

CHAPTER - VIII

CONCLUEIONS

Economic development is essentially a process of developing the rate of capital formation and the relationship is a positive one. The measure of civilisation and economic development of any nation more or less depends upon the development of modern means of transport. The government of any developing or developed countries has different modes of economic system but they are well known and embark on the development of transport infrastructure, commensurate with the needs of their economy and the available resources of the country. Since independence of our country, India takes the process of planned economy. For economy development of our country, investment inflow is necessary for the development of infrastructural facilities. The second function can be conducted either by the public or by private sector or by both sectors. In India, all States nationalised their transport services. As a result huge amount has been invested by the government and private sector also invested huge amount for passenger road services. Public sector undertakings specially passenger road services are of following types namely, departmentally undertakings, limited company undertaking, municipal run undertaking and corporation.

The performance evaluation appraisal of the State Transport Undertakings and research and documentation are now the necessary and important subject due to heavy investment made in the passenger transport sector.

A review made on different aspects of this subject exposes that there are many types of organisations that exist in the country in passenger road transport sector and every pattern of road transport organisation has the ability to run their passenger buses in proper way with sound financial condtion. The organisation pattern of any particular passenger road transport organisation and comparision

to other State transport undertakings have been studied by a number of researchers in several countries to find out the reasons of losses and how can an organisation be survived financially. Quite a few studies on management of various State transport undertakings have been highlighted for finding out whether any pattern of organisation is responsible for running the State transport undertaking profitably. In India very few researches have been undertaken profitably. In India very few researches have been undertaken on road and passenger road transport and even that lacks depth and comprehensive coverage. The absence of a comprehensive study in the field of the organisation pattern and its comparison with other pattern of management in STU's at the national level is glaring. Though this study cannot fill in the gap, it can be considered a more step in that direction. This study has the following objectives.

1. To determine whether any particular pattern of State Transport undertaking is responsible for financial profitability.
2. It has another objective to see in which way some selected State transport undertaking are running their organisation with profit.
3. To evaluate the physical and financial performance of Punjab Road ways, Maharashtra State Transport Corporation, Cheran Transport Corporation Limited and North Bengal State Transport Corporation and analyse their relative efficiency.
4. An attempt to find out whether a change is necessary in the organisational structure of North Bengal State Transport undertaking for financial survival.
5. To attempt to find whether any change in the organisational structure of NBSTC can be made.
6. To study the important areas of weakness in NBSTC as compared to other State's profit making concerns.
7. To report to make the NBSTC profitable. The immediate steps to be taken by state government with its omnipresent role.
8. To see how far the claim of STU's regarding incurring loss is justified.

This study utilised both primary and secondary sources of data, for

performance of valuation internal data for 18 years (1980-81 to 1997-98) for S.T. Punjab, Maharashtra SRTC, Cheraan TCL and NBSTC has been analysed. Data for the same period of 18 years, have also been used for analysis of comparative performance : 1) S.T. Punjab with NBSTC. 2) Maharashtra SRTC with NBSTC. 3) Cheraan TCL with NBSTC.

Two types of performance evaluation have been attempted in the study.

i) The following variables are used for evaluating the physical performance (a) Staff used for per 100 kilometres of operation. (b) Staff-Bus ratio. (c) Fleet utilisation (d) Vehicle utilisation. (e) Consumption of diesel, lubricants and oils. (f) Breakdowns (g) Accidents (h) Employees' productivity (i) Total passenger carried (i) Occupation ratio.

(ii) The financial performance of State Transport undertakings has been evaluated on the basis of income, expenditure and profitability or loss of the STU's.

The major share of total traffic is now being carried by rail and road transports. As a result road transport sector has played an important role in Indian economy. The Indian railways are now carrying huge passenger traffic but the road transport sector is carrying many more passengers than railways.

The demand for road transportation has been stimulated due to the increase of population and expansion of economic structure in India. The role of railways to meet up the increasing demand for transportation is limited by the scarcity of funds and gestation periods. So in the coming years, the road transport sector still has to undertake responsibility for carrying much more traffic in our country. There is no necessity to announce that public sector will carry much more responsibility than railways. The importance of urban and rural transport is too much for the overall development of a country. In India 70% people live in villages. So the development of rural areas depends on the good roads and road transportation.

India is the second largest populous country. Due to heavy population socio-cultural problems have arisen, but the good communication system can solve the socio-cultural problem of our people through the different modes of goods transport. Roads and road transport are essential infrastructure for all round corner economic

growth and economic development of our country. In view of the increasing demand of road transport but there is not so much importance given in the road transport of India in comparison to other developed countries of the world. As a result, the roads and road transport is very much inadequate in view of population in India. During the year 1950-51 the total road length was 4,00,000 kms. it became 20,40,000 kms. in 1991-92 but then the population of India was 84crores. So it is clear that the length of roads is much lower than the population. The nature and scenario of urban transport is quite complex and different from the rural transport. The urban population has increased manifold. In 1951 it was on 62 millions but it became 217 millions in 1991. But the length of roads in urban areas of cities has not increased so much, as a result the existing roads became congested year after year in urban areas.

In other developed countries, vehicles, are used 623 for 1000 population, where as in India 25.3 vehicles are used for 1000 population.

In India 73% people live in villages and are engaged in various types of works to earn their livelihood. They are now depressed by some social and cultural problems. The percentage of rural population has decreased, it was 88.6 in 1921 but at the end of 1991 it was 70.1, so rural transportation is essential for all round development of India. Rural transport system must be improved to make India industrially developed. But rural transportation has some problems and the government should look into the problems with prior consideration. The dream of the tide of industrialisation never comes true because many roads of our country are inadequate. Specially in rainy season the vehicles cannot run through those roads. So the production of the villages cannot be sent in due time to the markets. The perishable goods are wasted in the middle way. Besides, it is also noticed during the study period, the roads of each village are not linked with the main road, for this reason each village is not developed properly and the villagers are deprived of the benefits of the improvement of the country.

The vehicles which are used for rural transport are obsolete and old till now, in general due to the condition of the roads the speedy vehicles cannot run in rural areas.

Many villagers are coming to live in the cities since now a days there is no good infrastructure and good transportation in the rural areas. So the population of the cities is growing day by day badly and as a result the all around development of our country is affected.

Importance should be given to the planned construction of the road transport because it has gained momentum in Indian economy. But in reality, no importance is given on road transport. It is found that till the end of the study period, the public sector investment in roads and road transport during the plan period has shown continuous decrease. During 1st plan period (1950-51 to 1955-56) plan expenditure for the development of roads was 6.7 percent which was reduced to 3.0 percent in 1992-97, similarly, during the 1st plan period plan expenditure for the development of road transport was 33.8 percent which was reduced to 8.9 percent in eight plan (1992-97). Though the transport industry in India has great potential for revenue generation and this sector has generated huge revenue during the past years, but inspite of the investment in road, road transport has a declining trend. So, plan outlay for roads and road transport should be increased. Nations economy will be severely damaged if the present trend does continue. The national transport policy committee has cautioned in this regard.

A country's development depends upon the roads and bridges. A good communication system can only grow if there are good roads and bridges. The agenda for improving of life in India cannot be complete without transport component. Roads and bridges indeed form a vital part of the economic and social fabric of all our cities, Towns and rural areas, enabling people to work, to shop, to get to educational institutions, to socialise and to many other activities in rural areas, about 600 people travel per bus per day. In towns or cities there are 1600 people traveling per bus per day. There has been a significant shift rail to road mode due to inadequacy of railway system.

The roads, bridges and road transport in India are highly effective, more than 4,00,000 buses are plying daily in India. The 71 state transport undertakings run together about 1,18,000 buses in Indian roads. So roads, bridges and road transport are the basic necessity and indispensable infrastructure and an essential

pre-requisite for any of development of India. In spite of this, the importance of having a net work of good roads, bridges and road transport have not been realised fully in our country and roads, bridges and road transport development continues to be relegated to a secondary position in our development plans. Till the end of the world war II, the general impression in the country was that Railways by themselves could provide the major means of transport in the country, but during the war, it was conclusively proved that roads, bridges and road transport communication were the absolutely essential not only during war but also during peace time. This realisation resulted in the conference of chief engineers held at Nagpur, in 1943 to prepare a 20 years road development plan. This was the first blue print to unify the roads and bridges on an all India basis. But roads, bridges and road transport bottlenecks hinder economic development of a country like ours. An economy of any country will collapse, if there is absence of good roads, bridges and road transport net work. Rapid industrialisation, labour migration and free mobility across the country will not be possible in the absence of roads and road transport. Roads and road transport provided gainful employment to nearly a million people. The development of India specially to North Bengal is subject to the development of roads and bridges. Though in India Government and non government agencies are trying to improve roads, bridges and road transport system since independence, it is not too much in respect of demand. Because, there are vast areas, 96 million people, huge goods and passenger traffic. Moreover, all roads and bridges are not linked with the National highways and also maintenance is very poor. Narrow roads and sub-standard and old bridges are not fit for heavy vehicles. Various problems arise frequently such as high frequency of accidents, slow speed, high fuel consumption, high depreciation and high cost of operation due to deficiency of roads and bridges. So, bridges, roads and road transport are the inhibiting factors in the economic development of India.

In India nearly 71 State Transport undertaking are plying their buses and they are not only run for financial profit but to achieve required economic development of our country. In general, it is condemn by all that an enterprise has gained some social and economic benefits by losing profits, to evaluate the

performance and efficiency of STU's, it is very critical to measure the performance of STU's traditional tools are used for measuring the performance instead of social objectives. The kinds of appraisal can be attempted in the case of road passenger transport undertakings viz. operational performance of STU's means of physical productivity and following tools are used for measuring the physical productivity.

Fleet utilisation, also termed as vehicular utilisation. According to the recommendation of the study group set up by the association of the state road transport undertakings, "The fleet utilisation should be as follows. Vehicle in operation ninety percent, road worthy vehicles, but not in operation two percent and off road vehicles eight percent i.e. hundred percent. ratios are calculated by number of vehicles on road divided by number of vehicles held and multiplied by one hundred. The higher percentage is the indicator of better performance. Operational performance of state transport undertakings can be measured not only by the fleet utilisation but also measured by the following variables (1) Vehicle utilisation (2) Consumption of Diesels, lubricants and oils. (3) Total passenger carried (4) Occupation ratio (5) Staff-bus ratio (6) Capacity (7) Break down (8) Volume of operation (10) Vehicle productivity (11) Man power productivity (12) Punctuality (15) Spread over duty (16) Steering duty (17) Reliability and safety (18) Tyre and tube performance.

Financial performance has been evaluated on the basis of income expenditure and profitability of state transport undertakings.

