



Transforming India's Logistics System

This editorial is based on "[The ideal track to run India's logistics system](#)" which was published in the Hindu Business Line on 06/03/2023. It discusses issues with India's Logistics System and ways to address it.

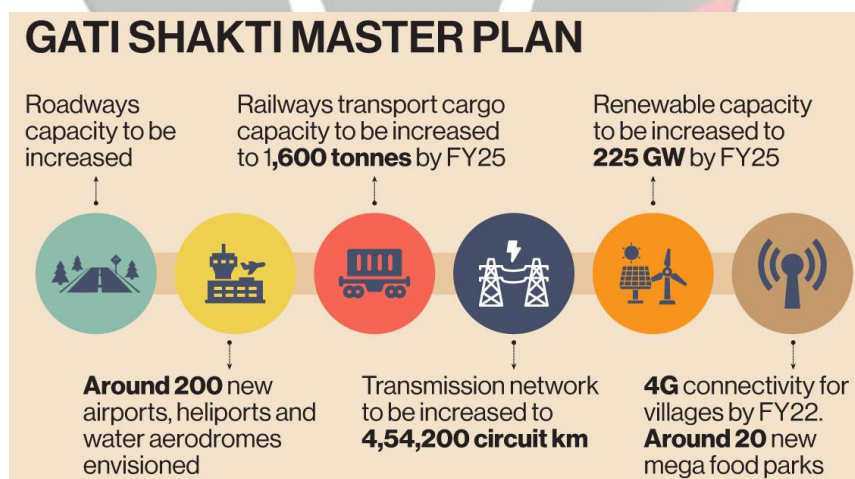
For Prelims: Logistics Ease Across Different States (LEADS) survey, PM Gati Shakti Scheme, Multi Modal Logistics Parks, LEADS Report, Dedicated Freight Corridor, Sagarmala Projects, Bharatmala Project.

For Mains: Issues with India's Logistics System

The [Union Budget 2023](#) has doubled the [PM Gati Shakti National Master Plan](#) to States from Rs. 5,000 crore to Rs. 10,000 crore, and has announced an outlay of Rs. 2.4 lakh crore for the Indian Railways.

The plan is a **"transformative approach for economic growth and sustainable development dependent on the engines of roads, railways, airports, ports, mass transport, waterways and logistics infrastructure"**.

Providing the right platform to address the infrastructure challenges that have hindered the movement of freight by rail, **PM Gati Shakti sets the goal of increasing rail freight movement from 27% to 45% by 2030** and freight movement from 1.2 billion tonnes to 3.3 billion tonnes by 2030.



So, improving the logistics system is essential for enhancing a country's competitiveness in logistics.

What are the Issues with India's Logistics System?

- **Skewed Modal Mix:**
 - The modal mix in **India's freight movement is heavily skewed towards road transport**, with 65% of freight being moved by road. This has led to increased congestion, pollution, and logistics cost escalation on roads.
- **Loss of Rail Freight Share:**
 - Despite being a more cost-effective mode of transportation, **railways have been losing freight share to more flexible modes**, due to the convenience of road transport.
 - The **Indian Railways face infrastructural challenges such as the lack of necessary terminal infrastructure**, maintenance of good sheds and warehouses, and uncertain supply of wagons, absence of all-weather roads as a substantial part of the country is out of reach for railways.
 - This **results in high network congestion, lower service levels, and increased transit time.**
- **Dominance of Bulk Commodities:**
 - **Coal, iron ore, cement, food grains, and fertilizers account for a significant share of India's freight movement**, while non-bulk commodities have a very small share in rail freight movement.
 - In 2020-21, **coal constituted 44% of the total freight movement of 1.2 billion tonnes, followed by iron ore (13%)**, cement (10%), food grains (5%), fertilizers (4%), iron and steel (4%), etc.
 - Transportation of non-bulk commodities accounts for a very small share in the rail freight movement.
- **Operational and Connectivity Challenges:**
 - Increased **transit time by rail, pre-movement and post-movement procedural delays, multi-modal handling**, and the absence of integrated first and last-mile connectivity by rail are some of the operational and connectivity challenges faced by India's logistics system.
- **Lack of Skilled & Specialist Personnel:**
 - It has emerged as **one of the most prominent concerns, especially in the face of increasing volumes**, complex operations, and increasing work pressure with multi-tasking.
 - Availability of experienced human resources for mostly labor-intensive processes, demanding higher skills and expertise is a challenge for logistics companies.
- **Warehousing & Taxation Discrepancies:**
 - Logistics companies generally opt for warehousing because it enables them to store goods and move them closer to the customer when demand occurs. It helps to reduce the transit time.
 - However, warehousing is not free of cost and needs proper planning for optimum use.
- **Fragmentation:**
 - The logistics industry in India is highly fragmented, with many small and medium-sized players operating independently, leading to suboptimal utilization of resources and higher costs.
- **Inefficient Supply Chain Management:**
 - The lack of coordination between various players in the supply chain, including manufacturers, distributors, and retailers, leads to inefficiencies, delays, and increased costs.

