

# Transport & Logistics

## Reflection &

# Outlook 2021



# Steady but prolonged operational recovery for Transport sector over 2020-21

## Indirect losses and delays impede the sectoral growth

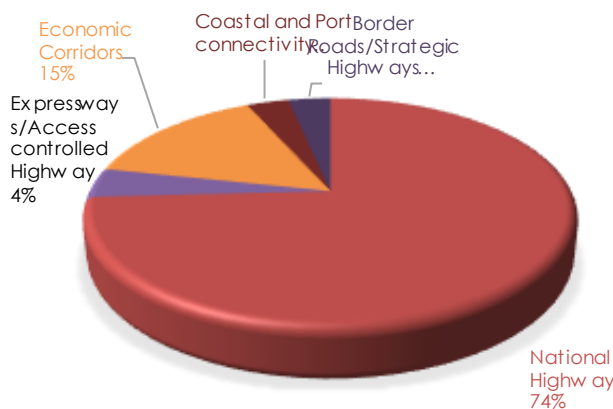
- National Highways are main arterial routes connecting big cities, industrial centers, major ports and different states of the country. Pandemic caused both NHA and concessionaires to experience a major revenue losses
- Sharp fall in collections at toll due to less traffic
- An acute labor shortage due to the migration of workers impacted the highway construction
- Awards for construction of national highways has fallen
- The COVID -19 heavily impacted the cargo trucks as more than 4 lakh truckers with goods under non-essential categories were stranded across India while goods worth about Rs 40,000 crore are lying in vehicles in the absence of delayed unloading.

Challenges we witnessed

### Road and highways

- Under NEMMP 2020 the government proposed to construct 23 expressways equipped with **electric vehicle compatible lane**
- MORTH proposes to develop additional 60,000 km of National Highways in the next five years
- Despite COVID 19 the government was able to construct road length of 3,951 km during the first six months of this fiscal year with a **construction pace of 21.60 Km/day**

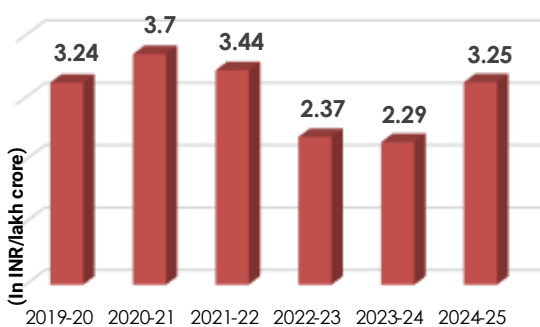
### Additional National highway details



Visible Positives

Road and Highways

### Capital expenditure under the NIP for the road and highways sector



### Investments planned

- Share of capital expenditure earmarked for the roads and highway segment in NIP is around 19% (Rs.19.6 lakh crore), highest amount allocated to a single sub-sector

### Infrastructure investment trust enabled

- To monetize completed and operational National Highway (NH) projects in January 2020

### Toll

- All toll plazas were made to implement FasTag

### Focus on Road Safety

- Road Safety Board: As per The Motor Vehicles (Amendment) Act, 2019, RSB will be created by the central government to advise the central and state governments on all aspects of road safety and traffic management
- MORTH launched an Integrated Road Accident Database (IRAD) System to generate various types of insights through the Analytics Dashboard, Trend Analysis etc. and therefore, decision making by Apex Authorities
- Launched a scheme for the implementation of a state wise vehicle tracking platform for safety under the Nirbhaya Fund Framework in January 2020

...but some challenges still remain...

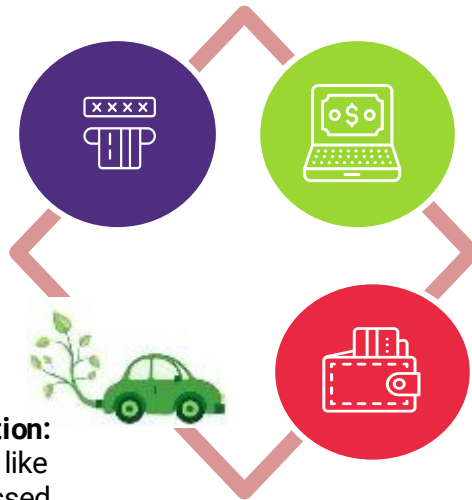


**Investments planned**

- Funding issues: There is a huge funding gap which is required versus the funding which is coming in for the sector. COVID impact on cash flows is weighing on project finances.
- Road Safety continues to be a concern, with both driver competence and asset reliability issues.
- In commercial vehicles segment, sector must cut down on GHG emissions.

