

C H A P T E R - V I

PROBLEMS & PROSPECTS OF MSRTC

CHAPTER-6

Problems and Prospects of M.S.R.T.C.

There were two main reasons which provided the basis for setting up public sector Road Transport Corporation in India. First unification of transport industry which was under private ownership. Unfortunately national interests did not conclude with the individual private operator's interest and all efforts to evolve a 'joint sector' were failed.

The second main reason was to bring Road Transport into national developmental priorities of post independence India. Thus very purpose of nationalisation of Road transport and formation of Road Transport Corporation including M.S.R.T.C. was to look well beyond the business principle of earning profit.

"When the screws of the performance control system are turned tight, the Divisional Managers in order to achieve the results expected of them are driven to ignore the social consequences of their decisions"¹. This is the danger that might be fall the road Transport corporations if the philosophy behind their creation is not kept

1. Henry Mintzberg, "organisati-onal Design", Harward Business Review. 1981 Page-111.

in view while judging their performance. But if profits are the criteria the larger social interests will to be ignored. It is ~~is~~ possible to make these organisations internally efficient and still keep their developmental role in fact. These are the issues to be dealt with and solved at a high political level in the overall developmental context.

It is observed that corporation has shown slow but steady improvement over the decade. It has made around development during the said period. But M.S.R.T.C. being public Road Transport Corporation is not far away from all other road transport corporations. The current problems of the corporation stem from several external constraints. The problems of internal organisational set up of the corporation and internal inefficiencies have already been discussed in the present study. There is however need to consider the internal as well as external factors or problems and to assist corporation to place itself in the social and economic development of the country. On the basis of present study and personal discussions made with the responsible officers it is observed that corporation is facing following problems at present.

1) Uneconomic Fare & Pricing policies.

In the present system all decisions regarding fares and pricing in the passenger transport sector are taken by the state Govt. Road Transport being primary mode of transport in the rural area, increase in a fares may affect the quality of life led by people who solely depend upon this mode of transport. However in view of increasing costs of inputs, the operating costs are going up at a rapid and regular pace not matching with the fare structure of the corporation. The corporation has not been able to recover its costs of providing service from insufficient fare structure. Further the procedure for sanctioning fare increases are time consuming. This is one of the important problem that corporation is facing.

In this situation the only effective way to improve the conditions is to raise fares to economic levels. The National Transport policy committee has suggested, "There is need for centralised pricing authority to recommend common criteria for fixing fares and freight rates for different transports modes. The three main functions of co-ordinations i.e. pricing, investment and regulation could be entrusted to this a commission"².

2. Govt. of India, Report of the National Transport Policy Committee, New Delhi, 1980, Page-368.

However efficient the corporation may be in its internal working, will not be able to expand unless its fares are economical. Hence if the Government is not willing to raise the fares to economic levels, then there should be ways to subsidise the losses arising out of rising costs and meeting social obligation as it is observed in foreign countries. This would give better prospects for the corporation otherwise there will be more darkness in the future.

2) Increasing competition with private transportors.

Although most of the road transport operators are nationalised they are not completely removed from the scene. Private transporters have offered no. of vehicles including rikshaws, tempos, trucks, buses for public service. Some of these private transportors provide cheap transport service as compared to M.S.R.T. Corporation. This has captured majority poor passenger from the country. Further they provide more flexible service having no restriction of time table. Some of the above transportors provide more comfortable service which attracts high class passengers. They make necessary changes regarding their service and its charges which makes service more adjustable for the passengers. These things have stolen considerable flow of

passengers both from rural and urban area. They are providing tough fight for the corporation.

In contest of this growing competition with private transporters there is no alternative for the corporation, other than improving quality of its services, making service more flexible and adjustable for the passengers. Govt. may tighten its belt for controlling these private transporters and make corporation free. Otherwise the situation may be worst in the future.

3) Unremunerative Operations.

Unremunerative operations always fall to the lot of state Transport Corporation be they in urban areas or rural areas. Unremunerative operations means those operations which are not profitable, which do not generate minimum sufficient income for the corporation. This is because no private operator can undertake the burden of unprofitable operations as we work on the business principle of earning profit. Nationalisation has placed social responsibility of providing service even if it is not profitable. Especially the corporation is facing the problem of uneconomic routes, where there is lack of passengers for the buses. Buses run vacant and cost of running buses becomes burdensome for the corporation.

In fact unremunerative operations are not loss making in the absolute sense. They create several social benefits by providing travel facilities and promoting educational, commercial, cultural and other activities. In a democratic country like India it is necessary for the state, local authorities and also public to know the implications of these services rendered by the corporation. The system of subsidising unremunerative operation as in the cases of U.K., Switzerland and several other European countries would facilitate corporation for the reinvestment to meet growing needs of maintaining quality and sufficiency of transport services. In the words of National Transport Committee : " When they are asked to operate on losing routes they must be compensated by a direct exchequer subsidy"³. And hence if these unremunerative operations are not compensated or subsidised the losses are going to tower in the future.

4) Financial Requirements.

The main source of finance for the corporation is Govt. Capital contribution which is in the form of loan capital. The internal resources generated are not up to the mark. Further corporation takes loan from public

3. Govt. of India, Report of National Transport Committee
New Delhi, 1980, Page-146.

financial institutions and commercial banks. In spite of all these sources the corporation is lacking sufficient amount for the replacement, of overaged fleet, expansion of services, etc. This in turn affects adversely on the quality of transport service. Thus corporation is facing problem of growing financial requirements and inadequacy of capital resources for the developmental activities. Further most of the financial requirements of the corporation are fulfilled through loan capital. It has increased interest burden and made financial position more worst for the corporation.

