



**Sri Lanka Shippers' Council**

ESTD. 1966

***53<sup>rd</sup> Annual General Meeting***

***ANNUAL REPORT  
&  
ACCOUNTS***

***2022/2023***

## **SRI LANKA SHIPPERS' COUNCIL**

The Sri Lanka Shippers' Council is the apex body representing Sri Lankan Shippers, which was established in March 1966 to protect and promote the interests of shippers. It was the first National Shippers' Council to be set up in Asia and was formed on a request made in 1965 by the local Committee of the Ceylon/Continental Conference, and a subsequent request made by the Director of Commerce in January 1966, to the Ceylon Chamber of Commerce. The Council is also a founder member of the Association of Shippers' Councils of Bangladesh, India, Pakistan, and Sri Lanka (ASCOBIPS), founded in 1981 and the Asian Shippers' Council, founded in 2004. Sri Lanka Shippers' Council has become a member of the Global Shippers Forum in April 2015. The Global Shippers' Forum (GSF) is the world's leading trade association for shippers engaged in international trade moving goods by all modes of transport.

Membership of the Council consists of Chambers of Commerce, Trade Associations & individual organizations. The Managing Committee of the Council only consists of 17 Products Associations (PAs) with voting rights. Currently, the Council represents a large percentage of the import/export trade in the country through its broad-based representation and membership of these trade Associations and individual Companies.

The Council has now opened its doors to individual companies as Associate Members so that companies in the import/export trade could have access to the Council's resources and expertise to resolve their shipping-related problems.

The Sri Lanka Shippers' Council is headed by an elected Chairman and assisted by two Vice-Chairmen who are also elected by the constituent members.

The Ceylon Chamber of Commerce provides secretarial services to the Council and also acts as the Secretariat.

The Council actively supports the Sri Lankan Government's vision of making Sri Lanka the Logistics Center in the Asian region, which would result in the generation of enhanced economic activity, employment, and wealth. As such all council activities have been planned and prepared to support this vision and to facilitate international trade.

## OUR VISION

“To enhance the competitiveness of our members by abolishing hidden logistics costs.”

## OUR MISSION

We facilitate our customers to be more competitive in their Business Logistics, performance, and cost, by the following.

1. Being the APEX Body, protect the interest of our members and being a strong Advocate to the Government.
2. Ensuring cost effective strategies are developed and implemented in the logistics and value chain to make our members more competitive.
3. Facilitating greater efficiencies in logistics by reducing logistics barriers and simplifying trade.
4. Acting as the mediator in resolving conflicts amongst our customers (members).
5. Facilitating a level playing field by developing and promoting a code of conduct/ethics for our customers (members).
6. Establishing a center for excellence for information sharing and upgrading the competencies of members to compete globally.
7. Leveraging regional and global partnerships and facilitating global best practices in logistics in Sri Lanka.

It is the Council’s firm belief that in order to be competitive with the international market Sri Lankan shippers should.

- a. Have a clear understanding when deciding on Carriers /Freight rates and be clear The Council firmly believes that to be competitive with the international market, free of any ambiguity with regard to the Freight rates and matters prevailing in the Market.
- b. Have freight and associated costs stabled, particularly for traditional exports such as tea, rubber, coconut products, which account for at least 70% of total export volume out of Sri Lanka. A major part of the turnover of these exports in foreign exchange is retained in the country and it is vital to protect these industries from international competition. Furthermore, these commodities are with relatively low margins and usually with forward trading patterns cannot absorb constant and continuous cost escalations.
- c. Concurrently the major exports such as garments are usually traded on FOB terms and the local manufacturers are constantly under pressure to provide low-priced services, thus are

unable to absorb any additional charges keeping in mind that almost all materials for these industries are being imported. Therefore, the constant increases in charges could seriously affect such industries as they are called upon to pay these charges both at the point of import of raw materials and export of finished products.

- d. Have reasonable Service providers who would not take undue advantage from their captive customers.

## **OUR OBJECTIVES AND KEY BENEFITS TO MEMBERS**

1. To provide for consultation/dialogue between shippers and Ship-owners/ Conference Lines/Shipping Agents/Airlines/Airline Agents, Sri Lanka Ports Authority/ Customs and Government on matters of common interest.
2. To bring together the representatives of various shippers' associations, trade, and industrial associations/organizations, for consideration and discussions of the problems affecting shippers in Sri Lanka.
3. To represent the views of shippers in regard to the composition of freight rates, availability, and adequacy of shipping space and services including sailings/flights. Port/ Customs efficiency. Adequacy of Ports and Customs facilities and / or charges
4. The Council in principle will not come into agreement on behalf of its members in relation to freight contracts. (The Council will encourage confidential shipper/carrier freight negotiations) However, if the circumstances necessitate negotiation and entering into agreements with ship owners/Conference Lines/Shipping Agents/Airlines/Airline Agents on matters affecting shippers, which involve general principles and policies or on such other matters, if referred to the Council, upon receipt of such matters, the Council will act to safeguard the interest of the shipper/Country.
5. To undertake research/studies on problems affecting shippers in Sri Lanka.
6. To circulate information and statistical data and to publish newsletters, brochures etc., for the benefit of shippers.
7. To convene independently or jointly with other organizations, conferences, seminars, or meetings in furtherance of the objectives of the Council.
8. To accept any grants, gifts, or donations whether in cash or securities, and any property either movable or immovable, and/or give any grants, etc., in the furtherance of the objectives of the Council.
9. To make Rules, Regulations or Bye-Laws for the conduct of the affairs of the Council and to add, to amend, vary or rescind them as from time to time.
10. In the interest of the shippers, the Council will wherever possible nominate its members to institutions where key functions in the shipping industry are taking place.
11. The Council will closely work with international Shippers' Councils in order to interact and pass on information that could be beneficial for shippers and the country.
12. To take all such other steps as may be necessary or conducive to the interests of the Council members.

## **THE COUNCIL**

**Mr. Russell Juriansz**  
**Chairman**

**Mr. Trisherman Frink**  
**1<sup>st</sup> Vice Chairman**

**Mr. Sahad Mukthar**  
**2<sup>nd</sup> Vice Chairman**

### **HONORARY MEMBERS**

**Late Mr. S.S. Jayawickrama**  
**Mr. Chullante Jayasuriya**

### **SECRETARY-GENERAL**

**Mr. Buwanekabahu Perera**

### **SECRETARIAT**

**The Ceylon Chamber of Commerce**

## MEMBERSHIP – 2022/2023

### TRADE ASSOCIATIONS

<b>The Ceylon Chamber of Commerce</b>	Mr. Russell Juriansz (Representative) Mr. Delano Dias (Alternate)
<b>The Ceylon Chamber of Commerce Import Section</b>	Mr. Kevin Edwards (Representative) Mr. Ushan de Silva (Alternate)
<b>Joint Apparel Association Forum</b>	Mr. Sahad Mukthar (Representative) Mr. Sarath Wanniarachchi (Alternate)
<b>The Colombo Rubber Traders' Association</b>	Mr. Trisherman Frink (Representative) Mr. Anura Edirisinghe (Alternate)
<b>The National Chamber of Commerce of Sri Lanka</b>	Mr. Andre Fernando (Representative)
<b>The Ceylon Coir Fibre Exporters' Association</b>	Mr. Shavesh Mendis (Representative) Mr. Kithsiri Palihawadana (Alternate)
<b>The National Chamber of Exporters' of Sri Lanka</b>	Mr. Dilshan Rajapakse (Representative) Mr. Shiham Marikar (Alternate)
<b>The Sri Lanka Logistics and Freight Forwarders' Association</b>	Mr. Dinesh Sri Chandrasekera (Representative) Mr. Channa Gunawardena (Alternate)

**The Sri Lanka Apparel Exporters’ Association**

Mr. Sean Van Dort  
(Representative)  
Mr. Kumar Seneviratne  
(Alternate)

**Sri Lanka Association of Air Express Companies**

Mr. Faslan Ahamed  
(Representative)  
Mr. Sanjay Samarasinghe  
(Alternate)

