

MANAGEMENT CONTROL IN STATE ROAD TRANSPORT UNDERTAKINGS

Dr. Harendra Mohan Singh

Assistant Professor, Government Degree College Karanprayag (Chamoli),
Uttarakhand, India

Email: harendrasingh_gkp@rediffmail.com

ABSTRACT

So far as State Transport Undertaking (STUs) is concerned, the day of monopoly, prosperity and stability are non-existent today. STUs are facing direct and indirect severe competition and at the same time their financial position is very critical, with their growth almost stagnated even when national economy is trying to flourish. Today many STUs in the country are facing instability and their future is bleak. The paper discusses elaborately the various management control measures to be adopted by STUs in utilizing the available resources and reducing the cost of operation. By fixing and refixing various targets and strictly adopting various controlling measures STUs will be able to improve their efficiency and performance to a greater extent. Strict control on both men and material, often by resorting to penal action in case of failure, is necessary to make the industry "an industry surviving to last."

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INTRODUCTION

"Control refers to the task of ensuring that activities are producing the desired results. Control in this sense is limited to monitoring the outcome of activities, reviewing feedback information about this outcome, and if necessary, taking corrective action".

All organizations, business or non-business, face the necessity of coping with problems of control, like other managerial functions. The need for control arises to maximize the use of scarce resources and to achieve purposeful behavior of organization members. In the planning stage, managers decide how the resources would be utilized to achieve organizational objectives; at the controlling stage, managers try to visualize whether resources are utilized in the same way as planned. Thus, control completes the whole sequence of management process.

Controlling and Other Functions

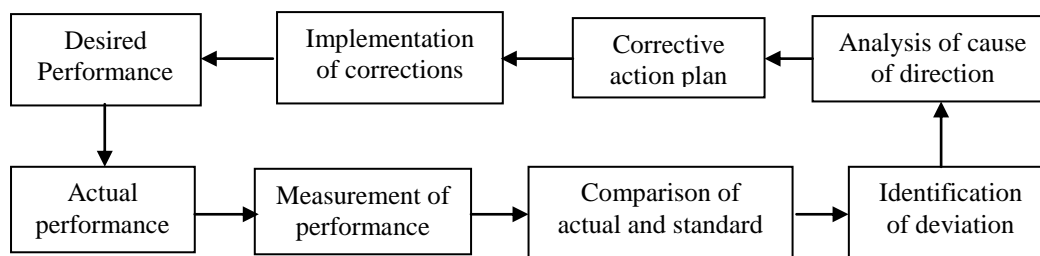
Control is closely related with other functions of management because control may be affected by other functions and may affect other functions too. Often it is said: planning is the basis, action is the essence, delegation is the key, and information is guide for control.

This reflects how control is closely related with other functions of management. In fact, managing process is an integrated system and all management functions are interrelated and interdependent. When control exist in the organization, people know what targets the are the striving for, they know how they are doing in relation to the targets, and they know what changes, if any are needed to keep their performance at a satisfactory level.

Steps in Controlling

The systems, processes and techniques of control are same whatever the area of their applications may be. As pointed out earlier, control is reciprocally related with planning. It is performed in the context of planning and aids planning in two ways: it draws attentions to situations where new planning is needed; and it provides some of the data upon which plans can be based. Apart from reciprocal relationships, it has circular relationship with planning as explained by figure:

The figure identifies the various steps in control process which are necessary for its relationship to planning. These steps may broadly be classified into four parts: (i) establishment of control standards, (ii) measurements of performance, (iii) comparison between performance and standards and the communication, and (iv) correction of deviations from standards.



Management Control Related To Utilization Of Resources

The Government “in business”- The nationalization of Road Transport in India reflects the socialist philosophy of the Government under which all major utilities will come progressively under public management. The objectives of nationalization road transport undertakings laid down in the Road Transport Corporation Act 1950 clearly indicate that they are formed to provide adequate, economic, efficient and properly coordinated transport services to the traveling public.

