

Report No 9 dated 29.09.2012  
SUBMITTED BY THE COMMITTEE FOR FIXATION OF  
FARES IN THE TRANSPORT SECTOR

The Committee is examining the demands raised by the operators of stage carriages (including KSRTC) for revision of existing fares. The operators had approached the Government with their request and Government had required the Committee to look into the justifiability or otherwise of the demands as put up. The Committee was to submit a report to the Government with some amount of expedition.

2. The Committee had met on 24-09-2012 and had held deliberations on the modalities to be observed. It had been felt essential that while considering the demand for fare revision, the viewpoints of persons who might be affected by the decision also should be appropriately heard. In the above background, notice for public hearing had been released and the opinions expressed by all interested persons had been heard in the meeting held on 28-09-2012 at the Conference Hall of the Transport Commissionerate at Thiruvananthapuram.

3. The immediate reason for the demand from the bus operators was the circumstance that there had been a series of Central Government orders, whereby fuel price came to be increased, the last one being the hike on 14-09-2012. In the case



of diesel, for quite some time, the price was stable, i.e. Rs.41.11 per litre up to May, 2011. In June 2011 the price had been increased to Rs.44.86 and the ruling price stabilized at Rs.44.55 for almost a year. With effect from 14-09-2012, it had been increased to Rs.49.61. The operators were unanimous in their submission that it was impossible for them to be in the industry with the restraints in fares and the Government should come with measures to save and preserve motor transport industry by ensuring that reasonable returns were earned by persons, who had investments in the transport industry. The rates in other States, it was pointed out, were substantially higher. In addition to the hike in the fuel prices, it had been generally indicated that price of accessories such as Tyre, Lubricants, Spare Parts and the like had registered increase after the last revision and the expenditure incurred towards wages and third party insurance coverage had also substantially increased.

4. Taking notice of the demands as above, the Government as well as the Committee had requested the National Transportation and Research Centre (NATPAC) to make available computation of updated value of PISCO (price index) for stage carriages operation. An interim report, prepared by NATPAC as of 27<sup>th</sup> September 2012, had been made available to the Committee and we are obliged to them



for supplying to us a piece of document based on scientific study of committed officers.

5. This Committee had been functioning from October, 2010 and had occasion to submit reports about the industry, as requested by the Government from time to time. We recall that the first report dated 04-01-2011 dealt with the justifiability of demands of Autorikshaw and Taxi operators for increasing the fares. By our report dated 03-03-2011, recommendation had been made by the Committee for a revision of the concession charges, especially pertaining to the students. Our report dated 04.05.2011 recommended an increase in the existing minimum fare of Stage Carriages. The fares collected from the students are static for nearly a decade. Stage carriage operators justifiably, according to us, submitted that heavy loss was being sustained by them because of the unnatural concession enjoyed by the student community. On an average concession worked out at 90% and the said sector comprised of more than 25% of the total travellers.

6. We presume that the reasoning recorded for a revision at that time has been found acceptable by the Government to bring about a general revision. As the demands are almost of an identical tenor, it may be idle for us to once again repeat the general nature of the industry, and why a helping hand is to be there for the industry to continue to



flourish. The effort always was to ensure that fairness prevail; the travelling public were not to be subjected to hardship, simultaneously the industry which is vital to the community is preserved. More and more new entrants were to be encouraged to enter the field by way of self-employment as also providing employment directly and indirectly to tens of thousands of people.

7. During the hearing before us there was active participation of the interested participants. Mr. T. Gopinathan, General Secretary, AKB Operators Association had handed over to us a compilation and had elaborated his contention as to why an imminent revision was required. Tabulated statement was highlighted to show that operating cost of a bus running 250 km a day was Rs. 8818.76, as an example, expenses per km being Rs. 35.28. But average collection was in the range of Rs. 6,500/- and earning per km Rs. 25.72. This was gradually leading the operators to a debt trap. Whereas Government was supporting a equivalent of Rs. 4000/- per bus by subsidizing KSRTC, the private operators according to them were by taxes and levies remitting at least Rs. 1250/- to Government per day per bus. The industry needed infusion of considerate approach and he on behalf of the operators requested that the minimum fare should be Rs. 7/- , and per km fare for ordinary buses should be Rs. 0.70,



with proportionate increase in line therewith. These were the submissions on the present topic.

8. Submissions made by Mr. Lawrence Babu, were almost similar, as General Secretary of Private Bus Operators Federation. He had criticised the report of PISCO, stating that statistics relied on by them were archaic. His suggestion too was for increasing minimum fare as Rs. 7/- and minimum increase of per km rate to Rs. 0.65/-. Heavy criticism was made on the Governments' conduct of maintaining concession to students at absurd rates. Ineligibles were unjustly enjoying the privilege, and for survival of the industry, Government should come with open hands.

