

REDUCE LOGISTICS cost with modal mix

Logistics cost is much higher in India than the developed countries, there could be many reasons for this, but one of the most imperative reason is lack of multimodal transportation usage. **CARGOTALK** discovers what is holding back the country towards an efficient multimodal logistics network.



N Ramakrishna
Vice President (Sales & Marketing)
Kribhco Infrastructure

➤ **Multimodal transportation is struggling to make its presence felt in India today and faces a myriad of constraints in enabling smooth and seamless operations** ➤

➤ Kalpana Lohumi

Ranked 44 in the World Bank Logistics Performance Index 2018, logistics cost in India is 13-15 per cent of the product cost, while the global average is six per cent. Much of these escalating costs are because of the absence of efficient multimodal system. The National Logistics Policy and Multimodal Logistics Bill aim to bring down the cost to nine per cent. **CARGOTALK** takes a look at present status of Indian multimodal logistics compared to western world and BRIC countries.

Explaining the issues which hinder an efficient multimodal logistics network around the country, **N Ramakrishna**, Vice President (Sales & Marketing), Kribhco Infrastructure, says, "Logistics in India is dominated by a large number of fleet operators and warehouses and therefore have small capacities and poor technologies. In addition, poor maintenance of equipments and facilities including roads which results in low average trucking speed of 30-40 km per hour, overloading of trucks, inefficient turnaround times at ports and airports and poor intermodal connectivity."

He continues, "Multimodal transportation, which has been proven in the world as a solution to reduce logistics costs, is touted as an efficient way of transporting goods over long distances. It is, however, struggling to make its presence felt in India today and faces a myriad of constraints in enabling smooth and seamless operations and is left at the mercy of reluctant regulatory and bureaucratic mechanisms. The Multimodal Transportation of Goods (MMTG) Act 1993 was enacted with the purpose of developing this segment of logistics and regulating the MTOs. But industry experts consider that the act has many lacunae that render it inefficient in achieving its objectives."

Jaideep Raha, Regional Co-convenor (Eastern Chapter), Association of Multimodal Transport Operator of India (AMTOI), "India took a back seat in multimodal logistics after independence and only in early 90s the government formulated the MMTG Act. We are still behind EU countries and other Far East Asian countries in terms of policies, pricing and logistics infrastructure."

Sharing the shortfalls in the MMTG Act, Ramakrishna tells, "Adequate logistics

infrastructure and policy level changes in this direction can go a long way in providing competitive advantage to multimodal transportation in India. Goods vehicle run only 250-300 km a day in India as compared to 800-1000 km in developed countries because of poor quality of roads and network connectivity. Inter-state check posts, surprise checks and unauthorised hold ups on highways (some due to security reasons while others are to establish the authenticity of the cargo as declared) create bottlenecks. Entry taxes into cities for goods also create procedural bottlenecks. National highways constitute only about two per cent of the road network but carry about 40 per cent of total traffic resulting severe conjunctions. Stoppage of vehicles at state border check posts are a major cause of delays. It is estimated that 40 per cent of the time loss is due to these stoppages."

"Change is happening; from bad roads to international standard highways, poor infrastructure of ports to bigger and better ports, airports to world class handling airports. India is competing within itself and will soon be at par

