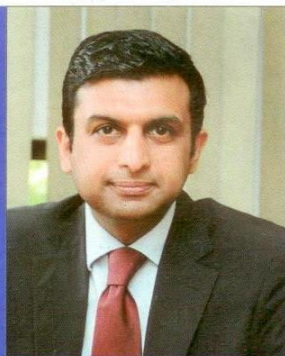




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MD, CRWC



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National Operations Head, Drive India Enterprise Solutions Limited (DIESL)

Land Acquisition

“Warehousing is emerging as a major game changer in the field of Logistics. It adds value to the transportation and also provides opportunities for additional value added services, while at the same time reducing the overall logistics cost. This will help the agricultural warehousing segment as well as industrial warehousing,” said **Vinod Asthana**, MD, CRWC. According to him, modern formats for warehousing will replace the traditional godown and cold storages to give way to multi-chambers cold chain based warehouses.

He pointed out that warehousing is an asset based business and has high capital requirement. Most of the Logistics Parks are today primarily updated and renovated warehouses and have very little multi-modal facilities. “For setting up of Logistics Parks, whether industry specific or commodity specific warehouses besides ICDs/CFSS, the industry requires large parcel of land at key locations. Availability of land continues to be a major concern. The organised warehouse companies are finding it difficult to expand the business, in spite of the growing demand,” he added.

Endorsed **Vineet Agarwal**, JMD, Transport Corporation of India, “Land acquisition is one of the main challenges for warehouse developers apart from laws of the state that play a very crucial role in the development of such facilities.” In his opinion, in the development plans, particularly industrial area planning, warehousing needs to be incorporated as a rule rather than an exception. Land reform is therefore extremely critical for setting-up of warehouses.

Vikram Mansukhani, National Operations Head, Drive India Enterprise Solutions Limited (DIESL) maintained that India needs world-class facilities with automation and a good network of roads and infrastructure to support its growing logistics needs. Investment in large warehousing hubs will see a positive trend with liberal land reform policies and the government allocating land for special warehousing zones. “Unfortunately, while the government is moving towards liberalisation and privatisation, there are pockets of landed-elite with strong political and bureaucratic networks that thwart land reforms and their judicious

implementation,” he said.

According to him, complex land laws in several states, example Maharashtra, and stringent regulations also serve to push up the number of illegal warehousing. To curb this menace, government should demark land banks for dedicated warehousing zones, create awareness about warehouse structure regulations and encourage long term investments via PPPs

According to **Ram Tiwari**, Director Marketing, Shine Logistics, land acquisition is one of the major hurdles before the warehousing industry. There is no direction from the Government as per land registry or change of land for warehousing. However, for other manufacturing industries, clear guidelines have been given. “As a result, there are many illegal warehouses operating, which are not able to meet client requirements, because they do not want to invest in a modern warehouse,” he highlighted.

“Warehousing will come out of the dark ages in the near future. Poor quality infrastructure on questionable land parcels

will give way to quality warehousing solutions that comply with all laws. This transformation will be spurred by tenants/customers, who will demand that landlords comply with all laws, the rapidly rising scale of inventory that will compel warehouses to get leaner and more efficient, and government cracking down on defaulters," supplemented **Bharat Joshi**, Director, ACTL and CEO, J Curve.

"In place of sheds in 'lal dora' or agricultural land, we will witness customised warehouses that cater to specific products and commodities, employing the best of warehouse management systems," he added.

Rules and Regulations

Agarwal was of the view that the warehousing segment still remains largely unorganised and lack of uniform warehousing development rules has hampered it from taking advantage of the boom the country recently experienced in the logistics sector. Except for a few state-controlled companies and a very few large private operators, the segment cannot claim much.

FTWZs in India are governed by the SEZ Act 2005 and SEZ Rules 2006. These zones mandate availability of power (conventional or solar), water, motor-able roads, and manpower. Resources can be shared, delivery time and cost can be reduced and benefits can be passed to the customer.

"However, shortage of land available for FTWZs compounded with a plethora of rules, regulations and licenses pertaining to setting up warehouses and operations, creates bottlenecks in fulfilling the demand for state-of-the-art warehousing hubs in India," Mansukhani pointed out. The multitude of regulatory and enforcement authorities at local, state and national levels require several approvals and licensing before starting operations. These are in addition to the elementary registrations like TAN, PAN, VAT, etc. There are also regulations relating to environmental clearances, handling of chemicals and hazardous products, safety, etc.

