



Government of Sri Lanka

NATIONAL EXPORT STRATEGY OF SRI LANKA LOGISTICS STRATEGY

2018-2022



The National Export Strategy (NES) of Sri Lanka is an official document of the Government of Sri Lanka

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This Logistics Strategy was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Chief Economist and Export Strategy section offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and roadmaps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets or particular sectors.

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Government of Sri Lanka

NATIONAL EXPORT STRATEGY OF **SRI LANKA** 2018-2022

LOGISTICS STRATEGY



Photo: World Bank Photo Collection

MESSAGE OF THE LOGISTICS INDUSTRY

The Sri Lankan Logistics Industry is conscious of the increase in regional competition and the systemic digitisation of the industry. These two aspects highlight the need for accelerated structural reform of the logistics industry.

Regional neighbours such as India, United Arab Emirates and Singapore have intensified their efforts to capitalise on mentioned changes in the industry and are ahead of the curve in terms of their preparedness to attract emerging economic opportunities – be it in the manufacturing or the services sector.

In this changing regional context, Sri Lanka has aspirations to become South Asia's leading maritime, logistics and distributions hub. Sri Lanka is geographically well positioned in South Asia, at the crossroads of the fastest growing region of the world. The country's proximity to many emerging markets has positioned it favourably as a very important hub in the region. With its ports being the only ports in the world to experience double digit growth in 2016, this strategy will consolidate Sri Lanka's existing strengths to achieve its goals.

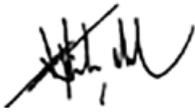
Stakeholders of the logistics industry in Sri Lanka hail this document as a long-awaited strategy that will create a cohesive regulatory framework to fully optimise the enormous potential of Sri Lanka's logistics industry. The advancement of the logistics industry will be a prominent enabling factor to facilitate the growth and expansion of the other mature and priority sectors.

The development of the logistics sector as a key Trade Support Function of the National Export Strategy is strongly welcomed by key public and private stakeholders. This strategy is a collective endeavour of public and private stakeholders to define priorities, coordinate and monitor activities and implement Plans of Action over the course of the next five years.

This strategy creates the condition for achieving the ambitions of the industry. It emphasises key reforms required for the industry to reach new heights. The provision of efficient logistics services will be possible through amendments to the Merchant Shipping Act, SLPA Act, Finance Act/Commercial Hub Regulation, Customs Ordinance, and Electronic Transaction Act as key to successful implementation of the strategy. Additionally, the strategy also considers a key intervention, the creation of the conditions (land, logistics zones) for private sector to lead development of cold storage solutions and multi-user facilities across the country and provide value added services through MCC, LCL de-stuffing, entrepot trade and commercial hub activities.

Careful and focused coordination of all activities, monitoring of progress and optimal mobilisation of resources will be key to the successful implementation of this strategy.

We wish to express our commitment to successfully implement the logistics strategy of the National Export Strategy of Sri Lanka and look forward to contribute towards prosperity and development of our country.



Chrisso De Mel
Chairman
Sri Lanka Shipper's Council



Rohan Masakorala
President
Hub Operator's Association



Jagath Pathirane
Chairman
Sri Lanka Logistics and Freight Forwarders
Association (SLFFA)



Ruwan Waidyaratne
Chairman
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The document benefited particularly from the inputs and guidance provided by the members of the Logistics national stakeholders that steered the formulation of the Strategy, namely:

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The full list of public and private stakeholders that contributed their precious time to the design of this Strategy are detailed in Appendix 1.

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ACRONYMS

The following abbreviations are used:

3PL	Third-party logistics	MoMWD	Ministry of Megapolis and Western Development
B2B	Business-to-business	MoNPEA	Ministry of National Policies and Economic Affairs
B2C	Business-to-consumer	MoPS	Ministry of Ports and Shipping
BIA	Bandaranaike International Airport	MoTCA	Ministry of Transport and Civil Aviation
BOI	Board of Investment	MoTDI	Ministry of Telecommunication and Digital Infrastructure
BOT	Build-operate-transfer	MSS	Merchant Shipping Secretariat
CBSL	Central Bank of Sri Lanka	PMO	Prime Minister's Office
DoC	Department of Commerce	PoA	Plan of Action
EDB	Export Development Board	PPP	Public-private partnership
EPZ	Export Processing Zone	R&D	Research and development
FDI	Foreign direct investment	SCM	Supply chain management
FCCISL	Federation of Chambers of Commerce and Industry Sri Lanka	SLFFA	Sri Lanka Freight Forwarders' Association
ITC	International Trade Centre	SLPA	Sri Lanka Port Authority
LCL	Less than container load	SMEs	Small and medium-sized enterprises
LPI	Logistics Performance Index	TEU	Twenty-foot equivalent container unit
MIC	Ministry of Industry and Commerce	TF	Trade facilitation
MCC	Multi-country consolidation	TISI	Trade and investment support institution
MoDSIT	Ministry of Development Strategies and International Trade		
MoF	Ministry of Finance		



Photo: World Bank Photo Collection

EXECUTIVE SUMMARY

The development of the logistics industry in Sri Lanka is a five-year endeavour that was defined through a consultative process between public and private sector stakeholders. Transforming Sri Lanka into a leading maritime, logistics and distribution hub in the Indian Ocean will depend heavily on the ability of the industry to implement activities defined in this Strategy. Stakeholders will need to coordinate actions, monitor progress and mobilize resources for Strategy implementation in order to achieve its targets. Implementation will succeed only if an adequate regulatory environment is fostered, and operational procedures and guidelines for provision of efficient logistics services are followed.

Sri Lanka aims to transform into South Asia's leading maritime, logistics and distribution hub to support the national economy. This will be achieved by fostering the right regulatory environment and implementing enabling procedures and guidelines for provision of efficient logistics services. These actions will create the conditions for the private sector to lead development of the logistics sector, attract the investment needed to install the proper facilities across the country (cold storage solutions and multi-user facilities) and provide value added services through multi-country consolidation (MCC), less than container load (LCL) de-stuffing and commercial hub activities.

Strategically located in South-East Asia, at the crossroads of the fastest-growing region in the world, Sri Lanka is close to many emerging markets and is already an important logistics hub for the region. The overall performance of port-related services has been improving. Total container handling in 2016 increased by 10.6% to 5.7 million twenty-foot equivalent container units (TEUs), from 5.2 million TEUs handled in 2015.¹

While Sri Lanka is one of the major trans-shipment hubs in Asia, the logistics industry has not fully tapped the growing opportunities in trans-shipment and e-commerce. There is a unique opportunity to develop a world-class logistics hub and enter the global supply chain industry that is rapidly digitalizing and evolving with a new generation of consumers.

Because it is situated on the main east-west and north-south shipping corridors that connect Asia to Europe and Africa, Sri Lanka has not diversified its business model to attract other types of ships and related services. The country is known mainly as a container shipping hub in South Asia. Over the five-year Strategy period, Colombo Port will be the major trans-shipment hub of South Asia. Sri Lanka will service all types of ships and provide ship-related services – for example, crew changes, supplying and replenishing victuals and water – through its network of major ports in the west, east and south connecting the international east-west shipping route and increasing trans-shipment business through its ports.

Modern technologies have transformed the logistics industry by facilitating trade-related operations and growing opportunities for intraregional markets, e-commerce and services for integrated connectivity. By encouraging large, medium and small global trading companies to use Sri Lanka as a major distribution hub for the Indian subcontinent and beyond, the country can become a connecting point for all of South Asia by providing business-to-business (B2B), business-to-consumer (B2C) and e-commerce services. The potential lies in the development of entrepot trade, bonded warehouses or MCC logistics services, international buyer-seller consolidations and front-end services to clients, air/sea transfers and value addition services. Developing logistics is the best way to expand indirect export revenue and provide backward and forward links for industries that would expand export processing, trading and manufacturing in Sri Lanka.

Becoming a multimodal logistics hub providing integrated services and facilities requires physical and information technology infrastructure to ensure a seamless flow from one mode of transportation to another. Currently, three terminals in Colombo Port and Bandaranaike International Airport (BIA) are already reaching maximum capacity. An underused rail network for transportation of reefer containers, limited availability of land and no proper cold storage facilities or infrastructure for storage and value addition services hinder export opportunities. Allocating land and forming the ecosystem to attract more foreign direct investment (FDI) will create the conditions for the private sector to lead

1.– Central Bank of Sri Lanka (2016). *Annual Report 2016*, chapter 3.

the development of cold storage solutions, multi-user facilities, LCL de-stuffing and commercial hub activities across the country.

The following key areas of intervention are priorities to facilitate the implementation of the Strategy:

- Urgently implement operational procedures and guidelines for provision of efficient logistics services (amendments to the Merchant Shipping Act, Sri Lanka Port Authority Act, Finance Act–Commercial Hub Regulation, Customs Ordinance and Electronic Transactions Act).
- Create the conditions (land, logistics zones) for the private sector to lead development of cold storage solutions and multi-user facilities across the country and provide value added services through MCC, LCL de-stuffing, and commercial hub activities.

The following is a delineation of the proposed vision and strategic objectives of this Strategy. This vision statement was agreed on by all stakeholders of the Sri Lankan logistics industry.

“ Sri Lanka: The Indian Ocean maritime, logistics and distribution hub providing all services and facilities for integrated connectivity ”

The strategic Plan of Action (PoA) responds to this vision by addressing key constraints and leveraging opportunities in a comprehensive manner. Emphasis is on the following strategic orientations.

Strategic objective 1: To create an enabling and efficient business environment driven by technology and public-private coordination

- Creating a conducive business environment for industry expansion by providing efficient logistics services through operational procedures and guidelines is the main priority.

Strategic objective 2: To ensure adequate facilities and availability of a qualified labour force

- Creating conditions (land, logistics zones) for the private sector to lead development of cold storage solutions and multi-user facilities across the country and attracting skilled labour will allow industry capacity to expand.

Strategic objective 3: To promote the image of Sri Lanka as a logistics hub worldwide

- Increasing market outreach and building the country's image will help build awareness of the country's locational advantages and attract more FDI.

Coordinating activities, monitoring progress and mobilizing resources for implementation will be critical to successful achievement of these targets. To that effect, an advisory committee for the logistics industry was established, operationalized and empowered. The logistics advisory committee is responsible for overall coordination, provision of policy guidance and monitoring of industry development along the strategic orientations.

An effectively organized and supported committee can plan industry development strategically. High-level support from the Government, in collaboration with strong championship by the private sector, will be the real drivers to truly make Sri Lanka a leading maritime, logistics and distribution hub in the Indian Ocean.

GLOBAL INDUSTRY GROWTH DRIVEN BY DEMAND

The global logistics and supply chain management (SCM) industries are expanding, and this is expected to continue.

Since the beginning of 2017 global container port throughput has grown by 5.8% compared to the same period in 2016, and is expected to reach 4.6% annual growth in 2017.² The industry –including roads, waterways, rail and air transport, and any related logistics services– is growing in value at around US\$350 billion to US\$380 billion per year.

With advances in information technology and the Internet of Things, the industry's sophistication has evolved.

The range of logistics services is quite large, including transportation, customer service and inventory management but also warehousing, packaging, material handling, maintenance and information. Industry services have evolved in sophistication, with service offerings ranging from individual transport and storage solutions to customized, integrated SCM services as well as electronic tracking, paperless operations and digital services throughout the value chain. The industry has grown continually as the pace of outsourcing gathers momentum, namely through SCM and other value added services.

Modern technologies have transformed logistics and continue to facilitate trade-related operations.

Most countries are taking steps to improve the transport and logistics sector and to support its growing manufacturing activities and external trade by lowering costs and improving the performance of ports. Globally, transport operations have moved from being labour-intensive to using automated guided vehicles and cranes. Optical readers for containers have improved container management within yards. Modern hubs and warehouses have management systems enabled by information technology. Scanners, optical readers and radio frequency identification have reduced human errors and improved accuracy.

The logistics industry today represents a growing opportunity for integrated connectivity of intraregional markets, e-commerce and services. The world's major ports

are opening up to establish connectivity with the rest of the world. This increased connectivity brings competition between carriers, which lowers the cost and promotes efficiency among service providers. Cooperation between global container terminal operators has also improved port performance. Connectivity and innovation in the digital economy reduces trade costs and creates positive spillovers by increasing the efficiency of Customs operations, transparency and reliability for the private sector. Physical delivery of goods still depends on physical connectivity though, including transport networks, intermodal connections and functioning transport service providers.³

Geographical position can give comparative advantages to a country, although improving the efficiency of trade logistics services and providing a conducive business environment are the keys to increasing trade performance and satisfying the requirements of trading customers.

Increasing logistics efficiency through trade facilitation (TF) requires policy changes, and trade and transport services can bring more investment to the logistics sector and strengthen trade relations with partners.

South-East Asia's fast economic growth and East Africa's development both offer potential for the logistics sector in the Indian Ocean as a lower-cost supply base.

Increases in population and middle class consumption, and fast-growing regional economies, provide important multimodal opportunities for maritime countries willing to serve as a hub and provide logistics services for passing regional cargoes.

International shipping of trade goods has grown in recent years.

The development of port handling reflects the evolution of world trade. Looking at global container throughput between 2000 and 2014, there was a steady annual increase of 6% on average in volume (see figure 1). This growth is expected to continue. Container handling growth at main ports

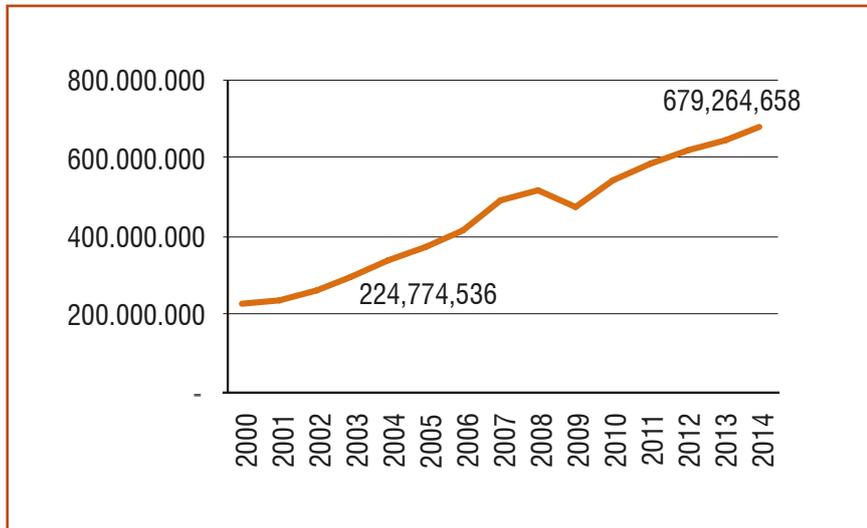
2.– Alphaliner (2017). Website. Available at www.alphaliner.com.

3.– Organization for Economic Co-operation and Development and World Trade Organization (2017). *Aid for Trade at a Glance 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development*.

around the world since the beginning of 2017 has been uneven, however. Ports in South Asia, Africa and Latin America experienced volume growth, with Chinese ports including Hong Kong (China) being the key driver of the 7.3% year-on-year increase in the first quarter of 2017 (see figure 2), as well as North European and North American ports.⁴ The top five world container handling ports remain Shanghai, Singapore, Shenzhen, Ningbo-Zhoushan and Hong Kong (China).

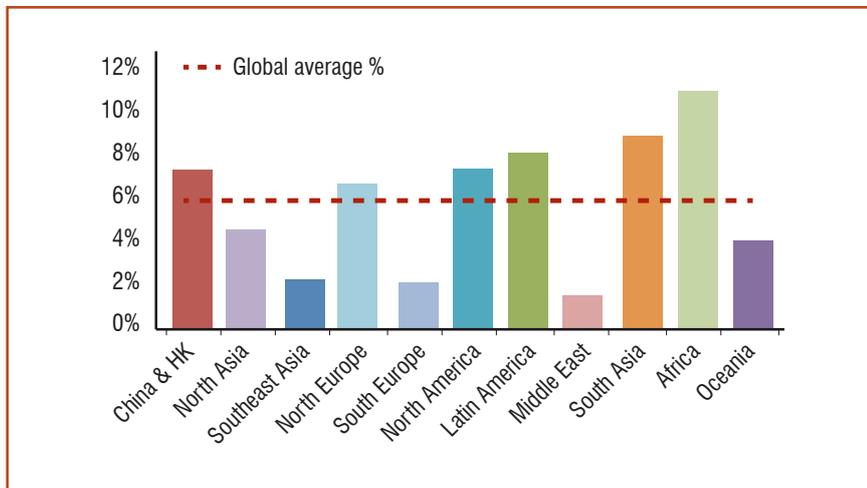
4.- Alphaliner (2017). Website. Available at www.alphaliner.com.

Figure 1: Global TEU container throughput (millions), 2000–2014



Source: World Development Indicators

Figure 2: First quarter 2017 container throughput by region (%)



Source: Alphaliner

Increasing trade of goods and services, advances in information and communications technology, and globalization have changed the industry trade patterns for logistics services. Many countries are making efforts to attract customers and satisfy key client requirements, providing ready-made logistics solutions, new infrastructure, and fast and cost-effective services.

- **E-commerce** is transforming the global business, opening up more opportunities for firms to trade internationally. Globally, e-commerce sales in 2015 reached US\$25.3 trillion, 90% of which were in the form of B2B e-commerce and 10% in the form of B2C sales.⁵ Cellular phone and Internet penetration, the rise of the middle class in developing countries and easy access to international online platforms drive growth in supply from new e-commerce players as well as increasing logistics options. New technologies help overcome several logistical constraints, providing sophisticated equipment and powerful software to deliver goods more efficiently.
- **Logistics services outsourcing** includes various functions outsourced to third-party logistics (3PL) service providers. By 2020, the global 3PL market is expected to reach US\$925 billion.⁶ 3PL companies provide integrated logistics services according to customer needs by incorporating transportation, warehousing, packaging, inventory control, order processing, customer support, Customs procedures and other logistics services in an SCM system. Logistics services outsourcing contributes to overall logistics cost reduction and high quality of customer services.
- **Fourth-party logistics** is the integration of all logistics procedures within one company involved in a different stage of the supply chain. Using fourth-party logistics benefits companies by providing a broader base of

5.– United Nations Conference on Trade and Development (2017). *Maximizing the development gains from e-commerce and the digital economy*. (Note by the Secretariat TD/B/EDE/1/2). Available from http://unctad.org/meetings/en/SessionalDocuments/tdb_ede1d2_en.pdf.

6.– Orbis Research (2015). *Third Party Logistics (3PL) Market Analysis By Service (Dedicated Contract Carriage, Domestic Transportation Management, International Transportation Management, Warehousing And Distribution, Software) And Segment Forecasts To 2020, 2015*.

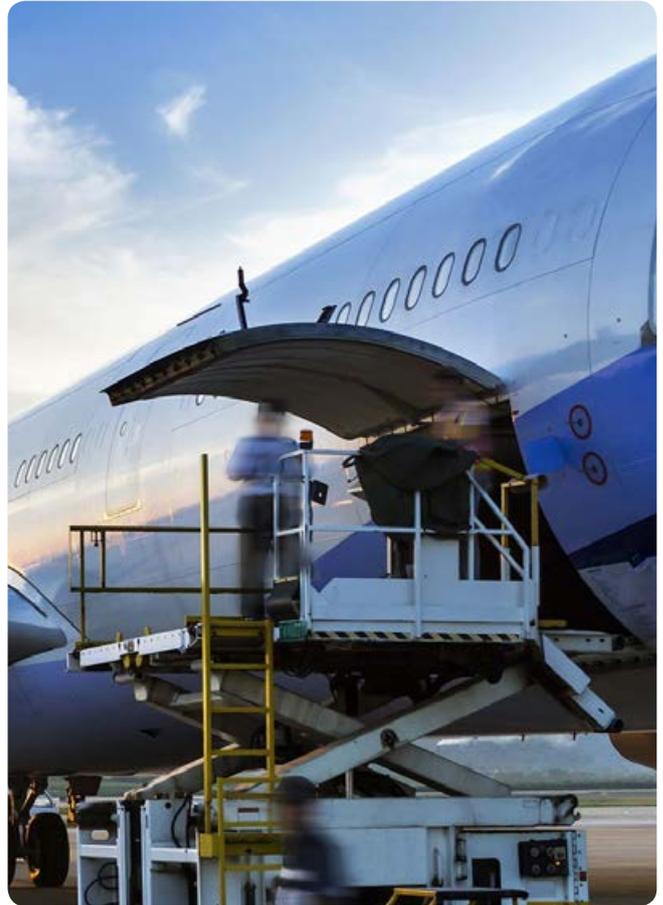


Photo: © advantis.world

potential suppliers, increased market transparency and reduced market research costs.

