

Air cargo taxies for take-off

After a two-year hiatus, the domestic air cargo business is seeing an uptick as airlines expand capacity and seek global partnerships

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In March 2020, ahead of the nationwide lockdown for Covid, domestic airlines operated all of 11 freighters. Today, that number has swelled to 16 as Indian carriers add capacity to grow market share and shore up declining yields against rising competition from road transport in domestic and foreign carriers on overseas routes.

There has, in fact, been heightened activity in the business in recent months after a near-two-year hiatus. Consider these:

- In March, air cargo and courier major Blue Dart inducted two Boeing 737 freighters, taking its fleet count to eight. From May, Blue Dart plans to operate scheduled flights to Guwahati for the first time with these new planes, to better serve the Northeast. In recent months, the company has set up 25 new retail stores, introduced a digital prepaid card for bookings and launched a marketing campaign to expand its reach

- By early May, cargo airline Pradhaan Air, which began operations last October with a single A320 freighter, plans to induct its second aircraft

- Earlier this month, SpiceJet Ltd. hived off its cargo and logistics business SpiceXpress into a separate entity — SpiceXpress and Logistics Pvt. Ltd. The airline has secured \$100 million investment from Carlyle Aviation Partners is also looking to grow its freighter fleet

- Tata-owned Air India is also exploring the induction of freighters, either on its own or in partnerships

These investments in air cargo business can be viewed against the backdrop of India's recent free trade agreements with Australia and the UAE. The government's ambition to position India as an alternative to China by attracting investments and supply chains is also seen as a positive trigger for the air cargo sector that is yet to recover fully from the pandemic.

Between April 2022 and March 2023, Indian airports handled over 3.1 million metric tonnes of freight, just 0.4 per cent higher than the same period last year. Between April 2019 and March 2020, Indian airports handled over 3.3 million metric tonnes of cargo, so overall cargo handled in 12 months of 2022-23 is still 5.2 per cent less than pre-pandemic times.

Overall, in FY23, domestic freight grew 9.1 per cent and international freight declined 4.9 per cent compared to a year ago, according to Airports Authority of India data.

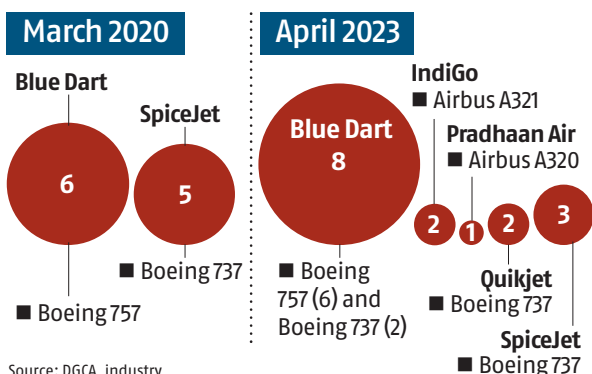
"Much of the lack of recovery is driven by lack of capacity — this has been a problem across other markets as well that rely on passenger aircraft belly capacity," said Frederic Horst, managing director of Australia-based Trade and Transport Group, a logistics consultancy.

The closure of Jet Airways in 2019 also impacted cargo movement at Indian airports. Industry sources said the slowdown in exports of high-end garments and leather and shift in pharma exports from air to sea mode have also contributed to a decline in air freight in India.

But as the expansions suggest, airlines are optimistic about industry prospects. "We are now seeing a good cargo growth even on our passenger fleet (belly cargo), especially as the airline adds capacity on existing or new routes. Freighters are naturally seeing good growth



FREIGHTERS TAKE FLIGHT



Source: DGCA, industry

from a low base. There has been a strong demand into West Asia and, as always, strong demand inbound from China and Hong Kong," a spokesperson from IndiGo said.

Freighter utilisation has grown significantly in the January-March quarter with regular flights to West Asia from Mumbai and Yangon and Hong Kong from Kolkata, the airline added.

"We are happy with the performance of our A320 cargo aircraft. Our utilisation has grown month over month and there hasn't been a single cancellation because of an engineering issue. Currently, we are operating four or five weekly flights from Delhi to Hanoi bringing in electronics, mobile phone parts and garments," said Nipun Anand, founder and CEO of the fledgling Pradhaan Air.

Pradhaan Air aims to induct two Airbus A321 freighters by the second quarter of 2024 and the first of its four Airbus A330 freighters by early 2025, pinning its hopes on revival in business sentiment and increased manufacturing in India.

But even as the airlines remain upbeat about the business, there are headwinds. Cargo traffic flows tend to be unidirectional, given trade imbalances, and Indian carriers face bigger challenges since they largely carry point-to-point traffic, which means they could be returning with empty holds. Foreign carriers with large networks like Cathay Pacific or Emirates carry 50-70 per cent of cargo beyond their hubs so they are able to fill up their wide body freighters.

Currently, 80-85 per cent of international freight to/from India is carried by foreign airlines with AeroLogic (DHL-Lufthansa joint venture airline), Cathay Pacific, Emirates, Qatar Airways and Turkish Airlines taking a large share of business.

However, there is a silver lining. IndiGo has started accepting cargo for Europe following its partnership with Turkish Airlines. "Our Delhi-Istanbul passenger flight has begun operations with a Boeing 777 aircraft and we therefore have new wide body capacity that is being sold — not only to Istanbul but beyond to a range of European destinations through our partnership with Turkish," it said.

Air India said it is looking to improve its capacity utilisation

and diversify its customer base with the launch of new value added products and services. Efforts are also on to coordinate with service providers and regulatory bodies to improve transshipment efficiency at Delhi, Mumbai and Bengaluru airports, Air India said.

Increased competition from road transport lines and railways is another concern and is putting pressure on airline freight loads and yields. Cargo yields in the domestic market are said to have declined 20 per cent over the pre-pandemic period as a result. Over the past few years, e-commerce firms have also expanded their network of fulfillment centres allowing storage and quick deliveries.

"I think the Indian domestic market is tricky for freighters. Both Blue Dart and Quikjet, which operates for Amazon, have captive customers. Normal cargo yields are too low to sustain freighter operations, which is why the majority of domestic cargo moves on passenger aircraft. On the international side there is more potential for freighter service to complement the passenger network. Thus SpiceJet, IndiGo and Pradhaan Air are operating on international routes rather than domestic," Horst said.

According to aviation consultant Vishok Mansingh, IndiGo and SpiceJet operate freighters at low incremental costs as they have a pool of pilots, engineers and spares for passenger and cargo aircraft. "In spite of the low operating cost, the challenge for them is getting enough two-way loads on international routes and good yields. Blue Dart doesn't face the challenge and it can command a price premium as it offers door-to-door express service. Introducing the Boeing 737 freighter will help develop a point-to-point network within India," he added.

"We would like to grow cautiously. Our strategy for growth is developing long-term partnerships with companies, which require guaranteed dedicated cargo space, and I feel there will be additional opportunities for that," said Preetham Philip, CEO of Quikjet Airlines that runs two Boeing 737 freighters for Amazon. "We began operations in January and progress so far is positive. Loads are ramping up," he added.