

## Chapter 1

### Background of the Study

#### 1.1 Background of the Study:

The Department of Public Enterprises (DPE) sponsored an evaluation of the performance of North Eastern Karnataka Road Transport Corporation (NEKRTC) with a view to help your organization to prepare a strategy for its future working and development. This was taken up in pursuance of the latest evaluation policy of Government of Karnataka (GoK).

#### 1.2 Evaluation Framework:

- ***Purpose of Evaluation:*** The purpose of this evaluation study is to make a rapid assessment of the situation and suggest measures for making the corporation financially viable. It is observed from the background literature on NEKRTC that the corporation has been running in losses since its inception. The accumulated losses amount to Rs.444.11 crores at the end of 2012-13. apart from this another important factor is the growing competition from private transport operators of all sorts, sizes and hues. Hence, in this situation is felt necessary to evaluate the existing practices and suggest future road map for the corporation.
- ***Scope for evaluation and time period:*** The scope of the study is limited to NEKRTC. The study period is since the inception of the corporation. Various best practices would be studied and compared with the corporation in order to come up with best turnaround strategy for the corporation
- ***Stakeholders and Key audience:*** The working officials and the staff of NEKRTC are the stakeholders with whom focused group interviews would be conducted as a part of the study. The key audience would be the local communities
- ***Study Evaluation:*** Basing on the corporation perspective the present study will try to analyse whether the set objectives of the corporation are achieved or not. It further evaluates the effectiveness of the existing administrative processes, programmes, schemes in the process of achieving the set objectives.
- ***Objectives of the Study:*** i. to analyse the objectives of the corporation; ii. rating the key performance areas of the corporation with reference to

industry leaders in the last five years; iii. To study the actual and expected return on investment and to make a gap analysis for making strategic recommendations for increasing return on investment; iv. To develop a balanced score card which can ensure the financial viability of NEKRTC.

- **Benchmark for Evaluation:** Evaluation will be carried out based on the best practices in the Road Transport Industry and bench marking NEKRTC in key performance areas viz., Financial; Customer; Internal business processes; and Organizational learning and growth. Bench mark evaluation will be carried out after analyzing the researches carried out at Central Institute of Road Transport, Pune.
- Since the study is based on the focused group interviews and secondary data the confidence interval can be set at 95%. The data availability and the period of study is limited to 12 years i.e., since the inception of the corporation.
- As the study is limited to a single corporation there may not be much risks involved in data collection. Only limitation might be the availability of officers in their busy work schedules.

### 1.3 Role of Transport corporations in Economic Development of the State

Transport Sector in India is a very extensive system comprising different modes of transport like roads, railways, aviation, inland waterways and shipping, which facilitates easy and efficient conveyance of goods and people across the country. The backbone of economic development of India depends on its transportation. Road Transport is the primary mode of transport which plays an important role in conveyance of goods and passengers and linking the centers of production, consumption and distribution. It plays a significant role in influencing the pattern of distribution of economic activity and improving productivity. It is also a key factor for promoting socio-economic development in terms of social, regional and national integration.

Sustained economic growth has brought about expansion of the transport sector. The share of transport sector in Gross Domestic Product (GDP) of India has increased from 6.4 % in 2003-04 to 6.5 % in 2011-12. However, the contribution of road transport sector in GDP has increased from 4.6% in 2003-04 to 4.8 % in 2011-12. The share of various sub-sectors of the transport sector in the GDP since 2003-04 is given in Table 1.1.

**Table 1.1**  
**Share of Different Modes of Transport in Gross Domestic Product**

Sector	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
As percentage of GDP(at factor cost and constant prices)									
Railways	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Road	4.6	4.8	4.8	4.8	4.7	4.8	4.7	4.6	4.8

Transport *									
Water Transport *	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Air Transport *	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Services	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4

*(Source: Central Statistical Organisation, Government of India)*

### 1.3.1 Governments Role in Transport Corporations

Under the federal set up in India, the centre, states and local authorities have well defined powers of taxation and management of road transport, as earmarked in the Seventh Schedule of the Constitution. The Union Government of India levies import duties on the import of diesel, motor spirit, tyres and tubes, and vehicle and spare parts/accessories; and excise duties on diesel, motor spirit, tyres and tubes, and vehicle and spare parts/accessories, produced or manufactured in India.