...and the agenda for 2021 should include a focused approach on

- Setting up Integrated Public Transport System - combination of pedestrian friendly sidewalks, high cycling opportunities, efficient BRT and metro system



- **Intelligent transport system to for reduction of congestion & associated reduction in VOC and time costs**

- **Green transportation:** Diversified fuel mix like hydrogen spiked compressed natural gas(H-CNG), biofuels, CNG etc.

- **National Transport & Logistics Policy** - planning framework for road transport, priorities for the transport system



Road and Highways

# Railways is turning challenges into opportunities by efficient planning

## Lockdown, subsequent restrictive measures aggravated challenges for railways

- Due to COVID-19 the dedicated freight corridor project got delayed by 6 months due to non-availability of required labor
- Drastic drop in the revenue generated from passenger segment, however the railways managed to generate revenues from freight
- Traffic revenue of the Indian Railways till August this year has declined by 42.3% versus the corresponding period last year
- Indian railways took pandemic as an opportunity and completed over 350 critical and long pending major bridge & track works.

Challenges we witnessed

### Initiatives undertaken by Indian Railways to boost freight Operations

Railways

#### The latest Tariff Rationalization measure

- 5% discount on loaded containers
- Discount for Pond ash/ Moisturized ash – Open wagon – 40% for Power plants, cement
- Stabling charges for private Container and Automobile trains waived off till 31st October 2020 for Containers and Automobile

#### Key Tariff Initiatives

- Discount for Fly ash – Bagged in open wagon -40% for Power plants, cement
- Alternate terminal scheme – Rs 56,000 to Rs 80,000 per rake for all sectors
- RTT policy – charging of lower class for all sectors from
- Long lead concession – 15 to 20% for coal, iron ore, and iron and steel
- Short lead concession – 10 to 50 % for all sectors (except coal and iron ore)

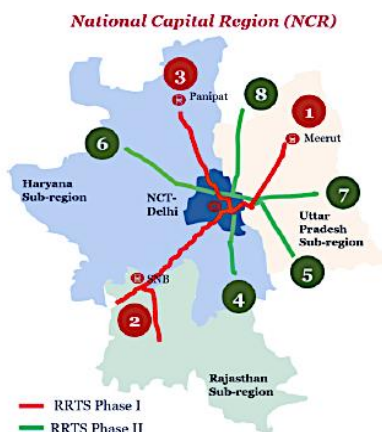
#### Non-tariff measures

- Two-point unloading permitted for Automobile traffic for the Automobile sector
- Application fee for Greenfield PFT reduced from Rs 10 Lakh to Rs 20,000 and completely waived off for conversion of siding to Brownfield PFT for All Sectors
- Reduced composition for indented parcels extended

Visible Positives

### Urban Mobility:

- Centre revealed the **first Regional Rapid Transit System (RRTS) train**, to provide services between New Delhi and Tier-2 cities in adjoining states.
- The RRTS can attain a top speed of 180 kilometres per hour on the Delhi-Ghaziabad-Meerut corridor
- The Asian Development Bank (ADB) approved **USD \$1 billion funding package** for the RRTS Corridor
- Government of Haryana in Dec 2020 approved the 103 km Delhi-Panipat RRTS corridor.

