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COMMENT

Illusion and Reality

WITH THE REPLACEMENT OF RAILway Minister Mr Dinesh Trivedi by Mr Mukul Roy, allegedly to maintain the Trinamul Chief's populist image, the curtain on the grand Indian Railway opera is falling, albeit the precarious existence of the giant otherwise a sacred cow to milch, can no longer be glossed over. While Mr Trivedi defended the 'mild dose' of hike in passenger fares he proposed in his maiden budget, the party he belongs to, refused to subscribe to his idea of 'taking the railways out the Intensive Care Unit'. In truth after a gap of eight years the Indian Railways raised train fares ranging from 8 to 22%. As things stand today, only upper echelons of the society who have money to pay and avail the luxury of AC and Superfast trains will bear the 'brunt of populism' and the common man will be spared for the time being. But meagre relief in passenger fares is likely to vanish in the thin air as the freight charges were earlier revised by 20 to 25% which is expected to fetch the Railways at least 10,000 crore, if not more, annually. Here lies the crux of populism. Everybody knows freight component will have cascading effect fuelling price spiral of essential commodities and monetary inflationary pressure further which has already reached intolerable limits for ordinary wage earners. Not surprisingly Railway Workers' Unions irrespective of their political allegiance supported fares hike, exhibiting their true colour of labour aristocracy in India's organised sector trade union movement.

With rising gross traffic receipts, the railways net revenue after dividends is projected to grow from Rs 1492 crore in 2011-12 to Rs 15,557 crore in 2012-13. Higher net revenue will provide more for the capital fund and the development fund. The working expenses as a portion of traffic receipts, that is the operating ratio is calculated to improve from 94% to 84.9%. Presently, the railways is running out of cash, and is functioning on a loan of Rs 3000 crore, from the government, despite nil salary arrear payments.

The hitherto unchanging structure of the Railway Board has been altered by adding members for public-private partnerships, marketing and safety. Measures on modernisation and safety have been announced, but ability to fulfil internal resource generation targets is not encouraging as statistics jugglery cannot hide the ground reality.

The pre-budget economic survey accepts India's GDP growth rate for 2011-12 as 6.9%, and projects India's growth as 7.6% for 2012-13. The World Bank's latest economic update projects India's growth rate at 7 to 7.5% for 2012-13. The Reserve Bank of India has observed that risks to inflation had increased due to a recent spurt in crude oil prices, a wide fiscal deficit, and a weakening rupee. The RBI has left key rates unchanged, like the Repo rate at 8.5%, even as the survey points to tight monetary policy, as a crucial reason for the growth slowdown.

The budget of the Union Government of India aims to collect Rs 45,940 crore in net revenue from indirect tax collections, and Rs 4500 crore from direct taxes. Lower tax and disinvestment receipts and higher expenditure, primarily on subsidies, has raised the fiscal deficit to 5.9% of GDP, in the revised estimates for 2011-12. The budget provides 36% less (about Rs 25,000 crore) for the petroleum subsidy, at a time when world oil prices have been increasing. Cost push inflationary impact will arise with the increase in excise and service tax rates along with the hikes in prices of petroleum products.

Indian railways have a huge backlog of more than 300 pending projects, such as the creation of new lines, and gauge conversion of existing lines, the cost of such projects is estimated to exceed Rs 1 lac crore. Over a third of the railway budget for 2011-12 has been serviced through a borrowing liability of Rs 20,594 crore. Capital fund has plunged from over Rs 10,000 crore in 2007-08, to a tenth of that currently. Essential upgrade of the railways network has come to a halt. □□□