

LOGISTICS NIGHTMARE FOR MOVEMENT OF BULK COMMODITIES

SUPPLY CHAIN MANAGEMENT

The other day, I happened to visit a very large paper mill in Kalimantan in Indonesia, and after I had a look at the logistics, I found this to be a dream location. The mill is in the heart of a captive forest, so all the wood required for pulping is available in the vicinity, it is in the heart of a coal mining area, so all the coal required for steam and power is available next door. Limestone is also available in the vicinity – all in all – a dream location for a Unit – where all the raw materials are available next door. If you are living and working in a situation like this, there is no need for a Seminar on this subject. There was always a vacant look on their face but they did not seem to be enjoying it.

But life, unfortunately, specially in India, is not so simple. The location of a project is decided on considerations other than merit, whereby logistics is the first casualty. You may have to cart your coal from a distance of 1000 kms and most likely you will not get your entire supplies from local sources, so you may have to depend on the nearest port for imports, and then depend on the network of Indian Railways to bring imported coal to your backyard. Similar is the story for wood and other raw materials and moving all this over long distances and to keep the kind of recommended inventories – this is a nightmare for the Material Manager. If in a small village, you have a grouse against the local panchayat, easiest thing is to stop the traffic on the rail lines or the nearest important road – or if you are having special loyalties to a state which is still to be borne, as happened in Telengana, you decide to go on a month long strike and you try and stop movement of all traffic on rail or road. The concept of supply chain management is dependant on maintenance of minimum inventory at destination and a regular flow of inputs by road/rail/sea. How do we ensure that, if all such

routes are susceptible to stoppages on slightest pretext as a legitimate democratic right. Stopping work is the easiest thing and the problem comes in only when you ask me to work more or even work enough for the money paid to me.

LOGISTICS INFRASTRUCTURE

Poor infrastructure is the biggest challenge being faced by Indian logistics. The problems are bad roads, poor connectivity, poor seaport capabilities, inadequate rail transport capacity and non development of alternatives like Inland waterways.

For cost effective management of goods, we have to marry the different modes of transport in a seamless network so that effective cost is lower.

ROADWAYS

For shorter distance of transport, say upto 400 kms, road transport is a viable alternative. In one of the studies made recently incase of coal, it

was seen that the amount of energy spent in carting truck load of coal over a distance of 500 kms is less than the energy carried by it. Hence, we find, for bulk commodities like coal, limestone, oil, rail is always a preferred alternative.

Problems are compounded by –

- a) Indian roads are congested, poorly made and poorly maintained
- b) NHAI has been mandated to provide a four lane highway to include –
 - i) North South Corridor
 - ii) East West Corridor
 - iii) Golden Quadrilateral to connect the four ends

This Programme in 7 phases is expected to be completed by 2013

- c) Investment of 75000 crores over next 7 years on identified routes to carry additional 310 million tonnes of freight traffic.
- d) Total expected investment INR 2.2 trillion

RAILWAYS

- a) Presently carry almost 2 million M.T. of freight a day across length and breadth of the country
- b) Indian Railways have lined up major investments to quadruple around 6000 kms of rail lines
- c) Dedicated Freight Corridors (DFC) are expected to revolutionise the freight movement across the nation
 - a) Mumbai – Delhi sector targeted for completion by 2016
 - b) Ludhiana – Kolkata commenced and expected to be completed subsequently

- c) Railway lines also extended to connect ports. Tracks for 2852 km under implementation
- d) DFC will provide Indian Railways with world's largest freight operations, thus reducing congestion on all sectors.
- e) Trains running on DFC would carry 15000 M.T. in each rake as against 4000 M.T. being carried now.

PORTS

- a) India has 12 major and 187 minor Ports along 7500 kms of coastline
- b) Port traffic is 700 Million M.T. and expected to grow to 900 Million M.T. by 2011-12
- c) National Maritime Development Port Programme (NMDP) has plans to enhance Port capacity with an investment of Rs. 1003 billion spread across 387 projects.

Major hubs being planned on Krishnapatnam Port, Karaikal Port, Mundhra Port and a large number of major and minor ports along East and West Coast.

ALTERNATE LOGISTICS

- a) Inland water transport is another promising alternative means of transportation, which can be integrated with coastal movement
- b) Inland Waterways –I is proposed to be set by July 2012 which would connect Paradip and Haldia Ports. It will facilitate movement of 3 Mtpa of imported coal to NTPC Farakka and Kahalgaon thro' Ganges.
- c) For smooth transfer of goods from one mode of transport to another, integration points have to be provided having facilities for permanent berths, storage sheds, stacking yards etc.

FUTURE

One of the direct fallout of the uncertainty in logistics is that as Managers, we have to increase the level of inventories carried by us at

the destination to much larger levels, thereby increasing the inventory cost.

- a) For example earlier the power plants were advised to keep a stock of 10 days with them. The growing uncertainties of logistics have now commanded the inventory to now being increased to 30 days. Extra 20 days stock could have additional cost @ 2500/M.T.
- b) In cases where the inventory has gone down, distress purchases may have to be resorted to – thereby increasing costs and putting pressure on margins.

If you have to compete in International market for selling your product, logistics cost shall have to be much more, because of these man made problems, which are a by-product of the fact that we are a vibrant democracy. These problems may not be there, if you are in China or Russia but since we have adopted a system of governance which gives you a right to protest, this is a small price to be paid.

I have stated earlier that when location of a plant is decided on political considerations, then logistics is the first casualty. Many years ago, a Committee was set up under Mr Chari to propose reforms in power and coal sector, and he had proposed that big power plants should be sited close to the coal mines, so that unnecessary hauling of large quantities of coal over long distances could be avoided. It is easier and cheaper to transport power than to transport coal. However, now you see coal based power plants being set up in all kinds of places, say in Tamilnadu and even Kerala. So Railways resources have to be stretched unnecessarily to meet these requirements. So my suggestion is that politics and industry should be kept apart for a judicious selection of location.

Speaker before me talked of Anna Hazare and his campaign for ending so called corruption. I am reminded of my time, when I was working as Manager of a coal mine in Bihar (Jharkhand had still not happened). This was a election time and I heard one person with a mike in his hand

– riding on a rickshaw. What he spoke from the rickshaw is still relevant to the present time ‘ Bhaiyya – Congress ne aapka 10 saal tak khon choosa -