State governments levy different types of taxes on road transport. These taxes include sales tax/VAT on motor spirit and lubricants and specific taxes like motor vehicle taxes, fees, tax on passengers and goods. Motor Vehicle Taxes (MVT) is levied in all States and Union Territories (UTs) except UT of Lakshadweep. The existing tax structure of motor vehicles in India is characterized by variations in tax structures, incidence, tax rates and bases of levies.

### 1.3.2 Central Government Levies

The import duties and excise duties on motor vehicles & accessories, tyres and tubes, high speed diesel oils & motor spirit collected by central government from Road Transport Sector indicates that revenues collected by central government from motor vehicles & accessories, tyres & tubes, high speed diesel oil & motor spirit increased from Rs. 1,862.7 crores, Rs. 803.4 crores, Rs. 727.6 crores and Rs. 1,202.3 crores in 1990-91 to Rs. 21,402.2 crores, Rs. 4,871.1 crores, Rs. 15,673.3 crores and Rs. 27,465.0 crores in 2012-13 respectively. High speed diesel oil witnessed a sharp fall in revenue collection from Rs. 21,824.0 crore in 2008-09 to Rs. 7,715.7 crore 2009-10. Motor spirit and high speed diesel oil witnessed a declining trend in tax revenue collection since the year 2010-11. However, there was a continuous increase in collection of tax revenue from motor vehicles & accessories and tyres & tubes after 2008-09. The revenue collected by central government from motor spirit was the highest (39%) followed by motor vehicles & accessories (31%), high speed diesel oil (23%) and tyres & tubes (7%) during 2012-13 respectively. The composition of tax revenue collected by central government from road transport sector as on 31st March, 2012 is shown in graph 1.2.

### **1.3.3 State Government Levies**

The motor vehicle taxes and fees, sales tax/VAT on motor spirit and lubricants and passengers and goods tax collected by state governments from road transport sector during the period 1990-91 to 2012-13. It depicts the increase in revenue to the state governments from vehicle taxes and fees, sales tax/VAT on motor spirit and lubricants and passengers and goods tax from Rs 1,566.3 Crores, 631.5 crores and 1,061.8 crores in 1990-91 to Rs 34,173.7, 15,528.8 and 14,725.0 in 2012-13 respectively. The 'motor vehicle taxes and fees' and 'Passengers and goods tax' had Chart-9 depicts the percentage share in the total tax revenue collected by state governments during 2012-13. The motor vehicle taxes and fees accounted for highest share of 53%, followed by sales tax/VAT on motor spirit and lubricants (24%) and passengers and goods tax (23%).

## **Chapter 2**

### **Organizational and Operational Performance of NEKRTC**

#### **1.3 Introduction**

KSRTC was set up in 1961 under the provisions of Road Transport Corporation Act, 1950. It is wholly owned by the Government of Karnataka. The Government is also a shareholder in this corporation. KSRTC is also known for its introduction of Volvo B7RLE low body city buses. These buses are air conditioned, with improved tyre suspensions, a far cry from the other old members of fleet.

Till August 1997, KSRTC had a fleet of 10,400 buses, operating about 9500 schedules. In August 1997, KSRTC was divided and a new corporation by the name Bangalore Metropolitan Transport Corporation (BMTTC). In November 1997, another new road transport corporation called North Western Karnataka Road Transport Corporation (NWKRTC) was formed to cater to the transportation needs of North Western parts of Karnataka. Recently, the North Eastern Karnataka Road Transport Corporation (NEKRTC) was also formed with its corporate office in Gulbarga. The company runs a fleet of buses of all types like ordinary, semi-luxury, deluxe, and air-conditioned Volvo "Airavat" buses. The KSRTC operates services within Karnataka as well as far flung destinations such as Mumbai, Pune, Chennai, Trivandrum, Kochi, and Vijayawada, among others. The KSRTC runs different type of buses to suit every section of the society. Their main mission is "Meeting Challenges with Innovation".

#### **2.2 RTC ACT**

The public transport sector provides essential services required for the development of the economy, industry and agriculture. Transport is a State subject under the Constitution of India. The Government of India enacted the Road Transport Corporations Act in the year 1950 to provide, secure and promote the provision of an efficient, adequate, economical and properly coordinated system