

**Report
on
Survey
of
Port Improvement Programme (Ship Replacement)
of
Democratic Socialist Republic of Sri Lanka**

August 1979

Japan International Cooperation Agency

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Preface

In response to the request of the Government of the Democratic Socialist Republic of Sri Lanka to the Government of Japan for financial assistance in its Port Improvement programme (Ship Replacement), the Japan International Cooperation Agency (JICA) carried out a study on the economic feasibility of the programme.

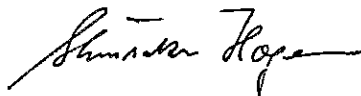
JICA dispatched a survey team headed by Mr. Taishin Ono of the Japan Maritime Research Institute to Sri Lanka from March 17 to 28, 1979.

The survey team consulted with government officials of Sri Lanka, collected reference material and made a field survey. After returning to Japan, the survey team compiled this report on the basis of data and information it had collected.

I hope that this report will prove to be useful for Sri Lanka's Port Improvement programme, and will contribute to the development of ports as well as to the country's economic development.

I wish to express my deep appreciation to the officials concerned of the Government of Sri Lanka and organisations for their cooperation extended to the survey team.

August 1979



Shinsaku Hogen

President

Japan International Cooperation Agency

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Feasibility Study Report on Fleet Replacement Programme of Ceylon Shipping Corp. (CSC) of Sri Lanka

I. Summary and Recommendations

1. Outline of Ceylon Shipping Corp. (CSC)

The shipping administration of Sri Lanka is under the jurisdiction of the Ministry of Trade and Shipping. CSC is an enterprise directly controlled by the Government. It is a public corporation established in 1971 under the CSC Act with the Government holding 100% equity. It is the only ocean shipping company in Sri Lanka.

CSC operates liner services mainly on three routes -- the Europe route, the Far East route (China and Japan) and the Singapore route (including the Middle & Near East). Its business performance is satisfactory and it has no financial problems.

2. Outline of Sri Lanka's Fleet Expansion Programme

2-1. The fleet expansion programme for which Sri Lanka requested our country's cooperation involves the construction of the following new ships:

Europe route	: Liner vessels, 10,000-ton class (about 550,000 cft)	4 ships
Far East route	: Liner vessels, 9,000-ton class (about 450,000 cft)	4 ships
Singapore (Middle & Near East) route	: Liner vessels 3,000-ton class (about 200,000 cft)	4 ships
	Total	12 ships

2-2. Reason

The reason given for the expansion programme is as follows.

At present, CSC is operating on the above-mentioned three routes a total of 11-12 ships, comprising eight selfowned ships (five vessels in the 11,000-15,000-ton classes, two vessels in the 6,000-ton class and one vessel in the 2,500-ton class) and three to four chartered vessels (5,000-8,000-ton

classes). These vessels are all second-hand ships of advanced age (15-21 years). Since these vessels are not in satisfactory condition as liner ships, the programme is aimed at replacing them with new ones, thus improving the service provided on each route.

3. Marine Cargo Movements and Economic Evaluation

3-1. Marine Cargo Movements and Loading Performance

Under the new government, Sri Lanka is pushing a liberalisation policy. At present, Sri Lanka is no longer enforcing preferential loading on her own ships. It is expected that this liberalisation policy will be maintained in the future.

Projections as of this date indicate that there will be sufficient cargo movements on each route in the future. Moreover, CSC's loading shares on its main routes have already reached the 40-per cent level of the so-called 40:40:20 cargo-sharing guideline of the International Convention on the Code of Conduct for Liner Conferences.

3-2. Economic Evaluation (IRR)

The profitability per ship of each size is adequate. The IRR of each class is as follows.

Europe route, 10,000-ton class	9.7%
Far East route, 9,000-ton class	6.8%
Singapore (Middle & Near East) route, 3,000-ton class ...	8.0%

Therefore, it can be said that, at the present moment, there is reasonable feasibility per ship of each class.

4. Views and Recommendations of the Survey Team

4-1. Conclusion

Because of the many problems stated below, the feasibility of building at one time all the ships proposed in the fleet replacement programme is doubtful.

In view of the company's past lifting performance, the current tonnage operated by CSC is considered to be sufficient for the time being. Thus, we would regard this case as crash programme for the next five years.

We think that it would be appropriate to build, during this period, three vessels to replace five CSC-owned ships which are expected to be scrapped because of their advanced age.

Europe route : one ship, 10,000-ton class.
Approximately ¥2,270,000,000.

Far East route : one ship, 9,000-ton class.
Approximately ¥2,380,000,000.

Singapore (Middle
& Near East) route: one ship, 3,000-ton class.
Approximately ¥1,100,000,000.

Total : 3 ships. Approximately ¥5,750,000,000

Should a shortage of tonnage develop within this period, the appropriate step would be to purchase used ships and/or charter vessels.

4-2. Reasons

The reasons for recommending that the programme be limited at this time to a crash measure are as follows.

(1) In the shipping business, it is desirable that the ship ages of a company's fleet be reasonably spread out.

From the long-range view, it is not sound business practice to build a large volume of ships at one time. It is not sound from the standpoint of financial management because investments and loan repayments would be concentrated within a set frame of time and also from the standpoint of flexible adaptation to new developments. In case a large expansion of tonnage is needed, it is better to meet the need by purchasing used ships and/or chartering vessels to use them along with new ships.

(2) The economic and trade policies of Sri Lanka are in a transitional period while world economy and trade are changing very rapidly. Only one year and several months have passed since the inauguration of the new Government and its policies of establishing a free trade zone, liberalising trade and achieving self-sufficiency in food have only just begun. Much is expected of development but there are many uncertain factors at present because the country is in a period of policy transition.

How will trade be affected by the establishment of labor-intensive light industries in the free trade zone? What will be the export trend of tea and other monoculture goods? How will transportation be affected by the policy of food self-sufficiency, including rice? Because of such uncertain factors, this is not the time to decide on ship types, ship sizes and the number of ships. For the present, therefore, it is more prudent to limit the fleet replacement programme to a crash plan covering a period of five years or so.

(3) Containerisation Problem

The "whirlwind" of containerisation in shipping is approaching Sri Lanka at a very fast speed. To cope with this, Sri Lanka must, within a few years, improve and expand the port of Colombo, including its road access. Depending on the direction of the port development, there is strong possibility that ship types and sizes under the fleet replacement programme will have to be changed to include containerships.

(4) The proposed crash measure would not be detrimental to the conduct of CSC's business. The current condition of the CSC fleet shows that maintenance is good. In the next five years, two out of the company's five self-owned ships in operation on the Europe route will be retired. In this case by assigning one new ship to the route, a monthly liner service can be maintained with a fleet of four ships.

On the Far East route where two self-owned ships are in operation, both vessels will be retired within the five-year period. But, CSC can maintain service on this route for the time being by assigning one new ship and using two to three chartered vessels. (It is advisable to serve Japan with liner and China with chartered trampers for the time being.)

As for the Singapore (Middle & Near East) route, since the only self-owned ship operated there by CSC will be retired, one new ship will be assigned to the route to replace the retiring vessel.

With this crash programme, by building three replacement ships, CSC should be able to maintain the necessary liner services for the next five years. As regards mid-term/long-term programmes for liner operations thereafter, it is better to study them after ascertaining the trends of the afore-mentioned economic, trade and port situations.

II. Outline of Survey

1. Objectives and Outline of Survey

The Japanese Government studied in detail the fleet expansion programme submitted to it by the Sri Lanka Government at the end of 1978. As a result, the Japanese Government came to the conclusion that it could not pass judgement on the appropriateness of this programme because the current situation of the shipping industry in Sri Lanka and details of the fleet expansion programme were not known.

The Japanese Government thereupon sounded out the Sri Lanka Government on the dispatch of a survey team of Japanese experts on a short visit in order to obtain supplementary explanations on the programme and to collect more detailed data. The Japanese Government received a reply from the Sri Lanka Government expressing willingness to accept a Japanese survey team and decided to send a six-member team to Sri Lanka from March 17 to 28, 1979.

The composition of the survey team and its itinerary are shown under the Paragraphs 2 and 3 below.

As the survey team was dispatched in response to the Sri Lanka Government's fleet expansion programme, the survey was conducted primarily on the liner service which is the main concern of the Sri Lanka Government.

Shipping is divided roughly into liner service and tramp service. The tramps are further divided into tanker service and other bulk services. The ship type and pattern of operation differ greatly, according to each division. Although we were not able to cover all the sectors during the short period of our stay, we were able to collect considerable data on liner shipping.

The main purpose of our survey was to obtain information from the people concerned in Sri Lanka, to collect data on shipping, to analyse and study such information and data and to make comments and recommendations from the point of view of Japanese Japanese experts. This report, based on a study of the Sri Lanka programme, constitutes in our view the most appropriate fleet replacement programme for Sri Lanka.

The decision to dispatch the survey team to Sri Lanka was made on such a short notice that we did not have enough time to make full preparations. However, we prepared a questionnaire as shown in Annex 1 on the

principal points of the survey. We had only about one week in Sri Lanka to conduct our survey, but we were able to collect generally satisfactory data concerning the liner shipping which was our principal intent. All this was made possible by the whole-hearted cooperation rendered us by people in Sri Lanka. We would like to express our gratitude to them. At the same time, we would like to stress that this report is not the work of the survey team alone but that of all the people of Sri Lanka and Japan who are involved in the fleet replacement programme.

2. Composition of the Survey Team

Leader : Overall Direction : Taishi Ono Japan Maritime Research
Institute

Members : Shipping Policy : Shigeo Ogura Overseas Division,
Shipping Bureau,
Ministry of Transport

Shipping

Management : Tsuneo Tominaga Japan Maritime Research
Institute

Analysis of Demand

and Economy : Shojiro Miyanaga "

Shipbuilding : Yoshihiro Goto Shipbuilding Division
Ships Bureau, Ministry
of Transport

Programme

Coordination : Masahiko Katagiri Overseas Division,
Shipping Bureau,
Ministry of Transport

3. Itinerary of Survey Team

Date	Day of Week	Business	People Interviewed	Remarks
17	Saturday	Departure from Tokyo→Arrival in Colombo		
18	Sunday	Preliminary meeting	Toshio Suzuki, Second Secretary, Japanese Embassy	
19	Monday	Preliminary meeting at Japanese Embassy	Koichi Aoyama, First Secretary Toshio Suzuki, Second Secretary	
		14:30- Courtesy call at MTS	W.L.P. De Mel, Secretary, MTS H. Wickramasinghe, Additional Secretary, MTS W.D. Soysa, Director of Merchant Shipping, MTS A. Mohamed, Additional Director of External Resources, MFP	
20	Tuesday	Visit to CSC	M.L.D. Caspersz, Chairman, CSC A. Giragama, Chairman, CFB A. Ratnayake, General Manager, CFB W.D. Soysa, Director of Merchant Shipping, MTS H.D. Gunawardena, Liner Manager, CSC R.C.N. Mendis, Operations Manager, CSC A. Rangunathan, Managing Director, CDL	
		14:30- Visit to PC and observation of Container Berth in Colombo Harbour	K.S.C. de Fonseka, Port Commissioner, PC S.K.W. Dias, General Manager, PCC D.R.L.Y. Paktsun, Chief Engineer, PCC	

