CHAPTER 11
SUMMARY AND CONCLUSIONS

Transport system is a major component of the national economy, as it shapes life styles of the people, as also the patterns of industrial location. It stimulates the growth of trade and industry, and is a nutrient to its culture.

The planners in India look forward towards lines of development of transport in future which would make transportation a dominant instrument for an all-round development of the country. Since the population is expanding fast, there is an urgent need to achieve growth targets in passenger transport industry.

Total investment in passenger road transport industry as on March 31, 1984 was of the order of Rs.2815 crores. There were 1,000 buses on the road. This industry however is incurring huge losses. The planners, therefore, have to take stock of the situation and devise methods for reducing losses.

Despite some improvement in productivity and performance, losses have continued to recur. The profitability of STUs has been continuously declining during the last decade and this is a matter of grave concern for the STUs in the country. The accumulated losses of STUs as on March 31, 1984 were as high as Rs.1300 crores.

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Dr. P.G. Patankar: Seminar on Social Responsibilities of STUs, J.T.M. (ASRTU) CIRT, Pune, July '85, Page 8.
It is a cause of serious concern both to the Government and the STUs. An attempt is made to study some aspects of performance of STUs with a view to highlighting causes leading to losses in STUs. The aspects covered in the study include

(a) burden of taxes, (b) cost of operation on kutcha roads, (c) cost of social services, (d) rising cost of inputs, (e) material management (f) pricing of services, and (g) finances of STUs.

Figures are quoted, wherever necessary, to substantiate the arguments. Since each STU has certain peculiar characteristics regarding fleet strength, fleet age composition, capital structure, operational efficiency, environment, extent of nationalisation within the State etc., the inter-firm comparison of STUs was rather difficult. However, an attempt is made with a view to deriving some meaningful conclusions.

In the First Chapter, the role of passenger road transport in economic development is discussed. After discussing the purpose of study, an attempt is made to suggest measure to the planners and the decision makers for taking suitable actions for further improvement in performance of STUs.
The Second Chapter is devoted to the evolution of passenger road transport. The conditions of transport in early twenties and upto the Independence of the country are discussed. Thereafter, the chapter focuses on nationalisation of transport industry in general and formation of GSRTC in particular.

In the Third Chapter, the productivity in and performance of GSRTC are discussed. Some aspects of financial performance of GSRTC are discussed in detail, and the factors, such as tax burden, cost of operation on kutcha roads, rising cost of operation/inputs, pricing of services and resources, cost of social services etc. which affect the finances of GSRTC are identified.

In the Fourth Chapter, the burden of taxation on passenger road transport industry is discussed at length. Discussion relates to the question as to how taxation affects the finances of STUs. Taxes on this industry have become a perennial source of revenue to the Central and State exchequer. An attempt is made to study levels of taxation and fare structures in different States, relation of taxation and pricing (fares), procedures for revision of fares, payment of passenger tax by private operators vis-a-vis STUs and losses incurred by the STUs. It is suggested in the end that a small reduction in taxes and introduction of a ceiling on taxation would mean great financial relief to STUs.

The passenger road transport provides crucial infrastructural facility for socio-economic development of the country. The STUs being public utilities have many social obligations to fulfil. This has to be done without impairing the efficiency and effectiveness of transport operations. \(^2\) The sphere of social

\(^2\) Ibid
services has enlarged over the years, although the STUs are incurring losses. In the beginning, losses were negligible. Of late, however, the huge losses incurred by STUs have made STU managements to consider the incidence of cost of various social services thrust on them. It is indeed difficult to quantify such costs in monetary terms in the absence of reliable data. Although the data available are not adequate to enable a researcher to precisely quantify the losses, an attempt is made in the Fifth Chapter to assess the impact of social services on the finances of STUs. On the basis of available data, specially from GSRTC, the impact of the social obligations on the finances of STUs was worked out. It is pointed out that this cost should be reimbursed to STUs in a suitable form. The Government capital contribution, it is contended, should not in any case be less than the total cost of social services rendered by the STUs.

The additional cost of operation on Kutcha roads is an important constraint in generating internal resources. This is discussed in the Sixth Chapter. In the beginning, the outlay for the road development under the plans and actual road development in Gujarat are discussed. Then the question as to how the operation on Kutcha roads affects the finances of STUs is raised in the context of studies made and the experiments conducted by leading organisations. How and to what extent, the additional burden wipes out the benefits of improved performance obtained through various measures in the areas of operation are also discussed.
The data relating to STUs in the States and country as a whole with special reference to GSRTC are examined. It is then concluded that planning of new roads, cross drainage works and/surfacing of unsurfaced roads may be done by the road authorities in consultation with the STUs so that adverse effect of operation on kutchu roads on the finances of STUs may to some extent be mitigated.

High cost of operation on Kutchu roads and high incidence of taxation are not the only factors responsible for the deterioration in the financial positions of STUs. The ever-growing escalation in the prices of inputs also played a significant part in wiping out high productivity achieved in the operation of STUs. In the Seventh Chapter, this is discussed with reference to the cost of major inputs like fuel and lubricants, tyre-tubes and staff cost. The productivity and performance of different STUs are compared. Suggestions are then made about their improvement. At the optimum level of productivity and performance, the cost still remains high and thus ultimately results in high passenger bus fare.

