CHAPTER III

OPERATIONS

Costs - Annalysis of:

Running costs have increased significantly between 1959 and 1963. It has risen by about 2.6 cents per bus mile. As the table (Appendix 'E') shows there has been increases in almost every item under running costs. This is probably due to the increasing age of a significant portion of the bus fleet. The chart showing the distribution of the bus fleet according to year purchased (chart 5) shows that 38 new buses were bought in 1958. This means that 1/3 of the bus fleet that was operated in 1959 were brand new. It may be argued that new buses were also bought in the years 1959, 1960, 1961, 1962 & 1963. But the number bought in any one of these years did not amount to half that bought in 1958.

Service Overheads has increased by a much larger percentage from 24.62 in 1959 to 35.42 in the first three periods (12 weeks) of 1963. An important contribution to this increase is the introduction of workshop supervision which explains for 1.2% of the total percentage increase. But the effect of the introduction of supervision in the workshop should be to reduce cost of maintenance in the long run. Another significant source of this increase is the cost of wages and overtime to the drivers and conductors which has increased from 14% of total revenue (or 8 cents per bus mile) in 1959 to 18.5% (or 10.6 cents per bus mile) in 1962.

It is not clear how far the high profits of 1959-60 is due to more efficient management and how much to the postponement of certain costs which had to be incurred later. An indication is given by the fact that the RTMV inspections in 1961 immediately forced 30 buses of the road for repair. This enforced maintenance which could have been incurred in prior years plus the overtime charges due to the fact that the buses had to be put back on the road within the shortest possible time and the loss in revenue due to the sudden withdrawal of a significant portion of the bus fleet must have cost the management a large percentage of the profits that could have been earned. As the table (Appendix 'E') shows at least about

$70,000 of the decline could be attributed to this enforced maintenance. This is shown by the increase in tyres, tubes and materials used alone and excludes the extra overtime payments incurred.

Costs have have been kept artificially low in the years 1959 and 1960 by the fact that the company was enjoying a tax concession for the whole of these two years. The tax concession was in the nature of a reduction by half per seat available and was granted in July 1958 and withdrawn in July 1961. The tax per seat was reduced from $10/- per seat per month to $5/-. Assuming that the average number of seats per bus is 30, cost would have been higher by the amount of the concession obtained:

