Performance Audit relating to PSUs (other than power sector)

CHAPTER V

PERFORMANCE AUDIT RELATING TO PUBLIC SECTOR UNDERTAKINGS (OTHER THAN POWER SECTOR)

Performance Audit on the functioning of Assam State Transport Corporation

Highlights

The net operating loss per km of the Corporation increased from ₹ 24.72 (2013-14) to ₹ 30.92 (2017-18) mainly due to high operational cost. The Corporation had incurred loss continuously during the five years (2013-18). The accumulated loss of the Corporation had also increased by 32.35 *per cent* from ₹ 732.85 crore (2013-14) to ₹ 969.92 crore (2017-18), which completely eroded the net worth of the Corporation.

(Paragraph 5.7)

The Corporation did not prepare any short or long-term perspective plan to address deficiencies in augmentation and repair and maintenance of bus fleet as well as achievement of various operational parameters.

(Paragraph 5.9)

The number of overaged buses had increased from 10.63 *per cent* in 2013-14 to 19.24 *per cent* in 2017-18. The Corporation disposed of only 31 overaged buses till March 2018 as against 280 buses due to be scraped thereby leaving 249 overaged buses in its fleet as on 31 March 2018. The Corporation could have generated a revenue of ₹ 3.76 crore by scraping the overaged buses in a timely manner.

(Paragraph 5.10)

The Corporation could not achieve operational efficiency comparable to All India Average in respect of fleet utilisation, vehicle productivity and fuel efficiency *etc*.

(Paragraphs 5.11, 5.12 and 5.16)

The Corporation could not complete infrastructure development projects in a time bound manner and also failed to implement Intelligent Transport Management System project for surveillance and monitoring of bus operation.

{Paragraphs 5.23 and 5.25 (v)}

There were deficiencies in the MIS Reports furnished by the Divisional offices of the Corporation, as the said Reports did not cover important operational parameters, affecting the decision making process of the Management.

(Paragraph 5.26)

Introduction

5.1 Assam State Transport Corporation (Corporation) was mandated to provide an efficient, adequate, economical and properly coordinated public road transport service in the State. The Corporation was incorporated (1 March 1970) under Section 3 of the Road Transport Corporation Act, 1950 as a wholly owned Statutory Corporation of the Government of Assam (GoA). The Corporation functioned under the administrative control of the Transport Department, GoA, headed by Additional Chief Secretary/Principal Secretary. It had a subsidiary namely, Assam State Urban Transport Corporation (ASUTC) which was formed (May 2014) with a view to operate buses bought under Jawaharlal Nehru Urban Renewal Mission (JnNURM) Scheme of Government of India (GoI).

The Corporation had a fleet strength of 1,294 buses[1], which was run by 3,254 employees as on 31 March 2018. As per the status of bus operation as of June 2018, the Corporation had been operating its buses on 152 routes (including two inter-state routes *viz*. Meghalaya and West Bengal) out of 223 routes identified by the Corporation. The Corporation had 3 Inter State Bus Terminus (ISBT), 94 Stations/Sub-Stations functioning under 10 Divisional Offices, 1 Central Store, 10 Sub-stores, 1 Central Workshop, 16 Maintenance Centres and 14 Petrol Pumps. Besides, the Corporation also operated one multi-level car parking and one Yatri Niwas (Guest House) in Guwahati city. The Corporation owned 768 bighas[2] of land situated at different locations in the State.

Organisational Structure

5.2 The management of the Corporation was vested with a Board of Directors (BoD) comprising of Chairman, Managing Director as Member Secretary and five Members appointed by GoA. The Managing Director, who was the Chief Executive, managed the day-to-day affairs of the Corporation with the assistance of one Chief Personnel Officer, one Chief Accounts Officer, one Chief Engineer (Automobiles & Traffic), one Chief Engineer (Civil), two Deputy General Managers and one Statistical Officer.

[1] Day and Night Services - 994 and City Services - 300
[2] One bigha is equal to 14,400 square feet.

Scope of Audit

5.3 The present Performance Audit Report covers the activities of the Corporation for the period of five years from April 2013 to March 2018. Audit sample was drawn based on the number of routes operated by a division and accordingly, 4[3] out of 10 Divisional Offices (DOs) along with all the 34 stations/sub-stations functioning under these DOs were selected for detailed scrutiny. As such, 90[4] out of 152 routes operated by the Corporation were covered in test check. In addition, the Central Store, Central Workshop, the ISBT, Guwahati and 30[5] *per cent* of the Petrol Pumps, Sub-stores and Maintenance Centres were also included in audit coverage.

Audit Objectives

5.4 The objectives of the performance audit were to assess whether:

- appropriate policy, plan and strategy were in existence for public transportation system and whether the same were implemented effectively;
- the services rendered by the Corporation were efficient, effective and economical duly catering to the requirements of public transportation and its social obligations including assurance on environment aspects and compliance to related statutory requirements;
- the financial management of the Corporation was efficient and effective; and
- an effective monitoring and internal control mechanism was in existence to ensure achievement of objectives of the Corporation.

Audit Criteria

5.5 The audit criteria adopted for assessing the achievement of the audit objectives were:

- The Road Transport Corporation Act, 1950 and Motor Vehicle Act, 1988/Central Motor Vehicle Rules 1989;
- All India average[6] figures on the performance indicators and best practices in the transport sector;

---

[3] Divisional Superintendent (DS) City Service, Guwahati, DS Sibsagar, DS Jorhat and DS Guwahati

[4] 59.21 *per cent.*

[5] 4 out of 14 Petrol Pumps, 3 out of 10 Sub-stores and 5 out of 16 workshops.

[6] As per the reports of Ministry of Transport & Highways (MoRTH), Government of India.

- Performance standards and operational norms fixed by the Association of State Road Transport Undertakings[7] (ASRTU);
- Operational targets/norms fixed by the Corporation; and
- Instructions of the Government of India (GoI) and the GoA issued from time to time and other relevant rules and regulations.

Audit Methodology

5.6 Audit commenced with an Entry Conference (10 May 2018) explaining the scope, audit objectives, audit criteria *etc*. to the management of the Corporation. The audit methodology adopted involved scrutiny and analysis of data/records with reference to the audit criteria, discussion with the management, issue of audit queries and obtaining response of the management before finalization of the report.

The draft audit report was also discussed (20 November 2018) with the representatives of the Corporation and GoA in the Exit Conference. The formal replies of the Corporation (November 2018) and the GoA (December 2018) to the draft report as well as the view expressed by the representatives of GoA and the Corporation in the Exit Conference have been appropriately taken into consideration while finalising this Report.

Working Results

5.7 The Corporation had finalised its annual accounts up to the accounting year 2015-16 while it had compiled the provisional accounts[8] for subsequent two years (2016-17 and 2017-18). The data on the operational performance of the Corporation for the five years from 2013-14 to 2017-18 has been summarised under ***Appendix 7.*** As could be seen from ***Appendix 7,*** the Corporation had been incurring loss continuously during the five years (2013-18) ranging from ₹ 46.78 crore (2014-15) to ₹ 66.84 crore (2016-17). Accumulated loss of the Corporation had increased by 32.35 *per cent* during last five years from ₹ 732.85 crore (2013-14) to ₹ 969.92 crore (2017-18), which completely eroded the net worth[9] of the Corporation.

It could further be seen from ***Appendix 7*** that the operating revenue *per* kilometre (km) of the Corporation decreased from ₹ 27.36 *per* km (2013-14) to ₹ 25.44 *per* km (2017-18). At the same time, the operating expenditure *per* km increased from

[7] ASRTU is an apex coordinating body of public transport undertakings working under the aegis of Ministry of Road Transport & Highways Government of India.
[8] The accounts that are not certified by the Board of Directors of the Corporation.
[9] Net worth represents the sum of the paid-up share capital and free reserves and surplus *minus* accumulated loss and deferred revenue expenditure.

