

# **An Assessment of the Business and Activity Levels As Regards Cargo Inflows and Outflows at the Eldoret International Airport in Kenya**

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**Abstract:** *The research looked into operations and performance of Eldoret International Airport as a public utility. Based on the study, this paper seeks to evaluate performance by establishing whether cargo tonnage of industrial and commercial nature have been increasing or decreasing ever since the inception of the Airport. The research adopted a case study design with the population of interest being centred within the Airport. However efforts were made to seek information from relevant Ministry officials and stakeholders in Eldoret town. The data needed was obtained through face-to-face interviews with various Airport officials. A questionnaire was also prepared and used to gauge the peoples' attitudes and general feelings on the presence and eventual use of the facility in the region. Tables, graphs and charts were used in the analysis of the data. The data analysis revealed that since the beginning of operations aircrafts have been increasing in the Airport. However, both cargo and passengers in terms of tonnage and numbers have been respectively decreasing. The reducing trend was noticed from 2003 when the government surprisingly slapped a ban on cargo and other flights from using the Airport. Two types of recommendations are given. It is instructive to learn that people around Eldoret do not have an affinity for aircraft flights. This is unlike those around Kisumu who have a higher preference for flights. As such, the entrepreneurial spirit of the people around the catchment area of the Airport is still low.*

**Keywords:** *Business, Activity Levels, Cargo Inflows, Outflows, Eldoret International Airport, Kenya.*

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## **I. Introduction**

In her book *Comparative Development Strategies in E. Africa*, Seidmann (1972) outlines the government policies, which still hold today. According to her, the public sector policies were meant to spur industrialization hence economic growth throughout the country. For example, the policies advocate that any project to be set would have to be located in a small town or rural area so as to spread out the employment effects of industrialization (ibid.).

According to Seidmann (ibid.), the policies also sought to have projects established to generate profits within a given span of time, say after gaining government support from its initial stages. The same projects would have to generate earnings in form of foreign exchange. The government also noted that projects to be established had to be labour intensive in order to guarantee local employment.

On the other hand, these policies did put in place the need to do away with projects that required indefinite government support. Most of all the policy required that projects that would have to be established had to have positive side effects on other sectors or industries in order to justify the investment.

In line with the above policy requirements, the Eldoret International Airport was initiated and constructed in line with the said policies towards industrialization as the government required. The public sector policies towards industrialization are in essence catalytic to economic growth in various parts of the country.

## **Equitable Resource Allocation**

Samuelson and Nordhaus (1995) emphatically state that for all the wide range of possible activities, governments have three main economic functions in a market economy. These are: increasing efficiency, promoting equity and fostering macroeconomic stability and growth. In serving the above functions the government needs to:

- (a) Attempt to correct market failure like monopoly and excessive pollution to encourage efficiency
- (b) Promote programmes that help enhance equitable resource allocation. This is effected by using taxes and spending to redistribute income towards particular groups.
- (c) Use tax expenditure and monetary specialization to foster macro economic growth and stability.

It is the government's responsibility to ensure equitable resource allocation. Eldoret International Airport had to be put in place using the capital expenditure in line with the policy to encourage distributive effect of resources. These resources of capital nature catalyze development in a given (growth pole) area. Eldoret and towns in Western Kenya essentially have to grow presumably because of the Airport.

### **Agriculture and Industry**

According to Livingstone and the Late Ord (1980), there is great inter-dependence between the industry and agriculture. Synergetic scenarios build up. For example, increased agricultural income stimulates effective demand for agricultural goods. These agricultural products having been used as raw materials for industries help to expand the industrial capacities hence the possible surplus for exports the industrial products make use of the airports.

The North Rift and many parts in the western region of Kenya are endowed with agriculturally rich lands. The need and eventual construction of the Airport was thus long overdue. The improved agricultural earning as a result of exports and possible growth of foreign markets for the same products help generate foreign exchange. Employment opportunities increase and using the earnings, machinery may be purchased to further help in enhancing efficiency in the agricultural sector in the region.

### **Statement of the Problem**

There are observable merits of using Eldoret Airport compared to both Jomo Kenyatta and Moi Airports in Nairobi and Mombasa respectively. There is a two-hour distance difference between Eldoret International Airport and Moi International Airport when accessing both European and Asian markets, Eldoret being shorter. When compared with Jomo Kenyatta Airport, there is one-hour difference, Eldoret again being shorter (Kenya Airports Authority, 2000). Despite this glaring time advantage, Eldoret International Airport still suffers lesser utilization than the other two international airports in Kenya. This begs the question of what could be undermining the effectiveness of Eldoret International Airport.

