

USD 150 Billion Sri Lanka Economy by 2020

**Sustainability of shipping to meet ever
changing challenges +**



What will be Contribution from the maritime sector.???

- SLPA vision 2020 has pledged to handle 20 million tons of cargoearn usd 01billion revenue
- Through **5++ hub concept** ...maritime, aviation, commercial, energy, knowledge...tourism



Contribution from the maritime sector

- **Port expansion - construction of terminals and other related services ...**

south container terminal (CICT)

east container terminal. (SLPA)

- **Infra structure**

Not only up to date facilities and fast turn round (This contributes to cut costs) But also -Lower overall cost



Colombo port city project

- proposed US\$ 15bn off shore modern city planned to be built on reclaimed land adjacent to Galle face.



- Will include roads, water, electricity, communication facility to set up shopping area, water sports area, mini golf course, hotels, apartments, recreation areas, marinas as well as a formula 01 racing track.

Commercial hub

- Development of **entreport** trade involving import (minor processes & value addition) and export.
- **Off shore business** - where goods can be produced from one country or manufactured in one country shipped to another country with our entering srilankan waters (STS operation)
- Shipping **BPO** operations
- Logistic services related to bonded warehouses or operation of **“multi country consolidation”** (MCC)

Maritime hub

growth of ports will be a catalyst to the development of our commercial sector.

- **Colombo**..... a container mega hub for trans-shipment cargo. -----→ global logistic hub .
- **Hambantota** ... a “Free Port”
- **Galle** ... a leisure port
- **Trincomalee**port related industries and port city
- **Oluvil**commercial and fisheries
- **Kankasanthurei & Point Pedro** ...
.....regional ports



Maritime transportation

- responsible for more than 95% of world trade .
- shipping demand – derived demand
- Depend on development of trade and economic growth
- Capital intensive industry .
- Evolvement of the Global shipping industry to accommodate more and more containerized cargo
- Ship-owners investment in mega ships to achieve “economy of scale “ ..Triple “E” class vessels.



World trade growth



- **WTO announced global goods trade will slow down less than expected .**
- **Due to slowing down economies & stagnation**
- **2014 forecast 4.7% will trim down to 3.1%**
- **2015 forecast 5.2% will trim down to 4%**

Weaker GDP growth - why ??

- **Fall of import demand in EU & US – although expected stronger trade.**
- **Big sales tax increase in Japan.**
- **Trouble in Ukraine**
- **Deep & widening conflicts in middle east**
- **Ebola outbreak in West Africa**
- **less importation - South and Central America reduced by 0.7% due to civil strife and weak non-fuel commodity prices**

Vicious circle of container shipping !!!

- Supply of Shipping capacity has grown 10% per year during the last decade .
- Demand growth 6%.....
- Gap between supply and demand to continue for next few years!!
- Long term trend of declining & volatile freight rates will continue ..
- Prompts carriers reduce costs
- Leads to strong vessel ordering
- Resulting in overcapacity
- Back to declining freight rates.



“Container shipping industry moving towards alliance model”

- Alliances could revolutionize an entire industry ..!!
- **P3 network** (Maersk,CMA CGM & MSC) – vessel sharing agreement

“was it a threat to the container shipping industry???”

- **FMC** - permitted P3 to become operational in the U.S.
- **EU** – informed no antitrust investigations..
- **China** – Ministry of commerce (Anti monopoly bureau) – rejected.

“ would have had a far-reaching impact on the global shipping industry and cause a high level of concerns in all sectors”

- 42% Asia-Europe capacity;24% trans-pacific capacity;40-42% trans – Atlantic
- comprising 252 vessels ; 2.6million 20’ equivalent on east –west routes.

Source :Drewry researchers,

2m alliance (two way)

maersk & msc

- Expects a 10 year alliance agreement
- Maersk anticipating a saving of usd 350 million per year
- Awaiting US FMC approval.
- China feels a negative impact on them.....

“Price increases for global Consumers & trouble for Chinese shipping lines “

China Central Television Report :

- Maersk and MSC will control the largest shares in Asia-Europe and transatlantic trades. They will have a bigger say in the market, and China’s exporters and importers will have weaker bargaining power.-



Fraudulent practices

- **The Containerization of global trade has given incredible benefits to shipping and the world economy, yet has also given rise to numerous opportunities for fraud.**
- **In spite of carriers & merchants' increased vigilance and technology advancements in recent years, shipping industry and maritime commerce has seen a sharp increase in the number and variety of fraud cases .**
- **Need to be ahead of the game played by fraudsters.**
- **Cost ??of course ..in greater security ; in terms of investing in better technology and processes, but also in potential business opportunities**

Forged Bills of Lading with the intention of stealing the cargo



Precautionary measures :

- **proper safe keeping of sets of original bills of lading by the local shipping agents, if they want to avoid being held liable.**
- **Conducting proper checks against documents presented to ensure their genuine nature. .ie use of bar code scanners**
- **a phone call can help to clear up many issues and concerns.**
- **If, however, serious concerns persist (such as clear errors or inconsistencies on documents) then calling a “halt” to operations will be a prudent step to take.**
-

“Fake Cargo Sale” – a parallel transaction

- **Fraudsters can take significant steps to create a legitimate appearance for their scheme.**
- **Cursory or brief checks may be insufficient to detect the underlying scam.**
- **deal with known and proven counterparties .(who confirm the deal back)**
- **extra caution should be taken to ensure a particular proposed offer is in fact genuine.**
- **Red Flag** : to this type of Fraud
offered cargo may be at a significant discount to prevailing market prices, aiming at trapping a Buyer with a deal that is “too good to pass on”.

