

## Road Transport and Safety Bill 2014 Is this the right road?

The archaic Motor Vehicles Act 1988 will soon have a successor, as the draft **Road Transport and Safety Bill 2014**, is being firmed up through public consultations and the parliamentary process.

The draft Bill aims, “..to provide a scientifically planned and evolving framework for the safety of all road users in India, .....and for enabling the seamless development of a secure, efficient, cost-effective, sustainable and inclusive transport system for the movement of passenger and freight in the country...”.

It provides for the establishment of dedicated regulatory institutions at the National and State levels to ensure better planning, efficient implementation and effective regulation of public and freight transport sectors in the country. A special emphasis on road safety, as contained in the Bill is particularly crucial given that a large number of people are killed in road accidents in India (over 231,000 according to WHO, 2013). The need for such reforms in the road transport sector has been long overdue, so its legislation will not only help citizens but also the economy.

### The Bill at a Glance

#### Highlights

- ◆ National Authority to conduct research by collecting data, and performing analysis
- ◆ Two tier permit system for Passenger Transport and simplified permits for freight
- ◆ Emphasis on road safety with annual fatality reduction target of 20 percent
- ◆ Single window driver licencing system to ensure transparency
- ◆ Vehicle Registration System linked to insurance, vehicle offences and fitness
- ◆ Creation of a motor accident fund for immediate relief to accident victims
- ◆ Road safety education included as a function of the National Authority
- ◆ Graded penalty point system to improve conformance to traffic rules
- ◆ Establishment of State Transport Development Authority to plan and regulate public transport in states

#### Lowlights

- ◆ Too many National regulators with little clarity on need and coordination
- ◆ Matters ideally under States' jurisdiction included under National Authority's purview
- ◆ No clarity on mechanism for public dissemination of data or possibility for collaborative research
- ◆ An inclusive, scientific fare setting mechanism not well articulated
- ◆ Need for greater accountability of 'standard setting' committees
- ◆ High penalties can be counterproductive in the Indian context and promote rent seeking corruption

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## INTRODUCTION<sup>1</sup>

It has long been felt that there is a serious need for revamping the regulatory structure and functions of the passenger transport sector in India. The current structure has failed to keep up with the dynamics of the market and has led to prolonged continuation of public sector monopolies leading to unnecessary burden on the state exchequers and quality concerns.

The draft Road Transport and Safety Bill (RTSB), 2014 seeks to replace the dated Motor Vehicles Act, 1988. It proposes a host of changes in the institutional architecture and regulatory framework and aims to support a road transport system that reduces cost, promotes operational efficiency and integrates transport modes.

The intention is clearly honourable. However, most of what is suggested would require much stronger on-ground implementation and capacity building to be effective. The bill seems to provide a compilation of some of the international 'best practices' that have not been adequately contextualised to reflect the Indian ground realities. For instance, the penalties proposed for offences are noticeably similar to those prescribed in the US in equivalent dollars, hence excessive for India. Majority of drivers on Indian roads are two-wheeler riders, taxi, three-wheelers, drivers and bus drivers, many of whom earn less than ₹500 per day.

Some of the initiatives that are proposed in the bill would require huge infrastructure and regulatory overhauling (like the

development of automated driver testing facilities, online licensing system, etc.). The bill is too ambitious in setting the timeline for these to come through.

The section below discusses some of the key areas under the draft bill, which call for a more informed consideration.

## DISCUSSION

### (i) Multiple Authorities

The bill proposes setting up of three new national authorities namely the 'Vehicle Regulation and Road Safety Authority', 'National Road Transport and Multimodal Coordination Authority' and 'Infrastructure and Multi-modal facilitation Authority'.

Having separate authorities would not only increase the layers in decision making but also raise costs. It is advisable to have a single 'National Road Transport Authority' that acts as the parent organisation. Motor vehicle regulation, modal integration etc. can be undertaken through its departments.

A separate authority dedicated to 'Road Safety' should be considered. A well laid out methodology for coordination and cooperation between these national authorities needs to be provided.

### (ii) Overlapping Functions

Certain functions separately detailed out in the draft bill for aforementioned authorities present an undesirable overlap while in other case responsibilities have been

wrongly mapped. For instance, the vehicle regulation and safety authority is responsible for setting safety standards as also administering driving licenses and vehicle registrations system in the country. Typically, a standards making authority with responsibility for making recommendations, policies or supporting legislation backed by sound research should best avoid being in the business of implementation and monitoring too.

### (iii) Funding for Road Safety

Since improvements in road safety will require engaging professionals, undertaking robust research and education, development of scientific database to aid analysis and above all massive infrastructure upgrade, substantive and self-sustaining funding models will be required. Bill does not seem to reckon the additional infrastructure, doctors, nurses that will be required in government hospitals to attend to huge influx of accident victims that are proposed to be provided cashless treatment.

A possible way to meet above costs could be to use at least 50 percent of the road *challan* and penalty money towards road safety improvement initiatives. These funds can be used for improvement in areas, such as education to students, road users and other stakeholders on road safety. States like Uttar Pradesh have already implemented this provision.<sup>2, 3</sup>

Another feasible model was proposed by the 'Sundar Committee' (2007) which suggested that one percent of the

revenue from the cess on diesel and gasoline, allocated for national highways be credited to the Road Safety and Traffic Management Fund annually. The new bill ignores this.