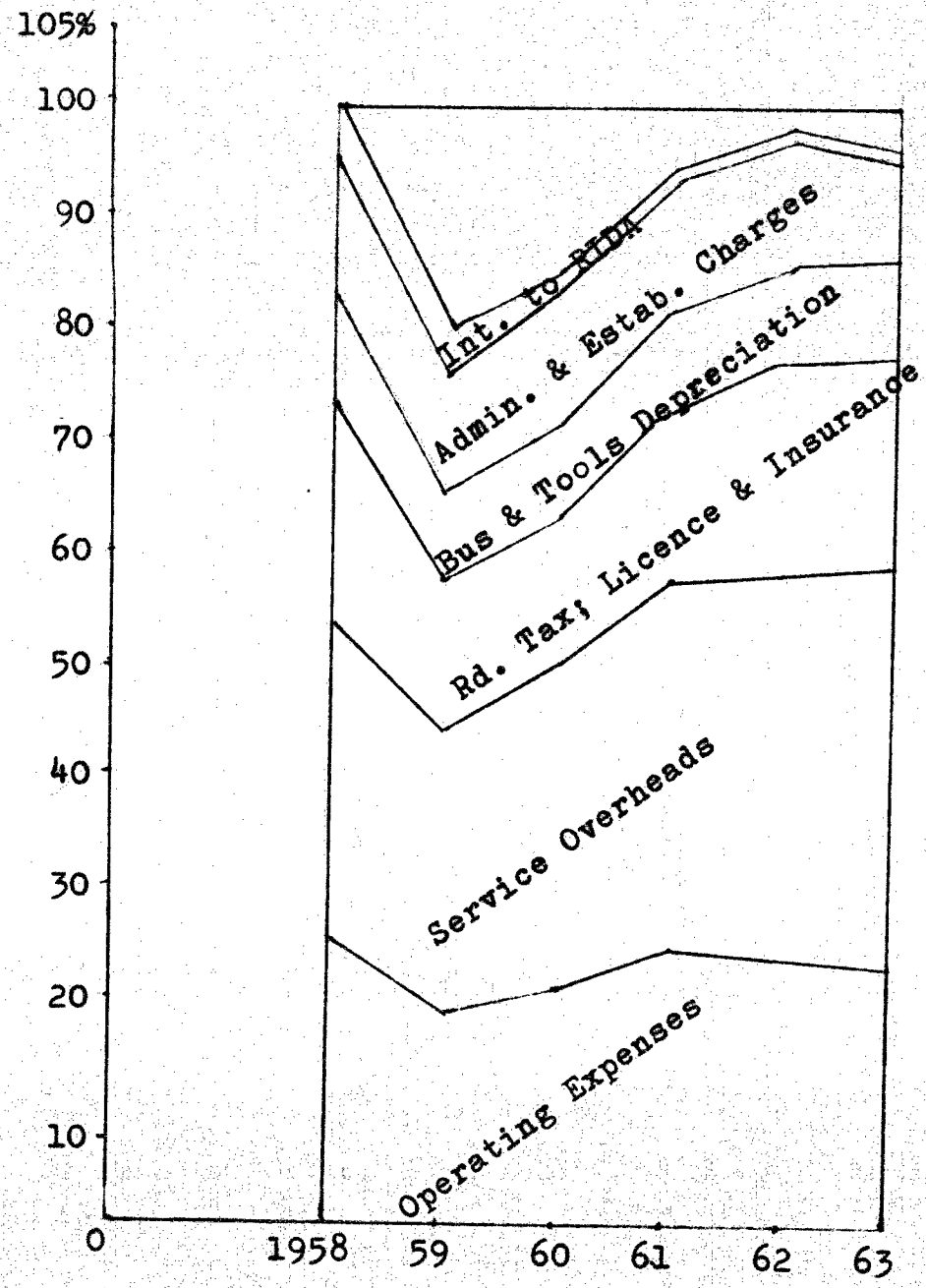
TABLE 1

Year	No.of Buses	Av.No. of Seats	No.of Seats Available	Concession per seat in the year	Total Concession Obtained
1958	83	30	2490	$30/- (6 mth)	$74,700/-
1959	79	30	2370	$60/-	$142,200/-
1960	98	30	2940	$60/-	$176,400/-
1961	107	30	3210	$30/- (6 mth)	$ 96,300/-

N.B. The accuracy of this table depends very much on the estimated average number of seats per bus.