₹ 52.08 (2013-14) to ₹ 56.36 *per* km (2017-18). As a result, the net operating loss *per* km increased from ₹ 24.72 (2013-14) to ₹ 30.92 (2017-18). The increase in net operating loss *per* km was mainly due to high operational cost on account of large number of overaged[10] buses and dismal performance against fleet utilisation, vehicle productivity, fuel efficiency etc. during the period of five years (2013-14 to 2017-18) covered under audit as discussed under ***paragraphs 5.10*** to ***5.12*** and ***5.16***.

Share in public road transport

5.8 During the period 2013-17[11], the contribution of the Corporation in providing public transport services in the State had increased from 5.82 *per cent* (2013-14) to 7.52 *per cent* (2016-17). The marginal improvement of 1.70 *per cent* in the share of the Corporation's buses during the five years from 2013-14 to 2016-17 was mainly due to procurement of 300 new buses under JnNURM Scheme of GoI. As on 31 March 2017, however, out of the total 17,374 buses[12] operated within the State, 1,306 buses (7.52 *per cent*) belonged to the Corporation.

Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Corporation and the Transport Department, GoA during the course of this audit.

Audit Observations

As mandated in the Road Transport Corporation Act, 1950, the Corporation was required to provide an efficient, adequate, economical and properly coordinated public road transport service in the State. The audit findings to assess the Corporation's performance in pursuit to achieve its mandated objectives have been discussed in the succeeding paragraphs:

[10] Overage buses are those, which are more than eight years old or had completed five lakh km running distance.

[11] Information for 2017-18 was not available

[12] Stage carriage and contract carriage.

Planning

5.9 Planning plays a pivotal role for systematic and sustainable development in public transport system in the State. In order to provide efficient and effective transport services to cope up with growing demands of the people, it was essential for the GoA/Corporation to formulate appropriate policies and programmes. In addition, it was also of utmost importance to evolve long-term/short-term plans to strategize various operational requirements, such as:

- assessment of requirement of buses to cope up with the demand of the public transport system in the State along with identification of the necessary financial resources;

- estimation of requirement and allocation of funds necessary to carry out regular Repair & Maintenance (R&M) works to keep the fleet roadworthy;

- planning and implementing necessary measures for improvement in the operational efficiency of the buses to match with the standard norms so as to minimize the operational cost and improve the financial health of the Corporation; and

- regular monitoring and prompt corrective action for timely completion of various infrastructure development works to ensure effective use of said infrastructure for intended purpose.

It was observed that the GoA had neither framed a transport policy nor the Corporation prepared any short-term and long-term perspective plan during the period of five years (2013-18) to address the above issues. As a result, there were deficiencies in augmentation of buses, R&M activities, operational performance and monitoring aspects.

During the Exit Conference (November 2018), the Corporation stated that there was no transport policy of the State in existence. It was further stated that the Corporation has prepared short-term and long-term plan and the same would be placed before GoA for concurrence. The Corporation, however, did not furnish the copies of the plans to establish the contention of the reply.

Recommendation No.1*: The GoA should devise appropriate transport policy and ensure that short-term and long-term plans are in place to make the operations of the Corporation effective and sustainable.*

Operational Performance

The operational performance of the Corporation was evaluated on various operational parameters such as fleet and capacity utilisation, vehicle productivity, load factor, fuel cost, and Repair & Maintenance (R&M) of vehicles. Audit observations in this regard have been discussed in the succeeding paragraphs:

Fleet strength and age profile

5.10 The Association of State Road Transport Undertakings (ASRTU) had prescribed desirable age of a bus as eight years or five lakh km, whichever is earlier. The Corporation had a fleet strength of 1,294 buses as on March 2018. Summarised details of the fleet strength and age-profile of the buses of the Corporation during the five years (2013-18) as well as the comparative figures of the age-profile of the buses of Brihanmumbai Electric Supply & Transport Undertaking (BEST), Mumbai have been given in ***Table 5.1***.

Table 5.1: Year-wise details of the fleet strength and age profile of the buses

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total number of buses at the beginning of the year	809	884	1,033	1,252	1,306
2.	Additions during the year	120	149	235	54	19
3.	Buses scraped during the year	45	Nil	16	Nil	31
4.	Buses available at the end of year	884	1,033	1,252	1,306	1,294
5.	Number of buses more than 8 years old	94	131	204	236	249
Percentage of overaged buses:						
6.	Corporation (5/4x100)	10.63	12.68	16.29	18.07	19.24
7.	BEST, Mumbai	Nil			NA	NA

NA: Not available.
Source: Statistical and A & T cell of the Corporation, Reports of Ministry of Road Transport & Highways (MoRTH).

As could be noticed from ***Table*** above, the number of overaged buses in the Corporation during 2013-18 had increased significantly from 10.63 *per cent* in 2013-14 to 19.24 *per cent* in 2017-18. The percentage of overaged buses of the Corporation was higher in comparison to BEST, Mumbai, which did not have any overaged buses in its fleet. The increase in the size of overaged buses was due to the inability of the Corporation to scrap the overaged buses in a timely manner. Audit observed that the BoD had authorised (December 2016) the Managing Director (MD) of the Corporation to dispose of the old buses immediately to fetch more revenue for the Corporation. The Corporation however, disposed of only 31 buses till March 2018 as against 280 overaged buses due to be scraped thereby leaving 249 overaged buses in its fleet as on 31 March 2018. Timely disposal of overaged buses would have helped the Corporation in generating an additional revenue of ₹ 3.76 crore[13]. The GoA as well as the Chairman of the Corporation, however, failed to monitor scraping of overaged buses within a reasonable timeframe.

The Corporation (November 2018) and the Government (December 2018) stated that it was not able to generate internal resources for replacement of overaged buses as also GoA did not provide funds for purchase of new buses.

The reply was not acceptable as it was silent on the reasons for non-scraping of overaged buses, which could have also helped the Corporation in garnering additional revenue from sale of overaged buses.

Recommendation No. 2*: The Corporation needs to scrap its overaged buses in a timely manner, which would also help in generating additional revenue from sale of overaged buses.*

Fleet utilisation

5.11 Fleet utilisation represents the net 'on-road' fleet of an organisation *vis-à-vis* the total fleet available. As per the recommendations of ASRTU, fleet utilisation of 90 *per cent* or more should be considered a yardstick for operational efficiency. The year-wise position of average fleet holding of the Corporation for operation, average buses 'on-road' and 'off-road' during the last five years up to 2017-18 has been given in ***Table 5.2***. In addition, the ***Table 5.2*** also provides the year-wise corresponding figures of Fleet utilisation for 2013-18 in respect of two other State run Transport Corporations i.e. Karnataka State Road Transport Corporation (KSRTC) and Brihanmumbai Electric Supply & Transport Undertaking (BEST), Mumbai, as well the 'All India Average' (AIA) figures for comparison purpose.

Table 5.2: Details of Fleet utilization of the Corporation vis-à-vis that of KSRTC, BEST and AIA for five years (2013-18)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total Fleet Strength (in number)	884	1,033	1,252	1,306	1,294
2.	Average vehicles on road (in number)	559	570	668	614	634
3.	Average vehicles off road (in number) (1-2)	325	463	584	692	660
Percentage of Fleet utilisation						
4.	Corporation (2/1x100)	63.23	55.18	53.35	47.01	48.99
5.	KSRTC	91.40	91.00	90.57	90.80	NA
6.	BEST	87.00	85.60	84.66	NA	NA
7.	AIA	89.50	90.79	90.43	NA	NA

NA: Not available

Source: Statistical and A & T cell of the Corporation, Annual Administration Report of KSRTC for 2013-17 and Reports of Ministry of Road Transport & Highways (MoRTH).

[13] 249 x 1.51 lakh = 3.76 crore (calculated on the basis of average scrap value realized by the Corporation during 2017-18 for scraping 31 buses.

It could be seen from ***Table 5.2*** that, during 2013-18, there was significant reduction of 14.24 *per cent* in the fleet utilisation of the Corporation from 63.23 *per cent* (2013-14) to 48.99 *per cent* (2017-18). The low fleet utilisation was primarily attributable to:

- frequent breakdowns (***paragraph 5.15);*** and
- long periods of shut down for repair and maintenance of buses ***(paragraph 5.17)***

The Corporation (November 2018) and the Government (December 2018) stated that low fleet utilisation was due to existence of 249 overaged buses in its fleet. Besides, long shutdown of buses for repairs, breakdown of overaged buses and frequent bandh called by different organizations had also adversely affected the fleet utilisation.