When the idea to construct Eldoret International Airport was born and Eldoret town was identified as its suitable location, the strongest criticism was, interestingly, received from politicians who vehemently opposed its construction citing non-viability of the location. According to these critics, the Airport would be a white elephant. This opposition and subsequent criticisms were so intense that donors became hesitant in supporting its construction and the result was that the size of the Airport had to be scaled down. For instance, its runway hitherto poised to be 4.7km long was reduced to 3.5 Km long. This again begs the question on whether or not these criticisms were genuine.

There are rich tourist destinations and striking sites in the Western part of Kenya (Eldoret International Airport's, 2000). These include the beautiful Rift Valley, the expansive green tea farms in Kericho, the Kisii soap stone carving, and prehistoric sites in Turkana, Bird watching and Bull fighting in Kakamega, Boat motoring in Lake Victoria, and the giant caves in Mt. Elgon. Others include Athletic activities in the North Rift. There are also Game Reserves found in Mt. Elgon and Kapnorok in Mt. Elgon and Baringo Districts respectively.

These tourist sites are available in the region and one wonders why with these tourist destinations the Eldoret International Airport has not attracted tourists and a number of chattered passenger planes. The study, therefore, sought to establish the reasons for this state of affairs at the Airport.

## **II. Materials And Methods**

The study used the case study research design. In this case, Eldoret International Airport was identified as a case for study. Case study is commonly used in policy research. A policy research focuses on an analysis of a fundamental special problem in order to provide policy makers with action oriented recommendations for alleviating the problem (Majchrzak, 2013).

Rist (1982) asserts that case studies give an in-depth analysis of superficial statistical portrayal of populations. Case studies also give complete understanding of complex situations by examining behaviour. The Eldoret International Airport fraternity was the population of interest.

To collect the required data, questionnaires were developed and administered to the target population. There was no population sample required in the study, as it was a case that targeted formalized groups. Secondary data was sourced from the Airport itself and also the Kenya Airport Authority Offices. The data was necessary to give evidence to the prevailing facts on the ground. The key informants in the study included the Airport management, tourist officers in the region of study, Airport Staff and the stakeholders of the Airport. The management gave insight into the nature of operations at the Airport. It also gave authoritative information particularly on internal dynamics surrounding the Airport.

The management had in-depth knowledge on the attitude, the entrepreneurial nature and the perceived inadequacies and strengths of the facility. Workers were able to reveal information bedevilling performance from within, ranging from motivation to undue bureaucracy at the Airport precincts. Stakeholders included suppliers, exporters and importers. The stakeholders gave the perceptions and attitudes held about the Airport. This was studied to establish whether or not there is a link between perception and Airport performance.

The method of administering the questionnaire was by hand-delivered forms to the respondents. Face-to-face interviews were greatly relied upon. The respondents were given a week to respond to the

questionnaires. Respondents were given contacts to access the author in case they needed clarification on any of the items. Forums created by interested parties and other stakeholders such as the Presidential Committee on Promotion of Business Activity on Eldoret Airport also contributed ideas immensely.

Tables, graphs and charts were employed as tools of analysis of the research data. The tables were used to show annual incremental rates, the mean and deviations from the mean. The incremental rate was constructed with regard to the rate at which aircrafts and passengers increased in numbers annually. The cargo tonnage annual incremental rates were also given in tables. The charts and the graph were used to back up the information exhibited by the tables. The analysis was also done by employing the author's own professionally informed judgment of the information obtained from respondents through the interviews and the questionnaires which had been prepared.

### III. Results And Discussion

#### The Business and Activity Levels as Regards Cargo Inflow's (Imports) and Out Flows (Exports) at the Airport

##### The Imports

The aircrafts bringing the cargo through the Airport mostly originate from the Middle East, especially Saudi Arabia and Dubai. Electronics, Clothing and hardware are the goods usually handled by the Airport.

