



THE AIR CARGO AGENTS ASSOCIATION OF INDIA

COUNTRY REPORT

FOR THE

35TH EXECUTIVE COUNCIL MEETING

OF

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

HOSTED BY THE

**JAPAN AIR CARGO FORWARDERS ASSOCIATION
(JAFSA)**

AT

Shinagawa Prince Hotel, Tokyo, Japan

FROM

24th April - 26th April, 2008



THE AIR CARGO AGENTS ASSOCIATION OF INDIA

OFFICE BEARERS

PRESIDENT	:	MR. KESHAV R. TANNA
VICE-PRESIDENT	:	MR. J. KRISHNAN
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HON. TREASURER	:	MR. BHARAT J. THAKKAR

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INTRODUCTION

"To Be or Not To Be" - is a question that holds no place in today's mindset. "To Be", "To Grow", "To Change" are the only Mantras driving the current business-oriented community. The world is fast shrinking, and with new ideas, new technology, better service and an improved lifestyle, change or adaptation to the modern environment is the only answer to all our problems.

In this context, the Indian Air Cargo Industry amidst the present economic scenario is soaring to great heights. Its functional significance has magnified in today's rapidly evolving era of globalization.

International trade has continued for years, but India's booming economy has helped the Indian Air Cargo Industry rapidly usher in globalization, which in turn has shifted the world's focus to India. The Industry has woken up to the call of competition, and has enhanced its efficiency to provide organized and speedy delivery of cargo to every corner of the world.

THE INDIAN AIR CARGO INDUSTRY - SALIENT FEATURES

- ☞ The Indian Air Cargo market has registered the 2nd fastest growth rate in the world after China, with International volumes growing at an Annual rate of 19% and Domestic cargo at 34%.
- ☞ Overall, the growth rate of the aviation sector in the next 10 years is expected to be not less than 25 percent. According to the Planning Commission, India's air cargo movements would grow at over a CAGR of 11.5% from 2007-08 to 2011-12.
- ☞ The six Metros account for 90% of total Airfreight!
- ☞ Dedicated freighter services have been launched by various airlines. Air India was the first scheduled passenger airline in India to enter this arena, and in this year 2008, is planning to embark on a 25% capacity expansion. Airlines of high stature like Jet and Kingfisher and other formidable players in the Logistics Industry are also looking for their own cargo offshoots.
- ☞ Foreign Direct Investment (FDI) limit in cargo airlines having been raised by the Government from 49% to 74% is attracting major overseas players to expand their Indian networks and capacity, with Middle East Carriers like



Saudi Arabian Airlines, Qatar Airways, Etihad & Emirates particularly prominent in the build up.

- ✿ Air Cargo business has overtaken the ocean freight & rail freight market by expanding at nearly 19% in the last 3 years, as against 10.3% growth registered by ocean freight and 9.2% by railways.

ACCELERATED AIRPORT ACTIVITY

- ✿ Privatization of cargo management at Airports has given rise to rapid developmental activity in new and existing major airports like Delhi, Mumbai, Bangalore & Hyderabad.
- ✿ Delhi Airport, which is handled now by Delhi International Airport Limited (DIAL), is being renovated by the Indian infrastructure organization, GMR Group and other investors like the German airport management group Fraport, Malaysian airport operator Eraman Malaysia, and India Development Fund.
- ✿ In order to make the Mumbai Airport a benchmark among airports, Mumbai International Airport Pvt. Ltd. (MIAL), a joint venture between GVK-SA consortium and the Airports Authority of India, has a master plan to expand & upgrade Chhatrapati Shivaji International Airport (CSIA) to cater to a traffic of 40 million passengers and One million tons of cargo annually.
- ✿ Similarly, Bangalore International Airport Limited (BIAL) has selected its strategic partners - SATS, Air India and Menzies Bobba Aviation. This will involve a combined investment of approximately Rs. 150 crores to build an airport of International standards and Two warehouses of 15 acres with an initial capacity to handle around 3,00,000 tons of cargo annually. The new Airport is expected to commence operations by 31st March, 2008.
- ✿ The GMR-Menzies combine has adopted a public-private partnership model to build a new International Airport at Hyderabad and install state-of-the-art cargo infrastructure. The total area allocated for cargo operations would be around 10 acres out of which three acres will be dedicated to cargo processing and storage. Above all, the cargo terminal will have a cargo handling capacity of 1,00,000 MT on a cumulative basis. The new Airport is expected to commence operations by 31st March, 2008.



With these developments we can expect far more efficient service levels in cargo handling in our Country. The free period time for Import cargo has also been reduced from 5 working days to 3 working days, which will also significantly effect quicker cargo movement at Indian Airports.

