the local importers and exporters can compete effectively in the global market place. As an Association, SLFFA has not hesitated to voice its views on regulatory matters in instances where trade facilitation is impeded or unfair market practices are implemented.

### **Facilitation committee**

Where regulatory affairs are concerned, SLFFA has maintained

a constant dialogue with Port and Airport officials, Sri Lanka Customs and Directorate of Merchant Shipping, both to represent the interests of the SLFFA members and to offer input on more macro level initiatives, such as the Single Window concept, trade facilitation, adoption of global practices such as VGM implementation, to name a few. SLFFA has also endeavoured to share global and regional best practices from the forwarding industry with the relevant authorities to achieve efficiency, gains and seamless movement of information and cargo.

### **What does the future hold for the industry?**

We believe that change in consumer behaviour, digitization, block chain technology, crypto currency, artificial intelligence and a plethora of other industry factors would compel the logistics services providers to redefine their business models. The Association is creating a road map to support this transition through knowledge sharing initiatives with members and also through constant focus on upskilling the logistics professionals in our industry to make them "future proof".



**Roshan Silva**, Chairman, Sri Lanka Logistics and Freight Forwarders' Association and Managing Director, CL Synergy.



# Embark on the Journey of e-commerce with DHL

**As the logistics enabler for e-commerce market, DHL Express Sri Lanka has introduced several service initiatives for local companies to successfully reap the significant and potential rewards from the fast growing, cross border e-commerce market.**



E-commerce workshop for small and medium enterprises.

With the explosion of e-commerce in the international online landscape, experts predict a dynamic annual growth pace of 25 per cent in e-commerce sales by 2020. As a result, e-commerce has radically transformed the traditional brick and mortar businesses by opening up new market opportunities globally.

Recognised as the pioneer in the local air express industry, DHL Express Sri Lanka provides a range of propositions and solutions for companies engaged in Business-to-Consumer (B2C) transactions to successfully compete internationally in the dynamically-growing area of cross-border e-commerce. With its logistics expertise, DHL can help reinvent customer's e-commerce strategies through capabilities and solutions that effectively orchestrate expert logistics processes, allowing customers to experience an improved delivery performance exceeding their expectations.


With a presence in over 220 countries and territories, DHL can

help companies leverage the Group's strong global footprint for their e-commerce strategy. DHL's own network, speed, dedicated customs teams, express and easy returns solution can radically change the way local companies operate their e-commerce business. Additionally, the company's ability to provide seamless integration with existing platforms reducing order processing time and by the use of one global system to manage customers' delivery requests, DHL Express is ideally placed to help companies expand more actively into the e-commerce arena.

Moreover, DHL's innovative On Demand Delivery system satisfies the needs of both the shipper and consumer. This relatively new service allows shippers and receivers to select from a range of standardised delivery options proactively alerting customers via email or SMS on a shipment's progress. Receivers can also select the delivery option that best suits their requirements via the On Demand Delivery mobile-

optimised website. The service offers flexibility and convenience and caters to the demands of international online shoppers who do not want to miss a delivery when away from home by enabling DHL to send a shipment to an alternate address or by storing it temporarily at a designated collection point.

DHL Express Sri Lanka is also the only international express company in the country to offer 'DHL Lockers' as a complementary service to online shoppers. Through this service customers can pick up their package at any time, even beyond normal operating hours from the installed automated DHL Locker.

Helping Sri Lankan companies accelerate and sustain e-commerce growth is one of the strategic objectives of DHL. This is the reason why the world's leading international express services provider has come forward to assist Sri Lankan companies to take advantage of this momentum. Partner with DHL to reap potential from the fast growing international e-commerce market. 

# Colombo International Logistics Conference

The first ever international logistics conference in Sri Lanka

A new chapter in the international logistics industry was unveiled in Colombo along with the 40<sup>th</sup> anniversary of the Sri Lanka Ports Authority by Hon Karu Jayasuriya, Speaker of the Parliament, and Hon Sagala Ratnayaka, Minister of Ports and Shipping. The CILC was the first of its kind to be held in Sri Lanka to open a new dimension to the country. It aims to promote Sri Lanka as a global investment destination for international

logistics companies, transforming the country into a major distribution hub.

Sri Lanka is among the top 25 container ports in the world and stands as the number one in South Asia with a global ranking of 11 in terms of connectivity. In this background, the organizing committee of the Colombo International Logistics Conference were focusing on marketing, image building and creating awareness of the country to the global audience. The conference was based on the theme, 'Sri Lanka connects' and the following key areas were discussed in nine tracks with over 40 international and local speakers.

