

Commerce min wants lower rail freight for export items

Banikinkar Pattanayak

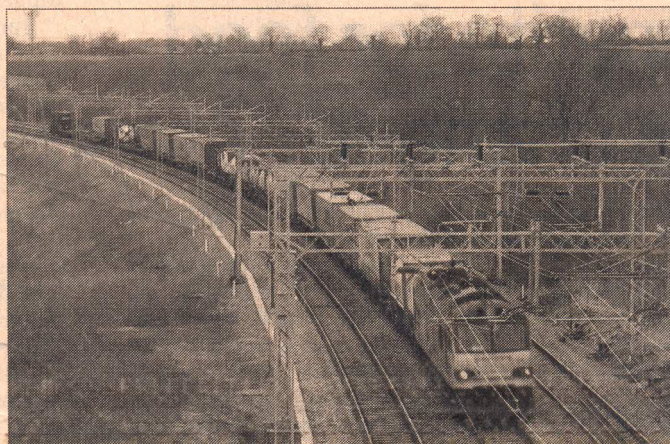
New Delhi, Sept 21: As part of its plan to help exporters cut down on high logistics costs that substantially erode India's trade competitiveness, the commerce ministry is suggesting to the railways to consider carrying goods meant for exports at a concessional rate and also deliver the items quickly, according to a senior official.

However, the ministry is not pitching for a reintroduction of the erstwhile freight equalisation policy, under which the transportation of certain goods were subsidised by the central government, though some states are demanding it, the official told *FE*.

The commerce ministry is in talks with the railways and port authorities on how to reduce logistics costs to boost exports, which have dropped in 20 of the 21 months through August. According to the World Bank data, India's cost to export was as high as \$1,332 per container, much higher than \$525 in Malaysia, \$560 in Sri Lanka, \$670 in South Korea and \$823 in China, mainly due to high logistics costs.

However, given that the state-run transport behemoth is already cash-starved and is desperately seeking to boost revenue (the latest surge pricing of passenger fares in certain class of trains is one example) to keep operating costs from spiralling out of control, the railway ministry is unlikely to endorse such a proposal. Even the monitoring of compliance of such a thing will be a tough task and could lead to losses of some genuine freight revenue, said a railway official.

The commerce department



The commerce ministry is in talks with the railways and port authorities on how to reduce logistics costs to boost exports, which dropped in 20 of the 21 months through August

feels since India's freight rates are among the highest in the world (thanks to highly subsidised rail passenger fares, mainly in the general class), the railways should make a distinction between goods meant for exports and for other purposes, and offer some breather to exporters on freight rates.

Also, the ministry is looking at ways to boost goods movement via sea to neighbouring nations like Bangladesh to cut costs.

FE had earlier reported that while an exporter needs to spend just around ₹10,000 to ship out a container of goods from the JNPT port in Mumbai to Shanghai, he has to cough up as much as ₹36,000 to send the same quantity of goods from Ahmedabad to Mumbai by land due to higher logistic costs.

Simultaneously, the commerce ministry wants easier and

less expensive inter-state goods movement (which is expected to be addressed to some extent once the goods and services tax is implemented), the official said.

The time consumed by the railways to carry wagons should also be brought down considerably, in many cases, by over 50%, said an exporter. Apart from high freight rates, unpredictable and unreliable scheduling of goods trains and poor last-mile connectivity have added to exporters' woes, forcing them to go opt for transportation by roads, which are no less expensive.

A consultation paper, floated by the commerce ministry earlier this year addressing various issues affecting exporters, had also spoken about keeping the rupee at a fair value, improving ease of doing business and visa liberalisation, among others.