

Transport in the Second Five Year Plan

A Chhatrapati

Since adequacy and efficiency of transport determines to a major extent the development in productive activity, the proportion of investment assigned for transport in any economic plan must bear a reasonable ratio to that in the other sectors. Failure to take this into account, may well defeat the objective of the Plan. The basis on which the above proportion of investment is assigned under the Second five Year Plan has not been made clear and the target is grossly inadequate.

IT is common knowledge that transport is the life blood of a modern economy. The most acute form of the revelation of this truth occurs when a railway or any other important transport strike paralyses the whole economic life of an industrialised nation. It would perhaps be more correct to state that transport and production are inter-dependant. Just as production depends on adequate and efficient transport, transport cannot flourish without adequate development in productive activity. It is obvious that the success of the 'mighty' effort to increase production envisaged in the Second Five Year Plan may be undermined if the requisite transport facilities to cater for the increase in traffic are not made available.

The authors of 'The Draft of a Draft' and 'The Framework' of the Second Plan appreciate development in transport as a pre-condition to increased production and have provided for it Rs. 950 crores out of Rs. 5,600 crores of total investment recommended by them. Unfortunately, the comments on transport development are confined to a few lines and no details are given as to the basis on which the above proportion of investment is assigned for transport development. The target data is also grossly inadequate. It merely states that the route mileage for Railways will increase from 34,500 miles to 37,500 miles and that the total mileage of national highways will increase from 12,500 to 17,500 and the State roads will increase from 20,000 to 35,000 miles. From such scanty figures it is difficult to judge whether the provision for transport is consistent with the development in other spheres of the economy envisaged in the Plan. The writer can, therefore, make only general remarks on the manner in which the consistency of transport development in a national economic plan can be judged and whether the planned transport investment is adequate for the ends in view.

It has been argued that as transport is an essential pre-condition to

the development of resources, the Plan should give priority to substantial expansion in rail and road mileage to link up still considerable inaccessible areas in the country. This would be a correct approach had there been sufficient total investible resources available to secure economic growth in the soonest possible time as desired by all. As the total capital available is relatively scarce, it would be better to devote just so much of capital to transport development as would cater for the expected growth in traffic owing to the increase in economic activity in other spheres; otherwise the facilities in excess of the immediate traffic requirements would remain idle while other segments of the economy are starved of much needed capital and the overall economic growth would be restricted.

Transport Needs

It is evident that for judging the consistency of investment allocation for transport in an economic development plan, two things must be known. (1) The nature of impact of economic growth on traffic requirements and (2) The nature of transport facilities required to meet the increased estimated traffic needs and their cost. There are unfortunately no economic laws to help determine the relationship between economic growth and

transport requirements. Transport demand depends on a number of variables, the movement of which is difficult to forecast. Transport is primarily a function of space dimension and resource allocation. Thus the location of an industry in relation to the locations of its raw materials and the consuming centres of its finished products will determine its transport requirements. These factors vary in different countries. Hence their experiences in traffic growth cannot be the same. However, studies of growth in traffic in industrialised countries indicate that there is a remarkable similarity in the pattern of traffic growth and this experience can be useful in predicting a trend in traffic needs of a country passing through a similar phase of industrialisation. The figures of relative growth in traffic in the U.S.S.R., and the U.S.A. in table below are very instructive.

In the comparable periods of industrial development in the U.S.A. (1890-1920) and the U.S.S.R. (1928-1937) there is a remarkable similarity in the co-variation of traffic growth and production. It will be observed that the traffic increased nearly 1.7 times as much as the national income and over 1.5 times the output of 6 basic commodities, viz., coal, mineral oil, timber, grains, cement and steel. In the same