Since its inception, as indicated by the tabulated figures on cargo movements in Table 1, the cargo handled by the Airport has been sharply increasing with an annual average of 7,908,955 tonnes of cargo. This is a significant amount given that the increase has been unprecedented

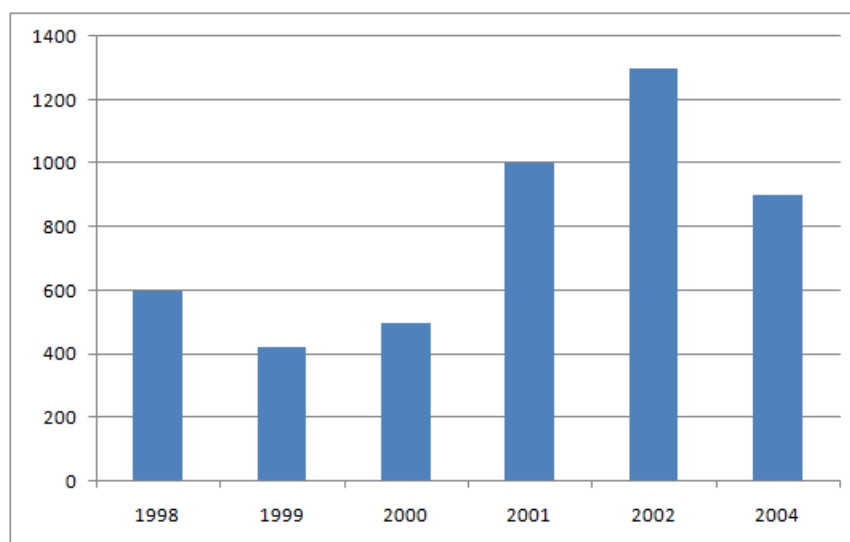
Between 1997 and 2002, for instance, the cargo volume grew from 115679 tonnes to 13038436 tonnes representing a 11171 percent increase. The growth declined from 1303846 in 2002 to 8989987 tonnes in 2003, which represents a 31% decline. This decline was explained by the ban of cargo flights to the Airport by the government between July 2003 and March 2004. The overall cargo handled by the Airport has been overly growing; unfortunately for the stakeholders, all these have been imports. Notable also is the fact that aircrafts return empty from Eldoret. This is disappointingly uneconomical. This information is shown in Table 1 below.

**Table 1: Simple Analysis of Cargo Movement at the Airport ('000)**

Year	Annual totals (,000) tonne	Annual increase/decrease (,000) tonne	Annual incremental rate %
1997	116	-	-
1998	6,166	6,050	5,216
1999	4,241	1,925	31
2000	4,887	646	15
2001	10,131	5,244	107
2002	13,038	2,907	29
2003	8,890	-4,148	32
2004	1,934	-6,956	78
<b>Totals</b>	<b>49,453</b>	<b>49,337</b>	<b>42,532</b>
Mean			792
Std dev			3401

From the data analysis in Table 1 above, it is clear that:

- i) There was an upward trend in cargo movement between 2000 and 2002 before the tonnage gained a downward movement in the year 2003 and 2004. The low business level in 2003 and 2004 is explained by the government move to ban cargo flights to the Airport.
- ii) The standard deviation of the average cargo handled by the Airport is 3401. This is a wide deviation from the mean annual cargo of 7892. The annual range is thus wide given that the lower range is 4491 while the upper range is 1,293 tonnes of cargo.
- iii) The above deviation is again explained by the fact that some airlines pulled out of the route leaving a few to carry out the cargo handling business. It is also attributed to the lack of capacity as the aircrafts return. At the Airport most cargo handled are imports and no exports have been transported through it. This then makes it expensive for airlines to use the Eldoret Airport as their aircrafts return empty. This information is further explained in Figure 1 below.



**Figure 1: Cargo Movements ('000) at the Eldoret International Airport.**

The chart indicates an increase in cargo handled by the airport beginning from 1999 despite a drop from the previous year. The increase was unprecedented till 2002 when, unfortunately, there was a drop. The drop was occasioned by the government ban on cargo flights from July 2003.

### **Exports**

The Airport has never handled exports since its inception. This perhaps explains the fact that the Airport has not found its full capacity utilization. The government has noted and has been concerned about the under utilization of the Airport. In March 2004, the then President appointed a 15-man committee to find ways on how to promote and enhance capacity utilization of the Airport. This presidential committee headed by the Permanent Secretary from the Ministry of Transport and Communication was given 3 months to report its findings. The author had an opportunity to attend some of their forums in which various stakeholders were requested to come up with suggestions to enhance agriculture, tourism and business growth in the region, in attempt to promote the Airport utilization.

