

India: A land of challenges and opportunities

India is a country with much potential, but a lack of airfreight carriers, cargo hubs and stifling bureaucracy continue to hold back growth, writes **Mike Bryant**

There are a number of challenges facing India's airfreight industry that have to be addressed – on this there seems to be a consensus, although opinions as to the exact nature of the task at hand and how the challenges might be overcome certainly differ.

"I believe that the lack of national capacity is the main issue," says Bashyam Govindarajan, chief operating officer of Tirwin Management Services, an air cargo consulting and training business in India.

"No major Indian operator offers dedicated cargo operations, except Blue Dart which operates aircraft to cater to the needs of its own express cargo within India" (Quikjet Airlines also flies a single B737 freighter on a scheduled route).

"Sustainable growth is possible only if a country has its own national capacity," he continues.

"Air cargo primarily depends upon the Middle East and European majors. When a country depends upon foreign capacity, needless to say

a country's airfreight industry's growth is going to be decided by the whims and fancies of those foreign airlines that provide the capacity."

So, what is the answer to this particular challenge? Perhaps government has an important role to play in providing the necessary demand for such capacity?

Govindarajan suggests: "The Indian Government, as part of its new initiative 'Make in India', is pushing Indian business to produce new products.

"Global players who are establishing manufacturing facilities in India also offer a focus on exports."

However, a word of warning: "It is a fallacy for anyone to expect any government to develop and meet all expectations and the same applies in the case of India," says Bharat Thakkar, co-founder and joint managing director of Mumbai-headquartered airfreight forwarder Zeus Air Services and a past president and permanent board member of the Air Cargo Agents Association of India (ACAAI).

"No one should expect the Government of India alone to meet various requirements, the most important being infrastructure, which is supposed to be the economic strength of the nation; to achieve this, the public-private partnership (PPP) model is the way forward," he opines.

"Efficiency is just one of the basic constituents for economic growth.

"Designs for a proactive approach, a single window to avoid delays and re-start delayed projects are showing signs of implementation. In particular, the challenges faced by exporters and importers need to be overcome

much faster, and the challenges that make transaction cost unnecessarily high must be done away with by means of paperless transactions.

"And the best and only answer to decongesting airports over the next five years, for example, is to convert a number of the existing Container Freight Stations (CFSs) and Internal Customs Depots (ICDs) into Air Freight Stations (AFSs), and to ensure their success by partnership with Airport Terminal Operators (ATOs)."

The promotion of domestic and international air cargo, including express delivery services, is also a key objective of the Indian Government, Thakkar notes.

The struggle for capacity

"Over 160 airports currently fall into this category and following through on this initiative would improve regional connectivity across the nation.

"It is difficult to say exactly what scale of impact this will have on the nation's logistics sector since most goods are still transported by road or rail.

"But we can be assured that it could only be an improvement on the existing state of things. The reach of companies operating in the logistics sphere would increase if the logistics sector sees transport by air as a viable option.

"It is quite unfortunate that Indian air operators do not have dedicated cargo operations," regrets Govindarajan.

"One or two have tried to offer cargo operations but failed because they could not generate (sufficient) loads. You can't start a cargo airline

'Sustainable growth is possible only if a country has its own national capacity'

Bashyam Govindarajan, Tirwin Management Services

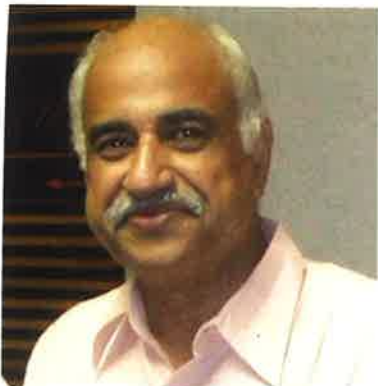
just because you can lease one or two aircraft. I believe that the success of an air cargo operation lies in its network and distribution through a hub.

"For an Indian cargo carrier to be successful there should be a true cargo hub in India. Next, the carrier should create the network and distribution. Only then can the carrier generate load."

Thakkar agrees: "India needs an air cargo hub desperately," he says, pointing to certain common threads that need to be addressed by Indian airports if they are to become genuine airfreight hubs.

