Chapter II

HISTORY OF THE DEVELOPMENT OF RURAL BUS TRANSPORT IN INDIA
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As noted in the previous chapter, mobility is said to determine the quality of life led by the people. In the absence of sophisticated modes of transport such as the railways and airways catering evenly throughout the country, bus transport has become the primary mode of transport not only in the rural areas but also in the urban areas for moving the population from one place to another. The economic compulsions restricted the options for rural and urban mobility and made bus transport the main choice. Its flexibility, ability to penetrate into hitherto inaccessible areas, the offer of a personalised service and, above all, its ubiquity, made bus transport an essential ingredient of rural life.

The Beginnings

Although tracks of travel operated by human beings and animals existed from times immemorial, mechanised road transport has a comparatively short history in India. The first motor vehicle came to India in the year 1898. For several years it remained a novelty and a luxury indulged in by the princes and the very rich. As the strength of these vehicles slowly increased, there were several provincial enactments to control and regulate their movement with a view to safeguard the lives of pedestrians, and for
the purposes of registration. The first all-India enactment dealing with the operational control of motor vehicles, the Indian Motor Vehicles Act, came into force in 1914. It is obvious that the law-makers and the users of motor vehicles in the early years of the twentieth century could not foresee the revolution motor vehicle was later to wrought and the unalterable manner in which it changed the life styles of people once it took over.

Soon after the completion of the First World War, the army vehicles which were rendered surplus were diverted to the civilian market. By the early 1920s there were a large number of vehicles operating in several parts of the country. The growth was unprecedented. This led to unhealthy competition among the operators who were plying these vehicles for hire and reward. Once the novelty turned into convenience, there was a sudden spurt in demand which caught the existing legislation unaware. The Indian Motor Vehicles Act (1914) could not cope with the new pressures and had to be supplemented by enactments made in the 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 worldwide depression (which involved this country also) had brought to the fore the need for regulation of the industry, both internally and in relation to the railways."¹
Mitchell-Kirkness Committee Report (1932)

The unexpected and unprecedented growth of motorised transport triggered off by the surplus vehicles of the First War, created problems of not only unhealthy competition among motor vehicles but also threatened the Railways. The time was ripe for stringent measures to be adopted for both inter-modal as well as intra-modal coordination. A study of rail-road coordination was initiated by the Mitchell-Kirkness Committee in 1932.

Commenting upon the state of affairs in the road transport industry at the time, the Committee observed:

"The evils from which the public service motor transport is suffering are largely due to the excessive competition, unemployment amongst buses and their concentration on the more popular routes... We think that the evils attending unlimited competition are now such that the alternative, namely monopoly, would be preferable... In any event, we believe a controlled monopoly will be necessary to encourage enterprise on less popular routes."

The Mitchell-Kirkness committee recommended that the number of licences for buses on any route should be restricted and that conditions such as issue of time-tables, publication of schedules of fares and compulsory insurance of motor vehicles should also be prescribed. It felt that these measures would raise the business to better and more economic
levels and that fuller regulation and control would eliminate unhealthy competition and make it possible for the operators to offer better services to the public.

**Comprehensive all-India motor vehicle legislation**

Following the Mitchell-Kirkness Committee recommendations, the Government later appointed another committee, the Wedgewood Committee, in 1937, which was solely concerned with rail-road coordination. It is interesting to note that some of the present problems were already foreseen by the two Committees. The first is that the predominance of one-vehicle owner operations is not amenable to better control and that a 'controlled monopoly' (as the Mitchell-Kirkness Committee put it) is necessary to safeguard the less popular routes from desertion. The second is that the road transport, eventhough it started much later than the railways, had the potential to stifle the railways. That this should have been the threat within twenty years of its existence is a measure of the power of road transport over people’s transportation needs. The main interest of the Government at that time was to protect the Railways in which it had considerable financial interest and to bring road transport under strict supervision in order to eliminate the inevitable wastages caused by needless and selfish competition.

With these objectives in view, the Government enacted a new legislation in 1939 entitled the **Motor Vehicles Act of**
1939. The stated purpose of this legislation was to ensure the role of road transport on the basis of healthy competition in the industry itself and with the Railways. This Act is an endorsement of the potential of motor transport in carrying people and goods 'for hire or reward'. This legislation, which is in force even today (though with a host of amendments added from time to time), provided for the creation of Regional and State Transport Authorities, with full powers to grant permits for stage (passenger) carriages, public carriers and private carriers. It also laid down conditions pertaining to routes, timings, specifications of vehicles, standards of maintenance, etc. These conditions were to be attached to the permits for observation by the permit holders.