The following tools are used for measuring the financial performance of state transport undertakings (1) Earning per kilometre (2) Cost per vehicle per kilometre (3) The net profit/loss per km (4) Total revenue and total cost per vehicle per day (on road) (5) Cost revenue ratio (6) Revenue capital ratio (7) Net profit (8) Return on investment (9) Break even analysis (10) Value added statement.

Maharashtra and NBSTC

Maharashtra, a state in the Indian union, is situated in South West India and Maharashtra State Transport Corporation is a State Government's undertaking. It was established, according to Corporation Act, 1950. It is still functioning as a

corporated undertaking. Maharashtra State Transport Corporation has 3 tier set up for organisational structure viz. Head Office, Regional Office and Divisional Office, each officer assisted by the other officers.

An analysis of the data for Maharashtra State Transport Corporation shows that it has been able to keep a relatively high number of buses in operation. Starting with 85.10 percent buses in operation during 1980-81, the number has increased to 91.7 percent in 1997-98. This implies that the number of buses in reserve or repair category has diminished. Where as in the case of North Bengal State Transport Corporation, it has started with 68 percent buses in operation during 1980-81, the number has decreased to 66.3 percent in 1997-98. This implies that the number of buses in reserved or repair category has increased. Maharashtra State Road Transport Corporation has performed reasonably well in comparison with NBSTC against an all India average of 88 percent fleet in scheduled service category. This depicts a high capacity utilisation, a sign of greater efficiency.

The data of Maharashtra State Transport Corporation shows that the staff bus ratio has been constantly in favour of MSRTC which has utilised bus staff per bus during the period 1980-81 to 1997-98. Staff bus ratio exhibited a declining trend in MSRTC where as it has been higher and almost constant in NBSTC. So MSRTC is spending less for its staff as compared to NBSTC though the salary structure is almost identical. It has two important implications; firstly : MSRTC is not over staffed and secondly, it has not generated additional primary employment.

Staff employed per 100 kilometres of operation exhibits a downward trend. Whereas in the case of NBSTC it reveals an upward trend. This is indicative of increasing efficiency over the time in MSRTC.

Consumption of diesel oils and lubricants has witnessed a consistent trend in case of MSRTC. It has been able to obtain an average of 4.3 kilometres per liter of oil in the case of NBSTC. So this is indicative of increasing efficiency over the time in MSRTC.

Breakdowns and accidents do not only lead to passenger annoyance and discomfort but also cause distress, casualties, injuries, but even loss of life, property

revenue and delays. The data show that both have shown a downward trend over the time. Breakdowns have come down from 0.76 in 1980-81 to 0.35 in 1997-98 per 10,000 kilometres. Accidents have reduced considerably from 0.38 in 1980-81 to 0.24 per lakh of operative kilometres in 1997-98. Both the above facts indicate improvement in the efficiency of operation and maintenance. But in the case of NBSTC the data show that breakdowns have a increasing trend but accidents have a decreasing trend. During the year 1980-81 breakdown was 1.41 per 10,000 kms. but it has increased to 2.17 in the year 1997-98. But in respect of accidents, the rate of accidents is lower than MSRTC. So in this respect it has performed well than MSRTC.

The data shows that bus utilisation per day (kms) on road MSRTC has performed better than NBSTC. The vehicle utilisation was 220.0 (kms) per day on road. Then it goes to 264.0 (kms) per bus per day. While in the case of MSRTC it has done better than NBSTC. During the year 1980-81 the vehicle utilisation was 252.10 (kms) per day on road at the end of the study period it was 303.6 (kms) per day on road during the year 1997-98. The data also shows that MSRTC has performed better than NBSTC in each and every years during the study period. So, in this parameter also, MSRTC has been more efficient than NBSTC.

The number of passengers carried by its fleet during the given period of time is the output of passenger transport undertaking. The data highlights that Maharashtra State Road transport Corporation has exhibited an-upswing from 408 to 476 passengers per bus per day, over a period of 18 years thus depicting a compound growth rate of 2.31 percent per annum. While NBSTC also carried passengers from 446 to 450 per bus per day over a period of 18 years.

An appraisal of financial performance of MSRTC point out that revenue receipts have not been proportionate to the increase in the expenditure as result, expenditure has gone up every year. Though the MSRTC has made profit during the study period but NBSTC has not been able to achieve profit during the study period. This can be mainly attributed due to considerable leakages in revenue, low rate of vehicle utilisation, and dead roads and absence of proper maintenance.

Higher cost and lower revenue receipts resulted in a falling trend in profitability. Return on investment in 1997-98 is 26.03 percent. The margin of operation in the case of MSRTC has shown a declining trend.

But it has never assumed a negative value. But in the case of North Bengal State Transport Corporation higher cost and lower revenue receipts have resulted continuous loss in the undertaking. Return on investment during the study period showed negative figure. Margin of operation was also negative during the study period in the case of NBSTC.

After analysing it is found that MSRTC has made profit, though the profit was low but it has during the study period. But in the case of NBSTC, it is found that it has made profit during the study period. It means that the Government reward from the MSRTC has been positive and increasing but from the NBSTC it has been negative and decreasing.

Tamilnadu and NBSTC :

Tamilnadu a state in the Indian union, is situated in south India and Cheran Transport Corporation Limited is one of the undertaking owned by the state government undertaking. It was established under the Company's Act 1956. Cheran TCL has 3 tier set up for organisational structure viz. Head Office, Divisional Office and Depot level. Each office was assisted by the other officer.

An analysis of the data for Cheran TCL shows that this undertaking has been able to maintain almost consistent bus-staff ratio during the study period (1980-81 to 1997-98). But the data of NBSTC shows that this undertaking is incapable to maintain consistent bus-staff ratio during the study period 1980-81 to 1997-98. So it is clear that Cheran TCL has not generated primary employment. Staff employed per 100 kilometres of operation highlights a downward trend in the case of Cheran TCL. This is indicative of increasing efficiency over the period of time in Cheran TCL. But in the case of NBSTC, it is much more higher than Cheran TCL, in this respect during the study period. So it indicates that Cheran TCL performed better than NBSTC.

Cheran TCL has been able to keep a relatively high number of buses in

operation than NBSTC. Starting with 94 percent buses in operation during 1980-81 but it was only 68 percent in the case of NBSTC. The number has increased to 99.1 percent in 1997-98. But in the case of NBSTC, it has decreased to 67 percent during the period 1997-98. So it indicates that Cheran TCL has performed better than NBSTC. This reveals a high capacity utilisation, a sign of greater efficiency of Cheran TCL.

The data shows that consumption of diesel oils and lubricants has consistent trend in the case of Cheran TCL than NBSTC. The Cheran TCL has obtained 4.01 kilometres per litre of oil during the year 1980-81 and at the end of the study period, 4.24 kilometres per litre of oil in 1997-98 whereas in NBSTC it was only 3.70 kilometres per litre of oil in 1980-81 and at the end of the study period it was 3.88 kilometres per litre of oil. So this is a indicative of better performance in the case of Cheran TCL than NBSTC

Breakdown and accidents are one of the criteria for measuring the efficiency of state transport undertakings. It not only leads to passengers discomfort and annoyance. It has also resulted in heavy losses of revenue and payments for compensation to the victims. The data shows that both have shown a downward trend over the time. Breakdowns have come down from 0.32 in 1980-81 to 0.15 during the year 1997-98. But in the case of NBSTC it was 1.41 in the year 1980-81 and 2.17 in the year 1997-98. Accidents have reduced considerably from 0.58 in 1980-81 to 0.67 per lakh of operative kilometres in 1997-98 in the case of Cheran TCL whereas in the case of NBSTC it is much lower than the Cheran TCL. Accident per lakh kilometre in NBSTC was 0.23 in the year 1980-81 and at the end of the study period it was 0.19 per lakh of operative kilometres in 1997-98. So, in respect of breakdown, the efficiency of Cheran TCL has been increased.

Vehicle utilisation is one of the vital criteria for measuring the efficiency of a state Road Transport undertaking, Cheran TCL may well claim credit in this respect. This undertaking has been able to increase the vehicle utilisation per day on road (in terms of kilometres) from 291.33 in the 1980-81 to 429.5 in the year 1997-98. But in the case of NBSTC though it also has been able to increase

utilisation from 220.0 kms. per day on road in the year 1980-81 to 264.0 kms. per day on road , but it is much lower than the Cheran TCL. So in this respect also Cheran TCL showing a higher capacity utilisation, a sign of greater efficiency.

Total passengers carried during the given period of time is the important output of a state road transport undertaking. The data shows that Cheran TCL has been able to increase number of passengers carried, from 726 per bus per day in the year 1980-81 to 1612 per bus per day in the year 1997-98. Whereas in the case of NBSTC it has not been able to increase passenger carried per bus per day during the study period, because it was carried 446 passengers per bus per day in the year 1980-81 and at the end of the study period it carried passengers 450 per bus per day in th year 1997-98. This is indicative of increasing efficiency over the time in the Cheran TCL than NBSTC.

The efficiency of state road transport undertaking can also be judged through the financial performances. Though Cheran TCL has made profit during the study period, but huge expenditure and lower revenue receipts have resulted in a trend of lower profitability. Return on investment during the study period i. e. from 1980-81 to 1997-98 shows a possitive figure. Margin of operaton also showed a positive figure i. e. from 1980-81 to 1997-98 whereas in the case of NBSTC, return on investment during all the successive years, remained negative except during the year 1987-88, 1990-91 and 1991-92. Margin of operation also assumed negative figure during all the successive and subsequent years.

The above analysis, highlights that Cheran TCL has made some profit during the study period but NBSTC has been incurring mounting losses. Return on investment has become negative. The net contribution to the state government by the Cheran TCL has become positive during all the successive years of our study. Whereas in the case of NBSTC, the net contribution to the state government has become negative. It means the rewards given by the Cheran TCL has become positive and increasing but the rewards given by the NBSTC has become negative and decreasing.

Punjab, a state in the Indian union, is situated in west india and State

Transport Punjab is one of the undertakings owned by the state government. It is departmental undertaking and it has departmental form of organisation. Organisational structure and management pattern of S.T. Punjab has 3 tier management system, viz., Head Office, Divisional Office and Depot Management. Each office assisted by the other office.

After analysing the data of S.T.Punjab, it is found that it has been able to achieve the referred target and maintain almost consistent bus-staff ratio during the period of our study. But in the case of NBSTC, the analysing data shows that Bus-staff ratio is much higher than S.T.Punjab i. e. it has excess staff than their requirements. So it is clear that NBSTC is over staffed and generated additional primary employment. So after review the data for S.T.Punjab we have found two implication. At first it has not been able to create additional primary employment and secondly it is not over staffed which is normally believed by the people.