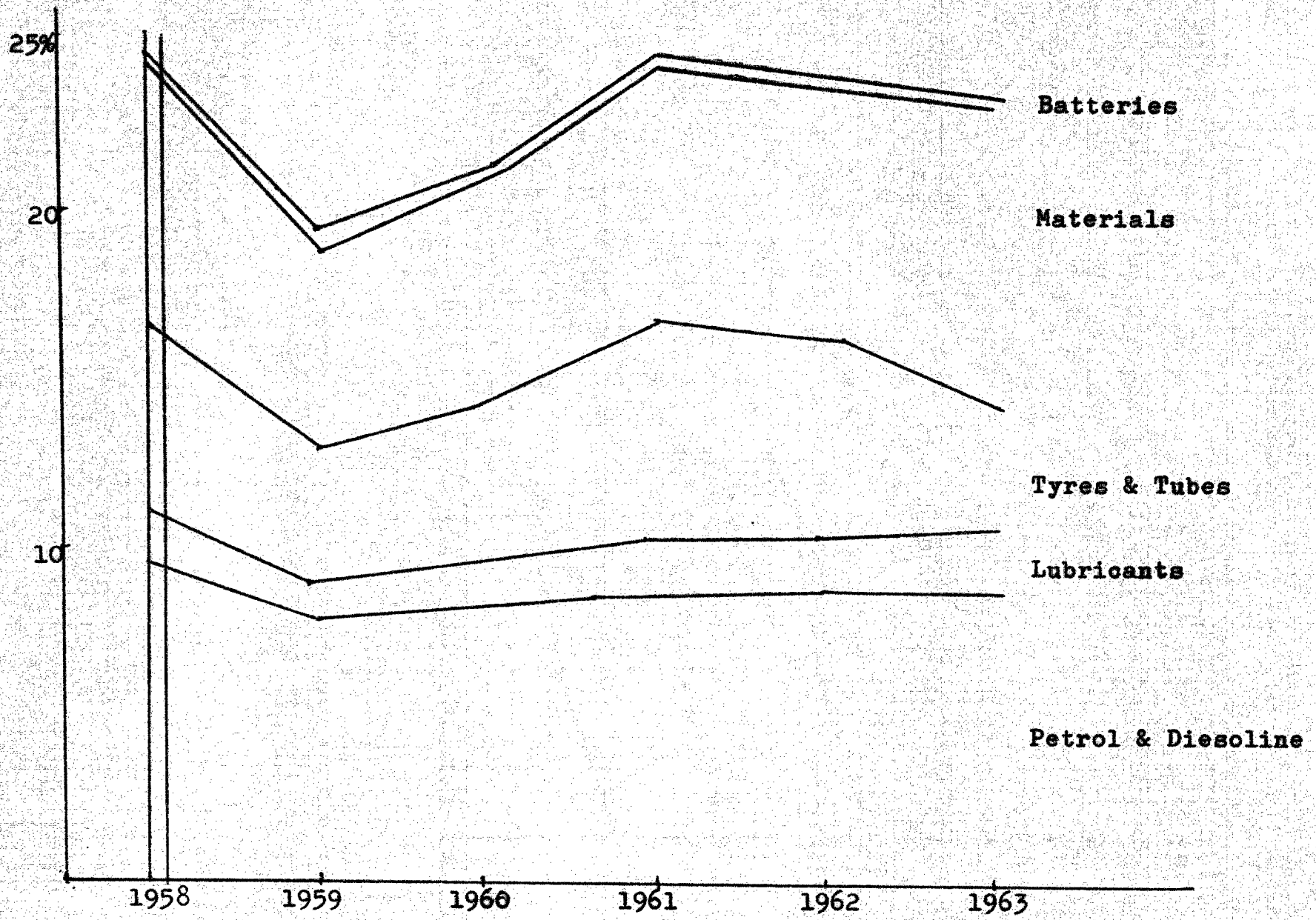
On the other hand the wages of drivers and conductors have been increasing during the years after 1959. This is borne by the fact that the number of drivers, driver/conductors, conductors and girl conductors have increased by 14.6% in 1960 and 26.0% in 1961 but the wage bill for the same have increased by approximately 45% in 1960 and 67.8% in 1961. The following table will illustrate:

Graph showing per cent of total revenue of the various costs 1958 - 1962.



GRAPH 1

Graph Showing Per Cent of Total Revenue of RUNNING COSTS.



