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SOFT OPTIONS FOR STUS IN THE LIBERALISED ECONOMY A CASE STUDY OF OSRTC

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Bus transport is now undertaken by State governments, private operators and cooperative agencies. Since independence, most State governments have nationalised the bus transport system either completely or partially. The nationalisation was made with the objective of bringing this public utility service into the hands of the State so as to operate it on a large scale and ensure better facility for the passengers and good working conditions for the employees.

Besides this, the large revenue collected from this service, would be used for the economic development of the State. But since the birth of State Transport Undertakings (STUs) in the 1950s and 1960s till date neither of the objectives have been achieved. The physical and operational efficiencies of STUs as a whole is low. Many of the STU's buses and the services they provide to the general public are a disgrace. The overall financial results of STUs are far from satisfaction. The major causes of these losses are gross inefficiency, poor maintenance of buses, absence of cost based fare structure and operation of uneconomic routes for social reasons etc.

The current economic policy and the rapid process of liberalisation have added another problem of ailing STUs by putting transport in the same basket as any other industry. The new economic policy treated STUs as any other enterprise without the right to exist unless it created

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a surplus.¹ Thus the question of privatisation of STUs is coming to the fore. The argument is that public money should not be invested in such undertakings where the Return On Investment (ROI) is negative. Secondly, these enterprises dent severely on the state exchequer due to the massive loss they accumulate from year to year. Thirdly, although these STUs have been organised like enterprises, which ensure efficient management as envisaged in private sector, the political interference in day to day management and arbitrary fare structure have contributed a lot to the present plight of STUs. This calls for an all-out effort to identify the critical areas which need immediate attention of the concerned authorities to improve upon the financial, physical and social performances of the STUs.

TASK IDENTIFICATION

The focus of the present analysis is on the assessment of financial, physical and social performance of STUs in general and Orissa State Road Transport Corporation (OSRTC) in particular.

Both the time-series data for the period of 1987-88 to 1991-92 and cross-section data of 1991-92 have been used for the purpose. On the above back-drop, attempt has been made to find out:

- the position of OSRTC in comparison to other STUs and its dismal performance.
- soft options available to STUs for possible modification to justify the present requirements in the changed economic scenario.

PERFORMANCE OF STUs

To facilitate the assessment of performance and inter-corporate comparison, more particularly with undertakings having similar corporate characteristics, the indicators have been selected under three parameters, viz., financial, physical and social.

FINANCIAL PERFORMANCE

STUs were started with the objective of catering to social and economic development requirements such as cheap general communication facility, cheap service to poor, better service at lower cost etc. However, most of these social objectives were clashing with the STUs' financial health; yet they were given priority. Studies conducted by Planning Commission 1991² and National Productivity Council 1992³ found that the major causes for poor financial performance are excessive personnel cost due to high bus-staff ratio, higher tax and interest burden, social obligation, political interference in day to day working, lack of commitment among workers and lack of professionalism among top management.

The comparative study of OSRTC reveals that among the 13 STUs, it stands on the bottom line so far as the ranks are concerned. The same reasons mentioned above responsible for such poor performance. The trend of last five years confirms the continuity of dismal performance without any sign of recovery. The loss per km. has been on the rising trend which can be attributed to the mounting personnel cost due to high bus-staff ratio. Similarly the heavy tax and interest burden also contribute to the ailing financial position of OSRTC. Another glaring economic mismanagement is that OSRTC has not been able to generate adequate income, which has never crossed rupees five per km. due to poor occupancy ratio. However, the lack of public accountability on the capital investments in STUs, so far, due to the comfortable social disposition.⁴

PHYSICAL PERFORMANCE

Financial performance cannot be judged in isolation as it is directly related to physical performance. It has been observed that the OSRTC is not performing satisfactorily on any front. The ranking in vehicle-productivity stands eighth, while fleet utilisation and passenger per bus per day stands eleventh and load factor stands at twelfth among the 13 STUs, indicating a poor and dismal performance. The percentage of dead kms. to gross kms. has been increased from 1.23% in 1987-88 to 3.07% in 1991-92, indicating inefficiency in its operational front.

