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(In)competitive Regulatory Policies in the Road Transport Sector, India

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Abstract

Indisputably, infrastructure plays a momentous role in advancing economic development. One may say growth of infrastructure is directly proportional to economic development and vice versa. It is also understood that for systemic development of any sector, compliance with competition policies is absolutely necessary.

This paper focuses on the road sector of India. The paper brings out the current climate of the Indian road sector and puts forth suggestions to amend the same. The paper revolves around the inefficient regulatory policies which daunt competition and consequently impede the sector's growth.

First, the main factors which negatively affect the sector's growth have been enlisted. Second, an analysis of the issues and suggestions to rectify the same has been mentioned. The paper strongly advocates for an independent, statutory road transport regulator, where the main function of the regulator shall be ensuring a level playing field, ensure service coverage across regions and providing mechanism for compensation for discharge of universal service obligations and promote competition. The paper also advocates for reforms of State Transport Undertakings and tendering processes in the sector. Further, the study moots for creation of a seamless market by reducing multiple checkpoints and harmonizing inter-state policies. The paper also stresses on the importance of dealing with issues pertaining cartels by the Competition Commission of India.

I. Introduction

Transport sector plays a pivotal role in the economy of a country. Sound infrastructure catalyses economic development and social integration by multiplying the effects of accessibility to markets, employment and additional investments. In India the transport sector has emerged to be large and diverse, catering to the needs of about 1.2 billion people.

Roads *inter alia* transport modes; have loomed as a dominant mode of transportation in India. Easy accessibility, flexibility of operations, door-to-door service and reliability have earned road transport an increasingly higher share of both passenger and freight traffic *vis-à-vis* other transport modes. Further, given its level of penetration and cost effectiveness, it is a preferred mode of transport. At the time of independence, India had about 400,000 km[1] of roads, now, it is home to the world's second largest road network, covering about 33 lakh km.[2]

In terms of contribution towards Gross Domestic Product (GDP), road transport has emerged as a prevalent player with a share of 4.7% in comparison to railways that had a mere 1.0 % in 2008-09 as per the revised data on National Accounts released by the Central Statistical Organization (CSO). As of per the latest data, the contribution of the road transport sector in GDP has increased from 3.9% in 2001 – 02 to 4.7 in 2010 – 11.[3] The share of various sub-sectors of the transport

[1] Government of India (October 2011), "Final Report- Working Group on Rural Roads- In the 12th Five Year Plan", Planning Commission & MoRD, New Delhi, India

[2] National Highway Authority of India (NHAI) website. Available at www.nhai.org/roadnetwork. Last accessed on 02.January, 2014.

[3] Government of India (2012), "Road Transport Yearbook (2009-10 & 2010-11)", Transport Research Wing, Ministry of Roads transport and Highways, New Delhi, India.

sector in the GDP since 2006-07 is provided in Table 1.

Table 1 - Share of Different Modes of Transport in GDP					
Sector	2006-07	2007-08	2008-09	2009-10	2010-11
Transport	6.7	6.7	6.6	6.5	6.5
Railways	1.0	1.0	1.0	1.0	1.0
Road Transport	4.8	4.7	4.8	4.7	4.7
Water Transport	0.2	0.2	0.2	0.2	0.2
Air Transport	0.2	0.2	0.2	0.2	0.3
Source: Road Transport Year Book (2009-10 & 10-11)[4]					

Evidently, the road sector in India is growing at a commendable rate. As the Indian economy aspires to grow at an economic rate of 9-10%, it is crucial that the road transport sector grows in such way that it buoys the overall economic growth. The Indian government needs to incentivise growth of the sector and facilitate cheap, convenient, safe and accessible transportation. Furthermore, as competition has been established as a vital force behind consumer and producer enhancement, hence, the government needs to ensure laws pertaining to that sector and competition law supplement each other.

