CHAPTER 1

INTRODUCTION AND DESIGN OF THE STUDY
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INTRODUCTION

Mobility and accessibility through modern transportation are the key factors in all countries of the world for the attainment of economic, social and political progress. In the complex processes of modern economic development, transportation plays a special role in achieving various national goals, such as, getting land into production, marketing agricultural commodities, making forest and natural wealth accessible for developing industry, expanding trade, planning and executing health and education programmes and above all, changing ideas.

The Keskar Committee on Road Transport Taxation observed: “In large areas of the world, lack of transport is a primary obstacle to economic and social development. Transport is a major factor in removing world hunger or otherwise produce will rot on the field since, it cannot be moved to the needy people. Much of the forest and mineral resources of the world lie untouched because no one can get them or move them to where they are needed. Industrial activity is severely hampered by unreliable transport, leading to erratic supply schedules for essential fuel, raw materials and spare parts as well as difficulties
in marketing what is made .... on the political side, poor transport makes it exceedingly difficult to achieve national unity”. 1

THE CONCEPT OF TRANSPORT

Generally defined, the transportation system is the sum of all technical instruments and organisations designed to enable persons, commodities and news, to master space. 2 Its format any time, is the development of civilisation and responds to the vast complex of human needs – economic, social, cultural, political and religious. In turn, the transport system has a vital influence on all human relations. As a matter of fact, the growth of the transport system affords one of the principal clues to the history of civilisation.

As defined above, Transport includes within its scope the movement of goods, persons and ideas. 3

ROLE OF ROAD TRANSPORT

Road Transport consists of movement of goods and people from one place to another. It plays an important role in the economy of the country and is particularly suitable for short and medium distance. It offers a number of advantages such as flexibility, reliability, speed and door to door service. It

promotes a balanced growth of the various regions in the country and can help in the dispersal of industry and commerce over wider regions.

Besides the flexible and cheap services, motor bus transport renders a more individualized service by picking up the roadside passengers and also by getting them down at desired places on the routes. That is why, this mode of mechanical transport has become so popular in the urban traffic, which requires stops at frequent intervals. Since the commencement of the Five Year Plans, a major object of the Government of India has been to set up a close contact among the villages and nearby towns. For this purpose, bus transport has been doing a great deal by removing the isolation of villages and bringing about a better social and economic relationship among the villages and towns.⁴

**IMPORTANCE OF ROAD TRANSPORT**

The extent of development of road transport in any country is at once a determinant and indicator of its prosperity. A sound system of road transport new neutralizes the disadvantages of distances in conveyance of raw materials and labour and accelerates the pace of both production and distribution activities. Though other modes of haulage like the railways are suited for bulk hauls, they cannot provide the advantages of road transport in speed, flexibility and door-to-door delivery. By virtue of its ability to penetrate into the remotest

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parts of the land at a comparatively very low capital cost, mechanized road transport alone can break through the barriers of isolation and consequent stagnation in under-developed countries.

**Transport Demand**

As a service, transport, whether it is movement of goods or people is derived demand, for it is a means of serving other objectives and does not exist in isolation or for its own sake. Some of these objectives are economic in character — for example; exploitation of natural resources, increase in agricultural productivity and industrial output, enhancement of consumption levels, and diversification of the economy. Side by side with these objectives are those of a non-economic nature which include promotion of political cohesion, reinforcement of national security and encouragement to socially desirable settlement patterns. Further, economic and non-economic objectives are not always consistent and in fact, they are often incompatible. This throws up a serious dilemma for those engaged in developing an optimal transport system for the country.

Of the two basic components of transport demand, namely, freight and passenger traffic the former is directly connected with the level of economic activity and development needs and has accordingly received greater attention in planning priorities. There is an assumption that so long as transport capacity is inadequate to meet the needs of fright traffic; it is not essential to provide for
passenger services or personal travel. In our view, this assumption stems from a limited appreciation of the fact that a segment of passenger traffic, particularly journeys to and from work, business travel, is as essential to development and maximization of production as freight traffic. Besides, it is incorrect to label non-work passenger journeys as socially wasteful, entitled to lower or no priority at all. In a developing country like India most non-work travel undertaken by people in cities and on inter-city routes is linked with essential social needs, such as visits to families, educational institutions, religious centres and other similar purposes. It is thus not clear at what stage in the country's development, transport planners should accord the same priority to passenger travel as to freight transport.

