Parliamentary Series No: 439

The Tenth Parliament of
The Democratic Socialist Republic of Sri Lanka
(First Session)

Sixteenth Report of
The Committee on Public Enterprises

(Examination conducted
on the Sri Lanka Ports Authority
on 10.09.2025 and 13.11.2025)

Presented by
Hon. (Dr) Nishantha Samaraweera,M.P.,
Chair of the Committee on Public Enterprises
On 08.01.2026

Ordered to be printed by Parliament of Sri Lanka on 08.01.2026

First Session of the Tenth Parliament
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Chair's Note

The Committee on Public Enterprises conducted an examination of the Sri Lanka Ports Authority (SLPA) on 10.09.2025 and 13.11.2025. As at 10.09.2025, the SLPA fell under the purview of the Ministry of Transport, Highways, Ports and Civil Aviation, which is currently under the purview of the Ministry of Ports and Civil Aviation. I hereby submit the report of the investigation carried out regard to the Auditor General's Reports for the years 2022 and 2023, as well as its current performance.

The Committee on Public Enterprises observed that the SLPA was established under the Sri Lanka Ports Authority Act, No. 51 of 1979 to maintain, and operate shipping and port services across the country. The Committee further noted that the said Act had been amended by Acts No. 07 and No. 35 of 1984, No. 36 of 1990, and No. 02 of 1992. Accordingly, the attention of the Committee was drawn to the vision, mission, and functions that were intended to be fulfilled through the establishment of the Sri Lanka Ports Authority under the said Act and its subsequent amendments.

During this examination conducted regarding the operations and fiscal control of the SLPA, it was observed that delays in terminal development projects, weaknesses in procurement processes, and irregularities in the management of valuable lands had placed the Authority's market share and financial stability at serious risk.

In order to achieve effective outcomes through the investigations of the Committee on Public Enterprises, it is very important to ensure the proper implementation of the recommendations of this Committee, follow-up action, and the establishment of responsibility and accountability. As the Chair of this Committee, I wish to state that I will make every possible effort, with the support of the Hon. Members, to ensure that the recommendations made by the Committee are duly implemented.

In order to successfully discharge the functions of the Committee on Public Enterprises, I appreciate the support extended by the Hon. Members of Parliament serving on the Committee, the staff of Parliament led by the Hon. Speaker, the two advisors to the Committee, the officials of the Treasury, and in particular the support rendered by the National Audit Office under the leadership of the Auditor General.

Dr. Nishantha Samaraweera
Chairman
Committee on Public Enterprises

Executive Summary

This report summarizes the key facts revealed during the investigation carried out by the Committee of Public Enterprises on the operational efficiency, financial discipline, and asset management of the SLPA. The Committee paid its serious attention to the significant decline in the Authority's market share, which had dropped markedly from 81% in 2001 to 31% by 2024.

During this investigation the Committee identified a number of serious weaknesses in the management of subsidiary companies and drew particular attention to the financial loss incurred due to the importation of substandard fuel using a loan of USD 24 million obtained by Magampura Port Management (Private) Limited (MPMPL), as well as the related judgment of the Court of Appeal. In addition, the Committee observed the controversial methodology adopted in the valuation of land for the Logistic Hub project within the Port of Colombo premises, and the costs incurred by the Government and the SLPA as a result of the subsequent cancellation of that project.

Delays in major procurement processes, particularly the 548-day delay in the construction of the East Container Terminal (ECT) which resulted in a number of cranes purchased at a cost of USD 282.56 million remaining idle and unable to be deployed for operations, were identified as a serious issue. Furthermore, the failure, to recover compensation, to date, for lands valued at over Rs. 1,576 million that had been transferred to state institutions such as Lotus Tower and the Sri Lanka Customs has directly affected the financial stability of the SLPA.

It clearly reflects the weaknesses in the internal control system of the SLPA, that decisions were taken without Board approval in providing sponsorship to the Seeduwa Raddolugama Sports Club, and the officers had used official quarters for prolonged periods of up to 30 years in violation of the circulars governing the allocation of official residences. Accordingly, the Committee on Public Enterprises emphasized the need for the Authority to promptly formulate an updated strategic plan to safeguard its assets and regain its lost market share, as well as to strengthen its internal audit divisions.

The Committee on Public Enterprises hereby submits its sixteenth report of the first session of the tenth Parliament with pleasure.