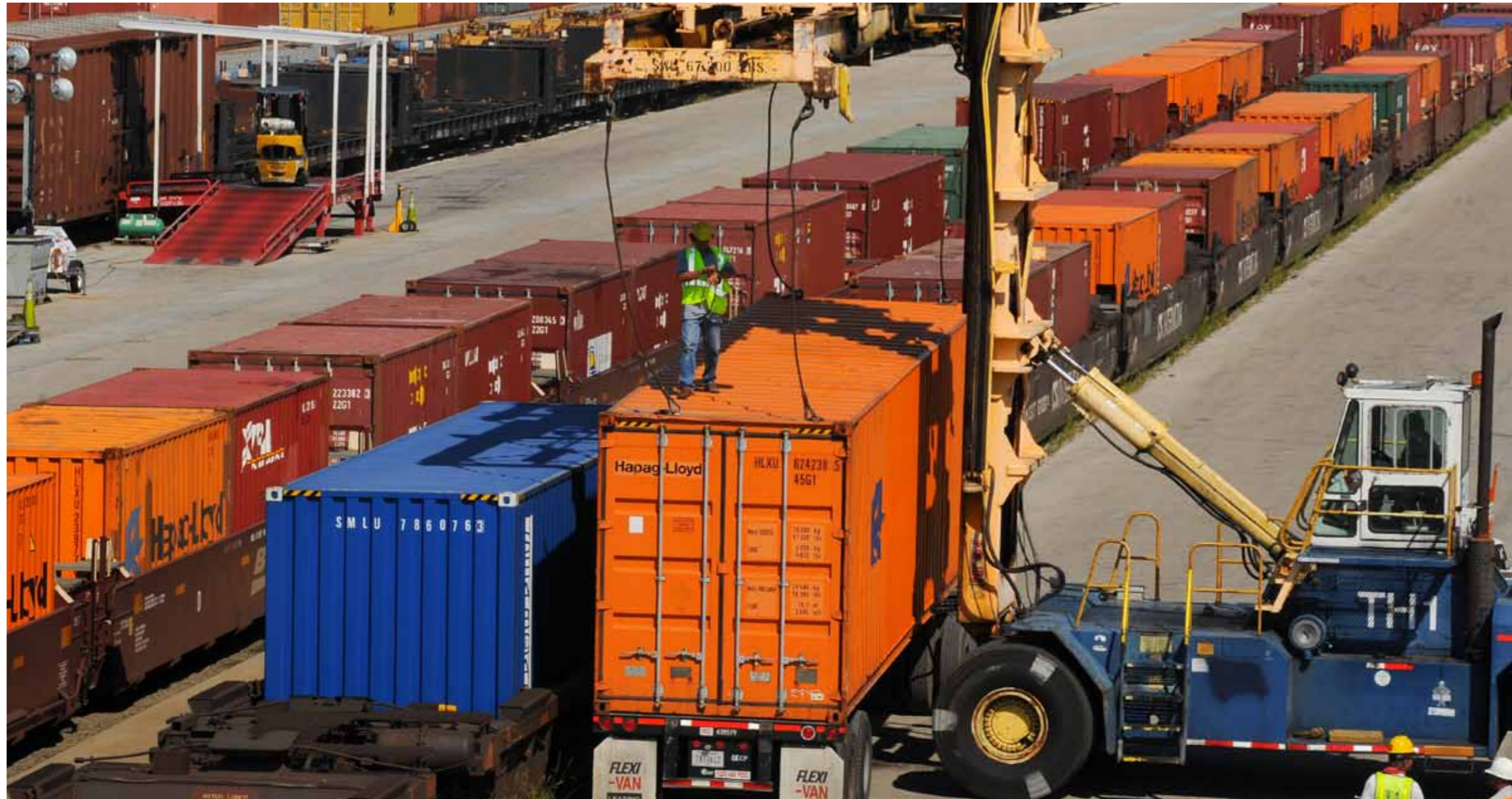
Developments

- The involvement of a private player in multimodal logistics will help in developing infrastructure, efficient delivery of quality, operational and maintenance services.
- Availability of long tenured loans, assistance in land acquisition and quality of hub-to-hub infrastructure are some of the critical areas for the government in the development of logistics parks.



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Regional Co-convenor (Eastern Chapter),
Association of Multimodal Transport
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Ashish Mahajan
Managing Director
Landmark Logistics

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or better than some of the BRICS countries," believes **Ashish Mahajan**, Managing Director, Landmark Logistics.