The reply of the Corporation was not tenable, as there had been a decline in the percentage of fleet utilisation from 63.23 *per cent* (2013-14) to 48.99 *per* cent (2017-18) despite addition of 577 new buses by the Corporation during 2013-18 as against 249 overaged buses existed in its fleet as on 31 March 2018. This was due to increase in off-road buses from 325 (2013-14) to 660 (2017-18), which indicated inadequate utilisation of new buses for want of regular and timely R&M works.

Recommendation No. 3*: The Corporation needs to take steps to increase the fleet utilisation by regular maintenance of buses and improve utilisation of the newly added buses.*

Vehicle Productivity

5.12 Vehicle productivity refers to the average km run by each bus *per* day in a year. The vehicle productivity of the Corporation *vis-à-vis* the All India Average (AIA) in this regard for the last five years ending 2017-18 has been shown in ***Table 5.3.***

Table 5.3: Vehicle productivity of the Corporation *vis-à-vis* the All India Average during 2013-14 to 2017-18.

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Vehicle productivity (*Kilometre run per day per bus*)						
1.	Corporation	202	207	183	176	190
2.	All India Average (AIA)	304.10	308.60	305.59	305.59[14]	

Source: A & T and Statistical cell of the Corporation & MoRTH's reports.

[14] Adopted the figures of 2015-16 as AIA for 2016-17 & 2017-18 not available.

From the ***Table 5.3***, it could be noticed that the vehicle productivity achieved by the Corporation during the last five years ending 31 March 2018 ranged between 176 (2016-17) and 207 (2014-15) km run *per* day *per* bus held, which was far below the AIA for the corresponding years. Under achievement of vehicle productivity was mainly attributable to non-operation of buses in all the identified routes (***paragraph 5.14)*** and high incidence of cancellation of scheduled km due to frequent breakdown of buses (***paragraph 5.15***). The low vehicle productivity of buses had caused non-recovery of the operational cost and consequent operational losses of the Corporation during all the five years covered in audit.

The Corporation (November 2018) and the Government (December 2018) attributed the low vehicle productivity to traffic jam and poor road conditions. It was further stated that floods had badly affected the State in almost every year, during which bus services could not be operated properly.

The reply was not acceptable, as the Corporation did not provide any documentary evidence in support the plea regarding traffic jam, poor road conditions and flood. Further, the Corporation should have overcome the problem of low vehicle productivity through proper route planning and maintenance of buses.

Recommendation No. 4*: The Corporation may increase the vehicle productivity through proper routes survey and augmentation of its fleet strength.*

Load Factor

5.13 The Capacity utilisation of a transport undertaking is measured in terms of load factor, which represents the percentage of passengers carried to seating capacity. The Corporation calculated load factor as a ratio of actual passenger earnings to the realisable revenue as per the available seating capacity and accordingly fixed (December 2003 and December 2016) the load factor target of 80 *per cent*.

It was seen that, the load factor of the Corporation for five years (2013-18) ranged between 71.42 *per cent* (2013-14) and 77.51 *per cent* (2017-18), which was below the targeted load factor of 80 *per cent*. The main reasons for non-achievement of the targeted load factor were:

- non-operation of buses on all the economic routes (***paragraph 5.14***);
- ineffective control mechanism to avoid presence of ticketless travellers {***paragraph 5.26 (iv)***}; and
- non-implementation of Intelligent Transport Management System for surveillance and monitoring of bus operation. {***paragraph 5.25(v)***}

The Corporation (November 2018) and the Government (December 2018) stated that after introduction of new railway routes in the State by GoI during 2013-18, the public generally preferred to travel by train. It was further stated that the Corporation had to operate its buses in remote areas in the interest of the public. As such, it had to incur losses in terms of low load factor for those services.

The reply was not acceptable as the Corporation should have carried out proper need based analysis of the fleet requirement to effectively plan its operations on economic and un-economic routes so as to optimise its revenue generation.

Route Planning

5.14 The Corporation had no mechanism of route planning till 2016-17. The Corporation undertook the process of route planning only in September 2017 and had identified (September 2017) the bus routes under two categories *viz.,* economic[15] and un-economic[16].

Audit observed that out of 113 un-economic routes identified by the Corporation, it had placed buses (70 buses) on 68 routes. Similarly, out of 110 identified economic routes, the Corporation placed its buses (199 buses) on 84 economic routes only. Thus, as on 31 March 2018, the Corporation could not place its buses on the remaining 26 economic routes which included 17 long distance (*i.e.* 300 km and above) routes. Audit observed that despite facing the problem of low operational revenue, the Corporation did not explore the possibility of operating its buses on the left out economic routes.

The Corporation (November 2018)/Government (December 2018) stated that the Corporation had to operate buses in the remote areas in order to fulfil its social obligation where private bus operators did not offer bus services.

The reply was not acceptable, as the Corporation did not evolve proper mechanism to optimize the operation of buses on economic routes to increase its revenue generation while fulfilling its social obligation.

Recommendation No. 5*: The Corporation should increase the load factor by undertaking route-wise profitability analysis and control the losses while fulfilling its social obligation.*

[15] Economic routes are those routes where the services could recover total cost (*i.e.* variable as well as fixed).

[16] Un-economic routes are those routes where the services could not recover total cost (*i.e.* variable as well as fixed).

Cancellation of Scheduled Kilometres

5.15 Scheduled km is the sum of km approved for operation of all buses scheduled for the day. It was observed that the percentage of cancellation[17] of scheduled km in respect of the buses of the Corporation for the four years ending March 2018, ranged between 26.70 *per cent* in 2015-16 and 30.51 *per cent* in 2016-17. As such, the Corporation could not operate 5.96 crore km against the scheduled km during the five years (2013-18).

While comparing the position with KSRTC for the same period, it was observed that the percentage cancellation of scheduled km of the Corporation was much higher than that of KSRTC, which ranged between 2.70 *per cent* (2013-14) and 4.90 *per cent* (2016-17) during the four years[18] ending March 2017.

A review of the operations of buses indicated that high percentage of cancellation of scheduled km in the Corporation was due to frequent breakdown of buses. The breakdowns were mainly due to various mechanical faults (such as, failure of pressure plate, clutch disc, vacuum leak, diesel oil leakage, fuel injection pump failure *etc*.), which could have been minimised through proper maintenance service of its buses. It was noticed that in 3[19] out of the 4 Divisional Offices of the Corporation selected for detailed scrutiny, the rate of breakdown of buses on road per 10,000 effective km varied from 0.36 (2016-17) to 0.54 (2013-14) during the period 2013-17. The rate of breakdown was much on a higher side as compared to KSRTC rate that varied from 0.03 (2016-17) to 0.04 (2013-14) during the same period.

The Corporation/Government (December 2018) stated that the Corporation could not achieve scheduled km due to breakdown, overaged buses, accidents, flood, bandh called by different organisations etc.

No documentary evidence/data was, however, provided by the Corporation/Government in support of their claim regarding cancellation of scheduled km due to overaged buses, accidents, flood, bandh.

Recommendation No. 6*: The Corporation may record and analyse reasons for cancellation of scheduled kms and take a corrective action.*

---

[17] It represents the difference between the year wise figures of scheduled km and gross km actually operated.

[18] Figure for 2017-18 in respect of KSRTC not available.

[19] Sibsagar, Guwahati and City Service Divisions. The Corporation, however, had not provided the required information in respect of Jorhat Divisional office despite repeated requests by Audit.

Fuel efficiency

5.16 Fuel efficiency is measured in terms of average km obtained *per* litre of High Speed Diesel (HSD) oil, which is commonly referred to as km *per* litre (KMPL).

