



# DRAFT

# KERALA LOGISTICS PARKS POLICY 2024

**For comments from various stakeholders**

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# I. Introduction

## 1 Logistics Sector

- 1.1 Logistics Sector plays an important role in the Indian economy. It generates huge employment and attracts foreign investments. The efficiency of the logistics sector is a crucial factor that determines the economic competitiveness of the country. The growth of the other sectors depends heavily on the efficiency, reliability, and responsiveness of the logistics network.
- 1.2 Creation of transport infrastructure, through its direct and indirect effects, has bearing on sustainability of growth and overall development of a country. Apart from improving connectivity, the development of transport infrastructure can open-up hitherto unconnected regions to trade and investment and step-up access to goods, services and employment opportunities.
- 1.3 Over the past few years, India has undertaken significant measures for building an effective, efficient, and modern logistics and warehousing landscape. It has come a long way in improving its logistics sector considerably in past years. India ranked 38th on World Bank's Logistics Performance Index 2023 report – a 6 place improvement from 2018.
- 1.4 Efficient logistics are a critical enabler for policy initiatives such as “Make in India” and in the nationwide implementation of the uniform indirect tax system, the “Goods and Services Tax”. The emphasis by the Government of India on economic growth through initiatives like Make in India, GST, and a strong focus on Foreign Direct Investment (FDI) places an unprecedented responsibility on the logistics sector. Steps taken to improve warehousing capacities and transportation infrastructure through programs like Pradhan Mantri Gram Sadak Yojana, dedicated freight corridors, UDAN scheme, Bharatmala, Sagarmala, etc., contribute significantly to creating essential support structures for the logistics industry.
- 1.5 Despite the progress made in the logistics sector, it faces numerous challenges, including an inefficient mix of transportation modes, outdated material handling systems, obsolete skill sets, and cumbersome physical documentation processes. Consequently, achieving an optimal road network, connecting industrial hubs with railways and roadways, and integrating air transport, alongside

establishing multi-modal logistic parks and embracing modern IT technologies and regulations, are crucial components of India's aspiration to achieve a USD 5 trillion economy.

- 1.6 In a bid to further enhance the logistics industry, the Government of India (GoI) took a significant step by establishing the Logistics Division in July 2017 within the Ministry of Commerce and Industry (MoCI). This Division serves as a central point for coordinating issues and concerns among the Centre, States, and other relevant agencies. Its mandate includes developing an action plan for the holistic growth of the logistics sector in the country, encompassing policy adjustments, enhancements to existing procedures, identification of bottlenecks and gaps, and the integration of cutting-edge technology.
- 1.7 Government of India announced PM Gati Shakti National Master Plan initiatives with a main objective to holistically integrate the interventions of various Central Ministries and State Government Departments and address missing gaps to ensure seamless movement of people, goods and services to make the businesses competitive, boost economic growth, attract foreign investments and enhance the country's global competitiveness.

## **2 About Kerala**

- 2.1 Kerala is one of the most well-connected State in the country in terms of its transport infrastructure. It has the highest density of roads, rail network spanning from one end to the other end of the State, which is almost running parallel to the national Highway, 4 international airports of which three are well connected to the mainland road and railway network, 2 major seaports and multiple minor ports, 1 major International Container Terminal (ICT) connected by a coastal sea line.
- 2.2 In the Logistics Ease Across Different States (LEADS) - 2023 assessment, Kerala has secured a position in the Fast Mover Category. The state has garnered commendable ratings under various indicators. Additionally, the Operating and Regulatory Environment in Kerala has been positively acknowledged for its effectiveness. Kerala has been graded as an 'Achiever' in the following 9 categories of LEADS-2023 assessment.

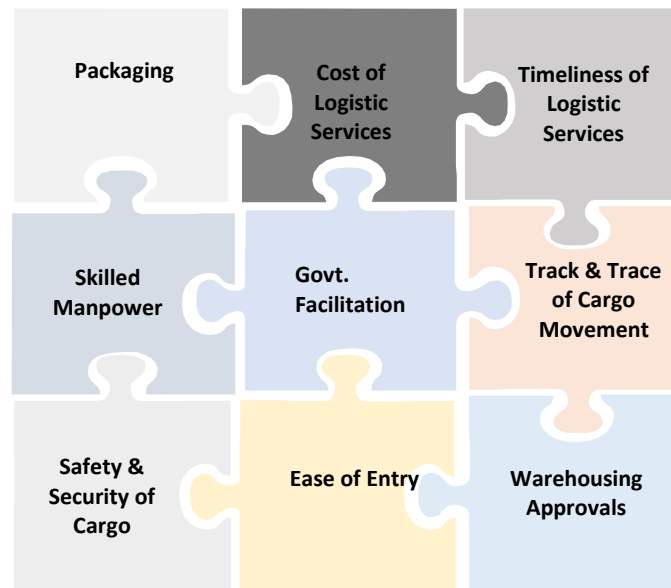


Figure 1: LEADS-2023 Categories in which Kerala is graded as 'Achiever'