- **Reverse logistics** was introduced to support sustainable development and consists of all logistics activities to gather, disassemble, remanufacture, reuse and recycle used products and materials. This type of service helps to reduce environmental impact and improve corporate social responsibility.

These developments represent an opportunity for value chain diversification. However, Sri Lanka will need to move quickly to establish the right business environment if this opportunity is to be taken full advantage of.

- The global logistics industry and SCM are expanding, and international trade is expected to grow in the future.
- Modern technologies have transformed the logistics industry and continue to facilitate trade-related operations.

- The logistics industry today represents a growing opportunity for integrated connectivity of intraregional markets, e-commerce and services.
- The increase of logistics efficiency through TF requires policy changes and trade and transport service adaptation in order to bring more investment to the sector and strengthen trade relations with partners.

Box 1: The United Kingdom of Great Britain and Northern Ireland, the world's leading maritime business services hub

The United Kingdom has a 35% share of global marine insurance premiums and 26% of global shipbroking revenue, while 25% of the world's maritime legal partners are based in the United Kingdom.¹ British companies offer a wide variety of maritime business services: marine insurance, shipbroking, legal services, education, maritime finance, accountancy and consultancy. The industry contributes US\$6.3 billion yearly to the economy and employs over 10,000 people.² It is estimated that 80–85% of its business comes from outside the country.

The United Kingdom is a pre-eminent international maritime centre by virtue of the strong, interlocking maritime services cluster that it has built up over the years. Many of the world's leading maritime law and shipbroking firms have their headquarters in the United

Kingdom and expend their services and operations internationally. The cluster impact creates a multiplying effect for related businesses and attracts talent.

Despite the lack of an established major hub port in the United Kingdom, and limited local ownership and shipping activity compared with big ports such as Rotterdam, Hamburg and Shanghai, London has managed to remain a key maritime node in the world. A stable business environment, rule of law and geography attract many operations to the country, which aims to continue building a vibrant and influential transport services sector. However, Brexit and a number of bottlenecks such as corporation tax and the high relative cost of doing business in London make it more feasible to locate high added value businesses in the United Kingdom.

Box 2: Singapore: on the way to developing a global integrated logistics hub

Having grown successfully as a maritime centre over the past few decades, Singapore is a very efficient maritime hub with strong assets in ports, operators, and technical and business services.

One of the key success factors is a supportive government aiming to be the global leader in all segments. Other factors include strategic geographic port location; skills; good infrastructure and a pro-business environment including political, economic and social stability; a strong legal system; a favourable tax structure; and a number of bilateral and multilateral free trade agreements. Singapore has good connectivity to major trading hubs and manufacturing bases by air and sea. Major shippers and logistics service providers have their regional headquarters there and a large number of commodities traders have their chartering desk in Singapore.

The Singaporean maritime ecosystem comprises over 5,000 establishments employing more than 170,000 people and contributes about 7% to gross domestic product. Home to about 140 of the world's top shipping groups, Singapore offers a rich diversity of

maritime products and services. It is also fast becoming Asia's hub for maritime law and arbitration and is one of the top global players in the offshore and marine engineering industry.

The Maritime and Port Authority, established in 1996, promotes Singapore as a premier global hub port and international maritime centre, facilitates port operations and growth, expands clusters of maritime ancillary services, and promotes maritime research and development (R&D).³ It has also established the Maritime Cluster Fund to support manpower and business development efforts, and to drive productivity improvements.

Singapore does face several constraints, namely a small domestic market, relatively high cost of operations (land rental and wages), limited space and fragmentation, with limited scale presented by the majority of small and medium-sized companies. These factors and growing competition in the region resulted in the Maritime and Port Authority road map: International Maritime Centre 2030.

SRI LANKA: AN IMPORTANT REGIONAL TRANS- SHIPMENT AND COMMERCIAL HUB

Sri Lanka has a unique selling proposition to develop a world-class logistics hub and enter the global supply chain industry, which is rapidly digitalizing and creating a new generation of consumers. According to the Government, logistics services contribute 2.5% of gross domestic product, which represents around US\$2 billion. Logistics services include container trucking, warehousing, ports and shipping, but exclude domestic transport of passengers, fisheries and interregional domestic cargo transportation. The total share of logistics in national exports is estimated at 7%. The industry provides full-time direct employment to over 40,000–50,000 people. The size of companies varies between 5 and 1,000 employees. Around 70% of registered companies are national and the rest are multinational. Currently there are 130 shipping agencies and 120 freight forwarders in associations, and 500+ companies registered with the Merchant Shipping Secretariat (MSS), which includes clearing agents.

With reasonably well-established air and sea connectivity, Sri Lanka offers varied logistics services. Logistics refers to a series of services and activities – such as transportation, warehousing and brokerage – that help to move goods and establish supply chains across and within borders.⁷ In Sri Lanka there is a wide range of facilities and services involving logistics: shipping, freight forwarding and logistics operations, ports and inland container depots/dry ports, bonded zones and warehousing, domestic transportation, free zones and commercial hub activities.

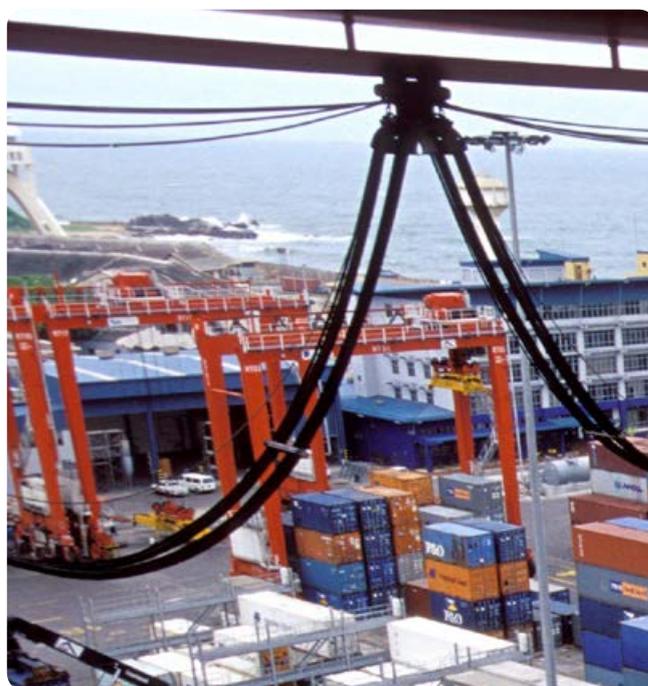
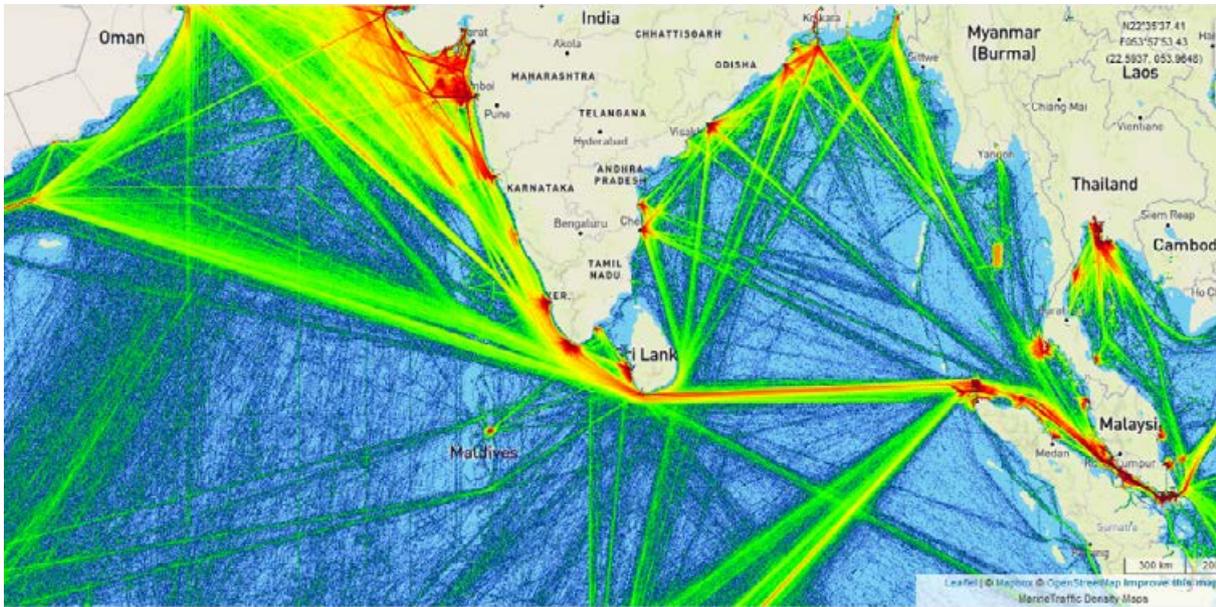


Photo: World Bank Photo Collection

Strategically located in South Asia at the crossroads of the fastest-growing region in the world, Sri Lanka is close to many emerging markets and is already an important trans-shipment hub for the region. Previous sector development was mainly concentrated on hard infrastructure, with many Government policies and support from international partners including Mahinda Chinthanaya, the Urban Transport Master Plan for Colombo Metropolitan Region and Suburbs, mega-projects like the development of the Mattala Rajapaksa International Airport and Hambantota Port, and national master plans for ports, railways and roads.

7.– World Bank (2016). Connecting to compete 2016 – trade logistics in the global economy, June 28. Available from www.worldbank.org/en/news/feature/2016/06/28/connecting-to-compete-2016-trade-logistics-in-the-global-economy.

Figure 3: Shipping density in the Indian Ocean



Source: Marine Traffic Density Map (2017)

Yet the country has not fully tapped the growing opportunities in trans-shipment and e-commerce. Improvements in TF have been ongoing for many years and the World Trade Organization Trade Facilitation Agreement is speeding up the TF reform agenda. TF initiatives are coordinated by the National Trade Facilitation Committee. However, there has

not been a specific policy, project or initiative focusing on the quality of logistics services. A national policy for the maritime and logistics sector is currently being formulated. One has been developed several times before but has never been approved by Parliament.

Box 3: Strengths, weaknesses, opportunities and threats analysis for Sri Lanka logistics

<p>Strengths</p> <ul style="list-style-type: none"> • Located on busy East-West maritime trade links • Trans-shipment hub for India • Modern port facilities to handle large container vessels (>9,000 TEUs) • Availability of land 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Port capacity limited by facilities and equipment • The airport, Jaya Container Terminal and South Asia Gateway Terminal are operating at maximum capacity • Outdated road and rail infrastructure • Non-transparent Customs and tax regulations
<p>Opportunities</p> <ul style="list-style-type: none"> • E-commerce hub for South Asia • Ability to offer higher value chain activities in global trade • Growth in vessel size and consolidation of shipping lines • Belt and Road initiatives, able to act as hub for South Asia for trade to Africa, the Middle East, Europe and Asia • Indian growth 	<p>Threats</p> <ul style="list-style-type: none"> • India is revamping its port operations and the Indian Government has worked to reduce the reliance of Indian shippers on Colombo • Unstable utility supply • Malaysia and Singapore are improving their port infrastructure and services



Photo: (cc) jgморard, Colombo Port.

Logistics can become a driver of the Sri Lankan economy and the country has huge potential for growth in logistic services but ports are already reaching maximum capacity. Colombo Port was the twenty-third largest port in the world in 2016, handling 5,734,000 TEUs.⁸ Port services consist mainly of handling containers, trans-shipment and cargo. Trans-shipment of cargo has been the main service of Colombo Port and 75% of traffic over the last five years has been that from trans-shipment cargo (see figure 4). However, three terminals in Colombo Port are already reaching maximum capacity.

Sri Lanka is the main trans-shipment hub for the Indian subcontinent, mainly to India (see figure 5). Colombo Port

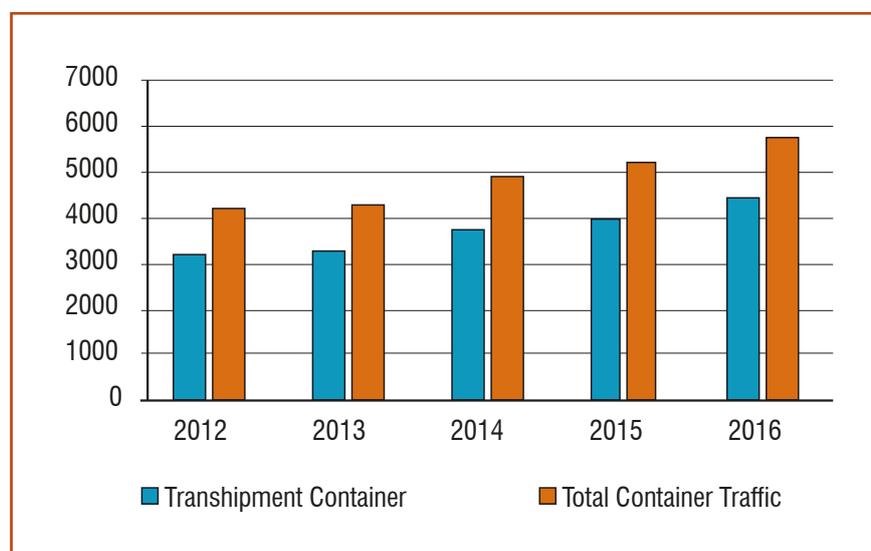
8.– World Shipping Council (2017). Website. Available at www.worldshipping.org/.

focuses on container trans-shipment largely for the textile industry. There are three types of trans-shipment:

- Hub-and-spoke (hub/feeder) –between deep-sea and feeder;
- Interlining/intersection –between deep-sea and deep-sea along shipping routes;
- Relay –between deep-sea and large deep-sea as interface between shipping routes along the same maritime range but servicing different ports of call.

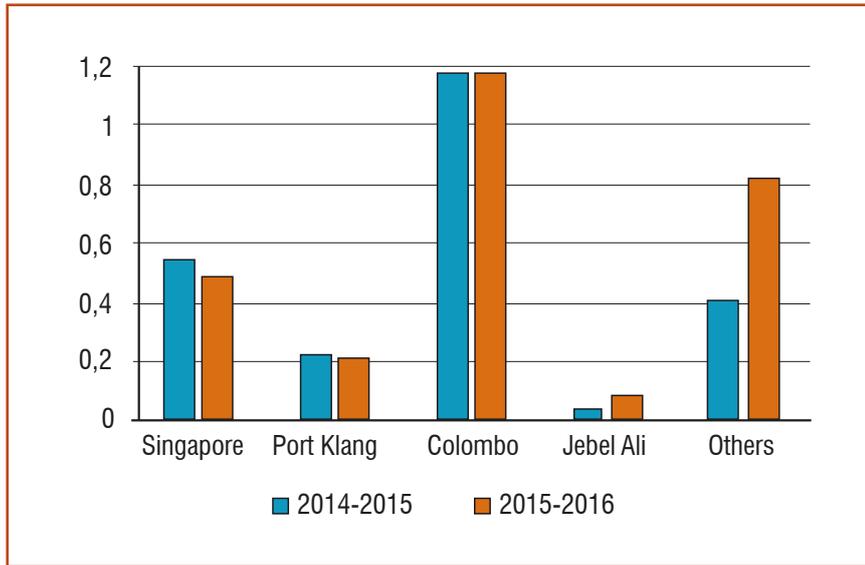
Magampura Mahinda Rajapaksa International Port in Hambantota provides services mainly for vehicle trans-shipment (roll-on/roll-off operations). Japanese, Korean and Indian carmakers use this port for trans-shipping vehicles built in India, Thailand, Japan and China to markets in Africa, the Middle East, Europe and the Americas.

Figure 4: Marine freight for Colombo Port (container traffic type in thousand TEUs), 2012–2016



Source: SLPA

Figure 5: Trans-shipment volume of containers for India (million TEUs)



Source: Indian Ministry of Shipping

Sri Lanka's target of becoming a multimodal logistics hub providing integrated services and facilities requires physical and information technology infrastructure to ensure a seamless flow from one mode of transportation to another. To attract multimodal transport and logistics operators and maximize the potential of air and sea links to entice more goods to flow through Sri Lanka, rail, air and sea connectivity around the country must be improved in order to expand logistics services.

However, the absence of an integrated logistics policy impedes cross-sector development and public-private coordination. The first shipping policy document was prepared in 1997 and later committees created new drafts in

2003 and 2006 respectively, but the document stayed with the Ministry of Ports and Shipping (MoPS) and was never approved by Cabinet. In 2009, the Presidential Committee on Maritime Affairs was created. Recently, the Minister has requested a new committee to be formed under the SLPA Chair to go through earlier reports and develop a policy to be approved by Cabinet. A national policy for the maritime and logistics sectors is currently being drafted. Once the draft is finalized as a national policy, it should be available for public comments and should be submitted to the Ministry of National Policies and Economic Affairs [MoNPEA – Prime Minister's Office (PMO)], which will call for comments from relevant line ministries for further observation prior to ratification by parliament.

Strategically located in South Asia, at the crossroads of the fastest-growing region in the world, Sri Lanka is close to many emerging markets and is already an important logistics hub for the region. Having modern port facilities to handle large container vessels, being an important trans-shipment hub for India and being situated on the One Belt and One Road Initiative give Sri Lanka many competitive

advantages in the region. Yet it has not fully tapped the growing opportunities in trans-shipment and e-commerce, and has a unique opportunity to develop a world-class logistics hub and enter the global supply chain industry that is rapidly digitalizing and evolving with a new generation of consumers.

Because of its position on the main east-west shipping corridor and north-south corridor connecting Asia to Europe and Africa, Sri Lanka has not diversified its business model to attract other types of ships and related services. The country is known mainly as a container shipping hub in South Asia. For the foreseeable five-year period, Colombo Port will be the major trans-shipment hub of South Asia. Sri Lanka will service all types of ships and provide ship-related services: for example, crew changes, supplying and replenishing victuals and water through its network of major ports in the west, east and the south connecting the international east-west shipping route and increasing trans-shipment business through ports of Sri Lanka. The upcoming enhanced free trade agreement with India and the new free trade agreements with China, Singapore and Bangladesh provide many opportunities for developing trading activities and SCM services for the whole of South Asia and even East African emerging markets.

Providing efficient inbound/outbound logistics and warehousing services for domestic suppliers is essential to ensure swift transportation of perishable fruits, vegetables and processed food products. There are 138 Customs bonded locations around the country, which include Government and private bonds areas. Most logistics companies (80%) are located in the Western Province. There are 12–15 container depots that operate as dry ports and there are a number of cold storage facilities, mostly related to the fisheries industry and a few for food and medical products. For perishable fruits, vegetables, processed food and other products which require special conditions, storage and transportation facilities are limited.