Staff employed per 100 kilometres of operation shows a decreasing trend. But in the case of NBSTC. staff employed per 100 kilometres of operation reveals a upward trend. So it is clear that S.T.Punjab has performed better than NBSTC and it is indicative of increasing efficiency over the period of time in S.T.Punjab.

Fleet utilisation is one of the important criteria for measuring the efficiency of state road transport undertaking. S.T.Punjab has been able to maintain consistent percentage in respect of fleet utilisation. In 1980-81, the fleet utilisation in S.T.Punjab was 91 percent buses in operation and at the end of the study period i. e. during the year 1997-98 it was 89.7 percent buses in operation. But in he case of NBSTC in 1980-81 fleet utilisation was 68 percent and at the end of the study period during the year 1997-98 it was only 66.3 percent. So it is clear from the analysis that the number of buses in reserve or repair category has diminished progressively in the case of S.T.Punjab. It is proved that the S.T.Punjab has performed better than NBSTC. This highlights an increasing capacity, a sign of better efficiency.

Consumption of diesel, oils and lubricants are also one of the criteria for measuring the efficiency of state road transport undertakings and in this respect it

has done well. S.T.Punjab obtained 3.70 kilometres per litre of oil during the year 1980-81 and at the end of the study period i. e. in the year 1997-98 it has obtained 4.16 kilometres per litre of oil. Whereas in the case of NBSTC it has obtained 3.70 kilometres per litre of oil and at the end of the study period, it remained almost constant. It has obtained 3.88 kilometres per litre of oil in the year 1997-98. So, it has indicated that the performance of S.T.Punjab is better than NBSTC and it is a sign of better efficiency.

Days, loss of property and revenue, casualties, injuries, distress, annoyance and passenger discomforts all things happen by the come down of breakdown and accidents. The data of S.T.Punjab shows that both parameters have decreasing trend during the period of our study. Breakdown have come down from 0.78 in 1980-81 to 0.68 in 1997-98 per 10,000 kilometre. Accidents have reduced considerably from 0.26 in 1980-81 to 0.09 per lakh of operative kilometres in 1997-98. But in the case of NBSTC breakdown have increased from 1.41 in 1980-81 to 2.17 in 1997-98 per 10,000 kilometres. Accidents have decreased from 0.23 in 1980-81 to 0.19 per lakh operative kilometres in 1997-98. In the case of NBSTC accidents per lakh operative kilometre is higher from the year 1984-85 till the end of the study period in respect of S.T.Punjab, so it is proved that S.T.Punjab has been able to increase the efficiency in respect of operation and maintenance.

The comparative data shows that the performance of S.T.Punjab and NBSTC falls short of the target which are fixed by the state transport authority. The vehicle utilisation is around 235 kilometres per bus per day. This low vehicle utilisation of both undertakings results in lower revenue and higher cost of operation.

Passenger carried per bus per day during a given period of time is one of the important criteria for measuring the performance of state transport undertakings. The data shows that S.T.Punjab has carried total passenger from 413 to 450 per bus per day during the period of our study. In the case of NBSTC also it has been able to increase passenger carried from 446 to 450 at the end of the study period. So both data shows that both undertakings have performed well and carried almost same number of passengers.

The performance of state transport undertaking cannot be completed without judging the financial performance. Higher expenditure and lower income receipts have resulted in a decreasing trend in profitability. Return on investment during 1993-94 showed a positive figure and after that it remained positive during all the successive years. Margin of operation also assumed a positive figure during 1993-94 and remained positive during all the successive years of our study period. But in the case of NBSTC return on investment and margin of operation both remain negative during all the successive years of our study period. So it is clear from the data, the S.T.Punjab has been able to increase its financial performance than NBSTC.

The data regarding contribution of state government clearly shows that net payout to the state government has been positive during the period of our study except in the year 1985-86. But in the case of NBSTC, net payout to the state Government becomes negative and remains negative during all the successive years of our study period. It means that the West Bengal Government reward from the NBSTC has been negative and decreasing but in the case of S.T.Punjab Government rewarded from the undertaking was positive and the trend is upward.

West Bengal, a state in the Indian union, is situated in east India. State Transport Corporation has been plying their buses as the government undertaking in West Bengal. NBSTC is one of those corporations which played very important role for the development of North Bengal as well as West Bengal. NBSTC was established during the year 1960 under the Corporation Act, 1950. It is still functioning as a corporation organisation and management pattern of North Bengal State Transport Corporation has three tier management system viz. Head Office, Divisional Office and Depot. Each office assisted by the other office.

Going through the eighteen years data of NBSTC, it is found that it has not been able to achieve the referred target and could not maintain consistent bus-staff ratio during the period of our study. In the year 1980-81 the bus-staff ratio was 14.2 and at the end of the study period it was in the year 1997-98. So we can say that, the ratio is much higher than the referred target. It has two valuable implications, firstly NBSTC is over staffed and secondly it has generated primary

employment.

The performance of NBSTC can also be judged through the criteria of staff employed per 100 kilometres of operation. After analysing the eighteen years data it reveals a upward trend. So it is the indicator of decreasing efficiency over the period of time of NBSTC.

NBSTC has not been able to keep a high number of buses in day to day operation for carrying the people of North Bengal. In 1980-81 the number of buses on road is 68 percent, the number has decreased to 66.3 percent in 1997-98. So this is proved that the number of buses in reserve or repair in garrage has increased progressively. The all India average for the number of buses on road is 88 percent, but the NBSTC's average is very low in comparison with all India average during the study period. So, it has indicated that NBSTC is unable to utilise their full capacity and it is a sign of inefficiency.

The performance of state road transport undertaking can be judged through the consumption of diesel per liter on road. North Bengal State Transport has been able to obtain 3.70 kilometres per litre during the year 1980-81 and at the end of the study period during the year 1997-98 it has obtained 3.88 kilometre per litre of oil on road, so it indicates that NBSTC has not been able to increase the performance too much over the time.

Breakdowns and accidents both are important criteria for measuring the efficiency of State Transport undertakings. Many problems can be faced by the public due to breakdown and accidents. The data shows that breakdown are upward trend during the period of our study. During the year 1980-81 breakdown was 1.41 kilometres per 10,000 kms run at the end of the study period it was 2.17 kilometres per 10,000 kilometres run during the year 1997-98. It has resulted in heavy losses of revenue. It is interesting to note that breakdown per 10,000 kms has increased during the study period. It may be due to lower maintenance service and low capital investment for upkeep of workshops. As a result the number of buses which garaged due to breakdowns remained constant over the time . Regarding accidents, this corporation has been about to reduce the rate of accidents

per lakh kilometres. Accidents have reduced considerably from 0.23 in 1980-81 to 0.19 per lakh of operative kilometres in 1997-98. So it is proved that in the case of break downs NBSTC has not been able to increase the efficiency of maintenance but in the case of accident, it has proved the efficiency in operation.

Vehicle utilisation at 225 kilometres per day in the norm fixed by the State Transport authority. The performance of North Bengal State Transport Corporation regarding vehicle utilisation is around the norm and vehicle utilisation is nearly 232 kms. per bus per day. Higher cost of operation and lower revenue receipts happend due to this vehicle utilisation.

Toatl passenger carried per bus per day is one of the important criteria for measuring the efficiency of State Transport undertakings. The data reveals that North Bengal State Transport Corporation has slightly increased from 446 to 450 passengers per bus per day over a period of eighteen years. So it is proved that this corporation has increased the efficiency slightly during this period of time.

The efficiency of State Transport undertaking can be judged through the financial performances. There is a big gap between income and expenditure, as a result profit has decreased year after year. Return on investment during 1990-91 showed a positive of +7.77 percent and it remained negative during all the successive years of our study period. Margin of operation also assumed a negative during all the successive years and it showed positive only during the year 1990-91 and 1991-92.

The above analysis reveals that North Bengal State Transport Corporation has been incurring heavy losses. return on investment showed a negative figure and margin of operation also showed a negative figure. It has been observed that net payment to the State Government has been nagative and remains negative during all the successive years. It means that the Government reward from the North Bengal State Transport undertaking has been negative and decreasing. Thus the analysis of North Bengal State Transport Corporation established that internal operation and physical performance of the undertakings have decreased significantly during our study period.

Profitability of North Bengal State Transport Corporation has been observed that net profit is negative during all the successive years of our study period. In spite of general inflationary trend in the economy, rise in the cost of fuel, tyres and tubes, increase of wage bill and many other inputs played a vital role for profitability of the NBSTC comparison of performance of some selected State Transport undertaking with NBSTC shows that NBSTC has an inferior physical and financial performance as compared to three other state transport undertakings, though all the said undertakings are in a financial mess on the basis of cost and revenue per kilometre profitability are declining year after year. The data of said undertaking shows that the form of organisational pattern is not relevant for the efficiency of performance. After analysing the data of selected State Transport Undertakings and NBSTC, it is found that forms of organisation of State Transport undertakings is not relevant what ever may be forms of organisation prevail in STU's. S.T.Punjab is a departmentally managed undertaking, maharashtra State Road Transport Corporation is an autonomous corporation and Cheran TCL is a public limited company. NBSTC is also an autonomous corporation. But the forms of organisation do not seem to make any difference to the performance of State Transport undertakings.

In spite of the fact that North Bengal State Transport Corporation incurred heavy losses during the period of our study, the undertaking has paid huge to the State Transport in the shape of interest on capital and road taxes. It is justified because it is not selfsufficient.

Net loss on negative return is a great concern of NBSTC for economic viability of the undertaking. but one thing is positive here because Government is receiving money in the way of interest on capital and taxes and the Government then invested the money for mobilising the NBSTC. NBSTC making losses year after year. The major reasons for making losses in NBSTC is bad management. The board of directors is full of political represantives and on temporary basis. Another features of the organisation are short duration of appointment and frequent transfer of top management. There is no worker's representation in NBSTC board. At present workers representatives exist in various sub committees. The controlling

system of NBSTC is very much in-effective. Decisions are often taken on the basis of inadequate data or information. The reporting system from lower level to upper level is not held in proper way.

Man power planning is very bad in NBSTC as a result it is now experiencing a huge staff-bus ratio. In the year 1987-88, the number of vehicles held was 529 and the administrative staff, traffic staff and mechanical staff per vehicle held were 1.25, 5.14 and 2.30 respectively. In the year 1997-98, the number of buses which were held was 912 and the administrative staff, traffic staff and mechanical staff per vehicle held were 0.92, 7.28 and 2.67 respectively. The data show that the trend is increasing. There is no fixed recruitment policy in the NBSTC. As a result, many recruitments made in NBSTC are politically motivated and many unskilled and untrained workers work now in this organisation. So the efficiency is very low, and productivity is very low. Regarding the transfer of the corporation, any one, who served three years may be transferred and sometimes transfer is only paper transfer. And it is one of the reasons for causing losses in NBSTC.

