PUBLIC ROAD TRANSPORT : INDIAN TRENDS

Although tracks of travel by human beings and animals existed from time immemorial, mechanized road transport has a short history in India. The role of mechanized transport in India started in the beginning of the nineteenth century and the first motor vehicle was imported to India in 1898. For several years it remained the novelty and luxury indulged in by princes and by the rich. With the steady increase in the number of vehicles, there were several provisional enactments to control and regulate their movement with a view to safeguard the lives of pedestrians, and for the purpose of the registration. The (Indian) Motor Vehicle Act 1914 was the first all India enactment dealing with control over the operation of vehicle.

The growth of road transport in India actually began in the early 1920’s as the diversion of surplus army vehicle to civil market after the First World War. The growth was unprecedented and by the end of 1920’s there were a large number of vehicles operating in various parts of the country. The mushroom growth of private vehicles led to unhealthy competition and even rate cutting among operators. Having realized the evils of unbridled competition the Government made various attempts through legislative and administrative measures to control the multiplicity of bus operators but without any applicable results. The Indian Motor Vehicle Act 1914 could not cope with the new pressure and had to be supplemented by enactment made in various provinces in order to introduce some degree of regulation and control. “In the late 1920s the problems of unhealthy competition became more acute and the shrinkage of traffic accentuated by the
world-wide depression had brought to the fore the need for regulation of the transport industry, both internally and in relation to the railways.¹

The organization of the commercial road haulage in India really began shortly after the World War I. The boom conditions assisted and induced the operators to demand more and more vehicle to be used for transport purpose and gradually the passenger and goods haulage showed signs of progress. Consequently, the number of motor vehicle of all kinds imported in to India went up from 4419 in 1913-1914 to 25950 in 1927-1928. The motor transport was totally under the private sector, which emerged as a competitive force to the railways owned by the government. In order to protect the railways, the government wanted to impose conditions and as such a number of committees and study groups were appointed to regulate and restrict the transport industry. They are: 1. The committees and study groups appointed by British India and 2. The committees and study groups appointed by Independent India.

¹ The Indian Motor Vehicle Act 1914, Government of India, New Delhi.
COMMITTEES AND STUDY GROUPS CONSTITUTED BY BRITISH INDIA

The Jeyakar Committee - 1927

During the year 1920’s the road conditions in India were very poor. In order to improve the conditions, the British Government in India appointed the ‘Road Development Committee’. In 1927 under the Chairmanship of N.R. Jayakar, an eminent road engineer. The committee observed that the development of roads in the country was desirable in view of the economic, social and political development of rural population, which would be advanced by the increased use of road transport. It found that conditions of road most deplorable and not at all motarable. Therefore, the committee recommended the following,

(1) To create a Central Road Development Fund by levying an additional duty of two annas per gallon of motor spirit. The government of India accepted this recommendation and created the Road Development Fund.

(2) It also recommended the single point tax on motor vehicles to be levied by the State Government. The later part of this recommendation was also accepted.

(3) The important recommendation of the committee was to impose ‘Licence Fees’ on motor vehicle to be realized by the local bodies, but the government did not accept it.
Mitchell Kirkness Committee Report - 1932

A study on Rail – Road Coordination initiated by the Mitchell–Kirkness Committee (1932) in his report observed, “The evils from which the public service motor transport is suffering are largely due to the unemployment amongst bus and their concentration on the more popular routes. We think that the evils attending unlimited competition are such that the alternative, namely monopoly, would be preferable. In the event, we believe a controlled monopoly will be necessary to encourage enterprise on less popular routes”.

The Committee further recommended “the number of buses on any route should be restricted and that condition such as issue of time tables, publication of schedule of fare and compulsory insurance of motor vehicle also should be prescribed”. The committee felt that these measures would raise the business to better and more economic levels and the fuller regulation and control would eliminate unhealthy competition and make it possible for bus operators to offer better services to the public.

Transport Advisory Council - 1935

The Transport Advisory Council (1935) appointed by the Government of India observed that “The Motor Vehicle Act 1914 is no longer adequate to deal with the conditions of growth of motor transport”.
In the interest of the public convenience and the development of a coordinated system of transport much closer control is required than the present Act and it is necessary to assume authority and power to regulate transport.

**The Wedge Wood Committee - 1936**

As the Motor Vehicle Bill was being delayed and the Railways had been facing a tough competition with the motor transport, the government of India appointed another committee in 1936 under the Chairmanship of R.L. Wedge wood to study and suggest ways and means to protect Railways from competition with road transport. The committee also studied the problems of rail-road competition and recommended to restrict the motor transport and to regulate the passenger traffic.

**Enactment of Motor Vehicles Act - 1939**

The recommendations made by various committees like Mitchell and Kirkness Committee (1933), Transport Advisory Council (1935), Motor Vehicle Insurance Committee (1936) and Wedge Wood Committee (1937) enabled the government to incorporate various provisions in the new Motor Vehicles Act to achieve adequate control and regulation of Motor transport in India. The Motor Vehicles Act 1914 was thus redrafted and a comprehensive Motor Vehicle Act 1939 was promulgated in order to ensure the role of road transport on the basis of healthy competition with in the transport industry and also
with the railways. This legislation in spite of a number of amendments from time to time made provision for creation of Regional and State Transport Authorities with full powers to grant permits for passenger carriages, public carriers and private carriers. This act also laid down conditions in respect of bus routes, timings, specifications of vehicles, standards of maintenance, etc., which were to be attached to the permits for the guidance of the permit holder.²

Post War Reconstruction Committee - 1943

Later on the Post War Reconstruction Report of the Technical Sub-Committee to the Sub-Committee on transport (1943) on the feature on road transport and road-rail relation also drew attention to the need for "regular, speedy and comfortable motor service, enforcement of maintenance and safety measures, prevention of flooding of roads by motor transport concerns, resulting in cut-throat competition", and urged that in order to have civilized facilities for travel commensurate with the density of the traffic and service which that traffic and support, the conditioned requisite must inevitably result in the replacement of the small owners by large companies.

