

CHANGING DEMAND OF LOGISTIC


Adapting to the changing economic demands for transportation in India's logistics landscape

Indian logistics sector has been facing challenges on multiple account. It is a well know fact that logistics cost in India as a percentage of its GDP stands at 14⁰%. This cost is pretty high compared to the similar cost in the US (9.5%), Germany (8%) and Japan (11⁰%). Nevertheless, the country aims to bring down this cost to less than 10⁰% by 2022. Considering the critical role of logistics in propelling India's exports, it is believed that reduction in logistics cost by 10⁰% could increase the country's exports by about 5-8%.


Coastal shipping in India has gained considerable ground following the May 21 cabotage relaxation and other inducement initiatives, such as tariff concessions and dedicated berth infrastructure for vessels operating in that trade.

SCENARIO OF COASTAL SHIPPING AND INLAND WATER TRANSPORT

- India's share in coastal shipping share currently remains abysmally low — at 7 percent, compared with 24 percent in [China](#) and 11 percent in [Germany](#). In 2014-2015, the total cargo transported by coastal shipping was 83 million tonnes whereas in 2017-2018 the same is estimated at 107 million tonnes. An estimated 8.8 percent CAGR growth was recorded over the last 3 years, as against 4.5 percent CAGR growth in the preceding 3 years.
- The transportation of cargo on National Waterways increased from 2016-17 onwards, when new NWs were declared under the National Waterways Act, 2016. In 2016-17, around 55.47 million tonnes of cargo was transported, while in 2018-19, it rose to 72.31 million tonnes
- The topic for today's session is extremely important as it has become inevitable for us to revamp the Indian logistics scenario. Since I am representing the shippers association, I would elaborate more related to my sector to my sector but being an exporter, I would also touch upon a few points regarding that.




1. If we look at the modal mix, we still find that the share of road is extremely high followed by rail and a miniscule comprises the inland movement. We need to shift this mix and the role of coastal & inland water shall be extremely important. The Indian coastline and river network have historically remained underused, even though such models are more energy-efficient, eco-friendly and comes with reduced logistics costs. For eg: Cost for coastal shipping is Rs 0.15-0.2 per tonne-km compared to Rs 1.5 for railways and Rs 2.5 for the road. Addressing these anomalies could alone provide a huge potential to lower logistics cost in the economy by Rs 21,000-27,000 crore by 2025



The intent and vision of the govt in this regard is very pragmatic and the industry is keenly looking forward to adapt to it. The various initiatives of the govt like Sagarmala, development of minor ports are indeed welcome in reducing transportation cost and increasing competitiveness. Jal Marg Vikas Project (JMVP) for capacity augmentation of navigation on National Waterway-1 (NW-1) is also being implemented at a cost of Rs 5369.18 crore with the technical assistance and investment support of the World Bank. The Project is expected to be completed by March 2023. Bhutan Bangladesh trade through Indian waterways: Bhutan is transporting 50 trucks worth of crushed stone aggregates to Bangladesh through India. The transportation that will save 30 per cent cost and eight-ten days of time is a first of many to come as Inland Waterways Authority of India (IWAI) will facilitate trade between Bhutan and Bangladesh via the country's waterways through the Brahmaputra as part of the Indo-Bangladesh protocol route. It will also help India access the North-East states through Kolkata, Haldia through the inland waterways via Bangladesh

Coastal shipping in India can be promoted if we try to address the following issues:-

- The domestic shipping sector is largely at a disadvantageous position compared to the foreign shipping lines. It is often reported that birthing priority is generally given to a foreign vessel who are also given a higher free time.
- There are 12 major ports in the country and just under 200 minor ports, of which 139 are functioning. Even then, 95% of India's total foreign trade is dealt by major ports. Operational cost at minor ports are on higher side.
- Agents are also preferring to work with foreign shipping lines due to various factors including GST.
- Indian vessels are limited in number and their charges are also on higher side.
- No return cargo
- Lack of cargo aggregation



The combination of railways and coastal shipping can become a win-win situation for both modes of transport. It will release capacity for railways to carry other goods and facilitate more cost effective movement of commodities like steel, cement, etc. through coastal route[s], thereby enhancing the coastal trade basket



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