# FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

## COMMITTEE
## ON
## PUBLIC UNDERTAKINGS
## (2016-2019)

**THIRTY FIRST REPORT**

(Presented on 18th May 2017)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2017

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

# COMMITTEE
# ON
# PUBLIC UNDERTAKINGS
# (2016-2019)

## THIRTY FIRST REPORT

## On

## KERALA STATE ROAD TRANSPORT CORPORATION

**(Based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 2009, 2013 and 2014)**

890/2017.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)

**Composition of the Committee**

*Chairman:*

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*Members:*

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Shri K. B. Ganesh Kumar

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*Legislature Secretariat :*

Shri V. K. Babu Prakash, Secretary

Smt. P. K. Girija, Additional Secretary

Shri P. B. Suresh Kumar, Deputy Secretary

Smt. Deepa, V., Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2016-2019) having been authorised by the Committee to present the Report on its behalf, present this Thirty First Report on Kerala State Road Transport Corporation, based on the Reports of the Comptroller and Auditor General of India for the year ended 31 March, 2009, 2013 and 2014 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid reports of the Comptroller and Auditor General of India were laid on the Table of the House on 25-3-2010, 10-6-2014 and 23-3-2015 respectively. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto was made by the Committee on Public Undertakings constituted for the years 2014-2016 at its meeting held on 30-9-2015.

This Report was considered and approved by the Committee (2016-2019) at its meeting held on 26-4-2017.

The Committee places on record its appreciation for the assistance rendered by the Accountant General (Audit), Kerala in the examination of the Audit Paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Transport Department of the Government Secretariat and The Kerala Road Transport Corporation for placing the materials and information solicited in connection with examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government -Transport and Finance Departments and the officials of the Kerala Road Transport Corporation who appeared for evidence and assisted the Committee by placing their views before it.

C. DIVAKARAN,

*Chairman,*

*Committee on Public Undertakings.*

Thiruvananthapuram,

26th April, 2017.

# REPORT
# ON
# KERALA STATE ROAD TRANSPORT CORPORATION

AUDIT PARAGRAPH-3.8 (2013-14)

## Implementation of Build, Operate and Transfer (BOT) Projects

*Introduction*

3.8.1 The Kerala State Road Transport Corporation (Corporation) was established (March 1965) under the Road Transport Corporation Act, 1950 to provide road transport services and other ancillary services in the State. The Corporation with a market share of 30 per cent is the principal public entity providing transport services to more than 116.34 crore passengers per annum. The Corporation has acquired sites at prime locations in cities, district and taluk headquarters of the State and has 90 units[48] located all over the State. Inorder to augment non-operational revenue, the Corporation decided to implement projects for constructing commercial complexes at Depots by demolishing existing stalls/shops. Based on the request (February 2007) of the Chairman and Managing Director, Government of Kerala (GoK) accorded sanction[49] (May 2007) to entrust the construction of shopping complex at Ankamaly Bus Station on Build, Operate and Transfer (BOT) basis by Kerala Transport Development Finance Corporation Limited(BOT Operator). As per the Government Order (October 2007), funds required for implementation of the BOT Projects would be raised by the BOT Operator. The Corporation was to receive operating fee at the rate of 50 per cent of the net monthly income[50] generated from the BOT Projects after their completion. The BOT mechanism would be operational till the total project cost together with interest is recouped by the BOT Operator from the Project. The projects would thereafter, be taken over by the Corporation.

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48 72 depots and 18 operating centres.

49 G.O. (Ms.) No. 22/7/Tran. Dated 10-5-2007.

50 Income after deducting all expenses related to operation and maintenance of the building, at the rate fixed on agreement between Corporation and BOT operator.

On the request of the Corporation, GoK accorded sanction to construct five[51] shopping complexes in November 2007 and one more at Thiruvalla Bus Station in January 2010 on the same terms, and conditions applicable to Ankamaly Project.

Total built-up area of seven projects was 15.40 lakh square feet (sq.ft.) to be constructed on Corporation's land measuring 21.98 acres at a project cost of ₹163.41 crore as given in the following table:

Table 3.9 : Total built-up area and project cost of seven projects

| Sl. No. | Name of Project | Land Area (in acres) | Total built-up area (in sq.ft.) | Estimated cost (₹ crore) |
|---|---|---|---|---|
| 1 | Thiruvananthapuram Central | 7.33 | 268926 | 35.45 |
| 2 | Thiruvananthapuram Fort | 0.85 | 143646 | 13.50 |
| 3 | Peroorkada | 3.00 | 156281 | 18.00 |
| 4 | Kozhikode | 3.00 | 325304 | 19.73 |
| 5 | Malappuram | 2.04 | 194213 | 19.73 |
| 6 | Ankamaly | 2.80 | 187647 | 22.00 |
| 7 | Thiruvalla | 2.96 | 263662 | 35.00 |
| **Total** | | **21.98** | **1539679** | **163.41** |

Out of the seven projects sanctioned, three projects at Thiruvananthapuram Fort, Peroorkada and Malappuram have not been taken up.[52] Out of the four projects taken up for implementation, Ankamaly project was completed in June 2012 and only 30 per cent of the rentable area could be allotted so far while the work in respect of remaining three projects was under progress (August 2014).

51 Thiruvananthapuram Central, Thiruvananthapuram Fort, Peroorkada, Kozhikode and Malappuram.

52 Malappuram project was not taken up due to non-viability after revision of project plan. Thiruvananthapuram Fort and Peroorkada Projects were not taken up since the Corporation did not receive any income from the completed Ankamaly Project.

***Audit Findings***

3.8.2 Audit reviewed the records of the Corporation and BOT Operator during the period from March to August 2014 relating to implementation of the BOT projects and noticed several instances of non-compliance with the Government Order as discussed in the succeeding paragraphs.

