

6. *Bring out the inefficiencies that plague the core road logistics business in India. Also, suggest some ways to overcome them. (150 words) 10*

Approach:

- Briefly highlight the relevance of road logistics.
- Mention the inefficiencies in the sector.
- Suggest measures to overcome these inefficiencies.
- Conclude with a way forward.

Answer:

Freight transport in India is road-dominated—accounting for 59% of freight movement. Road logistics offers greater flexibility in terms of final destination and volume of goods to be transported.

However, the road logistics sector is marred by several inefficiencies, such as:

- **Fragmentation:** About 75 per cent of the truck supply is done by small owners (with five or fewer trucks). Similarly, the vast majority of the transporter population in India comprises small and mid-sized transporters. Thus, both transporters and truckers have to rely on a network of brokers to gain access to shippers. This results in low asset utilization as finding adequate loads is difficult for an individual trucker.
- **High cost:** In addition to slowing down the business, layers of brokers and agents eat into truckers' margins and add to their operating costs.
- **Poor Information exchange:** To ply on a new route, truckers need information about reliable transporters, brokers, mechanics and retailers on the way. The lack of such information prevents them from exploring new routes, limiting asset utilization and decreasing efficiency.
- **Limited digital capabilities:** Given the unorganized structure, the sector lags in offering technology driven service enhancements, such as live tracking, security features, analytics etc.
- **Poor Infrastructure:** Lack of parking and unloading bays in a majority of Indian cities leads to ubiquitous illegal parking, increasing congestion and ultimately leading to increased travel times, costs, and emissions.
- **Regulatory ecosystem:** Because trucks tend to produce significant negative externalities, a common policy response is a blanket ban on trucks entering the city during daytime hours. This leads to using passenger cars or vans during daytime hours which have smaller loading capacities. Their use increases the overall urban traffic load for goods deliveries.

Various solutions to address these inefficiencies are:

- **Digitization of loading information and truck routing and dispatch:** Digitizing the process of finding and contracting for loads, potentially through applying shared mobility business models to trucking markets, can keep trucks on the road moving freight and generating revenue.
- **Standardization of logistics practices:** Standardizing both physical assets and information allows seamless movement of goods from one party to the next and is critical for truck productivity. For example, standardization of trucks allows for drop-and-hook operations, standardization of data allows for automation etc.
- **Parking and loading bays:** Several innovative approaches can be adopted for this such as multi use lanes where lanes of road change use over the course of the day, use of codes to mandate the construction of sufficient truck parking etc.
- **Consolidation centers:** Consolidation centers are cross-docking infrastructure which aggregates deliveries going into urban centers and regroups them into consolidated shipments which allow for greatly enhanced loading and routing efficiency of delivery trucks.

With India's growing economy, it is imperative to invest in robust logistics infrastructure and efficient supply chains.