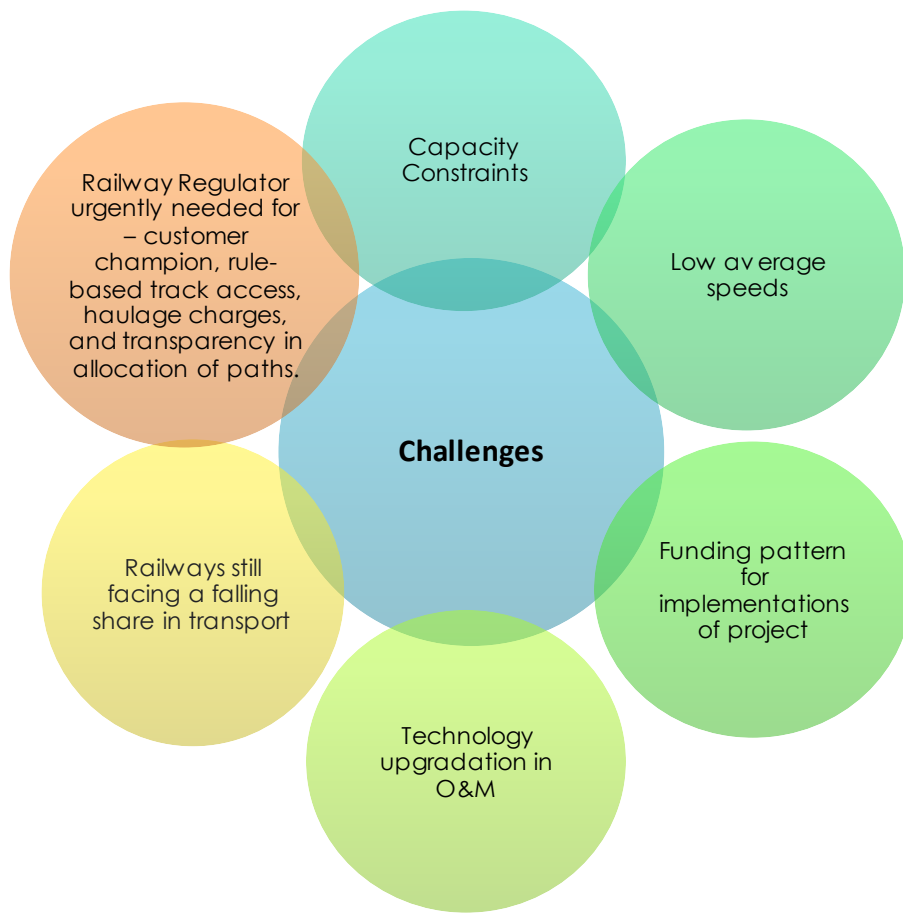


### Regional Mobility:

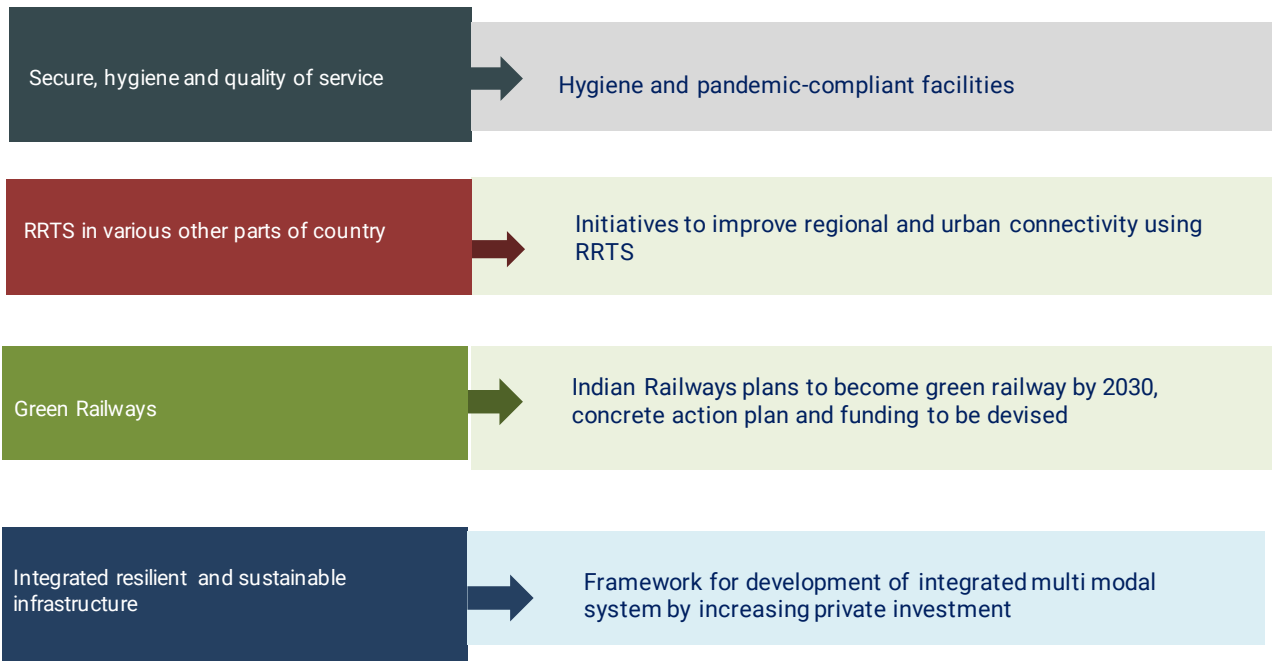
- The government decided to construct 12 High Speed Rail corridors .
- These corridors will be completed by 2051 and the main aim of these corridors is to provide fast and efficient regional transport system.
- The first corridor i.e. Mumbai to Ahmedabad is under construction