The Committee on Public Enterprises held meetings during the first session of the Tenth Parliament over a period of 11 months as follows:

No.	Institution	Committee Meeting Date
1.	The National Youth Services Council	18.02.2025
2.	The National Youth Services Council	20.02.2025
3.	Sri Lanka Bureau of Foreign Employment	27.02.2025
4.	National Gem and Jewelry Authority	05.03.2025
5.	National Medicines Regulatory Authority	12.03.2025
6.	National Gem and Jewelry Authority	27.03.2025
7.	Airport and Aviation Services (Sri Lanka) (Private) Limited	02.04.2025
8.	Land Reforms Commission	08.05.2025
9.	Airport and Aviation Services (Sri Lanka) (Private) Limited	09.05.2025
10.	Sri Jayewardenepura General Hospital	15.05.2025
11.	Sri Lanka Bureau of Foreign Employment	23.05.2025
12.	Sabaragamuwa University of Sri Lanka	04.06.2025
13.	The University of Sri Jayewardenepura	20.06.2025
14.	Mahapola Higher Education Scholarship Trust Fund	09.07.2025
15.	Lands Reforms Commission	17.07.2025
16.	State Timber Corporation	23.07.2025
17.	Civil Aviation Authority	20.08.2025
18.	Sri Lanka Ports Authority	10.09.2025

19.	Ceylon Electricity Board	24.09.2025
20.	Construction Industry Development Authority	08.10.2025
21.	Lanka Sathosa	10.10.2025
22.	LTL Holdings in relation to the inquiry of the Ceylon Electricity Board	24.10.2025
23.	National Savings Bank	19.11.2025
24.	National Savings Bank	26.11.2025

Among them, on 10.09.2025 and 13.11.2025, the Committee on Public Enterprises examined the Auditor General's reports for the years 2022 and 2023 of the SLPA which now falls under the purview of the Ministry of Ports and Civil Aviation, as well as the current performance and the observations and recommendations of the Committee had been included in this report.

Auditor's Opinion on the Financial Statements

Auditor's opinions on the financial statement presented by the Sri Lanka Ports Authority the years 2022 and 2023 are given below.

Institution	Year	
	2022	2023
Sri Lanka Ports Authority	Qualified Opinion	Qualified Opinion

Types of Audit Opinions

01. Unqualified Opinion
The financial position of the institution has been presented fairly in the financial statements.

02. Qualified Opinion
Except for the effects of the matters mentioned in the report, the financial position, financial performance and cash flows of the institution give a true and fair view in accordance with Sri Lanka Accounting Standards.

03. Disclaimer of Opinion
That an opinion cannot be expressed on the accounts due to the inability to identify sufficient or appropriate audit evidence.

04. Adverse Opinion
That the financial position, financial performance and cash flows of the entity do not present a true and fair view in accordance with Sri Lanka Accounting Standards.

Sri Lanka Ports Authority
(Ministry of Transport, Highways, Ports and Civil Aviation)

This institution was brought under the purview of the Ministry of Ports and Civil Aviation with effect from **18.10.2025.**

Dates of examination – 10.09.2025 and 13.11.2025

The matters discussed on 10.09.2025

01. Introduction of the SLPA and the Establishment of the Authority

The Committee on Public Enterprises observed that the SLPA was established under the Sri Lanka Ports Authority Act, No. 51 of 1979 and the said Act had been amended by Acts No. 07 and No. 35 of 1984, No. 36 of 1990, and No. 02 of 1992. The Committee further noted that, as at 31 July 2025, the Sri Lanka Ports Authority had three subsidiary companies and two associated companies.

Name of the Company	Share holding %	Nature of ownership
The Jaya Container Terminals Limited (JCT Limited)	100	subsidiary
Magampura Port Management Company (private) Limited (MPMPL)	100	subsidiary
Lanka (Litro) Gas Terminal Lanka (Pvt) Ltd	100	subsidiary
Sri Lanka Port Management and Consultancy Services (Private) Limited	40	associated
Hambantota International Port Services (HIPS)	42	associated

It was observed to the Committee that it had been decided to liquidate the following subsidiary companies and associated companies owned by the SLPA.

Name of the Company	Liquidation
Magampura Port Management Company (private) Limited (MPMPL)	A liquidator had been appointed on 01.06.2022 and liquidation process is being carried out.
Lanka (Litro) Gas Terminal Lanka (Pvt) Ltd	This company established on 06.12.2017 has not yet commenced its operations and liquidation process is being carried out.

