

## **Additional Agenda Item: Constitution of a Task Force to suggest measures for creating an ecosystem for seamless freight movement (Based on agenda note received from MoRTH)**

1. Road transport sector is responsible for about 65% of the total freight volume. The contribution of road transport sector to the GDP is estimated at 4.8% (2011-12). The sector suffers from archaic rules and arbitrary exercise of powers by enforcement authorities. These checks take place at state borders as well as on road at random. Despite improvement in road conditions the average mileage of vehicles has remained almost stagnant over the years due to long stoppages. According to a study conducted by IIM, Calcutta, the estimated loss to the economy on account of these delays is estimated at 6.6 USD Billion. There is an additional cost due to additional fuel consumption also.

2. In depth analysis of the problems at border check posts has revealed that the delays are mainly caused due to physical checking/ documentation requirement by Commercial Tax and Transport Department of the States.

3. The difference in processes adopted and the infrastructure present at different States leads to a huge variation in the time taken to cross inter-state border check posts. For instance, some states such as Maharashtra, Rajasthan and Haryana have removed physical check posts on key freight routes and have adopted risk based verification through flying squads, resulting in negligible time loss at the interstate border check posts in these states.

4. In most of the check posts, while 100% of the vehicles are verified, the number of vehicles detained with non-compliant documentation is less than 1% as seen in a study instituted by the Ministry of Road Transport and Highways (MoRTH). This highlights the case for shifting to a risk based verification process.

5. Such random as well regular checks reduce the efficiency of road transport considerably. According to a study conducted by AT Kearney, the average waiting time for the trucks for documentation checks is to the extent of 10% of the total driving time. There are 20 agencies of the State and Central Governments who have powers to inspect and check the goods transport vehicles plying on road. They are listed as under-

- a. R.T.O of All States enroute.
- b. VAT Officials of All States enroute.
- c. Custom Officials.
- d. Police Officials of All States enroute.
- e. Central Excise Officials.
- f. Income tax department
- g. Food Safety Authority Under FSSAI.
- h. Octroi Officials of States.
- i. Pollution Control Authority
- j. Weight and Measures Authority

- k. Forest Department Officials
- l. State Excise Officials.
- m. Department of Revenue Intelligence.
- n. Toll Gates for Collection NH/STATES & Municipal Corporations
- o. Tax collections in Cantonment areas
- p. Entry Tax Collection in Some States.
- q. District Supply Office Check Post
- r. Movement of Essential Commodities.
- s. Checking for Black Marketing.
- t. Checking for Hazardous Chemicals

6. The waiting time at toll plazas also leads to considerable delays. The issue of toll is being addressed to by roll out of RFID based **fastag** system for e-tolling. This would soon be able to put an end to the waiting time at toll plazas.

7. The e-way bill proposed under GST regime will facilitate seamless transport from commercial tax department's point of view. However, the transport documentation checks, if continued, will not yield desired results for achieving seamless and barrier free freight transport across the country. There is a possibility of utilizing 'Vahan' database of MoRTH and use its vehicle registration number database for generating e-way bills by GSTN. Further, The RFID tags installed on the vehicles can be utilized for establishing identity of the vehicles. The effort will be to minimize the need for physical check and to eliminate the check posts.

8. It is therefore suggested that a Task Force of officers from Finance and Transport departments of some States and MoRTH and DOR, may be constituted to examine the issue of creating an eco-system for seamless freight movement. The Task Force's report can be considered by the GST Council. Subsequently, if required, a joint meeting of Finance Ministers and Transport Ministers of States may be called to discuss the report and adopt a formal resolution to support seamless road connectivity.

9. In view of the above, the GST Council may deliberate on the issue and consider constituting a Task Force of officers of the transport and tax departments of the Central and State governments to suggest measures to achieve the objective of seamless transport connectivity.