

# SPEED BREAKER

India's freight traffic is expected to grow by 7-8% every year for the next decade. However, the country's transportation infrastructure is "insufficient, ill-equipped and ill-designed" to match this growth, according to a McKinsey report titled "Transforming the nation's logistics infrastructure". The country's freight transport is still largely characterized by a road-based network, with the share of railways—best suited for transporting freight over long distances—expected to decline to 25% by 2020, against the global norm of 50%.

The cost of not fixing the logistics problems is huge: The report estimates that waste caused by poor logistics infrastructure will increase from the current \$45 billion (around Rs2.12 trillion, or equivalent to 4.3% of today's gross domestic product) to \$140 billion or, around 5% of GDP, in 2020.

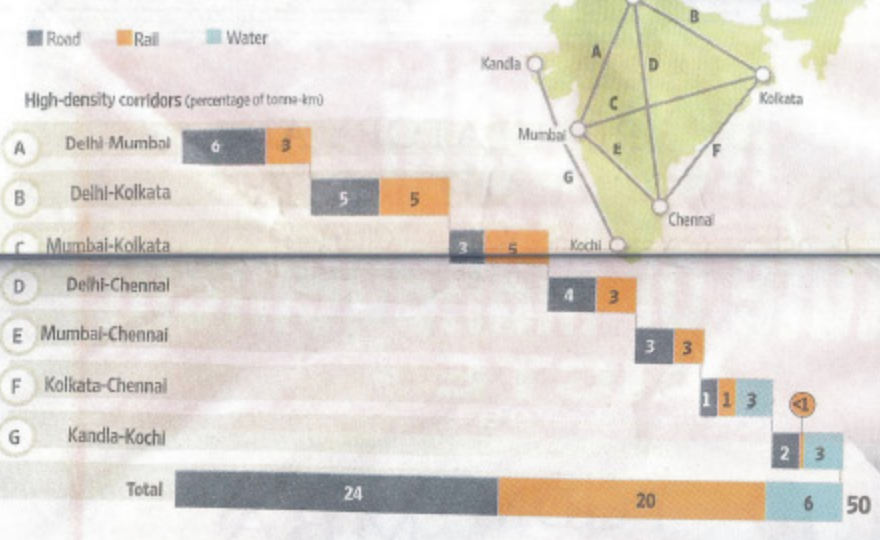
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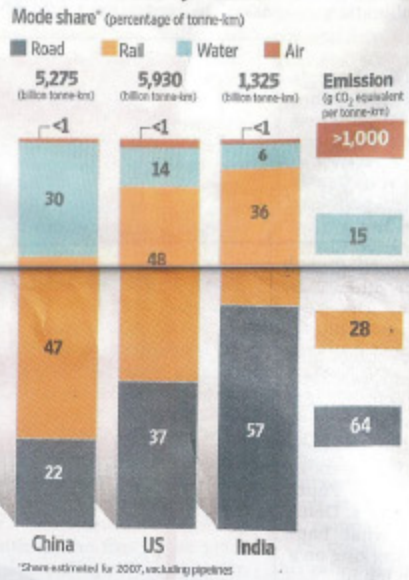
## THE PROBLEM...

