

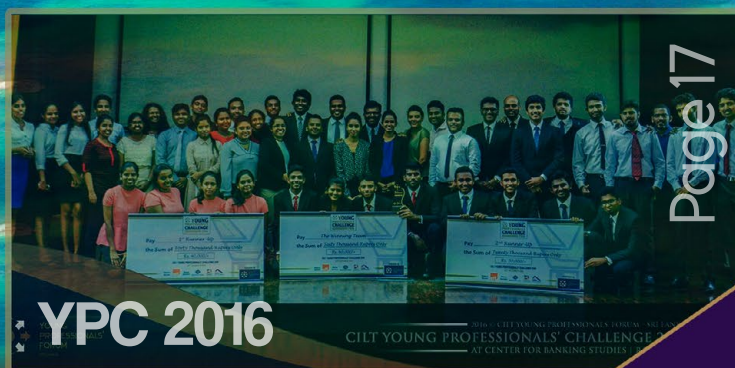


The Chartered
Institute of Logistics
and Transport

CILT Link

THE CHARTERED INSTITUTE OF LOGISTICS AND TRANSPORT - SRI LANKA

MARCH 2017 | VOLUME 1 | ISSUE 2



PORT OF COLOMBO

Port of Colombo is ranked 2nd in terms of growth among the top 30 ports and continues to provide the international container shipping community a competitive world class service.



SRI LANKA

Dear Readers,

The Year 2017 will be an unprecedented year, witnessing a paradigm shift in the landscape of the Global Maritime Industry; with Mergers Acquisitions Divestitures and Consortia Arrangements. The surplus in global containershipping capacity is predicted to continue and liner shipping is expected to continue on its volatile path. Few consortia will crystallise in the first half of the year, however the synergies and the efficiencies will trickle in over the medium to long term. Market speculation for more divestitures and further significant consolidation will continue.

Looking closer to home; Year on year Port of Colombo (POC) grew at a robust 11 percent, with Colombo International Container Terminal (CICT) growing at 28 per cent, fulfilling 2 Million TEUs of its designed capacity of 2.4 Million TEUs; South Asia Gateway Terminals (SAGT) growing at 19 per cent achieving 1.6 Million TEUs, yet again surpassing its

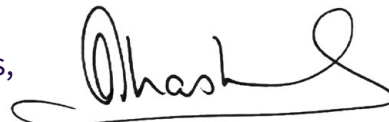
Editor's Note

design capacity of 1.2 Million TEUs and Jaya Container Terminal (JCT) holding its position as the market leader with a throughput of 2.1 Million TEUs and further enhancing its productivity.

And Looking ahead; Due to the apparent delayed progress of capacity expansions, deep draft capacity challenges are expected to emerge. The long list of potential mega ships imminently due onto networks involving Colombo port calls at CICT, will trigger an influx; with less than 14.25m draught vessels shifting from CICT to the original basin seeking berthing options at JCT and SAGT. Therefore in the near term it is very likely the port will experience an increase in utilization. The cross-over of various consortium partners will add another dimension to the dynamics of the market, here in the Port of Colombo.

To remain relevant; PoC must leverage on its strategic Maritime Location, Superior Facilities and Best in Class Productivity; to further strengthen the distinct value proposition offered to the Global Maritime Industry; as THE Transshipment Hub of the Region.

Best Regards,



Ms. Dhashma Karunaratne, MILT
Editor, CILT Link



Views expressed are the authors own interpretation and is no way to be attributed to groups, organizations or the like that the author maybe affiliated to

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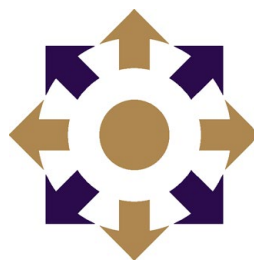
MSC Oscar

MSC Oscar is the world's largest container vessel launched in January 2015. It has 3 identical sister ships called MSC Maya, Zoe and Oliver.



Image Courtesy: upload.wikimedia.org

The Chartered Institute of Transport (CIT) Sri Lanka was established in 1984 and incorporated by the parliamentary act no. 08 of 2000. In 2001 following the merger of the two leading professional bodies CIT Sri Lanka became The Chartered Institute of Logistics and Transport (CILT) Sri Lanka. In 2012 The Council of Trustees of the Chartered Institute of Logistics and Transport (CILT) upgraded the status of CILT Sri Lanka from a Branch to a Territory. In doing so the Council of Trustees recognized the high standards of performance, governance and membership development evidenced in CILT Sri Lanka over the past several years. The award was made at the CILT International Convention and Annual General Meeting held in Birmingham from 11th to 14th June 2012, was presented to Mr. Romesh David, Chairman, CILT Sri Lanka, by HRH Princess Anne, the Princess Royal, who is the Patron of the Institute.



The Chartered Institute of Logistics and Transport

CILT Sri Lanka is governed by a Council consisting of professionals representing all segments of the Transport and Logistics industry and is among the eight Chartered Institutes, forming the body – The Forum of Chartered Institutes (FCI) with objectives to serve common goals for the ultimate benefit of Sri Lanka's economy. Further CILT Sri Lanka consists of two wings namely Women in Logistics and Transport (WiLAT) Sri Lanka and Young Professionals' Forum (YPF) Sri Lanka dedicated for the Women and Youth of the Logistics and Transport industry.

“ The Leading International Professional Body for everyone who works within Supply chain, Logistics and Transport ”

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**Stronger
Together**

The Logistics Leaders Evening Talk

Decision making for Logistics Professionals
11th July 2016

CILT Sri Lanka conducted the first Logistics Leaders Evening Talk for the year on 11th July 2016 at the auditorium of National Chamber of Commerce Sri Lanka. The topic for the evening was “Decision making for Logistics Professionals”. The talk was conducted by Dr. Errol Wirasinghe of San Francisco, USA which was attended by a large number of industry professionals and academics.

The seminar provided an insight into the tools and techniques available to make decisions that are timely, consistent, optimal, and defensible. He demonstrated that problem solving and decision making were not the same; problem solving being the process of coming up with a range of potential solutions for the problem at hand, and decision making being the process of identifying the optimal one, for implementation. He further said that today, in the face of information and choice overload, our decision-making tends to become overly influenced by personal biases, intuition, prior experience, illusions, and perception.

Some of the highlights of his talk were,

- Recognize human irrationality and illusions that creep into decision making
- Understand key factors that impact decision making
- Bid evaluation and vendor selection
- Present and defend decisions with ease
- Define and utilize appropriate criteria in the decision-making process
- Implement an analytic hierarchal methodology when making decisions
- Minimize risk by validating decisions

Dr. Errol Wirasinghe, developer of the XpertUS Decision Support System (software), is the author of two books on decision-making. He has trained several Fortune 500 companies, and is also an adjunct professor at the University of Houston's MBA program. Dr. Wirasinghe has published papers on topics relating to management, and has carved out a niche as a “decision-maker” using analytics, to shatter traditional myths of decision-making. His professional career spans across many disciplines.

HMM Reveals Plan to Take 5% Global Market Share by 2021



South Korean Shipping Company Hyundai Merchant Marine (HMM) revealed its plans to take 5 percent of global market share by 2021 by means of various measures including its latest agreement to join the 2M network. Currently controlling 2.2 percent of global container capacity, the firm intends to improve cost competitiveness by focusing on the Asia-US route and raising wet bulk carriers rather than dry bulk vessels. On December 11, 2016, HMM reached an agreement with Maersk Line and Mediterranean Shipping Company (MSC), members of the 2M alliance, to enter into a new strategic cooperation. HMM was looking to join the 2M alliance after its membership in the G6 alliance expires in 2017.

- Ashan Wickramasinghe -

John Diandas Memorial Lecture 2016

CILT John Diandas Memorial Lecture was held on 4th August 2016 under the theme "Exploring the Nexus between Land Use and Transport" at the Kingsbury. The session was delivered by Mr. Nayana Mawilmada, the Head of Investment Western Region Megapolis Planning Project. He addressed on the current transport and land use issues making the audience aware of the root causes and the available solutions.

For More Information: <http://www.dailymirror.lk/113734/Expert-sheds-light-on-current-transport-and-land-use-issues>

<http://www.sundaytimes.lk/160814/business-times/colombo-kandy-and-kurunegala-cities-are-clogged-with-traffic-congestion-204369.html>



THE CHARTERED INSTITUTE OF LOGISTICS AND TRANSPORT - SRI LANKA John Diandas Memorial Lecture 2016

" Exploring The Nexus Between
Land Use And Transport "

GUEST SPEAKER



Mr. Nayana Mawilmada

Head of Investments
Western Region Megapolis Project

4th August 2016

5.30 p.m. Onwards

SAVE THE DATE
Reserve Your Seat Now*

At The Victorian Hall
The Kingsbury Hotel | Colombo

Open Event | Refreshments will be served at 5.00 p.m.