“Trojan” Containers

the one that is alleged to contain a certain specific cargo, yet upon discharge it turns out that the contents are quite different.....

often the carrier is at risk of fines, criminal charges, rejection of the cargo, detention, disposal and extra carriage costs!!!!

Incorrect cargo



Freight Forwarder issues / re-issues Bills of Lading with cargo miss-descriptions

“fraud” will involve:

- deliberate over statement as to quantity laden.
- knowing miss-description of the cargo laden.
- the post or ante dating of the Bill of Lading

done in order to ensure documents pass as “clean” through the Banking system, obtain more sale proceeds, and put the transaction into sale and Letter of Credit “windows”.

In all cases, misinformation is used : to obtain financial benefit, or greater financial benefit, than should have been due had accurate information been provided.

Switching bills of lading — is it fraudulent ??

..... issuing a second set of bills of lading, showing different shipper and/or consignee details.

- **switch takes place before the cargo has been released, whilst it is still in transit or storage.**
- **Requested by traders**
- **who does not wish his ultimate buyer (consignee) to know the identity of the initial seller (shipper).**

Shipper
 MERCURY POWER ENGINEERS
 NO.339/6A, 80FT ROAD
 MADHAPLAYAM VILLAGE
 REDHILLS, CHENNAI-600052, INDIA
 Consignee

W
 Bl. No. 1440006068
 06200000514

WAN HAI LINES (SINGAPORE) PTE LTD.
BILL OF LADING

RECEIVED BY THE SHIPPER OR HIS AGENT...
 THIS BILL OF LADING IS VALID ONLY IF SIGNED BY THE SHIPPER OR HIS AGENT...
 THE SHIPPER'S RESPONSIBILITY FOR THE GOODS IS LIMITED TO THE WEIGHT AND QUANTITY...
 THE SHIPPER'S RESPONSIBILITY FOR THE CONDITION OF THE GOODS IS LIMITED TO THE CONDITION AT THE TIME OF PACKING...
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WAN HAI LINES (H.K.) LTD. SHANGHAI OFFICE
 22/F, HAITONG SECURITIES TOWER, NO. 685 GUANGDONG ROAD, SHANGHAI, 200001 CHINA
 TEL: 51159555 FAX: 41524201

VIRIDIS (PVT) LTD.
 BLOCK NO:8, TEMPLE BURG INDUSTRIAL
 20TH STAGE 11, PARAMBODA, HONGAMBA,
 SRI LANKA
 TEL: +94 11 2752708
 ACSIQ NO:A364049851

SAFES AS CONSIGNEE

Ocean vessel / Voy No.
 AN HAI 307 S10825

Place of loading
 CHENNAI, INDIA

Place of receipt
 CHENNAI, INDIA

Place of discharge
 SHANGHAI, CHINA

Place of delivery
 SHANGHAI, CHINA

| Container No. | Seal No. | Mark and Number | Number of packages | Kind of packages, Description of goods | Gross weight / Measurement |
|---------------|----------|-----------------|--------------------|--|----------------------------|
| | | | 1 CTR | "SHIPPER'S PACK LOAD COUNT & SEAL" "SAID TO CONTAIN" | 23,106.000 KGS |
| | | | 1 CTR | TOTAL BAGS : 790 BAGS PLASTIC SCRAP | 23,027.000 KGS |
| | | | 1 CTR | S. BILL NO: 5839058, DT: 29. 07. 2018 SAY : ONE CONTAINER ONLY "FREIGHT PREPAID" | |

ORIGINAL

Freight payable at
 CHENNAI

Place and date of issue
 CHENNAI AUG 06 2018

ALL AS ARRANGED

Date
 AUG 06 2018
 WAN HAI 307 S10825
 CHENNAI, INDIA

WAN HAI LINES (SINGAPORE) PTE LTD.
 For Wan Hai Lines (India) Pvt. Ltd.

