

Speech of
Sri YS Jaganmohan Reddy
Hon'ble Chief Minister of Andhra Pradesh

June 18, 2019

Speaker Sir,

I wish to begin by bringing to your kind attention the distressing situation prevailing in the State of Andhra Pradesh. The erstwhile State of Andhra Pradesh was bifurcated in unjust and inequitable manner against the wishes of majority of the people. The fact that bifurcation would cause serious economic and financial hardships and unjust balance from jobs perspective to the successor State of Andhra Pradesh was completely ignored at the time of bifurcation.

It is crystal clear that the disastrous consequences of bifurcation could be mitigated only by achieving Special Category Status. Therefore, the reason for my statement today on the subject of Special Category Status has become necessary because the previous government failed to secure Special Status for the State, though it enthusiastically passed resolution thanking the central government for the package. In this context, I would like to articulate the aspirations of five crore people of our State, by appealing to the central government to grant Special Category Status.

Andhra Pradesh inherited nearly 59% of the population, debt, and liabilities of the erstwhile Andhra Pradesh, but only 47% of the revenues. The Fourteenth Finance Commission estimated that post devolution revenue deficit for Andhra Pradesh for the five-year period 2015-20 would be Rs. 22,113 crores and for the same period the newly formed Telangana State would have a post-devolution revenue surplus of Rs. 1,18,678 crores but in reality, our revenue deficit in the past five-year period stood at a whopping Rs. 66,362 crores.

You are aware that Hyderabad emerged during the last several decades as a super economic power house, as is the case with several other capital cities in the country. To give a perspective, of the Rs. 57,000 crores of Software exports from Andhra Pradesh for the year 2013-14, Hyderabad city alone accounted for Rs. 56,500 crores. The present State of Andhra has essentially remained an agrarian State, with low economic buoyancy, leading to huge revenue disability. This is evident from that fact that the per capita revenue for 2015-16 financial year of Telangana stood at Rs. 14,411, whereas the same for Andhra Pradesh was Rs. 8,397.

Mindful of the plight of the successor State, the Parliament assured the nation, especially the people of Andhra Pradesh, that it would be granted Special Category Status for a five-year period as a precondition to bifurcation and the residuary state would be adequately compensated through a number of development interventions, investments, and direct financial assistance to mitigate the economic hardships.

However, the promises made in the Parliament by the ruling as well as the opposition parties while bifurcating the state have remained unfulfilled leading to great financial

and social distress in the State. The debt of the residuary state which was Rs 97,000 crores at the time of bifurcation has reached a whopping Rs. 2,58,928 crores in these five years by 2018-19. The interest on the debt alone is projected to be over Rs. 20,000 crores per annum, in addition to the repayment of principal to the tune of another Rs. 20,000 crores. Further, there are huge contingent liabilities in the form of guarantees given for loans availed by the State Government entities. While on the other hand employment generating potential has dropped so drastically that our children are leaving the state scouting for jobs. Given this disheartening scenario, I wish to emphasize that grant of Special Category Status is an essential imperative to compensate the State for the economic and financial deprivation and help launch it on the path of development trajectory.

The grant of Special Category Status would mean higher grants-in-aid to the State Government. To illustrate, the per capita grants to the Special Category States is Rs 5,573, whereas Andhra Pradesh received only Rs 3,428. Moreover, the grant of Special Category Status assumes significance because states which have special status alone enjoy special industrial incentives such as Income Tax exemption, exemptions pertaining to GST, other concessions, etc. Such special incentives are vital for our agrarian state, as it would enable rapid industrialisation leading to improved employment opportunities for the youth and overall development of the State.

We need super speciality hospitals, five-star hotels, manufacturing industries, high-value service industries such as IT, premier institutions of higher education and research to transform the economic architecture of our State, which is possible only with Special Category Status. Such being the reality it is disheartening when we hear several rumours and excuses for non-granting special category status.

It is rumoured that my state has not been granted special category status owing to the Fourteenth Finance Commission. In this regard, I would like to set the record straight by placing this letter written by none other than the distinguished member of the 14th Finance Commission, Professor Abhijit Sen, wherein he explicitly states that, "the 14th Finance Commission did not recommend the abolition of Special Category Status'. This letter of his, I place before this August house for your kind perusal

It is also important to recall that the Union Cabinet, then which met on March 02, 2014 had also resolved to accord SCS to Andhra Pradesh and instructed the then Planning Commission to take expeditious action to implement the decision. However, due to lack of persuasion by the previous state government, the file remained without any action in the Planning Commission until its abolition on January 01, 2015 when NITI Ayog came in to existence. Hence, it is crystal clear that there are no impediments whatsoever to conferring SCS on Andhra Pradesh. This cabinet approval is placed for your kind perusal

Another widely rumoured argument is that few other states may demand SCS. Therefore, let me address this issue as well. This august body is aware that in the history of this country no other state was bifurcated with a pre-condition that special category status would be accorded to compensate the economic and financial hardships such bifurcation would entail, which was supported by both ruling and opposition parties that had representatives from all the states. This is also the first time that the state demanding bifurcation took away the capital city that contributed significant revenues, while the residuary state was denied the capital city. How is it fair that the Parliament is justified to have the capacity to bifurcate the State against the majority wishes and yet again does not have the capacity to honour the very word given as precondition to bifurcation.

From the above, it is abundantly evident that Special Category Status is the Life Line for the State and essential for its development. In this background, I am making this statement on behalf of five crore people urging the central government to grant Special Category Status without further delay.

SECRET

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Case No. 09/13/2014

Other Item 3

Bifurcation of the State of Andhra Pradesh and formation of a new State of Telangana - Amendments to Enactment of Legislation - Amendments to "The Andhra Pradesh Reorganisation Bill, 2014".

The Cabinet considered the note dated 01.03.2014, circulated in the meeting, from the Ministry of Home Affairs (Grih Mantralaya) and decided that the Andhra Pradesh Reorganisation Act, 2014 be amended on the lines proposed in paragraph 3 of the note and in clauses 2, 3 and 4 of Annexure B by introducing an appropriate Bill in the next session of the Parliament with such changes of drafting and consequential nature, as may be considered necessary, in consultation with the Legislative Department.

2. The Cabinet further directed the Planning Commission to implement the decision to grant Special Category status for a period of five years to the successor State of Andhra Pradesh comprising thirteen districts.

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query

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The 14th FC did not recommend abolition of special category (SC) status. It merely decided to discontinue the practice of distinguishing between SC and non-SC states for computation of FC's recommendations of devolution and grants. The Centre was free to retain the distinction for plan and for non-statutory non-plan grants.

Abhinav

Country Head, Proton

Tue, Aug 2, 2016 at 10:42 AM