



February 2023

Economic Survey – Signals and Trends in the Transportation and Logistics Sectors

The Union Economic Survey for FY 2022-2023 (**‘Survey’**) was published on January 31, 2023. The Survey comes at a moment in time rife with global uncertainties – while the pandemic has only just begun to recede, the war in Ukraine, supply-chain disruptions and inflationary pressures have dampened global economic performance. However, amidst this gloom, the Survey paints and positions India as a ray of light, with the infrastructure sector being a critical factor.

1. **Critical Role of Infrastructure:** The Survey recognizes the critical role played by infrastructure in economic growth, observing that investing in high-quality infrastructure is crucial for accelerating and sustaining economic growth as it has a salutary effect on the productivity and efficiency of manufacturing, and that infrastructure plays a significant role in poverty reduction and promotes both rural and agricultural development. In this vein, the Survey states that the government kept its focus on reforms in infrastructure sector, and launched the following in order to increase private sector participation in creation of new infrastructure and development of existing infrastructure:
 - a) National Infrastructure Pipeline, which currently encompasses 8,964 (eight thousand nine hundred sixty four) projects (of which the transport sector constitutes more than half) with a total investment of more than INR 108 lakh crore (Indian Rupees one hundred eight lakh crore) under different stages of implementation.
 - b) National Monetisation Pipeline, which taps private sector investment for new infrastructure creation based on the principle of ‘asset creation through monetisation’. It comprises more than 20 (twenty) asset classes across 12 (twelve) or more line ministries/ departments, with railways contributing around 25% of the total NMP value.
2. **Public Expenditure:** The Survey highlights that the outlay (target) for capital expenditure in FY 2022-23 increased by 35.4% from INR 5.5 lakh crore (Indian Rupees five hundred fifty lakh crore) in FY 2021-22 to INR 7.5 lakh crore (Indian Rupees seven hundred fifty lakh crore), of which approximately 67% has been spent from April to December 2022. The Survey suggests that the steady increase in public capital expenditure has helped support economic growth while laying the foundation for future growth as capital assets boost economic efficiency and potential growth. There is also potential, it is posited, to crowd in private investment, as is evident from the fact that capacity utilisation in the private sector has been recovering.
3. **Role of public private partnerships (“PPPs”):** The Survey cites PPPs as vital instruments for governments to channel the strength of private sector in critical areas of infrastructure, and as aid to address infrastructure gap and improve efficiency in infrastructure service delivery. The Survey underscores robust institutional structures, financial support, and use and availability of standardised documents as being vital to the success of PPPs. The Survey highlights the ‘India Infrastructure Project Development Fund Scheme’ announced in November, 2022 to

provide financial support for project development expenses of PPP with a view to creating a shelf of bankable, viable PPPs.

The Survey also highlights and emphasises the criticality of the logistics and transportation sectors, stating that the government has maintained a focus on developing infrastructure such as roads, railways, airports, ports, mass transport and waterways, which play a vital role in national integration and regional development. Set out below are key takeaways from the Survey in context of the transportation and logistics sectors.

1. **Logistics Infrastructure:** The Survey highlights the importance of the logistic sector in the backdrop of India aims at a manifold increase in exports and flags the high cost of logistics in India compared with global benchmarks. Amongst the key issues identified by the Survey for improving logistics is improving the quality of trade and transport-related infrastructure (e.g., ports, railroads, roads, information technology). As part of the structural reforms aimed at enhancing efficiencies and cost competitiveness, the Survey notes the following initiatives:
 - a) PM GatiShakti, with a multimodal approach, is designed to fill the gaps in physical infrastructure and to integrate existing and proposed infrastructure development initiatives of different agencies. projects pertaining to 7 (seven) engines (roads, railways, airports, ports, mass transport, waterways, and logistic infrastructure) in the National Infrastructure Pipeline will be aligned with PM GatiShakti framework.
 - b) National Logistics Policy, which integrates efforts by different government agencies and lays an overarching interdisciplinary, cross-sectoral, and multi-jurisdictional framework for the logistics sector. The Survey states that the National Logistics Policy will address the gaps in services, digital infrastructure and skills in the logistics workforce.
2. **Multi-modal Infrastructure:** The Survey underlines the importance of multi-modal connectivity in providing integrated and seamless connectivity for movement of people and goods from one mode of transport to another, facilitating last mile connectivity, and reducing travel time for people, further reducing the logistics cost and promoting export competitiveness.
3. **Railways:** The Survey describes the railways as India's lifeline and underscores its role in national integration and regional development. The Survey highlights the tremendous boost in capital expenditure in the railways, pointing to the continuous increase in the last 4 (four) years – the INR 2.5 lakh crore (Indian Rupees two hundred fifty lakh crore) capital expenditure in FY 2022-23 marked a 29% increase compared to the previous year.

| Description | Average during 2009-14 | Average during 2014-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 (BE) |
|-------------------------|------------------------|------------------------|----------|-----------|------------|--------------|
| | | | | (₹ crore) | | |
| NL, GC & Doubling | 10,623 | 40,389 | 52,446 | 43,597 | ↑ 66,690 | ↑ 78,576 |
| Rolling stock | 16,029 | 20,878 | 37,339 | 32,627 | ↑ 41,406 | ↓ 39,853 |
| Railway Electrification | 884 | 3,258 | 7,145 | 6,148 | ↑ 6,961 | ↑ 7,700 |
| Track renewals | 4,958 | 7,186 | 9,391 | 13,523 | ↑ 14,082 | ↓ 13,335 |
| ROB/RUB | 916 | 3,178 | 3,522 | 4,139 | ↑ 4,222 | ↑ 8,750 |
| Bridge Works | 351 | 488 | 782 | 772 | ↑ 1,297 | ↓ 940 |
| Other Plan Heads | 12,219 | 23,801 | 37,440 | 54,375 | ↑ 55,609 | ↑ 96,646 |
| Total Capex | 45,980 | 99,178 | 1,48,064 | 1,55,181 | ↑ 1,90,267 | ↑ 2,45,800 |

4. **Civil Aviation:** The Survey states that the civil aviation sector has great potential owing to growing demand. The Survey draws attention to the 21 (twenty one) greenfield airports that have been accorded 'in-principle' approval, and the UDAN scheme, which has benefited over 1 (one) crore passengers since its inception.

5. **Ports:** The Survey recognises the development of ports as being crucial for the economy, given that most international trade is handled through ports. In this regard, the Survey states that the capacity of major ports, which was 871.5 (eight hundred seventy one point five) MTPA in March 2014, stood at 1534.9 (one thousand five hundred thirty four point nine) MTPA in March, 2022. Further, the government has accorded the highest priority to expanding port capacity through the implementation of well-conceived infrastructure development projects and focusing on modernising berths.
6. **Inland Waterways:** The Survey states that inland water transport holds great untapped potential as a means for the transportation of goods and passengers, with 26 (twenty six) national waterway having been prioritized owing to their viability for cargo movement. The Survey also points to the Inland Vessels Act, 2021, which is expected to usher in a new era for inland water transport sector and fulfil the vision to utilise the potential of multi-modal transport ecosystem.

The Survey concludes by positing that India can effectively steer through the global economic uncertainties by dedicated support to infrastructure creation through increased capex and strong macroeconomic fundamentals.

Transportation & Logistics Practice

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