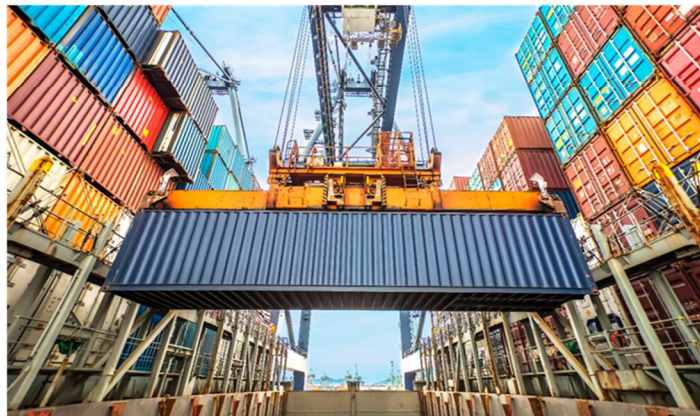


# TRANSFORMING THE LOGISTICS SECTOR IN INDIA



**LOGISTICS DIVISION, DEPARTMENT OF COMMERCE**



Government of India  
**Ministry of Commerce and Industry**  
DEPARTMENT OF COMMERCE

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## 1.Context

In 2016, India was ranked 35<sup>th</sup> in the Logistics Performance Index (LPI), a measure through which the World Bank ranks countries based on their logistics performance. India had moved up from 54<sup>th</sup> position in 2014 to 35<sup>th</sup> in 2016, riding on massive capacity investments made since 2014, in almost all sectors of transport (by way of mega projects like DFCs/UDAN/ Bharatmala / Sagarmala etc.), major policy reforms like GST and measures in support of EODB.

Despite these improvements the government was aware of the limited scope for growth without concrete reforms in the sector. The key issues affecting the overall performance included gaps in infrastructure which had so far been developed on a sectoral basis, a varied and silo-based legal and regulatory environment, disjointed IT systems, overdependence on road transport, suboptimal use of existing infrastructure due to suboptimal sharing of capacities, lack of skilled manpower, low predictability and visibility in supply chains resulting in heavier than necessary inventory costs and so on.

With logistics costs in the country still high (~13% of GDP in comparison compared to single digit levels in developed countries), integrated development of the logistics sector was identified as a key area of reform. To achieve this, it was necessary to build a single government institution that would oversee, coordinate with multiple and fragmented stake holders across union government and states and would help develop the logistics sector into a strength for the economy by bringing down logistics costs. This offered a huge scope for improvement in the competitiveness of supply chains in India.

With the unveiling of the visionary “*Make in India*”, programme in 2014, which aimed at transforming India into a global hub for manufacturing, setting forth of a well-defined aspiration to become a USD 5 trillion economy by the Hon’ble Prime Minister the need for reforms in the logistics sector was further amplified. More recently, the clarion call by PM for an ‘*Aatmanirbhar Bharat*’ – a self-reliant India requires an eminently robust logistics sector. The Hon’ble Prime Minister has himself on several occasions

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At this time we’ve to take Indian economy out of ‘command and control’ and take it towards ‘plug and play’. This isn’t the time for conservative approach. It’s time for bold decisions & bold investments. *It’s time to prepare a globally competitive domestic supply chain.*

”

PM Narendra Modi



underlined the importance of strengthening all stakeholders in the supply chain to increase, as well as fulfil, the demand.

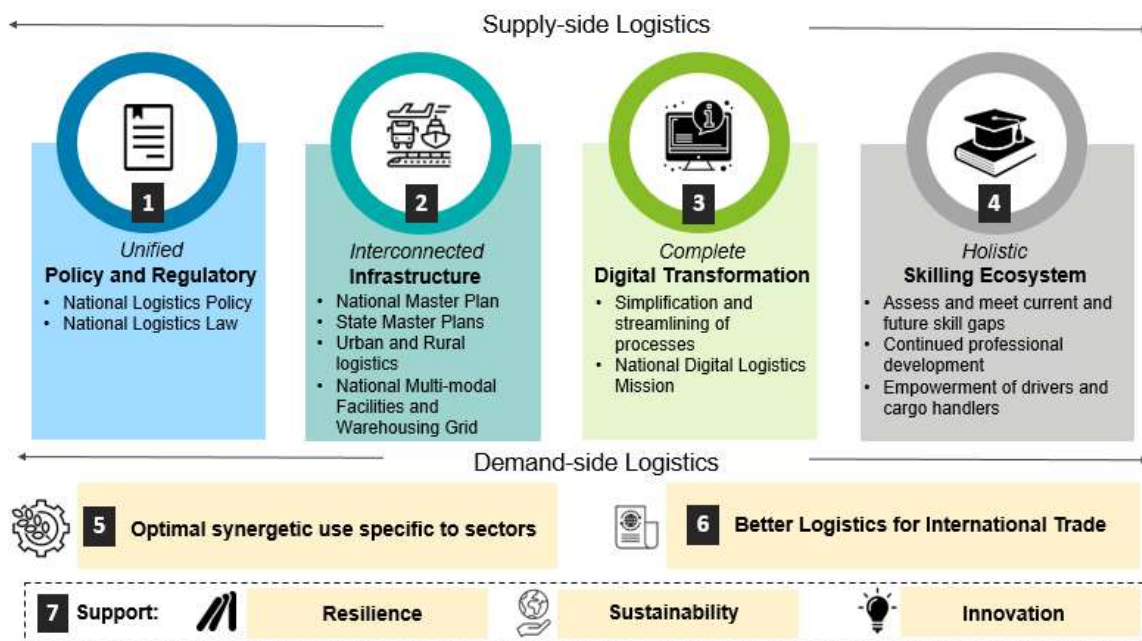
It is for the reasons defined above that the Government of India formulated a vision *“To develop an integrated cost-effective, reliable, sustainable and digitally enabled logistics ecosystem in the country for accelerated and inclusive economic growth”*.

