



**Telangana
Chambers of Commerce and Industry
(TECCI)**

Speech delivered at Logistic Summit 2018 at Park Hyatt, Banjara Hills, Hyderabad on 3rd August 2018

Mr. Madan Mohan Reddy, Director, Aurobindo Pharma Limited,
Mr. R.K. Agrawal, Managing Director, Nakoda Chemicals Limited & Senior Vice President, BDMA,
Mr. Anil Endluri, Director and CEO, Krishnapatnam Port Company Limited
Mr. Ram Prasad Ravi, Editor in Chief and Publisher, Maritime Gateway
Distinguished Audience and Maritime Associates and
Esteemed Sponsors.

At the out-set, I appreciate and congratulate the Maritime Management for their interest, efforts and tenacity in organizing the second edition of the event which is the need of the hour. TECCI was closely associated with the first summit also.

Logistics is a key sector of the economy which creates cost-effective solutions for shipment and transportation of goods within and outside the country.

The estimated spending on logistics industry in India is over 14% of the country's GDP compared to less than 8% by most of the developing economies in the world.

India can potentially save over US\$ 45 billion if the costs on logistics can be lowered to 9% of the GDP of the country which will result in Indian made goods becoming more competitive in the markets worldwide.

The boom in e-commerce and expansionary policies of the FMCG firms have increased the service geography of the best logistics companies in the country. The industry has moved from being just a service provider to the provider of end-to-end supply chain solutions to their customers.

The Indian freight transportation sector has been forecasted to register a Compound Annual Growth Rate (CAGR) of more than 13% by the end of 2022 owing to factors such as rising growth of manufacturing, e-commerce, and retail industries.

The Indian freight transportation sector is likely to surpass US\$ 300 billion during the period of 2017 to 2022. The freight by roadways sector in India comprises more than 60% of the total 2.2 million heavy vehicles and 0.5 million light transport vehicles in the total road fleet size. The road freight market is forecasted to garner a healthy CAGR of over 15% in the next five years.

- Various new policies and initiatives taken by the Government of India by decongesting the Indian roadways network are likely to augment the growth of the Indian logistics industry on the whole.
- The Indian logistics sector is likely to continue growing at over a CAGR of 10% for the next few years - thereby making the growth of the Indian economy on a large scale.

- The major reforms of introducing GST, roll out of E-Way bill and granting infrastructure status by the Government of India started yielding the expected results. These changes are likely to reduce the cost of logistics in the country which currently stands around 13 to 14% of GDP which is significantly higher than countries such as the USA at 9.5% and Germany at 8%. The Government has already designed its program to bring down the logistics cost to around 10% of GDP.
- Inclusion of the sector in the Harmonised Master List of Infrastructure sub sector will be helpful in facilitating the credit flow into the sector.
- The decision of the Government of India for the creation of a new logistics division in the Department of Commerce is a timely step in the right direction. The intension is to develop and coordinate with the integrated development of the industry, improvement in existing procedures, identification of bottlenecks, gaps and introduction of technology-based interventions in this sector. It is interesting to note that improving logistics sector has huge implication on exports and it is estimated that a 10 per cent decrease in indirect logistics cost can increase 5 to 8 per cent of exports.
- Coming to current scenario, Logistics sector in India is currently valued at US\$ 110 billion and can be expected to touch US\$ 200 billion by 2020.
- The sector is currently growing at 15 per cent per annum and is expected to double its growth rate over the next seven years. Growth expected in the Indian consumer market is one of major factors for promising forecast for the logistics sector.
- Currently, a considerable amount of journey time, is spent at check posts and city entry points which adds to the cost of transporting goods and forces companies to maintain buffer inventories.
- Manufacturers of non-bulk goods spend about 5 to 8% of sales on logistics. The proposed GST will save warehousing costs of 1 to 1.5% of sales in 3 to 4 years. Eliminating check-post delays will yield additional savings of 0.4 to 0.8% which shows a saving of 1.5 to 2% of sales.
- The Government of India is planning for developing Logistic Hubs using 350 ring roads; development of 2,000 ports along 14,000 km of coastal area and introduction of e-tolling across 360 toll plazas and expediting the development of roads and highways across the country. "The number of stressed projects have been drastically brought down from 384 projects to 41 projects worth Rs 3.80 lakh crore in May 2014.
- Financial Year 2015-16 has been historic for the Port sector in the country, with 94 MTPA capacity added through 34 capital investment projects which is the highest in major ports history.
- The road ministry has shortlisted 15 locations with the highest freight movement for the development of multimodal logistics parks worth Rs.32,853 crore. Telangana is one of the locations.