**Sri Lanka Logistics Providers’ Association**

Mr. Gayan Maddumaarachchi  
(Representative)  
Mr. Bosco Corera  
(Alternate)

**Tea Exporters’ Association**

Mr. Gihan Kuruppu  
(Representative)  
Mr. Shiral Fernando  
(Alternate)

**Sri Lanka Fruits & Vegetable Producers, Processors & Exporters’ Association**

Mr. Zuraish Hashim  
(Representative)

**Hub Operators Association of Sri Lanka**

Mr. Priyantha Punchedi  
(Representative)  
Mr. Rananja Gonaduwa  
(Alternate)

**Free Trade Zone Manufacturers’ Association**

Mr. Tyrone Weckasinghe  
(Representative)  
Mr. Dhammika Fernando  
(Alternate)

**Exporters’ Association of Sri Lanka**

Mr. Ranil Goonetilleke  
(Representative)

**The Ceylon National Chamber of Industries**

Mrs. Anupama Wimalaratne  
(Representative)

## **INDIVIDUAL MEMBERS**

20CUBE LOGISTICS (PVT) LTD  
ADVANTIS FREIGHT (PRIVATE) LIMITED  
AGILITY LOGISTICS (PVT) LTD  
ANSELL LANKA (PVT) LTD  
ANVERALLY & SONS (PVT) LTD  
BOLLORE LOGISTICS LANKA (PVT) LTD  
BEST PACIFIC TEXTILES LANKA (PVT) LTD  
C H ROBINSON FREIGHT SERVICES LANKA (PVT) LTD  
CARE LOGISTICS (PVT) LTD  
CEYLON TEA MARKETING (PVT) LTD  
CITY CYCLE INDUSTRIES MANUFACTURING (PVT) LTD  
CL SYNERGY (PVT) LTD  
CONTROL UNION INSPECTIONS (PRIVATE) LIMITED  
DP LOGISTICS (PVT) LTD  
DSV PERSHIP (PVT) LTD  
ESKIMO FASHION KNITWEAR (PRIVATE) LTD  
EURO SUBSTRATES (PVT) LTD  
EXPOLANKA FREIGHT (PVT) LTD  
FASCINATION EXPORTS (PVT) LTD  
FINLAYS COLOMBO LIMITED  
FREIGHT LINKS INTERNATIONAL (PTE) LTD  
FREIGHT MASTERS INTERNATIONAL (PVT) LTD  
HAYLEYS PLC  
HDDES EXTRACTS (PVT) LTD  
HELA CLOTHING (PVT) LTD  
HELLMANN WORLDWIDE LOGISTICS (PVT) LTD  
HOLDINGS (PVT) LTD MAC  
IMPERIAL TEAS (PVT) LTD  
INDUSTRIAL CLOTHINGS LTD  
JIFFY PRODUCTS S.L (PVT) LTD  
KOKOSPEAT EXPORTS (PVT) LTD.  
LALAN RUBBERS PVT LTD  
LINEA AQUA (PVT) LTD  
MABROC TEAS (PVT) LTD  
MISA SMART LOGISTICS (PVT) LTD  
NESTLE LANKA PLC  
NOR LANKA MANUFACTURING COL. LTD  
REGENCY TEAS (PVT) LTD  
SALOTA INTERNATIONAL (PVT) LTD  
SCANWELL LOGISTICS COLOMBO (PVT) LTD  
SHERMANS LOGISTICS (PVT) LTD  
SIAM CITY CEMENT (LANKA) LIMITED  
TEA TANG (PVT) LTD  
TIMEX GARMENTS (PVT) LTD  
TRANS ORBIT LOGISTICS (PVT) LTD  
TRELLEBORG LANKA (PVT) LTD  
UNIVERSAL FREIGHTERS INTERNATIONAL (PVT) LTD  
VAN REES CEYLON LTD

## **The Sri Lanka Shippers' Council Annual General Meeting** **2022/2023**



### **Seated from Left to Right**

Ms. Ushani Dassanayake (Secretariat, The Ceylon Chamber of Commerce), Mr. Kumar Senevirathne (Sri Lanka Apparel Exporters' Association), Mr. Chullante Jayasuriya (Honorary Member), Mr. Suren Abeysekera (Immediate Past Chairman), Mr. Trisherman Frink (1<sup>st</sup> Vice Chairman- The Colombo Rubber Traders' Association), Mr. Russell Juriansz (Chairman, The Ceylon Chamber of Commerce), Mr. Sahad Mukthar (2<sup>nd</sup> Vice Chairman- Joint Apparel Association Forum), Mr. Gihan Kuruppu (Past Chairman, Tea Exporters' Association), Mr. Delano Dias (The Ceylon Chamber of Commerce), Mr. Kevin Edwards (The Import Section of CCC), Ms. Sajani Kannangara (Secretariat, The Ceylon Chamber of Commerce)

### **Standing from Left to right**

Mr. Priyantha Punchihewa (Hub Operators Association), Mr. Tyronne Weckasinghe (Free Trade Zone Manufacturers' Association), Mr. Dinesh Sri Chandrasekara (Sri Lanka Logistics and Freight Forwarders Association), Mr. Shavesh Mendis (The Ceylon Coir Fiber Exporters Association), Mr. Gayan Maddumaarchchi (Sri Lanka Logistics Providers' Association), Mr. Shiham Marikar (National Chamber of Exporters' of Sri Lanka), Mr. Andre Fernando (The National Chamber of Commerce of Sri Lanka), Mr. Faslan Ahamed (Sri Lanka Association of Air Express Companies), Mr. Rananja Gonaduwa (Hub Operators Association), Mr. Sarath Wanniarachchi (Joint Apparel Association Forum)

## OFFICE BEARERS

Sri Lanka Shippers' Council held its 52<sup>nd</sup> Annual General Meeting on 17<sup>th</sup> June 2022 at 3.00 pm via Microsoft Teams Application.

Mr. Russell Juriansz was re-elected as the Chairman and Mr. Trisherman Frink was elected as the 1<sup>st</sup> Vice Chairman and Mr. Sahad Mukthar was elected as the 2<sup>nd</sup> Vice Chairman for the year 2022/2023.



*2<sup>nd</sup> Vice Chairman, Mr. Sahad Mukthar, 1<sup>st</sup> Vice Chairman, Mr. Trisherman Frink, Chairman Mr. Russell Juriansz, and Immediate Past Chairman, Mr. Suren Abeysekera*

## ACTIVITIES OF THE COUNCIL

The activities of the Council have been focused on issues faced by shippers on shipping and their operational activities. The Council always performed a lead role in resolving problems and serve as the focal point where various shipping and port, Airport & other authorities' related matters are brought up and discussed. In addition, the Council largely contributes to advising the Government authorities on matters relating to port and shipping whenever its advice is sought after.

The Council's deliberations and action items were mostly focused on the following ten subcategories during the year:

- Impact on imports & exports due to the current crisis in the country
- Shipping and Logistics related Matters
- Present Market Conditions
- Sri Lanka Customs/Sri Lanka Ports Authority/Maritime Affairs
- Airport Issues
- Education and Seminars
- Membership Drive, Fund Raising & Finances/Accounts
- Overseas Affiliation - Global Shippers' Forum (GSF)
- SLSC Website
- Any other matters

During the pursuing year, The Sri Lanka Shippers' Council operated in hybrid mode digitally using the WhatsApp community group and online meetings and physical meetings. Most of the committee meetings were held using Microsoft Teams software enabling the Executive Committee of the Council to meet virtually. The secretariat continued to administer these media while members were encouraged to share posts, comments, and news relevant and important to the industry both locally and internationally. Both mediums have enabled the council to carry out its affairs even during periods when physical meetings and travel were curtailed for various reasons.

## IMPACT ON IMPORTS & EXPORTS DUE TO THE CURRENT CRISIS IN THE COUNTRY

The Council continued to address shippers' issues with relevant authorities to obtain solutions during the pandemic period.

Many demurrages and rent refunds were able to be collected by importers due to the intervention of the Sri Lanka Shippers' Council. The Council was also able to influence a direction on the CICT refund issue.

