

Creating a seamless network

The Financial Express, Fri, 24 Feb 2012

India is now more trade-dependent than before. The share of trade in GDP was 45.8% in 2009, from 27.4% in 2000. The growing trade dependence has created a huge demand for logistics infrastructure, which calls for more investment, and modernisation of the logistics network.

A series of constraints to seamless freight movement exists today, as identified by a recent survey-based study of Icrier and IIM (Calcutta), titled “Facilitating trade and Global Competitiveness: Express Delivery Services in India”. A typical goods vehicle has to get clearances from around seven different agencies, including the sales tax departments, RTOs, forest departments and civil supplies departments. The vehicle registration process varies widely across states, hampering inter-state truck movement. Even on a six lane highway, a truck has to queue up for over 12 hours to get various clearances.

There are other state level barriers such as delays at check posts from the absence of computerisation—which prevents advance e-filing of documents—or 24*7 manning facilities and levy of state specific taxes (table). Such delays, the survey found, raises the average cost of goods movement by 15%. A 2009 survey by the Transport Corporation of India Ltd found that in a year on an average a truck loses 119 hours due to waiting time at check posts. The study found that check-post delays can cause India an annual loss of \$600 million.

According to the Icrier-IIM(C) survey, though the Centre is trying to promote a green channel system for high value freight and perishable commodities, only few states such as Maharashtra and Gujarat have adopted this scheme. Moreover, the scheme does not cover all agents in the logistics chain.

It is important that the green channel system cover all states and all agents in the logistics chain, including transporters, express delivery services and freight forwarders. To make the channel successful, the toll booths have to be computerised and connected through a common EDI system across states, a vehicle cleared at one check-post can go through others unhindered. Just like railway freight—which is not subjected to multiple checks—road network should have seamless transportation.

While GST implementation would streamline the tax structure and help establish a pan-India supply chain, multiple state-level entry forms and road permits should go before the GST kicks in. Different taxes such as road tax and goods tax on vehicles should be amalgamated into a single tax. The benefits of the GST will depend on its coverage. If it excludes perishable commodities like agriculture products, in which delays lead to wastage, the benefits of GST will be lower. For seamless transportation, city level levies such as the Octroi and state specific taxes should be abolished.

Given the wide differences in regulations, taxation and even infrastructure across states, it is not easy to remove the inter-state barriers in India. As a first step, India can learn from the EU experiences of setting up a seamless logistics chain. In the India-EU Summit several areas of collaborations are identified each year. Development of a seamless logistics chain can be a key area of knowledge sharing and collaboration for India to integrate markets and reduce logistics costs.