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Rail freight hike will have cost push effect on industry

HT Correspondent

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The apex chambers of commerce and industry have described the proposed hikes in railway freight and passenger fares as inflationary and one that would have a cost push effect on the industry.

The president of Associated Chamber of Commerce and Industry (ASSOCHAM), Mr N. M. Duldhoya has said the freight increase, apart from having all round cascading effect on prices, would adversely affect the industry, a section of which is already beset with recession.

Mr Duldhoya has said that at least a part of the increase could have been offset by eliminating non-essential expenditure, increasing operational efficiency, conserving energy and raising all round productivity, and achieving greater efficiency in existing activities.

Even though recognising the need for augmentation of resources to enable the railways to finance its various upgradation projects, Dr Duldhoya of ASSOCHAM has said that the increase in fare and freight has come at a time when the year 1992-93 has witnessed negative growth in originating passenger traffic and decline in the growth rate of revenue earning freight traffic as compared to the last year.

Referring to the increase of 10-12 per cent in freight charges and increase in the to-pay surcharge on coal from five to ten per cent, the Federation of Indian Chambers of Commerce and Industry (FICCI) president, Mr Kantikumar R. Podar said, it was bound to have a cost push effect on industry. At a time when certain sectors of industry are passing through recession, the all-round freight increase would aggravate the situation, he said.

Surcharge on freight on coal, coupled with the recent hike in coal prices would in particular make the basic industrial input costly not only to industry but also to thermal power stations and captive power plants, he said. Also, the rationalisation of the freight charges on less than wagon load would hike up the freights of raw materials and final goods especially to and from the SSIs. The withdrawal of exemption from freight increase of commodities mainly grains and pulses, sugar, diesel and oil cake would adversely affect the common man, he said.

cent in both passenger and goods freight charges coupled with the enormous surcharges imposed on passenger would add to the difficulties of the travelling public and would have an overall inflationary affect on the economy, he said.

Reacting sharply to the Railway Budget, All India Manufacturers' Organisation (AIMO) president Vijay G. Kalantri said that the proposed ten per cent hike in rail freight and increased passenger fares would have an adverse impact on the trade and industry and a cascading effect on prices all round.

He pointed out that the fresh burden has come at a time when the industry has yet to recover from the adverse effect of demand recession and recent hikes in the prices of coal, steel and other inputs.

Mr Kalantri felt that the export sector should have been spared from the proposed freight hike, to make our products competitive in international market.

Prof. J. D. Agarwal of the Indian Institute of Finance has welcomed the budget as a non-inflationary, pro-poor and soft, under the present economic and political conditions.

US industry to take on Airbus inroads

From N. C. Menon

WASHINGTON, D.C., Feb. 24

President Bill Clinton on Tuesday pledged to correct unfair foreign competition that undercut American industry.

Mr Clinton was speaking to workers at the Washington State headquarters of Boeing Aircraft Company, whose managers announced last week that they would lay off 28,000 workers in the next 18 months.

The US President was particularly critical of European subsidies for the Airbus, the multibillion dollar project by Britain, France, Germany and Spain, which had made life difficult for Boeing and McDonnell Douglas, the US aircraft manufacturers.

Mr Clinton blamed the Bush and the Reagan Administrations for the European aircraft maker's market penetration here. Both administrations had declined to intervene, leaving it to market forces to reach equilibrium.

After a private meeting with airline executives, Mr Clinton acknowledged that the Bush Administration had won a promise last year from Europe to reduce Airbus subsidies. He wanted to make sure that the promise was being fulfilled. He designated US Trade Representative Mickey Kantor to pursue the issue in the GATT talks.

"A lot of these layoffs would not have been around if not for the 26 billion dollars we sat back and left Europe plow into the Airbus," Mr Clinton told Boeing workers.

"It is indeed ironic that the United States, which for so long has led the world in the production of airplanes and in the development of sophisticated, consumer-oriented services through commercial carriers, has had three years in which more money has been lost than was made in the previous history of the airline industry," Mr Clinton said. "And I can tell you from my study, very little of that is your fault."

Earlier in the day, Mr Clinton and Vice-President Al Gore announced a new technology policy that emphasised the Government's role. The four year, 17-billion-dollar technology initiative embraces government and industry cooperation to create new technologies and nurture innovative small firms.

"The underlying spirit is that it is time we got away from such an adversarial relationship between the Government and the private sector," said Dr Jack Gibbons, the President's Science Adviser and head of the Office of Science and Technology Policy. "Where our interests are mutual and line up, let us go for it."

Mr Podar however complimented the Railway Minister for introducing the consecutive third surplus budget.

The Railway Budget is likely to go against the Government's attempts to contain inflation at around five per cent, Dr J. J. Irani, president, Confederation of Indian Industry (CII), said. Dr Irani said that the Indian industry would be badly hit due to the across-the-board increase in the freight rates for a whole range of items.

The removal of certain essential commodities from the tax exemption list as also the five per cent increase in coal surcharge would adversely affect the poor as these were mass consumption commodities. This, he said, would have its cascading impact on the overall prices and demand thereby negatively affecting industrial production and growth.

The CII president said that the marginal increase in the plan size by about 14 per cent from Rs 5,710 crore to Rs 6,500 crore appears marginal in view of the fact that a major thrust needs to be given to the infrastructure sector.

Mr K. N. Memani, vice-president, Federation of Indian Export Organisations (FIEO) expressing his satisfaction at the continuation of exemptions on certain essential commodities like salt, kerosene, sugar, edible oils, fruits and vegetables, chemical and organic fertilisers, said there was no logic in the removal of the exemption on grains, pulses, diesel and oilcakes, as any increase in their freight charges would have a "direct bearing on the common man's cost of living, besides being inflationary."

However, Mr Memani was happy at the stress placed on improving the quality of service and increasing the number of trains and their frequencies which, he says, would certainly boost travel and tourism.

Mr Memani was disappointed that the question of privatisation has got limited to that of catering. Businessmen, Mr Memani says, expected that the railways would extend the scope for their participation in this sector's growth.

President of the PHD Chamber of Commerce and Industry (PHDCCI) Ch. Devinder Singh has stated that the Budget proposals were overall inflationary.

Mr Singh particularly expressed concern over the withdrawal of concessions in freight to essential items and imposing a 10 per cent extra hike. Also, across the board hike of 10 per