The COVID-19 pandemic and its economic impact have caused consequently government regulations and restrictions that came about had a great impact on businesses. But under these trying circumstances, the Sri Lanka Shippers' Council pursued many issues while curfews and lockdowns were in force.

In addition, during the period under review, there were many new challenges faced by the shipping community due to political and economic uncertainty prevailing in the country. For example, forex issues, dollar crisis, shortage of fuel, high freight rates, regular power cuts, shortage of raw materials for exports, and high transport costs.

Shippers Council made various suggestions at meetings to benefit the community.

### **Obtaining Fuel for Export Companies Amidst the Fuel Crisis**

The Sri Lanka Shippers' Council is the apex body that represents 17 Trade Associations and majority of the exporters and importers in the country we have been made the understand that the Lanka IOC has stopped registering export companies to obtain diesel by paying USD.

Council kindly requested Lanka IOC to take into account the members of the Council when registering their businesses in order to obtain fuel, as they account for 90% of the nation's exports and actively contribute to the manufacturing sector, which provides the nation with much-needed foreign exchange.

## **SHIPPING AND LOGISTICS-RELATED MATTERS**

Sri Lanka Shippers' Council continues to engage with the authorities in maintaining the status quo of transparent and all-inclusive freight structures to be market driven.

During the year under review, it was noted that many vested parties were lobbying to mislead the authorities to bring back unethical, anticompetitive practices once again by revoking the Gazette Extraordinary 1842/16 dated 27.12.2013.

During the year under review, Sri Lanka Shippers' Council had several discussions with Director General Merchant Shipping and other relevant stakeholders to maintain the maximum sealing for the Delivery Order (DO) fee.

The submission given by the Council to the DGMS on the 26<sup>th</sup> of October 2022 was as follows;

#### **Part I**

Maximum delivery order fee for import shipments;

- Our Members are not in agreement with the amount stated in the gazette No. 2302/24 dated 20th October 2022, as it is not proportionate for the services rendered and the amounts proposed by the Sri Lanka Shippers Council are in line with our understanding.
- The gazette should be an operational instrument to facilitate the regulators to implement the law given therein without mentioning values to be charged as these amounts quoted are variable and could change at different periods of time.

- The regulators should use a guideline to change the amounts to suit the particular period of time using the gazette as the basis of changing the maximum delivery order fee.

## PART II

Cost recovery fee for LCL imports.

We did not agree to a cost recovery charge as it is against the structure of charges of Gazette No.2041/10 of 17th October 2017. Therefore, Gazette No. 2302/24 of 20th October 2022 should dictate and confer with international shipping rules that LCL cargo can only be delivered as /CFS or /Door.

(If not, we are going against international commercial rules and if an importer files a motion with ICC, the Sri Lankan legislature may not be able to support an international direction. All-in rate should prevail because LCL cargo cannot be delivered or the seller's obligations be fulfilled at the /CY.)

The Sri Lanka Shippers' Council expresses grave concern about the Government's intention to withdraw key legislation supporting the competitive edge of Exporters and Importers.

At a recent discussion held by the Minister of Ports and Shipping, the Sri Lanka Shippers' Council was informed that the Gazette No. 2041/10 dated 17th October 2017 regarding the Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers and Container Operators (Act No. 10 of 1972), which protects importers and exporters from anti-competitive practices which were carried out by service providers for several years, should be revoked. The revoking of the Gazette will create a ripple effect which will make Sri Lanka's Exports becoming that, which in turn will lead to a further increase in the rate of inflation in the country. The become revoking of the Gazette will also result in additional import costs being incurred, which will be passed down to the consumers and the public in general. More importantly, it will impact negatively on the government's efforts to reduce the Cost of Living.

By revoking the Gazette, the Minister of Ports and Shipping will remove the protection of free market competition, while at the same time, eliminating the international good practices where price-fixing is not permitted.

The Sri Lanka Shippers' Council believes that the Minister should not have the power to decide on charges on transactions between private parties. It is a common understanding in the Council that the Ministry/Minister should be the regulator and be impartial in all dealings in this regard, in order to protect the weaker party in the absence of equal bargaining power.

Gazette No. 2041/10 which is the amended Gazette No. 1842/16 of October 27, 2013, re-confirmed four cardinal principles to protect both importers and exporters from service providers who may charge exorbitant fees, in addition to freight for the carriage of goods.

The four principles of the Gazette that upheld free market values are:

- Principle 1 – the cost of carriage of containers from origin to destination must be identified as all-inclusive freight without dividing them into land costs and freight components thereby all charges being negotiated commercially.

- Principle 2 – The service provider can only recover costs incurred from the use of the service to whom the service was provided, and not from a third party, with no such contractual liability safeguarding recipients of goods where freight is already arranged.
- Principle 3 – Goods that landed at the port could only indicate “Freight Pre-Paid” or “Freight Collect”. The concept of zero freight was not allowed
- Principle 4 – In the case of imports to Sri Lanka the only charge permissible outside the freight was the Delivery Order (DO) fee. All other costs had to be calculated in the all-inclusive freight clearly defining who pays which charges in international trade.

Gazette No. 1842/16 dated October 27, 2013, was further augmented by succeeding governments introducing Gazette No. 2041/10 dated 17th October 2017 to strengthen the role of the Director General of Merchant Shipping (DGMS), for the effective implementation of setting only a Delivery Order fee outside the freight cost and take stringent action against perpetrators.

Subsequently, the Council proposed to DGMS on the 19<sup>th</sup> of August 2022, a reasonable increase to the Delivery Order fee based on inflation which was also in alignment with the services performed by service providers. To the dismay of all importers and exporters of the country, the ports minister issued the new Gazette No. 2302/24 of 20 October 2022, introducing a maximum Delivery Order Fee over and above what was proposed by the Council, and which was not in alignment with services performed by service providers. A new additional charge of US\$ 8 per Cubic Meter, under a broader category of a “cost recovery charge”, was also introduced, which has contravened the cardinal principles and protection guaranteed to Sri Lankan importers and exporters by the aforementioned gazette, adversely impacting on economic activity, by driving up costs of all imports and adversely impacting expansion plans of industries.

The import and export sector of Sri Lanka along with the Sri Lanka Shippers’ Council unconditionally objected to the regulations introduced under Gazette No. 2302/24 of 20 October 2022. The Sri Lanka Shippers’ Council’s opposition to Gazette No. 2302/24 of 20 October 2022 is based on the following principles:

- a) The Gazette violates the core principle of all-inclusive freight costs that requires the contracting party to bear the full cost of such freight
- b) The Gazette permits freight forwarders and shipping agents to levy fees to third parties who are not a party to the original contract.
- c) New additional charges will unquestionably increase the cost of freight for both imports and exports, which will lead to higher costs of export-led for the general public and reduce the competitiveness of exports, at a time when export-led growth is crucial to the recovery of the country’s economy

Furthermore, to the dismay of importers and exporters, on 5th January 2023, the Minister tabled a supplement in Parliament to amend the Licensing of Shipping Agents Act No. 10 of 1972, to vest

in himself, the authority to set Delivery Order and other fees, whereas the previous Gazette required the service providers to obtain the approval of the DGMS to increase fees, protecting free market forces deciding fees. Many Joint Ventures are now reconsidering their business partnerships in the country, which has also accelerated the idea of near-shoring due to supply chain bottlenecks experienced during the pandemic.

While Sri Lanka Shippers' Council recognizes the Minister's undertaking given at a meeting with stakeholders on 13th January 2023 to withdraw Gazette No. 2302/24 of 20 October 2022, the industry is alarmed to learn that the Ministry Secretariat is planning to withdraw Gazette No. 2041/10 of 17 October 2017 instead without being aware that it supports in generating new FDIs, partnerships, and the improvement in the ease of doing business index of the country.