The current paper seeks to draw attention towards the regulatory policies attached to the road transport sector. As of now, the sector is being poorly regulated with inefficient policy implementation. Further, there is presence of certain factors which distort the competition element of the sector. For instance, there are certain provisions in the laws pertaining to the sector which distort competition; similarly, the multiple layers present in freight transport carry the same altering effect. The aim of the paper is to highlight such regulatory loopholes and competition distortions which ultimately daunt the growth of the road transport sector.

Objective of the Paper

As mentioned above, given the increasing demand for transport, there is a domineering need to provide a sustainable platform for its development. Serious thoughts need to be given on how to meet such demands without endangering the environment, ensuring safety and providing a competitive platform. The legal and regulatory framework governing the sector need to be comprehensive enough with regard to infusing competition in the sector and efficiently allocating resources so that both prices (to the consumer) and costs (to the producer) are kept low. The benefits of robust road transport have been enlisted in Table 2 below.

Table 2: Impacts of Well Developed Road Infrastructure
• Direct impacts: the outcome of accessibility changes where transport enables employment, added value, larger markets and enables to save time and cost • Indirect impacts: the outcome of the economic multiplier effects where the price of commodities, goods or services drop and/or their variety increases. Indirect value-added and jobs are the result of local purchases by companies directly dependent upon transport activity. Transport activities are responsible for a wide range of indirect value-added and employment effects, through the linkages of transport with other economic sectors (e.g. office supply firms, equipment and parts suppliers, maintenance and repair services, insurance companies, consulting and other business services). • Related impacts the outcome of economic activities and firms partly relying on efficient transport services for both passengers and freight. For instance, the steel industry requires cost efficient import of iron ore and coal for the blast furnaces and export activities for finished products such as steel booms and coils. Manufacturers and retail outlets and distribution centers handling imported containerized cargo rely on efficient transport and seaport operations.
Source: Rodrigue, J.P and T. Notteboom, 'Transport and Economics Development' Available at: people.hofstra.edu/geotrans/eng/ch7en/conc7en/ch7c1en, last accessed 02 January.2014.

It can be understood that reduced mobility impedes development while greater mobility acts as a catalyst for social and economic

[4] National Highway Authority of India (NHAI) website, op cit

development. Mobility is thus an important indicator of development which in itself is directly proportional to the transport infrastructure. The main objective of this paper is to review the regulations and point out the gaps between the policies and subsequent implications. Furthermore, the paper intends to bring out specific instances of law induced competition distortions and recommend changes in the regulations and their implementation procedures to address the competition related issues. The need to assess the regulations and competition distortions in the legal framework is crucial to enable the sector to play its rightful role in the Indian economy.

II. Structure of Road Transport Sector in India

To understand the regulatory imbalances and current competition climate in the transport sector, it is important to first understand the structure of the sector. The transport sector can be understood under the dichotomy of passenger transport and freight transport.

a) Passenger Transport (Land)

During the British time, road transport was merely a source of revenue through taxation. It was only after independence that the Indian government started developing the roadways with the intention of advancing the rural areas. With the enactment of the Road Transport Corporations Act (1950) and amendments to the Motor Vehicles Act (1939), the Government of India paved way for speedy nationalization of passenger road transport and establishment of State Transport Undertakings (STUs). Consequently, the total number of buses grew from 20% in 1950 to 50% in 1980.[5]

In 1988, thereafter, several amendments were introduced to liberalize the Indian economy. The amendments to the Motor Vehicles Act (MV Act) opened doors to private players due to which the STUs started facing severe competition. At the same time, changes in industrial policies attracted serious competition in the automobile industry, resulting in free availability of two wheelers and cars. The upper middle and middle class started drifting away from public transport, while, owing to income growths, long distance passengers started opting for luxury services. However, the STUs maintained an approach contrary to the changing environment. Exercising monopoly rights, STUs neither catered to changing passenger needs nor allowed others to come in and take care of their needs.

Ultimately, to improve financial viability, STUs were compelled to withdraw operations that involved unprofitable trips, services and routes. Private operators have also not introduced services on low density routes for meagre profits. As a result it was the consumers who were affected and forced to commute in an undesirable manner. It is therefore argued that in a liberalized environment, it becomes responsibility of state to protect the interest of the consumers.

