



Logistics

MANPOWER SHORTAGE WILL HIT THE SECTOR

Vineet Agarwal, Joint Managing Director, TCI

With GST on the threshold of being implemented and government's interest to bring in investments in e-governance and infrastructure projects through public private partnerships (PPPs), this has been a fairly good year for the logistics industry.

Although the growth expectations are high, we do have reservations about realising that growth: poor infrastructure, shortage of skilled manpower, unrealistic taxes and issues related with technology. In the absence of industry status, our task becomes difficult to put forward our point of view in terms of taxation and reforms for the benefit of the sector.

Slow reforms: The primary factors governing the performance of the logistics industry are integration, technology, legislation and globalisation. We can only control our proximity to the markets and our reach on a pan-India basis for efficient delivery system, but lack of quality infrastructure, traditional 'godowns' serving as warehouses and taxation system have been impeding the seamless growth of the sector. Though there has been conscious effort by government to work on these issues, the pace of the

effort is far behind with respect to the growth of the industry.

We look forward to 2012 based on the initiatives taken by the government. We are awaiting the implementation of GST, as multiple tax system has been a vexing issue for the sector. Also, with the organised retail gaining a stronger foothold in India, there

is a crying need for state-of-the-art, larger warehouses.

Skilled manpower shortage: Since the sector is yet to gain industry status, skilled workforce is hard to come by, hampering our efficiency of freight handling operation. Lack of skilled workers affects efficiency of freight handling operation and TCI is expecting introduction of reasonably priced training courses which will teach novice students, the operational aspects of the business. Logistics industry has a huge potential to grow in rural areas and we would expect ourselves and other leading players to explore this opportunity.



Rail Logistics

HAULAGE POLICY WILL HAVE DETRIMENTAL EFFECT

Sajal Mittra, CEO, Arshiya Rail Infrastructure

The Private Container Train Operator (PCTO) industry has seen an overall CAGR of 20 per cent from FY08 to FY11, but the growth in the domestic sector has been 40 per cent for the same period as compared to 15 per cent in EXIM. The railways ministry's (MoR) marketing and commercial policy and initiatives have left much to be desired. MoR views CTOs as mere aggregators of piecemeal traffic and believe they should focus primarily on the EXIM segment. However, the true need lies in the highly underserved domestic segment.

Access to private sidings: However, the move has a couple of glitches: the period of granting access to a particular terminal, and handling third-party cargo.

PFT and marketing initiatives: The Private Freight Terminal (PFT), Special Freight Train Operator Policy, Auto Freight Train Operator, Auto and Ancillary Hub Policy are appreciated by the industry. However, other than PFT, none of the policies have taken off primarily due to incentives/rebates.

New ports: Commissioning of the ICTT at Vallarpadam, bulk terminals at Dahej, Mundra and Hazira (Gujarat), the first phase at Dhamra (Orissa) has opened up opportunities for CTOs.

Progress on DFCs: Recent developments such as

land acquisition in Maharashtra have resulted in a retraction in the Dedicated Freight Corridors' final deadline to 2017.

Haulage Rate Circulars:

The single most detrimental development in the sector in 2011 has been the haulage rate circular RC-05. This circular has not only deprived PCTO from acquiring new business in the notified commodities but also put nearly 80 per cent of the overall cargo traffic (including restricted commodities) out of the reach of the CTOs.

We expect the upcoming months to be all the more difficult. While the EXIM sector will be the most vulnerable in case of a global slowdown, we hope it leads the railways to realise the importance of the domestic segment and prompt a positive move or even withdrawal/modification of various rate circulars and pricing policies currently being made applicable for domestic container movements. Arshiya Rail will also enter the EXIM sector, starting with operationalisation of the Chennai-Bangalore EXIM segment in Nov 2011.