9. Johnson Padamadan, State President of Bus Transport Association and P.P. Johnson, representing Bus Owners' Association expressed their opinions which were substantially similar to their colleagues. With supporting materials, V.J. Sebastian, President, Limited Stop Carriage Operators Association also joined them, and submitted that because of unprecedented increase of operating costs, the industry was on the verge of collapse. Jose Kuzhupil, Secretary of Operators Coordination Committee also led the attention of Committee to the poor condition of roads, which added to the woes of bus operators. Mr. Shamsuddin, AKBO Association and Baburaj of Private Bus Owners Federation



had also highlighted about the inflationary trends prevailing, necessitating a good revision.

10. In the course of hearing, we had also opportunity to hear the stand of KSRT Corporation. The Managing Director, Mr. Mohanlal had candidly submitted the scenario presently available. By the hike in diesel price alone, brought in September, 2012, additionally for fuel they had to find Rs. 6.4 crores per month. Pension liability and interest charges were crippling the corporation, the cumulative drain being about 47 crores of rupees per month. Increased price of tyres, spare parts and the like was forcing them to reduce activities, and increase in minimum fare to Rs. 7/- and general tariff alone was their expectation to keep floating, he said. There were ambitious schemes on the anvil, but additional resources were immediately required to continue in business.

11. The contentions as raised were without any basis, and even the present fare structure was illogical – were the stand adopted by representatives of passenger community. Spokesmen were Dijo Kappan and Muneeb, Malappuram. Mr, Muneeb brought the issue of an error, which according to him vitiated the earlier report of the Committee. It was concerning fixing of fare on the basis of fixed and variable cost. Mr. Dijo Kappan had presented his arguments after submitting a written representation with annexures, and he too had chosen



to criticise the yard stick adopted by us to set a basic pattern viz. of acceptance of principle of a fixed cost as a substratum. The criticism was that it upset the fundamental principle that the fare payable was directly proportional to the rates professed. An anomaly existed, before 2011 revision on this score, about three stages, but instead of rectifying it, the entire calculation of fare were disturbed, and it was time to bring about rectification. According to Mr. Kappan, the Government was misled and misadvised, and the travelling public were being looted by the bus operators. The claims about loss is unacceptable, and even the present increase in diesel price could be easily absorbed and no revision of minimum fare, or the rate was warranted. So long as the operators did not produce authentic records, and failed to submit statutory returns, they were not entitled to put up any claims as has been done.

12. In addition, Advocate Biju pointed out that presence of authentic documents compiled by the Association of State Transport undertakings and Central Institute of Road Transport were to be called for to be relied for a scientific approach.

13. The representatives also pointed out that the performance of KSRTC and the statistics furnished by them could not have been of any probative value. In no way it was



comparable with private operators.

14. We were rather surprised by the stand taken by persons who claimed to represent travelling public. The technical and vociferous objections, we feel was more to hijack the issue than to supply materials for helping us to come to just conclusions and decisions. Presenting statistics may be baffling, but it is well said that a picture of a cow may not be in a position to supply milk to the needy. When it is conceded that private bus operators as well as KSRTC is serving public's interest by their enterprise, the proper approach, we feel is to strengthen them, even by some amount of sacrifice. Preservation and protection of transport industry is an avowed object of Motor Vehicles Act. The Committee has also been cautioned about the role to be played by them when it was constituted. In fact the plight of a stage carriage operator is unenviable. There cannot be any other industrial activity where a person invests over Rs. 20 lakhs, purchase troubles, is unable to assert his terms, is constrained to depend on all and sundry for everything is destined to have a hand to mouth existence, has to face vagaries of legal proceedings and steady loss, and at the end of the road after the mandatory cut off period of life is required to leave the scene with a heap of worthless scrap. Government and general public overpowers him at every turn, and it appears to a very



sorry state of affairs. Figures made available to us show that during the last 5 years, addition of new vehicles was 1250, by KSRTC whereas total new registration private vehicles for 5 years was only 528. The glamour is fast losing.

15. The presentation made by the stage carriage operators appear to be convincing. Mr. Dijo Kappan had not spared the Committee as well as the Government for the sin of allegedly bringing forth unconventional parameters for determining the mechanism of constructing a new fare structure. According to him, the pattern being followed for over fifty years was sacrosanct. We are sorry that he had chosen words to cast aspersions on the Committee, alleging that they lacked in expertise but were lavish in showing nepotism. It only shows bad taste, and we are not to be cowed down from discharging our obligations expected of us to the best of our ability. His allegation that the issue has been pre-decided by the Government also appears to be vague.

16. It was after considering the report of expert body, NATPAC supported by PISCO, that the parameters were sought to be rested on acceptable differentials viz. fixed cost and variable cost. We had robust reasoning to support it, and it is also not a novel method adopted in cost and work exercises by PISCO in their latest approach. We also do not feel that compilations by Apex Bodies will have little relevance in



matters of fare fixation in an individual State. Parameters to be considered will be widely different.

