



ON TIME: Drilling equipment being unloaded from the Quikjet Cargo ATR at Colombo

Jet quick, jet sure

Call him a Lone Ranger or Captain Courageous but Captain Preetham Philip and his Quikjet Cargo has been able to weather the first year. It has not been easy, as Tirthankar Ghosh found out, but with a tight ship — there are only 47 employees — Quikjet is optimistic about the future.

Captain Preetham Philip has often been described in the country's aviation industry as a whizkid. He is a route planner par excellence (he was COO Aviation at Deccan Cargo & Express Logistics Private Limited and Deputy COO of Air Deccan, India's first low cost carrier) and was known for his efforts to take Air Deccan to the furthest corners of the country. Today, as CEO of Quikjet Cargo, his ambition is to provide a world class logistics service at competitive rates that can match the most professional services globally. And that, exactly, is what he has been doing for the past one year. Quikjet started services in February 2012.

Philip knows that he and Quikjet Cargo are both being watched closely by stakeholders: his success will once again emphasise the fact that domestic air cargo holds promise and possibly encourage entrepreneurs to invest or start carriers. After all, circumstances have made Quikjet Cargo the lone air cargo carrier in the country. The other domestic player is Blue Dart, but it is an altogether different league since it is a courier and integrated express package distribution company. There were others that tried — there was Capt G R Gopinath's Deccan Cargo & Express Logistics Private Limited and Capt Mukut Pathak's Aryan Cargo Express — but they failed to take off.

The Indian market, according to Capt 'Lone Ranger' Philip, is a challenging one. "There are no two ways about it — because cargo is ancillary revenue on a scheduled carrier's belly space." The second part of the challenging situation is that the success of airfreight really is on time-definite perishables. "Our understanding in the industry is that it has not yet moved to a stage where time-definite delivery is critical," said Philip. However, when consumers want time-definite deliveries, there is a price challenge since Quikjet Cargo is in competition with small time courier companies. "There is definitely a pressure on pricing but we have managed to actually pick up some locations in the North-east because of the constraints of connectivity.

Philip agreed that though Quikjet has "managed to establish ourselves in that region, it is not attractive in the sense that it is going to be a money-making proposition. It is okay that it covers some of our costs but it is not the future," said Philip.

The future, emphasised Philip, is really in trying to establish a good network. It will be more to service the numerous courier companies and "invite them to try and see how they can grow their business into a time-definite guaranteed service level business". Comparing conditions between India and the US, Capt Philip said "the challenge

What kind of flights are you doing?

Right now, we are flying Kolkata, Agartala and Imphal — more Agartala than Imphal. We do quite lot of other business... we get a fair amount of work from the oil industry. We have done a sizable amount of movement last year for the shrimp industry — moving shrimps from Surat to Vishakhapatnam — which was very successful both for us and the shrimp farmers. The unfortunate part is that the shrimp market for the year collapsed.

In fact, the shrimp season has started again and there is a lot of pressure on us to support Bangladesh, Cox's Bazar and Jessore because they heard of our (Surat-Vishakhapatnam) success. So I think almost daily we get queries but that is a challenge; can we go at least for two months into Dhaka and come back? You cannot just fly, go there, and come back. It does not make business sense although it is only an hour's flying time. The cost of going into Bangladesh is quite high.

Similar air cargo outfits have had to close down because of lack of finances. How is it with Quikjet?

At the moment because funding is actually a part of the business plan, it is not a constraint. That is the reason we are very risk averse: we would not go and launch a network and burn the cash that we have. Launching a network is a way of getting customers on board because everybody tells you, 'Do you have a Bombay-Delhi flight? If you have, then I will give you loan.' Or, 'You first start Bombay-Delhi, then I will give you business'. It is a chicken-and-egg story here. We do not want to burn that cash unless the customer signs on the dotted line. That is how we function. We do not want to get into a situation where

we are looking for financial resources.

How do you see 2013 for Quikjet?

I think this year is going to be a very interesting year for the cargo industry itself. Interesting in the sense that we have to counter prices and counter growth.

I think there is great opportunity for people like us. We want to provide a quality product. We need somebody on the other side like UPS, FedEx, TNT to want that quality. Only then will there be demand for us. I think that is also important because e-commerce is dependent on service levels that meet the expectation of the consumers. That is why I said it is going to be an interesting year.

We are at this moment quite upbeat on some possible relationships with a couple of integrators... getting that two or three base customers in place. We hope and we believe, by the middle of this year that should finalise. If that happens, I think we will make a difference to this industry because we are a neutral operator.