01.1 <u>Liquidation of Lanka Gas Terminal (Pvt) Ltd</u>

It was observed to the Committee that, although the Lanka Gas Terminal (Pvt) Ltd was established in 2017, it has not carried out any operational activities due to the non-implementation of the expected LNG project, and that the company has been directed towards a "voluntary liquidation" process in a context where the SLPA had not incurred any expenditure on its behalf.

01.2 <u>Liquidation of Magampura Port Management Company (private) Limited (MPMPL) and recovery of the loan amounting to USD 24 million obtained by the said company from a private bank on a corporate guarantee furnished by the SLPA.</u>

Subject	**Observation**
Establishment of the Company	This company was established on 05.07.2013 for the operational management of the Hambantota International Port

Obtaining Loan	A loan amounting to USD 24 million had been obtained from a private bank on a Corporate Guarantee furnished by the SLPA.
Current Debt Burden	As at 31.12.2024, the total amount payable, inclusive of interest, had increased to USD 26.49 million (Rs. 9,617 million).
Financial Loss	A massive loss had occurred as the fuel imported using the loan proceeds was found to be "substandard" and could not be supplied to ships, resulting in its disposal through tender procedures.
Court Oder	A judgment had been delivered against the SLPA in the case filed by the bank for the recovery of the loan, and an appeal had been filed against the said judgment.
Investigations	Investigations are being conducted by the Commission to Investigate Allegations of Bribery or Corruption (CIABOC) against the responsible officials.
Liquidation	Liquidation proceedings of the company had commenced under court orders from 01.06.2022, however, the process has not yet been concluded.
Supervisory weaknesses	It was further observed that proper supervision had not been carried out as a subsidiary company and that no reports relating to internal investigations or audits were available.

<u>Recommendation</u>

I. **To look into whether there are any additional liabilities of the Magampura Port Management Company (private) Limited, apart from the outstanding balance of the USD 24 million loan obtained from a private bank on a Corporate Guarantee furnished by the SLPA, and to take the necessary measures to settle all such liabilities in a manner that would not cause a loss to the Government.**

II. To carry out a formal internal investigation regarding the importation of unsuitable fuel and the misuse of funds from the USD 24 million loan obtained in 2014 by the Magampura Port Management Company (private) Limited upon commencing operations as a fuel supplier at the Hambantota Port, and to take the necessary measures to recover the said funds from the officials responsible.

III. To inquire into the current status of the investigations relating to the complaint submitted to the CIABOC and the complaint referred to the said Commission by the Financial Crimes Investigation Division (FCID), and to request the relevant institution to expedite and conclude those investigations promptly.

IV. To streamline the functions of the Internal Audit Division of the SLPA and to supervise whether all activities of the Authority are being subjected to review by that Division, and to report on the progress thereof.

V. To implement all necessary internal control measures to prevent similar financial irregularities in Jaya Container Terminals Limited (JCT), which remains under the ownership of the Sri Lanka Ports Authority and has not been decided to be liquidated, and to properly discharge the regulatory responsibilities relating to the said company.

VI. To carry out all the above-mentioned activities and submit a report/reports thereon to the Committee and the Auditor General.

02. Corporate Plan

According to Guideline 2.3 of the Code of Corporate Governance for State-Owned Enterprises (No. 01/2021 dated 16.11.2021) and Presidential Secretariat Circular No. PS/SB/Circular/03/2025 dated 24.03.2025, a rolling strategic plan covering a five-year period should be prepared and continuously updated. However, the Committee observed that the Ports Authority has prepared plans only for the period 2024–2028.

Specially, since the ownership of the South Asia Gateway Terminals (SAGT) is scheduled to be transferred to the Authority in 2029, the Committee emphasized the need for a comprehensive and continuously updated strategic plan incorporating policy decisions on its future operations in line with economic and social changes.

Recommendation

I. Updating the corporate plan and the strategic plan of the authority immediately.

03. Performance of Container Terminals

Terminal/Institution	**Operational status and market share**	**Observations and technical facts**
SLPA - JCT, UCT, CECT	The container handling capacity of these three terminals was 81% in 2001 and it had decreased to 31% by 2024.	The existence of technical limitations (11.25 m – 14.25 m) due to old equipment and depth. Provision of low profit services as a regulator.