- Despite a phenomenal rise in the volume of freight traffic movement over the last decade, the country's logistics infrastructure is lagging behind and continues to be characterized by concerns around costs, profitability, availability of trained manpower and adoption of technology.

Dry Port development in India

- India has an extensive network of 120 ICDs and 150 CFSs.
- Nearly 40% of ICD and CFSs are owned by Container Corporation of India. (CONCOR) and Central Warehousing Corporation.
- It is worthwhile to mention that India is implementing a project with an investment cost US\$10 billion with Japanese government assistance, in order to develop Mumbai-Delhi freight corridor. This will help develop basic infrastructural facility for further growth of Dry ports in India
- The main role of Dry Ports is to decongest the ports, play the role of consolidator, provide one stop logistics and customs solution and boost containerization:
- Currently India has a containerisation level of just above 50 percent while the average containerisation in developed economies is approximately 70 percent

in addition to the increase of trade, better performance in logistics will not only pave the way for the promotion of programmes like Make in India but also enables our country to become an important part of the global supply chain.

Coming to Telangana State, the following facilities are in operation.

1. Patancheruvu, Hyderabad	CFS	Batco Integrated Logistics Pvt.Ltd
2.Balanagar, Hyderabad.		CFS Central Warehousing Corpoation.
3.Sanathnagar, Hyderabad.	ICD	CONCOR
4.Thimmapur, Mahbubnagar.	CD	Continental Multimodal Terminals Ltd.

Recognising the need for world-class infrastructure assets to sustain the state's long-term industrial development programs, the Government of Telangana has also announced various infrastructure development initiatives in the industrial sector. This comprises Industrial Corridors, Dry Ports, Specialised Warehouses and other logistics infrastructure, all of which are collectively geared up towards meeting the State's export improvement goals as well as gaining prominence as a central "logistic-friendly" state.

- Development of a dry port would reduce the cost of customs related transactions in Telangana to competitive levels and would make it attractive to industries to handle their cargo within the State.

- It is to be noted that the average container export time from Hyderabad is estimated to be 25 days, whereas export time from Ahmedabad, Pune and Mumbai is only 10 to 15 days. This shows the monopolistic attitude and does not speak good business culture.
- The State government has proposed to develop state-of-the-art Multi Model Logistic Park including a Dry Port, which would cater to the cargo transport needs of Telangana's domestic and export-import cargo. This will act as a Logistic Hub to which other smaller logistic facilities could be linked. The entire logistic facility will be as a Hub.
- Telangana state is home to large-scale industries including bulk drugs, pharmaceuticals, agro-processing, cement & mineral-based industries, high precision engineering, textiles, leather, iron & steel, gems & jewelry, biotechnology, defence, etc. The majority of manufacturing clusters are centered around Hyderabad, Ranga Reddy and Medak districts.
- In addition to the existing manufacturing units, the state government is taking active steps in creating industrial clusters around the state namely textile park, food park, aerospace park, pharmaceutical park, medical devices park and many others.
- The Hyderabad region attracts major logistics players because of its central location and the potentiality to be a logistics hub which can connect the central India region to southern ports. Amazon has one of its largest fulfilment center of the world in the city. Flipkart, Bigbasket etc have their own presence. .
- The Government of Telangana has planned to develop 10 logistic facilities around Hyderabad and to start with two logistic facilities have already been planned at Batasinganram with 40 acres and Mangalampally with 22 Acres..
- The Government of Telangana needs to expedite its efforts in creating the logistic facilities proposed to be established in the state so that the State Logistic performance Index will improve resulting in reduction cost of the logistics and the export products becoming more competitive in the international market.
- A Dry Port provides services for handling and temporary storage of containers and general and/or bulk cargoes that enter or leave the dry port by any mode of transport, including roads, railways, inland waterways or airports. Full customs-related services and other related service, such as essential inspections for cargo export and import, will be in place in a dry port.
- Dry port is a major component of intermodal transportation network. It integrates the intermodal system from interior part of the country as load centre. As a result, economic activities centering Dry Port (CFS/ICD) take place in the field of production and distribution of goods within the country which ultimately boost up economic growth and upgrade the intermodal transportation system.

