

National Logistics Policy

Long-term positive for logistics
industry

NOVEMBER 2022





Click to Provide Feedback

Introduction of NLP focuses on ease of doing business through technology-enabled initiatives and better integration of different modes of transport.

This bodes well for the road logistics sector, as it is expected to reduce the overdependence on road through better integration of different modes of transport and in turn improve demand identification, hence enabling better availability of trucks.

Timely implementation of the policy will be a key monitorable given that several moving parts of the project have to be synchronised and taken forward.



The National Logistics Policy was launched by the Prime Minister in September 2022, aimed at promoting the seamless movement of goods, overcome transport-related challenges, encourage digitisation along with significant reduction in time and cost. It also aims clarify the roles of the Union Government, state governments, and key regulators.



As part of the policy, digital platforms such as Unified Logistics Interface Platform (ULIP) aim to create a single portal for all the digital services related to the transportation sector, simplifying existing cumbersome process for the exporters, which will help in reducing cost and time leakages.



The PM Gatishakti National Master Plan, which helps in providing multimodal connectivity infrastructure to various economic zones, will be working in conjunction with the National Logistics Policy to reduce overdependence on road and improve demand identification.



Key targets of the National Logistics Policy includes reduction in cost of logistics in India to be comparable to global benchmarks by 2030, to be among the top 25 countries by 2030 in logistics performance index rankings and create a data-driven decision support mechanism for an efficient logistics ecosystem.



Challenges remain on the implementation level as multiple agencies, stakeholders, and physical entities are involved which requires proper coordination for successful implementation of the policy.

Key initiatives related to logistics sector in India

Dedicated Freight Corridor, 2006	DFCs are high speed and high-capacity railway corridors that are exclusively meant for freight transportation, i.e. for goods and commodities. DFC involves seamless integration for better infrastructure usage, using state-of-the-art technology making transportation safe and efficient. The project, however, was facing several roadblocks over land acquisition and loan approvals for over a decade resulting in significant delays.
Sagarmala Projects, 2015	Sagarmala aims at holistic port infrastructure development along the 7,516-km long coastline through modernisation, mechanisation and computerisation. The vision of the programme is to reduce logistics costs for EXIM (Export-Import) and domestic trade, especially through waterways, with minimal infrastructure investment. However, the project is now behind schedule due to various execution challenges.
Bharatmala Project, 2017	Bharatmala project was introduced for efficiency in existing corridors through development of multimodal logistics parks and elimination of choke points. It enhances focus on improving connectivity in the North-East and leveraging synergies with inland waterways. The project may face delays due to delay in land acquisition, significant rise in land acquisition, and bottlenecks due to the Covid-19 pandemic.
Multi Modal Logistics Parks (MMLP), 2017	The development of MMLPs (now, a part of PMGNMP) at strategic locations is aimed to rationalise overall cost of logistics in India and improve its competitiveness. The MMLPs serve five key functions: freight aggregation and distribution, multimodal freight transport, integrated storage and warehousing, information technology support, and value-added services.
Logistics Ease Across Different States (LEADS) Report, 2018	The LEADS reports, focuses on export-import trade and assesses the efficiency of the logistics ecosystem in each state and Union Territory. The report is structured along the three dimensions which collectively influence logistics ease - Infrastructure, Services, and Operating & Regulatory Environment.
PM Gati Shakti National master plan (PMGNMP), 2021	PMGNMP was launched with the aim of providing multimodal connectivity infrastructure to various economic zones, coordinated planning and execution of infrastructure projects to bring down logistics costs. The Gatishakti platform aims to avoid overlapping of works, by addressing the issue of Government departments working in tandem.
National Logistic Policy, 2022	The policy focuses on key areas such as process re-engineering, digitisation, and multi-modal transport. Creating a data-driven Decision Support Systems (DSS) to enable an efficient logistics ecosystem. Since, there has been a history of delays of several such initiatives, a possibility of delay of implementation/ execution of NLP cannot be discarded.

Salient features - National Logistics Policy - September 2022



- The Prime Minister, on September 17, 2022 launched the National Logistics Policy (NLP). The policy is aimed at promoting seamless movement of goods, overcome transport-related challenges, encourage digitisation along with significant reduction in time and cost. Currently, the higher logistics costs are reducing the competitiveness of India's exports and overall manufacturing sector. This policy is expected to improve the competitiveness of Indian goods in domestic and export markets.