Table 5.4: KMPL achieved by the Corporation *vis-à-vis* KSRTC and AIA

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Gross kms operated (in lakh)	291.70	299.38	313.25	278.94	302.90
2.	Fuel Consumption (in lakh litres)	78.68	78.81	82.68	75.15	81.82
Kilometres per litre (KMPL)						
3.	Corporation (1/2)	3.70	3.80	3.79	3.71	3.70
4.	AIA	4.29	4.26	4.29	4.29[20]	
5.	KSRTC	4.76	4.82	4.83	4.84	

Source: Statistical and A & T cell of the Corporation, Annual Administration Report of KSRTC for 2013-17 and Reports of Ministry of Road Transport & Highways (MoRTH).

As could be seen from ***Table 5.4,*** the fuel efficiency of the buses operated by the Corporation showed a decreasing trend after 2013-14 and the same decreased from 3.80 KMPL in 2014-15 to 3.70 KMPL in 2017-18. The KMPL of the Corporation was much below than that of KSRTC and AIA during all the five years under reference. Low fuel efficiency of the buses of the Corporation had resulted in excess consumption of 50.32 lakh litres of HSD during 2013-18 leading to extra expenditure of ₹ 29.27 crore[21]. The low fuel efficiency was mainly attributable to improper driving habits of drivers and poor maintenance of buses. The Corporation however, had not devised an effective monitoring mechanism to analyse the reasons for low fuel efficiency and ensure skill development of drivers to improve the performance of the buses.

The Corporation (November 2018) and the Government (December 2018) attributed non-achievement of better fuel efficiency of buses to poor road conditions and congestion of vehicles on the road. It was, however, stated that the Corporation had taken initiative for improving fuel efficiency by imparting training to drivers/mechanics *etc*.

The reply was not acceptable as the Corporation needs to put in place an appropriate mechanism to monitor vehicle wise and driver wise data on consumption of fuel so as to exercise effective managerial control over consumption of fuel.

Recommendation No. 7*: The Corporation may devise an effective monitoring mechanism to record and analyse the reasons for high consumption of fuel and take appropriate remedial action to improve the performance and fuel efficiency of its buses.*

---

[20] Due to non-availability of figures for 2017-18 the previous year's figures have been adopted.

[21] Average rate of HSD (in ₹) x Excess consumption (in crore litres).

Repair and maintenance

5.17 The Corporation did not maintain vehicle-wise data of R&M expenditure, which was necessary for working out the economy of maintaining different variant of buses. A summarized position of fleet available, effective fleet, buses held up for repair, total R&M expenditure of the Corporation for the last five years up to 2013-18 has been given in ***Table 5.5***:

Table 5.5: No. of buses available by the Corporation *vis-à-vis* R&M expenditure incurred during 2013-14 to 2017-18

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total Fleet Strength (in number)	884	1,033	1,252	1,306	1,294
2.	Average fleet (Buses available for operation)	751	815	1,090	1,165	1,110
3.	Average buses on road (in number)	559	570	668	614	634
4.	Buses held up for repairs (2-3)	192	245	422	551	476
5.	R&M Expenses (₹ in crore)	9.61	9.13	5.71	4.37	5.06
6.	R&M Expenses per bus in ₹in lakh (5/2)	1.28	1.12	0.52	0.38	0.46

Source: Statistical cell of the Corporation

In this connection, following observations are made:

- Though the number of busses held up for R&M increased from 192 in 2013-14 to 476 in 2017-18, there was decrease in R&M expenditure during the same period, which was mainly due to failure of the Corporation to provide funds for procurement of spares.
- The Corporation lacked technical expertise to carry out R&M works relating to standard and premium category of buses inducted (April 2015) under the JnNURM Scheme. This had resulted in accumulation of buses held up for R&M.
- The Corporation did not fix and norms or timeframe for disposal of minor and major repairs of the buses. In absence of any norm, the reasonability of the time consumed by the Corporation to carry out the R&M works could not be assessed.
- Audit observed that out of 494 buses held up (January 2016 to March 2018) for major and minor repairs, the Corporation could complete the repair works of 428 buses till March 2018. The completed repair works included major repairs of 97 buses (in 4 to 299 days) and minor repairs of 331 buses (in 3 to 86 days). The repair of balance 66 buses remained pending for unreasonable periods of 40 to 809 days. As a result, the Corporation had lost 11,937 bus-days against these 66 unrepaired buses thereby causing loss of potential revenue of ₹ 5.58 crore[22].

[22] No. of days lost x Earning per bus per day i.e. 11,937 bus-days' (Days lost due to buses held for repairs) x ₹ 4,673 per day (Average earning per bus per day during 2013-18) = ₹ 5.58 crore.

The Corporation (November 2018) and the Government (December 2018) stated that the Corporation would take necessary steps to maintain vehicle wise data on repair and maintenance and ensure adequate training of workshop staff.

The fact remained that the remedial action proposed by the Corporation was too late considering the poor state of affairs of the Corporation, which have been persisting for a long period.

Recommendation No. 8*: The Corporation may maintain records of vehicle-wise data of R&M expenditure, which is necessary for working out the economy of maintaining different variant of buses. Further, the Corporation should set standard norms for carrying out repair works in terms of time or days.*

Operation of Private Owned Buses (POB)

5.18 In the year 2001, the Corporation introduced 'Self-employment scheme' allowing private bus owners to operate their buses under the Corporation. As per the provisions of the scheme, private bus owners willing to operate their buses under the banner of the Corporation were provided route permits based on a revenue sharing agreement[23]. As on 31 March 2018, total 1,000 private operated buses (POB) had been operating under the banner of the Corporation. The Corporation fixed (February 2005) a minimum 25 days' operation in a month for POB and directed all officials concerned to realise fine of ₹100 per day *per* bus if operating days falls short of 25 days in a month. The overall position of POB operations *vis-à-vis* the revenue earned and penalty realised/unrealised by the Corporation during the period from 2013-14 to 2017-18 has been summarised in ***Table 5.6***.

Table 5.6: Details of POBs earning

Year	No. of POBs	Minimum number of days to be operated considering 25 days operation in a month	No. of days operated	Shortfall of days in operation	Revenue earned from POB (₹)	Penalty realised (₹)	Penalty unrealised (₹)
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)	(8)
2013-14	1,153	3,45,500	2,44,197	1,01,703	7,91,94,237	2,90,927	98,79,373
2014-15	989	2,96,700	2,15,816	80,884	6,73,40,667	3,86,788	77,01,612
2015-16	910	2,75,000	1,94,018	78,982	6,24,96,310	6,05,255	72,92,945
2016-17	854	2,56,200	1,77,642	78,558	5,72,56,662	14,99,070	63,56,730
2017-18	1,000	3,00,000	2,18,751	81,249	7,03,66,742	17,09,430	64,15,470
Total	**4,906**	**14,71,800**	**10,50,424**	**4,21,376**	**33,66,54,618**	**44,91,470**	**3,76,46,130**

Source: Statistical cell of the Corporation

Audit observed the following points in operation of the POB:

[23] As per the revenue sharing agreement, the POB owners were liable to pay to the Corporation 10 *per cent* of the fare collected from passengers at the prevailing fare rate subject to the minimum amount as fixed (2001) by the Corporation for different models of buses.

Non-realisation of penalty/fine

A. It could be noticed from the ***Table 5.6*** that there was shortfall in operation of POB owned buses by 4,21,376 bus-days out of which the Corporation realized fine against 44,915 bus-days (11 *per cent*) only. The Corporation, however, did not realise fine for shortfall of balance 3,76,461 bus-days (89 *per cent*) amounting to ₹ 3.76 crore. It was further observed that due to non-operation of minimum 25 days in a month by POB, the Corporation lost potential revenue of ₹ 11.73 crore[24] during the period 2013-18 besides frustrating the scheme objective to provide adequate and efficient transport services to the public.

The Corporation (November 2018) and the Government (December 2018) stated that due to the frequent bandh calls given by different organisations and road block due to heavy flood all over Assam, the POB could not be operated the stipulated number of days.

The reply was not acceptable as the Corporation had neither maintained any data base for the reasons mentioned above nor did it ask the POB owners the reasons for shortfall in operation of buses for minimum 25 days in a month.

