



THE AIR CARGO AGENTS ASSOCIATION OF INDIA

COUNTRY REPORT

FOR THE

46th EXECUTIVE COUNCIL MEETING

OF

**THE FEDERATION OF ASIA PACIFIC AIR CARGO
ASSOCIATIONS
(FAPAA)**

AT

**Radisson Blu Water Garden Hotel
Dhaka, Bangladesh**

July 26 - 27, 2019



THE AIR CARGO AGENTS ASSOCIATION OF INDIA

OFFICE BEARERS

PRESIDENT	:	MR. T.A. VARGHESE
VICE PRESIDENT	:	MR. SUNIL ARORA
HON. SECRETARY GENERAL	:	MR. AFZAL MALBARWALA
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MR. MAHESH TRIKHA
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THE AIR CARGO AGENTS ASSOCIATION OF INDIA (ACAII)

PROFILE:

The Air Cargo Agents Association of India (ACAII) is the only recognized national Association representing the IATA accredited air cargo Agents in India. ACAII was founded in 1970 with 16 members, and it currently has a strength of 541 members, who are located in all parts of India.

Active Members: 276

Associate Members: 239

Allied Airline Members: 14

Allied GSA Members: 13

Commercial Members: 09

The primary objectives of ACAII are to promote the growth of the air cargo industry in India, facilitate the ease of doing business, and safeguard the interests of its members. In this context, ACAII has extensive liaison and interaction in India with Ministries, Government Departments, Regulatory Authorities. ACAII also deals with global international aviation organizations such as International Air Transport Association (IATA), International Federation of Freight Forwarders Associations (FIATA), Federation of Asia Pacific Agents Associations (FAPAA), etc. ACAII is also a member of several large Chambers of Commerce in India, such as Confederation of Indian Industry (CII), The Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Indian Merchants Chamber (IMC).

DEVELOPMENTS IN 2018-2019

ACAII is a permanent invitee to the following Committees of Government of India:

- 1). Air Cargo Logistics Promotion Board (ACLPB) under Ministry of Civil Aviation
- 2). Standing Committee on Promotion of Exports by Air (SCOPE AIR) under Ministry of Commerce and Industry.



ACAAI regularly participates in the meetings of these Committees and provides inputs and suggestions about many relevant issues pertaining to the air freight industry.

- ❧ ACAAI continues to work closely with other trade bodies and Associations such as Federation of Freight Forwarders' Associations in India (FFFAI), Federation of Indian Exports Organizations (FIEO), Association of Multimodal Transport Operators of India (AMTOI), Consolidators Association of India (CAI), Bombay Custom Brokers' Association (BCBA), etc. in areas and issues of common interest.

- ❧ The incumbent NDA Government has been re-elected with a greater mandate and has assumed office in May 2019. A number of path-breaking reforms were introduced during the earlier tenure of this Government from 2014 to 2019. It is expected that reforms process will continue vigorously during the next tenure of five years of the Government.

- ❧ The Union budget for fiscal 2019-20 was presented to the Indian Parliament by the Government on 5th July 2019. There is considerable emphasis in this budget on the development of infrastructure. The development and upgradation of Railways, Ports/Airports, Roads and Highways have all been given substantial consideration with the objective of enhancing the infrastructure for the speedy and efficient movement of people and goods across the length and breadth of India. The proposal to invest Rs.100 lakh crores in infrastructure projects in the next five years and the plan to construct 1.25 lakh kilometres of rural roads are major steps in achieving this objective. The promotion of Foreign Direct Investment (FDI) has also been given great importance in this budget. The proposal to permit FDI in aviation in India will facilitate the growth of this capital-intensive industry. The plan to utilize Rs.70,000 crores for the recapitalization of banks is likely to ease the credit crunch for business and industry. Promotion of electric vehicles is a step in the right direction to reduce carbon emissions which will improve the environment. The first steps towards achieving the objective of powering India to a \$ 5 trillion economy by 2025 have been taken in this budget.



GOVERNMENT AND INDUSTRY ISSUES

1). Administration Fee For Late Remittance of CASS Payments

The IATA Administration Fee for late payments in CASS continues to be an issue for the Indian air freight forwarders. Although ACAAI has taken up this issue in writing with IATA, there has been no response. Since the Joint Councils in Europe and Canada have vetoed the implementation of this fee in their respective jurisdictions, its implementation in India is a clear case of disparity.

This disparity is all the more glaring as, on the admission of IATA itself, most of the cases of the delayed payments are from European forwarders.

2). E-Air Waybills

A few airlines have implemented the E- Air Waybill programme in India. However, quite a few airlines have not yet done so. As a result, this programme has not yet achieved its full potential.

3). IATA FIATA Air Cargo Programme (IFACP)

The proposed rollout of IACP in India was February 2020. However, the rollout plan for India has been made conditional to ACAAI withdrawing its complaint against IATA.

4). TDS on CASS payments to airlines

It is essential for all cargo agents in India to deduct tax at source (TDS) prior to remitting the payment to the airline or IATA CASS. For this purpose, the Income Tax Department of India issues a TDS certificate for each airline at the commencement of every financial year. This certificate specifies the period and the rate of TDS which is applicable to the airline. All airlines have to send their TDS certificates to their agents for appropriate deduction of the tax. Many airlines have not provided their TDS exemption/deduction certificates issued by the Income Tax Department for F.Y. 2019-20 to their agents in a timely manner. Consequently, the tax deduction for CASS payments from 1st April 2019 has become a matter of great concern. When TDS is deducted prior to making the payment to IATA CASS for the CASS airlines, it is considered as short payment and the agents receive irregularity/default notices. On the other hand, if the tax is not deducted, the



agents may receive show cause notices or they may be subjected to scrutiny and severe penal action, including prosecution and jail sentence for the Directors, by the tax authorities. ACAAI has taken up this issue very strongly with the concerned airlines. We are also pursuing this matter with the Indian Government authorities.

