

# Waiting in the Wings

Sri Lanka's shipping industry will soon have a comprehensive set of guide lines and laws for the entire industry, in the form of a new shipping policy. Geetha Karandawala, former Advisor to the Minister of Ports & Shipping M H M Ashraff, and currently Associate Director of the Australian Maritime College, chaired the Task Force appointed by the Minister to formulate the new shipping policy. Her involvement with the shipping industry dates back twenty-three years when she joined the Ceylon Shipping Corporation (CSC), soon after graduating, with a first degree in Law and a Masters degree in Maritime Law. She has dealt with almost every aspect of commercial shipping, ports and legislation throughout her career. When she left CSC. having worked there for ten years, she was its Legal and Insurance Manager. Thereafter. her career took her to Singapore where she worked as a Senior Lecturer in shipping and subsequently to the Australian Maritime College. "Apart from the training I received at CSC which was a training ground for all of us, the most important aspect of training I got was from my late husband P B Karandawala", says Geetha Karandawala. Those in the local shipping scene still look upon the late P B Karandawala who was the Secretary to the Minister of Shipping, Tourism & Aviation in the early 70s, with near reverence, "he introduced me to a generation of people who would otherwise have remained just names, and as a result when this policy was being formulated, I had the privilege of consulting some of the best economists of our times, like Dr Gamani Corea, Dr Lal Jayawardena and Lakdasa Hulugalla, they all enriched our thinking. They showed us how to keep the focus while at the same time bring depth to the policy", adds Karandawala. Others in the Task Force comprised WT Ellawala, Parakrama Dissanayake, Nimal Maralande, Rohan Abeywickrema, Ryle Mendis, Gordon de Silva, Chula Jayasuriya, Sundra Jayawardena, Ranjith Wickremasinghe and Diren Hallock.

Geetha Karandawala's involvement with the formulation of the policy came about in 1995 when she took a year off from her work at the Australian Maritime College. where she teaches Maritime Policy & Law, and came to Sri Lanka to work as an advisor to the Minister of Ports and Shipping, "when I first met the Hon. Minister he told me very clearly, that he was going to formulate the shipping policy and that we were only going to assist him and that's what we did. Her role as the facilitator said the Chairperson of the task force found herself working with

her former colleagues from the industry, “I was at the same time a part of the industry as well as being a part of the Shipping Ministry. So, in a way, I was able to bring them all together and establish a rapport between the ministry and the industry. When we prepared the preliminary report we were all thinking on the same lines and working on the same frequency”, she says. Explaining the structure of the shipping policy Geetha says, it’s a comprehensive policy like any other policy but differs in two respects, one is in the process which was adopted in its formulation and the other is in its content, “It’s very wide in scope, yet focussed. If we look at the policy process, there was a very close liaison between the industry and the ministry. When I refer to the industry I mean the public sector organisations that are involved in shipping such as the Ports Authority, Shipping Corporation, Marine Pollution Prevention Authority and of course the Steamer Agents, Shippers Council, Ceylon Chamber of Commerce plus the Chartered Ship brokers. In terms of the process, the Minister began by appointing a Task Force comprising those who came from these representative organisations and through them we sought the views of the wider shipping community.



*Geetha Karandawala*

This structured process of consultation began in December 1994, when at a shipping forum, three main areas were identified — Ports and Infrastructure, Shipping as a Service and Development of National Shipping Capabilities. Geetha says that the policy document today, consists of that same structure, “although we widened the scope to cover other areas, the focus has been maintained”. She goes on to say that the formulation of the policy was possible because Minister Ashraff was willing to give the time and the leadership as well as being open to dialogue, “we also have a secretary at the Ministry who did not feel threatened by the whole process and I really feel that if not for Mr. MN Junaid we couldn’t have done it.”

The shipping policy articulates a vision of Sri Lanka consolidating its position as a shipping centre of the South Asian region, “when we first articulated this vision, there were the sceptics who questioned, us as to how we were going to make it possible, but I don’t think such questions are raised now. Everyone accepts the fact that Sri Lanka is strategically placed and that we are in the perfect position

for a shipping centre” says Karandawala.