*Failure to safeguard the interests of the Corporation*

3.8.3 The Corporation had given 16.09 acres of land valuing ₹143.11 crore to the BOT Operator for executing four projects. GoK directed[53] (October 2007) the Corporation to entrust the construction of proposed shopping complex at Ankamaly on BOT basis to the BOT Operator as a pilot project. The terms and conditions prescribing mode of execution of the projects, upon which the project to be implemented was also categorically specified in the Government Order. The other BOT projects were also to be in line with Ankamaly project. Audit noticed the following deficiencies:

*Non-Compliance of Government directives*

3.8.4 The Corporation and BOT Operator had failed to comply with the directives of the Government based on which the whole projects were conceived. The non-compliance of important provisions and impact thereof are indicated below:

Table 3.10 : Statement showing non-compliance with Government directives

| Requirement as per Government Order dated 25-10-2007 | Audit Observations |
|---|---|
| *(a) Formation of Joint Venture*<br>As per clause 1 of the Sanction Order, the BOT projects were to be implemented on BOT basis as a joint venture of the Corporation and BOT Operator. | No joint venture was formed between the Corporation and BOT Operator for implementation of the projects by executing an agreement as discussed in paragraph 3.8.6 |

53 G.O.(Ms.) No. 42/2007/ Tran. Dated 25-10-2007.

| | |
|---|---|
| *(b) Completion of Project*<br>As per clause 3 of the Sanction Order, the first-phase of the projects was to be completed within 12 to 18 months from the date of commencement and the second phase of work within 24-30 months. | BOT Operator did not comply with the directive and there was abnormal delay in execution of projects as discussed in Paragraph 3.8.5 |
| *(c) Approval of Design by theCorporation*<br>As per clause 4, implementation of the project by the BOT Operator was to be based on approved design and drawings by the Corporation and no changes were to be made in the designs without approval. | As per the tripartite agreement executed among the Corporation, Architect and the BOT Operator, the designs were to be approved by the BOT Operator only. As a result, Thiruvananthapuram BOT project was carried out without the approval of the Corporation.Bus parking requirements of the Corporation were also not given due consideration. Due to this, short distance buses which were earlier operated from inside the bus terminal are now being operated from outside the terminal due to lack of parking space. Further design of Ankamaly project was subsequently changed to earmark space for Cinema theatres/multiplexes without the approval of the Corporation. |

Project wise physical and financial progress

3.8.5 BOT Operator had taken up following four projects for execution by awarding the works to the contractors. Details of award of work and the status of their implementation are given in the following table:

*Table 3.11 : Details of award of work and status of implementation:*

| Sl. No. | Name of Project | Month of Sanction | Date of Award of work | Delay in award of work (in months) | Scheduled Completion | Date of actual Completion | Delay (in months) | Revised project cost (₹ crore) | Expenditure till July 2014 (₹ crore) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Ankamaly | October 2007 | June 2008 | 8 | June 2010 | June 2012 | 24 | 22.00 | 36.51 |
| 2 | Kozhikode | Novenaber 2007 | January 2009 | 16 | January 2011 | In progress | | 43.21 | 53.28 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 3 | Thiruvanan thapuram Central | November 2007 | January 2010 | 26 | February 2012 | In progress | 55.94 | 57.98 |
| 4 | Thiruvalla | January 2010 | June 2010 | 5 | January 2012 | In progress | 35.00 | 31.56 |
| | | | | | | Total | 156.15 | 178.33 |

It may be seen from the above table that, out of the four projects taken up for implementation, the BOT Operator could complete only Ankamaly project after a delay of two years. The other three projects have not yet been completed (August 2014).

It was also noticed that the BOT Operator had issued work orders to the contractors with delay ranging from five months to twenty six months. Delay in award of works was mainly due to delay in getting administrative sanction from GoK (Thiruvananthapuram Central–14 months and Kozhikode–15 months) for revised project cost based on Schedule of Rates (SOR) 2008. Delay in award of work necessitated enhancement of project cost by ₹ 53.71 crore based on the revised schedule of rates as shown below:

*Table 3.12 : Details of cost enhancement of projects*

| Sl. No. | Name of Project | Projected Cost | Revised project cost | Enhancement |
|---|---|---|---|---|
| | | (₹ crore) | | |
| 1 | Ankamaly | 12.26 | 22.00 | 9.74 |
| 2 | Kozhikode | 19.73 | 43.21 | 23.48 |
| 3 | Thiruvananthapuram Central | 35.45 | 55.94 | 20.49 |
| 4 | Thiruvalla | 35.00 | 35.00 | -- |
| **Total** | | **102.44** | **156.15** | **53.71** |

As per the G.O., the Corporation was entitled to receive only 50 per cent of the net rental income until recovery of the project cost and interest thereon by the BOT Operator. Further, the BOT period would continue until the project cost together with interest is fully recouped by the BOT Operator. The annual interest burden on the cost incurred by the BOT Operator worked out to ₹ 26 crore[54], which would increase further till the repossession of the BOT projects by the Corporation, after BOT Operator recovers its total cost.

**Absence of agreement with the BOT Operator**

3.8.6 GoK accorded sanction, to implement the project on BOT basis as a joint venture between the Corporation and the BOT Operator. The Government Order provides that the Corporation was eligible for 50 per cent of the net monthly income generated from the BOT project after the construction period. Despite this, no agreement was executed between the Corporation and the BOT Operator, outlining the terms and conditions of the contract, rate of interest to be charged on the invested funds, treatment of security deposits collected from tenants, etc.

Absence of agreement, resulted in the following implications:

- The Corporation could not claim its share out of aggregate rental income of ₹ 2.18 crore collected at Ankamaly BOT project during September 2012- June 2014.
- Net monthly income was to be calculated after deducting all expenses related to operation and maintenance of the building at mutually agreed rates. Methodology for calculation of net monthly income was not, however, framed so far (August 2014). Besides, there was no mechanism to validate the expenses related to operation and maintenance of the building.

The BOT Operator replied that execution of the agreement was not stipulated in the Government Order dated October 2007. Reply of the BOT Operator is not acceptable since rate of interest to be charged on the invested funds, methodology for calculation and sharing of net monthly income, etc. were to be on mutually agreeable terms for which an agreement was necessary.

54 Worked out at the prevailing lending rate of 14.50 per cent to Coporation by the BOT Operator on Ankamaly, Kozhikode, Thiruvalla and Thiruvananthapuram Central projects up to July 2014.

**Deficiencies in the pre-construction phase**

*Absence of commercial feasibility reports and DPRs:*

3.8.7 Preparation of a feasibility report followed by an accurate and realistic Detailed Project Report (DPR) is the foremost activity for any project. The commercial feasibility of the project including demand assessment and projections is vital to any investment decision as it critically assesses the pay back period return on investment, long term yield of investments, etc.

