



THE AIR CARGO AGENTS ASSOCIATION OF INDIA

COUNTRY REPORT

FOR THE

37TH EXECUTIVE COUNCIL MEETING

OF

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

AT

**Resorts World Convention Centre,
*on Sentosa Island, Singapore***

**From
4 - 5 June 2010.**



THE AIR CARGO AGENTS ASSOCIATION OF INDIA

OFFICE BEARERS

| | | |
|-------------------------------|----------|------------------------------|
| PRESIDENT | : | MR. J.KRISHNAN |
| VICE-PRESIDENT | : | MR. BHARAT J. THAKKAR |
| HON. SECRETARY GENERAL | : | MR. HEMANT BHATIA |
| HON. TREASURER | : | MR. S.L.SHARMA |

MANAGING COMMITTEE MEMBERS

**MR. ANIL VAZIRANI
MR. ASAD CASSIM
MR. HARESH MEHTA
MR. RAGHU SANKAR G.
MR. T.A. VARGHESE
MR. SUNIL ARORA
MR. CHRISTOPH REMUND**

SECRETARIAT

**The Air Cargo Agents Association of India
28-B, Nariman Bhavan, 2nd Floor
Nariman Point, Mumbai – 400 021
Tel: 91-22-22021923 / 22025584
Fax: 91-22-22824029
Email: ho_bom@acaai.org.in
Website: www.acaai.in**



THE AIR CARGO AGENTS' ASSOCIATION OF INDIA (ACAAI)

PROFILE:

The Air Cargo Agents Association of India is the only recognized National Association representing the IATA accredited air cargo Agents all over India. Founded in 1970 with 16 members, it now has strength of about 600 members ;

Active Members: 265

Associate Members: 290

Allied Airlines: 23

Allied GSAs: 17

Commercial Members: 07.

✿ Besides safe-guarding the interest of the members and promoting their interests, it provides professional assistance and guidance not only to its members but also to various Central & State Govt departments/authorities connected with the industry. ACAAI promotes growth, development and professionalism in the Indian Air Cargo Industry. ACAAI is affiliated to international organizations such as IATA, FIATA, FAPAA, etc. and enjoys the unique privilege of having the only formalized forum for direct discussions with IATA. Mr.Sarosh Nagarvala, our Past President and Board of Advisor is Sr.Vice President - FIATA.

✿ ACAAI has been proactive in projecting issues concerning the industry with the Government Authorities, Chambers of Commerce, Airlines, Exporters/Importers, etc. ACAAI continues to have very close interaction with the Ministries of Commerce and Civil Aviation, Central Board of Excise and Customs, Airports Authority of India, Custodians, etc. and has been an active member of various taskforces and action groups on export promotion, cargo facilitation, Customs re-engineering, Standing Committee on Promotion of Exports by Air (SCOPE AIR) transaction costs, etc. It is the constant endeavor of ACAAI to improve and sustain the relationship between Airlines and Air Cargo Agents.

✿ ACAAI is also involved and actively takes part in the drafting of the new civil aviation policy by the Government of India, which also includes matters regarding privatization of Airports and PSP / Airport infrastructure, through the newly set-up Civil Aviation Core Group (CACG) comprising of eminent Board of Advisors of ACAAI.



ACAAI'S ACTIVITIES

INDIAN AIR CARGO PROGRAMME (IACP)

- ✎ ACAAI is in discussion through the Joint Council Meetings to establish the new IACP under Resolution 815. Under the new IACP a Joint Council comprising of 6 Airlines and 6 ACAAI forwarders equally represent the interest of Air Cargo Committee. The Joint Council is fully empowered to establish and manage the new programme. Currently the Indian Air Cargo Agent is governed by Resolution 801.
- ✎ A very significant aspect of this new Resolution is the recognition of the transition of the role of the "air cargo agent" into an "air cargo intermediary". The principal-to-principal relationship of the airline and the air cargo intermediary is hence appropriately addressed under this new Resolution. This has been a significant step forward for the Indian Air Cargo Intermediary.

INDUSTRY-LEVEL EDI IMPLEMENTATION

- ✎ Currently, there is no industry level platform, and each segment of the aircargo industry has its own EDI system, thereby fragmenting the EDI change process. The various segments need to be integrated and a uniform standalone system, which is able to communicate effectively with each segment of the industry, needs to be put in place urgently.
- ✎ Not only would this increase the level of efficiency, it would also decrease problems faced due to multiple data entries, thereby reducing costs and delivering a high level of performance. This needs to cover all players in the supply chain industry - a mission which is high on the ACAAI's agenda and its Managing Committee is actively pursuing implementation such an EDI platform for the benefit of ACAAI's members, as well as, all segments related to Air Cargo Trade.



