



Indian Budget 2012 and Logistics Industry

(Capt. Pawanexh Kohli – Principal Advisor)

Like always, this year's budget adds focus to selected sectors and growth aspects in India's development story. And like always, benefits accrued across any such sector is going to bring benefits in terms if hard business to the associated logistics sector. The sad element is, that while no country's development can be complete without logistics serving as its lifeblood, this time, again as always, there has been no real structured move to view or support logistics as an industry to reckon.

True... there have been measures announced, aimed at improving fund availability (both expenditure and working capital: from warehousing across to airlines), but consistent direction to the logistics sector as an industry is missing. I fear that investment linked deductions and such like measures will only allow for more fragmented development of infrastructure in the logistics landscape. This budget lacks in providing continuity to strategic direction to this hopeful 'industry'.

India, seems to continue to want to develop capacity in terms of infrastructure, yet ignoring that development of such hard assets should be in synchronicity with the larger directional road map of a nation's development. Case in example, a strong focus is evident to make a success of the national manufacturing policy (NMP) with weighted deduction being tabled for skill development in manufacturing. This same allowed for skill development in manufacturing sector should include logistics – frankly, my take is that all manufacturing will come to naught, unless skills are developed in the management and movement of said goods across that value chain. The acknowledged dearth of skill in the logistics trade is not addressed in any proposal. In fact, I would suggest that it is this kind of capacity building which should attract utmost important in the logistics arena today.

Other aspects covered, such as enhanced allocation for NHAI coupled with customs duty exemptions (including CVD/SAD) on importing of road associated equipment; the maritime agenda targeting new major and hub ports; etc, will also indirectly impact the logistics trade... any improvement to available infrastructure is bound to. Yet, a cohesiveness of approach in policy and planning such development is expected so that such infrastructure is not isolated from the larger intent.

One good sign is the promoting of trending unitisation of cargo through the thrust on facilitating new development of container freight stations. This coupled with declared intent for mechanisation of cargo handling, should give strategic direction for the future to both logistics and manufacturing sectors. Any increase in unitised handling of goods will bring efficiencies to operations and benefit the nation at large. One truly hopes this will fructify so!

Rationalising Point of Taxation Rules, alignments to harmonize the tax code, amendments to the service taxations, etc seem evidential forerunners towards preparing for GST. Any changes to ST and other cost changes would typically be passed through to end users, whereas the proposal for monthly filing of service tax returns could add somewhat to administrative costs. The announcement to roll in a GST IT network within this year is a healthy signal - one again hopes that the logical conclusion is secure and not again subject to other vagaries.

The enhanced deductions on infrastructure build for agri-produce and cold chain, and equating with the same deductions to large hospitals, brings to fore, that our food chain is perceived equally critical to the health of our future. Yet, I fear that in taking advantage of such enhanced deductions, various non logistics players would view this as opportunity and build captive capacity; adding to inexperience & in-efficiencies. Such blanket allowances lead to infrastructure build-outs which are not necessarily conducive to efficient supply chain and logistics. Clear directional impetus as an industry would have been more welcome.

Logistics is the sole crucial physical link between producer and markets. There can be no efficient trade, or growth in any nations GDP, unless logistics serves to close the product life cycle loop. An inefficient and unskilled logistics industry will always surface as the bottleneck on a country's developmental roadmap. Logistics is not just road networks or warehouses or ports and it seems that several critical expectations are not formally appreciated.

In ending, I would say that this budget has little definitive impact on the logistics players, leaving this sector to its own innovative devices to support India's forward motion.