SAGT (PVT)	The container handling capacity increased from 19% in 2001 to 51% in 2009 and then decreased to 26% by 2024.	Maintaining partnerships with leading shipping companies such as Maersk, Evergreen.
CICT (PVT)	Operations commenced in 2013, a 43% market share had been achieved by 2024.	Ability to handle large vessels as a deep-sea terminal, with high efficiency.
CWIT (PVT)	Operations commenced in March, 2025 and 93, 511 TEUs had been handled by June.	The newest operational terminal added to the Port of Colombo.
ECT (Eastern Terminal)	It is developing and has a capacity of 3.5 million container units.	Due to the limitations of the UCT terminal, said operations had been transferred to the ECT and investments had been made in new equipment.

<u>Recommendation</u>

I. **preparation of a clear plan by the SLPA to achieve the maximum capacity of 3.5 million.**

The matters discussed on 13.11.2025

04. The progress of the implementation of the recommendations made by the Committee on Public Enterprises held on 05.09.2023.

At the Committee meeting held on 05.09.2023, it was recommended that the Chief Accounting Officer submit a concise report covering an independent investigation into the delay in payments for cranes purchased for the Colombo East Container Terminal (CECT) and the delay in completing the remaining construction work of the terminal, the procurement process of cranes for the Jaya Container Terminal (JCT), the delays in construction work at the CECT and in the delivery of cranes purchased for the terminal, and the actions taken to amend the relevant contract. It was further recommended that documents confirming that the delay in advance payments was due to the Bank of Ceylon be submitted, and that necessary amendments to the agreement be made in this regard.

04.1 Current situation of the construction project of CECT

Phase I of the CECT project was completed in April 2016. With regard to Phase II, it was observed by the Committee that approval had been granted under Cabinet Decision No. 21/0198/328/005/TBR dated 02.02.2021 for the development of the CECT. It was further noted that Cabinet approval had been granted on 23.11.2021 to award the contract to Access Engineering PLC in joint venture with China Harbour Engineering Co. Ltd., at a value of Rs. 40,273 million and USD 69.475 million.

The agreement was signed on 20.12.2021, and construction commenced on 04.01.2022. Although the construction was scheduled to be completed by 03.01.2025, the project has not yet been completed. The Committee further observed that the following factors had contributed to the delay in construction.

4.1.1 Delay in the provision of Design Drawings

Fact	Observation
Nature of the delay	It was observed that the provision of 06 design drawings had been delayed by periods ranging from 79 to 224 days beyond the agreed dates.
Plan revision	Although 366 drawings had been provided during the tender stage, subsequent changes had required their updating, which had contributed to the delay.
Geographical factors	It was further observed that excavation had to be carried out to a deeper level than initially anticipated, up to the Completely Weathered Drift level, which had affected the revision of the design drawings and caused delays.
Project duration	Although delays were indicated according to the contractor's program, it was observed that the delay in issuing these drawings had not directly affected the extension of the overall project duration.

4.2 Delay of the entire project

The Committee observed that the construction works of Phase II of the CECT had been subject to extensions of time on three occasions, resulting in a delay of 548 days in the scheduled completion of the project. Although the contractor had claimed financial compensation amounting to Rs. 4,227 million for direct and indirect costs arising from this delay, it was noted that construction of the 1,306-meter-long quay wall had reached a significant level of completion (over 900 meters), and that yard development works were progressing rapidly with the installation of ARMG cranes. The Committee further observed that, due to the delay in project completion, the expected economic benefits would be lost, and therefore emphasized that the project should be completed by July 2026. It was also stressed that the Authority should duly fulfil its obligations in providing the required facilities to the contractor.

4.3 The contractor had claimed financial compensation amounting to Rs. 4,227 million.

Fact	Description	Observation
Reasons caused for claiming compensation	Delay in the installation of Quay-Wall blocks. Increase of Head office overheads. Interest for retention money.	These matters had been presented by the contractor as financial losses.
Economic and financial barriers	Banking issues faced by the contractor in utilizing the advance payments due to the economic conditions prevailing in the country in 2022.	Following the consideration of this situation, the Authority had given an Extension of Time (EOT) to the contractor.
Fuel crisis	Delay in dredging due to the fuel shortage prevailing in the country.	Although fuel was provided through the intervention of the Authority, the contractor had also cited this as a reason for claiming compensation.
Geological changes	The decision to increase the excavation depth arose due to the revision of the foundation level from the initially expected Weathered Drift level to a lower level based on following investigations.	This was considered as an additional work part of the project.
Final decision of the Authority	Rejection of the compensation claim in full.	In accordance with the contract, the Authority is obliged to pay compensation, and that if the dispute is referred to arbitration, the Authority expects to proceed with and defend the arbitration process.

