

# Logistics Guest Column

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## Logistics industry driving the economy - Chander Agarwal, TCI

The logistics industry is fast leaping ahead and turning out to be a major driver for the India economy



The logistics sector plays a crucial role and contributes significantly to India's economic growth. The sector forms the backbone of the Indian economy and has substantially contributed towards growth and development. According to Planning Commission estimates, the investment in the infrastructure sector is expected to touch US\$500 billion by the end of the Eleventh Five-Year plan. Indian logistics industry is expected to grow at 15-20% per annum, reaching its revenues of US\$385 billion by 2015, according to a Cushman and Wakefield report.

Under the present scenario, the logistics cost in India is fairly high at around 14% of the GDP, as against 8-9% in most developed nations. The Indian logistics industry has gained immense significance over the years owing to increased industrial activities. However, while the expectations are high, the sector has its own share of problems. These problems are related to the poor quality of infrastructure, unrealistic taxes and levies at different levels, shortage of skilled manpower to service the industry and the issues related with technology.

India holds an important position on the global logistics map and offers immense opportunities for growth to the logistics service providers. India has become the prime destination for logistics service providers all over the world. The demand for logistics services in India has been largely driven by the remarkable growth of the economy. Several factors have favourably impacted the growth of the logistics industry like the country's changing tax structure, growth across major industry segments such as automobile, pharmaceutical, fast-moving consumer goods (FMCG) and the emergence of organised retail, among others.

Proper emphasis on logistics hubs, commercial warehouses, logistics parks and with the implementation of GST, the growth of the sector will further accelerate. Another factor adding greatly to the boons of the logistics industry is globalisation as more of the MNCs are going global with sourcing, manufacturing and distributing. More and more organisations from varied sectors are outsourcing their logistics requirements to third-party logistics (3PL) players so that they can concentrate on their core business activities.

### The three I's of logistics:

The industry requires infrastructure, investment and IT to cope with the demands of the emerging market. Logistics infrastructure covering rail, road, waterways and air network is the backbone on which the nation moves ahead. Logistics infrastructure covers facilities like large warehouses, distribution centres, logistics parks, trade warehousing zones and the like.

According to a report by FICCI, the share of the private sector in total investment on infrastructure has rapidly increased in the last few years. The freight movement in India is expected to increase three-fold in the coming decade and the country's existing network of roads, rail and waterways will be insufficient and to overcome this major problem a massive investment of US\$500 will be required over the next 10 years. Construction of more transportation hubs and logistics special economic zones (SEZs) should be initiated to create common, shared facilities for transporters. The government has been investing huge amounts to improve the infrastructure and had also been taking initiatives to improve private participation by deploying several methodologies.



With the integration of the latest technologies, logistics service providers are no longer restricted to the geographical boundaries but can expand their business to any location. This will facilitate the operations from anywhere and at the same time maintain visibility and control.

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