Sri Lanka – Shipping Hub of South Asia?

The Institute of Chartered Shipbrokers (ICS) Sri Lanka Branch held its third annual awards ceremony on the 14th of November at Hotel Galadari, under the patronage of MIM Ashraff, Minister of Shipping, Ports, Rehabilitation & Reconstruction. Fifteen candidates who had successfully completed the Foundation Diploma Examination in Port Agency ’96 and four candidates who passed the Final Qualifying Examination (the highest qualification in the field of shipping worldwide), were awarded medals and certificates.

The Institute of Chartered Shipbrokers UK, is a professional body for those engaged in all aspects of the shipping industry. Established in 1911, the ICS was awarded the Royal Charter in 1920 when it was realised that achieving true professionalism required education and discipline At that time, membership was limited to the UK, Ireland and the British Commonwealth, but a supplementary Royal Charter granted in 1984 threw open the doors of ICS to ‘citizens of any country in the world.’

Today, ICS has a worldwide membership of over 3,500, with institute branches in British Columbia, Hong Kong, India, Ireland, Pakistan, Singapore, South Africa and Sri Lanka.

The Sri Lanka Branch was established in 1989 and is a pioneer in the development of commercial shipping education in the country.

Speaking on the occasion of the third annual awards ceremony of ICS Sri Lanka, its eloquent Chairman Parakrama Dissanayake said, “since the establishment of the Sri Lanka Branch in 1989, our primary focus has been on the development of the ‘people element’ attached to the shipping industry. It goes without saying, that success in the market place is increasingly linked to an organisation’s ability to manage and leverage its intellectual capital, i.e., the intangible and often invisible assets such as knowledge and competency of people. It is my belief, that intellectual property that does not show up directly on the bottom line, is certainly more valuable than the financial assets.”

At present, ICS Sri Lanka is the only Institute within the local maritime industry to

gain membership of the prestigious Organisation of Professionals Association (OPA), “membership of ICS is considered to be the highest professional qualification in the field of shipping worldwide and therefore, the Ministry of Public Administration in Sri Lanka has authorised the payment of the full professional allowance to members of ICS”, says Dissanayake. This membership could also be used as an entry qualification for higher studies.

Today, ICS Sri Lanka has a membership of 30. However, gaining membership of this Institute is no easy task. Explaining the procedure its Chairman says, “to quantify the period, it will take you a minimum of three years to become a member. This is achieved through the process of passing a number of examinations. Talking of examinations we have two structures; one is the Foundation Diploma Examination and the other is the Qualifying Examination. When you get through the Foundation Diploma Examination, you can specialise in various subjects like Tanker Chartering, Dry Cargo Chartering. Ship Sale and Purchase, Port Agency etc. Thereafter, you could embark on the Qualifying Examination which has three parts. When you get through the third part, you could become at member of ICS.”



A significant achievement that the Institute could be proud of was when the Ministry of Shipping & Ports accepted a proposal submitted by them to recognise the UN/UNCTAD minimum requirement for Shipping Agents to operate a Shipping Agency business in Sri Lanka at least one qualified professional must be appointed,

“so, unlike in a situation, where you could set up a Shipping Agency business without any qualification, you would now have to, apart from the financial qualifications, employ qualified people”, explains Dissanayake.

Commenting on the Shipping Industry’s response to education and training he bemoans, “in Sri Lanka most people pay only lip service to education and training. Basically, there has to be support on the part of the employer, but when it comes to reality, they don’t support their staff. The support can come by way of financial assistance and also to find them time to follow lectures and sit for examinations. Shipping is a 24- hour job and when employees are called upon to work on Saturdays and Sundays, they will naturally have difficulties in following lectures.”

He goes on to suggest that an employer should facilitate the employee by linking promotions partly to examinations which would motivate them to learn and enhance their knowledge, “the Ceylon Shipping Corporation has a system, where you cannot rise up the corporate ladder, without getting through the ICS examination”, he adds.

In recognition of its contribution to the Shipping Industry, the ICS was appointed a member of the Shipping Task Force to advise the Minister of Shipping & Ports on Shipping related matters.

Delivering the key note address at the ICS Annual Awards Ceremony Minister MHM Ashraff said, “from the time I took over as the Minister of Shipping & Ports, the Port of Colombo especially, has undergone a radical change. In many respects, some of them visible and some invisible. Time will show, that these invisible factors into which we have put in a lot of effort will soon bear fruit.”