In 1943, the post-War Reconstruction Report of the Technical Sub-Committee to the sub-Committee on Transport (on the future of road transport and road-rail coordination), drew the attention of the Government to the need for "regular, speedy and comfortable motor service, enforcement of maintenance and other safety measures, prevention of flooding roads by motor transport concerns resulting in cut-throat competition." The Sub-Committee further urged that in order to have "civilised facilities for travel commensurate with the density of the traffic and the service which that traffic can support... the conditions requisite must inevitably result in the replacement of the small owner by large companies."
This recommendation was reiterated in 1945 by the Transport Advisory Council and also by the Post-War Policy Committee on Transport. In pursuance of these recommendations, several state Governments used compulsion as well as persuasion to reorganise individual operators into bigger units. The scheme was known as the tri-partite scheme, underwhich joint stock companies were to be organised in the States, whose share-holders will be (1) Indian Railways, (2) State Governments, and (3) motor bus operators. Thirty-five per cent of the share capital was to be subscribed by the Railways, thirty-five per cent by the state Governments, and thirty per cent by the bus operators of the State. If individual operators could not pay their share in cash, their buses might be accepted in good condition in lieu thereof.

Such cooperatives were to be organised in all the States in India and profits were to be divided among the three parties according to their share of capital.

"In the beginning the scheme was welcomed, but after some time it was abandoned. They (the bus operators) thought that their voice would not be heard in the new organisation, and would always be ruled out. The Railways by virtue of their advantageous position would always out-vote at all stages. The value of their buses was also under-estimated. This scheme was a complete failure."2

The pre-Independence scene may be summed up as a period of both the beginning and the blossoming of the bus transport
industry in India. The potential of the industry was quickly realised and the Government took steps to control and regulate bus industry both to avoid unhealthy competition as well as to protect the railways in which it had considerable financial interest. It is significant to note that almost every expert opinion suggested controlled monopoly as the only answer to the evils of unhindered and selfish competition. The Motor Vehicles Act (1939) which was specially designed to tackle operations by numerous private operators by stringent provisions and penal measures could also not fill the bill.

In the absence of any move for Government-controlled monopoly - nationalisation must indeed have been a far cry in those days - attempts were made to bring the operators into groups of cooperatives. The efforts proved futile due to conflicting objectives of the parties concerned. The single operator refused to submerge into a monopoly, which, according to him, was being fostered in defence of the Railways and in support of a vague concept of national interest, as these came into conflict with what he perceived as his own best interest. It is, therefore, hardly surprising that in an environment littered with proposals for unifying the industry in order to subserve the larger interests, only the provisions of Motor Vehicles Act survived. There was indeed no other way of bringing in discipline among the warring operators.
This was the situation that prevailed when India achieved Independence in 1947.

Post-Independence Period

The political independence achieved in 1947 has inevitably extended the horizons of national ambitions and expectations. The leadership, to its great credit and foresight, was aware of the dimensions of the problem of national growth and development. It was also equally aware of the importance of time and the quickness with which the new developmental measures have to be implemented. Before the euphoria of Independence evaporated, the leadership expected the people to realise the qualitative change that was ushered in by the dawn of Independence. Among the immediate post-Independence priorities, road transport did not, however, find a place. The Industrial Policy Resolution of 1948 made no mention of this sector. In the Industrial Policy Resolution of 1956, road transport was mentioned as the eleventh of twelve items in the Schedule B, which listed industries to be "progressively state-owned and in which the State will therefore generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the efforts of the State."

As noted above, the post-Independence India inherited a situation where every effort to unify the road transport industry failed. The Motor Vehicles Act (1939) was
formulated basically to control errant operators whose aims were no laftier than making a quick and substantial return on the capital invested, often at the expense of their weaker colleagues and to the detriment of inter- and intra-modal coordination. One of the major factors in the failure of encouraging cooperatives in road transport industry is that the provisions of Motor Vehicles Act broke the entire transport operations into bits and pieces of routes, permits and vehicles. The permit isolated the operation of each vehicle by subjecting it to the tightest control over the route course and time schedule. Though on the face it it this was necessary to avoid unhealthy operations, it this was necessary to avoid unhealthy operations, it required an enforcement machinery of a very high calibre both in honesty and in the knowledge of transport operations. The absence of such a machinery contributed to the failure of the legislative framework in controlling transport operations as the Government would have liked.

Nationalisation as a Movement

With the adoption of welfare state concept requiring the State to strive to achieve the national goals of economic reconstruction and social equality, soon after Independence and in the early 1950s there was a spirit of nationalisation in the air. It was almost unanimously accepted by the post-Independence leadership that the means of production should be closely controlled, if not owned, by the State. Road transport, which had been listed in the
Schedule B of the Industrial policy Resolution, meant for progressive nationalisation, was also buffeted by the winds of change.