- ✿ ACAAI has established an Industry platform called “UPLIFT” which will benefit all segments of Air Cargo Industry and the Pilot Project has started with presentations being made to members of various regions and will be implemented under the auspices of ACAAI during the year. At ACAAI, we felt that this is the correct step forward, keeping in mind the continuous pace at which the global Air Cargo Industry is progressing.

ANNUAL ACAAI CONVENTION

- ✿ ACAAI's Annual Conventions are regarded as the most important Conference of the air cargo industry in India. Delegates include senior officials of all segments of the industry and Government departments. Delegates and speakers are drawn from all over the country and from overseas.
- ✿ In view of the globalization and liberalization policy adopted by our Government, ACAAI, with a view to provide an international exposure to its members organize such conventions at different locations in India and Overseas. The 37th Annual Convention 2010 will be held at Bengaluru from 25 - 28 November 2010.

GROWTH & PROFILE OF THE INDIAN AIR CARGO INDUSTRY

- ✿ Since the end of last quarter of 2009, business has bloomed from the gloomy 2008 - 2009. There has been a strong demand which will continue and further improve in the coming year.
- ✿ Strong demand for faster delivery of goods by shippers is creating numerous challenges for the Air Cargo Industry in India. The extensive forces of liberalization and globalization have radically transformed world trade and opened up economies and fueled consumer demand in an unequalled scale.
- ✿ Air cargo remains crucial to globalization. Globalization and trade liberalization has spun out to be the driving force of economic growth worldwide. In an increasingly global community and market place, aviation industry plays a prominent role in the word economic activity. Air cargo is playing an imperative role in the value chain of global transport and logistic, which in turn attracts



cargo market to grow four to five folds by 2020 surpassing passenger's traffic growth.

- ✿ The Air Cargo Industry on the whole in India has grown significantly in recent years due to increased liberalization and enhanced competitiveness of many segments of Indian Industry. Government, in consultation with industry is constantly reviewing the need for further liberalization of the economy and takes steps towards globalization of Trade.
- ✿ The 5 major airports accounted for about 90% of the total cargo handled in the country; Mumbai Airport being the biggest amongst all the Indian Airports. International cargo handled has grown at 6.8% per annum while domestic cargo has grown at 20% per annum.
- ✿ The skies have definitely opened up for Air Cargo, but we cannot shut our eyes to the not so pleasant ground realities. Inadequate infrastructure, regulatory restrictions, fragmented EDI implementation, lack of trained manpower and security hazards are some of the glaring constraints still hampering the growth of our Industry. It is imperative that the Freight Forwarding fraternity, Aviation personnel & the Government put their heads together to arrive at solutions.
- ✿ The development of non-metro airports is scheduled to be completed by 2010, while metro airports would take more time. A cargo hub is coming up at Nagpur, Multimodal International Hub Airport at Nagpur,(MIHAN) in Maharashtra. Besides, metro airports are being expanded for cargo operations.
- ✿ Air cargo is playing an imperative role in the value chain of global transport and logistics.

QUARTERLY ACAAI NEWSLETTER

- ✿ For the benefit of its members, a newsletter, "ACAAI News" is professionally published quarterly and circulated to all members and the Trade.



INFRASTRUCTURE

- ✿ Our progress is indeed gaining great momentum, but, it is Infrastructure, which can ultimately revolutionize the Indian Air Cargo Industry!!
- ✿ With the continuous growth our Industry is witnessing, our current Infrastructure is under immense strain. We have been promised major improvements in this sector and it is the objective of the Government to provide world class facilities and services. With privatization, we are moving closer to our quest for Air Cargo Villages and Agents Bonded Terminals - but the progress should be much faster.
- ✿ The Air Cargo Agents Association of India (ACAAI) has made recommendations to the Ministry of Civil Aviation as regards infrastructure development. The Association has suggested that there is an urgent need for a review. In addition, it feels there should be a vision at the local level for overall effectiveness of the airports and a detailed look should be taken at the overall transaction, cost and time that the customer bears.
- ✿ Regulatory functions should be implemented in tune with trade needs. At the same time, national and local fora/interactions may periodically review the effectiveness of discussions and actions. Improved interface is needed between various parties at airports like handing over responsibility, liability, accountability, etc.
- ✿ ACAAI has and is playing a major role in the development of the new privatized airports of Hyderabad, Bangalore, Delhi and Mumbai.
- ✿ Challenges thrust on the Air Cargo Industry are Competition (especially from other modes of transport), Infrastructure, networking, inter-modal connectivity, reach to interior locations and escalating cost.