Tripartite Scheme

The Post War Reconstruction Committee's recommendation was further supported by the Transport Advisory Council in 1945 and also by the Post -War Policy Committee on transport. These recommendations forced several State Government to use compulsion and persuasion to organise individual operators into bigger units. The scheme which was known as “Tripartite Scheme” by which joint stock companies were to be set up in the states with Railways, State governments and motor vehicle operators as share holders with 35 percent share by railways, 35 per cent by the concerned state government and 35 percent by the bus operators of the state. The profits accrued from such operations were to be shared proportionate to their share of capital. The scheme had to be abandoned since the operators thought that their voice would not be heard in the organization because of the minority share holding. The government, having realized the potential of bus transport industry, took steps to control and regulate the industry to avoid unhealthy competition with in the industry and with the railways. Though further attempts were made to bring the warring bus operators in to groups of cooperatives, it did not succeed because of conflicting persuasion of the operators. At the time of independence this was the situation that prevailed in India. The National Planning Committee which was set up in 1939 under the Chairmanship of late Pandit Jawaharlal Nehru in its various reports saw a very clear cut role for public enterprise in various production and service sectors.
Chapter 4

The 1945 Industrial Policy Resolution, which was later on adopted as the First Industrial Policy Resolution of the Government of India in April 1948, provided a major role to public enterprises. Because of these reports it was envisaged that public enterprise would operate in all such areas, which were strategic for the economy, had economies of scale and catered to the supply of public goods.

COMMITTEES AND STUDY GROUP CONSTITUTED BY GOVERNMENT OF INDIA - AFTER INDEPENDENCE

Enactment of Road Transport Act - 1950

Having failed to organize small bus operators in to bigger units the government had to bring out the Road Transport Corporations Act 1950 enabling the state governments to form Road Transport Corporations in the public sector.

The public sector participation in passenger road transport services commenced with the passing of Road Transport Corporations Act 1950 under which a State Government could establish a Road Transport Corporation for the whole or any part of the State having regard to:

1. The advantages offered to the public, trade and industry by the development of road transport,

2. The desirability of coordinating any form of road transport with any other form of transport,
3. The desirability of extending and improving the facilities for road transport in any area for providing an efficient and economical system of road transport service therein.

This act not only provided for a monopoly in road transport but a monopoly of government ownership and operation of transportation. The government with this act not only became a regulator of state transport but also an operator, operating alongside several other small operators. This created problem since the existing Motor Vehicle Act did not recognize the measures of nationalization and was not framed to discriminate, the operators from one another.³

**Role of the Planning Commission in the Formation of RTCs**

The planning commission in the first five-year plan reiterated the policy of forming larger units of bus operators and observed that only large organizations with adequate financial resources could provide workshop and other facilities essential for rendering efficient and economic bus services. The commission further added it was desirable for the existing private operators to amalgamate wherever possible, into big viable units to enable them to achieve better returns and maintain better standards of operation.

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³ Road Transport Corporations Act 1950, Government of India, New Delhi
The Second Five Year Plan document prepared by the planning commission stated "Inadequate development of road transport in the preceding years could be attributed amongst other reasons to the fact that the majority of private operators were small individual owners without resources, who could not extend their operation on sound business-like lines. Viable units was an expression which referred to a unit of vehicles and not owners of vehicles so that a joint stock company, cooperative society or union of operators having an effective control over the requisite number of motor vehicles could come within the ambit of such a unit.

Transport Planning

The Study Group on Transport Planning appointed by the Ministry of Transport and Communication, Government of India observed that "As long as the industry was based on large number of small units, each owning one or two vehicles, the defects (to which they are subjected) would continue." The Group, therefore, added that, "everything possible should be done to encourage the formation of bigger units."

It is interesting to note that almost every expert opinion has suggested controlled monopoly as the only answer to the evils of unhindered and selfish competition. Instead of going for complete nationalisation, attempts were made to bring the private sector in-
groups as co-operatives. This attempt, however, proved futile due to the conflicting objectives of the parties' concerned.4

**Motor Vehicle (Amendment) Act - 1956**

The primary object of the Motor Vehicle Act, 1939 was to protect the railways from the competition. But the Motor Vehicle (amendment) Act 1956 provided relief to the motor transport industry and the following were considered as important amendments in the Act.

1. A new body known as ‘Inter-state Transport commission’ was to be set up to look after the development, coordination and regulation of inter-state transport service.

2. To bring about uniformity in road service throughout the country, a new chapter was added to the Act.

3. The period of validity of permits was fixed for five years.

4. The Act provided priorities in grant of permits to cooperative societies and to those who had been holding permits previously.

