

## Tata's Rs.100,000 car: boon or bane for India?

It looks as though Tata's Rs.100,000 car will be a reality next year. It is now being praised all over the world as India's shining moment ushering in a new automobile era. When seen in the background of India's energy crisis, it shows India's total lack of preparedness and long-term planning failure.

On the part of Tatas, they have acted in a responsive and responsible way to deal with market realities. India's consumers are demanding better and more comfortable private vehicles at affordable cost with greater safety than two wheelers. But who is responsible for such a market? Why is the government least concerned about the detrimental impact this project will have? The Integrated Energy Policy report of 2006 brought out by the Planning Commission has clearly shown India's precarious energy supply/demand scenario.

A well known American magazine Forbes has described Tata's car as 'People's Car' and compared it to Ford's Model T, Volkswagen's Beetle and the British Motor Corp.'s Mini, all of which put a set of wheels within reach of millions of customers. It was this development that resulted in the US getting addicted to petrol. Will this be a happy development for India?

When the US, [Europe](#) and other developed countries were getting addicted to petrol, there was no fear of the world running out of petrol. The US has spent billions on developing its super efficient expressways and highways. Still some of them become virtual parking lots during busy hours. One of the biggest worries while planning to reach any place on time is traffic jams despite having personal cars. The development of private auto culture resulted in the slow deterioration of the once efficient US railway system.

Europe also followed in the footsteps of the US. But the EU countries did not allow their railways to deteriorate. Japan continued to develop its railway system and has now super fast trains. This has helped both the EU and Japan to stabilize their petroleum demand as their economy expanded since the first oil shock in 1973. The US is finding it difficult to get over its oil addiction. China has also decided to follow the US model. Its petroleum demand is growing rapidly as it switches from cycles to four wheelers in the name of development.

Unfortunately, India without strategic thinking is following the wrong examples instead of setting its own example to the rest of the world. In 1971 we had just 0.54 million two-wheelers and an equal number of four-wheelers. By the end of 2001, our two-wheeler population had exploded to more than 41 million and car population to only about eight million. Currently India has eight cars per 1,000 population. This is something we should be proud of and not quote the US or European statistics. In the case of the US it is more than 770 and for Europe it is more than 500.

In the 1980s and 90s, as Indians started to move from public transportation to private transportation mode using two wheelers, road congestion started to worsen while India's petrol demand started to increase rapidly. Now with Tata's Rs.100,000 car, which is likely to be followed by those of other manufacturers, families with two--wheelers will graduate to four-wheelers as happened in China from cycles to cars.

It took 30 years for the car population to increase 10-fold when cars were expensive. But with a lower car price and higher disposable income, this may happen quicker. In less than 15 years such

a phenomenal growth took place in the case of two-wheelers.

No doubt the development of the automobile industry will have a multiplier effect and India's gross national product (GNP) will increase. But this GNP growth will also make life intolerable in urban areas where traffic congestion has already reached a critical level. Just one look at [Bangalore](#) is enough to convince any one.

We should learn from the example of city-state of Singapore that has succeeded in implementing draconian steps to reduce the automobile population. It has very high duty on cars and also it imposes high tolls for some of the congested roads during busy time. At the same time it has improved public transportation to reduce the need of having a private vehicle.

But in India, we do not have an integrated policy to take a look at different parameters affecting petroleum consumption despite having an integrated energy policy. These factors are: possible explosion in car ownerships when Tata and others introduce the Rs.100,000 cars, privatising public transportation to reduce cost and improve efficiency, massive investment in railways to improve the infrastructure, restructuring railway organizations to increase productivity and adapting minimum mileage standards for automobiles.

There is no need for the government to interfere with the market as they did during the licence-quota-permit raj to prevent Indians from getting addicted to petrol. But by adapting proper policy measures regarding the above-mentioned subject, the government can indeed reduce petrol and diesel demand so that India's energy security is not compromised. This is easier said than done. There will be resistance from the private automobile industry to impose high duties on cars.

Labour Unions will be unhappy at the prospect of privatisation of public transportation and also the political class which has learnt the fine art of monetising their influence. When Railway Minister Lalu Prasad is praised though wrongly for the 'efficient' operations of railways, there is no compelling force to bring about the needed massive reform in managing Indian railways. It is still not too late. If we act now, we can avoid being addicted to petrol and avoid the difficult and more expensive steps later.

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