In the passenger transport sector, following are the two main issues that urgently need to be addressed:

- First, reforms in existing STUs to improve their competitiveness in the liberalized environment while fulfilling the objectives for which they were set up in the first place.
- Second, establishment of effective regulatory commissions, both at the centre and in states, to take care of contractual compensation, fare management and above all, consumer interest.

[5] Y Satyanarayana (2000), “Reforms and regulation in passenger road transport and state transport undertakings”, Vol 29, ASCI Journal of Management

b) Freight Transport (Land)

Unlike many other countries, the road transport industry in India has never been subjected to an effective framework as a result of which its growth has been slow and arbitrary. The Motor Vehicle (MV) Act 1939, is responsible for the regulation of this sector. While, earlier the Act provided for restrictions on permits, these restrictions were relaxed over a period of time to ensure easy entry into the industry and movement across the country. However, as pointed out by various Committees, the Motor Vehicle departments of the States have mainly focused on the collection of revenue rather than effective enforcement of the provisions of the MV Act. Table 3 provides an overview of the key players in the freight transport sector:

Table 3: Key Players in Freight Transport Sector (Land)

- Transporters: These are trucking companies which have the primary contact with shippers and receiving customers. They generally own a fleet of trucks, warehouses and terminals as well
- Booking agents/ Transport companies/ Transport contractors: These are persons or firms who accept and store goods, both parcels and bulk and arrange for their movement through operators
- Brokers/ Commission agents/ Supplier of Vehicles: A broker is normally expected to represent the supply side. The broker takes a commission from the truck owners and ensures the supply of trucks to the transport company/ booking agent
- Truck Operators: These individuals typically own one or a small fleet of trucks, which usually are financed by high-leverage debt

As apparent from table 3, the booking agents/ transport companies/ transport contractors and the brokers/ commission agents/ supplier of vehicles are the intermediaries between the transporters and the truck operators. Over the years, these intermediaries have emerged as the controlling players of the market. As NCAER (1979) has indicated, the booking agents, besides other functions, also play an important role in fixing freight rates i.e. the rate charged to the user and the rate given to operators.

Freight aggregators and their agents influence prices the most, as they alone have the financial resources and market information necessary to influence the price line. The transport contractors quote and settle freight rates with consignors. These are negotiated rates and are valid for a given period of time. Truck owners depend on brokers, who have day-to-day arrangements with them, for obtaining goods for transportation. Brokers arrange the goods for truck owners from booking agents at the prevailing market rates, for which they charge their brokerage, which ranges from Rs. 200 to Rs. 400 per vehicle per trip.[6] It has been observed that freight charges paid to truck owners have no relationship with the type and load of freight arranged through brokers. Brokers and booking agents settle the freight rate at which the truck owners operate.

Table 4: Truck Owners and Time Spent in the Industry

Percentage of truck owners	Time spent in the industry
56%	1 – 10 years
30%	11 – 20 years
15%	Over 20 years

In case of the truck operators, the entry barrier is low which has resulted in presence of a large number of truck operators. Firstly, there is hardly any information present in freight availability. Secondly, the trucks are not registered in one name, presumably to avoid income tax obligations and labour legislations. Thirdly, there is hardly any scope for easy exit as the industry has been the family business for most of such operators leaving them with no alternative to this work.[7] It is for these reasons that the truck operators

[6] Y Satyanarayana (2000), Ibid

[7] Debroy, B. and Kaushik, P.D. (2001), "Barriers to Inter- State Trade: the Case of Road Transport", Paper submitted to the Ministry of Law, Justice and Company Affairs, Government of India

have caused a fragmented industrial structure.

III. Factors negatively affecting growth of the transport sector

The following section highlights some of the main issues that hurdle the growth and competition of the transport sector. These issues have been enlisted as under:

Absence/ need for regulation

The transport industry is deregulated and fragmented with many small operators and dominant intermediaries. There is an urgent need to bring the intermediaries under the purview of regulation (Thukral, 2002). To enhance balanced growth of an industry, firm regulations need to be in place, regulations which overtly cover all the players.

