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FACILITATING POLICY CHANGE

**DISCUSSION PAPER**

# **Role of Air Express in Achieving India's Export and Growth Targets**

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## List of Abbreviations

|           |  |
|-----------|--|
| B2C       | Business to Consumer   |
| BIAL      | Bengaluru International Airport Limited                            |
| CAGR      | Compounded Annualised Growth Rate                                  |
| CBIC      | Central Board of Indirect Taxes & Customs                          |
| CSB       | Catholic Syrian Bank   |
| DGFT      | Directorate General of Foreign Trade                               |
| ECCS      | Express Cargo Clearance Systems                                    |
| EICI      | Express Industry Council of India                                  |
| FDI       | Foreign Direct Investment  |
| FTAs      | Free Trade Agreements  |
| FY        | Financial Year   |
| G&J       | Gems and Jewellery   |
| GDP       | Gross Domestic Product   |
| IMF       | International Monetary Fund  |
| INR       | Indian Rupee   |
| IT & ITeS | Information Technology and Information Technology Enabled Services |
| LEADS     | Logistics Ease Across Difference Sates                             |
| LEO       | Let Export Order   |
| LPI       | Logistics Performance Index  |
| MEIS      | Merchandise Export from India Scheme                               |
| MMLP      | Multimodal Logistics Parks   |
| MoC&I     | Ministry of Commerce and Industry                                  |
| MSMEs     | Micro, Small, and Medium Enterprises                               |
| NFEI      | No Foreign Exchange Involved                                       |
| OECD      | Organisation for Economic Co-operation and Development             |
| PIB       | Press Information Bureau   |
| PPP       | Public-Private Partnership   |
| RMG       | Ready-made Garment   |
| TIES      | Trade Infrastructure for Export Scheme                             |
| UDAN      | Ude Desh ka Aam Nagarik  |
| ULIP      | Unified Logistic Interface Platform                                |
| USA       | United States of America   |
| USD       | United States Dollar   |
| WTO       | World Trade Organisation   |



## Introduction

It was during the Union Budget of 2019, that the Finance Minister of India, Nirmala Sitharaman, announced the intent leading India to become a USD 5 trillion economy, by 2025. The groundwork for this was already in progress even before the announcement was formally made. This is evident from the fact that the Working Group formed for developing a roadmap towards achieving the 5 trillion-dollar economy was circulated in October 2018. The Ministry of Commerce and Industry (MoC&I), during its year-end review meet in December 2018 came out with an action-oriented plan which focused on increasing the contribution of the services sector to USD 3 trillion, the contribution of the manufacturing sector to USD 1 trillion, and agricultural sector to USD 1 trillion<sup>1</sup>.

The idea behind this push was to boost export in these sectors while diversifying export basket for India in terms of product as well as countries. For a more focused approach, the Department of Commerce (DoC) identified twelve champion services sectors namely, information technology and information technology enabled services (IT & ITeS), tourism and hospitality services, medical value travel, transport and logistics services, accounting and finance services, audio visual services, legal services, communication services, construction and related engineering services, environmental services, financial services and education services and created a corpus of USD 1 billion to help these sectors grow further.

Furthermore, MoC&I even developed an Agricultural Export Policy, a first of its kind in India, which was expected to boost agricultural exports from India to USD 60 billion by 2022<sup>2</sup>. The Government had even initiated a number of steps to promote overseas trade, such as, easing credit flow for small exporters, initiating Free Trade Agreements (FTAs) with major fast-growing economies around the world, developing and financing trade infrastructure through Trade Infrastructure for Export Scheme (TIES), improving ease of doing business with special focus on exporters, amongst others. Simply put, India's dream of becoming a 5 trillion-dollar economy was put on a fast track with a major reliance on export, but this dream hit a speedbump with the start of the COVID-19 pandemic.