The BOT Operator, with the approval of GoK, appointed (November 2007) a retired Chief Engineer of Corporation as the Chief Engineer of BOT projects for supervision and execution of BOT projects. The work assigned to him included preparation of commercial feasibility reports, activity flow chart with time lines and milestones and list of potential customers for the commercial space to be built up. It was, however, observed during audit that there were no feasibility reports/DPRs for any of the projects.

Construction of building without required permit and unwarranted surrender of land(Kozhikode).

3.8.8 As per Rule 4(2) of Kerala Municipality Rules (KMBR), 1999, no person shall construct or reconstruct or make addition or extension or alteration to any building or cause the same to be done without first obtaining a separate Building Construction permit for each such work from the Secretary of Municipality/Corporation. The BOT Operator submitted application for Building construction permit for Kozhikode BOT Project to the Secretary, Kozhikode Corporation on 23rd October, 2008 in accordance with prevailing Building Rules.

In anticipation of permit, the BOT Operator proceeded with the construction of Bus terminal-cum-Shopping Complex in March 2009 disregarding non-receipt of building permit. It was found in audit that Kozhikode Corporation suggested modifications on 31st March, 2009 and again on 17th July, 2009 which were acceded to by the BOT Operator. After clearing this, the application was forwarded to Regional Town Planner (RTP), Kozhikode for approval by BOT Operator. The Chief Town Planner(CTP), located at Thiruvananthapuram intimated (June 2012) the Chief Engineer (BOT Project) that structural

constructions already completed were in violation of Rules 31(2), 34(2), 45(2), 49(6), 55(2),117(1) of KMBR and as such approval of layout could not be granted. The CTP also intimated (November 2012) that application submitted in 2008 could not be considered in view of Government directives[55] of September 2010 on applicability of building rules to pending matters, wherein Government had clarified that building rules existing on the date of sanction would govern the matter and not those existing on the date of application.

The Corporation had surrendered (1993-94) cents of land to Kozhikkode Corporation for widening of Mavoor road (public purpose). As per Rule 79 of KMBR, relaxation in building permit was available for construction in plots part of which have been surrendered for road development. This was also confirmed in a joint meeting held (December 2012) under Chairmanship of Minister for Transport. Even though the CTP agreed to grant the Building Construction Permit on production of certificate/document of 21 cents surrendered by Corporation, the same could not be traced and submitted.

In the second meeting held in the chamber of Minister for Transport in January 2013, the RTP pointed out that, in order to avail relaxation in Building Construction permit, the Corporation had to give undertaking to surrender additional 25.30 cents of land. Accordingly, the Board of Directors of the Corporation decided (March 2013) to surrender 25.30 cents of land along the frontage of the Kozhikode Bus station for road development to Land Surrendering Committee as and when required. It was also decided by the Board that the value of land had to be fixed and recovered from BOT Operator without adjusting it to cost of project. The CMD of the Corporation while submitting the undertaking (April 2013) to surrender 25.30 cents of land, requested the Mayor, Kozhikode Corporation to grant Building Construction Permit with necessary relaxation. However, construction permit has not been received so far (August 2014). Audit scrutiny revealed the following:

- Due to carrying out the construction work without obtaining Building construction permit, it became difficult to obtain permit in view of GoK's clarification referred above.

55 Letter No. 9877/RDI/2010/LSGD.

- The Corporation was forced to submit an undertaking to surrender additional land measuring 25.30 cents valuing ₹ 4.61 crore[56] for road development due to the fault of the BOT Operator.
- The BOT Operator cannot submit Completion Report for obtaining Occupancy Certificate till regularisation of construction which will further delay in getting electricity/water connections to buildings and renting out of premises, besides payment of huge penalty for regularisation and building tax.

Thus the Bus terminal-cum-shopping complex for which an amount of ₹ 53.28 crore was incurred till date (July 2014) failed to generate any revenue. Further as the construction of shopping complex was proceeded without having Building Permit, Corporation was forced to execute an undertaking with Kozhikode Corporation authorities for surrender of 25.30 cents of land valuing ₹ 4.61 crore.

## Deficiencies in preparation of design

*Insufficient parking space:*

3.8.9 BOT projects in Angamaly and Thiruvalla had to be structurally altered during execution to accommodate facilities for cinema theatres, leading to violation of KMBR, constraints in parking space and marketing of space as discussed below:

- The BOT Operator modified the original design of the shopping complexes in Angamaly and Thiruvalla to provide space for cinema theaters with 250-500 seating capacity as proposed (July 2011) by the GoK[57] which was not envisaged in the original design. It was further observed that in response to Government's proposal to accommodate theatres in the projects, BOT Operator stated (August 2011) that it was practically impossible to provide parking facility required for theatres in

56 Based on Fair Value for 25.30 cents commercially important land published by Registration. Fair value of land is the valuation of land fixed by Government for each area. Registration charges and stamp duty are calculated based on fair value of particular land.

57 Letter No. 7185/A2/2011/Tran. dated 21-7-2011 from the Secretary to Government, Transport (A) Department.

the projects under construction as this was not considered and provided during the planning and designing stage. However, ignoring this statutory requirement, the BOT Operator provided space for cinema theatres without any further directions from the Government.

- Audit noticed that, in Ankamaly project parking space (130 cars) available was insufficient even to meet the mandatory parking requirements of three cinema theatres constructed on the 5th and 6th floors(having a total seating capacity of 800). Thus, marketing of built up space for other shops was handicapped by insufficient parking slots.

- Similarly, Thiruvananthapuram Central BOT project consisting of 12 floors(Basement, Ground floor and 10 floors) have total rentable area of 1.34 lakh sq.ft. Basement, Ground floor and the first two floors were intended for shops and business centers. Fourth to Tenth Floors, with built-up area of 0.87 lakh sq.ft., were meant to be let out for offices,banks, educational institutions, software companies, media offices, etc. Audit scrutiny revealed that as per the approved plan, 330 cars and 500 motorcycles only could be parked inside and around the Bus Terminal-cum-Shopping complex for functioning of all establishments which would be insufficient causing discouragement to the prospective tenants.

