

## LOGISTICS PARKS

## UNLEASHING MULTIFARIOUS OPPORTUNITIES

With the Indian logistics industry expected to grow annually at the rate of 15 to 20 per cent, touching revenues of approximately \$385 billion by 2015, it is the concept of logistics parks that is set to drive the development of the industry. These parks will open up new avenues of growth for the logistics companies.

BY INDIRA RAO

The global logistics industry is pegged at \$5,000 billion, of which India holds \$1,000 billion market. Although substantial improvements have been made in the logistics industry in India, we are yet to reach the best logistics standards in the world. To help the industry meet global standards, companies today are coming up with the concept of logistics parks. The vision of logistics parks is to obtain economies of scale through centralization of different functions and reduce costs by shortening and improving the supply chain.

#### CONCEPT - LOGISTICS PARKS

A logistics park offers services and facilities to its customers to enable them to minimize transit times by multi-modal transport platform and early evacuation by superior cargo handling services. Vineet Agarwal, executive director, Transport Corporation of India, avers, "A logistics park is based on all the needs of logistics, distribution, ancillary and support services. It is a hub for cargo consolidation and dissemination as well as a distribution center where large multi-user warehouses exist and cater to the cities nearby." With India being a part of the

emerging and developing markets, facilities like logistics parks and well-planned warehousing can help the industry come of age. Vineet Kanaujia, general manager - marketing, Safexpress, opines, "The term logistics parks refer to ultra-modern warehouses that have extended their services from merely stocking and loading to packaging, labeling, bundling and cross-docking. The demand for high-tech ultra-modern warehouses will flourish exponentially in the coming years."

Logistics parks are clusters of facilities aimed at revolutionizing the logistics services industry. By offering value-added services to different areas of supply chain, they are set to redefine the way a supply chain functions. Parag Joshi, vice president - commercial, DHL Supply Chain states, "As compared to more mature markets, the Indian warehousing scenario is fragmented and warehouses are built as per convenience. However, the recent favourable tax reforms will result in greater economies of scale for larger warehouses, which will enable increased mechanization and reduced safety stocks. Customers will be receptive to fewer but modernized distribution centers giving way to a boom in logistics

parks, which will redefine the way supply chains function in the country." Though the concept of a consolidated logistics center can be traced back to the Foreign Trade Policy (ETWZ) of 2004, which aimed at facilitating import and export of goods, the need for one-stop shop for logistics center/shop that could additionally cater to the domestic market has led to the development of logistics parks. Agarwal agrees, "It is a one-stop logistics shop for customers for freight (rail, air, sea or road) or warehousing (distribution center). It allows for ease of interchange between modes for optimizing cost and time. They can be used for value-added services like kitting, packing besides merge-in-transit, cross docking, just in time sequencing kind of concepts."

#### ADVANTAGES

A logistics park is a notified special area that facilitates domestic and foreign trade by providing services like warehousing, cold storage, multi-modal transport facility, container freight stations, etc. all under one roof. Ved Prakash Arya, CEO & MD, Milestone Capital says, "This special area also acts as a place where a company can unload cargo for

distribution, redistribution, packaging and repackaging. It is an integrated and planned consolidation point for facilitation of inter-modal logistics”.

All the facilities that occupants need are generally provided within the park – basic services like water, electricity, drainage and good internal roads – to ensure smooth and uninterrupted movement of goods. He enlists a few benefits that logistics parks provide. “They provide excellent hinterland connectivity, efficient transportation from terminal to site and have facilities for distribution operations as well as for value-added services. There are also customs/other regulatory agencies on site and in addition to that logistics parks have ancillary support services like financial, administrative, security etc.” Other infrastructure facilities like service stations, shops, rest rooms for drivers, restaurants, green areas, and spacious parking-lots for both light and heavy vehicles are also provided in the parks. Jishi avers, “These parks enable the providers to offer flexible logistic solutions, and the land owner manages to arrange for all common facilities like security and maintenance. They create an epicenter for efficient movement of freight for the benefit of all tenants.”