Sri Lanka Shippers' Council wishes to reiterate that globally accepted market-friendly legislation should not be overlooked or withdrawn without adequate reason, solely based on the urging and requests of a few interested parties connected to forwarding and ship agencies with the motive of profiteering through unethical surcharging at any cost, at the expense of all the positives mentioned above, and in particular when our country is facing an economic crisis, the impact of which is critical for the revival and sustenance of the country's GDP, economy and improving foreign exchange earnings.

The Sri Lanka Shippers' Council requests the President of Sri Lanka and the Government to critically consider its representations, to protect and uphold the continuation unchanged, of the Gazette No. 2041/10 dated 17 October 2017 of the Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers and Container Operators Act No. 10 of 1972, in the interest of importers, exporters, and the general public of Sri Lanka.

### **SLSC Joined with JAAF and The Rubber Association (SLAMERP) to Take Legal Action Against the Gazette Part II of November 4th, 2022. – The Act No. 22 Of 1972.**

The Sri Lanka Shippers' Council (SLSC), along with the Joint Apparel Association Forum (JAAF) and The Rubber Association (SLAMERP), took legal action against the Gazette Part II of November 4th, 2022 - The Act No. 22 of 1972. The case was brought before the Supreme Court for hearing on January 20th, 2023. The application invoked the jurisdiction of the Supreme Court to determine whether the bill, titled "Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers, and Container Operators (Amendment)," or any part thereof, was inconsistent with the constitution.

During the hearing on January 20th, 2023, legal counsel Saliya Peiris represented the Sri Lanka Shippers' Council and presented arguments to the Supreme Court for approximately 45 minutes. The case was a significant opportunity for the SLSC to present its position and seek a legal determination on the constitutionality of the bill.

Subsequently, on February 9th, 2023, the judgment regarding the case was delivered to Parliament and read out by the speaker. The judgment's contents and implications were likely of

great interest and importance to the parties involved and the shipping and logistics industry as a whole.

“Determination of the Supreme Court in respect of the Bill titled Amendment to Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers, and Container Operators Act was held to be unconstitutional by the Supreme Court.

The Supreme Court determined that the Amendment to the Bill as a whole is inconsistent with Articles 12(1) and 148 of the Constitution and as such may be enacted only by the special majority required by Article 84(2)”.

This shows that the shipping minister cannot get into price control. This is just a licensing regime for ship agents and the rest.

### **Re-Instate of Gazette No. 2041/10 Of October 17, 2017**

The Sri Lanka Shippers’ Appeal along with Joint Apparel Association Forum (JAAF) and The Rubber Association (SLAMERP), lodged a writ application in the Court of appeal requesting the reinstatement of Gazette No. 2041/10 of October 17, 2017, which was rescinded by the Minister of Ports, Shipping, and Aviation. These regulations were purportedly enacted under section 10 of the Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers, and Container Operators Act, No. 10 of 1972, as amended. The regulations were published in Government Gazette (Extraordinary) No. 2321/62 on 2nd March 2023, in accordance with Article 140 of the Constitution of the Democratic Socialist Republic of Sri Lanka.

As an urgent countermeasure the Sri Lanka Shippers’ Council wrote to His Excellency the President Hon. Ranil Wickramasinghe indicating the impact on the trade due to the rescinding of Gazette No. 2041/10 of ,.

### **Sri Lanka Shippers’ Council Believes There to Be Dire Repercussions, Due to The Rescinding of Gazette No. 2041/10 of October 17, 2017.**

The Sri Lanka Shippers' Council has submitted a letter to His Excellency Ranil Wickremesinghe, the President, regarding the dire repercussions resulting from the rescinding of Gazette No. 2041/10 on October 17, 2017. The letter aims to highlight the significant impact on trade caused by the removal of this gazette.

The Importers and Exporters are perturbed by the action of the Minister of Ports and Shipping, to rescind the Gazette No. 2041/10 dated 17<sup>th</sup> October 2017, which was initially introduced on 27<sup>th</sup> October 2013 and has benefited the Importers and Exporters immensely over the years.

This piece of legislation has helped importers and exporters from anti-competitive practices which have been carried out by service providers for several years. The rescinding of the Gazette has created a ripple effect, which will lead to Sri Lanka’s Imports and Exports becoming more expensive due to unethical surcharging in freight Rates, thereby becoming uncompetitive and in turn leading to the loss of its market share in the Global Market.

During the pandemic, the exporters performed exceptionally well with month-on-month increased earnings and helped the government to sustain the economy whilst other industries faced challenges and changed trading practices. With the rescinding of Gazette No. 2041/10, foreign exchange can flow out of the country illegally due to the possible introduction of zero freight again and surcharges levied on non-contractual parties, simply because, there is no coverage of same, through the law of the land.

By rescinding this Gazette, the Minister of Ports and Shipping has removed the protection of free market competition, while, also eliminating the international good practices where price-fixing is not permitted.

Additionally, frequent changes made recently to shipping regulations in Sri Lanka through the introduction of a few gazettes have also raised ambiguity and concern among foreign trading partners who are sensitive to policy inconsistencies. With exports being promoted as a solution to the current economic crisis, this is detrimental to attracting potential buyers and maintaining current clients.

Gazette No. 2041/10 re-confirmed four cardinal principles to protect both importers and exporters from service providers who may charge exorbitant fees, in addition to freight for the carriage of goods.

The four principles of the Gazette that upheld free market values are: -

- Principle 1 –The cost of carriage of containers from origin to destination must be identified as all-inclusive freight without dividing them into land costs and freight components thereby all charges being negotiated commercially.
- Principle 2 – The service provider can only recover costs incurred from the user of the service, and not from a third party, with no such contractual liability safeguarding recipients of goods where freight is already arranged as per commercial terms.
- Principle 3 – Goods that landed at port could only indicate “Freight Pre-Paid” or “Freight Collect”. The concept of “zero freight” was not allowed
- Principle 4 – In the case of imports to Sri Lanka, the only charge permissible outside the freight was the Delivery Order (DO) fee. All other costs had to be calculated in the all-inclusive freight clearly defining who pays which charges in international trade.

All freight charges can be charged within the all-inclusive freight rate that gets compared holistically with market rates, so the market forces determine the final price, as opposed to engaging in non-negotiable surcharges.

Sri Lankan exporters have had a competitive advantage in shipping costs compared to other countries due to this legislation, and removing the same opens them to unwarranted additional costs which will make them more expensive than their competition.

Imports to Sri Lanka will become more expensive after the removal of the legislation, due to the addition of unethical surcharges as in the past (44-line items were charged) and the breaking of

freight cost into many parts, which ultimately ends up being charged from non-contracting parties. The result is in inflation and the cost of living in the country.

Gazette No. 1842/16 dated October 27<sup>th</sup>, 2013 was further augmented by succeeding governments introducing Gazette No. 2041/10 dated 17<sup>th</sup> October, 2017 to strengthen the role of the Director General of Merchant Shipping (DGMS), for the effective implementation of setting only a Delivery Order fee outside the freight cost and to take stringent action against perpetrators.

Sri Lanka Shippers' Council has reiterated that globally accepted market-friendly legislation should not be overlooked or rescinded without adequate reason and consultation, solely based on the urging and requests of a few interested parties connected to forwarding and shipping agencies with the motive of profiteering through unethical surcharging at any cost at the expense of consumers and all positives mentioned above. It is evident that our country is facing an economic crisis, and the impact of such steps, is critical for the revival and sustenance of the country's GDP, economy, and the improvement of foreign exchange earnings.

The Sri Lanka Shippers' Council has requested the President and the Government to critically consider its representation and to reinstate the Gazette No. 2041/10 dated 17 October 2017 of the Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers and Container Operators Act No. 10 of 1972, in the interest of importers, exporters, and the general public of Sri Lanka.

Subsequently, a meeting was convened by the Ministry of Ports and Shipping on 17th April 2023 to discuss gazette notifications No. 2302/24 and 2041/10. The main focus of the meeting was to deliberate on the implementation of rescinding these two gazettes. During the meeting, the Honourable Minister expressed his intention to seek advice from the Attorney General on whether he possesses the authority to reinstate gazette no. 2041/10 dated 17th October 2017.