*Avoidable factors that led to cost escalation:*

3.8.10 Preparation of a strategic plan to help in prioritising, scheduling and monitoring the implementation of the projects is an essential prerequisite for ensuring that objectives of huge investment are achieved in a timely and cost effective manner. Therefore, the Corporation should have closely monitored the implementation of the projects to ensure their timely completion with minimum cost for faster recovery of the project cost. The Corporation did not monitor the execution of BOT projects. As a result, there were delays in completion of the projects and instances of incurring of avoidable expenditure as discussed below:

*Inadmissible payment of price escalation to contractors:*

3.8.11 As per General conditions of the contract executed, contractors were eligible for price escalation on steel and cement if their prices increased by 10 per cent or

The implementation of the projects was beset with many deficiencies and non-compliance to GoK Order and as a result, the BOT Operator could complete only one project (Ankamaly).

[Audit Paragraph 3.8 (3.8.1 to 3.8.17) contained in the Report of the C&AG of India for the year ended 31st March 2013]

The notes furnished by the Government in the Audit Paragraph are given in Appendix II.

AUDIT PARAGRAPH 3.9 (2013-14)

*Loss of revenue:*

**Loss of revenue due to failure to implement the provisions of lease agreement ₹ 78.28 lakh**

Kerala State Road Transport Corporation (Corporation) started an Engineering College in 1995. Later, in 1997 the ownership and management of the College was handed over to KSRTC Sree Chitra Thirunal College of Engineering (Thiruvananthapuram) Society (SCTEC), which was constituted and registered under the Travancore Cochin Literary, Scientific and Charitable Societies Act, 1955 as a self financing college. The Corporation proposed (June 1997) to transfer 12.50 acres out of 23.65 acres of land with built up area of 4755.23 sq.mtrs. held at Central works, Thiruvananthapuram to SCTCE. Government of Kerala (GoK) approved[59] (January 1998) transferring 12.50 acres of land in the premises of its Central Works to SCTCE on lease for a period of 99 years at a lease rent of ₹ 100 per acre per annum.

Accordingly, the Corporation executed (November 1998) a lease agreement with the SCTCE (Lessee). As per the lease agreement (Clause 1), the Lessee shall take on rent the land measuring 12.50 acres with the four buildings thereon, for a period of 99 years, for running the institution , for a consideration of annual lease rent at the rate of ₹ 100 per acre. It was also provided in the lease agreement that the Lessee shall pay rent for the four buildings on the demised land at the rate fixed by the Corporation from time to time. The Lessee paid (November 1998)

59 Letter No. 23638/A1/97/Tran. Dated 12-1-1998 of the Principal Secretary, Transport (A) Department, GoK.

₹ 1,23,750[60] to the Corporation as lease rent of land for a period of 99 years. The Board of Directors (BoD) of the Corporation decided[61] (June 1999) to fix the rent of the buildings as per the norms prevailing in the State Public Works Department(PWD). However, the Corporation failed to implement the BoD's decision. On being pointed out this lapse by Audit, Corporation stated (July 2008) that the matter would be taken up with the Lessee so as to tide over the financial stringency. The Chairman & Managing Director stated (October 2013) that the Chief Engineer was directed to assess the rent of the buildings. However, no action was taken to assess and claim the rent of the buildings. The rent of the buildings to be collected for a period of five years upto March 2014 based on PWD rates worked out to ₹ 78.28 lakh as detailed in Annexure 16.

Corporation replied (October 2014) that out of 12.50 acres, the Lessee was using only 5.60 acres and that if the Corporation took any steps for realisation of rent as per the agreement, there was a chance of the Lessee claiming the balance land. It was also stated that the Corporation would take up the matter with Government to settle the issue.

The reply was not acceptable as 12.50 acres of land along with the buildings thereon was already leased out and the buildings were in the possession of Lessee. Therefore, non-claiming of the rent of the buildings in violation of the lease agreement lacked justification and was indicative of lack of seriousness on the part of the Corporation.

Thus, failure of the Corporation to implement the provisions in the lease agreement and the BoD's decision in totality resulted in loss of revenue to the extent of ₹ 78.28 lakh.

The matter was reported (October 2014) to Government and reply was awaited (December 2014).

[Audit Paragraph 3.8 (3.8.1 to 3.8.27 and 3.9 ) contained in the Report of the C&AG of India for the year ended 31st March, 2014].

The notes furnished by Government on the Audit Paragraph are given in Appendix II.

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60 ₹ 100 x12.50 acres x 99 years = ₹ 1,23,750.

61 269th Meeting of Board of Directors held on 18-6-1999.

AUDIT PARAGRAPH 4.10 (2012-13)

*Avoidable payment of interest:*

**Delay in remittance of Service Tax resulted in avoidable interest payment of ₹ 31.66 lakh**

Kerala State Road Transport Corporation (Corporation), the Public Sector Transport Utility, had let out various passenger amenities like stalls, paid urinals, canteens etc. at its 75 bus stations. Renting of immovable property was included as a taxable service with effect from 1st June 2007 vide Government of India Notification No. 23/2007 S.T. dated 22nd May, 2007. Accordingly the Corporation was liable to collect and remit Service Tax at the rate of 12.36 per cent on rental income. The Chief Engineer (Project & Civil wing) of the Corporation directed (September 2007) all Unit Officers to collect Service Tax with effect from 1st June, 2007 on the rent. The Corporation collected an amount of 125.53 lakh as Service Tax on rent for the period 1st June, 2007 to 31st March, 2010. The Corporation, however, failed to remit it to the account of the Central Government within the time limit prescribed and the delay ranged from 11 to 1028 days. As a result, the Corporation paid interest of ₹ 31.66 lakh.

The Chairman and Managing Director (CMD) justified the delay stating that (September 2013) the Corporation could use the tax collected for meeting its requirements of working capital and had gained by not paying Service Tax collected. The reply was not tenable as the Corporation, being a Public Sector Undertaking, all the more, should have adhered to statutory provisions in this regard.

Thus, delay in payment of tax violating the provisions of the Finance Act resulted in avoidable payment of interest of ₹ 31.66 lakh.

The matter was reported to the Government in August 2013; their reply was awaited (January 2014).

[The Audit Paragraph 4.10 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2013.]

The notes furnished by Government on the Audit Paragraph are given in Appendix II.