## 2.Approach

A Comprehensive and synergetic, whole of Government effort is planned to ensure that the problems facing the logistics ecosystem are viewed in their entirety and solved with an end to end perspective to capitalize on the massive infrastructure investments already made and further planned.

- **Grant of Infrastructure status to Logistics sector-** In a major push to the sector the government granted ‘infrastructure status’ to the logistics sector which allows providing credit to the exporters at competitive rates and on a long-term basis, reducing logistics costs.
- **Creation of Logistics Division** - The Logistics division in the Department of Commerce was created consequent to the amendment to the second schedule of the Government of India (Allocation of Business) Rules, 1961, on 7th July 2017, that allocated the task of “Integrated development of Logistics sector” to the Department of Commerce. The division is headed by a Special Secretary to Govt. of India and has been given the mandate to develop an Action Plan for the integrated development of the logistics sector in the country, by way of policy changes, improvement in existing procedures, identification of bottlenecks and gaps and introduction of technology in this sector.

- **The Mandate:** is to develop an Integrated Logistics Sector. Its main pillars are:



The Logistics Division adopted a consultative approach for identification and resolution of gaps based on interaction with more than 100 with stakeholders in the public and private sector. The following initiatives have been planned and are underway as part of the consultation:

- **The National Logistics Policy** is in its final stages of being issued. The policy has been developed after wide consultations with all central ministries on the supply and demand side and takes a comprehensive view of the sector defining specific action points.
- **A National Logistics Law** that would provide an agile regulatory environment through a unified legal framework for “One Nation-One Contract” paradigm (single bill of lading across modes) supporting “One Nation-One Market” agenda has been framed and is under consultation with stake holders. The provisions of the law will enable the assignment of a unique Logistics Account Number replacing unwieldy registration systems and encourage excellence certification in the currently fragmented market of logistics service providers. It will also promote common terminology, transparency in charges and better mechanisms for industry lead conciliation and dispute settlement.

- To deal with fixed infrastructure development in an integrated and holistic manner, the **National Logistics Master Plan** that is under development adopts a geo-spatial approach rather than a sectoral approach to identify gaps and blind spots. The plan aims to augment inter-modal and/or multimodal transport mix through convergence of various ongoing projects/ programs. Conjoined development of related infrastructure (optical fibre cable networks, gas and utility pipelines) is planned so as to ensure no disruptions at a later stage. It is planned to monitor the Master plan implementation through an Inter-Ministerial Committee (IMC). State and City Logistics plans are proposed to be developed in alignment and synergy with the National plans.
- In addition, a **National Grid of Logistic Parks and Terminals** is planned with a unified approach for coordinated development of Intermodal facilities, promote intermodal and Multimodal Logistic Parks (MMLPs) as a separate class of infrastructure with a national registry of multimodal facilities to enable price discovery, optimal utilization and facilitate planned development.
- **For development of modern warehousing** recommendatory guidelines and standards for warehousing and related physical assets are being developed to drive interoperability and compatibility. It is also planned to streamline processes for securing approvals/ clearances for setting up warehouses and their grading and certifications for excellence.
- **For development of a modern and agile fleet of Rolling and Floating stock**, the steps planned include local manufacturing of containers, promoting containerization in less than train load and palletization in less than wagon/ truckload, innovative wagon / truck design – for quick release at terminals, and high capacity and light-bodied rolling stock to meet needs specific sectors, low draft vessels suited for Inland waterways and coastal shipping, use of slurry pipelines and containerization in railways for bulk commodities, designated well-equipped logistics facilities for movement Over Dimensional Consignments (ODC), reefer container and trucks to facilitate Temperature Controlled Logistics, Promotion and proliferation of innovative delivery models like Double Stack Dwarf Containers (DSDC), Roll-on Roll-off (RORO), and Road Railers etc.