17. In our earlier report we had indicated that there is no comparison possible between KSRTC vis-à-vis private operators, in any of the vital areas. Nevertheless, it may not be possible to present separate rates for private sector and public sector. The report made available by NATPAC proceeds on the same plane. They have rightly pointed out that for the industry computation of cost of operation based on standard costing practices and cost table are impractical. This was precisely the reason for arriving at price index. They also admit that PISCO cannot be used as a basis for fixing minimum fare. The position is clear that at best it can throw light as to the best means to assess how much percentage of cost of operation stands varied between two periods.

18. The figures relied on by PISCO, the private operators point out, are out-dated. The real impact of recent diesel price hike has not found a place in their tabulations, and also the price increase of all component factors without exception. We do find a disparity between the stand of PISCO and operators – including KSRTC. But one clear position has emerged. In the process of updation with reference to 2012 prices, the Institute has observed that diesel price, the most important component need to be taken due note of. They have



referred to increase in price of commodities - tyre price by 25%, lubricants by 21%, maintenance and labour charges by 29%, - all between September 2011 and September 2012. Battery price has come down, but salary and wages have shown increase of 29%. That is also the case with insurance premium payment. They have assessed the overall increase of cost at 8.5%. The report concludes by observing that when split up, increase in variable cost is 11.2% and that of fixed cost is 5.5%.

19. In the nature of the Industry, fixing of a minimum fare payable by a user, and prescription of a rate commensurate with the extent of travel alone is a possible way of payment of price. Of course in the context of the recommendation of the Committee, at the time of the last revision, the fares to be paid by the commuters did not tally technically with per km fare which was payable. This is pointed out as a mistake. The contention is that after fixing the minimum fare, a tapering process needs to be adopted were under, say after 20 km travel, a passenger need pay a price equal to the amount arrived at by multiplying the per km fare and the distance travelled.

20. But we find that this method suggested cannot be workable, when the idea is to ensure that an operator gets an economic return to continue in the industry. Principle of



assumption of a fixed cost for the purpose of fixing a minimum fare at least to some extent cushions the operator from losses he otherwise may have to face and concessions he is expected to give. We had been striving to ensure that without imposing a burden on passenger community, the operators were to enable a workable return with an opportunity to get a small profit for their exercises. When rounding of principle is adopted, differences are attempted to be ironed out to remove discrepancies.

21. The net result of our discussion leads us to recommend that a fare revision, both in the minimum rates and per kilometer rates of stage carriage services has become essential. Only <sup>by</sup> an increase in minimum rates would benefit small operators and town services, as otherwise they will be kept high and dry. Taking note of the PISCO figures, an increase by one rupee, thus making the minimum fare Rs. 6/- for ordinary and town operations would substantially offset the additional operational expenses incurred by the operators. The one rupee increase should be made available to the fast passenger services, for the same reason. The Committee is of the opinion that this would provide an adequate compensation to the operators of stage carriages as addition of one rupee could be levied from every one of the passengers of this category while undertaking a single journey.



22. Thus the Committee recommends the following changes in the fare structure of Stage Carriages operating in the State.

Sl.No.	Type of Service	Minimum Charge (in Rs.)		Rate per Km (in Paise)	
		Existing	Proposed	Existing	Proposed
1.	Ordinary / Moffusil including City / Town Services	5.00	6.00	55	58
2.	Fast Passenger	7.00	8.00	57	62
3.	Super-Fast	10.00	12.00	60	65
4.	Super Express	15.00	17.00	65	70
5.	Super Deluxe	20.00	25.00	75	80
6.	Luxury Hitech	30.00	35.00	90	100
7.	Volvo	30.00	35.00	110	120

23. In our report No. 2 dated 03.03.2011, we had recommended that the concession admissible to students as prevailing was liable to be reviewed. The concession offered was 88.5% of general fare, and we had suggested that an equitable percentage will be 75%, with a minimum charge of Rupee. 1/-. But it has not been implemented.



24. Because of the last Bus Fare revision, the percentage of concession has increased to 90%. In view of the present recommendation, the figure will again change to the disadvantage of the transport operators.

25. It would therefore be in public interest to refix the concession to students at 25% of the general fare, and a minimum fare of Rs. 1/- and for further fare stages, it should be rounded off to nearest rupee. The Government's attention is again to be focused to the above issue, and a long standing grievance of the bus operators, including KSRTC can thereby be redressed.

Justice M. Ramachandran  
(Chairman)

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29.9.2012

Dr. B A Prakash (Member)

*[Signature]*

T. Elangovan (Member)

*[Signature]*

P. Vijayanand, IPS (Member  
Secretary)

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