

Monthly Magazine of All India Transporters Welfare Association

Parivahan Pragati

The True Mouthpiece Of India's Road Transport Industry



Transformation of India's Logistics Infrastructure is Critical to Country's Economy



₹10/-



Infrastructure -Backbone Of The Logistics Industry



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Logistics has come a long way from the ancient Greek word Logistikos, meaning movement of men and materials, especially of the army, to the Materials Management of the previous century, to the complex, multi-dimensional activity covering a wide range of services in the current era. Service providers offer an ever increasing range of outsourced services, like Distribution, Assembly lines, JIT delivery, Cross docking, Pick and pack, VMI, Automated weight and volume scanners and retrieval systems, etc.

Infrastructure status for logistics industry has been a long felt need and demand in India. Finally, last month, the government took a very positive step in granting this wish and we now go into a new era where India can hope to develop modern logistics infrastructure on a scale and functionality comparable with the best in the world. The government has also done well to specify the minimum standard and scale for each of the three sub-sectors of Multi-modal Logistics Parks, Cold chain facilities and Warehouses. The net result we can look forward to is higher investments, more FDI inflows, improved standards and utilization of services, etc., leading to efficiency and expected reduction in transaction costs. It is also expected that India's ranking on the World Bank's Logistics Performance Index (LPI), will improve from the current no. 35 out of 160 countries.

It will, moreover, revolutionise the way we do things. Many more non-metro cities will be looked at as investment opportunities. Cold Chain facilities will keep pace with the requirements. The importance of Skills development can never be over-emphasized. It will improve the employability quotient of the trainees. People of my generation will remember that India jumped from manual typewriters to computers, by-passing the intermediate phase of the Electronic Typewriter, which the West had gone through. Similarly, basic infrastructure will grow and leap-frog with quantum jumps, owing to this new development. It is important to ensure coordinated

development of airlines, railways, roadways and waterways. This will help to eliminate any skewed growth and improve reliability and sustainability to improve the competitive environment in the country.

Here, we have a few opinions from experts in the industry, to whom the same three questions were directed. The respondents were:

Cyrus Katgara (CK) who is Partner at Jeena and Company, a century plus old company and a Global Supply solutions provider, with warehouses, supply chain solutions, consultancy services, etc.

Vineet Agarwal, (VA) who is MD at Transport Corporation of India (TCI), an Integrated Multi-modal Solutions provider, an Indian multinational company, with warehouses, Supply chain solutions, own cargo ships, etc.

Naman Jain (NJ) who is Director at Falcon Autotech specialising in building Automated systems for mass speed scanning of weight and volume of SKUs on conveyor belts in motion.

Pradeep Singal, (PS) who is MD at GIR Group, also an Integrated Multi-modal Solutions provider, with warehousing facilities, 3 PL, etc.

Ashok Gupta, (AG) who is CMD in IRCL, a Specialized Solutions provider, with warehousing, supply chain solutions, etc.

1) What is your view (positive or negative), on the government's decision to give Infrastructure status for Logistics Industry?

CK (1) This decision will result in reducing the cost of Finance for building Physical infrastructure such as Construction of Warehouses, Fulfilment centres for Ecommerce business, ICDs and CFS, FTWZs, etc. It will certainly trigger investments in this sector. These are highly capital intensive investments and reduced cost of finance will be viable for investor and affordable for end users of such facilities such as Farmers and traders in agricultural produce, Ecommerce players, Exporters and Importers.

VA (1) Logistics infrastructure is a significant aspect of economic development and urbanization. The government has recognized its pivotal role in Make in India. Not only will FDI increase in this sector but infrastructure finance will be easily accessible to build state of the art infrastructure for managing complex supply chains and this will lead to boost in the domestic and export market encouraging manufacturing and job creation.

NJ (1) It is a positive and commendable development.

PS (1) The government's decision is a welcome move. Mr. Nitin Gadkari had said time and again that they were working towards formulating an integrated, multi-modal transport and logistics policy, which has now seen light of day. Important studies in the industry have computed that if transaction cost is brought down from the present around 14 per cent in India, to approx. 7 per cent as prevailing in developed countries, a saving of USD 50 billion dollars is possible. Funding in this sector will now be available from Infrastructure companies, on easier terms and longer tenures.

AG (1) The benefits are great as financing companies, especially IIFCL support high financing at lower interest. We can now expect high FDI inflows and large projects like bullet trains, freight corridors, etc.

2) What are the priority areas that need infrastructural development, in this field?

CK (2) The three key main users of such facilities are a) Farmers and traders in perishable Agricultural products. b) Exporters and importers need lower dwell time to the ports so the infrastructure has to match world standards to remain globally competitive. c) The latest addition to the users of such large facilities are fulfilment centres of the Ecommerce sector. This sector is witnessing fastest growth and is a source of employment but continues to bleed.

VA (2) Infrastructure development is undoubtedly at a crucial juncture. The priority areas that need infrastructure development include: **Infrastructure:** Special emphasis has to be on building world-class road networks, integrated rail corridors, modern cargo facilities at airports and creation of logistics parks which need to be given a status equivalent to Special Economic Zones. **Training Institutes - NSDC:** To improve the overall service quality of the sector it is necessary to realize the importance of skills development. **Storage:** The storage infrastructure also needs significant improvement, the reason being the ICD/CFS infrastructure available for EXIM trade is inadequate. Warehousing has to go to the next level with the changing dynamics of JIT manufacturing, global procurement and new models of sales and distribution. However, the logistics industry is seeing some

development of its existing infrastructure, with initiatives like Make in India, Sagarmala, Bharatmala, etc.

NJ (2) Biggest area is the Surface Connectivity that includes improved Roads, improved Geographical address mapping, inclusion of Automation and technology in infra development such as Automated Toll Gates etc. and development of strategically located Logistics Parks. This would impact predictability of goods movement and also trim off several layers of inefficiencies that are currently prevalent. Next is improvement in Quality of Warehouses to trigger a paradigm shift from Godowns towards Fulfilment and Distribution Centres.

PS (2) While basic infrastructure will grow owing to this new development, it is important to ensure coordinated development of airlines, railways, roadways and waterways. This will help to improve reliability and sustainability.

AG (2) Better roads will lead to efficient movement and save a lot of money. In our country, warehouses are built after demand creation. I see no serious shortage of warehouses in places like Delhi and Mumbai. Chennai needs to add warehouse space to cater to existing demand. Cold Chain is an area needing development, but unfortunately, people are not yet ready to pay additional for these services.

3) Any specific suggestions you wish to convey in this regard, for the government's consideration?

CK (3) The need is to undertake a study to identify other institutional bottlenecks and take the necessary policy initiatives to remove these.

VA (3) The Government's move is a praiseworthy step towards Moving India Growth Story. However, areas such as Multimodal transportation act, opening up commodities movement to private players and infrastructure status to standalone warehouses also should be considered.

NJ (3) In addition to development of Highway corridors between tier 1 cities, it is imperative to plan similar level of connectivity between Tier 2 and Tier 3 cities as the next wave of Consumption growth will be driven from those areas.

PS (3) Perhaps the government can also look at easing of import duties on plant and machinery and also reduce excise on petroleum products.

AG (3) The government needs to pay attention to seamless movement on Roads and decongestion at ports, which have become huge bottlenecks, leading to delays of even seven days.

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