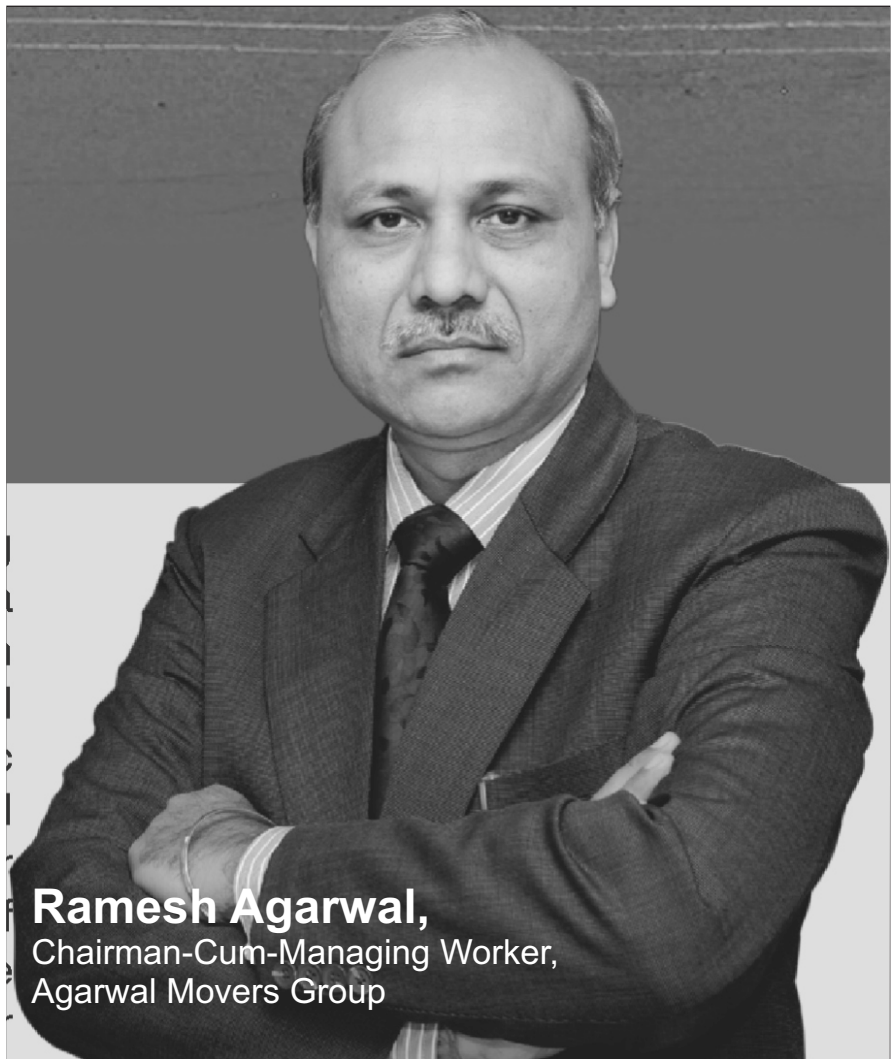


Logistics costs can be brought down to 10%

Corruption needs to be stemmed

In 1983, the road transport industry was handed over a gift in the form of National Permit by the then Prime Minister of India Late Mrs Indira Gandhi. Being within India we were not allowed to go to certain states in the country and National Permit opened up these doors. However the rule makers at that time put some if and buts in the policy, which again was a deterrent for free movement of trucks. Every truck had to stop at state check posts and pay a fee of Rs 2,000 to Rs 5,000 before entering the state.

Years passed by and after 27 years we got another messiah from the Government of India in the form of Mr Brahm Dutt, IAS (Former Transport Secretary). When we explained the matter to him he couldn't believe that something like this was happening. He was instrumental in introducing the uniform national permit which allows us to travel across the country with just one permit and payment of uniform fees. The benefit of this system was that immediately after introduction of this system, freight rates fell by 6% the following day itself. The reason this system saw the light of day was because there was a 'STRONG WILL' to do something good for the transport industry. The other big benefit of this system was that the wings of RTAs, who used to



Ramesh Agarwal,
Chairman-Cum-Managing Worker,
Agarwal Movers Group

set up their posts at every 25 km, got clipped. It is rumored that officers used to pay upto Rs 2.5 crore to get a posting at these check posts. However after the introduction of this new national permit, this figure

has dropped to Rs 40 lakh.

Mr Mahendra Arya beautifully presented the Freight Index, which can be an eye opener for the transport industry as well as the

customers. Currently transporters are in a blind about the operating costs and even the largest transport company in India reports a PAT of just 4-5%. I was informed that the logistics cost in India is at 14% as compared to 9% in developed countries. Why do we have this huge difference of 5%? On one hand the transporters are not making adequate profits and on the other hand the logistics cost is higher! There are hundred reasons behind this anomaly; however I shall put forth only 2 reasons before this audience, which would take care of 70% of the difference.

In India we have close to 79 lakh trucks – big and small. Out of these, 18 lakh trucks stay off the road because of shortage of drivers. As a result of this a truck can barely do 50,000 km a year (+/- 2%). Therefore trucks collectively travel 39,500 lakh km every year. My personal

experience and studies by other companies reveal that the expenditure on highways, that are not accounted for, amount to Rs 2.30 per km. This translates into a huge sum and we are paying this money to the officials on the road who pull up the trucks under one pretext or the other. If this expense can be avoided – subject to the WILL of the government, the logistics cost would fall drastically. This method can be enforced using a section of the Motor Vehicle Act which states that the national highways are a property of the Government of India. Using this Act, the centre can ask the states to stay away from national highways and allow free movement of goods. This would be the ideal way to keep the RTAs from stopping, harassing and extracting money from the truckers. While this would bring down corruption, it would also result in huge savings in the form of fuel –

which again would bring down the logistics cost in India.

There has been a long standing demand of the transporters to give Industry Status to road transport. Transport, if you go to see, is a part of infrastructure. Once we get industry status, transporters will be able to procure loans for a longer term at a lower rate of interest. At the same time, if we get cheaper finance, we will change our trucks after 8 years and not drag them for longer terms. This would be beneficial for the OEMs as well as the environment. This eventually will also help in bringing down the logistics cost in the country.

If we adopt the above 2 methods, we can really bring down the logistics cost from 14% to atleast 10%. The Government, if it wishes, can have these implemented.