The following challenges have to be brought to the notice of the Government Authorities and seek their intervention for doing the needful

- a) High cost of development of facility
- b) Archaic procedure for the movement of cargo
- c) Availability of land for Railways and Highways.
- d) Environment and forest clearance
- e) Huge rehabilitation cost
- f) Inordinate delay in land acquisition due to court cases etc.
- g) Clearances of Railways for Rail Over Bridges and Rail under Bridges
- h) Poor performance by some contractors due to cash flow problems.
- i) Transportation delays due to city traffic congestion.
- j) Trailer idle time due to wait at city entry points for roads to open.
- k) Severe space shortage in ICDs leading to delays and inconvenience to CHAs
- l) Severe warehousing space shortage.

TECCI would like to make the following suggestions to the Government of Telangana for their immediate intervention for doing the needful

1. Eliminating the check posts in order to reduce the transit time and save costs.
2. Initiating and introducing Logistic Performance Index on the standard lines.
3. Implementing Logistics Efficiency Enhancement Programme (LEEP).
4. Introducing a scheme viz. TIES (Trade Infrastructure for Exports Scheme) which like ASIDE Scheme for supporting infrastructure development efforts of the States in accordance with the Union Government's proposal.

In the World Bank's biennial measure of international supply chain efficiency, called Logistics Performance Index, India's ranking has jumped from 54 in 2014 to 35 in 2016. While Germany tops the 2016 rankings, India is ahead of comparatively advanced economies like Portugal and New Zealand. Through this program, the Government is trying to improve efficiency and reduce logistics costs by as much as 10%.

The Transport Ministry forms a multi-modal company (MMC) which will manage the development of logistic parks and will have representation from the National Highways Authority of India (NHAI), Indian Railways, Airports Authority of India (AAI), Inland Waterways Authority of India (IWAI) and Indian Ports Association (IPA). MMC will also be responsible for partnerships with other Government entities such as Dedicated Freight Corridor Corporation of India, Delhi Mumbai Industrial Corridor Development Corporation and Container Corporation of India Ltd.

According to estimates prepared by the Transport Ministry, out of the total cost of Rs.32,853 crore for the logistic parks, Rs.10,665 crore will be spent for acquiring land while Rs.10,359 crore and Rs.11,828 crore will be spent on development of storage areas and development of allied infrastructure respectively.

While all yardsticks are not comparable across countries, there are some ways that India can go ahead. For instance, only 69% of shipments from India meet the quality criteria compared to 72% from China and 77% from Kenya. On the other hand, it takes two or three days to clear shipments with and without inspection.

TECCI strongly feels that there is a good opportunity for the major players in this sector and we are sure 2,3 companies will come forward and submit their proposals to the Government. TECCI is also on its toes to identify a prominent player very soon on a large scale.

An appeal to the Government of Telangana :

1. Concor does not accept containers by road. It may be ideal and necessary to allow the imports to be transported by road to avoid decongestion for the rail cargo.
2. Loyalty charges are collected by CONCOR which are quite. The charges are Rs 1600/- per 20 containers and Rs 3200/- per 40 containers as a security deposit and refundable once the containers are returned.. If an exporter wants to transport by road, it is not possible since the royalty charges will not be reimbursed. This appears to be a monopolistic measure and does not speak good business culture. This practice has to be curbed.
3. Kazipet railway nodal point for multi modal logistics hub should be completed expeditiously.
4. It is a matter of serious concern that the railways despite having five Dedicated Freight Corridors in their plans could not complete at least the first two. The proposals are only on paper.

TECCI assures full support to Maritime Gateway in their activities. We are always at their beck and call for any co-operation in the time to come. I thank the organisers for giving me this opportunity.

M.Venkateshwarlu
President.