## India's Export Market

On 25<sup>th</sup> March 2020, India went on a complete shutdown for a period of almost two months, except for emergency services, due to the rapid spread of the COVID-19. During this time, trade and commerce recorded a steep drop which continued on for almost a year. However, the good news is that exports from India is on the rise again. India recorded an overall export (of merchandise and services) of USD 545.71 billion between April 2021 and January

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<sup>1</sup> Refer <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1549454>

<sup>2</sup> Refer <https://pib.gov.in/newsite/PrintRelease.aspx?relid=186255>



2022 showing a positive growth of 37.68 percent over the corresponding period in April 2020 and January 2021<sup>3</sup>. In fact, merchandise export levels have reported to have crossed pre-pandemic level well before the close of the FY 2021-22, setting India back on track for achieving the 5 trillion-dollar economy target<sup>4</sup>. Even the Minister of Commerce Piyush Goyal has shown confidence in India's export crossing USD 650 billion mark by the end of FY2021<sup>5</sup>. Infact, in 2020, he was confident that India would meet the target of USD 1 trillion of exports by 2030 on the back of fourteen sectors and conjoined efforts of the centre and the states<sup>6</sup>.

**Table 1: India's Export Basket (in USD Million)**

| Sl. No. | Commodities  | JAN'21  | JAN'22  | %Change |
|---------|--|---------|---------|---------|
| 1       | Engineering Goods  | 7413.15 | 9200.29 | 24      |
| 2       | Petroleum Products   | 2136.00 | 4170.02 | 95      |
| 3       | Gems & Jewellery   | 2843.62 | 3231.47 | 14      |
| 4       | Organic & Inorganic Chemicals                                  | 1942.16 | 2444.06 | 26      |
| 5       | Drugs & Pharmaceuticals  | 2075.22 | 2051.41 | -1      |
| 6       | RMG of all Textiles  | 1295.91 | 1546.39 | 19      |
| 7       | Cotton Yarn/Fabs./made-ups, Handloom Products etc.             | 974.54  | 1387.79 | 42      |
| 8       | Electronic Goods   | 1180.09 | 1362.45 | 15      |
| 9       | Plastic & Linoleum   | 638.37  | 843.67  | 32      |
| 10      | Rice   | 769.89  | 821.21  | 7       |
| 11      | Marine Products  | 424.65  | 549.98  | 30      |
| 12      | Man-made Yarn/Fabs./made-ups etc.                              | 406.46  | 502.64  | 24      |
| 13      | Mica, Coal & Other Ores, Minerals including processed minerals | 369.31  | 409.23  | 11      |
| 14      | Leather & leather products                                     | 331.25  | 400.22  | 21      |
| 15      | Meat, dairy & poultry products                                 | 298.29  | 347.16  | 16      |
| 16      | Ceramic products & glassware                                   | 296.68  | 291.35  | -2      |
| 17      | Spices   | 284.51  | 271.40  | -5      |
| 18      | Fruits & Vegetables  | 228.13  | 235.13  | 3       |
| 19      | Iron Ore   | 527.42  | 229.36  | -57     |
| 20      | Cereal preparations & miscellaneous processed items            | 184.80  | 204.48  | 11      |
| 21      | Handicrafts excl. hand made carpet                             | 179.66  | 175.16  | -3      |
| 22      | Carpet   | 147.03  | 144.54  | -2      |
| 23      | Other cereals  | 92.89   | 118.43  | 28      |
| 24      | Oil Meals  | 210.32  | 101.39  | -52     |
| 25      | Coffee   | 45.85   | 92.25   | 101     |
| 26      | Oil seeds  | 117.29  | 92.19   | -21     |
| 27      | Tobacco  | 64.09   | 64.80   | 1       |
| 28      | Tea  | 66.79   | 58.41   | -13     |
| 29      | Jute Mfg. including Floor Covering                             | 39.44   | 46.79   | 19      |
| 30      | Cashew   | 47.40   | 37.99   | -20     |

Source: PIB 1798469

<sup>3</sup> Refer <https://commerce.gov.in/wp-content/uploads/2022/02/Press-Release-January-2022.pdf>

<sup>4</sup> Refer <https://pib.gov.in/PressReleasePage.aspx?PRID=1793813>

<sup>5</sup> Refer <https://www.livemint.com/news/india/exports-target-of-650-billion-within-this-fiscal-achievable-piyush-goyal-11642438573418.html>

<sup>6</sup> [https://www.business-standard.com/article/economy-policy/will-meet-1-trn-export-target-by-25-says-goyal-industry-seeks-more-help-120120300006\\_1.html](https://www.business-standard.com/article/economy-policy/will-meet-1-trn-export-target-by-25-says-goyal-industry-seeks-more-help-120120300006_1.html)



A 2015 IMF Working Paper discusses the evolution of India's export basket<sup>7</sup>. One of the initial observations was that India's export basket is atypical. It has largely been driven by services export and a steadily increasing manufacturing export. Even in 2015, fuels and gems and jewellery (G&J) sector were one of the largest contributors towards exports. This much has not changed even now (Table 1).