Date	Day of Week	Business	People Interviewed	Remarks
			G.P. Weerasinghe, Superintending Engineer, Planning Port Commission M. Ramanayake, Deputy Chief Engineer, Planning Port Commission Elmo De Silva, Senior Deputy Collector, Customs K.P.L.P. Nanayakkara, Additional Landing Surveyor, Customs	
21	Wednesday	Visit to CDL and Observation	A. Ragunathan, Managing Director, CDL A.K. Diyabalanage, Marine Manager, CDL S. Mahadevan, Business Manager, CDL H.A. Wijegunawardhana, Project Manager, CDL Lal Dassanayake, Construction Manager, CDL Sarath Wijepaza, Project Engineer, CDL	
	11:00-	Observation of Colombo Harbour	R.C.N. Mendis, Operations Manager, CSC	
	12:00-	Visit and inspect "Lanka Ratna"	M.L.D. Caspersz, Chairman, CSC R.C.N. Mendis, Operations Manager, CSC	
	14:30-	Visit to PCC	D.P.R. Rajapakse, Chairman, PCC	
22	Thursday	Talks with CSC	M.L.D. Caspersz, Chairman, CSC A. Giragama, Chairman, CFB A. Ratnayake, General Manager, CFB W.D. Soysa, Director of Merchant Shipping, MTS	

Date	Day of Week	Business	People Interviewed	Remarks
			A. Rangunathan, Managing Director, CDL R.C.N. Mendis, Operations Manager, CSC C.J. Weekatuwage, Technical Manager, CSC H.D. Gunawardena, Liner Manager, CSC Abey Wickerema, Assistant Liner Manager, CSC M.H. Guwaratwa, Research Officer, CFB	
	16:30-	Visit to GCEC	E.P. Paul Perera, Deputy Director General, GCEC Neelan Terucuelvam, Legal Consultant, GCEC RAJU Coomaraswamy, Advisor to President	
23	Friday 11:00-	Talks with MTS	W.L.P. De Mel, Secretary, MTS H. Wickramasinghe, Additional Secretary, MTS M.L.D. Caspersz, Chairman, CSC W.D. Soysa, Director of Merchant Shipping, MTS A. Mohamed, Additional Director of External Resources, MFS	
24	Saturday	Putting in order collected documents		
26	Monday 13:30-	Visit to CDL	A. Rangunathan, Managing Director, CDL	Leader Ono leaves

Date	Day of Week	Business	People Interviewed	Remarks
			Lal Dassanayake, Construction Manager, CDL	Colombo (arriving at Narita on the 27th)
27	Tuesday	Departure from Colombo arrival at Singapore		
28	Wednesday	Departure from Singapore → arrival at Narita		

(Note)

MTS : Ministry of Trade and Shipping
MFB : Ministry of Finance and Planning
CFB : Central Freight Bureau
CSC : Ceylon Shipping Corporation
GCEC: Great Colombo Economic Commission
PC : Port Commission
CDL : Colombo Dockyard Ltd.
PCC : Port Cargo Cooperation

III. Areas of Survey

1. Economic Situation

Sri Lanka is an agricultural country, where about 50% of the total working population are said to be engaged in the primary industries. The 1971 census estimates that the working population comes to about 35% of the total population. Since Sri Lanka's population was 13,800,000 in 1976, the working population can be estimated at roughly 4,830,000. However, as of the end of 1977, the number of the unemployed is estimated at more than one million.

The gross national product of Sri Lanka in 1977 totaled Rs.29,122 million. Of this, agriculture including fishery accounted for 32.0%, service 14.3%, wholesale and retail 13.6%, manufacturing industries 12.6%, and transportation/warehousing/communications 10%. The manufacturing industries account for only around 13% and most of them are concerned with the processing of agricultural products. In a word, the economy of Sri Lanka can be described as the monoculture economy of the three main agricultural products: tea, rubber and coconut.

Sri Lanka recorded an economic growth rate of 4.4% in 1977. Her economic growth rate in the past five years averages 3.5%. Since in 1977 consumer prices rose by 1.2% over the previous year, the real economic growth rate can be estimated to be around 3%.

The following is the present situation of agriculture and industry in Sri Lanka.

1-1. Agriculture

1-1-1. Types of Agriculture

The agricultural industry, which sustains Sri Lanka's economy and trade, can be divided broadly into two.

(1) Plantation crops:

- (a) Tea
- (b) Rubber
- (c) Coconut
- (d) Minor export crops: cocoa, coffee, cinnamon, cardamon, pepper, cloves, nutmeg and citronella, etc.

(2) Food crops:

(a) Paddy (including paddy marketing)

(b) Subsidiary food crops: manioc (cassava), maize, red onions and potatoes, etc.

1.1.2. Production of Main Products

The production situation of the main products of Sri Lanka are as follows.

(1) Tea

The tea acreage in 1977 (598,000 acres) increased by 11% (3,067 acres) over the previous year. The production of tea in 1977 (460 million pounds) increased by 6% (2,700 pounds) over the previous year. The production of tea per acre increased from 839 pounds in 1976 to 899 pounds in 1977.

The increase in the production was due to favourable weather conditions and the expansion of tea plantation. However, the total production in 1977 was still far behind the record 503 million pounds in 1965. It should be noted that the production of tea is related to its market.

(2) Rubber

The rubber acreage in 1977 (469,626 acres) decreased from 474,626 acres in 1976 (a decrease of 5,000 acres). As a result, the production decreased from 335 million pounds in 1976 to 322 million pounds in 1977. A goal of 15,000 acres was set for replanting rubber in 1977. The production of rubber per acre in 1977 reached 709 pounds (705 pounds in 1976), the highest in 10 years.

The Government emphasises the need to promote the use of fertiliser and aid for replanting.

(3) Coconut

The coconut acreage in 1977 increased to 13,671 acres in 1976 (13,110 acres in 1975). The seedlings in 1977 totaled 874,964. The crop in 1977 (1,821 million nuts) decreased by 21% from the previous year due to the prolonged drought. This resulted in the decrease in the export of coconuts and in their domestic price rise.

(4) Minor Export Crops

Minor export crops are generally still in the phase of being supported by the Government.

(5) Paddy

Rice is harvested twice a year, in the Maha and Yala seasons. The paddy acreage in 1977 was 2,050,000 acres, and the crop 80,400,000 bushels, increasing by 34% over the previous year. The average production per acre in 1977 was 48.9 bushels, 4 bushels more than the previous year. Such a good harvest, it is said, owes much to favourable weather conditions and good irrigation from the Mahaveli River. Sri Lanka, an agricultural country, nevertheless imports a large amount of rice as well as flour and sugar. In 1977, the country imported 530,000 tons of rice, or Rs.917 million in value, according to the Customs Data.

1-1-3. Mahaveli Development Scheme

The purpose of this scheme is to build a hydroelectric power station with a capacity of 2,037 million kilowatt hours and to ensure irrigation of about 900,000 acres. This scheme, started in 1970, will extend over 30 years. This is one of the most important policy projects of the current Government, which hopes to complete it at an early time.

This scheme was prepared in 1968 by the UNDP/FAO team. In that year, the capital cost was roughly estimated at Rs.5,583 million.

It is expected that, when this scheme is completed, the rice crop will increase tremendously.

1-2. Industries

1-2-1. Free Trade Zone Project

Sri Lanka plans to carry out the Free Trade Zone Project together with the promotion of private economic activities as part of her policy to attract foreign capital. This project will be promoted under the control of the Greater Colombo Economic Commission (GCEC). (1978 Act 4, GCEC Law)

The purpose of this project is to create a free trade zone between Colombo Port and Katunayake International Airport measuring 518 square

kilometers and, thus, to attract foreign investment and achieve great economic and trade development. Priority will be given to labor-intensive and resources-utilizing industries. The investing foreign corporations will enjoy various privileges such as tax exemption for five years, guarantee of remittance of capital and profits, and exemption from export duty and import duty on facilities required for industrial operations.

As of January 15, 1979, the number of firms which were already operating or were licensed to operate in this zone came to 31. Among them are nine firms from Hong Kong, six firms from the United States, and others from India, Thailand, West Germany, South Korea, Dubai, Iran, Norway, France and Belgium.

Sri Lanka expects that this project will greatly increase the nation's import and export. There are, however, a number of problems to be solved, such as containerisation, development of Colombo Port, and access to the Free Trade Zone from Colombo Port.

1-2-2. Present Situation of Other Industries

(1) Petroleum

A. Crude Oil

Sri Lanka imports all of the crude oil it consumes. Between 1972 and 1974, about 1,800,000 tons of crude oil were imported annually. In 1975 and 1976, the import decreased to 1,470,000 tons and 1,450,000 tons, respectively.

The country has one refinery in Sabugaskanda, north of Colombo. This refinery has a capacity of 40,000 barrels a day at present but, within 1979, it is expected to increase its capacity to 58,000 barrels a day.

B. Petroleum Products

Sri Lanka imported 44,000 tons and 12,000 tons of petroleum products in 1974 and 1975, respectively. The import decreased in 1975 because, in that year, the refinery north of Colombo started operations.

A nylon plant is scheduled to be completed in 1980.

(2) Fertiliser

The Urea Fertiliser Plant which is being built adjacent to Sabugaskanda Refinery will be completed at the end of 1979. The plant will produce 40,000 tons of fertiliser monthly. Consequently, the import of fertiliser will be discontinued.

(3) Cement/Constructions Materials

The movement of cement and construction materials is expected to increase as the Free Trade Zone Scheme is carried out.

(4) Steel

Ceylon Steel Corporation is the only steel mill in Sri Lanka. It manufactures steel not from ore but from imported pellets.

(5) Textile Raw Materials

The textile-processing industry flourishes even out-side the Free Trade Zone, and raw cotton and polyester are imported.

(6) Wheat Flour

The mill at Colombo Port is presently in operation with an annual production capacity of 100,000 tons. In addition, Prima Mill will begin operations in Trincomalee in 1980, with an annual production capacity of about 600,000 tons. Consequently, the import of wheat flour will be discontinued. Instead, wheat will be imported from Australia, the United States and Canada.

2. Foreign Trade Situation

Sri Lanka's exports in 1977 totaled Rs.6,638 million and imports Rs.6,007 million. The surplus of Rs.631 million was a remarkable improvement on the previous year's surplus of Rs.170 million.

Exports showed a conspicuous increase of Rs.1,823 million or 38% over the previous year, owing particularly to the rise in the export price of tea.

Imports also increased by Rs.1,362 million or 29% over the previous year. This was largely due to the rise in prices of imported commodities.

