

Infrastructure Requirement in Logistics Sector

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In July 2018, the World Bank published the Logistics Performance Index (LPI) and India which had previously gained from Rank 54 to Rank 35, slipped to the 44th position! The LPI is the weighted average of the countries scores on six dimensions and India dropped on almost all six parameters making the LPI score fall from 3.42 in 2016 to 3.18 in 2018.

Logistics infrastructure is critical to India's economic development and needs an integrated approach in which the development of each mode-railways, roads, and waterways is matched to the needs and existing assets are utilized. India's current logistics infrastructure is inadequate to support projected national growth. A study on the operational efficiency of road freight conducted in 2014-15 by TCI estimated the cost of delay in transporting goods to the destination at USD 6.6 billion per year and the cost of additional fuel consumption due to delay was USD 14.7 billion per year.

The Indian Government launched several initiatives to improve logistics capabilities since 2016. Most of them have been implemented but there are still some challenges.

- **Infrastructure status:** The logistics sector was granted infrastructure status in November 2017 clearing the way for development funds and priority in decisions. However, it has been slow on the implementation side as there is a lack of clarity on the implementation with the banks respectively for lending rates
- **E-way Bill:** Post mandate of E-way bill, the compliance burden has increased significantly for the entire value chain leading to greater compliance and transparency. E-way bill has led to faster movement of goods as it requires only a single document to cross boundaries of other states. However, LSPs face certain challenges such as lack of sufficient IT infrastructure needed to track consignments and update e-way bill details, practical issues in movement of goods where the order is canceled or rejected while in transit and the burden of additional paperwork that's leading to delays in shipments.

- **National Logistics Policy (NLP):** The Department of Commerce established a Logistics Division in July 2017 focusing on 'Integrated development of the Logistics sector'. The Logistics Division, Department of Commerce has initiated the draft National Logistics Policy. The policy aims to improve India's rank in ease of doing business, enhance export competitiveness, improve logistics cost to 10% of GDP, focus on enabling the first mile and last mile connectivity, development of Multimodal logistics parks, promote green logistics, etc. The NLP should target a greater share of rail which would reduce economic waste and improve efficiency. LSPs stand to benefit due to the implementation of NLP which includes greater demand of 3PL services such as warehouse management, end to end transportation management and more opportunities for coastal operators to create charter and liner services.
- **Multi-modal logistics:** Both Bharatmala & Sagarmala programs were launched with an aim to improve the quality of existing roads and ports and build new ones. However, Bharatmala met with high land acquisition costs which have forced NHAI to tweak its strategy. Now the NHAI has decided to focus those projects that require minimum land acquisition. Even the Sagarmala which was launched to give a boost to the ports and shipping sector has completed only 1/5th of the projects since 2016.
- **Rail Freight:** Currently the share of rail as a mode of freight is lower compared to other countries like the China & US. Ideally, railways should be the preferred mode for long-distance transportation since rail transportation not only reduces costs due to economies of scale but also reduces fossil fuel consumption, it's, in fact, a big step towards Green Logistics mitigating environmental pollution, and also help railways regain its freight transport market share which has been continually falling due to competition from other transport modes. In 2018 the railways completed a section from Bhadan to Khurja in Uttar Pradesh of the Eastern Dedicated Freight Corridor (EDFC), between Madar (Ajmer) in Rajasthan and Kishangarh (Rewari) in Haryana in the western segment Railways' freight operations will see a fundamental change by the operationalization of these corridors.
- **Technology Infra play:** The emergence of technologies like artificial intelligence, internet of things, and machine learning will soon disrupt the conventional workings of the country's logistics sector. These technologies will largely play a role in boosting efficiencies of supply networks, reduce wastages and lead to supply chain optimization. The logistics division is working on a series of measures to develop an integrated logistics infrastructure in the country. The Government too is working on developing the National Data Analytics Tool which would help plan better, and the National Logistics Portal which would ensure ease of trading in the international and domestic markets and handle a thing like a route planning, rate comparisons, digital contract signing, etc.
- **Compliances & regulations:** The Central Motor Vehicle Rules (CMVR) regulation, which limits the length of road-based car carrier equipment, has made the seeking of alternative mode necessary to take the pressure off capacity constraints. On the other hand, increasing compliances and safety

and security issues have made LSPs focus on improving its core operations and quality of services while maintaining the costs.

With so many initiatives in the pipeline, it would take time for the overall benefits to accrue and reach the ground level.

Next steps: Today, the supply chain remains at the dispatch level in Corporates and the need of the hour is to bring the discussions to the board level. Standardization across different areas of logistics and reduction of waste is something that can be leveraged by the industry to achieve higher returns and provide better efficiency for all customers availing different logistics services at different point of times. There should be a timeline for crucial areas such as last mile connectivity

Sooner or later there will be no way around offering environmentally friendly and economical alternatives to road freight transport. The future belongs to multimodal logistics. The pressure on companies to address sound transport management and multimodal logistic options is growing, but the concepts must be intelligent. At TCI, we spotted this gap and hence the opportunity a few years ago and therefore offer our customers solutions through rail - both container and normal rakes (TCI CONCOR), Coastal Ships (TCI Seaways).

Conclusion

Finally, the future of the Indian Logistics Industry lies ultimately in value propositions for the customer. This would result in a reduction in cost down the line, which can only happen when most of the deficiencies in the infrastructure are removed. India stands to benefit economically and environmentally from implementing an effective and efficient balanced integrated multi-modal logistics infrastructure system. This should also lead to improvement in the global metric, Logistic Policy Index (LPI) and improve the ease of doing business and add to the GDP of the country. The speed and scale with which we align our supply chain strategies to manage the complexities of a changing global trade order will be key to determining our position in the global logistics ranking.

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*If a country is to be corruption free
and become a nation of beautiful
minds, I strongly feel there are three
key societal members who can make
a difference. They are the father, the
mother and the teacher*

– A. P. J. Abdul Kalam

