NATIONALIZATION OF ROAD TRANSPORT SERVICES
IN THE BOMBAY STATE
The conditions of road transport industry, as existed under the private ownership from 1920 to 1947, have been described in the preceding chapter. Two things become quite clear from that account:

1. The condition of road transport industry had been far from satisfactory from the point of view of the interests of the travelling public, the industry itself, and the economy in general.

2. There had been little government control and regulation of the industry during last 25 years for various reasons.

It was very difficult for any responsible and popular government to allow this state of affairs to continue for an indefinite period. After the general elections in 1946, the Congress Party assumed office in the Bombay Province. Since then it was watching very closely the road transport business and the services rendered by the motor transport operators to the people. The Government was thoroughly dissatisfied with the utter lack of amenities to the passengers. It also found that there was unhealthy competition and that there was some degree of monopolistic control of the few operators. So the Government finally came to the conclusion that in order to improve the existing conditions there is no other alternative but to nationalize road transport services.

This decision might appear drastic in the chain
of very mild and half-hearted attempts at regulation of the industry in the last 25 years. But the fact that the decision was taken by a popular and responsible government, with the goal of independence in sight, made all the difference in the way of approach. There were many other factors which directly or indirectly influenced this decision.

Whether it was necessary to take such a radical step or whether it was quite sufficient to tighten the control over the industry and give a fair trial to the operators is a controversial matter and has been dealt with elsewhere.

After preparing a rough scheme of the proposed nationalization programme, the Government of Bombay circulated it among the people to elicit comments and suggestions.

The first official indication of Government's intention to nationalize road transport was given to the Bombay Legislative Assembly by the Finance Minister Mr. Mehta in his budget speech (1947-48), on 24th February, 1947.

Speaking to the House Mr. Mehta said:

"In this connection the question has been asked whether the future course of development will be on the basis of private enterprise or of public ownership. It may be useful to take this opportunity to define Government's general attitude on this subject. The first consideration that may guide us is whether the industry or undertaking is of the nature of a public utility and whether it is monopolistic in its scope. Does it affect
the fortunes of large sections of the community and does
the exercise of control over it entitle a small group
to influence for good or evil the daily life of numerous
individuals either as workers or as consumers? Motor
transport, the supply of electricity and to a lesser
extent the production of electricity, to mention a few
of the industries, fall within the category of such
public utilities. Government have already on their
programme the nationalization of motor transport, first
for passenger traffic and then for freight."

Thus the statement of policy made by the Finance
Minister on the floor of the House was explicitly clear.
The Government wanted to confine its policy of nationaliza­
tion to particular public utilities only, showing certain
characteristics such as monopolistic in nature, affecting
the life of a large section of the people either as
employees or as consumers. The road transport industry
in the province fulfilled these conditions and so it
occupied first place in the programme of nationalization.
It also became evident from the speech that the Govern­
ment intended to take over the passenger transport in the
first instance and the goods transport would follow suit.

As mentioned in the tentative scheme of nationaliza­
tion, which was circulated in the public and afterwards
made known in the House in the form of a motion, the
objectives of the scheme were as follows:

(a) to increase the operational efficiency of road
transport service;

(b) to ensure that road transport services are run
in the public interests and that profits, if
any, accruing from the operation of such ser­
vices are utilized for public benefit;

(c) to co-ordinate the existing road transport
services with rail and sea transport in order to provide to the public the maximum convenience consistent with efficient and economic administration of transport and to eliminate wasteful overlapping.

As a first measure, in anticipation of the proposed scheme of nationalization of road transport in the Province and after the official indication in the budget-speech of the Finance Minister, the Government introduced a Bill in the House on 25th February 1947 to amend the Motor Vehicles Act of 1939. It was introduced by Mr. Morarji Desai, Minister in charge of Home and Revenue, and was known as "A Bill to Amend the Motor Vehicles Act, 1939, In Its Application To The Province of Bombay". The main purpose of this Bill was to effect certain changes in the Motor Vehicles Act of 1939, in view of the proposed scheme of nationalization. Thus it was only an "enabling measure", to use Mr. Desai's own words. Mr. Desai also made it clear that the Government had not made up their mind as regards the final shape of the proposed scheme of nationalization and requested the Members and the people to make concrete suggestions in this respect. He assured the Members that the final scheme would be put before the House for its approval.

The important provisions of the Bill, seeking amendments to the Motor Vehicles Act, were as follows:

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1 Legislative Assembly Bill No. XIX of 1947.
(1) Cancellation of the existing permits of the motor operators before the period of expiry with due compensation to be paid to them.

(2) No renewal of the permits which were already expired;

(3) Issue of temporary permits in place of permits which were issued for a fixed period at present.

(4) Constitution of a Provincial Transport Authority which may at times consist only of a single official, instead of a body.

Thus the introduction of this Bill, seeking amendments to the Motor Vehicles Act of 1939, marks the first important stage in the process of the nationalization of motor transport in the Bombay State.