For the scarcity of instrument and repairing, many buses of NBSTC are damaging today in each depots after the buses for long distance of different routes are cancelled. At present 605 buses among 912 of the corporation ply in the roads for the scarcity of various types of instrumental parts and 307 buses are kept in a standstill position in different depots of NBSTC. The condition of the buses are dangerous which are at present plying in Coochbehar, Raiganj, Siliguri and Berhampur division. Buses are not running due to the breakdown as they start to ply on the roads. The difficulties of the passengers knows no bounds due to the breakdown of the buses in the midway. Many profitable routes are closed by the authority due to the scarcity of the buses. For these reasons the profit of the NBSTC has decreased and the loss has increased. The tide of industrilisation which are amounting to bring now a days in our state will never be implemented because many roads are kaccha and specialy in the rainy season buses could not ply in those roads. As a result the production of the villages are not reached in the markets of the towns in time so the perishable goods are damaged. Besides it is noticed during the study period that the proper development of each villages is not possible

because each village roads are not connected with the main roads, also the villages do not get the touch of development. The vehicles which are used for rural transportation are obsolete and old till now. Normally the speed vehicle could not ply due to the bad roads.

Now a days many villagers are going to the cities due to the absence of well infrastructure and improved transportation. As a result the population of the cities is increased unwantedly and the over all development of the country is not possible. The Government is indifferent about the matter till now. Not remaining in such state the Government should take action to improve the rural transportation.

The infrastructure of West Bengal is not at all in a good schope. The position of West Bengal is 12th in the in index of infrastructure which is created by the centre for different states. In this, the condition of North Bengal is too miserable. Punjab, Maharashtra and Tamilnadu is ahead of West Bengal. But the position of West Bengal is trailing behind orissa and Himachal pradesh. The main part of the infrastructure is good roads. The buses of NBSTC take long time to reach the particular destination due to the lack of good roads. Beside this the expenditure for repairing is increased and the profit is decreased. The condition of the road is very much misearable and the number of roads is also mare through which the NBSTC ply their buses, the density of the roads is 1/3 of orissa and 1/6 of kerala, for this reason the traffic has been badly affected frequently everywhere in West Bengal.

The condition of the social infrastructure of West Bengal as well as North Bengal is not so good. The total advantages of the social infrastructure of the state is centralised in Calcutta. For this reason the people of this area is distressed by various problems. There are two big cities in Andhrapradesh and Bihar. But the only representative of West Bengal is Calcutta. NBSTC is running in a loss because the social infrastructure is not created in a proper way.

The another cause of the loss of NBSTC is the labour problem. The labour unions are always ready to fulfil their demands by force. These unions create a pressure to take or appoint the supporters of some special political groups. The

political representatives who are among the board of directors often co-operate in this matter too, and sometimes the unskilled labours are recruited due to the political reason only. In this matter the condition of the NBSTC is worse than other STU's. The consultation about the improvement of productivity turns into deep confrontation because the relation between the labour unions and management is worst. As a result NBSTC has incurred a loss. 38 lakhs working days were wasted due to the strike in 1990. In this way the profit of NBSTC is decreased and loss has increased in each and every year.

More of the employees of NBSTC are not trained. So many of them cannot work skillfully. It is the most neglected aspect of the corporation. The policy as regards to transfer in the corporation is that any one who has served three years can be transferred. For this reason the ability of employees is decreased. So profit is loss and loss has been gradually increasing every year.

The breakdowns per 10,000 kms in NBSTC is more than any other STU's and that is increasing continuously. The percentage of vehicles off the road is high and has almost been constant around 28% on average. It means that 1/4th or more of the vehicles remain off the road. It is indeed true that the number of Mechanical staff of NBSTC is more than its requirement. As a result the number of the repairing works of the vehicles has been increased as well as the number of nonplying vehicles are increased. This shows that the maintenance policy of NBSTC is defective. The main reason of this is the lack of discipline in the workshop, lack of work ethics and poor supervision in the management. The management has virtually no control over the mechanical staff. Most of these staff are selected not on the basis of merit but on the basis of extra economic or extra administrative conditions. The percentage of cancellation of trips is 23.14% over the years period on an average. It is an exaggeration to say that the public at large are put into great inconvenience due to the cancellation of 1/4 or 1/5th scheduled trips. For this reason the profit of NBSTC has been decreasing and the loss has been increasing.

There is no equality between income and expenditure because the fare is not revised in every year. The rate of spare parts and component of the vehicles are increasing continuously. But the fare is not revised equally as the rate of

components. Beside this the management of NBSTC itself is not able to revise the fare. They have to depend on the Government of West Bengal. For this reason also the loss has been increasing in every year. Besides this, major part of the revenue collection has to be paid to the Government because the NBSTC has to be paid a huge amount of tax and interest on capital, loan. It is observed that about one third out of every rupee received by the corporation is made over to Government. The interest on capital/loan is the single largest item and accounts for 96.40% to total payment and 30.87% of the total revenue. Capital contribution received from the participating Government is irregular during the period from 1984-85. The payment made to the participating Government were higher than the capital contribution received. The capital contribution were not made proportionally along with the growing requirements of the corporation. The agreed ratio of capital contribution between State and Central Government is 2%. But the Central Government is in a back log of Rs. 1207 lakhs in 1984-85. Beside this the NBSTC is financially not self supporting and its survival depends largely on the capital which is supplied by the Government for this reason collects interest on capital and tax from this corporation. Consequently the revenue collection is not sufficient to meet the expenditure. So the profit of NBSTC has been decreasing and loss has been increasing.

The transport pricing of NBSTC is not prepared on the basis of cost. As a result the pricing is full of error. For this reason the corporation is running with a loss every year.

The development is brought in the first and second world by giving too much importance in the field of communication system. So those countries are able to reach the highest peak of development. But importance is not given to the communication system in the countries of third world like India as well as West Bengal.

So many towns & villages are not able to come under the light of communication. So the communication system in many villages & towns are in the position of primitive age till now. In one side we are trying to invest the ultra modern communication system to go to moon and mars from earth and on the

other we are trying to exist with the slow, obsolete and obsolete communication system in India as well as West Bengal. As a result our country India as well as West Bengal is stumbling to step towards the development for the existence of these two factors.

So, at first we should have to give our attention towards the miserable condition of the roads of our country. To compete with the developed countries we are trailing behind due to weak transport system of our country continuously. If preference is not given to the transport system as an industry to widen the main highways and roads, the development of any country is impossible. Finance and well thinking and the good morality which is the most essential as a result of today's rapid transport system. The transport system of our country is interrupted nowadays due to the artificial love and low moral standard of the Government beurocrats and some political leaders of the country. As a result the transport system of our state as well as of North Bengal is breaking down insense of development. Day by day the transport system is going to the threshold of misearable condition of industry.

It will be good if we do not say about the development of transport system of our state as well in each and every year the roads are turned into muddy and broken due to flood and natural calamity. Three fourths of roads among the pucca roads of our state which we found in paper and pen are incomptent for use. So this problem remains through out the year. It appears to us that the Government or the administration has no good to solve this problem for which we the common people have to suffer.

The entire public are going to forget that the good transport system is the other name of transport nursing. This nursing is judged secondarily in both state transport and private sector. He lives in the fool's heaven who thinks that the transportation in the private sector is one of the transport nursing because business is principal and nursing is secondary. It is noticed by the concealed support of the Government sector. Now a days the condition of Government transport system is to keep its existence formally. To recover from this state every body should help the nursing to go ahead leaving all politics and groupings. Nor the entire transport

system will be collapsed. For these reasons the NBSTC is turned into an unprofitable enterprise.

The design of the bus depends on the Government and Government implies it in reality through the transport authority. To make the body of the NBSTC buses as the design specified by the Government is much more expensive. So the expenditure for the maintenance of the body is duly increased. As a result the loss has been increasing and the amount of the profit has been decreasing.

The NBSTC completely depends on the Government because it has no self financial source. The maintenance cost is increasing continuously because the corporation has not sufficient money as it required. Naturally the loss is high and the profit is low.

There are other problems to issue the route permit. Because no route is nationalised in West Bengal. As a result the NBSTC has to compete with other private buses. Besides this the NBSTC has to ply their buses in the non profitable routes due to the social obligation. As a result a huge amount of losses is incurred by NBSTC in each year. It is realised from the above that the condition of the NBSTC is too much worse as compared with other selected STU's in the services of transport. But it has also tremendous potential to run the corporation with profitability if NBSTC is a nationalised corporation and Government exchequers gives it large amount as a subsidy to run the corporation. In each and every year the subsidy is increasing. The corporation is able to grow its size day by day by diversifying its services throughout the West Bengal and adjacent areas. We have analysed from the above why it is running at a loss, what are the reasons that lead to its continuous bad management. The existence of the state transport section is not merely with its losses, but with subsidies and inefficiencies. Because they are authorised by the legislature and are wanted by some interested groups. They must be manufactured. It is true that nationalised transport is part of Government programme itself, inefficiencies are tolerated by the citizens; but because they are demanded by the beaurocracy. Supplying Government programmes, in form of new buses, because it can be grown through the burden of Government. The beaurocrats of Government are able to work independently in regions like North

Bengal which are less developed. It also enables them to lead to a constant growth of the size of the NBSTC. Though loss and a huge loss is incurred by NBSTC, it is still increasing in size.

In brief, we may say that in West Bengal of India this was what happened. The Government is able to pay the subsidies to the NBSTC like corporations because indirect taxes are increased in most of the commodities. It is a root question in theory whether the inefficiencies of the Government or the corporation is disguised by these indirect taxes.

In the other way one can think of the privatisation of transport system. But the dirty philosophy is revealed through the privatisation in West Bengal at least at the present state of the development of politics. The Government as well as corporation is inefficient. So we are compelled to pay the increasing tax as a burden. Because this collection of the tax is given to corporation as subsidies. Again we have to believe the idea that the size of NBSTC may be improved inspite of all losses and inefficiencies.