These would, Thakkar suggests, include: having the appropriate infrastructure, strengthened by state-of-the-art technology, which is India's strength, he argues; proximity to international markets; an absence of excessive regulatory paperwork, India has started down this road; an availability of other modes of dispatch in close proximity; having a

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Bashyam Govindarajan, Tirwin Management Services

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national carrier whose bellyhold cargo capacity plays a major role; having a committed and skilled workforce with the ability to handle premium shipments such as perishables, live animals, dangerous goods, pharma and valuable cargo; and transparency in process pricing, performance and accountability.

Another important aspect of successful hubs is avoiding directional imbalance on inbound/outbound cargo originating locally, Thakkar says, suggesting that the development of an air cargo hub in India needs to address all of the above common threads.



Bharat Thakkar, Zeus Air Services

"India has an advantage over many nations because of its open sky policy for air cargo transportation," he considers.

"However this forward-looking policy initiative set in motion has not reaped its full dividends primarily because of the national carriers' continued focus on passenger transportation, cargo being viewed as supplementary or incremental revenue, because of inadequate handling facilities at various gateway airports, cumbersome transshipment rules and procedures.

"Pricing would be a key factor for

success of any hub airport, hence the need for a detailed study of prevailing market rates, cost of operations and revenue-sharing between the carriers operating in alliance there would be prudent prior to roll out."

He adds: "A major concern is the absence of dedicated, automated transshipment terminals at Indian airports. At least three Indian gateway airports face severe congestion and acute delays."

Documentation processes have remained the single biggest impediment to efficiency at India's airports.

"India offers a stable political environment and skilled workforce, but the existing airport infrastructure and user charges will act as a major disincentive to attract customers to use the hub."

Thakkar continues: "The current deficiencies in regulations, infrastructure, process and policy have been identified and innovative solutions found, but implementation needs to happen in a speedy timeframe."

Potential growth

One or two Indian cargo carriers have bucked the trend and built a good business.

One such is Quikjet Airlines, which operates a Delhi-based Boeing 737-400F on a scheduled network linking the city with Bengaluru and Chennai.

According to Quikjet's chief executive, Preetham Philip, the main drivers for growth in India's airfreight segment are to be found in the e-commerce segment.

"The e-commerce companies are growing rapidly, with over 25% year-on-year growth. With maturity in the e-commerce markets, the key differentiator between the e-commerce majors is going to be the time-definite express delivery of parcels."



Hence the country's need for airfreight capacity.

"The Indian economy is clocking in at a GDP growth rate of 7%, which is one of the highest in the world, and is reflective of airfreight growth in India. Quikjet as a neutral service provider is well poised to move to the next phase," Philip says, noting that – unlike Quikjet – other Indian carriers have foundered because the aviation business is so capital-intensive.

Philip explains: "Most of the players came in with large aircraft and performed backward integration of procuring business.

"Quikjet has been conservative in the deployment of funds and resources, keeping a strong focus on growth, and that has helped us stay in the market and grow steadily.

"Some of the last companies brought in large freighters, which is capital-guzzling and therefore an early burnout."

He believes that there is potential for much more growth in India's airfreight sector. Judicious deployment of resources, well-planned network and capacity deployment and aligning Quikjet's plans with industry requirements will be key to growth, Philip says.

"There are two components to the main-deck airfreight business: one is freighter operations and the other is the utilisation of the freighter capacity.

"Quikjet's expertise lies in operating the aircraft, and we focus on the same. We encourage the airlines and integrators to lease aircraft from us and utilise the capacity for their expansion," he insists.

Infrastructure challenges

There is good reason for optimism, then. But challenges other than capacity need to be addressed. One such, already alluded to, is the lack of required cargo handling infrastructure at Indian air gateways.

"Although a couple of greenfield airports offer reasonably acceptable infrastructure, India's airport infrastructure continues to be a matter of concern," Govindarajan notes.

"Terminal processes are too lengthy, leading to challenges both in exporting and importing. Road connectivity leading to airports is equally a big issue. In certain cities, truck movement is restricted during the daytime.

"And, although airfreight stations were considered to be a possible alternative, this certainly has not proved to be so," he remarks.

"Plus security concerns do not support ULD build-up on shippers' premises.

"The Indian Government has a major role to play," Govindarajan considers.