It is necessary here to pause for a moment and consider the reasons why the attempts to atleast form small groups of operators failed inspite of the coercive and persuasive measures adopted by the Government. It is also significant that as early as in the beginning of 1930s the suggestion was made to introduce monopoly in the industry. Even when the welfare state concept was not very much fancied, Government intervention was sought to protect the heavy investments made in the railways and to generally safeguard the national interests. Even as late as in 1968, the fragmentation of the bus industry was so complete as to cause concern about the future. The following figures speak for themselves:

<table>
<thead>
<tr>
<th>No. of vehicles owned by each operator</th>
<th>No. of operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,36,000</td>
</tr>
<tr>
<td>2 to 5</td>
<td>14,046</td>
</tr>
<tr>
<td>6 to 10</td>
<td>2,188</td>
</tr>
<tr>
<td>11 to 20</td>
<td>721</td>
</tr>
<tr>
<td>21 to 50</td>
<td>278</td>
</tr>
<tr>
<td>51 to 100</td>
<td>32</td>
</tr>
<tr>
<td>100 &amp; above</td>
<td>37</td>
</tr>
</tbody>
</table>

The only alternative for making the transport industry subserve national goals was to go in for a large scale nationalisation in the industry. The history of nationalisation in bus transport industry till Independence was that it was mainly confined to some advanced princely states such as Hyderabad, Gwalior, etc. The very first post-Independence attempt to nationalise bus transport industry was made in 1948 by bringing in a Road Transport corporations Act which caused the establishment of the Bombay state Road Transport Corporation. This Act was declared ultra vires as it involved delegated legislation. A more comprehensive legislation, the Road Transport corporations Act of 1950, was brought into force enabling the state Governments to form Road Transport corporations within their jurisdiction.

The incentive offered to the state Governments under this Act was capital participation by the Union Government. The Act provided only for loan capital and a convention has been established where one-third of the loan capital is to be provided by the Union Government and the other two-thirds by the concerned State Government. The Union Government contributed its share through the Indian Railways, whose representatives sat on the boards of management of the Road Transport Corporations, along with others appointed by the State Governments, who included the Chairman and the Chief Executive of the Corporation.
The passing of a legislation to enable nationalisation was only a mere expression of the Government’s desire. The Motor Vehicles Act of 1939, which continued to be in force, was still the ruling legislation, and in its spirit and letter it was not suited for the new measures of nationalisation. The Road Transport corporations Act (1950) not only provided for monopoly (something which was considered desirable way back in the early 1930s) but also provided for such a monopoly under Government ownership. In other words, within eleven years of enacting the Motor Vehicles Act (which was a clear admission that road transport operations would continue to be under the control of a multiplicity of private operators who need to be disciplined and regulated for the achievement of desired coordination), Government donned the role of a monopoly operator. The Government therefore became not only the regulator of road transport but also an operator, operating alongside several other small operators. This created a problem because the Motor Vehicles Act, as it then was, did not recognise the measures of nationalisation and was not framed to discriminate one operator against the other.

Special provisions for Nationalisation

The Motor Vehicles Act was amended in the year 1956 to incorporate special provisions for State transport undertakings which were meant to them be the agents of the
Government for progressive nationalisation. A separate chapter (Chapter IV-A) was added for the preparation and publication of nationalisation schemes by the State Transport Undertakings, and \textbf{for the approval of such schemes by the Government. The amendment also laid down the procedure to be adopted by the State Governments for calling for objections from interested parties, holding public hearings, and approving such schemes which may or may not involve displacement of private bus operators.}

In 1956, the planning Commission also gave a directive to State Governments either to form Road Transport Corporations where there were none, or to convert Government-owned transport undertakings into Road Transport Corporations. The importance of bus transport in the fulfilment of Plan objectives were implicitly and explicitly canvassed among the State Governments by holding forth the carrot of capital participation by the Union Government.

\textbf{Impediments to Nationalisation}

Though nationalisation of strategic industries got national acceptance soon after Independence, there were several reservations in respect of bus transport. The Road Transport Corporations lacked investment support to go in for large-scale nationalisation. Since road transport was not included in the core sector, it had to depend on the meagre allocations made by the States. There were several legal hurdles that were placed before the nationalisation effort
in view of the anomalies existing in the Motor Vehicles Act after the introduction of the provisions for nationalisation in Chapter IV-A. A progressive amendment contained in an archaic, negative framework of a legislation, created and is still creating innumerable problems and litigation that has slowed down, if not altogether halted, the progress of nationalisation during the last thirty years.