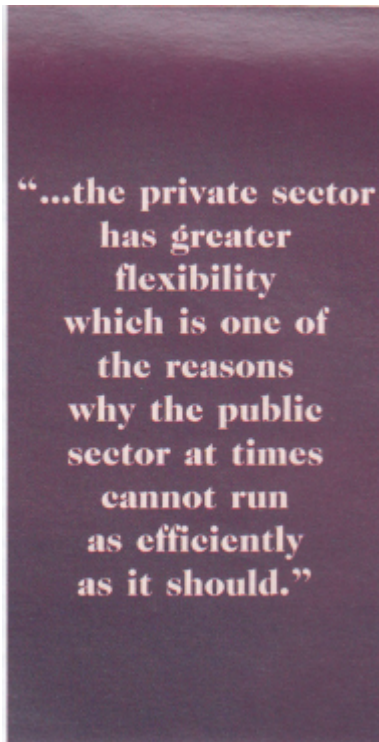
An efficient hub port must have certain services which shipping lines require and this in turn would generate economic activity for the country. Therefore, the focus of the policy is to look at ways in which such services would complement a hub port, “what we already have is a transshipment port, so what the policy tries to do is to take it further by building around it all the services required. What we’re hoping for, is that, once the policy document is finalised and made public, everyone who’s involved in these services including the private sector will share this vision and understand what it means”, she explains.

Many question as to why an important industry such as shipping failed to come up with a shipping policy before, to which Karandawala says, “we had policies for different areas but we didn’t try to consolidate it, look at linkages and give priority to the fact that the scene had evolved from shipping to the port”. The new policy document therefore looks at the port and infrastructure, shipping as a service, development of national shipping capabilities, safety of life at sea, marine pollution prevention, training and promotion of seafarers, “all these issues are linked together very clearly now. in terms of general and specific objectives, macro and micro economic policies. The document also elaborates the strategy to achieve them, in the short, medium and long terms”, she adds.

The document also identifies the area adjacent to the Queen Elizabeth Quay (QEY) as a site to be developed. It also looks at port management as well as the prospect of operating the Jaya Container Terminal (JCT) on the basis of a profit centre. With regard to expanding beyond the port the new policy document identifies the need for another breakwater and as Geetha says, breakwaters are expensive. In this particular case, the estimated cost of building a breakwater is approximately 400 million US dollars, “it’s very difficult to find private financing totally for a breakwater, because, such an investment has to be spread over a period of 50 to 100 years. So, invariably the government has to look at funding of a breakwater, either in the area adjacent to QEY or anywhere else, if we are to progress beyond our existing 1.6 million TEUs (twenty foot equivalent units) into 2 million TEUs and beyond.”

Explaining the process of implementing the new shipping policy, Karandawala says, “in many areas we haven’t waited for the policy document to be finalised to implement whatever possible, the short term project in particular. Some of the

individual projects have to be further developed and in some areas funding has to be found. Most of these projects will also go before the cabinet prior to implementation. With regard to funding we've looked at alternate sources and we have also had a lot of dialogue with the World Bank which has been very supportive of the work that has been done in the shipping industry."



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The World Bank has developed a project worth 50 million US dollars for the development of areas including port optimisation, marketing plan, slot reception facilities and human resources development. According to Karandawala, the World Bank has already granted 800 thousand US dollars for the project feasibility and the stage is now set to move into the implementation phase. She further adds that the plan which the port is formulating fits the overall shipping policy perfectly and the port will soon work out its business plan which will identify the process of implementation in areas such as infrastructure, rationalisation, marketing etc.

The process of formulating the policy document had certainly not been a 'piece of cake'. Since the Task Force consisted of a crosssection of those in the industry, obtaining consensus was vital, "we didn't vote on any point. It was all through consensus. Because the document took considerably longer than we anticipated, the positions of some members also shifted. We were keen to take into account these evolving views right up to the end and even give them the opportunity to change their minds, discuss and come back. There were several areas which were

somewhat controversial as well. One was the Central Freight Bureau (CFB). There were those who felt that we shouldn't have a Freight Bureau in a liberalised shipping environment, but I think we must look at the Bureau, not at what it has evolved into up to now with its reputation, but what it could be and how it could be used in a liberalised environment. We had a lot of debate on this matter

but ultimately we decided to keep the Bureau to perform the function of monitoring and controlling shipping lines", explains Karandawala. As she says, liberalisation of trade and shipping is one thing, ensuring fair play is another. In this context, the strong arm of the government is needed here, not to play an interventionist role but a moderating and a monitoring one. The CFB is expected to perform this function.