However, there are changes that have happened in the last five years. First, the global economy has become more digitised. Second, e-commerce continues to burgeon and India's e-commerce sector has allowed for India to consider direct business to consumer (B2C) exports as a serious contributor for the first time. Third, the pandemic has taught the world the importance of good supply chain systems and the development of a good logistics sector is at its heart. All through the pandemic the express industry, also known as the courier industry, played an important role in ensuring business continuity. Despite the pandemic and related restrictions Bengaluru International Airport Limited (BIAL) launched the country's first dedicated express cargo terminal solely for the import and export of international couriers. In October 2021, DHL inaugurated its world class Courier Terminal in the express cargo terminal, followed subsequently in 2022 by FedEx, Express Industry Council of India (EICI), and now UPS.

## **Logistics Sector and Exports - A Crucial Connection**

India has set for herself an ambitious export target of reaching USD 1 billion by 2025. While factors such as regional integration in terms of trade, better facilitation of cross border trade, foreign direct investment (FDI) liberalisation, and achieving a better mix of export basket will all contribute to increasing India's exports, a crucial aspect for the facilitation of trade is reforms in the logistics sector.

It is keeping this in mind that the NITI Aayog created an Export Preparedness Index in 2020<sup>8</sup> and MoC&I's Logistics Ease Across Different States (LEADS) Index of 2021<sup>9</sup>. This index ranks the various states in India on the basis of their logistics infrastructure. The central government by 2017, had already initiated multiple reforms in this sector, including the setting up a dedicated logistics department under MoC&I.

On 13<sup>th</sup> October, 2021, Prime Minister Narendra Modi unveiled the Gati Shakti, a national master plan for enhancing multi-modal connectivity in India. The INR 100 lakh crore worth Gati Shakti initiative aims to bring sixteen different ministries for a holistic development of infrastructure connectivity projects. It will improve the global competitiveness of local products by cutting down the logistics costs and improving the supply chains, ensure proper

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<sup>7</sup> <https://www.imf.org/external/pubs/ft/wp/2015/wp15119.pdf>

<sup>8</sup> [https://www.niti.gov.in/sites/default/files/2020-08/Digital\\_ExportPreparednessIndex2020\\_0.pdf](https://www.niti.gov.in/sites/default/files/2020-08/Digital_ExportPreparednessIndex2020_0.pdf)

<sup>9</sup> [https://commerce.gov.in/wp-content/uploads/2021/11/LEADS-2021-Report\\_Final.pdf](https://commerce.gov.in/wp-content/uploads/2021/11/LEADS-2021-Report_Final.pdf)



linkages for local industry and consumers, facilitate the last mile connectivity of infrastructure and reduce travel time for people.

The PM Gati Shakti initiative aims to synchronise the different infrastructural schemes such as Bharatmala, Sagarmala, UDAN among others to cover various economic zones, industrial corridors and agricultural clusters to make logistical connectivity highly efficient and competitive. At present, twenty-four digital systems of six ministries are being integrated through Unified Logistic Interface Platform (ULIP) and this will create a National Single Window Logistics Portal that will help in reducing the logistics cost. The PM Gati Shakti initiative plans to employ modern technology at ground zero. For example, a GIS-based spatial planning tool and analytical tools having 200+ layers will enable executing agencies to view on ground progress of all projects in one place to better evaluate and review cross sectoral projects. PM Gati Shakti initiative also aims to create ample employment opportunities in the country and provide the necessary impetus to the post pandemic economy. The uptake of the PM Gati Shakti initiative can be gauged from the fact that Mumbai Port Trust has already initiated a slew of projects to promote multimodal connectivity under cargo related projects and sea tourism.