2-1. Exports

2-1-1. Exports by Commodities

The 1977 performance of exports by commodities was as follows:

Tea:	185.8 million kg, Rs.3,503 million
Rubber:	135.8 million kg, Rs.931 million
Coconuts:	281 million nuts, Rs.335 million
Manor Agricultural Crops:	Rs.378 million
Industrial Exports:	Rs.919 million
Gems:	Rs. 298 million
Others:	Rs.251 million

2-1-2. Export (Volume and Value) of Two Major Export Items (Tea, Rubber) According to Destination

The 1977 record of the two major export items of Sri Lanka, tea and rubber, by destination was as follows:

Tea:	Europe 16.9% (35,500,000 kg, Rs.594,500,000) including U.K. (9.6%, 23,700,000 kg, Rs.334,800,000), Pakistan 13.6% (27,600,000 kg, Rs.475 million), Iraq 9.8% (18,800,000 kg, Rs.344,700,000), U.S.A. 8.7% (17,100,000 kg, Rs.359 million), Egypt 7.0% (12,700,000 kg, Rs.243,800,000), Australia 5.2% (9,400,000 kg, Rs.181,700,000), South Africa 4.9% (7,400,000 kg, Rs.172,900,000), Syria 4.8% (9,400,000 kg, Rs.167,900,000), Saudi Arabia 3.8% (4,800,000 kg, Rs.132,600,000), Canada 3.0% (5,300,000 kg, Rs.106,300,000), and Iran, Libya, Kuwait, New Zealand, South Yemen, North Yemen, U.S.S.R., and Japan (1,900,000 kg, Rs.49 million) follow between the shares of 2.9% and 1.4%.
Rubber:	China 39.4% (65,300,000 kg, Rs.366,900,000), Europe 19.9% (26 million kg, Rs.185,100,000), U.S.S.R. 6.9% (7,800,000 kg, Rs.64,600,000), Poland 5.0% (7,400,000 kg, Rs.46,500,000),

U.S.A. 4.3% (4,800,000 kg, Rs.40,100,000),
Romania 3.6% (4,500,000 kg, Rs.33 million),
Pakistan 3.5% (5,100,000 kg, Rs.32,400,000),
Mexico 3.4% (3,800,000 kg, Rs.31,900,000),
Spain 1.3% (1,600,000 kg, Rs.12,500,000), Japan
0.9% (900,000 kg, Rs.8,200,000), and others
11.8% (8,600,000 kg, Rs.109,400,000).

2-1-3. Export of Frozen Foods Has Bearing on Japan Sea Route

As regards the export of frozen shrimps, prawns and lobsters, of the total exports in 1977 of 1,681 tons valued at Rs.81 million, those to Japan were 563 tons (approximately 33%) valued at ₹890 million. In 1978, frozen foods exports to Japan totaled 1,130 tons or ₹1,460 million, showing a tendency to increase. Commodities of this kind are shipped to Japan also from India.

2-2. Imports

2-2-1. Imports by Commodities

Sri Lanka's imports in 1977 were as follows:

(1) Consumer Goods

Import of consumer goods totaled Rs.2,534 million, accounting for 42.2% of the total imports. This is divided further into three categories:

A. Foods and drinks: 36.3%, Rs.2,181 million. Main imports of this category were rice 530,000 tons, at Rs.917 million, flour 537,000 tons at Rs.925 million and sugar 99,000 tons at Rs.197 million.

B. Textiles: 2.5%, Rs.150 million.

C. Other consumer goods: 3.4%, Rs.203 million. In recent years, imports of used cars by Sri Lanka have been increasing. In 1977 these accounted for 0.8% of the total imports or Rs.48 million.

(2) Intermediate Goods

Import of intermediate goods totaled Rs.2,648 million, or 44.1% of

all imports. In this sector, petroleum took up a large share, accounting for 24.0% of the total imports at Rs.1,441 million.

(3) Investment Goods

Import of investment goods including construction and transportation machinery and equipment accounted for 12.4% or Rs.746 million.

2-2-2. Import by Countries

There is no data available for imports by countries for each commodity. Breakdown of all imports by countries are as follows: Saudi Arabia 12.36% (Rs.742,300,000), Iran 9.75% (Rs.585,500,000), U.S.A. 8.95% (Rs.537,500,000), Japan 6.62% (Rs.397,700,000), India 5.95% (Rs.357,600,000), U.K. 5.45% (Rs.327,200,000), Thailand 4.77% (Rs.286,600,000), China 4.73% (Rs.284,100,000), Pakistan 4.55% (Rs.273,400,000), France 3.84% (Rs.230,800,000), West Germany 3.84% (Rs.222,500,000) and some others.

The main import item from Saudi Arabia and Iran is probably petroleum. Imports from U.K., the former suzerain country, added with those from France and West Germany account for about 13%, which shows Sri Lanka's close relations with European countries. As for imports from neighbouring countries, those from India, Pakistan and Thailand alone add up to a share of a little over 15%. Imports from Japan rank fourth on value basis.

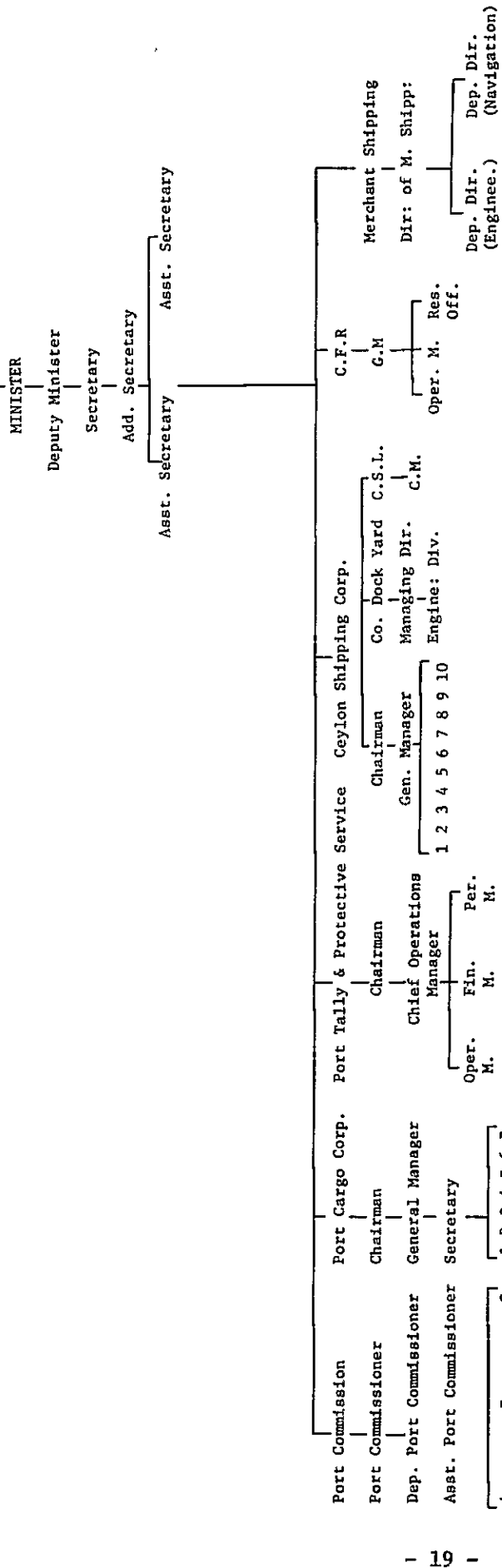
3. Shipping Administration

In Sri Lanka, shipping administration together with management of ports and shipbuilding is under the jurisdiction of the Ministry of Trade and Shipping (MTS). The administrative structure is as shown in the Chart III-3-1. As this chart indicates, not only marine transportation business but also shipbuilding, harbour services and warehousing are operated by government-managed corporations under the MTS.

There is only one shipping company in Sri Lanka engaged in oceangoing liner service. It is Ceylon Shipping Corporation (CSC) which is 100% financed by the government. In order to promote the shipping industry, the government aids CSC in various ways: (i) direct investment by the government in CSC amounting to Rs.41 million, (ii) low interest loans to buy ships, and (iii) tax exemption on the income of CSC's employees (from April, 1979).

Chart III-3-1 Administrative Structure

MINISTRY OF TRADE AND SHIPPING



- A Navigation Branch
- B Finance Branch
- C Engineering Branch
- 1 Liner Dept.
- 2 Operations Dept.
- 3 Finance Dept.
- 4 Internal Audit
- 5 Secretary's Dept.
- 6 Insurance & Claims Sec.
- 7 Charting & Non Liner Dept.
- 8 Technical Dept.
- 9 Marine Dept.
- 10 Administration Dept.

Port Commission
Port Commission Property control over mechanical equipment

Port Cargo Corp.
Provides Port Services for S'dering, Landing & warehousing, cargo, W'age, supply of water, bunkering of coal, etc.

Port Tally & Protective Service
Functions relate to Tallying & Matching of Cargo.

Ceylon Shipping Lines
Subsidiary of CSC does Agency work.

Apart from these financial assistances, the government takes measures to have export and import cargoes carried by CSC ships. Among these measures, establishment of the Central Freight Bureau (CFB) made a particularly great contribution to the development of CSC.

CFB is a public organisation established in September, 1973, to replace the Ceylon Freight Bureau which was under the control of the Sri Lanka Shippers Association. The new CFB is under the control of MTS, and, in conformity with the law, it handles all the negotiations and other matters between shippers and shipping companies. These include securing and allocating space on the vessels for all the cargoes shipped from Sri Lanka, adjusting the balance between the shipping space available and the volume of cargoes, and negotiating freight rates and various other agreements. CFB also makes efforts to protect and foster Sri Lanka's shipping industry.

Export and import procedures in Sri Lanka are as shown in (1) and (2) of the Chart III-3-2. With regard to export cargoes, CFB specifies the vessel. Under this system, CSC receives priority in carrying export cargoes and can sail always fully loaded. CFB does not necessarily reserve high freightage cargoes for CSC's vessels but the CSC, being a national corporation, has to carry also low freightage cargoes such as coconut fibre which other shipping companies are unwilling to accept. It is evident, however, that CFB has greatly contributed to development of CSC.

As regards import cargoes, goods purchased by government agencies and related agencies were carried formerly on Sri Lankan vessels. At present, however, as the foundation of CSC has been solidified and the government is pushing the import liberalisation policy, use of domestic vessels is limited to goods imported by MTS and its related agencies. Even in this case, waivers are offered if necessary. Generally, there is no government control on transportation of import cargoes.

Our survey team spent a good deal of time to discuss with the Sri Lanka side the CFB's policy of giving priority to CSC vessels. As a result, we confirmed that, under the aforementioned liberalisation policy of the new government, Sri Lanka would not discriminate against vessels of other countries at least in operations. We took note of this and expressed our wishes that the liberalisation policy would be continued in the future.