Over the years, the global shipping scenario has been witnessing a consistent increase in the size of vessels, resulting in the unit costs and total costs of sea transportation to decline. In order to get around the problem of large vessels being able to call at only a few large ports, the concept of Hub ports was evolved. In this context, the Ministry of Shipping & Ports has a long term vision, to consolidate the Ports of Sri Lanka as competitive Shipping Centres in this region. The Port of Colombo has already been established as the most competitive Transhipment Centre in South Asia, “we are no longer thinking of making the Port of Colombo the Hub Port, we are thinking of making Sri Lanka, the Shipping Hub of the South Asian region”, Minister Ashraff added.

Speaking about the free market economy and its relevance to the Port he added, “there is a lot of misunderstanding and political propaganda that we are trying to privatise, we are trying to sell, we are trying to betray the national assets etc. In a free market economy Sri Lanka cannot remain isolated. We cannot talk of the free market economy and have a proprietary attitude towards our port. It is high time that as Sri Lankans we adjust our minds and thinking to what is happening in the rest of the world. We have to compete with Singapore, for example. We have to compete with Dubai and so many other countries and everywhere, the free market economy and its principles are in place.”

Minister Ashraff quite clearly outlined the obvious that Sri Lanka cannot afford to have Socialist principals if we are seriously committed to promoting the country to the status of a hub, “it is the policy of the government that we have to look at the economics of Sri Lanka from a macro point of view, not only from the point of view of the Port. The Port admittedly is the largest profit making institution in Sri Lanka, but Sri Lanka as a nation is undergoing tremendous economic problems. We are having a war on our hands and nobody can confidently say when a full stop can be put to this war. Therefore, there are a lot of borrowings. It is the policy of the government to minimise these borrowings restrict the borrowings only to areas where the private sector will not be interested. Therefore the Port obviously is a place, especially in the areas such as Transhipment where there are and will be more and more private sectors who will be interested in investing and getting returns for their investment. That does not mean that the Ports Authority and the Ministry will be unmindful of the national interest; we are very concious of the national interest and we are very confident, that we have eminent Sri Lankans who are competent in taking care of all the necessary aspects of the negotiations so that the ultimate results of the negotiations between P&O and the Government of Sri Lanka will be in the best interest of Sri Lanka.”

The Shipping Industry is one area which has the potential to become a massive foreign exchange earner, of course with the right infrastructure in place. Replying to a question on the future of the Port of Colombo Parakrama Dissanayake says, “your question reminds me of the most hackneyed sentence of this decade in Sri Lanka, which is the Private Sector being called the ‘engine of growth’. As you know, for the engine to move you need four wheels and I would like to compare the four wheels to the infrastructure. But the question is have we got the right infrastructure in place”? He goes on to say that there has been tremendous improvement in this area with the provision of facilities under the guidance of Minister Ashraff, but there

still exists certain bottlenecks which need to be overcome, “a case in point is the entrance channel to the Port of Colombo where the maximum draught of a vessel would be 13.2 metres. Now with the new Post Panamax vessels which are being built, they have a draught of 13.5 metres. The question here is could we accommodate these vessels”, he adds. Prospects of further dredging the entrance channel to the Port of Colombo are under consideration.



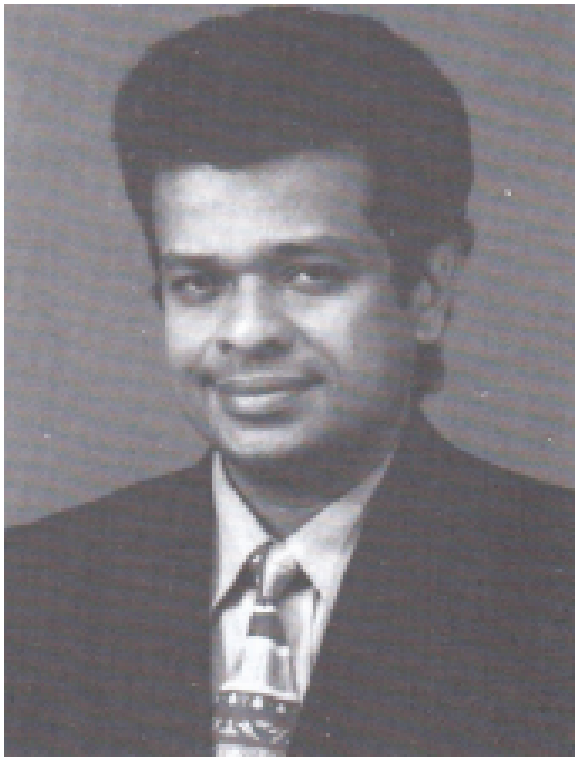
The global shipping scenario is undergoing tremendous advances but is Sri Lanka ready to move into the 21st century and hope to become the shipping centre in the region with its present infrastructure? The answer to this is obvious. With the formation of Ship ping Alliances which are rationalising their Ports of call, would the Port of Colombo be able to hold its position as a Shipping Hub by the year 2005? This is a challenge Sri Lanka must be ready to face.