Adding to this, **Prabal Basu**, Chairman & Managing Director, Balmer Lawrie & Co, says, "Information Technology (IT) has been a major enabler of multimodal transport in India and has been extensively used to automate the supply chain and documentation. For shipments coming into India, documentation starts at the ports, CFSs, ICDs and then final custom clearances before delivery. For shipments moving out of India, documentation starts from the storage point till the time it exits the port. To automate this process, customs introduced the Indian Customs

EDI System (ICES) which provides a paperless system to exchange/transact custom clearance related information using Electronic Data Interchange (EDI). ICES is currently operational at 134 major custom locations across India which handle more than 98 per cent of India's international trade comprising both import and export. As compared to the western world we are still behind, we need to catch up fast through further intervention of IT; procedures need to be IT driven with least human intervention."

Stating Indian multimodal logistics sector at the cusp of a paradigm shift, **Eshaan Lazarus**, Executive Director, Angre Port, informs, "Currently, the share

of rail transport is around 30-35 per cent and road transport is around 60 per cent. Water transport and air transport constitute a meager 6 per cent and 1-2 per cent respectively. Multimodal is still an evolving solution in India with different modes of transport at different stages of evolution. This share of rail, water and air has to increase in order for our country's multimodal logistics to be at a comparable rate with western world and other BRICS countries."

LOGISTICS COST- A CEASELESS PAIN

The exceptionally high logistics cost remain an issue in the Indian logistics sector.

It is nearly double the logistics cost to GDP ratio in developed countries. The draft National Logistics Policy says, key focus area to reduce the logistics costs for key commodities is to facilitate modal shift for the long haul from road to rail, coastal shipping, inland waterways etc. But what is stopping us to do modal shift?

Stressing on the combination of two modes being used for movement of cargo, Raha highlights, "Firstly, we need to have a clear and transparent multimodal logistics policy which would also cover inland waterways. The important aspect is movement of the cargo under multimodal transport systems is to have one

single 'transport document' so that surface carrier, railways, inland waterways operator (barge operators) and airlines (primarily domestic) should accept and carry till the next designated destination it is rendered to carry. There has to be a tariff to be designed and formulated by all stakeholders. Multimodal transport logistics is used and meant for price economy with reasonable transit time. It's a hybrid between fast but expensive and cheap but slow. He further explains, when we ship by air, freight costs are obviously higher but the cargo reaches within few hours which is at times not even required and at the same time waterways or surface transport

or railways are slow and hence delays are inevitable due to various external factors which are beyond the control of the carrier or the operator. Thus, a combination of the two is the best way forward and multimodal is the future of logistics industry."

According to Lazarus, "There isn't an absence of intermodal systems in terms of rakes or terminals in India. In fact, there is an overcapacity of rakes and ICDs in certain industry clusters of India. As a result, there is continuous pricing pressure on private players who are providing these services. There is a challenge of import and export trade imbalance which in turn affects

DFC; a boost

✦ Completion of the Dedicated Freight Corridors (DFCs) will enhance the share of rail freight in the country from the current 30 per cent to 60-70 per cent in developed countries. Hence, making it available to trade as early as possible will be a big boost.

Integration

✦ There is a need for a central body for all transport services that will help in the integration of various modes and hence help in the efficient and continuous working of the system.
✦ The fragmented industry now needs to be de-fragmented for the harmonious working and hence will reduce the intense competition.



the economic viability of carrying cargo through rail. What is needed is development of DFC like infrastructure at other places in country to improve



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Chairman & Managing Director
Balmer Lawrie & Co

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hinterland connectivity and utilising this capacity in the most efficient manner possible. A lot of infrastructure development is still needed, in terms of inland waterways. Another way to reduce cost is by rationalising capacity and making sure that the existing capacity is getting completely utilised. This can also be a result of providing single window and single document logistics solutions which encompass multimodal solutions."

On the other side, Ramakrishna feels, "Lack of complementary network development has been one of the major reasons for the lack of multimodal transportation in India. This is compounded by poor infrastructure, lack of skill/professionalism and under utilisation of technology in the sector."

