

Smart Logistics Summit 2018

Andhra Pradesh: Building an ecosystem for Global Logistics Hub

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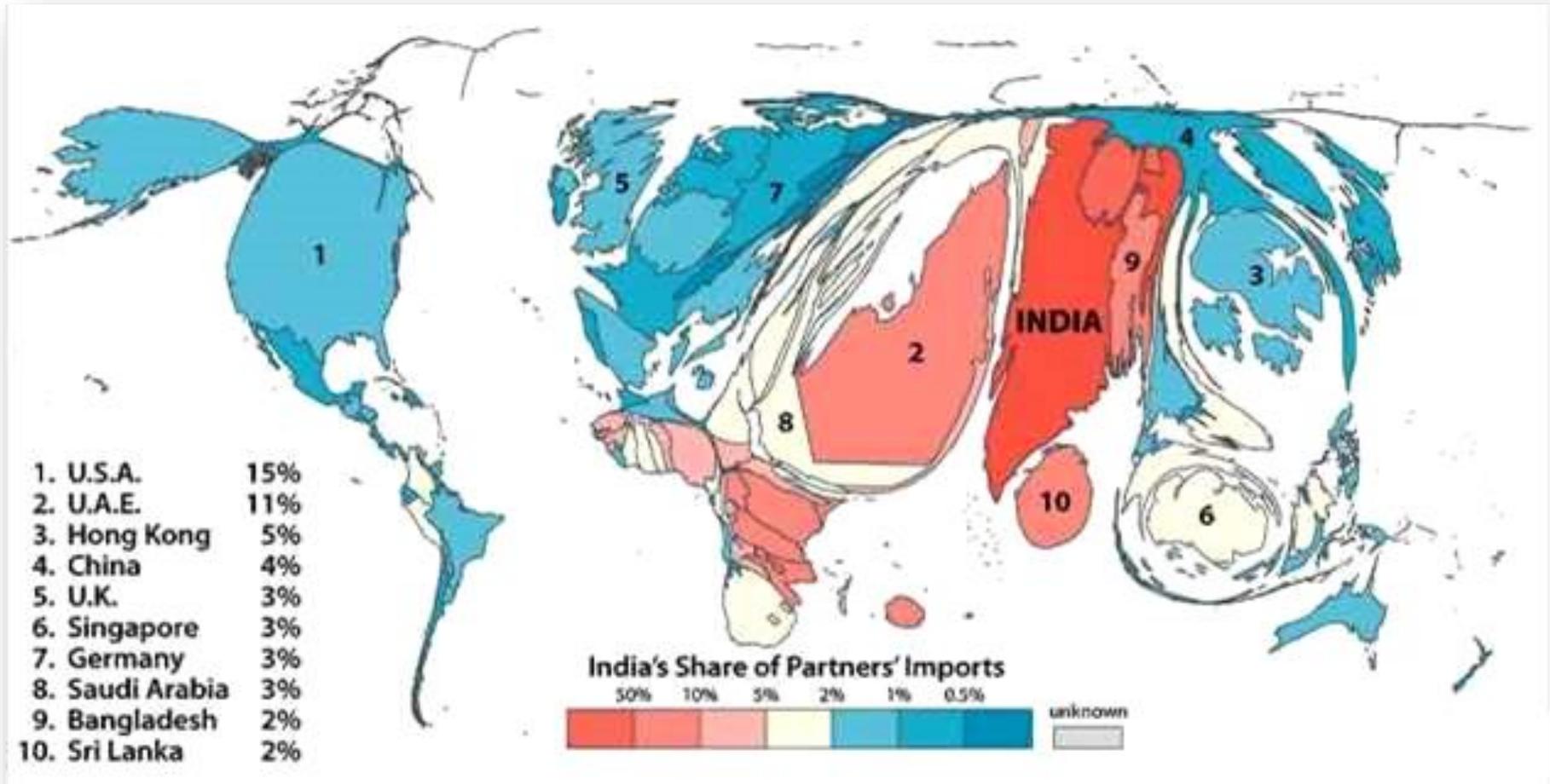
Geography of production
Geography of distribution and
Geography of consumption

Drive the design of global supply chains?

