

CARGO CARRIERS TAKING OFF

Growing foreign and domestic trade is driving demand for cargo carriers in India, writes **Rajiv Pai**. Several leading domestic groups and airlines are planning to set up dedicated cargo airlines to cater to the huge demand for air freight.



India could fast emerge as a significant player in the air cargo market. Heartened by rapidly expanding trade levels, most carriers in the country from Jet Airways to Kingfisher Airlines and Air India are in varying stages of establishing exclusive air cargo divisions.

Capt G.R. Gopinath, who transformed the Indian civil aviation industry with his ultra-budget Air Deccan – he subsequently offloaded a part of his stake in the airline to Kingfisher Airlines – also has plans to launch a dedicated cargo airline company christened Deccan Cargo. He is raising \$45 million to fund the venture that will take off early next year with around nine

leased Airbus 310 aircraft.

Gopinath's logistics venture, Deccan Express Logistics, has entered into an agreement with the Hyderabad-based GMR Group to develop modern express cargo hubs at the GMR Hyderabad International Airport Ltd and Delhi International Airport Pvt Ltd (DIAL). Both these hubs are being built by GMR and are expected to become operational by next January.

Says Gopinath: "The modern express cargo hubs in Hyderabad and Delhi – together with our central hub at Nagpur – will facilitate effective consolidation." The aviation entrepreneur also has plans to acquire a Chennai-based cargo carrier, especially its supportive infrastructure and airport permits.

Mukesh Ambani's Reliance Industries, is also considering starting an air cargo company. The cargo airline will handle the merchandise produced at the sprawling special economic zones (SEZs) in Navi Mumbai and Haryana that are being promoted by the company.

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Reliance already has a logistics arm as also a countrywide retail venture, Reliance Fresh, served by more than 10,000 trucks. The company is also toying with the idea of acquiring stakes in the cargo operations of other airlines.

Anil Dhirubhai Ambani Group (ADAG) is also looking at the possibility of starting a cargo carrier. Two years ago, Reliance Capital (which is part of the group) had picked up a 44 per cent equity in DTDC, the Bangalore-based courier and express company; it has also bought a 31 per cent



FLYING HIGH : India's rapidly expanding trade levels is resulting in huge demand for cargo carriers



EXPANDING SERVICES : The national flag carrier has launched Air India Cargo, offering services to several destinations

stake in BLR India, a transport and logistics firm.

India's leading private airline, Jet Airways, is also proceeding afresh with its plans for a separate cargo freight division. The airline, with a fleet of 106 aircraft following its acquisition of JetLite and operating a schedule of over 525 flights daily, won the 'Best Cargo Airline

With our eyes set on international operations, we aim to offer one of the most reliable cargo products supported by our state-of-the-art high-end logistic systems.

of Central Asia' award in May in London.

State-owned Air India – domestic major Indian Airlines was merged with Air India recently – has launched Air India Cargo with services to Singapore, Bangkok, Hong Kong and China. It is also looking at moving freight between India and New York, Dubai, Dammam in Saudi Arabia, Doha in Qatar, Amsterdam, Seoul,

Tokyo, Dhaka, Toulouse and Australia, while augmenting its connections to Frankfurt and Paris.

India's flag carrier has two Airbus A310s and three converted Boeing B737 freighters and aims to have 10 freighters in operation by the end of the year.

Flyington Freighters Pvt. Ltd, a start-up all-cargo airline based in Hyderabad and owned by Deccan Holdings, plans to operate services to China, Europe, Africa and West Asia. It ordered six of the new Airbus 330-200F aircraft in January 2007, and expects the first delivery in the

second half of 2009.

Kingfisher Cargo, a division of Kingfisher Airlines, offers a belly capacity on 193 routes to 31 destinations across India. "With our eyes set on international operations, we aim to offer one of the most reliable cargo products in the market supported by our state-of-the-art high-end logistic systems," says an airline spokesperson.

GoAir has appointed Ariel Global Logistics, a division of Ariel Maritime (UK) Ltd in Manchester, as its official shipping and forwarding agents in the UK and Ireland.

NEW LAUNCH : Jet Airways is planning a separate cargo freight division to meet the growing demands



New Delhi-based cargo airline start-up, Aryan Cargo Express Pvt. Ltd, plans to start global operations by October with the lease of two B747-400F aircraft from Iceland-based Avion Aircraft Trading.

Major international airlines too are recognising the need to invest in India's air cargo growth potential. For instance, British Airways World Cargo (BAWC) is increasing its belly capacity to India with the launch of direct B777 flights between London Heathrow and Hyderabad. It will operate five flights a week, increasing cargo capacity to and from the region by 2,500 tonnes per annum.

"These new services complement our long-haul freighter network and demonstrate our commitment to providing customers with access to strategic global markets," says Mat Burton, BAWC's area manager for India and Nepal. He views Hyderabad as an increasingly important station, primarily due to the rapid growth in the pharmaceutical and IT sectors.

Dubai-based Emirates too is introducing four additional weekly frequencies to New Delhi, following its recent announcement to introduce a second daily operation to the capital.

Cargo movement is also expected to gain momentum as the increased capability – over 300 tonnes per week – supports the growing export of garments, meat products, fruits and vegetables, machinery and spares to the Middle East, Africa and Europe.

"Having fuelled strong economic and trade ties between the Middle East and India since the start of its services in 1985, Emirates is well poised to support India's blistering growth in the 21st century with its efficient, reliable and increased air links," observes Salem Obaidalla, senior vice-president, commercial operations, West Asia and Indian Ocean.