Following are the package of Measures for Improving the performance of NBSTC:

The present study is a pointer to the fact that all is not well with North Bengal State Transport Corporation in West Bengal. The undertaking is living on capital assets. Excessive unionism, absentism and indiscipline especially in the operational staff exists but the management of NBSTC has not been able to control the operational staff. The expenditure is excessive due to wastage and inefficient Material Management. Therefore the present study suggests the following package of measures or recommendations :

- 1) The organisation should set up properly and should work efficiently. But the head office should involve itself to take the decisions and supervisions only. The divisions and depots should be given sufficient authority to implement the operational decisions only. The draw backs of excessive hierarchical levels, lack of delegation of authority and control can be minimised by further decentralisation of power from head office to division to depot level.
- 2) I think the NBSTC will be profitable corporation if some routes through

which NBSTC plies their buses will be nationalised. Beside this, to ply buses of NBSTC profitably in West Bengal and in its neighbouring states an expert committee will be established who will inquire into and search for new routes. Pointing those routes the corporation should ply buses in pick hour. One of the desirable objective is to segregate the routes, which should be persuaded. The NBSTC has available fleet strength within which the implementation of the segregation might be occurred within the available fleet strength of the NBSTC and through dropping unremunerative services which can be handed over to either the private sector or minibus services. So the Government should try to share operation on the routes which are uneconomic with the private operators or to begin the services of minibus on such routes. The traffic needs will be partially met up. If the minibuses are introduced with lesser number of seats and lower incidents of taxation particularly in the rural areas, no more routes which are considered as uneconomical by the undertaking would remain so.

3) Rs. 60 lakh was spent by the NBSTC to pay the labourers for their overtime duties. To change the bad condition of NBSTC the system of overtime should be withdrawn. If necessary, the proposal of incentive scheme can be given because NBSTC was in the debt of Rs. 35 crores and 93 lakhs Rs. 4 crores and 93 lakhs is given by the NBSTC every year as interest for their dues. As a result the corporation is unable to pay the salary of their employees in due time. Beside this, the corporation is unable to pay the labourer's various insurance premiums and other welfare scheme. Therefore to reduce the burden of loss, the management of NBSTC should withdraw the system of overtime.

4. In NBSTC 11 labours or employees are employed per bus although in other transport corporations even eight labours are not employed. But the corporation should reduce those additional labourers and should employ minimum eight employees in that place. Golden handshake policy should be taken like the corporation of the Central Government for the reduction of these additional employees. Specially for those persons who are beyond 55 years old, applying this principle, the number of additional employees may be reduced.

5) To establish the NBSTC as a profitable corporation and to solve the problems

of the corporation, they should be analysed by any renowned corporation like the West Bengal Government who has analysed for the industrialisation by MEKINS. And if it is possible by the NBSTC that will be good. And the corporation will be a profitable corporation if the management of NBSTC take the steps according to that.

6) Many buses in each depots are wasted due to the low-graded tools and lack of repairing. For this lowgraded machinery tools should not be purchased. The tools should be purchased only from the reputed companies. For the major work of repairing in a centralised way NBSTC should have a Central workshop which will enable them to improve the maintenance of fleet. Depot manager and store keeper should be very much aware to prevent the theft. If any tool is stolen or lost or low graded tools are entered in the store for the neglegency of the store keeper, they should be severely punished which would set an exemplifying punishment.

7) It is possible for NBSTC to increase their income minimum of thirty thousand rupees as fare per day, if they repair all about two hundred old buses to ply those buses in the roads instead of buying new buses for their improvement. The income due to fare will be increased and it will be possible to reduce the quantity of loss if the buses which are wasted in the depots are gradually repaired and are plied in the roads.

8) Each and every driver and conductor of NBSTC should be given training to make known about the entire matters of the corporation. They should be aware of the poor and miserable economic condition of NBSTC which will enable them to be lovable towards the corporation. A clear idea about real condition of NBSTC is grown in the mind of each and every employee of this corporation if these measures are taken and they will be very much eager to make their corporation as profitable organisation.

9) Right proportion of checker or checking officer in respect of buses should be appointed to check each and every buses of NBSTC on the roads and to increase the number of checkings. The income of NBSTC will be increased minimum Rs. 15 lakhs per month if the proper checking system is introduced in NBSTC buses.

This amount can be spent to buy tyres and its accompanying things.

10) The expenditure for telephones and buying various types of stationery goods should be reduced. The nursing of STD & ISD should be withdrawn from each and every depot of corporation except the Divisional Manager. As a result it will be possible to save Rs. 30 thousand per month in one side and necessary accompanying goods bought with this money on the other side.

11) Each and every bus should be checked up properly before leaving the depots to ply on the roads to prevent their breakdown on the roads to make the passengers free from their troubles and not to refund the amount of fares. For this reason every bus should be supervised. Rupees 15 lakhs for the expenditure for the oil will be saved if the buses are supervised properly. As a result this amount will be invested for the development and welfare of the corporation in one side and the amount of loss will be decreased too in the other side.

12) The condition of Cooch Behar division of NBSTC is worst among all divisions of NBSTC. The total number of buses of this division was 305 till 1995. Among them the number of condemned buses is 109 and the number of buses which ply in the roads is 196. The number of total employee is 2574. Every day 44 thousand kms, is covered by the buses in this division. The division earned Rs. 98 lakhs in a year and expended Rs. 146.61 lakhs and the amount of loss is 48.61 lakhs per year. As such, the performance of each division should be evaluated in due time and simultaneously the reasons/ causes of the decrease and increase of loss and profit respectively should be found out.

13) A commitment and belongingness about the corporation may be grown in the mind of the board members of NBSTC who are WBCS officers, if their posts are turned into departmental posts which will be very much fruitful for this corporation.

14) From the very beginning there are three tyre services in the NBSTC which are as follows: (i) District (ii) Inter District and (iii) Local, various types of short bearings is found in each service. But in reality it is found in the vehicle utilisation one norm is administered for the three types of services. But it is not true because

differentiation remains in different types of services. And some factors play an important role, such as route length, age and mechanism of vehicles and road conditions in the area of operation of the depot. Therefore it is desirable that the depot first of all should be grouped into comparatively homogeneous units in terms of the factors mentioned above so that separate norm for vehicle utilisation can be fixed for each group of depots in NBSTC, but the fleet utilisation of NBSTC is not possible properly due to lack of separate norm of this corporation. The calculation is done on the total number of buses, But it will be right if the calculation is actually done on how many buses ply on the roads. It will be very good if different norms are introduced in the fleet utilisation and vehicle utilisation. Besides this, to judge the efficiency of the maintenance function will be possible through the fleet utilisation. It will also be possible to judge the efficiency of the traffic scheduling function through the vehicle utilisation. The corporation will be profitable, if the above said efficiencies are judged properly.

15) The route length must be considered when the norms of vehicle utilisation is prepared. For this reason, the total number of routes in operation should be divided into different routes length categories. At present the route of NBSTC has been divided into three categories.

The improvement of the corporation will be possible if exercise is continued regarding route categories in NBSTC without thinking the present divisions as final. If any norm has been fixed and drafted, there should be a close exercise and be revised accordingly. One should remember that when these are checked out that guiding principles should be kept so high that it is impossible to achieve them. The other principle should be such that should not be kept so low that full use of the vehicle is impossible.

16) There is scope for improving kilometres obtained per litre of oil in North Bengal State Transport Corporation. For this reason employees in right proportion should be appointed in every depot, every depot should be well equipped to achieve the target about oil. Every vehicle should be effectively checked up. Such system is present in MSRTC and Cheran TCL.

17) Some central stores should be set up to reduce the expenditure for spare parts through effective inventory control and to reduce the purchase of local quality spare parts. To eliminate the pilferage of spare parts, diesel and other things the establishment of a good defence system is necessary. At present the management of Hariyana, Road ways, MSRTC and Cheraan TCL has considered attentively to set up at least two central stores. The huge quantity of the loss of NBSTC would be reduced and the establishment of the corporation as a profitable organisation will be possible if the management of NBSTC would establish at least two central stores like Kariyana Roadways, MRSTC and Cheraan TCL.

18) To make the NBSTC free from the constant loss and to provide the proper and right transport nursing it is very much necessary to review the yearly fare structure and to heighten the fare by linking with the cost of inputs. So it will be possible to make the NBSTC as profitable corporation with the help of a proper fair structure.

19) Another issue which has relationship with the financial performance of NBSTC is the cost of various social obligations that the undertaking has to meet. By the direction of the State Government NBSTC has to give the concession to students, freedom fighters, physically handicapped Government employee, MLA, daily passenger etc. As a result the corporation is deprived of right and proportionate revenue and the picture of financial performance is misrepresented. The subsidy is provided not from the NBSTC but from the department of budget. The State Government should be given the same amount – as subsidy to the NBSTC as the state has to subsidise in the above said categories of different matters by the NBSTC or deficit equal to this amount should be made state ex-chequer. For example Hariyana Roadways only itself has gained profit in every year all about Rs. 15-20 crores. About all the concession which is given will be revised and these bear some rational to prevalent bus fare. So it is possible to make the corporation profitable by taking the above provisions.

20) A public relation department must be opened in each depot and division of NBSTC and the head of this department must be a public relation manager. His main duty and responsibility will be to collect, record and solve the complaints of

the public and provide suggestions by establishing a close relation with the public. After scrutinising these complaints and suggestions throughly in his level the public relation manager may send these to the higher level of management. His sustained efforts can lead to creation of a better and clearer image for the undertaking in the eyes of the society, as a whole and also attract the increasing number of passengers. NBSTC can reduce the amount of their loss and increase their profit gradually if they can increase the revenue collection by attracting the passengers in this way.

21) NBSTC should be provided some basic facility such as bus stopages, waiting shelters, clean drinking water, paying waiting/rest rooms, paying cloak room and advance and return booking facilities on certain routes. The bus stand should be expanded and telephone booths should be established in each bus stand. To keep the bustand clean, sweeper should be appointed, to avoid the accidents skilled driver should be employed, to keep the FIRST AID BOX in each bus should be a must. But NBSTC could not be able to provide those facilities due to the loss every year. For that reason some right provision should be accepted by NBSTC and some rupees from the amount which they are paying the government should be expended for those amenities with the help of the advertisement on the bodies of the buses some amount of money may be earned and some basic facilities should be provided with that money.

22) The computer reservation system is started in the big depots of NBSTC. Inspite of that computer is not set up in most of the depots. So the NBSTC should set up the computer in those depots as early as possible. After installation immediate attention should be given to the areas like store inventory, introduction of single ticket, scheduling of bus crew and routes, budgeting etc. The corporation will gain profit if these provisions are made

23) NBSTC plies buses in some places to send the passengers in different places linking up with the trains. But if the authority of NBSTC plies buses adjusting with the important trains and if they can ply their buses regularly to send the passenger in due time they will gain some profit.

24) N.H.-34 and N.H.-31 are the most important route through which NBSTC

plies their vehicles or nursing. Many problems are seen when the vehicles are driven in those ways. As for example it is often seen that bullock carts, two wheelers etc. are driven through the middle roads of these ways. The traffic jam is increasing more in N.H. because there are villages & towns on the both sides of N.H. In some places of N.H. markets and huts are found. As a result the vehicles are bound to limit their speed between 40 to 45 km per hour. Flood water flows in some portion of North and South, some portion of National Highway 34 which is situated in North and South corner of Malda is flooded during the rainy season. This is an acute and dangerous problem.