REGISTRATIONS - Maryse - 0777579798 / admin@ciltsl.com
*Please note that registration is based on first come, first served basis



The Chartered
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and Transport

L S De Silva Memorial Lecture 2016

CILT L S De Silva Memorial Lecture was conducted by Dr. Dimantha De Silva, Senior Lecturer of Department of Civil Engineering, University of Moratuwa on the proposed transport plan for the Western Region Megapolis Project, under the theme, "A Rail-Centric Public Transport Solution for Megapolis". This transport plan includes a modernized bus service, an electrified rail system, a modern Rapid Transit System (RTS) and inland water and multimode facilities. He discussed about the proposed Light Railway Transit (LRT) and its current status. Further he elaborated on each transport plan and their importance.

For More Information: <http://www.dailymirror.lk/117334/Academic-outlines-transport-proposals-under-Megapolis-Project>



BEGINNING OF THE END? HANJIN COLLAPSE

Global shipping industry suffered from a heavy blow by the shockwaves sent from the collapse of the South Korean liner Hanjin Shipping. Prior to its financial demise, Hanjin Shipping was South Korea's largest container line and once world's seventh-largest shipping company. On 31st of August 2016, Hanjin filed for bankruptcy protection and requested the court to freeze its assets, after losing support from its banks the previous day.

Established in 1977, Hanjin Shipping led the Korean shipping industry as the top shipper for nearly four decades. In its prime years, Hanjin Shipping used to make up 7% of Korea's total harbor volume. The shipping giant, however, has been under financial strain due to unfavorable conditions in the recent shipping sector.

When Hanjin collapsed, 20 or more vessels were trapped, at least 10 of them in China alone. Hanjin was the first shipping line to collapse in 30 years and as it fell into bankruptcy, its ships and the cargos in them have been frozen wherever they have been sitting. Some have been seized at the ports they were anchored; some are staying out of ports to avoid being seized and others are just idling around, loaded or unloaded. Industry experts say more than 500,000 containers are trapped on these ships, with cargo on board worth more than 14 billion USD. Since any one container can hold consignments from

dozens of exporters, the dreadful reality is that thousands of the region's companies have had goods helplessly trapped for almost three months, with no prospect of early release. Among extreme casualties are likely to be Samsung – which used Hanjin to transport 40% of its exports – and LG with 20%. Thousands of smaller exporters are also in the list and with little chance of compensation.

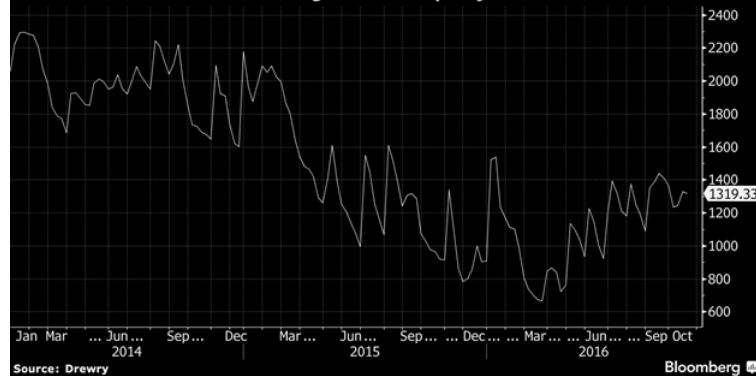
At the other end of the spectrum, thousands of workers of Hanjin have found themselves without employment. These include the Head Quarter employees, agency workers and seamen in the stranded and captured vessels. The latter in the most pathetic situation of all, not being able to go on shore or see their families for months to date, and even running out of supplies on-board. The investors and ship owners of Hanjin are in no better position – Danos, the Greek container ship owner, crashed to an 8.4 million USD net loss in the third quarter and declared bankruptcy, as the collapse of Hanjin Shipping withered its charter revenue.

The shipping industry has been warned of such a catastrophe since the global financial market crash back in 2008. Global trade growth has faltered to single digits in the past few years. As capacity growth has continued at around 6% a year, with the global container fleet four times larger today than

<https://www.bloomberg.com/news/articles/2016-11-02/maersk-profit-declines-as-container-line-industry-suffers>

Weak Rates

Global container rates are suffering amid overcapacity



relating to shipping. The crisis cascades into the ship-building industries, ports and even contract logistics. Hyundai Heavy Industries laid off 10% of its ship-building workforce earlier in November. China, home to seven of the world's top 10 ports, faces a massive challenge, with an overcapacity estimated at more than 50 million TEUs.

Meanwhile the top container carriers posted their financial results for the nine months of 2016, or first six in case of the Japanese, and it is mostly in the red region. Only Hyundai and Wan Hai Lines have managed to make gains, even that being marginal. Hanjin replicates a net loss of close to 3 billion USD being the unfortunate leader, while NYK followed closely behind at 2.2 billion USD.

Million USD		
Rank / Carrier		Profit / Loss USD
3	CMA CGM	-497
4	Coscon	-1,361
5	Evergreen	-236
8	Hanjin	-2,923
6	Hapag-Lloyd	-147
13	Hyundai	206
15	"K" Line	-481
1	Maersk Line	-230
11	MOL	-2
12	NYK	-2,210
8	OOCL	-
29	RCL	-25
22	SITC	-
18	Wan Hai	11
9	Yang Ming	-411

Source: Daily FT 5/12/2016 <http://www.ft.lk/article/583876/Q3-Container-Shipping-Record-Red>

Analysts are predicting more mergers, consolidation and bankruptcies in the months to come, till the market stabilizes itself. The lines most at risk are said to be German carrier Hamburg Sud, Hong Kong's OOCL, Israel's Zim, and Hyundai Merchant Marine, Korea's second largest shipping line after Hanjin. Earlier, there were discussions of HMM joining with the 2M alliance, but recently Maersk has expressed doubt on the subject. Maersk Line has further announced its intentions of buying Hamburg Sud and aims to close on the deal by the end of 2017.

To ward off immediate crisis, Japan's three leading container shipping lines have declared a merger. The Taiwan government has just agreed a 2 billion USD relief package for its shipping lines – mainly Evergreen and Yang Ming – to provide some breathing space. At the meantime, the shipping industry is hopeful for better tides.

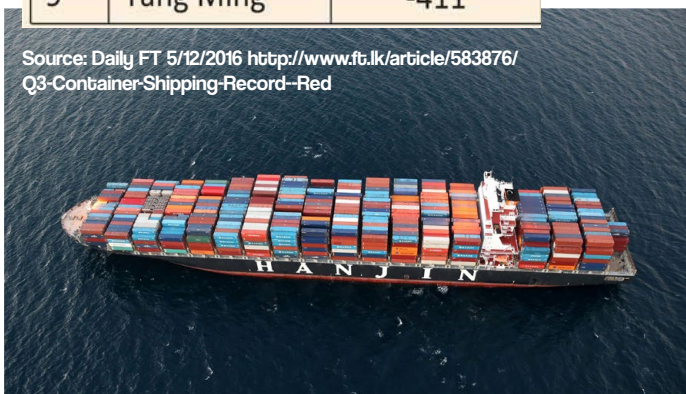
Anjalika Perera

Trincomalee port to be developed under Public Private Partnership



The Government has expressed interest to develop the Port of Trincomalee on a Public Private Partnership (PPP) model. The Government of Sri Lanka has held discussion with India, Japan and Singapore to develop it as a major port.

- Ashan Wickramasinghe -



THE Maritime Giants

Mr. Ruwan Waidyaratna

Managing Director of Hayleys Advantis Limited



Image Courtesy: www.portnet.gr

What is your opinion about the maritime industry at the current stage?

The global shipping industry has been weathering rough seas for several years now. An overall slowdown in international trade growth has led the maritime industry to make adjustments in response to economic, political and technological trends.

The prolonged debt crisis in Europe, slowing growth in China, and economic stagnation in the United States have been critical factors in the downturn of global demand while the capacity expansion in shipping fleets have been rising thereby creating an imbalance in supply and demand.

These factors have continuously caused strain on the freight rates. Eg., In February 2016, the Baltic Exchange Dry Index—an indicator of freight rates for dry goods and commodities—fell to its lowest level ever and from March to June 2016, the Shanghai Containerised Freight Index – an indicator of spot rates of shipping containers from Shanghai to global markets, recorded lowest rates.

However, on a more positive note, with rapid capacity consolidation measures taking place in the container shipping segment, freight rates have shown a gradual upward trend towards early 2017 and industry experts predict freight rates to stabilise during the year 2017 and gradually rise towards the later part of year 2018.

How do you predict the future of the industry with so many mergers, acquisitions and divestments taking place?

Going forward, it is envisaged that the liner consolidation efforts would bring about stability to the industry which is currently facing heavy headwinds. These company mergers, alliances and divestments will take place with the motive of improving capacity utilisation, reducing costs and sharing of industry best practices and thereby improving profit margins.