- 2.3 Sagarmala is a flagship Central Sector Scheme of the Ministry of Ports, Shipping and Waterways (Government of India) to promote port-led development in the country through harnessing India's long coastline, potentially navigable waterways and strategic location on key international maritime trade routes. Under Sagarmala Scheme, the Ministry provides financial assistance to State Governments for Port infrastructure projects, Coastal berth projects, Road & Rail projects, fish harbours, skill development projects, Coastal community development, cruise terminal and projects such as Ro-Pax ferry services etc. In Kerala, nine (9) projects for building new ports or rebuilding existing ports have been sanctioned funds (₹262 Crore) under Sagarmala, out of which 5 projects (₹124 Crore) have been completed and remaining 4 projects (₹138 Crore) are under development/implementation.<sup>1</sup>
- 2.4 Bharatmala Pariyojana has been brought in by the Government of India to execute projects under different categories such as Economic Corridors Development, Inter-corridor and Feeder Routes Development, National Corridors Efficiency Improvement, Border and International Connectivity Roads, Coastal and Port Connectivity Roads and Expressways. In Kerala, 708 km of road projects have been sanctioned under Bharatmala Pariyojana and are under execution.<sup>2</sup>
- 2.5 Water transport stands as the most economical and ancient means of public transportation, playing a pivotal role in bridging global distances

<sup>1</sup> Lok Sabha Unstarred Question No-4889 answered on 31<sup>st</sup> March, 2023

<sup>2</sup> Lok Sabha Unstarred Question No-2708 answered on 16<sup>th</sup> March, 2023

and being indispensable for international trade. In the state of Kerala, water transport has the potential to serve as a viable complement to road and rail systems. Its substantial carrying capacity and suitability for transporting bulk goods over extended distances make it an appealing alternative.

- 2.6 Kerala boasts a coastline spanning approximately 590 km, featuring 2 major ports (Cochin and Vizhinjam) along with 17 non-major ports. Among the 17 non-major ports, 4 are recognized as intermediate ports based on their berthing, cargo handling, and storage capabilities.
- 2.7 Inland Water Transport (IWT) is swiftly emerging as a practical supplementary mode for both passenger and goods movement, renowned for its cost-effectiveness and eco-friendly nature. IWT, particularly the Inland Waterway Transport (IWT) mode, is the preferred choice for transporting Over Dimensional Cargo (ODC) due to its numerous advantages over land transport. Unlike rail transport, which lacks flexibility for accommodating ODC cargo due to standard wagon sizes, and road transport facing challenges such as route and time restrictions, IWT allows for the relatively convenient movement of ODC cargo. Any disruption in rail or road transport not only inconveniences passengers and disrupts the flow of goods but also hinders the economic growth of the country. Therefore, the development and promotion of the IWT sector become imperative.
- 2.8 The Government of Kerala already has an ongoing program for developing inland water navigation connecting north-south regions, aimed at reducing the transportation costs to a great extent. As part of a government initiative to develop waterways, the West Coast Canal portion from Kollam to Kottapuram and Udyogamandal, along with Champakara Canals, were designated as National Waterway three in 1993. The NW-3 has now been extended up to Kozhikode following the National Waterway Act of 2016. Subsequent to this act, three canals were included in the National Waterways, adhering to class three specifications, including a 2.2m draught, 6m vertical clearance, and 32-40m width. Kerala now hosts five National Waterways, covering a total length of 459 km.
- 2.9 The state's waterways encompass the primary West Coast Canal (WCC) and feeder canals, amounting to a total potential inland waterway length of 1,700 km. The WCC alone spans 612.45 km, interconnected with 1,100 km of feeder and link canals linking the WCC

to significant destinations such as commercial centres, ports, and tourist spots.<sup>3</sup>

- 2.10 However, Kerala like many other States in the country has been primarily dependent on road infrastructure for freight movements and hence has a very high percentage of logistics dependent on the roads. Around 12% of the road network in State (including National Highways, State Highways and Major District Roads) handles almost 80% of the traffic in the State.<sup>4</sup>
- 2.11 The length of road per lakh population is 993.54 km and almost 90% of the road network is single lane<sup>5</sup>. Consequently, logistics operators in state have preferred smaller vehicles and this has resulted in underdeveloped material handling infrastructure and warehouses with limited mechanization.

