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ARTICLES

A Contemporary Appraisal of Logistics Performance in Sri Lanka

Abstract

This paper attempts to appraise the logistics performance in Sri Lanka through multiple indexes and discusses insights and provides recommendations for the way forward. Given the geographic advantages and other comparative advantages, Sri Lanka cannot be pleased with its current ranking. Irrespective of different opinions about the validity of these indexes the business world usually considers these rankings in their investment decisions. Therefore, improving the logistics and transport performance is a must.

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INTRODUCTION

The paradigm of interconnectedness continues to hold command in today's global community. However, countries face many challenges in making it happen competitively given inherent geographic factors as well as internal resource constraints. Sri Lanka is enriched with multiple comparative advantages in the areas of naval, aviation and commercial logistics. However, to derive the real benefits of the benevolence the country should enhance its performance in trading across borders. Interestingly, challenges generate opportunities for innovation and problems create new business opportunities. The three areas of naval, aviation and commerce directly relate to international trade and this study examines internationally published reports that contain different indexes and rakings in relation to the logistics performances in Sri Lanka. Logistics Performance Index published by the world Bank across four editions namely, 2010, 2012, 2014, and 2016 reveals that Sri Lanka is placed in the 86th position globally, and ranked in the third place, way behind India and Pakistan, in the South Asian region.

According to the Global Competitiveness Index published by World Economic Forum the transport related factors such as quality of roads, railroad infrastructure, port infrastructure air transport infrastructure also sees a declining trend. Logistics and transport play a key role in business facilitation. The Doing Business reports published by International Bank for Reconstruction and Development reveals that Sri Lanka has declined to a three digit rank out of 160 countries since 2016 with respect to ease of doing business.

Firstly, Logistics plays a crucial role in terms of sequential impact to investment promotion of a country, thus Sri Lanka is no exception to this phenomenon. This is a common challenge to maximize FDIs particularly for developing countries. Secondly, the investments in a country decides the progress or the decline of its economy. In 1990 the regulations in international shipping was liberalized to great extent paving the way for international carriers to

operate their services freely in Sri Lanka. This was well backed up by the comparative advantages of strategic geographic location of Sri Lanka.

LOGISTICS PERFORMANCE

Logistics commonly refers to a series of services and activities, such as transportation, warehousing, and brokerage, that help to move goods and establish supply chains across and within borders. The Logistics environment is primarily influenced by the international trading patterns. In most countries, regulatory measures for trade in goods and services raise new and pressing challenges for efficient cross border movement of goods and services in the 21st century. Logistics make a major impact on economic activity in any country.

The history reveals that the location advantage alone can do very little in the country's overall progress. The process of export shipment should be made very efficient and customer friendly by removing other bottlenecks in border management and external logistics. Sri Lanka too is not an exception to this reality. The Board of Investment of Sri Lanka (Then greater Colombo Economic Commission) implemented investor focussed approach on the common bottlenecks in Customs and border management process soon after the introduction of Free Trade Zone concept in the country. After 1990 the involvement of Central Freight Bureau in exports freight booking was made inactive and shipping industry has been liberalized. Accordingly, it is crucial to analyse the current trends, rankings, scores, and status of various logistics and transport related components and bridge the gaps in the respective areas.

Connecting to Compete report

It is vital to make a regional comparison of logistics performance index (LPI) results published by the World Bank. However, the latest publication of Connecting to Compete -2016 report does not provide LPI results in Sri Lanka. Therefore, LPI results across four editions namely, 2010, 2012, 2014, and 2016 have been considered (No. of countries evaluated 167) to derive the analysis illustrated in table 1.

Indicator	India	Pakistan	Sri Lanka	Bangladesh	Maldives	Nepal	Bhutan	Afghanistan
Customs	46	66	79	104	83	1□1	134	146
Infrastructure	4□	70	1□3	10□	8□	133	1□3	163
International Shipments	38	6□	103	77	118	1□9	1□□	1□□
Logistics □uality□□ Competence	38	73	67	93	98	147	1□4	1□6
□racking and □racing	4□	74	8□	99	10□	116	141	16□
□imeliness	4□	7□	87	86	130	119	1□0	1□4
Logistics Performance Indicator □PI□	4□	69	86	91	100	136	140	160

Table 1: South Asia's world rank in the Logistics Performance Indicator (LPI)

This comparison provides insights to key impediments in logistics performance in the country that may cause serious impact to Sri Lanka. Accordingly. infrastructure and international shipments show a lagging compared with other regional economies which is alarming.