AUDIT PARAGRAPH 3 (2008-09)

Review on the performance of Kerala State Road Transport Corporation

*Introduction:*

3.1 In Kerala, the public road transport is provided by the Kerala State Road Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The State has reserved 31 routes exclusively for the Corporation while allowed both Corporation and private operators to operate on other routes. The fare structure is controlled and approved by the Government. This structure is same for both the Corporation as well as private operators.

3.2 The Corporation was incorporated on 15th March, 1965 by the Government of Kerala under Section 3 of the Road Transport Corporations Act, 1950 as a wholly owned Corporation of the State Government. The Corporation is under the administrative control of the Transport Department of the Government of Kerala. The Management of the Corporation is vested with a Board of Directors comprising Chairman & Managing Director and nine Directors appointed by the Government of Kerala. The day to day operations are carried out by the Chairman and Managing Director, who is the Chief Executive of the Corporation, with the assistance of five Executive Directors (Technical, Operation, Administration, Vigilance and Maintenance & Works) and the Financial Advisor & Chief Accounts Officer. The Corporation has five Zonal Offices, 28 Depots, 41 Sub Depots, 18 Operating Centres, one Central Workshop and four Regional Workshops. The bus body building and tyre retreading operations are carried out at Central and Regional Workshops of the Corporation.

3.3 The Corporation had a fleet strength of 5115 buses as on 31st March 2009. It carried an average of 32.28 lakh passengers per day during 2004-05 to 2008-09. During 2008-09, the Corporation's share in the passenger transport operations in the State was 12.86 per cent and the remaining 87.14 per cent was accounted for by private operators. The turnover of the Corporation was Rs. 1,045.09 crore in 2008-09, which was equal to 0.58 per cent of the State Gross Domestic Product (Rs.1,80,281 crore). The Corporation

employed 34470 employees as at 31st March, 2009 out of which 12999 were temporary employees who were paid on daily basis. As assessed by Management, only around 60 per cent of the temporary employees could be deployed on a regular basis.

3.4 A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 1999-2000 (Commercial), Government of Kerala. The Report was discussed by the Committee on Public Undertakings (COPU) and its recommendations were included in the 66th Report (2004-2006). The main recommendations contained in that Report, presented (July 2004) to the Legislature, were as under:

- The Corporation should improve its operational performance in all respects;
- Norms fixed for docking of vehicles for repair should be adhered to;
- Spareparts should be acquired every year only after ascertaining the balance stock available in each store;
- Norms for fuel consumption should be specified depending upon the age of vehicles, route, etc.;
- Area-wise norms should be fixed for utilisation of tyres; and
- Fresh norms to be fixed for engine oil consumption.
- The extent to which the directions issued by COPU have been complied with
- are commented in paragraphs 3.15 to 3.102 below:

**Scope of Audit and Audit Methodology**

3.5 The present review conducted during January 2009 to May 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the

Head Office, Central Workshop at Thiruvananthapuram, two Regional Workshops at Kozhikode and Aluva, nine Depots and 14 Sub Depots. Two out of four Regional Workshops were selected on the basis of bus building capacity, tyre re-treading facility and regional representation. Depots and Sub Depots were selected on the basis of regional representation, topography and number of schedules and profitability. The selected Depots and Sub Depots had a fleet strength of 1634 buses (31.95 per cent) against 5115 buses held by Corporation and represented 41.81 per cent of total revenue (2007-08).

3.6 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

**Audit Objectives**

3.7 The objectives of the performance audit were to assess:

**Operational Performance**

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

**Financial Management**

- whether the Corporation was able to meet its commitments and recover its dues efficiently; and

- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

**Fare Policy and Fulfillment of Social Obligations**

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

**Monitoring by Top Management**

- whether the monitoring by Corporation's top management was effective.

Audit Criteria

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

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GOI) and Government of State and other relevant rules and regulations;
- corporate policy for investment of funds; and
- procedures laid down by the Corporation.

**Financial Position and Working Results**

3.9 The Corporation has finalised its accounts up to the year 2005-06 only. Hence authentic financial data was unavailable for three years from 2006-07 to

2008-09 and analysis was made on the basis of provisional figures made available by the Corporation. The financial position of the Corporation for the five years up to 2008-09 is given below:

*(Rs. in crore)*

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| A. Liabilities | | | | | |
| Paid up capital | 142.95 | 147.95 | 152.95 | 155.66 | 180.65 |
| Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve) | 12.18 | 30.05 | 68.09 | 26.51 | 3.79 |
| Borrowings (Loan Funds) | 405.11 | 461.43 | 553.14 | 570.10 | 831.75 |
| Current Liabilities & Provisions | 1,110.70 | 1,225.45 | 1,125.95 | 1,324.28 | 1,309.36 |
| **Total** | **1,670.94** | **1,864.88** | **1,900.13** | **2,076.55** | **2,325.55** |
| **B. Assets** | | | | | |
| Gross Block | 454.40 | 478.81 | 479.53 | 519.26 | 625.26 |
| Less: Depreciation | 285.16 | 309.84 | 349.60 | 391.18 | 442.04 |
| Net fixed Assets | 169.24 | 168.97 | 129.93 | 128.08 | 183.22 |
| Capital works-in-progress (including cost of chassis) | Nil | 2.78 | Nil | Nil | Nil |
| Investments | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| Current Assets, Loans and Advances | 79.41 | 75.00 | 54.28 | 40.17 | 56.32 |
| Accumulated losses | 1,422.26 | 1,618.10 | 1,715.89 | 1,908.27 | 2,085.98 |
| **Total** | **1,670.94** | **1,864.88** | **1,900.13** | **2,076.55** | **2,325.55** |

3.10 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost *per* kilometre of operation are given below:

*(Rs. in crore)*

| Sl. No. | Description | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Total Revenue | 764.04 | 831.70 | 876.16 | 883.82 | 1,062.14 |
| 2 | Operating Revenue[1] | 750.55 | 817.21 | 860.58 | 868.67 | 1,045.09 |
| 3 | Total Expenditure | 915.08 | 1,023.60 | 1,018.11 | 1,076.22 | 1,210.42 |
| 4 | Operating Expenditure[2] | 860.64 | 965.23 | 959.54 | 1,014.22 | 1,121.51 |
| 5 | Operating profit/Loss | -110.69 | -148.02 | -98.96 | -145.55 | -76.42 |
| 6 | Profit/Loss for the year | -151.04 | -191.90 | -141.95 | -192.40 | -148.28 |
| 7 | Accumulated profit/Loss | (-)1,422.26 | (-)1,618.10 | (-)1,715.89 | (-)1,908.27 | (-)2,085.98 |
| 8 | Fixed Costs | | | | | |
| | Personnel Costs | 388.14 | 400.42 | 395.48 | 439.77 | 474.21 |
| | Depreciation | 36.92 | 40.62 | 39.76 | 41.58 | 50.86 |
| | Interest | 54.44 | 58.37 | 58.57 | 62.00 | 88.91 |
| | Other Fixed Costs | 29.76 | 49.67 | 41.16 | 40.43 | 46.87 |
| | **Total Fixed Costs** | **509.26** | **549.08** | **534.97** | **583.78** | **660.85** |

1 Operating revenue included traffic earnings, passes and season tickets, etc.

2 Operating expenditure includes expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licenses and taxes and general administration expenses.

| | | | | | | |
|---|---|---|---|---|---|---|
| 9 | Variable Costs | | | | | |
| | Fuel &Lubricants | 301.89 | 363.18 | 372.88 | 375.94 | 429.73 |
| | Tyres&Tubes[3] | 22.21 | 28.49 | 30.47 | 25.71 | 22.03 |
| | Other Items/spares | 29.60 | 28.10 | 26.28 | 33.98 | 37.66 |
| | Taxes (MV Tax, Passenger Tax, etc.) | 49.84 | 51.67 | 49.94 | 52.76 | 56.10 |
| | Other Variable costs | 2.28 | 3.08 | 3.58 | 4.05 | 4.05 |
| | **Total Variable Costs** | **405.82** | **474.52** | **483.15** | **492.44** | **549.57** |
| 10 | Effective KMS Operated (in lakh) | 4299.89 | 4402.17 | 4223.06 | 4182.63 | 4732.55 |
| 11 | Earnings per KM(Rs.) (1/10) | 17.77 | 18.89 | 20.75 | 21.13 | 22.44 |
| 12 | Fixed Cost per KM (Rs.) (8/10) | 11.84 | 12.47 | 12.67 | 13.96 | 13.96 |
| 13 | Variable Cost per KM (Rs.) (9/10) | 9.44 | 10.78 | 11.44 | 11.77 | 11.61 |
| 14 | Cost per KM (Rs.) (12+13) | 21.28 | 23.25 | 24.11 | 25.73 | 25.57 |
| 15 | Net Earnings per KM(Rs.) (11-14) | -3.51 | -4.36 | -3.36 | -4.60 | -3.13 |
| 16 | Traffic Revenue[4] | 750.55 | 817.21 | 860.58 | 868.67 | 1045.09 |
| 17 | Traffic Revenue per KM (Rs.)(16/10) | 17.46 | 18.56 | 20.38 | 20.77 | 22.08 |

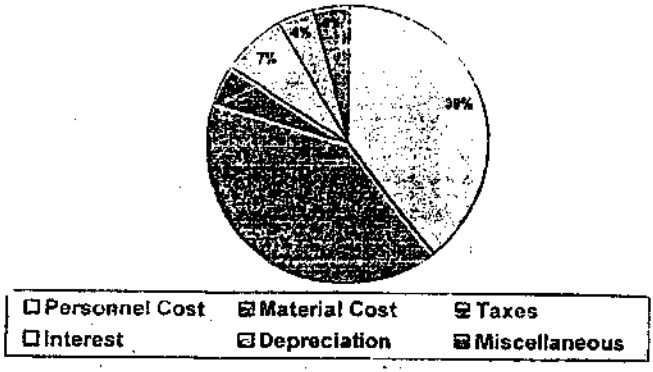
3 The purchase value of tyre and tubes were taken as consumption from 2006-07 onwards since the accounts were not finalised.

4 Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

*Elements of Cost:*

3.11 Personnel costs and material costs constitute the major elements of costs. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

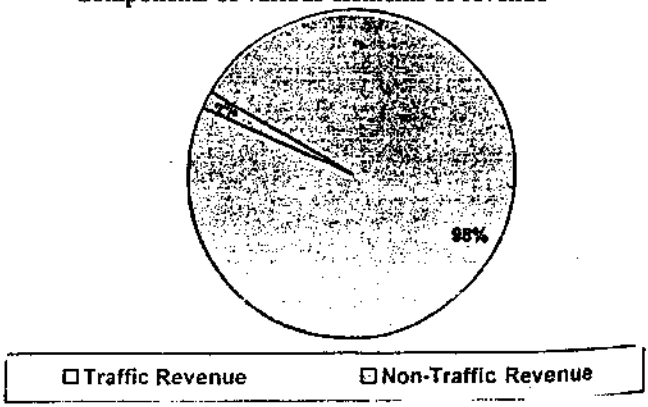
**Components of various elements of cost**




***Elements of revenue***

3.12 Traffic revenue and non-traffic revenue constitute the elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart:

Components of various elements of revenue



**Audit Findings**

3.13 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 20th February, 2009. Subsequently, audit findings were reported to the Corporation and the Government in June 2009 and discussed in an 'exit conference' held on 27th July, 2009, which was attended by Additional Chief Secretary, Transport Department, Government of Kerala, Chairman & Managing Director and Financial Advisor & Chief Accounts Officer of the Corporation. The Government also replied to audit findings in August 2009. The views expressed by them have been considered while finalising this review. The audit findings are discussed below:

**Operational Performance**

3.14 The operational performance of the Corporation for the five years ending 2008-09 is given in Annexure 14. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

**Share of Corporation in public transport**

3.15 The Government of Kerala has nationalised 31 routes and earmarked them exclusively for the Corporation. In other routes the Corporation as well as private operators are operating based on the permits issued by the transport authority from time to time. Apart from the allocation of routes, no specific policy on transport has been adopted by the Government of Kerala.

