



Transportation



Management Discussion and Analysis

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The Transportation Sector comprises Airline Representation, Travel Agency Operations, Freight Forwarding and Courier Services with the Shipping Agency business being a new addition as the group entered the Maritime Sector this year.

During the year under review, the sector recorded a turnover of Rs. 570.7Mn, an increase of 12.5% over the previous year, and net profit of Rs. 121Mn, which reflects a growth of 18.4%. Sales throughput for the year exceeded the Rs. 10 Bn milestone, up 26% from the previous year reflecting the growth in the respective markets.

The airline GSA segment posted a commendable 10.0% growth in turnover during the year while the outbound travel arm, Hemas travels introduced a number of value added services to its portfolio. Malaysia Airlines increased its frequency to Colombo from 3 to 4 flights a week during the year, whilst Emirates also witnessed a strong increase in market share mainly due to the growth in Middle East traffic. The Colombo Station had the distinction of winning two key awards at the recently concluded Emirates Global Sales Conference. Forbes Air Services (Pvt) Ltd which is the GSA for Emirates won the “Best GSA for 2007/2008” (Cargo) award, presented by Emirates Sky Cargo while the Colombo Station won “Best Performance” award for the region. The GSAs of LTU, Alitalia, Kenya Airways and BMI also posted a superior performance compared to the previous year.

Freight forwarding experienced yet another difficult year due to a scenario of intense competition heightened by a price war in the market. With increasing pressure on margins, the segment fell short of forecasted targets. The regional office in Pakistan was downgraded to a liaison office during the year as part of the business rationalization process.

ACX courier performed well during the year with a growth of 40.4% in revenues. During the year ACX expanded its presence in the courier industry by entering into a Joint Venture with Skynet World Express, a global brand in the industry.

Entry into the maritime industry materialized in February this year when the sector was awarded the agency for a Singapore based shipping line FAR Shipping Singapore, which operates a feeder operation to the region.

High economic growth rates in India have resulted in increased maritime activity in the region with the Colombo port increasing its viability as a trans shipment hub.

The 10% transshipment growth in the Colombo Port last year, together with the Port development projects undertaken by the Government with private sector participation augur well for the growth of this industry. We propose to develop our shipping agency portfolio and explore opportunities for investment in port related services next year. The ongoing development of the Bandaranaike International Airport has proved positive for the air transportation industry with increases in passenger and cargo movement seen over the last two years amidst many challenges. We will continue to work with our airline principals to increase scheduled air services to the country as we further enhance our service proposition.