It is the view of experts that in the near future the top

carriers are likely to control over 65% of the total market volume while, smaller players would need to focus on niche markets.

Overall, all these efforts will collectively narrow the demand and supply gap while reducing the strain on freight rates.

Hence, I am of the opinion that the above consolidation and changes taking place in the shipping environment will result in industry cost efficiencies and utilisation improvements thereby providing a platform for a more stable future provided that this positivity would not be hampered by the nationalist sentiments seen in many counties of recent times.

How will the agency function in Sri Lanka be affected with the massive changes that are taking place in the shipping industry?

At a time when most shipping lines are burdened with overcapacity, falling freight rates, pressure on consolidation for survival, we can see that the role of the shipping agent is challenged to a greater extent. The process of horizontal and vertical integration has begun to completely reshape the industry. Globally there is immense pressure on shipping agents to redefine their market role, develop services with added quality and optimize levels of efficiency.

The same applies to the Sri Lankan shipping agents as all the structural changes taking place within our industry vertical will certainly pose a challenge to agency functions in Sri Lanka.



Thus, as agents I believe we need to always play to our strengths, be well aware of the requirements of principals and deliver services to their expectations at all times. We need to always go beyond our defined role and look for innovative, cost effective and efficient ways of serving the principals. Such initiatives can allow the agencies to be more cost competitive and flexible than shipping lines trying to establish their own set-up when conducting operations.

In addition to these initiatives, agents should continue playing a major role in market development regionally for principals without confining themselves to the domestic market.

We, as agents have significantly contributed towards boosting transshipment volumes for the port of Colombo. Promoting Colombo's strategic position in the East/West, North South and Intra-Asia shipping lanes, exploring together with principals to create new trade lanes and services, pursuing principals to divert existing services are some of the actions agents are taking silently and continually for the growth of container throughput in Colombo thereby generating more foreign exchange to the economy.

Is there a possible solution to overcome the lower demand that is currently being matched with higher supply due to high competition among the shipping lines? How can this gap be matched?

I believe this is a case of the demand and supply equilibrium being impacted due to sudden changes in the business environment.

In the short term, consolidation of capacity by way of alliances and merging of shipping lines, scrapping of vessels and delaying deliveries of newly built vessels are seen as rational ways of remedying the supply side mismatch.

With new alliances and mergers coming into play the number of new vessels coming into service will reduce drastically and allow the liner companies to have a better grip on space and costs. Also, we have seen a number of vessels being scrapped in recent times, with the year 2016 recording a higher scrapping volume of over 600,000 TEU's

However, likewise the demand side also needs to be stimulated to generate greater volumes.

What is your opinion about the legal side of the Maritime Industry, do you think there is a strong constitute that the people can rely on?

Sri Lankan Maritime industry is governed by many laws such as the Merchant Shipping Act, Licensing of Shipping Agents and Freight Forwarders and Container Depot Operators and Admiralty Jurisdiction Act.

It is also further augmented by the fact that Sri Lanka is a signatory to many of the International Maritime Organization (IMO) conventions relating to comprehensive regulatory framework for shipping industry. Areas covered under these conventions include areas such as safety, environmental concerns, legal matters, technical co-operation, maritime security and the efficiency of shipping industry etc.

Thus in general, I believe there is adequate laws governing the Maritime Industry in Sri Lanka.

However there are certain areas in our law that need to be looked at more carefully so as to fall in line with international best practices whilst protecting the national interest of our country. In order to gain a competitive advantage over other regional shipping hubs, we need to move towards being a shipping hub that is more service oriented for which the laws too should provide the legal infrastructure for the ports, the authorities and the operators to function under an automated environment. In this day and age of information and technology, laws and legal infrastructure too should be geared to facilitate the maritime industry to move forward.

Don't you think the Customs Ordinance in Sri Lanka should be amended to match the current Maritime Industry?

Yes, The Customs Ordinance not only needs to reflect the current Maritime Industry, but also needs to keep pace with today's ever changing business environment. Concepts such as economic integration, digitalization, uberization (shared economy) and e-commerce are today changing global commerce at an unprecedented speed.

Sri Lanka's Customs Ordinance, which was enacted in 1869, needs to evolve with these modern changes. If not, the country would lose its competitive position among other



competing economies. Trade facilitation and ease of doing business would also deteriorate significantly.

Taking into account the present concerns faced by the Maritime Industry, we have made several proposals through the Chambers and membership bodies, to be incorporated into the proposed new Customs Ordinance.

These include suggestions such as simplifying the clearance of import, export and transshipment cargo through digitization, facilitating pre-clearance for importers, necessary capacity building for a National Single Window etc., all of which needs consideration when bringing amendments to the Customs Ordinance.

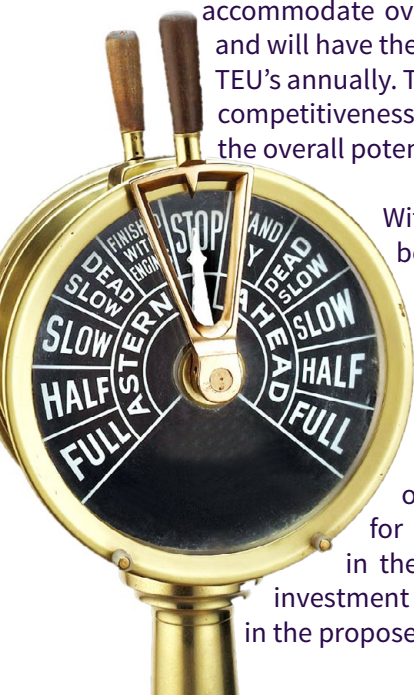
Another important area would be to ensure that the provisions of the new Customs Ordinance is aligned with the provisions of other Acts such as the Commercial Hub Regulation and the Free-Port Concept made under the Finance Act, Import & Export Control Act and other Acts relating to international trade.

Focusing on Sri Lanka, do you think there is a positive impact to the Economy through the Hambantota port? How can this port be effectively used to gain advantage for the country?

Hambantota port will undoubtedly play a vital role in the journey towards making Sri Lanka one of Asia's economic success stories.

Located on the southern tip of Sri Lanka, in very close proximity to some of the world's busiest maritime routes, it has all the facilities such as land availability, good road network and geographical positioning readily available to function as an effective industrial port.

Once in full operation the port will be well equipped to accommodate over 33 vessels at a given time, and will have the capacity of handling 5 million TEU's annually. Thus, it will increase Sri Lanka's competitiveness as a maritime hub and raise the overall potential of the maritime industry.



With the proposed new model to be adopted with the Chinese in the context of the Hambantota port, we could create various linkages, involving people, entrepreneurs in the surroundings of the port, generate more employment opportunities while paving way for Chinese investment to bring in the much needed foreign direct investment to establish these businesses in the proposed industrial zones.

However, it should also be noted that all the port development activities with regard to Hambantota, should be part and parcel of the overall development framework envisioned for port operations nationally and these proposed developments should in no way compromise the other ports in the country specially given Colombo port's attraction as a transshipment hub.

All in all, the Hambantota port will serve as a very positive milestone in Sri Lanka's long term objective of gaining competitive advantage in the region.

What is your view about the East Container Terminal that is being constructed, how can this new terminal be used as a game changer?

The Colombo Port Expansion Project (CPEP) was launched with the intention of dramatically increasing the port's capacities and capabilities up to 12 million TEU's & increasing its regional competitiveness.

The new Chinese-run Colombo International Container Terminal (CICT) is now making waves, surpassing a throughput capacity of over 2 million TEU's and a projected YoY volume growth of over 28% during the year 2016.

CICT is presently the only terminal with deep draft vessel handling capabilities. With the emergence of the new mega vessels and India's push to become a global manufacturing hub through its 'Make in India' initiative, we will see increased occupancy rates at the CICT projected for the future. In light of the above there certainly arises a need for fast tracking the development of the East Container Terminal. In the event the ECT is further delayed other regional ports may be able to seize the above opportunity. Once vessels are diverted to other regional ports it would be very challenging to attract them back and remain competitive as a regional hub.

The ECT with a projected capacity of 2.4 million TEU's will strengthen Colombo ports attraction as a regional transshipment hub by increasing birthing space for ultra large vessels, reducing vessel idling time and guaranteeing birthing time to shipping lines.

Thus, the ECT project I would say is an absolute necessity to stay alive as a transshipment hub in today's competitive environment, as any delays in vessel handling, extended idle times or any other operational hindrance will allow regional cargo to be diverted to other regional ports in a matter of time. We as a nation need to constantly make an effort to develop in terms of infrastructure, technology, policies and legislation to stay well ahead in this game.

According to your opinion what strategy should Sri Lanka use to position itself in the International Shipping Industry?

