

ISSUE 4 | APRIL 2019 | SRI LANKA'S FIRST EVER LOGISTICS MAGAZINE

# LOGISTICS TIMES

DEPARTMENT OF MANAGEMENT AND FINANCE  
GENERAL SIR JOHN KOTELAWALA DEFENCE UNIVERSITY

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South Asia Gateway Terminals (SAGT) the first public-private partnership container terminal in Sri Lanka is an award winning organisation that has dedicated itself to realising the maritime hub aspirations of the nation. With a heritage that spans 19 years, SAGT has continuously redefined the standards of excellence in the maritime industry. As one of three operators in the Port of Colombo, SAGT has been an instrumental force in propelling the Port of Colombo to become the preeminent gateway hub in South Asia.



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# Editor's note

Greetings to all our Dear Readers!

“Alone we can do so little, together we can do so much” – Hellen Keller

The launch of the Logistics Times magazine was always a dream we wanted to successfully achieve together, as one Intake. Just as Steve Jobs stated, “great things in business are never done by one person” - thus this edition is not just an outcome of the effort put forth by one person alone, but a good reflection of the immense dedication and undying commitment rendered by all the students of Intake 34,35 and the Management Club in making this dream a reality.

I take great privilege in making the editor's note for the fourth issue of the Logistics Times Magazine 2019 that features interviews conducted with prominent figures in the field of logistics and transportation, scholarly articles written by academic lecturers of KDU, undergraduates of other universities and our very own university undergraduates of Intake 34, 35 and 36, in relation to the theme of

“Logistics and operations of international trade: the way forward”

Sri Lanka, well known for its breath taking beauty and strategic location is gaining fame as a major economical logistics hub that permits the country to carry out international trade more efficiently and productively. This year's publication is a compilation of interesting articles exploring many areas that range from port operations, 3PL services, air freight, sea freight, customs procedures, modern technological trends, sourcing strategies to imports and exports associated with international trade. We ensure that the host of information, images and novelty that this issue offers will be capable of capturing the attention of the young blood who wish to pursue a career in the field of logistics and transportation. I take this golden opportunity to convey my sincere appreciation to everyone from the corporate sector who spared their treasured time amidst their tight schedules to impart their knowledge and experience, the Vice Chancellor of General Sir John Kotelawala Defence University, Deputy Vice Chancellors, Dean FMSH, Head of the Department of Management and Finance and other Lecturers for being our constant guiding light in each step of the way. I would also like to express my heart-felt gratitude to the designer for adding colour and creativity to the magazine, the editorial committee who supported this feat, all writers, all undergraduates of the Department of Management and Finance and everyone else who have contributed in making this magazine a resounding success.

Happy reading!



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# GENERAL SIR JOHN KOTELAWALA DEFENCE UNIVERSITY

General Sir John Kotelawala Defence University is a reputed university in Sri Lanka which is producing well-educated graduates to the country with the motto of 'For the Motherland Forever'. Today, KDU has a unique recognition as it is the only defense university in the country which produces eclectic blend of officer cadets, officers as well as civilians to serve the country.







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# Way Forward with Public Private Partnerships

**Mr. Thilan Wijesinghe, Chairman – National Agency for Public Private Partnership**

Mr. Thilan Wijesinghe is a Sri Lankan entrepreneur, former cricketer, musician, financier and expert on Public Private Partnerships (PPPs). He is also Chairman of TWC Corp (Pvt) Ltd., Sapphirus Lanka (Pvt) Ltd., and Digital Commerce Lanka (Pvt) Ltd, which owns WoW.lk, the largest online shopping platform in Sri Lanka.

Thilan has functioned as Chairman or Managing Director of both private and public sector organizations since 1995 and is also an angel investor. During the 1990's Thilan was highly regarded for his work at the Board of Investment (BOI), where he was the youngest Chairman ever appointed. His most recent appointment has been as Founder/Chairman of the newly created National Agency for Public Private Partnership (NAPPP), attached to the Ministry of Finance.

## **1. Can you give us a brief introduction to PPPs?**

What we have adopted in Sri Lanka is broadly the World Bank definition of PPPs, which is as follows: "A PPP is a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance."

In a PPP, the Private sector is expected to invest the majority of the money and is usually in charge of the management of the asset or infrastructure. In a typical PPP project, the ownership of the asset and or infrastructure is usually handed back to the Government after 20-35 years, or in some cases as much as 99 years - as was seen with the Port City in Colombo.

In Sri Lanka the term 'PPP' is sometimes incorrectly used to describe projects where the government takes a loan from an investment bank in order to build and manage an asset. This would not be regarded as a PPP as there is no significant transfer of risk to the private sector, which is a fundamental part of PPPs that ensures long-term benefits are passed onto the Government through efficient design and management.





## 2. What is the role of PPPs in international trade?

The Government plays a critical role as a facilitator of international trade. The Sri Lankan ports are a good case study in how the government can facilitate growth and innovation through a PPP, as without an efficient Port system, the country would not be able to import and export goods globally.

The Port of Colombo is a great example of this. Currently several terminals, including the South Asia Gateway Terminal (SAGT) and Colombo International Container Terminal (CICT) are being run successfully as PPPs. Prior to being established as PPPs, these terminals were considered highly inefficient, with ships having to queue outside the port for days at a time. During the 90's we were able to transform the Queen Elizabeth Terminal into SAGT through a PPP, which resulted in an overall increase in efficiency and productivity of the Sri Lanka Ports Authority (SLPA) - in fact ship waiting times were drastically reduced by 85%. These efficiencies also meant that the Port was unlikely to go on strike, which was common place when I was growing up. During these strikes the entire trade would come to a complete standstill. Since the implementation of the PPPs at the Port, there have been zero reported strikes.

The Hambantota port is another more recent example of a PPP. Currently feasibility studies are being undertaken with a view to correcting the design flaws and attracting more large-scale logistics businesses to the port.

## 3. There is a public criticism saying that the government is selling its own soil. What is your comment on that as the Chairman of a government unit which talks about partnering with private sector?

This criticism has arisen largely due to the trade unions and politicians who are working hand in glove to avoid private sector involvement. When the private sector steps in, there is less ability for political interference in that particular business and therefore greater oversight for the work that is being carried out. We found this to be the case during the privatisation of Sri Lanka Telecom (SLT), with the introduction of Lanka Bell and Suntel as PPPs. After conducting strategic stakeholder discussions, we were able to overcome the initial resistance, particularly with regard to monopolisation. During that period SLT enjoyed a monopoly and in order to overcome that, we slowly introduced competition in the form of Lanka Bell and Suntel. After that there was no question that SLT would require private sector management in order to succeed, which it did. What we were witnessing during that period was average waiting times of over two and a half years for a new telephone line, which is unprecedented in today's market where you can get one set up in minutes - in part thanks to the successful PPPs that we implemented.

The critical factor with privatisation, is that resistance comes not from the consumers but other minority leaders. In the end, who should ultimately benefit from privatisation? In my opinion, it should always be the end consumers, and not the politicians or minority leaders who have vested interests.

## 4. How can PPP transform a non-revenue generating dead asset like SL Railway into a productive asset?

This can be achieved, however it will require commitment from the country's leadership. Taking the example of the railways, the way I would envisage a PPP model being most effective is by upgrading an existing line, such as Colombo or Kandy. Whilst there is a cost component involved when the government acquires land in order to expand or upgrade the railway infrastructure, there would not be any upfront payment by the government required. Instead, government would make payments to the investor once the project is operational and would more than likely have to charge higher fares than what is currently being paid. This is because the government would not be able to meet annuity payments in order to give the private sector their expected return. Instead of paying for the asset upfront, as with traditional procurement methods, the government would pay annually to bridge the viability gap between what the investor was expecting as a return and what the passengers are able to afford.

For example, if the government were to build the Light Rail Transit (LRT) system, which is currently under review by the Ministry of Megapolis and Western Development, they would need to pay billions of dollars upfront or borrow and repay during the course of construction in order to develop the LRT. Depending on the loan repayment period, which for this project would be between 30-40 years, there then arises the issue of paying back the loan and what amount should be charged from customers in order to justify it.

In a similar case, the Katunayake Expressway toll was not sufficient to cover the cost of the loan taken by the Government. In this case, the toll covered only 40% of the loan and the balance was subsidised by the government. The key difference with a PPP is that during the construction period, the government does not incur any upfront costs, except, as previously mentioned, for any land acquisition required. Another example is with power plants, where the government commits only to buy the service, i.e. buying the supply of electricity, for a 20-year period and then gives the investor a return over that same period. Unfortunately, the government is quite inefficient in their procurement ability because of in-built inefficiencies and several other factors. If we were to compare the private sector and government cost estimate for infrastructure of the elevated highway project and even the port, it is clear that the capital cost of the private sector was at least 30% lower than the government estimate.

## 5. The PPP carry out transactions or come to deals with foreign countries. How does proper negotiation help to bring favorable deals to the country? Please justify this statement.

I'm glad you raised this question. In my experience, the number one skill required for people involved in PPPs is to be a great negotiator. There are many committees in the PPP process, such as Cabinet Appointed Negotiation Committee (CANC) and the Project Committee (PC) mentioned under procurement guidelines because of the importance of negotiation in PPP projects. I would say negotiation is one of the main prerequisites for successful PPPs. If there are poor negotiations, then the government gets a lousy deal and the inverse is also true, if there are good negotiations we get good deals.

A good example of this was seen during the SAGT negotiations, when John Keells and P&O gave their financial proposals, the annual net revenue to the government was around 2.8 million USD. Over an 8-10 month period we were able to increase that tenfold and negotiated the annual net revenue to 28 million USD. At a time of war and conflict, there were not many competitive bids. I was brought in as the Chairman of the BOI and the negotiations were led by my chief negotiator, Mr. Manohan Nanayakkara. He was picked for his impeccable negotiating and financial skills - he argued to the tooth and nail to a point where the Chairman of John Keells was forced to agree with him. It was this effort which later created a win-win result. In order to bring in better deals for the country we must focus on the issue of leadership and bringing strong negotiators to the table.

## 6. What is the impact of port of Hambantota being a super port on port of Colombo?

It would definitely be complementary. There is a general consensus that Hambantota and Colombo will be interdependent ports that feed each other business, given the strategic positioning of both ports across East/West shipping lines. The highway extensions connecting Colombo and Hambantota will also help businesses by providing an efficient and fast means of transport for goods within the country.

Colombo is an economic hub that has been established over the past hundred years, so until such time as Hambantota develops economically they will have to coexist and form a symbiotic relationship. Both will have benefits in the short and long term, because the total market will grow.

In the Port of Colombo, we know that it is the Port Master who decides at which terminal a ship may berth, not the shippers themselves, thereby allowing for all three terminals to earn profits. Likewise, with proper communication and coordination between both ports there will be more opportunities. As Hambantota port gains in prominence as an international port and begins attracting new shipping lines there will be greater business for the country.



**7. Can Hambantota be a major economical hub with all its available hinterland facilities?**

In my view, it depends entirely on government policies. If the policies are conducive, we will have many foreign and local investors looking to capitalise and a proper hinterland will be critical in achieving this. Despite being the 15th best located country in the world for shipping Sri Lanka remains in 92nd position in terms of the Logistics Performance Index (LPI). If we want to make Hambantota a major economic hub, we need to be committed to raising our standards and increasing our global rankings. How successful we are at achieving this will depend entirely on how efficiently the port will operate in the years to come. To put this into context, when China Merchant Holdings leased out Hambantota port they received 3 1/2 square km of the land, about 70% of which was required for hinterland for investments. None of these activities happen overnight, it will take years to build upon.

**8. In your opinion what does Sri Lanka require at the moment to move forward as a country with PPP projects?**

My one-line answer to this is 'visionary economic leadership' not political leadership. We have enough political leaders, but what we really require at this moment is economic leaders.





**“The line between disorder  
and order lies in logistics...”**

*~ SUN TZU ~*







## **TRANSPORTATION AND LOGISTICS SERVICES**

### **THAT RELATE WITH INTERNATIONAL TRADE AND THE IMPROVEMENT OF THEM**


International trade is essential for the local and international markets. Import and export processes are the building blocks of international trade. When a country is having an excellent performance in transport and logistics services it may result in strengthening international trade. Whenever we walk into a supermarket or any other shopping mall, there are commodities from different countries and continents. They reach our country passing several territories. Therefore, inefficiencies in the transport and logistics services may hamper the productivity of international trade.

There are several key factors in international trade such as the good or commodity that is being traded, the parties that are involved in the transaction, and tariffs and non-tariffs. International trade procedures require a transport chain that extends globally. It consists of logistical activities regarding air, maritime and land transportation to ensure a continuous flow along the supply chain. When we pay attention towards the first step in the transport chain it begins at the origin, where loads are assembled into the containers or pallets. When coming to the material handling, logisticians should work to add value to the cargo at a minimum cost. In order to reach this objective, logisticians practice various principles in planning, standardization, space utilization and automation. Some materials are handled as unit loads, which is an ideal and efficient way to achieve economies of scale over the transportation chain.

Then the cargo that are to be traded, move along the transport chain using various transport modes. On most occasions, railway lines or roads are used to move cargo towards terminals, where they are transhipped. In Sri Lanka, road transportation is used for inland cargo transportation even though railway is

**TRANSPORTATION AND LOGISTICS SERVICES**  
**THAT RELATE WITH INTERNATIONAL TRADE AND THE IMPROVEMENT OF THEM**





capable of carrying large amount of cargo at a time. In the transshipment process cargo is arranged and consolidated into a large shipment and loaded. When this cargo enters through the territory of another country, it has to go through custom inspections before cargo is transshipped over the inland transportation system. At this stage, there are delays and inconveniences that can be shown as a major constraining factor of freight transportation. Then finally, once the cargo reaches its destination, the loads are broken down into several units which can be known as decomposition. Therefore, we can observe that international trade is a physical flow of materials in a path at a least cost. When considering about the maritime side, transshipment hubs play a major role by becoming an intermediary location to consolidate maritime flows. It also connects maritime systems. Therefore, containers are much important as they contribute towards international flow of materials. Distribution centers also can be shown as key players because they manage temporal and spatial demands.

There are various challenges that are faced by the global transportation and logistics service providers when dealing with international trade because they have to differentiate their services at a competitive price. They have to manage shipments and at the same time resources and documents are also in motion with the business. Negotiations and trade activities are also a challenge as they are having a constantly changing nature. Today customer centric and digitized world gives a pressure to the survival of the transportation and logistics services. New technological improvements help to solve them to a great extent by optimizing operations. There are inventory visibility and tracking systems for this purpose. Proper maintenance and management of the inventory is essential for a business. Especially, when a business expands globally with international trade, it should have detailed information and real time visibility at a given location. Otherwise, it will reduce the customer satisfaction and sales. In addition to that, it has the possibility of tarnishing not only the name of the company but also it will affect international demand of a particular business. Today, companies are investing on cloud based technologies to get real time data including ware house management systems and transportation management systems. Transportation costs play a major part of the company budget. In order to cut down those costs, businesses do proper route planning with autonomous tracking. Most of the time they select alternative routes to reduce costs. When practicing tracking systems, they improve fuel efficiency while checking road conditions. Then it is easier for the operators to perform their role more efficiently and effectively. When the transportation system is much productive, it will be easier to maintain international trade relations. Most countries consider about the inland road network and technologies before coming into trade relationships.

When considering about the maritime transportation, the demand for faster and effective shipping strategies is increasing day by day. Therefore, some world famous logistics industries utilize robotic and drone technology that limit the workforce within an environment and reduce the expenditure. Machines with robotic manpower helps in functions such as sorting packages, placing shipments on suitable shipping containers and quality checks. Block chain technology ensures much reliability by providing the ability to find out the location of the shipping container throughout its journey. Just in time techniques ensure time efficiency and improve performance of transport and logistics functions.

International trade promotes the growth of the economy and consumer welfare by increasing revenues, managing cash flows and reducing the competition with extended life spans of the products. We can see that international trade and logistics including transportation chain are interlinked with each other. Therefore, their efficiency and growth influence the other. When a certain country has the ability to solve the issues in logistics and transport sector by utilizing new technological improvements, it may give a positive impact on international trade in that country. Therefore, if a country requires to achieve competitive advantage globally, it is much important to pay attention to uplift logistics and transportation in that country.



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# ROLE OF SHIPPING IN INTERNATIONAL TRADE

Shipping can be considered as the 'backbone' of International Trade. Today ships are carrying goods as well as people. Therefore, actually, this global economy cannot accomplish things the way it does, if this shipping industry doesn't exist. Presently the shipping industry is doing a huge service towards International Trade. This shipping industry is having a very important responsibility and a role for the development of international trade. According to the statistics, around 90% of the world trade is conducted by the shipping industry. Therefore, in the pure sense of the word, it is impossible to fulfil modern necessities in this world without the shipping industry.

Internationally, there are over 50000 ships transporting cargo around the world. Mainly, it is impossible to do intercontinental trade, transportation of raw materials, export and import of consumer and other goods without the shipping industry. Because of these reasons, efficiency of shipping as a transport mode is highly increasing. Further, there is a massive expansion in this industry due to economic liberalization. Parallel to the world trade, shipping industry is highly developing and expanding. Shipping can be recognized as a service business. Basically, they are supplying a service to the customer. Generally, demand for ships is based on price, reliability, speed and security.

Widely, maritime transportation is categorized as tramp shipping and liner

shipping. Tramp shipping is carrying bulk cargo which needs cross-ocean movement and liner shipping is providing regular cargo transport. In seaborne trade, according to the type of cargo, shipments can be categorized. Generally, cargo can be distributed into bulk cargo and general cargo. Bulk cargo is transported based on the term of 'one ship' or 'one cargo'. Bulk vessels are used to transport this bulk cargo. This bulk cargo is also divided into two types as dry bulk and liquid bulk. Also, for general cargo (loose or unitize), liner shipping services are available.

There are some types of shipments like bulk carriers, container shipments, tankers, ferries and cruise ships and specialist ships. Normally, bulk carriers are used to carry bulk cargo like Iron Ore shipments and Coal shipments. Mostly, Container shipments are used to transport manufactured goods and products. Liner shipping services are used to transport these shipments.

Basically, Tankers are used to carry liquid type of cargo. If tankers are looked like bulk carriers, these are flushed and covered by pipelines. As examples, crude oil shipments, shipments of petroleum products and liquefied natural gas shipments. Usually, Ferries carry passengers and commercial vehicles and this type of ships have the facility for vehicles to drive straight on and off. Cruises can be considered as massive and luxurious 'floating hotels' which can be recognized as a modern trend and expansion of the

shipping industry. Ro-Ro (roll on-roll off) is an example for a cruise ship. Specialist ships are used for anchor handling, pilotage and vessel supplying for offshore oil industries. Examples for specialist ships are tug boats, research vessels and ice breakers.

International trade depends on transportation of goods, products and raw materials. Therefore, these different kinds of ships contribute to the global economy by transporting these cargoes from the place of production to the place of consumption.

There are many parties involved in this shipping process. Mainly, there are some terms of shipments involved in international shipping. Those are 'Freight on Board' (FOB), 'Cost Net Freight' (CNF), 'Cost Net Insured' (CIF) and 'Cash Against Document/Delivery' (CAD). These terms are structured for the cost of the supplier and the payment of the buyer for the shipment. These terms are different from one another. FOB shipment suppliers are not responsible for anything and they only hand over the cargo to the nominated forwarders of their buyers. They just get the goods ready and prepare necessary documents like packing list and invoice and booking sheet for the forwarder. After handing over to the freight forwarder, he has all the responsibilities. But, CNF, CIF and CAD shipment suppliers have the responsibility related to all freight charges. However, terms of CNF and CIF are more secure than those of CAD shipments. Normally, selecting shipping lines depends on these terms of shipments.



Absolutely, shipping can be considered as the safest and the most eco-friendly mode of commercial transportation. When comparing with the land transportation methods, shipping generates the least environmental damage. Therefore, in order to improve these benefits more, in 1959, International Maritime organization (IMO) was formed for spreading the safety for the prevention of pollution from ships internationally. Shipping is the very first industry that broadly implemented the standards internationally. This IMO has been promoted a framework of universal maritime safety regulations which are validated worldwide.

Shipping industry is known as a booster in international trade. It generates cost reductions, safety of cargo, quality improvements and technology advancements for commercial activities. Because of these reasons, the volume of international trade is particularly increasing. In the past years, the shipping industry has proved that it is the major mode of commercial transport that directly affects the international trade. In time to come, there will be more technological advancements in the shipping industry. Parallel to those advancements, international trade will also be developed because there is a unique link between shipping industry and international trade.



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# STRIVING FOR EXCELLENCE IN THE SILK ROUTE

## Mr. Upali de Zoysa, Additional Managing Director, Sri Lanka Ports Authority

Founded in 1979, Sri Lanka Ports Authority is the state owned operator of major commercial ports in Sri Lanka. Sri Lanka Ports Authority has set its vision to reach "Logistics Excellence in the Silk Route". We interviewed Mr. Upali de Zoysa, the Additional Managing Director of the Sri Lanka Ports Authority.

### 1. Could you please give us a brief introduction about yourself? Who is Mr. Upali de Zoysa? How did you begin your career?

I received preliminary education at a very remote school in Karadeniya area and secondary education at Karadeniya central college. Then I was graduated from the University of Kelaniya as a B.Com degree holder, and of course did my articles with the aim of becoming a Chartered Accountant at Ford Rhodes Thornton Company (Now KPMG). Later on, I joined the Sri Lanka Ports Authority as a Management Trainee on 15th January 1986, almost thirty three years back and then on I have been here to date. Out of these thirty three years, for almost four years I got approved no pay leave and joined GulfTainer Company Limited in UAE as a Terminal Planner attached to the Port of Khorfakkan which was a main Transshipment Centre in the Gulf few years back. Other than those four years, I stayed about one and half years away again in the Netherlands, Japan and Philippines attending my Postgraduate studies in Ports and Shipping and I mastered in Business Administration at the Postgraduate Institute of Management of University of Sri Jayewardenepura

### 2. Is working in a Port a challenging task?

I joined the Ports Authority in 1986. Before joining, I worked for LOLC. At that time, the impression among the general public in Sri Lanka about the Port employees was that they were very rowdy and stubborn, and my colleagues in the private sector asked me whether I could deal with that situation. Good old days, most of the laborers had hard work that they had to carry all bag cargo and other irritant general cargo as well physically. The working environment has now completely changed with the modern technology, mechanization and IT, and the minimum qualification is GCE(O/L) even to join as a laborer. In most of the trades, IT literacy is compulsory. There are almost 30 trade unions representing different trades, but I can very proudly say that we have been able to maintain a very harmonious relationship with them ensuring uninterrupted port performance and to maintain industrial peace.

### 3. What are the types of cargo? How do the planning and operational processes happen?

The basic categories are conventional and containerized cargoes. Conventional cargo is again divided into two types as break bulk and bulk cargo. Bulk cargo is again divided into two types: liquid bulk and solid bulk. In the case of the Ports Authority, the total volume is almost 100 MN tons. Out of 100 MN tons, almost 90% are containerized cargo. Only 10% is left for conventional cargo. Again out of this 10%, the break bulk is not even 1%; it is only a 0.7%. The other

9.3% is bulk cargo liquid bulk and solid bulk where we don't have any labor involvement and it is fully mechanized. Out of 90% containerized cargo 80% are transshipment and 20% domestic cargo. Now we have skilled labor in all operational categories which are deployed in container terminal and warehouse operations. They are mainly yard track operators, Top Lifter/Reach Stacker operators Rubber Tyred Gantry Crane (RTG) operators and Ship to Shore Crane (STSC) operators. That is the operational side of ports.

When considering the planning side, alongside we have Tally clerks and Plan clerks. In the case of CICT and SAGT, they are designated as Yard Controllers and Deck Controllers. Then Vessel and Yard Planners are deployed in the Planning Department. The entire planning and operational process is managed by Terminal Operating System (TOS). Even the yard tractor drivers, RTG operators and STSC operators have to use VMT (Vehicle Mounted Terminal) to identify and confirm yard locations and onboard stowage.

### 4. How does the Ports Authority face the challenge of optimizing resources?

Every business organization must optimize their resources, if they want to be a Productive Organization. As a Port Operator, Sri Lanka Ports Authority has to cater to all three Terminals, JCT, SAGT and CICT in providing navigational services. We serve them on first come first served basis assuring minimum berthing and sailing delays. In the case of common user facilities such as internal roads and entrance and exit gates are maintained at a satisfactory level to ensure smooth traffic flow within the port premises. As a container cargo and conventional cargo operator, we educate our operational staff on Key Performance Indicators such as Vessel Turnaround Time, Vehicle Turnaround Time, and Berth Productivity, Vessel Productivity and Crane Productivity with the aim of motivating them to maintain them at the Industry Standards. High productivity level will help to optimize the available infrastructure and superstructure



## 5. What is your role in Sri Lanka Ports Authority (SLPA)?

I started my career as a superintendent at JCT. We basically did vessel planning and yard planning other than the administrative functions. At present being the Additional Managing Director of SLPA, I have to play a vital role in Supervision and Administration of the entire organization.

## 6. Who are the stakeholders of Ports Authority? Is ports authority a regulator or a service provider?

Our main stakeholders are Ceylon Association of Shipping Agents (CASA), Sri Lanka Vessel Operators' Association (SLAVO), Sri Lanka Logistics and Freight Forwarders' Association (SLAFFA), Association of Clearing Forwarding Agents (ACFA), Ceylon Freight Forwarders Association (CEYFFA), Sri Lanka Non Vessel Operators Association (SLANA), Shippers Council, Association of Container Transporters (ACT), Ceylon Chamber of Commerce, Joint Apparel Association Forum (JAF) and other chambers which are involved in import and export trade. Now we are in the process of developing the National Maritime and Logistics Policy for the country. During our stakeholders' meetings, most of these stakeholders were of the view that Sri Lanka Ports Authority should play the role of Land Lord making an independent body but not the Port Regulator. This is actually a controversial and debatable issue at the moment. But Ministry of Port, Shipping and Southern Development and Sri Lanka Ports Authority are of the opinion that the Sri Lanka Ports Authority should be the Port Regulator, Land Lord and an Operator. On that basis only we formulated the Maritime and Logistics Policy which is to be tabled very soon to the Cabinet. Everyone should recognize the role played by the Ports Authority as the land lord and as a leading operator so far.

