We were given to understand that the Kerala State Private Bus Operators had placed before the Government a representation on 07-07-2013, principally requesting the Government to consider the necessity for bringing about a revision of fares of stage carriage services operated by them in the State. The Government, by their letter dated 18-07-2013, had directed the Transport Commissioner to place the matter before the Fare Revision Committee, and make available to the Government the opinion of the Committee, and recommendations in respect of the demands placed. By this Report, the Committee is submitting to the Government their views on the issue as well as recommendations before the Government for follow up action as may be appropriate.

2. We had arranged for public hearings, since the issues were likely to affect general public at large. In addition to the representation, referred to earlier, we had received several written memoranda from the Stage Carriage Operators including the State owned KSRTC. A number of representations had come from public spirited persons, pointing out that the fare and fare structure are already on the higher side and effort should be there for facilitating this mode of transportation and avoid hike at this juncture. We are giving a list of the associations/individuals, who had submitted written representations before us, as Appendix-A. There was overwhelming participation of interested persons at the
time of public hearing, held at Thirur in Malappuram District and Kottayam. More or less same nature of contentions had been raised before us by the cross section of the society, and we were of the opinion that public hearing may not be necessary to be held in the other regions of the State, since the Associations enjoyed all Kerala representation. The names of individuals, who had found time to address us, is listed separately as **Appendix-B**

Statistical details had been downloaded from the Website of the Statistics Department of the State. The specialized updated price index as respects stage carriage operators had been made available by the NATPAC as it was essential that we proceeded on materials, which were supported by scientific data. Details of stage carriages in operation, likewise also had been collected.

3. Consequent to our Report No.9 dated 29-09-2012, the Kerala Government, by notification dated 09-11-2012, had directed the State Transport Authority and the Regional Transport Authorities to fix a revised rate of fares of 7 categories of stage carriage services. Minimum fares had been modified and rate per kilometer is also prescribed thereby. The fare stages, as existing, were not to be disturbed. Government had also ruled that over and above the minimum distance, fare is to be calculated at the prescribed kilometer rate, rounding off the fractions appropriately. The per kilometer rate was to be applied over and above the minimum fare and excluding the maximum distance that could be travelled paying a minimum fare.
4. The representations, which had been placed before us, highlighted that as the day passes, because of a variety of reasons, it is difficult for the stage carriage operators to continue in business, principally because of the financial strain involved. The increase, that had been brought about in November 2012, became thoroughly inadequate for them to subsist because of the inflationary trends that were there all round. The Central Government had been progressively increasing the price of diesel. There was unprecedented increase in the wages payable to the employees. Also there was increase in the third party insurance premium, brought about from 01-04-2013. The Bus Operators’ Association had demanded that in addition to the increase in the per kilometer rates, protective measures, like reduction in road tax, and exemption of sales tax on the fuels were essential steps to be introduced, so as to protect the industry. The stage carriage operators had also highlighted that the concession that were being given to various sectors should be totally discontinued, as it only would have counter balanced the principle adopted by the Government of abolishing subsidies in all walks of life. Further, there was a demand that there should be welfare fund benefit for the stage carriage operators. It had been highlighted that there was unauthorized plying of vehicles, which eroded the income of the stage carriage operators, and further permits are not to be given to share taxies and similar operators. Such vehicles were contributing to the density of road traffic, which did not appropriately cater to the travel needs of the society.
5. As had been referred to earlier, in the course of the proceedings before us, representations had come from many other Associations of Bus Operators, in effect supporting the plea that had been taken by the Kerala State Private Bus Operators Federation. At this juncture, we may also note that the public sector enterprise (Kerala State Road Transport Corporation) also had placed before us their views in the matter. For reasons beyond their control, the accumulated losses were becoming unmanageable. The social commitment required them to cater to the needs of people, mostly in the uneconomic zones where to the private bus operators were reluctant to enter. The extra expenditure incurred by the Corporation could have been offset only by a revision in the fare in respect of all types of services. They had also supplied figures purporting to be the expenditure that was being incurred by them towards social commitment, because of the Government’s insistence to extend concession to the students, physically disabled persons, and selected categories of public servants.

6. On the other hand, opposition had come from the segment of community, who were likely to be affected by any increase in the bus fares. According to them, the private bus operators were deliberately suppressing the real factors, which were relevant to fare fixation. In spite of statutory stipulations, they were either reluctant to furnish actual details with the authorities or were submitting doctored materials, with private interest. The revision, that had been brought about in November,
2012, had ensured that on an average there was increase of at least Rs.1000/- per day in the earnings of all stage carriage operators per bus. The increases in the fuel price or other operational expenses were not justifiable for demanding an increase, as had been projected by them. The report of the Committee as well as the Government Orders had duly taken notice of the increase in the cost of operations, which were to come into existence for at least a year from the date of revision.