GRAPH 2

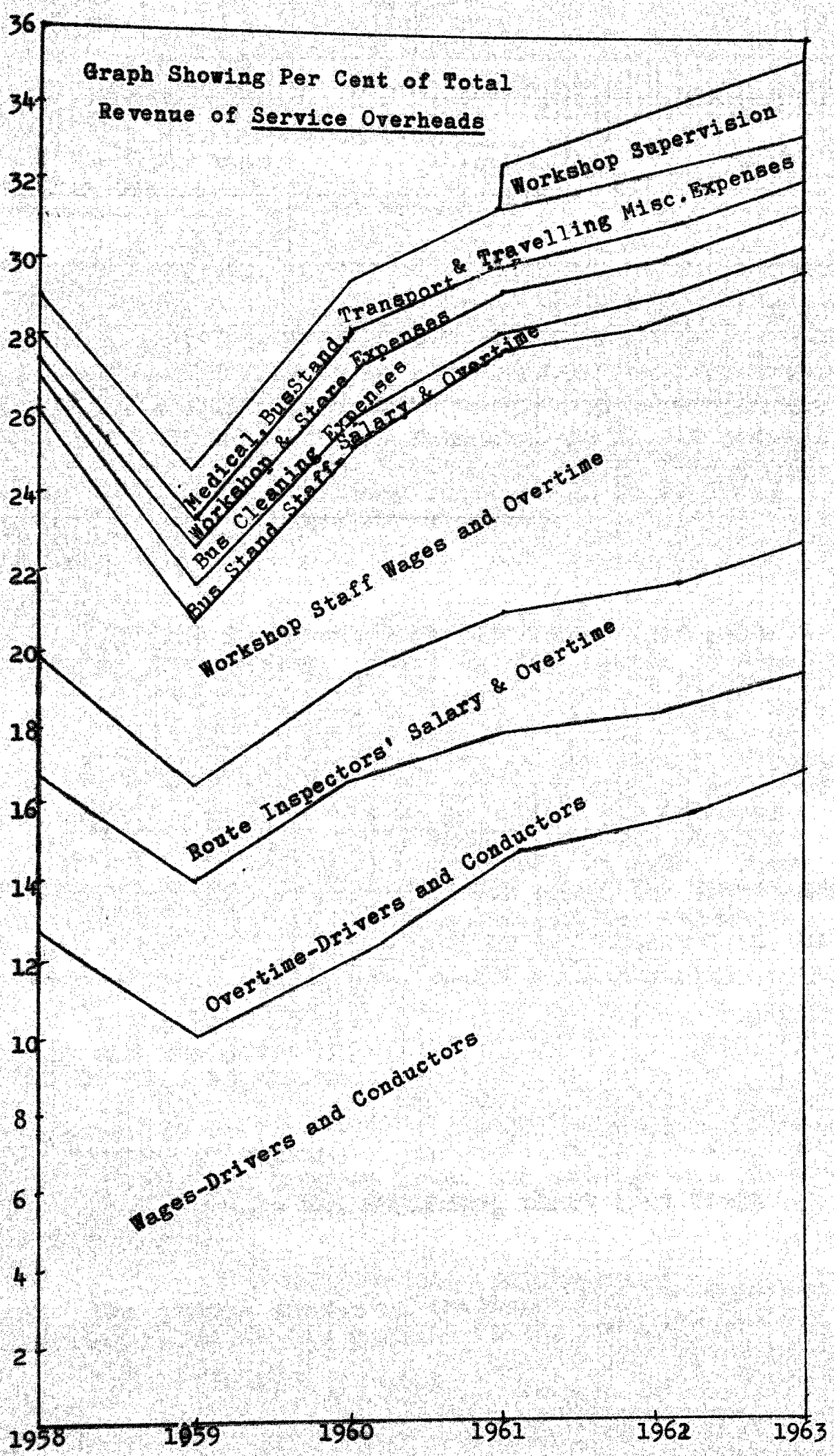

Graph Showing Per Cent of Total
Revenue of Service Overheads
36
34
32
30
28
26
24
22
20
18
16
14
12
10
8
6
4
2
1958
1959
1960
1961
1962
1963
Workshop Supervision
Transport & Travelling Misc. Expenses
Medical, BusStand, Workshop & Store Expenses
Bus Cleaning Expenses
Bus Stand Staff-Salary & Overtime
Workshop Staff Wages and Overtime
Route Inspectors' Salary & Overtime
Overtime-Drivers and Conductors
Wages-Drivers and Conductors

TABLE 2

Year	No. of Drs. Cond. Dr.& Cond.& G.C.	Percent	Total Wages & Overtime	Percent	Wages in C.P.M.
1959	212	100%	$249,379	100%	7.82
1960	243	114.6%	$363,276	145%	9.48
1961	267	126%	$418,418	167.8%	10.06

Table Showing Percent Increases in No. of Drivers Driver/Conductors, Conductors & Girl Conductors and The Corresponding Increase in their total wages and overtime.