	Germany		Sri Lanka		Singapore		United Arab Emirates		Somalia	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Customs	2	4.07	79	2.52	1	4.11	18	3.67	167	1.49
Infrastructure	1	4.38	123	2.24	3	4.22	16	3.92	167	1.54
International S□ipments	7	3.79	103	2.62	4	3.89	13	3.64	167	1.72
Logistics □uality □ Competence	1	4.20	67	2.84	5	4.06	23	3.71	167	1.72
□racking and □racing	1	4.21	82	2.71	9	4.02	19	3.78	167	1.51
□imeliness	2	4.41	87	3.08	6	4.35	18	4.06	167	2.03
Logistics □erformance Indicator □L□	1	4.17	86	2.68	3	4.10	19	3.79	167	1.67

Table 2: The LPI ranks and scores of selected countries

Table 2 provides LPI scores of six LPI pillars in addition to their ranks of respective countries. Therefore, a qualitative comparison could be derived from the LPI score. For example, Singapore ranks No.1 with a score of 4.11 in the Customs in comparison to No.2 (Germany) with a score of 4.07. Similarly, Germany and Singapore are placed in No.1 and 3 respectively with corresponding scores of 4.38 and 4.22 respectively.

Global Competitiveness Index

Global Competitiveness Index (GCI) published by the World Economic Forum is another source used in this research. As reported in the GCI 2016/17, Sri Lanka was ranked 71 out of 138 economies with a score of 4.19. this is a decline from 68 with 4.21 in the previous report of 2015/16. The overall GCI rank and key components of two key pillars of global competitiveness namely, infrastructure, and goods and market efficiency are analysed below. The analysis consists data

of Sri Lanka and Switzerland that ranks no. 1 in 2016/17 report. It is clear from the comparisons in table 3 and 4 that even the best performing country has performed lower in certain factors. On the other hand, it provides some insights as to what factors may critically important in making the Sri Lanka's rank better.

GCI Rank i n 2016/17 (out o f 138 countries)	Sri Lanka 71		Switzerland 1	Remarks
2nd pillar: Infrastructure	2015/16	2016/17	2016/17	
Quality of roads	27 4	3	7	
Quality of railroad infrastructure	37 4	3	2	
Quality of port infrastructure	58 6	0	55	*Netherlands ranks 1; New Zealand ranks 2*
Quality of air transport infrastructure	45	58	8	*Singapore ranks 1*

Table 3: Analysis of selected components in "Infrastructure"

For example, the quality of roads, railroad infrastructure, quality of air transport infrastructure, degree of customer orientation, and buyer sophistication would have primarily helped Switzerland to achieve these superior performances.

GCI Rank (out of 138 countries)	Sri Lanka 71		Switzerland 1	Remarks
6th pillar: Goods market efficiency	2015/16	2016/17	2016/17	
No. of procedures to start a business* 1	04 9	4	54	
No. of days to start a business*	59 5	6	56	
Prevalence of non-tariff barriers 9	2	73 5	8	*Singapore ranks 1*
Trade tariffs, % duty*	138	136	57	
Prevalence of foreign ownership	61 7	9	19	*United Kingdom ranks 1*
Business impact of rules on FDI	38 6	8	12	
Burden of customs procedures	59 6	3	14	*Hong Kong ranks 1*
Imports as a percentage of GDP* 9	8	107	48	*Hong Kong ranks 1*
Degree of customer orientation	30 3	8	3	*Japan ranks 1*
Buyer sophistication	33	45	3	

Table 4: Analysis of selected components in "Goods and Market Efficiency"

Doing Business Report

Doing Business Report of International Bank for Reconstruction and Development (IBRD) under the World Bank provides various data that are commonly considered in investment decisions. Table 5 refers to New Zealand and Netherlands and Sri Lanka. New Zealand is chosen its rank in "starting a business" and Netherlands is the best performer in trading across borders.