5. It provided that the Chairman of State transport Authority should have judicial experience.

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6. The special permits to carry tourists traffic need not be countersigned anywhere for operation in the country, and

7. Through this amendment conductors and booking agents are also licensed.

**BIRTH OF STATE TRANSPORT CORPORATIONS**

During the post-independence period, there was a rising expectation for better quality of life. The political leadership desired that century of poverty should be quickly eradicated and the living standard of citizens should be raised to reasonable levels. The policy makers realised that the road transport had to play a vital role in the process of development planning for rapid industrialisation. They were also convinced that road transport would enable industrial enterprises to utilise the untapped sources of labour and will contribute to the mobilisation of all available resources throughout the country. The state was willing to play an active role to achieve these National goals and the concept of 'public sector' had appealed very much as a solution to the problems of the country. The public sector was then seen as an engine of growth and both central and state governments used public sector as a policy instrument to achieve better standards of living for the citizens.

Thus STUs came into existence as state-level public enterprises and the passenger transport sector became a state-led business activity. The socio-economic and political factors, which existed
during the post independence era, compelled India to take possible steps towards public transport sector.

The Industrial Policy Resolution 1956 which included the passenger road transport industry in Schedule – B, among the industries marked for being progressively nationalised, also expected that the States will take initiative in establishing new transport undertakings. Moreover the planning commission had also given direction to State Governments to form new State Transport Corporations (STUs) or convert the Departmental Transport Undertakings into transport corporations. The importance of bus transport in the fulfilment of plan objective was emphasised among the State Governments through capital participation by the Union governments. Out of over 35000 buses in the country then, the state sector had a share of only 7000 buses, which accounted for 19 percentages.

**Amendment to RTC Act – 1950 : Towards Nationalisation**

The Motor Vehicle Act 1950 was amended in 1956 to incorporate special provision for State Transport Undertakings, which were meant to be the agents of the Government for progressive nationalisation. Chapter- 4 A was added to the Act for the preparation and publication of nationalisation schemes by the STUs and for the approval of such schemes by the government. These amendments also laid down the procedure to be adopted by the state governments in calling for objections from increased parties holding public
hearings and approving such schemes, which might or might not involve displacement of private bus operators.

**Permits for Operation of Bus Services**

The Chapter – 4 of the motor vehicle act, regulated the issue of permits to operate buses. The rules framed by the state government, elaborate procedure for the grant of permits, which are briefly given bellow:

1. The concerned Regional Transport Authority should make an assessment on the need for introduction of a new or an additional service on the route,

2. Should decide the course of the route,

3. A public notification should be made inviting applications for operation of bus service,

4. The evaluation of the applications received for permits should be done by a mark system,

5. Regional Transport Authorities should fix up a date for open hearing and hearing the applicants in persons and,

The grant of permits should be subject to the various conditions contained in the Motor Vehicle Act.

The process of granting permits was a time consuming and cumbersome exercise, which encouraged mainly successful applicants for prolonged legal battles.
In Chapter – 4A of the amended Motor Vehicle Act 1950, special provisions were made for preparation and publication of nationalisation schemes for the approval of government. This provision was a very powerful tool entrusted with the State Governments and the STCs to decide who should operate on a route or routes, area or areas and further who should be allowed to continue to operate and who would be eliminated by the process of nationalisation scheme.

With the approval of the Board STCs were authorised to prepare and publish schemes on their own and once a scheme is published it was called a Notified Scheme where no new private operator could enter.

However, the private operator, operating on a route at the time of its notification could continue unhindered till the government decided on the notification. The government could either approve the notification with or with out modifications after hearing from all concerned or they could reject the scheme.

NATIONALISATION OF PASSENGER ROAD TRANSPORT – A HISTORICAL NECESSITY

Thus the formation of nationalised STUs has been a historical necessity. The STUs came to be established to bring order into a scenario prevailing then by a large number of unorganised operators with the entire transport operations being broken into bits and pieces
of routes, permits and vehicles. The establishment of nationalised STUs followed the failure of attempts made to bring in the formation of viable units through the amalgamation and incorporation of large number of very small operators.

It is interesting to note that even in 1968 there were 1,36,000 single bus operators of which 14,046 operating 2 to 5 vehicles, 2888 operators with 6 to 10 buses, 721 operating 11 to 20 vehicles, 278 with 21 to 50 buses, 32 with 51 to 100 buses and only 37 with more than 100 vehicles.5

**FORMATION OF THE ASSOCIATION OF STATE ROAD TRANSPORT UNDERTAKINGS (STUs)**

By mid 1950s a large number of STUs had come in to existence. It was then decided by the Ministry of Shipping and Transport to convene an Annual Conference of the Chief Executives of the STUs to discuss their common problem. At that point of time, one of the major problems facing the STUs concerned with the availability of spare parts for vehicles at reasonable prices and in inadequate quantities.

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In one of the Annual Conferences, it was resolved that an effective way of meeting the problem of procurement of spare parts was to resort to collective action. Hence it was resolved to set up a Standing Committee (Supplies and Contracts) of STUs, which was formed in 1962 representing the Chief Executives of all STUs. The pooling together of resources of all STUs in the matter of obtaining spare parts at reasonable prices proved to be of immense advantage. The Chief Executive of STUs while participating in the meeting of the Standing Committee felt that this collective action could advantageously be extended to other areas as well and hence a recommendation was made that a standing organisation of STUs for dealing with various problems faced by them and for helping the STUs to improve their performance may be set up. This was then perceived by the Ministry of Shipping and Transport and with the active support and guidance of ministry. The Association of State Road Transport Undertakings came in to formal existence on 13.08.1965. ASRTU was established as a cooperative society under the Societies Registration Act 1960 with the Special Secretary, Ministry of Shipping and Transport as the first President of the ASRTU.