The second important stage in the process of nationalization of road transport in the Province was a Government Motion moved in the Bombay Legislative Assembly on 7th October 1947 by Mr. Morarji Desai. He asked the House to give its sanction to the scheme of nationalization of road transport services in the Bombay Province. The motion read as follows:

"This Assembly hereby resolves to accord sanction to the proposal of the Government of Bombay to nationalise road transport services throughout the province with a view to increase the operational efficiency of the existing services, to ensure that they are run in the interest of the public, and to secure proper co-ordination between road and rail transport."

"This Assembly further resolves that the following principles should be observed by the Government in implementing its proposal:

1. A system of central and local advisory councils shall be devised to ensure that this work is properly guided by public opinion."
2. A minority interest shall be allotted to the Railways to assist in the adequate integration of road and rail transport.

3. All assets that may be acquired by transport operators shall be purchased at a fair valuation.

4. Compensation shall be payable to operators whose permits are unilaterally terminated by the Government before their expiry."

This was followed by a speech by Mr. Morarji Desai, the gist of which is as follows:

This motion indicated a revolutionary change in the transport system of the Province. A beginning was made in this direction by handing over the Ahmedabad city service to the Ahmedabad Municipality. The scheme proposed that the Government was to run the bus services in the whole province except in big cities like Bombay, Ahmedabad, Surat, Poona and Sholapur. The scheme finally put up before the House was almost the same as that circulated last year to elicit public opinion. The objects of the scheme were:

To increase the operational efficiency of road transport service; to ensure that road transport services were run in the public interests and that profits, if any, accruing from the services were utilized for public benefit; to co-ordinate the existing road transport services with rail and sea transport in order to provide to the public the maximum convenience consistent with efficient and economic administration of road transport and to eliminate wasteful overlapping.
When the Scheme was first circulated, it was welcomed by all except the vested interests. Those opposing the Scheme had argued in different ways. Some argued on economic grounds. Some said that the policy of nationalization as a whole should be decided first, then the question of nationalization of road transport be taken up. Thus nationalization should not be done piecemeal. But such important scheme like nationalization of road transport should not await a formal enunciation of the policy of nationalization in general. It was not without precedent that a public utility concern was being nationalized in this country. The railways were nationalized before. There was a persistent public demand to nationalize road transport. So the Government had to prepare a scheme so that the services could be run throughout the Province with uniform efficiency, and overlapping of services and resultant waste could be avoided. The main consideration in nationalization was to make for the convenience of the people. So long as the services were run by the private interests, the main consideration would be to make profit. Another drawback in the system of private ownership was the absence of any healthy competition.

The Government had also considered the various difficulties in the way of immediate nationalization and so it had decided that the entire road services in the
Province should not be taken over in one year. It should be done in three years according to the different zones in which the Province would be divided. If it was forced on the basis of experience of the first year, that the necessary technical staff or material were not available, then the period would be extended to five years. In case of a favourable experience in the first year, the whole programme of nationalization would be completed in two years.

The points raised by the Members of the Opposition would be borne in mind, but the best criticism of the present order came from the employees of the private operators. While the operators were opposed to the scheme, the employees were in favour of it.

Both the operators and their employees would be absorbed in the State Transport after their displacement. Thus the fear of large-scale unemployment was not justified.

The Government wanted to start the operations from 1st of April 1948.

The Government was not undertaking the Scheme to augment the revenues of the Province. At the same time it would not leave out profits, if reasonable profits could be earned while giving service to the people at reasonable cost. It would be a good mode of taxation also, as it would be spread over a large number of people and the tax would be received from the people for the
actual services rendered.

It was argued that Government would not be able to run the services in business-like manner. But it would meet this argument by setting up a statutory board to run the services. The Government was not in a position to establish such a board because the powers vested in the Central Government. So the services would be run departmentally for the time being. Various advisory bodies would be associated with the running of these services.

As the railways would be affected due to these services, they were also being associated with the Scheme. The co-ordination between the nationalized road transport undertaking and the railways was very essential.

The Government had not received any constructive suggestions from the people so far.

The narration made above makes perfectly clear the nature of road transport industry under the private ownership, the circumstances in which the Government of Bombay had to take the decision of its nationalization and the legislative processes that had to be undertaken for the preparation and implementation of the scheme of nationalization.

Reactions to the Policy of Nationalization

The reactions of the various parties to the scheme of nationalization were quite different. These reactions
were evident right from the day the Government published its proposed Scheme and circulated it among the people. These reactions could be broadly studied as follows:

(a) Reactions in the Bombay Legislature.

(b) Reactions in the Province.

Bombay Legislature

As already mentioned, the first indication of Government's intention to nationalize road transport was given to the Bombay Legislative Assembly by the Finance Minister, Mr. Vaikunth Lal Mehta, in a speech on 24th February 1947, while presenting the budget for 1947-48.

After this speech, except for some stray references, no definite views were expressed by the Members of the House on the proposed nationalization of road transport or the Government's policy of nationalization in general.