What are the Initiatives Related to Logistics?

- [National Logistics Policy \(NLP\)](#)
- [Multimodal Transportation of Goods Act, 1993.](#)
- [PM Gati Shakti Scheme](#)
- [Multi Modal Logistics Parks](#)
- [LEADS Report](#)
- [Dedicated Freight Corridor](#)
- [Sagarmala Projects](#)
- [Bharatmala Project](#)

What should be the Way Forward?

- **Need for Investment:**
 - **India needs to heavily invest in advanced rail infrastructure** for quick and low-cost container movement, like China, to improve its logistics competitiveness.
 - **Continuous monitoring of existing projects along with identification of new priority areas** will also help in achieving the targets of rail freight movement.
 - India needs to **focus on developing dedicated freight corridors** to ease the oversaturated line capacity constraints and improve the timing of trains.
 - The **upcoming [Dedicated Freight Corridors](#) along India's eastern and western corridors** and multimodal logistics parks will ease the oversaturated line capacity constraints and improve the timing of trains.
- **Encouraging Private Participation:**
 - Indian Railways should **encourage private participation in the operation and management of terminals, containers, and warehouses** to enhance the efficiency of the logistics system.
- **Establishment of a Special Entity:**
 - Indian Railways should **establish a special entity in partnership with the private sector to handle intermodal logistics**, which could function as a single window for customers for cargo movement and payment transactions.
- **Integrated Logistics Infrastructure:**
 - An **integrated logistics infrastructure with first and last-mile connectivity is essential to make rail movement** competitive with roads and facilitate exports by rail to neighbouring countries such as Nepal and Bangladesh.
- **Collaboration with Neighbouring Countries:**
 - India should **collaborate with neighbouring countries to develop a seamless logistics network** that facilitates the efficient movement of goods across borders.
 - **Examples:**
 - Bangladesh-India can collaborate in the [Petrapole-Benapole integrated check post \(ICP\)](#) which has already improved trade facilitation between the two countries.
 - The [Kaladan Multi-Modal Transit Transport](#) Project between India-Myanmar aims to connect the Indian ports of Kolkata and Haldia with the Sittwe port in Myanmar, is a good example of such collaboration.
- **Adoption of Digital Technologies:**
 - Adoption of digital technologies such as [blockchain](#), [Internet of Things \(IoT\)](#), and **Artificial Intelligence** can help in enhancing the efficiency of the logistics system and reducing operational costs.
- **Skilling and Training:**
 - **Skilling and training of the workforce in the logistics industry is crucial** to ensure the smooth functioning of the logistics system.
- **Regulatory Reforms:**
 - India needs to **undertake regulatory reforms to simplify the regulatory framework** and remove barriers to the growth of the logistics sector.

[Drishti Mains Question](#)

What are the major challenges and bottlenecks hindering the competitiveness of India's logistics system? Suggest measures that can be taken to address them in order to boost the country's economic growth and competitiveness.

UPSC Civil Services Examination Previous Year's Question (PYQs)

Mains

Q. The Gati-Shakti Yojana needs meticulous coordination between the government and the private sector to achieve the goal of connectivity. Discuss. **(2022)**

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