Section 93 of the MV Act provides for licensing inter alia -of any agent or canvasser engaged in the business of collecting, forwarding or distributing goods by trucks. The wording of the section seems ambiguous. Any interpretation would imply that this section does not cover brokers and booking agents. There has been mushrooming of unscrupulous brokers/booking agents. There is a need to include brokers/booking agents within the scope of this section explicitly.[8]

Cartelisation

Given the dominance of small operators and role of intermediaries, cartelisation under the transport sector is a common phenomenon in case of freight trucks and taxis of smaller airports.[9] Although there are a large number of truck owners, there are not as many cargo operators. In fact, there are about 5000 cargo operators which handle the entire cargo of the country. As a result these cargo operators cartelise and decide the freight as there is no competition at their level.

There are also instances of cartelized operation of trucker's union around major production sites and factories. Truck operator's cartel result in higher transport costs, since trucks bringing in goods charge two way fare, as they are made to return empty, while transportation costs on out-going goods are about 40 percent more. In order to protect consumers and promote all round growth it is imperative that cartelisation be curbed.

Issues related to taxation

The Report of Working Group on Road transport for the Twelfth Five Year Plan (2012 – 2017) has identified taxation as one of the major concerns in the road sector.[10] A truck operator has to face different agencies at different levels for checking payment of commodity specific taxes as well as transport taxes (such as road tax, national state permit, etc). States have often attempted to reduce taxes in a competitive spirit, however, the distorting repercussion of such aspects are neglected. In an attempt to absorb the revenue loss from lowering the sales tax rates, States have sought to identify new sources for levying taxes. Therefore, there has been a tendency to transfer tax liability to the transport sector for quite some time.[11] Further, the tax system in road transport sector is archaic and complex resulting in delay and harassment in the tax recovery.

To illustrate, passenger tax is not charged by all States. Further, in states where it is charged, there are State-wise variations in

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[8] Pradeep S Mehta (2005), "Towards a Functional Competition Policy for India: An Overview", CUTS International, Jaipur.

[9] Mehta. Pradeep S (2011), "Stop road transport cartels, go competition", Financial Express.

[10] Ministry of Road Transport and Highways Website. Available at morth.nic.in/index2.asp?slid=770&sublinkid=431&lang=1. Last accessed on 02 January 2014.

[11] Y Satyanarayana (2000), op cit

rates, as well as in the manner of levy. For example, in Maharashtra and Gujarat, it is levied at the rate of 17.5 per cent on the basic fare, while in Uttar Pradesh, it is 16 per cent on the basic fare, with a surcharge of 23.72 per cent.[12] Such heterogeneous taxation policies act as an irritant for a vehicle travelling across States.

Table 5 illustrates the numerous taxes levied by the different tiers of government, with reference to three different aspects - those relating to purchase of vehicles, ownership of vehicles and operation of vehicles.

Table 5: Major taxes levied on the road transport sector

Taxes imposed by the Central Government	Taxes imposed by State Government	Taxes imposed by local bodies
Union custom duty excise duty, central sales tax (CST)	Motor vehicle tax Passengers and goods tax sales tax entry tax	Octroi Tolls

Issues arising from multiple legislations and policies

Similar to the multiple taxation issue in the bus transport sector, is the multiple legislation issue. The road transport sector is regulated by numerous legislations and policies. There are multiple laws and agencies governing inter-state movement of goods and vehicles. Such are overlapping legislations generate heterogeneous practices which ultimately act as impediments in the sector. Table 6 enlists the laws regulating the movement of vehicles and freight across the country.