- The necessity of a National Logistics Policy was felt because India's logistics cost as percentage of GDP between 12-14% is much higher when compared to the developed countries such as the UK, Europe, Japan, & the US where it usually is a single digit percentage of the GDP. For improving the competitiveness of Indian goods, both in the domestic as well as the export markets, these costs need to be curtailed. Reduced logistics cost helps in improving efficiency across all the sectors of the economy, encouraging value addition.



- As India is now targeting to be a world manufacturing hub, reduction in its logistics cost is imperative for it to become globally competitive. The policy aims to reduce the logistics costs from current 12-14% of the GDP to a single digit number. Although, it focuses on reduction in logistics cost, the compliance cost should also be considered.



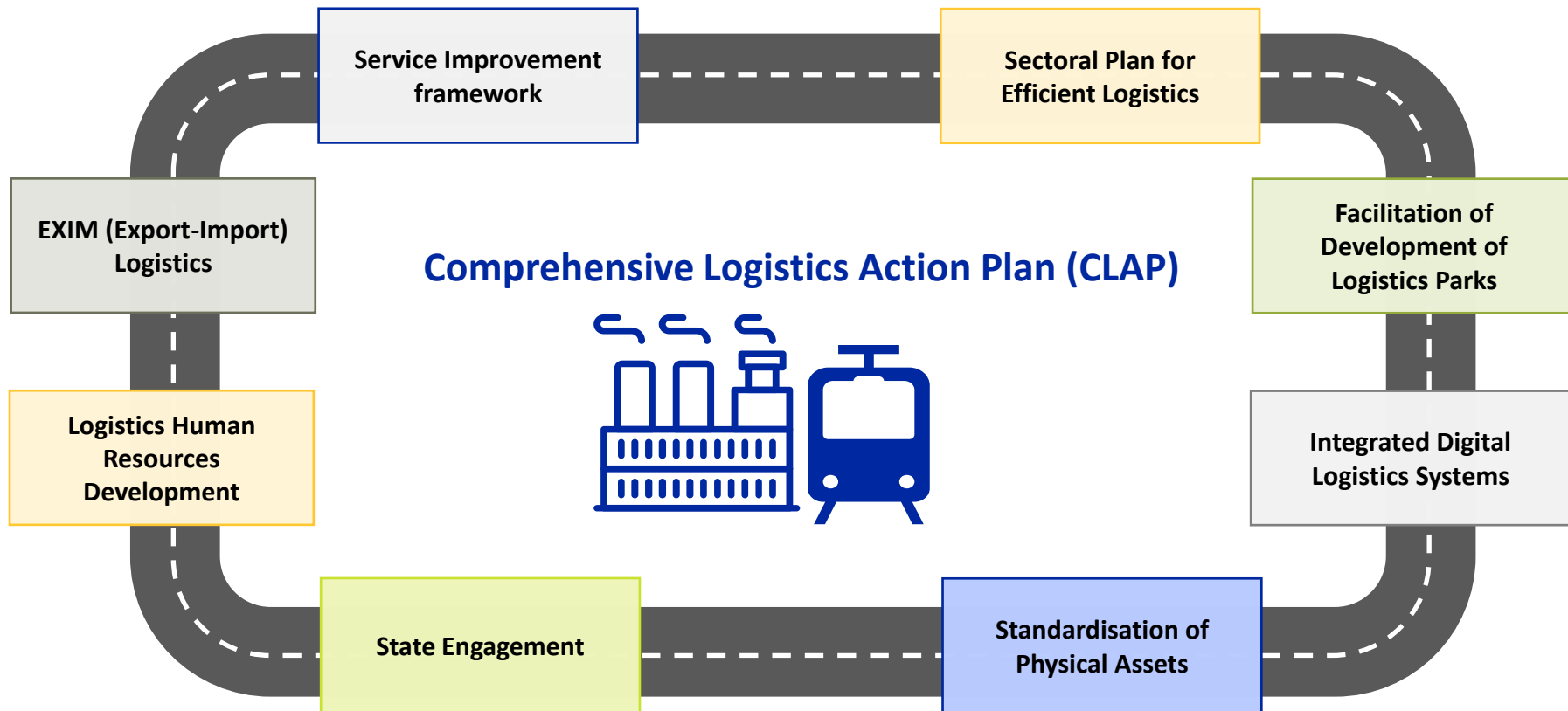
- The PM Gatishakti National Master Plan, which helps in providing multimodal connectivity infrastructure to various economic zones, will also be working in conjunction with the National Logistics Policy. This is expected to bring a new work culture in India and is expected to bring out talent from the recently approved Gatishakti University.