**Transport and Economic Development**

The economic development requires adequate and effective transport services is axiomatic. That there exists, for a given country at a specified stage of development, a theoretically optimum amount of transport capacity is also generally accepted. Nonetheless agreement on determination of these capacities and implied rate of investment is far from unanimous.

Contemporary opinion on the role of transport in economic development falls broadly into two divergent schools of thought. There is a school which maintains that development of social overheads, including transport, should precede growth of other economic activities and hence investment in social
overheads should be made in anticipation of future demand, instead of as a sequel to capacity shortages. The rationale underlying this argument is that once social overhead capacities are created they generate a variety of external economies, which reduce the cost of inputs used by other economic activities. This serves as a powerful stimulus for exploiting un-utilised and under utilised resources, which would otherwise have remained unused for want of infra-structural facilities. The other school of thought holds opposite view and argues that transport and other infra-structural facilities should be built only in response to bottlenecks and capacity shortages, not in anticipation of demand that may not, after all, materialize. The justification for this view is two fold; the risk and uncertainty associated with long term investments and the general belief that investments on the large scale generally required for development of social over heads are not easy to plan. 5

NATIONALISATION OF BUS TRANSPORT

After the First World War Motor Bus Transport became much popular and began to compete with Railways. Consequently, the Railway Board in its Annual Report for 1926-27 opposed the development of bus transport. Besides, there was a cut-throat competition among the bus operators themselves, which increased enormously during the period of the great Depression. Hence, the

Government of India appointed the ‘Road Development Committee, 1927’ and
the “Mitchell Kirkness Committee, 1931-32” to offer recommendations for the
solution to the problems being faced by the bus operators in the country. The
enactment of the Motor vehicles Act, 1939, was also an attempt in this
direction.

In this regard the Central Government and the Railway Board drafted a
Scheme in 1945, which was to set up Road Transport Companies with the
mutual co-operation of the Railways, the State Governments and the Private bus
operators. The Private bus operators did not co-operate with this scheme on the
grounds that their interests would be ignored as they were in minority. Hence
the scheme could not materialise.

Some of the old Indian States started to run their bus services, e.g.
Madhya Bharat in 1916, Hyderabad in 1932, Trabunkore, Kochin in 1938 and
Kachha in 1942. But it was all in vain and Bus services could not be organised
properly. The nationalisation of road transport in India started on May 15,
1947, when U.P. Government nationalised its bus transport. The other states
followed U.P. and road transport services were nationalised in 1947 in Madras;
in 1948 in Assam, Bihar, Bombay, Orissa, Punjab, West-Bengal, Mysore, Delhi
and Saurastra; in 1949 in Himachal Pradesh; and in 1960 in Rajasthan. 6

6 Kulshrestha, D.K.,Transport Management in India, Mittal Publications,New Delhi, Ed. 1993, p.20
Bus Transport has been gaining increased importance in the whole country because of the continuous diversion of passenger traffic from other means of transport, especially from railways to bus transport. Consequently, the share of passenger traffic with bus transport to total passenger traffic in the country has gone up from 25.8 per cent in 1950-51 to about 80 per cent in July 1987.