Recommendation No. 9: *The Corporation should strengthen the monitoring mechanism of POB operation to ensure that buses are operated for minimum 25 days in a month. It should also maintain proper data base with reasons for shortfall in POB operation and realise penalty accordingly.*

Non-revision of rate of share

B. As per the terms of the agreement, the POB owners were liable to pay to the Corporation 10 *per cent* of the fare collected from the passengers at the prevailing fare rate of the Corporation, subject to the minimum[25] amount fixed (2001) by the Corporation for different models of buses. It was, however, observed that there was no mechanism in place to ascertain the actual revenue being collected by POB owners through operation of buses under the agreement. As such, the Corporation was realizing its share of revenue on the basis of minimum applicable rates only.

It was also noticed that the Corporation revised (October 2012) the fare structure of passengers upward for different models of buses ranging from 23 to 32 *per cent*. The Corporation, however, did not make corresponding revision in the minimum rate of share recoverable from POB owners. Considering the minimum increase of 23 *per cent* in the rate of share, the Corporation could have earned

---

24 Minimum revenue for 25 days' operation (₹ 45.40 crore) - Revenue earned (₹ 33.67 crore)

25 Minimum amount payable by POB owners was fixed based on the total km actually operated by POBs multiplied by the rate per km.

additional revenue of ₹ 7.74[26] crore against POB operations during the period of five years (2013-18).

Further, the Corporation had been allowing the private bus owners to operate their buses under the 'Self-employment scheme' since the year 2001 without following any tendering process. The Corporation, however, had never reviewed the scheme for its continuance or selecting the private operators on tendering basis even after lapse of more than 15 years.

The Corporation (November 2018) and the Government (December 2018) stated that the scheme was introduced to provide employment to un-employed youth of Assam. It also stated that revision in the share of revenue could discourage the POB owners and prompt them to withdraw their buses.

The reply was not acceptable as it is not certain that the same un-employed youths are operating these buses for more than 15 years and the nature of ownership has not changed. Further, the scheme should have been reviewed for its continuance considering poor financial health of the Corporation.

Recommendation No. 10: *The Corporation should devise proper mechanism to ascertain the actual revenue being collected by the POB owners from the passengers and collect its share of revenue accordingly. The Corporation should also carry out periodical revision in the minimum rate of share recoverable from POB owners to overcome poor financial health.*

Environmental Safety

Pollution control

5.19 The Motor Vehicles Rules, 1989, prescribed that every registered motor vehicle shall carry a valid 'Pollution under Control' (PUC) certificate issued by an authorised agency after the expiry of a period of one year from the date of first registration. The validity of such certificate shall be for six months.

In 2[27] out of the 4 Divisional Offices of the Corporation selected for detailed scrutiny, however, it was observed that the number of buses held in these two divisions increased from 334 (2013-14) to 671 (2017-18). Considering the validity of PUC certificate (six months) for each bus held, a total of 5,152 PUC certificates should have been obtained by the Corporation to operate the buses during 2013-18. The Corporation however, obtained 1,377 PUCs only, in violation of Motor Vehicles Rules. This indicated absence of an effective

[26] 23 *per cent* on ₹ 33.67 crore (Revenue earned from POB during 2013-18).

[27] Guwahati and City Service Divisions. The Corporation, however, had not provided the required information in respect of Jorhat and Sibsagar Divisional office despite the repeated requests made by Audit.

monitoring system to verify validity of PUC certificates and conducting of periodical inspection of buses to ensure compliance to the environmental laws. Thus, absence of proper mechanism in this regard points towards lack of adequate attention of the Corporation in controlling the vehicular pollution.

The Corporation (November 2018) and the Government (December 2018) stated that the Corporation had taken steps for checking of pollution norms of its buses through private pollution testing centers. It was further stated that each and every vehicle maintained in the workshops was being examined by qualified engineers so that the vehicles could provide pollution free services.

The reply is not factually correct as evident from the fact that the Corporation had obtained only 1,377 PUC certificates as against 5,152 PUC certificates required to be obtained during 2013-18.

Recommendation No. 11: *The Corporation should ensure strict enforcement of statutory provisions relating to vehicular emissions by creating sufficient infrastructure and strict monitoring mechanism.*

Financial Management

5.20 To fulfil its mandated functions, it was essential for the Corporation to maximise its operating revenue and also to tap non-conventional revenue sources to cross-subsidise its un-economical operations. The Corporation had been earning non-conventional revenue from advertisement, restaurant/shop, operations of parking and oil pumps etc. Details of operating and non-conventional revenue earned by the Corporation during the period 2013-18 have been given in ***Table 5.7.***

Table 5.7: Operating revenue *vis-à-vis* non-conventional revenue of Corporation for five years from 2013-14 to 2017-18

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17 (P)[28]	2017-18 (P)
1.	Operating Revenue	79.90	85.12	95.23	66.56	77.08
2.	Non-conventional Revenue[29]	32.12	51.47	77.38	52.94	50.32
Total (1 + 2)		**112.02**	**136.59**	**172.61**	**119.50**	**127.40**
Share of non-conventional revenue (*per cent*)		**28.67**	**37.68**	**44.83**	**44.30**	**39.50**

Source: Annual accounts (2013-16) and information furnished (2016-18) by Corporation

[28] (P): Provisional

[29] Non-conventional revenue represents the revenue earned from non-conventional sources such as income from operation of petrol pump, lease rent, advertisement, disposal of scrap, registration fees *etc*.

Non-recovery of license fee

5.21 The Corporation allotted (June 2008 to December 2017) space for ticket booking counters to 21 POB owners for their bus operations and fixed (September 2008) licence fee of ₹ 2,000 *per* month for each counter without entering into any formal agreement. Similarly, the Corporation allotted (July 2008 to November 2016) another 23 ticket booking counters to private bus operators[30] without any formal agreement and also without fixing the license fee to be recovered against the allotted counters.

Audit observed that none of the POB owners or private bus operators had been paying any license fee since allotment of counters. The Corporation had also never raised demand for payment of license fee for no reasons on records. Considering the license fee of ₹ 2,000 *per* month, the Corporation had to forego revenue of ₹ 0.77 crore till March 2018 in respect of 23 counters allotted to private bus operators and in respect of 21 POB owners, which is indicative of the fact that there was no system in place to guard against the revenue interest of the ASTC in the absence of any mechanism having been put in place. Moreover, there were also reporting and monitoring failures on the part of subordinates and senior management of the ASTC respectively, which calls for fixing of their responsibility.

The Corporation (November 2018) and the Government (December 2018) stated that necessary steps were being taken to regularise the renting arrangement of ticket booking counters and was in the process of fixing necessary terms and conditions for recovery of outstanding dues from the POB owners and private bus operators.

The reply was not acceptable as the Corporation should have taken the required action long back at the time of allotment (June/July 2008) of counters to POB owners and private bus operators. Further, it should have evolved a mechanism to take timely action for recovery of unpaid rental dues as per the agreement to ease out its critical financial condition.

Recommendation No. 12*: The Corporation should enter into formal agreements with all the allottees at the time of allotment of counters/space to safeguard its financial interest. The Corporation should also evolve proper mechanism to take timely action for recovery of unpaid rental dues. Besides, Government needs to fix the responsibility of the persons concerned for not recovering such dues from the said bus operators.*

---

[30] POB owners are the private owners who operate their buses under the banner of the Corporation whereas private bus operators operate buses independently.

Ineffective pursuance for recovery of dues

5.22 (i) The Corporation provided special bus services to various departments of the Government. The hire charges were paid by the departments concerned as per the rates fixed by Corporation. Scrutiny of records of the Corporation revealed that the accumulated claims of ₹ 3.53 crore pertaining to the period from April 2013 to March 2018 were pending for recovery from six[31] Government departments (November 2018). The accumulation of unrecovered dues was mainly attributable to delay in preference of bills and lack of persuasion on the part of the Corporation for release of payment.

The Corporation (November 2018) and the Government (December 2018) stated that reminders had been issued to the departments concerned for realization of the outstanding hire charges.