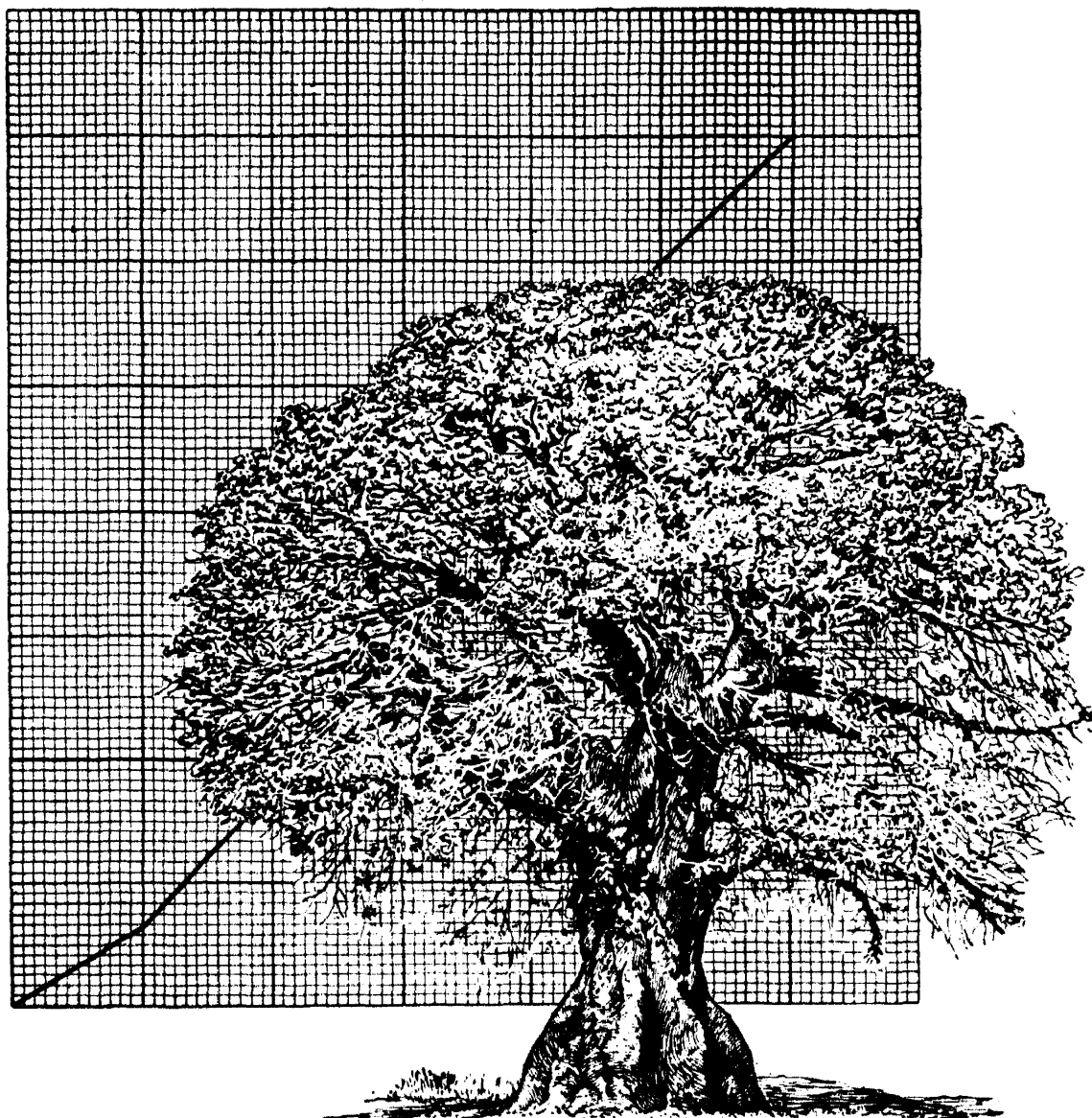
Table I—Relation of Freight Turnover Indices to Production Indices

Year	freight		
	As % of National Income	As % of Gross Agriculture & Industrial output U.S.S.R.	As % of 6 basic commodities output U.S.A.
1928	100	100	100
1937	170	167	152
1940	165	162	157
1948	190	192	161
1950	214	206	178
		U.S.A.	
1890	100	100	100
1900	124	n.a.	n.a.
1910	164	"	"
1920	166	170	157
1939	136	170	229

n.a.—not available

Basic commodities—coal, mineral oil, timber, grains, cement, steel

Source—J.H. Blackman in 'Soviet Economic Growth'.



the sturdy growth of a mighty tree ...

is symbolic of our nation's progress. Rooted in her native soil, maintained by the endeavours of her people, India's chart of industrial and agricultural progress has soared to encouraging heights within a short space of time. We take pride in this progress achieved not by the talents of a few individuals but by the concerted efforts of an united people.



**MAHINDRA AND MAHINDRA
LIMITED**

BOMBAY * CALCUTTA * DELHI * MADRAS

PSMM-569A

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periods passenger traffic measured in passenger miles also increased in similar proportions. The increase in traffic turnover is very largely due to increase in output, but elongation of haulage and higher proportion of output being offered for transportation also increase transport needs.