THE THREE GEOGRAPHIES OF GLOBAL SUPPLY CHAINS

India's Share of Partner's Imports

How globally connected India is?



Air Freight Growth On The Horizon

Moderate air freight growth expected in the next 5 years

All trade lanes are expected to show positive growth in the coming 5 years, at moderate growth rates compared to the highs of 2017 and 2018

Forecasted air trade growth, 2017-2022
% CAGR¹



Global air trade growth: 3.7%

Depth & Breadth of the Index: The India's Dilemma

Depth: For a country to be globally connected, it must have both large international flows relative to the size of its domestic economy. This is known as Depth.

Breadth: Its international flows must be distributed globally rather than narrowly focused. This is known as Breadth.

1. 21st out of 140 countries
(Breadth Dimension)
2. 133rd out of 140 countries
(Depth Dimension)
3. Higher Depth is associated with faster economic growth.
4. But in the case to Breadth, there is no general prescription that higher breadth is better than lower.

The Major Causes for the Depth and Breadth diclutory

1. India's toughest integration problems comes from the fact that it is not well connected with its neighbours—not just Pakistan, but the South Asia region more generally.
2. Lower Connectivity with ASEAN Countries

1. The development of SAARC/SAFTA into a serious trade bloc would go a long way to improving India's ranks.
2. The ASEAN countries also offer good opportunities, and the trade agreement with ASEAN is a positive step.

1. In terms of geography of production, distribution and consumption where is India Headed?
2. How is Chinese aggression in The Indian Ocean going to affect India? What Should be India's response?
3. What has been done by India in the Last couple of Years?
4. How can India leverage the advantages of its geography?

THE INDIAN OCEAN DYNAMICS....THE CHANGING WORLD TRADE

BRI & Indian Ocean



The China Pakistan corridor from Kashgar to Gwadar
The China India Myanmar economic corridor from Kolkata Dhaka to Kunming
The trans Himalayan economic corridor ... Nepal and China
The Maritime silk road : Reaching the regions of future trade

THE CHINESE DESIGN..... INDIA'S ENVY

Strategic Location of Andhra Pradesh

Special Investment Regions (SIRs) -
Promote development of special Investment Regions which will attract investment in the State and emergence of clusters with MSMEs

Capital City –Development of a world class capital city in the Vijayawada, Guntur region with strong connectivity to the Rayalaseema.

Develop 3 mega cities, 14 smart cities across the State – The three mega cities would be developed in Visakhapatnam, Vijayawada and Tirupati.

Airport Development – Up gradation of existing four airports to international standards and addition of 7 Greenfield no-frills airports. Development of MRO industry

World Class Institutions – To provide for educated and skilled workforce

Port Led development – Capacity expansion of existing ports. Proposed development for 11 Greenfield ports. Ports to act as pivot for industrial growth through integration between infrastructure and industry.