The opinion of the expert is that the Gangas changes its way in adjacent area of Farrakka Barradge. As a result in recent years the National Highway 34 has been flooded average 2 months in a year. For this reason the National Highway (34) is in danger and the normal communication system is disrupted. Havoc investigation should be conducted regarding this matter. The development of villages work should completed in short time. Because the length of roads is 114 kms per lakh population in West Bengal whereas the National average is 285 kms. So increasing the amount of money in the State Budget, new roads should be constructed and NBSTC's services would be started in those roads. Besides this most of the roads of West Bengal is made with the mixture of stone chips and bitumin. Due to the improper slopes the rain water is stored on the roads. So big holes are created and the roads are damaged. Total investigation could be held to find out whether the roads can be constructed with the help of alternative materials, such as the mixture of cement, sand and stone chips.

Beside this the service of NBSTC should be increased in new and different areas. The congestion of traffic system should be cleared in those roads going through the towns where the service of NBSTC is running. It should be find out if the expansion of roads is possible or not in the North and East of siliguri with the help of which the services of NBSTC will be increased. Except this if there is any other possibility of development of NBSTC's service that should also be considered. The financial condition of NBSTC could be developed if the above measures would be taken by the competent authority.

25) If the staff of NBSTC take the passengers from different bus stands carefully like the private bus operators, if they can say the destination of the bus standing near the gate of the bus and if they can say the passenger or make the passenger aware of whether the bus is local or express the attractive attention of the public about NBSTC will be very much increased. In this way the number of passenger also will be increased simultaneously and their loss will be reduced and profit will be increased eventually.

26) To reduce the loss, the plan of voluntary retirement is granted in the state corporation CSTC (source Ananda Bazar Patrika, published on 2.3.99. P-1). Although this is the first time when the West Bengal State Government has taken such provision regarding the voluntary retirement in any state transport corporation but the authority of NBSTC also should apply the above plan in NBSTC with approval of the West Bengal State Government to save the NBSTC from a huge loss. Specially the employees of NBSTC who are fifty years old and are employed for 20 years, they should be taken under the purview of such plan. In such cases the Government of West Bengal will not bear any economic responsibility for the voluntarily retired employees but the NBSTC it-self has to bear the entire economic responsibility for them. Not only that but also any employee should be appointed in those posts which would be vacant for voluntary retirement. As a result the bus state rate will be possible to reduce. The employees who would apply under such a scheme should be given a lump grant. Many drivers of NBSTC has been inefficient. In such condition, there is no way to survive without reduction of the employees in NBSTC. The Government of West Bengal may appoint the central advisory organisation (RITES) to scrutinise the problem of NBSTC to save it from a huge loss. Partial privatisation is also necessary to save the corporation. As a result the amount of loss of NBSTC will be reduced and the amount of profit will be increased and so the corporation will be revived.

27) To use and maintain the data and information relating to each depot. Under its jurisdiction, the establishment of a management information system cell in each region is necessary. The conductor is considered to be the pivot for generation of earning. Motivating him is considered to be very much crucial. It is suggested

that the conductor should be given a fixed monthly salary. But instead of that he should be given a basic minimum pay and the incentive on the basis of fare collections of himself. Also payments of pocket money to conductor and driver for each trip may be thought of to prevent the temptation of committing fund for petty purpose. Better performance can be achieved if group incentive, mechanical stores and operation alstaff are involved. If such measures are taken the NBSTC will be a profitable concern.

28) At presnt the NBSTC has been tunnng in loss. To reduce this loss private mechanics should be appointed in every depot of NBSTC. Besides this, the buses should be taken from the private bus owners and those buses should be plied in Siliguri and Calcutta bus route on the basis of commission.

As a result the NBSTC would be a profitable corporation. The ways through which NBSTC's own mechanics repair the buses for which many trips are cancelled. Due to the scarcity of repairing the buses are lying year after year in the depots and gradually all buses are going to be ruined. The number of breakdown will be reduced and the cancellation of trips will also be reduced if the private mechanics are employed for repairing the buses of NBSTC. As a result the NBSTC will be a profitable corporation.

29) To give facilities to the tourists, NBSTC can hire private buses to arrange tours under their supervision. According to this plan in the first stage NBSTC can hire at least 50 buses through out the country for the tourists, receiving 8% - 10% commission on total selling of tickets. I have mentioned the rate of commission between 8% - 10% because I personally have talked with various private operators on the issue of commission which should be given to the NBSTC. The private operators are agreed to give their buses to NBSTC on the commission of 8% - 10%. Gradually the number of buses would be increased if in this way the profit can be achieved. As a result on one side the NBSTC will achieve profit and in the other side it will be possible to avoid the problems of maintenance.

30) North Bengal is a backward place. Where many people travel from North Bengal to Calcutta and Calcutta to North Bengal. But due to the absence of required

number of buses, the private bus owners take advantages by plying buses illegally without permit with the help of one type of police and government administration staff. The financial condition of the NBSTC will be better if this system is stopped. Passenger insurance scheme may be started to improve the nursing of passengers. Especially the passengers who travel fifty or above fifty kms. in the buses of NBSTC will be under this scheme. If the passenger under this scheme die in accident in NBSTC buses, the NBSTC will give Rs. 2 lakhs as compensation to the nearest relative of that passenger, and Rs. 10 thousand to 50 thousand will be given by NBSTC to the injured passengers of NBSTC. If any driver of NBSTC would cross the limit of that said speed will be punished. As a result the number of accidents and breakdowns will be reduced on one side and on the other side due to the reduction of maintenance cost the corporation will be able to reduce the amount of losses.

31) Besides this, the authority of NBSTC can introduce a scheme to travel the tourists in different time in different places like the private organisations by pointing out the tourist spots of West Bengal, Bihar, Orissa and Assam. As a result the chance of profitability of the corporation will be possible.

32) The reckless driving system should be prohibited to develop the nursing of passenger of NBSTC and to make the corporation profitable and as a result of which the damage of the buses would be minimised. Besides this, the long route buses should be driven by the efficient and experienced drivers. The drivers who had made accidents earlier should not be allowed to drive the night service buses of long distance. The overtaking on big bridges should be prohibited. The big bridges should be protected by the guards through whole day and night and those bridges should be visible with enough lights to stop the over ruling of above rules and regulations. After thorough check up the mechanical condition of the long route buses should be allowed to ply on the roads. The normal traffic condition should be confirmed by removing those who have illegally occupied the both sides of the National Highway. If it is possible to take these attempts the nursing of passengers would be developed on one hand and on the other hand it will be possible to make the corporation profitable.

33) The operative personnel of NBSTC in depot level should participate in management so as to take decision relating to operating matters to be introduced. Together there can be a kind of employee ownership relation created in the capital corpus of the NBSTC by siphoning off employee bonus and incentive in to the capital investment and thereby creating participation in the board and other managerial decisions making levels. So the employees of NBSTC are committed by this implication.

34) The condition of the national highway and bridges at North Bengal as well as West Bengal is very much miserable due to the poor maintenance which is caused by the paucity of funds. The operating costs of the vehicle of NBSTC is increased apart from delay in travel time, poor road and bridges condition. It is reported by some leading operators of North Bengal that the operating cost is increased 20% – 25% because the condition of the roads and bridges is very much miserable. So the smooth ply of the vehicles and reduction of the operating cost of vehicles is possible if the maintenance is done as required basis.

35) The construction of an express is very much necessary between Haldia and Siliguri for the provision of short route highway services. It should be designed to accomodate six lanes. As a result the buses of NBSTC will take short time to reach the destination on one side and the operating cost will be reduced on other side. So the loss will be reduced and profit will be increased. Besides, the NBSTC should immediately resume goods transport services. And last of all, the new recruitment must be on the basis of attitude to the work for which the candidate will be recruited.

Besides the above package of measures and recommendation, future growth of NBSTC will be seriously constrained by the losses incurred owing to price rise and preventing the generation of internal resources.

Therefore the buses of NBSTC should be fixed at such a scale that it would ensure the complete coverage of its short run marginal cost, liquidation of losses and adequate growth of internal resources. Fares and pricing policy of NBSTC should be based on the cost of inputs. Therefore the growth of internal resources

will be possible for which the profit can be ploughed back into the expansion of capacity programmes and the supporting facilities will be created sufficiently. In spite of losses the passenger road services are operated due to some social obligation. The government should take the responsibility to grant the subsidies to State Transport undertaking directly.

Now the existence of NBSTC is measurable due to the continuous thrust of losses. The amount of monthly losses is now 1 crore 85 lakhs because there is no symmetry between the income and expenditure. To check this amount of losses, the authority is not able to deposit Rs. 37 crores as the P.F. till now. The management of NBSTC is compelled to use the premium of the employees' LIC. Above all the authority of NBSTC has deducted Rs. 21 lakhs as the co-operative loan from the employees' salaries, but the authority is not able to deposit the same amount to the Co-Operative Bank till now. But nobody is worried about this matter.

The Chairman of NBSTC, Mr. Sudhir Pramanik said about this matter that, "NBSTC is plying their buses all about 89 thousand kms. in the rural areas. But the income from these areas is very much poor. In spite of that the NBSTC is plying their buses for nursing the rural areas in these routes not for profit but for the social commitment". The condition of the buses of NBSTC is affected due to the bad condition of the roads of North Bengal. The average age of the buses is 8 years. But most of the buses are 14-15 years old. As a result the maintenance cost is also high. At present the number of total fleet is 912. Among those the average number of buses on road is 605 and 40 buses are new in that fleet.

At present the average monthly income of NBSTC is Rs. 4 crore and 88 lakhs. The monthly expenditure is Rs. 6 crore and 75 lakh due to the purchase of parts and the payment of employees salary. The Central Government had paid Rs. 2 crore per year as matching grant aid till 1987. But now that grant aid has been stopped. The picture of the ledger of losses and plying of the buses is as follows for the year 1996.