Revenue

Revenue as measured in cents per (bus) mile (C.P.M.) has been steady. There is very little fluctuation. A slight increase from 55.81 C.P.M. in 1959 to 57.93 C.P.M. for the first three periods of 1961 is discernible. This is no doubt the result of the increase in the number of buses put on the road, the increase in the number of routes and the lack of competition from other transport operators on the new routes. It may also be due to the improved physical appearance of the new buses since the company embarked on its expansion programme late in 1958. There is a discernible and definite preference among the travelling public in the State for more pleasant looking vehicles. This is indicated by the fast rate of obsolescence in the taxi fleet in the State.

A positive correlation exists between the total bus miles and the gross revenue. But how far this increase in gross revenue is explained by the increase in mileage is difficult to say since part of the increased revenue could be attributed to the facts mentioned in the preceding paragraph. However it remains a fact that there is a strong positive correlation between total bus mileage and gross revenue as is shown by the following chart (See Graph)

Profits

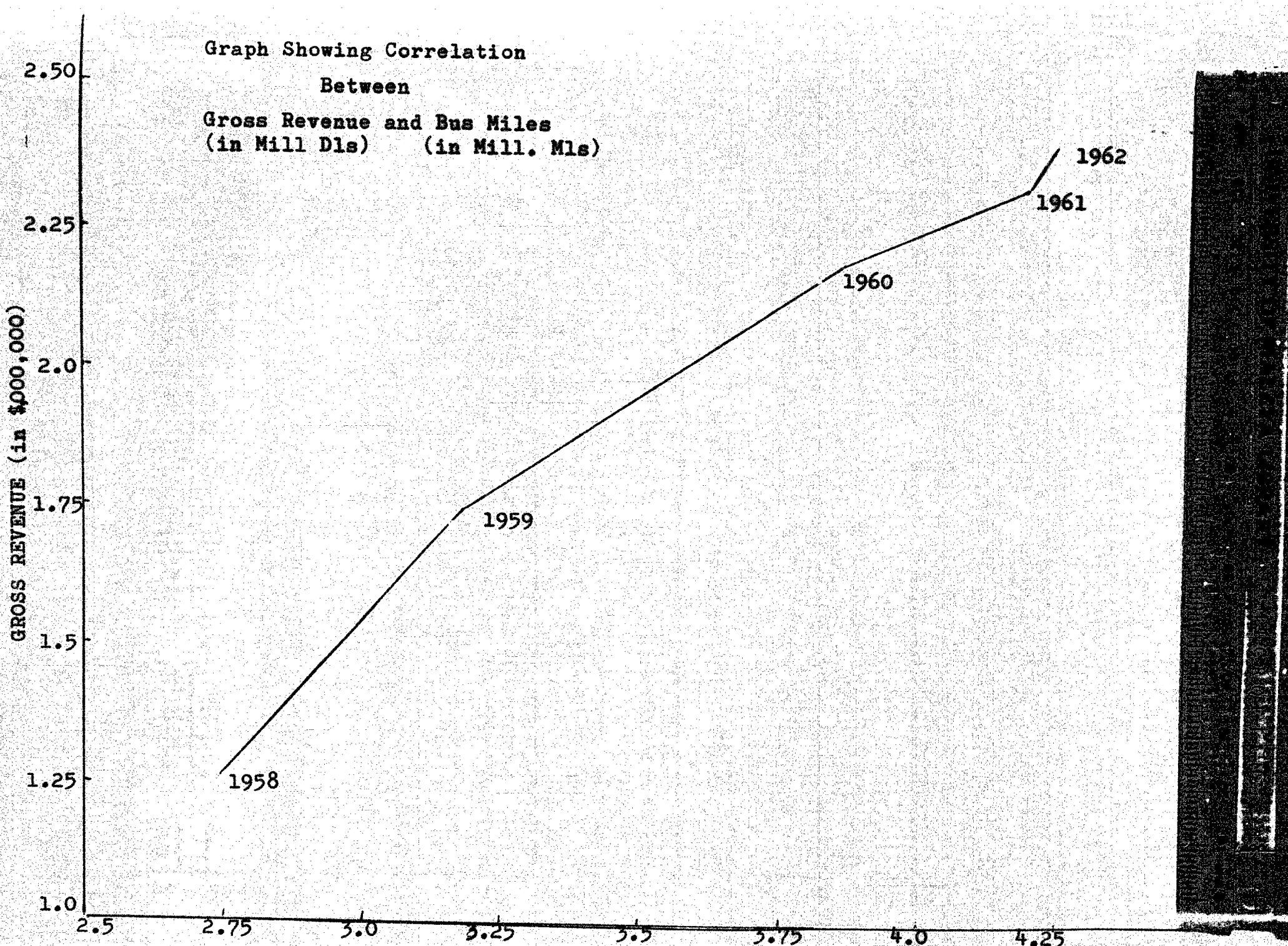
The annual operating statements show that a big decline took place in the profits of the company from 1960