7. In respect of the demands put in by the KSRTC, it had been recommended that the loss might be only due to inefficiency and improper management coupled with irrational routing and scheduling, huge pension commitments and the non-cooperation of the workers, who were in employment. The fares that were in existence in the State were the highest in the southern States and any further increase would result in distancing the stage carriages from the general public, who were either likely to opt for private conveyance or for travel by other modes of services like Railways. An increase in fares or an increase in the minimum fare would have defeated their own real interests.

8. It had also been highlighted by representatives of the Consumer Forum, the youth wing and students organizations, that there was an error committed in the calculation of fare, which a passenger was expected to pay. They argued that in spite of prescribing the rate per kilometer what a passenger really was paying was not the per kilometer rate as prescribed by the Government notification. This was unscientific, since the
increase in the fare after the distance which could be travelled by paying the minimum fare was calculated in a manner not authorized by law. The principle of prescription of fixed cost and variable cost which had been accepted by the Government as methods for calculation of fares should have been done away with and it was only equitable that persons travelling by stage carriages were to pay the only fare that was prescribed by the Government as per kilometer rate of fare and nothing more.

9. At the time of hearing, the points that had been highlighted in the memoranda had been reiterated. Free and fair opportunities had been given to the participants to state and explain the respective stands for facilitating us to take note of the pulse of the parties, who were presenting their claims before us.

10. We had tried to examine the points urged by the rival parties from their point of view, to the extent possible. We did not want to rest our conclusion on unsure figures or materials. It was generally felt that the price increase of the diesel could not have been omitted to be noted, since 48 per cent of the cost of the operation of a stage carriage was directly linked to the price of diesel consumed. The Central Government had been adopting a policy of discontinuing subsidies in respect of diesel, and as had been indicated in the representations submitted by the bus operators, the increase was substantial. As a matter of fact, there was a system of bringing about an increase in the diesel price every month. When the revised fares were brought about on 11-11-2012, the price of diesel was Rs.48.72 per litre. However, at
the time of hearing, the price had come to Rs.57.02 per litre. Thereafter an increase had been brought about on 30-11-2013 by 50 paise and the present price of diesel per litre appears to be Rs.57.60 with possibility of further increases in the coming months. This situation cannot be ignored as fairness demands that opportunity for a decent income will have to be ensured with a minimum profit margin so as to sustain the industry. In the private sector, more than 90% of permit owners are stated to be single bus operators, they themselves working, and management skills are practically unknown to them, proper account system or principles of calculating and saving for rainy days, never followed.

11. It was brought to our notice that from April, 2013 onwards the Railways had brought in a substantial increase in the fares taking notice of the impact in the diesel price structure. The facility of stage carriage services is vital for the day to day life of large majority of the general public in the State. About 15,000 private stage carriages and nearly 6000 buses plied by KSRTC carry the bulk of passenger traffic in the State. Although there is a case put up by the public spirited persons, that the bus operators have not come up with clean hands and they are suppressing relevant details with ulterior motive, this does not appear to be correct and acceptable picture. For example, a fleet operator had presented before us (Kondody Motors) the difficult period they are undergoing and if we are to believe the statistics produced by him, the picture is dismal. In the matter of income and expenditure for operating the stage carriage services on daily
basis, the KSRTC is not making a profit, although their vows have other contributing reasons as well. It had been frankly submitted that most of the operators would have to discontinue or leave the scene, as they find it difficult to make ends meet. The burden of tax and expenses are becoming unbearable day by day, they plead, and maintenance expenses of the vehicles become increasingly high, as the cost of services have drastically gone up. There is also dearth of drivers and reliable conductors. But, they are continuing the industry because they have no other avenues than to be in the business. Under the Motor Vehicles Act, protection of transport industry is also a matter to be seriously taken notice by the Government.

12. Although, as opposing the claims, it was suggested that private transport will be more economic than travel by stage carriages, this contention can be taken only with a pinch of salt. Bus journey continues to be the cheapest mode of travel for an average person, who is per force compelled to travel daily or occasionally. If the services are discontinued by the private bus operators or the KSRTC, there will be no other economically feasible alternative to vast majority of the travelling public. This is especially true, with regard to persons living in far off areas and remote villages cut off from the main roads and rail-head connectivity. Long time measures of course are to be conceived in the matter of extending maximum possible subsidies to this industry by providing for lesser rates of taxes and supplying fuel at a cost which is realistic and proportional to their expenditure.
That altogether is an other issue. The increase in the fares, brought about in November 2012, has been accepted as reasonable by and large, and we are of the opinion that a realistic approach would be to enhance the fares commensurate with the additional cost being suffered.