On 25th February 1947 "The Bill To Amend The Motor Vehicles Act, 1939" was introduced in the Assembly. The Bill was only an enabling measure for the smooth implementation of the proposed scheme of nationalization. As such it had little value by itself. But as it was a means to the end of nationalization, the first reading of the Bill touched off a heated debate which mainly centred round the issue of nationalization. No one showed any interest in the various provisions of the Bill itself.

It was for the third time that the Members expressed
their views on the proposed nationalization when the motion seeking sanction for the Scheme of Nationalization was moved in the House on 7th October 1947.

It is not necessary to give two separate accounts of the debates that took place at both the times. Nor is it necessary to make a mention of individual participants and their respective speeches.

Needless to say that all the Members of the Congress Party who participated in the debate on both the occasions welcomed and supported the policy of nationalization of road transport. There was nothing new in the speeches made by the supporters. They pointed out the drawbacks of the road transport services under private ownership and praised the objectives of nationalization as enunciated in the Scheme and the Motion. Not a single Congress Member opposed the policy of nationalization of road transport.

It is more important to consider the views expressed by the Members of Opposition in the House. The Opposition in the House that time consisted of the Muslim League, the Hindu Maha Sabha, the Communist Party and some Independents. The bulk of the scathing criticism of the policy of nationalization of road transport came from the members of the Muslim League. They alone opposed the nationalization of road transport to the last. The Independents and the lone vocal Member of the Hindu Maha
Sabha were less critical and did not oppose the policy of nationalization of road transport in general. The one and the only Member of the Communist Party did not participate in the discussion.

Another peculiar feature of the speeches coming from the Opposition benches was the acceptance of the principle of nationalization. Every one of them declared that he was for nationalization, but could not support this particular case because of various reasons.

It is essential to examine the grounds on which the Members of the Muslim League opposed the nationalization of motor transport. All of them made it clear at the outset that personally they themselves and the Party to which they belonged did not oppose the principle of nationalization as such. But they opposed this particular move for the following reasons:

1. The motive behind this policy of nationalization was to oust the poor motor owners from their business, the majority of whom were Muslims and other minority communities.

2. The present nationalization began at the wrong end. A priority should be given to the nationalization of key industries. Industries like the textile industry, iron and steel industry should be nationalized first. For food, clothing and shelter were the basic and still unattended needs of the people.

3. Even the Congress manifesto had given first preference to the key industries in its treatment of the policy of nationalization. There the transport industry had found a place at the end. But the Government of Bombay had chosen this wrong end because it was trying to hit at
a section of the population which was not so well-organized and whose opposition Government could afford to ignore. The Government had no guts to nationalize the key industries because the vested interests were too powerful to be antagonized.

If the following tests were applied to the transport industry, it should not come first in the list of nationalization. These tests were:

(a) size of operation;
(b) element of monopoly;
(c) concentration of economic power.

Judged from these angles, there were many other industries which should precede road transport in the programme of nationalization.

4. One of the motives underlying the Scheme of nationalization was that the profit of the industry should be utilized for ameliorating the conditions of the public. But the Government were not justified in taking over the industry on that ground. We had the classic example of the railways, in this connection, where the margin of profit was extremely low since they had been nationalized.

There were better ways like the taxation or increase in the licence fees, etc., to take away a large slice of the profit from the operators.

5. The time chosen by the Government to introduce this Scheme was premature as the Government's ideas and views about the Scheme of road transport nationalization were still in a nebulous state.

6. The policy of nationalization would mean a heavy financial burden which the Province was not in a position to bear at present.

7. Similar Bill seeking the nationalization of transport was opposed in the Congress circle and so the Central Government was compelled to refer that Bill to the Select Committee. Our Government should take a lesson from this and should not take any hasty step till the decision of the Select Committee was out.
8. Prominent Congress leaders like Sardar Patel, Mr. Asaf Ali, and Dr. Pattabhi Sitaramayya had expressed themselves against the nationalization of transport business.

9. The present scheme proposed to ask the municipalities of big cities in the Province to run their own transport services. But they should not be entrusted with this responsibility in view of their low standard.

10. The Government had not given a fair trial to the present operators to improve their business and manage it efficiently. The pioneering work in road transport was done by poor people belonging to the middle class. They had done this against heavy odds like cut-throat competition among themselves, unfair competition by the Railways and lack of any kind of State patronage. It was only in 1939 that the State intervened and tried to establish order in this chaotic condition. Here the operators got a chance to improve their services and manage them efficiently, providing all sorts of facilities to the public. But the Second World War upset their plans rudely. The whole business was so stifled that it was not possible for the owners to put in any enterprise or take initiative in improving the existing system or giving that kind of benefits to the travelling public as they would otherwise have given.

As was well known, petrol was rationed, tyres and spare parts were controlled and buses were given by permits, and the needs of the civil population were relegated to the background. In view of all this the operators were not given a chance to build up a system which would be beneficial both to themselves and to the community at large. So in order to give them a fair trial, the Government should not take such a hasty step.