FORMS OF STATE TRANSPORT UNDERTAKINGS

The recommendations made by the various committees appointed by the Government, the various amendments made in the Road Transport Corporations Act 1956 and the encouragement given
by the Planning Commission resulted in the formation of STUs in the country under three forms -

1. Departmental Undertakings directly under the State Governments

2. Municipal Undertakings owned and controlled by the Municipal Corporations

3. Companies or Corporations formed under the Indian Companies Act 1956,

4. Road Transport Corporations formed under the Road Transport Corporation Act 1950.

Chapter IV-A of Motor Vehicle Act of 1956, which incorporated special provision relating to STUs, defines:

STUs means any undertaking providing road transport service where such undertaking is carried on by -

1. The Central Government or State Government.

2. Any Road Transport Corporation established under Section 3 of The Road Transport Corporations Act 1950

Any Municipality or any Corporation or any Company owned or controlled by the Central Government or one or more State Governments or by the Central Government and one or more State Governments.
Under the Road Transport Act 1950 so far 8 Departmental Undertakings have been set by the various state Governments, another 11 are Municipal Undertakings, while 26 are Registered under the Companies Act while 22 are Road transport Corporations. The principal objectives defined in the RTC Act makes it obligatory on the part of these transport undertakings to provide an efficient, adequate, economical and properly co-ordinate system of road transport services in areas within their jurisdiction.

With the enactment of the RTC Act 1950 the Government of India recognised the need for providing passenger bus service in public sector than in private sector and is committed to a policy of nationalisation of passenger road transport services in the States. Though there are 66 Transport Undertakings under public sector throughout the country, the progress of nationalisation has been uneven in various states. While MSRTC, BMTC, AMTS, PCMT and KMTU tops with 100% nationalisation of buses, in MPSRTC the percentage of nationalisation of buses is as low as 10%.

DEPARTMENTAL UNDERTAKINGS

The Government like any other department forms departmental Undertakings. In the former Hyderabad State both railway and road transport were run departmentally by the State Government. Before the formation of Bombay State Road Transport Corporation in 1949 bus services in the Bombay State were nationalised and were run under a separate department.
Characteristics of Departmental Undertakings

1. It is entirely financed by appropriation from the treasury and all or a major share of its revenues are paid in to the treasury,

2. The departmental form of an undertaking is subject to the budget accounting and audit control as applicable to other governments.

3. The employees of the departmental undertaking are civil servants and their recruitment methods and service conditions are similar to the other civil servants.

4. Departmental undertakings are generally organised as a major sub-division of one of the departments of the government. As such it is subject to the direct control of the head of the department.

In the legal framework, a departmental enterprise possesses the sovereign immunity of the State and cannot be sued without the consent of the concerned Government.

In the departmental form of undertakings the ruling party can provide adequate funds from the Government budget for running the undertaking. In this form, the development of the network can be easily regulated by addition/deletion of services by direct intervention of the minister, legislature etc. In departmental form of undertakings inter-departmental co-ordination becomes easier in the case of land acquisition, enforcement of traffic rules and regulations.
The Departmental Undertakings are listed below:

1. Andaman and Nicobar State Transport
2. Arunachal Pradesh State Transport
3. Chandigarh Transport Undertaking
4. Haryana State Transport
5. Mizoram State Transport
6. Nagaland State Transport
7. Punjab State Transport
8. Sikkim Nationalised Transport.

Municipal Transport Undertakings

Municipal transport undertakings are generally city / urban transport undertaking catering to the transportation needs of the people living in the municipal area. Such undertakings are generally managed by a Transport Sub-Committee of the Municipality and are headed by one of its Councillors as Chairman. With the assistance of the elected representatives, it is expected that the municipality will be able to respond to the needs of its citizens and provide for the financing of the services as part of its overall responsibility.

The city/urban operations are generally not profitable because they required heavy subsidy from the local or central authorities. The uneconomic operations are mainly due to the reluctance of the urban commuters to pay an economic fare and the political interference. Municipal Transport Undertakings are prevalent only in the States of
Maharashtra and Gujarat. In the municipal undertakings the ruling political party of the municipal council if so desired provide adequate funds for running the undertaking in the municipal council budget.

A Transport Committee of the ruling municipal council manages them. The inter-departmental activities like land acquisition, enforcement of traffic rules, etc. are more in the municipal undertakings.

The municipal undertakings are given below:

1. Ahmedabad Municipal Transport Service
2. Amrister Nigam Transport
3. Bangalore Metropolitian Transport Corporation Limited
4. Brihan Mumbai Electric Supply and Transport Undertaking
5. Kolhapur Municipal Transport Undertaking
6. Ludhiana Municipal Transport Corporation
7. Navi Mumbai Municipal Transport
8. Pimpri Chinchwad Municipal Transport
9. Pune Municipal Transport
10. Solapur Municipal Transport Undertaking
11. Thane Municipal Transport Undertaking

COMPANIES/CORPORATIONS FORMED UNDER THE INDIAN COMPANIES ACT -1956

In an organisation formed under Section 671 of the Indian Companies Act, the Central or State Government holds 51 per cent of
the shares. In such companies there is a provision for 'Equity Share Capital' and 'Preference Share Capital'. In both cases, dividend can be paid only out of profits, unlike interest paid on capital out of the revenues in the case of organisations formed under Road Transport Corporation Act 1950 even when there is no profit. Such companies will have to observe norms prescribed by Reserve Bank of India with regard to debt/equity ratio and are also expected to follow rules regarding the acceptance of fixed deposit from public'.