In an era of global shipping contractions and alliances and intense intra-regional port competition, ports have to find smarter, greener and automated ways of operating to remain competitive under thin margins.

Given our geographic advantages as an island, the main strategy should be to position ourselves in the international shipping industry by way of capitalizing on our physical infrastructure while developing other soft infrastructure to augment the service offering.

We need to keep all policies in place to attract more foreign investments by encouraging private-public partnerships, liberalization of foreign land ownership and other strategically significant sectors to boost infrastructural developments. Designating Colombo, Hambantota as free ports and other identified areas as free trade zones and expansion of services of the financial city will further benefit the modern global investors who seek faster and efficient shipping and logistics service offering.

In addition, Sri Lanka needs to create a more technologically savvy environment for customs and legislative procedures involving shipping transactions that would further benefit the companies by way of speedy, secure and more reliable transactions.

Can Sri Lanka ever be a “Trading Hub for ASIA”? Being geographically positioned in the best manner, we have many advantages over other countries, but what exactly is stopping us from being a trade hub?

Certainly. Sri Lanka's strategic location and its access to regional markets can be cited as prominent reasons for its potential to become a 'Trading Hub for Asia'.

Sitting at the cross roads of major shipping routes plying over 60,000 ships annually, being the potential gateway to nearly ¼ of the world population, preferential access to dynamic regional markets provides Sri Lanka the necessary fundament to transform itself once again as the 'Pearl of the Asian Silk Route'. It is also important to note that China's One Belt, One Road initiative has the potential to be the world's largest platform for regional collaboration and Sri Lanka being positioned in the center of this maritime road will open up opportunities for more and more global players from various industries to establish their trading hubs.

However in order to leverage on this opportunity of excellent geostrategical positioning, I believe Sri Lanka needs further stimulus mainly in developing its soft infrastructure. Policy planning & human development concerning trade and logistics which stands as two critical factors for functioning as a regional trading hub needs to be addressed to fall in line with the changing global business dynamics.

Measures need to be taken to review present trade and tariff policies and facilitation in order to improve our overall external trade growth which is presently weaker compared to other regional players like Singapore, Vietnam and Malaysia.



Logistics education needs to be promoted at the university and company levels to develop a more skillful resource pool of industry professionals while facilitating the inflow of expert expatriate workers similar to Singapore and Dubai in order to take the industry to the next level.

Also our recent infrastructural investments in the CICT, ECT, and Port of Hambantota etc. can be projected and marketed to the world as key factors enhancing our regional competitiveness.

Finally, I also believe that all the above mentioned measures needs to be supported by a clear and constant policy regime that will further strengthen our long term strategy.

What are your views on CILT's role and its contribution to the industry?

Logistics and Transport play a key part in global economic activity. They facilitate the movement of people, goods and services throughout the world, from conception to consumption. In such a setting, CILT performs a vital role in supporting the people who are involved in the entire process, from the grassroots to the corporate boardroom, by giving a voice to our industry. CILT brings together people from various countries and creates a platform for the sharing of ideas, expertise, experiences and knowledge so that we progress as an industry.

Also, CILT is presently playing a commendable role in the overall policy formulation for the transport and logistics industry and I believe they should continue with all such efforts functioning as an independent body.

What message do you have to convey to the professionals and the budding youngsters involved in the Industry?

Logistics and Transport is a very vibrant and dynamic industry. The industry today is constantly challenged by industry innovations, technological disruptions & many other international standards that has impacted almost all ways of operating businesses. New demands are coming up all the time, and customers always expect excellence in our service.

As people involved in making the world go round, we are not merely doing a job; we are doing a service that influences the world. Therefore, we must think of ourselves as global leaders who collectively contribute to the efficient functioning of the world and continuously make an effort to enhance knowledge on all the developments taking place around us.

We must constantly strive to do more - set high standards and give our fullest to achieve them. And we must always do our duty with passion. Passion exudes positive energy and progressive attitudes in everyone around us, and that works for everyone's benefit.

Interviewed By
Gayara Jayasuriya

Port Statistics

Source: Alphaliner

Growth Ranking	Throughput Ranking	Port	Throughput 2016	% Change 2016
1	12	Port Kelang	13,169,577	10.8%
2	23	Colombo	5,734,923	10.6%
3	7	Guangzhou	18,820,000	6.8%
4	20	Laem Chabang	7,227,431	6.0%
5	27	Algeciras	4,759,555	5.4%
6	16	Xiamen	9,613,700	4.7%
7	4	Ningbo-Zhoushan	21,570,000	4.6%
8	15	Antwerp	10,037,318	4.0%
9	8	Qingdao	18,010,000	3.3%
10	24	Ho Chi Minh City	5,622,659	3.2%
11	11	Tianjin	14,519,200	2.9%
12	28	Valencia	4,722,273	2.3%
13	14	Kaohsiung	10,464,860	2.0%
14	9	LA/LB	15,631,954	1.8%
15	1	Shanghai	37,133,000	1.6%
16	22	Yingkou	6,014,500	1.6%
17	29	Tokyo	4,704,000	1.6%
18	17	Dalian	9,590,000	1.5%
19	13	Rotterdam	12,385,168	1.2%
20	18	Hamburg	8,944,000	1.0%
21	3	Shenzhen	23,997,300	0.9%
22	2	Singapore	30,903,600	-0.1%
23	6	Busan	19,432,549	-0.2%
24	25	Bremerhaven	5,488,999	-1.0%
25	21	New York/New Jersey	6,251,953	-1.9%
26	5	Hong Kong	19,632,000	-2.2%
27	10	Dubai	14,772,000	-5.3%
28	26	Jakarta	5,484,864	-6.1%
29	30	Lianyungang	4,686,000	-6.5%
30	19	Tanjung Pelepas	8,280,710	-9.2%



Image Courtesy: www.shippingherald.com

Maersk to acquire German shipping line Hamburg Süd

Maersk Line is looking to absorb in the smaller competitor Hamburg Süd, joining a wave of M&A in the industry just over two months after the Danish company revealed plans to bolster its transport operations. The deal, announced by parent A. P. Moller-Maersk, is the group's first full takeover in more than a decade and highlights a consolidation drive in container shipping, which has been grappling with low freight rates and oversupply. It also follows Maersk's new boss Soren Skou's move to focus on transport and logistics and spin off the company's energy operations. Hamburg Süd, part of the Oetker Group, is the world's seventh largest container shipping line and operates 130 container vessels primarily in trade between the northern and southern hemispheres. Maersk has a fleet of more than 600 ships.



Image Courtesy: www.joc.com

K Line, Mitsui OSK and NYK to merge container units

Kawasaki Kisen, Mitsui O.S.K. Lines and Nippon Yusen have agreed to set up a joint venture with the combined operations to start in April 2018. They have combined annual revenues of about \$ 19 billion and the new joint venture will create the world's sixth-biggest container shipping business. Kawasaki Kisen and Mitsui O.S.K will each hold 31% of the new firm while Nippon Yusen will own a 38% stake.

Around the World

By Ashan Wickramasinghe



Image Courtesy: www.portgdansk.pl

Car Carrier Sector braces for bumpy road ahead

Given the strong link between economic growth, consumer demand and car sales, the car carrier sector has been highly exposed to sluggish world economic performance in recent years, and global seaborne car trade has still not yet returned to its 2008 peak of 21.3 million cars, with average annual growth of just 1.4% in 2013-15. In 2016 further pressures were seen on seaborne volumes, with car trade dropping 4% to 19.8m cars. The key driver of this fall has been considerably lower imports into developing economies following the commodity price downturn. Car sales in these countries have dropped sharply. While imports into North America and Europe, still the two largest markets for imported vehicles, have grown moderately (by 2% and 4% respectively), this has not been enough to offset declines elsewhere. Other factors have also dented volumes, with expansion of car output closer to demand centers leading to a disconnect between global car sales, which have continued to expand, and seaborne trade volumes.



Image Courtesy: www.klineurope.com



THE CHARTERED INSTITUTE OF LOGISTICS & TRANSPORT

YOUNG PROFESSIONALS' FORUM

SRI LANKA

Young Professionals' Forum of the Chartered Institute of Logistics & Transport – Sri Lanka (CILT YPF – Sri Lanka) is the country's leading youth movement that gathers together professionals and students in the fields of aviation, maritime transport, land transport and supply chain management.

Established in 2012, YPF- Sri Lanka focuses on inculcating the prime objectives of CILT Sri Lanka. The promotion and inspiration of art and science of logistics and transport, especially among the young members of the Institute in order to develop their skills and to provide the youth with a platform to voice

their concerns and demonstrate their abilities in par with international colleagues of the institute. Further YPF Sri Lanka aims to enhance member engagement through the provision of opportunities for career development, knowledge sharing and networking among peers in the same industry.