### **3 Need for Logistics Park Policy**

- 3.1 Kerala is historically a consumption driven State with a per-capita consumption expenditure in rural Kerala, twice that of rural India. Such consumption patterns are attracting a lot of demand from MNC's to look at State as a strategic market. Kerala accounts for 5.4% of country's processed food exports and it hosts 75% of India's certified sea food units, 5 state of the art food processing parks including two mega food parks<sup>6</sup>. All this constitute a good base for cargo with varying destinations (intra-state, inter-state, and export). All these units also have need for sourcing input materials, many of which comes from outside of the state. For enhancing their competitiveness, the cost of logistics of these industries shall be as per the international standards.
- 3.2 Kerala's logistics sector faces a lot of challenges. As the State is a densely populated one of the primary challenges is the lack of availability of land, aiding in unaffordable land costs for setting up advanced logistics infrastructure near the cities where consumption demand is more. Further, as many of the industrial parks are established in places having road as the only mode of connectivity, logistics costs are higher. Furthermore, the road characteristics of the state, Kerala along with its geographical factors pose serious limitations in tonnage

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<sup>3</sup> Kerala Economic Review-2022

<sup>4</sup> Kerala Economic Review-2022

<sup>5</sup> Kerala Economic Review - 2022

<sup>6</sup> Kerala State Logistics Action Plan



limit of trucks on roads thereby increasing the overall logistics costs. Another challenge being the lack in flexibility of the labour markets and the absence of modern infrastructure in the existing state-owned warehouses.

- 3.3 The effectiveness of a logistic chain not only depends on the entire supply chain network but also on logistic parks, acting as key nodal points allowing the seamless flow throughout the network. An efficient network is thus able to transport freight from one end of the network to the other end seamlessly, i.e. from industrial production centres to consumption centres. The industrial outputs generated in the investment regions across the four locations particularly along the Kochi Bengaluru Industrial Corridor will need to be transported across the country seamlessly. This can only be achieved if there are medium to large scale logistic parks which will act as a one stop solution for all logistic related matters. These logistic parks can provide logistic services such as customs, container transport, warehousing and storage and other value-added services such as packing, labelling etc. to the existing industries in proximity and upcoming industries planned in special investment regions.
- 3.4 Kerala being a producer of most of the cash crops and export-oriented products like marine products, frozen food, other processed foods etc., requires an efficient logistics infrastructure primarily supporting logistics hubs. These logistics parks will address the issues of unfavourable modal mix, inefficient fleet mix and underdeveloped material handling infrastructure.

## **4 Applicability of the Policy**

- 4.1 The policy is applicable to development of Logistics Parks or Mini-Logistics Parks in the State of Kerala.

### **4.2 Definitions**

a) Core Components: Facilities such as cargo aggregation/ segregation; sorting, grading, packaging/ repackaging, palletization, bagging, kitting & unitizing facilities, tagging/labelling, distribution; Inter-modal transfer of material and containers; open and closed storage; container terminals; custom bonded warehouse; equipment/ facilities for efficient movement and distribution of semi-finished or finished products including but not limited to forklifts, carts, pallets, conveyors, conveyance robots,

sorters, picking systems; equipment for pollution control measures/ waste management; equipment for implementation of Energy Efficiency measures; logistics and ancillary services; vehicle servicing/ repairing of logistics fleet.

b) Infrastructure Components: Facilities such as internal road network; power lines; communication facilities; water distribution network; sewage and drainage network; effluent treatment & disposal facility; parking; weigh bridge.

c) Non-Core Components: Facilities such as dormitories, canteen, restaurant, medical centre, fuel pump, banking & finance, office space, administrative office.

4.2.1 Logistics Park: Logistics Infrastructure Facility, consisting of Core Components, Infrastructure Components and Non-Core Components and spread over a minimum 10 Acres of land. A Logistics Park should not be located in Ecologically Sensitive Area/ CRZ/ land under purview of Kerala Conservation of Paddy Land & Wetland Act, 2008. Land for the Logistics Park should be privately owned or should have been taken on lease with lease rights for at least 30 years. Land used for Non-Core Components in a Logistics Park should not exceed 20% of total land area. Development of Residential facilities (other than those listed under Non-Core Components), procurement or sale of vehicle fleet, servicing/ repairing of vehicles other than logistics fleet, are not allowed in a Logistics Park.