Chart III-3-2 (1) Export Procedure

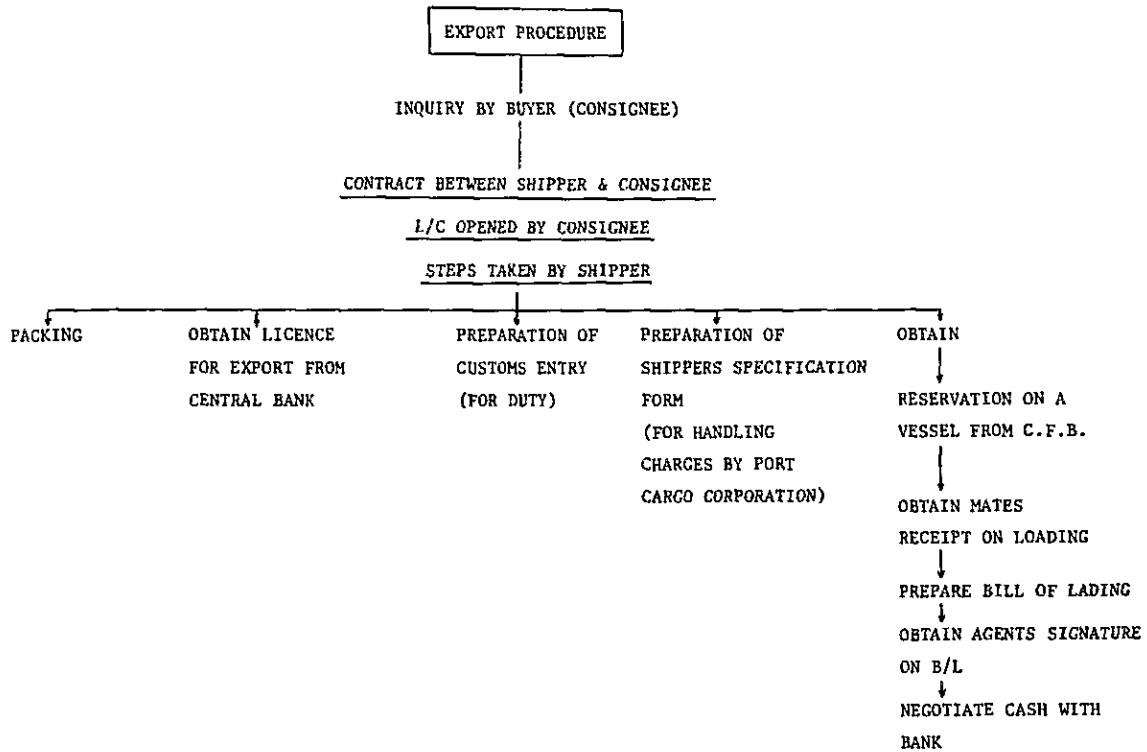
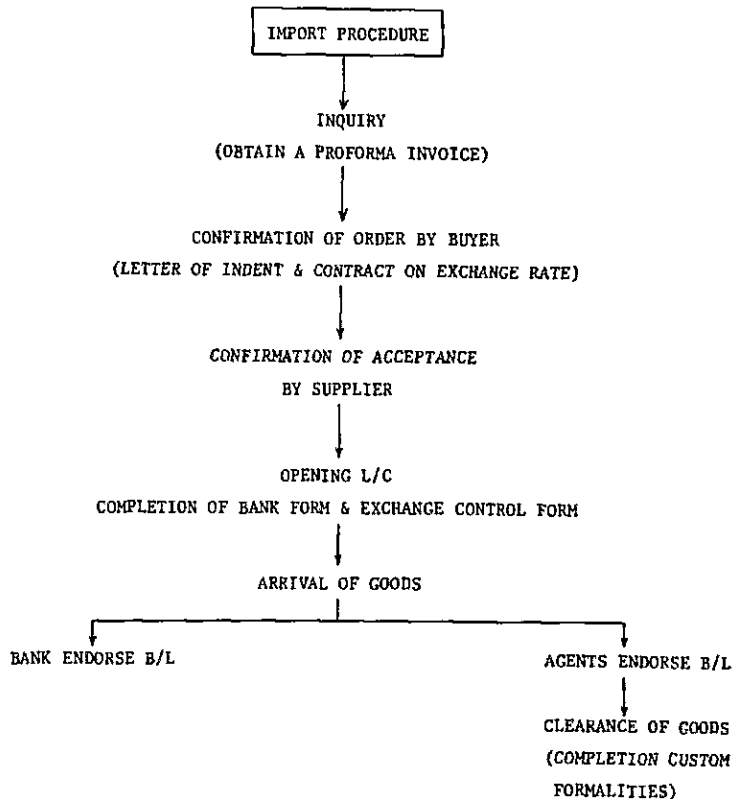


Chart III-3-2 (2) Import Procedure



4. The Ceylon Shipping Corporation

4-1. Outline and Structure

Ceylon Shipping Corporation (CSC) is the only oceangoing liner shipping company in Sri Lanka. It was established on March 9, 1971, under the Ceylon Shipping Corporation Act No. 11 of 1971. The Government holds 100% equity in the corporation.

CSC's position in the Government's administrative structure and its own organisational structure are shown in the charts in the preceding Chapter.

(1) Administrative structure: Chart III-3-1

(2) Organisation chart: Chart III-4-1

4-2. CSC Operations by Routes

4-2-1. Sri Lanka/U.K.-Continent Route

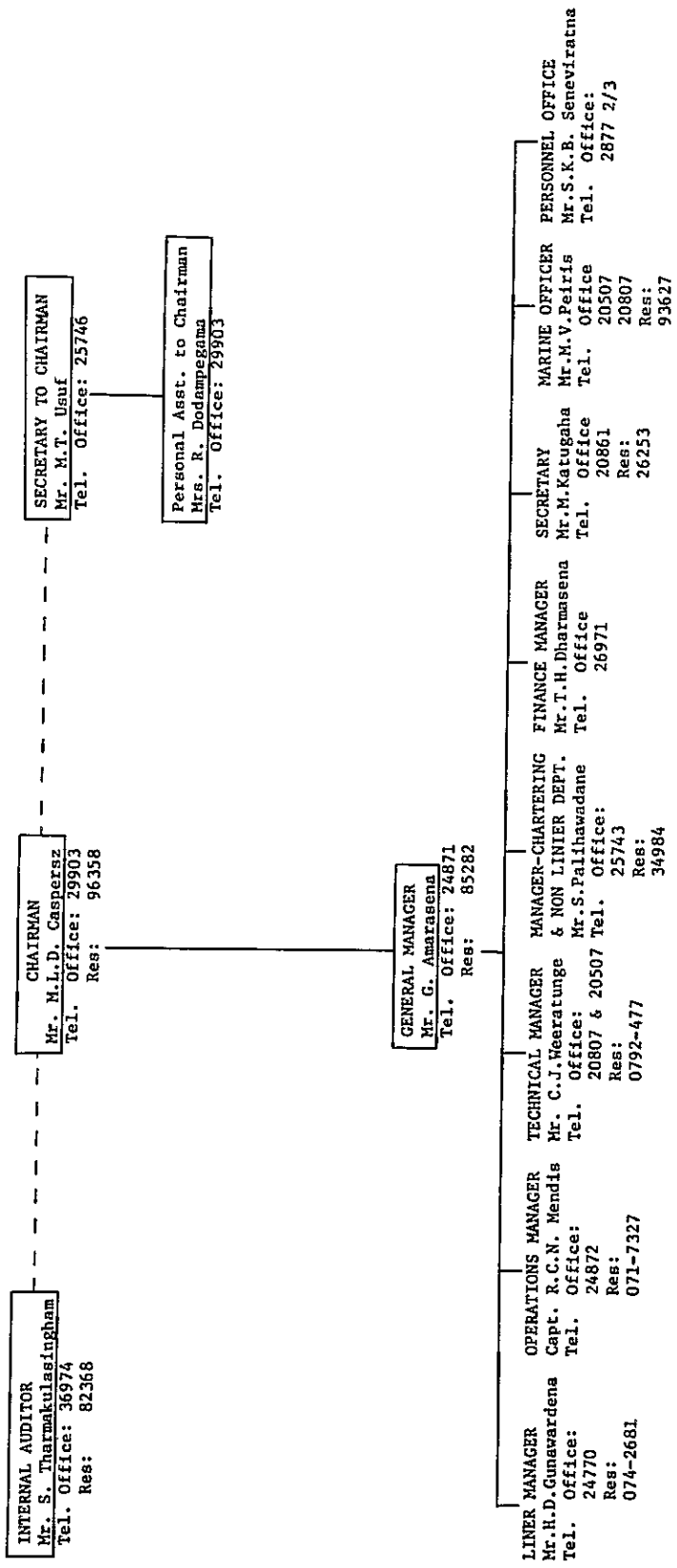
CSC is operating one sailing every month with five self-owned ships of the 12,000-15,000-dwt class with bale capacities ranging from 650,000 to 700,000 cft. With the cooperation of the Central Freight Bureau, these ships are loaded to nearly full-capacity on outbound sailings. Principal outbound cargo items are tea, rubber and coconut fibre. On inbound sailings, the ships are operating with flour and fertiliser as their base cargo. They are also loading sundries as additional cargo.

CSC's average loading share in outbound traffic on this route is 40% (55% in traffic to the U.K. and 25% to the Continent) and that in inbound traffic is 48% (72% in traffic from the U.K. and 30% from the Continent).

4-2-2. Sri Lanka/Far East (China-Japan) Route

CSC is operating two self-owned ships on the Sri Lanka/China lane with crude rubber from Sri Lanka and rice from China as their base cargo. Rubber is traded for rice under a barter agreement between the two countries. Since rice is not regularly shipped, the vessels also call frequently at ports in South Korea and Japan and Hong Kong.

Chart III-4-1 Ceylon Shipping Corporation - Organization Chart



On the Sri Lanka/Japan lane, the line is operating a shuttle service with three chartered vessels. Principal cargo outbound to Japan are tea, rubber and fibre and main inbound cargo from Japan include rolled steel, machinery and sundries. The loading rate is at a satisfactory level.

The fifty-fifty loading share agreement with China is being observed. The loading shares in the Far East trade are outbound 43% and inbound 50%.

4-2-3. Sri Lanka/Singapore (including the Middle & Near East) Route

CSC is conducting a shuttle service between Sri Lanka and Singapore with one self-owned ship. The service is unsatisfactory since the ship used on this route is small and obsolete.

CSC also provides sailings to such other areas as the Middle & Near East and the Red Sea. But, these voyages are not regular sailings. There are substantial cargo movements to the Persian Gulf, the Red Sea and the east Mediterranean area. The bulk of the traffic to these areas is carried by lines of Sri Lanka's neighboring countries, mostly by Maldivian Shipping Line.

4-3. Financial Situation of CSC

The company's balance sheet and profit & loss statement for 1977 and 1978 are shown in Table III-4-1 and Table III-4-2.

According to the profit and loss statement, the surplus on completed voyages in 1978 amounted to Rs.162 million, an increase of 37.3% from the Rs.118 million in 1977. Its appropriations (included under reserve and surplus in the balance sheet) sharply increased from Rs.4,700,000 in 1977 to Rs.11,500,000 in 1978. These figures represent what remained after 75% tax was paid on the net profit. Thus, CSC's earnings performance is very satisfactory.