Graph Showing Correlation

Between

Gross Revenue and Bus Miles

(in Mill Dls) (in Mill. Mls)



Scale x&y Axes: 2/10" = 0.05 mill.

Graph Showing The Number Of Buses According To Year Bought

Scale 1"(vertical)= 10 bus

▨ Condemned on 1/1 - 1
196

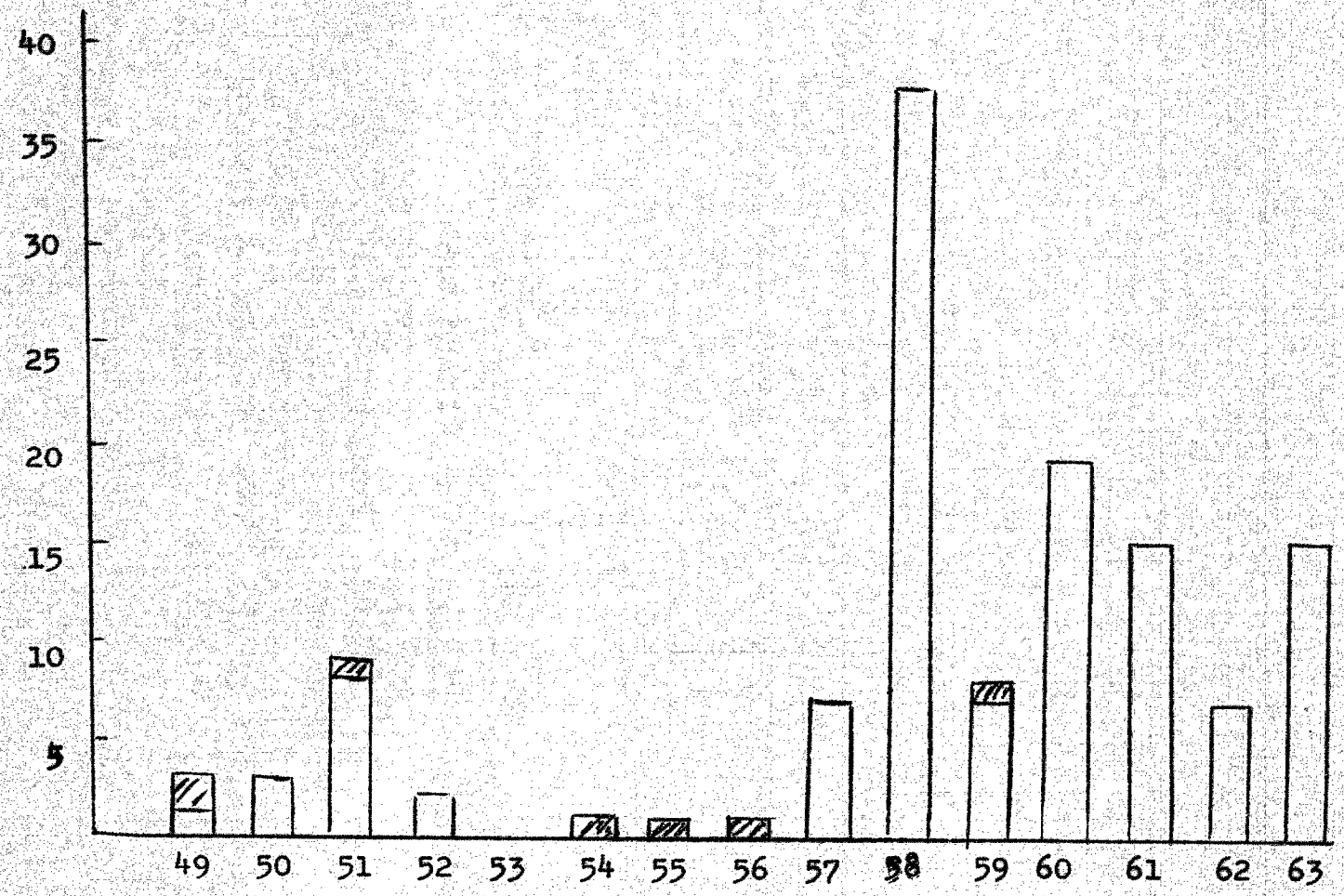


CHART 5

to 1961. This is probably due to the higher running costs which had increased from 12.20 C.P.M. to 13.81 C.P.M. The increase may have been caused in part or in whole to the enforced maintenance as a result of the R.I.M.V. inspection mentioned above, which resulted in 30 buses being taken off the road. The workshop staff had to work day and night to get them back on the road in the shortest possible time. Profits for 1961 could have been higher if preventive maintenance had been done in prior years and profits for 1960 and 1959 would have been lower. It is interesting to note that -

(i) if running cost per mile had remained the same during 1960 and 1961 the profit of 1961 would have been higher by $70,000/- than recorded
{$70,000 - 4,162,000 miles x (13.86-12.20)}

(ii) The figure for 1962 compared with 1960 is $67,000
{$67,000 = 4,195,000 miles x (13.81-12.20)}
i.e. the 1962 profit could have been $134,000.

Part of the difference in the profits of 1960 and 1961 is explained by the fact that in 1960 the company was enjoying a tax concession throughout the year while 1961 tax concession was enjoyed only during the first half of the year after which the concession was withdrawn. If there had been no tax concession and if the running cost had remained the same the profits for the two years would have been as follows:-

1960 -	Recorded Profit	323,000
	Less tax concession	176,000*
	True profit	$147,000
1961 -	Recorded Profit	141,000
	Less ½ year's concession	96,000*
		45,000
	Add decrease due to increase in running cost	70,000
	True profit	$115,000

The disparity between the two profit figures would then have been smaller.

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* These figures are estimates from Table 3.

Note: For complete figures in this chapter please see Appendix 'E'.