## 7. What are the Acts and areas of regulation that the Sri Lanka port authority covers?

Sri Lanka Ports Authority was established by the Ports Authority Act No 51 of 1979. Section 36 of it says, with effect from the appointed date all port services in any specified port shall be provided exclusively by the Ports Authority or, in exceptional circumstances, on a direction by the Minister, by any person authorized by the Ports Authority. There are a lot of critics about the limitation in Private Sector Investment in Port development nowadays but it should be noted that we reached this level of Port Development with the great support of foreign and local investments under the provisions given in the SLPA Act. In addition, Sri Lanka Ports Authority comply all the Conventions and Regulations set out by International Maritime Organization (IMO), International Labor Organization (ILO), World Trade Organizations (WTO), World Customs Organization (WCO), International Ships and Ports Security (ISPS), Customs Security Initiative (CSI), Ministry of Public Administration, General Treasury and Sri Lankan Labor laws and National Procurement Guide Lines etc.

## 8. What is the role of the ports authority? What are the plans and goals for development of trade?

With the competitive advantage of the strategic location of Sri Lanka closer to the main East-West sea route having a least deviation, Port of Colombo has been able to achieve the target of 7 MN TEUs last year placing it as the 22nd container handling port in the world consolidating the position as a Container Transshipment Hub in South Asia. In terms of connectivity, we are at the 12th place among transshipment hubs with the great contribution of other two sister terminal operators, South Asian Terminal (SAGT), Colombo International Container Terminal (CICT) and Colombo Logistics World as the Inter Terminal Trucking Haulier. These achievements could not have been a reality without our loyal customers. Recently, Sri Lanka Ports Authority was awarded for being the Best Ports Authority and as the Best Private and Public Sector Participation in Port Development.

Being the Land Lord, SLPA has identified its goal to make the Port of Colombo the 20th container handling port by 2020 and it has taken timely steps to enhance the capacity of the Port of Colombo constructing the Southern part of the Port of Colombo consisting of 3 deep water Container Terminals of 2.4 million TEU capacity with 18-meter water depth and 1200-meter quay wall each. Presently, SLPA is in the process of procurement of equipment for East Container Terminal (ECT) to cater to the increasing demand for deep-water berths. In addition, Sri Lanka Ports Authority has signed an agreement to construct a 120-meter quay wall extension at JCT 3 and 4 in order to accommodate two vessels of 330 meters at a time and to procure 3 STSC and launched the upgrading program of NAVIS Terminal Operating System (TOS) with the key features to make Port of Colombo a SMART PORT having Port Community System linking proposed National Single Window (NSW).

To retain customers and attract more services, we go for logistics services too in order to make Sri Lanka a Maritime and Logistics Hub going beyond being a Transshipment Hub. Now not only transshipping, we have to do consolidation too. We must have facilities for Entrepot trade, we must have facilities for value addition and we must have facilities for distribution. Now the Indian traders most of the time come and see the facilities in Colombo for their distribution activities. But now realizing the importance of logistics services we are going for a fully-fledged warehouse complex, more or less a logistics park somewhere near the Port. That is in the planning stage at the moment. We are interested in formulating the national port master plan covering all the ports. The ultimate goal is to have a smart port system by connecting all. These are the plans of the Ports authority being the land lord. In addition, we have been partnering with National Single Window

(NSW) by Sri Lanka Customs, National Export Strategy (NES) by Export Development Board and Trade Information Portal (TIP) by the Department of Commerce too. These steps will definitely help to optimize our available resources and to facilitate the trade.

## 9. As a regulator, how does SLPA affect private parties such as SAGT and CICT?

Sri Lanka Ports Authority, being the Land Lord of sea ports in Sri Lanka, has jointly made every strategy with SAGT, CICT and HIPG (Hambantota International Port Group) to promote Sri Lankan seaports to make Sri Lanka a Maritime and Logistics Hub in South Asia. A Memorandum of Understanding (MOU) has been signed by JCT, SAGT and CICT to consolidate the position of Port of Colombo as a Transshipment Hub assuring a healthy competition among three sister terminal operators. Sri Lanka Ports Authority has signed Terminal Agreements with SAGT and CICT and they are obliged to act accordingly.

## 10. What are the frequent issues that have arisen in port operations?

In our Corporate Plan for the next three years, we have clearly identified our Strengths, Weaknesses, Opportunities and Threats (SWOT Analysis). Our stakeholders have highlighted the importance of enhancing the port capacity with deep draft berths and high profile cranes to cater to the future demand and modern logistics service facilities equipped with modern equipment and IT application. At the same time, process engineering is to be done to simplify the Import and Export procedure ensuring trade facilitation to place Sri Lanka to a higher position compared to the present unfavorable position of 116th in Logistics Performance Index. I am proud to say that all these issues have been addressed in Maritime and Logistics Policy, National Port Master Plan and SLPA Corporate Plan for the next three years and the Action Plan based on the said documents is to be implemented.



**"THOSE IN SUPPLY CHAIN  
KNOW THE IMPOSSIBLE"**





IS POSSIBLE"





# Optimizing University Life for the Better Employability in International Trade & Logistics

The students' interest on selecting logistics management as their higher studies soon after the Advanced Levels has rapidly increased over the last decade in Sri Lanka. Students are willingly choosing this field as the term logistics is commonly popular for its unique involvement in vessels, aircraft, containers, ports etc. The attractive advertisements of the logistics education providers make the students dream a future in business operational context. Indeed, logistics management degrees include modules on freight forwarding, shipping, aviation, public transport, procurement, warehousing, inventory management, international trade, terminal operations, business analytics, statistics and general managerial aspects such as general management, marketing, finance along with computer applications. It also includes individual/group research projects and industrial trainings. International trade becomes the primary job providers for these graduates as logistics becomes a crucial part of international trade by many means

There is great potential for logistics management graduates locally and globally especially along with the improvements in the international trade of Sri Lanka. Since the beginning of 2017 global container port throughput has grown by 5.8% compared to the same period in 2016, and it is expected to reach annual growth. The industry – including roads, waterways, rail and air transport, and any related logistics services – is growing in value at around US\$ 350 billion to US\$ 380 billion per year. Increasing trade of goods and services, advances in information and communications technology, and globalization have changed the industry trade patterns for logistics services. According to the Government of Sri Lanka, logistics services contribute 2.5% of gross domestic product, which represents around US\$ 2 billion. Logistics services include container trucking, warehousing, ports and shipping, but exclude domestic transport of passengers, fisheries and interregional domestic cargo transportation. The total share of logistics in national exports is estimated at 7%. The industry provides full-time direct employment to over 40,000–50,000 people. The size of companies varies between 5 and 1,000 employees. Around 70% of registered

companies are national and the rest are multinational. Currently there are 130 shipping agencies and 120 freight forwarders in associations, and more than 500 companies registered with the Merchant Shipping Secretariat (MSS), which includes clearing agents.

The nature of the international trade related logistics is highly dynamic, it needs the workforce to be working round the clock. For instance, if a shipper in Nuwara-Eliya wants to send his 1000 packets of tea manufactured at his factory to his buyer in Dubai, the relevant freight forwarder or shipper must arrange the documents for approval of the Customs. A relevant 40' container has to be sent for shipper's factory which may be needed at night. It needs much coordination with shipping lines, container freight station, customs, port and other service providers such as packing companies, bank and some government organizations. The graduates who are willing to enter this industry should possess much skills and sound attitudes in addition to the knowledge received at their universities. Good communication and relationship building skills is

particularly important because graduates in international trade related logistics placements work in a variety of different environments with people who might be older than them or more experienced or they may come from a different background or culture. The knowledge on languages such as Sinhalese, Tamil and English are vital for the existence. English is needed to communicate with international freight forwarding agents, shipping agents, international consignee or shipper etc.





Teamwork skills are important at its peak. It is not like doing an individual assignment or individual research project. For instance, if a fresh graduate is given a task to supervise a 20' container loading into a trailer, there is a team coming under him such as crane operator, crane assistant, trailer operator, trailer assistant, laborer to pluck the hook of the crane to the eye lid of the container, safety manager etc. It is full of team work.

Commercial awareness is another skill essential to understand a business activity and the marketplace in which it operates. Part of this is being aware of who the customer is and what service they need. Adaptability is the next ability required to adjust to different environments easily.

Students might have been used to work eight to five work schedules at the university. But in the workplace, one has got to work late hours with people with different cultures.

maintaining inventory at warehouses, reports on accounts are all prepared initially in Microsoft Excel.

Possessing the right attitude is the next component for the employability of the graduates. Being enthusiastic at any given work will enhance the internal motive of the graduates, and it will display his confidence to the supervisor. They should not be expecting all the big projects come in the next day they join the industry. They should be enthusiastically getting into the work even if it is to keep the documentation files in order. Then the same enthusiasm should be paid continuously on all the jobs given. Efficiency is the next positive attitude the graduates should look into. For instance, if one is required to collect the delivery order from the shipping lines, the newly joined graduate can think of going alone to collect it from the shipping line without waiting for any wharf clerks to join him provided that the graduate has already got some chance to go with the wharf clerk. He should strive to be the most efficient worker in his team doing things with the least waste of time and

effort. If he is found to be capable and competent on the team continuously, he would get the reward. Striving for excellence is another important attitude that the young graduate should showcase. For instance, if he is required to investigate the reasons for the missing containers, he has to give his fullest support calling and contacting all the relevant parties and should be able to submit a professional report using the report writing skills he got in the university. This will please the supervisor at large. Early is the gifted attitude each graduate should develop. Going to office early, attending meetings early, responding to the mails early will help the young graduates prosper in his field of work. Making the habit of working easily in the office leads you to work with contentment. Keeping the pen, pencil, calculators, shipping rates and the necessary things next to you in a readily usable manner will increase the easiness of work.

These skills and attitudes can be gained by the graduates if they can plan their university life in an efficient manner. Working closely with industries for their assignments would give them commercial awareness. Publishing magazines related to logistics on their own under the guidance of the academic supervisor would increase their innovativeness. Meeting industry experts for interviews, articles and case studies would give students a greater early insight to the industry life. Conducting workshops, seminars and involving in sports would let them develop their team work skills. Making friendship with a set of people with different religions, language and culture in the university would help them understand the variability of the nature

and it would increase their adaptability to the environment. Active participation in group assignments at the university would enhance their team work skills.

Being enthusiastic can be developed in the university, and it could be a continuation from school. Voluntarily answering the questions asked by the lecturers at the lecture hall, raising hands when asked to select a batch representative etc. will help the students to develop enthusiasm in life. Completing the assignment fully adhering the guidelines set by the lecturer will enable students to be excellent in their work. Maintaining punctuality to lectures, submitting assignments on time etc. will enhance the attitude of being early in the students' life. Having the habit of bringing all the lecture materials and the necessary items for education such as pens, pencils, exercise books, rough sheets, a bottle of water regularly to the lectures would help the students develop an easy working environment. All in all, the students' university life should be spent in an effective and efficient manner to get ready for the world of work. In addition to the subject related knowledge, students have to concentrate on developing soft skills and right attitudes to compete internationally in the international trade logistics.



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and policies etc. In general, freight forwarders are working in the nights until their shipments are cleared from the vessels from the port. The Port of Colombo and Bandaranaike International Airport are working 24 hours throughout the 365 days of the year. The basic competency on computer skills is much needed, especially the Microsoft Excel. As the logistics involves much documentation for instance,



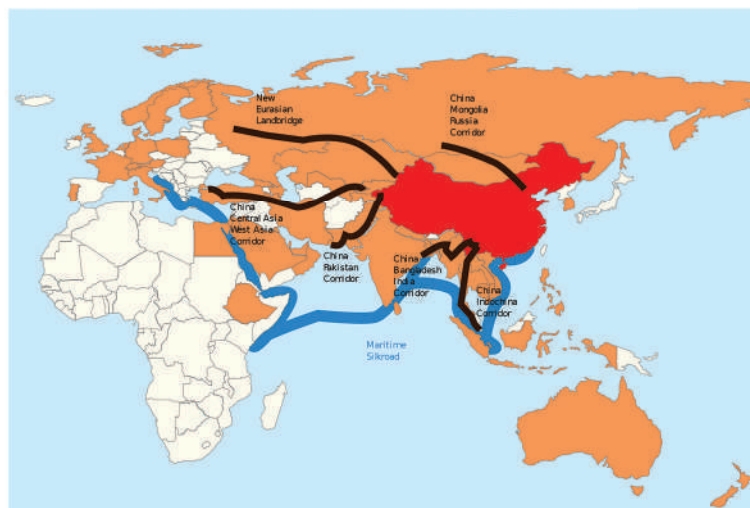
# Belt and Road Initiative and its impact to Global Trade

The Belt and Road Initiative (BRI) which was launched in 2013 (BRI was known as 'One Belt One Road' Initiative at that time) by President Xi Jinping, is one of the biggest and most prominent infrastructure development programs to build a trans-regional international trade logistics network governed by common policies, rules and standards for land, maritime, air, and digital connectivity. This multi-year BRI project, also referred to as the New Silk Road, aims to strengthen infrastructure, trade, and investment links between China and some 65 other countries which are about 62 percent of the world's population that account totally for over 30 percent of global GDP, about a quarter of all the goods and services the world moves and 75 percent of known energy reserves.

This is said to be an economic and diplomatic program that could transform trade and a project that has the potential to be perhaps the world's largest platform for regional collaboration.

According to the International Monetary Fund (IMF), the "BRI has great potential for China and participating countries. It could fill large and long-standing infrastructure gaps in partner countries, boosting their growth prospects, strengthening supply chains and trade and increasing employment."

So it's clear that this project which is one of the most ambitious undertakings in human history, is an investment for the extension and development of intercontinental trade, trade routes and infrastructure networks between Europe, Asia and Africa. The five priorities of the BRI, which are, unimpeded trade, financial integration, facilitating connectivity and bonds between people and policy co-ordination (Source: China National Development and Reform Commission - 2015) also shows how BRI is important for the development and expansion of the international trade.



## Impacts on Global Trade

The Belt and Road Initiative can modify the economic environment in which economies in the region handle. Cooperation of the regions on the recent and enhanced transport infrastructure and policy reforms could significantly decrease trade costs and boost connectivity, leading improved growth in the region to higher cross-border and leading trade and investment. This is why it is said that BRI could potentially impact trade in various ways.

The possible benefits of China's BRI for import-export trade and businesses are starting to emerge. That's why a lot of countries have started to pay more attention and the awareness on BRI has increased. Global Trade has been influenced enormously throughout the years by BRI, as a consequence of the upcoming transport connections. In BRI, the countries involved for trade with the other countries accounts for more than a quarter of world trade, so better connections and the lower trade costs that come with them could have a significant global impact including better, less expensive global supply chain





links and new markets for goods, as well as some roles in building this ambitious infrastructure initiative. There is already some probability to transport goods via rail between China and Europe, which may apply to the huge range of industries with time-sensitive products and inputs.

A division in trade costs between countries included in the BRI could expand world trade by 12%. Countries in Eastern Europe and Central Asia stand to get advantages of this the most, but those advantages will depend on where trade costs fall. Wherever one stands in this discussion, there is little doubt BRI's infrastructure policy will benefit many developing countries. In some cases, it already has. At the same time, warnings over probability of risks cannot be disregarded

On the contrary, there are important economic and policy challenges, and the realization of the potential advantages of BRI is by no means automatic. Policy reforms could have enormous consequences. As an example, in Central Asia it can take nearly 50 days to follow all processes and operations to import goods as it is showed in the Doing Business indicators. It takes less than 10 days in G7 countries, showing the vast scope for developments at the border in the region. Basically, the return on investment in infrastructure can probably be low or even negative unless complementary reforms are brought to enhance organizations and the policy environment.

When it comes to individual countries, it will be vital to assess the possible consequences of being a part of the BRI and

the required institutional reforms and policies. Some of the implemented infrastructure and policy reforms predicted by the BRI will be difficult to form, generating risks varied from fiscal sustainability, to negative social and environmental indications. There are also probable economic breakdowns created by the decreased trade costs that will involve policies to engage with the modification and the delay and adversely affected territories. Also, opportunities for poverty reduction and improvement will likely be possible on necessary macroeconomic states and encouraging institutions and will vary for different social groups and different countries inside countries based on their comparative advantage, initial conditions and ability to reform

So in conclusion it is very much understood that BRI is much more than a Chinese-funded infrastructure project. Connected to BRI, many projects are undergoing by powerful bilateral agreements and relationships between China and the countries concerned, which makes these investments more established than outsiders might see. Also while most countries who are participating are developing countries, the involvement of developed countries are improving.

BRI has also been focusing on infrastructure and energy, but it's clear that it would progress to concentrate on the internet, global trade, tourism, manufacturing etc. That's why even developed countries have focused more on BRI than before. And although many projects of BRI require higher risks than

conventional investments, it is essential to deal with them. It could take time before other impacts and opportunities of the BRI are seen, as many projects are under construction.

So finally, the principle underpinning of BRI which is "Trade together, build together, enjoy together." expresses that BRI is not solely about optimizing financial or commercial returns and that is an initiative which comprises a different interpretation of globalization. BRI is open-ended so it's constantly growing and in future it will open many more opportunities to countries and especially global trade



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# CONQUERING THE GLOBAL MARKETING WORLD WITH LOGISTICS

The control and co-ordination of the transport of things between the point of origination and the point of using up in order to meet the necessity of purchasing customers or corporations or the management of the supply chain is Logistic management. Logistics management strategy is defined as a set of concepts which will enable us to generate plans, targets, and policies between different actors in any supply chain to be managed during the process of marketing.

When it comes to WORLD TRADE, that is where the importance of effective trade support structures such as the logistics services, come into prominence. While facilitating international trade, the logistic services play an immense role in the enhancement of local economy as well. Precisely the range of logistics services is extremely large, and it includes not only transportation, customer service and inventory management but also warehousing (proper storage), safe packaging, careful material handling, very good maintenance and related information.

The major proceeding development of world trade and the utmost urge by most of the nations to be part of mutually dependent global trading strategy will lean not only on upholding and conserving an open global economic system but also on enhancing the quality, quantity and efficiency of their logistics services, which will super speed up the pace of combination within the global trading system.

Sri Lanka being an island, we are naturally gifted with a very well supported sea transport system which is considered as the top economical mode for cargo transportation and our country is known mainly as a container shipping port in South Asia. Shipping is an acquired need of the international global trade. Our nation's prospects of initiating itself as a maritime Centre of activity and the advantages of the master plan geographical location were retreated.

Sri Lanka being transformed into a separate statutory body in order to enhance the necessary coordination and connection between all border management agencies dealing with us directly as well as indirectly, should be taken into consideration to double speed up our success in marketing. The framework collaboration that includes the Sri Lankan Government sector as well as the private sector is equally important for fair and accurate performance along with the ongoing speculation on the basic structure or features of the system to be carried on smoothly. This involvement of the private sector will help to create the proper conditions to lead development of the logistics sector and to attract the necessary investment to install the proper facilities across the country.

Our country Sri Lanka being an agricultural country, thanks to LOGISTICS, we are on our route to glamour like a pearl as we were known to be in the ancient times. The levels of our exports of agricultural products which are international commodities in international trade are remarkably increasing. This is a clear clue that Logistics can become a driver of Sri Lankan economy and the country's massive potential to grow with standardized logistic services.



Logistic services stand out to be an Energetic area which faces very fast development in Global International Trade. This rise in volume of global trade is discussed to be a result of lifting barriers to international trade like taxes, quotas and reduction of capital controls, increasing foreign investors, the development in technology as well as the services and workforce being easier day by day to move among nations.

Reaching high goals in marketing as a nation is impossible without Logistics as it is all about trade. International trade is where we earn massive amounts which keep us going towards being a developed country. In order to perform outstanding profit development levels and to have advantages, quick, timely and quality delivery has become important for service and article manufacturing companies. Customers expect products they buy will be delivered as per mentioned prior in very well-advanced Logistic competence in order to ensure the trust unharmed in between. This will also create cordial friendship and trust among countries which will leave a very good impression when it comes to drawing foreign attraction and interest towards our country.

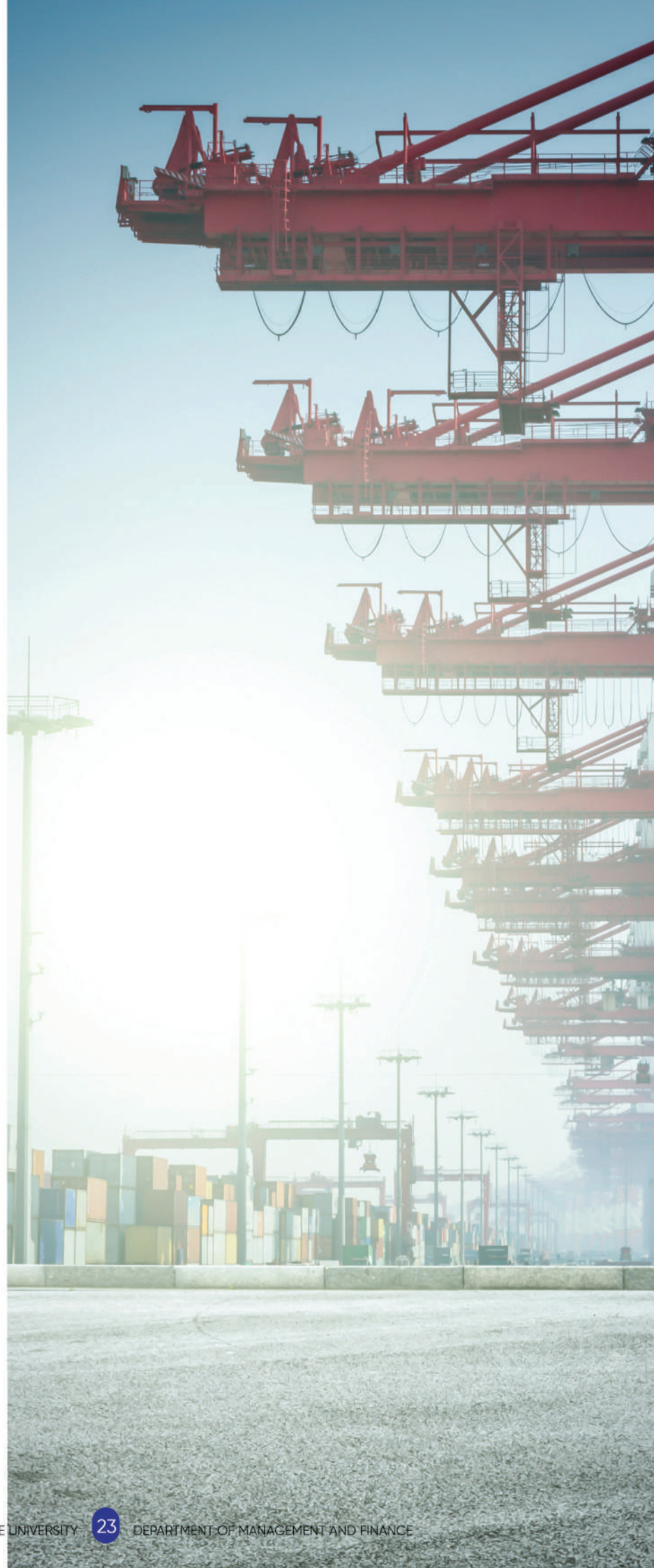
Sri Lankan nation's dream is to see our little island transforming into a leading maritime, logistics and a Centre port of distribution through strategic development of logistics industry which directly involves foreign attraction. Reaching this determined objective will depend heavily on the ability of the industry to enact the activities defining this Logistics Strategy which should always be flexible enough to respond to emergency situations.

As per further expansion in the area of International trade, Logistic Management is clearly important and beneficial. More research in the area of Logistics and Supply Chain should be carried out, and the professionals in supply chain management need to be vertical industry specialists for the involvement to be implemented with priority.

I wish we would develop ourselves up to be strong Logistic individuals who will always serve our country to prosper for eons to come.



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# Jagath Pathirane

## Director & CEO of Expolanka Freight (Pvt) Ltd

With over 23 years of experience in the logistics industry and with the enormous contribution he makes within the industry, Jagath Pathirane could be given the title, 'Logistics Guru' in Sri Lanka. Being the Director & CEO at Expolanka Freight (Pvt) Ltd., and Chief Administrative Officer of EFL HQ and Expolanka Holdings PLC, he holds many other executive and leadership roles in logistics institutions in Sri Lanka. What merely began as a career in marketing never stopped him from nurturing his innate ability to face adversity with resilience to perform under pressure, at all times. Listening to Jagath's life story inspires us to follow the footsteps of an individual who worked diligently to become a director at a well-established organization in merely 9 years. With a 'Never Give Up' attitude, he continues to provide logistics expertise with his charismatic demeanor because opportunities, to him, are limitless.

### 1. What drives us back as a nation in becoming a major logistics hub like Singapore?

I believe that it is challenging to convert ourselves into a logistics hub like Singapore with the limitations at hand. Since a progressive country like Singapore removed their respective limitations and opened their country they have become successful in this area as they have an influx of users at a global scale. Even

India has progressed slowly but since of late, we witness an acceleration of this process. Given the current landscape, Sri Lanka, I believe will get there gradually. With the ongoing discussions on improvements in entrepot trade, multi country consolidation, hub operations and combatting challenges such as the documentation process, red tape and bureaucracy and a few good steps taken for automation in our trade, there is a possibility of increased users in the future. But the progress is slow and hopefully we, as a country, will be able to iron out these restrictions to accelerate transforming ourselves into a progressive logistics hub.





## 2. How can Sri Lankan companies compete with their international competitors?

Sri Lankan companies should not fear competition, instead they should find the niche as to where they can make an optimum impact. As a company, EFL uses its core strength as an organization that converts complexities into simplicities for our end customers. This is exactly why we try our level best to maintain the simplicity of logistics and work in par with our tagline – simple logistics. We ease out a restrictive environment by taking on the role to speak to regulatory bodies, channel accesses to our global network and bring that visibility to the table. We recently took the initiative at SLFFA (Sri Lanka Freight Forwarders Association) to set up an R&D division in partnership with the University of Peradeniya. Our core focus is to identify and map the flow of cargo, flow of documents, the flow of procedures, document the existing processes and identify bottlenecks on everything related to ocean imports from origin to destination for starters. We will also probe into the interactions with BOI, Customs add other connected parties in this operational flow. With the findings of this study, we would benchmark them against other progressive countries such as Dubai and Singapore to understand process improvements required and how to mitigate the challenges at hand. The research would certainly help us voice out our concerns with the respective authorities and prove to be a stepping stone for us to come into an agreement to facilitate process improvements accordingly.