13. In this background, we had requested the NATPAC for conducting a study as to the extent of increase in the cost of operation, which has set in, after the last revision of fares had been brought by the Government. Such materials had been placed before us and we have no hesitation in accepting the same. Evidently, a dispassionate approach if not a conservative estimate of the impact of inflation appears to have been accepted as the ruling guidelines in preparing the report.

14. The inflationary trends has been gripping the country for the last about two years, and excepting to go under the cover that it all is reflection of a global phenomena, reasons for the trend has not been satisfactorily found out or explained. The erosion of value of rupee has a direct impact on imports, especially of the crude oil. One of the major profit making company, the Bharat Petroleum Corporation in its latest published financial results (ending the six months period of September, 2013) discloses a tendency for running towards loss. The inflation in the country is there, for all to see. The Cost of Living Index published by the Statistics Department shows that
between October, 2012 and August, 2013 for Ernakulam, Thrissur and Kozhikode Regions uniformly there is an increase in the indices and increase is by about 340 points. Since particularly more pointed indices in fact are available for the passenger transport industry, it would be more reliable to examine what they disclose. National Transportation Planning and Research Centre (NATPAC) had updated the price index for stage carriage operators. They had taken note of the ruling prices of major operating components. In the report, furnished to us on our request (PISCO), it is recorded that there is a 11.5 per cent growth of cost felt by the industry during the period from September, 2012 to October, 2013.

15. Although it is pointed out by the NATPAC that reliable figures are not forthcoming from the operators in the private sector, that by itself cannot be a reason to conclude that the cost of operation is static so as to reject a plea for a revision. The KSRTC might be in deep financial trouble, but the increased cost of operation as explained by their representative before us cannot be sidelined. It shows that the past year, indeed has been a crucial period. Cumulative factors had contributed additional burden in the matter of daily operations. The PISCO figures point out that the cost of fuel (diesel) during the relevant period has increased by 11.7 per cent. Of course it is increasing thereafter progressively. The percentage cost of maintenance labour has been shown as having had a steep jump, it being 19.21%. PISCO has assessed the increases in variable cost at 12.36%. For
ordinary buses, the fixed cost has registered an increase between September, 2012 and October 2013, thus bringing overall increase to 15% and above.

16. Apparently all inputs, including Cost of Living Index has been taken cognizance of by the expert body, and we can find no reason to disagree with the details furnished. Though not an issue coming within their purview, indeed a suggestion is there for a revision. On our own evaluation of the scenario presented, we would be justified in suggesting and recommending for a general revision of passenger fare. It has to be brought about without delay.

17. In our earlier reports, we had referred to the precarious position as well as the effort of stage carriage operators to keep floating. A criticism had been there that there was recommendation always for upward revision only. But, realities cannot be ignored. Although the Government may be in a position to fix fares in respect of other types of transportation, such as Taxies, autorikshaws, contract carriages and goods carriers, it may not be effectively possible to prohibit private negotiations between the contracting parties. As printed tickets are a must, and as the Kerala State enjoys the highest literacy levels, strict adherence to the notified fare per force is to be adhered to. Thus, enforcement is automatic. Simultaneously PISCO reports would show that occupancy levels are getting lower. As we had hinted earlier, the public has to support the system, even by certain amount of sacrifices, as the withdrawal of
the services is likely to result in drastic consequences. An entrepreneur would not be normally interested in continuing with a project, which consistently is loss making proposition. A general review shows that the industry is not at all healthy.

18. Therefore, we are of the opinion that returns requires to be assured for offsetting the extra expenses incurred by these set of persons engaged in a public utility service. An increase requires to be effected in the per kilometer rates of different operational systems, plus an increase in the minimum charge payable by the passenger, including students.