Meanwhile, the State Governments to whom the Constitution entrusted road transport, were subjected to pressures from private operators, and also suffered from lack of sufficient resources. This has considerably blunted their political will to press on with the nationalisation of bus transport. Alongside these developments, the very wisdom of nationalising bus transport was being seriously questioned in certain quarters. Several times, the late Sardar Patel and Prime Minister Jawaharlal Nehru disapproved of this scheme of complete nationalisation because of economic difficulties. Mr. T.T. Krishnamachari, while addressing the Madras Motor Union, observed that the transport policy of Madras State was against public interest. Nationalisation had harmed road transport and precluded transport development also. Mr. M.R. Masani was against the complete nationalisation of road transport. He suggested that the State should have control over road transport but not ownership.

Presiding over the all-India Motor Union Congress at New Delhi in January 1947, Dr. B. Pattabhi Sitaramayya
observed that, "to run after tongas, phaetons, motor cars and buses is to abuse the idea of nationalisation. The case of the individual busowner deserves patient understanding, close examination and careful judgment. He has committed no sin beyond sinking his money a quarter of a century back upon an unknown industry with an uncertain future. After many vicissitudes, he has begun to make good when licences, controls, regulations and corrupt practices destroyed his living. Now suddenly to say that they shall surrender their business in the hands of local boards of government, is to do evil unto those who have done good." 

The Planning Commission, however, took a broader view. To quote the First Five Year Plan, "We are of the opinion that wherever road transport services are run by the state, a Corporation should be formed for the purpose, as that would provide the necessary autonomy and would lead to more efficient administration." Most of the political leaders who did not favour nationalisation of road transport were doing so on the ground of either lack of resources or of probable injustice to private operators who built up the business over a period of time and guided it during the formative years. The Planning Commission could not confine itself to this narrow interpretation. "The main purpose of setting up such (road transport) corporations, in the opinion of the Planning Commission, was the elimination of undesirable competition between the nationalised railways and the
and the nationalised road transport undertakings which are growing into large monopolies in different States.  

Attempts to reorganise the road transport industry  

In the face of fragmentation of road transport industry, it was one of the declared intentions of the Government both before and after Independence to organise the industry in such a way that it does not go out of control. Beginning with the Mitchell-Kirkness Committee, which pleaded for 'controlled monopoly', there were several other attempts to bring at least partial unification of the industry. An amendment to section 47 of the Motor Vehicles Act in 1956 stipulated that "provided that other conditions being equal, an application for a stage carriage permit from a cooperative society registered or deemed to have been registered under any enactment in force for the time being shall, as far as may be, given preference over applications from individual owners."

To quote the Study Group on Viable Units, "The Planning Commission, in the First five Year plan, reiterated the policy of forming larger units of operators and observed that only large organisations, with adequate financial resources, could provide the workshop and other facilities essential for rendering efficient and economic service. According to them it was desirable for the existing private operators to amalgamate, wherever possible, into big viable units to enable them to achieve better
returns and main better standards of operation. The planning Commission, in the second five Year plan, again stated that inadequate development of road transport during recent 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 and business-like lines.  

A notable example is that of Madhya Pradesh (then Central Provinces and Berar) which introduced a new Rule in their Motor Vehicles Rules as under:-

"49-A - Where there are more than one operator for a stage carriage permit over any route, routes or areas, then, other things being equal, a Regional Transport Authority, or the State Transport Authority, as the case may be, shall, in deciding whether to grant or refuse a stage carriage permit, give preference to a Viable Unit.

"Explanation:- For the purpose of this rule, a Viable Unit means an operator who is in possession of more than 20 public vehicles."

Following the lead given by Madhya Pradesh, a few other States also introduced provisions in their motor vehicles legislation for preference to viable units in the grant of permits. The impact of these provisions, for various reasons, in so far as formation of viable units was concerned, was not significant.

The Study Group on Transport Planning (1955), appointed by the Ministry of Transport and Communications, observed that "as long as the industry was based on a large
number of small units, each owning one or two vehicles, the defects (to which they are subjected) would continue."
The Group added that it was desirable to encourage the formation of viable units each having over 15 vehicles. Summing up the need for formation of such units, the group observed that everything possible should be done to encourage the formation of bigger units.

The policy underlined in the First Five Year plan in regard to organisation of viable units of road transport operators was kept in view in the subsequent plans too. It may, however, be stated that this policy was limited to nationalisation of passenger transport and envisaged that "in areas to be left entirely to private operators of passenger services, special encouragement should be given to favour viable units in the matter of grant of route permits." This is a clear indication that while the Planning Commission had a positive attitude to nationalisation of passenger road transport, in view of the slow progress of such nationalisation, it had simultaneously made attempts to form viable units of operation.