The specific features of such Companies are:

(i) Employees of such companies excluding those on deputation are not civil servants and the personnel policies are subject to the limitations given in the Articles of Association

(ii) They are exempted from accounting and audit laws and procedures applicable to government departments,

(iii) Though their funds are obtained from the government they can also be funded by private shareholders and internal revenue;

(iv) Their accountability to legislature is secured as per Section 619 and 619 A of the Companies Act, which relates to audit and submission of annual report respectively;

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(v) They are Corporate bodies created under a general law and can sue and be sued, enter into contracts and secure or acquire properties in their own name;

(vi) The Memorandum and Articles of Association, which lay down the objectives and rules of internal management; govern them;

(vii) Unlike public corporations they are created by an executive decision without any specific charter of their own as approved by the legislature.

(viii) The last point constitutes the major difference between a company and a corporation formed under act of legislature.

The company form of undertakings has more flexibility in their management and is free from the hassles of governmental procedure. This form of undertakings has more freedom in their financial matters. They have their own recruitment procedures, can buy and sell or billed and carry on their commercial transactions. However they are regulated through the concept of ‘public accountability’, which includes basic principles of good conduct, honest dealing and efficient working. The company form of undertaking has a separate commercial entity to adopt and adhere to sound commercial practices. There are several similarities between the company form and public corporation. In the company form of undertakings the government appoints the Board of Directors, lays down the personnel policies and decides on capital financing and other financial matters.
The Company Form of Transport Corporations as on 2001 are listed below:

1. Metropolitan Transport Corporation Limited, (Chennai Division I & II).
2. State Express Transport Corporation Limited, (Tamil Nadu Division I).
3. State Express Transport Corporation Limited, (Tamil Nadu Division II).
5. Tamil Nadu State Transport Corporation Limited, (Coimbatore Division II).
6. Tamil Nadu State Transport Corporation Limited, (Kumbakonam I).
7. Tamil Nadu State Transport Corporation Limited, (Kumbakonam II).
8. Tamil Nadu State Transport Corporation Limited, (Kumbakonam III).
10. Tamil Nadu State Transport Corporation Limited, (Madurai I).
11. Tamil Nadu State Transport Corporation Limited, (Madurai II).
12. Tamil Nadu State Transport Corporation Limited, (Madurai III).
15. Tamil Nadu State Transport Corporation Limited, (Salem I).
16. Tamil Nadu State Transport Corporation Limited, (Salem II).
17. Tamil Nadu State Transport Corporation Limited, (Villupuram I).
18. Tamil Nadu State Transport Corporation Limited, (Villupuram II).
22. Pondicherry Tourism Development Corporation Limited.
23. West Bengal Surface Transport Corporation Limited.
24. Meghalaya Tourism Development Corporation Limited.

Corporation forms are also listed below:

1. Andhra Pradesh State Road Transport Corporation
2. Assam State Road Transport Corporation
3. Bihar State Road Transport Corporation
4. Calcutta State Transport Corporation
5. Delhi Transport Corporation
6. Gujarat State Transport Corporation
7. Himachal Road Transport Corporation
8. Jammu & Kashmir State Road Transport Corporation
9. Karnataka State Road Transport Corporation
10. Kerala State Road Transport Corporation
11. Madhya Pradesh State Road Transport Corporation
12. Maharashtra State Road Transport Corporation
13. Manipure State Road Transport Corporation
14. Meghalaya Transport Corporation
15. North Bengal State Road Transport Corporation
16. North West Karnataka Road Transport Corporation
17. North East Karnataka Road Transport Corporation
18. Orissa State Road Transport Corporation
19. Pepsu Road Transport Corporation
Chapter 4

20. Rajasthan State Road Transport Corporation
21. South Bengal State Road Transport Corporation
22. Tripura Road Transport Corporation
23. Uttar Pradesh Road Transport Corporation

Road Transport Corporations Formed Under Road Transport Corporation Act - 1950

The Corporations formed under the Road Transport Corporation Act 1950 are the most popular forms of organisations in India. At the time of framing of corporations under the RTC Act, the most tempting attraction for State Governments was the Central Government contribution since they are always starved of resources. Under RTC Act 1950 State Government has wide powers for controlling the affairs of the corporation. Under Section 34 the State Government has also powers to issue directives to the corporations. Road Transport Corporations Act 1950 empowers the State Government to nominate the Chairman, Vice-Chairman and other members of the corporation. In the Rules framed by the State Government for such corporations, a provision is made for agreed proportion of members from the central Government. The Corporations Act specifies the maximum and minimum number of members to be nominated to the Board. Though there is no uniformity in the States regarding the number of members, it generally varies from 10 to 20. While no qualification specified for Board Members,
disqualification rendering a person for membership in the Board has been mentioned.