## 3. How does logistics help towards the sustainable growth of the world?

I believe sustainability is of highest importance to all logisticians. In the transportation industry, it is inevitable that there are high levels of carbon emissions that lead to environmental pollution. As logistics solutions providers, it is our duty to try our level best to follow approaches that will have a minimal impact on the environment, at all times.

At EFL, with a client portfolio of global brands that truly work towards improving themselves as socially responsible organizations, we have adopted the framework set forth by the UN under the

Sustainable Development Goals with a global presence spanning 18 countries. By adopting this approach across our global network, we believe that, we can embark on a journey that follows sustainable initiatives in par with the UN to achieve these goals accordingly.

## 4. How do logistics and supply chain activities help in the goal of sustainability?

As I mentioned previously, we need to follow an approach of maintaining simplicity. As an example, to help you understand, let me sight an already practical sustainable best practice in Sri Lanka. Imagine a truck transporting tea from the hill country to Colombo. Once this truck completes its delivery and travels back from Colombo, it will never go empty and will certainly deliver a stock of goods back to the hill country – a simple initiative that's sustainable because it is an end-to-end utilization of resources. What we can now further add to this simple initiative is to ensure that the vehicle condition is monitored through stringent controls to help reduce carbon emission levels as well. Resources are depleting and finding multiple uses or efficiencies is the key to sustaining the limited resources and renewable energies.

## 5. Having a blurred line between logistics and technology is a widely discussed topic. What are your comments on that?

When goods are delivered from point A to point B, in an ideal world, there should always be a value addition (aligned with customer needs) in between. This is where technology steps in – to ensure that this process is efficient, seamless and can be done rapidly while incurring a reduced cost in the long run. Although we understand the importance of technologies such as ERPs, Portals, Block Chains, Mobile Apps, E-Commerce Gateways etc, we are still challenged with the implementation of these technologies and training users to migrate from a paper-based environment to a landscape that is managed online. We believe this is perceivable and the industry needs to understand that one should stay abreast as technology advancement has its disruptive elements. However, technology implementation and change management need to go hand in hand to get the best possible ROI from deployments of this

nature. At EFL, we have enabled the use of technology on different platforms such as ERPs for Freight Forwarding, Freight Management, Transport Management, Finance, Sales and Marketing, Warehouse Management and Customer Service with several portals for Customer Interfacing as well.

## 6. What are the challenges you faced in the logistics industry as an executive and how did you overcome those challenges?

With my experience in the logistics industry, I have come to realize that, the challenges are endless. However, as the chairman of the Freight Forwarders Association I remain unbiased and work towards the country's progression. I have also understood that when we serve customers, we can't always be progressive in our approach and will need to combine with traditional methods proven to be effective in the past as the need of the hour is to stay in business. This is in line with satisfying our end customers. Given the Sri Lankan landscape and the various restrictions imposed on our industry processes, it's challenging to come up with progressive solutions. Hopefully, with the R&D initiative in partnership with the University of Peradeniya, I expect to see improved collaboration between associations such as SLFFA and various government institutions and authorities to mutually agree to work with a unified approach that helps achieve organizational and the country's vision.

## 7. How do you see logistics as a potential career opportunity for us?

As an individual who has been in the field for over 23 years, I believe that the career opportunities in the logistics sphere are vast. The industry is constantly evolving as any other industry and is willing to provide opportunities for individuals that can add value in the growth and development aspects. Logisticians play a vital role in moving goods as and when it is required. And that too while factoring in speed, cost, convenience and efficiency of the approach you go ahead with to deliver goods to your end customers. With an evolving technological landscape, it is important not to lose sight of what's important and what's not. If you develop the right business process intuition and are willing to work diligently with a can-do attitude to serve customers while keeping the organizational vision in mind, then career possibilities in logistics are endless.



# Factors Impacting Global Supply Chain Management

All firms including the smallest of rural firms operate in a global environment and are affected by global trade. Many international firms serve multiple global markets by sourcing and producing across many countries. Wal-Mart, IBM, Siemens and McDonald's are a few examples. They develop a product in one country, manufacture in another country and sell in another country. Growth of globalization and international trade are the main outcomes of advanced transportation and information technology. Globalization and international trade have created a platform for firms and individuals to connect with the globe and improve standard of living and global awareness. Growth of globalization and international trade have created opportunities for business firms to expand their markets. However, a changing global landscape and increased competition can also be experienced. In the meantime, consumers can access a variety of goods and services at competitive prices. Consumers expect high quality and durable goods and services at affordable price. This situation creates pressure on the supply chains of business firms. Development of global supply chains and international trade have changed the nature of competition. Firms take the challenge of entering the markets in other countries while opening their own markets to foreign competitors.

Coordinating supply chain activities in international trade is more challenging than that of domestic trade. Global supply chain management requires worldwide focus since production facilities, suppliers and markets are globally scattered. Therefore, firms should have well-planned, defined, and managed supply chain network. With global expansion of supply chains, firms face risks and complexities. Therefore, firms should balance risks and opportunities. Management of global supply chains are complicated since there are several factors to be considered as presented in Figure 1.

Economic, cultural, political, and demographic factors present both opportunities and challenges in managing supply chains globally. It must be mindful that methods practiced for managing local supply chains cannot simply be copied and applied for managing global supply chains. Firms have experienced global reach being critical for their survival and success. Multinational firms grow faster and earn significant profit margin. Firms can benefit economies of scale in production and distribution by developing and managing supply chains globally. Firms have opportunities to tap into growing markets,

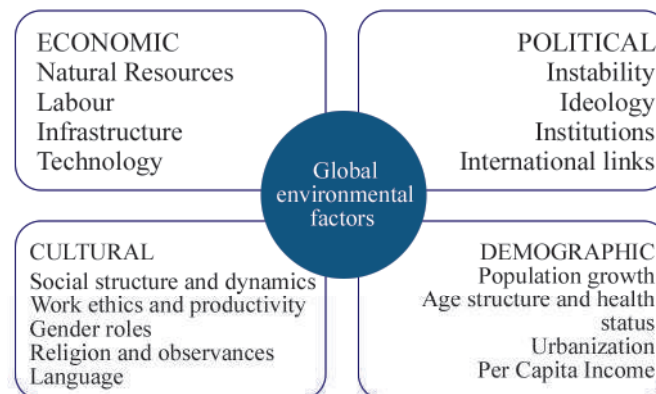


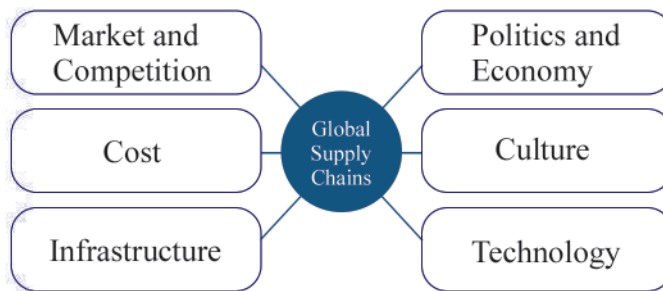
Figure 1: Global environmental factors



capitalize in new economic trends, utilize natural resources available in other countries, and use technological innovations in other parts of the world. However, as shown in table 1, there are some barriers to be overcome when managing supply chains globally

Opportunities	Barriers
Large market	Longer and more varied lead time
Economies of scale in production and distribution	Political risk and instability
Lower select cost (e.g. labour, marketing, supply)	Overall cost (e.g. transportation, tariffs, space)
Better ability to target markets	Infrastructure access (e.g. facilities, transportation, labour)
Leverage good ideas quickly and efficiently	Exchange rate risks

Movement across borders and continents is a challenging function of global supply chain management, since firms need to pay additional costs, such as, tariffs, border delay and transportation. Also, length and variability of lead time and longer transit times are another time and cost aspect of global supply chain management. Differences in labour productivity, access to skilled labour, infrastructure supports, access to modern technology, availability of transportation, cultural impact, political instability, currency fluctuations and legal and political differences make the global supply chains more complex. In the global environment, firms must adjust their supply chain management strategies continuously as they identify new markets, cost strategies and the nature of competition. The six factors that the business firms must monitor when managing their global supply chains are depicted in Figure 2.



**Figure 2: Factors impacting global supply chains**

Business firms must find strategic ways to fulfill unique preferences and expectations of customers in different regions. In order to be competitive, firms should enhance their global supply chains to meet preferences and expectations of the customers. When firms are involved in international trade, it is required to consider the entire global supply chain costs rather than paying more attention to individual costs, such as, labour costs and marketing costs. Global supply chains face huge challenges with lack of infrastructure in developing countries. Lack of access to roads and transportation, distribution systems, communications networks, etc., limit the respond to customer demand. It is obvious that without modern technology, global supply chains would not be able to operate. Information technologies, such as, GPS, EDI and RFID enable firms to share supply chain information and enhance collaboration among suppliers, customers, government agencies and other parties in the global supply chain. Government regulations, political stability, trade agreement and currency fluctuations in different countries and regions impact on designing global supply chains including reverse logistics. Even social structures, interactions, work ethic, observances and manners, and gender role also impact on designing and managing global supply chains.

#### Further Readings

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# NEW DEVELOPMENT OF SOURCING STRATEGIES

There are numerous misguided judgments about preparing outsourcing. When would it be advisable for us to outsource, when would it be a good idea for us to not? There are ten reasons why organizations are picking re-appropriating as a feasible sourcing procedure for preparing management. Outsourcing plans of action can be perplexing. To comprehend them well, it is difficult to cover every one of the varieties in a short time. In any case, what we can cover are a portion of the essential terms and ideas that will enable you to choose what system is best for you and your association. At that point contingent upon the multifaceted nature of the technique you pick, you might need to look for a consultant to help you through the procedure.



So how about we begin with the rudiments. There are four sorts of outsourcing methodologies, or what some call commitment models for sourcing. The initial two are viewed as business process re-appropriating (BPO) commitment, and the other two are considered out-tasking models. The BPO models are extensive and specific. Furthermore, the out-tasking models are licensing and contracting. Furthermore, let's get straight to the point, every one of the four are types of re-appropriating

The quantity of procedures a provider deals with, the multifaceted nature incorporating those procedures, and the term of time a provider is required to deal with those procedures all assistance characterize the distinctions in outsourcing techniques. BPO alludes to those commitments that are most perplexing, longer in span, coordinated across sourcing model practical procedure zones, and considered most vital to the business. Out-tasking alludes to the models that are fewer minds boggling, less procedures and restricted to one practical zone, increasingly strategic, and more work arranged.



**A. Comprehensive BPO** – this is the most unpredictable, key, long haul, and requesting relationship you can have with a provider. A complete outsourcing bargain implies that you are drawing in with a preparation accomplice for a multi-year time frame to deliberately deal with a thorough arrangement of procedures over each of the four useful procedure regions of your preparation association. The two gatherings are happy to submit devoted assets to the arrangement which implies you are both submitting individuals and financials over an all-encompassing timeframe. Thorough does not suggest that the provider does everything related with preparing for your organization. Indeed, even in a thorough commitment, you as the purchaser still should deal with certain procedures – like customer relationship the executives or vital arranging. The

possibility that you give away all obligations to the provider is really a fantasy, and NEVER occurs, all things considered. BPO contracts are consist of a master services agreement (MSA), multiple service level agreements (SLA), and many statements of work (SOW).

**B. Selective BPO** – this is additionally an extremely mind boggling commitment, however to some degree not exactly a thorough arrangement due to the diminished joining of useful procedures. In specific re-appropriating, you draw in a preparation accomplice to deal with different procedures inside one practical zone of preparing (organization, substance, conveyance, or innovation) however not forms crosswise over useful regions. Here you may contract with a provider for the following three years to deal with all custom substance improvement exercises for item e-learning courses. Be that as it may, the provider would not convey any courses, oversee enlistment or administrator administrations identified with this preparation, nor host or bolster the courses on the web. Contracts for specific BPO bargains are comparable in that there is a MSA, SLA, and SOW's; however they are to some degree less confused in light of the fact that there are less procedures included.

**C. Licensing Agreement** – These commitments are types of out-tasking and utilized while sourcing an unmistakable resource, for example, an innovation or land for preparing. Authorizing understandings for innovation for the most part appear as software as a service (SaaS) contracts. At the point when the expense of usage and set-up are high, these arrangements are in many cases multi-year. This enables the customer to amortize costs over longer timeframes. At the point when these expenses are low, bargains frequently take the state of month to month. For instance, permitting understandings for a LMS/LCMS will in general be multi-year on account of the combination required in set-up, where licenses for creating and conveyance stages will in general be month to month. Contracts for permit understandings are for the most part buy orders with characterized terms and a unit cost as cost per time.



**D. Contracting** – – the second type of out-tasking commitment, and the most widely recognized type of outsourcing in the preparation business. Some allude to it as a 'work for contract' commitment. It's the place we pay a contractual worker continuously/day/week/month to play out a task. Contracting is ordinarily utilized when we source a provider to deal with a venture, and we remunerate them when the task is finished. The task can be counseling, instructional structure, conveyance of a course, and so forth. It is a strategic commitment when your goal is to restrict the unpredictability and expansiveness of procedures you anticipate that the provider should oversee. It is value-based, which implies the relationship closes when the action is finished. It is the most adaptable, least hazardous and simplest to oversee relationship for the purchaser. It restricts your commitments to a provider and enables you to effectively end an agreement when things are not going great. Contracts are by and large buy orders with characterized terms of exercises at a unit cost for every deliverable. Unit costs are more often than not in cost per time or cost per venture terms. So in the event that out-tasking is the least hazardous, at that point for what reason doesn't everybody utilize this methodology?

In all actuality, everybody does. It's my gauge that 96% of money spent in the preparation outsourcing market is throughout tasked agreements. Indeed, even organizations that use thorough or specific

re-outsourcing procedures have out-tasked something identified with preparing.

Be that as it may, once in a while it bodes well to deliberately draw in with an accomplice so your expense of acquisition and progressing preparing the executives is lower. The advantages you get from powerful sourcing can be a lot more noteworthy. Focusing on a preparation provider for different years may spare your organization a great deal of cash over an all-inclusive timeframe. This is the reason it is as yet an extremely effective methodology relying upon your business goals.

The choice of how to source preparing is much about hazard and reward. This is the thing that makes choosing the privilege sourcing system a basically critical choice. That is the reason there are specialists out there that are completely arranged to help your association in working through the complexities of sourcing – particularly when you are managing a great many dollars.

It would be ideal if you know there are limitless varieties to each of these, and unending approaches to structure any arrangement. Your acquisition association and lawful guidance will help you in deciding the most ideal approach to contract for administrations. Be that as it may, deliberately your administration group ought to decide the best relationship system you ought to have with sourcing accomplices.



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# "WE FOCUS ON MEETING ONE END WITH THE OTHER END IN A METHODICAL AND ORGANIZED MANNER"

**Niroza Gazzali,**  
Chief Processing Officer,  
Expolanka Freight Pvt Ltd



At present, Expolanka Freight Pvt Ltd (EFL), engages in the business of transportation, international trade, manufacturing, and strategic investment. The logistics segment includes freight forwarding, warehousing, and transportation services. We had the privilege of interviewing Mrs. Niroza Gazzali, Chief Processing Officer at EFL Headquarters (Pvt) Ltd.

## **1) How has your journey been thus far?**

I started at Expolanka Freight as a trainee and rose through the ranks in sea freight. Then I transitioned into middle management as a general manager of Bax Global, a subsidiary agency and then as the CEO of DB Schenker, Sri Lanka once again a subsidiary agency. Most of my experience has come through freight & logistics services including warehousing and domestic transportation. I have also been in rail cargo management and was involved in passenger travel by launching and managing Expo Rail. I currently hold the position of Chief Processing Officer at EFL Headquarters. My journey has been challenging and interesting! I would say it is up to ourselves how we make life interesting and I have enjoyed my journey and continue to enjoy it to this day, as every day is different and brings about new opportunities and problems to tackle.

## **2) What is the role of a Chief Processing Officer (CPO) in an organization in the logistics industry?**

The role of a CPO in Sri Lanka and even globally is not very popular, but it has been used at higher levels of a corporation where you want to bring discipline to work and systems automation. In my opinion, everything we do has a process and procedure. It is an order of activity, so understanding what process fits the given activity is almost always crucial. We are working on new operational software and increasing procedural efficiency is our focus. Therefore, we see how we can best use multiple processes across the globe-encompassing all the countries and stations by bringing uniformity and clarity to activities and doing exactly what is required. So, right now we are an established company spanning over 35 years and many of our employees have been in service for 15 to 20 years. Therefore, they are attached to a certain activity or task order of their own. There are some people who are emotionally attached to certain activities and will not want to let go off those tasks. How you convince them, how you manage that moment, how you really walk through all those difficult paths ensuring the final objective is achieved. So, it is very challenging and it is a lot of things to deal with. Reviewing all activities and re-arranging them in the most suited manner for the business when necessary is the focus right now. In a nutshell, that's my role as CPO.



# END TO END SUPPLY CHAIN SOLUTIONS



### 3) What are the fundamental processes that you have identified in this organization?

In the logistics environment everything is urgent and important. Therefore, we fundamentally look at the products & processes like air freight, sea freight, transportation, and warehousing in the total supply chain activity. If you take a look at air freight, you have export and import and it is the same with sea freight. In essence, we are looking at hundreds of sub processes internally, but the basic ones are air freight, sea freight, the export and import.

### 4) As a career woman, please tell us if gender is actually a barrier to taking up challenging roles in the logistics industry.

I entered the industry not by choice. Anyway, it all depends on how you see it. Females were not popular in the logistics industry, especially when I entered the industry 27 years ago. Even the few ladies who join tend to fall out after a while, but for me personally I never looked at my gender as anything major. In all honesty, only when this sort of questions came up, did I start thinking about it. I have been to the port, railway, airport, warehouse and I am one of the luckiest ones who have had the opportunity to manage rail cargo. I have worked with lot of men as the only female in the team. I have even taken control of the position most of the time. So it is not an issue. It depends on how you look at yourself, how you manage yourself and how you carry out instructions and duties. In my view, I do not think gender should be a problem in any sense for anybody as long as you know your limits and maintain professionalism.

### 5) Coming back to the role of Chief Processing Officer, you said EFL has recognized sea freight, transportation, and air freight as processes. However, we do not see the role CPO in many companies. How has it been beneficial for EFL?

I do not think there is a tangible benefit yet. This is a new role and there is a lot of work taking place behind the scenes in streamlining the operation. At the moment I do not interact greatly with all the organizations individually, but we have already gathered the information as to how it is happening as it is. So right now, we are analyzing and comparing everything to bring in uniformity in possible areas. It is all about bringing multiplicity to uniformity. So, the rewards will trickle down in another 6 months or so.

### 6) Is it challenging to operate in the role of a CPO? We know how a CEO works, but to be honest we need more insight about the CPO role.

CEO is in charge of many things. The CPO is CEO of one activity. It is about the process controls and how you derive efficiencies and discipline to activities in the most economical way. How you conduct business in the best manner in the most productive manner and things along those lines, so my focus will be in one area. For example, when it comes to freight operations, it is how we make one end meet the other in a methodical and organized manner. It is the identification of non-value adding and repetitive activities to see how the ends meet faster, efficiently and in the most economical way.

### 7) Will the introduction of a CPO add extra cost to the organization?

Quite the contrary actually. This activity may be quite difficult to measure in a financial benefit all the time. But there is surely reduction in costs in the long run if properly managed because CPO role will look at eliminating certain non-value adding activities and cutting waste down.

### 8) We understand that the CPO role has been introduced quite recently. Is there an example to show us that this role has brought in a change to the organization?

Well, in most cases it is enhancing efficiency and the streamlining of processes. We measure this component and yes it is bringing in change to the organization's core operation. It is a role which is solely responsible to bring in value to the organization because when you bring in a process simplification there is always automation involved. So the technology or the IT part comes in and I think there is a lot of new work being carried out in the background and the company will surely benefit.

### 9) As a person of vast knowledge, what would you look for in a person who wishes to enter the industry?

Unlike in the past, we now look for EQ in addition to IQ. As more automation comes in, people tend to think less. We want that area to be improved in particular as we now look at the thinking capacity, especially critical thinking, because that is where we will use their talent to bring about

automation to eliminate all non-value adding activities in the organization. When routine work is automated, it is the critical thinkers who have to get on action. We would not want a lot of people managing one activity. We need multi-taskers, who would be willing to do more than one activity and tech savvy individuals, who will evolve fast with the business. If you can adapt to change fast, that will be beneficial in future because things are changing at such a rapid pace. You have to be ready for that.

### 10) How did you balance your personal life and professional life while coming a long way in this field?

In my case, I was one of those so called 'blessed' people. I got a supper understanding boss who was very flexible. I got married to someone from the industry who is very understanding and supportive. My parents have been always very supportive. My siblings have been always there whenever I wanted support. So in other words family support plays a major role.

However, it also relies on how you manage things. If you always put the burden on somebody, they would not be able to help us all the time. Initially, when I had my two babies, I never used the maternity leave to completely shut down. I was still working remotely wherever and whenever possible. Therefore, you do not disconnect yourself from work. It is something that I look forward to when I recruit ladies, especially married ladies. How far they are willing to multitask. I check whether they are willing to go that extra mile, because to disconnect for four months (which is a long period of time) and come back would make you feel as if you're almost a new employee. Therefore, I support them with a laptop, mobile connectivity, and even a telephone line where they can work from home. It does not matter if you want to stay home for four months, six months as long as you still know what is going on at work and the knowledge is not interrupted. Further proper planning is needed based on what level you are involved in. It would depend on the role you play in the organization you are attached to. For example, if you have a baby, how you prepare yourself over the weekend for the next five or six working days and how you would manage your meetings and working hours that you may have to put in etc.,



3PL | Clearance | Freight Forwarding  
Freeport | Transport | Warehousing



# A Global Supply Chain Company

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**Simple Logistics**



# New Technology used by International Freight Leaders that Influence Tomorrow's Logistics and the Way Forward!



Today the boundaries are being pushed by evolution of technology and it changes how the world perform business. We're accustomed to everything being online and right at our finger tips for instant access. Improved technology has increased productivity in supply chain, reducing cost and errors. All areas of the logistics industry are benefited from these advances.

For example: trucking transportation, international transportation, (ocean and air), supply chain management and shipment tracking.

Logistics is a hot topic. Logistics is involved in starting from buying items from a regular store to ordering something on the internet, but infrequent attention is paid on it. The key factors to successful trade are Logistics and Distribution, but what are the new technologies that people use for logistics operations worldwide and what are the trends that will influence tomorrow's logistics? They are, shipment tracking system, internet of Things (IOT), Mobile apps, sensors and Radio Frequency Identification (RFID), enhanced GPS accuracy, social media, robotics and Innovation, safety and Cybersecurity and 3D printing

**Few superior international logistic companies that carryout astounding technology operations in its services.**

DHL – International supply chain

As the worlds of leading logistics company, DHL provides best in class supply chain solutions to its customers. Simply logistics is the core of DHL. DHL provides innovative customized supply chain solutions, coupled with leading technology.



Processes are orchestrated to provide the optimal end to end solution to their customers. With globalization, increasing supply chain complexity and the need for speed, adoptability, accuracy and timeliness are essentials to be considered in logistic operations. DHL's every shipment goes through at least 70 processes. Right from the time DHL picks it up, takes it back to DHLs service center to do some processing there and till the time it gets to the outbound gateway, till it goes through the transit heart to the homes against the inbound gateway and through the service center and delivery, DHL has at least 17 checkpoints.

## The evolution of the DHL parcelcopter.

On 2013 December 9th, the parcelcopter was introduced by DHL. The target location is 1.2 km away. It was a scientific project captivating international media interest. For the first time in Europe an unmanned aerial vehicle wings without direct line of sight of a pilot in real life framework. It assures the opportunity to send and receive customers parcels nationwide and around the clock also emergency supply with medicine and other immediately needed goods. This technology provides a specific value addition in the field of express and emergency delivery with difficult areas to be reached.

**The future of urban delivery is an electronic cargo bikes.**

DHL is piloting a new City Hub hypothesis that will enable increased use of cargo bicycles which can carry a container with a load of up to 125 kg. The solution remarkably reduces emissions by minimizing the mileage and time spent on the road by standard delivery vehicles, with an equivalent CO2 saving of over sixteen tons per year and a significant reduction in other emissions.

## FedEx and United Parcel Service (UPS)

Engineering speed with extreme automation allows FedEx and United Parcel Service (UPS) to deliver more than 25 million packages every year. It has a jaw dropping automation. UPS can sort up four hundred and sixteen thousand packages an hour. Each next day package travels to 155 miles of conveyor belt getting bagged by zip code. More than 250 cameras are used to monitor and regulate the store. UPS, a leader in green innovation is leading the way in reducing pollution caused by their aviation and ground transportation fleet through technological innovation. They've got hybrid technology, compressed natural gas technology, clean diesel, liquid natural gas tractors etc.

UPS is devoted to finding ways to reduce their carbon footprint. UPS started in 2007 with the hybrid electric to lessen emissions and save fuel on the road. UPS uses electric technology along with diesel engine. Telematics is a software that's located in UPS vehicles. It has an onboard computer and it tracks items like maintenance requirements and helps to find better ways



to reduce miles or find better paths. In recent years UPS flight operations felt they needed new technology to keep even better command and control over their cargo fleet. Regular radar just wasn't precise or fast enough. After experimenting with plane tracking technology UPS's flight operations found an answer. They now rely on one of the most technologically advanced surveillance systems in the world, which is called Automatic Dependent Surveillance Broadcast or a ADSB. Unlike radar station signals sent from the ground, it works on board the aircraft itself. It constantly transmits position altitude and velocity directly from the plane to world port's air traffic control. ADSB gives the fastest and most accurate tracking information and it has a huge safety advantage thus reducing the air traffic congestion.

### Inside the package

FedEx and UPS make massive investments in technology using NASA light control centers and custom built computer programs to manage traffic in the skies. UPS uses a technology called next gen, where even before packages arrive at the distribution center, the system determines exactly where each one belongs and instantly blows loading info right on to the packages. The device simultaneously scans the barcode and prints a loading code that tells the workers what trucks to put it on and precisely where inside. They use advanced logarithm computers to issue drivers their daily instructions. They are also working on a next generation of the On-Road Integrated Optimization and Navigation (ORION) system, which helps them to further improve efficiency and reduce miles by optimizing routes dynamically as drivers complete their work. This technology is able to make adjustments to delivery routes based on real-time information about traffic congestion, road conditions or requests for new package pickups. They are expanding their mobile technology solutions and using artificial intelligence and advanced analytics to improve their network through the Network Planning Tools.