4.2.2 Mini-Logistics Park: Logistics Infrastructure Facility, consisting of Core Components, Infrastructure Components and Non-Core Components and spread over a minimum 5 Acres of land. A Mini-Logistics Park should not be located in Ecologically Sensitive Area/ CRZ/ land under purview of Kerala Conservation of Paddy Land & Wetland Act, 2008. Land for the Mini-Logistics Park should be privately owned or should have been taken on lease with lease rights for at least 30 years. Land used for Non-Core Components in a Mini-Logistics Park should not exceed 20% of total land area. Development of Residential facilities (other than those listed under Non-Core Components), procurement or sale of vehicle fleet, servicing/ repairing of vehicles other than logistics fleet, are not allowed in a Mini-Logistics Park.

- d) Developer means any legal entity registered as Proprietorship, Partnership firm, Cooperative Society, Company, Trust, Non-Government Organization (NGO), Limited Liability Partnership (LLP), developing Logistics Park or Mini-Logistics Park as defined in this policy.
- e) Operator means any legal entity to whom any of the Core Components of a Logistics Park or Mini-Logistics Park, as defined in this policy, have been provided on lease/ rent for business operations. The benefits/ incentives sanctioned to any Logistics Park or Mini-Logistics Park under this policy shall continue to be made available to the developer of that Park, as may be applicable.

## II. Vision and Strategies

### 5 Vision

- 5.1 **Vision:** "To promote an integrated, reliable, cost-efficient and sustainable logistics system to enhance competitiveness, for the economic development of the State."

### 6 Strategies

- 6.1 The State of Kerala, aims to achieve the vision through the following strategies:
  - 6.1.1 **Creation of Institutional Mechanism:** Formation of State Logistics Coordination Committee (headed by Chief Secretary), to function as a decision-making body with respect to logistics in the State, spearhead implementation efforts of respective departments, facilitate interaction with Ministry of Commerce, Government of India, and other Central Government departments.
  - 6.1.2 Formation of State Logistics Cell (headed by Principal Secretary (Industries)) to strengthen the linkage between forward and backward linkages between logistics and other State projects, explore funding sources, take crucial decisions for implementation of State Logistics Action Plan.
  - 6.1.3 Constitution of City Logistics Coordination Committee for formulation of City Logistics Plan and for on ground development of logistics infrastructure in their respective regions.

- 6.1.4 With regards to urban freight planning, the Kochi Metropolitan Transport Authority has established an Urban Freight Committee to streamline freight movement in Kochi.
- 6.1.5 For implementation of PM GatiShakti programme in the State, an Empowered Group of Secretaries (EGoS) chaired by the Chief Secretary has been constituted by Government of Kerala vide G.O. (Rt) No. 344/2022/ID dated 22<sup>nd</sup> April, 2022. Similarly, Network Planning Group (NPG), Technical Support Unit (TSU) with representatives from various departments have been constituted to support implementation of PM GatiShakti programme in the State. This comprehensive institutional set up will take-up logistics planning in the State and work for integrated planning and comprehensive development of the Logistics sector in the State.
- 6.1.6 **Enabling Infrastructure Development:** The State is pursuing various infrastructure projects to improve the efficiency and competitiveness of the logistics sector. In line with this, projects for last-mile connectivity improvement under the Scheme for Special Assistance to States for Capital Investment (2022-23) include:
- a) Last-mile connectivity and support infrastructure for the Petrochemical Park at Kochi.
  - b) Last-mile connectivity and support infrastructure for the Life Sciences Park at Thiruvananthapuram.
- 6.1.7 To facilitate transportation of goods to and from Vizhinjam International Sea Port, rail connectivity is proposed to the port from nearest railway Station at Balaramapuram.
- 6.1.8 To strengthen the logistics network along the coastal regions, State is constructing a 629-kilometer coastal highway from Thiruvananthapuram to Kasaragod. This highway will connect key areas such as Vallarpadam, Kollam, and Vizhinjam while linking several small ports and harbours.
- 6.1.9 To augment State ware-housing corporation depots at logistically clustered points to Mini Multi-Modal Logistics Parks to serve multiple types of cargo and serve as aggregation points to improve volumes in middle-mile. This would also develop the third-party logistics service provider eco-system.