As per the Motor Vehicles Act, a corporation is not entitled to manufacture or maintain any thing which is not required directly or indirectly for use, for the purpose of the undertaking or the corporation or to repair, store or provide any service for any vehicle which does not belong to the corporation or is not used directly or indirectly for the purpose to purchase any vehicle for the purpose of sale to another person, to sell or supply to any person lubricants, spare parts or equipment or vehicle accessories, etc. These restrictions are mainly to ensure that the corporation does not deviate from the path of providing transport services, which is the sole purpose for which it is created.

The basic characteristics of Public Corporations are:

(i) It is wholly owned by State.

(ii) It is generally created by or pursuant to a special law defining its power, duties and immunities and prescribing the forms of management and its relationship to the established department and ministries,

(iii) It is a corporate body, which has a separate entity for legal purposes and can sue and be sued, enter into contract and acquire properties in its own name. Corporations conducting business in their own names have generally been given greater freedom for making
contracts and acquiring and disposing of properties than ordinary
government department

(iv) Except for appropriation to provide capital or to cover
losses, a public corporation is usually independently financed and
obtains its fund from borrowing, either from treasury or the public or
from revenues derived from the sale of goods and services. It is
authorised to use and reuse its revenue

(v) Corporations are generally exempted from most regulatory
and prohibit and statutes applicable to the expenditure of public fund

(vi) Corporations are generally not subject to budget-
accounting and audit laws and other procedures applicable to normal
governmental agencies

(vii) Employees of public corporations are not generally civil
servants and are recruited and remunerated under terms and
conditions, which the organizations itself decide.

Corporations being run as autonomous organisation can have
initiative of private enterprises. Since the corporation are created and
supported by the government, these can be used for public needs. The
objective of the Transport Corporation is public interest and the social
good. Unlike other departments the corporations have greater
flexibility in making contracts and acquiring and disposing of
property. At the same time there are some demerits in the corporation
form of organisation. Capital contributions in the corporation are
uncertain; with the result these organisations cannot make long range planning. There is too much interference in the fare fixation in these corporations.

Table No. 4.1: Total Registered Motor Vehicle in India from 1951-97
(in thousands)

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<th>Buses</th>
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<td>12611</td>
<td>2694</td>
<td>298</td>
<td>1238</td>
<td>2311</td>
</tr>
<tr>
<td>1991</td>
<td>21374</td>
<td>14200</td>
<td>2954</td>
<td>331</td>
<td>1356</td>
<td>2533</td>
</tr>
<tr>
<td>1992</td>
<td>23507</td>
<td>15661</td>
<td>3205</td>
<td>358</td>
<td>1514</td>
<td>2769</td>
</tr>
<tr>
<td>1993</td>
<td>25505</td>
<td>17183</td>
<td>3361</td>
<td>364</td>
<td>1603</td>
<td>2994</td>
</tr>
<tr>
<td>1994</td>
<td>27660</td>
<td>18899</td>
<td>3569</td>
<td>392</td>
<td>1691</td>
<td>3109</td>
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<tr>
<td>1995</td>
<td>30295</td>
<td>20831</td>
<td>3841</td>
<td>423</td>
<td>1794</td>
<td>3406</td>
</tr>
<tr>
<td>1996</td>
<td>33783</td>
<td>23252</td>
<td>4204</td>
<td>449</td>
<td>2031</td>
<td>3847</td>
</tr>
<tr>
<td>1997</td>
<td>37231</td>
<td>25693</td>
<td>4662</td>
<td>488</td>
<td>2260</td>
<td>4128</td>
</tr>
</tbody>
</table>

Table No. 4.2: Number of Buses Owned by Private and Public Sector in India from 1961 to 1997 (In thousands)

<table>
<thead>
<tr>
<th>YEAR (as on 31st March)</th>
<th>PUBLIC SECTOR</th>
<th>PRIVATE SECTOR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1965</td>
<td>18.0 (31.69)</td>
<td>38.8 (68.31)</td>
<td>56.8</td>
</tr>
<tr>
<td>1965-1970</td>
<td>26.5 (36.05)</td>
<td>47.0 (63.95)</td>
<td>73.5</td>
</tr>
<tr>
<td>1970-1975</td>
<td>N.A</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>1975-1980</td>
<td>52.2 (45.39)</td>
<td>62.8 (54.61)</td>
<td>115.0</td>
</tr>
<tr>
<td>1980-1985</td>
<td>69.6 (42.99)</td>
<td>92.3 (57.01)</td>
<td>161.9</td>
</tr>
<tr>
<td>1985-1990</td>
<td>84.0 (26.94)</td>
<td>143.3 (63.04)</td>
<td>227.3</td>
</tr>
<tr>
<td>1990-1991</td>
<td>106.1 (32.04)</td>
<td>225.0 (67.96)</td>
<td>331.1</td>
</tr>
<tr>
<td>1991-1992</td>
<td>106.9 (29.84)</td>
<td>251.3 (70.16)</td>
<td>358.2</td>
</tr>
<tr>
<td>1992-1993</td>
<td>109.5 (28.74)</td>
<td>271.5 (71.26)</td>
<td>381.0</td>
</tr>
<tr>
<td>1993-1994</td>
<td>109.7 (27.98)</td>
<td>282.4 (72.02)</td>
<td>392.1</td>
</tr>
<tr>
<td>1994-1995</td>
<td>110.3 (23.96)</td>
<td>314.6 (74.04)</td>
<td>424.9</td>
</tr>
<tr>
<td>1995-1996</td>
<td>111.1 (24.97)</td>
<td>338.7 (75.03)</td>
<td>449.8</td>
</tr>
<tr>
<td>1996-1997</td>
<td>111.0 (22.74)</td>
<td>377.1 (77.26)</td>
<td>488.1</td>
</tr>
</tbody>
</table>