Pattern of Traffic Growth and Second Plan

Is the above pattern of traffic growth useful in predicting transport requirements in India during the Second Five Year Plan? India like Russia is embarking on a rapid industrialisation programme with an emphasis on steel and other basic industries. The planned rate of increase in national income of 5% is not much lower than the real rate of increase in national income achieved by Russia in 1928-37 estimated at 5 to 6% by Western economists. There is also a marked similarity in the allocation of investment among different sectors.

The nature of traffic facilities available in the two countries is not very different. In Russia, railways have been carrying nearly four-fifths of total freight and nearly 60% of the traffic carried by them comprises the six basic commodities. While in India we do not have accurate statistics of traffic carried by river and road transport, it is apparent that the share of railways is as preponderant as in Russia. Again, the six basic commodities account for nearly three-fifths of traffic carried by Indian Railways. It may also be noted from table III that the growth of traffic outruns growth in national income and also total commodity production as reflected in increased tonnage carried by Indian Railways.

In view of the foregoing it is reasonable to assume that traffic turnover in India will increase more rapidly than national income of total commodity output in the next plan period and it may be nearly 1.5 times the output of basic commodities. No targets of production (or imports) for timber and mineral oil are given in the plan framework. The output of coal, grains, cement and steel however, is expected to increase by 40% during the next plan. On this basis it may be reasonable to assume that the total traffic turnover may increase by 60%. Even if past experience of relationship between national income and traffic turnover is taken as a basis, the total traffic turnover

will increase by about 50% if national income improves by 25% (This is based on the assumption that the relative share of rail traffic has remained constant in the post war years.)

Regional Self-sufficiency and Economy in Transport

It may be argued that the emphasis on small scale and village industries for providing additional consumer goods will reduce transport needs through regional self-sufficiency. Therefore, traffic may not grow as fast as in Russia or in the U.S.A. It would be difficult to estimate the effect of the emphasis on small scale industry on transport, but it may be pointed out that despite the special emphasis on regional self-sufficiency to secure transport economy in the Russian plans, the traffic turnover has outrun growth in production. Again, raw materials usually require more transport space than finished products and there is considerable regional concentration in the production of raw materials. Decentralised industries will, therefore, increase transport demand for raw materials. Further, small scale industries cannot take advantage of bulk transport facilities, e.g., the filling of a 20 ton vegetable oil tank wagon requires one week's output of 104 improved type of ghanis and the transport in tins of the same quantity of oil requires 3 wagons. It would, therefore, be reasonable to assume that the Indian rate of traffic growth will not significantly differ from the experience of other countries.

Coming to the second and more formidable problem of translating

the expected increase in traffic needs into the physical transport facilities required and their cost, one is faced with the task of distributing the future increase in traffic among the various forms of transport, survey the carrying capacity and utilisation of the existing facilities and determine the extra facilities required with cost thereof. The threat of nationalisation, numerous administrative restrictions and heavy taxation make substantial expansion in labour intensive road transport unlikely. The coastal shipping freight rates are considerably higher than the railway rates. Hence the relative traffic share of the railways is likely to increase in future and therefore they will have to increase their capacity more than the expected increase in total freight turnover.

Railways Preponderant

According to the plan framework, the investment on railway development will be Rs. 800 crores and the balance will be spent on the other modes of transport and communications. As regards the effect of railway investment on carrying capacity, the Mahalanobis Draft mentions that the route mileage will increase by 9%, freight ton miles by 40% and passenger miles by 30%. The present route mileage is adequate to carry considerably more traffic, provided the bottlenecks caused by single tracks on certain important routes, limited capacities of marshalling yards and handling facilities at various junctions are removed. This is not to deny the need for extending routes to permit development of specific resources

Table II—Allocation of Investment (in per cent)

	Industry, Power and Trade	Agriculture	Transport and commu- nications	Others
India's Second Plan	42.8	17.1	16.1	24
U.S.S.R. 1928-32	42.8	19.1	18.4*	19.7
1933-37	39.1	19.5	16.4*	21.2

(*include intra city transport and street building etc.)