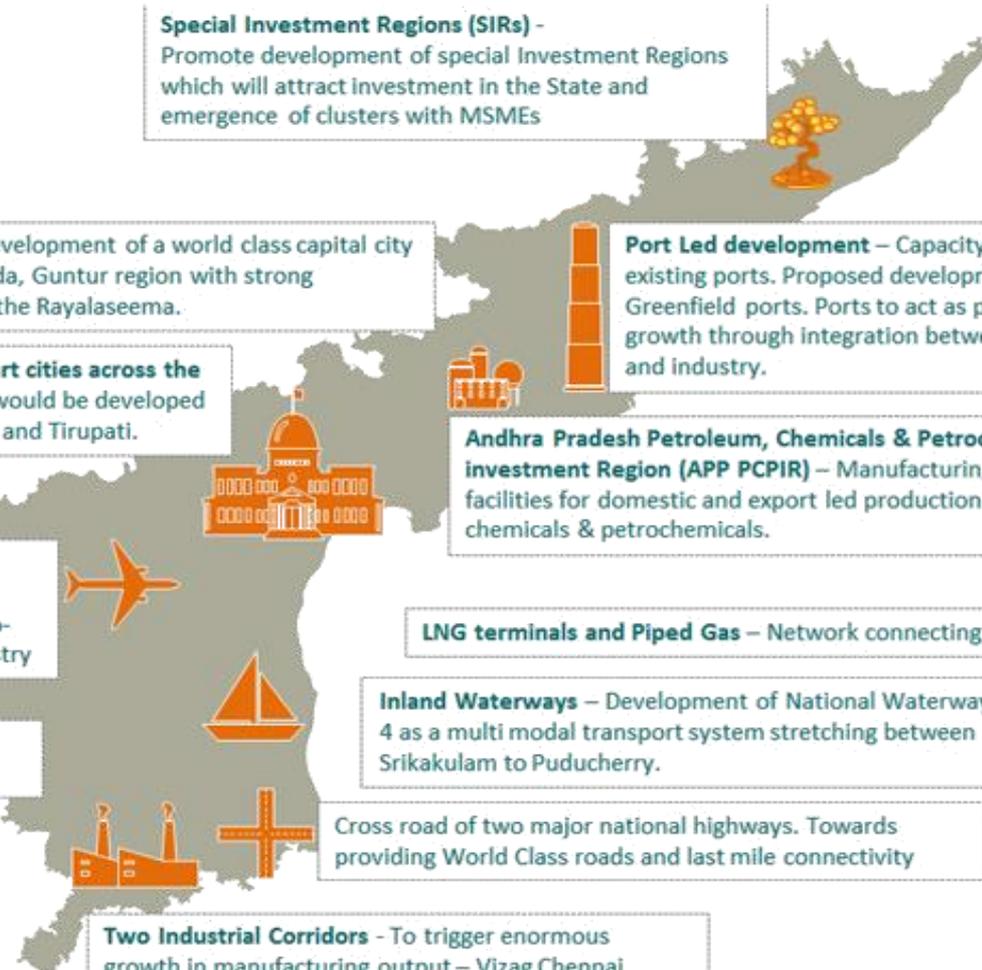
Andhra Pradesh Petroleum, Chemicals & Petrochemicals investment Region (APP PCPIR) – Manufacturing and service facilities for domestic and export led production in petroleum, chemicals & petrochemicals.

LNG terminals and Piped Gas – Network connecting all districts

Inland Waterways – Development of National Waterway 4 as a multi modal transport system stretching between Srikakulam to Puducherry.

Cross road of two major national highways. Towards providing World Class roads and last mile connectivity

Two Industrial Corridors - To trigger enormous growth in manufacturing output – Vizag Chennai Industrial Corridor (VCIC) and the Chennai Bangalore Industrial Corridor (CBIC). Four industrial nodes identified along VCIC at Visakhapatnam, Kakinada, Machilipatnam and Tirupati – Srikalahasti and three industrial nodes identified along CBIC at Hindupur, Chittoor and Krishnapatnam.



An efficient logistics infrastructure strategy requires a shift along four key dimensions by 2020

			SHIFT	
			From current trajectory to balanced modal mix
1 Network structure	Network components and mode	Corridors (rail and water)	~4 ¹	7
		Connectors (expressways)	5-7 ²	20-30
		Last mile links (road & rail)	N A ³	~750
2 Enablers	Illustrative enabler to support network	Logistics parks	N A	15-20
3 Asset efficiency	Illustrative shift	Per cent of toll booths with electronic tolling	<50% ⁴	>90%
4 Investment allocation	Share of spend (per cent ⁵)	Water	~10	~10
		Rail	~40	50
		Road	50	~40

1 No focused last mile programme in current plans

2 Expressways only

3 Two rail: Dedicated Freight Corridors (DFCs) planned, plus coastal corridors

4 Assuming all current manual toll booths not upgraded, whereas all new toll booths created have electronic tolling lanes

5 100% = ~USD 500 billion over the next decade

National Integrated Logistics Policy (NILP) is needed to move from strategy to implementation

Objectives 2020

Design principles

- Focus on an integrated network design
- Move to a balanced modal mix
- Increase emphasis on improving efficiency/utilisation of existing assets
- Allocate more investments to rail
- Build in flexibility to adapt to change in economic conditions