Switch bill of lading

Shipper
 VIRIDIS (PVT) LTD
 BLOCK NO : 8, TEMPLE BURG INDUSTRIAL
 20TH STAGE 11, PARAMBODA, HONGAMBA,
 SRI LANKA 80FT NO. A364049851
 C/O PARAVARI KHAVAR-MIANEY J.S.C.O

W
 Bl. No. 1440006068

萬海航運股份有限公司
WAN HAI LINES (SINGAPORE) PTE LTD.
BILL OF LADING

RECEIVED BY THE SHIPPER OR HIS AGENT...
 THIS BILL OF LADING IS VALID ONLY IF SIGNED BY THE SHIPPER OR HIS AGENT...
 THE SHIPPER'S RESPONSIBILITY FOR THE GOODS IS LIMITED TO THE WEIGHT AND QUANTITY...
 THE SHIPPER'S RESPONSIBILITY FOR THE CONDITION OF THE GOODS IS LIMITED TO THE CONDITION AT THE TIME OF PACKING...
 THE SHIPPER'S RESPONSIBILITY FOR THE CONDITION OF THE GOODS IS LIMITED TO THE CONDITION AT THE TIME OF PACKING...

HANGSHU JIANTI TEXTILE CO., LTD
 YUMIN INDUSTRIAL ZONE DANWANG TOWN
 XIASHAN, HANGZHOU ZHANTANG, CHINA
 TEL: 486-81-82103488
 TEL: 86-51-82103143

Pre-shipment by
 Ocean vessel / Voy No.
 WAN HAI 307 S10825

Place of receipt
 CHENNAI, INDIA

Place of delivery
 SHANGHAI, CHINA

Place of receipt for the Merchant
 SHANGHAI, CHINA

| Container No. | Seal No. | Mark and Number | Number of packages | Kind of Packages, Description of goods | Gross weight / Measurement |
|---------------|----------|-----------------|--------------------|---|--------------------------------------|
| WHL06025898 | 975678 | | 1 CTR | "SHIPPER'S PACK LOAD COUNT & SEAL" "SAID TO CONTAIN" TOTAL BAGS : 790 BAGS PLASTIC SCRAP S. BILL NO: 5839058, DT: 29. 07. 2018 SAY : ONE CONTAINER ONLY "FREIGHT PREPAID" | 23106.00 KGS NET WTG 23027.00 KGS |

ORIGINAL

Freight
 ACCOUNT DETAILS
 WAN HAI LINES (H.K.) LTD. SHANGHAI OFFICE
 22/F HAITONG SECURITIES TOWER, NO. 685
 GUANGDONG ROAD, SHANGHAI, 200001 CHINA
 86-21-51159555
 86-21-53511150

| Service | Type of Charge | Freight payable at | Freight payable at | Date and date of issue |
|---------|----------------|--------------------|--------------------|------------------------|
| 1 CY | 1 CY | CHENNAI | THREE (3) | COLUMBO 06-AUG-2018 |
| 2 CFS | 2 CFS | CHENNAI | THREE (3) | |
| 3 DOOR | 3 DOOR | CHENNAI | THREE (3) | |

WHL Date 06 AUG 2018 Signature
 By A.V.P. As Agents Only
 FOR WAN HAI LINES LTD

Value of the cargo in the bill of lading

- Becomes an “**AD VALOREM**” bill of lading .
- Greater liability for the carrier.
- Bill of lading limitations cannot be applied event of a claim.
- Need to arrange for an additional insurance cover
- Shipper to bear the cost.

rise on maritime piracy and armed robbery

- pirate attacks in the Gulf of Guinea increased almost by 33% in 2013.
- At the current growth rate, the number of attacks will be even higher for 2014.
- **Somali pirates** - kidnap for ransom scheme
- **West africa pirates** – hijack ships to siphon off crude petroleum on board to sell on the local black market.
- Increasing trend of fuel robbery- style of hijacking in West Africa & South East Asia.
- “Worrying” rise in piracy around **malacca straight**



Combat piracy

- **Nigeria installed anti-piracy surveillance towers along its coast in December 2013.**
- **In August 2014 – Nigeria military purchased new aircraft .**
- **On board armed guards – (employing of sea marshals.) & other security measures**
- **Ships employing best management practices.**

.....more challenges

- **Anti trust law - promote fair competition for the benefit of the customers. – no price fixing.**
- **US advance manifest filing –AMS**
- **EU advance manifest filing –ENS**
- **Japan advance manifest filing - AFR**
- **China advance manifest filing**

Container weight checks

- **The IMO's maritime safety committee approved changes to the Safety of Life at Sea convention (SOLAS) that will require verification of container weights as a condition for loading packed export containers aboard ships.**
- **The approved changes to the convention will enter into force in July 2016 following final adoption by the maritime safety committee in November 2014.**

Local challenges

- Reporting manifest 48 hours prior to vessel arrival .- **cargo targeting system** -import/export/trans-shipmentif required in transit
- Recalling of containers by customs as per customs ordinance (chapter 235) section 59 – not duly authorized.- illegal exportation.
- Use of Cargo dispatch notes .(CDN)

***“change is upon us. we can choose to see it
as frightening and in capitulating***

or

***we can embrace the opportunities and move forward
with the hope towards a more sustainable shipping
industry ...!!!!***

.....so sustainability



Would be a game of survival of the fittest !!!!!

thank you.