

Swissport to invest Sh6.2bn in equipment, training

Swissport Tanzania plans to invest Sh6.2bn in equipment and training this year. It will do so despite a drop in cargo revenue in 2016 due to unfavourable economic conditions, the company's chief executive officer, Mrisho Yassin, told *BusinessWeek*.



It will spend Sh4bn and Sh800m on purchasing new equipment and training respectively. Some Sh650m will be used to improve the company's export perishable facility, according to its 2016 financial statement. Yassin said the investment would improve efficiency.

Swissport Tanzania's cargo revenue fell to Sh20.1bn last year from Sh22bn the previous year due to the decreased cargo volume.

According to Yassin, the company handled 20,145 tonnes of cargo last year, down from 24,874 tonnes in 2015.

"Investment in modern equipment and training remains our top priority. Our strategies, alliances with customers and our dedicated team will steer the company to success."

However, he said the company would continue to feel the pinch of changes in fiscal policies.

Cargo volume to stagnate

The company expects cargo volume to stagnate this year and fall to 16,000-17,000 tonnes next year.

"This is not impressive at all. Our capacity is to handle 80,000 tonnes," noted Yassin.

However, he said the company maintained its market share of more than 90%. "We were not caught by surprise in 2016 when a new ground handler entered the market. Our investment in equipment is heavy and we haven't been affected by competition."

But the company is aware that increased competition will affect ground handling service providers in the future. Over a decade, Swissport was the only ground handler at Julius Nyerere International Airport (JNIA).

In November last year, Airco Company of Mwanza signed a 10-year contract with the Tanzania Airports Authority (TAA) to offer services at JNIA

Airco formed a joint venture with National Aviation Services (Nas) of Kuwait to form Nas-Dar Airco Company, which became operational in July last year.

That was a response to the Tanzania Civil Aviation Authority (TCAA) directive on the liberalisation of ground handling services, which required TAA to add another ground handler at the airport to meet the increased demand for the services.

Increased competition

"Increased competition will hit our plans of improving our ground-handling business at Julius Nyerere, Kilimanjaro, Songwe and International Airports," he said. In 2016 the company handled 17,019 flights, up from 16,534 flights handled in 2015.

Ground-handling revenue increased to Sh37.1bn in 2016 from Sh34.7bn in 2015. Total operating revenue for the year grew to Sh57.3bn from Sh56.7bn during the same period.

The increase in ground-handling revenue was contributed by the increase in the number of flights handled.

However, due to the harsh economic situation, its revenue is expected to drop to Sh55bn this year, from Sh56.7bn and Sh57.3bn in 2015 and 2016 respectively.

The company will invest more to remain competitive.

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