To reach the target of one trillion-dollar merchandise export, the Government of India had recognised the need for developing seamless logistics services which led to development of Multimodal Logistics Parks (MMLP) which is expected to help in providing end to end delivery of goods. In 2018, the Directorate General of Foreign Trade (DGFT) allowed to increase the value limit of consignment from INR 25,000 to INR 5 lacs, for exports through air express (courier services) and post<sup>10</sup>. At the same time, the eligibility criteria for entitlement under MEIS for courier and post was also increased for earlier INR 25,000 to INR 5 lacs<sup>11</sup>. Further in August 2021, DGFT allowed for inclusion of export of gems and jewellery through post and air express (courier services)<sup>12</sup> like rest other commodities. Despite the fact that no exporter receives any MEIS script or any export incentive, exports are increasing via courier and under CSB V. The biggest driver of the export business via Express is speed, predictability and security of the goods.

The new found focus on logistics as a driver for exports also comes on the back of India's ranking in World Bank's Logistics Performance Index (LPI)<sup>13</sup>. A basic analysis of India's ranking across a decade of these rankings suggests that between 2016 and 2018, India's rankings in logistics has in fact deteriorated (Table 2). While it is possible that these rankings may show significant improvement should the rankings be conducted today on the back of

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<sup>10</sup> Refer <http://www.eepcindia.org/download/180730120842.pdf>

<sup>11</sup> IBID

<sup>12</sup> Refer <https://content.dgft.gov.in/Website/dgftprod/b9bfda3c-e664-4348-a80f-3bede5bbd061/Minutes%20of%20the%20CIM%20Meeting%20held%20on%2019.08.2021%20at%20Mumbai.pdf>

<sup>13</sup> <https://lpi.worldbank.org/>



strong policy reforms that have been introduced, it is doubtful if these improvements will be significant enough to drive export to the desired levels.

**Table 2: India's Rankings in Logistics Performance Index**

|              | Overall Rank        | Customs | Infrastructure | International shipments | Logistics quality and competence | Tracking and tracing | Timeliness | Total Ranking |
|--------------|---------------------|---------|----------------|-------------------------|----------------------------------|----------------------|------------|---------------|
| <b>India</b> | <b>India's Rank</b> |         |                |                         |                                  |                      |            |               |
| 2018         | 44                  | 40      | 52             | 44                      | 42                               | 38                   | 52         | 160           |
| 2016         | 35                  | 38      | 36             | 39                      | 32                               | 33                   | 42         | 160           |
| 2014         | 54                  | 65      | 58             | 44                      | 52                               | 57                   | 51         | 160           |
| 2012         | 46                  | 52      | 56             | 54                      | 38                               | 54                   | 44         | 155           |
| 2010         | 47                  | 52      | 47             | 46                      | 40                               | 52                   | 56         | 155           |

Source: Compiled by authors from various LPI reports

In terms of individual parameters, India clearly needs to do better in terms of infrastructure and timelines. This is particularly pertinent with the significant growth in the e-commerce sector across the globe and in India.

India's e-commerce sector has shown phenomenal growth in recent years. It has been growing and is expected to grow consistently at the rate of 26 per cent compounded annualised growth rate (CAGR) between 2017 and 2026. It is therefore not surprising that a new area of interest and focus has emerged in terms of leveraging e-commerce for achieving exports, especially in a post pandemic world. E-commerce is also heralded as the sector that will better facilitate exports by micro, small, and medium enterprises (MSMEs) by encouraging B2C exports. There are several advantages that e-commerce offers to exporters compared to traditional forms of export<sup>14</sup>.

The challenges present in the logistics sector continue to present constraints to leveraging e-commerce for exports. India's LEADS Report of 2021 states that India's cost of logistics is around 14 per cent of India's gross domestic product (GDP). While this may be the case for most developing economies, the cost is lower for developed economies (8-10 per cent). India is focused on reducing this cost to less than 10 per cent in the immediate near future<sup>15</sup>. It is also believed that a mere reduction of 10 per cent in the logistics cost could drive Indian exports by as much as 8 per cent<sup>16</sup>. The focus has shifted to providing last mile connectivity, no different from what e-commerce also hopes to achieve.