### Barcode is a key

At FedEx ground hub in Memphis belts, boxes are moved at 500 feet per minute and there's no need to slow down for scanning. It reads all six sides of the package and does high speed dimensioning to capture all dimensions of the package. The average FedEx ground package is scanned 13 times. Once unloaded, packages are not touched again until the load point, so they use all automation. They've got integrated scanners into gloves. FedEx can track a package in transit and the contents of the package as well since a chip is inserted into the package. It can tell where it is, how fast its moving. When it comes to health care products, speed is everything. FedEx also designed Pandomonic delivering where two giant pandas from China to Scotland were conveyed. FedEx also had transported 9 bald eagles from the San Francisco zoo, 70000 endangered sea turtle eggs to Florida's Atlantic coast, 14-foot whales and even sharks. Thus outsized deliveries need expertise with technology. FedEx use Arc GIS which is a mapping and an analytical platform that furnishes contextual tools for mapping and spatial reasoning.

The firms occupied in logistics activities in Sri Lanka have failed to employ modern systems and infrastructure facilities adequately and effectively. A collective framework that encompasses the private sector is paramount for consistent execution while investment on infrastructure is to be continued. To stand competitive and to enhance efficiency, keeping up with the latest technology is a must. The logistics industry is gaining immensely from the latest technology and will continue to grow as more advances are made. The breakthroughs in technology will continue to propel the boundaries for years to come. Investments in soft infrastructure, including IT in logistics and effective and efficient results of those characteristics will rewrite the history of Sri Lanka's competitiveness with international logistic companies thus improving Sri Lankan's international trade and its way forward.



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**"IT IS NOT THE ORGANIZATIONS  
THAT ARE COMPETING,  
IT IS THE SUPPLY CHAINS THAT  
ARE COMPETING."**

**– WAEL SAFWAT, SCMAO –**





# AIR FREIGHT INDUSTRY OVERVIEW

Air freight is simply recognized as the cargo carried in an aircraft which can be divided into two segments as airmail and air freight. The total value of cargo carried all over the world in 2018 was \$6.2 trillion and its about 7.4% of world gross domestic production (GDP). Air freight segment is the major market in global air cargo industry and the appraised revenue for a particular market is \$98.81 in the year 2020. Rapid development of import/export businesses, development of e-commerce businesses and the progress of cargo hubs increase the development of air freight.

In this industry, airlines handle different aircraft with different circumstance as passenger and cargo. These cargo handling aircraft are vital for the import/export and e-commerce businesses. Shipping perishable cargo and pharmaceuticals from origin destination would not be probable without this facility. Air transport effective in great value and speed and the time sensitiveness of air transportation are the prospects for growth in this industry. Furthermore, e-commerce business like Amazon, AliExpress and Ebay dispatch their cargo using the express service of air freight transportation. Therefore, air freight transportation plays a major role in international business by a value of 35% in global trade.

Speed is the reason why air freight is more popular nowadays. Normally it takes 140 hours to transport cargo from point of origin to the point of destination including 44 hours care under the respective airline. Air freight is a transportation mode with high security and safety to the cargo. This is the most suitable mode to transport goods to land locked countries, currently there are 49 countries recognized as land locked countries. There are no path congestions, stealing and no other participants for high value cargo in the lengthy ranges for air freight industry. Furthermore, this industry has high level of capability for special cargo such as perishable cargo and dangerous cargo. The rapid technology development has changed the consumer to e-commerce and online shopping concepts. An individual customer can order goods from the sellers through the websites and let them receive by a courier service or postal mail. Consumers need to receive their ordered goods hastily. Therefore, air freight has opportunity to enlarge their capacity according to the growth of new technologies, e-commerce, new concepts, automation etc. Air freight industry would be better collaborated with other industries relating to air freight and it assists the growth of gross domestic production and trade. Market liberalization and urbanization increased the capacity of the industry.

Although, over-capacity, complexity and slow adoption to changing technologies could classify as the weaknesses of this industry. Lack of relationship with



buyer and seller because of the communication and transparency issues between them is also considered as a weakness. Air freight industry counteracts investments to new innovations and increase the attractiveness of youth talents towards the trade. Unregulated participants, new modes and terrorist threats could be reverting the development of the industry. Furthermore, airport irregularities, congestions, restrictions and trade protectionism are damaging the implementation. Increasing the ground time (waiting time) and high operational cost such as fuel and maintenance could degenerate customers' intention.

Importers and exporters use air freight to get their shipments rapidly and consistently. While the 90% of world freight acquired by the ocean freight, air freight has 10% from the total. But air freight attaches the world faster than ocean freight. For instance, ocean freight takes 20-30 days to transport shipments from China to US when air freight only takes 3 days for the shipment. International air



Further, air freight forwarders carry perishable, high-value, time sensitive and urgent shipments. Therefore, packages need a superior consideration to avoid the issues. When packaging perishable cargo, they must be packed to travel at least 24 hours without damage. Parcels wider and longer than 2.13 meters should be packed with a special package to avoid bending.

For the additional protection of the shipments one-time strapping seals, opaque stretch wraps or tamper-evident tapes could be used.

Some items have restrictions due to health and safety policies and national laws and regulations. Explosive items, gases, flammable solids and liquids such as paint, engine oil, alcohol, turpentine, active carbon, magnesium powder, solid gum, safety matches, etc. corrosive items and biochemical products are prohibited to transport.

According to the analysis done by McKinsey and Company, the annual volumes of air freight have increased by 3%, and it will continuously rise until 2025. Air freight covers a wide range of new innovations and new challenges. New technology changes the industry towards robotics and automated system as it is cheaper and safer. Drone technology offers novel opportunities to the air freight industry. Furthermore, paperless air freight forwarding process has more benefits because appearance of software and digital apps tolerates tracking the shipments and paperless work in future. This concept attracts more customers towards the business with lower cost, effectiveness and green practice.



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freight and express air freight are two different services. Express air freight is controlled by the companies such as DHL, UPS and FedEx that handle door-to-door small shipments under 5 days. But international air freight carries larger shipments by using the largest cargo flights.

When considering the air freight rates, weight and volume are identified as key factors. Air charges are calculated by the volumetric weight of the cargo, also known as the dimensional weight, and if the actual weight exceeds the volumetric weight it will be considered as the chargeable weight of the shipment. Furthermore, the economic conditions impact the demand and supply of air freight and it directly affects tariff. Regional factors such as war, civil conflict, strikes and terrorist activities also affect the rates. Operating expenses like fuel cost, airport surcharges, regulations of airports may move rates. For instance, Heathrow International Airport, London recently suggested to raise the environmental charges to discourage the sound pollution.



# IF WE REALLY UNDERSTAND WHY WE DO, WHAT WE DO THE LOGISTICS INDUSTRY WOULD BE IN A FAR BETTER PLACE

**DR. ASANKA RATNAYAKE**  
GROUP DIRECTOR  
HAYLEYS ADVANTIS LIMITED

Hayleys Advantis Limited covering air, land and sea serves diverse industry verticals with solutions for complex logistics requirements. The end-to-end logistics portfolio and experience of over six decades puts Hayleys Advantis at an advantageous position to solve their client's logistics requirement, regardless of how large or small the client's operations may be. This is how the renowned personality Dr. Asanka Ratnayake, Group Director for Hayleys Advantis Limited shared his views with us.

**1. You have been in Hayleys Group for nearly 30 years. How did you begin your career?**

I started my career as a wharf clerk in 1988, by joining one of the subsidiary companies of the transportation sector which is MIT cargo. Since then I have gained experience by working in different functions across the group, which helped my career growth. First, it was freight forwarding. Then I had a small stint overseas when we were setting up an operation in India. Thereafter, I got an opportunity to engage in the travel and aviation related business vertical of the Hayleys Group. Thereafter I moved on to handling express cargo, which is another area we are involved in and then to the shipping side and after that I moved on to more Group level activities. Now I oversee multiple business units of the Group in a Board Director position, whilst also looking into some overseas expansion work particularly in India and Bangladesh.





## 2. What sort of Third Party Logistics services are offered by Hayleys Advantis Sri Lanka?

Hayleys Advantis is the logistics arm of the Hayleys group. Any business to do with the movement of cargo is handled under Hayleys Advantis. That itself makes Advantis a holding company. We have multiple business units within Hayleys Advantis that are engaged in different activities of logistics; shipping, freight forwarding, express cargo, container yard operations, project cargo handling, bunkering, marine activities, third party logistics, e-commerce delivery so on and so forth.

So, if I go particularly down the line of discussing more on 3PL activities, we provide end to end activities in the 3PL business. With the multiple services that we are engaged in, we have the ability to offer customs brokering, transportation, storage and value addition services.

We have also gone into specialized areas like production line logistics. This is an important aspect of outsourcing. We don't have access to using proprietary product formulas of our clients, however apart from these product formulas, we have the ability to provide all services including managing the production line. In other words, we can manage the entire production flow from raw material input to delivery of finished goods to the consumer.

## 3. What sort of a tendency do Sri Lankan companies show in order to contract with 3PL providers?

Actually, I am happy to see that Sri Lankan companies are more and more becoming outsourcing savvy. More and more people are seeing the value logistics outsourcing can create for their supply chains. So if you look at the last 10 years, it was only the multinationals who talked about outsourcing. But today, I can see that there is more tendency and drive towards outsourcing which is a good thing. This will in turn help people focus more on improving the quality of their products as opposed to worrying about logistics.

## 4. As you mentioned before, more and more companies are starting to outsource. So, is logistics a burden to the companies? Why do they outsource this much?

I would like to put it differently. Logistics is still an area we can improve further. If you look at the laptops we work with today, and compare them with what we had 15-20 years back you will see how a big unit like a TV with an external CPU has now been condensed into a sleek device.

These improvements happened over time.

Similarly, Logistics is also an industry where constant improvements can take place as still there are many areas for improvement.

So yes, customers will always demand to have the material faster or get the finished goods delivered faster and at a lower cost. This is where outsourcing to an experienced party can give you greater benefits, by creating a more efficient supply chain with economies of scale. This complex nature of logistics and the burden it could create if it's not properly managed, is also one reason why companies tend to outsource more and more.

## 5. What is the role of 3PL providers in international trade?

I would say 3PL providers operate as a trade enabler. In other words, what third party logistics providers do is to enable and facilitate more and more trade. Now what we do as a third party logistics service provider is to take the burden of the supply part in the supply chain. With the experience we have gathered over the years we know that the manufacturers, importers and exporters need a partner who understands their pain points and addresses those pain points. This enables our clients to focus on their core activities. A garment manufacturer shouldn't have to worry about





how they get the material to their factory, how many days of stock to keep, where to store the material etc. Instead they need to focus on improving their production quality and timelines to satisfy their customers. This is where we come in. In terms of trade, we are clearly a trade enabler or a trade facilitator. In today's game, more and more people want to outsource when they know that it is not their area of expertise.

**6. All sorts of ports play a major role in international trade. What is the nature of the relationship of 3PL with the port sector in Sri Lanka?**

Yes. This is an important area again. Ports or for that matter even airports cannot be left out when talking about 3PL. You cannot talk only about the port sector, even the airports need to work collaboratively in order to become enablers of the overall industry. If you look at our part of the world, we see that collaboration is still slow paced. The world does not move that way anymore. There is a lot of room for sector collaboration to happen. Stakeholders of state owned, private, semi-private sectors should now work more closely and collaboratively for the improvement of the overall industry.

**7. What are the common challenges in dealing with ports?**

I would say the lack of understanding of how big a role they play is a major drawback. If we understand why we do what we do, or the purpose behind what we do, then everything falls into place.

Have you heard this story about a lady who was sweeping the floor at NASA? She had been doing her job with such pride that a passer-by had raised the question "What are you doing?" and in response instead of saying "I'm sweeping the floor", she had said "I'm helping to send a rocket to the moon".

That sense of pride comes from understanding the end result.

So, if we can understand that a port is not about receiving a container and demounting it and it is a part of the entire value chain, it becomes easier. I believe that there is a role that everyone has to play, and when you become purpose driven rather than being task driven it will help deliver complete satisfaction to all stakeholders.

complete satisfaction to all stakeholders.

At Advantis we are proud to say that we are purpose driven. Those who handle pharmaceutical products, understand that what they do today can help save a life or relieve someone's pain. So I believe that if the port sector was to help their employees understand how big a role they play in our country's trade they will deliver far greater results in future.

**8. What are the moves taken towards 4PL at Hayleys?**

4PLs to my understanding is the integration of service providers. So they will talk to 3PL providers, freight forwards and customs brokers and bring a consolidated solution to the customer. My personal opinion is that I do not see 4PLs evolving in Sri Lanka yet. Although, people are trying to implement it here, perhaps the future might be different.

I'm saying this mostly from a market size perspective. When you look at market size, I am not too sure whether there is room for 4PL players to play in this market. I do not see 4PL players even in larger more complex markets like India. This is my personal opinion on the matter.





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# Payment Methods for a **Safer** transaction- through better **International Linkages**

International trade presents a spectrum of risks which causes uncertainty over the temporal arrangement of payments between the exporter and importer. To reach today's world marketplace and win sales against foreign competitors, exporters should attract their customers by providing valuable sales terms supported by the acceptable payment methods. Under normal circumstances exporters are in desire to receive payments at the earliest possible date, preferably soon after an order is placed or before the goods are sent to the importer. As a result of obtaining paid fully and on time is that the final goal for every export sale. An acceptable payment method should be chosen in a way that can be trusted or relied to reduce the payment risk whereas conjointly accommodating the requirements of the client.

There are 5 predominant techniques of payment for worldwide transactions. During or before contract negotiations, the parties should reflect consideration on which method in the determine is acceptable.



## Cash-in-Advance

This method is beneficial to the vendor (seller) due to the fact he receives payment in advance, even before the items are dispatched. As a result, he has cash in his account even before parting with the goods and he can use it for arranging production and transport of the goods. An exporter can avoid credit danger due to the fact that the installment fee is obtained before the possession of the good is transferred. The seller, therefore, has the advantage and will no longer worry about receipt of the money.

For international sales, wire transfers and credit cards are the most regularly used cash-in-advance options accessible to exporters. With the development of internet and globalization, escrow services are

are arising as another cash-in-advance choice for small-scale transactions. Yet, requiring payment in advance is the least desirable choice for the buyer, since it creates unfavorable cash flow. Foreign customers are also concerned that the goods can also not be sent if charge is made in advance. Thus, exporters who insist on this fee method as their sole manner of doing business may also lose to competitors who provide extra pleasing fee terms.

The buyer, on the other hand, faces the following risks using this system:

- **Local regulations might not allow advance payment to a seller.**

- **The risk that the seller might not be able to fulfill the contract.**

- **Regulations in the seller's country that might prohibit the sending of the goods.**

## Bills for Collection

While advance payment is more beneficial for the seller, bills for collection are more beneficial to the buyer. Using this method, a bank acts as an intermediary and hence the seller does not have to depend on the buyer only. But the bank's role is only in the process of routing the documents of transport/title along with other documents.



The seller draws documents in terms of the contract it has entered into with the buyer, hands over those documents to the bank with clear instructions as to the mode of collection whether goods are to be delivered against payment or against acceptance of documents (a bill of exchange). If that bill is not paid for some reason, the seller can take action against the buyer under the Negotiable Instruments Act to get payment.

Under this system, the buyer does not have to pay until he has received documents proving transport of the goods from the seller. The seller has a reasonable expectation of getting paid for the goods. Documents will be handed over to the buyer only if one of the above two factors happens. The seller, however, has no guarantee of the bank assuring payments even if he has complied with the terms and conditions. From the seller's point of view, this is not a satisfactory system of payment – not only because he has no bank guarantee – but because he cannot negotiate these documents and get bank finance.

Bills for collection are becoming more and more popular because of the high cost of letters of credits – not just from the importer's point of view but also from the exporter's point of view. They are open to lack of security in obtaining payment though.

### Letters of Credit

Letters of credit (LCs) are one of the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the exporter, by the time the terms and conditions stated in the LC have been met, as verified through all required documents, the buyer establishes credit and pays his or her bank to render this service. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer's foreign bank. An LC also protects the buyer since no payment obligation arises until the goods have been shipped as promised.

### Open Account

From the seller's point of view, open account is the riskiest payment system. Under this system, the buyer pays at the end of an agreed period. The seller consigns the goods directly to the buyer or to his order, and documents pertaining to the goods are sent directly to the buyer enabling him to take delivery of the goods. Under this system, the seller is at the mercy of the buyer having sent the goods.

These type of payments normally require:

- A high degree of trust between the buyer and the seller.
- A regular and continuous business relationship between the two parties.

The benefit of this system is that since there is no bank involvement, there is less paper work and consequently lower costs. This system is more beneficial to a large number of exporters and importers and is based on full and undoubted trust between the two parties. Certainly, from the exporter's point of view, if you are going to release goods and also give your buyer documents to accompany them, you must have a high element of trust; otherwise, you would be out of business.

The letter of credit as a means of payment for international trade between countries is declining. Buyers and sellers are now choosing bills for collection or open account for settlement of their international trade transactions.

### Consignment

In international trade, consignment is a variation of open account in which payment is sent to the exporter only after the goods have been sold by the foreign distributor to the end customer. An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods for the exporter who retains title to the goods until they are sold. Clearly, exporting on consignment is very risky as the exporter is not guaranteed any payment and its goods are in a foreign country in the hands of an independent distributor or agent. Consignment helps exporters become more competitive on the basis of better availability and faster delivery of goods. Selling on consignment can also help exporters reduce the direct costs of storing and managing inventory. The key to success in exporting on consignment is to partner with a reputable and trustworthy foreign distributor or a third-party logistics provider. Appropriate insurance should be in place to cover consigned goods in transit or in possession of a foreign distributor as well as to mitigate the risk of non-payment.

### Conclusion

We can see from the different methods of payment discussed above that each has its pros and cons. Choosing the appropriate method will depend on a number of factors, most importantly being:

- Trust between the buyer and the seller.
- Convenience.
- Time, money and energy involved in each of these methods.
- Availability of finance from the bank.
- Past track record of the buyer.



**Shara Meedin**  
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# ROLE OF LEANNESS IN SUPPLY CHAIN SUSTAINABILITY

The rising concern about sustainability issues has increased today in both organizational and customer perspectives. As a result, the lean supply chain management focuses on waste elimination that potentially includes a decline of environmental waste. The role of lean supply chain management is implementing a lean supply chain management process is an important element in developing long term value among customers and increasing the performance of the business. Lean supply chain management system not only improves the quality but also increases the productivity through the extraction of waste.

Lean's focus on minimizing waste and passing the benefits onto customers is likely to strategically benefit only the strongest players within the supply chain, those that can exert considerable leverage both upstream and downstream in the chain.

It is no doubt that due to the over utilization of resources and large waste sources of industries have caused for the depletion of natural resources which signals the world the importance of waste management as a today's priority requirement, which is to save the resources through focus on green initiatives.

Consider the fact that sustainable supply chains are, less resource intensive than their competitors. A move to greater sustainability involves a move to greater

efficiency, as the two go hand in hand. This means that despite upfront costs, investments in sustainability can actually significantly decrease expenses in the long term.

Government is also putting an increasing focus on sustainability, drafting laws and regulations that businesses must follow to avoid penalties and fines. Proactive companies put themselves in a much better position to avoid regulatory and legal setbacks, that other companies who are slow to adopt sustainability measures most certainly will encounter.

Most supply chains in existence today will not survive unless they change practices and business models to address their negative social and environmental impacts. Supply chain management strategies for sustainable products underline that suppliers' development often involve actions such as investments at partner locations, providing suppliers with training or improving their production facilities. Before making those decisions, an analysis may be needed to decide at what stage of the supply chain collaboration is more effective.

Organizations that operate within our economies are responsible for the extraction of resources from the ecosystem at ever increasing levels as they pursue larger profits through growth. These organizations utilize their management control systems to organize their operations and thereby moving humanity further away from achieving this state.

However, creating truly sustainable supply chains is no longer a nice to have. The planet's ability to provide some natural resources is running out at the same time that many stakeholders are demanding action on a range of issues from climate change to working conditions in supplier factories in developing countries. In response, many organizations are striving to create truly sustainable supply chains, where the leanness in supply chain sustainability come to the role.



**Dinithi Rupasinghe**  
Batch V  
MBA in Logistics



A photograph of a large industrial port facility. In the foreground, a worker in an orange safety suit and helmet stands near a red gantry crane. The background shows a long line of similar red gantry cranes stretching into the distance, with a large stack of colorful shipping containers visible in the background. The sky is clear and blue.

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THERE WAS AN EVEN GREATER  
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Customers that choose to utilize Sampath Bank's trade services can avail themselves to numerous advantages. As they seek to offer professional advice, their clients are given an industry leading, cutting edge advantage, resulting in the ultimate success of closing the respective trade deal. Sampath Bank will ensure that all documentation meets the strict standard and terms of documentary credit. In addition to this, they have a well-established network of correspondent banks, translating to a global presence. Customers with specific trade needs will also be able to make use of their offshore banking facilities, coupled with the best exchange rates offered in the market.

In terms of their import services, they assure the swift establishment of documentary credit and follow through with a speedy confirmation of the credit by their network of global correspondents, all at competitive prices. Their discerning clients are also offered the advantage of advising the documentary credit to a preferred bank by the client's supplier. Customers can revel in the convenience of receiving SMS alerts, notifying them of the arrival of the original shipping documents. Sampath Bank also goes a step further by facilitating the financing of imports through pledge, trust receipt and import loans in both local and foreign currencies.

Assisting with exportation as well, advising and confirmation of documentary credit along with the purchasing and negotiation of documentary credit coupled with collections bills will be undertaken by Sampath Bank Trade Services. Ensuring the same day dispatching of export bills means that clients can expect zero delays through the process. A status report on buyers and SMS alerts notifying when the account is credited with export bill proceeds is yet another added bonus to the convenience of the client. Sampath Bank also uses the GT Nexus cloud-based global supply chain management platform which gives them the ability to avail working capital financing from the moment the purchase order is drawn until the settlement is made by the buyer.

As Sampath Bank has been actively empowering Sri Lanka's import-export industry, this is yet another fully fledged service with numerous benefits. They aim to provide the ideal banking solution from the beginning to the end of the comprehensive import-export process, making them the perfect partner. Together with the introduction of highly suitable payment schemes, the venture into this new space will reaffirm and strengthen their position as the best commercial and retail bank in the country.



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சம்பத் வங்கி  
Sampath Bank





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# " THE R MAERSK IS TO FOR INTERNATIONAL TR

Mrs. Randima Krishnaratne is the country sales manager and Mr. Nilkamal Perera is the country operations manager of Maersk Sri Lanka. Maersk is the world's largest container shipping company that moves 12 million containers every year and deliver to every corner of the globe. Regardless of the industry, commodity, or key markets, they offer solutions to both small and large businesses. They take the complexity out of container shipping for the customer and develop innovative solutions for supply chain needs from end to end.

## **1. How does Maersk differentiate from other shipping lines?**

The differentiator for Maersk is its people, systems, equipment and the ease of doing business. Maersk is not just only about the containers, it is the entire value offered, beginning from the containers, terminals and the local services. Today as a logistics integrator, Maersk innovates and adds new value to the industry. Innovation of the Triple-E vessels is an ideal example on this account. As an entity Maersk has always borne pioneer advantage and set the status quo.

In this part of the world people are still drawn to people sensitive business where there is human touch and connection. Maersk as an entity has people, we provide a personalized touch to all activities.

Another differentiator is the fleet; it helps the company come ahead of our operations. The quality of Maersk containers offered are unmatched in the Sri Lankan market. Tea and apparels are key exports products of the country, and the requirement of good quality containers for cargo carriage is essential.



The Maersk logo, consisting of the word "MAERSK" in a bold, black, sans-serif font.

# ROLE AT BE RELEVANT TRADE OF TOMORROW"

Maersk offers ease of business on a global context, anyone and everyone has the ability to book a container from anywhere in the world. The process is simplified to a state where the only requirement is to log into the phone and booking a container. On the same note Maersk vessels too play a considerable part in the differentiation. Maersk vessels are environmentally friendly, newly built vessels have special features to reduce carbon emission and ensures that the company collaborates environment friendly practices.

## 2. What is the role of Maersk or a shipping line in international trade?

Maersk no longer operates as a shipping line, instead it operates as a logistics integrator. As an entity Maersk is an integral part of international trade and it is and has been the driving factor which gives the company the edge to compete in the developing market and world. There are goods and services that go out of Sri Lanka in to manufacture of so many global brands from apparel to airplanes. Every aspect of our life has become a part of international trade.

Today trade has grown to every part of the world making trade truly global and the role of Maersk is in connecting the world.

While being an integral party in international trade, Maersk always strive to be a trend setter to face competition from other logistics service providers. To sum up, the role of Maersk is to "be relevant for international trade of tomorrow".



3. As you said, a considerable percentage of the trade of Sri Lanka happens through Maersk. Maersk has their own marketing strategies as well. So as a company Maersk expands their limits and the business. How does the objectives of Maersk benefit the trade objectives of Sri Lanka?

Sri Lanka as a country has a vision for 2025 and heavy weightage is given to the export strategy in order to see the growth of trade. If the anticipated levels of trade growths are met, Maersk will be largely benefited with the rise in imports and exports. As an entity we are mainly focusing on increasing export volume. Since recently Maersk expanded into local services as well, thus they possess the capacity to deliver supply chain solutions such warehousing, value addition, vendor and inventory management, data analytics, quality control and meets other end to end requirements for all exports and imports.

Basically, Maersk strategy is to grow and the country's trade strategy is to grow. Therefore, both strategies go hand in hand.