The reply was not acceptable as the Corporation had neither pursued the issue at higher level in GoA nor explored the possibility to adopt the available legal means for recovery of dues.

(ii) Oil and Natural Gas Corporation Limited (ONGC) hired 47 buses[32] from the Corporation during 2013-18. As per agreement, the bills against the hiring charges were to be cleared by ONGC within 15 days of presentation of the bills. Audit observed that during 2013-18, the Corporation had raised hire charges bills aggregating ₹ 38.84 crore on ONGC. ONGC, however, had approved the bills valuing ₹ 36.73 crore only for payment and rejected the balance bills amounting to ₹ 2.11 crore without assigning any reasons. The Corporation, however, had neither asked for the reasons nor disputed rejection of bills by ONGC.

The Corporation (November 2018) and the Government (December 2018) stated that the differential amount of bill not paid by ONGC would be examined.

The reply was not acceptable as the Corporation should have taken up the issue with ONGC at higher level for early settlement of the matter.

Recommendation No. 13*: The Corporation should ensure discipline in raising requisite claims in time and follow up recovery of outstanding dues.*

Diversion of project fund

5.23 GoA sanctioned 65 infrastructure development projects for construction of workshops, station buildings, yards, boundary walls etc. and accordingly released (2013-18) the entire sanctioned cost of ₹ 45.09 crore to the Corporation. As

[31] Health, Education, Tourism, Home, Sports' & Youth Affairs and Parliamentary Affairs Department.

[32] 67 buses during the period April to November 2017.

against this, the Corporation utilised ₹ 16.45 crore[33] only (₹ 6.64 crore on 10 completed projects, ₹ 9.03 crore on 46 incomplete/ongoing projects[34] and ₹ 0.78 crore on 'preliminary expenses' of another 4 projects[35]). The works in respect of remaining 5 projects could not be taken up due to non-availability of land. Further, an amount of ₹ 26 crore was diverted by the Corporation towards payment of salaries to its employees.

The project funding provided by GoA was specific for execution of the projects sanctioned from time to time during 2013-18. As such, diversion of said funds without the prior approval of GoA was not permissible as it could hamper the progress of works. Contrary to this, the Corporation had irregularly diverted (2014-15) ₹ 26 crore out of the balance fund of ₹ 28.64 crore (₹ 45.09 crore *minus* ₹ 16.45 crore) towards payment of 'salaries' without prior approval of the sanctioning authority (GoA). The said diversion was approved by the Board of Directors (BoD) of the Corporation as a temporary measure to meet the 'salaries expenses' in view of the financial crunch faced by the Corporation. The diversion of project funds was in addition to the year-wise revenue grants ranging from ₹ 25.55 crore (2013-14) to ₹ 59.20 crore (2017-18) provided by the GoA during 2013-18 towards 'salaries and related expenses' of the Corporation. It was further noticed that the Corporation could not recoup the project funds so diverted so far (May 2019).

Audit observed that the approval of diversion of project funds was irregular as the BoD was not competent to allow utilisation of project funds on other purposes. The action of the Corporation was indicative of its inability to generate sufficient revenue to meet its operational expenses. Due to diversion of project funds, execution of works had suffered and resultantly, 46 out of 65 works remained incomplete mainly due to non-availability of funds.

Audit further observed that after diversion (₹ 26 crore) and expenditure on 10 completed works (₹ 6.64 crore), the Corporation had the available funds of ₹ 12.45 crore. Since the available fund (₹ 12.45 crore) was not sufficient to complete all the pending works, the Corporation should have prioritised execution of the remaining projects based on the project-wise cost so as to complete maximum number of pending projects with the available funds. Based on this analogy, the Corporation could have completed another 33 projects[36] ***(Appendix 8)*** with the available funds. As a result of non-prioritisation of projects

---

[33] Awarded cost: ₹ 7.01 crore (10 completed projects) and ₹ 39.09 crore (46 ongoing projects).

[34] Physical progress of 46 projects as on 31 March 2018 ranged between 10 *per cent* and 98 *per cent*.

[35] Corporation could not provide the status of execution of these 4 works.

[36] Number of shortlisted project based on project-wise awarded cost from lowest to highest.

for execution, however, all the 46 projects taken up by the Corporation with the available funds remained incomplete after spending ₹ 9.03 crore.

The Corporation was formed with the objective to provide an efficient, adequate, economical and properly coordinated public road transport services in the State. At present, the Corporation caters to the transportation services to public at a very low scale (7.52 per cent of the public transport services in the State) and was not even able to meet its operational costs, including the salaries expenses of its staff despite regular financial support being provided by the Government. Hence, the purpose for which the Corporation was formed is not being served. Government may, therefore, review the continuance of operations of the Corporation after taking into account the above mentioned aspects.

Audit analysed 7 out of 46 projects lying incomplete as of June 2018 as detailed in ***Table 5.8***:

Table 5.8: Status of execution of seven incomplete projects

Sl. No.	Name of the work	Amount Sanctioned/ released (₹ in crore)	Month of Work Order	Awarded cost (₹ in crore)	Scheduled Completion periods (Date)	Payment Released (₹ in crore)	Delay till March 2018 (in months)	Completion (*per cent*)
1.	Development of Modern Workshop at Jorhat	2.00	April 2014	1.93	6 months (October 2014)	1.03	41	50
2.	Construction of Divisional Workshop at Rupnagar	3.00	March 2014	2.89	6 months (September 2014)	2.52	42	70
3.	Construction of Bus Station Building at Chirang	5.00[37]	March 2013	4.59	24 months (March 2015)	1.09	36	27
4.	Construction of Station Building/Yard at Tezpur	3.00	October 2014	1.93	18 months (April 2016)	0.52	23	80
5.	Development of Workshop at ISBT, Guwahati	1.50	April 2015	1.46	9 months (January 2016)	0.60	26	50
6.	Construction of Station Building at Bongaigaon	3.00	August 2014	2.85	18 months (March 2016)	0.40	24	40
7.	Construction of RCC bridge over river Bharalu	1.50	November 2014	1.41	18 months (June 2016)	0.21	21	15

Source: Statistical cell of the Corporation

Audit observed the following in execution of the above-mentioned works:

Undue financial aid to the contractor

(i) In respect of work at ***Sl. No. 2*** in the ***Table 5.8***, the Corporation released payment (₹ 2.52 crore) against the work done (₹ 2.02 crore) without adjusting the advance payment (₹ 0.50 crore) made to the contractor. The Corporation had also

[37] Fund actually released by GoA was ₹ 2 crore only.

released performance security of ₹ 0.25 crore to the contractor despite non-completion of work and pending adjustment of advance (₹ 0.50 crore).

The Corporation (November 2018) and the Government (December 2018) stated that for early execution of work, the Corporation had released advance to the contractor. It was further stated that the performance security deposit was released to the contractor due to non-payment of the contractor's bills for a long time.

The reply was not acceptable as release of performance security despite having an unadjusted advance and pending completion of work was contrary to the provisions of the bid documents and lacked justification.

The Government/Corporation should fix responsibility for the lapses committed by the officials concerned.

Unfruitful expenditure

(ii) In respect of work at ***Sl. No. 7*** in the ***Table 5.8***, the Corporation had to stop the construction of RCC bridge due to the objection raised (August 2015) by Guwahati Municipal Corporation (GMC) for commencement of work with faulty design and without obtaining NOC from the Water Resource Department of GoA as well as necessary construction permission from GMC. As a result, the expenditure of ₹ 0.21 crore incurred on the project work proved unfruitful.

The Corporation (November 2018) and the Government (December 2018) stated that necessary steps were being initiated to rectify and address the objections raised by GMC.

The reply was not acceptable as the Corporation did not obtain the NOC and necessary permission before commencing the construction work. Further, as per records (November 2015) of the Corporation, the design and drawing of the bridge did not have any scope to increase the height of the bridge and hence, the expenditure (₹ 0.21 crore) incurred on the project had proved to be unfruitful.