4.4 Land Development Using the Sand Preloading Method

The Committee observed that the land development work of the East Container Terminal was delayed by 5 months due to the use of the 'Sand Preloading' method based on the recommendations of an expert committee. The Authority pointed out that although the contractor had proposed faster methods such as 'Concrete Piles' and 'Stone Columns', formal studies confirmed that they were extremely costly and could not practically be completed within the short timeframe specified by the contractor. Since the project is implemented on a 'Measure and Pay' basis, it was revealed to the Committee that the 'Sand Preloading' method was selected as the most suitable method to minimize costs and comply with the recommendations of two technical committees, despite ignoring the risks regarding future market opportunities.

4.5 Inability to Identify Reefs in the VC 32 Area of the Reclamation Land

The contractor failed to conduct a proper study of the terrain during the initial seabed investigation, resulting in the failure to identify reefs in the VC 32 area of the reclamation land. Consequently, the Committee observed that land development activities were delayed by more than 55 days due to the initial inability to deploy appropriate methodologies.

It was revealed to the Committee that it was expected to develop an area of about 59 hectares for the container yard and other areas, where various methods were used depending on the nature of the terrain. Under the Measure and Pay system based on the assessment of work volume completed by the contractor, the Authority had certified bills worth Rs. 18,799 million out of a total bill value of Rs. 26,710 million up to June 30, 2025, and most of these payments have already been finalized.

4.6 Procurement and Utilization of STS Cranes and ARMG Cranes

Scope	Observation	Explanation of the Authority
Equipment Purchased	Procurement of 12 STS cranes and 40 ARMG cranes at a cost of USD 282.56 million.	All cranes were received by 06.06.2025. The procurement process was initially delayed by 11 months.
Idle Equipment	Deploying only 06 STS cranes for operations. The remaining 06 STS and all 40 ARMG cranes have not been used yet.	This is due to the construction delay in the yard (Reclamation Area). 06 STS cranes have been commissioned, and another 03 machines are currently being commissioned.
Selection of Spreaders	Although the 'Bromma' brand was initially selected, it was later changed to 'Stinis'.	The Design Review Meeting made this change based on technical requirements.
Technical Advantages	The selection of Stinis spreaders was noted as problematic.	It was considered that Stinis possesses a hydraulic system where the length can be adjusted via belts, along with its successful performance at JCT 5.
Financial Impact	Issue regarding the price difference between the two brands.	Although the Stinis brand is about one million rupees more expensive than Bromma, the Authority has not incurred any additional cost for it.
Other Observations	Unloading cranes of other terminals at ECT.	Until the construction of the JCT 5 terminal was completed, its cranes were temporarily unloaded at ECT and later moved to the respective terminal.

Recommendation:

I. **Submit the report of the Design Review Committee meetings held after signing the contract regarding the crane components and methodologies, along with all relevant documents, to the Committee and the Auditor General.**

5.7 Inviting Bids to Procure Straddle Carriers

The Committee observed that bids had been invited on 4 occasions since 2021 to purchase Straddle Carriers to be used as a means of transferring containers between the crane yard and the container yard. However, due to the failure to conduct a proper study on the equipment type, required quantity, and specifications prior to starting the process, changes in decisions made during each bidding occasion prevented the procurement process from commencing. It was determined that the procurement process would take 446 days, and due to this delay, there was a risk that the equipment could not be purchased by July 2026 when the construction of CECT Phase II is scheduled to be completed, thereby delaying the timely commencement of the project's intended operations.

Occasion	Year	Description	Result
First Occasion	2021	Inviting bids to purchase 30 Straddle Carriers.	The procurement was canceled as all 03 submitted bids were rejected by the Technical Evaluation Committee (TEC).
Second Occasion	April 2022	Inviting price quotes in two batches of 15 machines each.	The procurement was canceled based on the TEC recommendation because the prices were extremely high.

Third Occasion	October 2023	Inviting price quotes for both Hybrid and Diesel options.	The procurement process was canceled due to protests from trade unions and operational divisions.
Fourth (Current) Occasion	2024 / 2025	Deciding to award the tender through a new committee appointed by the Cabinet of Ministers.	The tender is scheduled to be awarded upon the agreement of all parties.