The following are some of the explanations given by the research respondents on why the exports have not been handled at the Airport to date:

- i) The Airport has inadequate cooling equipment. Even the one available is inadequate and handles between 15 and 20 tonnes of goods only.
- ii) The exports are currently insufficient to process through the Airport. The little export material that comes to the Airport is taken all the way to Nairobi to exit through Jomo Kenyatta Airport. This is because no single exporter can produce adequate quantities to hire and fill an aircraft to capacity.
- iii) Most floricultural farms that could fully use the facility have other farms scattered over other places like Naivasha, Nakuru and Athi River. These farms thus have their produce exiting through Jomo Kenyatta Airport in Nairobi.
- iv) Most Kenyan goods have market destinations in the COMESA region which is closer to Kenya and the goods are road bound.
- v) Information on export business among business people and farmers is largely limited and has not been accessible to them. Government agencies such as the Export Processing zones (EPZ), Investment Promotion Council (IPC), Export Promotion Council (EPC) have not opened offices in Eldoret and the larger North Rift. However, the Investment Promotion Council has recently opened an office in Eldoret town and has begun serving the public.
- vi) The entrepreneurial culture of the people, especially among the North Rift residents, is yet to evolve. Most of the locals are risk averse. This is explained by their emphasis on traditional crops such as maize, wheat and beans among other local crops. They do not wish to venture into non-traditional crops like watermelon, guavas, passion fruits, cut flowers and horticultural crops that are on high demand in the European Union countries.
- vii) Co-ordination among the various stakeholders is limited. There is no convergent point where business people and farmers can pool their export goods and farm produce together for consolidated packages, which then enhances volumes sufficient to fill up an aircraft for onward freight to designated foreign market destinations.

viii) Various government agents that promote commercial and industrial sectors have taken retreat. The Kenya Industrial Estates (KIE), the Agricultural Finance Corporation (AFC), Development Finance Company of Kenya (DFCK), the Industrial Commercial and Development Corporation (ICDC) and the Agricultural Development Corporation (ADC) among other financial institutions which were hitherto active in promoting growth in various sectors through provision of loans have been rendered inactive.

#### **IV. Conclusion**

The people around and within the Eldoret International Airport's catchment area have not been adequately responsive to entrepreneurship and other initiatives that prompt businesses in the region. The peoples' entrepreneurial spirit is surprisingly low. This is despite the fact that the region is resourcefully endowed. It is instructive that the Airport becomes fully utilized only if the volume of business goes up. However, this has not been the case.

When in July 2003 the government banned cargo flights landing and departing from the Airport, there was strong criticism with stakeholders reading mischief in the ban. Although the reasons given by the government were well understood, it later emerged that the same reasons were baseless. This only explains how the facility has overtime been viewed from political rather than economic dimension. This has to change.

The various stakeholders need to come forward and make efforts aimed at improving the Airport's performance. Already, by appointing the committee to look into ways of making the Airport more vibrant, the government has resolved to embark on a journey towards restoring the Airport to full operation.

#### **V. Recommendations**

The most glaring challenge facing the Eldoret International Airport is the absence of information and knowledge about it among various stakeholders. The locals and the people around the catchment areas of the Airport have not come to own the facility. They feel excluded from the business hub that such a facility could generate for them. Perhaps this belief is formed by the fact that at the inception of the Airport the people on the ground were not involved. It is important to indoctrinate and to continuously put it to the people within the Airport's catchment area that the facility is theirs and that they are the ones who will benefit more from it than any other people elsewhere.

The government has to exhibit goodwill and strong sense of participation in putting the airport into use. Thus, the government can assist by setting up structures that facilitate growth of businesses at the airport. This could include gazetting the Export Promotion Zones (EPZ) around Eldoret and other surrounding regions, opening up agency offices of such important business promoters and advisory agents as the Export Promotion Council (ETC), the Investment Promotion Council (IPC), the tourist promotion agency offices like Kenya Tourism Board etc. The government also needs to put into consideration physical structures like warehousing facilities, extending the runways, the taxiways and building up more accommodative cold rooms.

A policy should be drafted to enhance road maintenance by minimizing transportation of loads of cargo by road. Cargo transit from parts of Nakuru, Kericho, Kisumu, Kisii and other parts of the Airport's catchment area should be made to exit through Eldoret Airport. This will promote business at the Airport and also minimize depletion of local roads.

Given that the Rift Valley region, especially the North-Rift in particular, is endowed greatly with arable lands, farmers need to embrace diversionary farming activities. It is important to move from traditional cereal production to large scale modernized commercial floriculture and horticulture.

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