YPF-Sri Lanka comprises a dynamic member base covering over 500 industry professionals and students beneath the age threshold of 35 years. Since its inception in 2012 the forum has been engaged in numerous projects to achieve this vision in collaboration with its supervising body, making YPF Sri Lanka one of the fastest growing & active YPFs within CILT International.

Membership is open to all interested students and professionals under the age of 35. Please contact ypf@ciltsl.com for further details.



CILT Young Professionals' Forum Sri Lanka Youth CORNER



Seated (From Left to Right): Jayani Sudusinghe (Treasurer), Mareena Fernando (VP-Corporate Relations), Hemal Ranadeera (Secretary), Biman Hettiarachchi (Chairman), Hiroshi Fernando (VP-Education), Dilshan Pasindu Weerasinghe (VP-Membership), Ramindu Liyanage (Immediate Past Chairman).

Standing Row 1 (From Left to Right): Himashani Rajapaksha, Dilumi Rajakaruna, Mahesha Jayawardhena, Harshani Edirisinghe, Sachini Weerasekara, Vipuli Perera, Yasoda Gamage, Oshad De Silva, Pasindu Pathiranaage.

Standing Row 2 (From Left to Right): Praveen Kumarasinghe, Kavinda Karunanayake, Avinda Jinadasa, Chethaka Gamage, Hayley Kithmal De Silva, Ishan Jayawardena, Kasun Rosa.

Not in this photo: Nishantha Gamage.

YPF OFFICE BEARERS (2017/18)

Biman Hettiarachchi
Chairman

Dilshan Weerasinghe
Vice Chairperson
Membership

Mareena Fernando
Vice Chairperson
Corporate Relations

Hiroshani Fernando
Vice Chairperson
Education

Hemal Ranadeera
Secretary

Jayani Sudusinghe
Treasurer

Stronger Together

INSPIRE 2016 was held for the third consecutive year at the Centre for Banking Studies Auditorium, Rajagiriya on the 29th of June 2016. Organized in a much grander scale the event received an overwhelming participation of over 300 participants from universities, private institutes and from the corporate sector. INSPIRE 2016 organized by CILT YPF - Sri Lanka in collaboration with WiLAT - Sri Lanka where Ms. Mareena Fernando of YPF Sri Lanka and Ms. Yashodha Nirupamala of WiLAT Sri Lanka took on the responsibilities as the Co-Chairpersons of the project was conducted under the theme "Motivation" which is a much simpler but yet profound theme.

Three guest speakers who are known for their skill, dedication, courage and unwillingness to quit shared their experiences including their ups and downs with the youngsters in the audience giving them an idea on what they are going to face once they enter the corporate world and what they must do in order to survive and thrive.

Mr Ted Muttiah, the Chief Commercial Officer of SAGT being the first speaker at the event enlightened the audience by sharing his stories since childhood and how he succeeded in life achieving what he has earned today. Mr Muttiah was able to light up the young minds with his wisdom and experience by showing them what they can achieve in the future by being a part of this industry and persuading them to focus on the long term benefits.

Ms. Kasturi Wilson, the Managing Director of Hemas Pharmaceuticals Pvt Ltd, Hemas Logistics and Maritime Sector was the women's voice in the event. She managed to mould especially the minds of the ladies in the audience through her inspiring story, by showing them that gender is not an obstacle to rise up in the industry. Ms. Wilson made it perfectly clear that even women can climb to the top of the ladder in a male dominant industry. Her speech inspired the young and the old in the audience, encouraging them to achieve greatness realizing where they stand.



YPF Inspire 2016

The final speaker of the event Mr. Sunesh Rodrigo, the Deputy General Manager, Group Human Resources, MAS Holdings and the Founder of Foodigrow managed to capture the audience and hold them in utter amazement as he shared each and every single life event with the curious minds in the audience. Lessons and the experiences he shared were much easier for the audience to relate to, mainly due to the fact that Mr. Rodrigo was not much older than many in the audience. His words convinced every young mind in the audience that they too can achieve great things at a very young age.

INSPIRE 2016 concluded on a high note with requests from the audience to organize it for the fourth consecutive time in next year as well.

Written By **Oshad De Silva (YPFSL)**

Edited By **Jayani Sudusinghe**



CILT Young Professionals' Challenge 2016



The CILT Young Professionals' Challenge 2016 was organized for the third time this year with the participation of over 30 teams, while 5 of them being selected for the finals held on the 3rd December 2016 at the Centre for Banking Studies, Rajagiriya. Four teams representing University of Moratuwa and one team from General Sir John Kotelawala Defence University rose up the ladder to compete in the finals. This competition organized to showcase the presentation skills, team work and practicality of the ideas of budding professionals was held under two phases.

Phase one was for the teams to submit a documented report providing solutions to a set of hypothetical scenarios. During phase two, five teams were selected as finalists and given the chance to present their ideas in front of a panel of judges and the audience. The teams played the role of a consultancy firm where they will have to discuss the issues currently faced by a hypothetical apparel manufacturing company and provide recommendations to tackle these issues cited in the case study. This year five very respected and reputed industry professionals were called upon to judge the challenge with Mrs Gayani De Alwis, the former Director, Customer Service of Unilever Sri Lanka Ltd as the chief judge together with Ms Malmi Jayasena, Head of Supply Planning at Unilever Sri Lanka Ltd, Mr Ifran Ahamed, the Founder of Innovation Quotient and Mr Sean Van Dort, the Head of Logistics for MAS holdings as the judges for the event. Mr Mahesh Kurukulasooriya, the Managing Director of GAC Group companies, Sri Lanka was invited as a guest judge for the day.

The five teams went beyond the expectations of the judges and played the role of consultants quite well presenting their recommendations to overcome the issues faced by Tex Lanka (Pvt) Ltd. The climax of the event was the Q&A session which without any doubt check the knowledge of the competitors. The team Oracles from University of Moratuwa went home with the title, while team Seekers and Maven Consultancy which are also from University of Moratuwa emerged as 1st runners-up and 2nd runners-up respectively.

Edited By
Jayani Sudusinghe

Written By **Oshad De Silva (YPFSL)**



Women in Logistics and Transport (WiLAT) Sri Lanka Forum is the Women's Forum of The Chartered Institute of Logistics and Transport (CILT) Sri Lanka. WiLAT Sri Lanka was inaugurated on 21st March 2013. It is one of the five pioneering fora in the WiLAT Global community.



Women in Logistics and Transport

Our Global Convenor, who sits at the CILT International Management Committee, is responsible for the growth and development of WiLAT Internationally and for coordinating our Annual Global Conference.



Regional coordinators promote the interests of women in their region and encourage membership. Country groups work with and on behalf of women at local level, organising events, providing local support and networking opportunities, and representing women within the local CILT council.

Our vision is to be the most sought after for advocacy, professionalism and empowerment of women in Supply Chain, Logistics and Transport.

Our mission is to promote the status of women in Logistics and Transport, to bring together those who support talent and career development of women and to provide a support network and mentoring opportunities for women in the sector.

Our objective is to promote and encourage the art and science of Logistics “W” and Transport among Women.

“W”
Women



WiLAT CORNER

Women in Logistics and Transport Sri Lanka



SEATED FROM LEFT TO RIGHT

Namalie Siyambalapitiya, CMILT (Regional Coordinator South Asia), Dhashma Karunaratne, MILT (Vice Chairperson), Niroza Gazzali, MILT (Vice Chairperson), Gayani de Alwis, CMILT (Chairperson), Anoma Ranasinghe, CMILT (Vice Chairperson), Priyangani Jayasundara, CMILT (Secretary), Sriyamal Gamage, MILT (Treasurer), Gayathri Karunanayake, MILT.

STANDING FROM LEFT TO RIGHT

Gnei Zavia Miskin, CMILT, Shakkya Perera, Student, Gayara Jayasuriya, Student, Gayashika Fernando, Graduate, Maithree Attanayaka, CMILT, Vijitha weerasinghe, CMILT, Irosha Kularatna, Namali Sirisoma, CMILT, Ruchithra Yogananda, MILT, Amra Zareer, MILT, Rebecca Atulugama, Nayana Padmani, MILT, Manjaree Nigamuni, Student, Yashodha Nirupamala, Student, Pradeepa Jayaratne, CMILT.

WiLAT OFFICE BEARERS (2016/17)

Gayani De Alwis
Chairperson

Niroza Gazzali
Vice Chairperson
Membership Development

Dhashma Karunaratne
Vice Chairperson
PR & Brand Building

Anoma Ranasinghe
Vice Chairperson
Membership Services/Education

Priyangani Jayasundara
Secretary

Sriyamal Gamage
Treasurer

Stronger Together

WiLAT Sri Lanka Chairperson as the **Key Note Speaker** at the **WiLAT Nigeria Day**



WiLAT Sri Lanka Chairperson, Gayani de Alwis was invited as the key note speaker at the fourth WiLAT Nigeria day on 28th July at the Oriental Hotel, Lekki, Lagos. This year's theme of the conference was "Mentoring". De Alwis's key note speech titled "Mentoring - an irreplaceable ladder for sustainable development" was based on WiLAT Sri Lanka's pioneering case study on "Ignite", Mentoring Programme. Further, her key note speech was followed by WiLAT Nigeria unveiling the WiLAT "Impact", Mentoring Programme. The conference was followed by an awards dinner where WiLAT Sri Lanka Chairperson was awarded with the "Distinguished Mentor and Role Model" award for her leadership in rolling out mentoring globally.