Box 4: Commercial hub activities in Sri Lanka

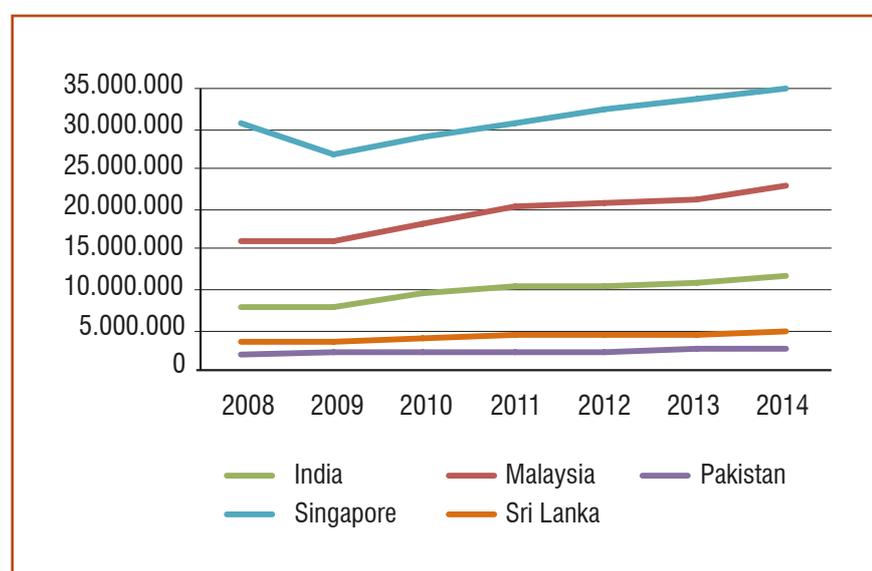
Setting up free ports and bonded areas to facilitate import and export of goods and services through the Commercial Hub Regulation of the Finance Act provided investment opportunities to carry out specific business activities. Colombo and Hambantota declared Free Ports, and Katunayake and Koggala Export Processing Zones (EPZs) declared as bonded areas. Currently, turnover is estimated at around US\$150 million to US\$175 million for four commercial hub companies in operation. They cover activities

in entrepot trade, logistics services (bonded warehouses or MCC), front-end services to clients abroad, and offshore business and headquarters operations of leading buyers for management of the finance supply chain and billing operations. Facilities in free ports and bonded areas offer important advantages in terms of product storage facilities, shared warehousing, equipment, delivery time, support facilities and effective management.

Key critical points that attract multimodal transport and logistics operators are cost of operations and turnaround time. The World Bank Logistics Performance Index (LPI) ranked Sri Lanka eighty-ninth in 2014. This index includes efficiency of the clearance process, the quality of trade- and transport-related infrastructure, the overall level of competence and quality of logistics services, and some other critical factors. Sri Lanka lags behind its regional competitors on these indicators (see table 1).

Table 1: Detailed Logistics Performance Index rankings of Sri Lanka and regional peers in 2014

	Singapore	Malaysia	Thailand	India	Pakistan	Sri Lanka	Myanmar
LPI rank	5	25	35	54	72	89	145
LPI components							
Customs	3	27	36	65	58	84	150
Infrastructure	2	26	30	58	69	126	137
International shipments	6	10	39	44	56	115	151
Logistics quality and competence	8	32	38	52	75	66	156
Tracking and tracing	11	23	33	57	86	85	130
Timeliness	9	31	29	51	123	85	117

Figure 6: Container throughput in millions (TEUs) for Sri Lanka and regional peers, 2008–2014

Source: World Development Indicators.

Compared with regional peers, Sri Lanka's LPI ranking and performance in values is lower than Singapore, Malaysia and India (see figure 6). However, there is stable growth of container throughput handling for Colombo Port. Total container handling in 2016 increased by 10.6% to 5.7 million TEUs from 5.2 million TEUs handled in 2015.⁹ The only port to register double-digit growth was Port Klang, Malaysia with 10.8% growth in 2016 to 13.2 million TEUs. That put it in twelfth position globally.

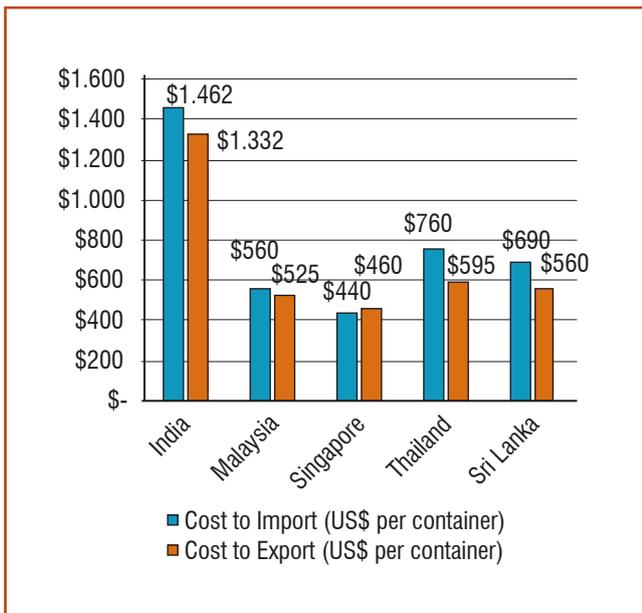
Despite stronger economies and currencies, Malaysia and Singapore are both able to perform better than Sri Lanka in terms of lower shipping costs and time. While the cost of shipping is higher in Sri Lanka compared with Malaysia and Singapore, it has a very strong advantage compared with India (see figure 7). The time required to ship containers is higher in Sri Lanka compared with South-East Asian countries and it has a slight advantage compared with India (see figure 8).

9.– Central Bank of Sri Lanka (2016). *Annual Report 2016*.



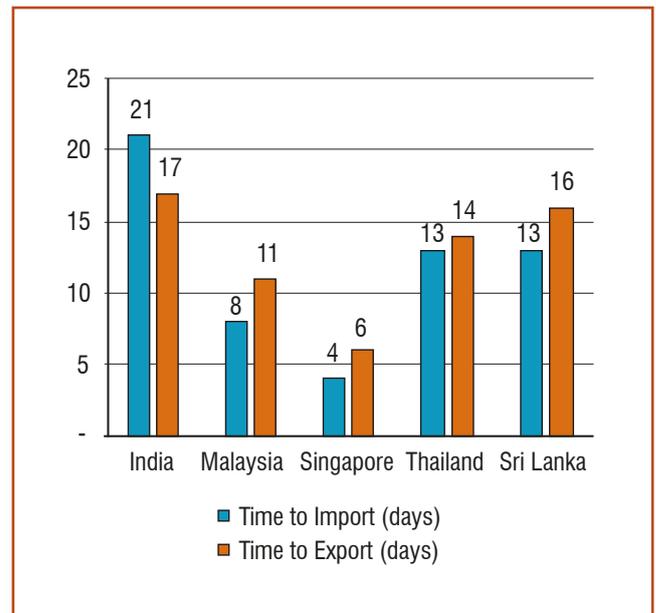
Photo: (cc) Anushka Wijesinha

Figure 7: The average cost incurred to import and export one TEU for Sri Lanka and regional peers (US\$)



Source: World Bank

Figure 8: The average time taken to import and export one TEU for Sri Lanka and regional peers



Source: World Bank

- Because of its position on the main east-west and north-south shipping corridors connecting Asia to Europe and Africa, Sri Lanka has not diversified its business model to attract other types of ships and related services, and 75% of freight in Sri Lanka is trans-shipment.
- Three terminals in Colombo Port are already reaching maximum capacity.
- Warehousing and transportation services for domestic suppliers of perishable fruits, vegetables, processed food and other products are limited.
- Setting up free ports and bonded areas to facilitate import and export of goods and services through the Commercial Hub Regulation of the Finance Act provided investment opportunities to carry out specific logistics business activities.
- To attract multimodal transport and logistics operators and investors, key points – namely the cost of operations and turnaround time – must be considered.



LOGISTICS SERVICES MAP

The logistics industry includes various services provided to domestic and international clients. The map of the logistics services industry (see figure 9) consists of four components: inputs, inbound logistics, operations and outbound logistics. The map's analysis enables a better understanding of the specific processes of logistics operations. Understanding the dynamics of logistics services is essential for identification of the issues affecting industry performance.

Figure 9 includes three main types of services provided in Sri Lanka: overall logistics operation, trans-shipment and commercial hub activities. Even though the nature of activities for each of them is the same, each type of service has its own specificities and constraints.



Photo: © advantis.world

Figure 9: Logistics services map

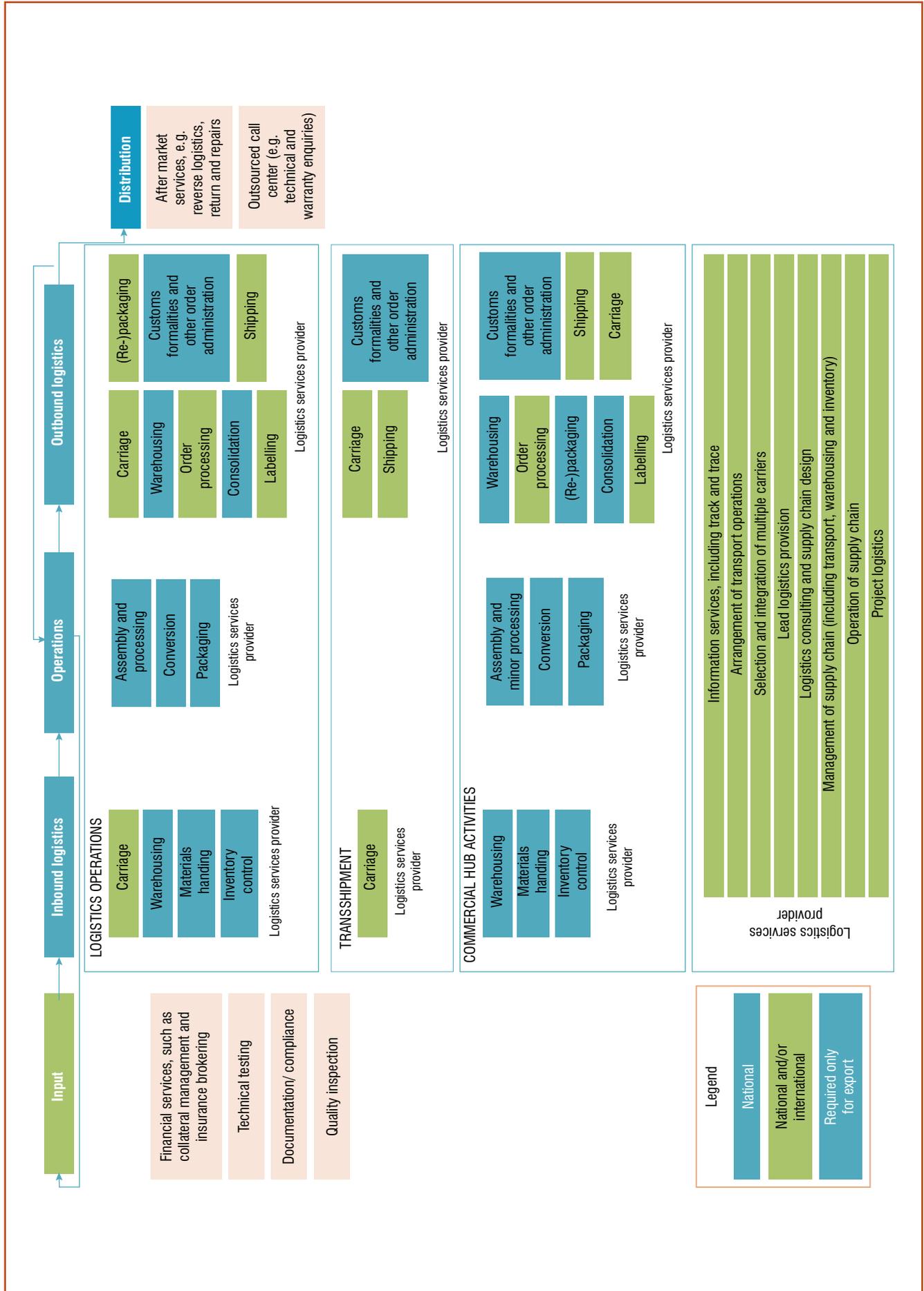
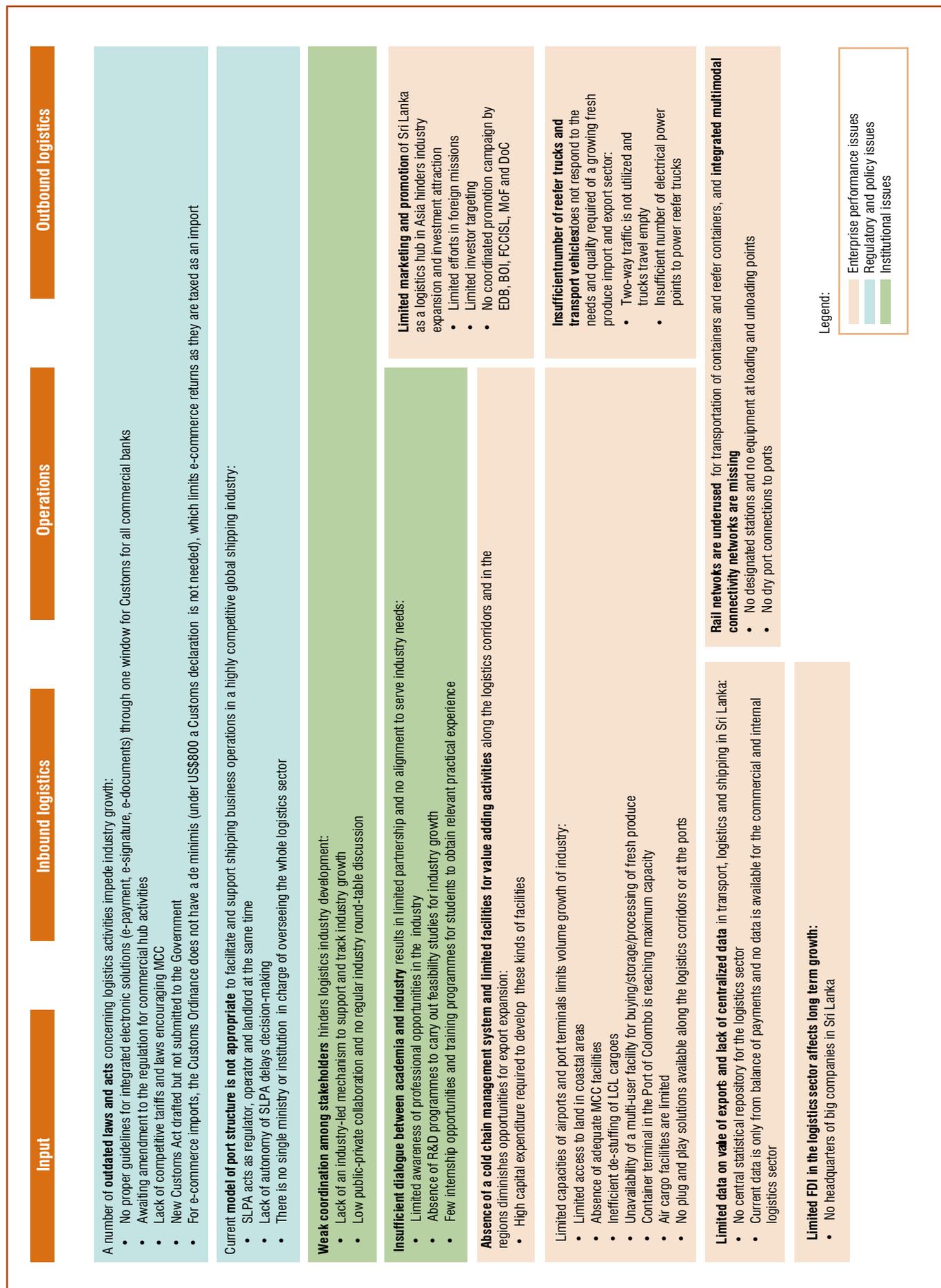


Figure 10: Long list of constraints faced by the logistics industry



FOCUSING ON THE MOST PRESSING ISSUES

Extensive stakeholder consultations, field visits and review of literature have revealed a number of constraints in the logistics sector that challenge its short- and medium-term growth. In order to ensure the Strategy is efficient and precise, only the most critical bottlenecks are detailed below.

Constraints are identified along three dimensions – policy, institutional and enterprise.

- **Policy constraints** refer to legislative and regulatory bottlenecks that limit effective functioning of the trade support function in line with international best practice.
- **Institutional constraints** refer to supply-side issues related to trade and investment support institutions' (TISIs) service delivery to enterprises; specifically in terms of the capacities and resources available to institutions to achieve effective service delivery.
- **Enterprise constraints** refer to demand-side issues related to logistics infrastructure.

POLICY ISSUES

Current model of port structure does not enable industry development

The current port structure does not facilitate and support shipping business operations in a highly competitive global shipping industry. SLPA is the state-owned operator that controls commercial ports in Sri Lanka and is responsible for the shipping operations of Jaya Container Terminal. SLPA does not receive financial allocation from the Government and operates on its own revenue. However, it lacks autonomy in decision-making even for small operations and a request must go to the Cabinet. More autonomy must be given to SLPA to facilitate independent decision-making for TF and finance activities in order to compete with other terminals locally and globally. The creation of an independent regulator for ports is strongly recommended to build a fair and competitive environment in port services and to stop anti-competitive practices (including anti-dumping). The Government needs to limit its management of logistics to creating an enabling environment for direct competition in the business of shipping and terminal operations. The landlord model is prevalent in almost all hubs and the Government can invest up to 33% in different businesses in the national interest, plus introduce a transparent tax regime for revenue purposes. The management of commercial shipping, ports and logistics currently fall under MSS. SLPA acts as regulator, operator and landlord at the same time.

There is no industry apex body and no single ministry is in charge of overseeing the logistics sector. MSS, under MoPS, and Airport and Aviation Services (Sri Lanka) Limited, partly fulfil this role but there is little coordination with other agencies.

An independent unit of the Government should be created to facilitate the expansion of logistics activity and cover not only ports but the maritime sector as a whole. This unit would coordinate shipping and logistics services between land, rail, air and sea transport to support Sri Lanka's development into a leading logistics hub with physical and virtual excellence. A panel of independent personnel will be needed to strategize and continuously adapt the latest and best practices to set up the logistics industry with reliability and speed. The Singapore model of a maritime authority to facilitate the maritime economy can serve as an example.

These constraints are addressed in PoA: 1.1.1, 1.1.2.

Inadequate policies and outdated regulations concerning logistics activities impede the development of shipping business operations

Regulatory stability and predictability will enable an efficient business environment, allowing Sri Lanka to develop into a leading global integrated logistics hub. There are a number of bottlenecks in Sri Lankan legislation that hinder the expansion of the industry, as listed below.

- A policy for liberalizing MCC/LCL was presented in the last budget but the issuing of the relevant Gazette and guidelines amendments has been delayed.
- The Customs Ordinance is outdated. The proposed new Act, which has been drafted to facilitate trade in line with World Trade Organization Trade Facilitation Agreement commitments, needs to be adopted as a priority. The overall result would be reduced transaction costs, increased speed and a paperless environment with maximum automation through a national single window.
- The Commercial Hub Regulation of the Finance Act gives Sri Lanka an opportunity to connect its services to regional and global value chains. The legislation provides an avenue to increase exports out of Sri Lanka. Because the law is new, operators have encountered practical difficulties increasing business activity and from time to time have requested amendments to the guidelines to expand the overall business climate for hub operators. It is strategically very important to strengthen this sector and accommodate the reforms proposed by operators as a priority. One of the key issues is to retain the current

tax structure relevant to operators at 0%, as originally established and intended.