11. The Scheme would have several repercussions. It would be a centralized scheme, managed and controlled by the Provincial Government. This centralization was against the policy of the party in power which always advocated decentralization in all fields.

12. Similar experiment was tried in Ireland and there it proved to be a complete failure.
13. The present scheme of nationalization would increase unemployment as the operators would be thrown out of their jobs. The compensation as provided in the Bill was very meagre and certainly below the amount that was due to them.

14. One of the objectives of the scheme was to increase the operational efficiency of the services. But the people were quite familiar with the way in which the Government departments were run. They lacked flexibility; there was undue delay because of red tapism; they had no contact with the people and so on. The example of the railways was obvious in this connection.

15. Instead of taking over the road transport industry the Government should control it efficiently by various devices. The co-operation of the operators was quite essential.

On these grounds the scheme of nationalization was opposed by the Muslim League - the main Opposition Party in the House.

When the House was discussing the Government Motion seeking the sanction of the House for nationalization of road transport, one Member of the Muslim League, Mr. Shamsuddin, moved an amendment to the Motion. The amendment sought the association of the private operators with the scheme in addition to that of the Provincial Government and the Railways. Mr. Shamsuddin observed:

"...under the Scheme as it stands, there are only two parties, viz. Government and the Railways. What I am suggesting by my amendment is that the operators should be associated with the Scheme as the third party... I feel very strongly that Government should not lose the benefit of the operators' valuable experience in the line."

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1 Bombay Legislative Assembly Debates.
The amendment was later withdrawn due to lack of support.

The Government point of view was put forth by many Congress Members, mainly by Mr. Morarji Desai (Minister for Home and Revenue) and Mr. Babubhai Patel. They answered the criticism of the Opposition as follows:

1. The Government was observing the unsatisfactory nature of road transport business and finally decided to nationalize it.

2. It was not a nationalization at a wrong end. The Scheme was proposed taking into consideration the convenience of the public in general and it was in full conformity with the ideals of nationalization.

Transport was not a subject which had to be dealt with on all-India level like the textile or mining industry. It was largely a local problem. So only because the Government had not nationalized the textile industry or so, it did not mean that Government should allow other things to remain in an unsatisfactory condition.

3. It was argued that only the backward classes and especially the members of the Muslim community would be hit by the Scheme of nationalization. It was not possible for the Government to wait and see which particular community would be hit or not. It would only see whether the people as a whole and particularly the poorer sections of the society were benefited. And ultimately the Scheme would affect more the non-Muslims than the Muslims.

4. It was said that the Scheme of running the services on Co-operative basis was not tried. The Government was quite prepared to consider such a scheme if elaborately presented by any party. But it was of the opinion that the Co-operative scheme would be highly impracticable under present circumstances.

5. The argument that poor people, in whose hands the industry was today, would be hard hit, was not correct. Most of the concerns were controlled
by wealthy people. Those few poor operators who would be displaced due to nationalization could be absorbed in the State-owned undertakings. So there was no problem of large-scale unemployment.

6. The compensation would be given to the operators on a liberal basis and could not be described as meagre.

7. It was said that the policy of nationalization should be announced before the nationalization of road transport is taken up. But such an important scheme as the nationalization of road transport should not await any formal enunciation of policy of nationalization in general.

8. Giving a share to the operators in the new scheme will negative the very purpose of nationalization.

9. It is argued that the scheme proposed to entrust the running of city services to the municipalities whose standards are low. This is not correct. Only those major municipalities representing a population of more than one lakh and with a clean record are envisaged in the scheme.

These points were made in the Legislature for and against the proposed scheme of nationalisation of road transport.

Reaction in the Bombay Province

So far various reactions to Government's policy of nationalization of road transport services in the Bombay Legislature have been discussed. It would be interesting to study the reactions of different parties like the private operators, the press, the political parties, the people, public figures and economists, etc. in the Province.
The Private Operators

The operators were the only persons who were affected the most. Obviously, their reaction was equally vehement. It was quite natural and, at the same time, very important. They opposed the scheme tooth and nail and exerted all kinds of pressures on the Government to give up the policy. They also indulged in some kind of lobbying as far as the Bombay Legislature was concerned. Their case was very well presented by the Members of the Muslim League in the Legislature. The main reason for approaching the Muslim League Members to plead their case and oppose the policy of nationalization in the House was that the Muslim League was the largest single Opposition Party in the then Bombay Legislature. Another reason was that many of the private operators belonged to the minority communities. So the reactions of the private operators could be gathered through the arguments advanced by the Members of the Muslim League in the Legislature.

There is one official indication of the actions of the private operators in the Province to the nationalization of road transport. On the eve of the nationalization of road transport services, the All-India Motor Unions Congress, an all-India body of private operators, asked its provincial branch to prepare a report on the private operation in the province. The concluding portion of the
The report contains views of the Congress about the proposed nationalization. The gist of the arguments is as follows:

For 20 years, the road transport industry bore, without any grumble, all taxes imposed by the government. When the operator was thinking of re-investing his profits in the industry and was ready to do everything for the travelling public, he was served with a closure notice.