While India's focus on improving India's logistics sector is laudable, there exists a huge lacuna in policy vision. Given the importance of e-commerce in driving exports and the economic benefits that this sector could bring to MSMEs, exports, and the economy per se,

<sup>14</sup> [https://pahleindia.org/pdf/publication/Enabling\\_Exports\\_Through\\_E-commerce.pdf](https://pahleindia.org/pdf/publication/Enabling_Exports_Through_E-commerce.pdf)

<sup>15</sup> <https://economictimes.indiatimes.com/small-biz/trade/exports/logistics/india-can-add-8-to-its-exports-if-it-puts-its-last-mile-connect-in-the-fast-lane/articleshow/70782149.cms?from=mdr>

<sup>16</sup> Ibid



it is surprising that policy reform and vision does not provide the express industry its due at the Centre or even in the State policies<sup>17</sup>. This lacuna has to be set right immediately, and this paper provides reasons for this and makes recommendations on what the government ought to do in this regard.

## The Importance of Air Express

As per OECD<sup>18</sup>, courier services or express logistics is defined as, “Courier services focuses on express and door-to-door delivery. Couriers may use self-owned, privately shared or public transportation to supply these services. Included are express delivery services, which might include, for example, on-demand pick-up or time-definite delivery.”

A more detailed definition was proposed by USA to the World Trade Organisation (WTO)<sup>19</sup>, which is, “Express delivery services are time-sensitive, utilise advanced technologies for communication, and are integrated or controlled from end-to-end. Express delivery services consist of the expedited collection, transport, and delivery of documents, printed matter, parcels, and/or other goods, while tracking the location of, and maintaining control over, such items throughout the supply of the service. Services provided in connection with express delivery services include, but are not limited to, customs facilitation and logistics management. Customs facilitation consists of practices and procedures used to avoid delay of customs processing or to obtain rapid release of shipments, while satisfying customs requirements. Logistics is the process of planning, implementing, managing, and controlling the flow and storage of goods, services, and related information from the point of origin to the point of consumption. Express delivery services may include one or more value added elements, such as collection from an address designated by the sender; release upon signature; guarantee of delivery within a specified time; electronic and/or other advanced technologies; and ability of the sender to confirm delivery.”

By providing time bound shipment services for documents and goods, the industry helps businesses to reach out to domestic and global customers. It is also a logistics service provider to export-oriented industries and to high value-added industries. For industry segments like banking and financial services, auto components, garments, e-commerce, organised retail, pharmaceuticals, telecom products and IT components, air express sector is of vital importance. Air express services contribute to the overall economy by facilitating trade, increasing employment, contributing to the national exchequer, speeding up movement of goods from one place to another and enabling business for its customer.

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<sup>17</sup> <https://dpiit.gov.in/logistics-division#StateLogisticsPolicy>

<sup>18</sup> <https://stats.oecd.org/glossary/detail.asp?ID=7340>

<sup>19</sup> [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=97328,60381,75811,70197,59809,53807,1132&CurrentCatalogueIdIndex=6&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=97328,60381,75811,70197,59809,53807,1132&CurrentCatalogueIdIndex=6&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True)



Hence, liberalising and developing the air express industry would generate substantial economic benefits. The WTO also acknowledges that the express delivery sector has been presented with many new opportunities in recent times. These take the form of, “...increased demand for parcel delivery as a result of the e-commerce boom and the just-in-time shipment of goods to support global supply chains. This is a rapidly growing area which is playing a key role in supply chain management and logistics.<sup>20</sup>”

The role of air express or courier delivery services is essential in terms of end-to-end delivery of products. A report by Oxford Economics (2009)<sup>21</sup> pointed out that multinational companies and businesses prefer air express to other delivery services as they provide fast and guaranteed delivery and offer their clients to track the location of the goods on real time basis. The report further adds that air services enable competitive advantage to client firms by reducing purchasing costs through better access to raw material, saving cost by enabling access to storage facilities, providing logistic support services, assisting with returns and complaints, and facilitate improved stock management and production techniques.