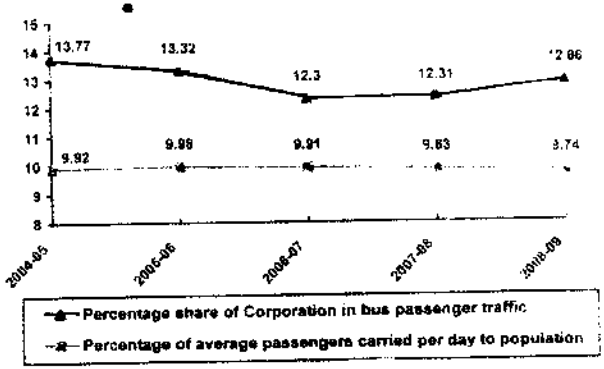
3.16 National Transportation Planning and Research Centre (NATPAC), an autonomous body under the Government of Kerala, conducted (April 2003) a study and recommended the introduction of mini buses to improve the share of the Corporation in public transport by restricting operation of parallel services* Even though the Corporation purchased 365 mini buses at a total cost of ₹ 30.02 crore from 2003 to 2007, these buses were utilised for regular services instead of

* Contract carriages illegally operated as stage carriages.

routes where there was drain of revenue on account of illegal parallel services and did not result in attaining the intended objective. Due to less carrying capacity of mini buses as compared to normal buses, the operation of these buses resulted in loss of ₹ 8.46 crore.

3.17 The Government replied (August 2009) that the operation of mini buses was not viable since the findings of study by NATPAC were wrong. The reply is not convincing since the Corporation did not deploy the mini buses in a coordinated manner to counter the parallel services as recommended by NATPAC since the mini buses were operated on the routes on which the large buses could operate. So, the Corporation could not improve its share in public transport.

3.18 Line-graphs depicting the percentage share of the Corporation in the bus passenger traffic of the State based on vehicles held by the Corporation vis-a-vis total number of stage carriages in the State and percentage of average passengers carried per day by the Corporation to the population of the State during five years* ending 2008-09 are given below:




* In the absence of availability of figures for 2004-05, figures of 2003-04 have been adopted for comparison purpose.

3.19 The table below depicts the growth of public transport in the State:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Corporation's buses¤ | 4,644 | 4,688 | 4,559 | 4,893 | 5,115 |
| 2 | Private stage carriages | 29,092 | 30,518 | 32,517 | 34,870 | 34,648 |
| 3 | Total buses for public transport | 33,736 | 35,206 | 37,076 | 39,763 | 39,763* |
| 4 | Percentage share of Corporation | 13.77 | 13.32 | 12.30 | 12.31 | 12.86 |
| 5 | Percentage share of private operators | 86.23 | 86.68 | 87.70 | 87.69 | 87.14 |
| 6 | Estimated population | 3.30 | 3.33 | 3.36 | 3.39 | 3.39 |
| 7 | Vehicle density per one lakh population (Total) | 102 | 106 | 110 | 117 | 117 |
| 8 | Vehicle density *per* one lakh population (Corporation) | 14 | 14 | 14 | 14 | 15 |

3.20 The Corporation, however, has not been able to keep pace with the growing demand for public transport. Though the overall number of public transport vehicles per lakh population increased by 14.71 per cent from 102 in 2004-05 to 117 in 2008-09, number of the Corporation's buses *per* lakh population remained almost stagnant. The effective per capita KM operated per year is given below:

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| Effective KM Operated (lakh) | 4,299.89 | 4,402.16 | 4,223.06 | 4,182.63 | 4,732.55 |
| Estimated Population (crore) | 3.30 | 3.33 | 3.36 | 3.39 | 3.42 |
| Per capita KM per year | 13.02 | 13.22 | 12.57 | 12.34 | 13.84 |

¤ These are the figures at the end of the respective years.

* In the absence of availability of figures for 2008-09, figures of 2007-08 have been adopted.

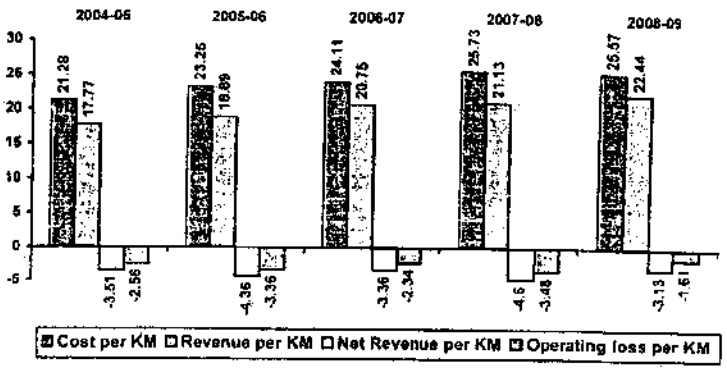
3.21 Even though the Corporation succeeded in maintaining 9 to 10 *per cent* of passengers carried per day to total population and operated 12.34 to 13.84 per capita KM throughout the five years under review, its presence continued to be extremely low in the public transport space.

3.22 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport mainly due to operational inefficiencies as described later.

3.23 The Government replied (August 2009) that the Corporation had not tried to expand its operations till 2007 as the concept of variable costs and fixed costs was not properly understood till then and the Management was under the mistaken notion that operating additional distance would add to the losses.

**Recovery of cost of operations**

3.24 The Corporation was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue remained negative as given in the graph* below:




*3.25 The operating loss per KM showed a fluctuating trend due to additional

* Orissa, Uttar Pradesh and Karnataka registered best net earnings per KM at Rs 0.49, Rs .047 and

revenue earned from periodical fare revisions. It decreased in 2008-09 due to decrease in fuel cost. Though the Corporation was not able to achieve the All India Averages for cost per KM (₹ 19.94) in any of the years under review, its revenue per KM continuously increased during the review period and was higher than the AIA (₹ 18.22) except in 2004-05. This was mainly because of the high fares and high load factor. The deteriorating performance has been impacting the ability of the Corporation to provide public transport services adequately as it is not able to replace its overage fleet on time. The large number of Depots/Sub Depots/Operating Centres (units) had contributed to the operational losses of the Corporation because it followed the policy of opening new units mainly on the basis of infrastructural facilities offered by the local bodies without giving due consideration to financial viability.