The Road Transport Reorganisation Committee (1959), which is also known as the Masani Committee, also exhorted the Government to encourage the formation of efficient road transport enterprises in all reasonable and legitimate ways and suggested the creation of viable units consisting of a minimum of five goods vehicles for intra-state operations.
and 10 goods vehicles for inter-state operations. In regard to passenger transport, the Committee suggested that a unit should consist of a minimum of five buses.

The Committee on Transport Policy and Coordination, in its final report (1966), also made recommendations for encouraging viable units in the country. According to the data contained in this report, 89 per cent of road transport operators in the country owned only one vehicle each resulting in a number of disadvantages. The Committee recommended that small operators should be helped to join together to form viable units and have a fleet of 10 or more vehicles in each unit. The Committee also recommended certain concessions in the issue of permits for long distances and other facilities to encourage more units to be formed.

The Ministry of Transport & Shipping appointed a Study Group on Viable Units, which submitted its report in April 1966. In its prefatory remarks, the study Group observed that, "During the last 50 years, when road transport industry passed through different stages of development, emphasis had been on regulations and control of the industry. The question of reorganising the industry was guided by principles of coordination between road passenger services and railways for avoiding wasteful competition. The need for such reorganisation was not, however, felt to the same extent in the case of goods transport as in the case of passenger transport." Even in regard to the latter, as the study
Group mentioned, only a few State Governments had, in fact, taken measures to accord preferential treatment to units up to five vehicles in the matter of grant of permits. These, however, did not go very far, as along with the desire to reorganise this industry into bigger units, permits were also being issued quite liberally without regard to the size or number of vehicles owned by an operator. This position continues to exist even today, with the result the industry is still dominated by small operators.

There were also, according to the Study Group, other factors which ran counter to Government’s desire to reorganise the industry. Their approach to the problem of viable units was given a doctrinaire turn, leading to the inference that Government was trying to oust small operators in preference to large units resulting in a state of affairs which was incompatible with the principle of socialistic pattern of society. It was, as noted by the Study Group, unfortunate that such misapprehensions persisted in the minds of people even today in this country.

The Study Group on Viable Units considered several earlier studies on viable units, which included a report on the road transport industry by Dr. V.V. Ramanadham and a few other reports sponsored by the Governments of Madhya Pradesh, Rajasthan and Kerala. The Study group also reviewed the situation in West Germany, Japan, Belgium and U.S.A. The
advantages of a viable unit, according to the Ramanadham report, were: (1) The viable unit spreads cost of management and overheads over many vehicles so that the cost per vehicle would be lower than that under single vehicle ownership; (2) Viable units can also have the advantage of having their own workshops, which would eventually ensure efficient maintenance of vehicles and the transport services; (3) Viable units can afford to have a relatively small reserve capacity; and (4) Labour would get better treatment from the management of viable units than otherwise. In addition to these direct benefits, mention was made by Pr. Ramanadham of the indirect benefits such as rate and fare stability, maintenance of frequency of services as per schedules, greater amenability to controls by Government, etc.

The Study Group defined a viable unit as one which is "capable of existence and development as a relatively independent economic unit" and held that in road transport industry, a viable unit should have lower cost of operation and higher earnings for a given unit of service. To obtain maximum advantages, the Study Group considered that a viable unit should consist of at least 10 vehicles in good transport and 5 stage carriages with a spare bus in the case of passenger transport. It assumed that a stage carriage will do 36,000 miles in a year.

The Study Group observed that, "We agree, in principle,
with the suggestion that a viable unit should be granted permits in its name without which it might not be able to exercise effective control over vehicles affiliated to it. However, considering the very large number of single operators who have to be persuaded to form into viable units, it may not be realistic to insist on permits being issued in the name of an association at this stage. Efforts should now be made to bring together the small operators by offering incentives in the nature of a 10 per cent rebate in the motor vehicle tax for members of newly formed viable units for a period of five years, preference in the matter of counter-signatures and grant of temporary permits, rebate in insurance premium, the same facilities which are available to big fleet owners regarding supply of tyres should be available to a viable unit including an association, availability of spare parts at controlled prices, preference to obtain booking agent’s licences, grant of import licence for spare parts, facilities for land, etc., for building workshops and warehouses, and credit facilities through financial institutions.6

The Study Group also recognised the need to foster and encourage unions of motor vehicle operators or associations of viable units, which should render service (i) to maintain liaison between Government and transporters; (ii) to secure facilities for import of spare parts, tyres, tubes and other scarce commodities; (iii) facilities for giving repair and
servicing; (iv) facilities for booking, collecting and forwarding of goods; and (v) to secure legal assistance.

