

## **Introduction of Dynamic fuel surcharge for freights is a major dampener for the logistics sector**

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Railway Budget 2013-14 has been a mixed bag for both passengers and the logistics sector. The minister deserves special kudos for continuing with modernization drive despite the Finance Ministry clearly hinting spending cuts across various sectors. The move, we believe, will go a long way in re-instating the faith of passengers and India inc. in the Indian Railways as a safe, comfortable and reliable mode of transportation.

We welcome the decision of the Ministry to appoint a Freight Regulator to decide on freight rates. This will lead to justified freight rates thus giving boost to PPP projects by encouraging investment by private players in the logistics sector. The ambitious target of Rs. 1 lakh crore through PPP in rail projects under 12th plan is also very encouraging and shows government's commitment to modernize the sector despite fund crunch.

No announcement to introduce high speed trains has come as a disappointment for the logistics sector that has abysmal record when it comes to timely delivery of goods and services. We hope that the continuous push to electrification, gauge conversion and new lines will make the railways and the logistics sector efficient.

The decision to constitute debt servicing fund should help in improving the financial health of railways that has been struggling to raise funds for the maintenance and development. We find the freight earning target to be ambitious and hope that ministry will take measures in due course of time to achieve it. The move will not only boost logistics sector but will also lead to the growth of other related sectors like Wagon manufacturing etc.

We are hopeful that the move to improve connectivity with ports and mines will bode well for India Inc. as it will ensure easy availability of raw materials for industries and boost trade. We also expect investments to improve signal systems and decision to develop 1500km of dedicated freight corridor to de-congest existing freight corridors or facilitate faster movement of goods in existing freight corridors.

Introduction of dynamic fuel surcharge that may lead to 5% rise in the freight price is a major dampener for the logistics sector that has already seen hike in freight rates recently by railways and due to diesel price de-regulation. No announcement to develop multi-modal logistics parks has also come as a major dis-appointment for us and we expect the government to take measures towards creation of the same in due course of time.

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