Key Targets of National Logistics Policy

- Reduce cost of logistics in India to be comparable to global benchmarks by 2030
- Endeavour to be among the top 25 countries by 2030 in logistics performance index rankings from the current ranking of 44
- Create data-driven decision support mechanism for an efficient logistics ecosystem

Key parts of the policy: Comprehensive Logistics Action Plan (CLAP)





Integrated Digital Logistics Systems

- A Unified Logistics Interface Platform (ULIP) is being developed to promote digital integration and avoid repetition of work among various Ministries and Departments and create a single platform to bring efficiency and transparency in the logistics industry and make India's logistics industry cost competitive in global markets.
- ULIP is an open-source platform which will work on a request & response-based system that integrates multiple systems of different stakeholders. This will create a UPI kind structure in which every single transaction of the logistic department can be authenticated.



Service Improvement Framework

- The Framework is proposed under NLP for bringing out logistics efficiency. It will be operationalised through formation of a Services Improvement Group (SIG) which will provide for the monitoring and coordination mechanism for unresolved user issues pertaining to services, documentation, processes, policy, along with identification of interventions for improving user interface.
- Creation of a Digital Dashboard - E-LogS (Ease of Logistics): A digital system for registering, coordinating, and monitoring resolution of user issues is being developed on which authorised user associations can register and upload their issues or suggestions to facilitate resolution of issues in a time-bound manner.



Impact on the Logistics Sector

- ULIP will help build the infrastructure, information and process structure which will lead to better collaborations among various stakeholders and promote ease of doing business.
- This will help consignees to make informed decisions such as identifying cheaper modes of transportation as everything would be available on a single platform. With easier information availability regarding transport demand and supply, empty truck movements and waiting time will reduce, reducing the overall operating and maintenance cost.



Impact on the Logistics Sector

- Above actions will help in improving regulatory interface to promote seamless standardisation, formalisation, and inter-operability and reduce gaps in any existing regulatory architecture.
- It will ensure a structured mechanism for quick redressal and resolution of service issues



Logistics Human Resources Development

- The framework aims at developing a logistics human resource strategy and to develop action plans to address skill development related to internal capacity building challenges in the sector.
- Mandatory certificate courses on an e-learning platform with evaluation are being designed under the Gatishakti Initiative using Integrated Government Online Training (IGoT) platform of Department of Personnel Training (DoPT).



Standardisation of physical assets

- Warehousing and related assets form an important segment of the overall logistics sector. Standardisation of assets is essential for reducing costs, improving efficiency, and ensuring global compatibility as well as competitiveness.
- Enhancing interoperability, minimising handling risks, undertaking process optimisation, and improving ease of doing business, through standardisation of physical assets and benchmarking of service quality standards in logistics is much easier and cost effective for standardized assets.



Impact on the Logistics Sector

- Integration with Gatishakti Initiative is expected to bring a new work culture in India and is expected to bring out talent from the recently approved Gatishakti University.
- Courses and certifications under PM Gatishakti Initiative will help in developing skilled manpower to address the needs of the global supply chains.



Impact on the Logistics Sector

- As India's logistics sector evolves under NLP, it is likely to experience several changes in planning, construction and operations of warehouses in the coming years. Hence this sector, will require significant investments in capital assets in upcoming years as well as in aligning with global standards will lead to faster turnaround and better efficiency.
- The co-warehousing segment is expected to witness significant growth in the market as inter-operability enhances over the medium term.



State Engagement

- State level implementation plan will take inputs from Logistics Ease Across Different States (LEADS) survey. The survey will take into account the viewpoints of various users and stakeholders across value chain to understand the 'enabler' and 'impediments' to logistics ecosystem in the country. It focusses on indicators introduced across 3 pillars – Infrastructure, Services and Operating & Regulatory Environment.