- An e-commerce platform for imports and exports should be facilitated –taking into consideration industry requirements– to achieve the lowest transaction costs and fastest clearance in order to enhance B2C activity.
- Due to inadequate refinery capacity, Sri Lanka currently has to import bunkers, which results in a cost disadvantage. A call to international investors to build new storage tanks for crude oil and other petrochemicals to be stored and distributed to the region should be promoted as FDI. The whole petroleum industry should be liberalized to promote refinery building and offshore distribution for global operators.
- Strengthen antitrust laws and increase transparency through competition laws, where there are gaps for anti-competitive behaviour. Reforms should ensure fair competition in an open-market economy, which will support the export and manufacturing sectors.
- Sri Lanka is a member nation of the International Maritime Organization and there are a number of gaps in laws in relation to international conventions that the country has committed to but have not been fully ratified by the parliament and annexed to national laws. As a result, legislation is ad hoc and does not reflect a fully fledged maritime nation's needs. This must be rectified to ensure ship operators increase their services through Sri Lankan ports and territorial waters
- To ensure an enabling and efficient business environment for logistics sector development, it is crucial to maintain consistency in the laws that govern ports, free zones and commercial hubs to encourage more capital inflows and to attract more FDI.

These constraints are addressed in PoA: 1.1.3, 1.1.6, 1.1.7, 1.1.8, 1.1.9, 1.1.10, 1.1.11, 1.1.12, 1.1.13, 1.1.14, 2.2.3.

Absence of proper guidelines for the Electronic Transactions Act delays use of integrated electronic solutions

Even though the Electronic Transactions Act of 2006 authorizes e-payments, e-signatures, e-documents and tracking, institutions have not been using the system. The reasons are an absence of proper guidelines from the Ministry of Telecommunication and Digital Infrastructure (MoTDI), limited awareness and lack of capacities to follow the procedures of integrated electronic solutions. Government and Customs payments improved in July 2017 when e-payment gateways were launched. Proper guidelines for the Electronic Transactions Act need to be implemented, including facilitation of B2C transactions and the regulator enabling institutions to use integrated electronic solutions.

These constraints are addressed in PoA: 1.1.5.

INSTITUTIONAL ISSUES

Weak coordination among stakeholders and lack of an industry-led mechanism to support logistics hinders logistics industry development

The Association of Container Transporters is an organization whose members include the major container transport companies in the country. However, it does not encompass all players in the sector. Only 25% of logistics small and medium-sized enterprises (SMEs) are organized under this Association. Its main function is to encourage and promote professional conduct in the container transport industry and to improve the quality of container transport services,¹⁰ and it currently focuses on problems and solutions for container transport in Sri Lanka. Another association, SLFFA, brings together freight forwarders under one umbrella. The Sri Lanka Shippers' Council and the Hub Operators Association of Sri Lanka connect shippers and commercial hub operators. Nevertheless, logistics operators/stakeholders are not organized in any form for collective marketing or promotion activities.

There is no formal public–private dialogue or collaboration between different industries and various components of the logistics industry. This impedes the development of the sector. Policies and coordination need to be aligned among all stakeholders to ensure that the needs of the logistics sector are met. Strengthening the governance of the industry to improve public–private coordination is vital.

These constraints are addressed in PoA: 1.1.1, 1.1.2.

Insufficient dialogue between academia and industry results in limited partnership and no alignment to serve industry needs

Lack of cooperation between academia and industry results in a shortage of professional competencies and absence of practical experience and training. Logistics management staff lack sufficient capacities in analytical and strategic thinking for industry development. There is also limited awareness of industry professional opportunities. Students are not aware of careers in logistics and there is a limited number of training programmes for them during their studies. Building strong links between academia and industry will increase outreach to youth and young professionals and raise awareness about professional opportunities in logistics.

These constraints are addressed in PoA: 2.1.1, 2.1.2, 2.1.3.

¹⁰– Association of Container Transporters (2017). Website. Available at www.actsrilanka.com/.

Rail networks are underused for transportation of containers and reefer containers, and integrated multimodal connectivity networks are missing

The inadequate railway infrastructure results in low use of rail for transportation of containers and reefer containers. There are no designated stations for freight and no equipment at loading and unloading points. The type of sleepers which could take the weight of laden containers are also lacking and there are no dry port connections to ports. MoMWD is planning to connect dry ports to Colombo Port in five years within the framework of the Western Region Megapolis Master Plan Project. The Ministry of Transport and Civil Aviation (MoTCA) is not aware of the opportunities for industry development.

These constraints are addressed in PoA: 1.1.14, 3.2.1.

Limited data on value of exports and lack of centralized data on transport, logistics and shipping in Sri Lanka

There is no central statistical repository for the sector and there is minimal data available on the logistics and shipping industry. Lack of information and statistics makes it difficult to analyse and plan industry development, as well as deterring investors. An R&D and data centre for shipping and logistics will help identify the bottlenecks that inflate logistics costs, simplify processes and reduce overall logistics costs. University-level inputs for R&D as well as transparent data for Government should be established with the CBSL Statistics Division.

A proper information portal will give both Government and the private sector the ability to allocate resources, funding and international donor assistance to develop both international and domestic requirements to strategically expand and provide logistics services. Information will create a conducive environment for businesses to expand investment/volumes that can be moved via Sri Lanka as a base. Without proper data management, Sri Lanka will find it difficult to compete successfully in the long run.

The market intelligence unit to be established under the Department of Census and Statistics and CBSL should reflect demography, population density, per capita incomes of probable markets, consumer choices, current trading volumes and products, etc. to facilitate logistics services. For example, the data for South Asia alone must be looked at. This can give answers on how to service different states in India, where the five southern states alone have a gross domestic product of US\$500 billion.

These constraints are addressed in PoA: 1.1.4, 2.2.1.

Limited marketing and promotion of Sri Lanka as a logistics hub in Asia hinders industry expansion and investment attraction

Insufficient promotion of Sri Lanka as a logistics hub has been highlighted as one of the many factors restricting industry growth. The country has not actively marketed its strengths by promoting, advertising and organizing road shows in a planned manner except for a few private sector efforts. Stakeholders also noted limited efforts in foreign missions to promote logistics services to freight forwarders and logistics companies abroad. Moreover, there is no coordinated promotion campaign by EDB, BOI, Federation of Chambers of Commerce and Industry Sri Lanka (FCCISL), MoF, the Department of Commerce (DoC) and other relevant agencies to attract investment.

Even at national level, there is limited awareness about logistics services provided in the country. Local exporters, students and professionals are not aware of the commercial hub and other logistics operations opportunities to store or to provide value added services.

The Government will need to position the country as the leading re-exporting centre in South Asia, which is a huge business for logistics. Action will be needed to develop and enhance connectivity capabilities to be on a par with other regional hubs in the business of re-export. Increasing awareness and promoting the strengths of the Sri Lankan logistics industry globally is necessary to attract global logistics companies to locate and establish a regional hub for distribution and value added service in Asia and beyond. This can be achieved by attracting and anchoring high profile global networking and conference events in Sri Lanka annually to market the country and build its image as a new destination for logistics and as a platform for leading logistics solutions for global customers.

All Government websites relating to trade/logistics should be upgraded with more information, including processes, forms, applications and frequently asked questions with help desk links. These should be managed by dedicated staff and monitored quarterly for gaps in information by a body like EDB.

These constraints are addressed in PoA: 3.1.1, 3.1.2, 3.1.3.

ENTERPRISE ISSUES

Limited capacities of port terminals limits volume growth

There is huge potential for growth in logistics services but the three terminals in Colombo Port are already working at maximum capacity. The overriding issues that need to be resolved are as follows.

- The decision about West Terminal of Colombo harbour has not been taken. Expanding the terminal capacity in Colombo Port is critical to attract trans-shipment business. Large container vessels experience delays – in some cases up to eight hours – as the deep draught capacities of the Colombo International Container Terminal, South Asia Gateway Terminal and Jaya Container Terminal are almost full.
- There are not enough good MCC facilities, as evidenced by the lack of modern warehouses at the port. According to stakeholders, there is only one warehouse with adequate facilities. This issue partly stems from no land being made available for the private sector to operate closer to Colombo Port. There is no reclaimed land adjacent the Colombo International Container Terminal or at productive areas around Colombo Port. The logistics corridor between Colombo Port and the international airport in Katunayake has a number of suitable locations that can be developed for this purpose but the land bank proposed by the Government is to identify logistics services areas and MoMWD has already identified the proper land in the Megapolis plan, implementation of which will start from 2018. According to stakeholders, land is available on the northern side of Colombo Port and several facilities and institutes can be easily relocated there in the short term.
- LCL de-stuffing and handling time is long, which affects import-related charges. It can take up to 3–7 days or more to unload a consignment due to current inadequacies within the port. Problems range from lack of infrastructure and equipment to both shortages and overstaffing of labour, to limited automation and labour allocation, and productivity inefficiencies. Pilferage and damage due to organized sabotage is also a serious problem for inbound consignees that depend on imported inputs for manufacturing and processing. As a result, export processing is delayed and clearing costs increase.
- There is no multi-user facility for buying/storage/processing of fresh produce. There are no bonded logistics centres and existing facilities are not always well connected. A feasibility study by Expolanka determined there is no clear need for such facilities since private operators are using their own facilities and transport using dry ice. However, no clear market demand to develop such facilities is explained by limited information and statistics to support the development of a cold chain industry and the absence of a detailed study on the need to establish such facilities.

- No plug and play solutions are available for new players to easily establish their operations. Global players need to be attracted to start operations and distributions immediately. Therefore, identified locations should be allocated quickly, with infrastructure such as rail and road connectivity so cargo clearance and movements can be performed fast and at low cost. Such plans should be amalgamated with the Megapolis project and other regional development plans.

One of the root causes of the above-mentioned issues is the limited availability and the cost of land near the Port of Colombo. There is no clarity on allocation of land in Colombo and Katunayake EPZ from the Government, so a land bank and an attractive price should be available for logistics investors. In coastal areas, the land is owned by three organizations: the Ports Authority (MoPS), Ceylon Fishery Harbours Corporation and the Sri Lanka Navy (Ministry of Defence). For commercial hub activities, a new Government provision on allocation of land has not yet been implemented (5 km radius to convert existing land and warehouses in the free zone for anybody having more than 50m²). It is crucial to allocate land to set up operations within ports and airports corridors and attract investment to expand capacity.

These constraints are addressed in PoA: 1.1.8, 2.2.2, 2.2.4, 3.2.2, 3.2.3, 3.2.4, 3.2.5.

The limited capacities of airports reduce the number of logistics operations

Air cargo facilities are limited. Traffic into BIA is increasing and more cargo and passenger arrivals are expected. There is a higher frequency of connections, including rapid growth to Indian destinations. As a result, air craft belly capacity/space is expanding, which will increase trans-shipment and e-commerce business. To make use of this development, the Government should encourage more hub companies and local companies to set up warehouses and operation zones for businesses to move to Sri Lanka to create distribution services and air/sea operations via Colombo Port. The ground handling monopoly should also be re-examined and competition created, with at least two operators, as the current cost is one of the highest in the region.

These constraints are addressed in PoA: 3.2.3.

Absence of a cold chain management system and limited facilities for value adding activities along logistics corridors and in the regions diminishes opportunities for export expansion

Existing cold storage facilities are insufficient for fisheries products and there are no major cold storage facilities in the country for perishables storage in key locations at the regional level, which leads to high postharvest losses: approximately 30% loss of fresh produce and 60% of export products. Assuring consistent temperature as a product moves through the value chain or during its transportation is a fundamental part of ensuring basic health and safety as well as compliance with international regulations. Without reliable temperature-controlled facilities and appropriate value adding services along logistics corridors, it will be impossible to increase exports for sectors that require special conditions for storage and transportation.

High capital expenditure is required to develop these kinds of facilities. They are required in the Northern Province, North Central Province, Eastern Province, Central Province and Southern and Sabaragamuwa regional centres. A proper supply chain study is important to identify volumes and the best locations to set up facilities to collect perishable items for storage and processing. In addition, there is very limited land provided by the Government for lease to develop these facilities (99-year lease model at a discount rate) and no targeted incentives to drive development of such facilities. A public-private partnership or build-operate-transfer (BOT) model is needed. BOI does not have clear direction on the provision of such a support mechanism from the Ministry of Finance (MoF), even though the lack of cold chain facilities is a public utility and health issue.

There is also low capacity utilization of vehicles and reefer trucks to transport frozen food. Because they are not used to return fresh food from Jaffna to Colombo and they travel empty, the cost to operate these trucks is high. Moreover, there are not enough electrical power points for reefer trucks. In addition, transporters need to use plastic containers for transportation of fresh foods because of a Government directive. However, using these plastic crates drops load capacity and taking the empty crates back to the provinces is



Photo: © advantis.world

an additional logistics cost. This results in produce losses of 30% or more, especially when in transit.

These constraints are addressed in PoA: 2.2.2, 3.2.2.

Limited FDI in the logistics sector affects long-term growth

The bottlenecks in the business environment described above and the political, economic and regulatory instability make it difficult to attract big companies to install their main or secondary office in Sri Lanka. Relocating headquarters of shipping and logistics companies to Sri Lanka will be the catalyst for growth and build confidence in the country. It will also benefit the country's trading environment and help exports with greater choice, more services and price competitiveness.

These constraints are addressed in PoA: 1.1.9.

Most of the issues identified in the logistics industry are related to institutional and regulatory frameworks. They highlight the urgency of amending current regulations based on best international models and investment needs to create an enabling environment to allow industry growth.

With Sri Lanka in a favourable geographical position and well-connected with aviation, sea and land transport capabilities, it is possible to develop the country into a leading global integrated logistics hub that can support the national economy and global trade.

DEVELOPING SRI LANKA INTO A GLOBAL LOGISTICS HUB

Logistics stakeholders created the following industry vision to bring Sri Lanka to the next level of logistics industry performance and sophistication:

“ Sri Lanka: The Indian Ocean maritime, logistics and distribution hub providing all services and facilities for integrated connectivity ”

THE FUTURE OF THE INDUSTRY

Unlocking the potential of Sri Lanka's logistics industry will require fostering an adequate regulatory environment and implementing enabling procedures and guidelines for provision of efficient logistics services. This will help to create the conditions for the private sector to lead development of the logistics sector, attract the necessary investment to install the proper facilities across the country (cold storage solutions and multi-user facilities), and provide value

added services through MCC, LCL de-stuffing and commercial hub activities. The targeted efforts detailed in the Strategy PoA will address the constraints identified earlier. The future logistics service map will be characterized by an enabling regulatory framework and increased market development, improved overall coordination and governance, and enhanced forward planning and promotion.

Strategic objective 1: To create an enabling and efficient business environment driven by technology and public-private coordination

- Creating a conducive business environment for industry expansion by providing efficient logistics services through operational procedures and guidelines is the main priority.

Strategic objective 2: To ensure adequate facilities and availability of a qualified labour force

- Creating conditions (land, logistics zones) for the private sector to lead development of cold storage solutions and multi-user facilities across the country and attracting skilled labour will allow industry capacity to expand.

Strategic objective 3: To promote the image of Sri Lanka as a logistics hub worldwide

- Increasing market outreach and building the country's image will help build awareness of the country's locational advantages and attract more FDI.

Figure 11: Future logistics services map

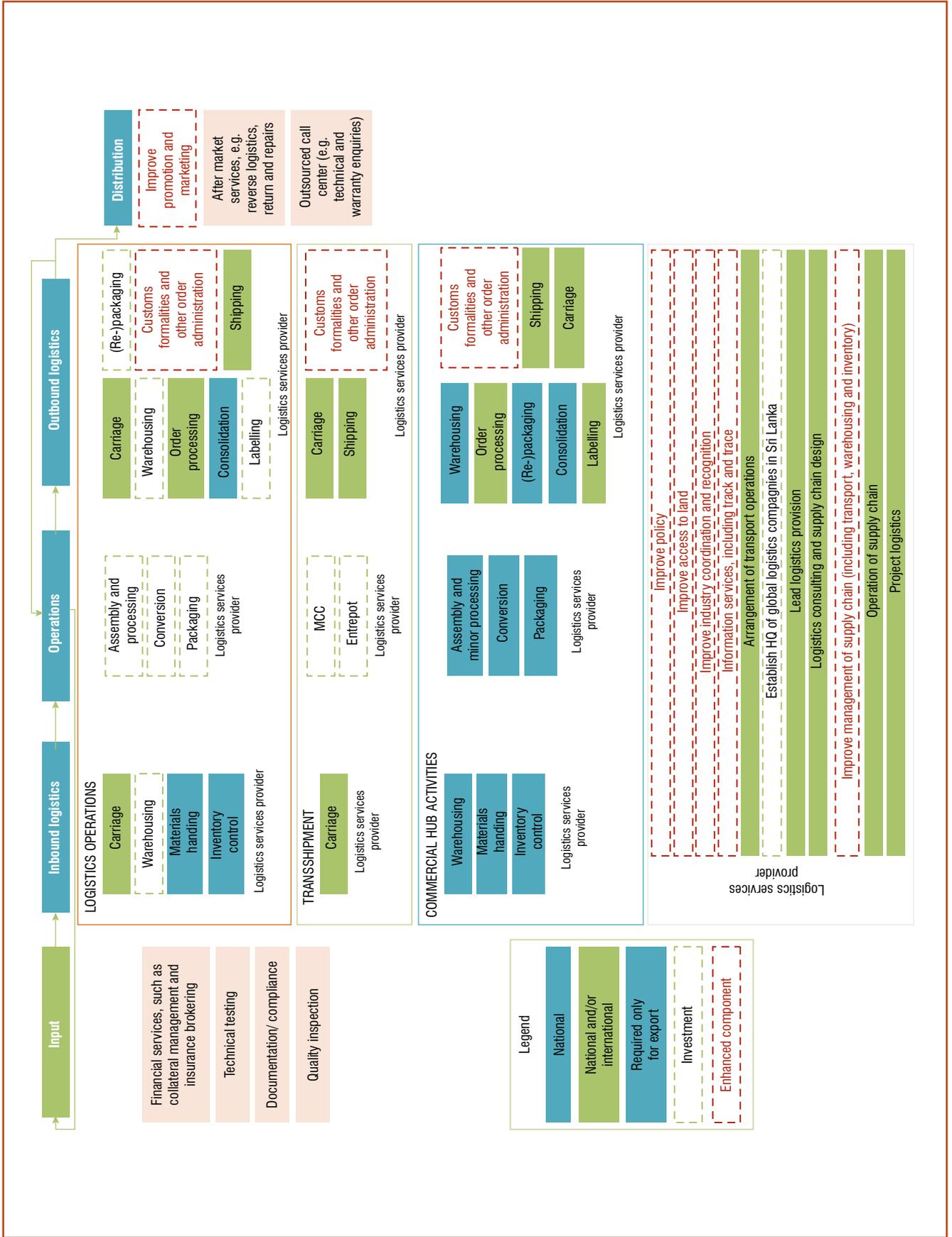
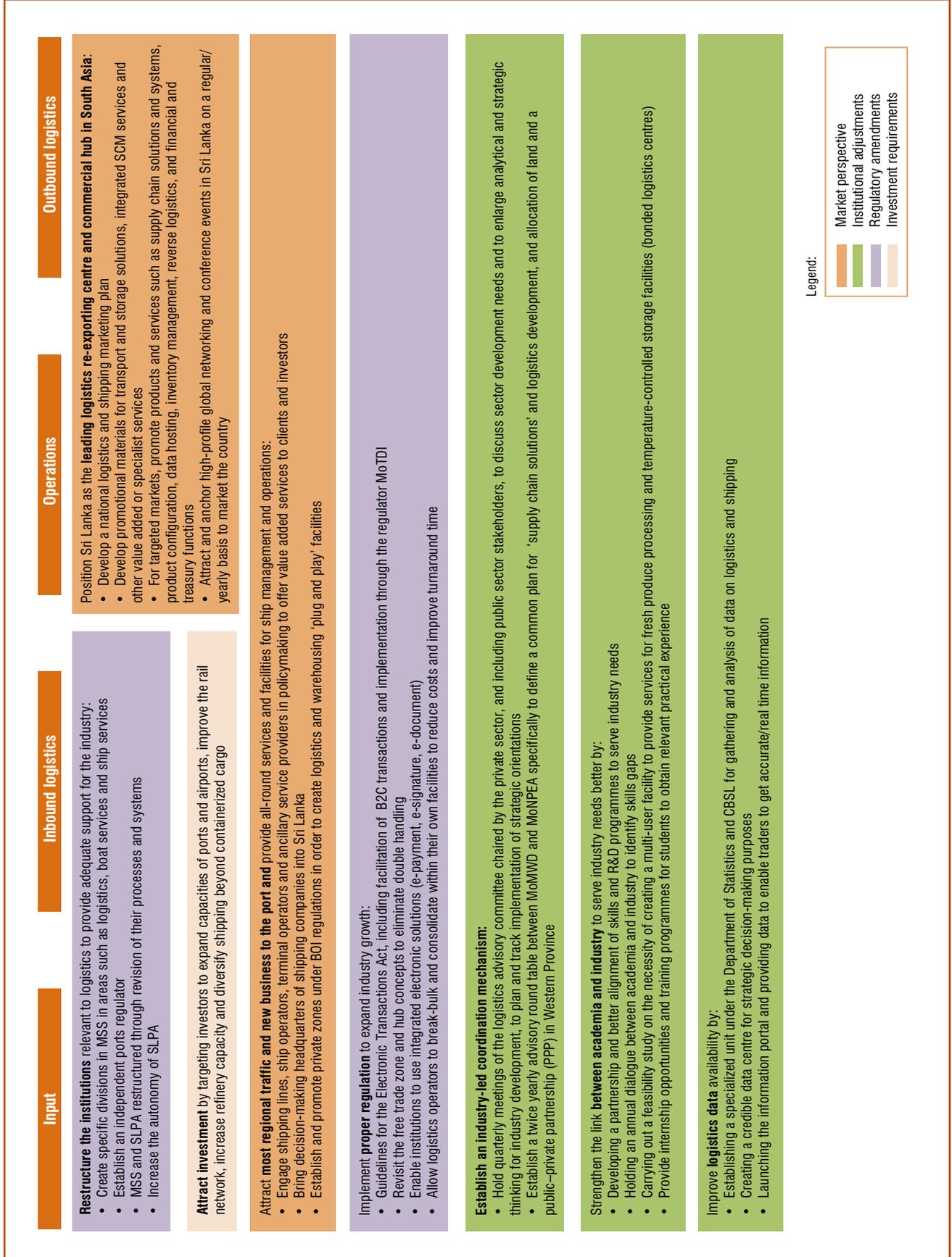