"There is great opportunity for people like us"

Quikjet CEO Captain Philip on the year ahead for the carrier



Captain Preetham Philip

is similar to the one that was faced in US long back: nobody wants to commit unless you have a network". To set up a network without a commitment from a customer is an expensive business. The challenge really, said Philip, is "how do we get the few large customers or base customers on board to try and establish a network. We are working to establish that because if we do not establish the network then there is no future in the industry," he said.

There is demand, agreed Philip, but "air cargo has barely witnessed any activity". In addition, the paucity of freighters in the country has led forwarders to go for belly space in passenger planes and that is not good "for time critical shipments or movement of dangerous goods", said Philip. The cargo capacity in passenger planes as part of belly capacity is around 13 to 15 MT (baggage space does not exceed two to three MT). According to the Ministry of Civil Aviation forecast, the total cargo throughput at Indian airports will grow 7.6 times in the next 20 years (CAGR of 11.2). Domestic cargo throughput is expected to grow 7.8 times in the next 20 years (CAGR of 10.4 per cent) while international cargo throughput is expected to grow 7.5 times in the next 20 years (CAGR of 11.7 per cent).

CEO Philip has been clear in his

approach and that is quite apparent. His core competency being aviation, Quikjet's business model does not include air cargo and door-to-door services. The focus is simply point to point delivery. The company picks up shipments from integrators and delivers them to different airports. Charter and lease services are also available with a scheduled network.

A keen watcher of the air cargo industry, Captain Philip said that the industry will see two-three things happening. "For the growth of the country, time-definite logistics is critical because we have to go into Just In Time. You cannot have inventory sitting on the shelf. You cannot have trucks leaving and coming 10 days or 15 days later, stuck at all the check posts. So time-definite is critical if we want to do business in this nation internationally."

Simultaneously, costs have to come down. He pointed out that while one passenger turnaround used to be ₹3500 in a class of aircraft, "we pay almost about ₹50,000 for the same turnaround". Airport royalty, said Captain Philip, was 31 per cent and went on to add, that with "12.3 per cent service tax, it would total up to nearly 45 per cent of unwanted costs".

The real challenge in air cargo is the price, said Captain Philip. He is compet-

ing directly against belly space on passenger flights that is priced at ₹25 per kg and less. While that is ancillary revenue for a scheduled carrier, "it is my primary source of revenue and only source of revenue", for Quikjet.

At one point of time, he mentioned, aviation was a premium segment in the country. Today, it is the need of the hour. "Time is critical for everything. Time is money and it is time," he emphasised, "people looked at it holistically like that". He felt that there would be pressure from the industry "because it is not just couriers that need to go on time. There is premium airfreight which needs to go from probably one manufacturing plant to fit into another assembly line at a different location which needs to go like clockwork. I think this is going to put pressure on the industry to say, 'Listen, we need this kind of service'".

Industry apart, the Quikjet chief mentioned the Inter-Ministerial Air Cargo Logistic Board set up by the Ministry of Civil Aviation. The Board would lay down the policy guidelines for establishment of air cargo facilities at airports and also set performance standards relating to the quality of service in the air cargo logistic supply chain. The policy was there, agreed Capt Philip, but the situation on the ground was something else.

“Let us talk about Mumbai,” he said. “As far as Mumbai domestic cargo is concerned, you have to plan for an additional two hours transport time because the warehouse is not located near the airport. Is it friendly,” he asked.

