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National Logistics Policy

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What's in News?

The new National Logistics Policy was recently unveiled.

National Logistics Policy:

- First **introduced in 2020 during Finance Minister's Budget speech**, will bring in an integrated and tech-enabled approach to logistics operations to bridge the efficiency gap.
- A comprehensive action plan is proposed under the policy, with major features including integrated digital logistics systems; unified logistics interface platform; ease of logistics; and standardisation of physical assets and benchmarking service quality standards, state engagement, human resource development and capacity building, export-import logistics, sectoral plans for efficient logistics, and facilitation of the development of logistics parks.

Need for logistics Policy:

- India's logistics cost as a proportion of the Gross Domestic Product (GDP) is believed to be around 13-14 per cent.
- As seen the logistics cost in India is high as against 9-10 per cent in the US and Europe and 11 per cent in Japan.
- The government now aims to bring it down to single digits as soon as possible.
- Moreover, there is no single department which manages the sector as it is currently being managed by many ministries, including road transport, shipping, railways, civil aviation, posts and commerce and industry, and finance.
- The sector provides livelihood to more than 22 million people and improving it will facilitate 10 per cent decrease in indirect logistics cost leading to the growth of 5 to 8 per cent in export.
- As per estimates, the worth of Indian logistics market is over \$200 billion.
- Some states such as Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Manipur, Mizoram, Rajasthan, Telangana and Uttar Pradesh have already formed their logistics policy. Logistics policies of 13 states are still in the draft stage.

Policy Highlights:

- The policy will facilitate unified policy and regulatory environment for end-to-end logistics services and an overarching institutional framework that will govern the logistics sector and enhance its competitiveness.
- The government, both at centre and state, would prepare a master plan for logistics that will cover projects planned by different ministries to ensure multi-modality, optimal modal mix and addressing first and last mile connectivity.
- The policy is expected to focus on areas such as process re-engineering, digitisation, and multi-modal transport.

Integrated Digital System:

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- The policy introduces an integrated digital system (IDS) that will integrate on **one platform the digital data belonging to various ministries, helping in smooth cargo movement**
- India will integrate 30 systems belonging to different ministries to create an integrated digital logistics system for faster, cheaper and safer logistics services.
- The digital data integration is a key component of the policy which is aimed at simplifying processes by providing a single-point interface for business-to-business and business-to-government dealing and ensuring secured digital exchange of data

System Improvement Group (SIG):

- This system will be used to **monitor all logistics-related projects regularly** and will **facilitate the removal of any hurdle**.
- An empowered group of secretaries (EGoS), constituted under the PM Gati Shakti, would monitor and review the implementation of the policy.
- A service improvement group would also be constituted for resolution of issues faced by the users.

Multi-modal Logistics Parks (MMLPs):

- The policy aims to **encourage multimodal transport** including roads, railways and water routes.
- It envisages greater efficiency by ensuring 25-30% freight movement by roads, 50-55% by railways and 20-25% via water routes.
- Currently, more than 60% of the freight movement is through roads, while railways account for 25-28%, with rest of it contributed by shipping and waterways.
- The policy also makes way for a framework to set up Multi-modal Logistics Parks (MMLPs), which will be adopted by states and central ministries.
- This aims at seamless integration of various modes of transport.
- A framework will also be put in place for accelerated development of warehousing, which will address key aspects, such as—standards, benchmarking and rating, adoption of technology enabled solutions.

Adoption of technology:

The adoption of technology has been strengthening the logistic sector.

For instance, **e-sanchit** has been enabling paperless export-import trade processes, and faceless assessment in customs has been rolled out.

Similarly, **e-way bill and FASTag** are also common in highways to improve the efficiency of the logistics sector.

In addition to these, the National Logistics Policy launched

(i) the **Unified Logistics Interface Platform ULIP** that will bring all the digital services related to the transportation sector into a single portal, freeing the exporters from a host of very long and cumbersome processes.

(ii) A new digital platform—**Ease of logistics Services or E-Logs**—has also been launched., through which industry associations can take up any issues pertaining to operations and performance with the government.

Significance:

1. This would acts as the first step in **reducing logistics costs in India** (10% of GDP over the next five years),the logistics sector is estimated at 13-14 percent of GDP.
2. India aims to **improve its ranking in the World Bank's logistics performance index** to 25-30 from 44 in 2018 , which is far behind countries like China and Vietnam, which are at the 26th and 39th positions, respectively.

3. This would also **ensure quick last mile delivery, end transport-related challenges, save time and money of the manufacturers, prevent wastage of the agro-product**
4. It helps to **improve its competitiveness of Indian goods in domestic as well as global markets.**
5. As well as, it **makes India a more attractive destination for global investors,**

Conclusion:

Reduced logistics cost and increased logistic efficiencies will energise the economy across sectors in multiple ways and take us many steps closer to emerging as a global manufacturing powerhouse