

OPINION

Dinesh Mohan: The Nano confusion

Dinesh Mohan / New Delhi January 20, 2008

A car is not just a more expensive two-wheeler, which is why the low price of the Tatas' latest car may not spur more buying.

When Ratan Tata announced his ambition of producing the one-lakh car, I very wisely informed my friends that such a cheap car would not be able to meet the European offset frontal impact standard. This standard requires a car to hit a barrier head-on so that 60 per cent of its front takes the impact at 56 km/h (Standard ECE R-94). My reasoning was that if the Smart (one of the smallest cars in Europe) sells for more than Rs 4 lakh in Europe, then how can we produce a safe car at such a low price? On March 10, however, Tata unveiled the Nano and announced that it will meet the European frontal impact standard, proving many of us wrong!

In his speech, Tata also assured that "Dr Pachauri need not have nightmares," (in reference to pollution) as the car would meet all Indian emission norms and eventually the latest European norms. However, the debate continues with some going overboard to declare the launch of this car as a transportation revolution, an event as significant as the launch of the Model T by Henry Ford, and even a happening that may destroy the brahminical order in the country!

Others are worried that congestion will increase manifold and push up pollution to unbearable limits. Yet, demands have already been made that it would be unfair to the launch of the Nano if the government does not widen roads and build more expressways immediately at the expense of the general public.

It is worth examining the possibilities as the dust settles after the hype. The first issue is whether the Nano will put a car in every family's front yard. We seem to forget that Rs 1-lakh cars (and cheaper ones) have been available for some time in India. They are called used cars. These days you can get an air conditioned car in reasonably good shape for less than Rs 1 lakh. Yet, motorcycle users have not shifted to using cars in droves. The reasons are quite logical.

The monthly cost of running a car includes your monthly loan payments, cost of petrol, insurance, periodic servicing, maintenance and repairs of dents and damages. When the Nano is sold after about a year, its price after inflation and taxes is likely to be around Rs 1.5 lakh. The typical monthly payment for a loan of this amount is about Rs 2,700 and that for a Rs 2-lakh Maruti about Rs 3,400. For an active young person, petrol is about Rs 3,000 a month, insurance and other expenses a minimum of Rs 1,000 a month. So, a total of Rs 6,700 a month for the Nano and Rs 7,400 a month for the Maruti. An actual saving of about 10 per cent per month which is not enormous.

A middle class family generally cannot spend more than 15 per cent of its income on transport. To spend about Rs 6,000 a month on the Nano, your income should be more than Rs 40,000 a month. In Delhi, the richest city of India, only 30 per cent families earn more than about Rs 25,000 a month. Clearly, even with cheap cars available, less than 20 per cent of the families can own a car on Delhi and much fewer in other cities. That is why the motorcycle with its low maintenance and running costs will not get displaced by cheap cars.

The motorcycle, in spite of being a hazardous mode of transport, is still attractive for young people because of the ease of parking and manoeuvrability in transport, including getting to the front of the line at the traffic light. A middle class family in large cities lives in a small flat where there is little space for parking and a junior person does not get parking at the work place either. So, I do not expect too many motorcyclists to shift to the Nano. Ultimately, Nano's success will be decided on how it performs on the road, noise levels, rattles and after sales service, and comfort levels at 80 km/h when a truck overtakes you.

Congestion is not influenced by the number of models sold. The total numbers of cars already available is enough to ensure endemic congestion on roads. Car ownership in Delhi at present is less than one fifth London's, and both cities have a similar amount of road space available! The American experience

is ample proof that no amount of road widening or use of electronic technology reduces congestion. The latest report from the Texas Transportation Institute shows that in the past 25 years, congestion has increased in every single urban area in the US in spite of all investments in transit and road construction.

This filling up of the roads decides the amount of pollution. Therefore, pollution in a city will firstly depend on the amount of area a city devotes to roads and then the kind of vehicles that will ply on those roads. Once the road surface area is decided, we have to minimise the pollution from each vehicle present there. On that account, if the Nano complies with the latest emission norms and has a small engine, it will pollute less than the bigger cars on the road.

So it is not Pachauri or Sunita Narain, but the executives of Maruti Suzuki who are likely to get a massive headache. If Tata is a car manufacturer, we cannot expect him not to make more cars. We can only expect him to give us cleaner and safer cars. For that, we have to complement Girish Wagh and his team for leading a successful team and producing the Nano. Such successes give a great deal of pride to young professionals and hope for their future. Without pride in innovations and inventions, no society can really create a future for itself. But the issue remains, what kind of a future do we want and who do we include in it?

If some of us think that cars are not good for clean air, then our policymakers have to create conditions that make it unprofitable for Tata to produce such cars. This can only be done by putting an end to direct and indirect subsidies for car owners. By placing severe emission norms for cars, charging the real estate price for parking, instituting annual registration fees that pay for road building and maintenance, and charging a pollution and CO2 cess in proportion to emissions. Are we willing to do this?

If the term "people" includes more than 70 per cent of the population, then there can be no "people's car" in India. But, we can have transport for people. Tata has been accused of not worrying about public transport. He can prove all of us wrong again by producing the cheapest air-conditioned low-floor urban bus in the world for Rs 20 lakh!