

## TRANSPORTATION



Comprising aviation, maritime and logistics, the transportation sector contributed 18% to our overall group profitability during the year under review. Profit after tax grew by 8% over last year to Rs. 242.2Mn, despite turnover slipping 2 %

to Rs. 721.9Mn, Sri Lanka's transportation industry grew at a lower 7.2% in 2011, compared to 16.8% recorded a year earlier, according to the Central Bank of Sri Lanka. The government has continued to invest millions of rupees to develop seaports, airports, roads and rail networks, creating multiple opportunities for the industry as a whole.

Sri Lanka's aviation market continued its double digit growth last year. The main Bandaranaike International Airport handled 6.1 million passengers in 2011, which was a 17% growth over 2010, according to the Central Bank figures.

Hemas' aviation business benefited from a growth in air traffic. Overall passenger sales grew in both the GSA (General Sales Agent) and outbound travel retail businesses. Despite the challenging global market, our GSAs retained their market share as we maintained our service quality levels to clients. Emirates Airlines and Malaysian

Airlines, continued to dominate our GSA business. During the year, Emirates Airlines opened a deluxe passenger lounge at the airport, reinforcing the Dubai-based carrier's commitment to grow their business in Sri Lanka. Malaysia Airlines has also shown keenness to develop the business in Colombo.

Hemas Travel continued to expand its business, specialising in corporate and leisure travel. In partnership with the UK's Hogg Robinson Group, the unit handled a large number of groups and a number of corporate accounts. On the global arena, cargo volumes were hit in 2011, following the Eurozone debt crisis and slower economic recovery in the USA. Air cargo market growth slowed down to a single-digit as exporters were hit by lower volumes and higher freight rates.

The maritime segment was affected by a sharp decline in freight rates across the world due to recessionary conditions and excess supply. Container handling at the Port of Colombo reduced by 3% during the financial year of 2011, where transshipment volumes also declined by 1%. (Source: SLPA)

Far Shipping Lanka, our feeder vessel agency, saw a fall in transshipment volumes during the financial year. However, our future prospects remain strong, as the government remains committed to expand capacity at the Colombo Port and to develop Galle, Hambantota and Trincomalee Ports. These plans will position Sri Lanka as a multi-port regional hub.

“DESPITE THE CHALLENGING GLOBAL MARKET, OUR GSAs RETAINED THEIR MARKET SHARE AS WE MAINTAINED OUR SERVICE QUALITY LEVELS TO CLIENTS...”

In the Logistics segment, our joint venture companies, Hellman Worldwide Logistics and Skynet expanded their revenue bases and recorded bottom-line growth in line with our expectations. Hellmann continues to secure key clientele, while Skynet established itself amongst the top ten players in the Sri Lankan courier market.

Looking ahead, the sector has established plans to strengthen its presence in the logistics and maritime sectors in the economy in keeping with the national policy of creating logistics and maritime hubs. We are confident that we will be able to cater to future growth opportunities that will arise both in the country and the region.