**4. As an innovative company we see that Maersk provides larger vessels, but certain ports are not ready for this. So how does the company take action to increase their capabilities?**

It is important to explore the history of vessel capacities, in brief, a decade ago 5000TEU vessels were the largest vessels. Capacity of vessels then expanded into 8000TEU. With this expansion, terminals expanded their capacities by forecasting the future. Terminals were built with capacities to handle 19000-20000TEU vessels easily. In the Sri Lankan context Colombo International Container Terminal is an ideal example. Presently, most ports are situated along with the hub ports. These ports are ready to handle Triple E vessels any day. The 5000TEU vessels have become feeder vessels, thus, as time passes the Triple E vessels too will become feeder vessels. \

Terminal capacity expansion is a different area of discussion. Even if Maersk wants to improve, it can't be done as per our wish. There is a considerable government involvement, this is common to all countries not only to Sri Lanka. The respective

government has the say on whether the terminal will be operated under the government, lease out or even work on BOT terms. (Build, Operate and Transfer)

Thus, in terms of handling, Maersk is very clear as a company, we would not dictate terms to the government, we are a supporting entity to the economy and to the country. The idea is to partner with the country, because we have a world vision, a country management office, as we had seen the potential of Sri Lanka even during the heated war. The support provided will always remain within the ethical bounds and will always lobby with governments, in order to present the requirement of infrastructure to achieve the trade objectives.

In Colombo, the biggest issue at present is the space to handle larger vessels. As an entity Maersk is looking forward to involving with terminal operations, on the basis of improvement. These are sensitive areas which take time and much lobbying. Lobbying is a fruitful mechanism observed by many developed and developing countries. However, the improvement is based on the speed and the pace of development. Some governments may be slower and some may be faster in working on the concepts, in some cases it may be successful and some it may be unsuccessful. Regardless, Maersk is very transparent on these operations.

**5. It is evident that Damco Supply Chain Management and Maersk Line had recently merged in order to provide an end to end supply chain solution. How does it create competitive advantage for the customer?**

As for

competitive advantage, the company is already seeing the results of it. In addition to the liner services, service horizons have expanded to warehouse management and 4PL services such as PO (Purchasing Order) management, vendor management and booking management.

In a marketing point of view, it gives Maersk immense potential in the market and the initial reaction to the merger has been quite positive. For a country like Sri Lanka, where the growth focus is more on the export element of trade, these services are bound to fulfill the requirements of an exporter, as it gives the local shippers space to focus on their core competency.

In some countries the logistics integration of Maersk has expanded into retail distribution. It gives the company visibility on the end to end supply chain, that is to say that we have the view on the pipeline which helps us to see the stock movement at any given point in time.





**6. We have seen that shipping lines invest in ports and terminals. Is it an ethical practice? If so how does it help the company?**

The APM terminals always operate with high technology. The cost element is given considerable attention and the cost is relatively low compared to other competitive terminals. As an entity we pressurize the local terminals to improve vessel turnaround time, as the benefits definitely will cascade down the supply chain to the final customer. It is vital that the company works within an ethical framework with APM terminals.

While APM terminals assumes the terminal operations, preferential services will not be provided to Maersk, as we are a mere customer and all other lines will be existing and potential customers. The service levels to all lines will be same regardless whether it is our home-grown company.

When the supply chain management of Maersk is considered, it provides multicarrier platform, yet Maersk and other competitors will operate within a framework where the confidentiality and information secrecy is maintained. Similar concepts are followed and observed by other entities inclusive of ports and terminals. Maersk will only operate APM terminals and will not own the terminal or the port. The company will never interfere with the internal matters of a country as Maersk is a business and will always support the growth of the country and we will help out in whatever way as it is believed that whatever given to the society will be received in return. This is how the company looks forward to making our business sustainable.

In the Sri Lankan context, the first private terminal was SAGT (South Asia Gateway Terminal). Once SAGT began their operations, it was an eye opener for the government terminals. Earlier the government terminals did not focus largely on the e-commerce of terminal operations and even the productivity was considerably low, the situation largely changed with the introduction of private terminals. To sum it up, Eventually, Maersk too will invest on terminal operation in this region and other locations as well, while abiding by the ethical framework.

**7. Speed and capacity have been some changing factors in logistics. We know that airfreight has the speed advantage. They do overnight deliveries. But shipping takes time. How do you see the difference and what is the future?**

Cargo will always be moving in ships, there will always be goods that needs to be delivered across really fast and goods which can wait. It all depends on the type of product. There may be certain products which needs to be airfreighted always depending on the urgency. Similarly, there are products which have longer lead time periods.

If you consider moving a good from Colombo to United Kingdom, it may take two days on air while it would take two weeks on sea. But it is known that all types of cargo cannot be transported through air, to transport all types we would need planes that can carry 20,000TEUs- 30,000TEUs and heavy weights too.

Indeed, there is a competition, there is an increase in the amount of airfreight and also there's the implication of digitization. However, the shipping sector too is evolving, we may be able to see faster ships in the near future.

**8. Where do you see the future of Sri Lankan logistics?**

As an entity Maersk sees the future moving up. There is much awareness and technology involved in the industry. Although Sri Lanka is not a manufacturing power house like India or China, our competency is and will be logistics. This industry alone has the power to take Sri Lanka to the next level.

The geographical location of Sri Lanka shows high potential in promoting the industry. As Sri Lankans are held back in nature, it is not an attribute which may prove useful or helpful in the logistics industry. Logistics is not confined to working on systems and on desktops. Logistics often involves getting your hands dirty and getting into the field, this is a plunge people must be willing to take. Ideally people must become go-doers.

There are many Sri Lankans out there who have done a great deal in logistics and has great exposure too. As a company we see the potential in Sri Lanka, Maersk definitely likes to contribute further to the development of the country through logistics. As an initiative we invest in people and look at business expansion within the country. There are many multinational investors who see this potential in Sri Lanka. Therefore, so far the growth trajectory for Sri Lankan logistics is certainly a positive.



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~ RANGE EYE PHOROGRAPHY ~



# HAGUE VISBY RULES:

## THE CORNER STONE OF CARRIAGE OF GOODS BY SEA

• • • • •

Hague Visby (HV) Rules of 1968 and subsequent amendments is an essential piece of legal instructions to shippers, carriers and cargo owners. In this rules due diligence (Article 3) is a recurring phrase and has utmost importance. However, exercising due diligence is timely and imposes a mandatory duty upon the shippers and carriers at the port of origin, transit, and destination in the carriage of materials, supplies and end products.

Due Diligence is defined as “the responsibility and duty of the carrier or shipper of cargo articles to convey the raw materials, supplies, and end produce; properly and carefully exercising the required care[emphasis added]”. The failure to preserve due care may result in vitiating and diluting the rights and responsibilities by carrier under the contract of carriage of cargo, rendering the contract null and void or set aside by courts. The carrier shall be bound...is an obligatory rule on the part of him emphasizing the need to exercise due care without failure and is strictly liable for prescribe penalties on failure to observe the rule.

Analysis of Article 3 further holds that exercising due care is cross-sectional in time. Accordingly, the carrier shall be responsible to exercise due diligence before and at the beginning of the voyage only. Thus, a shipper carrying perishable produce from port of Rotterdam to Colombo is required under HV Rules to exercise care before and at the beginning of the carriage of cargo from the Port of Origin (Port of Rotterdam, Netherlands). Thus it includes the careful loading, stowage, and handling [Art. 3(2)] of cargo.

Due diligence is categorized into three (03) major classes. These are making the marine vessel seaworthy [3(1)(a)], properly manning, equipping, and supplying the vessel [3(1)(b)], and making the cool chambers carrying the goods, fit and safe for their reception, carriage, and preservation [3 (1)(c)]. In the context of seaworthiness, leading cases such as *Israel MV* (2014) holds that it is a status of vessel worthy to be sailing and carrying the supplies from origin to destination. It can be physical, technical or combination of both. In this case the judges opined that vessels should be directed to dry-dock outside the port for operational maintenance. The occurrences of accidents or imminent accidents on voyage are indicators of decreasing seaworthiness and necessary precautions need to be devised. Sea worthiness of the vessel is still an unresolved concern owing to much litigation based on loss of cargo.





In the local cases of floating armory (2017) and marine vessel debris (2017, June) in off-shores of Galle and other related territorial waters, the cases highlight the symbolical meaning of 'supplying of vessels for the purpose'. These words were interpreted as 'rusted metals and armory in its forms of decaying into the oceanic resources is harmful in the long-term'. The supply of arms and weapons are important for military vessels but deemed as violating 3(1) (b) provision of the rules. The materials and supplies were not properly and carefully stowed or carried in the vessel causing the violation to the legal provision.

In the classic case of Wagon Mound (No. 01) the facts reveal that when the vessels are moving upstream then the safety and preservation of the goods of carriage need to be properly monitored. There is a possibility of the densities of water changing resulting in the seeping of water into the cargo. It is a violation of Article 3(2) of the rules since the carrier is negligent in properly and carefully loading, handling, and caring for the goods conveyed.

The discharging of the cargo at the point of consumption is another critical, but useful provision under Article 3(2). The responsibility of stevedores in the process of transferring the cargo from deck to port or vice versa needs to be carefully handled. If the party fails to exercise due diligence in handling cargo the carrier shall be responsible for the loss, harm, and damage to cargo. This is strict liability meaning that the carrier is completely responsible for the loss of cargo and the burden is greater in the case of perishable supplies and hazardous materials.

In the context of logistics and operations in international trade HV Rules have two implications. Firstly, the contract of carriage for cargo by sea is preserved. The carrier of materials from source to destination is entitled to rights and immunities while observing the duties and responsibilities in the process of loading, handling, stowage, carriage, custody, care, and discharge of the materials and supplies. Secondly, international logistics is based on the relationship between carrier, shipper and cargo owner. There is a sanctified agreement between the carrier and shipper under the contract of carriage to transport the supplies and cargo responsibly to the hands of the cargo owner. Under the liability regime the carrier is held responsible for monetary losses in proved cases of due diligence not being exercised and performed. Thus, HV Rules with a futuristic impact is an epitome of carriage of goods by sea in the context of logistics and operations in international trade.



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**"YOU WON'T FIND IT  
DIFFICULT TO PROVE THAT  
BATTLES, CAMPAIGNS, AND  
EVEN WARS HAVE BEEN WON  
OR LOST PRIMARILY BECAUSE  
OF LOGISTICS"**

~ GENERAL DWIGHT. D. EISENHOWER ~





# Cabin services of an Airline



The airline industry provides air transportation for passengers and cargo by using aircrafts. The airline industry exists in an intensively competitive market. There are currently over 5000 airlines in the world with ICAO codes. Leading airlines such as Singapore airlines, Qatar airways, Emirates, Etihad, Air Nippon etc. take the major portion of this industry. Sri Lankan airline is the national carrier of Sri Lanka. A key element in airline travel is the inflight services and this is where most airlines try and outdo each other regardless of whether it is a low cost carrier or a full service airline. The main components of the inflight service are safety and emergency procedures, cabin services, inflight entertainment, catering and inflight duty free. The flight crew's better known crew members are responsible to get passengers to their destination safely, comfortably and to maintain a safe environment. Inflight entertainment (IFE) refers to the entertainment available to passengers during a flight. IFE has numerous ways in which it is screened to passengers examples of which are individual screens, handheld screens similar to a tablet audio and video entertainment. Inflight catering is another element and each airline has a variety of food to cater to the numerous plates on-board any aircraft.

Cabin service is one of the primary aspects of inflight service. This article describes in detail about the role played by the cabin service. The service which is provided for the passengers while they are traveling by

by the cabin crew is called the cabin service. It is the cabin crew that is the "face" of any airline and almost all airlines ensure to provide its cabin crew with a superior level of training to cater to the varying needs of customers. It is instilled in cabin crew that the customer is the king and that nothing is too much to provide the customer. Rudeness, impoliteness, unsmiling crew are any airline's nightmare to have because those are not the traits that customers expect to have on their flights. On time performance, safety and security, prices etc. are the defining factors to make passengers either select or reject an airline for their personal or business travel. These are the most important factors in this industry that divide repeat business. Each and every airline tries to provide a travel experience to customers. Inflight services place a major role in providing an excellent customer service. Applicants that have a good understanding of numerous languages, those with good interpersonal skills, a friendly disposition are ideal candidates for any airline to recruit. Once recruited, they are provided extensive training.

The nature of the cabin services will vary from airline to airline and from class to class. Categories under the cabin services are training, performance management, administrative work handling wellbeing of cabin crew, rosters and grooming. In cabin services, Inflight manager is the overall in charge of the flight. And purser is the second in charge and he provides required assistance to the IFM. There, the crew

divides into two categories as business and economy. 1st/Business class crew serves premium cabin passengers and economy class crew serves economy cabin passengers. The positions available for operation of cabin services are senior manager, performance manager, cabin crew manager, Inflight checker and administrative staff.

Practical and theoretical programs using representative devices are conducted to ensure the safety. Rules and regulations defined by the Civil Aviation Authority (CAO) of the country govern the inflight services and its safety procedures and to certain extent how the inflight services are also being designed.

The main challenges are dealing with the staff of mixed generations as their mind-sets are different, in addition the inability to foresee the requirements. In airline industry, as they consider cabin services hold the leading player in the industry by providing the world's best inflight service to all customers and maintain it by continuous performance management with extensive training and coaching.

Additionally recurrent and refresher training is provided to ensure regulatory requirements. An airline invests heavily on their resources. They provide best possible levels of inflight training, personal development, service etiquette, grooming standards, cultural awareness to create a better understanding between passenger and co-worker behavior. To become the trend setter it is a need consistently to deliver high level of service standard. And also capacity, equipment, facilities and resources are required to get the maximum.



People who are fluent in several languages and the advanced knowledge on modern technology are given the priority for recruiting new crew members. The ability to swim and a valid passport is also essential. And they will be given a training to handle any pressure and work freely in any condition. Passenger safety assurance is also one of the main cabin crew responsibilities. During the training all cabin crew members have to pass a special course of first aid in order to be capable to properly handle the emergency situations. During the flight preparation, they are responsible for checking safety equipment to ensure that all the necessary equipment is stored on the airplane and is functional, making sure that passengers are seated correctly, give them safety demonstrations. The safety precautions are must be in compliance with global regulatory requirements of aviation safety and first aid, which is achieved by continuous regulatory training. Using state of the art equipment relating to the job function equipment, simulators, live fire prevention training and demand of future passenger needs to provide a more efficient cost effective service to the airline traveler can be taken as

some other challenges they face in this service. Since airline industry is a fast growing industry in the world, it is being changed regularly. New cabin crew training programs have been introduced by leading airlines. All the airlines tend to use new equipment and technology. Under these facilities the airline passengers are provided internet connectivity, telephone availability (on air) and also they are given the facility to communicate with their own devices as well. In the flight passengers have to purchase foods according to their taste. They tend to reduce inflight catering. Another concept is to reduce weight, fuel and cost of operations. The new trend is to reduce liquids, water capacity and seat weight. Feedbacks are received from passengers to provide a “feel good” service. There are some forms to be filled by the travellers. And there is a system to give points and loyalty points. As a part of this procedure, the cabin crew raises some questions on passengers regarding their service. The other way is to give a feedback through their modes of entertainment by answering some given questions. Airlines monitor and evaluate the performance of the

inflight services with regular checks and balances. Appraisals of staff, passenger feedback and managing the department budget are evaluated in the cabin service evaluation process. Since airline industry is a leading industry in the world. Airline has to change their service to provide a better service for the passengers. If they can select, recruit and train a cabin crew and to provide a better service for the passengers under the regulations they may be able to deliver a punctual and a quality service to the passengers, safety, connectivity and a excellent service also come together to reach that higher levels. To stay ahead of the game, airlines have to change their service to provide a better service for the passengers.



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# SURANGA HERATH

**CEO OF  
AMAZON TRADING PVT LTD &  
ENGLISH TEA SHOP UK LTD**

Suranga Herath is the CEO of Amazon Trading PVT LTD and English Tea Shop UK LTD. He also is a pioneer of sustainability best practices. Under his guidance, a wide range of initiatives have been designed at English Tea Shop to improve the livelihoods of farmers and employees in Sri Lanka. In 2017, English Tea Shop won the National Business Award for Sustainability at the National Business Awards, the UK's most esteemed nationwide business awards, which recognized its mission to change the perception that Sustainability and Growth do not mix. Suranga was also selected by The LDC (supported by the Telegraph, UK) as one of 2018's Top 50 Most Ambitious Business Leaders; where he made it to the top 10 in the category of people powered organizations.



## 1) What is the story behind the origination of Amazon Teas and English Tea Shop?

Amazon Trading Private Limited was founded in the year 2001. Since then, Amazon Trading has been packing hundreds of private brands and a few own brands until we launched "English Tea Shop" in 2010. English Tea Shop is positioned as a premium, yet affordable tea brand. Further, our intention was to make organic, look and feel very exciting and youthful – something which was known to be raw, dull and made using earthy colors.

The founders of English Tea Shop have a strong history in tea. However, we wanted to set ourselves on a uniquely different path to what we've been doing with tea all our lives. The tea market has always been a booming one, but there was still a gap for a premium, lifestyle product which had a creating shared value mindset at its very foundation.

## 2) What made the company go in for international trade?

From the very inception we wanted to just focus on the international market. Then as well as now, Sri Lanka's priority is to earn foreign exchange. The company's main objective has always been to focus on doing activities that can be globally scaled and done competitively too, in order to enhance foreign exchange earnings to the country.

## 3) What were the main challenges to your brand at the beginning?

Even with our skilled people, good machinery and general business acumen, we still faced a number of unknowns. Building a unique platform by linking the organic farms right through to the market was one of them. Hence, seven years down the line, we have a global business covering almost the entire value chain, from small farmer-gates, right through to organic retail and food service channels.

In order to create a successful business or a brand you must be prepared to overcome challenges as it is not an easy task. For us the biggest challenge was to convince ourselves that sustainability through deep social impact was going to be how we build a competitive advantage for the business. Most importantly, we wanted to bypass the traditional auction that regulates and governs the tea industry. We realized that when an industry is run on a commodity-based system like an auction, it makes it impossible for the market to connect with the fields, farmers and factories the right way.

The consumer needs to have a deeper sense as to where the products come from, how ethical the operations are and whether these brands are deeply rooted in these farms and on the livelihoods of the farmers.

Even though it made sense on paper, we found it challenging to relate this to our everyday business work. Particularly when convincing our farming and supply chain communities that our intention was to create meaningful, long-term win-win partnerships and not to interfere and teach them how to do their work.

However, if you have the passion, drive and commitment there is nothing that you can't overcome.

## 4) How do you forecast demand?

With the expansion of the brand, forecasting has become a challenging task for English Tea Shop. The lower dependency on auction system challenges English Tea Shop to have guaranteed supply from farmers. We, however, take the entire burden of carrying stock holding risks all the way from farms to the markets. On one hand, this becomes our biggest strength as many other organic players do not have that capability and they have to rely on crop availability.

For us at English Tea Shop, we aim at having the right stocks of ingredients to enable to pack over 2000 SKUs to our markets at the pre-agreed lead time. The years of partnership and the trust we've built help us secure good quality organic certified ingredients in right quantities.



**5) What is your advice for the new entrants into the industry?**

Anyone who's interested in our kind of business will have firstly to do a self-evaluation as to why they are passionate about tea and then will need to identify a problem in the industry or the market that only he or she can solve.

At English Tea Shop, our motivation came from the fact that while we boast of a 150-year-old heritage and rich tea tradition, people at the base of the pyramid were struggling to make a decent living. For anyone who gets into tea business, we have only one simple tip; find a problem and try to address that problem through your business and if you are not trying to do it in a unique way then do not get into any business for that matter. Because if you are addressing a common problem the way everyone else is handling it, you'll never be able to do a build a unique business, your product range or offering will not be distinctive enough. It will be just another ordinary offering. That would not be good business or good marketing.

**6) In Sri Lanka, there are so many tea exporters and tea gardens. What is the competitive advantage for English Tea Shop?**

We believe that the more a business looks after a community, the more a community looks after a business. So by considering the interests of customers, employees, suppliers etc. stronger and more fruitful relationships are formed. This is not about quick wins but a long-term strategy that puts sustainable relationships at its core.

Hence, we believe that a 'Prajava' (community building) mindset is our competitive advantage which has proven its way by enabling our business grow rapidly.



**7) How does the development of domestic logistics in Sri Lanka help to improve exports and overall international trade?**

Logistics as a whole has certainly improved in the Sri Lankan context. Port operations have improved remarkably and that has helped the exporters in many ways. The road transportation network in Colombo has also improved to some extent. To take domestic logistics to the next level, Sri Lanka needs to establish logistics hubs and

far more effective industrial zones. That one simple change will attract significant investments in to Sri Lanka. In order to develop competitive international businesses our companies will have to go for foreign partnerships. Although English Tea Shop is a 100% Sri Lankan owned business, the country will be greatly benefitted if other companies, even the companies competing with pure Sri Lankan businesses like ours establish joint ventures, with farms as well as exporters and create truly competitive businesses. Great competition through great logistics and facilities is probably the best way forward to expand international business potential for the country.





# English Tea Shop

ORGANIC



## YOUR TEA LOVING COMMUNITY

A Sri Lankan tea story infused with British traditions. From the rich and robust to the delicate and fragrant, every cup of English Tea Shop tea celebrates our vibrant community and heartfelt commitment to sustainability.

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# CROSS BORDER E-COMMERCE AND CROSS BORDER E-COMMERCE

Cross border e-commerce is a huge momentum that customers purchase goods form outside their country. E-commerce is potential helpful for customer services and it involves the usage of technology to help with communication. This can be stated as the future of e-commerce. Cross border e-commerce is doing trade online between a business and a customer [B2C], between two businesses [B2B], or between two private persons [C2C]. Online market platforms such as eBay and Amazon can be mentioned as examples. Clothing, footwear, consumer electronics and toys are the most popular types of goods involved in the flow of cross border e-commerce.

When examine the main risks that affects to cross border e-commerce, fraud can be identified as the biggest problem that faced by the merchants who allows the customers to pay from the outside from their country [payment methods and payment processing]. Subsequently logistics and reverse logistics can negatively influence for the businesses, local governments and taxation institutes also make some regulations that negatively impact to business. Further, Inconsistency of legal and tax regulations are less in developed countries. Furthermore, Incorporation like countries treat domestic companies differently, some products have legal limitation on sale [Food, Alcohol, Weapons, Antiques, etc.]. Clarity and strength of legal framework: some countries have a rather weak legal framework. Organizational readiness; we have to develop a deep understanding of every market that the organization is ready to intend. This type of businesses has a large size of opportunity in the future. By 2020, there will be more than 2 billion e-shoppers or 60% of global population will do their retail consumptions via online. When it comes to e-commerce, logistics plays a main role in the business

and without a systematic way to handle logistics it will fail. And the bright side is there are such companies which providing logistics related services. International e-commerce faces many challenges while their distribution operations, and logistics involving to get solutions for them.

Cross border e-commerce can be carried out more efficiently with the help of logistics requirements. Solid logistical services are required with the growth of the international business, and the purpose of maintaining an optimal quality of customer service. This may lead us to relocate our operations but this decision should be well thought out.

When deciding to allocate the logistics services and determining the location, the management faces a question that, **‘How long is the customer prepared to wait for his order?’**

It will depend on their preferences and type of the product. Also e-traders have to consider the possibility of maximizing their service quality. When we actually make a decision as a business to allocate logistics and when the locations are identified, we need to check that who is responsible for the process by two methods. We can choose an own logistics provider or manage to keep a new storage warehouse in a different country. But sometimes this will be worthless when the investment cost is significantly high or we can choose a local logistics provider. But there are some disadvantages particularly to the e-sailor. Working in a different culture, difficulties in understanding service providers and being with several numbers of sub-contractors are hard.

The main advantage of cross border e-commerce is that it can get access to new customers and new markets all over the world. It's an easy way to find and build markets for our products. And can easily customize our products to different markets.

There are some major benefits of cross border e-commerce,

## I. International expansion

Multiple of online marketplaces [Examples: Amazon, Alibaba] maximize the job expansion. And also the competition goes high and when choosing our product we have to consider about on ways to stand ahead our competitors.

## II. As we go global our audience will increase

With the time the revenue of the business goes high. Most of the customers find foreign products that cheap and better than local market.

## III. Cut out the middle man

Due to middle parties in trade as; distributors, wholesales, shipping partners the actual price of a good goes high for multiple time. Direct consumer sale go widely and the opportunity to interact with the customer and the trust will build.

In nutshell we could identify that cross border e-commerce is useful since it can get access to new customers and new markets all over the world. Thus it's an easy way to find and build markets for our products. Furthermore, it can easily customize our products to different markets.



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Challenges	Description
1. Customs clearing for multiple countries	Every product will be processed under customs for a fee. If the business didn't know about the entire process of customs and laws governing by all the other countries, the products will not deliver and it will be risky and gamble for the business. This can be avoided by good assistant in customs and its laws to smoothen the process.
2. Tracking	We should be aware where our product and the way it goes to the consumers. The shipped items are open to water, air and such substances. This can be theft, damage, or being lost in transit. There are logistic services that can provide tracking systems for the items shipped or transported.
3. Adhere to the promised timeline	Logistics have to involve in every step in internal process to face this challenge. By maintaining a warehouse in the respective country of the buyer or a bonded warehouse at a special economic zone to store the goods can avoided this problem.
4. Pricing	There are some additional charges over the original price as, fuel surcharge, duties and taxes paid and other service charges. To avoid this issue we can bundle the products according to a specific category with the help of logistics operations.
5. Insurance	The shipped items go thousands of miles away from the origin and it's a risky business and we have to take the risk if there's no insurance. To address these circumstances, we can take insurance for the goods that shipped and go missing





# FREIGHT TRANSPORTATION AND LOGISTICS



A successful economic activity ultimately depends upon effective handling of logistics which is to supply materials, transfer goods within the industry and finally move finished products to the consumers. Besides, the industry is also concerned with the reverse logistics for environmental reasons to minimize the waste materials within the economy. Whereas, logistics involves various activities such as inventory management, packaging, warehousing, etc., most visible and environmental damaging element is extensive use of freight transportation. Freight transportation is unavoidable as it is needed in logistics although it consumes much fuel, high cost and emits greenhouse gases. Therefore, international trade already discussed the sustainable options that can become key features in future freight transportation and also support to mitigate the climate crisis.