Furthermore, a meeting took place with His Excellency the President on 25th April 2023, where it was explicitly conveyed that all charges should be temporarily suspended. The President specifically instructed the Secretary to the Ministry of Ports and Shipping to ensure that the status quo should remain as prior to the rescinding of the Gazette No. 2041/10 of October 17, 2017., until the Gazette is re-instated.

During the year, the Sri Lanka Shippers' Council protested against several unethical requests from various industry bodies such as CEYFFA to raise existing charges and introduce new surcharges to the trade. The Sri Lanka Shippers' Council will continue to support the Government and its membership to uphold fair trading practices in a transparent business environment for the benefit of importers, exporters and shipping lines, and agency networks. The Council continues to advise its members to take up any matters relating to unethical charges by the service providers to the Director General of Merchant Shipping with the supporting documents and holds a seat in the newly created recommendation committee of DGMS.

## PRESENT MARKET INDICATORS

Various predictions on market conditions were discussed at Council committee meetings. China Freight Index (China Exchange) and Drewry's World Container Index were followed by the Council as reference material.

The Sri Lanka Shippers' Council released several press articles related to present market conditions.

### **Shippers Concerned Over Disruption of Services**

The Sri Lanka Shippers' Council (SLSC) has expressed deep concern about the violence directed towards peaceful protestors, recognizing that such disruptions could have severe consequences for services and add to the burdens already faced by the people. They have called upon all citizens involved to acknowledge the importance of crucial activities and allow them to continue in order to guide the country through this critical period.

While acknowledging the right of individuals to engage in peaceful protests, the SLSC strongly condemns any form of violence that occurred during the events. They emphasize that such acts should be addressed through the legal system with an impartial investigation to identify and hold those responsible accountable. Failing to take immediate action to protect the fundamental rights of citizens could have grave repercussions on maintaining law and order and disrupt ongoing efforts to resolve political and socio-economic issues faced by the nation.

As the leading organization representing members involved in international trade, the SLSC urges all individuals involved in protests and strikes to refrain from disrupting the operations of essential institutions such as the Sri Lanka Port, Sri Lanka Customs, Board of Investment (BOI), and the airports. These institutions are crucial for the uninterrupted flow of daily operations, ensuring the importation of vital goods like food, fuel, medicines, inputs for exports, and the facilitation of exports. It is emphasized that the smooth functioning of these services is essential for sustaining the country's economy during these challenging times and ensuring the inflow of much-needed foreign exchange.

In summary, the SLSC has voiced its concern over the violence during protests and calls for peaceful demonstrations. They emphasize the importance of uninterrupted operations at essential institutions to ensure the smooth flow of imports and exports, which is vital for sustaining the country's economy.

**SRI LANKA CUSTOMS**

The Council is pleased to announce that the dialogues with the Sri Lanka Customs continued during the year under review through the pandemic. Concerns of the Importers and Exporters with regard to various policy matters and operational issues were brought to the attention of the Director General of Customs and received positive responses to solve a large number of operational issues during this period.

**Modernization of Sri Lanka Customs**

The Council serves on the expert panel appointed by the Presidential Secretariat to modernize Sri Lanka Customs activities to be the best and most efficient customs in Asia. Several subcommittees as follows were appointed under the above main committee to collate proposals to be submitted to the five-member Presidential Commission of Inquiry (CoI) which was set up under the directive of H. E. the President to study the prevailing situation in Sri Lanka Customs and make suitable recommendations.

- Customs Policy Committee
- Customs Trade Facilitation Committee
- Customs System Modernization Committee
- Customs Risk Management Committee
- Customs Export and SME Development Committee
- Customs Trade Facilitation Committee
- Customs Enforcement Committee
- Customs Welfare Committee
- Customs Tariff Committee

Council is a part of the following subcommittees.

- Customs Trade Facilitation Committee
- Customs Export and SME Development Committee

Several meetings were held under the leadership of DG Customs to prepare submissions in each sector. Sri Lanka Shippers' Council actively participated in these discussions and has proposed many recommendations from the shippers' side to uplift the standards of SL customs which will then support trade activities in the country. Final proposals submitted by the committees were collated by the Customs and handed over to the DGC to be presented to the Presidential Commission of Inquiry.

## **Sri Lanka Customs Launches CEO/AEO Programme**

Sri Lanka Customs (SLC) launched the Compliant Economic Operator (CEO) and Authorized Economic Operator (AEO) initiative, at the Sri Lanka Customs Headquarters. The CEO/AEO programme is in line with the World Customs Organization (WCO) SAFE Framework of Standards and the World Trade Organization (WTO) Trade Facilitation Agreement aimed at securing and facilitating global trade by expediting the movement, release and clearance of goods by reducing the time and cost associated with cross-border transactions.

The AEO programme offers two tiers of certifications i.e., Compliant Economic Operator (CEO) for operators with high legal and operational compliance and Authorized Economic Operator (AEO) for operators who maintain high levels of supply chain security standards in addition to the CEO compliance requirements.

The Ceylon Chamber of Commerce was the Strategic Event Partner of the launch ceremony. Under this Strategic Partnership, the Ceylon Chamber of Commerce will provide training for selected private sector companies, on fulfilling the criteria required in order to be eligible for the CEO/AEO programme, as well as capacity building in order to implement the required changes. The AEO website, which facilitates a paperless and seamless end-to-end online application process for applicant economic operators, accessible at <https://aeo.customs.gov.lk> was launched at the event.

## **Digital Signature Implementation**

As part of the efforts moving toward a paperless environment in Sri Lanka Customs, UNCTAD has developed new functionality in the Asycuda World system to digitally sign the Customs Declarations in the import and export processes.

The import and export process has a huge bearing on a country's Ease of Doing Business index. This is also considered a critical factor in attracting foreign direct investments. For many years, document submission to Sri Lanka Customs was a manual process. Ending this cumbersome and ineffective process, Sri Lanka Customs introduced online document submission following the migration to ASYCUDA World in 2012. As a solution, Sri Lanka Customs partnered with LankaClear in introducing LankaSign Digital Signatures for documents submitted to Sri Lanka Customs.

## **Digitalization of Marine Trade**

A virtual meeting was organized by the Sri Lanka Customs on 14th September 2021 through the Trade Facilitation Committee with regard to the digitalization of marine trade. It was a pilot project carried out in Sri Lanka and Myanmar. There was a memorandum of understanding signed

between the Customs, UNCTAD, and GIZ to facilitate pre-arrival and pre-departure processing for sea cargo manifest. The MOU was signed on the 11th of February 2021

The first private sector consultation workshop for the Digitalization of the Global Maritime Trade (DGMT Project) was scheduled for the 10<sup>th</sup> of March 2022. The second Private Sector Consultation Workshop for the Digitizing Global Maritime Trade (DGMT) Project was scheduled on 17<sup>th</sup> November 2022.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in collaboration with Sri Lanka Customs (SLC) organized the Private Sector Consultation Workshop for the Digitizing Global Maritime Trade (DGMT) Project. Explaining the objective of the workshop the Chairman briefed the committee that by increasing SLC's digital access to advance sea cargo information, the project aims to enable SLC to process advance sea cargo data pre-arrival (PAP) as well as pre-departure (PAP). One of the main components of this project is to improve pre-arrival/departure processing and risk management. This is an initiative to implement pre-arrival and pre-departure processing. The system will be called ASYHUB where the shipping lines and the agents are given access that they can manifest in advance. The process will be implemented in 2023.

## **SRI LANKA PORTS AUTHORITY**

Sri Lanka Shippers' Council had very productive discussions with the Sri Lanka Ports Authority to discuss various issues pertaining to the industry. Some of the issues highlighted were; shortage of equipment, shortage of space in warehouses, delays in de-stuffing of LCL cargo, enhancing infrastructure facilities at the Port, request to link online payment with all banks, Unavailability of empty containers for exports at the Colombo Port, etc.

The Council has on many occasions written to the SLPA Chairman requesting his intervention to resolve issues faced by members of the council.