- 6.1.10 **Regulatory Support:** Logistics Sector has been accorded 'Industry' Status as per Kerala Industrial Policy 2023, to develop the infrastructure and investments in the State.
- 6.1.11 Logistics Park or Mini-Logistics Park, developed under this Policy, will be notified as 'Industrial Area' under 'Kerala Industrial Single Window Clearance Boards & Industrial Township Area Development Act-1999'.
- 6.1.12 A separate Single Window Clearance Board will be constituted under 'Kerala Industrial Single Window Clearance Boards & Industrial Township Area Development Act-1999', for each Logistics Park or Mini-Logistics Park developed under his Policy, to facilitate approvals through online single window clearance mechanism, Kerala Single Window Interface for Fast and Transparent Clearance (K-SWIFT).
- 6.1.13 To develop a benchmarking framework that assesses 3PL (Third Party Logistics) providers with various cargo handling capabilities, to develop third party logistics providers eco-system and evolve into a matured logistics market.
- 6.1.14 **Skill Development:** To develop Strategic skilling plan for logistics covering storage, transport & services. A high-level skilling needs analysis can be utilised to further developed to improve curriculum and skilling plans at various levels.
- 6.1.15 Kerala Academy for Skills Excellence (KASE), the State Skill Development Mission of Government of Kerala, under Department of Labour and Skills, is implementing various skill development initiatives in Kerala to help develop an industry-ready workforce for Logistics Sector.
- 6.1.16 **Labour Law & Headload Workers Law:** As per the omnibus Act 'The Kerala Investment Promotion and Facilitation Act, 2018', an amendment was effected in "The Kerala Headload Workers Act, 1978' in such a way that employer shall engage a headload worker registered under the Act in connection with the work in his establishment. Provided that in the case of works which require assistance of skilled persons and which are to be done with due diligence or require the aid of machinery, such works may be done by engaging the persons having such skill or by the machinery. Since the concept of Logistics Parks involves state-of-the-art facilities with

focus on mechanisation, and automation, suitable amendments in the respective Labour/ Headload Workers Laws shall be explored.

- 6.1.17 **Vizhinjam International Sea Port:** The strategical position of the port along the international shipping route, deep draft, and connectivity to road and rail line makes Vizhinjam port as an ideal transshipment hub. The stretch from Vizhinjam to Kazhakkootam will be developed as a Logistics Corridor.
- 6.1.18 **Incentivizing Private Sector Participation:**
- 6.1.19 **Investment subsidy:** 20% of Eligible Fixed Capital Investment, subject to a maximum of ₹7 Crore for Logistics Park (₹3 Crore for Mini-Logistics Park).
- 6.1.20 **Eligible Fixed Capital Investment:** Investment in Core Components, and Infrastructure Components, excluding cost of land & land development, Technical/ consultancy fee, commissioning fee, good will fee, royalty, Preliminary & preoperative expenses, Interest during construction, and working capital.
- 6.1.21 Waiver of stamp duty & registration charges on lease deed/ purchase of land for setting up Logistics Park or Mini-Logistics Park.
- 6.1.22 Approved Modes of Development of Logistics Parks and Mini-Logistics Parks in the State:

a) **Public Private partnership:**

- i. Land to be provided to Developer by Govt. of Kerala/ State agency.
- ii. Cost of development to be borne by Developer (Design-Build-Finance-Operate-Transfer model)
- iii. Developed land to be allotted to service providers on lease basis.
- iv. To be implemented by a Joint Venture between Govt. entity and private player with Government of Kerala's stake not exceeding 49%.

b) **Private Development:**

- i. Land to be arranged (own/ lease), funds raised and developed by the Developer.

- ii. Developed land to be allotted to service providers on lease or out-right sale basis.
  - iii. Developer to have complete freedom on pricing of facilities & developed land.
  - iv. State Government's role is that of a facilitator for efficient implementation of the Parks.
- 6.1.23 The total Investment Subsidy availed by Developer, including the subsidies of State Government and Central Government, will be limited to 75% of the investment of the component taken into consideration.
- 6.1.24 In case of Logistics Parks developed under Public Private Partnership (PPP), Investment Subsidy will be calculated on Eligible Fixed Capital Investment made by the private entity (investment made by Govt. entity is not considered).

## **7 Validity of the Policy**

- 7.1 The Logistics Park Policy shall come into force with effect from \_\_\_\_\_ and shall continue to be in operation unless otherwise specified or amended.

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