Proper material management saves internal resources from being locked up in inventory. A good amount can be saved through better techniques of effective purchasing also. This is discussed in the Eighth Chapter. Material management has been somewhat effective so far in reducing the material cost, but there are possibilities for further improvement in purchase system and inventory control. Various techniques of effective purchasing and inventory control along with their applications are discussed. Suggestions are also made for further improvement.
The question of price fixation for the product of public service enterprises has assumed considerable significance in the recent years. However, the question of pricing and fare system in STUs has been ignored for years by transport managers. The need for scientific pricing policy is stressed and various theories and their applications are discussed in the Ninth Chapter. On the basis of cost plus pricing policy, it is concluded that a Rating Committee may be formed by the Government to study and review the productivity and performance of STUs which should take into consideration the changes in costs of inputs. The Rating Committee might help the Government in early approval of the proposals for fare revision by STUs. Alternatively, the bus fare revision may be taken as a part of the annual budget as is the case with the Railways.

The activities of STUs depend upon the availability of finance from Government, capital contribution, generation of internal resources and the borrowings. These are discussed in the Tenth Chapter against the background of allocation of funds under plans, fund position vis-a-vis requirements, constraints on generation of internal resources and recourse to borrowings with particular reference to GSRTC. Suggestions as regards formation of State Transport Development Financial Corporation and the loans from the World Bank for urban transport may prove to be of interest to the GSRTC as also to other STUs in the country.

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RECOMMENDATIONS

Some of the recommendations for improving the finances of STUs are summarised below:

1. Heavy taxation on the STUs has strained their finances considerably. A reduction to the extent of 5% in M.V. tax and Passenger tax is suggested; or as an alternative, a ceiling based on the present rates of M.V. and passenger tax may be fixed for the next five years.

2. Operation on kutcha roads has proved to be detrimental to the finances of the STUs. Certain amount should be placed at the disposal of STUs for repairs and maintenance of kutcha roads as was done in the past in Kutch State Road Transport Corporation. Besides, planning of new roads, surfacing of roads and cross drainage works should be undertaken in consultation with STUs. Roads on which STUs buses are plying should be given priority, while planning new roads, cross drainage works and/or surfacing the existing kutcha roads.

3. As the expenditure on social services affects the finances of STUs to a great extent, the State Government should reimburse the expenditure on social obligations by giving proportionate capital contribution, and in no case should the capital contribution from Government be less than the cost on social services.
4. The STUs do take steps for preventing accidents. However a large amount has to be paid to the injured or to the next of kin to the dead by way of compensation. A suggestion is made to levy only 5 paise per ticket as insurance charge, which would cover risk to the commuter during journey. This will fetch a handsome amount which will go to meet the cost of compensation.

5. There has to be a continuous drive for improving productivity in different areas of operation, such as labour, capital and materials where there is scope for implementing austerity measures for cost control.

6. The cost plus pricing policy would enable the STUs to have surplus for developmental activity. Simultaneously it should be ensured that commuters are not required to pay for the inefficiency of the organisation in terms of higher fares.

7. Since price escalation of inputs has become a regular phenomenon, it is suggested that the STU budget should be presented along with the general budget in the legislative assembly by the Government as is being done in the case of Railway budget by the Central Government. The fares may be raised only by legislative sanction.
8. Material Management can play an important role in improving finances of STUs. With the help of various techniques of effective purchasing and inventory control, considerable amount can be saved. Material management techniques so far evolved have been somewhat effective in reducing the cost on materials. However, with the help of modern techniques, there are possibilities of further improvement in purchase system and inventory control. If purchases are made directly on value analysis basis, regional stores system for the A,B items is recommended.

9. Because of irregular and inadequate supply of capital contribution and various constraints on the generation of internal resources vis-a-vis the productivity of STUs, the STUs are obliged to borrow heavily. Such borrowings should be made available on soft loan terms by specialised financial institutions. It is proposed that State Transport Development Financial Corporation may be created to finance the STUs for expansion programmes. A case should be made out for obtaining loans from the World Bank also.

10. Passenger road transport should be considered a priority sector for allocation of fund as it has to play an important role in the economic and social development of the rural masses of the state.
11. The procedure for borrowings should be streamlined such that it is common for all the STUs at all India level. The ASRs can do much in this matter by taking up the matter with the Reserve Bank of India.

12. High percentage of overaged vehicles in the fleet of STUs causes heavy drains on the finances of STUs. In case of insufficient internal resources, the borrowings would be the only source to enable the STUs to replace overaged vehicles from the fleet and thereby improve overall productivity. The borrowings should be exclusively utilised for purchase of vehicles.

13. A careful expansion policy is required while replacing old vehicles and pressing new vehicles into expansion. Its absence would cause fall in L.F. and misuse of resources.

14. As provided in the RTC Act, the STUs can think of establishing manufacturing plants for costly and fast moving items such as tyre-tubes, springs, bolts etc. on the basis of technical appraisal. This may result in an appreciable cut in the prices of costly items, simultaneously leading to expansion of employment.

15. The State Government should avoid delay in approval of the fare revision proposals. A Rating Committee may be formed for evaluation of the proposals for fare revision. It would be better if the evaluation by the Rating committee is made a regular process and fare is revised once a year so as to absorb the rise in the cost of inputs.