#### **(iv) Role of States**

The National Road Transport and Multi-modal coordination authority has been assigned the responsibility for managing public and goods transport, including monitoring of BRTS and urban transport issues. The state transport authority shall be a subordinate body to this national authority. This would essentially mean dilution of legislating, competence and powers of the states, which is in contrast to the new government's intention to strengthen the federal structure where states are made equal partners in development and growth.

Functions like BRTS, PPPs, state infrastructure development etc. are best suited for state-level bodies to handle. Too many functions under the national authority would lead to delays in delivering.

#### **(v) Private Participation**

The draft bill does mention private participation but only in so many words falling short on being convincing as to how their participation would be ensured and conditions for any monopolistic behaviour removed.

Mostly the states have had to bear considerable revenue stress in maintaining monopoly state (public) transport units. Many of these units are running in losses with no plans in improving the efficiency of their operations.

Even though the private sector is filling in the demand for providing transport services, the policy and regulatory environment makes their inclusion quite difficult.

Therefore, it is essential to clearly define the method of engagement of private sector in the transport sector – especially in case of passenger transport (bus transport). Having private participation does not necessarily reduce the role of the government. In fact, it accentuates its role through effective regulation and enforcement.

#### **(vi) Taxes on Motor Vehicles**

Levy of tax on motor vehicles is constitutional prerogative of state governments and serves as a significant source of revenue. The existing state level variations in tax rates cause undesirable market distortion. If the Unified Vehicle Registration System is able to rationalise the tax structure, it will indeed be a progressive reform. However, this will require equally rational distribution of taxes to states so that possibility of any revenue loss could be minimised.

#### **(vii) Fare Setting**

Section 138 of the Bill has clubbed the principles for fare determination and route allocation, together. Even though the profitability and routes are directly proportional, the principles guiding the setting of fares and allocation of routes are fundamentally different.

Moreover, the bill does not touch upon the mechanism of fare setting for transport services. In the current times of rising fuel

and infrastructure costs, it is essential to look at fare determination scientifically. A mechanism that not only involves a logical formula, but a body of relevant stakeholders in taking fare decisions could be considered.

#### **(viii) Penalties**

The Bill proposes increased penalties for contravention of its provisions and provides for electronic detection and centralised information on offences to identify repeat offenders. As mentioned above, the penalties are too steep for an average Indian driver while at the same time not necessarily the right tool to ensure deterrence.

More than the intensity of the fine, it is the consistent enforcement of laws on the street that promotes deterrence. For example, in many European countries, more than 250 drivers are stopped for a breath test every day per million population. Funds, equipment, personnel and technology will need to be allocated for this at the state/city level, if the law has to be enforced on ground. In addition, investing in educating road users on right road behaviour through awareness campaigns and rightly positioned readable signboards will be more cost-effective.

## **CONCLUSION**

Road transport in India, much like most other transport sub-sectors is beset with numerous legislations. It is imperative to simplify the legal structure, perhaps through unification, or by instilling a mechanism for

better coordination in implementing them. A well thought out process of cooperation between the national and state levels will be a key. There is enough evidence in India, of how challenges related to cooperation between national and state level regulations, be addressed (in sectors like electricity, environment, pharmaceuticals, etc.). Such evidence should be looked at closely to derive lessons.

Further, while it is important to consider examples from other countries in formulating policies, they are most effective when local situations are kept in mind.

One of the main goals of regulation is to induce firms to offer efficient services at the lowest possible costs. Given the growing use of PPP contracts particularly in road transport, a key function of the regulator, will be to ensure compliance with the PPP contracts and handle disputes.

A step in the right direction is the creation of State Transport Development Authority. This would aid in better and more efficient implementation of the legislation – taking into consideration the local context and conditions. This should be complemented by a well-laid

out and clear-cut system for agencies to cooperate with the national authority.

Legislating ‘road safety’ education and awareness is in line with suggestions made by experts and scholars – and needs to be implemented consistently through campaigns and other awareness raising activities.

In conclusion, it is evident that there are several sections of this Bill that need to be refined before it is enacted. The above analysis presents some of these areas, especially pertaining to passenger transport, for an informed discussion and enables the actions forward.

## Action Points

- Better to have a single ‘National Transport Authority’ with departments for vehicle regulation and multi-modal integration
- A dedicated National Road Safety Authority to undertake research, set standards and promote safety, as also suggested by the Sundar Committee (2007)
- Allocation of certain functions, viz. Bus Rapid Transport System (BRTS), Public Private Participation (PPP), etc. to the States instead of the National Authority
- The Bill should have laid down the tenets for promoting competition in the sector, thereby encouraging private sector participation at various levels
- Permanent and accountable Committees should be formed for setting standards
- Enable independent, in-depth policy research by relevant stakeholders, by ensuring availability of relevant data
- Penalties would need to be brought down and jail terms limited to serious criminal offence
- A well-designed and resourced national campaign on ‘Road Safety Education’ needs to be initiated at the earliest

## Endnotes

1. This ‘Bill Blow-Up’ prepared by CUTS, is meant to facilitate an informed debate on some of the key provisions of the Bill, leading to its enactment. CUTS has presented its analysis of certain sections (viz. Chapters II, VI, IX, XIV and Schedule III), based on the organisation’s activities in these areas.
2. [http://information.up.nic.in/Display\\_adver\\_view.aspx?id=388](http://information.up.nic.in/Display_adver_view.aspx?id=388)
3. <http://timesofindia.indiatimes.com/city/lucknow/Draft-of-Road-Safety-Policy-ready-for-cabinets-approval/articleshow/27490901.cms>

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