STATEMENT OF THE PROBLEM

Though there has been a continuous improvement in the performance of STUs from the point of view of different parameters – both financial and non-financial, most of the STUs, with a very few exceptions, are functioning under severe financial constraints due to a number of reasons and factors. They include both controllable and uncontrollable, and both internal and external factors and reasons. One of the reasons for this precarious financial situation of STUs is their inability and failure to earn adequate revenue from their traffic operations to cover the entire operating costs and to earn some profit.
### TABLE 1.1

**Financial performance of STUs at a Glance (Rs. in crores)**

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<tbody>
<tr>
<td>Total revenue</td>
<td>6054.25</td>
<td>6967.62</td>
<td>7936.61</td>
<td>8773.36</td>
<td>9499.01</td>
</tr>
<tr>
<td>Less: Total cost</td>
<td>6705.14</td>
<td>7626.11</td>
<td>8558.15</td>
<td>9475.75</td>
<td>10558.95</td>
</tr>
<tr>
<td>Profit</td>
<td>-650.89</td>
<td>-658.49</td>
<td>-621.54</td>
<td>-702.39</td>
<td>-1059.91</td>
</tr>
<tr>
<td>Total capital</td>
<td>4837.80</td>
<td>5430.04</td>
<td>6050.80</td>
<td>6255.75</td>
<td>7272.58</td>
</tr>
</tbody>
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Table 1.1 reveals that the State Transport undertakings in India earned a revenue of only Rs. 9499.01 crore during 1995-96 by incurring Rs. 10,558.95 crore of operating costs. Consequently, they reported a loss of Rs. 1059.94 crore for 1995-96, which works out to 20.79% of the capital employed. The table also reveals that during all the five years of study STUs incurred loss.

Therefore it is imperative to probe into the operational soundness or productivity and into the financial soundness or profitability of State Transport undertakings. This study is an attempt to study the productivity and profitability of one such State Road Transport undertaking.

### OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- To study the progress of public sector passenger Road Transport Corporations in India and Tamil Nadu.
♦ To study the performance of Tamil Nadu State Transport Corporation (Salem Division) Limited.

♦ To study the productivity of Tamil Nadu State Transport Corporation (Salem Division) Limited.

♦ To study the profitability of Tamil Nadu State Transport Corporation (Salem Division) Limited.

♦ To offer suggestions to improve the productivity and profitability of Tamil Nadu State Transport Corporation (Salem Division) Limited.

METHODOLOGY

This study is an empirical one using secondary data. Fieldwork was carried on by the researcher during the month of May and June 1998. Secondary data were collected from the records and annual reports of TSTC, books, journals and government reports.

PERIOD OF STUDY

Data relating to the select indicators on the performance of Tamil Nadu State Transport Corporation (Salem Division) Limited for ten years from 1987-88 to 1996-97 and data relating to performance of State Transport undertakings in Tamil Nadu, India and Salem Division for five years from Dec' 1993 to Dec' 1997 were collected.
FRAME WORK OF ANALYSIS

The data collected were arranged in concise and logical order and then they were tabulated. Inferences were made from the tables.

LIMITATION OF STUDY

In spite of the researcher's best efforts, the following limitations have become unavoidable in the study. Even though private operators are also plying services in Salem District, the researcher has selected only the TSTC for the study because TSTC provides wider services than the former.

CHAPTER SCHEME

This study is made up of Eight Chapters.

The first introductory chapter, contains Introduction, Concept of Transport, Role of Road Transport, Nationalisation of Bus Transport, State Transport undertakings in Tamil Nadu, Statement of the problem, Objectives of the study, Methodology, Period of study, Framework of analysis, Limitation of study and Chapter Scheme.

In the Second Chapter, an attempt is made to evaluate the role of public enterprises in the Indian Economy.

The Third Chapter deals with the progress of public sector passenger Road Transport Corporations in India.

The Fourth Chapter deals with the progress of public sector passenger Road Transport Corporation in Tamil Nadu.
The Fifth Chapter deals with working and progress of the Tamil Nadu State Transport Corporation (Salem Division) Limited.

The productivity of Tamil Nadu State Transport Corporation (Salem Division) Limited have been discussed in the sixth chapter.

The profitability of Tamil Nadu State Transport Corporation (Salem Division) Limited for the period of ten years from 1987-88 to 1996-97 have been dealt with in the seventh chapter.

The last chapter contains a summary of the findings and offers suggestions to improve the productivity and profitability of Tamil Nadu State Transport Corporation (Salem Division) Limited.