In addition, the Sri Lanka Shippers Council has taken proactive measures to mitigate the adverse effects caused by the strikes initiated at the Sri Lanka Ports Authority (SLPA). Recognizing the significant consequences these strikes have on both exporters and importers within the country, the Council engaged in ongoing discussions with the SLPA.

Through these discussions, the Sri Lanka Shippers Council diligently conveyed the severe impact that the strikes were having on the trade industry. They highlighted the disruptions to export and import operations, delays in cargo handling, and the resulting financial losses experienced by businesses involved in international trade.

By emphasizing the detrimental effects on the economy and urging for a swift resolution, the Council sought to raise awareness about the urgent need for a resolution to the strikes. Their aim was to ensure the smooth functioning of port activities, minimize disruptions to trade operations, and safeguard the interests of exporters and importers in Sri Lanka.

## **Meeting with the Leader of the Opposition Hon. Sajith Premadasa.**

On the 11th of June 2022, the Sri Lanka Shippers Council actively engaged in a meeting with Honorable Sajith Premadasa. The primary agenda of this meeting was to review the progress of the ongoing port expansions and address the concerns and grievances raised by the shipping and logistics community.

During the meeting, the Council made a specific request to Honorable Sajith Premadasa, urging him to publicly state in Parliament that the Port of Colombo was operating efficiently and without any major disruptions. This request aimed to counter any negative publicity or misconceptions surrounding the port's operations. By emphasizing the smooth functioning of the Port of Colombo, the Council intended to alleviate any concerns among stakeholders and promote a positive image of the port's capabilities.

Additionally, the Sri Lanka Shippers Council compiled a set of questions that were to be presented in Parliament. These questions were carefully formulated to address the issues faced by the shipping and logistics sector and to emphasize the need for swift action and solutions from the relevant ministers. The objective behind presenting these questions was to urge the responsible authorities to expedite the development of the port expansion projects, thereby enhancing the capacity and efficiency of the Port of Colombo.

### **Maritime Affairs**

The economic crisis in Sri Lanka has had significant repercussions on its maritime activity, particularly at the Colombo port, which serves as a vital transshipment hub in the South East Asia region. The country's trade operations have experienced a slowdown due to several interconnected factors, including a severe foreign exchange (forex) crunch and a scarcity of fuel.

The forex crunch refers to a situation where there is a shortage of foreign currency reserves, limiting the ability of businesses and individuals to carry out international transactions effectively. This has had a direct impact on trade operations, as importers face difficulties in securing foreign currency to pay for essential goods and services. The scarcity of foreign exchange has hindered the smooth flow of trade, resulting in delays and disruptions in supply chains.

Furthermore, the fuel scarcity has compounded the challenges faced by the maritime sector. The availability of fuel is crucial for shipping vessels, as they require a constant supply to operate efficiently. The shortage of fuel has led to logistical difficulties and increased costs for the trade, affecting their ability to transport goods in a timely and cost-effective manner. This has further contributed to the slowdown of trade activities in Sri Lanka.

The combination of the forex crunch and fuel scarcity has created a cascading effect on Sri Lanka's maritime industry, particularly at the Colombo port. As a key transshipment hub in the region, the port plays a crucial role in facilitating the movement of goods between international

markets. However, the economic crisis has resulted in reduced trade volumes, causing a decline in the port's activity and revenue.

The slowdown in maritime activity has broader implications for Sri Lanka's economy. The port serves as a vital gateway for international trade, and any disruptions or inefficiencies in its operations can have ripple effects on various sectors, including manufacturing, agriculture, and retail. The decline in trade activity can lead to decreased foreign exchange earnings, hampering the country's ability to meet its financial obligations and maintain a stable economy.

In summary, Sri Lanka's economic crisis, characterized by a forex crunch and fuel scarcity, has had a profound impact on its maritime activity, particularly at the Colombo port. The slowdown in trade operations has created challenges for importers and exporters, resulting in delays and disruptions in supply chains. The decline in maritime activity has wider implications for the country's economy, affecting various sectors and posing challenges to its overall financial stability.

## **Airport Issues**

### **Non-implementation of Cargo Accounts Settlement System (CASS) - IATA**

The Sri Lanka Shippers' Council, in complete alignment with its member, the Sri Lanka Freight Forwarders Association (SLFFA), has expressed unanimous support for the non-implementation of the Cargo Accounts Settlement System (CASS) in Sri Lanka. The Council holds the view that involving a third party in a bilateral agreement for the recovery of freight charges does not bring any tangible benefits.

A Stakeholders Meeting was organized on the 4th of July 2022, at the Auditorium of the Ministry of Ports, Shipping, and Aviation, with the participation of the Honorable Minister of Ports, Shipping, and Aviation. The purpose of this meeting was to discuss the proposal to introduce the Cargo Account Handling Systems (CASS) initiated by the International Air Transport Association (IATA).

During the meeting, the Sri Lanka Shippers' Council vehemently opposed the introduction of CASS, highlighting that the local market operates on a credit-driven system. The Council emphasized that the implementation of CASS would significantly reduce the credit period to just 7 days. This reduction in credit terms could potentially create challenges for businesses relying on extended credit periods for their operations.

Furthermore, the Council raised concerns regarding the additional costs associated with insurance that may arise from the implementation of CASS. These potential additional expenses would add to the financial burden already borne by the stakeholders in the shipping and logistics industry.

In summary, the Sri Lanka Shippers' Council firmly supports the non-implementation of the Cargo Accounts Settlement System in Sri Lanka, citing the credit-driven nature of the local market, concerns regarding shortened credit periods, and the potential for increased insurance costs as key reasons behind their opposition to the introduction of CASS.

## EDUCATION & SEMINARS

### **CINEC – SLSC Scholarships in Logistics and Supply Chain Management**

The Sri Lanka Shippers' Council (SLSC) and the Colombo International Nautical and Engineering College (CINEC) collaborated once again to organize a scholarship programme for SLSC members. This program aimed to provide educational opportunities and support in specific areas of interest to the SLSC membership.

The scholarship program offered by the SLSC and CINEC aimed to enhance the knowledge, skills, and expertise of individuals within the shipping and logistics industry. The scholarships were designed to cater to various areas of importance and relevance to the SLSC membership.

Through this program, SLSC members had the opportunity to pursue further education and training in specialized fields. The scholarships covered diverse areas such as logistics management, maritime studies, nautical engineering, shipping operations, and related disciplines.

By organizing this scholarship program, the SLSC, and CINEC aimed to empower and uplift the professional capabilities of individuals within the shipping and logistics sector. This initiative demonstrated their commitment to fostering continuous learning, professional development, and promoting excellence within the industry.

The partnership between the SLSC and CINEC facilitated access to quality education and training opportunities for SLSC members, enabling them to acquire valuable skills and knowledge to excel in their respective fields. It also showcased the collaborative efforts of both organizations in supporting the growth and advancement of the shipping and logistics industry in Sri Lanka.

Overall, the scholarship program offered by the SLSC and CINEC highlighted their joint commitment to nurturing talent, promoting education, and fostering professional development among SLSC members in various key areas of the shipping and logistics industry.

Scholarship 01 - Professional Diploma in Logistics and Supply Chain Rs. 225,000 – Full scholarship

Scholarship 02 - Professional Diploma in Logistics and Supply Chain Rs. 225,000 – 50% scholarship

Scholarship 03 - Certificate Course in Logistic Services, Freight Forwarding, and Multimodal Transport Rs. 35,000/- Full scholarship

### **Shipping and Logistics Textbooks in the Sinhala language by CINEC**

The Sri Lanka Shippers' Council received recognition for their contribution in authoring a message to be included in the inaugural logistics textbooks in Sinhala. These textbooks were published by CINEC, with the aim of providing essential reference materials for the local curriculum. The Chairman of the Council took the initiative to forward a message endorsing

CINEC's commendable effort to introduce much-needed reference material in Sinhala for the subject of 'Logistics'.

By actively participating in the development of these textbooks, the Sri Lanka Shippers' Council demonstrated their commitment to promoting education and knowledge dissemination in the field of logistics. Their involvement in crafting the message underscored their recognition of the significance of having study materials available in the native language, Sinhala, for students in Sri Lanka. This initiative aimed to facilitate better understanding and accessibility to educational resources among the local student population.