A major obstacle in the generation of adequate internal resources is inability of the corporation to charge economic fares. And hence the only effective way of improving its financial position is to allow corporation to raise its fares to the economic levels thereby facilitating generation of internal resources which should be the patent means of meeting financial requirements of the corporation. Further it would better for the state as well as central Govt. to convert its loan capital into equity capital in order to reduce the interest burden. They will hopefully, take greater interest in the fortunes of the corporation as

shareholders expecting dividend on equity capital. Unless the measures are adapted to build up the financial health of the corporation. It's existence seems to be difficult in the future.

5) Complicated Legislative framework.

The corporation is governed by different legislations including moter vehicles Act, Road Transport Corporation Act. Minimum Wages Act, Workmens compensation Act., Taxation Acts, etc. These complicated legislations have broken transport operations into lits and pieces of routes and permits and hence corporation has only succeeded in becoming large operator bringing together a larger number of vehicles under its control. This is why even today, the corporation could not become an effective instrument of state to translate its resources into transportation network and match it with the growing needs of the society. The main purpose of motor vehicle Act. 1939 was to regulate moter transport primarily to avoid competition with the railways. This restrictive character of the act. cannot meet the requirement of facilitating road transport. Further frequent ammendments made in the act has hampered the growth of corporation.

Hence there is an urgent need to reform this act. positively that would help to promote an efficient &

economic transport system for the corporation. Further the present act is very wide covering two-wheelers, three wheelers, goods and passenger carriers, etc. There is need for a separate legislation governing the passenger transport. Hence "The solution lies in a drastic parliamentary intervention. For the purpose of passenger transport organisations like M.S.R.T.C. a new legislation should be brought entrusting both the administration and operation of transport services to state Transport undertakings, wherever S.T.U.S. cannot operate bus services, permits should be given by S.T.U.s themselves to private operators on conditions stipulated to safeguard the interests of the passengers and the government"⁴.

6) Lack of Professional & Creative Leadership.

The need of professional managerial cadre has not only been realised but implemented in various other public sector undertakings by the Govt. of India. But state Govt. of Maharashtra has failed to do so. The general practice of sharing out the top management positions between politician and administrators is not helpful to develop the corporation. It has been proved that mere administrative skill, without adequate knowledge of technology do not make effective &

4. P.Sudarsanam, " Issues before the Pande committee,"
journal of Transport Management, 1979.

successful management. Even now, there is lack of transport experts and creative leadership in the corporation. This does not create a sense of responsibility among the staff. And the results of political oriented and administration oriented leadership are there for every one to see. There can be no greater results from such leadership other than the towering losses, and the total lack of business orientation.

The management of the corporation is becoming more and more complicated. If the corporation is to be expected to carry out greater social responsibilities, there is an urgent need to professionalise its top management. As a first step, the Govt. should appoint executive members on the board of management from among the senior officials of the corporation. Otherwise transport experts may be appointed from the public. But it should not place its politicians on the board. Building up of such an internal, professional and creative leadership will definitely produce better results for the corporation.

7) Improper human Tendency .

Human factor is an important factor for the healthy development of any business and even country also. Creative, encouraging and responsible human bunch raise business

to the glory of success. But unfortunately the corporation is lacking this factor. The present problem is concerned not only with the staff of the corporation but also with the general public in the country. Both the factors are not responsible and creative which has created an obstacle for corporation. As majority of the people and the staff of the corporation is illiterate, they do not observe good manners in their behaviour. The drivers and conductors who are in actual contract with the passengers, being illiterate do not give proper treatment to the passengers. Both the staff members and passengers tend to fight with each other. This creates reluctance of passengers towards the corporation. To a certain extent this may result into diversion of passengers from corporation to private transportors. Further Govt. employees being permanent and more secure in their job tend to be less responsible in their work. Sometimes they tend to avoid or delay their work. It is observed that this sense of carelessness is more in the M.S.R.T.C as compared to that of APSRTC & GSRTC. This is why corporations staff is less efficient in their work.

The other side of this problem is of course a public. As majority of people are illiterate they also tend to fight with staff members. Further they are careless about the transport facilities of the corporation. Sometimes

they tend to destroy transport facilities which creates heavy losses for the corporation. And hence, unless majority of people are educated, not by books but by heart and their tendency is to be changed, there will be no improvement in the conditions.

8) Political interference.

The Road Transport Corporations Act is only an enabling legislation and much is left to the State Govts. And hence the corporation is working in the shadow of the state Govt. The Govt. has option to form corporation, to appoint board, and freedom of policy making. Govt. civil servants and politicians has created bureaucratic atmosphere and has hampered managerial freedom in the corporation. Both the groups have successfully prevented introduction of professional expertise in the board. This is why the corporation is less business oriented and lagging behind some other corporation.

Another thing can be mentioned here that certain Govt. authorities give false certificates about the road conditions. The corporation is forced to run its vehicles on rough roads. This again creates problems of quality of service

and maintenance of vehicles. Hence the Govt. should not interfere the working of the corporation. At the same time it should control such harmful tactics used at each and every level. Removal of the unnecessary political interference will definitely reshape the corporation and its role in the overall development of the nation.

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1. Henry Mintzberg, "Organisational Design"
Harward Business Reviess, 1981, P-111.
2. Report of the Nation Transport Policy Committee
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3. Ibid P-196.
4. P. Sudarsanam, "Issues before Pande Committee"
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