One of the serious obstacles of progress is infrastructure. Today no country can plan of infrastructural developments in isolation due to inter dependency. Any commercial transaction today needs to be bilateral or better still multilateral in order to meet the growing demands of the global market. Airlines and Agents should come together to create a platform for world class infrastructure rather than create islands of growth in selected pockets.



- ✿ There should be clearly defined parameters for an Air frontier to become hubs of business activity. Such requirements could be abundant space, large scale closed storages, specialized Cold chains, customized garment on hanger facilities, heterogeneous mix of handling capabilities, safety and security to cargo . the list may go on. But there appears to be no concerted effort that crosses the country divide to create a global platform.
- ✿ An airport should become a common meeting point of commercial interest keeping in mind the country specific requirements. This could be a dream today but will become a reality tomorrow. Creation of such a facility will encourage Airlines to set up trans-global bonded facilities for better utilization and unitization of cargo deriving cost advantages.
- ✿ There are no global standards today and what is prevalent; is but myriad distinct but individual standards that are location specific.
- ✿ To consider India specific perspective total cargo traffic increased by 21.5 per cent in 2006/07 from 15.6 per cent the previous year. India's air cargo has grown by 19 per cent, against 10.3 per cent and 9.2 per cent growth in shipping and railway cargo during the last three years. Yet the ability to grow further is shackled by inadequate infrastructure, improper road / rail connectivity's, insufficient storage facilities to name a few.
- ✿ Customs barriers are another key focus area. One of the fundamentals of air carriage is speed and timely deliveries. In a seamless flow any obstacle delays leading to cost escalations. In this endeavor Customs should become facilitators rather than enforcing agencies. Of course there cannot be any compromise on safety and security but under the guise of such measures dampening free flow would not be in the interest of the economy. Better intelligence systems, monitoring mechanism, and system driven process rather than human intervened facilities should be the goal of Customs to offer seamless flow. This requires more simplified and transparent procedures. Outdated administrative habits and economic concerns no longer in tune with today's market-driven economies inhibit progress. Revision of such procedures is necessary. Disparity of standards among countries further complicated procedures on an international basis and can result in serious delays in the cargo transport chain. This is applicable to some of the developed, most of the developing and almost all of the underdeveloped nations thereby by creating an imbalance in free flow of cargo movement.
- ✿ Customs EDI- inspite of a decade of experiments, we are no where in sight to



reduce the paper mountains of documentation/certification. For this inefficiency to be eliminated there is a need for priority to review policy by Govt. Customs should have their own risk management assessments for cargo handling to hasten the clearance process, as our dependence of physical verification of goods at airport sheds is certainly not a contemporary customs procedure practiced that meets the demands of the present day trends.

CHALLENGES

The major challenges which face the logistics industry today are:

- Cutting delivery time and costs by accelerating the delivery operations,
 - Customer Relationship Management in the background of increasing customer expectations,
 - Infrastructural developments to keep pace with the worldwide standards in material handling and services, particularly those at the customs terminals and cargo godowns and airports where physical handling of the cargo takes place, in the backdrop of the impending manufacturing and industrial boom.
- Severe reduction in margins, due to intense competition in all spheres together with higher costs of operations due to customers demanding prompt, efficient and comprehensive services package, which can at best be only partially compensated by higher volumes.
- Information management to be commensurate with the growing demand on the timely availability of information regarding all aspects of logistics and material handling, including availability of cargo space, rates and discounts, movement of the consignments, delivery etc.
 - Lack of industry status to the logistics industry in India and lack of a policy framework, implementation and regulatory mechanism for a vital segment of international trade which is certain to become the backbone of all future industrial, commercial and economic growth in the country if India has to maintain a competitive position in the world scenario. Next 5 to 10 years are going to be critical and immediate attention of the decision makers may be invited by way of conferences, seminars and other fora in which both policymakers and industry representatives must play a pivotal role.



STANDARDISED PROCESSES

- ✿ In an effort to standardize processes, the ACAAI has recommended that the Customs department be empowered to permit trans-shipment of Import Consul cargo at all airports, without trans-shipment bonds, etc. Standardisation of import/export registration, clearance, drawback, amendment of Import Bill of Entry via EDI, duty settlement 'e-payment' of duty. Customs operations 24x7 and exemption from duty of containers are some other key recommendations of the ACAAI.
- ✿ The Association has also suggested to Indian Customs that Risk Management System (RMS) and green channel clearance should be implemented at all airports.

CONCLUSION

- ✿ While the global economic crisis clearly took the wind out the sails of India's growing aviation market, it bounced back at the end of last quarter of 2009 and the demand is expected to continue. Even this year the Indian economy is expected to grow at around 6-7 per cent.
- ✿ In conclusion **ACAAI** in India is sole recognized body of Air Cargo Agents in India endeavoring to protect and safeguard their collective interests.

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