Amra Zareer



Jayanthi addressing the questions from the audience – Q&A Session

REACH YOUR PEAK

"Reach your Peak", the motivational event was held at the Kingsbury on 29th August 2016. The guest speaker, Ms. Jayanthi Kuru – Utumpala, the first Sri Lankan to summit Mount Everest addressed the gathering on her experience and journey to the Everest.

Jayanthi was able to keep the audience hooked on by detailing her step by step approach and plan laid down to make her dream and passion a reality. This indeed was a really good learning opportunity for all logisticians to witness Jayanthi's first-hand experience as she took the audience through a very detailed presentation with pictures captured by her own during the expedition of one and half months.

Jayanthi mentioned that the journey to the Everest base camp alone took two weeks, which included three rotations through the Khumbu Ice Fall which was essential for both mental and physical training. She further stated that every single aspect, from choosing the right gears to equipment, to cooking to bathing, and even using the washrooms were all challenging experiences and one should learn to adapt to changes and accept trials in order to make dreams a reality. Jayanthi indeed bought fame and glory to Sri Lanka and also went on to prove gender is no obstacle. If you have a strong mind and have practiced hard, trained well, and planned ahead, you will have the gut to chase your dreams.

The forum was then open for a Q&A session moderated by Priyanga Hettiarachi, Director RightsBusiness. The WiLAT Chairperson, Gayani De Alwis thanked Ms. Jayanthi Kuru – Utumpala for her valuable insights and for encouraging women to take up challenges, break glass ceilings and make history in an industry like logistics and transportation where the female representation in our country is less than 2%.

- Amra Zareer -



WiLAT SL WALK

Striking a balance

For a Greener Tomorrow

WiLAT Sri Lanka Walk 2016 was held on the 24th of September under the theme “Striking a Balance for a Greener Tomorrow” with the objective of reducing the carbon footprint in the industries they operate and to promote and encourage green practises in one’s personal lives to lead a more environmentally friendly lifestyle.

Last year also WiLAT Sri Lanka organized their inaugural walk under the theme “**Striking a Balance in Logistics and Transport**” with the primary objective of creating awareness and promoting gender diversity in logistics and transport which is perceived to be male dominant.

The 5km walk commenced at the Independence square with a very colorful inauguration led by the WiLAT Sri Lanka Chairperson Gayani de Alwis together with the Executive Committee of WiLAT Sri Lanka. Gayani welcomed all the participants and shared a few key points on the vision, mission and goals of WiLAT and also by how each and every one could work towards a greener tomorrow. WiLAT having partnered with Earth Hour Sri Lanka in March 2016 has invited the Earth Hour Sri Lanka team also to join hands for this initiative.

The Walk was then followed by a brief introduction on the much awaited Float Competition where the students of CINEC Maritime Campus, University of Moratuwa and General Sir John Kothalawela Defence University actively participated by making props and models to convey a message on their respective area of study, depicting the logistics and transport sector as a whole. The props were made in eco-friendly material to live up to the concept.

University of Moratuwa emerged as the champions at the float competition and the runners up was the General Sir John Kothalawela Defence University. The winners were awarded with gift vouchers by the

respected judging panel. WiLAT ExCo also gave out prizes for the best decorated bicycle won by Expolanka Freight (EFL). To add glamour to all the excitement the participants were entertained with traditional Papere music during the walk.

Over 500 participants from multiple universities, corporates and other associations participated in this event which also promote and empower women. InterCoir generously sponsored plants and eco-friendly ornaments which was distributed to the judges and special invitees.

In conclusion of the Walk, the Chairperson Gayani de Alwis stressed the importance of the theme of the walk. She also stated that collaboration of WiLAT with Earth Hour Sri Lanka will undoubtedly help to promote green logistics and a sustainable lifestyle across CILT platforms and logisticians. The walk was concluded by WiLAT Chairperson thanking all supporters, participants, the generous sponsors and the ExCO for making the 2nd consecutive WiLAT walk a remarkable event.

Amra Zareer



Ignite3

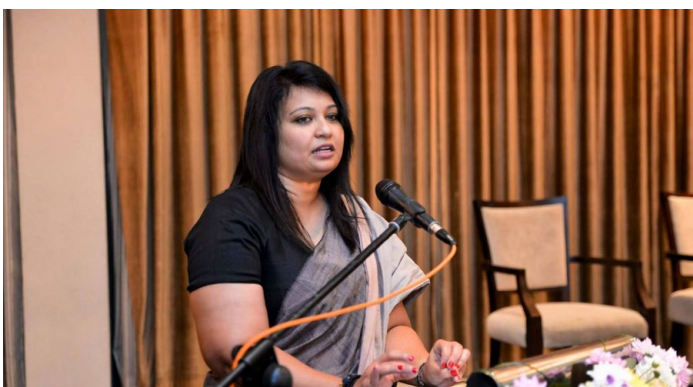
WiLAT SL celebrated the second anniversary of its flagship event, Ignite, the mentoring program on the 28th November 2016 at the Kingsbury.

WiLAT SL Chairperson Gayani de Alwis addressed the gathering and enlightened the audience on this initiative to mentor young females who are entering the world of work in their fields of transport, logistics and supply chain which in turn helps to create awareness, develop networking and support professional development.

Ms. Chiranthi Cooray, the Chief Human Resource Officer of Hatton National Bank was the Key note speaker for the event. The panel expressed their view on mentoring for the questions raised by the moderator. They mentioned that mentoring is a lifelong experience which is an ongoing process. Mentoring is not about teaching, it is about showing the path, facilitating learning and sharing the experience of women who have broken the glass ceiling. The relationship between mentor and mentee should focus on developing capabilities and mapping the career path.

The speakers of the evening emphasized the importance of a mentoring program for young females in the industry and appreciated the efforts of WiLAT SL for launching the mentoring program, Ignite. In fact, WiLAT SL mentoring program has been adopted as a model because of its continued success.

Amra Zareer



Ms. Chiranthi Cooray addressing the gathering

Perspective About CILT

Mrs. Anoma Ranasinghe, CMILT
Vice Chairperson - WiLAT Sri Lanka

What is your perspective about CILT and its activities?

CILT is considered as a Global professional body supporting everyone who works within or outside the sphere of Logistics & Transport Industry. Supply chain is considered as the backbone of the entire Transport & Logistics industry. It is in this sense CILT is required to focus more on offering many services which will strengthen education & membership services. I feel that CILT Sri Lanka is on the right path organizing active networking & educational events to meet the needs of its members giving opportunities to both males & females; young & talented. More attention should be paid to members. Need to service them, whether they be corporate or individual by maximizing the relevance of its activities. Many diverse activities need to be arranged so that all Supply chain, Logistics & Transport professionals & practitioners will feel their particular needs catered for. The Annual conference has always aimed for professional and personal development in a unique and relaxed networking-based environment. In my opinion CILT SL needs to play a pivotal role in the Logistics & Transport industry round tables and engagement with many other industry and government bodies.

What role and involvement do you have in the CILT and the WiLAT and how have you contributed to the society through these organizations?

Being a Chartered member of CILT and having served the executive committee of CILT –Sri Lanka for almost over 15 years I was involved in arranging International seminars, providing membership services to the members of the branch as well as mentoring young aspiring students planning to step in to the Logistics & Transport sector. Being involved in a professional association is a win-win situation for individuals because while you are networking with professionals you have the opportunity to learn more about your career field. As a professional; for the society I am happy to say that I have understood that credibility & trustworthiness are essential and therefore ensure others too understand what is considered best practice and what is accepted in the industry is vital.

My involvement with WiLAT as one of the Vice chair is because I am a strong believer of “Women supporting women”. Gender imbalance in the Transport & Logistics sector is not new. Women are seen as the unseen gender. So therefore in WiLAT our main aim is to close the gender inequality by introducing Mentoring programs, improving networking forums & professional development programs, so that the young women professionals will have the necessary skills and are aware of the opportunities that exist in the Transport & Logistics sector.

What have you gained in life being a part of this organization and how has it helped you to achieve milestones in life?