The condition of the road transport industry in the province was no doubt very unsatisfactory. But that was mainly due to non-implementation of the Motor Vehicles Act, 1939. The Act contained all the provisions necessary for government to control and regulate the road transport services, in an effective manner, regarding schedules, rate-structure, roadworthiness and mechanical fitness of the vehicle and operational efficiency in general. But the enforcement of the Act was followed by acute scarcity of vehicles, fuel and spares due to the Second World war. As such the implementation of the Motor Vehicles Act, 1939, did not have any fair trial. To put it the other way round, with all their good intentions, the operators, because of the peculiar circumstances created by the war, could not conform to the provisions of the Act and improve the operational efficiency on the one hand, and provide amenities to the passengers on the other. As the operators were trying to recover from a staggering blow given by the war,
they were faced with the government ultimatum of taking over the road transport services in the provinces.

In the circumstances, the private operators certainly needed another period of trial, say, about five years. During that period they would have done their utmost to remove the drawbacks and improve the conditions of the industry from the passengers' point of view. If they had failed to make the best of the last opportunity, the government would have been justified in having their own way.

In spite of the non-implementation of the Motor Vehicles Act, 1939, considerable improvement had already taken place through the amalgamation of services, the provision of waiting-sheds for passengers, the establishment of machinery, providing liaison with passengers, and so on. A small beginning was made in that direction by appointing advisory bodies consisting of prominent public men. That did not, however, mean that everything was done. Much more was to be achieved in the form of proper and scientific realignment of routes; further amalgamation; more buses with more sitting capacity and better seating arrangement; better service-stations and supply-depots; standardization of makes and tools; and elimination of middlemen.

The policy of nationalization, appeared to be a revolt from foreign rule. Its application to the road
transport industry was not appropriate at that stage. The industry was still in its infancy and needed all-sided development. So it should have been left in the hands of private operators, under strict supervision and control by the government. Rules should have been enforced for the provision of adequate amenities, for prescribing proper types of vehicles and providing proper maintenance and servicing. Ill-treatment of passengers should have been made an offence. A special officer should have been appointed by the government to look into the complaints of the passengers.

The principal objectives of the scheme of nationalization, operational efficiency, interest of passengers, and rail-road co-ordination - could have been better achieved under private ownership. The private operators would have been in a position to offer cheaper service to the passengers than was possible under nationalization, with more overhead charges. The employer-employee relationship was always better under private ownership; in case of a dispute the government could have always stepped in as an arbitrator. This was not possible in a nationalized undertaking. Some kind of rail-road co-ordination already existed in the form of feeder services in this province. Its further development did not depend on the change of ownership.

Thus the proper enforcement of Motor Vehicles Act,
1939, made nationalization quite redundant.

The main arguments from the preceding paragraphs can be reduced to two propositions:

(1) The operators have not got a fair trial for last so many years; and

(2) all the objectives of the scheme of nationalization could have been achieved under private ownership, with proper implementation of the Motor Vehicles Act, 1939; not only that but in some respects the private ownership would have achieved better results.

It would be better to examine the arguments of the private operators at this stage. The scheme of nationalization has been characterized by the private operators as a "revolt from foreign rule". This is certainly not true. The scheme of nationalization has no patriotic or ideological fervour. The official announcements and statements made by government make it quite clear that the decision of nationalization of road transport services was mainly based on the bad record of private operators and the popular clamour for government intervention in this matter.

There is also little truth in the allegation made by the Members of the Muslim League that the action of the government had been motivated by some communal considerations. This criticism was, however, conspicuous
by its absence outside the Legislature.

Though the operators faced certain serious difficulties from time to time over a period of 25 years, this certainly never came in the way of providing better services and amenities to the passengers. Some of the glaring mal-practices, which were widely criticized, were in spite of such difficulties rather than because of them. There was absence of any genuine urge for providing better services and amenities to the travelling public. Though there were certain enlightened operators, their number was very small. Majority of the private operators had a very unsatisfactory record of being totally indifferent to the requests of the passengers.

No doubt, the implementation of the Motor Vehicles Act, 1939, was seriously interfered with by the advent of the Second World War. To a certain extent, the provisions of the Motor Vehicles Act, 1939, would have improved the situation. But this has always remained a hypothetical proposition as it is difficult to say as to what extent the private operators would have cooperated with the government in implementing the Act, in favour of the passengers. One thing is certain that the non-implementation of the Act has provided a strong argument to the private operators in favour of postponing the scheme of nationalization.

One important change that came in the way of giving
a fair trial to the private operators, on the basis of these arguments, was the assumption of office by the popular Government in 1946, followed by the achievement of independence in 1947. The public utility aspect of the industry and the past record of the private operators were the two main considerations that made the government turn away from the idea of giving another period of trial to the operators.