Commenting on the concern that has arisen over the proposed P&O development of QEQ, Karandawala explains that there are several factors causing it. The first she says is ideological, "ideologically we find it a bit difficult to come to terms with the fact that the private sector will be providing certain services which the public sector has been providing all this time. That change of ideology takes a long time, but we have to look at it in the context of the changing shipping scene. Port infrastructure is very costly and it is not possible for the public sector to continue developing infrastructure with public sector borrowings. Sri Lanka is not wealthy enough for the government to just give the money.

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Geetha does not subscribe to the view that the private sector can do things better than the public sector, but she feels on the other hand that the private sector has greater flexibility which is one of the reasons why the public sector at times cannot run as efficiently as it should. Her advice to the port and those opposing private sector involvement in the development of QEQ is that, since the government has taken a policy decision to develop infrastructure with private funds, there's little point in resisting that, "you should put your energy into ensuring that you get the best deal, particularly when you are negotiating with a large conglomerate like the South Asia Gateway Terminal (SAGT) Consortium. They are used to negotiation and to operating from a position of strength, so you should ensure that (a) you operate from a position of strength and (b) you have your best negotiators to get the deal that you want. I think you are operating from a position of strength because here is a consortium wanting one of the best pieces of real estate in Asia. So, make sure you get your deal out of them and don't knock your heads against things you can't do".

There are those in the shipping circle who fear that once the QEQ development proposal goes through, the Port of Colombo may lose its common user position but Geetha says that the common user status can be maintained by any port only up to a point of time, "there is a lot of concern among port users because they would like to see absolute equity on a first- come-first served basis, but the Port of Colombo already finds that it's a very difficult thing to do, al- though they have been doing it for a long time. To give the same preference to someone who brings 200 boxes as much as to another who brings 1000 boxes is difficult. The port at some point of time has to start looking at special berthing arrangements etc, and I believe it has already been looking at such arrangements". She goes on to say that there may be a particular line or a large alliance which would require access to a terminal, "this has happened in other ports especially with global alliances coming in. They need reliability and capacity. So, it is a process of a port evolving and you have to finally balance the interest of servicing all your clients equally."

There are also those who voice their concern that once QEQ is developed, the capacity generated may exceed demand. However according to Karandawala, the demand forecast prepared by JAICA locally and another done internationally, support the need for more capacity.

All in all, Karandawala is quite positive that the vision of Sri Lanka becoming a shipping centre is realistic, "we have a good reputation as a transshipment port,



particularly in South Asia. Now, what we need to do is to progress from here. To do that we must show that the port management is efficient, that we are offering a reliable service as well as the capacity lines need. That is why this whole project of infrastructure development becomes so important.”

This vision becomes all the more realistic when one looks at the growth in the region. However, though Sri Lanka has the advantage of being strategically placed. we are not the only players in the field says Karandawala, “other countries are also interested in becoming hub ports India and Malaysia are very met interested but the advantage Sri Lanka has is that we are first in the field in South Asia.”

The private sector shipping industry in Sri Lanka came in for high praise by Karandawala, “there is a large pool of talent here. All those who were trained by CSC have now moved into the private sector, that’s why we have a very knowledgable and dynamic private sector. The reason why we could formulate the policy is also because the industry had come of age. I’m really impressed at the way they could look at an issue objectively. That really says something for the industry.”

In the early 70s P B Karandawala helped the Minister in charge of shipping to put into place the modern structure of Sri Lanka’s shipping industry. It’s a strange coincidence that twenty years down the line, his wife Geetha Karandawala too had the unique opportunity of helping the Minister in charge of shipping to move the industry forward into the 21st century.



*Shamini Serasinghe is a Guest-Producer, Presenter, Interviewer and Newscaster at the Sri Lanka Rupavahini Corporation. She has co-produced and presented 'Business Matters', Sri Lanka's pioneering television business programme for the last 5 years. She is also a feature writer and reporter for 'CNN World Report'. **ET***