Table III-4-1

CEYLON SHIPPING CORPORATION
BALANCE SHEET AS AT 31ST DECEMBER 1978
PROVISIONAL DRAFT ACCOUNTS

CAPITAL EMPLOYED	Note	1978 Rs.	1977 Rs.
<u>GOVERNMENT AUTHORISED CAPITAL</u>		<u>100,000,000</u>	<u>100,000,000</u>
<u>GOVERNMENT CONTRIBUTED CAPITAL</u>		41,833,510	41,833,510
<u>RESERVES & SURPLUSES</u>	1	90,879,198	80,051,872
<u>PROVISIONS</u>	2	43,825,232	23,380,539
<u>LONG TERM LIABILITIES</u>	3	<u>34,993,072</u>	<u>31,687,060</u>
		<u>211,531,012</u>	<u>176,952,981</u>
REPRESENTED BY:			
<u>FIXED ASSETS</u>			
Vessels	4	98,546,246	111,334,067
Motor Vehicles, Equipment etc.	4	1,113,893	695,452
Capital Works in Progress		1,000,362	609,570
		<u>100,660,501</u>	<u>112,639,089</u>
Investments	5	<u>30,922,508</u>	<u>30,622,508</u>
<u>CURRENT ASSETS</u>			
Inventories		12,600,000	10,616,837
Deposits & Pre-payments	6	49,904,435	7,026,069
Accounts Receivable	7	144,727,324	77,180,789
Accounts Receivable Subsidiary Companies		3,511,136	2,545,741
Bank Balance and Cash	8	<u>17,740,820</u>	<u>55,099,043</u>
		<u>228,483,715</u>	<u>152,468,479</u>
<u>DEDUCT: CURRENT LIABILITIES</u>			
Accounts Payable	9	129,461,111	99,528,227
Incomplete Voyages		18,506,099	18,666,466
Accounts Payable Subsidiary Companies		409,542	495,542
Compensation Payable to Shareholders of C.S.C. Ltd.		77,960	86,860
		<u>148,535,712</u>	<u>118,777,095</u>
Net Current Assets		79,948,003	33,691,384
Total Net Assets		<u>211,531,012</u>	<u>176,952,981</u>
FINANCE MANAGER	CHAIRMAN		

Table III-4-2

CEYLON SHIPPING CORPORATION

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1978

	Note	1978 Rs.	1977 Rs.
Surplus on Completed Voyages	1	162,450,778	118,079,316
<u>Less: Fixed Operating Expenses</u>	2	<u>86,381,044</u>	<u>69,229,278</u>
<u>OPERATIONAL SURPLUS</u>		76,069,734	48,850,038
<u>Add: Income from other Sources</u>	3	<u>19,363,755</u>	<u>13,417,342</u>
<u>GROSS SURPLUS</u>		95,433,489	62,267,380
<u>Less: Management Expenses</u>	4	<u>10,725,569</u>	<u>7,594,480</u>
<u>NET PROFIT BEFORE INTEREST & FINANCING CHARGES</u>		84,707,920	54,672,900
<u>Less: Interest & Financing Charges</u>	5	<u>25,625,071</u>	<u>11,625,527</u>
<u>NET PROFIT FOR THE YEAR BEFORE TAXATION</u>		59,082,849	43,047,373
<u>Less: Provision for Income Tax</u>		<u>45,000,000</u>	<u>35,000,000</u>
<u>NET PROFIT AFTER TAXATION</u>		14,082,849	8,047,373
<u>Adjustment in respect of previous years</u>		<u>2,550,000</u>	<u>3,319,195</u>
<u>PROFIT AVAILABLE FOR APPROPRIATION</u>		<u>11,532,849</u>	<u>4,728,178</u>
<u>Less: Appropriations</u>			
Consolidated Fund		1,000,000	1,000,000
Transferred to Loan Redemption Reserve		<u>10,532,849</u>	<u>3,728,178</u>

4-4. Condition of CSC Ships

CSC is operating a total of 11 cargo ships aggregating 103,955 dw/t. The 11 bottoms comprise eight self-owned vessels and three chartered ships (17,990 dw/t). The particulars of the 11 ships are given in the tables below.

Table III-4-3 Condition of CSC Ships

(1) CSC-owned Ships

Name of Vessel	Dwt Tonnage	Bale cu. ft.	Speed Knots	Age of Vessel	Country of Manufacture	Date of Acquisition	Trade to be Placed
LANKA RANI	15,228	710,822	14K	18	Netherlands	Jan. 1971	UK/Continent/Sri Lanka
LANKA DEVI	14,100	670,882	14K	17	Scotland	Apr. 1972	UK/Continent/Sri Lanka
LANKA SHANTHI	14,350	643,630	14K	15	Belgium	May. 1973	UK/Continent/Sri Lanka
LANKA KEERTI	11,877	608,710	14.5K	21	N. Ireland	Feb. 1975	UK/Continent/Sri Lanka
LANKA RATNA	14,825	702,000	15K	21	Netherlands	Aug. 1975	UK/Continent/Sri Lanka
LANKA KANTHI	6,790	377,150	14.5K	20	Sweden	Nov. 1972	China/Japan/Sri Lanka
LANKA KALYANI	6,275	328,085	14K	19	Denmark	Sep. 1972	China/Japan/Sri Lanka
LANKA SAGARIKA	2,521	100,647	12K	19	Japan	Feb. 1972	Singapore/Sri Lanka

(2) Chartered Ships

Name of Vessel	Dwt Tonnage	Bale cu. ft.	Speed Knots	Age of Vessel	Country of Manufacture	Owner	Trade to be Placed
NEPTUNE BERYL	4,675	319,989	18.5	15	Denmark	Neptune Orient Lines	China/Japan/Sri Lanka
NEPTUNE AGATE	8,640	370,596	15.5	17	Netherland	Neptune Orient Lines	China/Japan/Sri Lanka
NEPTUNE JASPER	4,675	319,989	18.5	14	Denmark	Neptune Orient Lines	China/Japan/Sri Lanka

As the tables show, CSC is operating five ships on the Europe route, five vessels including three chartered bottoms on the China-Japan route and one ship on the Singapore route.

The eight CSC-owned ships are second-hand vessels of advanced age. They were purchased between 1971 and 1975. Their total purchasing cost was Rs.160,800,000. The two self-owned ships employed on the China-Japan route were purchased with China's aid credit repayable over 10 years after a grace period of five years with no interest. Four out of the five self-owned vessels used on the Europe route were acquired with soft loans supplied by West Germany.

According to reports and accounts given by responsible CSC officials, the current condition of the eight self-owned vessels and CSC's thinking

on each of them are as follows:

(1) Lanka Rani

Both her main and auxiliary engines are in good condition and so are her facilities and equipment. But she does not have an air-conditioning system. Her cargo winches have already exceeded their usable life period but it is impossible to obtain spare winches to replace them. Whether or not the ship will continue to be operated in its current condition depends on the result of the special survey in May 1979.

(2) Lanka Devi

Her main engine is a B&W unit whose spare parts are expensive. But, the engine is in almost satisfactory condition. The condition of her auxiliary engine, facilities and equipment is good. In the previous special check survey on this ship, her double bottom was found to be weak. It is believed that this ship will not be able to operate profitably for much longer than two more years. CSC, however, has no intention to replace the ship with a new vessel. It plans to use her as long as possible.

(3) Lanka Shanthi

The ship is the youngest of the CSC-owned vessels. Her condition, except for the cargo winches, is good.

(4) Lanka Keerti

This vessel is now undergoing special check survey. The condition of this ship is poor. She is the first of the ships that CSC intends to withdraw from the Europe route.

(5) Lanka Ratna

Except for her cargo winches, the condition of this ship is generally good. Her next special check survey is to be made in 1980. Whether or not she will be operated thereafter depends on the outcome of the check survey.

(6) Lanka Kanthi

This vessel is running on marine diesel fuel. She is not equipped with a supercharger or an exhaust gas boiler. The electricity is direct current. It is impossible to obtain spare cranes for this vessel. CSC wants to replace her with a new one promptly.

(7) Lanka Kalyani

This ship is used as a training vessel for seamen. Her facilities and equipment are in very good condition. But, the condition of her engine is barely satisfactory. CSC intends to replace her with a new one as soon as possible.

(8) Lanka Sagarika

Both the hull and the engine of the ship are in bad condition. CSC intends to replace her with a new ship by the time of her next special check survey slated for 1981.

An on-the-spot inspection was made of the condition of the Lanka Ratna when she was at Colombo for cargo-handling operations. Judging from the current condition of her ship hull and equipment etc., it was found that this ship, though 21 years old, is maintained and run quite properly. According to a responsible officer of this vessel, the ship has not experienced any serious malfunction as yet.

5. Containerisation

No noticeable progress in containerisation is currently seen in Sri Lanka although a few conventional ships are carrying container cargo. Container cargo transported in 1978 amounted to about 10,000 TEUs.

Sri Lanka needs to carry out containerisation not only to respond to the request of developed countries trading with her but also to compete with full-container services of neighbouring countries. Some steps towards containerisation have been taken.

The demand for containerisation is expected to grow since the production of light industrial products in the Free Trade Zone will increase.

Port: Reclamation work is under way at the Queen Elizabeth Quay to build a container yard (about 1,000-feet long and 110-feet wide). The quay is being extended by 1,000 feet and reclamation is going on in the extended area. As of March this year, half the reclamation work was finished. The yard is expected to be completed toward the end of this year.

Facilities and equipment: Since the yard is small, there is a strong possibility that container cranes will not be installed. At present, the port is handling container cargo with top lifters. Containers are transferred on chassis to and from warehouses inside or outside the port area for stuffing and stripping.

Railways and roads: The existing railways and roads are not suitable for container transportation. They should be expanded and improved considerably to meet the needs of full-scale container transportation.

Customs Clearance: At the current pace of container cargo movements, there are no problems. Such cargoes are customs-cleared under the direct supervision of customs officers.

How to project future container cargo movements is a decisive factor in dealing with containerisation problems. But, to prepare for the coming of the full-fledged containerisation era, Sri Lanka should, first of all, expand the container yard and build railroads and trucking roads connecting principal inland points with the port.

IV. Examination of Fleet Replacement Programme

1. Outline of 1978 Fleet Replacement Programme and Additional Information Obtained through Survey

1-1. The 1978 Fleet Replacement Programme (Submitted to Japan)

The outline of Sri Lanka's fleet expansion programme which was submitted to Japan in December 1978 was as follows:

Expansion Programme

Route	At Present	Ship Size	No. of Ships	Bale Capacity	Container Boxes	Cost per Ship
Sri Lanka/UK/Conti.	12,000/15,000 D/W Five ships	10,000 D/W	4	550,000 cu. ft.	230	¥2,720 million
Sri Lanka/China/ Japan	China route 6,000 D/W Two ships	9,800 D/T	4	450,000 cu. ft. (includes 25,000 cu. ft.)	218	¥2,820 million
	Japan route 2-3 chartered ships					
Sri Lanka/Singapore/ Middle East	2,500 D/W One ship	3,000 D/T	4	150,000/200,000	62	¥1,030 million
					Sub-total	¥6,570 million x 4
					Total	¥26,280 million

1-2. Additional Information Obtained through Survey

In the course of the survey, the above outline of the expansion programme was confirmed by the CSC. In addition, the following information was obtained.

(1) When we asked about CSC's future development programme for shipping, we received the information that CSC was thinking of (i) a programme to replace the aged ships of the current fleet, (ii) expanding the fleet on current routes, and (iii) advancing into new routes.