Table 6: Road transport Sector

Passenger Transport	• Motor Vehicles Act, 1988 • Road Transport Corporation Act, 1950 • Central Motor Vehicles Rules, 1989 • State Motor Vehicles Acts
Goods Transport	• Carriage by Road Act, 2007 • Carriage by Road Rules 2011 • Central Sales Tax Act, 1956 • Various State Sales Act/State VAT • Octroi and Entry Tax
Highways	• National Highways Act, 1956 • National Highways Rules, 1957 • National Highways Fee (Determination of Rates and Collection) Rules, 2008 • National Highways Authority of India, 1988 • National Highways (Land and Traffic) Act, 2002 • Highways Administration Rules, 2003

[12] Ibid

Competition distorting elements in policies regulating the sector

As mentioned earlier, there are various provisions under the statutes mentioned in table 6 which distort the competition framework of the road transport sector. Such distortion directly hampers the growth of the sector. Many such provisions are present in the MV Act, however, for the constraints of the paper, two such provisions have been explained below.

Section99 of the MV Act provides that a state transport undertaking may under the objective of public interest, prepare a scheme to oust private bus operators in any area or route and ply their own buses, where, public interest means adequate, efficient, economical and properly coordinated road transport services. It is surprising how 'public interest' has been made the ground to oust private buses. The assumption that a private entity cannot work in public interest seems rather subjective and baseless. In fact the section seems discriminatory towards private players as well as consumers. For instance, a consumer may be forced to commute through a public bus in spite of his will to pay an extra price for a comfortable private taxi.

Similarly, Section 104 permits restriction on grant of permits in respect of a notified area or route. The section is a clear indication of partiality towards STUs over the other private competitors. The paper argues that a competitive bidding procedure should be implemented instead of leaving grants of permits at the state governments' discretion, or at least more transparent and fairer procurement policies should be implemented.

Table 7 cites a case where undue advantage was granted to the public sector as per the interpretation of section 99 of the MV Act.

Table 7: The Nathdwara Case
Case Study: Private Bus Operators in Nathwada, Rajasthan The following case study was undertaken by CUTS in Rajasthan. In the said case, the Rajasthan State Road Transport Corporation (RSRTC) issued a notification under Section 99, MV Act, 1988 to ply RSRTC buses between Nathdwara and Choti Sadri to the exclusion of private players. However, in practical terms, the RSRTC failed to ply this route for shortage of buses. When in 2000, a private player applied for license for the same, its application was turned down on the ground that the route was reserved exclusively for the RSRTC. As a result, private players started plying their buses illegally on the said route, with the enforcement authorities turning a blind eye induced by illegal gratuities.
Source: Mehta. Pradeep S (2011), "Highway robbery by state transport companies", *Financial Express*

IV. Comparative Study of International experience on competition and regulation in passenger transport

Once the irregularities in the transport sector have been identified and understood, it is important to analyze methods to fill such loopholes. For a thorough analysis it is important to make a critical study between the transport policies implemented in countries abroad as compared to ones in India. A brief analysis of important policies implemented in foreign countries to develop and sustain their transport sector has been explained below:

Europe

The European Conference of Ministers of Transport (ECMT) plays an important role in regulating the transport sector in the European Union (EU). The committee aims to develop an integrated transport system throughout Europe. Furthermore, it seeks to harmonize member countries' approaches to international agreements and regulations governing freight and cross-border transport, infrastructure cost recovery, protection of the environment from transport impacts, road traffic safety, transport-related crime, security, new technologies and other matters.[13]

United Kingdom

In the United Kingdom, the transport sector is regulated by the 1985 Transport Act. The Act provides for relaxed controls over entries, reorganization of public bus companies and competitive bidding for the commercial routes.

United States

Privately owned unsubsidized firms provided almost all US transit services in the first half of the 20th century but most approached or actually entered into bankruptcy and were taken over by public authorities in the 1950s and the 1960s. A typical form of private involvement in bus transport in the US would be managing companies or contracting services for the company owned by public authorities.

Sri Lanka

In Sri Lanka, public transport was nationalized in 1958. However, based on a suggestion made by the World Bank, in 1978 the government ended the state owned monopoly and allowed the private sector to enter the industry. In 1991, the National Transport Commission Act was enacted to create a regulator for private bus transport. However, in practicality, the Commission did not develop the regulatory measures and saw the regulatory role as merely as an issuing office for route permits.

[13] ADB (2005), "People's Republic of China: Policy Reform in Road Transport", CPCS Transcom, Asian Development Bank.