The other arguments are merely stock arguments which can be always used against any move of nationalization. They are:

(1) The service provided by the nationalized enterprise would be costlier because of heavy overhead charges;

(2) the private owner has a personal stake in the undertaking and so he will try to produce better results;

(3) the employer-employee relationship is always better in a private undertaking because any dispute can be referred to government, which is not a party to the undertaking.

The record of the road transport operations under private ownership in the Bombay Province was not at all satisfactory. It is quite in contrast with that of certain private undertakings in the South, which have many good things to their credit without much intervention by government.
Most of the schemes of improvement suggested in the arguments of the private operators were born of the threat of nationalization. Neither did they ever contemplate such schemes, nor did they make any efforts in this direction. The promises were designed only to achieve the postponement of nationalization.

The Parties

It is also interesting to study the reactions of different political parties in the province. The members of the Congress Party were almost unanimous in supporting the move of the Government. But some of the influential leaders in and outside the province were opposed to nationalization in general. Persons like Dr. Pattabhi Sitarammaiah and Mr. S. K. Patil expressed their opposition to the nationalization of road transport. Mr. S.K. Patil, then President of Bombay Pradesh Congress Committee, presided over the fourth conference of the Bombay Provincial Motor Unions' Congress held in Poona on 15th March, 1947. In his Presidential address he observed that the nationalization of road transport should be preceded by that of certain other basic industries. There were better alternatives to the policy of nationalization. The public utilities could be properly regulated, and it was not desirable to nationalize them.

The Cabinet, however, decided to ignore such views
of a few leaders in the Party, as it was sure of a whole-hearted support from the rank and file. The programme of nationalization as a whole or individually never enjoyed unanimous support in the Congress Party; a large section of the Party had a soft corner for the private ownership. The scheme of nationalization of road transport only provided an instance of such division of opinion in the Party.

The Socialist Party also supported the scheme of nationalization, in principle, but expressed disagreement over certain points.

The Peasants and Workers Party gave its support to the nationalization of road transport.

The Hindu Mahasabha, though not in favour of nationalization in principle, did not oppose the present scheme on its own merits.

Needless to say that the Communist Party in the Province welcomed the move.

The scheme was opposed tooth and nail by the Muslim League, though the Party was in favour of nationalization in principle. The arguments of the League have already been enumerated while dealing with the debates in the Bombay Legislature.

The People

It was because of the popular clamour against the
private operators that government decided to take over the road transport services. Naturally the scheme of nationalization was welcomed by the people of the Province.

The employees of the private operators welcomed the scheme of nationalisation as they were not happy with the conditions of service. The Government had promised to absorb them and they expected a better deal under nationalisation.

Professor D. R. Gadgil, a well-known economist, expressed his views on the scheme of nationalization of road transport as contained in the preface to the Report of the All-India Motor Unions' Congress. His main observations can be summed up as follows:

The acceptance of the policy of nationalization should not be piecemeal. Instead of considering separate individual proposals, it was necessary to present an elaborate programme of nationalization in order of priorities.

As transport was a public utility, it is natural that its nationalization should be given high priority. But the nationalization of road transport should be preceded by nationalization of air transport and shipping. For there was more concentration of economic power and the risk involved was greater.

The nationalization of road transport was at a wrong end. Other basic and important industries should be
Certain types of economic activity were more suitable for nationalization. Where there was monopoly element and which operated on a very large size, could be easily included in the public sector. On the other hand, where there was a need for personal contacts with consumers and where the operations were scattered all over the State, the public ownership would face very serious problems. In such cases regulation was better than nationalization. The road transport in the Province belonged to this category. So its nationalization was not advisable.

Another objective of any programme of nationalization was the removal of concentration of economic power and monopoly element. Both these factors were almost absent in the road transport industry.

Thus Professor Gadgil expressed himself against the scheme of nationalization of road transport of the Bombay Government. Instead he suggested effective regulation of the industry.

His views created a great stir in the official circles. The private operators tried to make their own case with the help of these views. A few Congress members in the Bombay Legislature expressed surprise at the statements made by Professor Gadgil who was considered to be a progressive economist.
Some of his arguments are dealt with in the concluding remarks of the present discussion. On the whole, his views appear to be one-sided as he has not considered all the factors which led to the policy of nationalization.

Though it is better to prepare a comprehensive programme of nationalization, it cannot be considered as an important pre-requisite of nationalization of a particular industry as a result of popular demand. The scheme of nationalization of road transport was not a part of a larger scheme of implementation of a comprehensive programme of nationalization. Also the suitability of taking over a particular industry is not the only consideration in the policy of nationalization. There are far more important factors which weigh with the Government while taking such a decision. The regulation of the industry as suggested by Professor Gadgil, would not have been able to achieve certain objectives like modernization of the industry, heavy capital investment, expansion of services and coverage of certain routes where operation is uneconomic, etc. The scheme had not envisaged either the removal of the concentration of economic power or the distribution of monopoly gains. In fact there were hundreds of small operators with many uneconomic units and this led the Government to step in. Professor Gadgil is quite correct in suggesting the nationalization of air services and shipping before that of road transport.
But these were beyond the scope of the Provincial Government. Thus the case presented by Professor Gadgil against the scheme of nationalization appears to be rather one-sided.