(2) Concerning the above, we learned from the note on the final written material (Document 13) which was submitted to us that the CSC feels that (i) taking into account the age of the existing eight ships and the current low ship price, it is desirable to replace all eight and (ii) with respect to the type and isze of the replacement vessels, it is desirable to make them multi-purpose vessels with minimum capacity for 260 containers, taking into consid-eration the type of cargoes 10 years hence and the impact of containerisation on Sri Lanka.

(3) Thinking on Replacement Programme by Routes

a. Sri Lanka/UK/Continent

Even at present, getting homeward cargoes is a problem, and bulky cargoes such as wheat flour and fertiliser are being lifted. There will be no such return cargoes when the Urea Fertiliser Plant goes into operation at the end of 1979 and the Prima Mill in 1980. Consequently, instead of the present service with five 12,000/15,000 D/T vessels (bale capacities 650,000/700,000 cu. ft., average 5 months per trip), a monthly service with four 10,000 D/T vessels (550,000 cu. ft., 4 months per trip) should be considered.

b. Sri Lanka/China/Japan

Sri Lanka has a rubber/rice barter agreement with China. Although there are uncertain factors in the rice import, there is sufficient reason to expect the import of manufactured goods from China. Therefore, the assign-ment of two vessels on this route is recommended. Homeward cargoes would have to be supplemented by picking up cargoes in Japan and other countries.

The Japan route including South Korea and Hong Kong should be operated by two ships (one trip every two months) with bale capacities of 450,000 cu. ft. (9,800 D/T) including reefer capacity of 25,000 cu. ft. The reefer capacity is needed for transporting to Japan shrimp, prawn and lobster which amounted in 1978 to 1,130 tons valued at ¥1,460 million.

c. Sri Lanka/Singapore/Middle East

The current monthly service to Singapore with one ship (2,500 D/T) should be expanded to a regular service including Gulf and Red Sea ports with four ships (3,000 D/T, capable of lifting containers or pallets).

2. Route-by-Route Cargo Movements and Fleet Size

2-1. UK-Continent

Outbound seaborne cargo traffic on the Sri Lanka/UK/Continent route in 1978 totaled 227,408 tons (66,332.25 tons to U.K. and 158,075.75 tons to the Continent). Of this volume, CSC lifted 90,782.75 tons or 39.9% (36,839.75 tons to U.K. and 53,943 tons to the Continent). Thus, in outbound trade on this route, CSC already holds the 40% level of the 40:40:20 cargo-sharing guideline of the International Convention on the Code of Conduct for Liner Conferences.

In the UK/Continent/Sri Lanka inbound trade, cargo traffic in 1978 amounted to 172,459 tons (73,496 tons from U.K. and 98,963 tons from the Continent). Of this inbound total, CSC is estimated to have hauled 83,982 tons or 48.6% (52,917 tons -- a 72% share -- from the U.K. and 31,065 tons from the Continent). Thus, nearly half the inbound traffic is lifted by CSC.

The 1978 liftings of CSC were 7,565 tons per month in outbound trade and 6,999 tons per month in inbound trade. The monthly loading volumes are considered reasonable for the current five ships of the 12,000-15,000 ton class.

But, four ships of the 10,000-ton class will be sufficient for CSC to operate its service on this route. This is because bulky cargoes like wheat flour and fertiliser which currently supplement CSC's loadings in inbound service, will not have to be transported to Sri Lanka after completion of the Prima Mill (scheduled to go into operation in 1980 with an

annual milling capacity of about 600,000 tons) and of the Urea Fertiliser Plant (slated for completion in 1979 with an annual production capacity of 480,000 tons).

The per-ship cargo volumes given in the hypothetical voyage economics for this route are: 4,500 DWT for westbound service (2,750 DWT Colombo/UK and 1,750 DWT Colombo/Continent) and 4,750 DWT for eastbound service (3,500 DWT UK/Colombo and 1,250 DWT Continent/Colombo). (See Annexure 23 submitted by CSC). These volumes, when considering the rate of conversion into freight tons, are a near capacity outbound and inbound load for a 10,000-DWT vessel.

2-2. China-Japan

(1) China Trade

Sri Lanka's trade with China is principally the import of rice and the export of rubber based on a barter trade agreement. The fleets of both countries operating on this route have equal loading shares under the loading share agreement between the two countries. Rubber exports to China in 1977 totaled 65,300,000 kg. Besides, about 3,164 F/T of sundries move to China annually.

Incidentally, the 1977 volume of rubber exports to China showed a decrease of 9,300,000 kg or a dip of 1.2% from the 74,600,000 kg in 1976. China is the biggest importer of Sri Lanka's rubber, accounting for 39.4% of the total rubber exports. Sri Lanka's rubber exports to China may be affected by the progress of the China's modernisation programme, but they are expected to continue at the present level for the time being.

Meanwhile, annual imports of rice from China to Sri Lanka fluctuate widely, that is, 238,338 M/T in 1975, 11,455 M/T in 1976 and 98,150 M/T in 1977. Such fluctuations are covered with surgar imports (10,001 M/T in 1975, none in 1976 and 18,000 M/T in 1977).

The combined annual volume of outbound and inbound shipments in Sri Lanka/China trade is only about 150,000 tons. Besides, the inbound movement of rice is unstable. And, there is the problem of port congestion in China. In view of these and other factors, it will be difficult to operate a liner service between the two countries. It will be better to operate a tramper service in accordance with the ups and downs in cargo movements. (Chartering of ships would be worth considering.)

(2) Japan Trade (including South Korea and Hong Kong)

The Sri Lanka/Japan outbound seaborne cargo traffic in 1977 totaled 65,117 tons. Of this total, CSC transported 27,686 tons or 42.5%. The Japan/Sri Lanka inbound cargo traffic in 1977 amounted to 102,429 tons (81,586 tons in 1978). Of the inbound volume, CSC carried 48,473 tons or 47.3% in 1977 (35,928 tons or 44.0% in 1978). On the monthly average, CSC carried 2,307 tons in outbound service and 4,039 tons in inbound service in 1977 (2,994 tons in inbound service in 1978).

In view of the anticipated increase in cargo movements, including those in trade with South Korea and Hong Kong, it will be appropriate to operate a monthly service with two ships in the 8,000-9,000-ton class.

2-3. Singapore-Middle East

The total volume of seaborne cargo traffic between Sri Lanka and Singapore is not available. But, CSC's lifting volume is very small. In 1978, CSC, operating one 2,500-ton ship (Lanka Sagarika) on this route, transported 6,781 tons (565 tons per month) in outbound service and 10,068 tons (839 tons per month) in inbound service.

With regard to expansion of the Gulf and Red Sea service, it is noted that outbound seaborne cargo traffic to the Gulf in 1977 amounted to 112,000 tons (9,333 tons per month). But, CSC carried a mere 1% of this volume. In inbound traffic from the Gulf, there is no cargo suitable for liner shipping. Outbound traffic to the Red Sea in 1977 totaled 60,000 tons. CSC's loading share was 31% and that of Maldivian Shipping Line 46%. As in the case of the Gulf Route, the problem lies in getting cargo for the return voyage. At present, ships are assigned irregularly as the need arises.

As can be seen from the above, this route has many problems. However, it is a route with neighboring countries with which Sri Lanka has deep connections. Therefore, it would be appropriate to improve the service on this route with one or two 3,000-ton ships.

2-4. Other Routes

Other conceivable routes are with the U.S.A., Canada and Australia. However the survey team learned that the CSC at present is not considering assigning ships on these routes because of the problem of inbound cargo.

Therefore examination of these route was excluded from the survey.

3. Route-by-Route Profitability per Ship

Sri Lanka/UK, Europe Route (annual base)

Freight U.S.\$	3,491,000	
Port Expenses	213,000	
Cargo "	828,000	
Agency Com.	122,000	
Fuel	492,000	
(FO @ 100, DO @ 200)		
<hr/>		
Total	1,655,000	
Net Proceed	1,836,000	(Yield 52%)
Crew Wages	184,000	
Engine/Deck Exp.	224,000	
Insurance	64,000	
Management Fee	32,000	
Misc.	24,000	
<hr/>		
Total	528,000	
Profit	<u>1,308,000</u> Before depreciation and interest payment

(Note) Voyage base (3 voyages per year)

Freight (OUT)	431,250	Port Exp.	71,000
(IN)	732,000	Cargo Exp.	275,800
<hr/>		Agency Com.	40,757
1,163,750		Fuel	164,000
		<hr/>	
			551,557
		Net Proceed	<u>612,193</u>

Sri Lanka/Far East Route (annual base)

Freight U.S.\$	2,745,000
Port Expenses	84,000
Cargo "	475,200
Agency Com.	108,450
Claim	137,250
Others	54,000
Fuel	317,700

Total	1,176,600
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Net Proceed	1,568,400	(Yield 57%)
Crew Eages	160,000	
Engine/Deck Exp.	192,000	
Insurance	56,000	
Management Fee	32,000	
Misc.	24,000	

Total	464,000
-------	---------

Profit 1,104,000 Before depreciation and interest payment

(Note) Voyage base (3 voyages per year)

Freight (OUT)	120,000	Port Exp.	14,000
(IN)	337,500	Cargo Exp.	79,200
		Agency Com.	18,075
		Claim	22,875
		Others	9,000
		Fuel	52,950
			196,100
		Net Proceed	<u>251,400</u>

Singapore/Sri Lanka/Gulf Middle East Route (annual base)

Freight U.S.\$	1,940,000	
Port Expenses	80,400	
Cargo "	360,000	
Agency Com.	43,200	
Claim	108,000	
Misc.	60,000	
Fuel	428,400	
Total	1,080,000	
Net Proceed	860,000	(Yield 44.3%)
Crew Wage	100,000	
Engine/Deck Exp.	128,000	
Insurance	24,000	
Management Fee	32,000	
Misc.	16,000	
Total	300,000	
Profit	<u>560,000</u> Before depreciation and interest payment

(Note) Voyage base (3 voyage per year)

Freight (OUT)	323,000	Port Exp.	13,400
(IN)	Nil	Cargo Exp.	60,000
		Agency Com.	7,200
	323,000	Claim	18,000
		Misc.	10,000
		Fuel	71,400
			<hr/>
			180,000
		Net Proceed	<u>143,000</u>

4. Trail Calculation of Ship Cost by Size (per ship, delivery in March 1982)

Note: US\$1=¥200

Item	10,000 D/W	9,800 D/W (with reefer)	3,000 D/W
Construction cost (includes cost of spares)	¥2,120,000,000	¥2,230,000,000	¥1,010,000,000
Consultant fee (about 5%)	¥100,000,000	¥100,000,000	¥50,000,000
Contingencies (about 2.5%)	¥50,000,000	¥50,000,000	¥40,000,000
Total	¥2,270,000,000 (US\$11,350,000)	¥2,380,000,000 (US\$11,900,000)	¥1,100,000,000 (US\$ 5,500,000)
		Total of 3 types on per ship base (US\$28,750,000)	

5. Economic Evaluation (IRR -- Internal Rate of Return)

The internal rate of return (IRR) was worked out on the basis of section 3 above on the route-by-route profit-by-route profitability per ship on voyage basis. As Table IV-5-1 shows, the IRR per ship of the three sizes of ships for the three routes indicated in the application received by Japan is as follows: UK/Continent Route 9.7%, China/Japan Route 6.8%, and Singapore/Gulf/Red Sea 8.0%. It can be said that these percentages show feasibility.