**...but some challenges still remain...**

**Railways**



**...and the agenda for 2021 should include a focused approach on**



# Vaccine Supply Logistics is a major challenge for country's logistics sector

Due to lockdown logistics sector has lost about INR 50, 000 crore - ICC

- The logistics industry contributes significantly to the key macro parameters of the national economy by spawning foreign investment influx and providing employment. Thus, holds vital position as it connects various suppliers, market and business, like material handling, warehousing, packaging, supply chain management, procurement, and customs service sprinkled across the country.
- Covid-19-induced lockdown has prompted the manufacturing industry to shift from 'just in time' manufacturing to the agile 'just in case' manufacturing.
- Sharp fall in freight availability due to restrictions, and shortage of fleet for movement of goods and a consequent spike in air freight prices.
- The pandemic made the operation of flights under UDAAN scheme financially non-feasible
- Udaan Scheme also faced problems with respect to implementation due to issues with land acquisition, delays in construction of runways and terminal buildings at regional airport sites
- The ports faced operational issues in COVID-19 pandemic due to unavailability of the required workforce

Challenges we witnessed

## Visible Positives

Transport massive consignments of temperature-sensitive vaccine for deployment across the country

Insufficient last mile connectivity

Development of regional multi-modal hubs is still behind agreed milestones

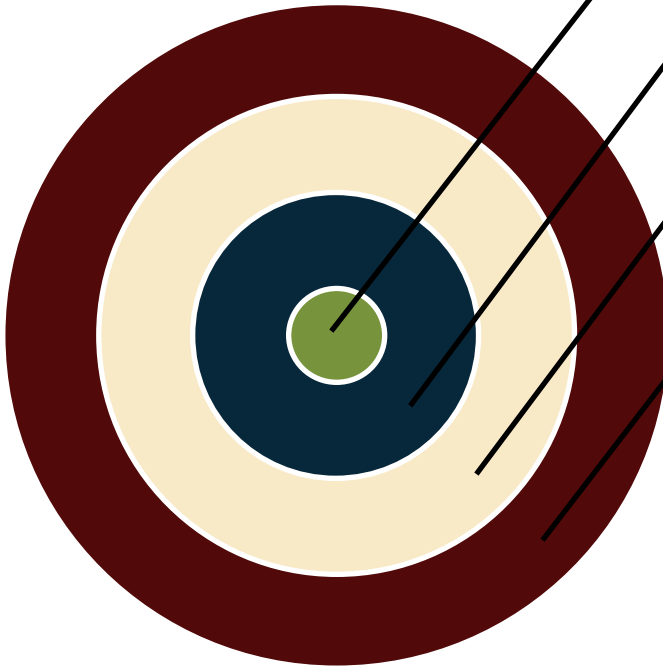
There has been progress on inland waterways and coastal shipping, but lagged targets