Although the Government’s funds are invested in the nationalized transport, its management is not the “business of the Government.” This does not mean that the undertakings need not follow the business principles. It is very essential to follow the business principles to survive on its own besides aiming the above objectives. The fact that they are public undertakings in no way absolves them from the responsibility of careful management of the public fund with them since they are managing a public trust.

Optimizing Utilization of the Main Assets – Vehicles- Vehicles being the most important resource available to the bus transport undertakings. Its utilization are measured in terms of kilometers obtained per vehicle on road per day i.e. average vehicle utilization and it determines to a large extent the operational efficiency of the undertakings. Optimizing the

utilization of resources is the basic requirement for the management of public sector undertakings and more so the transport undertakings in which a formidable capital is invested. About 80% of the capital in any nationalized transport undertaking is in the form of vehicles. Optimizing the use of vehicles is thus a basic responsibility of the management. There have been no accepted standard fixed about the vehicle utilization but according to one estimate by Dr. Sudarshanam in his article, the vehicle utilization should be at least 300 Km. per day. It generally varies between two hundred to four hundred Km. per day. Higher vehicle utilization is much favorable because it reduces fixed cost per Km. The important in vehicle utilization gives strength to the economy of undertaking by reducing the need of new vehicle.

Optimizing utilization of resources in road transport undertakings mainly involves:

1. Optimum fleet utilization in terms of buses in services (on road) and
2. Optimum vehicle utilization (vehicle in service) in terms of kilometers runs.

For example, in a big Corporation, which operates daily 30 lakh Kms, with vehicle utilization is increased by 10 Kms, i.e., the vehicle utilization is increased to 310 Kms per day, and then the requirement of vehicles would reduce to 9677 vehicles. Thus there will be considerable savings (on capital investment) in fixed cost and also the profitability of the operation will increase.

Optimizing Utilization of Human Resource- The human resource of an organization is its precious wealth and backbone and hence plays a stupendous role in its developmental and productive activities. The development and the progress of an organization of its available human resource. In the same analogy, if this human resource is not being utilized properly. It is certain that its developmental activities and therefore, its progress are bound to be retarded. In simple terms, the human resource can ruin an organization which is working well or it can put an organization which is counting days on the right. Track against this background, creation of proper environment to put the human resource for productive purposes also assumes equal importance.

Fleet Utilization- The objective of providing sufficient transport facility to the public is only fulfilled when the corporations possess sufficient number of buses and put them in regular use. "Fleet utilization of percentage of vehicles pressed into services against the total number of vehicle available and held by the organization." So the parameters showing the fleet utilization reveal not only the extent of utilization of buses but are also an indicator of efficiency of engineering department and control of a transport undertaking. That how many the vehicles are treated for mechanical maintenance by following a well regulated preventive work in order to avoid breakdowns? Which deplete the fleet available for operation? All the vehicles held by the transport undertaking can not always be expected to put on road as a certain vehicles are likely to be held in the workshops for routine maintenance, besides the need to maintain traffic spares. According to the recommendation of the study group setup by the association of the state road transport undertakings, the fleet utilization should be as follows;

1. Vehicle in operation – 90%
2. Road worthy but not in operation (traffic spares) – 2%

3. Off – road vehicles – 8%

Management Control on Cost of Operation

Minimizing Operating Cost- Apart far as basic need to make maximum use of resources in term of vehicle and crew utilization. The transport undertakings should also be concerned with reducing operating costs. The minimum cost concerned with, however, must be judged on a long-term rather than short-term basis. In the short term, one might reduce the cost by omitting adequate maintenance but such a policy could have the adverse effect on the health and life of the recourses in the long term.

Route Economic (Route planning)- As far as possible, stress should be laid on selecting such routes which offer a higher and regular traffic potential together with adequate vehicle utilization, although operation of uneconomical routes cannot be ruled out on account of the state Government policy to operate such route for the social and economic enlistment of the social cost as also to deduct such costs while determining the efficiency of the as a business industry.

