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THE RAILWAY BUDGET

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THE RAILWAY BUDGET for 1976-77 presented by Mr Kamalapati Tripathi revealed that, though the country's biggest undertaking is still in the red, its performance during the current year has shown notable improvement. For the first time during the past ten years, the enterprise was able to carry all the traffic on offer and, following the declaration of Emergency, a notable improvement in its working could be reported. The average number of wagons loaded daily reached a record level by December last. That the Railways achieved a significant increase in coal traffic, met the requirements of all major consumers like steel plants, power stations and cement factories and successfully handled the movement of essential commodities like foodgrains, fertilizers, raw materials and finished articles in a particularly difficult year is a proud record. The total originating revenue earning freight traffic, inclusive of departmental traffic, was 206 million tonnes in 1974-75 and 214 million tonnes for 1975-76 (revised). For the budget year 1976-77, the Railway Minister expected the capacity to go up to 225 million tonnes. If this is achieved, it would substantially add to the Railways' receipts. It should be noted, however, that the railway network is still far behind the target fixed for it in the Fourth Plan. The freight traffic picked up in 1968-69 was 204 million tonnes and it was expected to go up to about 280 to 290 million tonnes by 1973-74.

What was achieved in 1973-74 was only slightly above 200 million tonnes. This was expected to reach a level of 280 to 300 million tonnes by the end of the Fifth Plan period, according to the Draft Fifth Plan. From the Plan perspective, therefore, it is clear that the Railways are limping too far behind the national requirements. Unless ambitious projects

continued recently will not be restored, only highlight the fact that the resources at the disposal of the Railways are so unsatisfactory that any major breakthrough in augmenting the carrying capacity will be difficult for some years to come.

The financial picture presented in the Budget estimates shows that the enterprise is still unable to get

Budget at a glance

IN MILLIONS OF RUPEES

	Actuals 1974-75	Revised Estimates 1975-76	Budget Estimates 1976-77
Gross traffic receipts	14081.9	17377.5	19558.2
Ordinary revenue working expenses (net), i.e. after taking credit for recoveries	11862.8	14419.4	15514.2
Appropriation to Depreciation Reserve			
Fund from Revenue	1150.0	1150.0	1350.0
Appropriation to Pension Fund	160.0	245.0	300.0
Net Misc. expenditure (including cost of works charges to Revenue)	172.6	208.7	228.2
TOTAL	13345.4	16023.1	17392.4
Net railway revenue	736.5	1354.4	2165.8
Dividend to General Revenues	1874.7	1982.5	2076.0
Net surplus shortfall	-1138.2	-628.1	+89.8
Operating Ratio	93.5%	91.0%	87.7%

of expansion, modernization and rationalization are undertaken, and implemented according to schedule, the railway system, will be a major constraint to any acceleration of the economy's growth. The two cryptic messages contained in the Railway Budget that no new lines will be taken up for construction during the year ahead and that the 130 trains dis-

out of the tunnel. The total traffic receipts for 1975-76 estimated at Rs 1,670.86 crores have been revised to Rs 1,737.75 crores, but the working expenses placed at Rs 1,298.28 crores have been raised to Rs 1,441.94 crores, and the net traffic receipts, after appropriation to Depreciation Reserve Fund and Pension Fund have come down from the budgeted

figure of Rs 240.61 crores to Rs 156.38 crores. The total expenditure for 1975-76, budgeted for 1,449.98 crores, has been revised upwards substantially to Rs 1602.31 crores. This trend unmistakably shows that the financial strength of the Railways is far from satisfactory. For the year 1976-77, traffic receipts are expected to be Rs 1,955.82 crores and the total working expenses would go up to Rs 1,716.09 crores. The appropriation to Depreciation Reserve Fund has been raised to Rs 135 crores and Pension Fund to Rs 30 crores. The dividend liability to General Revenues has been computed at Rs 207.6 crores. The Railway Minister expected a deficit of Rs 78.37 crores. If he left it uncovered, it would increase the burden on the Union Budget and so he decided to raise the freight rates. A supplementary charge of 5 per cent on freight traffic in wagon loads carried up to 500 km and 10 per cent on wagon loads beyond 500 km and all "smalls" traffic have been proposed to yield an additional revenue of Rs 87.35 crores, so that a surplus of Rs 8.96 crores could be secured. Foodgrains, fertilizers, edible oils, oilseeds, salt, cur shakkar and jaggery have been exempted from these levies. The additional imposts will certainly add to industrial costs at a time when business interests are clamouring for substantial tax relief to enable them to tackle the problem of cost inflation. If the passenger traffic will go up by 4 per cent, "other coaching" traffic by 5 per cent and originating freight traffic by 12 million tonnes next year, as expected by Mr Tripathi, it is not clear whether the additional levies were necessary at all.

