

How can LSPs partner for mega infrastructure projects?



Milind Shahane
CEO, DIESL

Notwithstanding a plethora of obstacles like rising costs, high interest rates and low margins, the infrastructure sector continues to grow and remains a key driver of India's economic progress.

In June 2013, the government reiterated the targets for key infrastructure projects, including airports, ports, roads and power generation in the current financial year. Thrust was also seen on rural connectivity projects and infrastructure to support its ambitious National Food Security Bill 2013. Government of India (GoI) favors public-private-partnership (PPP) model for the execution of mega infrastructure projects to counter debts and fiscal deficits, get domain knowledge and ensure risk mitigation. Logistics Service Providers' (LSP) extensive experience in supply chain management, expertise in project management, lean execution, sourcing, and cost management makes them the ideal liaison between Public enterprises and vendors for mega-infrastructure projects.

Despite GoI's exigency moves, at least a 100 of the 204 mega projects are facing delays due to high risks/delayed ROIs, problems related to land acquisition and rehabilitation, regulatory and legislative delays, inconsistent (and expensive) raw

material supply, contractual issues, lack of capacity (capital, political, knowledge, credibility) and most importantly lack of trained project managers.

Organized LSPs have immense scope to contribute to profitability and timelines of mega infrastructure projects by assuming the role of 'Project Manager' and by delivering;

- Better project planning and execution for risk mitigation,
- Enhanced procurement planning,
- Flexibility & scalability to manage 'scope creep'
- Skilled domain experts to address the acute shortage of project managers,
- Predictable outcomes to prevent exceeding budgets & schedules.

As it is with any supply chain partnership it is important to choose the right LSP for any PPP based mega-infrastructure project. Project's nature, requirements and industry should determine the players of any PPP partnership and goals, responsibilities and motivations should be appropriately determined, mutually.

Mega-project supply chains are intrinsically complex. It is a huge challenge for LSPs to keep up with the project needs which keep changing due to the vast spread of geographies and schedules. Supply chain complications are increased manifold if the sites are remote, inaccessible and wrought with labour issues. LSPs bidding for these mega projects should therefore have the requisite skills, experience and capacity stretchability to ensure strategy alignment, and to be able to respond agilely to dynamic project requirements. In addition to supply chain expertise

- network in remote areas, good connect with local community and bodies for manpower management, understanding of native socio-political-legal-regulatory fabric are other essential attributes of an LSP who chooses to step into the arena of mega projects.

In the realm of rural infrastructure and agri-value chain sometimes despite road connectivity (which is still much below required standards), huge losses are incurred due to inappropriate handling, inadequacy in reefer transportation and inadequate warehouse facilities, pilferage and lack of knowledge regarding preservation, fumigation and pest management. LSPs can offer specialized reefer logistics and develop expertise to offer value added services to support GoI's food-grain supply chain initiatives and increase shelf life of produce.

It is no secret that parties engaged in PPP model for mega infrastructure projects are in for the long haul as this requires mammoth investments while ROI has a long cycle time. To encourage LSPs to build capacities and facilities to support mega projects, the government can provide incentives to the logistics industry in the form of tax breaks. Implementation of GST in its complete form and development of FTWZs and logistics hubs will also add impetus to meaningful involvement of LSPs in mega projects.

In conclusion, Organized LSPs have evolved from merely transporters and storage providers to strategy experts providing integrated supply chain solutions. They can improve operational efficiencies and profitability of mega projects, adding to the growth of the economy through balanced and customized public-private-partnerships. ▽