- A **National Packaging Initiative** is planned to reduce logistics costs, ensure product safety and promote sustainability. It is proposed to issue guidelines and standards for packaging material and design, promote domestic industry for manufacturing specialized packaging materials and machines and provide certification of bulk packaging of dangerous goods for all modes.
- The Logistics division has also planned a **Digitisation Initiative** to create an integrated IT backbone to bring efficiencies, reduce empty trips and enable a seamless interface. The specifications of a National Logistics Platform (iLOG) are under finalization in consultation with MEiTY. The iLOG will serve to bring together a single platform for the different IT solutions created over time by the various stakeholders viz logistics service providers, buyers as well as Central & State Government agencies such as Customs, DGFT, Railways, Ports, airports, inland waterways, coastal shipping etc. In addition to the iLOG, specific initiatives to fill the gap areas are also planned which shall, inter alia, enable digital document exchange, truck visibility, electronic logging in and out of truck drivers, a directory of all warehouses in the country and so on.
- A **National Logistics Workforce Strategy** is being put in place for integrated skill development of logistic sector professionals. Building on the existing framework of skill development centres which are currently transportation mode based (for Road, Railways, Ports, Civil aviation etc.) it is planned to enable exchange of ideas and best practices across sectors and build a workforce of professionals who will be the key drivers to development of logistics in the country. The measures include a coordinated approach to assess and meet current and future skill needs; bringing to mainstream the education and training in logistics sector in the regular formal education from school up to post-graduate level; Introduction of a Certified Logistics Professional (CLP) scheme and to incentivize the engagement of such professionals; A Driver Employment and Empowerment Programme with the objective of reducing logistics costs due to high shortages of truck drivers by making truck driving a preferred vocation .
- The Logistics Division aims to meet the Sector-Specific Needs of Agriculture and MSME sector to ensure that they are able to discover new and far reaching markets, of bulk sector by using operations research for optimization of their logistics, Pharma, fruits, vegetables etc. by developing an efficient National Cold chain for and the special requirements in transportation of Dangerous Goods and Over Dimensional Goods by streamlining the processing and compliances involved. Specific steps are also envisaged with **focus on international trade** to integrate our supply chains with the world.

### 3. Institutional Framework

A comprehensive institutional framework is being set up to ensure that goals envisaged in the policy are achieved. A National Logistics Council (NLC) and a Central Advisory Committee on Logistics (CACL) besides an Empowered Group of Secretaries (eGoS) are planned for effective coordination and implementation. For integrated development at state level the framework includes a State Logistics Coordination Committee (SLCC).

### 4. Impact

**On-boarding of states - “Logistics Ease across Different States (LEADS) survey”:** A lot of action in respect of the integrated development of logistics sector has to take place in the states. State Plans have to be developed and City Logistic plans need to be finalized. The first step is to instil the logistic and supply chain mindset to perceiving the problems of industry and addressing them in a comprehensive manner. In this direction the Logistics division has already taken an important step.

On the lines of the World Bank’s LPI, a sub-national view of logistics in India was necessary. This has been taken by developing a baseline performance index at state level. Under this scheme, States & UTs are ranked on the basis of relevant indicators based on surveys. The reports on “Logistics Ease across Different States (LEADS)” have been released in 2018 and 2019.

This initiative has already introduced constructive competition and excitement amongst states. This is now planned to be taken to the next level through greater engagement with states such as setting up of the institutional mechanism in states as envisaged in the National Logistics Policy enabling closer collaboration with the Logistics Division.

Committees addressing logistics issues of specific sectors are already being steered by the Logistics Division lending a supply chain approach to looking at and addressing the problems. For instance, to reduce trade transaction costs and promote exports, a National Committee on Trade Facilitation (NCTF) has been formed under Trade Facilitation agreement of WTO. Its subcommittee under chairmanship of SS/Logistics is already working to identify infrastructure gaps. Likewise, a multidisciplinary committee under Special Secretary/logistics is working to streamline and rationalise mineral logistics of coal.

### 5. Future Impact

The initiatives taken by the Logistics Division would yield the following impact in future:

- *Integration* – create an interconnected multimodal network of transport and warehousing infrastructure for efficient movement and storage of goods covering the entire country.
- *Optimization*– of use of logistics assets for movement between major hubs of supply and demand.
- *Standardization* – of physical assets and logistics services through the use of common terms and documentation, simplified and streamlined processes and digital information exchange
- *Modernization* – of the logistics sector through digital transformation and increased automation.
- *Formalization* – of the logistics sector by laying down a basic framework for the operation of logistics providers, promote excellence, create quality jobs and livelihood opportunities.
- *Democratization* – of logistics services so that the benefits of a modern logistics sector are also made available to farmers and MSMEs.

**A robust mechanism for Monitoring of outcomes is being set up.** In order to establish indigenous India-specific metrics for continual improvement an integrated **Logistics Planning and performance measurement Tool (LPPT) is being created for which RFP evaluation is under process.** The target is to do Outcome oriented monitoring for logistics sector through indigenous India-specific metrics on performance dashboards. In addition to this, periodic audits will be undertaken to identify key impediments in policy implementation and undertake corrective measures.

**With the aforementioned efforts it is hoped that in the next 5 years the targets set by the National Logistics policy to improve India's ranking in Logistics Performance Index to 25 and to reduce cost of logistics in India by 40 % from 13% to 8% of GDP will be met. This will ensure that the Logistics sector serves as an engine of growth and a key driver for transforming India to a 5 trillion dollar economy.**



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