There are different types of logistics parks, viz - rail, container, distribution and air. The facilities would differ for each category. Arya elucidates, “Typically, a logistics park would have the following depending on the size and category: consumer terminal for both international and domestic operation, mineral handling



VINEET AGARWAL,  
Executive Director,  
Transport Corporation of India

“ The emergence of logistics parks would facilitate the growth of 3PL companies, which will in turn make the logistics leaner and more efficient. This benefits the manufacturers, traders and subsequently the end consumers, who ultimately will get a better product faster and cheaper. ”

terminal, cement handling terminal and an automobile terminal. It would also have storage, distribution and trans-shipment facilities, a conventional cold storage, product-specific warehouses and hotels, banks, food parks and entertainment centers”. Some logistics parks have been equipped with automated material handling machinery, customized racking systems for product storage, IT and networking infrastructure, power back-up system, as well as office and utilities space. Kanaujia states, “Such logistics parks have a unique set-up to meet the dynamic supply chain requirements of customers. Parks such as these usually provide cutting-edge cross-dock trans-shipment and 3PL facilities to all of its clients. Secondly, the vast space of logistics parks provides an uninterrupted and unidirectional flow of inbound and outbound movement enabling higher lev-

els of efficiency and shorter turnaround times. This enables loading and unloading of over large number of vehicles simultaneously to ensure smooth and uninterrupted movement of goods.”

Logistics parks provide cost-effective services and total logistics solutions based on an integrated approach by addressing issues of capacity, scale, efficiency and connectivity thereby, helping logistics company to grow. Factors such as existing logistical infrastructure, consumer markets, geographical location, etc. are imperative, when it comes to selecting a city to set up a logistics park.

#### SELECTING THE APPROPRIATE LOCATION

According to industry analysts, almost all logistics players are in the process of setting up warehouses, container freight stations, inland container depots, logistics parks, distribution centers and other facilities to tap the trade opportunities fuelled by revolution in the retail, ports, etc. In such a scenario, selecting an ideal location to set up a park becomes an issue. Several factors are taken into consideration while selecting a particular city. Agarwal avers, “The first parameter is obviously location. Once it passes this test, the possibility of multi-modal logistics comes next, followed by social support systems and free-trade environment. Needless to say, this is possible only if there is availability of unencumbered land and for this to happen the state government needs to understand the vital role that logistics play in day-to-day life.”



VED PRAKASH ARYA,  
CEO & MD,  
Western Capital

“ Logistics parks provide excellent hinterland connectivity, efficient transportation from terminal to site and have facilities for distribution operations as well as for value-added services. There are also customs/other regulatory agencies on site, thereby boosting the efficiency of logistics. ”



VINEET KANAUJIA,  
General Manager - Marketing,  
Government

“ Proximity to the existing and proposed manufacturing units and SEZs, accessibility to consumer markets, overall growth prospects, infrastructural development and business potential of the city are certain key parameters that are looked into while setting up a logistics park. ”

Logistics parks are strategically located near the highways to enable excellent road access. Joshi opines, “Most of these developments would be in locations that are affordable. Some other parameters that would be looked into while setting up a logistics park would be suitability of land, planning permissions from Central and local government and access to highways.” He further adds, “Also, the availability of labor, public transport for labor and the time to serve consideration (delivery time) and their location relative to intersecting trunk roads, ports, airports and population/customer demand densities, needs to be taken into account.” High concentration of organized retail, established manufacturing hubs, developments of special economic zones (SEZs) further augment the attractiveness of locations. Kanaujia affirms, “Proximity to the existing and proposed manufacturing units and SEZs, accessibility to consumer markets, overall growth prospects in the

vicinity of the site, infrastructure development planned around the location and business potential of the city are certain key parameters that are looked into while setting up a logistics park.”

#### SEZs, WAREHOUSING AND TAX REFORMS

Today, the warehousing business is one of the major segments contributing to a rapidly growing logistics industry. Encouraging this development is the phasing out of central sales tax (CST). Joshi agrees, “Phasing out of CST to a new federal goods and services tax (GST) regime will help in decreasing the overall logistics cost. Consolidation of warehouses will help in eradicating godowns and give way to more hi-tech large warehouses. This will lead to exponential reduction in inventories, pilferages and time to serve considerations, and provide state-of-the-art facilities complete with mechanization, innovative



