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APSRTC Merger Another Air India in the making?



Roma is an enterprising kid from the sprawling slums of Dharavi. Everyday she watches airplanes or the big 'birds' as she likes to call them and constantly wonders whether she'd ever get an opportunity to fly on one. The thing with airplanes is that, to the uninitiated, they are wondrous objects capable of stirring their imagination. Ironically, for the Government of India, they have increasingly

become an albatross around the neck. We are left wondering how the Union government even entered civil aviation in the first place. Maybe it was the compulsion of the socialist era in the aftermath of independence when the government sought to assume an all-encompassing role in the economy. Today, however, Air India is carrying an estimated [debt burden of around Rs. 50,000 crore](#). The Government

of India is trying to do everything it can to relieve itself of this burden so that taxpayers' money can be put to productive use. There is a lesson to be learnt here - don't take up something that is beyond your realm. For the government, [the realm covers](#) security of the State, maintaining law and order, infrastructural development (roads, sewerage, water supply etc.), education and healthcare. When you venture outside the core functions vested in you, it ends in disaster as the case of Air India clearly shows. Yet, we don't seem to be learning from our mistakes. The most glaring instance is the recent proposal to merge APSRTC with AP government. It has grave implications.

APSRTC in its current form dates back to the 1950s when it was constituted under the Road Transport Corporation Act, 1958. Prior to that, it was setup under the Nizams in 1932. Later, the Department of Transport oversaw it. Its constitution

under the RTC Act, 1958 was a welcome step as it could function as an autonomous organization, have control over its finances and resource personnel, and consequently be free from government interference.

However, in reality, the picture is different given that it has a loan burden of nearly Rs. 6,500 crore. Among others, this can be attributed to artificially low fares and populist compulsions given its welfare objective of providing cheap transport to the masses. The simple solution to overcome this would be to not kowtow to government pressures and instead run it like a corporation as it was meant to be in the first place. In fact, the next logical step would have been to setup an integrated transport authority encompassing road transport, metro, etc. where all of them are accessible and usable through a single transport smart card. But the decision to merge APSRTC with the State

government upsets the logical linear progression.

Implications of the APSRTC merger

APSRTC has a loan burden and current liabilities of around [Rs. 6,445 Cr.](#) Post-merger, 53,261 employees of RTC will end up on the state's payroll which will aggravate the burden on the already constrained fiscal capacity of the state. Also, APSRTC's debt will be added to the state's debt burden, which will impact the state fiscal responsibility and budget management (FRBM) limits. AP is already highly debt-ridden following the bifurcation of undivided Andhra Pradesh in 2014. So far, the [Union government's commitments](#) to AP to overcome handicaps due to bifurcation have only been partially met. The net result is a precarious fiscal situation which would also mean reduced spending. While revenue expenditure including salaries and pension components cannot be cut down, it is highly likely

that expenditure required for healthcare, education and infrastructure is reduced to tide over fiscal disruptions due to the merger.

Of course, proponents of the merger argue that state employees will benefit from the merger, underserved areas in remote corners of the state will be revived and the aging fleet of buses may get a fiscal boost for repair and replacement. But the demerits outweigh the so-called merits. So, what could have been a better alternative?

The RTC should not only have been left to function as a corporation but an integrated transport model encompassing metro, bus services, etc. could have been introduced. It would do wonders for public transport in AP. Although there have been proposals for an integrated transport authority and use of a single smart card for public transport in NITI Aayog documents, in reality, things have not yet taken off. If the

APSRTC merger is anything to go by, the situation has only regressed.

Transport for London (TfL) - A model for emulation



[Transport for London \(TfL\)](#) is a very good example of an integrated transport system. It was set up as a statutory authority under Greater London Transport Authority Act, 1999. It functions autonomously and raises its own revenue through fares, advertising, grants from the government, etc. For every pound spent, 70% of it is used for everyday operation costs and 30% is used for its long-term improvement. Today, London is a fine example of a city with a robust public transportation system providing high quality services. If there's anything to be done in the domain of public transport, an integrated authority like TfL is the need of

the hour across the States of India.

Economy and efficiency constitute important principles in public policy. Merger of APSRTC defies both these principles as it may eventually severely burden the state exchequer and end up throwing a spanner in efficient functioning of RTC. Oscar Wilde once said, "There are only two tragedies in life: one is not getting what one wants, and the other is getting it." The new CM of Andhra Pradesh has got what he wanted - a decisive mandate winning a whopping 142 out of the 172 seats in the State Legislature. Now, he has many promises to fulfil and the fiscal space is limited. He cannot afford to squander them by undertaking decisions such as the RTC merger which may diminish AP's fiscal space by creating an 'Air India' on road.

- Mourya Krishna C