

Boosting Internal Connectivity in India for Many Benefits

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International

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Introduction

CUTS' Work on Transport Sector

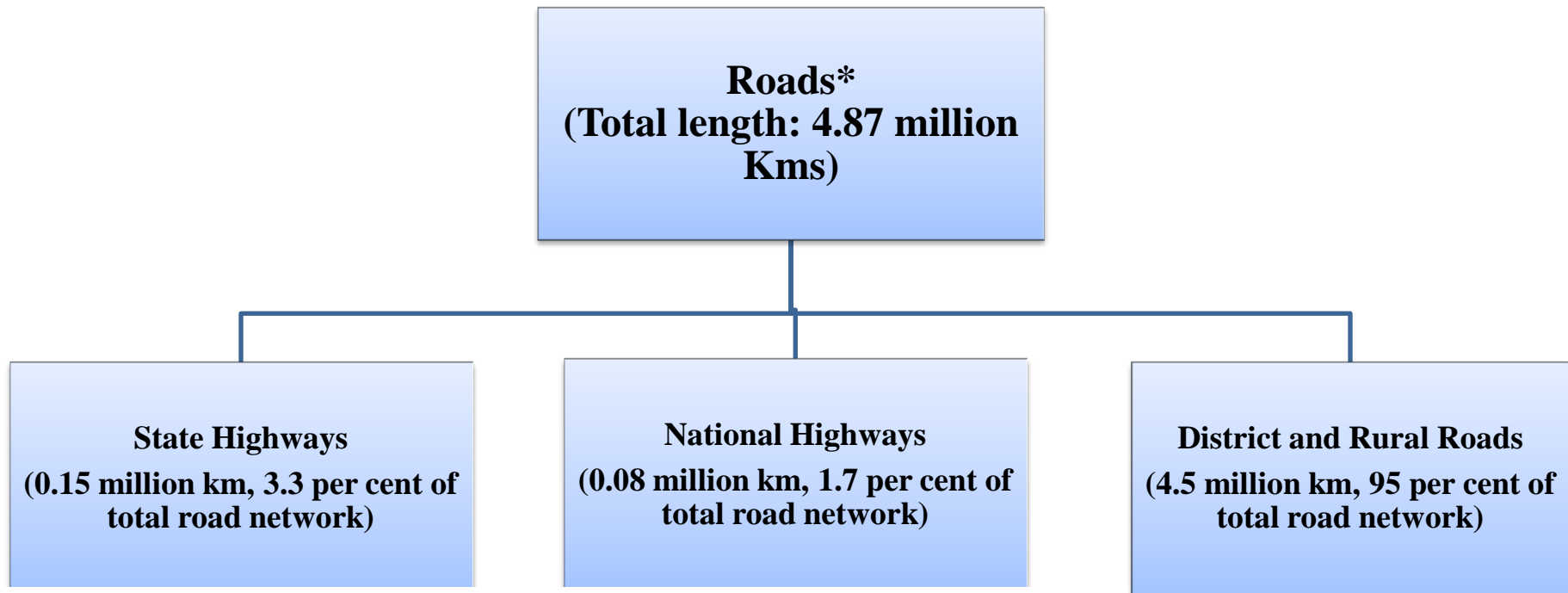
- Transport Economic Regulations
- Road Safety
- Trade-related Transport Facilitation

Key Achievements

- Partnership MOU with Institute for Transport Studies, University of Leeds, UK to provide research and capacity building support
- Member of National Road Safety Council of India over many terms
- Implemented action and awareness programmes on road safety

Current State of Road Network in India

- India has the second largest road network in the world and it is the most important mode of transportation in India.
- It is used to transport over 65 per cent of all goods in the country and 80 per cent of total passenger traffic.



Source: Ministry of Road Transport & Highways (MoRTH), GoI; *As on July, 2015

India's Performance in Movement of Goods

- India performs less than optimal while compared with other countries (say in Brazil, Russia, China, South Africa, Europe, United States) on various efficiency indicators of road transportation.
- An average distance covered by Indian trucks is between 250-400 km per day whereas trucks in Brazil, Russia, China, South Africa, United States and Europe cover 500-800 km per day.