The Press

The Press occupies an important place in the manifestation of public opinion in the community. As such, it is necessary to review the reactions of various papers. Some of the papers generally support a particular political party and their editorial comments many a time try to toe the party-line. There are some papers which express their opinions independent of the policies of different political parties. Such papers are bound to throw more light on the climate of general opinions in the province.

At the time, the two important English newspapers in the province were The Times of India, and The Free Press Journal.

The Times of India has been an influential daily, with very wide circulation and known for its independent and forthright views. It supported the policy of the Government of Bombay to nationalize road transport services in the province. It, however, expressed some disagreement over certain features of the scheme and advocated a phased programme of nationalization.

In one of the editorials, it observed that, theore-
-tically, there was much to be said for the nationalization of road transport with a view to eliminating uneconomic competition and providing an efficient service.

It, however, expressed its disagreement over the policy of compensation followed by the government as regards the old operators. In one of the editorial comments, it stated,

"A legitimate grievance of operators is the denial of compensation for State acquisition of their transport routes. A favourite Governmental subterfuge is not to renew a permit. Where unavoidably a current permit is cancelled, the compensation provided is too microscopic to masquerade under that title." 1

In a special article, entitled "State Transport: A Comparative Study", by their correspondent, the opening remark is as follows:

"Among the few necessary and potentially beneficient reforms inaugurated in different parts of the country in the post-freedom era is the nationalization of road transport..." 2

The Free Press Journal, also an independent English daily, but with limited circulation, supported the policy of nationalization of road transport.

Of the Marathi newspapers, Kesari and Sakal are quite influential and have a wide circulation. In addition to these, there were Bharat and Lokshakti.

Kesari is a bi-weekly, very much respected among the educated Marathi-speaking people. Ideologically, it has

1 'Times of India' - 21st November, 1951.

2 Ibid., 12th September, 1951.
leanings towards Hindu Maha-Sabha, though it is not supposed to be an official organ of the Party. In general, it has been quite critical of the policies of the Congress government. But, in its editorial comments, it supported the scheme of nationalization. It, however, expressed some doubts about its success and advised the government to avoid any hasty step in this matter. It expressed fears about the corruption and bureaucratization that might take place in the state undertaking. It advocated a phased programme of nationalization to avoid sudden uprooting of former operators, and unemployment.

*Sakal* is another influential Marathi daily with very wide circulation. Though it has been supporting the policies of the government in general, it opposed the scheme of nationalization as a whole. Since the establishment of the Bombay State Transport, it has never lost a single opportunity to criticize its working. The main reason seems to be that it has a soft corner for private enterprise; it is often indicated in its editorials.

Another important Marathi paper was *Lokshakti*. It was supposed to be a mouthpiece of the Congress Party. Obviously, it supported the scheme of nationalization.

*Bharat* was a Marathi daily with strong leanings towards Rashtriya Swayamsevak Sangh (R.S.S.), a militant Hindu

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1 'Kesari'; 28th January, 1947.
organization. Its editorials have been mostly critical of the government. The paper opposed the scheme of nationalization as a part of general opposition to the programme of nationalization. It wanted the state government only to regulate the operations and achieve necessary improvement. It was highly critical of the working of Bombay State Transport.

Policy of Nationalization

It is necessary to say a few words about the policy of nationalization of road transport in the state. As already mentioned, the main consideration that guided the policy was the interest of the people. The record of the private operators was far from satisfactory during last 25 years, and no popular government worth the name would have remained a mute spectator to this state of affairs for long. The popular clamour for government intervention was already gathering momentum, particularly after independence. There was only one alternative open to government besides nationalization - a vigorous implementation of the Motor Vehicles Act, 1939, coupled with some additional restrictions on the operations. Failing that the government would have been quite justified to take over the industry. That the government did not contemplate such a step at any time is obvious from its various statements. There is no satisfactory explanation for this
attitude, though the government was quite justified in arriving at a decision of nationalization on the basis of past record of the private operators.

The public-utility nature of the services was another important reason that prompted the government to take over road transport services. It was argued by the private operators that the industry was in its infancy; but it was rather stagnant and needed modernization and development on proper lines. It was impossible to expect that this modernization and development could have been achieved at the hands of the private operators, known for their narrow attitude. The industry needed all-round expansion to meet the increasing demands of the people. It was also necessary to spread the net-work of services all over the state. All this needed foresight and overall view of the development of the economy with a broad outlook. It also needed heavy capital investment promising no immediate returns. It was not possible for the private operators to do this. So an agency like the state was necessary for the purpose.