Seven high-density corridors account for 50% of freight traffic

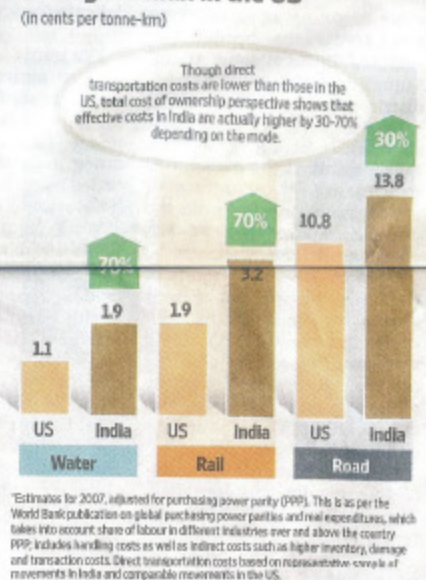


## ...THE CONSEQUENCES...

Freight transport in India is dominated by roads



Transportation costs in India are higher than in the US\*

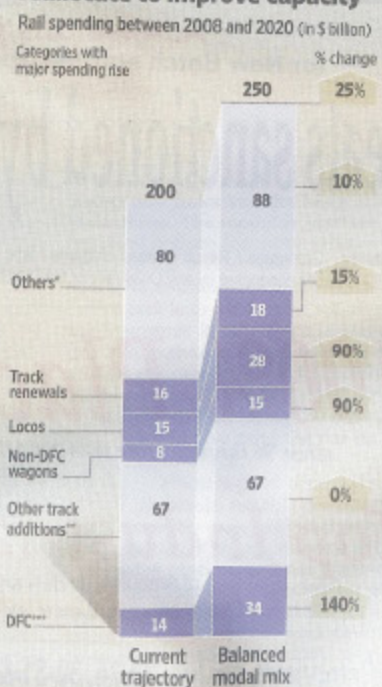


## ...THE PRESCRIPTIONS...

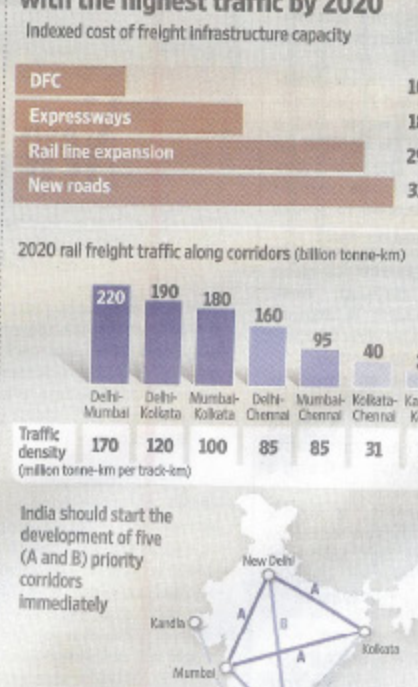
National integrated logistics policy

- Accelerate construction of the proposed Delhi-Kolkata and Delhi-Mumbai rail direct freight corridors (DFCs); expedite new corridors connecting Kolkata-Mumbai, Delhi-Chennai and Mumbai-Chennai
- Build two coastal DFCs connecting Kandla-Kochi and Kolkata-Chennai
- Construct 20 national expressways
- Initiate construction of around 750 last-mile road links to connect all key ports and railway stations to manufacturing and distribution centres
- Executing a targeted last-mile rail link programme
- Build 15-20 logistics parks near major cities or where different modes overlap
- Implement a systematic roads maintenance programme
- Standardize electronic toll collection technology

Increase rail budget and reallocate to improve capacity

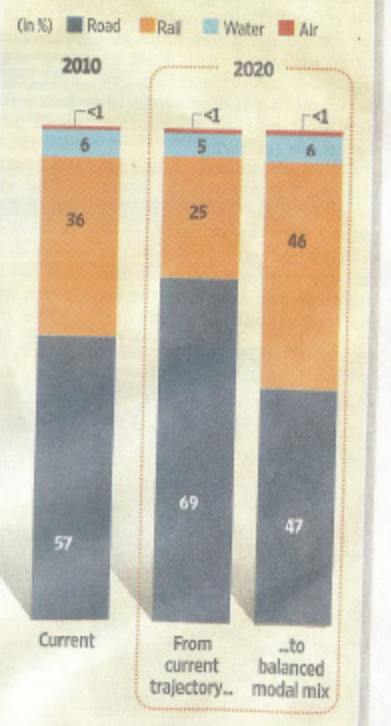


India should develop the five DFCs with the highest traffic by 2020



## ...THE OUTCOME.

Proposed mode shift will lead to a very different modal mix



All % change figures have been rounded off.

Source: McKinsey & Co.