The Council's endorsement of CINEC's endeavor not only highlighted their support for the development of the logistics curriculum but also emphasized the importance of promoting the growth and understanding of logistics practices within the country. By collaborating with CINEC, the Sri Lanka Shippers' Council showcased its dedication to enhancing the educational landscape and nurturing the next generation of logistics professionals.

In conclusion, the Sri Lanka Shippers' Council's recognition in contributing a message for the first-ever logistics textbooks in Sinhala, published by CINEC, highlighted their commitment to education and their endorsement of efforts to provide essential reference materials in the local language for the subject of 'Logistics'.

### **National Logistics Awards (NLA) Organized by the Sri Lanka Logistics & Freight Forwarders Association**

On the 23rd of March 2022, a prestigious awards ceremony took place, and the Sri Lanka Shippers' Council (SLSC) had the honor of being part of the esteemed panel of judges. Representing the Council at this significant event was Mr. Suren Abeysekera, the Immediate Past Chairman.

The awards ceremony served as a platform to acknowledge and celebrate outstanding achievements and contributions within a particular industry or sector. As a panel judge, the SLSC played a crucial role in assessing and evaluating the nominees based on predefined criteria. Their expertise and knowledge in the field allowed them to contribute valuable insights and opinions during the selection process.

The Council's participation in the awards ceremony demonstrated their active involvement in recognizing and promoting excellence within the industry they represent. By having a representative from the SLSC serve as a judge, the Council showcased its commitment to fostering growth, innovation, and exceptional performance among individuals or organizations in their respective fields.

Overall, the inclusion of the Sri Lanka Shippers' Council as a panel judge and the presence of Mr. Suren Abeysekera as their representative added credibility and significance to the awards

ceremony, further solidifying the Council's role in championing excellence and recognizing notable achievements.

## **OTHER TRADE-RELATED MATTERS ADDRESSED BY THE COUNCIL**

### **Social Security Contribution Levy Act No 25 of 2022**

The Sri Lanka Shippers' Council (SLSC) took proactive measures by engaging with and writing to the Board of Investment Sri Lanka (BOI) and the Export Facilitation Centre (EFC) regarding the Social Security Contribution Levy and its exemptions pertaining to exports. The Council sought clarification and guidance from the BOI and EFC on how these exemptions apply in accordance with the relevant legislation.

Specifically, the Council requested the BOI and EFC to seek direction from the Inland Revenue Department (IRD) based on the provisions outlined in the Social Security Contribution Levy Act. The Act provides exemptions for exports, and the SLSC sought confirmation on the application of these exemptions to ensure clarity and compliance for the shipping and logistics industry.

As part of the resolution, the BOI agreed to segregate imports and exports separately, ensuring that exports will be exempted from the Social Security Contribution Levy. This segregation would help in accurately applying for the exemptions and streamlining the levy requirements for exporters.

Furthermore, the SLSC drew attention to the exemptions mentioned in the Social Security Contribution Levy Act No. 25 of 2022 specifically related to export courier services and export services provided by a public corporation. These exemptions were highlighted as important provisions that need to be considered in the implementation of the levy, ensuring that eligible services are not subject to the levy.

By engaging with the BOI and EFC and seeking clarification on the exemptions, the SLSC aimed to facilitate a smooth and compliant process for exporters, alleviating any potential financial burden associated with the Social Security Contribution Levy.

In summary, the SLSC's engagement with the BOI and EFC regarding the Social Security Contribution Levy exemptions for exports reflects their commitment to advocating for the interests of the shipping and logistics industry. The Council's efforts aimed to ensure clarity, compliance, and a fair application of the exemptions within the framework of relevant legislation.

Page 49, points 7, and 8,

“Services of a freight forwarder and a shipping agent licensed under the Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers, and Container,

Operators Act, No. 10 of 1972 or courier services in so far as such services are in respect of the exporter of any article from Sri Lanka; Services provided by a public corporation, in so far as such services are in respect of the exportation of any article from Sri Lanka; you know services provided by public corporation in so far such as services in respect or exports of any article from Sri Lanka, are exempted.”

## **Briefing Session on Current Taxation**

On the 18th of January 2023, Mr. Shavindra Samaratunga, the Head of the Tax Division at Hayleys PLC, conducted a comprehensive briefing session on current taxation. This session was organized to provide valuable insights and updates on the latest tax regulations and practices. The briefing aimed to equip attendees with a thorough understanding of the evolving tax landscape and its implications for businesses.

Following the briefing, a question-and-answer session was held, allowing participants to seek clarification, raise specific queries, and engage in meaningful discussions with Mr. Samaratunga. This interactive segment provided a platform for attendees to address their concerns and gain a deeper understanding of the topics discussed during the briefing session.

Overall, the briefing session conducted by Mr. Shavindra Samaratunga on current taxation on the 18th of January 2023 offered a valuable opportunity for participants to stay updated on the latest tax developments, gain insights from an industry expert, and engage in meaningful discussions to enhance their understanding of tax-related matters.

## **MEMBERSHIP DRIVE**

The Sri Lanka Shippers' Council (SLSC) maintains an open membership policy, welcoming Trade Chambers and Associations involved in Shipping and Port-related activities, as well as individual companies in the import/export trade. The Council's executive committee holds the responsibility of developing and expanding the membership base of the organization.

By attracting new members, the SLSC strengthens its position as a representative body that effectively addresses the needs and concerns of businesses involved in import/export trade and shipping activities. The diverse membership base ensures that the Council's initiatives and policies align with the interests of a broad spectrum of industry stakeholders.

In conclusion, during the reviewed period, the Sri Lanka Shippers' Council welcomed new members, expanding its reach and influence within the shipping and logistics community. The addition of these new members further strengthens the Council's ability to effectively represent the interests of its diverse membership base and drive positive change within the industry.

## **Committee Members**

- The Ceylon National Chamber of Industries joined as the 17<sup>th</sup> Product Association to serve on the managing committee.

## **Individual Members**

- Best Pacific Textiles Lanka (Pvt) Ltd

## **PRESS RELEASE**

### **Sri Lanka Shippers' Council believes there to be dire repercussions to be faced, due to continued mockery connected to shipping regulations changes - Press release on the 12<sup>th</sup> of March 2023**

The Sri Lanka Shippers' Council has expressed concern over the Minister of Ports and Shipping's decision to rescind Gazette No. 2041/10, which has been in effect since 2013 and has greatly benefited importers and exporters. This legislation protected them from anti-competitive practices by service providers and its removal will result in increased costs, unethical surcharging, and a loss of market share in the global market.

During the pandemic, exporters performed well and contributed to the economy, but the rescinding of the Gazette raises concerns about illegal outflows of foreign exchange and the reintroduction of zero freight and surcharges on non-contractual parties. The removal of the Gazette eliminates the protection of free market competition and goes against international good practices.

The frequent changes in shipping regulations have caused ambiguity and concern among foreign trading partners, impacting the ability to attract buyers and maintain clients. Gazette No. 2041/10 outlined four principles to protect importers and exporters, ensuring transparent and commercially negotiated freight charges. These principles promoted market-driven pricing and prevented non-negotiable surcharges.

Removing this legislation will make Sri Lankan exporters more expensive compared to their peers and increase costs for imports, leading to inflation and a higher cost of living. The Sri Lanka Shippers' Council emphasizes that globally accepted legislation should not be rescinded without sufficient reason, especially at the urging of a few interested parties seeking to profit through unethical surcharging. Considering the country's economic crisis and the importance of sustaining the GDP and foreign exchange earnings, the Council requests the President and the Government to reinstate Gazette No. 2041/10 in the interest of importers, exporters, and the general public.