Recommendation No. 14**:** *The Corporation should avoid diversion of project specific funds without prior approval of sanctioning authority as it results defeating the intended purpose of the project. In case of financial difficulties faced in its operations, the Corporation should approach the Government for necessary financial support.*

The Corporation should ensure compliance of various codal provisions to protect the financial interest and obtaining of necessary permissions before commencement of any work to avoid hindrances during execution.

Benefits of JnNURM Scheme not availed

5.24 The Ministry of Urban Development (MoUD), GoI sanctioned (August 2013) an Additional Central Assistance (ACA) as grant for procurement of 10,000 buses and ancillary infrastructure for urban transport under the JnNURM scheme. The scheme covered all cities/towns/urban agglomeration in India. The projects under the scheme included procurement of buses; creation of Intelligent Transport Management System[38] (ITMS) and ancillary infrastructure like construction/upgradation of depots/terminals, control centre *etc*. As per the provision of the scheme, the GoI was to provide 90 *per cent* of project cost as grant while the balance 10 *per cent* of project cost was to be contributed by GoA. GoI further stipulated that the projects under the scheme would be sanctioned to the States on 'first come first serve' basis.

Based on the project proposal submitted (December 2013) by GoA, the MoUD sanctioned (January 2014) the proposal for procurement of 400 buses (₹ 191 crore) and development of ancillary infrastructure project (₹ 22.31 crore) for Guwahati City. Subsequently, MoUD sanctioned (January 2014) the ancillary infrastructure project (₹ 22.31 crore) while it restricted (September 2014) the sanction to ₹ 122.22 crore for procurement of 330 buses only. The works under ancillary infrastructure project included ₹ 18.61 crore for development of two depots and ₹ 3.70 crore for creation of ITMS infrastructure at Guwahati.

Audit observed that though the Corporation procured 300 buses out of JnNURM scheme funding (discussed under ***paragraph 5.25***), it could not avail the funding for development of ancillary infrastructure project due to non-submission of the copies of work orders to MoUD within the prescribed period (by March 2014) as stipulated under the scheme. Examination of the records of the Corporation revealed that the Corporation had initiated (December 2014) the process of tendering after 11 months of sanctioning (January 2014) of the project by MoUD. As a result, the Corporation could not submit the work orders to MoUD and meanwhile the funding of all pending projects under the scheme was stopped (August 2015) by MoUD. Thus, due to failure of the Corporation to submit the work orders to MoUD within the prescribed time, it could not avail the benefit of ₹ 22.31 crore under the scheme for development of infrastructure.

The Corporation (November 2018) and the Government (December 2018) stated that due to parliamentary election process during that period, there was delay in initiating the tendering process. It was, further, stated that the delay was also due to involvement of the Corporation in the procurement process of 300 buses under the same scheme.

---

[38] ITMS is the application of sensing, analysis, control, and communication technologies to ground transportation in order to improve safety, mobility and efficiency.

The reply was misleading as the parliamentary election process was completed by May 2014 after which the Corporation had delayed initiating the tendering process by another six months. Further, the plea of delay due to procurement of 300 JnNURM buses was also not acceptable as the said process had completed (August 2014) one year prior to stopping (August 2015) of the scheme funding by MoUD and the Corporation still had the opportunity to submit the requisite documents to avail scheme benefits.

Recommendation No. 15: *The Corporation should ensure that a proper system is put in place to oversee compliance of conditionality of the sanctioned scheme to avail the benefits of Government funding for improvement of the public transport system in the State.*

Implementation of the JnNURM Scheme

5.25 As discussed under ***paragraph 5.24*** *supra,* GoI sanctioned (January 2014) ₹ 191 crore for purchase of 400 buses which was subsequently revised (September 2014) to ₹ 122.22 crore (GoI share: ₹ 109.99 crore and GoA share: ₹ 12.23 crore) restricting the procurement to 330 buses. GoI, accordingly released (September 2014 and April 2016) ₹ 99.01 crore out of its share of ₹ 109.99 crore to GoA. The GoA released (April 2015 and December 2016) ₹ 109.52 crore (including GoA share of counterpart fund amounting to ₹ 10.51 crore) to the Corporation for implementation of the Scheme. The Corporation submitted (February and December 2016) a Utilization Certificate (UC) against the fund (₹ 109.52 crore) released by GoA. As the scheme was closed in March 2017 before release of final instalment of ₹ 12.70 crore by GoI (₹ 10.98 crore) and GoA (₹ 1.72 crore), the Corporation could procure only 300 buses. The details of buses procured are given in ***Table 5.9***.

Table 5.9: Status of procurement of buses under JnNURM Scheme

Sl. No.	Particulars	Ashok Leyland Limited (ALL) (Standard AC)	Volvo Buses India Limited (VBIL) (Premium AC)	Tata Motors Limited (TML) (Midi Non-AC)	Total
1.	No. of buses delivered	78	22	200	300
2.	Cost Per bus including taxes (₹ in crore)	0.61	1.00	0.25	-
3.	Total Cost including taxes (₹ in crore)	47.58	22.00	50.00	119.58
4.	Amount Paid (excluding VAT) (₹ in crore)	43.67	17.93	45.24	106.84
5.	Scheduled date of delivery	October 2015	December 2015	July 2015	-
6.	Period of delivery	July 2015 to April 2017	July 2015 to September 2017	March 2015 to August 2015	-
7.	Delay in months	18	21	-	-
8.	No. of buses supplied after scheduled date	57	16	-	73

Source: Statistical cell of the Corporation

Audit observed the following deficiencies in execution of the project:

Loss due to non-compliance to bid declaration

(i) Ashok Leyland Limited (ALL) had quoted a rate (base price) of ₹ 49.30 lakh *per* Standard AC buses to the Corporation with an undertaking regarding not quoting of a lower rate to any institutional buyer for the same specification bus than the rate offered to the Corporation under the scheme. The Chief Engineer (Automobile & Traffic), however, pointed out (July 2014) the instance of quoting lower rate (₹ 47.54 lakh per bus) by ALL for same specification of bus to be supplied in Jaipur (Rajasthan) and as such, asked ALL to reduce the rate. ALL however, did not respond to any response to the request of the Chief Engineer (Automobile & Traffic). It was observed that the Corporation issued (August 2014) supply order to ALL at the quoted rate of ₹ 49.30 lakh *per* bus for 78 buses in contravention to the terms of bid document and without bringing this fact to the notice of the BoD. This resulted in a loss of ₹ 1.37[39] crore to the Corporation.

In reply, the Corporation (November 2018) and the Government (December 2018) stated that ALL manufactured buses at Rajasthan and as such it had quoted lower rate in Jaipur compared to the rate quoted in Assam. The Corporation further stated that to avoid delay in implementation of the scheme it had accepted the higher rate of ALL.

The reply was not acceptable as in view of the fact that the loss pointed out by Audit on account of rate difference has been worked out based on the base price of the bus (excluding taxes and transportation), which was lower in Jaipur. Further, the Corporation did not make any efforts to negotiate with ALL for reduction of price and issued the supply order without intimating this fact to the BoD, for which responsibility may be fixed.

Avoidable payment of taxes

(ii) The quoted price of VBIL included ₹ 0.61 lakh per bus towards Road/Border taxes. The Corporation paid (June 2015) entry tax amounting to ₹ 24.44 lakh to GoA for delivery of 6 buses. The GoA had exempted (August 2016) the Corporation from payment of entry tax on another 6 buses. Further, the Corporation had requested (March 2018) GoA for waiver of entry tax on all the 22 buses received from VBIL along with refund of entry tax already paid. It was observed that though the Corporation had paid and requested GoA for waiver of entry tax, it had irregularly released ₹ 12.20 lakh[40] to VBIL towards payment of

[39] 78 buses x (₹ 49.30 lakh - ₹ 47.54 lakh)
[40] 20 buses x ₹ 0.61 lakh per bus

Road/Border taxes in respect of 20 out of 22 buses. The payment against remaining two buses was pending to be released by the Corporation.

In reply, the Corporation (November 2018) and the Government (December 2018) accepted the fact and stated that it had paid the part of road tax to VBIL through oversight and the same would be recovered from VBIL through adjustment against their future payment.

