Bridging the Gap in Logistics infrastructure

What is the issue?

The infrastructure gap in logistics sector needs to be redressed on war footing basis to pioneer the nation's aspiration of becoming a $5 trillion economy.

How India performs in Logistic Sector?

- As per Logistics Performance Index 2018 issued by the World Bank, India ranked at 44 with a score of a mere 2.91 in infrastructure (Germany ranked one with a score of 4.37).
- **Roadways -** The country faces a skewed logistic modal mix with nearly 71% of all freight transport being done by roads.
- Highways only account for 2.2 % of the entire road network but carry 40% of all freight traffic, thereby putting immense strain on the highway network of the nation.
- This is evident from the fact that it takes nearly 22 hours to travel by road from New Delhi to Mumbai but a similar distance between Beijing and Shanghai is covered in 12.5 hours.
- **Railways -** The Railways' share in freight transport has dropped from 89% in 1950-51 to only 18%in 2020.
- The average speed of a freight train in India is only 25 km/hour with a permitted axle load (freight capacity of wagons) of around 20 tonnes.
- The US, which has a vast rail network like India, runs its freight trains at an average speed of 38 mph (60 kmph) and permits an axle load of nearly 30 tonnes.
- **Air Cargo -** The picture is similar in terms of the air cargo handled. According to the Ministry of Civil Aviation's Annual report 2019-20, India has 23 domestic cargo terminals and 20 international cargo terminals which handled a total of 3.56 million tonne (mt) of cargo in 2018-19.
- In contrast, the Shanghai Pudong International Airport in China alone handled 3.63 mt of cargo in 2019.

What are the implications?

- This point to an infrastructure gap that manifests itself in high logistics-related costs in India (13% of GDP vs 7% for developed nations)

What Initiatives have been taken so far?

- **Budgetary Allocation -** Government allocated Rs5.54 trillion towards capital expenditure across various ministries in the Union Budget 2021-22, a 34.5% jump from the previous year.
- **Mission Gati-Shakti –** The mission has been launched as a national master plan for multi-modal connectivity.
- This will bring nearly 16 different ministries and departments of the government together to promote coordinated planning and execution of projects.

- This will aid in development of an integrated logistics and transport policy providing end-to-end connectivity.
- **Bharatmala Pariyojana -** 34,000 km of road infrastructure works would be undertaken, of which, 11,000 km have been targeted to be completed by March 2022.
- **Eastern and Western Dedicated Freight Corridors -** Commissioning of such corridors can be a game-changer for boosting railway freight share
- It will not only decongest the existing rail network but would allow for longer rakes to carry higher loads at an average speed of nearly 70 km/hr.
- **The National Air Cargo Policy** has also been formulated that seeks to build air transport shipment hubs in all major airports by 2025.

What are the areas to address?

- Private sector participation must be encouraged.
- **Warehouse building -** Third party logistics services such as warehouse building and management, and last mile transport provisioning would help bridge critical gaps in the logistics sector.
- With the government also providing viability gap funding, the warehousing sector provides an apt opportunity for private sector investments.
- **National Infrastructure User Committee (NIUC)** could be created.
- NIUC would have representation from various Ministries and private infrastructure companies, to take on-board inputs of private parties and act as a platform to encourage public private partnerships in various projects.
- The National Council of Public Private Partnerships is an analogous body in USA.
- It brings together interested parties, identify barriers to PPPs, present case studies of PPP projects, and share best practices in the industry. The NIUC could be modelled on similar lines as well.
- **A specialised body for raising investment -** It is estimated that India would require $1.4 trillion investment in infrastructure between 2020 and 2025 in order to become a $5 trillion economy.
- This necessitates the need for cheap, long term finance options.
- Although grant of infrastructure status to the logistics sector enhances its ability to raise money from various platforms, loans repayable over 25-30 years are rarely available.
- With the infrastructure bond market also small in India, a specialised body like the Indian Railway Finance Corporation could be created for each infrastructural sub-sector.
- The body must be capable of doing comprehensive project evaluation and mobilising resources through innovative and diverse instruments.

Reference

1. https://www.thehindubusinessline.com/opinion/bridging-the-gap-in-logistics-infrastructure/article37955097.ece

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