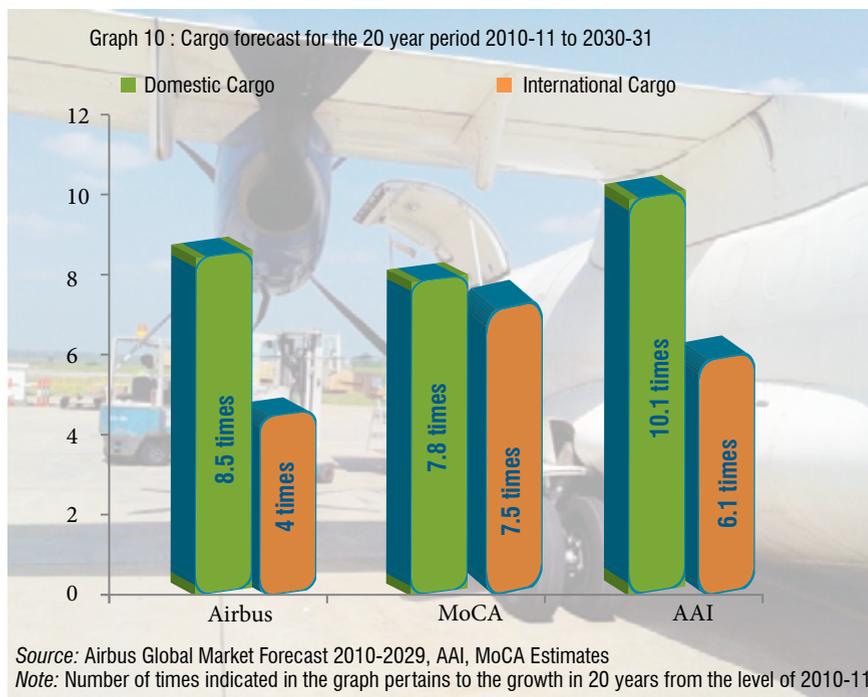
Kolkata too does not have adequate domestic cargo facilities. One cannot expect each operator to go and set up a facility at these stations (Mumbai, Kolkata, etc). “The infrastructure must be there. Yes, there are very positive policies coming. There are very positive outputs but I think it needs to be also more grounded from a realistic perspective,” he said with finality.

The infrastructure at airports, said Captain Philip, is far from ready. “The unfortunate situation is that the infrastructure and the delays associated with the lack of infrastructure, is expensive too.” He went on to give an example: Loading a 7-ton aircraft takes four hours when it should normally take under 40 minutes. “That is challenging... extremely challenging,” he said in exasperation. “Unfortunately, the infrastructure supports international cargo considerably than domestic”. While that is good, domestic is neglected, he said.

Unlike others in the business who want to fly abroad, Philip has no such desires. His target is the domestic market. The COO says that Quikjet’s focus would be on “the domestic market initially”. He goes on to point out that the carrier does not have “plans to go to international destinations at this time, but will be offering domestic coverage for global air cargo companies”.

Operating with only one aircraft for the past one year, Quikjet has received permission to import a second one. “We are now approaching the Ministry of Civil Aviation for the import of two larger B737s,” said Capt Philip. The single ATR offering a payload of 8000-kg is now used to connect Kolkata and the North-east four times a week. Later, Quikjet wants to “develop Hyderabad as our hub considering the infrastructure”.

Untouched by Capt, Gopinath’s business model that included air cargo and door-to-door services, Quikjet’s Philip insists that his business will be on airline connections. “We are only service providers,” he said, and added, “we will provide the aviation segment. We are not going to get into the door-to-door business although the ideal scenario would be an end-to-end solution”. Quite aware of the fact that end-to-end solution providers have had to shut down their businesses, Capt Philip said that in India, aviation is challenging for most people. “We know that few people have experimented on it and not been able to cope. We know aviation; so we want to give airport-to-airport transport as a solution which is an essential



tool for integrators,” he said. The carrier then will pick up shipments from integrators and deliver them to different destinations. According to Quikjet officials, the company had been assured of sufficient tonnages from the integrators. Charter and lease services will be available simultaneously with a scheduled network, said Philip. The integrators and charters will “assure cargo and we will assure them prompt delivery,” he emphasised.

Would Quikjet think of setting up an air

The future, emphasised Quikjet CEO Capt Philip, is really in trying to establish a good network. It will be more to service the numerous courier companies and "invite them to try and see how they can grow their business into a time-definite guaranteed service level business".

network? “That is precisely the challenge,” said Capt Philip. According to him, customers were all poised to take the services but not commit themselves to Quikjet and say, ‘Get the aircraft, I am ready to give you five tons a day between Point A and Point B at this price.’ It is a situation where you have to work with customers and say, we are happy to provide the solution... we are happy to bear this cost. “Right now,” said Capt Philip, “we are not at that stage but we have got two — three people who are 80 per cent with us and saying, ‘Yes, I am willing to go with Quikjet.’”

One of his future sources would be e-commerce, which is “really growing”. He pointed out, “If you look at the numbers of their growth month on month, it has been amazing. In fact, the numbers have gone through the roof six months down the line,” he said.

As for the future, the veteran Captain Philips said two things could happen. It is either going to be a year when lots of changes will take place with practical difficulties actually being addressed by the government bringing about a huge boost to the industry, or on the other hand, there will be such pressure that operating dedicated freighters would be a difficult proposition.

Leaving fuel prices aside, the government could help by bettering the infrastructure.”That is all within their powers. It is all reasonable. It is easy for the Emirates or Etihads coming in and taking away cargo. It is so much more challenging for us domestic players,” said Capt Pretham Philip. ■