Indicators	India	Global
Average Truck Speed in India (km/per hour)	20-40 km	60-80 km (developed countries)
Average truck distance covered in a year (kms)	60,000-1,00,000	4,00,000-6,00,000
Average truck distance per day (kms)	250-400	500 (BRICS); 700-800 (Europe, USA)
Total length of expressways (kms)	Approx 1000	74,000 (China)

Source: Ernst & Young and Retailers Association of India, 2013

Logistic Costs in India

- India's road transport sector is highly fragmented and served by many small carriers.
- Transport cost is the largest component and accounts for more than one third of the total logistic cost.
- Substantial opportunity to save transportation and transit losses with the adoption of suitable technology, infrastructure investment and regulatory reforms

Components of Logistic Costs	Percentage
Transportation	35
Inventory	25
Packaging	11
Warehousing and handling	09
Customer shopping	06
Losses (including transit)	14

Source: Status and Leverage of Logistic Parks in India, Nirav Kothary and Jones Lang LaSalle, 2013

Checkpoints in Internal Transportation



Central and
States Tax

Entry Tax
(border point
in each state)

Octroi

Toll

Container
Freight
Station
(CFS)

Port



Regulatory Agencies Involved in the Movement of Truck in India*

- 1) Regional Transport Officer
- 2) VAT officials,
- 3) Police/traffic police,
- 4) Central Excise officers,
- 5) State excise officials
- 6) FSSAI
- 7) Pollution control authorities
- 8) Weights & measures authority
- 9) District supply check post
- 10) Forest officials
- 11) Revenue intelligence
- 12) Toll tax
- 13) Movement of Essential Commodities Act
- 14) Black Marketing Inspectors
- 15) Hazardous Chemicals Inspectors
- 16) Customs officials
- 18) Entry Tax
- 19) Octroi

* All India Transporters Asscn

Regulatory Challenges in Freight Movement in India

- Multiplicity of tax related legislations (central and states level taxes) impede the smooth movement of trucks within the country.
- Different kinds of taxes such as inter-state tax, sales tax and service tax has direct impact on the total transportation cost.
- A plethora of agencies are involved in internal movement of road transportation in the country and inhibit the efficient movement of trucks from one point to another.
- Checking at states/district border points magnify the cost of transportation of goods in India.
- Lack of coordination among various agencies act is a major barrier to easy and speedy movement of trucks.

Operational Challenges in Freight Movement in India

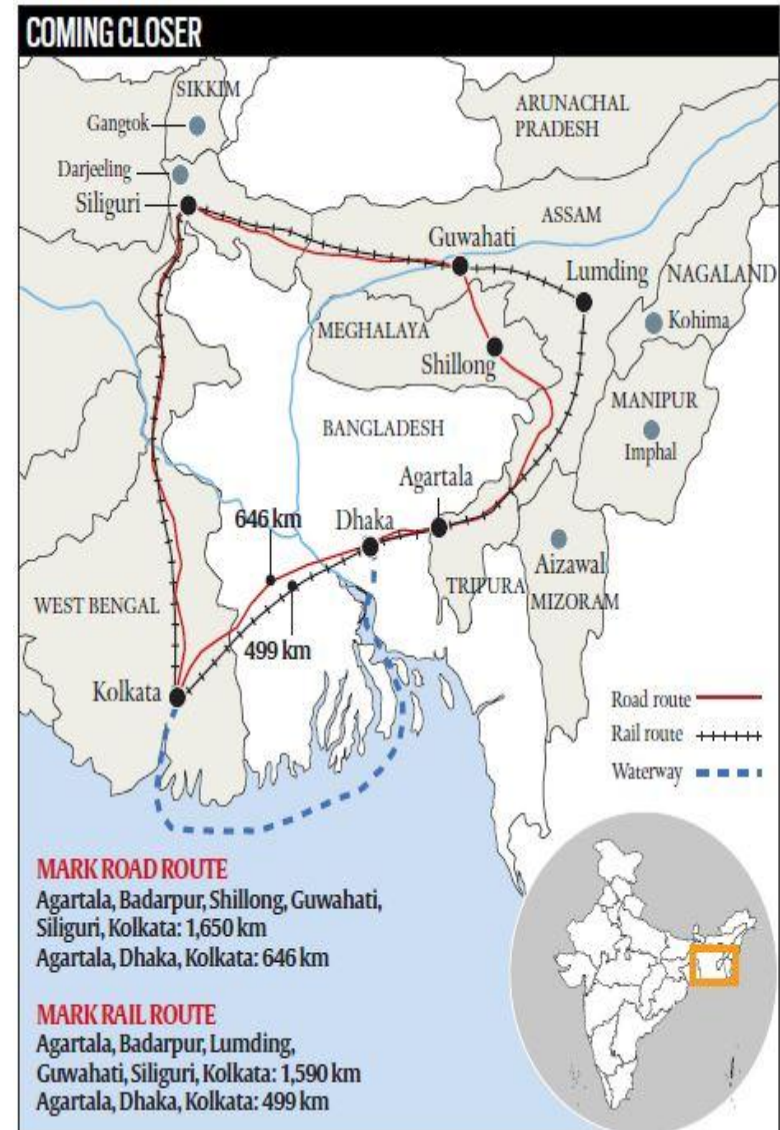
- Sub-optimal road infrastructure coupled with multiple check-posts and other administrative hurdles affect the smooth movement of goods across states.
- Inadequate investment in road infrastructure in the country limits geographic reach of traders.
- Uneven development of road infrastructure remains a major concern for effective supply chain network in the country. That coupled with non-congruent planning and development when it comes to inter-modality (road-railways, roads-waterways, waterways-railways, etc.)
- Non-existence of a consolidated market in the logistic sector hinders the efficiency of road transportation and increase the cost of transportation. Large number of players.
- Unauthorised toll collection is a key concern in all states. Local political factors play an important role. E.g. Rangadari tax in Bihar.