In a Ph.D. thesis on optimum size and organisation in rail and road transport in India, it was argued that while viable units are necessary to spread overheads, etc., on a larger number of units, better conditions of work for the staff employed and maintenance of fare and rate stability and maintaining service frequency as per schedule, it is not necessary for a viable unit to have a workshop of its own. The suggestion was that "if there are some 50 operators each with five vehicles, it would be more economical to have one workshop for them all together than ten small ones, one for each unit of five; for the former would be more economical."

Why the Viable Units efforts failed?

Looking back on the efforts to reorganise the road transport industry for almost half a century and the failure that attended these efforts that even today it has not been possible to achieve this on a minimum scale except where the industry had been nationalised, it should be possible to take stock of the reasons that impeded progress in this direction.

The first and foremost reason is that the individual single vehicle owner/operator refused to disappear under a monopoly or a cooperative. Having invested a substantial amount of money in the purchase of a vehicle and got a permit on a
route within his own area of movement, the single bus operator must have felt that he knew his business. The modest goals of profit he set for himself could be achieved without sacrificing his individual business to a group. The permit conditions, in any case, isolated the bus and the route, laying down fixed time schedule of operation.

The second reason for the viable units not coming up as expected by the Government was that the concern of the individual operator for a possible interruption of service is not as great as it is for the society, passenger or the Government. One of the advantages of a viable unit would have been that in the case of breakdown or failure to send a vehicle on service, a spare bus could be produced to see that the operations are uninterrupted. For a single vehicle operator, a spare bus is a needless investment and a luxury, and in any case he can get away without operating his schedule of trips, if the vehicle breaks down. The revenue he loses by not operating in such an instance will undoubtedly be less than the cost of keeping a spare vehicle.

A viable unit would have been obliged to operate routes of varying profitability. It was even expected that a viable unit may even operate a loss-making route, to be subsidised by profitable routes within the viable unit's framework of operations. The private operator has basically no responsibility to operate a loss-making route, much less subsidise
it with what he gains on another route. He would rather drop the loss-making operation and concentrate on putting all his buses on profitable routes. The experience so far has been that an operator who is forced to operate a potentially loss-making route, will try to run the route with a rickety bus, which costs him less, and even unofficially reduce the number of kilometers to the extent he gets custom. His preoccupation would be to make it at least break-even. If this is not so, he will leave the route. The Government tried to load the individual, profit-seeking private operator, with a social responsibility which he never wanted.

One of the ostensible purposes of viable units was that they would be able to establish a small workshop, which would not only reduce the cost but also ensure quality of service. The single/double bus operator was able to manage the maintenance with a driver and an assistant who were capable doing running repairs. Due to close supervision, and permanent combination of the driver and the vehicle - which is not so in the case of larger units where it is not necessary for a particular driver to drive a particular vehicle - it was possible for the small operator to minimise the costs of repairs and maintenance. For major repairs he depended on a private workshop. Further, maintenance of workshop required skills which even a group of operators owning five or ten
vehicles may not possess.

The viable units were also expected to bring in a better quality of service for those who were employed. While it is the concern of the Government that transport workers should be paid better wages and have reasonable conditions of service, this need not necessarily be so from the point of view of the private operator. The moment he employs more than five motor transport workers, he is covered under the Motor Transport Workers Act (1961), which stipulates certain minimum conditions of service and provides for statutory inspection of all such establishments. As a small unit, the operator can get away with paying starvation wages and extracting maximum hours of work from the worker. The viable units, from the point of view of an operator who wants to get the maximum return from his investment, are a costly alliance.

Finally, there is one point which was missed by all the learned committees and studies, which a shrewd operator will always be conscious of. The management of one or two buses can be a part-time affair for an individual who is occupied with agriculture, business, or politics as his main vocation. The technology of running transport business with one or two trucks or buses is of a low order. The moment the unit becomes larger, it requires technical skills, and employment and supervision of skilled workmen. A larger group of persons possessing different skills, such as
supervisors for workshop and operations, drivers, conductors, mechanics, cleaners, etc. need to be employed and supervised and their productivity ensured. The expanded business requires certain managerial skills which the small operator may not possess, or managerial responsibilities with which he may not want to be burdened. Operating one or two buses is a part-time affair, whereas operating a larger unit is not only a whole-time business but also dependence on hired managers and supervisors. This could be the main reason why monopoly is not favoured by the small operators; they are content with their small scale operations. If the Government wanted to achieve better coordination of transport services, provide better quality of employment and ensure regular and uninterrupted operations, these, at best, are only indirect goals for an operator who is essentially a businessman seeking better returns for his investment.