Indicator	Year: 2017	Sri Lanka	New Zealand	Netherlands
No of countries considered	No. of Countries: 190			
Starting a business		74	1	28
Trading across borders		90	55	1
Time to Export(days)	Documentary compliance(hours)	76	3	1
	□order compliance(hours)	43	38	0
Cost to export (□SD per container)	Documentary compliance(□S□)	58	67	0
	□order compliance(□S□)	366	337	0
Time to import(days)	Documentary compliance(hours)	58	1	1
	□order compliance(hours)	72	25	0
Cost to import (□SD per container)	Documentary compliance(□S□)	283	80	0
	□order compliance(□S□)	300	367	0
Ease of Doing □usiness		110	1	28

Table 5: Comparison of Doing Business Report of IBRD -The World Bank

CONCLUSIONS AND RECOMMENDATIONS

Innovations in logistics would play a key role to improve the logistics performance. If the transport cost is brought down the price of goods and services are expected to reduce. This would help a country to bring down its inflation. Similarly, the country's exports will be more competitive in the global market due to lower transport cost. However, logistics industry (the shipping businesses in particular) are faced with serious challenges today. More shipping alliances, acquisitions and mergers taking place which makes the industry heavily volatile. There are various security threats caused by sea piracy. Environmental regulations are getting tougher every day which is inevitable. Maritime transport emits around 1000m tonnes of CO2 annually and this accounts 2.5% of global greenhouse gas emissions. Therefore, it is imperative that regulators need apply pressure on green logistics.

The container inventory imbalance costs USD 15 Billion a year globally. It is estimated that 20% of containers transported by sea and 40% by land are empty. Container exchange is identified as an effective solution to the container inventory imbalance. Carriers exchange slots for more than two decades now although they still failed to implement the same method for containers although many service agreements already provide provisions to do so. There is a lack of interest by carriers find solutions as the additional cost can be simply transferred to exporters as empty container surcharge. Boarder management is one strong pillar in effective maritime logistics. It was hypothesised that there should be a transparency in the present regulatory system with respect to Logistics and Transport. As revealed in previous literature neighbouring countries are said to have a better regulatory system than Sri Lanka; bureaucratic discretion by certain border management officials obstruct the free international trading rather than facilitating the trade.

Global shortfall of competent workforce in maritime sector and declining demand for freshers are among them. Training new employees to prepare them for the jobs of the future isn't the only issue. Logistics professionals need strong analytical skills and understanding of innovative technologies. Skills in information technology, RFID and automation etc. is now a prerequisite for a job in maritime, logistics, and supply chain management. Logistics should be introduced in the school curriculum at the secondary education level. The clear understating about countless benefits of the industry may help attract students to peruse higher education in the logistics sector. Schools can introduce students' societies such as 'Logistics society', Future Logisticians' club' because logistics companies and training institutes may conduct knowledge sharing training programs through these clubs. This is a highly effective way to take the message to the public because the parents usually are inquisitive about the activities taking place in such societies in schools. If the education authorities do necessary initiatives at policy level, there are many private education institutes who can assist schools by providing various resources including training and development as a means of corporate social responsibility. Also, professional institutes such as Chartered Institute of Logistics and Transport, Institute of Chartered Shipbrokers should take leadership in these projects.

About the author

Dr. Lalith Edirisinghe is a past student of Ananda college. He commenced his carrier in 1981 as a Cadet Officer in Merchant Navy. He counts 36 years' work experience in the fields of maritime; Marketing, supply chain management, Border management in both government and private sector organizations. He has a PhD, in Transportation planning and Logistics Management from the Dalian Maritime University affiliated to World Maritime University, Sweden. He is a Chartered Marketer, Chartered member of Institute of Logistics and Transport (CILT) and a member of Sri Lanka Institute of Marketing. He is an author, editor, reviewer, session chair, and presenter in many international publication and conferences.

Dr. Edirisinghe is a researcher in Supply chain management and his innovations include, Container Inventory Management (CIM) Concept Model; Multidimensional CIM Evaluation Country Index; Carriers' CIM Competence Index; 3F CIM Matrix; 6R container Supply Management Model; Harmonized System Code Process Flowchart and Virtual Container Pool©.