While there are many environmental damages associated with the use of transportation such as atmospheric pollution, unsafety, noise and visual intrusion the international trade has paid attention to two problem areas. One is greenhouse gas emission (GHG) and the congestion caused by transportation. Greenhouse gas emissions are well known in the relation with increasing global warming, also creating a significant threat to the society in the long run, yet no proper actions have been executed to reduce the GHG emissions in freight transportation. Congestion is important not because of environmental effects but also its adverse impact on economic performance. Freight transportation causes congestion and also becomes the victim of it. The places where much freight transport activities take place such as ports, terminals and other transport nodes, key transport corridors in urban areas are suffering from the congestion and bottlenecks. The congestion is likely to get worst since the population grows and the consumption increases. Therefore, sustainable solutions are required to minimize the impact on the environment and economic performance.



### 1. Pricing

It is important to note that the prices of freight transport are likely to increase in the medium term due to the rising of energy prices. Therefore, the benefits of international trade would reduce, and the opportunity is created to promote sustainable and energy-efficient transport modes such as rail and water transport. China's Belt and Road Initiative already started a sustainable rail transport from China to the UK which made a history of transporting goods within two weeks. However, the rail prices may fall relatively as a benefit of rail liberalization and the competition will likely to increase. Then the new modes of sustainable transports need to be identified without depending on market-led price changes. The policymakers need to think of the price paid by the transport users, for example, direct user charging such as electronic road pricing, carbon taxes and fee exemptions for greener vehicles in urban areas which would promote more use of sustainable modes as well as possible financial aid to those modes.

### 2. Alternative fuel

Alternative fuels are already used but still solutions need to be found for the issues related to cost, weight, battery life and effective range of electric vehicles. However, such fuels will play a significant role in freight transportation in the future. The fundamental issue of these fuels is that they offer relatively a marginal benefit while making a little prospect of a change in fuel technology.

### 3. Mode shift

Mode shift is considered as one of the major opportunities but historically proven as most difficult. It is required to continue the development of TEN-T corridors, but a greater focus must be on sustainable modes such as rail and water resources to provide a higher service quality, flexibility and competitive pricing to facilitate interoperability and liberalization. Higher capacity and elimination of bottlenecks on the railways and the water will be necessary if sufficient volumes are to be transferred to allow a significant change of the modes.

### 4. Improved efficiency in environmental performances

Many governments including the USA and Europe inspire corporations and promote the more efficient use of existing modes. Some of existing measures are such as driver training and aerodynamics, routing and scheduling to save fuel usage and more effective loading, by aiming to increase environmental and economic benefits. However, these measures are mainly based on the elimination of existing inefficiencies, which will be exhausted long before the carbon reduction targets have been achieved. It is, therefore, a very partial solution. It may be advantageous to consider modifications to the size and capacity of the vehicle. There is also scope for the use of cleaner technologies for rail and water freight, such as cleaner diesel fuels and less polluting engines.

### 5. Intermodality

Freight can be transferred relatively seamlessly between modes due to standard loading units, such as containers, is already an essential element of freight transport in international trade, and its use is expected to increase, especially if initiatives such as "Green Corridors" and "Motorways of the Sea." To reach its potential, its success will depend on the investments needed to address bottlenecks at major charging and transfer terminals.

### 6. ICT

ICTs should play an essential role in ensuring future freight efficiency and sustainability. More efficient information services will make it possible to adapt the load more effectively to capacity and reduce empty and partially complete movements. However, its role could be considerably increased. Today, the "electronic freight exchanges," where the capacity is adapted to the loads, tend to operate on a single-mode basis. If they were multimodal, intermodality could be further encouraged. Also, better-integrated ICT links between organizations along the supply chain will provide much better forecasts of volumes to move and avoid unnecessary transport.

### 7. Intelligent Transport Systems (ITS)

Transportation systems need to be optimistic that it will begin to offer better opportunities for sustainable development. Smart road pricing, for example, encourages users to move away from the most congested routes and peak hours. In the longer term, the world can expect an intelligent adaptation of speed, which can improve both safety and fuel efficiency, and perhaps a computerized control of the vehicle that will allow close platooning of the lorry for better use of road capacity.

### 8. Integrated outbound and reverse logistics

Outbound logistics and reverse logistics (waste reduction) are performed almost independently of each other. However, there is an important possibility of integrating elements into outbound and reverse logistics flows, which can reduce the overall need for freight transport per vehicle.

### 9. Potential new economic and business models

A more sustainable future may eventually involve alternative business models involving a withdrawal of just-in-time business practices and/or a return to more localized production and consumption. Such changes will radically change the demand for freight transport, possibly making it more sustainable, for example by reducing the use of air freight.

Many more sustainable solutions are needed to solve the problems arising due to the increase in freight transportation. Therefore, existing and planned levels of research and development into sustainable transport should be maintained in the future.



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# PORT OF S

## *An inspiration to Sri Lanka*

As a country, Singapore is a complete difference comparing to Sri Lanka besides the strategic location of Singapore. Strategic location of Singapore can be considered the only advantage and the natural benefit of this small island which is nearly 90 times smaller than Sri Lanka. When it started life as an independent, separate country in 1965, Singapore's prospects were not quite stable. Tiny and underdeveloped, it had no natural resources and a population of relatively recent immigrants with little shared history. But its strategic location and natural harbor helped the island to develop in to its current status. Singapore is at the mouth of the Malacca Strait, through which perhaps 40% of world maritime trade passes.

One of the interesting facts which pops in the comparison of these two countries is that Singapore wanted to be a future Sri Lanka at the beginning of its journey to a 1st world country. In his very early visits to Sri Lanka the father of Singapore, Lee Kuan Yew's vision was to make another Sri Lanka out of Singapore. In the book of Singapore's success story 'From Third World to First - The Singapore Story: 1965-2000', more than six pages are dedicated to show Lee's impression towards the development of Sri Lanka in 1950s.

Using the only benefit gifted to Singapore which is the strategic location, Singapore elevated from a 3rd world country to a 1st world country within nearly 100 years. Continuous advancements and investments in the national ports and other fiscal and monetary decisions taken towards the development of port sector have helped the above stated elevation of Singapore.

Port of Singapore was first founded as a free port in 1819 with the arrival of Sir Stamford Raffles and marked its first container ship to Singapore in 1972. Government increasingly invested on the port of Singapore and in 1982 Singapore became the world's busiest port by shipping tonnage achieving one million TEUs in a year for the first time. To sustain the high capacity and to retain competitive in 1988 port of Singapore authority (PSA) implemented CITOS (Computer Integrated Terminal Operations System.), a proprietary ERP system that coordinates and integrates PSA's entire port operations. With the continuous cash inflow to the country and port, PSA invested in overseas project, Dalian Container Terminal in China in

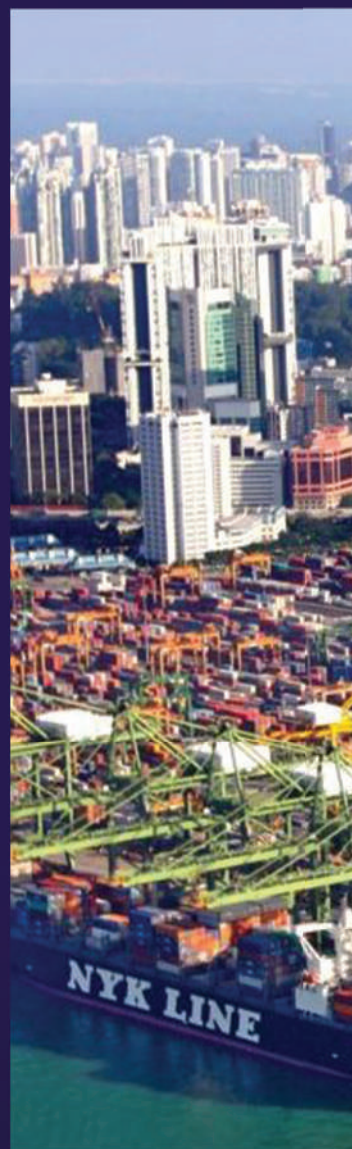
1996. With further increments in capacity of the port by 2014, PSA became the first port in the world to have cumulatively handled 500 million TEUs. In 2016 COSCO-PSA Terminal (CPT) invested and moved to three new mega berths in Pasir Panjang Terminal Phases 3 & 4 from 2017, PSA entered a new joint venture with CMA CGM to operate and use four mega container berths at Pasir Panjang Terminal Phases 3 & 4.

In total, port of Singapore offers connections to more than 120 countries and over 600 ports. Port is a multipurpose port which offers other terminals as well not only for containers. In total the quay length of 16,000m, a draft of up to 16m and can handle up to 35 million TEUs. It is currently the largest Trans-shipment Hub in the world. More than 80% of the cargo that flows in to the port is trans-shipment cargo.

To hold the title of world's largest trans-shipment hub, port of Singapore has many development projects. The infrastructure of the port is capable of serving the newest vessels, with new gantry cranes and Post-Panamax quay cranes. There have been many developments in the logistics chain as well; the PSA has invested over SGD 10 million in trucks to better serve customers. PSA is also expanding its operations and is establishing operations in 16 countries with in 28 ports.

Investments and advancements to the port of Singapore has resulted so many economic benefits for the country and has created financial boom in the hinterland itself even though PSA is mainly identified as a transshipment port.

In Singapore's economy, the main contributors to its GDP are the service and manufacturing industry. The agriculture sector hardly contributes anything to GDP of the country. Singapore's port is highly dependent on the global economy; the portion of trans-shipment cargo that flows in and out of the port reaches 80%. The rest is generated from Singapore's economy. This helps to conclude that the link between Singapore's economy and its port is strong. But the port's overall activities contribute a lot into the GDP. The contribution of GDP from the services sector reached 67% in 2005, which is from financial services, legal services and port services. The manufacturing sector also contributes to GDP, but because the goods are for export it once again adds to more demand in port services.





# INGAPORE:



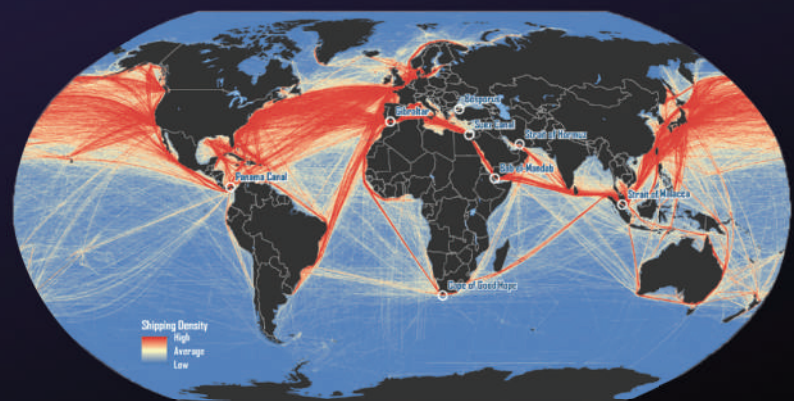
Port development is very sensitive to economic development of the country, meaning that when port expands, the economy of country expands faster. This proves in the case of Singapore because the elasticity of economic development and port growth in Singapore was 1.33. This is far reasonable because Singapore is a Transshipment Hub and they tend to expand faster than the nation's economy, because they are anticipating in demand for port services from the global economy.

The lesson for port of Colombo and Sri Lanka in general is to understand the caliber of port and logistics related developments to achieve a development in the national economy. Ports activities should be made more and more efficient and investments should be rapidly brought. Shipping industry and the field of global port

operation change every day and it excels every day to larger capacities and advanced technologies. Not only that, the other government policies and decision should also be supportive to the free trade and regulations. The nation should be open for foreign investments and a solid control should be kept in all sectors like in Singapore because in Singapore a labor strike would be a nightmare due to the strict rules and governing style of the country. Further, higher education is given a vital role in the development process other than just maintaining literacy rates in numbers. Higher education and professionalism should be maintained heavily. Sri Lanka should stick to much longer term projects rather than 5 year political philosophies in order to reap the benefits of logistics and port investments



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Map: International maritime routes:  
depicts the importance of strategic location of Sri Lanka and Singapore





## ABUSALI NAZIR

SENIOR SUPERINTEND AT SRI LANKA CUSTOMS

### 1) Give us a brief introduction on your career and the kind of challenges that you faced throughout your journey and your role at Customs.

I joined the Customs department in 1993 as an Assistant Superintendent. We were the first batch of officers who were recruited based on a university degree. Before that, the basic requirement was not a university degree. From then on, I worked as a customs officer as well as a legal officer of the department and presently, I'm a Superintendent of Customs. Having the bachelors from the University of Peradeniya, I got my postgraduate degree in law (LL.M) from the University of Colombo. So personally I have gained knowledge and experience in Customs law and related laws during the last 26 years in the department where I now contribute to the trading community and the other stakeholders like clearing, forwarding agents and importers training them on custom law and related laws. Being a Customs valuation specialist, I was trained as a trainer (ToT) by the World Customs Organization (WCO) – ROCB (Asia Pacific) and I am member of Customs Valuation Committee. These days, I am working on rules of origin (RoO) for non-preferential purposes as well as setting up an Origin Unit in our administration. Being a lawyer, I coordinate between the Customs and the Attorney General's Department in handling the Customs matters particularly in the cases of Court of Appeal and Supreme Court and other courts.

### 2) What is the role of Customs in international trade?

Actually, in international trade there are so many stakeholders. The main stake holders are the buyer and the seller or we call them as the consignee and the shipper at the other end. The Customs is an equally important stake holder where it plays a role of partner in progress. The role of Customs has become more of a facilitator than the traditional policeman role. Back in the days, we called it a "gatekeeper role", but now it is more for facilitating international trade and also Customs plays a very crucial role in facilitating supply chain management.

### 3) How can Customs be a trade facilitator?

Well, in the good old days, Customs played a major role or a fundamental role in collecting revenue to the State. But from early 90's onward the role of a Customs has developed into a facilitator's role. For example, the Bonding Division where special facilities are provided to the traders as well as to some other stakeholders. Here goods are imported in to the country and the payment duty is suspended and the goods are bonded and released part by part after payment of duty or for the use of facility holders for use on duty free basis. Another such facility is in the airport for duty free purchase of goods in the duty free shops. There are some other facilitations as well. For an example, Temporary Imports for Export Purposes (TIEP) which is a scheme where the facilitation is given by suspending the payment of duty; and Entrepot trade which is also a trade facilitation measure. The importers bring foreign currency to the country and in return the Customs gives full

facilitation with suspending or exempting the payment of duty. Issuance of commodity classification rulings and more specifically advance ruling on classification and valuation are very important facilitation measures. One of the very important conventions of World Trade Organization (WTO) is in the form of Trade Facilitation Agreement (TFA). Accordingly, over the last two years we are working on fully implementing the trade facilitation requirements in Sri Lanka. Time Release Study (TRS) to minimize the time to consume to clear the cargo from customs control has been successfully conducted and steps have been taken to further reduce the time consumed at the identified bottlenecks. Hence, obviously we play a facilitator role in international trade and supply chain.

### 4) There are two types of cargo called shipping cargo and air cargo. When comes to the Customs operations, how does it differ?

Sri Lanka is an island surrounded by water and so we have lots of sea cargo coming in and going out through Colombo Port and other ports. Also we have some air cargo importations and exportations as well. But mostly containerized cargo, motor vehicle, heavy metals and like cargo, all come as sea cargo. Some urgent goods that are perishable in nature and expensive cargo such as gold, gem and jewelry which are smaller in size and volume are imported and exported through air cargo. So we can conclude that bulk of the trade is taking place through sea ports. Air freight charges are very high for air cargo whereas for sea cargo it is much lesser. We have vegetable



exports to Maldives and some other countries where the consignments are transported as air cargo. Natural flowers, live fish or things which are very sensitive are other instances of transport as air cargo. But there is one very important difference is commercial goods and non-commercial goods. So we see the demarcation more importantly not as air cargo or sea cargo but as commercial and non-commercial cargo. When it comes to commercial cargo there are duty collection, valuation and so many other processes and procedural requirements.

##### **5) What are the restrictions for cargo at import and export?**

Before liberalization of our economy prior to 1977, all the goods import and exports were under strict licenses. But when liberalization took place in 1977, no license was required for cargo imports or exports and an open general license still is in place. There were only exchange control regulations and very limited import and control regulations for selected items are now in place. For example, you can import a brand new motor vehicle but if it is more than three years old then you have to get a license from the import controller. Likewise, there are few items which require special licenses called "import control licenses" (ICL). Other than that, most of the items enjoy free movement. The Import and Export Control Department time to time issues a list of goods which are under licenses. Furthermore, there are so many restrictions enforced by other laws which are administered and enforced by the Customs as a border Agency. Endangered species, antiques, animals and plants are few such items which are subjected to special permit/license or plant and animal quarantine restrictions.

##### **6) Customs house agents and ship agents register with the Customs. What are the benefits that custom house agents and ship agents receive when they register with the Sri Lankan Customs?**

Customs House Agents (CHA) were traditionally known as 'Customs Brokers' in the good old days. Since an ordinary person is not conversant with the regulations, procedures and legal requirements for importation and exportation of commercial cargo, the services of a CHA is important. Such an agent should be registered having undergone the training and the course of studies and also having got through the examinations conducted by the Customs. After the automation of the cargo clearance procedure, the importers as well as their clearing agents are supposed to obtain a TIN number for importation and cargo clearance respectively. For that they have to register themselves with the Inland Revenue Department (IRD) and then they have to register with the Customs subsequently. For commercial imports, an importer cannot do the processing of documents himself since there are matters which require special knowledge such classifications and finding the correct HS code for the commodities, legal

requirements for certain commodities and so many procedural and regulatory requirements. So the importer necessarily has to go to a clearing agent for clearance of the commercial cargo. The clearing agent is a consultant who would advise the importer with the more appropriate HS code and legal requirements like payment terms, payment modes, Incoterms and so many other things. As for a shipping agent which is wider in scope and functions, it is the agent for the ship or vessel and deals not only with the Customs but also with other stake holders such as the bank and the Insurance Company in the sea transport of cargo.





**7) The Customs operations may be very challengeable. What are the challenges in this Customs operations?**

Custom officer's job is really challenging one due to several reasons specially under trying conditions in a Customs officer's life. As I already told, he is an enforcer, tax collector, a facilitator a prosecutor and much more in one person. There is an element of risk is attached in these roles as an enforcer or a prosecutor. When going behind a smuggler or going behind a racketeer involved in organized crime there is always a risk element attached. There are provisions in the Customs Ordinance to reward the officers out of the penalties and sales proceeds of forfeitures in detections as if to compensate and reward for the risk element. There is a very lucrative reward scheme and often mentioned as one not found anywhere in the world. So all this indicates that a Customs officer should work hard, fulfill responsibilities and face and overcome challenges in discharging his legal duties.

**8) We can see a lack of awareness in the general public about the Customs. What is the reason for the lack of awareness about the custom procedures?**

Unlike normal traders all over the country, importers and exporters who are involved in the cross border transactions are limited in number and often only such people come into contact with the Customs. So encountering a Customs officer is mostly confined to an importer and exporter and a clearing Agent mostly in Colombo and Katunayake. Though we are a country surrounded by water we do not have too many international ports and therefore the general public have very limited access to the Customs unlike in the case of Inland Revenue Department where all the traders local or cross border are involved. The Customs is not concerned about inland traders unless otherwise he is involved in cross border transactions, where he has reason to come to the Customs. That is why a small percentage of the population who is involved in the cross border business only come into contact with the Customs. I think this is the main reason for lack of awareness.

**9) The Sri Lanka Customs goes into agreements with the other international parties. What sort of challenges has the Sri Lanka Customs faced when carrying out bilateral and multilateral trade agreements with other international parties?**

Sri Lanka as an active player in the international trade has gone into several bilateral, regional or multilateral agreements which can be put in to two categories. These agreements can be free trade agreements (FTAs) or preferential trade agreements (PTAs). We have a very special free trade agreement with India (ISFTA), one free trade agreement with Pakistan (PSFTA) and one in negotiation with China and another agreement with Singapore. There are multilateral

agreements like APTA, SAFTA then SAPTA involving SAARC regional countries in preferential trade agreements. So, these free trade agreements or preferential trade agreements with the parties or contracting countries with obligations and also concessions. As per the free trade agreements, the goods of the contracting country are allowed on preferential or free trade basis. There are advantages as well as disadvantages. For an example a free trade agreement with India gives us an opportunity to win a huge market. So if we can penetrate to the Indian market we are making in road into a huge market. Our manufacturers can easily find marketing opportunity for their products and it is a distinct advantage. In other words, our manufacturers need not worry about only the twenty million people here, they can target the hundred million plus in the neighboring country. At the same time, we have to use technology to manufacture and compete with India. Meeting the original criteria to qualify for our country of origin and to put the product to Indian market is another important factor; it is then that the free trade agreement would be beneficial for us. Otherwise, it will only be counterproductive and have negative effects on our industries. Therefore, whenever there is a free trade agreement signed by Sri Lanka, it should be with due care having cognizance to ground realities here; the negotiations should be in such a way that we are taking the bigger advantage out of the intended agreement and our industry and economy doesn't suffer.

**10) What are the possible advancements in technology regarding Customs operations in Sri Lanka?**

Right now the Customs Department is undergoing a major transformation from the traditional gatekeeper's role or the enforcement role to a facilitator's role for trade facilitation and also for social protection. Also, the Department is in the process of embracing the modern changes in technology in cargo clearance. Some of these transformations are as mandated by our ratification of the WTO Trade Facilitation Agreement (TFA). Processing of pre-arrival cargo clearance and paperless documents for clearance are few good examples for use of technology and for our keeping pace with up-to-date changes taking place in the developed economies. We have our ICT Division which is making efforts tirelessly for furtherance of the above mentioned objectives and already some of the benefits are being enjoyed by the trading community.

**11) Most processes in Customs require so much time and so much of documentation. What is the real reason behind this?**

I do not deny the fact that there are too many red tapes when it comes importation or exportation in commercial nature. Customs is not the only state agency or stake holder in the supply chain. We are also a government entity entrusted with the task of enforcing regulations of some other state

agencies. So we cannot be carried away by our eagerness to earn some foreign exchange to ignore the regulatory and legal requirements for safeguarding the society. Not all the traders are compliant or genuine is the major challenge we are facing. We have to be mindful about the social aspects as well as safeguarding the industries and our economy. Social protection is one important aspect and therefore I do not agree with the notion that we are causing unnecessary delays. We are also issuing advanced ruling on classification and valuation is to expedite cargo clearance. We are a government agency, unlike a full-fledged private entity which is very innovative aiming at only profit making, we have to see to the services and many other aspects such as social protection, environment, culture and national security

**12) There is a conception among general public that Customs is somewhere it's really hard to work in and it's really hard to get selected. Do you think the young graduates of this field have the requirements to retain a career in this industry? What is your expected quality level from them?**

The Customs has become so popular nowadays that the more and more young people want to become a Customs officer. There is a huge demand but the number of opportunities is very limited. Unlike India or a huge country with a large population or huge import export economy with so many air and sea ports, we are relatively a small country and have very few international air and sea ports. So we have limited vacancies and there is a huge number of people applying but we cannot recruit everyone. There are strict criteria, physical requirements such as height and weight and then academic qualifications; on top of all this, you need to sit for an examination where your competency in languages and general knowledge are measured. Due to these facts only a limited number of top performers get the opportunity to be recruited after the above mentioned process.





# Logistics beyond Swap

“The line between disorder and order lies in logistics” says Sun Tzu a Chinese general, military strategist, writer and philosopher who lived in the Eastern Zhou period of ancient China.”

Today logistics has tremendously contributed in many fields. With the newest technological advancements, a major involvement of logistics can be seen in the field of international trade. Since the whole shooting match has become modified according to the 21st century, accordingly the trade itself has also been modified with the involvement of logistics. First and foremost Let us know What Logistics Is?

Simply logistics is a process from point of origin to the point of consumption. The above process encompasses planning, implementing and controlling the efficient and effective flows of goods, services and related information for the purpose of confirming to customer needs and requirements. When it comes to trade, it is simply the exchange of goods and services. International trade is somewhat advanced compared to trade as it is the exchange of goods and services between countries.

The evolution of logistics started around 2700 B.C with the material handling technology in pyramid construction. Around 300 B.C a foundation has been put on to intercontinental trade with the innovation of Greek rowing vessels. Initially logistics was a military activity which supplied food and armaments to the war front during world wars. Especially World War 2 was its main motivation. Today logistics is mainly used in the business environment. It plans, implements and controls the movement of raw materials from suppliers to the manufacturers and finished goods from manufacturers to the consumers. Moving back on to international trade, in the past it was done according to the barter system where people exchanged goods and services in terms of another goods and services. The Silk Road and the Amber Road were some of the popular routes of international trade in the past.

Logistics and international trade are two parallel subjects which have back to back effects on each other. Logistics is important in trade as it reduces inventory including the costs for safety, security and management. It helps trade in reliable and consistent deliveries of goods and it reduces the probability to lose a customer from an organization's point of view. By using a

well-managed logistics system, the freight costs can also be reduced. This can be done by using the right mode of transportation as well as by consolidating the cargo. Not only that but also logistics acquires minimum damages to products and also it results in quick responses for the customers when it involves itself in the international trade.

Imports and exports play a vital role in the international trade. The contribution of logistics in international trade can be seen when a firm exports and imports raw materials, semi-finished goods and finished goods. Not only that but also logistics promotes activities such as sorting, warehousing, packaging are done when goods are partially assembled in one country and shipped to another for the further processes in the international trade.

Logistics results in globally recognized firms in the international trade such as Unilever, Nestle and TATA. Furthermore cross border trade is also a point where logistics involves itself in international trade affairs. This is more related to land lock countries as in land lock countries a nation's domestic commerce crosses foreign borders when there's no accessible routes to two different places in the country due to its geography. The cross border trade through the Canadian border can be taken as an example. The countries that cross the boundaries have to pay when they trade.

The international trade results in a greater competition and emergence of new international markets. Due to the huge competition producers are keen on producing affordable products to the consumers. International trade makes goods and services more readily available for consumer worldwide by making them in mass productions.

At present, growing demand in new markets has encouraged the international trade. The demand for branded products has also been increased. Convergence of market demands has result in higher level of imports and exports. Moreover removal of trade barriers has created an open market economy and as a result a country's gates are open for international trade. Bilateral Agreements such as SAFTA, NAFTA have also contributed to the improvements of international trade.

Integration of the supply chain and the changing practices in logistics has also encouraged international trade. Manufacturers those who are in the international trade are aiming for economies of scale. For that they import the excess amount of raw materials from another country. Logistics has improved the communication between customers and businesses and it has contributed to the development of the international trade. Many trading activities are done according to Just-In-Time systems and it increases the accuracy of the activities.