SOCIAL PERFORMANCE

Public transportation has been considered as a welfare measure though it has to work on a commercial line. While evaluating the social performance, the quality of service comes to the fore. The major indicators of the quality of service are the accident rate and the breakdown rate besides the other indicators like punctuality, waiting time, cancellation of trip, frequency of the trip, over-loading of buses, bus-station amenities, crew behaviour etc. The data presented in Table-2 place OSRTC in ninth and seventh in break-down and accident rate respectively. Such high rate have a negative impact on the passengers which repels them from OSRTC. The trend indicates no sign of improvement on breakdown rate while accident rate has increased from 0.2 in 1987-88 to 0.3 in 1990-90.

SOFT OPTIONS

What an STU needs today is the complete restructuring of its every area of operation. Complete restructuring does not mean privatisation of an STU. Public transport provides essential social service to every nook and corner of a state. Thus privatising an STU means curtailment of such social service to the needy masses. Besides, privatisation is not practised,

as a government policy every where in India. There is no clear-cut policy framework for privatisation. Thus in India "the debate on privatisation has been more ideological than pragmatic; more dogmatic than analytical and more bureaucratic than technocratic". So far as OSRTC is concerned the following soft options are found to be very useful for improving its performances instead of privatising.

1. Financial Restructuring

The poor financial viability of OSRTC is more due to the nature of its capital structure, the poor working capital management, administered fare structure, revenue leakage etc.

- (a) **Changing Capital Structure:** The present capital structure of OSRTC is almost debt-ridden in nature even in respect of the capital contributions by Central and State governments on which OSRTC pays interest as a charge or expenditure. A change in the capital structure, therefore, would result in improving its financial results. In this context it is recommended that the authorised capital of OSRTC should be raised, which should be fully subscribed by the Central State governments in the ratio of 1:2. The capital contribution already made in form of loan should be converted to the enhanced equity level and any contribution after that should be treated as loan. The loss of interest on Central and State government capital contributions due to conversion to share capital has to be accepted since the measure is necessary in the interest of the financial health of OSRTC.
- (b) **Working Capital Management:** Cash management and inventory management require greater attention. With regard to the management of Cash, maximum priority has to be given to cash budgeting technique, constantly analysed to have a better control on the flow of working capital. Besides, OSRTC should tap new sources of finance for working capital needs such as public deposits etc.
- (c) **Fare Structure Restructuring:** A vicious circle of low fares consequently poor level of service and, hence, unwillingness on the part of the commuting public to pay anything more.⁶ To break the circle, there has to be a perceptible improvement in the service levels before a fare increase can be rendered acceptable. The government, in order to offset its reluctance to increase fares in the face of rising costs, should implement strong policy for checking unnecessary expenditure and traffic revenue pilferage. Rather any enhancement in the

rate of fare. would encourage a strong rival competitor group (private bus operators) to offset private concessional arrangement to attract the commuters, thus affecting the quantum of commuters using OSRTC. Political interference by pressure groups should not be allowed to make inroads into the disciplinary process, because in such cases revenues would be the first casualty.

- (d) **Checking Traffic Pilferage :** All transport undertakings have substantial revenue losses pilferage and OSRTC needs to take swift action based on departmental inquiries to minimise pilferage. Checking function should be entrusted to the traffic department since this is a department which is responsible for maximising the considerable help in detecting fraud. Besides, the conductor should be properly motivated by providing better salary and allowances, productive bonus on achieving target and promotion to clerical cadre on better service.
- (e) **Cost Control and Cost Reduction :** In view of the present economic situation where cost of everything is on a rising trend, the need for employing cost control techniques in an STU is most imperative. Scientific technique of inventory management, fuel management and maintenance management should be used. Thus it is necessary to create an awareness for cost consciousness through various employees training programmes.

2. Physical & Operational Restructuring

The sole restructuring package cannot alone be attributed to the financial area. Physical and operational area need to be improved as it is the pastoral for any profit rearing. Some vital areas which need to be manured are :

- (a) **Improving Bus-Staff Ratio :** The national average is 8.5, thus draining a major portion of its revenue in unnecessary waste. In 1991-92 some STUs in Punjab, Haryana, Himachal Pradesh are able to operate the services smoothly with 5 Or 6 staff ratio whereas in case of OSRTC, it is 10.21 draining maximum of the revenue to the extent of one-third. It needs a drastic curtailment by reducing it to 7 which is computed below for a single bus.