Table III—Railways and National Income in India

Year	National Income at constant prices (1948-49—100)	Traffic Ton/Miles (1948-49—100)	Freight Tons (1948-49—100)
1948-49	100	100	100
1949-50	102	112	110
1950-51	102.3	119	112
1951-52	105.9	128	118
1952-53	110.1	127	119
1953-54	115	130	120

necessary for the expanding Industries. These are, however, matters of detail to be examined by the planners. But it would appear that the increase in rolling stock planned might prove grossly inadequate, as the traffic turnover is likely to increase much more than 40 percent. The figure of Rs. 800 crores for Investment in railways is only 2/3rd of the 1,200 crores estimate publicised by the Railway Minister and the figure of Rs. 1,305 crores reported to have been recommended by the Ministry to the Planning Commission. The cost of Increase in facilities needs to be investigated carefully.

The framework gives no target for increase in shipping tonnage, and no allocation of investment to this form of transport appears to have been made, although the reliance on foreign shipping has received considerable attention recently. It has been reported that an investment of Rs. 80 crores may be provided for shipping with a target of 1 million (gtw) tonnage which will be only half of what was expected to be achieved by 1955. There is, again, no mention of civil aviation in the Framework although it is reported that four more latest

aircrafts will be purchased by Air India International at a cost of Rs. 10 crores and the Indian Air Lines have plans to buy Viscounts and will need more aircraft for replacement. Further, all State Capitals are to be provided with airports.

The importance of roads and road transport to link up villages and carry the products of village industries cannot be underrated. It would, therefore, appear that the allocation for transport development is not consistent with the task it is expected to perform and the various policy pronouncements made in this field.

Towards Developmental Banking

Sukumar Chakrabarty

A monetary policy directed towards stimulating fuller employment—nothing less would be adequate after Avadi—will run up against heavy odds in the absence of a bill market or acceptance credit.

The State Bank of India, with its enormous resources and national outlook, may well be able to remedy this deficiency and impart greater elasticity to the credit supply, both rural and urban. But will the State Bank do it?

THE Avadi resolution adopted by the Congress has placed on the Government the duty to introduce a socialistic pattern of society. One of the implied requirements of such a society is full employment—everybody fit for employment must have a job. The progressive realisation of full employment is possible only when the financial institutions are so developed that an appropriate monetary policy can be pursued so that money supply is adequate to pay for everyone's products or service.

The monetary authority creates currency notes. The banking system supplements these currency notes with its own creation of bank money. These two make up the money supply of the country. In advanced countries like the U.K., money supply through the banking system is as large as four times the volume of currency notes supplied by the Central Bank. Mechanism for the expansion and contraction of money supply has been so perfected that supply can be adjusted to requirements within a short time. In underdeveloped countries the volume of bank money is much less than of currency notes. In India, for example bank money forms only one-half of the notes in circulation, and the mechanism to regulate supply according to requirements is little developed.

It is therefore very difficult for Government to embark on the colossal task imposed on it by the Avadi resolution. To create jobs for millions, Government must gear up the banking system so as to make it supplement the notes-in-circulation with its own created money according to requirements. Indirect control of the banking system through legislation has not succeeded in evolving a credit structure on which a programme for full employment can be based.

Reversing Flow of Credit

Agriculture, which gives employment to some seventy per cent of the population, has been neglected by the banking system. Not only that, the banking system has deprived this sector of resources by attracting most of the money to the urban areas and keeping the agricultural economy dry. The All-India Rural Credit Survey Report was therefore led to recommend an integrated credit structure with the help of Government-owned banks to make good this deficiency. Banks as at present constituted, are no in a position to supply the financial requirements of the rural areas as it does not bring them adequate returns.

To subsidise existing banks to maintain or extend their rural service will not be equitable as it will mean paying a premium to the banks

in proportion to their inefficiency to maintain adequate money supply which is their basic duty. If any subsidy is to be given for maintaining the rural money supply, it had better be given to a State organisation the benefits from which will accrue to the people and not to a few bankers and a few thousand share holders.

Viewed against this background, nationalisation of banks appears to be the natural evolution of our monetary system. The charge of appropriating the scope of the private sector cannot be brought against the nationalisation of banks. State ownership of banking is not a new phenomenon. In Italy most of the big banks of national importance are owned by the State since the last century. In France all the 6 big deposit banks were nationalised in 1945. After the second world war, Government-owned commercial banks are operating in Pakistan, Burma and Indonesia. Banks have ceased to be private enterprise in the ordinary sense of the term.... they are a national enterprise. Moreover, in most countries banks no longer do business with their and depositor's money alone. They rely on the Central Banks not only for their money requirements but even for maintaining their own liquidity. The most liquid of bank assets cease to be liquid at times of crisis and central banks have to maintain