Division	No. of buses which plying /average no buses on road	Spoiled buses/ average buses off-road	Total no. of buses held	Total no. of employees.	Km. per day plying	Income monthly	Expenditure monthly	Loss monthly
Coochbehar	196	109	305	2574	44 thousand Km.	Rs. 98 lakh	Rs. 146.61 lakh	Rs. 48.61 lakh
Raiganj	159	125	284	1763	40 thousand Km.	Rs. 110 lakh	Rs. 140.16 lakh	Rs. 30.16 lakh
Siliguri	148	86	234	1253	41 thousand Km.	Rs. 99 lakh	Rs. 103.63 lakh	Rs. 4.63 lakh
Berhampur	80	76	156	837	24 thousand Km.	Rs. 45 lakh	Rs. 76.84 lakh	Rs. 31.84 lakh

So, by analysing the above statistics it will be found that the total number of buses of NBSTC was 979 during the year 1996 and the number of buses which plied in the roads was 583. But during the year 1997-98 that number was reduce and that number was turned into 912 and the number of buses which plied on the roads was turned into 605. The average monthly income of NBSTC was Rs. 352 lakh in the year 1996 whereas the average monthly expenditure was Rs. 467.24 lakh. In this way the monthly average loss of the corporation Rs. 115.24 lakh. The amount of that loss has been more increased now.

The amount of the monthly loss of the corporation was Rs. 1 crore and 85 lakh in year 1997-98. So it is very much clear that the economic condition of the corporation is very much miserable.

But it will be possible to reduce the amount of the loss of NBSTC if above said package measures are taken. As a result of this the financial health of the corporation will be developed and simultaneously a bright possibility to stand on its own feet will be found. A projected scheme is given below with the help of which it will be understood how the corporation would be able to reduce their present monthly losses. For example the following is the data of the 1997-98.

<u>Income (Monthly)</u>	<u>Expenditure (Monthly)</u>	<u>Loss (Monthly)</u>
Rs. 4 crore 88 lakh	Rs. 6 crore 73 lakh	Rs. 1 crore 87 lakh

Now the corporation expends Rs. 60 lakh for overtime duties Rs. 60 lakh will be reduced per month from the monthly expenditure if the system of overtime duties is abolished.

Again it is found that all Indian bus staff ratio is 8 whereas in the case of NBSTC it is 11. So 3 excess employees will be reduced to proportionate the All India average. If the excess employees will be reduced then the monthly expenditure to the corporation would be curtailed about by Rs. 82 lakh. If each and every vehicle of the corporation is maintained properly then Rs. 15 lakh will be saved monthly which equals the cost of oil. So if the maintenance of work is done properly then the corporation would be able to reduce the monthly expenditure by Rs. 15 lakh (Ref. Ananda Bazar Patrika, Published on 8.1.98)

If the vehicle which are not running on roads but are staying at depot garage would be repaired and plied on roads, instead of purchasing new buses, the income will be increased as fares of at least 900 thousand km. In this way the income of the corporation can be increased Rs. 20 lakhs per month (Ref. Ananda Bazar Patrika, Published on 8.1.98)

The Checking on roads should be increased by appointing checking officers. If the checking system is done properly, then the monthly income of the corporation can be increased at least Rs. 15 lakh. In this way the amount of the monthly losses of the corporation can be reduced by an amount of 15 lakh (Ref. Ananda Bazar Patrika, Published on 8.1.98)

The cost of expenditure on telephone and the purchasing of various stationary

goods should be cut down. Rs. 30 thousand per month will be saved by cutting down the nurshing of STD & ISD system from every telephone of the corporation except divisional manager, per month Rs. 30 thousand will be saved from amount of losses if the corporation is able to implement the above system on telephone. (Ref. Ananda Bazar Patrika, Pubilshed on 8.1.98)

The unused vacant land of NBSTC may be used commercially to increase its own resources. A permanent recurring income will be possible if the promoters are appointed commercially in those adjoining vacant places of the bus terminus of NBSTC in West Bengal. As a result a lump sum of Rs. 50 lakh will be earned in one side, and on the other at least Rs. 1 lakh will be earned per month as the rent of these building. As a result the amount of monthly losses will be shortend.

If the various parts which are kept in the different depot stores of NBSTC and are not used for any vehicles from 1971 are sold, and two new buses is purchased with that amount, then the monthly income will increase by Rs. 40 thousand. In this way the amount of monthly losses can be decreased.

The NBSTC is deeply engrossed to IDBI for Rs. 7 crore 32 lakh. For this loan the corporation pays Rs. 12,83,333 per month as the interest on the rate of 21% percentage interest per annum, besides this corporation has taken Rs. 5 crore 44 lakh as loan from the State Corporation Bank. For this loan the corporation pays Rs. 9 lakh and 95 thousand per month as the interest in the rate of 17% interest per annum. Not only this but also the corporation has taken Rs. 20 crore 46 lakh as loan, instead of paying the P.F. of the employees of this corporation. For this loan the corporation is compelled to pay Rs. 20 lakh 50 thousand as interest. Without increasing the above said huge amount of loan the corporation is able to select and repair 276 buses among 309 buses which are lying in depot garrage and if the corporation is able to ply those buses on roads then the monthly income of the corporation will be increased by Rs. 143 lakh per month. In this way the monthly losses will be decreased and in the other side the many maintenance staff would be involved for their works.

So after taking those measures the projected scheme may be as follows :

The Statement of projected scheme to locate the source of income for NBSTC

Sl. no.	Particulars	Income per month rs. in lakh	Expenditure per month rs. in lakh	Loss per month rs. in lakh	Projected profit per month rs. in lakh
1.	Income, Expendt. and loss for the year 1997-98.	488.0	673	185	-
2.	Income (Due to withdrawn of over time duty system)	66.0	-	-	-
3.	Income for the curtail of excess employees)	82.0	-	-	-
4.	Income (To save the cost of oil)	15.0	-	-	-
5.	Income (Due to ply the old buses after repairing.)	20.0	-	-	-
6.	Income (To increase income by appointing more checking officers)	15.0	-	-	-
7.	Income (To withdrawn the nurshing of STD & ISD system)	0.3	-	-	-
8.	Income (To increase own resources)	1.0	-	-	-
9.	Income (To sell the old parts)	0.4	-	-	-
10.	Income (To ply the old buses instead of loan)	143.0	-	-	-
The projected total income		830.7	673	Nil	157.7

So the corporation will achieve profit by Rs. 1 crore 57 lakh and 70 thousand per month according to above projected system if the corporation grant the above package of measures and in future it's financial health will be increased and it will be able to stand on its own feet.

Certain problems of the NBSTC can be identified. Not that the list is exhaustive :

1. In the management there is a " crisis of authority " governing institutions have lost their legitimacy; the confidence of leading managers have been snapped – partly because they are largely political appointees. Stability and the "legacy" of authority have been threatened which has led to chaos in management.

2. The crisis is cultural : A "matter of values, morals and manners". The danger is no longer hypothetical. Government has tried to do more in terms of injection of subsidies, occasional re-organisation but it has already failed. The problem is no longer just to prevent further growth of interference by the government but to find a way of governing a corporation in which government has lost its control and even legitimacy.

3. The corporation is the victim of "overload". Attempting too much, it has naturally failed and thereby undermine its own authority. Somehow the "discipline" has been on decline or lost. Labour unions, even in a labour surplus economy has lost the urge to put the house in order. Labour unions, very often have lost the values in the face of development of "new politics". One consequence of the attitude of the labour is they try to achieve "narrow" objectives overlooking broader even "national interest" perhaps the greatest future challenge to labour (in NBSTC) relates to ideology, not necessarily organisation. Trade union movement in the NBSTC has double role – one frequent defiance of authority and the other overt political action. The labour in the NBSTC has discovered the dividing line between labour's economic role – organising workers and representing them at the bargaining table – and its political function is constantly being eroded as politics and society become more complex and economic decision making becomes more concentrated and located far away in some distant bureaucracy. The labour unions have become inherently rigid, overtly orthodox and resistant to change. Some outsider observers are really disturbed about the very real possibility of a relative handful of union bosses seizing effective control and governance of the corporation (NBSTC).

4. Attempts to understand the 'discontent' amongst labourers are not new. workers

discontent, for reasons perceived or imagined, imposed or in-built are not new in any organisation. Although worker discontent is hardly a new topic-- sometimes "traditional" sources of grievances are no longer seen as primary causes of worker dissatisfaction. Rather than unhappiness of the NBSTC workers with pay, fringe benefits and the like, to-days worker is seen to be driven to near distraction by the nature of work itself, or to put in another way, worker discontent is more than traditional conflicts in a labour-management relationship. Employees discontent comes in a variety of forms that derive from the ways in which specific goals are frustrated by specific feature of the organisation. The confusion about employee discontent often begins with simplistic view about what motivates the employee. If a manager or a top officer of the management assumes that the primary goal of worker is income, he will assume that the primary cause of worker dissatisfaction is economic. If, however, a manager believes employees are primarily interested in work content, he will see discontent largely in terms of boredom, alienation and the like. Finally, some managers may think of people as primarily craving attention, affection, empathy and praise. Dissatisfaction, accordingly, arises from shortcomings in the "human relations" environment. The crucial difference is between frustration of what employees perceive as rights and what they perceive as wants. Whether an employee perceives his frustration as a result of a denied rights (violation of promotion from within) or a desire that simply cannot be fulfilled (absence of a higher-level job opening) is of profound significance in determining his eventual response. The first employee reaction to either kind of discontent is contemplation of withdrawal; but leaving a job is not always a viable alternative since there is large scale unemployment in our society. But discontent can push employees to different stages of discontent; aggression or apathy.

In the NBSTC there are always problems regarding labour management and this has never been properly addressed to by the management.

5. Problems of Management: In simplest term the management has not kept pace with changes that have affected the work place in the NBSTC. Our findings suggest that the NBSTC workplace is currently structures in ways that undermine the strong work-ethic values that workers may bring to their jobs. One of the most startling is the degree to which the managers have undernet the link between a worker's pay and his or

her performance, when workers receive salary or wage regardless of hard work and effort the corporation tends to become sick. Perhaps most workers want to work hard and do a good job but they also see that the workplace does not reward people who put in extra effort. Under these conditions, workers who live up to their work ethic norms, begin to feel like fools. In sum, we can say that the NBSTC's economy is failing to utilise one of its most powerful resources – a widespread commitment to the work ethic. Although many people want to work hard and do good work for its own sake, the work place is structures in ways that discourage rather than support this "norm". As a result people work below their potential. The task of mobilising human resources cannot be addressed by any single group or institution. But managers are important because managers' efficiency and expectation and authority have a tremendous impact on the workplace. Three strategic areas can be identified where trained and skilled managers can strengthen work ethic. These are quality standards, incentives and relation to authority. These concerns are complementary rather than mutually exclusive. In one way or another, they all involve a fundamental challenge to the state controlled low-discretion model of management. Nothing corrodes the work ethic of the workers more than the suspicion that managers (appointed by the state) are indifferent to quality. Further where recognition by the managers for individual merit is non-existent or relatively insignificant, raises a tendency to break work ethic. This does not mean financial rewards are the only incentives available for reinforcing the work ethic. The most difficult choices in this area are those that involve restructuring work so that it provides greater psychic rewards. Many of the factors that people identify as motivators – are not always monetary incentives. The most radical and difficult strategy to mobilise the work ethic concerns a collections of problems having to do with matters of authority, status, fairness and corruption-free atmosphere in the work place. The low discretion model of work does not encourage proper work ethic. Instead there are rigid stratification and bureaucracy. Even in a low discretion model of management corruption can thrive. And it is very often the bane of managerial leadership in our country. The prevailing corruption at the top leads to corruption at the bottom. The managers in the NBSTC are not always beyond suspicion and corruption. To that extent his authority over the work place becomes weak. Corruption cannot be measured but its existence is believed.