"With the government giving infrastructure status to the logistics sector, development of multimodal transport networks and initiatives to set up industrial corridors and logistics parks, a massive transformation of the country's logistics landscape is underway," says Basu. In addition, "Be it an aircraft manufacturer, shipping critical aeroparts from Bengaluru to Seattle in the US,

or a farm engaged in poultry and feeds transporting its fresh produce from Allepey to Mumbai, the role of logistics and transportation is of paramount importance. Today, the inland transportation through water is very low in India which is an untapped source for minimising the logistics costs. Once we are able to establish a proper mix of road, rail, air and water transport, logistics cost as a per cent of Indian GDP will come down. Further, the setting up of temperature-controlled warehouses across the country will help in reducing wastage which is also today accounted as part of logistics cost."

According to Mahajan, "Sagarmala and Bharatmala are the two big projects which will give boost to Indian multimodal logistics. Many of the highways and waterways are operational and many new rail corridors are under construction and soon to be a reality."

MMLPs COULD BE AN ENABLER

The Ministry of Transport & Highway has planned a network of 35 Multimodal Logistics Parks (MMLPs) which

will account for 50 per cent of the road freight in the country to improve the country's logistics sector by lowering overall freight costs, reducing vehicular pollution and congestion, and cutting warehousing costs. Let's hear from the experts how the multimodal logistics parks will pave way for reducing costs by integrating all modes of transport and storage for different kinds of cargo – liquid, bulk, and container as one stop solution.

According to **Vineet Chadha**, Managing Director, Combined Logistics Solutions, "Multimodal Logistics Parks are the way forward for reducing logistics costs in our country and the government needs to focus on putting in place the right regulatory and institutional support for building the same." He explains, "Developing a network of MMLPs to act as logistics hubs will address the issues of unfavourable modal mix, inefficient fleet mix and an underdeveloped material handling infrastructure. Logistics parks are expected to help transition from the current situation of point-to-point freight movement to an ideal situation of hub and spoke modal freight movement. The large-scale investment required for developing logistics parks and

the need to leverage industry best practices making the PPP model the most viable option."

On this, Lazarus adds, "It is high time that the current mode of point-to-point movement transforms to a supply chain visualised by hub and spoke freight modal with MMLPs at the core of their design."

Elucidating how development of multimodal logistic parks will improve the entire logistics network in India, Ramakrishna clarifies, "Creating a national level policy to shape the logistics infrastructure in India is the need of the hour and a definite blueprint of infrastructure development which is needed to achieve the optimal and balanced multimodal mix.

The main focus should be on the growth of road infrastructure to improve last-mile connectivity. Projects that deal with the development of large container terminals should be incorporated with hinterland connectivity projects which would lead to greater last-mile connectivity. Further the privatisation of container operations by the Indian Railways is a positive node."

Chadha further explains how MMLPs are expected to bring down logistics costs

by serving four functionalities, which are, freight aggregation and distribution, multimodal freight transportation, storage and warehousing with modern and mechanised warehousing space satisfying the special requirements of different commodity groups and value-added services, such as customs clearance with bonded storage yards, warehousing management services, etc.

"Different stakeholders in the country including MoRTH, CONCOR, DMICDC, state governments, etc, are independently planning the development of MMLPs. There is a need to ensure that these MMLPs are developed at the right locations with appropriate value added services, mechanisation, technology adoption etc, for effectively driving the logistics efficiency in the country.

According to the report, at present, there is a gap in the availability of MMLP infrastructure for enabling seamless multimodal freight transfer, providing world class storage and handling as well as delivering value added freight services. Even where ICDs' and CFSs' have been created, there is potential to improve their utilisation and performance," Basu opines.



Vineet Chadha
Managing Director, Combined Logistics Solutions and India Cargo Awards winner 2018

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Transit

From the demand side, the demand from customer for single window end-to-end solutions will be a big thrust in this direction.

A defined transit insurance policy including storage under MMTG Act and a single combined multimodal transport document which would be acceptable by all modes of transport.