Governance

- High-level inter-ministerial effort; committee should include representatives from concerned ministries, departments and the private sector
- Recommend budgetary allocations across projects
- Focus not only on strategy development but also on monitoring programme implementation

- **Increase share of rail to >45%**
- **Limit annual economic losses to USD 100 billion (4% of 2020 GDP)**
- **Reduce emissions by 20% from current trajectory**
- **Achieve on-time, on-budget delivery of projects**

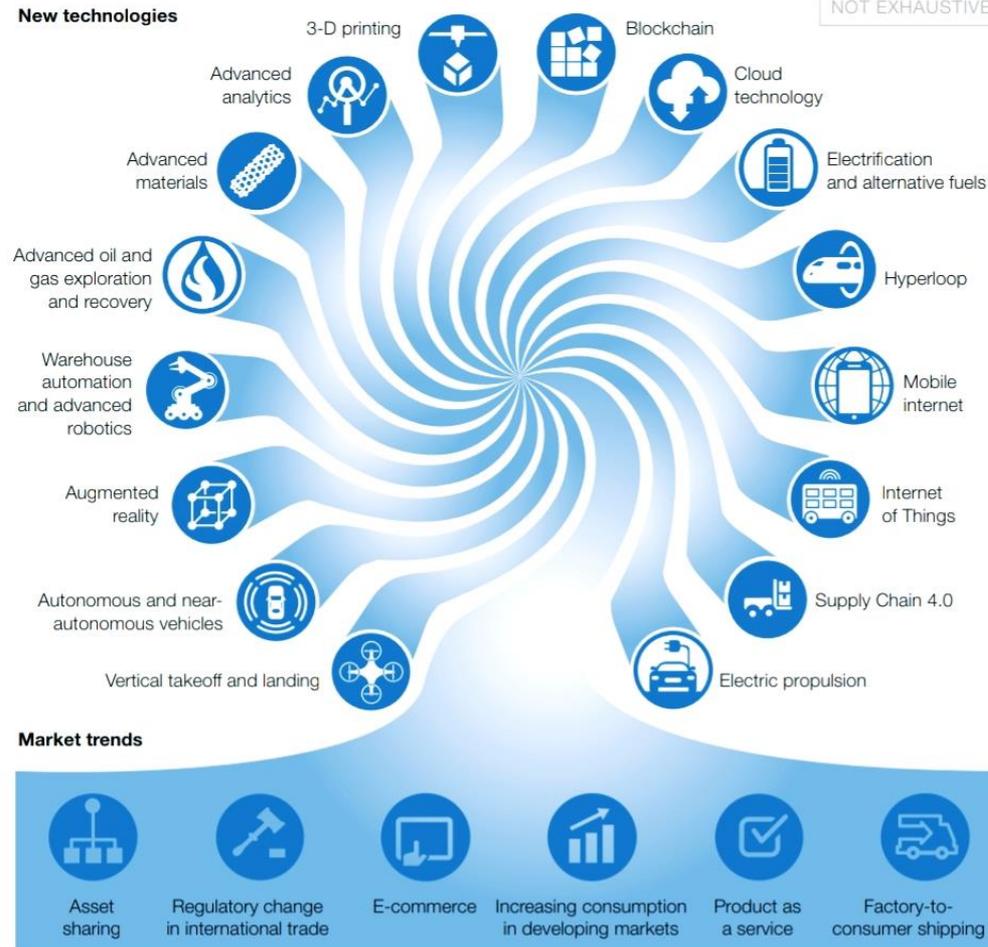
Programmes

- 1 Rail Dedicated Freight Corridors (DFC)
- 2 Coastal freight corridors
- 3 National expressways
- 4 Last-mile roads
- 5 Last-mile rail
- 6 Multi-modal logistics parks
- 7 Roads maintenance
- 8 Technology adoption
- 9 Logistics skills development
- 10 Enabling access to better equipment and setting common standards



Technology

Exhibit 1 New technologies and market trends can disrupt the logistics industry.