In this context what has grown in the management is termed as x-inefficiency (of Lebesgue). The managers are sure to get "subsidies" from the government if they incur loss and there is no tendency to improve the level of efficiency. In this state controlled Service Sector or transport sector, the pressure to put one's best is missing. The cost curve shifts upwards because the expectation is that the government will come to its rescue. In this respect the managerial inefficiency increases and cost minimisation is never the goal of the managers. This is called x-inefficiency because the quality of the management cannot always be qualified or measured. In the State Sector very often we witness the x-inefficiency because of managerial incompetence, inefficiency and lack of the spirit of innovations. No new innovations are undertaken because it might increase uncertainty or land them with bigger and harder work-load. In this low discretion model of management, efficiency cannot be achieved and the losses mount and corruption thrives.

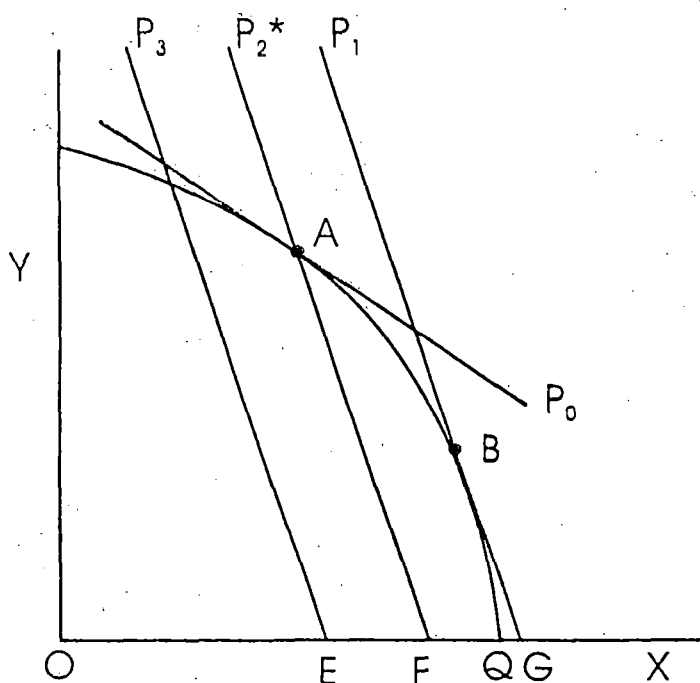
6. Soft Budget constraint of the NBSTC.

For many years the economic activity in the NBSTC was used for fulfilment of certain "imposed" goals "at any cost". The State control and associated command economy distorted the means of economic calculation and technology and management was so obsolete that the capital Stock dwindles and losses mount. Our system of "State Planning" would not permit the closing down of this enterprise irrespective of the level of efficiency or inefficiency. It is clear that decisions concerning the NBSTC was or is made on the basis extra-economic consideration or political motivation. This discouraged risk taking innovations, punished efficiency and led to unprecedented waste of resources.

The sign of collapse manifest itself in the increasing amount of yearly subsidies given from the state budgets. Thus, budget and subsidies were given "liberally" to support this unprofitable enterprise. This inefficiency is called by Kornai as "soft budget constraint". Enterprises faced by mismanagement or economic changes do not respond by operating according to rational economic norms. Rather they go to the State for "subsidies" to obviate the needs for adjustment.

The inefficiency attributable to "expected subsidies" or "expected rescue" from the State can be analysed on the basis of Figure (i) where OQ is the production possibility frontier for goods X and Y. If the commodity price line shifts from P_0 .

with production at A to P_1 the fully "hard constraint" system will shift production to B in the usual way. However, suppose now that the economy operates on a "soft budget constraint" and that producers of Y at A manages to get subsidies to continue operating at A. Then assuming (unrealistically) the "lobbying" for such state subsidies is cost less in resource use, the economy will be P_2^* . Then the loss from soft budget constraint is FG. But suppose realistically that the soft budget constraint system does not real resources, diverting them from production to subsidy in that case the production vector will firther shift to (say) C with P_3 . There will be added loss which is $EG = FG + EF$, FG is loss attributable to lack of responses and EF is the additional loss to resource diversion. (P_2^* is assumed parallel to P_1 and P_3 is also parallel to P_1). [Ref: Janos Kornai – "The Soft Budget Constraint" in *Kyklos* 1986 – 39(i) pp 3-30]



In this soft budget constraint there is always latent "disguised unemployment" – or the productivity of the workers is zero, near zero or even negative. More people are employed than is necessary because of political compulsion. We have seen how extra people are employed per bus comparing with privately operated buses or other forms of organisation. The number of people or workers per bus is about 4 to 5 in a privately owned bus whereas it is about 15 to 16 per bus in the NBSTC or $16-4=12$ or nearabout

are nearly "redundant" in the NBSTC or they are disguisedly employed or unemployed. Disguised unemployment occurs when workers have "jobs" but are under utilised or productivity is very low. These people are "subsidised" under soft budget constraints. The causes of low productivity include late running of buses, late delivery of materials, equipment breakdowns, poor organisation of production, low output norms, low revenue norms, weak incentives and "hoarding" of labour. (J. Kornai – **Economy of Shortage**, North Holland, Amsterdam 1980 – 2 Vol.)

The "hoarding" is explained by the combination of "ratchet" principle, political appointments and restrictions on dismissal of redundant workers. The first makes management expect that production or services through transport would be jacked up continually in future period, as the politicians have promised to serve the people better in future; the second makes it believe that it may be unable to recruit in future because recruitment involves lengthy bureaucratic procedure especially if it is controlled by State through budget or legal allocation. Therefore, management wants a pool of reserved workers on the pay roll, not because they are needed now but perhaps unavailable in future due to centralised system of control. Finally, there may be restriction on managements' ability to discharge un-needed workers. Concious "hoarding" may also be due to patronising role of the political bosses. In any case the "subsidy system" has made the labour unproductive and redundant in various lines of productions. This "hoarded" labour is the sign of "disguised unemployment". Workers are apparently employed but their productivity, however defined, is low or even negative.

It is needless to say that the NBSTC suffers from various ailments. The norm of profit maximisation and cost minimisation are absent in the fare of "soft budger constraint". There are various possibilities about the future course of action.

(1) In spite of losses the NBSTC should be allowed to perform as it has "social objectives" (recommended by Chairman NBSTC Sri Sudhir Pramanik) p-286

(2) NBSTC may be "restructured" by cutting unnecessary expenditure and taking steps to increase its viability (as shown in pp 287-290)

(3) NBSTC has no future considering the losses in every year. So there should be an attempt to disinvest the shares of NBSTC and private participation in the management

should be allowed. In fact, from 1991 dis-investment of the loss making State Sector had become a state policy. Privatisation has its own problem, especially the transitional problem from one type of management to another. The transitional problem may be immense. But ways and means have to be found to solve these issues.

The nature of solution (i) effectively means maintenance of 'status quo' with government subsidies. Government subsidies may be required where private sector is not forthcoming and the state-run enterprise satisfies certain "social objectives". NBSTC is one of the most "inefficient" government-run corporation and therefore its social objective may not be acceptable to all at least on economic consideration. Further transport sector under private management is satisfying the same social objective without periodic subsidies from the state budget. However, what is or what is not social objective has to be decided by a political decision and economic consideration may be treated as unimportant. This is the fate of many enterprises run by the state where profitability criterion is overwhelmed by political expediency.

The second solution what is known as "restructuring" is a 'middle path' which would require some amount Government investment and re-orientation of the industrial relationship. This may also create a 'transitional problem' namely dead-woods in the system have to be pruned drastically. This approach to re-orientation and restructuring may require "gradual steps to transition".

The third solution (i.e. dis-investment) require transitional adjustment which must be very quick and radical. The schumpeterian process unleashed as corporation run by the state go towards privatisation or disinvestment may be initially "destructive". Unemployment may be high, operation level may collapse and segments of workers become alienated from production. The expected "blooming landscapes" may remain *fata morgana*s apart from a few bright spots here and there. Again disinvestment experience in India in other areas of economy have been different from abysmal failure to roaring success. Their comparative experiences, thus provide a unique opportunity to study the interactions among starting points, political economy, disinvestment policy, workers reaction, reform choices and ultimate outcomes. Any transition is multi-ingredient.

However, in the context of the NBSTC we may distinguish between radical approach to transition and gradual approach to transition. Labeled variously as the "big bang", "cold turkey" or "radical" approach to transition has been suggested because there are profound shortcomings of a piecemeal approach. Sometimes economic logic suggests the feasibility of a rapid transition. Apart from economic arguments (based explicitly or implicitly on the theory of second best) proponents of rapid reform also pointed to political economy advantages of moving early and comprehensively to dismantle the old system and exploit "window of opportunity" to establish new ground rules that would lend credibility. Sometimes radical economic reforms create safeguards to make the transition process irreversible. It rapidly introduces a number of institutional changes that act as a policy constraints to soft-budget constraints.

But the gradual approach to reform to a loss making sector has its own logic too. The imposition of hard-budget constraints in the absence of a viable credit system may force NBSTC into insolvency. This may create "transition recession". Effective reforms take time and create maladjustment. The gradualist stress the advisability of "feeling the stones before crossing the river". The gradualist proposes a strategy of piecemeal removal of bottlenecks, restrictions by paying more attention to institution building and the buffering of the social consequences of transition.

In any case something need to be done. Reallocation whether radical or gradual, is neither instantaneous nor costless. From the point of view of analysing the problems of workers whose jobs may be permanently terminated, the main issue seems to be how large reallocation costs are, whether they are borne disproportionately by a narrow segment of the work force and what policies might be devised to reduce these costs and spread their incidence without producing side effects that could be unduly costly and socially destructive.

In any case there are various possibilities and solutions to the ailing NBSTC. No solution can be perfect and costless. But it is important to recognise certain amount of restructuring is necessary in the NBSTC so that it can hold its ground without subsidy. Subsidy cannot be the permanent feature of any economic organisation – be it transport or otherwise.