19. Before placing our recommendations on the fare increase, it may be necessary to advert to some aspects, which might be relevant and to ward off misgivings. It had been noticed that criticism had been in the air, mostly originating from one source, about the unscientific nature of fixing the minimum fare vis-à-vis the per kilometer rates. The reports of the Committee had found acceptance, where the components of fixed and variable costs were separately taken note of for the purpose of prescription of minimum fare, as well as the rates per kilometer. The per kilometer rate become operational and payable after a passenger complete the travel permissible on payment of the minimum fare. This was cause for criticism. The suggestion was that when per kilometer fare had been fixed, the advantage was to accrue to the passenger, and not to the operator, whatever be the minimum fare.
20. We are to arrive at a workable solution and cannot present the report on abstracts. Fixed costs and variable costs are concepts which cannot be ignored in the motor transport industry. They are indeed interlinked, and cannot operate independently. Majority of fixed cost element is possible to be recovered by the operator, at least theoretically, from the earnings obtained from the minimum fare. A small portion needs to percolate to the per kilometer rates. Notionally the per kilometer rates would become operative as the distance traversed progresses, but because of the inflationary trends to which we had adverted to earlier, it takes a longer time for the lines to meet. They are however never parallel.

21. In the matter of fixing minimum fare, of course Rabindran Nair Committee suggested an upper limit of five times of the per kilometer rate, as payable. But, in the present scenario it may not be workable. When per kilometer rate for ordinary buses was 52 paise, even at that time, the minimum fare was Rs.4/- and not Rs.2.60. The erosion of value of money is real. Updates in yardsticks governing the issues should be accepted with an open mind. Even an unskilled labourer earns anything between Rs.500/- and Rs.800/- per day of work, and to contend that it will be unethical for the bus operators for a decent return on his investment might be a lop sided view. Both the sectors have to go to the same market for obtaining daily essentials. Our State is providing employment to an estimated twenty lakhs of
citizens, who have migrated from other States. It shows that work is available to those who are prepared to work.

22. In our earlier report we had suggested that the concession issue admissible to the student community should be re-examined. With their back pack or hover sack bag, they occupy double the space, but pay only one-sixth of the normal charge in vogue. It may not be an exaggeration for the bus operator when he laments that he has to carry 55 students to earn the cost payable for one litre diesel. Although the representatives of the Students Union argued for free transport facilities, based on the Right to Education Act, he could not explain as to how the principle could be a workable proposition. As long as the Government does not make any reimbursements, the bus operators are not to be penalized on the principle of social commitment. We recommend that minimum fare, and the fare to be paid by the student community, should be fixed equal to 25% of the normal fare, rounded to the nearest whole rupee. No person should be eligible to claim concession admissible to the student community, who has completed the age of 24 as on 31st May of the year. The minimum fare payable by students should be Rs.2/-.

23. There was a demand coming from the private bus operators, that instead of 15 years as replacement period, the stage carriages should be permitted to remain on the road for a period of 20 years. It is claimed that with proper maintenance,
the new generation vehicles can be safely used for much more period. But, we are not as of now, equipped with data to suggest any changes as from the existing norms. The total kilometerage put in by the particular vehicle will have relevance, and the nature of the permits also would be required to be noted. Metal fatigue is an accepted reality. Permits normally enable a vehicle to operate all over the country, and we are not at present suggesting any changes from the currently accepted practices with reference to the life of a registered vehicle.

24. In respect of the demands for reduction in the tax structure or subsidies to be introduced, as at present, we are not making any observations, since specifically the Government has not requested us to consider any such issues. On the principles, which are generally accepted, that when the expenditure involved substantially shoots up, steps for neutralizing such effects or compensating the additional expenses by way of appropriate returns might be advisable, we had already indicated that a revision of minimum fare as well as per kilometer fare of different classes of stage carriages are required to be introduced.
25. In view of this finding, our recommendations are given below in a tabulated form:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Type of vehicle/Class of Service</th>
<th>Existing fare per km rate (In Paise)</th>
<th>Recommended Minimum rate Per km (In Paise)</th>
<th>Existing Minimum Charge [In Rs.]</th>
<th>Recommended Minimum Charge (In Rupees)</th>
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</thead>
<tbody>
<tr>
<td>1(a)</td>
<td>Ordinary/Mofussil service Including City/Town service</td>
<td>58</td>
<td>64</td>
<td>6.00</td>
<td>7.00</td>
</tr>
<tr>
<td>1(b)</td>
<td>City Fast Service</td>
<td>62</td>
<td>64</td>
<td>6.00</td>
<td>7.00</td>
</tr>
<tr>
<td>2</td>
<td>Fast Passenger/LSFP</td>
<td>62</td>
<td>68</td>
<td>8.00</td>
<td>9.00</td>
</tr>
<tr>
<td>3</td>
<td>Super Fast</td>
<td>65</td>
<td>72</td>
<td>12.00</td>
<td>13.00</td>
</tr>
<tr>
<td>4</td>
<td>Super Express</td>
<td>70</td>
<td>77</td>
<td>17.00</td>
<td>20.00</td>
</tr>
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<td>5</td>
<td>Super Deluxe/ Semi Sleeper</td>
<td>80</td>
<td>88</td>
<td>25.00</td>
<td>28.00</td>
</tr>
<tr>
<td>6</td>
<td>Luxury/High Tech &amp; Air conditioned Buses</td>
<td>100</td>
<td>110</td>
<td>35.00</td>
<td>40.00</td>
</tr>
<tr>
<td>7</td>
<td>Volvo Buses</td>
<td>120</td>
<td>130</td>
<td>35.00</td>
<td>40.00</td>
</tr>
</tbody>
</table>