The “Perishable” Product- The study of Route economic is thus one of the prime factors for effective operations. Traffic officers, at all levels, should consider their task as that of a Sales Manager and assess the “market” for the services they sell. They should ensure that the seat kms produced are always sold to a maximum extent. The analogy of keeping stock of the production turned-out in any factory operations do not hold good because the “seat kilometers produced” cannot be kept in the stock. They must be sold as and when they very close to his market than any average Sales Manager must be very close to his market than any average Sales Manager and he must be sensitive to the day to day fluctuations of the business.

Earning Per Kilometer- There is another kind of utilization for every vehicle, which varies from vehicle to vehicle, though the productivity of the vehicle is measured through vehicles utilization i. e. the number of passengers carried in the vehicles for every kilometer it is operated. In reality, the provision of a particular service can be thought of as the provision of a specific number of passenger seats for a specific number of kms. In fact, these seats will rarely be occupied fully over the whole distance the bus travels. The extent to which the seats provided are in fact occupied is usually named and calculated as “load factor” Different hours at the scheduled time. Earnings per kilometer are reflected to some extent by this load factor but it is also affected substantially by the number of seats provided and actual seats occupied.

Control to separate Social Objective Losses and Optimize Earning- Having provided route-wise control data based on the kind of targets which statistical analysis supplies will reflect the profitability of each route. It may be stated that the unprofitable routes are deliberate because of the social objectives of the Government. It is quite possible to separate the losses of such routes and on account of other social costs due to concessions and arrive at their total losses so that the figures can be available as a memorandum note to the Government for reimbursement.

As regards the routes where no social objective applies, it should be the Depot Managers’ job so as to operate the schedules to produce the best profits. In order to operate the

schedules effectively it may be desirable to invest more delegation of authority and responsibility to the Depot Manager.

Controls to minimize operating cost- It is an era of competition and the situation has been changing slowly from a healthy competition to an unhealthy competition and from a constructive competition to destructive competition leading to cut-throat competition. In this type of situation, the management has to exercise maximum control over the cost. Only those companies which are capable of producing the product more economically than the others have good prospects of progress and expansion as compared to others. This will have a favorable effect on cost, price, demand, profit, profitability; etc. This applies to all the organizations- whether they are profit-oriented or service-oriented, public or private.

Control should be exercised on staff, fuel, tyres, spares, and other miscellaneous costs. (MVT depends on the revenue released as a percentage).

Staff Cost- The cost associated with this precious manual labour force forms the most important item of operating cost. The labour force of the Corporation comprises of drivers, conductors, traffic supervisors, office staff, class-I and II officers, mechanical staff, etc. All these employees work on a regular basis who are entitled to receive monthly salary irrespective of the work. They are also eligible for the receipt of additional pay at higher rates for the work done in excess of their normal work. In order to cover the staff cost fully, it is laid down that the staff cost which the Corporation has to incur on account of contribution towards provident fund, employees state insurance, provision for gratuity, etc., should be included.

Fuel Cost- There is a direct correlation between fuel consumption and cost of operation. So better fuel consumption reduces the cost of operations. Better average of fuel is one of the better determinants of an ideal bus services undertaking. The performance of vehicle in respect of fuel consumption is measured in terms of average kilometers per liter of High Speed Diesel (HSD) oil, which is commonly referred to as kilometer per liter (KMPL). KMPL is affected by internal as well as external factors. The internal factors mainly include age and condition of vehicle, driving habits, efficiency and load factor etc. and the external factors may be road conditions and purity of diesel etc. The internal factors are under the direct control of the transport undertaking. So it is expected from them to improve KMPL. Besides this, drivers should be well- trained in their driving habits to improve the fuel performance. They should also be educated about the importance of fuel conservation. Each driver should be provided with a pocket book to record daily kilometers performed, fuel consumed and KMPL achieved. If there is excess fuel consumption, that driver should be made accountable. This type of management control should be effectively enforced.

Cost of tyres and tubes- Another important item of material cost is the cost of tyres and tubes. Six tyres and tubes are fitted to each vehicle and one is kept as spare for emergency purposes. These tyres may be new or retreaded. Cost of tyres and tubes is calculated on the basis of their issue price and to calculate the cost of tyres and tubes per kilometer operated. The issue price is divided by the estimated or actual useful life. Useful life depends upon- whether the tyres are new or retreaded, driving habit, and types of roads, etc.