PARAG JOSHI,  
Vice President - Commercial,  
DHL Supply Chain

“ Consolidation of warehouses will help in eradicating godowns and give way to more hi-tech large warehouses. This will lead to exponential reduction in inventories, pilferages and time besides providing state-of-the-art facilities complete with mechanization and skilled labor. ”

solutions and skilled labor.” Initially, to save on CST, the manufacturer used to maintain numerous warehouses at multiple locations to show the movement of goods from one company warehouse to another. However, with the phasing out of CST by 2010, manufacturers will readily outsource their warehousing requirements to the third party. Kanaujia says, “This will not only help the manufacturers to save costs, but they will also be able to focus on their core business. Rising investments in infrastructure and the Central government’s decision to cut excise duty rates for manufacturing goods would further boost the demand for warehousing business in India.” As a result of development of SEZs and FTWZs (free trade warehousing zones), growth in manufacturing sector and escalating modernized retailing, warehousing will play an important role in the supply chain industry. Commercial warehousing, particularly free trade warehousing in the SEZs across the country, is also expected to witness tremendous growth in the next few years. Seconding this thought Arya avows, “The recent SEZ policy of the government is accelerating the concept of logistics parks. Efficient logistics infrastructure contributes significantly to the global competitiveness of a SEZ, and typically, the SEZ location is influenced by logistics connectivity (gateway ports, airports, railway and multi-modal connectivity).”

Key policies and infrastructural changes are facilitating tectonic shift in the logistics industry towards improved performance. One such shift is the revolution towards multi-modal logistics parks. This will open up new avenues and opportunities for manufacturers, retailers, suppliers and logistic players to improve their supply chains.

#### MULTI-MODAL LOGISTICS PARKS

A multi-modal logistics park (MLP) is defined as a rail-based inter-modal traffic-handling facility complex comprising container terminals, bulk/break-bulk cargo terminals, warehouses, banking and office space and facilities for mechanized handling, inter-modal transfers, sorting/grading, cold chain, aggregation/disaggregation, etc. to handle freight. As per Kanaujia, “Multi-modal logistics parks refer to the high-tech warehousing space where multiple modes of

transportation such as a combination of roadways, railways, airways or ships are used for faster and more efficient movement of goods. A multi-modal transportation provides faster transit of goods, thereby, reducing the time for delivery, saving costs and reducing the burden of documentations and formalities at various levels. Service, cost and time advantage are direct benefits of multi-modal parks and outsourcing value-added services, which are traditionally performed in-house, further increases the competitiveness. Agarwal opines, "It would be more appropriate to say that logistics parks provide growth opportunities for trade and commerce and make the large and small manufacturers compete better in the domestic and global market. This leads to creating a more competitive environment, which would be beneficial to the end consumers as well." Logistics parks with good infrastructure also provide the right framework to bring about economies of scale, standardization and efficiency. This takes logistics to higher levels and in that way helps unleash the true potential of logistics.

#### LOOKING FORWARD

It is expected that in the next two years, the logistics industry will undergo major developments, offering a wider spectrum of services. With billions of dollars being invested in a slew of SEZs in India, coupled with phasing out of CST by 2010 and implementation of VAT, various organized logistics players would be investing heavily on infrastructure development and expansion. Kanaujia points out, "Top organized logistics players very well understand the potential of logistics outsourcing and hence they would be acquiring land to develop world-class warehouses. The importance of strong infrastructure for sustained economic development is well recognized." According to Joshi, "India is on the verge of a step change in logistics practice. With established logistics parks, there may be an increase in size and scale of logistics companies, exponential market growth and increase in capture of the freight market, which is currently controlled by brokers and local godown operators." Consolidation of the supply chain and logistics industry will be another key trend that will be emerging in a big way

in the near future. Agarwal agrees, "The emergence of logistics parks would facilitate the outsourcing and growth of third-party logistics (3PL) companies, which will in turn make the logistics leaner and more efficient. This benefits the manufacturers and traders and subsequently the end consumers, who ultimately will get a better product faster and cheaper."

In years gone by, the traditional warehousing and logistics facility were located on railroad tracks, a water port, and/or freeways, usually in the least desirable parts of cities or large towns. This stereotype has started fading gradually and now state-of-the-art facilities like the logistics parks are flourishing in India. Most of these changes are driven by a growing trend in the manufacturing and retail sectors. With the key focus on implementing information technologies, instituting effective management processes, integrating services and technologies globally, and delivering comprehensive solutions, concepts like logistics parks are set to offer multifarious opportunities to logistic companies as well as the end users in the near future. ■