Being a member of CILT I was able to acquire many distinct advantages in my life. Especially being a committee member of the Sri Lanka Branch for over 12 years, I was able to support the growth & the development of the profession and thus develop my personal knowledge & skills while contributing to the expansion of the profession. Moreover, the ability to network with the industry colleagues, prospective customers & suppliers improved my self-confidence as well as expanded my professional network. It also gave me the opportunity to be ahead of the game in market intelligence. I was also able to support the mission: more women in the Transport & Logistics industry & indulge in my passion, mentoring i.e. with the experience I have gained, to give back some of my knowledge to those who are committed to develop themselves within the industry.

Gayara Jayasuriya



Image Courtesy: Sri Lanka Ports Authority

“Future of Colombo as a Global Hub will depend on continuous provision of capacity ahead of demand...”

Sarathkumara Premachandra
Managing Director
Sri Lanka Ports Authority

Current Outlook

Container shipping is seemingly very unstable but it has seen similar downturns in the past too.

Future Outlook (Macro)

Container shipping Industry as a whole will survive minus those lines that are unable to change their strategies to suit changing market conditions. Further consolidation through mergers and acquisition is inevitable.

Ports in competitive multi hub locations will be continuously influenced by alliances using their muscle power to reduce costs. Inter port competition will compel weak ports to either lose markets or operate with marginal gains. Terminal operators in ports such as Colombo too would be subject to similar pressure by Alliances. Price levels will suffer due to price competition and they too will be pushed to operate on marginal gains.

Local Industry and Port of Colombo

While most of the major ports were registering negative or marginal gains, Colombo managed to secure a 10% growth this year. During the first 11 months of 2016 Colombo saw a 200% increase in the category of ship calls that required deep water berths. The volume of containers handled by such ships exceeded 500,000 TEU. This more or less represents the traffic growth Colombo has achieved. By providing deep water terminals, Port of Colombo captured a share of the transshipment market that wasn't accessible to it before South Terminal became operational.

Expressions of Interest for the East Container Terminal project indicate that the Major Shipping Lines and Global Terminal Operators are interested in investing in port of Colombo. This is a clear sign that they consider Colombo as a port that has a potential for growth.

However the future of Colombo as a Global Hub will depend on continuous provision of capacity ahead of demand and penetrating deeper into new markets in order to minimize dependence on Indian Sub-continent where competitive hubs are being developed. In this context launching East Container Terminal without undue delays should be our top priority.



MARITIME INDUSTRY

Erwin Haaze

Chief Executive Officer
South Asia Gateway Terminals (Pvt) Ltd



My view on the industry direction for 2017

Tissa Wickramasinghe

General Manager
Colombo International Container Terminals Ltd

I see the industry going through a process of consolidation, which was long overdue. It is better late than never, and is a good omen for the industry and all stakeholders as a whole. We expect to see the first signs of this consolidation by the second quarter of this new year.

There will be a significant reduction in the number of alliances with the 2M, The Alliance and Ocean Alliance taking the lead in making waves. Also it is expected that the number of new Vessels coming into service in 2017 will be much lower in number than the past year. However, the critical factor with these developments is that it would enable the Shipping Lines to take better and more realistic control of the supply and demand situation, thus extricating the whole industry which was heading to a very bleak future due to the unsustainable market rates.

As for the Port of Colombo, we have seen consistent growth rates of 14%, 06% and 11% respectively over the last three years, due to CICT bringing in deepwater terminal capacity into operation much earlier than projected and effective from April 2014. However, it is important that more deepwater capacity is brought on stream without further delay, if the Port of Colombo is to maintain its position as the major transshipment hub in the region. This is even more critical now, as deepwater facilities and new capacity is being developed in the region and in the other transshipment hubs competing with Colombo.

Overall, I am optimistic that Colombo will continue with the current growth momentum in the current year, notwithstanding the industry challenge of supply-demand imbalance.

GENERAL/GLOBAL

The shipping industry is still not out of the woods. The main container carriers' average operating margins remained in the negative; as per the latest available results, the third quarter of 2016 is the fifth successive quarter of operating losses. Out of the top 12 shipping lines only 2 posted positive margins, while the ten remaining carriers all reported negative operating results.

Although the freight rates have increased recently, they will still be insufficient to bring margins above break-even and it is expected that carriers will be pushing for further general rate increases in 2017. Whether they can retain these rate increase will depend on the discipline of the carrier in managing the overcapacity which is not expected to go down till the new alliances will start their new networks mid-2017. A strategy by any of the major shipping lines to increase market share will result in pressure on the rates again.

The consolidation through M&A (CMA CGM/APL, Hapag Lloyd/ UASC, NYK/MOL/ K Line and most recent the acquisition of Hamburg Süd by Maersk) the bankruptcy of Hanjin and the formation of new Alliances has created a lot of uncertainty for shippers as well as container terminals.

Rising CAPEX costs due to bigger ships, increasing business risks from larger liner alliances and fewer customers and pressure on terminal handling prices from cash-strapped carriers are some of the challenges for terminal operators.

LOCAL INDUSTRY AND PORT OF COLOMBO

The Port of Colombo is faring well. The foresight of the SLPA to build the South Harbour and provide for a deep water terminals came timely and allowed further volume growth through the PoC. On the back of yearly growth of 14% and 6% in 2014 and 2015, the POC recorded a robust growth of 10.6% in 2016 becoming the second fastest growing port among the top 30 Ports and improving its ranking from 27th to 23rd in the world.

This will continue in the coming years on the back of increasing manufacturing and further containerization of cargo in mainly India but also other countries around the Bay of Bengal (instead of previously China). The possible re-gaining of GSP+ and export driven policies, the various trade agreements signed by the Asean countries will support the growth. We need to ensure sufficient (deep water) capacity will remain available to accommodate this growth hence the importance to continue the process for the tender of the ECT without delay. The amount of interest shown through the EOI and the parties involved support above view of continued growth and potential for the PoC and trust in Sri Lanka.



Hambantota Port

Image Courtesy: www.colombogate.com



MARITIME OUTLOOK

“ Sri Lanka has seen better growth in shipping, with the port of Colombo increasing volumes significantly faster than its peers in Asia ”

Zeeshan Mukhi
Country Manager
MAERSK



Current Outlook

2016 has been one of the toughest years for the maritime industry with supply exceeding demand particularly in the container shipping business. This imbalance has led to significantly low freight rates and all major container shipping lines losing money. We have experienced an unprecedented scale of mergers, acquisitions and one major bankruptcy – which have not been experienced in the last 20 years.

In 2017 we will observe the realignment of shipping networks into 3 major alliances that have been announced in 2016. We must also expect the full implementation of the various mergers and acquisitions and this will lead to changes in services offered by shipping lines and hence likely to further change the competitive landscape.

Although the supply growth in 2017 will be lower than preceding years, it will still be a while before we see the supply & demand equation changing in container shipping market mainly due to a low growth in demand globally.

Macro-Economic Factors

Global economic growth in 2017 is expected to continue to remain soft with a marginal improvement compared to 2016. Some of the key global factors to look out for will be the economic recovery in Europe, China – US equations under the new presidency as well as normalization of demand in Africa and Latin America. Emerging markets particularly in South Asia have consistently seen healthy growth rates & we must expect this trend to continue going forward.

In terms of demand for shipping 2017 promises to be better than 2016 on account of some of the above factors. Better demand & industry consolidation means that all players will be looking to increase rates whilst continuing the focus on lower costs to bring back their returns to positive territory.

Sri Lanka

Sri Lanka has seen better growth in shipping, with the port of Colombo increasing volumes significantly faster than its peers in Asia. The expansion of Colombo port has enabled this consistent volume growth in the last 2 years and we expect this to continue in 2017.

With double digit growth in container business ex India, Colombo stands with a unique advantage but this may also lead to existing port capacity being completely full very soon and hence lowering scope for future growth.

Sri Lanka has also seen good volume growth on the imports mainly led by construction and machinery sector however lower growth in Sri Lankan exports is a concern.

With the promise of GSP plus in 2017, we see a lot more positivity amongst exporters and this should enable some improvement in export led investment and business growth.

The key aspect to look out for in the future will be how Sri Lanka leverages its location and proximity to one of the largest and fastest growing markets to truly develop itself as a hub for value added manufacturing, logistics services and maritime industry.





“ As the World is Changing, So is the Shipping Industry ”

Lalith Witanachchi

Assistant Vice President

Hapag-Lloyd Lanka (Pvt) Ltd

Immediate Past Chairman ICS (UK) Sri Lanka Branch

As the world is changing, so is the Shipping Industry New Megaships keep outsizeing older models, while emerging technologies boost efficiency.

