

New policy changes and what they mean for Indian logistics

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Almost a year has passed since the transformative Goods and Services Tax bill was implemented in India. In November 2017, the logistics sector was also granted the much-awaited infrastructure status. Industry stakeholders as well as end-consumers are unanimous in their affirmation of the positive aspects these two

changes have brought to Indian logistics sector. However, the situation is still far from perfect. While the industry is upbeat regarding the positive impact of such policy changes, their actual impact depends solely on proper implementation. Let us look at various benefits offered by such policy decisions to India's overall logistical landscape and the areas which might need further improvement -

Route efficiency-Before GST, manufacturers and transporters kept a warehouse in almost every state to avoid interstate taxes. However, this reduced operational efficiency significantly increased delivery timeframes. Post GST, logistics players are establishing warehouses in locations that optimize the delivery routes. This has also brought about a change in the fleet structure with vehicles that are able to travel for longer routes and are equipped with latest tracking technologies.

Financial support-The infrastructure status for logistics sector means that more investment in infrastructure—like warehouses and cold chain storage - would get the advantage of better financing rates from banks.

This has also encouraged big entities to participate in the logistics sector and consolidate it further.

Optimization through automation-With bigger warehouses averaging 50,000 sq. ft., automation is becoming a necessity to optimize the operations and reduce estimated turn-around times.

Cost efficiency-The surface logistics industry is experiencing a boost from the noticeable shift to organized transporters.

New policies such as the E-way bill can empower customers to claim input tax credit, but only when they use organized logistics services players. The surface transport industry and its growing digitization and streamlining has also resulted in a shift from air cargo to road transport.

While these policies have been welcomed by the industry players, there is still scope for some alteration. For instance, the validity of E-way bills is an extremely contentious issue wherein the E-bills are valid only for a pre-decided journey time for a given delivery. But there

are numerous factors that affect the journey duration, many of which are beyond the service providers' control. Who will, in that case, bear the cost of renewal of validity? Similarly, futuristic innovations such as using RFID tags or I-o-T based vehicles will be strengthened only when the national highways are equipped with facilities that ease drivers' journeys. Lastly, compliance should not mean an increase in costs without equivalent benefits. ■



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