The reason why express logistics has taken centre stage today is largely due the changing needs of consumers. Lie et al (2018)<sup>22</sup> state that the nature of competition between industries and service providers has shifted from that of providing quality goods and services to which one of them is able to deliver the fastest to the consumer and with minimum inconvenience to the customer. Express delivery is also able to cater to small size packages of high value or importance and can accommodate specialised packaging to facilitate delivery in the shortest possible time. Even as early as 2009, an Oxford Economics publication<sup>23</sup> cited the case study of an Indian pharma company that made use of express delivery for the delivery of medicines that need to be transported in a timely and controlled manner. While this case study applied to the use of express for domestic delivery, much has happened since 2009 that now makes it necessary for similar special requirements of delivery to be made across borders as well.

## What Ails India's Express Delivery Sector

The global express market is expected to reach USD 280 billion by 2025, a significant rise from USD 198 billion in 2016. India's logistics market is estimated to be USD 210 billion and is one of the fastest growing sectors at 8-10 per cent CAGR. The sector also contributes to 13 per cent of GDP<sup>24</sup>. As already mentioned, the cost of logistics in India is high compared

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<sup>20</sup> [https://www.wto.org/english/tratop\\_e/serv\\_e/postal\\_courier\\_e/postal\\_courier\\_e.htm](https://www.wto.org/english/tratop_e/serv_e/postal_courier_e/postal_courier_e.htm)

<sup>21</sup> Refer <https://global-express.org/assets/files/FULL-Oxford-Economics-Study-Report.pdf>

<sup>22</sup> IOP Conf. Series: Materials Science and Engineering 394 (2018) 032088  
<https://iopscience.iop.org/article/10.1088/1757-899X/394/3/032088/pdf>

<sup>23</sup> <https://global-express.org/assets/files/FULL-Oxford-Economics-Study-Report.pdf>

<sup>24</sup> [https://www.indianchamber.org/wp-content/uploads/2022/02/Express-Logistics-Industry-Report-2022\\_compressed.pdf](https://www.indianchamber.org/wp-content/uploads/2022/02/Express-Logistics-Industry-Report-2022_compressed.pdf)



to other developed nations and India has every intention of reducing this current cost of 14 per cent of GDP to at least 10 per cent. Despite the growth in e-commerce and the obvious advantages that air express offers as a form of time bound efficient logistics, delivery through air constitutes only 1 per cent<sup>25</sup> (and therefore by extension, air express an even smaller percentage) of the logistics mix. This is despite international air freight volumes increasing from 1.44 million metric tonnes (mmt) in 2014 to 2.2 mmt in 2019 to 2 mmt in 2020. Furthermore, on the back of growing e-commerce sector, India's e-commerce logistics sector alone is expected to reach INR 492.4 billion by 2025<sup>26</sup>. This can be attributed to a growth in demand in India's domestic tier 2 sectors and an increasing focus on e-commerce and exports. Covid has also had its part to play in driving up timely exports of certain goods.

Yet, when one would expect this sector to grow exponentially, many challenges continue to hamper its growth trajectory. First, the cost of express continues to remain high on account of high cost of compliance and inadequate express infrastructure. It lacks in terms of both city coverage as well as handling capacities at major airports. This deters many MSMEs from accessing more suitable forms of logistics for export thereby comprising on timely delivery of their goods or sample, and therefore affecting the country's propensity to export.

Second, unfortunately, infrastructure is a bottleneck, even when the industry is willing to pay a premium for the services. One of the repeated themes with respect to air express infrastructure is space allocation at air cargo terminals. This has a cascading effect on the overall operations of the industry, eventually impacting trade competitiveness. For instance, in Mumbai, the entire operational size of the airport is close to 900 acres. Area allocated for air express operations is 3,000 square meters as opposed to the industry's minimal requirement of 10,000 square meters.

Industry players that have global presence need additional space for auto-sorting of trans-shipments across the globe. Due to paucity of space, they do not use India as a trans-shipment node which would be essential for driving exports. Air express companies are allotted space by airport operators, based on a bidding system. In the absence of specific guidelines for space allocation, the airport operators consider these air express companies at par with duty free shops. It has also been observed that air express facilities are usually commissioned in aged buildings that not only attract high maintenance costs, they also damage shipments and result in subsequent demurrage. Furthermore, interlinkages between different modes of logistics makes express inaccessible to many.

