

Building the Blocks

Adequate infrastructure is the basis of a country's economic development, says **Jyothesh Kumar**, Co-founder and CEO, ValueShipr.



The importance of quality infrastructure and the development of an economy have an umbilical cord binding them and can never be seen in isolation. Broadly, infrastructure is the network of power, telecom, ports, airports, roads, civil aviation, railways, and transportation in a country and is the lifeline of the economy of a country.

GROWTH PATH

All developed countries have adequate infrastructure so that all activities are executed efficiently, in time. Developing or underdeveloped countries have little infrastructure or plans to target the building of adequate infrastructure to put their economies on a high growth path. India at present is at the threshold of becoming a developed country. Its economy has been growing at a high GDP growth of over 7.5-8 per cent per annum. Currently India's infrastructure spend is about 6 per cent to GDP. To keep up with the ambitious pace of growth required, the percentage of GDP spends will need to be about 10 per cent.

India's \$2-trillion economy is estimated to double

by 2023-24 (according to NITI Aayog, and CMIE). At the current rate of growth, India is marching ahead to be a developed nation by 2025-30. The median age in India is 29 which will propel India to be the largest consumer market by 2025.

The goods transportation logistics market size in India is \$150 million and forecasted to grow to \$300 billion by 2020. There are about 89 lakh commercial goods vehicles, which make 700 million trips annually, growing at 8.4 per cent. Logistics contributed close to 5-6 per cent to GDP and the sector has been growing at a Compounded Annual Growth Rate (CAGR) of 12-13 per cent. Logistics is growing at 1.5 to 2 times of GDP, and the real spend on logistics in India is to the tune of 14.4 per cent of GDP, which is relatively high when compared to developed economies which have a similar spend of 7-8 per cent.

The transportation infrastructure includes roads, vehicles, railways, tracks, trains, ports, airports, ships and vessels. Road transportation is perhaps the most important because railway tracks cannot be laid everywhere. Roads are the means for the movement of people and goods from one place to another.

ROADS & DEVELOPMENT

National Highways are mainly used to move from one city to another and for supply of essential goods & food grains and other articles of use from one city to another. Thus, roads are a key to the success of the Public Distribution System. If there is no road transportation, the supply of these goods will not be possible to different cities and towns. The whole economy will collapse.

Railways are another important part of the transportation infrastructure. India has a huge railway network with a route length of 63,221 km, a fleet of over 7,800 locomotives, 5,340 passenger service vehicles and nearly 5,000 other vehicles. There are 7,031 stations across the length and breadth of the country. The total network is divided into 16 zones. Crores of passengers travel through the railways for their jobs and personal needs every day. The transportation of heavy goods like steel and raw material like coal cannot be carried out by any other mode of transport than the railways. Apart from performing these vital functions for the economy and the country, the railways are a huge source of revenue for the government.

Airports and civil aviation are also part of the transportation network in the country. In India, civil aviation has three main functional divisions — regulatory, infrastructure and operational. The government has introduced an 'open sky policy' for cargo. Under this policy, foreign airlines or associations of exporters can bring any freighters to the country for the movement of cargo. Chartered flights for tourists are also allowed to and from India.

India has a coastline of over 7,500 km which is serviced by 12 Major Ports and 186 other ports. The Major Ports are under the purview of the Central government while the minor ports come under the jurisdiction of the respective state governments. The major ports are: Mumbai, Nhava Sheva, Kandla, Marmugao, Mangalore and Cochin on the west coast; Kolkata, Haldia, Paradip, Visakhapatnam, Chennai, Ennore and Tuticorin on the east coast.

These ports have a capacity of over 450 million tonnes. The number of cargo vessels handled at these ports is about 16,500 per annum. The cargo handled is liquid cargo, dry cargo and container cargo. In order to improve the efficiency, productivity and quality of services and to bring competitiveness in port services, the government has encouraged private participation in it in the wake of liberalisation and globalisation of the economy. The Eleventh Plan outlay for the ports



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sector is around Rs 6,500 crore.

However, it is not just the infrastructure but the interplay of infrastructure, technology and pro-trade policies that would eliminate inefficiencies in the sector in a sustainable manner. Today, the unorganised trucking business in India is facing tough competition from new age players who are using technology to streamline the segment. Tracking systems enable fleet managers to monitor fuel purchases, vehicle speed, idle time and emissions and thus make changes accordingly in order to achieve optimum results. Real time connectivity while eluding traffic jams and long hauls with the help of GPS and other advanced technologies are helping fleet managers reach their sustainability goals by minimising fuel and maintenance costs.

All economic activities of a country depend on infrastructure. The government is spending thousands of crores of rupees every year to create this infrastructure where it does not exist or is not fully functional. It has also established adequate systems for their maintenance and upkeep so that it remains efficient and durable. **IT**

About The Author

Jyothesh Kumar is Co-founder and CEO, ValueShipr. An entrepreneur manager with over 19 years work experience spanning banking, capital markets, automobile and consulting with educational qualifications in Engineering and Management from premier institutes in India, Jyothesh has worked with some of the top brands in India such as HDFC Securities, HDFC Bank, Hyundai Motor India, Bajaj Tempo.