But on the positive side, Sri Lanka is only second to Singapore in terms of geographical suitability of a Hub port in the region, and with regard to operational efficiency Colombo is on par with Singapore and Khorfakan as opposed to the Indian Ports which have a history of work stoppages and strikes. “Our productivity is also higher than the Indian Ports but that does not mean we have to be complacent”, warns Dissanayake, “because there are Shipping Lines which are calling at the Port of Navashiva or the Port of Bombay direct, and then on to UK/Continental Ports. These lines were earlier calling at Colombo”. Driving the truth home he adds, “you may be surprised to note, that the Ceylon Shipping Corporation, the national line of Sri Lanka, does not call at the Port of Colombo. They are turning their vessels around in Bombay and you could say they have suspended their Colombo calls”. The reason for this, he explains, is that by turning the vessels around in Bombay,

the Indian exporters have the advantage of a faster transit time-from Bombay to UK and other Continental Ports. Their earlier pattern of service was Europe, India, Colombo, Pakistan and back to Europe.

However, despite this, the Transhipment traffic over the last few months at the Port of Colombo has witnessed an impressive growth in the region of 23-248. This is partly due to the fact that Global Alliances such as Ceyline and Maersk have committed more volume to the Port of Colombo, Singapore having increased its tariffs. Thereby, the traffic that was earlier moving from the East Coast of India via Singapore, now moves via Colombo.

Reiterating his concerns about the infrastructure, Dissanayake says that with the emergence of concepts such as Load Centering. the challenge which the Port of Colombo will have to face is whether it could retain its status as a Hub Port or be reduced to a sub-hub. The possibility of being bullied by the large ship operators also exists, “so to protect our position we have to improve on the infrastructure. The Ministry of Shipping & Ports has a vision to establish Sri Lanka as a Shipping Centre, so it is up to us to translate that vision into reality.”



According to Dissanayake, if the proposed P&O Australia development of the Queen

Elizabeth Quay (QEQ) of the Port of Colombo goes through there lies a very likely chance of the Port losing its common user status, “this also happened in Singapore about four months ago where the Global Alliance was able to negotiate with the Port of Singapore authority for a separate terminal, but it took Singapore several years to lose the common user status and they lost that having achieved 12 million TEUS (Twenty Foot Equivalent Unit) per annum, as against about 1.3 million TEUS that we intend handling this year”. However, one could argue that Colombo has to keep pace with the current trends in the shipping scenario.

The first phase of the P&O proposal would induct an additional capacity of about 1.7 million TEUs, which would mean that by the year 2000, the Port of Colombo would have a capacity of around 2.4 million TEUS, as against the demand of around 1.9 million TEUS per annum “so when there is additional capacity there’s bound to be more competition and also better prices, as a port user I don’t think I would object to more capacity but having said that, as users, we are somewhat concerned that the P&O proposal would displace about a million tons of
Break Bulk cargo that is being handled at the QEQ”, says Dissanayake. In the event of the Port of Colombo failing to find alternative space to handle the Break Bulk traffic like sugar, flour, cement etc., there’s bound to be congestion in the Port, thereby causing freight rates to rise. This will eventually trickle down to the consumer, as well as add to the inflation.

With regard to the development of the Port of Galle, the question arises as to whether this port would be developed as a complementary port or as a supplementary port to the port of Colombo. According to media reports it’s clearly evident that the Port of Galle would be a supplementary port to the Port of Colombo. This will obviously result in additional capacity as well as competition between the two ports. Port users however would welcome this additional capacity, but from a national point of view, could Sri Lanka afford to have two shipping hubs? According to the demand forecast, demand will be less than supply. One might question whether this will not help ease the conjestion in the Port of Colombo to which Dissanayake replies, “the Port of Colombo presently has a capacity to handle about 1.6 million TEUS per annum and if you look at the demand this year, it will be around 1.3 million TEUS. So you see a situation where the capacity being offered is far greater than the demand. When you have surplus capacity why must we have congestion? The simple answer to this is that the Port has to enhance its levels of productivity. They have to increase their efficiency. When you have surplus supply, there shouldn’t be a situation where ships have to wait out, they should come in

and be berthed. The bottleneck here is the level of productivity within the Port.”

Given the excellent geographical suitability the ports of Sri Lanka enjoy, and with the right infrastructure, increased productivity and prudent planning in place, Sri Lanka can confidently march forward in its quest to become the Shipping Centre of the entire South Asian Region.



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