Taking everything in to account we can say that trade is not simply the distribution of commodities. It is an uneven distribution of resources throughout the world. The evolution of logistics has made trading even more safe, secure plus comfortable with its innovative operations.



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# MODERN TECHNOLOGICAL REVOLUTIONS IN INTERNATIONAL TRADE

By definition “The exchange of goods and services across international borders or territories could be called international trade”. This is an area that is constantly growing. Globally people require international trade because it plays the role of delivering a product from anywhere in the world, storing when required, packaging and clearance procedures. Many countries have decreased the stringent policies on taxes, quotas or capital controls in order to fulfill the growing demand for goods. International trade can be categorized into 3 main areas such as imports, exports and transshipment. Logistics services connect domestic trade processes with the international trade. A coherent transport and logistics system is essential for the smooth and effective import and export of goods, services and other related transactions

Sri Lanka, well known for its harbors and pristine beauty is situated in the midst of the ancient silk route. It is famous as a logistics hub due to its strategic location that permits the country to carry out international trade related activities more efficiently and productively.

## Innovative trends in international trade

The innovative technologies of the fourth industrial revolution are transforming the way trade operates by making processes more effective and inclusive. More recently, new technologies such as Optical Character Recognition (OCR) to read container numbers, Radio Frequency Identification (RFID) and QR codes to identify and trace shipments and basic digitization of trade documents have improved the reliability and efficiencies of international trade.

The trade agreements written before digital commerce, the transactions that accompany large amounts of paper work to trade financing that still depends on traditional banking methods tell us that the global trade system has not been able to take full advantage of the cutting edge technologies that could make trade more competent, less costly and more inclusive.

Right now, we could gladly say that we are on the verge of change, because different technologies have fundamentally changed the way resources are allocated and the way international trade operate.



Following are few technologies that have revolutionized international trade

### 1) Artificial intelligence and machine learning

By definition “the simulation of various human intelligence processes by machines, especially computer systems” can be described as artificial intelligence. Artificial intelligence and machine learning can be utilized to manage vessel and truck traffic at ports, optimize trade shipping routes and translate e-commerce search queries from one language into another language. Moreover it ensures the sustainability of global trade by improving the predictions of future trends in consumer demand and management of risks along the supply chain.

Global fishing watch is a real -time tool launched by Google in 2016 that is being used to mitigate illegal fishing activities by using satellite data and ship movements. This is done by offering a global view of commercial fishing activities. Many other authorities and governments use this tool to detect suspicious behaviors in international trade related activities.

### 2) Mobile payments

Mobile payment apps from Apple pay to Alipay to M-pesa are certainly transforming our lives by connecting us to more and more market opportunities. Mobile money accounts have been a driving factor for financial inclusion in emerging economies. According to the World Bank global inclusion database the number of people gaining access to bank accounts have increased by 20% between 2011 and 2014. Participating in global trade as consumers or businesses becomes a lot easier when a bigger population get attached to utilizing mobile payment methods

### 3) Trading services via digital platforms

In simple terms a digital platform is a “technology- enabled business model that allows multiple groups to connect and interact with each other to create and exchange value.” Digital platforms have taken shape to effortlessly connect the customer with service providers, in ways that were not possible before, when these professional services were offered in person.

Many digital platforms such as Upwork help in bringing together customers to service providers from all parts of the world for a variety of services offered online. It is possible to find anything from a web developer in India, to a virtual assistant in Japan or to an accountant in Australia. Many digital startup platforms like VIPKID pair up American educators with Chinese children to teach English online.

### 4) Block chain

A block chain is a chain of blocks that contains information. Originally in 1991 it was intended to timestamp digital documents so that it was not possible to back date them or tamper with them. However it went by mostly unused until it was adapted by Satoshi Nakamoto in 2009 to create a digital crypto currency called “bitcoin”. Now a block chain is a distributed ledger that is completely open to anyone who has the authority to access it. Once data has been entered in a block chain it becomes very difficult to change it.

These block chain based technologies tremendously impact the supply chain by providing solutions to global trade issues such as lack of transparency, high costs and security

By providing real-time tracking of goods and inventory financing, block chain is being used to simplify the long and tedious process of obtaining a Letter of Credit (LoC), a payment mechanism used in international trade. Block chain is used for payments. When using this mechanism for money transactions we can exclude banks from this chain, which means we can send money to the person we need without having any intermediaries. We can also apply block chain as smart contracts. This platform excludes the possibility of delays, suppression or any outside influence and provides comprehensive financial security.

Technological innovations offer an exciting future for international trade among today's challenges of implementation. With the right governing framework, these innovations will facilitate more inclusive and efficient trade growth in the many years to come



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# THE IMPORTANCE OF LOGISTICS

## IN FOREIGN TRADE AND PLANNING OF LOGISTICAL INFRASTRUCTURE

Recently, logistics stands out as a dynamic sector that develops rapidly on a global scale. The volume of international trade has risen due to lifting barriers to international trade, increasing foreign investors and technological developments. Barriers such as customs taxes, quotas and capital controls have negative externalities on national economies. There by services, workforce and capital become faster and easier to move between countries. In parallel with the increase in international trade volume as well as the loss of the borders between countries and the development of the concept of globalization the logistics sector has recently gained importance. Now, logistics has become one of the most important, largest and most dynamic sectors in the world. Goods and services are designed in any geographical area of the world, produced in a different land and demanded abroad. Thus, in order to stand out and have advantages, quick and timely delivery has become important for service and commodity producing companies.

The logistics sector enters into the picture from this perspective. It plays a role in product delivery from any point in the world, storage in required points, package, and the customs clearance and transportation. Logistics is an important competition power for companies that are in severe rivalry to survive among others, look ways to produce quality products cheaper and to market these products and gained new successes from quality and cost perspective. The logistics which is defined as “the delivery of the right product in the right place and time with an acceptable cost to customers” is a promising sector. However, in order to stay alive, expand and compete in this promising sector, one has to take right and long-term steps. When we say logistics, one should not think of only delivery and storage. For





sustainable supply chain, a good logistic strategy should be devised. The supply chain management includes all processes such as purchasing, resource use, production planning, and flow management, marketing, after sales support, service and logistics among others.

Without logistics, it is impossible to be successful in marketing, production, and international trade. In advanced industrial societies, logistics competence is of great importance and customers expect products they bought will be delivered as promised. In extraordinary events, the necessity of logistics competence is understood better. The party that makes the planning in the best way has great advantages in this field. The logistics sector is continuously improving all over the world and the competition level in this sector is increasing. Hence, companies should develop themselves continuously on cost, human resources, quality of activities and management process, their efficiencies and technology.

### Supply Chain Management

Logistic costs consist of transportation, storage, stocking and management expenses. The transportation costs are mainly caused by road, rail, sea and airway. Other costs incurred can be customs, insurance expenses while the storage costs are caused by rent, energy, handling, packaging and value-added service costs,

carrying and not-carrying costs cause the stock expenses and the management costs are caused by office personnel and general management expenses. The proper planning of supply chain process is compulsory to lower the cost of transportation and storage. The main cost items in the logistic, mitigating risks and reduction of losses to a minimum level. For this reason, site selection and transportation for logistic activities play an important role. In terms of raw material, production and logistic activities, some regions are at the cutting edge. For this reason, important transportation ways and routes gain strategic importance. That's why companies should take geographical conditions and logistic means into consideration while building their facilities. We can define logistics strategy as a set of principles that help to generate plans, targets, and policies between different actors in any supply chain. The logistics strategy plays a key role in boosting supply chain performance. Since the supply chain which is affected by many factors and has a variable logistics structure should be shaped accordingly. A logistics company should have a dynamic structure that will adapt to the changes that may occur in the supply chain. Therefore, the logistics strategy must be flexible enough to respond to emergency situations.

### Uninterrupted Communication

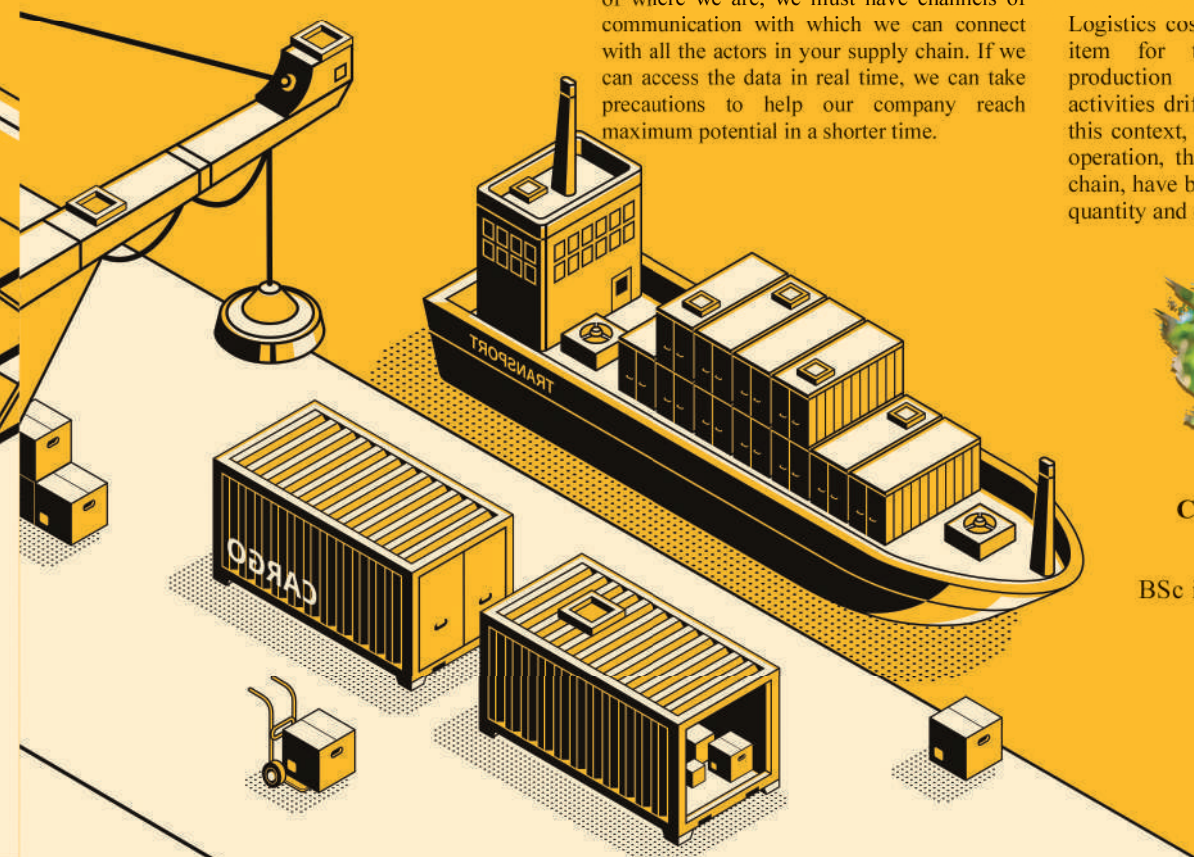
The logistics strategy should be designed to ensure an uninterrupted connection to suppliers, companies and manufacturers located at different points across the world. For this reason, we need to have the technology to keep us in constant contact with the whole world in real time. Regardless of where we are, we must have channels of communication with which we can connect with all the actors in your supply chain. If we can access the data in real time, we can take precautions to help our company reach maximum potential in a shorter time.

Another important aspect of the logistics strategy is the correct use and analysis of data. At this point, the keywords "innovation" and "digitalization" come into play. It is necessary to use automation systems to reach the right data. In the logistics sector where the rivalry is high, the profit margin is low and the number of transactions is at the highest level, companies that can make use of IT technologies will stand out.

With mobile vehicle tracking systems companies now are able to monitor the location of vehicles easily from their headquarters; the automation is utilized in the movement planning, preparation of documents, shipment and delivery information. For example, warehouses of future are managed with voice technology. This technology is in use particularly in the collection of orders and products in storage applications and it ensures productivity and proper guidance. Thanks to portable computers with headphone and microphone, operators can receive orders from this voice system and can direct the order with verbal notification. Such systems reduce the operational costs of logistics companies and increase productivity and help to build a competitive structure.

The rise in exports and imports of agricultural products in international trade is at a remarkable level. Agriculture has become a strategic sector in development, processing of foods for long shelf life, turning into an international commodity in international trade and food security. Industrialization, urbanization and increase in income rate changed consumption habits and caused people to demand more for new and different quality agricultural products.

Logistics costs have become an important item for the agricultural sector as production activities and consumption activities drifted away from each other. In this context, the supply chain and logistics operation, that are important parts of this chain, have become just as important as the quantity and quality of production.



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# FREIGHT

## THE ROLE OF FREIGHT FORWARDERS

International freight forwarding facilitates many economic services of foreign trade. They play an important role towards the success of many businesses engaged in trade activities in national and international level. The role of international forwarding includes a set of specific operations, functions, and rules which ensure the dispatch of outbound cargo (export forwarding), arrival of inbound cargo from foreign countries (import forwarding) and transshipment cargo which goes across the home country (transit forwarding).

A Freight forwarder is an entity who acts as an intermediary between the shipper and the carrier. A freight forwarder is the person who undertakes as a licensed Customs house agent, customs clearance and forwarding of goods happen on behalf of his customer, including if necessary, procurement and coordination of one or more modes of transport. He may also undertake to perform other functions connected with the main contract such as warehousing (including storage in transit) group age or consolidation, packing, documentation, weighing and measurement of cargo, container leasing, insurance, foreign exchange transaction etc.

The definition of freight forwarder given by US governments' Federal Maritime Commission is as follows, "A person carrying on the business of forwarding for a consideration who is not a shipper or consignee or a seller or a purchaser of shipments to foreign countries, nor has any beneficial interest therein, nor directly or indirectly controls or by any person having such a beneficial interest."

Freight forwarders are also known as Non-Vessel operating common carriers. Freight forwarders simplify the complexities of international trade. They are not shippers, actually they are the people who understand international trade, they know the regulations and they facilitate the act of shipping on behalf of the business. They ensure their clients' goods are properly shipped. The role of the freight forwarder spans the entire logistics system. Today due to the advancement of international trade and commerce the role of freight forwarder has become multi faced.



Over the past years the role of freight forwarder has widened by including value adding services. They have changed from Asset based to Service based logistics. Now they are promoting the concept of lead logistics providers (LLP). Apart from engaging in traditional freight forwarding activities they offer global contract services in response to a growing industrial demand caused by outsourcing of manufacturing activities where it is economically advantageous to do so.

Nowadays a freight forwarder provides legal services for the shipper and other logistics services. They book freight, arrange warehouses, prepare documentation and aids to clearance of customs on behalf of importer or shipper. And also they function as an advisor to their clients on clients' needs such as new markets, competitive situations, export strategy, appropriate trader terms to be included in foreign trade contracts, documentary credits and in all aspects to his business.

The freight forwarding process consists of several stages. In the first stage the shipper has to transport his goods from his warehouse to a designated warehouse by the freight forwarder. Here this process is known as Export Haulage. The second stage involves checking the received goods to ensure every item was transported without accident. In the next stage the freight forwarder has to submit documents to customs agents allowing the goods to leave the home country. The last stage includes the process of having the items received. The destination country has to sign to allow shippers goods into their country. All the paperwork is forwarded to the destination country. Once those stages are completed the goods can be transported.

Nowadays, freight forwarders are well organized and provide a number of services to the Exporters/Importers for the compliance of formalities involved in the movement of goods. When we consider the service of freight forwarders for exporters and importers separately, freight forwarders provide several services for exporters like selecting a suitable mode of transport, booking the slots in the vessel, container booking at competitive rates, arranging insurances, consolidation of cargo, weighting and measurement services, payment of charges, arranging transport of goods to the port, custom clearance, documentation, monitoring shipments and preparing "Shipped on Board" bill of lading. Some services provided to importers are Monitoring import movement and expected time of arrival, coordination with port authorities and shipping lines, payment of inland haulage charges, arranging customs clearance, payment of duties and delivering customs cleared goods.

The importers/exporters have to select the right freight forwarder in the same way they select their buyer/seller of their goods. When it comes to international trade where the delivery of goods has to be cost-effective, safe and on time. Freight forwarders are specialized in international trade related activities and have more experience in performing such tasks, as well as the needed expertise, knowledge and skills that focal companies (clients) do not possess.



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“We focus on increasing the international  
**competitiveness**  
for local exports”

**Mr. Chamara Ranasinghe**  
Head of Cargo,  
Sri Lankan Airlines



Mr. Chamara Ranasinghe, currently the Head of Cargo at SriLankan Airlines Limited started his journey in the air cargo industry over 20 years ago. Since then he has been a part of major airline representations such as Lufthansa Cargo, Thai Airways, Continental and BMI. He then started representing Qatar Airways Cargo and as of 2013, took up the challenge of taking care of the entire cargo arm of the national carrier Sri Lankan Airlines as the Head of Cargo.



### 1. Can you give us an idea about SriLankan Airlines Cargo?

As the national carrier for Sri Lanka in commercial operations, one of the main ambitions is to promote Sri Lankan exports and further the national interest of the country. With Sri Lankan being renowned for its agricultural capabilities and products such as fruits, vegetables and fish, the focus has been to drive the ability for these exports to be attractive in the international market in bringing in more foreign investments and trade into the country. As the base carrier we operate the largest number of flights out of Sri Lanka and we ensure that local exports are always a primary focus in terms of allocated capacity. Sri Lankan Cargo ensures to take steps towards supporting local produce, which is evident with the recorded carriage of 60% of Sri Lankan airlines cargo sold out of Colombo accounting for perishables. Garments represent the largest share of Sri Lankan exports accounting for over USD 5 billion and SriLankan ensures to provide the best opportunity in international markets for this segment as well.

The other aspect is the geographical location and ease of connectivity that Sri Lanka provides. This has enabled SriLankan airlines to utilize this as a unique selling point (USP) primarily in connecting time sensitive network cargo to key destinations in the Middle East, the Indian Sub-Continent or Europe with our daily flights to London, Maldives and Australia with our daily flights into Melbourne.

However, SriLankan has a legacy problem when it comes to timely investments, financing critical requirements and constant revisions to the business model. However there seems to be a light at the end of this tunnel as the direction of the board is quite positive towards this side of the business and industry and we expect many further developments to come into the picture in providing a better service to all our customers.

### 2. So what does 'Sole handler in BIA' mean?

Ground handling is essentially ensuring that the cargo is ready for carriage through build up, storage, polythene wrapping for protection against adverse weather conditions, import retrieval, customer delivery and undergoing the certified process as an airline after the cargo is accepted at the cargo terminal.

Therefore being "the sole ground handler at BIA" means that SriLankan airlines is the only company that is able to handle all passengers and cargo to and from Sri Lanka at the BIA for all airlines.

### 3. What is your opinion about the impact of air cargo on international trade?

Air cargo is a vital component in global businesses today, due to the consumer requirements for speed and efficiency, primarily driven by the technological revolution we experience in almost every aspect of our lives. E-commerce seems to be a forerunner in furthering this requirement with industry giants such as Amazon, e-bay and Ali baba express aggressively pushing to connect

the customer and supplier regardless of the distance between them. E-commerce consumers today have the same expectations for a cross border or an international delivery of a purchased product. Speed to market is the key. Therefore, I believe air cargo will only continue to enhance in terms of demand as it is to date the fastest and most reliable form of goods transport. This evolution provides many more opportunities for carriers in providing value added services such as first mile pickup and last mile delivery.

### 4. Air freight service is more time sensitive and requires much accuracy. How do you ensure that your customers are always satisfied?

SriLankan airlines currently operate a fleet of 27 passenger aircrafts, of which only 14 of them are wide body aircrafts. The airline saw a route and capacity rationalization in the past few years leading to a reduction in the available cargo belly capacity. The parity between the carriage of a narrow body aircraft and wide body aircraft amounts to 13 tons on average, and that is a significant impact to the airline's cargo operation, primarily in transshipment connectivity which leads to some customers referring to other carriers with ample capacity to their required destinations. Downgraded capacity and reduction of routes has led to a certain level of dissatisfaction amongst shippers. However Sri Lankan always tries to ensure that customers still meet their connectivity requirements through BIA with a significant portfolio of Special Prorated Agreements (SPAs) with a large base of partner airlines, in mitigating the current Sri Lankan Airline's capacity constraints.

In terms of cargo terminal operations, most customers are satisfied with the service levels as the terminal is always ensured to maintain the required international standards with constant reviews, audits and certifications.

### 5. What are the current challenges faced by the air freight industry?

The biggest concern for any Airline is the cost of fuel which has a significant impact on the cost of operations and bottom line on the company profit and loss statement. In addition to this, the competition in the market is immense because the available capacity outperforms the demand. The middle eastern carriers represent the greatest competitive threat to all markets due to their sheer size, network and the aggressive pricing strategies undertaken by these airlines in the aim of monopolizing markets.

Safety and security is a constant concern for air carriers, especially for cargo categorized as "Dangerous Goods" from mass producing markets due to the low standards of quality checks and inadequate regulation at certain key hubs. The recent issues surrounding the worldwide ban on carriage of lithium batteries as cargo on passenger aircraft is a good example of the complexities arising from the same. The threat of terrorist organizations also plays a role in affecting trade due to markets with terrorist activity being highlighted as "red zones" and having to undergo additional security measures for transportation of cargo to key destinations. Bangladesh is a key example for having to take such measures since it is being considered a "red zone". This leads to a reduction in exporter and carrier margins due to the associated additional costs.





The other evident challenge the industry faces is the slow acceptance of technology into its processes. The cargo industry is severely lagging in terms of meeting the needs of the evolving customer primarily with the massive e-commerce boom and the shift of the typical air cargo business model from a B2B to a B2C platform. The integration of technology is imperative to provide the efficiencies that would be required of air cargo in terms of commercial sales and handling at terminals in the future.

**6. Sir, what sort of unique services does SriLankan Cargo provide in order to compete with other airlines?**

Out of Sri Lanka we offer a product called “Bag-it” which offers customers the unique opportunity to drop-off their cargo under 100 kgs at the SriLankan Cargo sales office in Colombo 04 with on-site customs clearance. The cargo is then transferred to the airport via a bonded truck to the cargo terminal at BIA and connected onto the flight. This is targeted for customers that want to work directly with the carrier in shipping their personal goods to a destination within our network. This is a service that is currently only offered by SriLankan Cargo.

**7. Sir, with the expansion of the cargo industry worldwide, is it important to adopt new technological methods. Do you agree with that?**

We as an industry have been very slow to adapt to the progressive customer requirements due to the rapid development in technology. Considering the competitiveness of the market, technology will enable differentiation and strategic efficiencies and a forecast need. Speed, ease and cost effectiveness will be the key to sustaining air cargo in the future and it would be a mammoth task for the industry to meet these demands without a significant overhaul of its legacy systems and processes. However, a revamp of processes and enhancing the degree of automation will incur significant investments. Markets will need to assess the best model for organic growth in meeting customer expectations.







# ROLE OF DRONES IN INTERNATIONAL TRADE

BY: DASATHA UDARA EKANAYAKA  
CINEC

The world is not what it seems to be. Things end, people change and life goes on. Everything is subjected to change. Consumer desires change, technology change.... Logistics also the same it has evolved from ancient times and will continue to change in future also. If we do not adapt to the change, we cannot survive in the business world. The future will be different. Logistics is the process of planning, implementing and controlling the efficient and effective flow and storage of goods, services and related information from the point of origin to the point of consumption for the purpose of conforming customer requirements.

The history of logistics runs back to the time of ancient Egyptian civilizations where they used logistics to build huge pyramids. Then in the near history logistics was used to supply reinforcements to the first and second world wars. From that instant it has been evolved to the present as a business, which plays a vital role in the global transportation and international trade.

With the increasing trend of globalization every country is inter dependent on each other, so every country engages in trade with each other internationally. Today everybody is busy, time is a limited resource for everyone. So people need quick feedbacks, responses to their activities and they are more delightful to get their ordered products delivered quickly as possible.

Today international trade is very much time consuming. That is because the goods which are traded internationally are transported by ships. What is more important is the small parcels which can be transported by airmail also transported by ships due to low cost but time consuming. But in future people will not wait a long periods of time to get their ordered products delivered to them although it should be transported a long distance internationally. They need to get their products delivered as soon as possible because in future time will be more valuable than money. As we all know at present this is a growing trend in the logistics industry which people are willing to spend more money to get the products delivered quickly.

So in future to speed up the delivery process the bulk goods and heavy goods such as machinery and equipment will be delivered by ships with more speed. But goods or items with a less weight such as parcels personal import items such as watches, gifts, books, could be delivered using drones internationally. Drones could be used to deliver less weight products from one country to another. Although the delivery companies may have to face many problems when using drones to distribute or deliver products worldwide they can gain many advantages also. By using the prevailing technology today, Amazon is currently distributing books to its customers, but locally only.

The main issue faced when transporting products through drones internationally is the necessity of power to travel a long distance. So these drones will have to be recharged somewhere between the one country to another. To overcome that problem a number of different charging stations should be located along the drone routes where those charging stations are built on ships which stays still i.e.: the ship which holds the charging station does not move or travel in sea but it locates itself on a specific location on the sea and provide charging facilities to the drones, so the drones can travel any distance along the globe and deliver products quickly by providing the customer a higher level of satisfaction.

The next main issue is, crossing the borders of the countries. To overcome it the governments, business organizations who transport and deliver products, customs authorities, defense authorities, etc... should come in to a mutual agreement that each other will do the international drones related activities in full transparency and will not engage in any misconduct when delivering products through drones such as delivering toxic and explosive products.

Consumers can be benefited by using drones in distributing products. The average speed of a drone is 50 – 60 Kmph and the average speed of a cargo ship is 20 – 25 Knots (37 – 46 kmph). From that it is clear that drones are speedier than ships.





So if drones are used to deliver products worldwide almost the half of the time for transportation will be saved. Then the customers can get their products with a less period of time and a much customized could be consumed as one product is delivered only to one customer at a time. This will lead to uplift the customer satisfaction to a higher level.

The transporting agencies can reduce the cost of transportation and increase the profits from this method because activities such as loading, unloading several times, custom check-ups, transshipments can be totally omitted.

Some can argue that rather than delivering small products from drones it is much faster when delivering through passenger aircrafts. Yes it is fast but, it is too much costly. The aircraft can only transport the parcel from one airport to another. From the airport to the final consumer the parcel should undergo a complex process of customs and delivered through ordinary vehicles, then again it is time consuming, but drones would not have to face such problems.