That the financial sickness of the Railways continues can be seen from the fact that their indebtedness to general revenues rose from Rs 208 crores in 1973-74 to Rs 379.75 crores in 1974-75. The figure is expected to go up to Rs 492 crores at the end of 1976-77. Their net earnings or payment of dividend to the General Revenues is an insignificant percentage of the Capital-

at-charge, which today has gone up to Rs 4,591 crores. The gap between their costs and incomes appears to be so wide that unless an early attempt is made to improve the efficiency of operation they will fail to serve the growing needs of industry and trade.

A review of the working of the Railways since 1951-52 shows that while in that year on a Capital-at-charge of Rs 850 crores, the Railways earned a net surplus of Rs 28.34 crores after meeting all the revenue charges including payment of dividend, constituting 3.3 per cent on the Capital-at-charge, in the budget year 1976-77, on a Capital-at-charge of Rs 4,591 crores, there will be a net surplus (after the enhanced freight rates) of Rs 8.98 crores constituting 0.2 per cent of the Capital-at-charge! From 1951-52 till 1965-66, the Railways had earned net surpluses varying from 3.3 per cent in 1951-52 to 0.3 per cent in 1953-54 and 0.5 per cent in 1964-65. But from 1966-67 onwards, the Railways have been losing in 8 out of 10 years. Only in 1971-72 and 1972-73 did the Railways earn a marginal net surplus of 0.5 per cent and 1 per cent, respectively, on the Capital-at-charge. The operating ratio, i.e., the ratio of

total working expenses to gross traffic receipts has exceeded 90 per cent in recent years. For instance, the operating ratio in 1973-74 was 93.7 per cent and the deficit Rs 150 crores and in 1974-75, it was 93.5 per cent and the deficit Rs 115 crores. On the other hand, where the operating ratio has been around 80 per cent, there has been a decent surplus to the Railways. In 1971-72, the operating ratio was 83.1 per cent and the surplus was 17.84 crores.

It may also be observed that the performance of all the Railways is not uniform. For instance, Central, South-Central, South-Eastern and Western Railways have always returned surpluses, while North-East Frontier, North-East, Eastern and Southern Railways have been incurring deficits. While the operating ratio of the systems yielding surplus ranges from 65 to 80 per cent, the operating ratio of the systems working at a loss ranges from 90 to 130 per cent. An obvious lesson from the foregoing analysis is that the Railways should shed their complacency and bring down their operating ratio and thus justify the vast investment of nearly Rs 5,000 crores in the national economy.

STATE OF THE ECONOMY

R.V.

WITH REVERENTIAL thankfulness to Providence for blessing the country with good and seasonable monsoons, one breathes a deep sigh of relief that the economy of the country has recovered from several years of distress and is poised for growth and development. The average annual growth rate during the Fourth Plan period was 3.3 per cent, only marginally higher than the rate of growth of our population. As a result, the *per capita* income increased at the rate of 1.2 per cent per annum. The increase in the national income registered during 1974-75 (quick estimates) was a negligible 0.2 per cent and in the context of the growth of population, the *per capita* income decelerated to a minus 1.7 per cent. Against this bleak picture, the projected 5.5

per cent growth in the national income during 1975-76 is a matter for jubilation. If the trend persists, we may look forward to a prosperous quinquennium in which fences may be mended and programmes initiated to withstand the vagaries of nature in the future. The agricultural production, which contributes over 40 per cent of the national income and which suffered serious setback from 1972-73 onwards, has made an astonishing recovery and the estimated yield of 114 million tonnes in 1975-76 betokens prosperity to the nation. With adequate supplies of fertilizers and improved irrigation facilities, the trend is likely to continue. Industrial production, which touched the lowest level of 0.2 per cent growth in 1973-74, recovered to

2.5 per cent in 1974-75. Several steps taken to debottleneck industrial production, such as improvement in power supply, liberal imports of essential materials easing licensing policies, etc., have contributed to the improvement on the industrial front. As a result, the economic survey for 1975-76 expects a 4.5 per cent growth in industrial production.