**Nationalisation as an instrument of reorganisation**

since Independence, nationalisation - either as a reality or as a threat - has been utilised to clear the path of national progress. Because of the fact that road transport is a state subject and included in the Schedule B of the Industrial Policy Resolution (1956), it has not been possible to evolve a cohesive, time-bound national policy in the bus industry. The concept of viable units inherited from the pre-Independence *laissez faire* administration continued to receive attention even after Independence, as it
offered a short-cut to achieve at least some goals which nationalisation was expected to realise. Barring the nationalised sector, even today, both the bus and truck industries are fragmented.

If what the Mitchell-Kirkness Committee called 'controlled monopoly' could not be realised by reorganising the private operations either by compulsion or by persuasion, the only other way was to bring in monopoly under Government ownership. The advantages and disadvantages of nationalisation have been fairly well documented. In the road transport industry, the arguments advanced by both the protagonists and the antagonists of nationalisation generally hold good. It is argued that nationalisation of road transport would deprive the private operators of their livelihood and is even considered immoral because a business, which was nurtured over a period of 50 years by private enterprise, is being taken over. It is also argued that a public sector monolith will be insensitive to public needs. The State - whose resources are limited - should, according to the antagonists, utilise its scarce resources to help other needy sectors, leaving this sector for those who are ready to invest their own money. Lack of competition will result in stagnation and inefficiency. It was further argued that the Motor Vehicles Act provisions adequately enable the required control for inter-modal coordination as well as take care of other social goals.
Among the arguments in favour of nationalisation are:

(a) transport industry requires a monopoly which should take care of both practically profitable and non-profitable routes by a suitably evolved process of cross-subsidisation which is effectively possible only under nationalisation;
(b) stable and uniform rates and fares; (c) better and improved conditions of service for the workers; (d) effective linkage between the economic development plans and the mobility requirements thereof; (e) better coordination between road authorities and the road transport operator; (f) provision of passenger amenities such as bus stations, pick-up sheds, etc.; (g) better inter-modal coordination; (h) greater scope for planning for a strategy of mobility over vast geographical areas, keeping in pace with other developments in the region; and (i) easy accessibility to the transport resources for the Government in the event of any internal emergency or external threat.

According to Professor Locklin, "One advantage from the public's point of view of government ownership of transport systems is that they can be operated as a public service without too much regard to whether various parts are self-supporting. The cost of providing services is to some extent spread over all users of the system... Another advantage of government ownership and operation of railroads is that the system can be planned, and the plans executed more effectively..."
than when the system is privately owned. Wastes and duplication inevitable in a unplanned system are thereby avoided.

"Under government ownership, it would presumably easier to obtain capital for improvement and modernisation of the railroad system. Inability to raise sufficient capital for improvements in railroad plant has handicapped the railroads in recent years. Of course, this situation would be remedied by government ownership only if the government is able and willing to provide the necessary capital in one way or another."

Professor Locklin made these observations in respect of the railways, but these are relevant to other transport systems as well. Government ownership with a clear purpose and continued interest and financial support are necessary for the success of any nationalised venture. In spite of the various efforts made in this country to control and viably organise the industry under private ownership, slowly the philosophy of nationalisation was gaining ground. The Committee on Transport Policy and Coordination was obliged to comment as follows:

"We adhere to the conclusion reached in the preliminary report and consider that, in addition to bringing about greater coordination in services, Corporations are essential for mobilising the internal resources needed for the continuous expansion of road transport undertakings and for measuring and enforcing standards of efficient management."
Corporations would have much greater autonomy in the management and operation of commercial services, in the use of internal resources and in mobilising resources for future development...  

Commenting fourteen years later, the National Transport Policy Committee (1980) observed that, "During our visits to States, we gathered that by and large public sector passenger undertakings have been providing satisfactory services with regularity of bus schedules and lesser malpractices in fares charged and collected, as compared to private operators... (The committee was) of the considered opinion that future nationalisation should be guided by efficiency of operations of existing undertakings... and find necessary resources through internal generation, institutional finance or government contributions. This implies that 'profit' and 'service' motives need to be balanced. The thrust of policy then will have to be to consolidate and improve existing operations before taking up new routes."  