Facilitation of Development of Logistics Parks

- The framework guidelines are aimed at facilitating development of Logistics Parks in the country with focus on encouraging private investment visibility. It is also aimed at creating a network of logistics parks by mapping them on the PM GatiShakti plan, for enhanced efficiency, optimum utilisation and connectivity.



Impact on the Logistics Sector

- LEADS survey will help in identifying the challenges and improve the logistics efficiency of the country which will not only improve our domestic and EXIM movement but also improve our rankings in international exercises such as Logistics Performance Index (LPI).



Impact on the Logistics Sector

- Logistics parks are hubs for intermediary activities like storage, handling, value addition, inter-modal transfers, etc in the supply chain connected by a transportation network. The development of these parks will aid in quick turnaround of goods and rapid growth of the sector.



Sectoral Plan for Efficient Logistics

- Sectoral Plans for Efficient Logistics (SPEL) aligned with PM Gatishakti, for each sector with underlying philosophies of inter-operability, resiliency, sustainability, and innovation. Specifically, SPEL would address logistics issues pertaining to infrastructure, processes, digital improvements, policies and regulatory reforms, and capacity building for better workforce.



EXIM (Export-Import) Logistics

- The infrastructure and procedural gaps in India's EXIM connectivity needs to be addressed to create efficient and reliable logistics network, with transparent and streamlined cross-border trade facilitation. This will help in improving trade competitiveness and greater integration of India with regional and global value chains.



Impact on the Logistics Sector

- SPEL will help cross-sectoral cooperation to complement and not duplicate efforts and focus on optimisation of modal mix, thus reducing waiting time and empty truck movements.



Impact on the Logistics Sector

- The ease of doing international business will promote exports for the economy on the whole, while shedding off the burden of unnecessary formalities for the logistics sector.

Implementation challenges



There are implementation challenges and complexities as multiple agencies, stakeholders, and physical entities are involved needing proper coordination for successful implementation of the policy.



With more digitisation, the risk of security breach and data leaks also exists.



There are several tools and skills required for setting up the National Logistics Policy. Developing human resources in logistics by expanding labor and logistical services skills through various technical training schemes is necessary to implement the entire process.



Although, over dependence on road logistics sector is expected to reduce, challenges still remain on high turnaround time, poor infrastructure for port sector, poor state of warehousing for storage of goods, high fuel costs, lack of technical and advanced skills etc. which needs to be more efficient and cost competitive.



Although, NLP focuses on reduction in logistics cost, the compliance cost should also be evaluated.



Broad impact of NLP on the road logistics sector



The dependence of overall freight movement on the road segment is around 60%. Road transport faces challenges due to poor infrastructure, slower speed of movement, multiple checkpoints etc. The policy focuses on better integration of different modes of transport like rail, road, air and seaways, which in turn is expected to reduce congestion in road network, leading to faster turnaround time. NLP is expected to reduce overdependence on road and improve demand identification, thereby enabling higher availability of trucks.



With implementation of a Unified Logistics Interface Platform (ULIP), a single-window platform for all transportation services and new digital platform – Ease of logistics Services (E-logs) for quick resolution of issues raised by industry associations will ensure reducing cost, time leakages and better efficiency.



ULIP can connect the shippers and transporters on a single platform, thereby helping the truckers to optimise their load capacity on both legs of their travel, along with operations and maintenance costs. It will also offer businesses more control over supply chains.



The NLP can generate employment and better skills along with making medium and small enterprises more competitive, leading to acceleration of overall economic growth and development. It also focusses on formalisation of the industry and reduce fragmentation in the sector.



Better integration of different modes of transport is expected to enhance the efficiency in last mile connectivity which happens through road network.

Analysts	E-mail ID	Contact Number
Gurgaon		
Shamsher Dewan	shamsherd@icraindia.com	0124 – 4545 328
Mumbai		
Suprio Banerjee	supriob@icraindia.com	+91-22-61143400
Karan Gupta	karan.gupta@icraindia.com	+91 22 6114 3416
Aashpreet Patel	aashpreet.kaur@icraindia.com	+91 22 6169 3346
Chennai		
K Srikumar	ksrikumar@icraindia.com	044 – 4596 4318



Click to Provide Feedback



ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





© Copyright, 2022 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!