The most spectacular achievement, however, is on the price front, where a noticeable fall of 8.2 per cent in the wholesale price index has been registered, as compared with the level a year ago. This is indeed not only a remarkable achievement but a unique feature in the still inflation-ridden economy of the world. The Economic Commission for Asia and the Pacific has recently highlighted the control of inflation and achievement of price stability by India. The fine record of procurement of 4.6 million tonnes of kharif cereals at the end of February, 1976, and the projected procurement of 4.6 million tonnes of rice for the whole year encourages hopes of continued price stability. The significant fall in the man-days lost from 30.4 million days in January-June, 1974, to 16.3 million in the corresponding period in 1975 strengthens the view that the country's industrial capacity and communication will be fully utilized. Even the balance of payments situation is not out of control, in spite of the widening gap between the imports and exports. The trade deficit, which was Rs 432 crores in 1973-74, shot up to Rs 1,166 crores in 1974-75. The figures for the first nine months of 1975-76 disclose that our imports mounted to Rs 3,803 crores and our exports lagged at Rs 2,689 crores, leaving a trade deficit of Rs 1,114 crores for the said period. However, the balance of payments position does not cause alarm thanks to the gross inflow of aid in 1975-76 estimated at Rs 1,639 crores. Though the year 1975-76 also witnessed a greater expansion of money supplies by 7.5 per cent, as against 6.9 per cent in 1974-75, the favourable trend in the aggre-

gate output has helped to maintain price stability.

On these premises, the Finance Minister confidently hopes for a 5.5 per cent growth in the national income. In order to achieve a 5.5 per cent growth, it is necessary to have a 6 per cent growth in agriculture and an 8 to 10 per cent growth in industry. While agriculture raises hopes of reaching even higher levels, the performance of industry does not inspire confidence. Even the optimistic economic survey places the industrial growth in 1975-76 at 4.5 per cent. To anticipate a doubling of the growth in 1976-77 borders more on wishful thinking than on reasonable expectation. The survey concedes that during 1975-76, though the imports, disbursements by term-lending institutions and approval by Capital Goods Committee record a higher amount than in the previous year, these indicators do not suggest an increase in investment in real terms in view of the cost escalations. In this context, the Finance Minister's statement that the time has come for a "forward thrust" on the investment front has caused cheer and raised great expectations in the business world. What shape

the thrust will take is beyond anybody's guess, but the obvious direction is towards a larger plan so as to stimulate demand, fresh investment, increased employment opportunities and greater facilities for the weaker sections of society.

The State plans which have been finalised also point in the same direction. The draft plan outlay of the 21 States for 1976-77 amounts to Rs 3,533 crores, as against Rs 2,657 crores for the previous year, representing an increase of 33 per cent over the original estimates. Taking the resources position as a whole, an increase of 25 per cent over the previous annual plan is indicated as not only desirable but also feasible. This will take the plan outlay to Rs 7,300 crores for the year 1976-77. Any larger plan will involve either a drastic pruning of non-plan expenditure to the tune of Rs 400 to Rs 500 crores, or additional deficit financing to that extent. The former, however desirable, is not feasible and the latter, however attractive, is not desirable. Wisdom lies in striking the right size of the plan that would stimulate demand without reversing the healthy economic trends.

THE URBAN LAND CEILING ACT

S. NARAYANASWAMY

WE HAVE been told that the Urban Land Ceiling Act has been placed on the statute book as the fulfilment of a promise made to those who were the victims of agricultural land ceiling legislation that countervailing social justice would be done by subjecting the urban sector to similar discipline.

The Act cuts across of so many civic and urban development policy decisions of governments of earlier years—that the inter-departmental embarrassments, which are likely to be caused, would be at least as great as the embarrassments caused to those who surrender and those who receive bits and pieces of land in urban areas.

DE-CONGESTION

Municipal Town Planning Rules have been framed and Metropol-

itan Development Authorities have been established in many States to protect the cities and big towns from becoming "brick and mortar slums". Suburban development, the concept of satellite towns and well-spaced layouts to enable even people of modest means to have open spaces around their houses, are part of the proclaimed functions of Town and Country Planning, which bodies like the Madras Metropolitan Development Authority are entrusted with. The core of such policy is decongestion.

HIGHER POPULATION DENSITY

If the new Act is to result in surrender of irregular bits of land of all shapes and sizes by those who hold "excess land" is it the idea that they would all get built-out with small houses and the