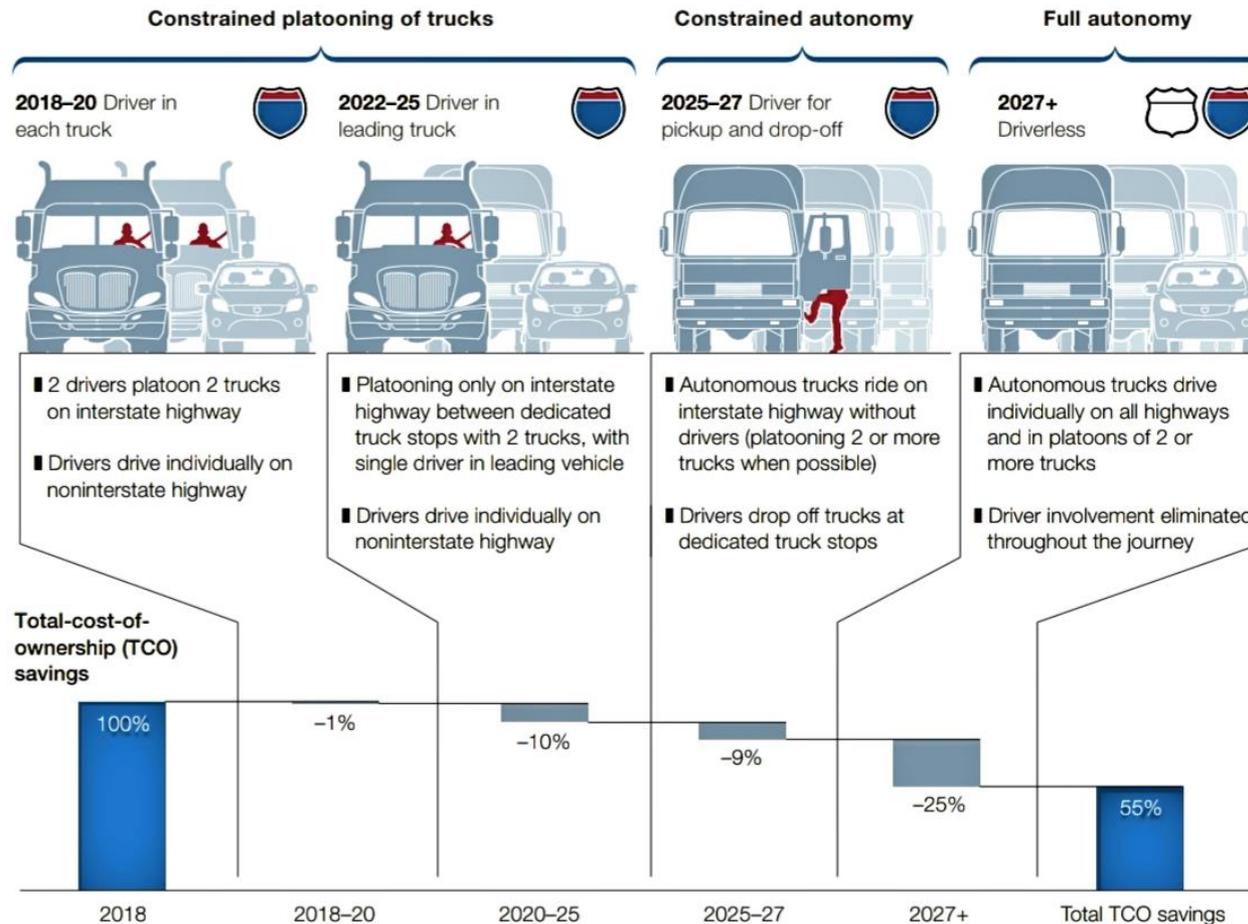


Source: McKinsey analysis

Technology

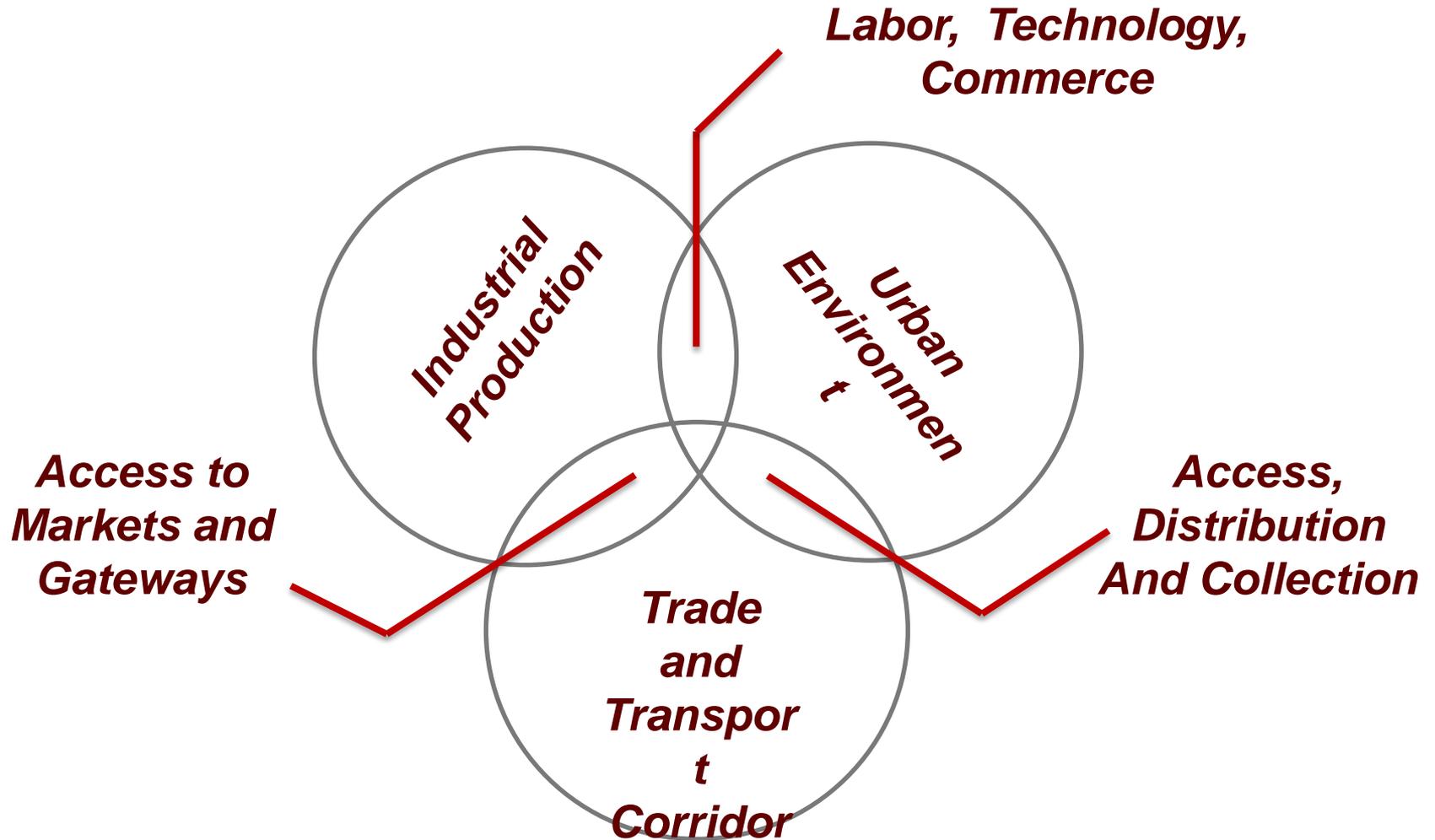
Exhibit 2

Autonomous trucks will likely roll out in four waves.



Source: *Route 2030: The fast track to the future of the commercial vehicle industry*, September 2018, McKinsey.com

THREE COMPONENTS OF AN ECONOMIC CORRIDOR



1. Identify the skills capabilities that is required at all levels
2. Build a university within the economic cluster
3. Understand the current need and identify the transition that's happening in work force skills and capabilities.
4. Train your trainer first

BUILDING CAPABILITIES FOR TOMORROW...

THANK YOU....

India's premier maritime business magazine

**maritime
gateway**