Air, Waterways & Ports Mobility

- The **phase 4 of UDAAN** project launched - 78 new routes were sanctioned. The new routes serve the purpose of connecting North east region with rest of the country.
- With the aim of increasing the volume of cargo on Ganga by four times, **Arth Ganga project** initiated
- The **waterways** are proposed to be linked to the eastern and western Dedicated Freight Corridors (DFCs), as well as the Sagarmala Project, which aims to promote port-led direct and indirect development
- 58 projects involving a cost of INR 49950 crore identified as a part of National Infrastructure Pipeline (NIP) for infrastructure augmentation and development at major ports.
- Ministry of Shipping decided to waive waterways usage charge considering government of India vision to promote inland waterways as a supplementary , eco-friendly and cheaper mode of transport
- Government aims to
  - connect 17 more underserved and unconnected airports to the metropolitan cities Delhi, Kolkata, Kochi, etc.
  - operationalize 100 underserved airports by 2026-27 under Udaan Scheme

...but some challenges still remain...

# Challenges



Transport massive consignments of temperature-sensitive vaccine for deployment across the country

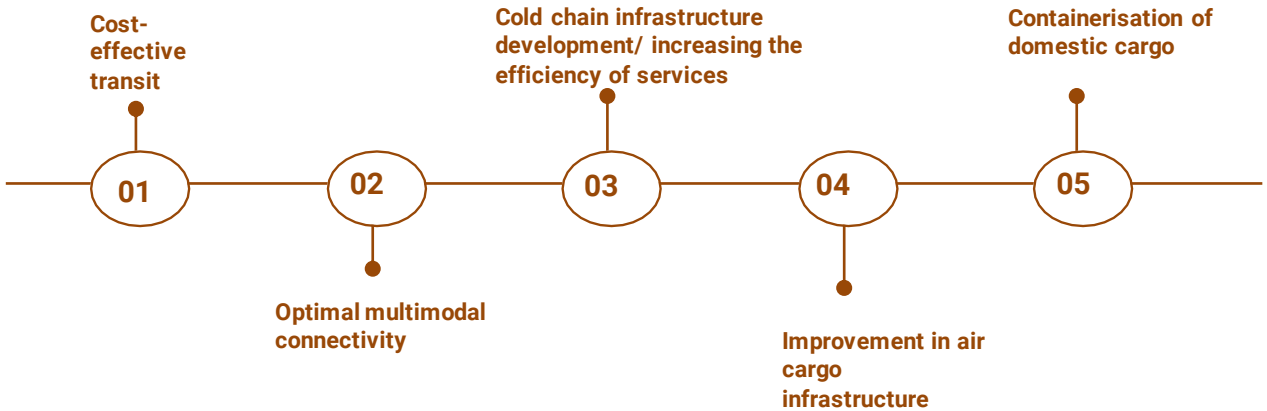
Insufficient last mile connectivity

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Air, Waterways & Ports Mobility

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## Growth prospects of the sector need support, as Transport and Logistics play crucial role economic growth and global competitiveness

### Few key questions that will need executable answers



*Is it time for a single and integrated transport ministry for coordinated development of rail, road, shipping and aviation to be set up?*



*Will India set up a National Railway Authority for sector regulation, and open up the sector like it was done by AAI and NHAI?*



*Will India's mega cities move from just transport to a mobility paradigm, and set up Unified Metropolitan Transport Authorities?*

### ...and what policy / budget clauses can enable implementing the above...

- Initiatives for Smart Transport for a Sustainable Future
- Digitalization to bring efficiency and performance in freight management and port operations
- Drive investment in infrastructure, last-mile connectivity, and emerging technologies to futurize the mobility and logistics landscape in India
- Innovative financing models and the use of risk guarantees and credit enhancement instruments.
- Initiatives for carbon-neutral solutions in transportation and logistics of goods
- Defining standards for truly multi-modal logistics parks and warehouses.
- Redesigning the transport infrastructure for alternative transport modes like cycling tracks
- Improving cold chains and transportation to aid a national agri marketplace
- Developing sea ports as integrated regions for investment and economic growth



# About Primus Partners

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Primus Partners brings experience of working in more than 30 countries with private and public sector, including working with Government of India, building and leading large consulting teams at the leadership level, and creating one of the largest public sector consulting practice in India. They also represent 200 person years of experience in leading global and Indian consulting firms and the public sector.

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