STUs	Driver	Cond- uctor	Other Traffic	Traffic Total	W.S.& Maint.	Adm.	Others	G.T.
Haryana S.T.	1.55	1.65	0.42	3.62	1.76	0.68	-	6.06
H.P. R.T.C.	-	-	-	2.98	1.46	0.81	-	5.25
Punjab S.T.	1.53	1.79	0.19	3.51	1.27	0.76	0.02	5.56
OSRTC (Existing)	2.18	1.79	0.54	4.51	3.26	1.89	0.55	10.21
OSRTC (Proposed)	1.75	1.75	0.75	4.25	1.75	0.75	0.25	7.00

The above calculation shows a greater degree of maneuverability on the part of the authorities to reduce the personnel expenses. For implementing this ratio, the golden hand-sake scheme or any other suitable scheme may be introduced.

- (b) **Organisational Restructuring** : Most of the STUs have a threetier organisational set-up including OSRTC. A three-tier system is considered to be an efficient management practice. However it is felt that a two-tier system will yield better result as it has given in Rajasthan giving more authority and responsibility to the single depot level managers do not enjoy any power although they are responsible for maintenance, punctuality motivation and discipline among employees and providing efficient and satisfying bus service. To do away with this handicap where responsibility does not flow with authority, a single line of command is suggested between depot level manager and head office.
- (c) **Fleet Utilisation** : As observed earlier OSRTC ranks 11th among selected STUs in respect of fleet utilisation. Thus improvement in fleet utilisation is an imperative need to enhance its operational viability. The maintenance and repair at the depot level should be improved to a higher extent which will in turn make available more buses on road, improving the fleet utilisation ratio. This will help in generating more revenue in utilising the same available infrastructure.
- (d) **The Recruitment & Training** : The recruitment in OSRTC should strictly be need-based. Unnecessary political and whimsical appointments drain maximum revenue and at the same time point

a negative impact on the existing staff. There is a need to attempt scientific job evaluation as the existing classification of employees has been tradition oriented and irrational. Scientific on-the-job training should be introduced to improve their potentiality.

- (e) Designing for a MIS : The information should be produced and it should be reliable. The decision taken on unreliable information will prove to be disastrous to the organisation. To ensure availability and reliability there should be appropriate MIS staff at the data generation point which is the Depot. At the top management level qualified statisticians should be posted along with adequate staff for planning and control. The quick feedback of information will be useful for objective decision making. Thus, 'timely' compilation will be ensured by this arrangement. As far as operational planning is concerned, there is tremendous scope for application of OR (Operations Research) techniques along with computers and improved MIS (Management Information System). OR techniques and theories should be used to decide vehicle requirement, route frequency etc. All these should form the basis of an efficient and effective management control network.
- (f) Others : The position of OSRTC in case of breakdown is unsatisfactory. Achieving target of 'zero-defect' should be the motto of the working staff. From the very beginning the personnel should be motivated to take every possible preventive measure to achieve the perfection. Improving quality of service, and using quality spare parts with proper feedback and checking ensures minimal breakdown. Efforts should be made to minimise human failures, maintenance deficiency and material failure. For ensuring greater effectiveness, responsibility should be fixed and performance should be evaluated with proper follow up.

A lot has to be improved so far as passenger amenities are concerned. Public information at the bus shelters and stations, provision of cloak room; wall clocks, police outposts, clean lavatories, fresh drinking water facilities are considered as necessary amenities. It is recommended that time-table of services should be published to familiarise the people with the OSRTC.

CONCLUSION

Privatisation of public enterprises has become a major public policy of the government. The ailing public enterprises are seriously posing concerns for the market competition and national growth. STUs are no better than the loss making manufacturing public enterprises. All the STUs

operating in our country are making huge losses, thus wasting public money which could have been utilised in other profit generating organisations. But so far as public interest and service is concerned these losses are not yet seriously taken. STUs are providing the very essential service to the public which is an accepted fact. Privatisation of STUs at the cost of public service should not be considered. But there is vast scope of minimising such losses through effective measures and restructuring. STUs can generate profit through better management, which has been exemplified in Rajasthan SRTC during the Eighties. So far as OSRTC is concerned it is not in a bad position compared to other SRTCs. Privatisation of OSRTC may be considered and analysed from different angles. Unless and otherwise OSRTC generates profit in near future, government would not allow it to operate in the present economic system where everything changes at a fast pace.

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