"As part of its 'ease of doing

business' initiative, it should allow ULD build-up in shippers' premises. Moreover, government should keep in place appropriate security management systems that are not only foolproof but also cost-effective."

Returning to the need for the state to play a role: "Today's government under Prime Minister Modi is taking lots of bold but required decisions necessary for growth.

"Building ULDs in shippers' premises and passing them through appropriate security screening will certainly help the Indian airfreight industry to grow," Govindarajan argues.

Quikjet's Philip considers that the nation's cargo handling infrastructure is centered at the key metros and is lacking in most Tier II /III cities.

Most Tier II airports, for example, Surat, Coimbatore, Patna, Jamnagar and others, lack ground handling equipment, such as X-ray machines among other things, to operate Quikjet's aircraft, he says. More positively: "Airfreight handlers and truckers are aplenty though."

Foreign cargo carriers play their part

The lack of home-based freighter operators means the way is clear for foreign mainline carriers to offer significant amounts of cargo capacity into India.

One of those that offers main-deck services into the country is Cathay Pacific Cargo, and recent reports in the trade press have suggested that the Hong Kong-based cargo carrier intends to up its commitment to the Indian market.

However, when approached by *Air Cargo News*, the carrier remained non-committal: "Our presence in markets like Delhi, Mumbai, Chennai, Bengaluru, Hyderabad and Kolkata currently allows us to cover almost 90% of India's airfreight markets.

"We are constantly looking at our network to see if there are any new opportunities from every potential port in India. If we see demand for freighter capacity in other markets, we will definitely look at extending our services."

Meanwhile, in November, Turkish Cargo did launch a weekly full freighter service from its Istanbul hub to Chennai as well as Colombo.

The service leaves Turkey's biggest city every Wednesday.

And, in December, IAG Cargo reported that its volumes out of the Indian market have so far outper-

formed expectations, primarily as a result of a rise in the carrier's e-commerce traffic from the region.

IAG Cargo saw volumes rise by 15% between August and October, with traffic up by 41% in October when compared to the same period in 2015.

The US and the UK represent key destinations for Indian exports, with commodities including printed and packaging materials, clothing and household goods, the carrier reports.

"India has seen an exceptionally strong start to the peak," says David Shepherd, commercial director at IAG Cargo. "Not only have we seen an increase in the number of consignments being carried, we've also seen increases in the average weight of those consignments."

Darting ahead on e-commerce

As well as Quikjet, the other India-based freighter operator is Blue Dart Aviation, which flies a fleet of six B757-200 converted freighters.

In November, Indian express services provider Blue Dart Express purchased all the remaining shares



of its carrier subsidiary.

Deutsche Post DHL owns 75% of Blue Dart Express, and the integrator confirmed in November that it will be investing in its India aviation hubs in Delhi and Mumbai. Through Blue Dart, it confirmed that it will spend €70m on those gateways, just two of its network of 13 air hubs across India.

The investment will allow for greater automation of express shipments at Mumbai and Delhi, speeding the handling of international shipments and deliveries within India.

"India is a really important market for us and is one of the fastest-growing, with business-to-consumer e-commerce expected to grow from €9.6bn in 2016 to between €30-€40bn in 2020," notes Charles Brewer, chief executive of DHL e-commerce.

Malcolm Monteiro, chief executive, Asia Pacific at DHL e-commerce, adds: "With retail e-commerce in India expected to

grow at a CAGR (compound annual growth rate) of 30% to 35% by 2020, the air hubs will bolster our operations to better serve the growing e-commerce market in the country."

AAI creates independent airport cargo subsidiary

Changes are being made by the Indian authorities to improve their cargo handling capabilities.

For example, in October it was confirmed that Airports Authority of India (AAI) had created Cargo Logistics & Allied Services Company Limited (AAICLAS), an independent cargo subsidiary company created by the 'corporatisation' of AAI's cargo department.

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Cathay Pacific Cargo

The objective is for the company to become the "foremost integrated logistics network operator in India", with its primary focus being on air cargo handling and related services including warehousing and road feeder services.

According to AAI: "This new subsidiary will be allowed to develop its own distinct culture, organisation structure and business model while at the same time draw upon the strength of its large parent origination, AAI.

"All the activities currently being carried out by the Cargo Department of AAI will be merged into the new company and the department will no longer be functioning with AAI." **ACN**