Recommendations:

I. **Look into this matter and carry out these procurement activities without any further delay.**
II. **Submit a proposal to minimize current delays in the procurement process and involve teams with expert knowledge in procurement.**

06. Land allocated to the Urban Development Authority for the construction of the Lotus Tower, land allocated to the Department of Customs for the construction of a building, and land located at Cyril C. Perera Mawatha (Matters 3.1 (i) included in the Auditor General's Report for the years 2022 and 2023 discussed by the Committee)

6.1 Land allocated to the Urban Development Authority for the construction of the Lotus Tower and land allocated to the Department of Customs for the construction of a building

The Committee observed that although two plots of land owned by the Ports Authority worth over Rs. 1,576 million had been transferred for the construction of the Lotus Tower and the Customs Department buildings, proper compensation had not been received for them as of 31.12.2024. Specifically, the Lotus Tower land on D.R. Wijewardene Mawatha (Rs. 628.5 million) and the land given to the Customs Department at Canal Yard, Colombo 01 (Rs. 947.5 million) are the properties for which compensation has not yet been received. Since these assets were transferred to the Authority as a government investment under Act No. 51 of 1979, and the Ports Authority pays an annual dividend of 8% to the Treasury for them, it was observed that the failure to recover proper compensation has a direct impact on the financial stability of the Authority. It was revealed to the Committee that actions are currently being taken regarding the compensation for the Lotus Tower land as per the advice of the Attorney General, and arrangements have been made to re-acquire the land enjoyed by the Customs Department to the Government with the intervention of the Ministry of Finance to pay the compensation.

6.2 Land located at Cyril C. Perera Mawatha

The Committee observed that the valuable land of 01 acre, 02 roods, and 14.9 perches valued at Rs. 83.723 million located at Cyril C. Perera Mawatha had been taken over by the Urban Development Authority, but the legal transfer activities had not been completed even by December 31, 2024.

Facts were presented here that a "land exchange" transaction had been proposed by two Cabinet decisions regarding the provisioning of a portion of land owned by the Ports Authority to provide parking facilities for a housing complex constructed by the Urban Development Authority (UDA). However, as the relevant plot of land is essential for the future development activities of the port, it was revealed to the Committee that the proposal is still at the discussion stage and it is expected to conclude this exchange quickly after entering into a Memorandum of Understanding (MoU) with the Urban Development Authority.

Recommendation:

I. **Take necessary steps to conclude these exchange activities expeditiously.**

6.3 Land near the communication tower construction site at D.R. Wijewardene Mawatha, Colombo 10

The Committee observed that the Secretary to the President had instructed on 22.12.2020 to transfer the land located at D.R. Wijewardene Mawatha, Colombo 10, to the Telecommunications Regulatory Commission of Sri Lanka via a free grant, and that the compensation due to the Ports Authority for it should be paid by the General Treasury. It was revealed here that a letter seeking further instructions regarding this matter was submitted on 26.12.2024, and reminders were sent again in May and August of the year 2025. Similar to the methodology followed for the Customs Department land issue, it has been proposed to acquire the land to the government and pay the compensation due to the Ports Authority through the land acquisition process with the intervention of the relevant ministry, and the Committee observed that arrangements have been made to hold a special discussion with the General Treasury in the future regarding this matter.

07. Transfer of 3 Cranes by the Sri Lanka Ports Authority to South Asia Gateway Terminals (SAGT)

Scope	Description
Initial Contribution (1999)	At the inception of SAGT, the Ports Authority provided 3 cranes owned by it valued at USD 7.236 million as an 'In-kind contribution' in exchange for a 15% equity stake.
Capital Restructuring	Since the company reduced its proposed capital by 50%, the contribution value of the Ports Authority was also reduced to USD 3.6 million.
Benefits Received	**1. In Shares:** Shares corresponding to a value of USD 3.618 million have been issued. **2. In Cash:** The difference between the market valuation of the cranes ($4.8 million) and the issued shares, amounting to USD 1.193 million, was paid to the Ports Authority in 2012.

Outstanding Balance	Although the Authority retains ownership of the original crane value of $7.2 million under Clause 8F of the original agreement, only $4.8 million has been received so far. Accordingly, a balance of USD 2.424 million (Rs. 141.63 million) has not been received by the Ports Authority.
SAGT's Position	The company has promised to provide shares corresponding to this balance to the Ports Authority in a future capital issue.
Accounting Issue	Although this outstanding amount was initially recorded in the accounts of both parties, it was observed that SAGT subsequently removed this liability from its books.

The Auditor General stated that information should be considered regarding whether a technical review was conducted regarding the reduction of the estimated value of these three cranes from $7.2 million to $4.8 million, and the time gap between these two valuations.