To simplify the work in calculating the IRR, the life of each type of vessel was taken as 20 years. (The value after 20 years was regarded as zero. In actuality, however, about 5% of the ship purchase price can be realized at the minimum scrap value.) The internal rate of return was calculated for the 20 years on the assumption that the increase in costs would be covered by an increase in freight rates (a 7% rise in costs is equivalent to about 4.8% rise in freight rates).

In calculating the net present value (NPV), the formula uniformly used was $\frac{1-r^n}{1-r} \cdot r$ (when NPV=8%, $r = \frac{1}{1+0.8}$).

In principle, two NPD values -- 8% and 10% -- were taken up, and the IRR sought to obtain the simple average of these two.

Table IV-5-1 IRR by Ship Size (per voyage base)

Unit: \$1,000

Route (Ship size)	Freight	Voyage Cost	Net Proceeds	① Ship Cost	② Profit	NPV		④ Price	Profit after payment of ship cost			⑥ Average	IRR (%)
						③ 6 or 8% Discount (8%)	③ 8 or 10% Discount (10%)		⑤ ③-④ (8%)	⑤ ③-④ (10%)	⑤ ③-④		
Sri Lanka/ UK/Conti. (10,000 D/W)	3,491	1,655	1,836	528	1,308	12,842	11,136	11,350	1,492	Δ214	1.75	9.7	
Sri Lanka/ China/Japan (9,800 D/W)	2,745	1,176.6	1,568.4	464	1,104.4	12,667	10,843	11,900	767	Δ1,057	0.8	6.8	
Sri Lanka/ Singapore/ Middle East	1,940	1,080	860	300	560	5,498	-	5,500	Δ2	-	-	8.0	

6. The Survey Team's Opinion

As a result of our survey and analysis of the pertinent items as described above, we believe that a crash ship replacement programme (See 6.2 below) covering a period of about five years from now should be carried out at once. This conclusion is based on considerations of seaborne cargo movement, the state of containerisation, financial management, and the ageing of CSC's current fleet.

6-1. Reasons

6-1-1. Seaborne Cargo Movement

We believe that the seaborne cargo movement of Sri Lanka's exports and imports will generally remain at about the present level for the time being.

(1) It is ordinarily possible to forecast the cargo movement by liner shipping by using as indicator the economic trend of the consuming country, particularly that country's economic growth rate. Sri Lanka's exports, however, are at present concentrated on agricultural products and do not necessarily reflect the economic trends in the consuming countries (Europe and Japan). Although efforts are being made to expand the acreage under cultivation and to increase agricultural productivity, the crops are extremely susceptible to weather conditions. Furthermore, increase in production and the market is in inverse proportion. When these points are taken into account, the survey team was unable to find any factors at present which would lead to an increase in the export of agricultural products which constitute the base cargo of CSC's liner fleet at the present time.

(2) Regarding imports, to be sure, there exists a shortage of goods in Sri Lanka. We note, for example, there has been a gradual uptrend in recent years in the import of used cars from our country. Such imports will probably increase in keeping with Sri Lanka's economic growth rate (average 3.5% in the last five years). However, the overall framework of Sri Lanka's imports will be limited by the country's balance of international payments.

(3) The Free Trade Zone, on which great expectations are placed, has the potential for greatly expanding seaborne export and import cargo movement, depending on how the Zone develops. There are, however, many uncertain factors. The liberalisation policy is still only in its initial transitional stage with not many months having gone by after the new government came into being. The protracted worldwide recession, too, makes the future uncertain. Therefore, a long-term decision is not possible. As for the Free Trade Zone, there are the problems of the development of the port of Colombo and the development of access routes linking the port to the Free Trade Zone. These development projects must be carried out in parallel with the development of the Free Trade Zone.

(4) Under this situation, the CSC fleet at present has a 40% share of the trade on its main routes -- Europe and Japan. This figure corresponds to the loading share stipulated in the Convention on a Code of Conduct for Liner Conferences and should be regarded as a more or less satisfactory performance.

6-1-2. Containerisation

The quantity of containers handled annually by the port of Colombo is 10,000 TEU (1978,800 boxes per month). The fleet replacement programme submitted to our country reveals the CSC's desire to have all three types of projected ships to be partially capable of loading containers. Regarding a container yard, the work to extend the Queen Elizabeth Pier is being energetically pushed. Containerisation has already become general on all routes serving the developed countries. Sri Lanka's neighbour countries, too, are gradually pushing containerisation. It cannot be said that a time would not come in the near future when long-range considerations may make it necessary for the CSC to consider owning a full containership.

In view of the above, it is believed that with respect to containerisation, too, the appropriate step for the time being would be to limit the programme to crash measures covering the next five years or so.

6-1-3. Financial Management

In managing a shipping company, it is desirable to spread out the ships in its fleet in terms of age. If all the ships are of the same age, the time to replace them will coincide and the cost burden will be concentrated all in one period. The replacement cost burden should be equalized over the years by spreading out the ages of self-owned ships.

If all the ships in the fleet are replaced at the same time, managerial flexibility and maneuverability will be reduced greatly during the, say, 20 years of life of the ships. The world economy changes in recent years at a dizzying pace. The progress of the Free Trade Zone, too, needs to be watched together with the situation regarding containerisation. When these factors are taken into consideration, there are not enough data on hand to draw a conclusion on the future of the CSC fleet in all its aspects. Therefore, we propose a crash programme for the time being.

6-2. Conceivable Crash Five-Year Programme

The present state of CSC's ships shows that their maintenance is very good. We believe that CSC's self-owned ships are serviceable until they reach 25 years of age. With this as the basis, the five-year situation, route-by-route, would roughly be as follows:

Europe Route: Of the five ships presently in service, two of the oldest ones will be retired within the next five-years. By replacing these two with one new vessel and forming a fleet of four, a monthly service can be maintained.

Far East Route: All of the two self-owned ships are expected to be retired within the next five years. Taking into account the fact that cargo movement on the China route is uncertain and that the Japan route is at present being served with a chartered ship, a liner service can be maintained by assigning one new ship and using 2-3 chartered ships.

Singapore-Middle East Route: The only self-owned ship will be retired. In view of the importance of near distance

routes, it will be replaced by a new vessel and the management of the route improved.

In view of the above situation of the routes, the conceivable crash five-year ship replacement programme would be as follows:

Europe Route:	10,000-ton class	1 ship	¥2,270 million
Far East Route:	9,000-ton class (with reefer)	1 ship	¥2,380 million
Singapore-Middle			
East Route:	3,000-ton class	1 ship	¥1,100 million
	Total	3 ships	¥5,750 million

Note: The ship cost is calculated on the basis of delivery in 1981.

Under this replacement programme, it is not expected that a situation would arise in the future in which ships would have to be sold because of surplus. On the contrary, the idea is to cover any future bottoms shortage by chartering or purchasing second-hand ships.

V. Other Matters (for reference)

Outline of the Shipbuilding Industry in Sri Lanka

1. Outline

Colombo Dockyard Ltd. (abbreviated as CDL) in Colombo is the only dockyard in Sri Lanka that has dry docks and a ship building berth. Repairing of ships is its main business, but it occasionally builds small ships, such as tugboats, launches and patrol boats.

This dockyard was constructed in 1908 with the assistance of Great Britain while Sri Lanka was still a British colony. It was operated by a government organ, the Colombo Port Commission. But in June, 1974, the management of the dockyard was transferred to the CDL as a dockyard capitalized at Rs.100 million invested by Ceylon Shipping Corporation. In August, 1975, it was reorganized into a joint venture, 25% of whose capital came from a Hong Kong-based private corporation (and the remaining 75% equity held by CSC). CDL stands on land covering approximately six hectares, facing Colombo harbour.

2. Repairing and New Building Output

Most of the ships repaired at this dockyard are general cargo ships of about 15,000 G/T. Ships are repaired either in the dock or while at anchor in the road off Colombo Port. The approximate gross tonnage and sales amount of repair work in the past three years were as follows:

Year	Gross tonnage (x 1,000)	Sales (Rs.1 Million)	Remarks
1976	486	16.4	Includes repairs done in the road off the port.
1977	960	24.7	
1978	1,188	32.5	

CDL has so far built 12 small ships, including patrol boats and deck barges, for domestic use.

3. Facilities

CDL has three repair docks and one shipbuilding berth. It can repair ships up to 28,000 DWT in the docks. Description of repair docks, shipbuilding berth and their cranes is as follows:

	No. of dry dock and berth	Length x Breadth x over blocks (m)	Nominal capacity	Crane capacity
Repair docks	1	213 x 26 x 9.7	28,000 DWT	30 tons x 1
	2	107 x 16.5 x 6.7	5,000 "	20 tons x 2
	3	122 x 16 x 5.5	5,000 "	10 tons x 1; 6 tons x 1
Shipbuilding berth	1	40 x 12 (declivity 1/15)	---	Travelling crane

The dockyard has two repair quays and one out-fitting quay with water 15 to 18 feet depth, which can tie up ships up to 2,000 DWT. There are rows of buildings on the compounds in which engines and electric machinery parts are repaired. It seems that the management and operation of the whole dockyard, including the repair shops, are adequate.

4. Employees

There are six divisions in CLD, namely, the Marine Division which undertakes repair of ships, the Construction Division which builds new ships, such as launches, tugboats and barges, the Projects Division, the Business Division, the Administrative Division, and the Accounting Division. There are at present about 750 workers working in this dockyard, of whom 650 are on the dockyard's regular payroll while 100 others are subcontracted workers. There are training facilities in the dockyard to train workers in shipbuilding skills. Moreover, CDL has sent five members of its technical staff to Japan and Britain to have them acquire expert knowledge on shipbuilding.

5. Other Matters

(1) There are practically no shipbuilding related industries in Sri Lanka. Therefore, steel, welding rods, paint, steel pipes and the like are all imported. There are no restrictions on imports.

(2) The Merchant Shipping Act (1971) of Sri Lanka regulates safety of ships and shipping. As for classification society ships, inspectors of NK, LR, ABS, NV and BV are stationed in Colombo to inspect them.

(3) CDL is now studying the feasibility of building within its compounds a repair dry docks to handle ships up to 65,000 DWT.

(4) According to CDL executives, the dockyard's repair capability has improved considerably. Even when Sri Lanka acquires new ships, CDL will be able to repair them. They, however, though it necessary to train their technical engineers and shipbuilding workers in:

- o repair of propulsion engines and propulsions system
- o repair of auxiliary machinery
- o marine electronics, and
- o modern welding and inspection.

The CDL executives asked Japan to train their workers.

Annex 1. Questionnaire of Japanese Survey Team for the
Fleet Replacement Program in Sri Lanka

March, 1979

Please furnish us with information on following items and also fill in the blanks wherever requested.