The government decided to nationalize road transport in 1948. At that time there were no efforts at planned development of the economy of the country. So it cannot be said that the decision of the Bombay Government was motivated with this view. But the processes of planned development which started from 1950 onwards more
than justified the action of the Government in taking over
the road transport services. A well-developed road trans­
port system is one of the important pre-requisites of
a developing economy. Its absence would lead to a seri­
ous set-back to rapid economic development. It is the
duty of the government to lay down the infra-structure,
popularly known as social overheads, for the development
of the economy. Road transport forms an important element
of this infra-structure. It is necessary that the state
alone takes this responsibility. The nationalization
of road transport made it easier for the Government of
Bombay to shoulder this responsibility. This would
not have been possible under private ownership.

The authors of the Second Five-Year Plan observe:

"An efficient and well-developed system of transport
and communication is vital to the success of a plan of
economic development, which lays stress on rapid indus­
trialization. In the past, the dominant considerations
in the development of transport and communications in the
country were trade and administration; but since the second
world war the transport system has been increasingly ori­
ented to serve the need of industrial development." 1

As already mentioned, the decision to nationalize
road transport was not taken on any ideological grounds.
In 1946, the Congress Party was not strongly wedded to the
programme of nationalization. As pointed out by Professor
2
Cleg and Professor Chester there are two approaches to


2 The Future of Nationalisation - by Prof. Cleg and
Prof. Chester.
nationalization - the doctrinaire and the pragmatic.
In the latter case, certain changes are sought in a particular industry and the public ownership comes very handy for the purpose. This was quite true of the nationalization of road transport in Bombay. There was no motive of deconcentrating any economic power, as there was no such concentration as far as the road transport industry in the state was concerned. The motive of arresting any monopolistic growth in the industry was similarly out of question. In fact, there were hundreds of small operators, and many of the units were uneconomic. The peculiar nature of road transport industry, however, makes a strong case for nationalization either way. If there is any concentration of economic power or an element of monopoly, the government can take over the industry with a view to removing such concentration or monopolistic element. If the industry consists of many small operators, government is justified in taking over the services to put an end to uneconomic operations and costly social overheads. In the case of road transport in Bombay, it was the latter situation that compelled the government to step in.

The authors of First Five-Year Plan observe:

"... State participation in public road transport is intended to achieve greater efficiency and economy in operation and management which a large number of small operators functioning separately will not be able to do. Only large organizations with adequate financial resources
can provide the workshop and other facilities which are essential for rendering efficient service and realizing the economies resulting from large-scale operation. The benefit of such economies can be passed on to the consumer as well as the transport worker if commercial road transport is under public ownership..." 1

It was argued by Professor D. R. Gadgil that since there was no concentration of economic power, Government was not justified in proposing the nationalization of road transport. But the above line of thinking makes it clear that the Government was right in proposing such action.

Yet another criticism was that the government had not put forth either an elaborate programme of nationalization or a comprehensive policy in this respect. Such criticism is irrelevant. It is possible to discuss the relative merits and demerits of this particular scheme by itself, without making any reference to the economic ideology or programme of the government. It has often been mentioned by the critics that even the Labour Government in the U.K. brought out a very elaborate programme of nationalization of industries and services in order of priority, before its implementation. Such a programme should have been announced by the government before taking over the road transport services. Surely, that would have been appreciated. But its absence does not diminish, in any way, the merits of the programme of nationalization of road transport.

1 'First-Five-Year Plan' : Chap. XXI, p. 483.
Secondly, there cannot be any comparison between the British Labour Party and the Congress Party in this respect. As mentioned already, the Congress Party was never ideologically wedded to the programme of nationalization — certainly not in 1948. The step to nationalization of road transport was without any ideological background. Nor was it a part of a larger scheme of nationalization programme. So any kind of criticism making a reference either to the absence of any comprehensive scheme of nationalization or comparison with the British Labour Party is quite irrelevant. The criticism that nationalization of road transport is at the wrong end (which suggests the nationalization of other industries and services before that of road transport) also belongs to the same category. These points are relevant while discussing the policy of nationalization as a whole. But they have no place while discussing the merits and demerits of the nationalization of road transport.

A critic like Professor D. R. Gadgil suggested that, in the field of transport, the nationalization of air services and shipping should be given priority as there is concentration of economic power and the risk involved is greater. Though this argument is quite convincing, the nationalization of air services and shipping was beyond the scope of the provincial government which was keen on taking over road transport services.
The only drawback of the scheme was the denial of fair compensation to the private operators. The government cleverly made use of the device of not renewing the permits after the period of expiry. Legally, there was nothing to say against such policy. But the attitude of the government was severely criticized by all sections of the community, including some independent observers. Many of the operators did not belong to a high income-group and had invested everything they had in the business.

There is also another reason why the government decided to nationalize road-transport in the first instance: the vested interests were not so powerful and the government expected no stiff resistance.

Another factor which influenced the policy of the Government of Bombay to take over road transport services might be the nationalization of road transport in the U.K. by the Labour Government.

Needless to add that no communal considerations were involved in taking the decision to nationalize the road transport in Bombay.