GROUND REALITIES - MAJOR CONSTRAINTS

The skies have indeed opened up for the Indian Air Cargo Industry, but the ground realities still prove major impediments to its sustained growth.

- ✎ The Indian Logistics sector happens to contribute approx. 13% to India's GDP, but ironically, its expenditure also corresponds to 13% of the country's GDP compared to less than 10% of GDP in developed countries, mainly due to inefficiencies in the system.
- ✎ One of the major setbacks is the lack of full-fledged Infrastructure on ground, whether it is by way of roads, space, equipment, documentation and procedures, systems and automation processes etc, which are inadequate and thus unable to cope with the growing needs of this industry.
- ✎ Due to Regulatory restrictions and Time-consuming procedures such as excessive physical examination of cargo by Customs, we understand that the average clearance time in India is in excess of 36 hours.
- ✎ EDI processes of key players in the Logistics field are distinct and thus fragmented. There is no standardized procedure by which all players can log into, enabling seamless processes of documentation.
- ✎ Trained Manpower, which is also a support infrastructure to our Industry, is greatly lacking. We no longer provide only airport-to-airport services, but also end-to-end solutions, all of which require systems trained personnel.
- ✎ The Software and Hardware capabilities at the perusal of Indian Customs, who are one of the key players in our Industry, leave a lot to be desired.

The common platform of The Air Cargo Agents Association of India or ACAAI, which remains till date the sole representative body of the Indian Air Cargo Agents, is thus in the process of trying to iron out the issues of the Industry by holding regular meetings with the Industry's partners.



THE AIR CARGO AGENTS ASSOCIATION OF INDIA (ACAAI)

PROFILE:

Established in 1970 with only 16 members, ACAAI today boasts of 260 Active Members, 273 Associate Members, 26 Allied Airlines, 13 Allied GSAs and 5 Commercial Members. Besides safeguarding the interests of its members and promoting fellowship among them, it provides professional assistance and guidance not only to its members but also to various Central and State Government departments/authorities connected with the industry.

CONTRIBUTIONS:

- ✿ ACAAI is famous for its Annual Conventions held in different parts of the world to bring together players from the Freight Forwarding and Aviation Industry to discuss and resolve issues. The 35th Annual Convention held in Hong Kong in December 2007 was based on the Theme "Destination India - Global is now Local". Keeping in mind the blurring of geographical boundaries and the advent of the world into India, the Convention's business sessions concentrated on development of Infrastructure, Standardization of Regulations and Procedures, Technology & EDI to raise Logistics services in India to International standards.
- ✿ ACAAI has also formed a Civil Aviation Core Group (CACG) Committee, which directly interacts with the Ministry of Civil Aviation to study the challenges and needs of the Air Cargo Industry and to provide solutions.
- ✿ Some of the proposals made by the CACG Committee include World-class Infrastructure, Bonded Forwarders' Terminals, Cargo Village Concepts, Industrial level EDI, Exploration of installed ICD/CFS capacity, Security, Trained Manpower and Aviation Policies.
- ✿ ACAAI is tackling the issue of Trained Personnel by having trained around 400 candidates under the auspices of FIATA. The process of setting up Institutionalized Training within the Association is also on the anvil.
- ✿ It is considered most important by ACAAI that the Ministry of Civil Aviation incorporates the needs and challenges of the Air Cargo Industry



while formulating aviation policies and legislations. ACAAI is addressing this issue by placing the above proposals before the Ministry,

- ✿ ACAAI is also in the process of developing an EDI Community Platform for transacting business electronically with various Industry partners. Currently the EDI transactions in India are fragmented and each service provider have their own individual platform. This restricts seamless processing of information. In an effort to provide a common platform, ACAAI is in discussion with software service providers to take this forward. This would be somewhat in line with other Community Platforms, like CCN in Singapore and others.
- ✿ ACAAI has recently been invited to join the Managing Committee of the Indian Merchants Chamber (IMC). The IMC is an elite Organization, which comprises of high level Industrialists and Trade bodies, which directly interact with the Government on Export/Import issues. Having obtained a seat in this Organization, ACAAI will be in a much better position to have direct involvement with the Trade on one side and Government officials on the other.

CONCLUSION

There is no stopping the Indian Aviation Logistics Industry, which is currently growing in leaps and bounds. If we wish to sustain this progress, it becomes crucial for the Government and the Players of this Industry to help remove obstacles and introduce World-Class Infrastructure.

At ACAAI we are confident that we are moving in the right direction to achieve this objective.