TABLE 3

Year	Bus - Miles (in Mill. Miles)	Gross Revenue (in Mill. Dollars)
1958	2.77	1.28
1959	3.16	1.74
1960	3.83	2.18
1961	4.16	2.32
1962	4.20	2.39

Correlation Between Gross Revenue
And Bus Miles

Special Problems

Problems peculiar to this state are faced by the NETS.

1) The General Manager claims that it would be fairer if NETS was allowed to continue enjoying the tax concession given to it between July 1958 and July 1961 or some concession at a different rate since the roads provided are of a lower quality. This makes for a higher rate of wear and tear and therefore a higher cost of maintenance.

The allegation that roads in general is of a lower quality is not quite true. It would be truer to say that some of the roads are very much inferior to the average roads in the West Coast. But the rest are about the same. Nevertheless this problem exists to a certain extent and the claim for a tax concession of some sort is not without some justification.

2) There is also a shortage of skilled labour to man the workshop. The NETS have to take in apprentices from the local Junior Trade School. This brings the necessity for more supervision in the workshop. Even drivers have to be trained by the NETS itself and this

incurs extra personnel and tie up capital (buses) for this purpose.

3) Distance from suppliers of parts necessitates a much larger stock of parts than is ordinarily required by another bus company of the same size. This distance also increases the transportation costs of these parts.

4) It is also felt that the monsoon has the effect of reducing the number of passengers at least during the worst periods of it. I am of the opinion that this affects profits in another way. It worsens the conditions of some of the roads and thus affects the maintenance costs and also increases bus cleaning costs. One might say that other parts of the country also experience the monsoon. True, but the adverse effects are minimised by the fact that roads are better and that the monsoon is not so severe on the West Coast as on the East Coast.