Figure 12: Main areas of improvements in the logistics sector



Sri Lanka aims to transform itself into South Asia's leading maritime, logistics and distribution hub that will support the national economy and global trade. Existing logistics services provide many opportunities for intraregional markets, e-commerce and services for integrated connectivity.

Box 5: Existing services to existing and new markets

Description of the service	Rationale	Target market
Trans-shipment and relay services	<ul style="list-style-type: none"> Geographic location Competitive pricing and timing Connecting feeder services and mother vessel to mother vessel High level of port productivity Existing container handling facilities for over 7 million TEUs and can be expanded to 12 million TEUs within three terminals in Colombo Port The only port in South Asia capable of handling deep draught ultra-large crude carriers 	South Asia East Asia Africa Mediterranean Europe Middle East United States of America (east coast)
<ul style="list-style-type: none"> Entrepot trading MCC cargo handling LCL handling 	<ul style="list-style-type: none"> Geographic location Increased trans-shipment volumes will reduce handling costs Increased main line callers/services will attract more feeder services and frequency for reworking of container cargo in South Asia 	South Asia East Asia East Africa Mediterranean Europe Middle East
Maritime services: <ul style="list-style-type: none"> Ship supplies Bunkers and maritime security services All other ancillary services including dockyard facilities 	<ul style="list-style-type: none"> Proximity to the east-west shipping route and regional high traffic (locational advantage can increase and attract more vessels to both inshore and offshore value addition to ships) Two-thirds of world energy ships, one-third of bulk cargo ships and 50% of container traffic passes through the sea lanes adjacent to Sri Lanka 	East-west shipping routes and north-south ship traffic corridors
<ul style="list-style-type: none"> E-commerce Storage and distribution centres 	<ul style="list-style-type: none"> Connects with speed to the fastest-growing economies, a growing middle class and increasing purchasing power in Asian countries Increasing industrial production in the region requires raw materials and accessories for on-time manufacturing Rapidly expanding Internet access Online buying population in China –411.7 million, India –53.8 million, Japan –73.2 million, Indonesia –51 million, Viet Nam –31 million Existing offering of e-commerce hub operations and value added services near BIA Strong location for sea-air operations and increasing regional air traffic connectivity 	South Asia India
End-to-end logistics solutions through commercial hubs	<ul style="list-style-type: none"> Strong and growing infrastructure to facilitate speedy turnaround times Focused policy to create better TF Availability of hardware: product storage facilities, shared warehouses, shared equipment Effective management and know-how in SCM, product design and development, marketing and sales Short delivery time: better logistics connectivity time to the port and reduction in Customs clearance time Various services are already provided by commercial hubs: inbound operations, break-bulk, sorting, knitting, cross-docking and global distribution Located within the main shipping routes connecting east and west 	United States Europe Sri Lanka China Indonesia Viet Nam Malaysia

INSTITUTIONAL ADJUSTMENTS

TISIs are crucial to supporting companies' efforts to expand their performance and to export. TISIs assist SMEs to improve their competitiveness and help them connect to value chains.¹¹ They provide essential intelligence on trade

11.– International Trade Centre (2017). *SME Competitiveness Outlook 2017: The Region – A Door to Trade*. Geneva. Available from www.intracen.org/publication/SME-Competitiveness-Outlook-2017---The-region-A-door-to-global-trade/.

development and support enterprises through training, tools and assistance to find adequate market entry channels and international partners. The quality of a country's business ecosystem hinges on the quality of each of its TISIs.

These institutions, presented in box 6, are divided into four main categories: policy support, trade services, business services, and academia and civil society. They are the drivers for future logistics industry growth but certain issues of capacity and resources must be addressed to ensure their efficient support of the sector.

Box 6: TISIs supporting logistics industry

Policy support	<ul style="list-style-type: none"> • MoTCA • MoPS • Ministry of Higher Education and Highways • Ministry of Industry and Commerce (MIC) • MoDSIT • Ministry of Local Government and Provincial Councils
Trade support	<ul style="list-style-type: none"> • Road Development Authority • Civil Aviation Authority • SLPA • Central Provincial Council • Sri Lanka Railways • Sri Lanka Customs • Exchange Control Department (Current Commercial Transactions Division) • Department of Import and Export Control • MSS
Business support	<ul style="list-style-type: none"> • Sri Lanka Shippers' Council • SLFFA Cargo Services Ltd • Association of Container Transporters • SLFFA • Ceylon Association Of Shipping Agents • Sri Lanka Association of Air Express Companies • Hub Operators Association of Sri Lanka • Sri Lanka Institute of Packaging • Ceylon Chamber of Commerce • Ceylon Shipping Corporation Ltd
Academia and civil society	<ul style="list-style-type: none"> • Shippers' Academy Colombo • Chartered Institute of Logistics and Transport Sri Lanka • Department of Transport and Logistics Management of the Faculty of Engineering at the University of Moratuwa • Department of Logistics and Transport of the Colombo International Nautical and Engineering College • Institute for Higher Education of the Faculty of Management Studies and Commerce at the University of Sri Jayewardenepura • Institute of Supply and Materials Management • Institute of Chartered Shipbrokers – Sri Lanka • Sri Lanka Society of Transport and Logistics

Some key institutional adjustments will be required to unlock sector growth. **These changes are crucial in the areas of sector coordination and regulatory adjustment.**

Box 7: Institutional adjustments

Institutional adjustment	How to implement?
Strengthen governance of the industry	Successful implementation of the Strategy, as well as industry growth, relies on the ability of all stakeholders to jointly coordinate activities to support industry development. Regular public-private dialogue is essential to set priorities and monitor the progress of industry growth. Currently, no single ministry is in charge of overseeing the logistics sector, nor is there an industry-led mechanism to track industry development. Logistics is a complex industry that provides trade support functions for various activities, which is why there is a need for public-private collaboration among different associations, including those for fruits, vegetables and the food processing sector; spices; and electronics and other manufacturing industries.
Improve cooperation between academia and the industry	The education system does not cater to the rising needs of the logistics industry. Lack of cooperation between academia and industry results in a lack of awareness about industry needs and opportunities for graduates. There is limited education available for areas such as supply chain, logistics and international trade at vocational and tertiary institutes. There should be an annual dialogue between academia and the industry to identify skills gaps and industry demand. More internship and sponsorship programmes should be supported to provide training programmes for students to obtain relevant education and practical experience in logistics and international trade.
Enhance use of technologies and develop skills to use integrated e-solutions	Use of modern technologies and electronic solutions needs to be improved to provide timely and efficient services. Currently, integrated e-solutions such as e-payment, e-signature and e-documents are lacking. The Electronic Transactions Act of 2006 authorizes these types of e-solutions* but institutions are not aware of them and do not use them. Proper guidelines for the Act must be provided, including facilitation of B2C transactions. Implementation of the guidelines must be completed through MoTDI to build capacities of public servants and enable institutions to use integrated electronic solutions.
Restructure the institutions relevant to logistics to provide adequate support for industry	Providing adequate support for logistics operators is crucial to facilitate operations and boost industry growth. In order to achieve this, a number of adjustments need to be made to the structure of TISIs. MSS and SLPA should be restructured through revision of their processes and systems. SLPA's autonomy to make decisions on terminal management for TF and finance activities needs to be increased. An independent ports regulator should also be established. Specific divisions within MSS in areas such as logistics, boat services and ship services should provide supportive services to logistics companies.

* See more details in the business environment constraints section above.

REGULATORY AMENDMENTS

The regulations governing the conduct of the logistics industry and its structure are interrelated and influence market performance. Regulation serves to establishing institutional frameworks to ensure effective operation of the logistics sector, guiding the logistics sector towards safe, energy-efficient and environmentally friendly operations and reducing negative externalities, and developing appropriate policies to address areas where market mechanisms may not work

effectively.¹² **For Sri Lanka, creating an enabling environment by updating regulations and infrastructure is a key element of logistics industry development.** The key adjustments to be carried out are summarized in box 8.

12.– International Trade Centre (2017). Reforming logistics services for effective trade facilitation. ITC, Geneva. Available from http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Executive_summaries/Logistics%20and%20trade%20facilitationFinal_Low-res%20with%20cover.pdf

Box 8: Regulation adjustments

Regulation adjustment	Purpose Number of regulation
Increase the decision-making autonomy of SLPA	To facilitate independent decision-making to grant more autonomy for terminal management for TF and finance activities to compete with other terminals locally and globally. Sri Lanka Port Authority Act No. 51 of 1979 Merchant Shipping Act No. 52 of 1971 Merchant Shipping (Amendment) Act No. 36 of 1988
Restructure the administrative and regulatory framework of the port structure model	To change the current port structure by restructuring the administrative and regulatory framework to serve the sector in a more effective and efficient manner and best suit future demand from the maritime and logistics industry. Specific divisions should be created by MSS in areas such as logistics, boat services and ship services. Sri Lanka Port Authority Act No. 51 of 1979 Merchant Shipping Act No. 52 of 1971 Merchant Shipping (Amendment) Act No. 36 of 1988
Implement the proposed amendments to the Customs Ordinance and establish new regulations and operational procedures	To simplify processes through the inclusion of a new automated system as required by the Trade Facilitation Agreement. In order to facilitate international trade and improve the competitiveness of Sri Lankan exports, it is important to ensure that the Customs Ordinance facilitates logistics operations, encourages operators and contains the following points: <ul style="list-style-type: none"> • Modern paperless transactions are included for Customs services/BOI; • The Customs service station is fully equipped and interconnected and document submission is possible through the introduction of digital signatures; • All end users, including other Government institutions, are provided with Customs interfaces and infrastructure to avoid duplication. Customs Ordinance No. 17 of 1869
Implement guidelines for e-payment through one window for Customs through all commercial banks	Consolidation of various fees through a single window electronic payment system will facilitate cross-border transactions and improve sector competitiveness. Electronic Transactions Act of 2006
Publish all proposed amendments to the Commercial Hub Regulation in the Gazette	MoF has finalized a number of requirements which were proposed in 2015/16 and awaiting amendment to the regulation and Gazette publication. The guidance for commercial hub activities, if not included in the amendment, should be revised and include: <ul style="list-style-type: none"> • The minimum balance required to set up Commercial Hub activities: currently there is imbalance between working capital and fixed assets requirements, which are valued at US\$5 million each; • Allow free movement for the products to be shipped to domestic territory based on demand: currently only 20% of enterprise export turnover is allowed to be shipped for domestic consumption; • Allow shipping of capital goods to Sri Lankan duty-free BOI projects for storage, to attend to supply chain demand within a short time frame; • Allow goods to be sent to the Free Zone for finishing or adding value and shipping back or do some manufacturing inside the Free Zone (which is currently restricted to Mirijawila Zone); • Allow pre-clearance of hub cargo; • Recognize activities in hubs as export-related; • Avoid double handling fees. Finance Act, No. 12 of 2013 Finance Act – Commercial Hub Regulation No. 1 of 2013
Amend the Petroleum Products Act to liberalize offshore and storage and distribution of bunker and crude oil	To provide adequate oil refinery and refuelling services to attract more ships. Right now Sri Lanka has to import bunkers, which results in a cost disadvantage. If more crude oil can be refined in key ports such as Hambantota/Trincomalee, more port calls can be attracted and increase offshore ship bunkering. The Petroleum Products (Special Provisions) Act No. 33 of 2002 and Ceylon Petroleum Corporation Act No. 28 of 1961
Enact an antitrust law	To prevent cartelization, monopoly and anti-competitive practices by international shipping lines, introduce legislation in conformity with international best practices. Consumer Affairs Authority Act No. 9 of 2003
BOI Investment Law	The BOI Investment Law needs to be updated in order to attract more FDI. The shipping and logistics (freight forwarding) restrictions come from the Merchant Shipping Act issued by two separate Gazettes for shipping agencies and freight forwarders. Board of Investment of Sri Lanka Law No. 4 of 1978 and amendments up to 2012; Board of Investment of Sri Lanka (Amendment) Act No. 3 of 2012

INVESTMENT OPPORTUNITIES

Investment in key strategic areas will be needed to expand logistics infrastructure capacity. The following are foreseen as key investment focus areas to achieve industry growth.

Box 9: Investment opportunities in the logistics sector

Investment opportunity	Description
Allocating a start-up fund for R&D to establish domestic logistics centres, increase distribution efficiency and create a credible data centre for strategic decision-making purposes	<p>Why? To provide proper understanding and guidance to support exporters, domestic distribution and collection of cargo (such as perishable vegetables, fruits and fisheries products). This can be achieved by:</p> <ul style="list-style-type: none"> • Establishing R&D centres at university level; • Creating a data-collection department within the CBSL Statistics Division; • Setting up logistics centres, including modern dry ports, to lift standards and reduce time and wastage in the current logistics supply chain. <p>How? Incorporate into the CBSL Monetary Law Act No. 58 of 1949 Sources of financing: Government, MoF</p>
Building storage and distribution centres	<p>Why? To provide appropriate storage facilities for perishable products How? Through targeted promotions to attract investors Sources of financing: FDI</p>
Expanding the capacity of BIA	<p>Why? To expand capacity (cargo and passenger handling services) How? Following the Japan International Cooperation Agency feasibility study, and through a BOT concept, allocate land around BIA to install additional infrastructure Sources of financing: FDI</p>
Making the second international airport functional	<p>Why? With increasing tourist arrivals and a growing volume of trans-shipment and e-commerce business, to increase capacity to make Sri Lanka a regional turnaround location for air cargo How? Government to encourage more hubs and local companies to set up warehouses and business operation zones for distribution services and air operations. Sources of financing: FDI</p>
Building and expanding the West Terminal of Colombo harbour	<p>Why? To attract trans-shipment business activities, increase port capacity and diversify shipping beyond containerized cargo How? Finalize the tendering process for West Terminal to identify the winner Sources of financing: FDI</p>
Improving railway connectivity for transportation of cargoes	<p>Why? To provide services through existing and new railways connecting the three main ports and proposed dry port How? Through targeted promotion to attract investors Sources of financing: FDI</p>
Installing logistics-related equipment manufacturing	<p>Why? To expand supply of cranes and other transportation and shipping equipment How? Promote FDI to locate assembly and manufacturing of equipment and parts for logistics-related cranes in Sri Lanka Sources of financing: FDI</p>

MOVING TO ACTION

THE STRATEGIC FRAMEWORK

The strategic objectives define the main thrusts that will guide Strategy implementation to achieve the vision laid out by the industry. The PoA will respond to the vision by

addressing the sector's constraints and leveraging opportunities in a comprehensive manner. To this end, particular efforts will be made along the following strategic orientations.



STRATEGIC OBJECTIVE 1: TO CREATE AN ENABLING AND EFFICIENT BUSINESS ENVIRONMENT DRIVEN BY TECHNOLOGY AND PUBLIC-PRIVATE COORDINATION

The greatest priority for industry expansion is urgent implementation of operational procedures and guidelines for provision of efficient logistics services to create a conducive business environment. Predictability of regulations and procedures is vital to manage operations efficiently and reduce costs of doing business. Industry development should be governed by a strong and active formal public-private governance mechanism to plan, coordinate and track the progress of implementation of this strategic orientation. This strategic objective is composed of two operational objectives:

- Implement key regulations to expand industry growth.
- Strengthen governance of the industry to improve public-private coordination.

STRATEGIC OBJECTIVE 2: TO ENSURE ADEQUATE FACILITIES AND AVAILABILITY OF A QUALIFIED LABOUR FORCE

While the policy and institutions framework needs strengthening, logistics capacity should be expanded. Labour-force skills need to be improved and awareness must be raised about opportunities in the logistics industry. To provide efficient logistics services, it is crucial to install bonded logistics centres to provide value added services through MCC and LCL de-stuffing. It is important to create the conditions (land, logistics zones) for the private sector to lead the development of cold storage solutions and multi-user facilities across the country. This strategic objective has two operational objectives:

- Attract skilled labour to satisfy growing industry needs.
- Provide adequate facilities to increase the number and quality of logistics operations.



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STRATEGIC OBJECTIVE 3: TO PROMOTE THE IMAGE OF SRI LANKA AS A LOGISTICS HUB WORLDWIDE

It is important to improve collection, analysis and dissemination of information at regional and international level in order to understand market opportunities and promote Sri Lankan logistics services. This strategic objective will focus on building Sri Lanka's image to attract FDI and raise awareness of the country's locational advantage. This strategic objective is composed of two operational objectives:

- Build a strong marketing campaign to stimulate export growth of the logistics sector.
- Increase market outreach to attract investment.