## **Sri Lanka Shippers' Council has its say over multiple issues- Press release on the 17<sup>th</sup> of April 2023**

The import and export sectors of Sri Lanka, which comprise the critical and crucial economic segments of Sri Lanka and which contribute to the country's overall commercial activities, have been seriously affected by the recent action of the Minister of Ports and Shipping by introducing and implementing the Gazette no.2321/62. The new gazette annulling the Gazette no. 2041/10 dated 17 October, 2017, which was originally introduced on 27 October 2013, to the benefit of importers and exporters, since its introduction.

The benefits to importers and exporters which have accrued since the implementation of the Gazette no. 2041/10 dated 17 October, 2017, have prevented several anti-competitive practices which have been carried out by service providers for several years before its implementation.

The annulling of the Gazette no. 2041/10 has created a ripple effect, which will result in Sri Lanka's imports and exports becoming costlier and uncompetitive, due to the unethical surcharges which will be levied, and which will lead to the loss of the country's market share in the global market.

After 2017, the relevant legislation in Sri Lanka recognized the concept of an all-inclusive freight cost for imports and exports, which was payable by the contracting party. A delivery order payment was the only fee that was payable outside of the all-inclusive freight cost. What this meant was that when importing goods on a Cost Insurance Freight (CIF) basis, the importer was only required to pay the local delivery order fee. It is the responsibility of the shipping line to subsequently pay the Sri Lanka Ports Authority for the unloading and loading of vessels, which is the stevedoring charges. In an all-inclusive freight payment, these charges are in turn, paid in dollars by the shipping line to the SLPA.

A recent article which was published on 10 April 2023 in the printed media, incorrectly alludes to a leakage of foreign currency which prevailed prior to the implementation of the new Gazette 2321/62. This is completely untrue.

The information contained in the media article regarding dollar leakage is a gross misinterpretation of the facts. Paying the cost of goods in international trade is an accepted norm and has to be the total of all services rendered for the goods to reach the buyer. The original Gazette no. 2041/10 strongly supported this by establishing the need for the contracting party to pay all charges so that there is no breaking of costs at different points. On the contrary, rescinding the Gazette no. 2041/10 has now authorized any operator/provider of a service, to levy any amount, at any point, irrespective of the terms of the contract.

This has paved way, as in the case of the "Zero freight Bills of Lading" in the past to the introduction of numerous surcharges, which number over 40, for operators to collect illegal and

unethical fees from non-contracting parties and remit the proceeds collected back to overseas agents deceitfully and the collection of charges which the local parties should not pay as part of sales contracts. The result will be a further erosion of already scarce foreign exchange which will only benefit rogue third parties to whom it is a sole profit-making item in disguise of moving Cargo from one place to another.

The very fact that transportation costs are not being negotiated in the all-inclusive freight rate, after rescinding the Gazette, results in the inability for the users to negotiate and benefit from the best price. This constitutes unethical profiteering by local agents/representatives to transfer out of the country illegal profits to their principals overseas.

Payment of Port Handling Charges to the SLPA is the responsibility of the shipping line, irrespective where the so-called Terminal Handling Charge is paid. In containerized freight, the International Commercial Terms (INCOTERMS), clearly define where the cost and responsibility of the seller end and those of the buyer start. They are well-defined in the sales contracts between seller and importer or exporter and buyer. It becomes farcical when contractors attempt to define sales terms that are exclusively between buyers and sellers, while they only have to be concerned with and maintain service levels they agree on with consignees on contract – in containerizing CY, CFS, or door. For clarity, all three service levels demand the carriers/forwarders/consolidators deliver freight beyond the terminal, therefore, the so-called Terminal Handling Charge should and must be a part of the contracted freight cost that should be paid by the party contracting and not by the other party to the sales contract. These cardinal principles were carefully thought of when the structure of the charges gazette was introduced.

When importing on a CIF basis, the importer remits foreign currency to the shipper, but it is then the duty of the shipper to pay the costs in dollars to the SLPA. As such, the stevedoring charges are a net inflow in dollars to the country. Since the publication of Gazette no. 2321/62, shipping lines have already informed their customers that a component called a Terminal Handling Charge will be payable locally. In the SLPA tariff charges, there is no such charge, and this is a word coined by the logistics groups to include a line item that can be collected locally. Shipping lines are already talking of a cost of \$ 151 for a 20 ft container (\$ 6 per CBM). The lines claim that this amount was previously included in the all-inclusive freight rate. However, when freight rates out of for example, India are at \$ 9 to \$ 12 per CBM, to imply that there is a \$ 6 per CBM charge within the port, is a clear indication of the opportunistic conduct of the group to use the relaxation in the legislation to feather their own nest. It is known that prior to the 2017 regulations, shipping lines had more than 40 plus different line items which were being levied from importers. The return to this regime will inevitably lead to higher prices for items like dhal, onions, rice and other basic food items that are imported.

Because of the resulting increased costs to the Sri Lankan consumer, according to the media article which claims that they would not support any measures that negatively affect the economy, this is totally incorrect, because of the serious impact that it would have.

Costs will increase for all importers – those serving the domestic market will pass them onto the consumer, and those importing for value addition and re-export will only make exports less competitive – at a time when an export-driven economy is a key component of the recovery of the economy. With the Government required to raise the GDP over the next few years, with the increase of FDIs in the country, this will be severely impacted when investors and current investors cannot identify fixed logistics costs. This will immediately make Sri Lanka uncompetitive for foreign direct investment as well.

The new requirement of charging the so-called THC locally will also lead to a loss of revenue to the Government as duty would be calculated net of these costs. At a time when tax revenue is desperately needed for the development of the economy, it must be questioned why legislation is being introduced that will reduce tax revenue to the Government. The media article also claims that the 2017 regulations threaten the loss of business to the Port; this statement is completely false. An examination of the Colombo Port's performance, especially the movement of containers through the Port of Colombo will disprove and clarify the statement.

It is the hope of the Sri Lanka Shippers' Council that the unacceptable and hasty decisions which have been taken will be revisited, to address the interests of the country first and not to cater to the selfish and own advantage of a section of the logistics community.

## **FINANCE**

The Ceylon Chamber of Commerce manages the Council funds on behalf of the Council.

## **THE CEYLON CHAMBER OF COMMERCE (CCC)**

The Chairman of the Sri Lanka Shippers' Council is a member of the Committee of the Ceylon Chamber of Commerce, the oldest Chamber in Sri Lanka with a history of over 180 years. The Council members have had meetings with the Chamber officials on policy matters relating to port and shipping.

## **GLOBAL SHIPPERS' FORUM (GSF)**

There were few meetings of GSF Policy Council held during the year under review to discuss policy related issues and GSF interventions. Sri Lanka Shippers' Council continues to be an active member of the GSF.

## **WEB SITE**

[www.shipperscouncil.lk](http://www.shipperscouncil.lk)

The website is regularly updated with trade-related information and hosts value-added services.

## **TRADE COMPLAINTS**

The Council continues to facilitate trade by assisting in the mediation of trade disputes among the shipping lines, freight forwarders, NVOCC Operators, Consolidators, and shippers.

## **REPRESENTATIONS**

The Council continues to maintain its close association with the Government and Private sector organizations and also with the Trade Associations to have a continued improvement on the required service levels.

Some highlights of direct representations made during the year were as follows.

- National Agenda Committee on Logistics by the Ceylon Chamber of Commerce.
- Sri Lanka Customs Modernization Committee, appointed by the Presidential Secretariat.
- Recommendation Committee of DGMS

## **SECRETARIAT**

The Ceylon Chamber of Commerce provides Secretarial services to the Council. The infrastructure of the Chamber is readily available to the Council.

### ***BY THE ORDER OF THE COUNCIL***

*Sgd.*  
***Yashodha Fernando***  
***For Secretary***

### ***THE SECRETARIAT***

Sri Lanka Shippers' Council  
C/o. The Ceylon Chamber of Commerce  
50, Nawam Mawatha, Colombo 2

Direct Tel: 0115588891, 0115588898  
General Tel: +94 11 2421745-7, 5588800  
Fax: + 94 11 2449352, 2437477  
E-mail: [slsc@chamber.lk](mailto:slsc@chamber.lk)  
Website: [www.shipperscouncil.lk](http://www.shipperscouncil.lk)