Recommendation:

I. Submit information regarding this to the National Audit Office.

08. Acting in Accordance with Section 39 of the Sri Lanka Ports Authority Act No. 51 of 1979

According to Section 39 of the Sri Lanka Ports Authority Act No. 51 of 1979,

"Where any goods placed in any transit shed of the Authority are not removed from such shed within a period of 21 days from the time when such goods were placed in such shed, all or any of such goods remaining in such shed after the expiration of that period may, without prejudice to the provisions of section 40, be sold by the Authority by public auction."

Matter	Observation	Explanation of the Authority
Accumulation of Containers	Observing that there are 1,160 containers (2,250 TEUs) that have exceeded two days.	This is a normal situation, and containers that have completed the 03-day rent-free period provided for import containers can remain in the yards in this manner.
Data System Issues	Information about a container shown in the system for an unusual period of 6,922 days.	It was stated that it was a 'Dummy Container' created for a system requirement, and data errors surfaced due to a power failure that occurred in the old 'SP' system. Currently, an advanced system called 'N4' has been installed.
Delay in Auctioning	Delay in auctioning containers despite having legal provisions to do so after 21 days.	The reason for the delay is that approvals and inspections from several institutions such as Customs and the Food Control Unit are mandatory before auctioning, and import rules and regulations must be complied with.
Abandoned Cargo	Accumulation of containers due to importers abandoning goods.	Action has already been taken regarding eight containers.
Need for a Common Strategy	Delay in decision-making as multiple institutions are involved.	The Ministry of Finance, Ports Authority, and Customs must jointly arrive at an expedited Common Strategy.

Recommendation:

I. **The Ministry of Finance, Planning and Economic Development, Sri Lanka Ports Authority, Department of Customs, and other relevant institutions should jointly discuss all practical issues in implementing Section 39 of the Sri Lanka Ports Authority Act No. 51 of 1979, arrive at a common decision quickly, and formulate and implement a mechanism accordingly.**

09. Matters Included in the Auditor General's Report for the Years 2022 and 2023 to be discussed by the Committee

Matter	Observation	Explanation of the Authority
Period of Stay in Official Quarters	Although the maximum period is 05 years according to the circular, 402 officers have stayed for a period ranging from 05 to 30 years.	The policy has been amended to allow stays up to 25 years, and a mechanism has been introduced where the rent increases rapidly every 05 years (from Rs. 3,500 to 40,000).
Circular Contradictions	Contradictions exist in circular (02/2021) where the period of stay is stated as 05 years while rent calculation is structured for 25 years.	Currently, the 05-year limit is not enforced, and a 'step-based' method that increases rent over time is used to encourage those who do not require housing to vacate.
Housing Demand	Officers waiting on the pending list.	Although the workforce has decreased from 12,000 to 7,000, 635 housing units exist, and priority is given to officers in operational divisions.

10. Signing of a Memorandum of Understanding between the Government of Sri Lanka and China Merchants Port Holdings Regarding the Hambantota Port

Matter	Observation
Contractual Condition (2017)	China Merchants (CMPH) was required to deposit USD 146 million into a Sri Lankan bank account, which had to be invested within the Hambantota region within one year.
Company's Request (2019)	As the relevant amount could not be invested within the Hambantota region, they requested permission to invest it in another area of Sri Lanka.
First Alternative Proposal	The proposal to invest that money through the CICT terminal at the Colombo Port (a subsidiary of CMPH) was rejected by a committee of the Ports Authority.
Second Alternative Proposal	The proposal for a logistics hub project at the Colombo Port through 'South Asian Commercial and Logistic Hub Limited' was also rejected by the Ports Authority.
Ports Authority's Position	The Authority did not grant permission for the requests to invest outside Hambantota as it violated the terms of the concession agreement.
Final Outcome	Due to the expiration of the retention period for the relevant funds and the rejection of proposals, the company withdrew the USD 146 million.

10.1 Failure to Submit Information for Audit:

It was revealed to the Committee that although it was decided to lease a plot of land of 12 acres, 02 roods, and 29 perches in Plan No. S/MIS/523 located within the Colombo Port premises owned by the Authority for this project, the relevant approval had not been submitted for audit.

It was revealed that the lease agreement for this project was entered into based on the recommendations of the Procurement and Technical Evaluation Committees appointed by the Cabinet of Ministers. However, an employee of the Ports Authority has filed a lawsuit in court requesting the cancellation of this agreement due to the controversial situation regarding the valuation and the fact that the lease agreement was entered into at a value completely disregarding both existing valuation figures for the land. It was revealed to the Committee that the lawsuit is scheduled to be called in January 2026, and legal issues have arisen regarding the methodology followed in determining the value of the land.