The fact, however, remains that the Corporation was yet to recover the amount from VBIL.

Non-renewal of Performance Security

(iii) As per the terms of the agreement, ALL was required to submit Performance Security (PS), which shall remain valid during the warranty period[41]. The suppliers submitted the PS effective from the date (August 2014) of supply order. It was observed that there was delay in delivery of the buses by the suppliers. As a result, the PS valuing ₹ 0.52 crore submitted (January 2015[42]) by ALL against 17 buses supplied (April 2017) had expired (August 2017) even before completion of their warranty period (March 2019). The Corporation did not ask ALL to extend the validity of PS. As the buses had not completed two years so far (November 2018) after the date of delivery, the Corporation was at a risk for recovery of expenses, if any, against any performance related issues.

In reply, the Corporation (November 2018) and the Government (December 2018) accepted the fact and stated that it did not ask the party for extending the date of validity of PS through oversight.

The fact remains that the Corporation failed to adhere to the terms and conditions of agreement and safeguard its financial interest.

Delayed/non-submission of Performance Security

(iv) As per the terms of the purchase order, in case of delay beyond 30 days in submission of PS from the date of purchase order, the Corporation shall levy/deduct penalty at 0.5 *per cent* of the Performance Security (PS) amount required to be deposited (*viz*. 5 *per cent* of the total value of procurement order) for delay of each week or part thereof. It was observed that against the requirement of PS of ₹ 1.10 crore[43] for supply of buses to be submitted within 27 August 2014, VBIL submitted (July 2015) PS of ₹ 0.31 crore. VBIL had not submitted balance PS of ₹ 0.79 crore. Despite delayed/non-submission of PS, the

---

[41] 60 days after expiry of two years from delivery or operation of two lakh km for the buses supplied, whichever was earlier.

[42] Valid up to August 2017.

[43] 5 *per cent* on 22 buses at ₹ 1 crore.

Corporation did not levy/deduct penalty amounting to ₹ 0.88 crore (till September 2018).

The Corporation (November 2018) and the Government (December 2018) stated that it had given more importance on early implementation of the scheme and placing the buses for service to the passengers because of which it had not implemented certain regulatory clauses in the greater interest of public service.

The reply was not acceptable as the Corporation failed to enforce the terms and conditions of the agreement on the bus suppliers, which was against the financial interest of the Corporation in case of any exigencies.

Unfruitful expenditure on Intelligent Transport System

(v) The 300 buses procured by the Corporation were equipped with facilities of Intelligent Transport System[44] (ITS) such as camera, electronic display system, and other devices for enabling the GPS communication with the Central Control and Monitoring Station. The ITS was meant for effective surveillance and monitoring of the buses operated by the Corporation. In order to harness benefit from the facilities of ITS in the buses, GoI sanctioned (January 2014) ₹ 3.70 crore for development of Intelligent Transport Management System (ITMS) infrastructure at Guwahati which the Corporation could not avail due to non-submission of the copies of the work orders to GoI in time (as discussed under ***paragraph 5.24*** *supra*). Subsequently, the Corporation without receiving any commitment/assurance from GoA to provide funding for ITMS work, invited (June 2015) tenders for this purpose. The Corporation thereafter submitted (November 2015) a proposal to the GoA for funding the ITMS project. The Corporation, however, had to cancel (November 2016) the tender due to non-receipt of required funds from GoA. The Corporation did not pursue with the GoA for release of the fund thereafter nor did it endeavour to arrange funds from other sources. As a result, the in-built ITS facilities provided in JnNURM buses at a cost of ₹ 9.13 crore could not be utilised defeating the intended objectives of the Scheme.

The Corporation (November 2018) and the Government (December 2018) stated that though it had floated tender for implementation of web based ITMS, the same had to be cancelled due to non-receipt of fund from GoA.

The reply was not acceptable as the GoA failed to provide funding for ITMS work despite being specifically requested by the Corporation. Further, the Corporation also did not endeavour to arrange necessary funds for this purpose from other sources.

---

[44] ITS is the application of sensing, analysis, control, and communication technologies to ground transportation in order to improve safety, mobility and efficiency

Internal Control and Monitoring

5.26 Internal control and monitoring are essential parts of the management activity. An efficient and effective system helps the management in achieving its laid down objectives, compliance to procedure and financial discipline. The deficiencies noticed in the internal control and monitoring system of the Corporation have been discussed below:

(i) Audit observed that the Management Information System (MIS) reports furnished by the Divisional Offices were not adequate as the MIS reports did not cover some important operational parameters such as make-wise performance of buses, frequency of breakdown, details regarding scheduled trips, cancellation of trips and reasons thereof, target and performance of workshops *etc*. Due to non-coverage of these important operational parameters, the vital data with respect to divisional level operations could not be reported periodically to the top management for necessary directions and timely corrective action.

(ii) The Corporation had its Internal Audit Wing (IA wing) headed by the Chief Accounts Officer. Audit observed that the functioning of the IA wing was restricted merely to monthly audits of various Divisional Offices, which included checking of revenue collected and deposited, cash and bank balances and stock position of HSD/lubricants only. The Corporation, however, did not specify the works to be taken up by the IA wing and the system of reporting deficiencies noticed to the top management for necessary remedial action. Hence, the objective evaluation of many important operational areas such as purchase and use of spare parts and stores, consumption of HSD/lubricants by vehicles, bills and claims and compliance to the terms and conditions of agreement/contracts, *etc.* remained outside the purview of the IA.

(iii) As per the provision of the Road Transport Act, 1950, BoD of the Corporation was required to hold minimum four meetings every year. The BoD of the Corporation, however, held only 11 such meetings during the period 2013-18, as against the minimum required 20 meeting. Due to not holding of required number of meeting, the BoD could not effectively fulfil its role to provide necessary guidance/instructions and undertake regular review and monitoring of the activities of the Corporation for its smooth operations.

(iv) The Corporation had a vigilance wing conducting surprise checking of buses to detect ticketless travellers and pilferage of cash by bus drivers/conductors. The Corporation, however, did not fix any target on minimum number of such checks to be carried out by the vigilance wing in a month/year. It was observed that during the last two years (2016-17 and 2017-18), the Corporation had carried out vigilance drive on 26 occasions in 256 buses plying on different routes and detected 2,225 passengers without tickets. The fact stated above confirmed presence of ticketless passengers and the negligence of duty on the part of the conductors for not issuing tickets to the passengers. Further, it also indicated the inability of the Corporation to enforce proper monitoring and control on issue of tickets to avert ticketless travel.

The deficiencies as discussed above indicated absence of an effective management control system besides lack of accountability at different levels of Management.

The Corporation (November 2018) and the Government (December 2018) stated that:

- a new MIS cell had been created and same would be made functional on receiving the required infrastructure;
- collection of operational data and proper analysis thereof would be carried out henceforth regularly; and
- the Corporation was in process of implementing E-Ticketing system in the buses, which would be a better device for preventing pilferage of cash.

Recommendation No. 16: *The Corporation should develop a proper MIS system incorporating all operational parameters in order to exercise effective control over its operational areas.*

Conclusion

- The Corporation had a very crucial role in ensuring availability of public transport in the State, especially in areas, which were not served by any other transport utility. In order to play this role, the Corporation needed to have proper short-term and long-term plans in place for conducting operations in a way, so as to maximize its operational viability, at the same time discharging its obligations as a public service utility.
- The Corporation failed to effectively plan its capital expenditure to optimize benefit, maintain fleet roadworthiness through regular preventive maintenance, replacement of overaged buses and addition of new buses in its fleet to keep pace with the demand for public transportation.
- The net worth of the Corporation had been eroded prior to 2013-14 and the Corporation continued to incur heavy losses during all the five years under review.

- The Corporation could not recover the cost of operations in any of the five years reviewed due to operational inefficiencies and high cost of operations.

- The Corporation had not devised proper MIS to evaluate operational performance against vital operational parameters. As a result, an effective control and monitoring of the operations of the Corporation to ensure optimum performance level was missing.