Learnings for India

The analysis of above mentioned regulations set important lessons for India. However, the basic lesson for India emerging from the US experience is that the private sector performs best when it is asked to do a relatively well defined task and with a minimum interference by public authorities.[14] Further, like in Europe, efforts need to be made to introduce an integrated system of transportation with minimum barriers.

V. Analysis of issues and suggested recommendations

Need for road transport regulator

This paper strongly advocates the establishment of a statutory independent regulator to ensure a level playing field for the road passenger transport services in public and private sector. The regulator shall have fixed service tenure with provision for removal on grounds of inappropriate act or incompetence and financial autonomy. Furthermore, the government while empowering the regulator shall ensure that no duplication or overlap in functionality occurs with the CCI. For instance, the regulator should be empowered with the promotion of competition while CCI with the protection.

The regulator can be entrusted with the following functions:

- Fix price band for different kinds of services in an objective and transparent manner;
- Ensure service coverage across regions (including rural, remote and hilly areas) and provide mechanism for compensation for discharge of universal service obligations (provision of service on non-remunerative routes and remote rural sector);
- Benchmark quality of road passenger service;
- Impartially address various operational issues like access to terminals and other common infrastructure facilities to all operators and;
- Promote competition;
- Look into financial claims by the concessionaire;[15]

Curbing cartels in transport sector in India

The presence of cartels in this sector has already been explained in this paper. As the presence is prominent in this sector, it has directly resulted in increased prices for the consumers and barrier for the producers. In a case in Orissa, the Angul truck-owners Association, a Government registered body operation at the National Aluminium Co. Ltd.'s factory charged as much as 200 percent more for transportation of ingots under the obliging eyes of the authorities. Such official cartels are known to still exist in other parts of Orissa like I Sukinda Mines, Pradeep Port and Balasore.

The responsibility of curbing cartels in the road sector is of the Competition Commission of India (CCI). Under the Competition Act, 2002, Section 3(3)(d) provides that any agreement which directly or indirectly results in collusive bidding or bid rigging, shall be presumed to have an appreciable adverse effect on competition. The CCI is mandated not only to prohibit such anti- competitive agreements but also penalise the players involved in these kinds of activities.[16]

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[14] S. Sriraman (2011), "Road transport development in India", Department of Economics, Bombay University, Mumbai.

[15] Dhanendra.K, "Competition and Road Transport Sector", The Competition Commission of India.

[16] Dhanendra.K, Ibid

It is also important that the authorities concerned must ensure that tendency of high bid prices, collusive bidding is kept under check and any such practices reported to CCI for conducting appropriate inquiries for remedies.

Creation of a seamless national market

The Indian business environment should reflect a seamless flow of inter-State trade and commerce, however, at present in practice, the environment is quite contradictory. The road carriers are stopped at State borders, checked for payment of taxes, levies on the goods carried and for compliance of various other statutory provisions. The checks faced in a route are multiple and cumbersome causing much delay and high fuel consumption.

Truck delays at checkpoints have been estimated to cost economy anywhere between Rs.9 billion and Rs.23 billion a year.[17] The estimate does not include "Facilitation Payments" made at the checkpoints, where these have been estimated to range between Rs.9 and Rs.72 billion.[18] According to study of World Bank, costs of various inefficiencies in the trucking sector shows that between Rs.17 and Rs.46 billion of economic costs could be saved per year, if the inefficiencies in the current system are addressed.[19]

It is crucial for the government to emphasize on the importance of elimination of regulatory and physical barriers to ensure seamless national market. In short, multiple checkpoints, taxations, legislations need to be trimmed in such a way that they warrant smooth market through states. Some suggestions to ensure a seamless market have been numbered herein:

- Immediate efforts should be taken to harmonise taxes
- There is an urgent need to introduce intermodal integration of modes such as rail, bus, and other para-transit modes with respect to the following: (i) transfer station, (ii) ticket, and (iii) arrival/ departure schedule, etc[20]
- There is a need to re-organize the regulatory framework keeping in mind minimum wastage of time on multiple stops
- The New National Permit System (NNPS) for Goods Vehicles which came into effect from May 2010 has facilitated the free movement of goods vehicles throughout the country on payment of a composite fee of Rs. 15,000/- per annum together with the authorization fee to the home State where the vehicle is registered. It is essential that All India Tourist Taxi Cabs, Maxi- Cabs, All India Tourist Buses and buses covered by Special Permits under section 88(8) of MV Act should also be subjected to uniform fees for free movement throughout the country.[21]

Reformation of State Transport Undertakings

With the participation of state road transport, the State Road Transport Undertakings (STRU) came into existence. The performance of SRTUs, however, has been quite dismal over the years. The reasons for the underlying inefficiencies may be explained in lack of enough competition and ineffective regulation in the passenger road transport sector.

[17] Y Satyanarayana (2000), op cit

[18] The World Bank (2005), "Road Transport Service Efficiency Study", Energy & Infrastructure Operations Division, South Asia Regional Office.

[19] S. Sriraman (2011), op cit

[20] GoI (2011), op cit

[21] GoI (2011), op cit

Table 8: Financial Report of all SRTUs				
Sr,no.	Financial Performance	All SRTUs		Percent Change
		2009-10	2010-11	
1	Number of Reporting SRTUs	34	34	-
2	Total Revenue (Rs. Crore)	26,341.91	30,309.87	15.1
3	Total Cost (Rs. Crore)	31,079.01	35,802.14	15.2
A	Operating Cost (Rs. Crore)	23,501.04	27,142.85	15.5
B	Non-Operating Cost (Rs. Crore)	7,577.97	8,659.30	14.3
4	Net Profit / Loss (Rs. crore)	-4,737.10	-5,492.28	15.9
Source – Knowledge Consortium of Gujarat (October-November 2012), Issue 3,Journal of Social Sciences: ISSN: 2279-0241 Available at: www.kcgjournal.org/Social%20Sci/Issue%203/Dipal				

Currently, the passenger road traffic sector is partly operated by public sector and largely by private sector comprising about 28 % and 72 % respectively of the total buses.[22] Some States are even moving away from the SRTU framework for the losses being faced. Table 8 above showcases the financial reporting of all SRTUs.

As the CCI is in charge of facilitation of competition in the various sectors of the economy, it should advocate for reform in the Inter-City Bus services. As a part of the reforms, the CCI could also suggest the following:

- The sector should include deregulation of tariffs
- Further there should be reconstruction and commercialization of tariffs
- STU monopoly rights should be eliminated
- Changes in the tax regime should be introduced to achieve uniformity of tax treatment of all buses operating in the inter-city markets
- Such practices should be inculcated which would allow market forces to determine both tariffs and the services offered[23]
- Policies and practices should be introduced to considerably reduce the registration time
- There is a need for reduction of permit charges as they act as barriers for free entry
- Government should financially incentivize SRTUs so as to the public buses' services, infrastructure and viability

Preference to Public Sector Undertaking

Through analysis and study it can be inferred that the legislation tends to be bias towards Public Sector Undertakings (PSUs) as against private sector players (as reflected in the Nathdwara case). As the bias is arbitrary, the CCI needs advocate against such provisions and practices. The CCI also needs to encourage introduction of policies pertaining to easy entry for private and public parties.

Ensure process of competitive tendering

The tendering process has been much neglected in the sector. It is imperative that

[22] Y Satyanarayana (2000), op cit

[23] The World Bank (2005), op cit

the Central and State Governments augment the competitiveness of viable tendering by paying more attention to the tendering process. The bidding process ought to be transparent and impartial. As the Competition Act empowers the CCI to take action against bid rigging or collusion, it should also impress upon Governments for an active oversight of the competitive tendering process. It has been proved by introduction of competitive tendering processes, environmental, social and economic standards in urban public transport can be lifted, as seen in Sweden, Finland, France and Germany.[24]

National Permit Scheme

As mentioned the National Permit Scheme has been introduced with an intention to facilitate interstate movement of transport vehicles, goods carriages and trucks.