Role of 'iCarnet' in Improving Internal Connectivity in India

- 'Internal Carnet' (iCarnet), as evidence of compliances of all taxes paid, is a new competitive tool of the TIR Convention and plays an important role in facilitating internal movement of goods.
- Facilitates transportation of goods under customs supervision between two customs offices in a single country.
- Eliminates all impediments (inter-state cross border checking, administrative procedures, central and state procedures) involved in internal movement of trucks.
- Duties and taxes are secured by international guarantee backed by national and international insurers.
- Reduce significant amount of time and cost in the movement of trucks.
- Ukraine has successfully implemented "iCarnet" and many countries such as Turkey, Iran, Kazakhstan have expressed interest in acceding to this instrument.

Importance of the BBIN MVA

- Effective implementation of the BBIN (Bangladesh, Bhutan, India, Nepal) Motor Vehicles Agreement (BBIN MVA) will boost connectivity between North East India, other states of India and other sub-regional countries.
- Reduction in ‘two-third’ of transportation costs from mainland of India to North East India’s economic hubs including Siliguri, Guwahati, Shillong, Agartala.
- Improved connectivity with North East India through road transport will provide boost to the larger agenda of regional connectivity with other countries such as Myanmar, Thailand and with other countries of the South East and East Asia.
- This coupled with the recently inked Coastal Shipping Agreement and Protocol on Inland Water Transit and Trade (renewed) with Bangladesh may prove to be a game changer for India’s Act East Policy.



Source: The Indian Express, November 30, 2015

TIR Convention and Regional Connectivity (1)

- TIR Convention is a globally accepted instrument that came into force in 1975 to simplify and harmonise administrative formalities of international road transport, particularly transit transport.
- TIR has five key principles: safe and secure vehicles, international chain guarantee, TIR carnet, mutual recognition of customs, controlled access to the TIR system.
- Facilitates easy and speedy movement of goods from the customs of origin to the customs of destination without customs inspections at the borders and deposit financial customs guarantees.
- Globally, there are 69 countries which have ratified the Convention to facilitate their cross-border movement of goods. In the Asia-Pacific region, 16 countries (Afghanistan, Iran and many Central Asian countries) have ratified the Convention. Myanmar, Vietnam are contemplating to join the TIR Convention.
- China and Pakistan have recently acceded to the TIR convention to improve their cross-border movement of vehicles with neighbouring countries. India yet to join.

TIR Convention and Regional Connectivity (2)

- The BBIN MVA together with the TIR Convention will facilitate safe, secure, seamless movement of vehicles across the sub-region.
- Development of effective regional transit system through well defined and principle based protocols.
- Harmonisation of transit and transport regulations will reduce the cost of doing trade in the sub-region.
- The TIR Convention will boost the effectiveness of the BBIN MVA, given its unique proposition and global acceptance.
- Given that China has acceded to the TIR Convention, and Myanmar and Vietnam are contemplating joining it, other Southeast Asian countries such as Cambodia, Laos, Thailand are likely to join, which would provide easier access for India to the markets of South East and East Asian countries.

Way Forward

- Adopt and implement the Goods and Service Tax (GST) to create a unified and single market in India
- Reforms in domestic transport regulations are vital to facilitate seamless internal connectivity in the country and ease of doing business.
- Implementation of iCarnet in India will be useful to address challenges related internal movement of goods.
- Enhance the role of public-private partnership to develop road infrastructure in the country – national and state highways cover just about 5 per cent of India's total road infrastructure.
- Enhance convergence and congruence in planning for different modes of transport (inter-modality) to enhance overall efficiency of corridors and gains from them
- India's accession to the TIR Convention will act as a catalyst to sub-regional connectivity (including that with North East India) by facilitating the implementation of the BBIN MVA and for achieving the larger objectives of India's Act East Policy.
- Also International North South Corridor after the Chahabar Port.

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