Reverting back to 1966, on the point of the impact of nationalisation in unifying the industry, it is relevant to quote the report of the Committee on Transport Policy and Coordination: "At the end of the Second Plan, about 31 per cent of commercial vehicles employed in passenger transport were operated by State and Municipal Undertakings. The proportion at the end of the Third Plan is expected to increase to 33 per cent and, on present estimates, to 40 per cent"
at the end of the Fourth Plan. In a few states a considerable part of the system is publicly operated. For instance, the proportion is about 90 per cent in Gujarat, 98 per cent in Western Maharashtra and 50 per cent in Uttar Pradesh. There has been so far no formal statement of policy that passenger transport should eventually be developed entirely through State-owned, municipal and cooperative undertakings. However, in varying degrees, most state Governments have moved in the direction of public participation in passenger transport and have on the whole succeeded in providing more efficient and wider services than were otherwise available. But for difficulties in providing the resources needed and procedural complexities under the existing legislation and rules, the advance towards public participation could have been greater. ¹³

The Committee noted with satisfaction that by 1966 eleven States had already set up Corporations. They were Andhra Pradesh, Bihar, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Mysore (Karnataka), Punjab, Rajasthan, West Bengal and Himachal Pradesh. Another useful development at the time was the formation of the Association of State Road Transport Undertakings with the aims and objects of: (1) to undertake and promote research studies in transport economics and engineering, etc., affecting the transport industry; (2) to secure and provide a technical consultancy service for the benefit of the State Transport Undertakings; (3) to render common service to the members of the
association and to assist them in such matters as standardisation of equipment, purchase of materials at economic prices, promotion of efficiency of road transport services and reduction in the operational costs; (4) to provide facilities for instruction, training and research for the persons employed in these undertakings; (5) to encourage the adoption of modern tools of scientific management like workstudy, budgetary control, etc.; and (6) to publish bulletins, notices, journal for the dissemination of useful information and to arrange seminars, inter-unit visits, etc. The Committee hoped that, "The work of the Association should help in bringing about uniformity of practices and better tests of efficiency among State and municipal transport undertakings and promote schemes for strengthening the economy of small operators and achieving greater coordination with the services offered by the zonal railways."  

The growth of the nationalised sector was steady, if not spectacular, since the end of the second Plan when its share of vehicles employed in passenger transport was about 31 per cent. To quote the report of the National Transport Policy Committee, "In 1960-61, the number of public sector undertakings was 28; they owned about eight 18,000 buses (accounting for 32 per cent of buses in the country), handled about 26 billion passenger kilometers of traffic and employed 1.4 lakh people. By 1977-78, while their number increased to 48, they owned over 58,000 buses which constituted about
50 per cent of total bus population. Traffic handled and employment provided by them in 1977-78 was substantial, namely, an estimated 140 billion passenger kilometers and 4.2 lakh persons respectively. Capital investment in these undertakings in 1977-78 at an estimated Rs. 735 crores, was nearly two-and-a-half times higher than in 1970-71.15

**Growth of public sector in passenger transport**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1960-61</th>
<th>1970-71</th>
<th>1977-78</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No. of Undertakings</td>
<td>28</td>
<td>32</td>
<td>48@</td>
</tr>
<tr>
<td>2. Capital employed (Rs. in Crores)</td>
<td>NA</td>
<td>296</td>
<td>735@@</td>
</tr>
<tr>
<td>3. Fleet Strength</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) No. of buses owned</td>
<td>17,962</td>
<td>37,073</td>
<td>58,128</td>
</tr>
<tr>
<td>(b) % of total buses in the country</td>
<td>31.6</td>
<td>39.5</td>
<td>49.5</td>
</tr>
<tr>
<td>4. Passenger traffic handled (billion PKM)</td>
<td>26.2</td>
<td>80.7</td>
<td>139.5@@</td>
</tr>
<tr>
<td>5. Total employment ('000 nos.)</td>
<td>141</td>
<td>277</td>
<td>421</td>
</tr>
</tbody>
</table>

@Includes two exclusive goods transport Undertakings
@@Estimated

Source: Report of the National Transport Policy Committee, p. 199.

As on 31st March 1980, the number of buses owned by the State Transport Undertakings was 65,428 with an ownership of over 55 per cent of the total buses in the country. The number of Undertakings also increased to 52.16
To sum up, nationalisation of passenger road transport, inspite of the fact that the industry is placed in the schedule B of the Industrial Policy Resolution (1956) has done well in reorganising the industry. With all their problems of capital investment, stagnant fare levels, and increasing costs, and a half-hearted policy of nationalisation, the state Transport Undertakings are now holding more than 50 per cent of market share in passenger transport, spread over fifty-two undertakings, whose fleet strength varies from 9,370 buses in (Maharashtra) to 26 buses (Jamnagar). The buses under private ownership which account for over 45 per cent continue to be fragmented, unwilling to be organised either into cooperatives or viable units.
References


3. Ibid., p. 295.


7. Ibid., pp. 5-6.

8. Ibid., p. 57.