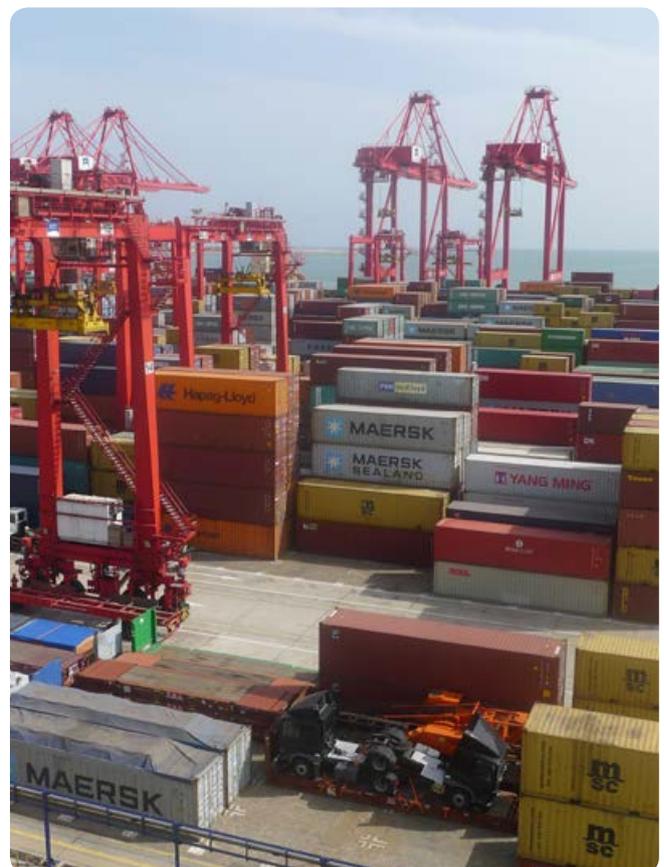


Photo: ITC

IMPLEMENTATION FRAMEWORK

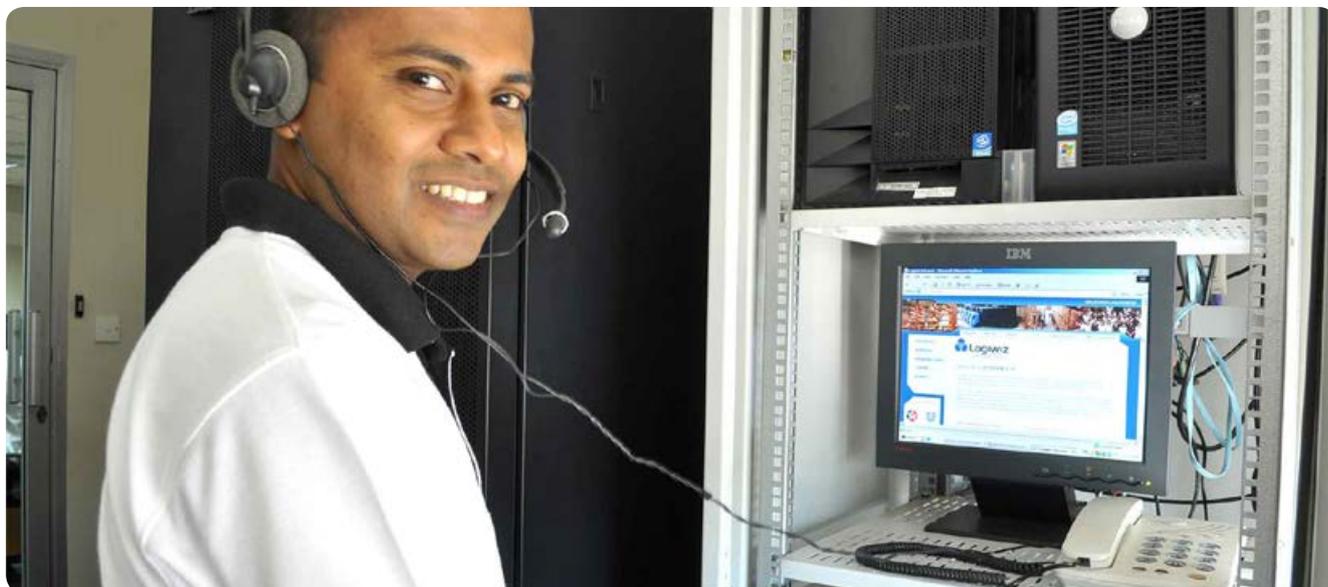


Photo: © advantis.world

The strategic development of the logistics industry in Sri Lanka aims to transform the country into a leading maritime, logistics and distribution hub in the Indian Ocean. Achieving this ambitious objective will depend heavily on the ability of the industry to implement the activities defined in this Logistics Strategy. As a primary intervention to structure sector development, it is recommended that the following interventions be implemented with priority:

- Urgently implement operational procedures and guidelines for provision of efficient logistics services (amendments to the Commercial Hub Regulation under the Finance Act, Customs Ordinance, Electronic Transactions Act); and
- Create the conditions (land, logistics zones) for the private sector to lead development of cold storage solutions and multi-user facilities across the country and provide value added services through MCC, LCL de-stuffing and commercial hub activities.

These immediate quick win activities are necessary to initiate Strategy implementation successfully and to create rapid industry growth.

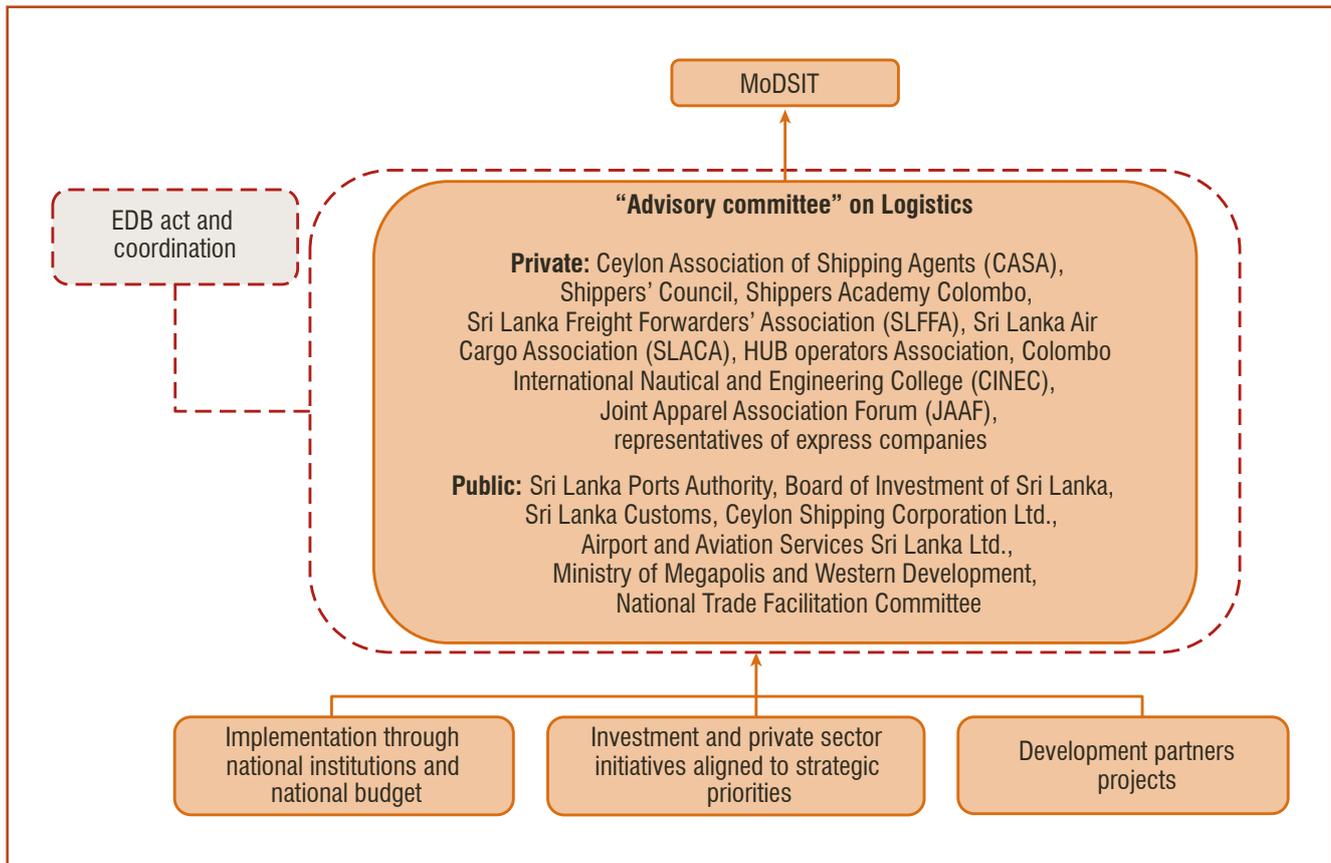
MANAGING FOR RESULTS

It is the translation of priorities into implementable projects that will achieve the substantial increase in export competitiveness and export earnings envisaged by the Strategy. These goals will be achieved by reforming the regulatory framework, optimizing institutional support to exporters and strengthening private sector capacities to respond to market opportunities and challenges. The allocation of human, financial and technical resources is required to efficiently coordinate and implement, and monitor overall implementation.

Successful execution of activities will depend on the ability of stakeholders to plan and coordinate actions in a tactical manner. Diverse activities must be synchronized across public and private sector institutions to create sustainable results. Hence, it is necessary to foster an adequate environment and create an appropriate framework for Strategy implementation.

Key criteria for achieving the targets will be to coordinate activities, monitor progress and mobilize resources for implementation. To that effect, industry representatives recommended that a public-private 'advisory committee' for the logistics industry be rapidly established, operationalized and empowered. The logistics advisory committee is to be responsible for overall coordination, provision of policy guidance and monitoring of industry development along the strategic orientations.

Figure 13: Institutional framework for logistics industry development



LOGISTICS 'ADVISORY COMMITTEE'

The Export Development Act (1979) grants EDB: 'On advice from the Board, the Minister may by Order in the Gazette, establish advisory committees for the development and promotion of certain products, product groups and commodities as well as functional aspects of trade'. Additionally, 'each such advisory committee shall have the power to fix and regulate its own procedure, including the power to determine the number of members necessary to form a quorum at its meeting'. The advisory committees are 'to advise the Board on any or all of the matters which the Minister considers necessary for the purposes of giving effect to the principles and provisions of this Act'.

A logistics advisory committee was established by the Minister of MoDSIT in February 2018, and effectively organized by EDB to enable the industry to strategically steer its development. The logistics advisory committee is composed of the following members:

- Representatives of private companies
- Ceylon Association of Shipping Agents (CASA)
- Shippers' Council
- Sri Lanka freight Forwarders' Association (SLFFA)
- Joint Apparel Association Forum (JAAF) – Logistics committee
- Ceylon Shipping Corporation Ltd
- Sri Lanka Port Authority
- Board of Investment
- Sri Lanka Customs
- Airport and Aviation Services Sri Lanka Ltd
- Ministry of Megapolis and Western Development
- Sri Lanka Air Cargo Association (SLACA)
- Colombo International Nautical and Engineering College (CINEC)
- Ministry of Development Strategies and International Trade
- Sri Lanka Export Development Board

The advisory committee is empowered to meet quarterly and implement the following functions:

- i. Create a shared understanding of key market challenges and opportunities facing the sector;
- ii. Set goals and targets that, if achieved, will strengthen the sector's competitive position and enhance Sri Lanka's overall capacity to meet the changing demands of markets;
- iii. Propose key policy changes to be undertaken and promote these policy changes among national decision makers;
- iv. Support the coordination, implementation and monitoring of activities in the sector by the Government, private sector, institutions or international organizations to ensure alignment to goals and targets; and, as required, contribute to resource identification and alignment.

KEY SUCCESS FACTORS FOR EFFECTIVE IMPLEMENTATION

The presence of the advisory committee to oversee the implementation of the Strategy is a key success factor but it is not sufficient to effectively fulfil its assigned functions.

Private sector support and participation in implementation

The private sector clearly expressed its willingness to contribute, directly or in partnership with public institutions, to implementation of the Strategy. Their implementation efforts can range from providing business intelligence to institutions to contributing to project design, promotion and branding, policy advocacy, etc. In brief, the private sector's practical knowledge of business operations is essential to ensuring the Strategy remains aligned to market trends and opportunities.

Proactive networking and communication

The key implementing institutions detailed in the PoA need to be informed of the content of the Strategy and the implications for their 2018–2022 programming. This networking and communication is essential to build further ownership and provide institutions with the opportunity to confirm the activities they can implement in the short-to-long term. It will be important for EDB, MoDSIT and members of the advisory committee to reach out to relevant institutions nationally to create awareness and support for logistics industry development.



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Resources for implementation

The advisory committee, in collaboration with EDB and NES Management Unit at MoDSIT, will need to leverage additional support for efficient implementation. Effective planning and resource mobilization is indispensable in supporting Strategy implementation. Resource mobilization should be carefully planned and organized.

As the logistics industry is a priority of the National Export Strategy, the Government of Sri Lanka should define annual budget allocations and support to drive industry growth. This commitment will demonstrate clear engagement in strengthening the sector and encourage private partners to support development. In addition to national budget support, resource identification will require BOI to effectively target foreign investors in line with the priorities of the Strategy such as capacity expansion of Colombo Port and BIA, and improvement of a rail network between ports, airports and commercial hub zones. Investment flows to Sri Lanka should also be considered as a valuable driver of Strategy implementation and overall industry development.

The various implementation modalities detailed will determine the success of Strategy implementation. However, high-level support from the Government, in collaboration with strong championship by the private sector, will be the real driver of successful implementation.

To achieve the vision and strategic objectives discussed, a robust, actionable and realistic strategic PoA is required. This is provided in the section below and constitutes the heart of this Strategy.

The PoA is structured along the three strategic objectives and the operational objectives described above. For each objective, the PoA outlines detailed activities and their implementation modalities, which include:

- **Priority level:** Priority 1 being the highest and 3 the lowest.
- **Start/end dates:** The desired time frame of the activity.
- **Targets:** Quantifiable targets that allow completion monitoring of each activity during implementation.
- **Leading implementing partners:** One single accountable lead institution per activity. (The institution may also have a technical role or may have solely an oversight and coordination role.)
- **Supporting implementing partners:** Any institution that should be involved at any stage of the activity's implementation.
- **Existing programmes or potential support:** Existing initiatives ongoing in the specified area of the activity.
- **Cost estimation (US\$):** An estimate of the activity's cost for the total implementation period.



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PLAN OF ACTION 2018-2022

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: To create an enabling and efficient business environment driven by technology and public-private coordination.	1.1: Adopt key regulation to expand industry growth.	1.1.1 Increase the decision-making autonomy of SLPA through amendment to the existing Act and financial regulations for processes related to logistics operators. Areas for amendment are: <ul style="list-style-type: none"> Financial autonomy: presenting a landlord model to promote FD and joint ventures; MCC and LCL: to promote MCC/LCL cargo handling by upgrading and investing in new infrastructure to compete in the new liberalized policy framework. 	1	01/04/2018	31/03/2019	SLPA Act No. 51 of 1979 amended; <ul style="list-style-type: none"> Merchant Shipping Act No. 52 of 1971 and Act No. 36 of 1988 amended 	Ministry of Ports and Shipping	Ministry of National Policies and Economic Affairs; Ministry of Finance; Exporters Association of Sri Lanka; Sri Lanka Logistics & Freight Forwarders Association (SLFFA); Ceylon Association of Shipping Agents; Sri Lanka Shippers Council; Ceylon Chamber of Commerce (CCC); National Chamber of Exporters of Sri Lanka (NCE); Prime Minister's Office	-
		1.1.2 Restructure the administrative and regulatory framework to best suit future demand from the maritime and logistics industry to serve the sector in a more effective and efficient manner, based on global models such as the Maritime Port Authority of Singapore: <ul style="list-style-type: none"> Change the current port structure by establishing an independent regulator (maritime and port authority) based on the Singapore model; Create specific divisions under the maritime and port authority in areas such as logistics, boat services and ship services. 	1	01/04/2018	31/12/2020	SLPA Act No. 51 of 1979 amended; <ul style="list-style-type: none"> Merchant Shipping Act No. 52 of 1971 and Act No. 36 of 1988 amended; Maritime Port Authority created 	Ministry of Ports and Shipping	Ministry of National Policies and Economic Affairs; Ministry of Finance; Prime Minister's Office	-
		1.1.3 Review the proposed final draft of the new Customs Act and have MoF submit it to Parliament to ensure the Act facilitates logistics operations and encourages operators, namely: <ul style="list-style-type: none"> Modern paperless transactions are included for Customs services/BOI; The Customs service station is fully equipped and interconnected and document submission is possible through the introduction of digital signatures; All end users, including other Government institutions, are provided with Customs interfaces and infrastructure to avoid duplication. Political leadership through PMO is essential to successfully implement paperless, digital trade submissions.	1	01/04/2018	31/03/2019	<ul style="list-style-type: none"> Customs ordinance 17 of 1869 and its amendments will be re visited to facilitate trade. 	Ministry of Finance	Ministry of National Policies and Economic Affairs; Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade; Sri Lanka Customs; Export Development Board; Department of Commerce; National Trade Facilitation Committee	-
		1.1.4 Launch the information portal that is being developed by DoC and Customs (under the World Trade Organization Trade Facilitation Agreement project). This portal is accountable and legally binding. It should be tri-lingual and will provide data to enable traders to get accurate, real-time information	1	01/04/2018	31/12/2018	Information portal launched	Ministry of Industry and Commerce	Ministry of Finance; Sri Lanka Customs; Department of Commerce; Prime Minister's Office; National Trade Facilitation Committee	50,000
		1.1.5 Implement proper guidelines for the Electronic Transactions Act, including facilitation of B2C transactions, and enable institutions to use integrated electronic solutions through the regulator (e-payment, e-signature, e-documents, tracking).	1	01/04/2018	31/12/2018	Guidelines for Electronic Transaction Act of 2006 provided	Ministry of Telecommunication and Digital Infrastructure	Ministry of National Policies and Economic Affairs; Central Bank of Sri Lanka; Ministry of Finance; Export Development Board; Information and Communication Technology Agency (ICTA)	-

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: To create an enabling and efficient business environment driven by technology and public-private coordination.	1.1: Adopt key regulation to expand industry growth.	1.1.6 Amend the Gazette 1818/30 Commercial Hub Regulations by amendment to the Finance Act 12/2012 & 2013. Balance minimum requirements for setting up Commercial Hub activities should be revised to facilitate entry of new operators.	1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> Finance Act, No. 12 of 2013 Finance Act Commercial Hub Regulation No. 1 of 2013 amended 	<ul style="list-style-type: none"> Department of Fiscal Policy MoF 	Ministry of Development Strategies and International Trade; Ministry of Transport and Civil Aviation; Board of Investment (BOI); Sri Lanka Customs; Export Development Board	–
		1.1.7 Keep the tax structure relevant to commercial hub operators at 0% as originally established and intended (in case 14% is applicable as of 1 April 2018, have the Minister of Finance amend the Act).	1	01/04/2018	31/12/2018	0% rate for Commercial Hub activities kept	<ul style="list-style-type: none"> Department of Fiscal Policy MoF 	Ministry of Development Strategies and International Trade; HUB Operators Association Of Sri Lanka; Inland Revenue Department	–
		1.1.8 Include logistics operations in the proposed land bank. <ul style="list-style-type: none"> Identify the locations to be allocated for international distribution companies within the logistics corridors and operating areas of international ports and airports; Call for expression of interest to attract investors to set up operations within ports and airports corridors developed by Western Megapolis project and the Southern Development project. 	2	01/04/2018	31/12/2018	Within six months to gazette selected lands and call for EOIs	Ministry of Megapolis and Western Development	Ministry of National Policies and Economic Affairs; Ministry of Development Strategies and International Trade; Ministry of Lands and Parliamentary Reforms	–
		1.1.9 Create the ecosystem to attract more FDI and head-quarter operations of multinational corporations to be located in Sri Lanka. <p>The current regulation restricts equity for foreign shipping and logistics companies. The Government needs to re-model based on best international models and investment requirements.</p> <p>The Government needs to study the requirements to attract global operators to Sri Lanka in order to create the ecosystem needed to develop ports and airports beyond a trans-shipment location. Equity, tax and other constraints should be removed to encourage more capital inflows from operators to Sri Lanka.</p>	1	01/04/2018	31/12/2019	Current regulations are under Ministry of Ports and Shipping. Gazettes, regulations, and guidelines issued by Merchant Shipping Division, BOI and Central Bank of Sri Lanka should be amended	Ministry of Ports and Shipping	Ministry of National Policies and Economic Affairs; Ministry of Development Strategies and International Trade; Board of Investment (BOI)	–
		1.1.10 Develop and strengthen antitrust laws related to maritime and logistics matters to strengthen Sri Lanka as a maritime nation and introduce legislation in conformity with international best practices. Antitrust provisions should also be included in maritime policy.	1	01/04/2018	31/12/2021	<p>Framework within 6 months by legal team to be developed;</p> <ul style="list-style-type: none"> Once framework is done, drafting of the relevant provision completed 	Ministry of Ports and Shipping	Prime Minister's Office	–