Note: 1) Stage carriages issued with Express permits are permitted to collect fares applicable to Super Fast Services.

2) The Fare Revision is not applicable to JnNURM Bus services, as the last fare hike for such services was made effective in July 2013. These services will continue to operate with prevailing fare structure as of now.

26. To recapitulate, we recommend that the minimum fare that may be fixed for the Ordinary Mofussil services could be Rs.7/- in the place of Rs.6/-. In respect of Fast Passengers, the existing minimum fare of Rs.8/- could be replaced with Rs.9/-. Super Fast travellers should pay a minimum fare of Rs.13/- instead of the present minimum charge levied viz., Rs.12/-. Super Express passengers should pay a minimum fare of
Rs.20/- instead of Rs.17/- and Super Delux and Semi Sleeper services may be permitted to charge a minimum fare of Rs.28/- in the place of Rs.25/-, Luxury High Tec services and Volvo services should be permitted to levy a minimum charge of Rs.40/- instead of the present minimum charge of Rs.35/- (as could be gathered from the statement).

27. The increase as above works out on an average of 10 to 12.5% and compares with the price index scientifically arrived at. The principle that had been accepted by the Government in respect of issues such as rates of fares for ghat roads, flexy charges, season tickets and the system adopted for fixation and calculation of fares and fares chargeable during approved festival occasions could be continued to be applied in the pattern already in existence. In respect of student concession, as we had indicated earlier, the fare levied should be 25% of the normal fare, rounded off to the nearest rupee. This step is neither harsh or bitter. We also reiterate the position that concession travel may not be admissible in Fast Passengers and services above that category. In view of this, paragraph 5 of the Government Order dated 09-11-2012 should be appropriately re-worded.

28. We had attempted to tackle the issue in continuation of the effort we had taken earlier, and we do not think it necessary to summarize the substance of the memoranda or the versions presented before us or highlighting the versions of the participants at the time of deliberations. We record our gratitude to the co-operation that had been shown to us by all parties, who
had come and attended the hearings at the various centers locations of the State.

12-12-2013

JUSTICE M. RAMACHANDRAN (Retd.)
Chairman, Fare Revision Committee

T. Elangovan
Member

Prof: B. A. Prakash
Member

Rishiraj Singh, I.P.S.
(Transport Commissioner)
Member Secretary
APPENDIX-A

Name of Associations/Institutions/Individuals who had submitted written representations.

2. All Kerala Bus Operators Forum, Ernakulam.
5. Kerala Bus Transport Association, Ernakulam Unit.
6. All Kerala Bus Operators Organisation, Thrissur.
8. Picnic Travels, Manjery.
15. Solidarity Youth Movement, Kottayam.
17. ISRO Senior Citizen Forum, Thrissur.
19. Kerala Students Unions, District Committee, Kottayam.
APPENDIX-B

Names of Persons who had participated in deliberations before the Committee at Tirur and Kottayam.

1. Sri. T. Gopinanathan
2. Johnson Padamadan
3. Lawrence Babu
4. Joy Joseph
5. Johnson Payyappilly
6. Manu Jose Joseph, KSRTC
7. V.P. Sadrudeen
8. Madhavan, Solidarity Movement
9. K.V. Janardhanan
10. Parayil Faslu
11. K.J. Elias
13. Moideen Koya
14. Kunjalam, Venniyoor
15. Jose Kuzhippat
16. Manu Kurikkad
17. Mohammed, MBO Association
18. Pradeep Kumar, Secretary, KSRTC
19. Dijo Kappan
20. M.G. Sekharan
21. Nazarudddeen, Solidary Unit
22. Geevarghese, KSU
23. Babu
24. P.J. Thomas, Bus Operator
25. Rahul, Parnter, Kondody Motors.

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