5). National Logistics Policy (NLP)

In a welcome development, a draft logistics policy has been prepared by the Ministry of Commerce & Industry. As the Ministry had sought suggestions and comments from stakeholders, ACAAI submitted detailed point-wise comments and suggestions. The Hon'ble Minister of Commerce, Industry & Railways has recently asked the four transport Ministries to find ways to reduce the logistics costs in India from the current 14% of GDP to 9% of GDP by 2022. He has directed that all four Ministries should work in co-ordination with one another to achieve this objective and they must leverage the existing infrastructure to mutually support one another in the logistics chain. This will help to maximize capacity utilization and also to reduce costs. Emphasis is also being placed on the need to reduce the time taken for the transportation of farm produce such as foodgrains, fruits and vegetables from the farm to the market.

6). National Air Cargo Policy (NACP)

Ministry of Civil Aviation (MoCA) has unveiled the National Air Cargo Policy of India, which seeks to position India among the top 5 airfreight markets globally by 2025. This policy also seeks to create transshipment hubs at all the major airports during the next six years. It also aims to promote the development of a last mile / first mile connectivity programme at international / regional gateways. In an effort to decrease shipment delays, reduce costs and dwell time, a fully automated paperless environment with minimum face-to-face interaction will be implemented.

7). Disparity in Customs Regulations and Procedures for clearance of courier and air cargo import shipments

At present, there is vast disparity in the Customs procedures pertaining to the clearance of air cargo import shipments vis- a- vis the procedures for the clearance of courier shipments. While import courier shipments can be cleared in approximately 4 to 6 hours by following about 6 simple steps, it takes between 30 to 40 hours for completing almost 40 steps to clear import air cargo shipments. ACAAI has taken up this issue with the concerned Central Government Ministry in an endeavor to simplify the current Customs procedures for the clearance of import air cargo shipments to India, whereby such shipments can also be cleared in the



same manner and in a similar timeframe as is presently possible for import courier shipments.

8). Upgradation and operationalization of airfields in smaller cities

The air cargo industry has tremendous potential to boost the growth and development of the Indian economy. For this purpose, it is essential to provide proximate connectivity by air from the hinterland. In order to achieve this objective, the Government is identifying airfields in smaller cities which can be upgraded and made operational to facilitate the movement of passengers and goods by air. During the last two years, the Government has awarded 56 airports under the Regional Connectivity Scheme (RCS) for their development. Quite a few of these airports have already been operationalized, and every month, two airports are being made functional under this scheme. Consequently, the costs of transportation of the goods from the manufacturing hubs to the airports will be substantially reduced on account of the lesser distances that have to be covered. This is likely to have a positive impact on the overall transaction costs of the logistics and airfreight industries in India. Simultaneously, the PPP model for the development of greenfield and brownfield airports is also ongoing for the construction of new airports in various parts of India.

9). Logistics Performance Index (LPI)

The Logistics Performance Index (LPI) Report is published by World Bank every two years. India has jumped 19 places since 2014 to its current rank 35 amongst 160 countries. LPI is the weighted average the country scores on six key parameters as given below:

(i). Customs

Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including Customs.

(ii). Infrastructure

Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology).

(iii). International shipments

Ease of arranging competitively priced shipments.

(iv). Logistics competence

Competence and quality of logistics services (e.g., transport operators, customs brokers).

(v). Tracking & tracing

Ability to track and trace consignments.

(vi). Timeliness

Timeliness of shipments in reaching the destination within the scheduled or expected delivery timelines.



INDUSTRY CHALLENGES

The major challenges faced by the logistics industry in India are:

- ✿ High transaction costs - The transaction costs of the logistics sector in India is around 14% of its GDP, which is extremely high in comparison to the cost of 6 to 8 % in the developed economies. The Central Government has targeted this issue and is endeavoring to reduce the transaction costs to 9% of GDP by 2022 through various measures.
- ✿ High dwell time of cargo at airports on account of the complex and cumbersome clearance processes.
- ✿ Lack of benchmarking and minimum service standards in cargo handling by Airlines, Custodians and Airport Terminal Operators.
- ✿ Complex Customs regulations and procedures, which need to be simplified to make them contemporary and suitable to the needs of the trade. Various measures are being taken by the Central Government in this direction to facilitate the ease of doing business.
- ✿ Inadequate pool of trained and skilled manpower to meet the growing requirements of the industry.

45th ANNUAL ACAAI CONVENTION

- ✿ The 45th annual Convention of ACAAI is likely be held at Phuket, Thailand in November 2019. The theme of this Convention is "*End to End Logistics - The Way Forward*".



CONCLUSION

- ✎ Logistics will be a sunrise industry globally during the next decade. Airfreight has a key role to play in the logistics industry. The need for speedy delivery of goods across the globe has become a necessity. This is particularly true in the case of pharmaceuticals, garments, perishable goods, valuable cargo, etc. Recently, the Indian airfreight industry has shown growth of over 15% for international cargo, while domestic cargo grew by over 8%. The Central Government is encouraging FDI in various sectors and industries, including aviation. This scenario offers exciting business opportunities for domestic and international players to become a part of the economic growth story of India.

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