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: To create an enabling and efficient business environment driven by technology and public-private coordination.	1.1: Adopt key regulation to expand industry growth.	1.1.11 Ratify conventions that Sri Lanka has already committed to in relation to the International Maritime Organization and other transport conventions: <ul style="list-style-type: none"> • Air Pollution (International Convention for the Prevention of Pollution from Ships Annex 6); • Ballast Water Management; • Limitation of Liability on Maritime Claims; • Bunker Conventions on marine fuel supplies; • Oil Pollution Prevention; • Hazardous Noxious Substances protocol; • The Montreal Convention (the Convention for the Unification of Certain Rules for International Carriage by Air). <p>The following steps are required:</p> <ul style="list-style-type: none"> • MSS to update the Minister of Ports and Shipping on the status of current conventions. • A roll-out plan with timelines in prioritized order for conventions to be ratified by Parliament is proposed. 	0	01/04/2018	31/12/2022	IMO and other international transport conventions which are having shortfalls in law should be ratified	Ministry of Ports and Shipping	Ministry of National Policies and Economic Affairs; Prime Minister's Office	-
		1.1.12 Finalize Sri Lanka maritime and logistics policy, which is being prepared now, and submit it for Cabinet approval. All previous regulation amendments should be included and are dependent on the proposed maritime policy, which has to be finalized by 31 March 2017.	1	01/04/2018	31/12/2018	Drafted Maritime and Logistics policy document to Ministry of Ports and Shipping headed by Dec 2017 to be submitted for approval of Cabinet	Ministry of Ports and Shipping	Ministry of National Policies and Economic Affairs; Prime Minister's Office	-
		1.1.13 Remove existing barriers to private sector investments and operations in railway networks and encourage PPPs in rail master plan design and implementation of programs for improved rail transportation (network expansion, maintenance and management)	1	01/04/2018	31/12/2020	Set of guidelines for PPP projects Calls for proposal of PPPs completed	To be finalized by Ministry of Transport and Civil Aviation	Ministry of Ports and Shipping; Department of National Planning; Prime Minister's Office; Sri Lanka Railways; External Resources Department	100,000
		1.1.14 Enable areas within international airports and ports authorized by Sri Lanka Customs to receive/hold/deliver/import cargo to be allowed to carry out Entrepot related activities, which is currently restricted to the sea port of Colombo and commercial hub operators.	2	01/01/2019	31/12/2022	Regulation amended and circulated.	Department of Fiscal Policy MoF	Ministry of Development Strategies and International Trade; Ministry of Transport and Civil Aviation; Ministry of Ports and Shipping; Sri Lanka Customs; HUB Operators Association Of Sri Lanka	10,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
1: To create an enabling and efficient business environment driven by technology and public-private coordination.	1.2: Strengthen the governance of the industry to improve public-private coordination.	<p>1.2.1 Hold quarterly meetings of the Logistics Advisory Committee chaired by the private sector, including public sector stakeholders to:</p> <ul style="list-style-type: none"> • Confirm strategic orientation of the industry; • Plan annual implementation of the strategic orientations; • Track implementation progress by lead implementing partners; • Assess the need to establish adequate support mechanisms (policy, regulations, institutions, etc.). <p>1.2.2 Establish a twice yearly advisory round table between MoMWD and MoNPEA specifically to define a common plan for 'supply chain solutions' and logistics development, allocation of land and PPPs.</p>	1	05/04/2018	31/12/2022	<ul style="list-style-type: none"> • Quarterly meetings held; • Minutes available 	Export Development Board	Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade; Ministry of Transport and Civil Aviation; Ministry of Finance; Ministry of Ports and Shipping; Sri Lanka Logistics & Freight Forwarders Association (SLFFA); Ceylon Association of Shipping Agents; Sri Lanka Shipper's Council; Ministry of Megapolis and Western Development	5,000
2: To ensure the adequate facilities and availability of qualified labor force.	2.1: Attract skilled labor to satisfy growing industry needs.	<p>2.1.1 Strengthen the link between academia and industry to develop the partnership and better alignment to serve industry needs, namely by:</p> <ul style="list-style-type: none"> • Transfer Shipping and Aviation Research Institute (SARI) to Institute of Policy Studies (IPS) to conduct logistic industry research; • Develop partnership with Singapore Cooperation Enterprise to get the technical assistance and expertise from Singapore's development experience; • Develop a curriculum on Supply chain, Logistics and Transport for selected education institutes; • Assess labour requirements and upgrade skills of HR at institutions of MoTCA. 	2	01/04/2018	31/12/2022	Bi-annual meeting held	Ministry of Megapolis and Western Development	Ministry of National Policies and Economic Affairs; Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade; Ministry of Transport and Civil Aviation; Ministry of Ports and Shipping; Ministry of Lands and Parliamentary Reforms; Prime Minister's Office; Central Environment Authority	10,000
		<p>2.1.1 Strengthen the link between academia and industry to develop the partnership and better alignment to serve industry needs, namely by:</p> <ul style="list-style-type: none"> • Transfer Shipping and Aviation Research Institute (SARI) to Institute of Policy Studies (IPS) to conduct logistic industry research; • Develop partnership with Singapore Cooperation Enterprise to get the technical assistance and expertise from Singapore's development experience; • Develop a curriculum on Supply chain, Logistics and Transport for selected education institutes; • Assess labour requirements and upgrade skills of HR at institutions of MoTCA. 	2	01/01/2019	31/12/2021	<ul style="list-style-type: none"> • Annual academia-industry meeting held • R&D programme developed; • Partnership with international Research institute established; • Shipping and Aviation Research Institute transferred to Institute of Policy Studies • Research assessments (industry, R&D, HR, etc) conducted. 	To be finalized by Ministry of Transport and Civil Aviation	Ministry of National Policies and Economic Affairs; Ministry of Ports and Shipping; Department of National Planning; Airport & Aviation Services Sri Lanka Limited; External Resources Department	150,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
2: To ensure the adequate facilities and availability of qualified labor force.	2.1: Attract skilled labor to satisfy growing industry needs.	2.1.2 Under the PPP with the Shippers Council, establish sponsorship programmes funded by the industry for eligible underprivileged youth. Private sector to participate and fund education for talented but underprivileged students, selected on established criteria who have done well in examination at ordinary and advanced level but does not get selected to university or does not have a financial capability to do further studies in private institutions or in the university. A scholarship program to be created with private industry funding focused on the sector would be considered as Corporate social responsibility (CSR) for associations/stakeholders involved in the sector.	2	01/01/2019	31/12/2021	Sponsorship programmes established	Ministry of Higher Education and Highways	Ministry of Industry and Commerce; Ministry of Development Strategies and International Trade; Ministry of Ports and Shipping; Export Development Board; Sri Lanka Shipper's Council	100,000
		2.1.3 Under the PPP with the Shippers Council, provide internship opportunities and training programmes for students in the supply chain, logistics and international trade stream to obtain relevant education and practical experience. This can be achieved through companies providing practical training and experience to students in the subject areas on a short-term basis so that they graduate from academic institutions with background knowledge and geared to perform better and with greater productivity.	0	01/04/2018	31/12/2020	Internship programs established	Ministry of Higher Education and Highways	Ministry of Development Strategies and International Trade; Ministry of Skills Development and Vocational Training; Export Development Board; Sri Lanka Shipper's Council	100,000
	2.2: Provide adequate facilities to increase the number and quality of logistics operations.	2.2.1 Establish a specialised unit for data gathering and analysis on logistics and shipping to identify the bottlenecks, simplify the processes and reduce overall logistics cost. 2.2.2 Carry out a feasibility study (private sector experts and University of Moratuwa) on the necessity of installing multi-user facilities to provide temperature-controlled storage (bonded logistics centres). Release of reefer storage, using reefer containers in ports and creation of multi-user facilities, cold storage, etc. would help transportation and collection of perishables and the food processing sector, which currently suffers a high percentage of post-harvest losses. Implement recommendations. 2.2.3 Formulate an action plan to build scale and volume through key performance indicators and ensure implementation. For this, all Government institutions related to TF (SLPA, MoPS) to develop and maintain key performance indicators to monitor institutions' performance and to improve the country's LPI, Ease of Doing Business and Global Competitiveness Index rankings.	2	01/01/2019	31/12/2021	<ul style="list-style-type: none"> Unit for data gathering and analysis on logistics and shipping functional; Methodology defined; Data available in 2019 Feasibility study completed; Recommendation implemented.; 	Department of Census and Statistics	Central Bank of Sri Lanka; Ministry of Development Strategies and International Trade; Ministry of Finance; Ministry of Ports and Shipping; Export Development Board; Sri Lanka Port Authority; Sri Lanka Logistics & Freight Forwarders Association (SLFFA); Ceylon Association of Shipping Agents	100,000
			2	01/06/2018	30/06/2019		Ministry of Ports and Shipping	Ministry of National Policies and Economic Affairs; Ministry of Finance; Ministry of Higher Education and Highways	50,000
			1	01/05/2018	31/12/2022	<ul style="list-style-type: none"> Action plan implemented KPIs indicators developed under each institution 	Ministry of Development Strategies and International Trade	Ministry of Transport and Civil Aviation; Ministry of Finance; Ministry of Ports and Shipping; Sri Lanka Port Authority; Project Management and Monitoring (PMM)	30,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
2: To ensure the adequate facilities and availability of qualified labor force.	2.2: Provide adequate facilities to increase the number and quality of logistics operations.	2.2.4 Establish and promote private zones under the BOI regulations in order to create logistics and warehousing 'plug and play' facilities. <ul style="list-style-type: none"> BOI to allocate zones where international distributors and assembly companies can set up operations to perform value addition; Provide basic 'plug and play' infrastructure, where minimum time and effort would be taken for companies to start work. This will include buildings, electricity, water, minor assembly plants and transportation connections; BOI to promote these facilities to investors. 2.2.5 Develop a Port Community System to share information among different terminals to facilitate trans-shipment and inter-terminal trucking. It is also recommended that terminals have contracts to optimize ship handling to make the Port of Colombo more efficient.	1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> Zones for "plug and play" logistics and warehousing operations allocated; Investment promotion activities carried out 	Ministry of Development Strategies and International Trade	Ministry of National Policies and Economic Affairs; Ministry of Finance; Board of Investment (BOI)	30,000,000
		2.2.5 Develop a Port Community System to share information among different terminals to facilitate trans-shipment and inter-terminal trucking. It is also recommended that terminals have contracts to optimize ship handling to make the Port of Colombo more efficient.	1	01/04/2018	31/12/2020	A port community system set up and operation.	Sri Lanka Port Authority	Ministry of Ports and Shipping; Information and Communication Technology Agency (ICTA)	50,000
3: To promote the image of Sri Lanka as a logistics hub in the world.	3.1: Build a strong marketing campaign to stimulate export growth of logistics sector.	3.1.1 Develop a national logistics marketing plan and promotional materials to increase awareness of the country location advantage to attract FDI. Following steps required: <ul style="list-style-type: none"> Prepare a national logistics and shipping marketing plan (as a result of the first Advisory Committee meeting); Create required marketing materials; Establish country image as logistics hub (MCC+LCL cargo, warehouses, e-commerce). 3.1.2 Organize international high profile MICE events to invite global logistics and shipping companies to showcase the location and what it offers in terms of competitiveness and to promote Sri Lanka as the next logistics hub, internationally. 3.1.3 Formulate a marketing budget and trade promotional portal for global branding of Sri Lanka's logistics industry in targeted markets (East Africa, South East Asia, Bangladesh, India, China, Pakistan) and to organise a road show in UAE (Dubai), UK, Denmark. Positioning the country as a leading re-exporting centre in South Asia, has tremendous potential to attract global B2C business to Sri Lanka. Total logistics solutions to multinational companies can be designed to suit different clientele. A marketing and a branding campaign can be segmented to Europe, Africa, Middle East, South and East Asia,	1	01/04/2018	31/12/2018	<ul style="list-style-type: none"> Marketing plan developed (by first quarter 2018); Marketing materials created 	Ministry of Development Strategies and International Trade	Ministry of Transport and Civil Aviation; Ministry of Ports and Shipping; Ministry of Foreign Affairs; Board of Investment (BOI); Export Development Board; HUB Operators Association Of Sri Lanka	50,000
		3.1.2 Organize international high profile MICE events to invite global logistics and shipping companies to showcase the location and what it offers in terms of competitiveness and to promote Sri Lanka as the next logistics hub, internationally.	1	01/04/2018	31/12/2022	2 major MICE events held yearly	Export Development Board	Ministry of Development Strategies and International Trade; Department of Commerce	100,000
		3.1.3 Formulate a marketing budget and trade promotional portal for global branding of Sri Lanka's logistics industry in targeted markets (East Africa, South East Asia, Bangladesh, India, China, Pakistan) and to organise a road show in UAE (Dubai), UK, Denmark. Positioning the country as a leading re-exporting centre in South Asia, has tremendous potential to attract global B2C business to Sri Lanka. Total logistics solutions to multinational companies can be designed to suit different clientele. A marketing and a branding campaign can be segmented to Europe, Africa, Middle East, South and East Asia,	1	01/08/2019	31/12/2022	<ul style="list-style-type: none"> Promotional web portal launched in targeted countries; 2 road shows per year in selected countries organized 	Ministry of Development Strategies and International Trade	Ministry of Industry and Commerce; Ministry of Finance; Ministry of Foreign Affairs; Export Development Board	1,000,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
3: To promote the image of Sri Lanka as a logistics hub in the world.	3.2: Increase market outreach to attract the investment.	3.2.1 Attract investment to increase a rail network between ports, airports and commercial hub zones to facilitate fast transfer of seair cargo and establish an integrated multi-modal connectivity network. PPP can be set through BOT model when government releases the land and legal clearance and private companies invest in hard infrastructure. This can be achieved through investment promotion activities in targeted countries (India, China, Japan). Following steps required: <ul style="list-style-type: none"> Develop a plan with track allocation initially between Colombo port and BIA cargo terminal; Prepare investment profiles for investors in target countries; Carry out investment promotion activities in selected countries including roadshows and B2B meetings; Engage foreign representatives, diplomats and embassy representatives to support and plan promotional visits. 	2	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Investment profiles prepared; One road show per year in targeted country organized; B2B meeting with 5-7 investors in each country organised per year 	Ministry of Megapolis and Western Development	Ministry of National Policies and Economic Affairs; Ministry of Transport and Civil Aviation; Ministry of Ports and Shipping; Department of Commerce; Airport & Aviation Services Sri Lanka Limited	1,500,000
		3.2.2 Increase capacities in the port of Colombo to facilitate trade growth. Following steps required: <ul style="list-style-type: none"> Finalise the tendering process of East terminal to identify the winner; Assist with the beginning of administrative procedures for construction of the terminal. The Port of Colombo project has to be expedited as constraints for mega ships are indicated within the next twelve months.	1	01/04/2018	30/06/2019	<ul style="list-style-type: none"> Decision about allocation of Colombo East Terminal taken; Construction of the terminal commenced 	Ministry of Ports and Shipping	Ministry of Industry and Commerce	100,000
		3.2.3 In line with new government policy on further expansion and opening of the logistics sector (budget 2018), stimulate the development of airports (domestic and international) through sustainable business models, including PPPs. As required, complete the necessary legislative amendments. Promoted investment for the construction of cargo handling (hub operations) in key airport.	1	01/04/2018	31/12/2022	<ul style="list-style-type: none"> Plan for airport development designed with private sector logistics operators Civil Aviation Act amended to enable PPPs Investor targeting completed 	To be finalized by Ministry of Transport and Civil Aviation	Ministry of Finance; Board of Investment (BOI); Department of National Planning; Airport & Aviation Services Sri Lanka Limited; External Resources Department	100,000

Strategic objectives	Operational objectives	Activity	Priority	Start date	End date	Targets	Leading implementing partners	Supporting implementing partners	Indicative costs (USD)
3: To promote the image of Sri Lanka as a logistics hub in the world.	3.2: Increase market outreach to attract the investment.	<p>3.2.4 Diversify shipping beyond containerized cargo to increase activity of non-containerized cargo in Sri Lankan ports.</p> <ul style="list-style-type: none"> Conduct a feasibility study on the possibility of developing Hambantota and Trincomalee ports for bulk, roll-on/roll-off and energy services for the growing and fast-developing Bay of Bengal region; Carry out a feasibility study on converting one or two ports to turnaround ports for cruise tourism –Colombo/Galle; Based on feasibility studies, develop a plan for converting ports to turnaround ports with various non-containerized cargo activities; Announce a call for expressions of interest to install the facilities in the selected location. <p>The overall port strategy should work towards increasing all types of ships calling at Sri Lankan ports</p>	2	01/01/2019	31/12/2022	<ul style="list-style-type: none"> Feasibility studies completed; Blueprint through the national ports and shipping policy incorporated; Call for expression of interest announced 	Ministry of Ports and Shipping	Ministry of National Policies and Economic Affairs	150,000
		<p>3.2.5 Attract investment to increase refinery capacity in order to bring more ship arrivals. This can be achieved through investor targeting and promotion of bunker / crude oil storage both onshore and offshore. For this activity, offshore liberalization is important and is the first step (linked to 1.1.10).</p> <ul style="list-style-type: none"> Carry out investment promotion activities through roadshows and B2B meetings in target countries (India, United States, Japan, China, Gulf countries and South-East Asia); Announce a call for expressions of interest. 	2	01/04/2018	31/12/2022	<ul style="list-style-type: none"> One road show per year in targeted country organized; 5 investors in selected countries reached per year 	Board of Investment (BOI)	Export Development Board	100,000