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<sup>25</sup> Ibid

<sup>26</sup> <https://www.kenresearch.com/automotive-transportation-and-warehousing/logistics-and-shipping/india-e-commerce-logistics-market-outlook-to-2025/419526-100.html>



Third, 25 per cent of the express logistics industry continues to be unorganised. As a result there is a whole slew of regulations and compliances in place to ensure that this 25 per cent work well within the ambit of the law. However, the flip side of this is that it places an unwarranted amount of compliance burden for the rest of the organised 75 per cent which in turn leads to a direct increase in cost of express services.

Fourth, there are specific regulations in customs that make the use of express unviable. For instance, any returns that happen through e-commerce from across borders is treated as an import as opposed to as a return. This deters e-commerce exports, because, returns are not feasible and the cost of processing returns is more than the cost of destroying the goods. Another example is the value limit placed on the maximum value of goods that can be exported from India in a single package and delivered through Air Express. As per the Merchandise Export from India Scheme (MEIS) 2018, a seller can send good/s worth a maximum of INR 5 lacs in a single package through air express for overseas delivery. This is a serious challenge for high value industries such as the gems and jewellery sector, designer apparels, and high end clothing among others. This is particularly peculiar considering the government's intent to boost export of G&J through e-commerce.

## **Recommendations**

In order for India to achieve her export targets and capitalise on the e-commerce boom and what it can do for exports, there are specific policy changes that are required to be made for air express.

Direct allocation of space, commensurate with the business requirements of the company should be explored. It is proposed that the airport layout mandatorily assigns a dedicated area for air express only. Even at the time of privatisation of existing airport terminals, adequate provisions for infrastructure should be a key requirement.

In the interest of creating multimodal logistics parks, it is important to provide for rail linkages between offline locations and airports to facilitate connectivity. This will help manufacturing hubs to adopt air express as a core part of the logistics sector.

For enabling exports via courier, all value restriction set for courier must be removed. Furthermore, to speed up exports to almost real time, enable auto LEO for courier shipping bill which is not marked for examination and replace physical examination with selective x-ray screening. It is pertinent to highlight that the courier shipping bill is a free shipping bill and in line with Circular No.6/2002-Cus dated 23<sup>rd</sup> January 2002 no examination is required except where there is specific intelligence when free shipping bill is filed.



Enable shipping of exhibition goods and all other shipments where there “No foreign Exchange involved (NFEI) via courier under CSB IV. Currently only samples, gifts and prototypes can travel via CSB IV.

Remove the special restriction laid down in the courier regulation on imports. Exporters (and importers) must have the option of using that mode of transport as per their logistics solution required.

The restriction on perishables should be removed. Temperature controlled medicines and chemical as well as biological samples need specialised delivery requirements and are constrained by time, something that can only be provided by air express. The special restrictions would have relevance when courier operations were being done from passenger terminals and manual clearances were involved. The current world class International Courier Terminals and the Express Cargo Clearance Systems (ECCS) of CBIC justifies the removal of the special restrictions.

At a time when ease of doing business takes precedence, as does minimum government and maximum governance, an ecosystem that recognises and encourages voluntary disclosures are important. Voluntary compliance will include voluntary disclosures and also account for inadvertent errors and omissions. To this extent, there must also be standard guideline that is issued that can encourage such voluntary disclosures without the worry of any negative or detrimental impact on reputation or business.

Lastly as the express industry grows there must be time bound planning for automation to be enabled by introducing API for real time messaging between ECCS and International Courier Terminal Custodian. Also, officer posting must be well planned as it will be essential to ensure courier clearance operations are seamless.

There is a need to explore more public private partnerships and collaborative measures for the growth of the sector. ECCS is a classic example for PPP model where EICI invested in the ECCS and CBIC provided the necessary guidance. Post implementation ECCS was fully handed over to CBIC for the benefit of India’s trade. A continued collaborative and consultative will ensure that India is able to meet achieve the vision of growth and development.



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