Recommendation:

I. **Submit information regarding this to the National Audit Office.**

10.2 Entering into a Lease Agreement with the Project at a Value Other Than the Two Estimated Values Available for the Land Owned by the Authority

The Committee observed the following facts regarding this land:

Description	Date	Valuation Value (Rs. Million)	Observation
Original Valuation	2022.07.06	1,460	Valued by the Chief Valuer.
Reduced Valuation	2022.10.27	1,232	New annual valuation value provided upon the request of the Secretary.

And,

Description	Contractual Status	Observation
Date of Signing the Agreement	2023.07.06	The Authority and the South Asian Commercial and Container Terminal Company have entered into an agreement.
Basis of Calculating Lease Value	Based on Net Present Value (NPV)	The agreement was entered into using a methodology that does not align with either of the annual valuation values mentioned above.
Lease Period	50 Years	The agreement was signed for 50 years instead of the initially planned 35 years.

Based on the annual valuation provided by the Valuation Department, the Procurement Committee appointed by the Cabinet of Ministers negotiated with the relevant company and decided to obtain the lease amount for nine years as an advance. Accordingly, although an advance of USD 12 million was received from 'South Asian Commercial and Logistic Hub Limited', the Authority does not possess the information regarding the facts that formed the basis for this decision. It was revealed to the Committee that a special report prepared by the Ports Authority regarding the current status and decision-making process of this controversial project was forwarded to the Special Investigations and Forensic Audit Division of the National Audit Office on 12.10.2025, and future actions will be taken based on its recommendations.

10.3 <u>Non-receipt of the Approval of the Board of Investment of Sri Lanka for the Colombo Port Project</u>

Presenting facts on the current status of the Logistics Hub project at the Colombo Port, the Deputy Chief Legal Officer of the Authority stated that no construction has commenced so far except for land preparation work. The Committee observed here that the approval of the Board of Investment (BOI) of Sri Lanka has also not been received for this project so far.

In particular, although this project should have been granted "Strategic Development Project" (SDP) status as per the Cabinet decisions and agreements of 2022, it was revealed that the second gazette notification to be issued in compliance with the Strategic Development Projects (Amendment) Act No. 16 of 2013 has not been issued yet. The project proponent, South Asian Commercial and Logistic Hub Limited, has informed that the project cannot be sustained due to the non-receipt of this SDP status. Accordingly, the Committee observed that it was decided at a meeting held at the Presidential Secretariat to cancel the current project and invite proposals for it once again.

11. Other Matters - Seeduwa Raddoluwa Sports Club

Time Period	Name of the Sports Club	Affiliated Institution	Key Events / Reason for Change
From 1989 to 2011	Seeduwa Raddoluwa Sports Club	Independent Cricket Club	This is a club around 40 years old, established by a group of cricket enthusiasts. It played in the first-class tournaments of Sri Lanka Cricket.
From 2011 to 2020	Sri Lanka Ports Authority Cricket Club (SLPA Cricket Club)	Under the sponsorship of the Sri Lanka Ports Authority	The Ports Authority became the main sponsor of this sports club based on a decision of the Management Committee (MC) of the Ports Authority. The name change was done with the approval of the General Convocation of the Seeduwa Raddoluwa Cricket Club. The Constitution of the sports club was amended on 21.10.21. Around 12 employees connected to cricket were recruited to the Ports Authority during this period.

From 2020 to Present	Capital Sports Club	Retained by the core membership	Following discussions on difficulties in providing financial facilities and capacity issues for sports development, the Management Committee of the Ports Authority in 2020 (MC paper number 19) decided to terminate the sponsorship agreement and hand management back to the Executive Committee. Currently, there is no connection with the Ports Authority.

The Committee emphasized the need to investigate whether the Management Committee had the authority to make such decisions, considering that the entire process including the decision to sponsor the Seeduwa Raddoluwa Sports Club, changing its name to the Sri Lanka Ports Authority Cricket Club, and the subsequent divestment was carried out without the approval of the Board of Directors of the Ports Authority and solely on a decision of the Management Committee. Furthermore, the investigation should look into why approximately 12 recruited players continue to remain as salaried employees of the institution despite the Ports Authority abandoning the club in 2020, and whether the initial objectives and expected targets of this project were achieved.

Recommendation:

I. Conduct an investigation into this entire process and submit a report.