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ANNEXES

APPENDIX 1: LIST OF PARTICIPANTS IN THE PUBLIC-PRIVATE CONSULTATIONS

No.	Name	Designation	Name of Institution
1	Mr. K.V.P. Ranjith De Silva	Vice Chairman	Airport & Aviation Services (Sri Lanka) Limited
2	Mr. D.J.U. Purasinghe	Senior Assistant Airport Manager	Airport & Aviation Services (Sri Lanka) Limited
3	Mr. Kingsley Abeywickrama	Managing Director	APL Lanka (Pvt) Ltd
4	Mr. Nimal Ameresekere	Chairman	Association of Container Transporters (ACT)
5	Mr. Rezvan Rasheed	Managing Director	BAZ World
6	Mr. N.N. Kumaratunga	Director - (Investment Appraisal) - Services & Utilities Sector	Board of Investment (BOI), responsible for EPZs and Commercial hubs (Commercial hub section)
7	Mr. Ananda K. Rajakaruna	Senior Deputy Director	Board of Investment (BOI)
8	Mr. Ruwan Waidyaratne	Chairman	Ceylon Association Of Shipping Agents (CASA)
9	Ms. Manori Dissanayaka	Assistant Secretary General	Ceylon Chamber of Commerce
10	Mr. Dinesh De Silva	Chairman - Import Section	Ceylon Chamber of Commerce
11	Ms. Chitra Jayasinghe	Deputy General Manager	Ceylon Shipping Corporation Ltd
12	Mrs. Yamuna Wettasinghe	Assistant General Manager -Business Development & Marketing	Ceylon Shipping Corporation Ltd
13	Dr. E.K.D. Lalith Edirisinghe	Associate Dean - Faculty Of Management, Humanities & Social Science	Colombo International Nautical & Engineering College (CINEC)
14	Dr. Dan Malika Gunasekera	Legal Counsel/Legal Consultant	Danmar
15	Mr. Dimithri Perera	Country Manager	DHL Keells (Pvt) Ltd
16	Mr. Harin De Silva	Chairman	Exporters Association of Sri Lanka (EASL)
17	Mr. E.R.C. Moraes	Senior Advisor	Finlays Colombo Limited
18	Mr. Amal Rodrigo	Director	Hayleys Free Zone
19	Mr. Sean Van Dort	Director - Logistics & Digital Service Integration	MAS Capital
20	Rear Admiral. D.E.C. Jayakody	Project Director - Maritime Cities Development Project	Ministry of Mega Polis & Western Development
21	Mr. Sanjeeva Abeygoonewardena	Director/CEO	Mountain Hawk Express (Pvt) Ltd (FedEx Express)
22	Mrs. Vijitha Weerasinghe	Director/ Planning	National Transport Commission
23	Mr. Kumar Senevirathna	Manager Logistics	Penguin Sportswear (Pvt) Ltd (Emjay Penguin)
24	Mr. S. Mahesan	Director (Exports)	Sri Lanka Customs
25	Mr. Dushmantha Karannagoda	Past Chairman	Sri Lanka Freight Forwarders' Association (SLFFA)
26	Mr. Jagath Pathirane	Chairman	Sri Lanka Logistics and Freight Forwarders Association (SLFFA)
27	Mr. Roshan Silva	Vice Chairman	Sri Lanka Logistic and Freight Forwarders Association (SLFFA)
28	Mr. H. D. A. S. Premachandra	Managing Director	Sri Lanka Ports Authority
29	Mr. Upali De Zoysa	Director – Logistics	Sri Lanka Ports Authority
30	Mr. Jayantha Perera	Director- Ports Operation	Sri Lanka Ports Authority
31	Mr. Suranga Walpola	Manager (Logistic)	Sri Lanka Ports Authority
32	Ms. Zavia Miskin	Dy. Chief Operations Manager	Sri Lanka Ports Authority
33	Mr. N.J. Chrisso De Mel	Chairman	Sri Lanka Shipper's Council

No.	Name	Designation	Name of Institution
34	Mr. Suren Abeysekera	Vice Chairman	Sri Lanka Shipper's Council
35	Mr. Clifford Rodrigo	Cargo Sales Manager	Sri Lankan Airlines Limited
36	Mr. Hiran Fernando	Cargo Sales Executive	Sri Lankan Airlines Limited
37	Eng. Nishal Samarasekara	Senior Lecturer - Department of Transport & Logistics Management	University of Moratuwa
38	Capt. A Banerjee	Managing Director	ZIM
39	Mr. S.R.P. Indrakeerthi	Director - Trade Facilitation & Trade Information	Export Development Board
40	Mr. M.K.S.K. Maldeni	Director – Export Services	Export Development Board
41	Ms. Dhanushka Ruwanpathirana	Export Promotion Officer	Export Development Board

APPENDIX 2: CURRENT LOGISTICS INFRASTRUCTURE IN SRI LANKA

Road

Transport in Sri Lanka is based primarily on the road network and is centred around Colombo. Road transport accounts for about 93% of land transport in Sri Lanka.¹³ A number of road networks remain in poor condition, while recent investment has focused on major highways. Sri Lanka's road network is dense and extensive, providing connectivity to the population and economic activity centres. The present network comprises about 12,000 km of national highways, 152 km of expressways, 15,500 km of provincial roads, 65,000 km of local authority roads and 24,000 km of roads owned or controlled by irrigation, wildlife and other authorities.¹⁴ The road density is among the highest in Asia and is about 5.19 km per 1,000 people, compared with 2.00 in Bangladesh and 1.69 in Pakistan. National roads are 100% paved, provincial roads 67% and local authority roads 13%. In recent years, expressways and national highways – as well as provincial, district, and rural roads – have been built or upgraded with financial support from the Asian Development Bank.¹⁵ The National Road Master Plan 2008–2017, developed by the Ministry of Highways and Road Development, aims to ensure that the road network will be planned, maintained, constructed and developed to enhance national integration and economic growth.

Rail

The rail network connects the main cities with Colombo and consists of 1,508 km of track. The Government took steps to develop railway transportation but most efforts were mainly to support the rail network at basic level¹⁶ as the performance of Sri Lanka's rail network weakened. Currently, only 1% of the freight market is catered to by Sri Lanka Railways.¹⁷ The Government expects to increase the share of railway freight transport by 2020 through the Public Investment Programme 2017–2020.

13.– Asian Development Bank (2017). Sri Lanka: Railway Master Plan, project data sheet. Available from www.adb.org/projects/51108-001/main#project-pds.

14.– Sri Lanka, Ministry of Highways and Road Development (2007). *National Road Master Plan 2007–2017: Executive Summary and the Investment Plan*. Colombo. Available from www.rda.gov.lk/supported/noticeboard/publications/nrmp_executiveSummary.pdf.

15.– Asian Development Bank (2015). Roads and highways in Sri Lanka, 27 January. Project Result / Case Study. Available from www.adb.org/results/roads-and-highways-sri-lanka.

16.– Asian Development Bank (2017). Sri Lanka: Railway Master Plan, project data sheet. Available from www.adb.org/projects/51108-001/main#project-pds.

17.– *Ibid.*

Inland water

In addition to road and rail, Sri Lanka has 160 kilometres of navigable waterways.¹⁸ With 103 natural river basins and total length of about 4,500 km,¹⁹ there are unused opportunities for inland water freight transportation services. In 2016, MoMWD conducted a feasibility study that identified that a speedy transport system could be introduced through canals and reservoirs to connect Colombo East–West and North–South and Wellawatta–Battaramulla (through canals), Fort–Union Place (across Beira Lake), and Mattakkuliya–Hanwella (through the Kelani River).²⁰

Ports

There are four deep-sea ports in Sri Lanka: Port of Colombo, Hambantota, Trincomalee Harbour and the Port of Galle. The port system is governed by SLPA. The main port services are container handling, trans-shipment and cargo. Container handling in Colombo Port is increasing year to year, mainly supported by increased operations in the Colombo International Container Terminal and South Asia Gateway Terminal.²¹ Total container handling in 2016 increased by 10.6% to 5.7 million TEUs, from 5.2 million TEUs handled in 2015.²²

The performance of Hambantota Port has been weak, mainly because of an absence of hinterland industries that can exploit the full potential of this industrial port. The activities of this port are concentrated on vehicle trans-shipments, roll-on/roll-off operations, bulk and gas shipping. Trincomalee Port, the second-best natural harbour in the world, serves passenger ships and also caters to bulk cargo and port-related industrial activities including heavy industry, tourism and agriculture. The Port of Galle is currently a small port but SLPA plans to develop facilities to accommodate freight handling of international vessels, as well as develop a fully fledged yacht marina.

18.– Central Intelligence Agency (2017). *The World Factbook*. Washington, D.C. Available from www.cia.gov/library/publications/the-world-factbook/index.html.

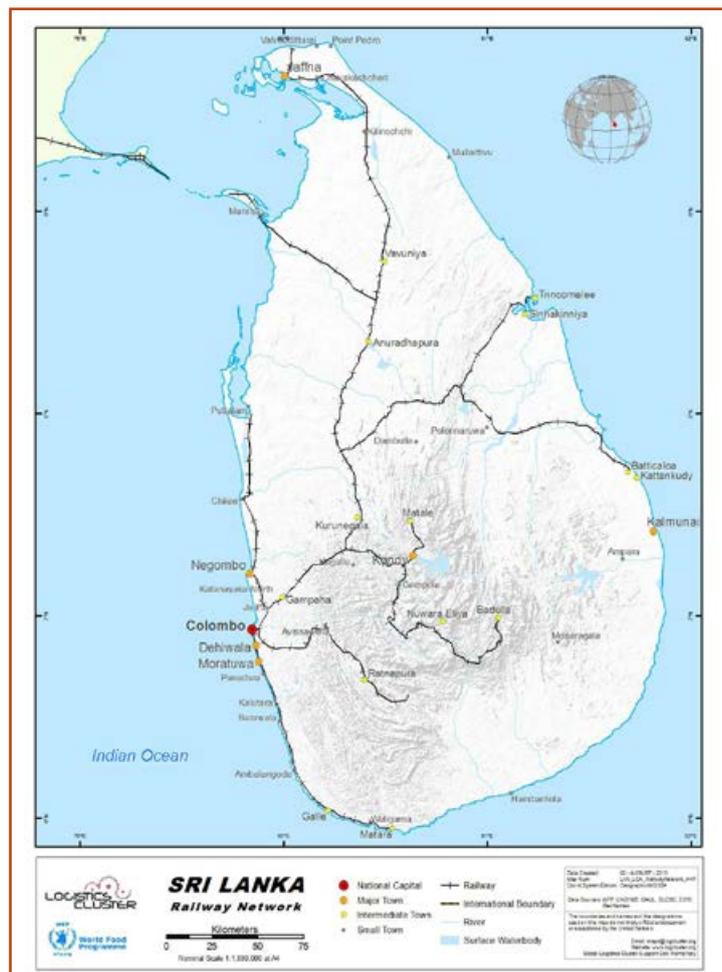
19.– United Nations Educational, Scientific and Cultural Organization and Ministry of Agriculture, Irrigation and Mahaweli Development (2006). Sri Lanka Water Development Report. Available from <http://unesdoc.unesco.org/images/0014/001476/147683E.pdf>.

20.– Sri Lanka, Ministry of Megapolis and Western Development Sri Lanka Land Reclamation and Development Corporation in collaboration with Western Region Megapolis Planning Project (2017). *Pre-Feasibility Study Inland Water Based Transport Project (Phase I), Western Province*.

21.– Central Bank of Sri Lanka (2016). *Annual Report 2016*, chapter 3.

22.– *Ibid.*

Figure 14: Sri Lankan rail network



Source: <http://dlca.logcluster.org>.

Table 2: Performance of port services, 2013–2016

Item	2013	2014	2015	2016	Growth rate (%)			
					2013	2014	2015	2016
1. Vessels arrived (no.)	3 976	4 264	4 728	4 998	-3.8	7.2	10.9	5.7
Colombo	3 667	3 742	4 197	4 405	-5.2	2	12.2	5.0
Galle	36	60	72	96	-47.8	66.7	20	33.3
Trincomalee	134	127	164	216	-16.8	-5.2	29.1	31.7
Hambantota	139	335	295	281	308.8	141	-11.9	-4.7
2. Total cargo handled (thousand tons)	66 243	74 410	77 579	86 519	2	12.3	4.3	11.5
Colombo	63 482	70 794	73 718	81 879	2.9	11.5	4.1	11.1
Galle	207	394	542	771	-50.9	90.3	37.5	42.4
Trincomalee	2 435	2 748	3 027	3 514	-14.8	12.9	10.2	16.1
Hambantota	119	474	293	355	495	298.3	-38.3	21.2
3. Total container traffic (thousand TEUs)	4 306	4 908	5 185	5 735	2.8	14	5.7	10.6
4. Trans-shipment container (thousand TEUs)	3 274	3 781	3 967	4 435	3.4	15.5	4.9	11.8
5. Employment (number)	9 886	9 598	9 550	9 651	-3.1	-2.9	-0.5	1.1

Source: SLPA.

Aviation

Sri Lanka's aviation network is built around 17 airports, of which three are international: BIA, Ratmalana Airport and Mattala Rajapaksa International Airport. Most international traffic is routed through BIA, located 35 km north of the capital. All three airports have cargo handling facilities. They are administrated by Airport and Aviation Services (Sri Lanka) Ltd. Total cargo handling at BIA increased 18.1% in 2016.²³ The airport has good connection with Katunayake EPZ and Colombo through the Colombo–Katunayake Expressway. Mattala Rajapaksa International Airport handled 916 aircraft movements in 2016, compared with 884 aircraft handled in the preceding year.²⁴

To link logistics activities, minimize congestion and maximize efficiency, a logistics corridor concept is currently being developed to accommodate trans-shipment facilities, storage, collection and local-level distribution of cargo. MoMWD proposes, through the Megapolis project, to develop logistics services focusing on four major corridors: Colombo–Hambantota, Colombo–Trincomalee, Colombo–Kandy and Colombo–Jaffna, and within Colombo Metropolitan Region. This will allow the development of specific clusters to accommodate trans-shipment facilities, storage, collection and local-level distribution of cargo. Rail and expressway networks for freight handling will be built to minimize congestion and maximize efficiency for logistics services.

To eliminate double handling and shorten the sea to air (or vice versa) turnaround time to maximize the benefits of transport, logistics and trading, a number of EPZs have been successfully created. EPZs in Sri Lanka have a long history. The first EPZ became operational in 1978 in Katunayake. Currently there are 14 EPZs around the country, covering different areas. They are managed by BOI, which provides assistance at each stage of the investment process. EPZs are meant to attract FDI and promote economic and industrial development, and also to generate exports, foreign exchange and employment through various fiscal and non-fiscal incentives offered to investors. The relevant legislation allows for exported items to be exempt from import duty on capital goods and raw materials, and from exchange control. The incentives also include tax holidays and concessionary tax.

23.– *Ibid.*

24.– *Ibid.*

Figure 15: Air passenger and air cargo handling in Sri Lanka, 2012–2016

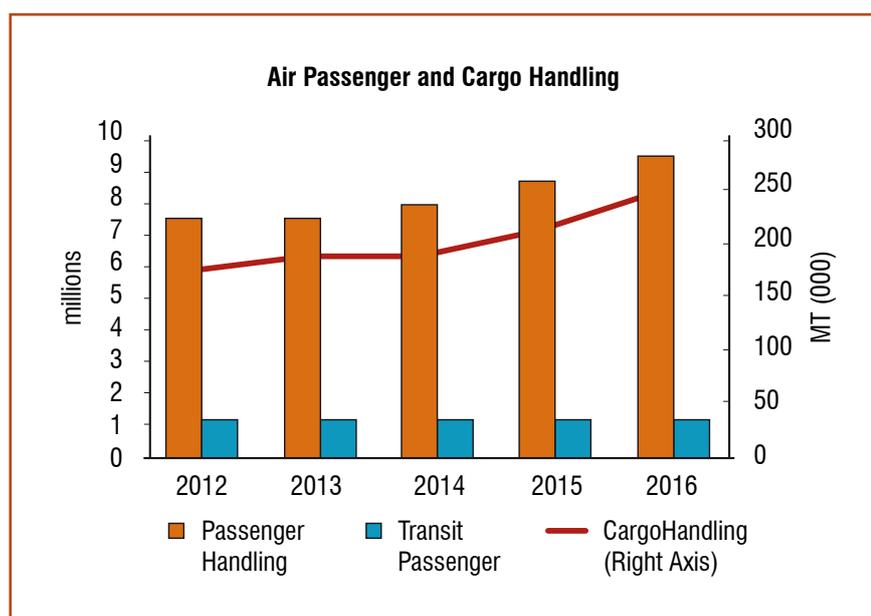


Figure 16: Expressway network in Sri Lanka

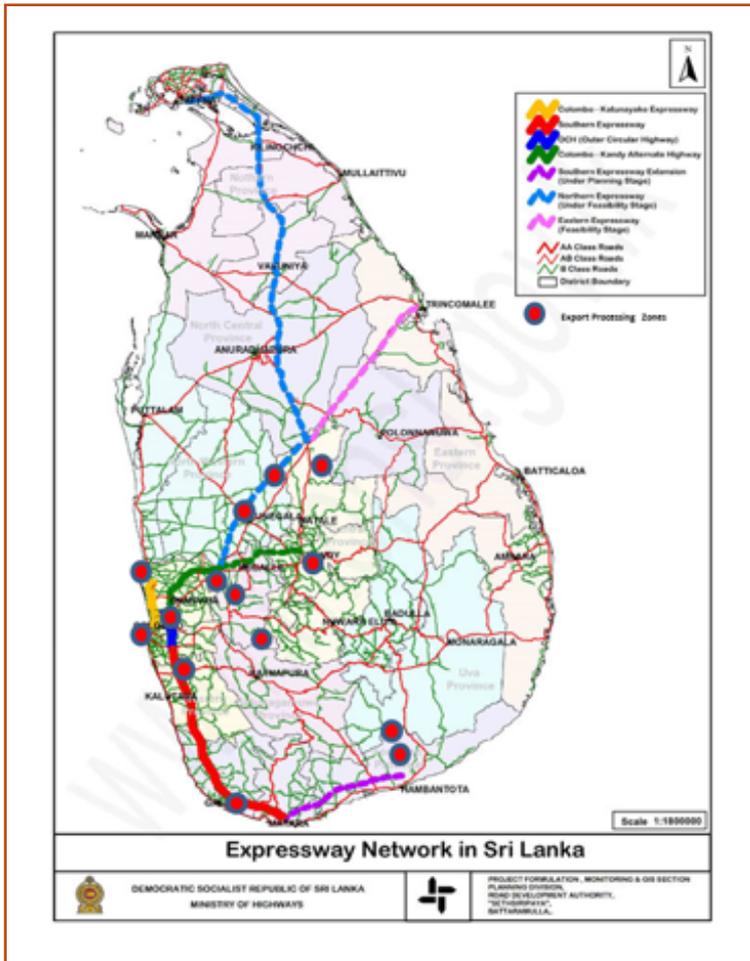
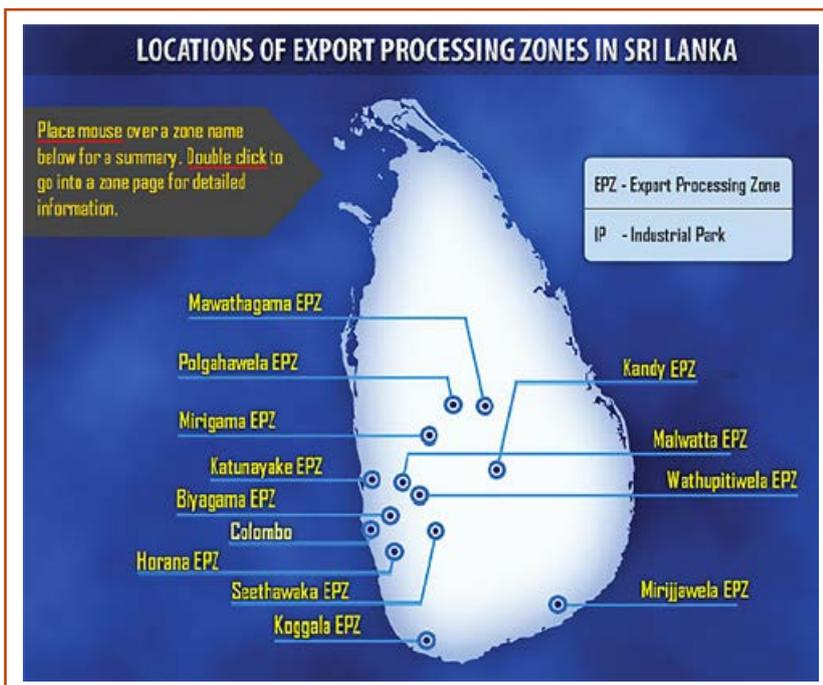


Figure 17: Locations of export processing zones in Sri Lanka



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Ministry of Development Strategies
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Sri Lanka Export Development Board



International
Trade
Centre



Ceylon Association
of Shipping Agents



Sri Lanka
Freight Forwarders'
Association



Hub Operators Association



Sri Lanka Shippers' Council



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