1. Administrative Structure of Shipping, Shipbuilding and port and harbour.
 - i) Chart of Administrative Structure
 - ii) Function of each section
 - iii) Special committee organization, if any
2. Shipping rules and regulations concerning shipping activities.
3. Inter-governmental shipping agreement which includes cargo sharing clause.
4. Promotional or protective measures for national merchant marine.
 - i) Contents of promotional measures together with respective supporting legislations.
 - a. Operation subsidies
 - b. Favourable treatment on loan or investment
 - c. Taxation allowance
 - d. Others
 - ii) Contents of protective measures together with supporting legislations.
5. Central Freight Bureau of Sri Lanka
 - i) Rules and regulations
 - ii) Outline of activity
6. Flow-chart of Export & Import procedure showing respective function of shipper/consignee, shippers' council, C. F.B., carrier, etc.
7. Future development program for shipping.

8. International Trade of Sri Lanka

1975

Unit : M/T

	TO	USA	CANADA	LATIN AMERICA	AFRICA	MIDDLE EAST	SOUTH EAST ASIA	INDIA	JAPAN	CHINA	AUSTRALIA	OTHERS
Names of Commodities												

1975

Unit : M/T

	FROM	USA	CANADA	LATIN AMERICA	AFRICA	MIDDLE EAST	SOUTH EAST ASIA	INDIA	JAPAN	CHINA	AUSTRALIA	OTHERS
Names of Commodities												

1976

Unit : M/T

	TO	USA	CANADA	LATIN AMERICA	AFRICA	MIDDLE EAST	SOUTH EAST ASIA	INDIA	JAPAN	CHINA	AUSTRALIA	OTHERS
Names of Commodities												

1976

Unit : M/T

	FROM	USA	CANADA	LATIN AMERICA	AFRICA	MIDDLE EAST	SOUTH EAST ASIA	INDIA	JAPAN	CHINA	AUSTRALIA	OTHERS
Names of Commodities												

1977

Unit : M/T

	TO	USA	CANADA	LATIN AMERICA	AFRICA	MIDDLE EAST	SOUTH EAST ASIA	INDIA	JAPAN	CHINA	AUSTRALIA	OTHERS
Names of Commodities												

1977

Unit : M/T

	FROM	USA	CANADA	LATIN AMERICA	AFRICA	MIDDLE EAST	SOUTH EAST ASIA	INDIA	JAPAN	CHINA	AUSTRALIA	OTHERS
Names of Commodities												

9. Activities of Ceylon Shipping Corp.

- i) Break down of Actual Liftings per each vessel for each voyage in respective legs by main routes in 1977 and possibly 1978
- ii) Voyage account in detail per each main route for the past 3 years on annual base
--- see attached form for reference
- iii) Voyage estimate per new ship in each main route
(please classify base for calculation of each item)
- iv) Conference statistics on annual base in each main route in 1975, 76, 77
- v) Containerization

Actual Performance of Voyage (in 1977)
OUTBOUND AND INBOUND LEGS RESPECTIVELY IF SEPARABLE IN
EACH MAIN ROUTE

V O Y A G E A/C	VESSEL				ANNUAL TOTAL
	VOY. NO.				
	DURATION				
	NO. OF PORT OF CALLS				
	FREIGHT TON				
	REVENUE (A)				
	PORT CHARGES				
	CARGO EXPENSES				
	TOTAL (B)				
	VOYAGE SUPPLUS (A-B)=C				
S H I P S A/C	CREW WAGES				
	PROVISION				
	TOTAL (D)				
	BALANCE (C-D)				

10. Present situation and future plans of container transport
 - i) Terminal facilities (Container Yard, Container freight station, etc.)
 - ii) Handling and transport equipments
 - iii) Road and Railway
 - iv) Custom procedure
 - v) Cargo movement in container
11. General Information of Colombo Dockyard Ltd.
12. Publications
 - i) Annual Report of Ceylon Shipping Corp. in 1978
 - ii) Annual Report of Central Freight Bureau of Sri Lanka in 1977
 - iii) Review of Economy/Central Bank of Ceylong in 1977

Annex 2. Document Collected

(1) Information on the Item Numbers of the Questionnaire

23rd March, 1979

Mr. Taishin Ono,
Leader of the Japanese Survey Team
for the Fleet Expansion Programme
in Sri Lanka

Dear Sir,

I refer to the photostat Questionnaire which was handed to us by your Survey Team, requesting certain amplifications of the feasibility study sent in with the application for the building of vessels in Japanese yards under the Japanese Government's Yen Credit Scheme. The following is the information requested according to the Item numbers given in the Questionnaire:-

ITEM 1:

Annexure 1 is the Chart of the Administrative structure showing the entirety of the Shipping Divisions under the Ministry of Trade & Shipping. Attached to this Chart is the Organization Chart of the CSC - Annexure 2 . These Charts indicate the function of each Section. There is no special committee organization as referred to by you.

ITEM 2:

Annexure 3 - I forward herewith the following -

CSC Act No. 11 of 1971 : the CSC has been established this Act.

Annexure 4 - Merchant Shipping Act No. 52 of 1971 which provides the Merchant Shipping Law applicable in Sri Lanka.

Annexure 5 - Licensing of Shipping Agents Act No. 10 of 1972 which deals with the Shipping Agents in Sri Lanka.

Annexure 6 - The Central Freight Bureau Law No. 26 of 1973.

The Central Freight Bureau has been set up under this Law which gives them

the powers necessary for their operations.

Annexure 7 - Port of Colombo Administration Act No. 10 of 1950 which provides for the administration of the Port of Colombo.

Annexure 8 - Port Tally & Protective Services Corporation Act No. 10 of 1977 which provides for tally work to be done by this Corporation.

Please see Item 13.

ITEM 3:

Sri Lanka has signed a Joint Shipping Service Agreement with the People's Republic of China in 1972 which has been in operation from 1973. The Joint Shipping Service Agreement provides for the allocation of cargoes from Sri Lanka to China and from China to Sri Lanka, on ships of both countries on an equal basis. The Agreement was originally entered into for the purpose of carrying Rubber from Sri Lanka to China and Rice from China to Sri Lanka under the barter agreement which Sri Lanka has with the People's Republic of China from 1953. With the reduction in the import of Rice from China to Sri Lanka there is the growing increase in the import of general cargo, mostly manufactured goods from China to Sri Lanka. The results of the cargo carried by China and Sri Lanka in the past few years indicate that the cargo sharing has generally been on an approximate 50 - 50 basis.

ITEM 4:

Details required are given in Annexure 9.

ITEM 5:

Details regarding the CFB are given in Annexure 10.

ITEM 6:

Flow Chart of export procedure is attached as Annexure 11, and Flow Chart of import procedure is attached as Annexure 12.

ITEM 7:

Details are given in Annexure 13.

ITEM 8:

Figures of export cargo from Sri Lanka - 1975/76/77 are given as Annexures 14A, 14B, 14C.

The imports into Sri Lanka for the years 1975/76/77 are shown in Annexure 15.

Note 1

The complete details of imports into Sri Lanka for the years 1975/76/77 and for the 1/2 year upto June '78 are available in the Customs Returns forwarded herewith as Annexures 16, 17, 18 & 19. It will be seen that the information available is very voluminous and would take considerable amount of time to condense into a smaller statement.

Note 2

Annexures 16, 17, 18 & 19 are being sent only in one copy.

ITEM 9:

1. Annexure 20 gives the following information-

- (a) Service to Singapore in 1978 by 'LANKA SAGARIKA'.
- (b) West Bound liftings for the years 1977/78 for the UK/Cont. trade and East Bound liftings for the years 1977 and 1978 for the UK/Cont. trade for each vessel.
- (c) Inward and outward liftings to the Far East for the years 1977 and 1978 for each vessel including chartered vessels.

2. Actual voyage performance for each vessel in 1976 and 1977 are given in Annexure 21.

3. Annexure 22. gives the estimated voyage economics of 'LANKA KEERTI' and 'LANKA SAGARIKA' on three recent voyages.

Annexure 23 - the hypothetical voyage estimates for each new ship under the proposed services is given in Annexure 23.

Annexure 24 - the DOCs are given in Annexure 24.

4. Annexure 25 - Conference statistics available are given in Annexure 25.
5. Containerisation : Reference to containerisation by the CSC is given under Item 7 Annexure 13. From the Corporation's point of view there is no question but that the Corporation must prepare for full containerisation at some early date in the future.

ITEM 10:

Annexure 26 deals with the present situation and future plans for containerisation.

ITEM 11:

Annexure 27 gives a note on the Colombo Dockyard Limited.

ITEM 12:

1. The Annual Report of the CSC for 1978 will not be available for a few months more. However Annexure 28 gives the provisional draft, accounts for the year 1978.
2. The Annual Report of the Central Freight Bureau of Sri Lanka is attached as Annexure 29. The Report for 1979 will not be available for a few months. However the Newsletters of the CFB issued in 1978 on which their Annual Report is based are annexed as Annexure 30.
3. The Report of the Central Bank of Ceylon for 1977 is attached as Annexure 31.

ITEM 13:

1. Handling of cargo in the Port of Colombo - the handling of cargo and the provision of similar services in the Ports of Sri Lanka are handled by the Port (Cargo) Corporation under the Port (Cargo) Corporation Act No. 13 of 1958.

The Port (Cargo) Corporation was constituted under the Port (Cargo) Corporation Act No. 13 of 1958. By this Act, this Corporation is vested with the responsibility of providing efficient and regular

services for stevedoring, landing and warehousing cargo, wharfage and supply of water and the bunkering of coal and any other services incidental thereto.

2. A Report on the condition of the vessels of the CSC is attached as Annexure 32.
3. The CSC Voyage Schedule is at 15th March, 1979 is attached as Annexure 33.
4. Copies of Daily Shipping List for Thursday, 22nd March, 1979 and Friday, 23rd March, 1979 are given as Annexures 34 & 35. These Shipping Lists are issued jointly by the Ceylon Association of Steamer Agents and the Central Freight Bureau.
5. A note on the Sri Lanka Shippers Council is attached as Annexure 36.
6. The performance of the Sri Lanka Government in 1978 is shown in a document issued by the Ministry of Plan Implementation - Annexure 37.

We hope we have provided your Survey Team with all the information required so far and shall be happy to furnish any further information that may be required.

Yours faithfully,

CEYLON SHIPPING CORPORATION

(M.L.D. Caspersz)

CHAIRMAN

P.S.

All annexures are in duplicate except for Annexures Nos. 7, 8, 16, 17, 18, 19, 30, 31, 34, 35, 36 & 37.

(2) Supplementary Information on Shipbuilding

23rd March, 1979

Mr. Taishin Ono,
Leader of the Japanese Survey Team
for the Fleet Expansion Programme
in Sri Lanka

Dear Sir,

SUPPLEMENTARY QUESTIONNAIRE ON SHIPBUILDING

I refer to the Survey Team's supplementary questionnaire on ship building and forward herewith copies of statements prepared on the questionnaire.

The work of ship building and ship repair is mainly carried out by the Colombo Dockyard Limited which is a subsidiary Company of the Ceylon Shipping Corporation.

Yours faithfully,

CEYLON SHIPPING CORPORATION

(M.L.D. Caspersz)

CHAIRMAN

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