The airline also intends to augment its Hyderabad service to 18 flights a week, expanding cargo tonnage by over 70 per cent to 246 tonnes a week and offering Hyderabad's exporters much-needed capacity to transport pharmaceuticals, engineering spares, chemicals and poultry products to the Gulf, Africa, America and Europe.

With exports touching \$155 billion in 2007-08 – a 20 per cent increase over the previous year despite the inflation-



GAINING MOMENTUM: The expected hike in the cap on foreign direct investment in the sector will attract several new players

fuelled slowdown – the country's scheduled international air cargo traffic surged 9.9 per cent during the fiscal.

The Directorate General of Civil Aviation (DGCA) is now planning to issue more licences to boost the airfreight sector and has issued five such licences of late.

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The country currently has only a dozen aircraft dedicated to freighter services, but this is expected to change with the Central Government deciding to increase the foreign direct investment (FDI) cap on the air cargo sector from 49 per cent to 74 per cent. The size of India's domestic and international air freight market was

estimated to have been 1.55 million tonnes in 2006-07. Of this, international air freight to and from India stood at nearly 1.02 million tonnes, up from 920,150 tonnes in 2005-06, according to the Airports Authority of India (AAI).

The domestic freight business was at 532,570 tonnes in 2006-07. Europe, the Far East and the Middle East comprise India's three largest scheduled cargo traffic flows.

While 310,100 tonnes of cargo were air freighted between Europe and India, the tallies for the Far East and the Middle East were 209,200 tonnes and 208,200 tonnes, respectively.

In contrast, in the weakest year since 2003, US airlines saw cargo volumes grow a feeble 1.1 per cent in 2007, according to figures from the US Air Transport Association. There was a 0.1 per cent drop in domestic air cargo traffic in the US, based on cargo tonne miles, reported Air Cargo World, a US-based publication.

Leading air freight airports in terms of tonnage in India in 2006-07 were Mumbai (478,600 tonnes), Delhi (398,437 tonnes), Chennai (233,769 tonnes), Bangalore (165,406 tonnes) and Kolkata (83,528 tonnes). "These five major airports account for 88 per cent of the total air cargo handled in India," says V.K. Kalra, executive director (Key Infrastructure

Development), Airports Authority of India. "Air cargo remains a vital mode of transport for India's international trade, especially for products with high value or value addition."

But he maintains that while there has been impressive growth in air traffic, the challenge is to provide the requisite airport infrastructure. "There's a need to have a well networked air cargo system to connect far-flung areas and provide access to new markets," he points out.

Concurring with Kalra's assessment, Jay Shelat, who is the vice president for cargo with Jet Airways, believes it's time for the country to improve not only its airports, but its road and rail network as also the general infrastructure of the metropolitan cities.

The DGCA has indicated that while numerous applications have been

received for licences to operate air cargo in India, these permits will be issued according to the infrastructure available at the airports. It is expected to award additional licences for air cargo operations as the country prepares for the upgradation of 35 metropolitan and non-metro airports. The development of non-metro airports is scheduled for completion by 2010, while metro airports will take





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more time. A cargo hub is also to be developed at Nagpur in Maharashtra.

Dr Dinesh Keskar, the Seattle-based senior vice-president for sales of commercial airplanes, Boeing, foresees domestic Indian air cargo traffic expanding at 9.1 per cent per year through 2025, although from a small base.

With more cargo being carried in the bellies of passenger airliners than in cargo aircraft, Boeing says India will need 24 dedicated freighters for the period from 2008 to 2027.

With India's foreign trade set to soar over the coming years, demand for cargo services is expected to take-off. 🚀

TAKING WINGS

INDIA Post, the erstwhile Posts & Telegraphs department, plans to acquire four cargo aircraft to handle its speed post services to 15 cities in the country. Last year, India Post acquired its first aircraft and launched services in the North-East, with Guwahati as its hub.

The aircraft, with a 15-tonne load, carries Speed Post, other mails and parcels to the seven states in the region. Looking at the success of its initial foray, India Post is now planning to acquire four freighters – either leasing it from the national flag carrier, Air India, or from some other company.

Facing competition from private – both domestic and international – courier services, India Post is streamlining its services, speeding delivery times. The new aircraft, which it hopes to acquire this year, will be operated during the domestic non-peak hours, from late at night to early in

the morning.

The services would cover Delhi, Mumbai, Kolkata, Chennai, Bangalore and Hyderabad in the initial phase. Later, the services would be expanded to cover other state capitals and major cities.

At present, Blue Dart Express operates its aircraft, catering to the burgeoning growth in demand for courier services in the country.

The Indian Government is also considering the setting up of dedicated cargo airports to meet the needs of the industry. Most of the existing civil aviation airports are busy catering to passenger traffic and do not offer much scope for expansion of cargo services.

In fact, some of the airports being developed or upgraded by private groups already have plans for setting up dedicated cargo handling facilities. The GMR group, which has built the new Hyderabad International Airport, plans to set up a separate facility for perishables.

The centre for perishable cargo at the

Hyderabad airport is being designed to handle 15,000 tonnes of perishable cargo per annum in the first phase and 25,000 tonnes per annum in the second phase, to be executed by 2014.

The Cochin International Airport, another private sector developer, at Kochi, is also setting up a similar facility for perishable cargo. It will handle about 20,000 tonnes of perishable cargo every year.

Reliance Industries is also keen on a dedicated cargo airport in Haryana, close to its new special economic zone.

The most ambitious project is the Multi Modal International Hub airport at Nagpur (Mihan), work on which is progressing rapidly. The government is also planning to develop six other multi-modal hubs in Amritsar, Ahmedabad, Guwahati, Hyderabad, Kolkata and Thiruvananthapuram.