*Source: Ministry of Surface Transport, 2001. New Delhi*

*Note: Figures in parenthesis indicates percentage to total.
N.A – Not Available*
Chapter 4

The political situation prevailing in the state influences greatly the transport policy. There is no accountability of people who interfere with the affairs of the RTCs, which affect the efficiency of the corporation. Short sighted management decisions influenced by the ruling political parties have greatly resulted in losses in these corporations and consequently that public faith in the corporations has eroded gradually. In some cases certain corporations have become the last resort for the 'discredited politicians'.

The growth of registered motor vehicles in India from 1951 to 1997 is listed in the Table 3.1. And also the percentage of private and public sector share of buses are given in Table 3.2.

NATIONALISATION OF STUs IN TAMIL NADU

The nationalization of bus transport in Tamil Nadu has two distinct phases. During the first phase, the Madras State Transport Corporation was formed on the basis of the Road Transport Corporation Act of 1950. Consequently, during in 1970, upon the change of the name Madras State Transport Corporation (MSTC) it was converted into Pallavan Transport Corporation (PTC) and Thiruvalluvar Transport Corporation (TTC). The Pallavan Transport Corporation was totally earmarked to meet out the public

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transportation of Madras city. Thiruvalluvar Transport Corporation (TTC) started its service to the general public by connecting all the important towns and cities.

During the 1960's owning a single bus was considered as a great fortune and the operators were commanding a high social status and this was due to the gap between the demand and supply of transport service in Tamil Nadu. The landslide victory of the Diravida Munnetra Kazhagam in the general election of 1967, paved the way for the nationalization of public road transport.

With a view to extent the nationalization of bus transport by stages, the Government decided in June 1967, that the following types of bus routes should be nationalized as and when the permits of the private operator expired:

(i) All routes of 75 miles and above, both ordinary and express services,

(ii) All routes radiating from or terminating in the Madras city irrespective of distance, and

(iii) All routes in Kanyakumari district which are radiating from or terminating in that district.

The government also decided that future development of the above said routes should be done exclusively by the State Transport Department. In 1968 an amendment to certain provisions in the Motor
Vehicle Act 1939 was made for effective and prompt implementation of the policy of nationalization. The action programme comprised of two courses:

a. making it obligatory on the part of the Transport Authority to take into consideration the publication on the scheme of nationalization while dealing with applications for grant or renewal of stage carriage permits, and

b. making it obligatory on the part of Transport Authority to issue to the Tamil Nadu Transport Department Temporary permits to be valid till the pucca permit is issued after approval of the scheme.

As a result, the regional private Transport giants like T.V.S group operating in the Pandiya Mandalam (covering the southern districts of Tamil Nadu), the Anamalai Transport of Pollachi Mahalingam group operating in the Chera Mandalam (covering all North Western District of Tamil Nadu), the SRVS Group and the Raman and Raman Group operating in the Chola Mandalam (covering the central parts of Tamil Nadu), were nationalized during the year 1970 – 1971. A public limited name Pallavan Transport Corporation Limited was established and it took over the transportation system in Madras and Chingleput Districts with effect from 1st January 1972.

The Second phase of nationalization in Tamil Nadu was carried out on lines with the Companies Act of 1956. Actually, it is the second phase of nationalization of bus transport in Tamil Nadu alone.
can be considered as the real nationalization because that alone brought a vast majority of population and area under the bus transport map of Tamil Nadu. From then onwards, the spread and the speed of nationalization was rather very smooth and barring a few routes, almost the entire State witnessed the total nationalization, with enlargement of the operation of the Transport Corporations mainly on the basis of bifurcation of relatively larger Transport Corporations. During the study period twenty-one transport corporations had been functioning throughout the State. The list of all State Transport Corporations of Tamil Nadu is enclosed in the appendix.

Management of STUs

The management of each of these Corporations is being vested with the Board of Directors. Normally, the Board of Directors shall be consisting of a Chairman (the Secretary of Transport, Government of Tamil Nadu), one Managing Director (Technical persons having rich experience in transport sector), one Company Secretary, one Chief Accounts Officer, a General Manager and a minimum of seven nominated Directors drawn from the related functional areas of the transport operations.

The functional organizational structure of the Tamil Nadu State Transport Corporation is given appendix.

The organizational hierarchy, the transport corporations are headed by the chairman and managed by a board of directors. The
Chapter 4

board is managed by the Managing Directors with the assistance of General Manager, Company Secretary, Chief accounts officer, and with the respective functional officers like, Civil, Material, Administration, Technical, Traffic, Commercial and Chief Security Officer.

The General Manager is assisted with seven Deputy Managers in all functional areas of the organization. The Deputy Manager, (Administration) is supported by seven assistant managers and they were controlling the areas like, Establishment, Administration, Industrial Relation, Legal, Labour welfare, Public Relations and Miscellaneous.

The deputy Manager (Technical) has two Assistant Manager to control Tyre and Fuel. The Deputy Manager (Materials) has four assistant Managers.