Finally in conclusion, with the increasing trend of people to get their requests delivered quickly and with the increasing competition in the business world the distributing agencies should have to start distributing through drones. Some of the main issues arised can be overcome and gain many advantages through this system. To implement this system it needs relatively a big investment, as everybody knows investments lead to long term economic growth and it would be a investment in the global economy which will make logistics the driving force of global economy in future.





# LOGISTICS IS THE BALL AND CHAIN OF ARMORED WARFARE

– HEINZ GUDERIAN –





# HOW SHIPPING ALLIANCES EFFECT TO THE LOGISTICS AND OPERATIONS

Shipping alliances play a major role in sea related in to international trade. Today a Shipping Alliance can be defined as a group of carriers working together with the aim of creating a cooperative agreement and thereby forms a strategic alliance which covers different trade routes with the cooperation of its members in an international level. In past it was called tacit collusion. Tacit collusion means a group of individuals that create a network in order to work together in secretly and illegally share the business ideas and handle the price of shipping industry. There are many freight transportation modes in the world. Cost of transportation and size of goods and weight of goods are determinant factors making shipping alliances. Today there are shipping alliances for container carriers. The three global Alliances have divided the eight largest container carriers of the world. These three alliances represent around 80 percent of overall container trade and operate around 95 percent of the total shipping capacity on East-West trade lanes, where the major containerized flows occur.

Shipping Alliances have been granted to carry and operate mega-ships, reducing unit costs. Without alliances certain carriers would not have acquired mega-ships. Mega-ships have fueled over capacity; and there is a link between alliances and over capacity. Alliances have contributed service frequencies, direct port-to-port connections. The ship alliance help to decrease total transport times and delivery uncertainty for various shippers, leading to higher inventory and buffer costs. Alliances grant to the concentration of port networks and bigger cargo shifts from one port to another when alliances change port networks. This can lower the rates of return on investment for the port industry, as a result in the decline of smaller container ports and the disappearing independent terminal operators and towage companies.

The market shares of carrier which can dominate terminal operators have increased from 18 percent in 2001 to 38 percent in 2017. This raises competition if dedicated terminals exclude other carriers and if carriers' terminal investments raise entry costs that make container shipping a less competitive market. Alliances frequently exert strong pressure for publicly funded infrastructure upgrades to be undertaken to support the use of megaships, while these expenditures often prove to be uneconomic, either according to that the shift in demand for port services or the power exercised by the alliances. Though the overcapacity in

Alliance	Carriers	Global Market Share (%)	Global Carrier Rank	TEU (Twenty Foot Equivalent Unit) Million (M)
2M	Maersk	19	1	2.1M
	MSC	15	2	
Ocean Alliance	Cosco-OOCL	12	3	3.5M
	CMA CMG	12	4	
	Evergreen	5	7	
THE Alliance	Hapag-Lloyd	7	5	4.4M
	ONE	7	6	
	Yang Ming	3	8	

Source; Own elaborations based on the data from Alpha liner (2018) [www.freighthub.com](http://www.freighthub.com)

the liner sector has lowered freight rates, these cost savings are partly offset by several additional costs for shippers. Moreover, by limiting shipping options, alliances have unsatisfied the risk diversification strategies of shippers and freight forwarders. Alliances were able to raise competition in what has become a

concentrated market. The top four carriers could account for 60% of the global container shipping market in 2018. The market share of the biggest carrier (19 percent) is larger than the market share of any global liner alliance before 2012, which signifies the different character of current alliances. There are many opportunities

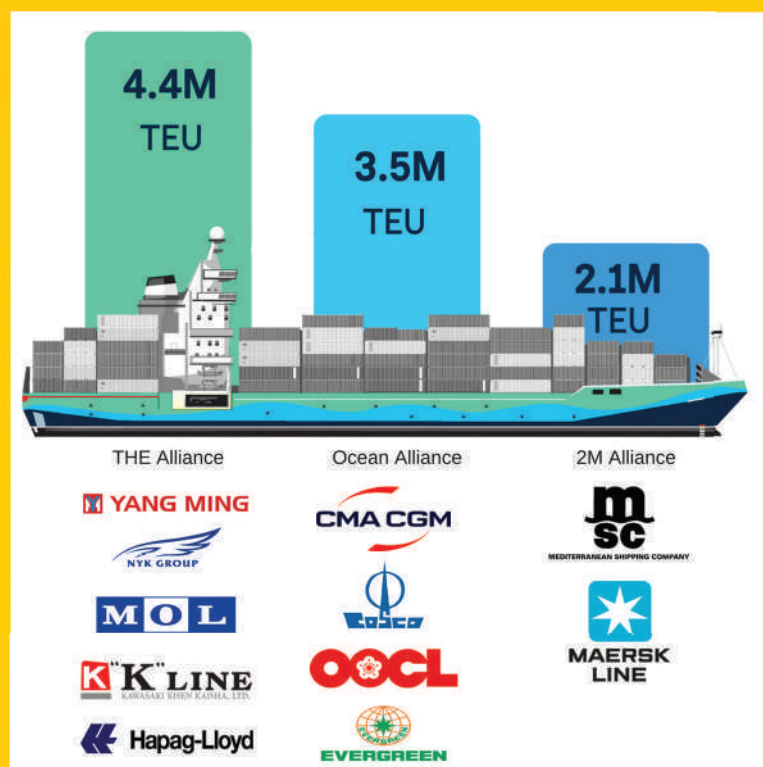


Table 2. shows that the TEU of Some main shipping alliances



given this new trend. Operational costs are 67% of the total cost of running a shipping line operation. Furthermore 46% relate to bunker costs and 21% relate to port charges, both are variable costs. Shipping lines understated under the current economic conditions, they cannot provide service coverage by working alone as it will mean tying up their ships on a specific route for weeks and the other routes remaining subserviced. One of the main aims of shipping lines creating shipping alliances is to cut these variable costs, and the best way of doing through the common resources such as ships, port terminals and networks around particular routes. To enter the alliances seems to be the right fit for everyone, as larger shipping lines can rationalize their resources in an alliance whereas the smaller lines can enjoy the

Finally, as the alliances are formed to evolve the market conditions, carriers are creating larger ships to cater for the long hulls and increased volumes. These shipping alliances are more fuel efficient and aimed at reducing cost per mile. Therefore; this trend is more useful for growth of future international trade.



expanded service coverage without invest in increasing their fleet size. Table 2. shopws that the TEU of Some main shipping allinces.

When it comes to shipping alliance it does lot of works. Shipping alliances behave as a liner operation of an individual shipping line but provides more coverage and scope. Today the creation of shipping alliances has brought mega ships and mega ports. Alliances give a better allocation of the shipping lines' resources, which naturally reduces operational costs, allows the expansion of service coverage, optimizes the ports of call and ultimately achieves economies of scale.



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# LOGISTICS & OPERATIONS OF **INTERNATIONAL TRADE,** THE WAY FORWARD.

## *"It's Truly the Pearl of Asia"*

Ceylon, Serendib, Taprobane are just three alternative names of our mother nation. The most special name of all, is, "Peradiga Dhanyagaraya" which means a storage or cell for nuts and seeds, of the Eastern Region. According to Robert Knox, Sri Lanka has been a large emporium to all other countries since the 17th century. Natural Harbors and rivers has enhanced the value and the importance, together with the strategic location of Sri Lanka. Water, in the sense of Sea, was the only mode of international travel in the ancient era. Therefore, the availability of resources and space attracted foreign merchants and ships for safe and guaranteed ship-to-shore operations in our natural harbors. The binding of the maritime silk route and the natural harbors in Sri Lanka opened up many opportunities for international trade. Precious gems, cinnamon, pearls, elephants, wood, ivory, textiles and spices, crops such as tea, coffee, coconut and rubber were some of the main goods exported from Sri Lanka. Presently, with the development of

technology and social aspects our country has drawn backwards when comparing with our own past. There is no specific reason for this issue. Sadly, our economy has gradually transformed from an export based economy to an import based economy during the past few decades. Even though we are in a crisis with the fluctuating trade imbalance, we can still hope for a 'better future' for our Nation as we were one of the best and oldest Logistics and Operation providers who played a wider role in the past. When comparing the recent past, Sri Lankan Logistic and Operations sector is gradually developing with new investments, ideas, innovations, sustainability plans and partnerships in both air and maritime sectors.

Sri Lanka was successful as a "Maritime hub" for the past few years and shows consistency and growth in future logistic operations. In the first half of 2018, the port of Colombo was mentioned as the fastest

growing port in the world (ECONOMYNEXT). According to SLPA, Alpha-liner, a shipping publisher, had ranked Port of Colombo as the fastest growing port over Singapore at 11.6%, Guangzhou at 8.6%, Antwerp at 8.3%. Some reasons for the growth of port of Colombo were, enhanced container handling, showing a growth of 15.6%, investments on terminal development and equipment, increase in international trade and transshipments, etc. Sri Lanka shows a 4.1% year-to-year boost in exports (ref: TRADING ECONOMICS). Mainly, these figures arise through industrial products such as textile and garments, tea, machinery and mechanical appliances, etc. But the bitter truth is there is a decrease in agricultural goods such as spices, coconut and rice. The table below shows facts and figures accounted as exports of Sri Lanka (TRADING ECONOMICS)

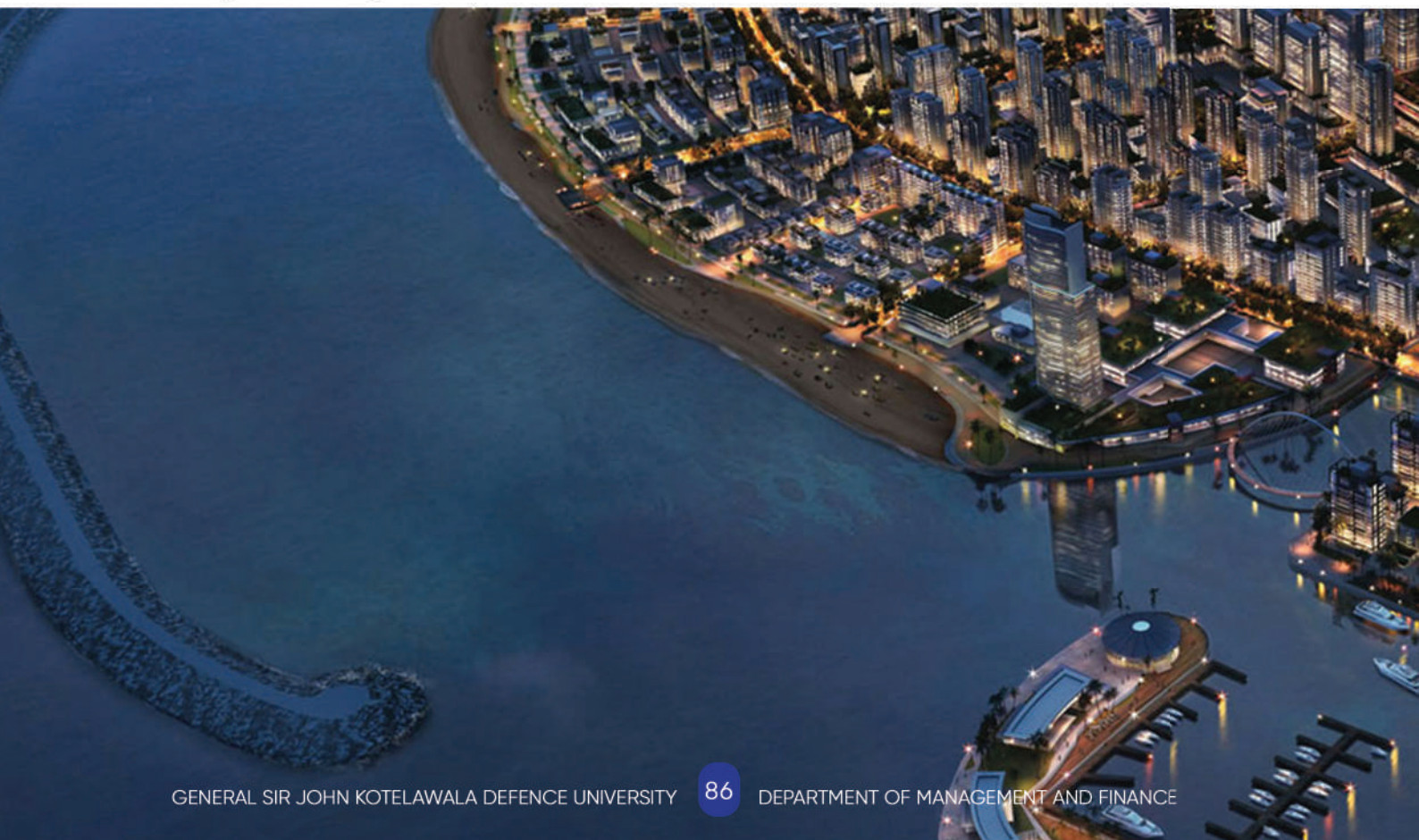




Table 1 – Export Growth by November 2018

Exports (2017-2018)	+4.1%	USD 980 Million
Industrial Products	+10.4%	
Textiles and Garments	+10.7%	
Petroleum Products	+28.8%	
Machinery & Mechanical Appliances	+32.3%	
Agricultural Goods	-16.2%	
Tea	-18.8%	
Spices	-17.7%	
Coconut	-20.5%	

Source: Trading Economics

Moving forward, we see important factors, decisions and plans made throughout the past few years to improve Sri Lankan Economy. A successful, consistent and well-functioning International trade and the sustainability of our economy comes together with transport, logistics and operations. The motive, of moving from a “maritime hub” to a “Sea-Air Hub” or Logistics Hub can improve and enhance the growth as well as the sustainability of our mother nation. After completing current ongoing projects on building highways, expanding ports/air ports, and the Colombo International Financial City can enhance positive possibilities to boost up our economy in the future. International trade is surely an important factor for the future of our country as well as for the growth in service sector. Furthermore, partnerships, trade agreements and mutual understandings between multiple economies can have a positive impact on our countries future.

Nevertheless, Sri Lanka has become a heaven on earth for tourists. Though there are slight issues in charges, fares, and language barriers all around the country, those issues can be manipulated via good practices. Not only Logistics and Operations alone can be the way for success. Transportation, Education, awareness and values should be taken into consideration when focusing on a sustainable development. In the present, there are favorable changes and upgrades in tourism in related to transportation. Players such as Pick-Me, Uber and new food and beverage providers have created new trends with user friendly access. Further, efficiency, competitiveness, effectiveness, productivity, quality and standards should be appreciated in order to maintain growth. Sri Lanka, the nation of resources, should be guided through a long term plan as it is the one and only possible way to overcome the past mistakes. The Port of Colombo was built by the British Rulers and it was functioning for a long period of time without any expansions. Even though without developments nor investments, the port of Colombo generated a large amount of income for our economy. This indicates the value of a sustainability plan. The time factor plays a major role in developing a country. As ‘Sri Lanka’ is under construction for a better future, economists should find ways to balance the current issues on international trade until she is ready to boost the value and importance of the economy.

In an interconnected and shrinking world, the best and the most successful way forward is investing in ourselves today. Ports, airports, runways, docks, warehouses, highways are all interconnected with International Trade, Transportation, Logistics and Operations. Awareness, knowledge and mutual understandings together with development can lead our economy for a better tomorrow.



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# Memories

When walking back through the memories of the journey within last two years, it shows that the KDU undergraduates are filled with academic knowledge as well as extra-curricular activities. As a department, the students successfully executed several events which can be considered as masterpieces within last two years. It is a great pleasure to state that the secret behind executing those successful events is the great support received from the beloved lecturers.



## 1. Logistics Day '18

Logistics Day is the main event of the Department of Management and Finance which aims to promote the university within the industry and to build a strong relationship with professionals. More specifically, the event creates an open forum for undergraduates and industry professionals to share their views and experience. Logistics Day includes; launch of the logistics magazine - 'Logistics Times' published by the department which features articles and interviews with the industry professional and latest industry advancements. Following the footsteps of Intake 32 students, the 5th Logistics Day was organized by Intake 33 students of Department of Management and Finance along with the guidance of Mr. Wasantha Premathilake and Mr. Sabeen Sharic as Logistics Day '18 on 02nd of April 2018 at KDU Premises under the theme of 'Humanitarian Logistics: the societal responsibility'.



## 2. Management premier league '18

The freshers' welcome was organized as a cricket encounter by the students of Intake 34 of Department of Management and Finance as Management Premier League '18 and was held on 07th April 2018 at Kandawala Navodya Maha Vidyalaya. The Champions were team 'Rivals' of Intake 34 while the team 'Rising Stars' of Intake 35 became the Runners up.



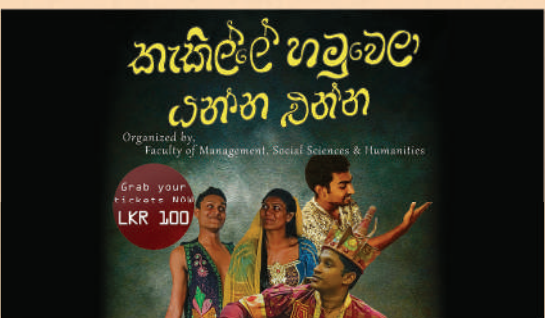
## 3. Address to the Future

In the 2nd Academic Year, Logistics Management students have to select a specialization stream among the streams Supply Chain Management, Transport Management and Finance Management for further studies. Address to the Future was a career guidance program for Intake 34 Logistics Management students on selecting specialization streams for their second Academic Year. The event was held on 31st October 2017 at the Mini Auditorium of Management Faculty.



## 4. KDU Young Entrepreneurs' Exhibition

KDU Young Entrepreneurs' Exhibition is a partial fulfillment of the requirements of the Entrepreneurship Development module. This Exhibition creates an invaluable opportunity for undergraduates to showcase their creative and innovative ideas in entrepreneurship. The KDU Young Entrepreneurs' Exhibition was organized for the 5th consecutive year by the students of the Department of Management and Finance was held on 28th September 2018 at the academic building of General Sir John Kotelawala Defence University. The event was graced by Deputy Vice Chancellor of the University, Major General IP Ranasinghe as the Chief Guest. In the exhibition, 17 innovative ideas were presented and the certificates were awarded to the winners.



## 5. Stage Drama

'Kakille Hamu Wela Yanna Enna' stage drama was organized by the students of Department of Management and Finance of Intake 35 along with the purpose of raising funds for KDU Open Day and was held on 04th September 2018 at the main auditorium of KDU.





### 6. Monthly guest speeches and club meeting

Management Club is the students' body of the department which contributes in organizing most of the department events. Club meetings are scheduled on last Wednesday of every month. Club meetings start with basic club works and ends with a guest lecture by an expert. In the month of January a guest speech was delivered by Mr. Akmal Uvin Gunasekara; a young investor while in the month of February a guest speech was conducted by a young entrepreneur; Mr. Shanuka Sandeepa.



### 7. School level awareness program

This program has the objective of providing awareness about the logistics industry among the school students mainly due to the lack of knowledge on logistics industry. This program was a great opportunity for the school students to plan their future in the logistics field. The awareness program was organized on 13th March 2019 by the students of Department of Management and Finance.



### 8. Ama Gee Lakara

Ama Gee Lakara was a Poson Bakthi Geetha event which was organized by students of the department. The event was held on 09th May 2018 at the main auditorium of KDU and the event was graced by the Deputy Vice Chancellor of the University, Major General IP Ranasinghe as the Chief Guest.



### 9. Guest Speech for the orientation programme

Orientation programme for the intake 36 students of Faculty of Management, Social Sciences and Humanities was held on 08th February 2019 at FGS Auditorium. The event was graced by the Deputy Vice Chancellor of the university, Major General IP Ranasinghe as the Chief Guest and the event was blazed with the Guest Lecture by Mr. Deepal Lokugalappaththi; Deputy General Manager, Marketing and Orientations at MAS Fabrics Park Ltd.



### 10. Field visits

KDU provides their students with both the academic as well as practical knowledge in order to produce capable undergraduates to the industry. Therefore field visits are organized annually to ensure the quality of the degree programs and the knowledge of the students. For the Logistics Management students who are specialized in Transportation Management, the field visit was to the Bandaranaike International Airport, Katunayake.



### 11. Open day

KDU Open Day was organized under the theme 'Come with a plan, Leave with a dream' which was held on 08th September 2018 at the University Premises for the 5th consecutive year. The event was declared open by the Brigadier RGU Rajapakshe RSP, Dean Faculty of Graduate Studies KDU as the Chief Guest. Open Day is organized by the university every year with the aim of giving a clear idea for the students who expect to begin their higher studies in KDU. Students of the department prepared exhibit models, leaflets and conducted an introduction on the degree sessions to explain about the Logistics Management and Management of Technical Sciences Degree Programs to the visitors.



### 12. CILT Membership Drive

The Membership Drive was held on 11th of August with the scope of promoting the membership of CILT among university students. Students of the department were given the task of organizing this event on behalf of WiLAT Sri Lanka. This programme was filled with guest speeches and entertainment items and the event was graced by Vice Admiral JJ Ranasinghe who was the Vice Chancellor at that time





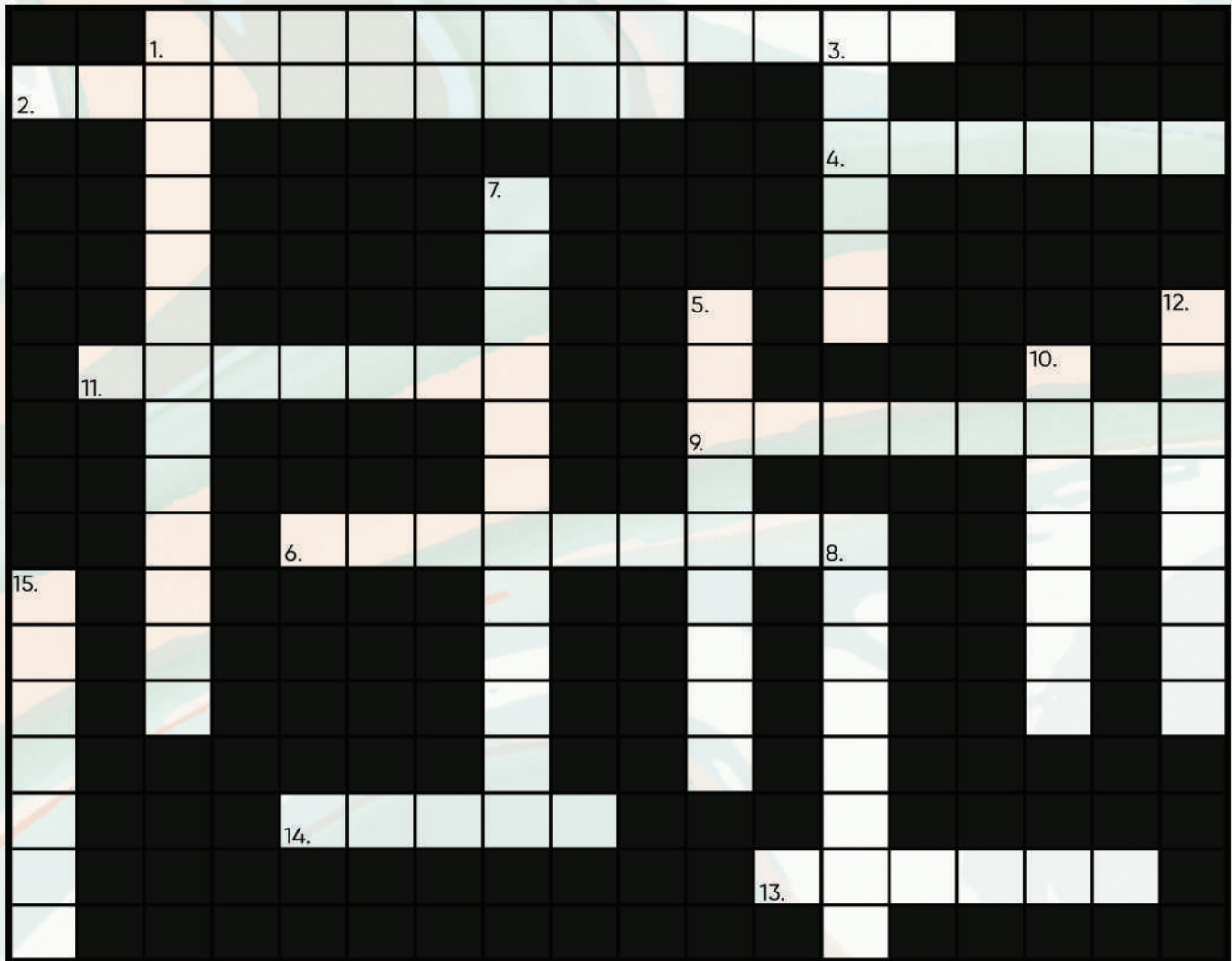
**“The amateurs discuss tactics.  
The professionals discuss Logistics.”**  
*~ Napoleon Bonaparte ~*







# Puzzle



## Down

1. Achieving volume saving by creating large loading parties from small amounts of loads.
3. Willingness of buyer and his affordability to pay the price for the economic good or service.
5. A penalty charge that applies when the ship exceeds the allocated loading or unloading period.
7. Stacking the loads on the top of each other on the floor without using racks according to a plan.
8. A person or organization that provides something needed such as a product or a service.
10. Money that company earns from its sales of products or services and interest and dividends earned.
12. Disposing of items when the ship is in danger.
15. A motorized sea vessel that assist large ships to maneuverer fast and safety on port areas.

## Across

1. Direct and simultaneous exchange of two groups of goods which are considered to be of same value with a single contract without a financial payment or fund transfer.
2. This is the organised activity of transforming resources into finished products into form of goods & services.
4. Arrangement whereby buyers and sellers come in contact with each other to buy or sell goods & services.
6. A program introduced by the international chamber of commerce to standardize the terms used in international trade.
9. A document that shows the list of details prepared by the forwarder and its agent. It comprises a summery detail of the total cargo in the vehicle.
11. A type of bonded warehouse where a private company stores duty-paid goods that belong only to the company.
13. A large boat or a Ship.
14. The goods carried by a ship, aircraft or other large vehicle





# THE MARVEL OF THE INDIAN OCEAN

Designed by: Uditha & Dimuthu @ slpa

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