- Opportunities in an emerging global logistics hub and a shipping centre
- Understanding South Asia's logistics market beyond 2020
- Understanding new technologies in international logistics management



Hon Karu Jayasuriya, Speaker of the Parliament sharing his thoughts with the gathering at the first ever Colombo International Logistics Conference.



Hon Sagala Ratnayaka, Minister of Port and Shipping, addressing the participants.



Attendees of the conference.



The logistics industry is reshaping and evolving its role to facilitate a new order of global trade, e-commerce and to reach out to the 21<sup>st</sup> century consumer with flexibility and speed, modernising the global supply chains. For this reason, strategic distribution hubs connected by air and sea as well as proximity to markets and transportation hubs make a location suitable for international logistics to provide services at minimal costs.

In the Indian Ocean, Sri Lanka has an unmatched geographic advantage which is its number one USP. The Indian sub-continent is 22 miles north, and is home to over two billion people. It is the fastest growing economic region in the world with an expanding middle-class consumer market and a regional manufacturing base. Sri Lanka offers to be the best maritime and logistics centre in South Asia to the emerging



international trade corridors, be it via the Africa-Asia growth corridor or the Belt and Road initiative of China. It connects the African, European and Asian continents via ocean and air routes. Developing rapidly with world class infrastructure next to the world's busiest shipping lane, with three major deep draught ports and strongly networked with regional air connectivity. The island sits between the Singapore and Dubai hubs with equal time for ocean and air travel. At the same time as a location it sits in an advantageous global time zone, where business can operate to facilitate clients in both west and east round the clock.

An eight-hour flying time radius connects the island to more than 50 per cent of the world's population. Known as a major tourist hub in the world, Sri Lanka is an ideal location for expats to have headquarter operations as there are special laws and tax concessions for such investments. Combined with skilled and talented human resources and the most liberal, open market in South Asia, it is ideally located to have storage and distribution centres. Almost all major global shipping lines use Colombo as the main port for transshipment. Additionally, Hambantota is the biggest ro-ro facility in South Asia and a developing bulk and energy port.

The event was concluded with over 450 international and Sri Lankan delegates attending multiple sessions, which included port visits to Colombo and Hambantota and to the new Port City project. Rohan Masakorala, Chairman of CIMC Events – the organising body of the conference – and the chairman of the Logistics Advisory Committee of the Sri Lanka Export Development Board (EDB) said that this was the beginning of the efforts to promote Sri Lanka as a destination for effective and reliable logistics services for global companies and also part of the mandate of implementing the National Export Strategy driven by the EDB with the guidance of the Ministry of Development Strategies and International Trade. ■



The first ever CILC was concluded with the participation of over 450 international and Sri Lankan delegates and dignitaries.

**Almost all major global shipping lines use Colombo as the main port for transshipment. Additionally, Hambantota is the biggest ro-ro facility in South Asia and a developing bulk and energy port.**





## GO DEEPER – BRANDING

# Taking Sri Lanka to the World




**In Sri Lanka, unique brands have been created that are synonymous with the island. These brands have always reflected quality and brought global recognition to Sri Lanka.**

The concept of branding is the result of marketing strategies, and it has penetrated into the daily life of the consumer, be it through FMCGs, fashion, leisure or even hospitality. Developing a brand identity for a company, product or service can distinctly communicate its objectives to the consumer and support its acceptance within the market.

In Sri Lanka, unique brands have been created that are synonymous with the island. These brands have always reflected quality and brought global recognition to Sri Lanka.

From the unique identity of Ceylon – Ceylon Tea, Ceylon Sapphires and Ceylon Cinnamon/Spices that the island has produced and exported through centuries and, later into diverse sectors such as garments, wellness, and knowledge solutions.

Sri Lanka itself is a brand, with which sectors such as tourism and wellness have flourished. Encompassing the very identity of the island from its various attractions, cuisines and cultures, these segments have created attractive brands that perform admirably in the international spheres. While a brand in itself may not lead to success, it creates a favourable impression, an identity, and propels a product or service to establish a strong presence. As the leading state body for the promotion and development of exports, EDB is uniquely positioned to support and guide Sri Lankan brands to penetrate and establish themselves in international markets.

In the next issue of Business Lanka, we will delve deeper into the topic of Branding. 



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**Sri Lanka Export Development Board**