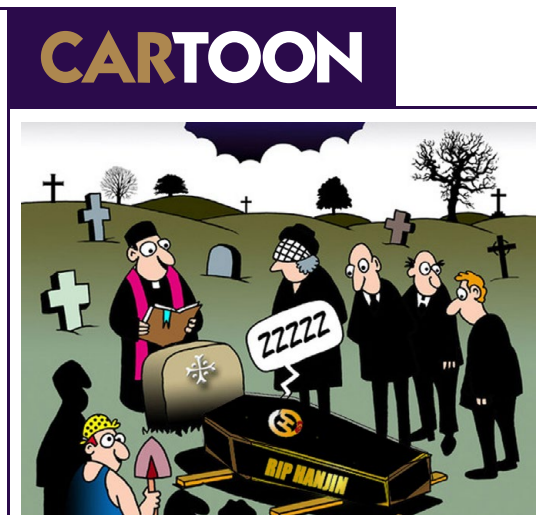
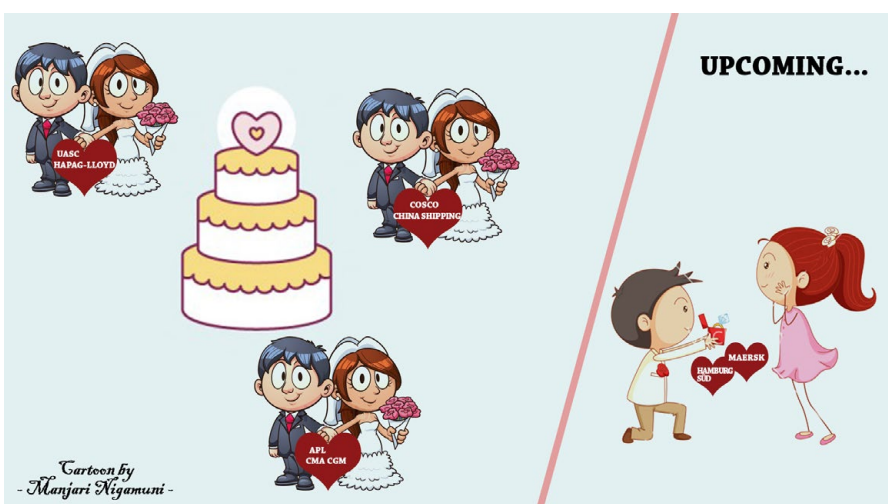
The Maritime Industry is constantly evolving and striving for increase innovation. The past few years have been exceptionally interesting. Major trends like globalization and containerization have reshaped the industry and continue to present us with challenging changes even today. It has been a dramatic year for container shipping with over capacity, difficult markets and consolidation.

Ultra large containership tonnage continued to be delivered, combined with background of slower trade and low and volatile rates, where some were able to survive.

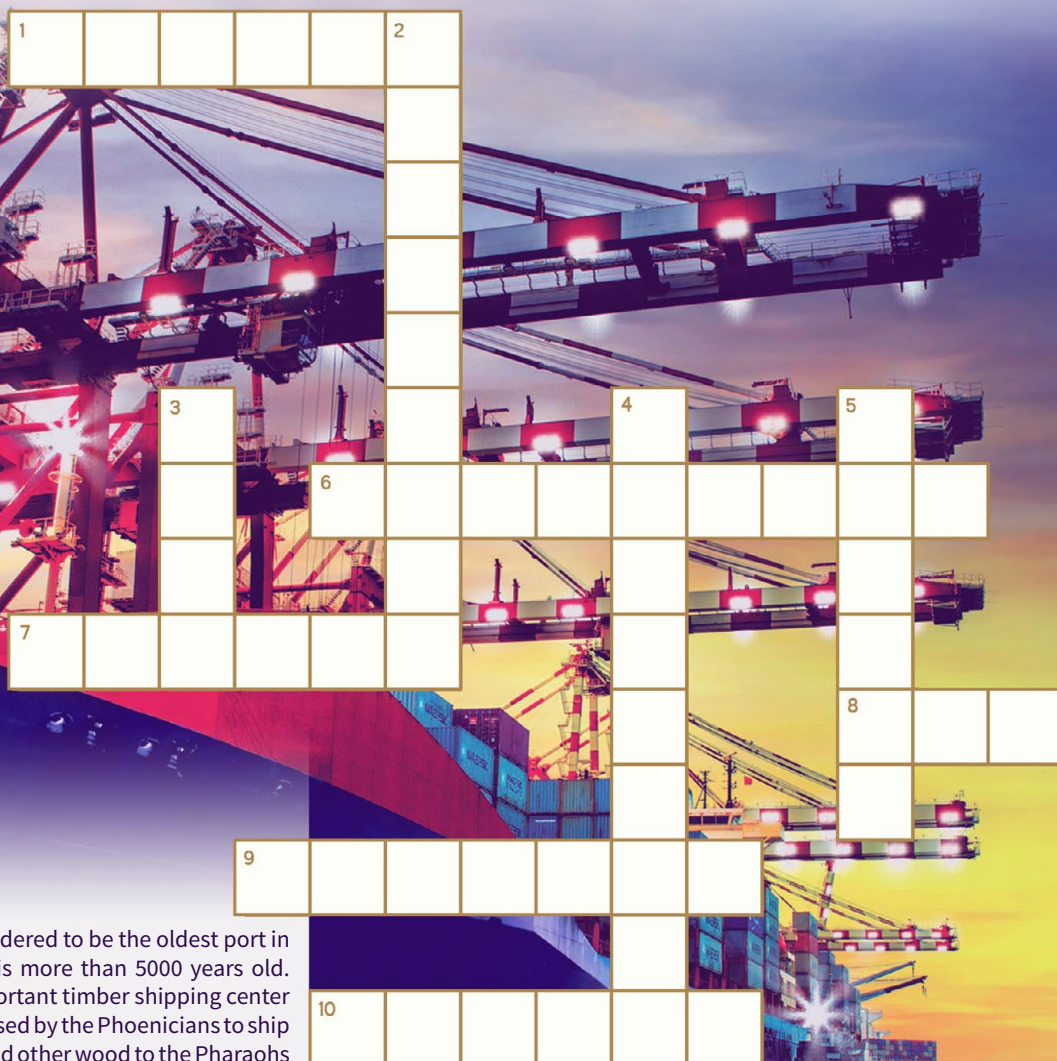
Adding to this consolidation precipitated a major shake-up in structure of the Industries Global Alliances”

When we look at the Maritime Industry in Sri Lanka, it is now for quite some time that efforts are being made to develop the country as the Maritime hub in the Region, making maximum use of its strategic geographical location. However, it is widely acknowledged that except for the port sector development positioning the port of Colombo as the main container transshipment hub in the Region with deep draft terminals capable of handling world's largest container ships, the rest of the maritime activities normally associated with the hub development have hardly seen any progress over the years. If the country is to be transformed as successful maritime centre, all its subsector activities such as ship registry, ship repairing, ship management, logistics systems, chartering, Insurance, surveyors, marine lawyers, maritime education should also be acknowledged and promoted by creating a conducive business, regulatory and Investor friendly environment.

The port of Colombo is the main container transshipment hub in South Asia providing efficient and competitive rates. Recording a volume throughput of around 5.6 million TEUs for 2016 and a year on year growth of 11 percent is a commendable achievement when many other ports have shown negative growth. However, there is only one deep draft terminal in the port which can handle MEGA ships. With increasing number of MEGA ships being inducted to the services calling Colombo, it is of critical importance that the second-deep draft terminal is developed and operational as fast as possible in order to avoid risk of MEGA ships by passing the port of Colombo for want of berthing windows on arrival undermining its leading container transshipment position.



Puzzle Wiz



Across

1. This port situated in Lebanon is considered to be the oldest port in the world. Built around 3000 BC, it is more than 5000 years old. Around 3000 BC, it was the most important timber shipping center in the eastern Mediterranean. It was used by the Phoenicians to ship their local wine, Cedars of Lebanon and other wood to the Pharaohs of Ancient Egypt to be used in tomb construction and shipbuilding. **What is this port?**
6. The largest port in Europe has an annual throughput of 430 million tonnes of goods due to its excellent accessibility via the sea, the hinterland connections and the many companies and organisations which are active in the port and industrial complex. It is by far the largest seaport of and gateway to Europe. **What is this port?**
7. This country has the world's largest merchant shipping fleet in the world?
8. Maersk and this shipping line formed an alliance called 2M in the year 2015. **What is this shipping line?**
9. Alang in India is the world's largest graveyard with respect to ship breaking in the Indian subcontinent. It oversees ship dismantling for almost 50% of the world's vessels. To which state in India does Alang belong to?
10. This shipping line was a South Korean integrated logistics and container transport company. Prior to its financial demise, it was South Korea's largest container line and one of the world's top ten container carriers in terms of capacity. **What is this shipping line?**

Puzzle Created by
Yashodha Nirupamala

Down

2. The world's largest transshipment hub which is connected to 600 ports in 123 countries globally.
3. The biggest Middle Eastern port, which lies in the world's largest man-made harbor.
4. How many seaports are there in the Yangtze River Delta in China?
5. This Ship Registry is considered the largest along with Liberia and the most mature open ship registry in the world, originally established in 1917

Send your answers to editor@ciltsl.com before 3rd April 2017

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