As per the Scheme, a transporter may pay Rs 20,000 annually per truck and gain access to the home State as well as three neighbouring States, where, for each additional State he should pay Rs. 5000. The Scheme further mentions that the revenue hence collected centrally would be distributed among the States.

Although the Scheme appears to be effective in achieving its aim, to ensure a seamless travel, it is necessary to establish integrated check posts, which have till now been unkempt. It is also argued that the intrastate permits and counter signature reciprocal agreement permits should be abolished.

6. Conclusion and Way Forward

Transport in itself is not a sufficient condition for development. However, the lack of transport infrastructure can be seen as a constraining factor on development. In the recent years, road transport sector has witnessed a strong and vigorous growth despite it facing crucial barriers to interstate freight and passenger movement.

Rakesh Mehta Report on infrastructure (1996) estimated the economic losses from bad roads at anywhere up to Rs. 30,000 crore a year, or around 1 to 2 percent of GDP each year. Stringent regulatory measures are required in effective traffic and transportation planning, parking regulations, road pricing (as in Singapore), prohibiting private vehicles in central business districts (as in Zurich and many other developed countries), and so on. In the Indian context, the paper strongly advocates the need for a National Transport Commission which besides reviewing India's transport priorities and policies within an integrated framework on a continual basis, could also monitor economic regulation and thereby promote competition.

To summarise, the contentions that have been raised by this paper are:

- There is an imperative need to appoint an independent regulator in road transport sector who will be entrusted with statutory authority, financial autonomy, and fixed service tenure, along with provision for removal on grounds of inappropriate act or incompetence.
- The CCI needs to emphasise on the importance of elimination of regulatory and physical barriers, which can pave the way for seamless market for the benefit of the market players and consumers
- Attempts need to be made to engage with government institutions to ensure seamless national markets through the mode of Green Channel or Single Window System

[24] H.Mark and M. Michael (2003)Better Public Transport for Europe through Competitive Tendering - A Good Practice Guide, ICLEI - Local Governments for Sustainability

- Attempts have to be made to curb cartels in the transport sector by the competition authority
- The CCI needs advocate for rational and indiscriminate legislations and practices to ensure level playing field among public and private players
- The CCI needs to further advocate for reforms in the Inter-city bus services. These reforms should include deregulation of tariffs, restructuring and commercialisation of STUs, elimination of STU monopoly rights, changes in the tax regime to achieve uniformity of tax treatment of all buses operating in the inter-city markets
- Lastly, the CCI needs to draw the Central and State government's attention towards enhancing the competitive tendering process.

As the transport sector forms a crucial part of the economy and plays an important role in the GDP, it is essential to sustainably develop the sector in a structured manner. Such development would only be possible if the policies and regulations pertaining to the same are in place and a level of competition is maintained. A dynamic transport sector is crucial to ensure a double digit growth in the coming decades.

About CIRC

CUTS Institute for Regulation & Competition (CIRC) was established in 2008 by CUTS International (www.cuts-international.org). With the mission to *be a Centre of Excellence on Regulatory and Competition Issues*, CIRC primarily focuses on economic regulation in infrastructure sectors, and competition policy and law with an objective of reaching out to the target audience in India and other developing countries in Asia and Africa. Its crucial role in research and capacity building in the area of competition policy and law and regulatory reforms has created an intellectual knowledge base. This rich experience of working on regulatory issues and competition policy and law has resulted in many national and international publications which has enriched a more informed discourse on public policies and greatly benefited different stakeholders in the society. Since its inception, CIRC has been undertaking several trainings, seminars and public lectures on competition policy and law in India and abroad. It also organises international symposia on the political economy of competition and regulation in the developing world and India.

CIRC offers practical focus on educational and training programmes on economic regulation, and competition policy and law. The Institute aims to facilitate research to enhance understanding and explore inter-disciplinary linkages among the identified subjects. Increasing demand of long and short-term courses offered by CIRC is appreciated by many national and international organisations. The Institute has also made cerebral contribution in the work of the High Level Committee on National Competition Policy.

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