Other Material Costs- Cost of fuel, tyres and tubes account for about 80 percent of the material cost and 26 percent of total cost. The remaining 20 percent of material cost

comprises of spare parts, lubricants, batteries and other consumables including reconditioning.

At the time of assembly of vehicles, the manufacturer uses hundreds of items of spare parts. Even after the vehicle is commissioned to operation. It is necessary to replace the old and worn out spares by new spares. Out of these, some are vital. Vital in the sense, they are very essential without which it is impossible to play the vehicle. For example-driving equipment, batteries, etc. There are some other items of spares which are essential but the vehicle can be operated without them for a short period. For example-horn system, water wiper, etc. Other items, though not essentials are desirable and without these the vehicle can be operated. The absence of these spares will not make any adverse impact on the quality of service. Still the corporation uses these as they render some additional service and these are called desirables items. For example-seat covers, standing holds, etc. It is necessary, therefore, to purchase these as required and use them properly. The cost of these spares is calculated keeping their issue price and the estimated useful life as the base.

Cost of lubricant oil is another item of material cost. It is required to keep the vehicles, engines, etc., in good running condition. The cost of batteries used is calculated in the same manner as the cost of tyres and tubes. Costs of all other items of materials are included under the head, other consumable stores.

This is a brief account of various elements of other material cost and it reveals their importance and also the fact that the corporations have to tackle this material cost with great vigour if it wants to control its operating cost as the material cost provides the most potential avenue for cost reduction.

Social Costs- The corporation is asked to operate on business principles by the government (that is through the provisions of the Act) and at the same time the government directs the corporation to shoulder some social responsibilities such as :

- Providing free and concessional fare travel facility to the student, aged, home guards, sports teams, drama troupes, police personal, blind, handicapped etc.
- Providing transport service to some of the rural areas through the revenue from some routes is not adequate enough to cover the operating cost;
- Providing some amenities to the passenger such as bus stations, bus shelters, drinking water facility, lavatory etc.

It is said that this is enough the reasons for the continuous loss of the corporations. It is necessary, therefore, to quantify the cost of these facilities so that the entire cost can be got reimbursed from the government.

Quality of Public Transport Services- After the amendment of Motor Vehicle Acts 1988 and the liberal policy adopted by the Governments, both central and state, a number of private operators, tempos and matadors have come into the transport field. Since the private operators are attracting passengers by providing new and comfortable vehicles. The STUs operations affected badly and their earning have dropped considerably.

In the present modern society, passengers want door to door service in a short time with all the traveling comforts. When multiple modes of transport are available, passengers will have

choice their own. Thus, the field has become the buyers market. Now the situation has become very competitive and the STUs fit their survival have to compete with the private operators by improving the quality of their services.

CONCLUSION

Managements of the STUs should adopt controlling measures to improve the efficiency and performance of the undertakings by seeking efficiency through refinement, by fixing and re-fixing the targets. They should lay stress on the optimum utilization of the assets to increase the productivity of both vehicles and crew. Where it would not be possible to increase duty hours of the crew on account of the limitation imposed by the Motor Vehicle Act & Motor Transport Workers Act, utilization in terms of kms operated should be increased.

The cost per km should be reduced by every possible means. It should be made known that in an organization owning a fleet of 10,000 buses, a reduction in cost by one paisa per km results in savings of Rs. 100 lakh per annum. Similarly an increase in the earnings by one paisa per km will result in additional revenue of Rs. 100 lakh to the organization. All the managers should be educated about this aspect and necessary authority should be delegated to them to achieve the net results.

Both the employees and managers should be made “cost conscious and profit oriented”. A time has come when STUs are required to increase their occupancy by laying emphasis both on comfortable travel and amenities at bus station. A strict control on both men and material often by motivation and at times by resorting to penal action in case of failures is necessary to make the industry “an industry surviving to last”.

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