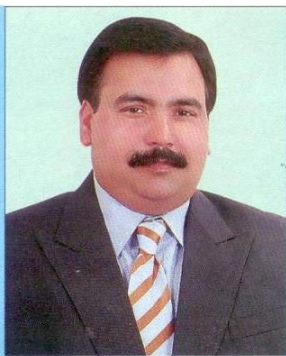
Delay in GST implementation

Delay in GST implementation is hampering growth of the logistics sector in India. Trade boundaries between states continue to exist

and companies are unable to consolidate their supply chains, thus posing difficulty in maintaining a seamless supply across the country. Pending GST has also resulted in lower investments in IT leading to delay and detention of trucks, which in turn causes delay in delivery of goods and inefficiency in fleet utilisation.

"Imbalance between the Centre and States continues to exist in the absence of GST. This is hindering development of logistics parks and free trade warehousing zones by formation of regional hub-based infrastructure and an environment conducive of rationalisation for the logistics network. This is also discouraging logistics companies from investing in assets and technology to align their service offering to complement the supply chains of their customers," observed Agarwal.

Delay in implementation of GST is also affecting productivity and encouraging corruption by way of complex documentation which leads to slow movement of cargo and thus hindering cost optimisation. "The rollout of GST is long overdue but at the same time the concept is



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Damco South Asia

plagued by uncertainties of design and rate bands. While GST is getting delayed, the back door entry of new local taxes such as Local Body Tax (LBT) are creating a shroud of mystery on whether one uniform and easy to use tax structure will ever be the way ahead," added Mansukhani.

"It is imperative that GST be enforced at the earliest. Delay in implementing this uniform tax code causes a wasteful supply chain resulting in inflation of costs," felt Joshi.

T N Seetharaman, Chief Operations Officer, Damco South Asia, also maintained that GST implementation is expected to change the scenario of warehousing and distribution, which will shift focus from being "Tax Planning" to "Logistics Planning" for most of the corporates. However the delay in implementation of GST is a major worry for all in the corporate world.

"To avoid further confusion among the international clients and losses to the national economy because of diversion of exim to other countries, the Government must introduce GST as soon as possible. It will help the logistics industry and ultimately benefits will be passed on to end users," stressed Tiwari.

Industry Status

"Warehousing should be recognised as infrastructure. It will help in getting cheaper finance from banks and financial institutions and at the same time will help the agri and the industrial sector. In SEZ and industrial towns, warehousing should be treated as part of common facilities like road and power, for which

Consensus on Land Acquisition Bill

At a meeting held on April 18 in New Delhi, major political parties have reached a consensus on the 'Land Acquisition, Rehabilitation and Resettlement Bill 2011.' The Bill proposes the payment of compensation that is up to four times the market value in rural areas and two times the market value in urban areas. The Government of India has reportedly accepted key demands of the major opposition parties regarding leasing of land and compensation reaching the original farmer-owners, and rights of tenants. The government also agreed to amend the bill to provide for an enabling provision for states to enact laws in this regard as leasing of land is a state subject.

The objective of the Bill was to address problems of industry regarding acquisition of land for setting up projects. It provides for land acquisition, rehabilitation and resettlement of the displaced people and proposes to replace the Land Acquisition Act, 1894. According to the Bill, consent of 80 per cent of the people is required for acquiring land for private industry. However, there was a debate among various political parties regarding the contents of the Bill. It was referred to a GoM in the wake of differences in the Cabinet over certain provisions in the Bill.

land should be earmarked," suggested Asthana.

In his opinion, development of modern warehouses, especially for high-end commodities and certification is becoming necessary to integrate the growth of logistics with policies. "An integrated logistics policy will ensure that development is moving in the desired direction," he said.

Agarwal pointed out that the rules for approval of warehousing projects vary from state to state. To have systematic growth of the warehousing sector, it should be put under a regulatory authority, which could make policies for implementation across the country and co-ordinate with the relevant ministries/states.

"The government should also identify strategic logistics points and develop facilities on a public-private participation mode, apart from encouraging long-term investment from public and private players alike for developing facilities like warehousing. The requirement of industry status/tax incentives is to encourage prospective investors," he emphasised.

Agarwal added that setting-up of a nodal cross-ministerial logistics body, infrastructure status to the wider warehousing industry and higher financial outlay for skill improvement should be initiated.

"Logistics must be first granted the status of an 'industry'. It is no longer about transportation between two cities or warehousing alone; it is in fact a complex value chain continuously evolving by adopting international best practices. The need for industry status will be felt more and more as the country's economy spreads to tier III and IV cities," observed Mansukhani.

Seetharaman, however emphasised on the industry's inherent weaknesses. "The main challenge can be cited as the industry following a traditional mindset of "low cost outsourcing" as the only way to become competitive in the market. This needs to change to improving operational efficiencies through introduction of technology and systems, where cost productivity will be a logical by-product," he concluded.

