



Service related: Development of norms for standardisation of assets and equipment used in logistics processes as well as setting service quality standards across the value chain. To further encourage service providers, a national level ranking system could be developed to build higher service quality for logistics parks.



Terminal infrastructure: Removal of a ban on all ICD development in red zones as well as the limitations in blue zones. As per the 2020 circular issued by the Central Board of Indirect Taxes and Customs (CBIC) for establishing inland container depots (ICD), container freight station (CFS) and air freight stations (AFSs) in India, states are categorised into green, blue and red zones based on their logistics infrastructure.



Pricing related: In the case of lightweight/ volumetric cargo such as fast-moving consumer goods (FMCG) and electronics, which accounts for a significant share of the economy's output and consumption, there is a disadvantage in moving by rail vis-à-vis by road. The pricing mechanism of the Indian Railways, therefore, needs to be restructured to consider this type of cargo, in order to compete with the pricing on road.



Transport infrastructure: It is important to upgrade the single- and double-lane roads to higher configuration depending upon congestion levels – particularly to enhance efficiency of the first- and last-mile transportation. Secondly, better monitoring and thereby improvement in the road quality levels can help in lowering the logistics cost and time. Moreover, on the rail side, it is estimated that around 30% of the Indian Railways (IR) network is choked, due to being utilised beyond 100% capacity. Therefore, it is important to expedite the expansion of the existing IR network as well as the development of the DFC network – to aid freight movement.

Several measures are being taken in the right direction and India's position in the World Bank LPI Ranking has improved significantly, still we believe that there remains much to be done. As we move forward, there is need for quick action on the required set of interventions for India to realise its goals, as set under the NLP.

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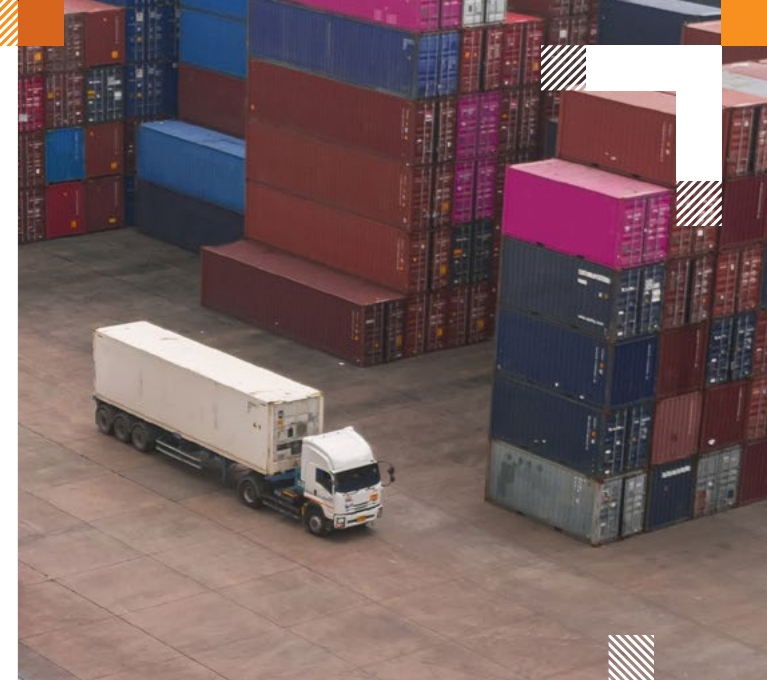
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Making multimodal logistics a true enabler for logistics efficiency in India





As per the World Bank's Logistics Performance Index (LPI), 2023, India has moved up significantly in the last ten years (Rank 54 in 2014),¹ to the 22nd position in the global ranking for the international shipments category and overall 38th position in terms of LPI score. This goes on to show the significant momentum and progress in the reforms and initiatives that are being implemented by the public and private sector in India. Despite the progress, logistical challenges still remain.

The Economic Survey 2022-23 pointed out that logistics costs in India have been in the range of 14–18%² of gross domestic product (GDP) against the global benchmark of 8%. Some of the reasons contributing to this higher cost in India are challenges regarding the inter-modal mix, fleet mix, material handling infrastructure, road infrastructure and procedural complexities.



Road dominates the freight market, handling about 65%³ of freight volume followed by rail with 26% share. Other modes of transport including coastal shipping, inland waterways and pipelines, together handle the remaining 9% of the freight volumes.



Trucks with higher payload are typically more efficient than the trucks with lower payloads, while the India fleet is more skewed towards smaller-sized trucks. For example, historically, 16T and 25T gross vehicle weight (GVW) trucks have been the highest-selling segments in India, as compared to developed countries where higher truck weight categories are more prevalent.



Inconsistent infrastructure along key routes and limited 4- or 6-lane national highways add to the freight transit times and hence the freight cost.

While development of the integrated infrastructure and network planning is envisaged to be addressed through the PM Gati Shakti National Master Plan, for efficiency in services (processes, digital systems, regulatory framework) and human resources, the National Logistics Policy (NLP) provides this direction. One of the targets for achieving the vision of the NLP is to lower India's logistics cost, to be comparable to global benchmarks by 2030. Reduction in logistics costs is proposed to be attained through measures that will improve efficiency in transport, warehousing, inventory management, and regulatory matters and order processing.

To improve transportation efficiency, there is a need for moving towards relatively more efficient, economical and environmentally sustainable modal mix and by promoting development of multimodal interconnected infrastructure. An efficient multimodal logistics ecosystem can certainly help in achieving this objective.

- In this direction, one of the flagship initiatives is the plan for the development of 35 multimodal logistics parks (MMLPs) under the Bharatmala Pariyojana, with an estimated investment of INR 50,000 crore.⁴ These MMLPs will integrate road, rail, air and water transport to enhance efficiency and reduce costs.
- Additionally, dedicated freight corridors (DFCs) – both the Western DFC (1,506 km) and Eastern DFC (1,875 km)⁵ – help to shift freight transport from roads to railways, thereby increasing rail freight share. These corridors are expected to cut transit times by up to 50% and reduce freight costs.
- Furthermore, the PM Gati Shakti National Master Plan focuses on integrating infrastructure projects across 16 ministries, streamlining logistics and reducing inefficiencies through digital mapping and real-time monitoring. The plan is expected to bring down logistics costs in the coming years.

While these initiatives are certainly helping in improving the logistics efficiency and thereby the cost, we believe there is a need to focus on certain key aspects related to pricing, infrastructure and services that can help in enhancing the effectiveness of multi-modalism in India.

¹ <https://pib.gov.in/PressReleasePage.aspx?PRID=2003541>

² Economic Survey 2022-23

³ <https://morth.nic.in/road-transport>

⁴ <https://pib.gov.in/PressReleasePage.aspx?PRID=1782745>

⁵ Dedicated Freight Corridor Corporation of India Limited