All these Corporations are having separate depots and branch offices according to the operational area. Each Corporation is having a separate depot for mofussil and city operations according to the fleet strength. Each of these Branches or Depot has one Deputy Manager who is assisted by Assistant Manager.
Chapter 4

Road Development in India

Road is considered as an infrastructure for socio-economic development of a country. Road density and vehicle density are the indicators of development and growth of a region. Since independence the length of the roads in India has increased from four lakh kilometres to over 3.3 billion including five-fold increase in the length of surface road.

The role-played by roads in the movement of freight and passenger traffic is appreciable; roads have received lower priority in India’s successive plans. As indicated in the Table 4.4 the expenditure on transport since the beginning of the Plan period as percentage of Total Plan Expenditure came down from to 22.1 percentage during the first plan to only 12.2 percentage during the 8th Plan. Considering the enormous demand for road passenger traffic-which is expected to reach 15314 billion passenger kilometres by the year 2015, the Government of India has realise the importance of building of roads and the development of road transport system, has forward to spend more on this sector. The Government of India has started the plan of extending four-way track ion the National High Ways connecting almost all the important cities of the country. The government is also planning to introduce private sector participation in road construction, improvement and maintenance through BOT (Built, Operate and Transfer) schemes. This is basically involves permitting the private sector to construct a road, operate it, and have a right to collect tolls for a fixed period. Many countries in the World like, China, Pakistan, Malaysia developed roads through BOT. In Europe, countries like France, Spain, and Italy also encouraged private participation in toll roads.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>NATIONAL HIGHWAYS</th>
<th>STATE HIGHWAYS</th>
<th>OTHER P.W.D.</th>
<th>PANCHAYAT RAJ ROADS</th>
<th>URBAN ROADS</th>
<th>PANCHAYAT ROADS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>19811</td>
<td>N.A</td>
<td>173723</td>
<td>206408</td>
<td>N.A</td>
<td>N.A</td>
<td>399942</td>
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<tr>
<td>1961</td>
<td>23798</td>
<td>N.A</td>
<td>257125</td>
<td>197194</td>
<td>46361</td>
<td>N.A</td>
<td>524478</td>
</tr>
<tr>
<td>1971</td>
<td>23838</td>
<td>56765</td>
<td>276833</td>
<td>354530</td>
<td>72120</td>
<td>13093</td>
<td>914979</td>
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<tr>
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<td>31671</td>
<td>94359</td>
<td>421895</td>
<td>628865</td>
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<td>185511</td>
<td>1485421</td>
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<td>1982</td>
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<td>95654</td>
<td>436882</td>
<td>651975</td>
<td>126095</td>
<td>187882</td>
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<td>31767</td>
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<td>675392</td>
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<td>31817</td>
<td>97041</td>
<td>463210</td>
<td>963760</td>
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<td>202260</td>
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<td>32445</td>
<td>115989</td>
<td>484052</td>
<td>864414</td>
<td>143537</td>
<td>207332</td>
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<td>521028</td>
<td>936288</td>
<td>189352</td>
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<td>2462289</td>
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<td>33916</td>
<td>129876</td>
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<td>1037663</td>
<td>195150</td>
<td>222057</td>
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<td>34249</td>
<td>132401</td>
<td>500615</td>
<td>1048907</td>
<td>202013</td>
<td>244606</td>
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<td>225481</td>
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<td>34508</td>
<td>135187</td>
<td>716967</td>
<td>1021807</td>
<td>212920</td>
<td>245973</td>
<td>3283072</td>
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<tr>
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<td>34849</td>
<td>137119</td>
<td>768257</td>
<td>1053539</td>
<td>232234</td>
<td>239879</td>
<td>3465877</td>
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</table>
Table 4.4 EXPENDITURE ON PLAN ALLOCATION FOR THE TRANSPORT SECTOR AS PERCENTAGE OF TOTAL PLAN EXPENDITURE

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Expenditure on Transport as Percentage Total Plan Expenditure</th>
<th>Expenditure on Road as Percentage Total Plan Expenditure</th>
<th>Expenditure on Road as Transport as Percentage Total Plan Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan (1951-56)</td>
<td>22.1</td>
<td>6.8</td>
<td>7.5</td>
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<tr>
<td>Second Plan (1956-61)</td>
<td>23.5</td>
<td>N.A</td>
<td>5.2</td>
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<td>Third Plan (1961-66)</td>
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<td>5.1</td>
<td>0.3</td>
</tr>
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<td>Annual Plans (1966-69)</td>
<td>15.6</td>
<td>4.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Fourth Plan (1969-74)</td>
<td>16</td>
<td>5.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Fifth Plan (1974-79)</td>
<td>13.8</td>
<td>3.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Sixth Plan (1980-85)</td>
<td>12.1</td>
<td>3.6</td>
<td>1.0</td>
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<td>Seventh Plan (1985-90)</td>
<td>12.5</td>
<td>2.9</td>
<td>1.1</td>
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<td>Eighth Plan A1 (1992-97)</td>
<td>12.2</td>
<td>0.6</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Report of the Working Group on Road Transport for 8th Plan, Ministry of Surface Transport, New Delhi
In this chapter the researcher has highlighted the history and growth of road in India. Particularly, more attention was given to study the road transport development in India and Tamil Nadu. Here, an attempt is also made to study the organisation structure of a sample unit.