3.26 Audit noticed that the number of units was relatively more as compared to other Road Transport Corporations as shown below:

| Particulars | KSRTC | | APSRTC | | Karnataka SRTC | |
|---|---|---|---|---|---|---|
| | 2005-06 | 2006-07 | 2005-06 | 2006-07 | 2005-06 | 2006-07 |
| No.of units at the end of the year | 84 | 85 | 212 | 204 | 57 | 59 |
| Average No. of buses held during the year | 4,724 | 4,666 | 19,499 | 19,350 | 5,196 | 5,839 |
| Route KM in lakh | 2.42 | 2.42 | 9.03 | 9.78 | 4.07 | 4.66 |
| No. of units per 100 buses | 1.78 | 1.82 | 1.09 | 1.05 | 1.10 | 1.01 |
| No. of vehicles per unit | 56 | 55 | 92 | 95 | 91 | 99 |
| No. of units per lakh route KM | 35 | 35 | 23 | 21 | 14 | 13 |

₹ 0.34 respectively during (2006-07) (Source: STUs profile and peformance 2006-07 by CIRT, Pune)

3.27 It was also noticed in Audit that as on 31 March 2007 in 44 out of 85 units the average number of buses held ranged between 8 and 49 only. The Management gave assurance (July 2004) to the Committee on Public Undertakings that four loss incurring units (Erumely, Vatakara, Vadakkancherry and Mallappally) would be closed, but these units were still operational (September 2009). Further, two Sub Depots[1] and two Operating Centres[2] were opened in February 2006, December 2006, October 2007 and January 2008 respectively. In Parassala-Angamally State highway sector having a distance of 289 KMs, there were 16 operating units and the average distance between two operating units was 18 KMs only.

3.28 The Government stated (August 2009) that present financial stringency was not the result of the present performance. It was also stated that the total revenue had increased from ₹ 815.52 crore in 2005-06 to ₹ 1,045.09 crore in 2008-09. With respect to the Audit observation on large number of units, it was replied (January 2009) that the earlier policy of opening operating units without considering financial viability had been done away with and only viable units were being opened at present. However, Audit observed that the increase in revenue in 2008-09 was mainly due to increase in fare and the reply is silent about the non-implementation of the assurance given by the Corporation to COPU.

**Efficiency and Economy in operations**

**Fleet strength and utilisation**

*Fleet Strength and its Age Profile*

3.29 The Corporation has its own fleet of buses. It had not, at any time made a cost benefit analysis of hiring buses from private operators. Key operational data such as route/trip-wise earnings, reasons for cancellation of scheduled distance, punctuality and records relating to repairs and maintenance of buses were not properly compiled/maintained by the Corporation and the absence of this data hampered Audit analysis considerably.

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1 Thalassery and Kattappana

2 Piravom and Aryankavu.

3.30 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. However, the Corporation adopted the norm of reckoning the life of a bus as 10 years or 10 lakh kilometres of operation whichever was earlier in tune with improved technical parameters of new buses. But the Corporation failed to adhere to its own norms. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Total No.of buses at the beginning of the year | 4,348 | 4,644 | 4,688 | 4,559 | 4,893 |
| 2 | Additons during the year | 519 | 269 | 92 | 517 | 701 |
| 3 | Buses scrapped during the year(1+2-4) | 223 | 225 | 221 | 183 | 479 |
| 4 | Buses held at the end of the year | 4,644 | 4,688 | 4,559 | 4,893 | 5,115 |
| 5 | No. of buses more than 10 years old | 739 | 982 | 1,129 | 1,452 | 1,343 |
| 6 | Percentage of over-age buses (more than 10 years) | 15.91 | 20.95 | 24.76 | 29.68 | 26.26 |

3.31 During 2004-09, the Corporation added 2,098 new buses at a cost of ₹ 197.94 crore. The expenditure was funded through external borrowings from financial institutions. To achieve the norm of right age buses, the Corporation was required to buy 1,343 new buses additionally which would have cost it ₹ 149.07 crore approximately". However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses.

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" Since the capitalised cost of vehicles was not available in the absence of final accounts from 2006-07, the total amount borrowed from 2004-05 to 2008-09 for financing vehicle purchase was adopted by Audit.

* Calculated on the basis of average cost of ₹ 11.10 lakh per bus as provided by Management.

It suffered a loss of ₹ 615.84 crore before charging of depreciation during 2004-09, and hence was not in a position to deploy internal funds for fleet augmentation. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

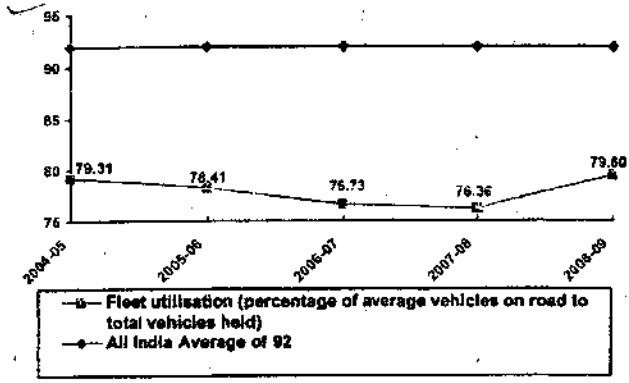
3.32 The Corporation had not generated sufficient internal resources to carry out its capital and revenue activities during the period under review. Hence, the Corporation raised loans from financial institutions. Fresh loans raised during each year were higher than the loans repaid during that year. Therefore the loan amount of ₹ 321.23 crore as on 31 March 2004 increased to ₹ 831.75 crore as on 31 March 2009. Besides, the Corporation also took a loan of ₹ 666.99 crore to meet its working capital requirement during the period 2004-2009. In view of operating losses and mounting debts, the Corporation faces a challenging task ahead.

3.33 The over aged fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis. The increase in percentage of overage buses is a result of inability of the Corporation, due to its operational inefficiency, to generate funds to replace buses.

3.34 Government stated (August 2009) that the aged fleet has not led to extra maintenance cost as proved by the fact that RTCs of neighbouring states with fleet of much lower average age were incurring higher expenditure towards repairs and maintenance. The reply is not convincing since the Corporation has not ascertained the actual repairs and maintenance cost for 2007-08 and 2008-09 and only estimates are provided in the provisional accounts for these years. Further, as the bus-wise expenditure in respect of repairs and maintenance was not being recorded by the Corporation it was not in a position to prove the above claim.

*Fleet Utilisation*

*3.35 Fleet utilisation represents the ratio of buses on road to those held by the Corporation. The Corporation had not set any target of fleet utilisation during the period from 2004-05 to 2008-09. The fleet utilisation during this period varied from 76.36 *per cent* to 79.60 *per cent* in 2008-09 as compared to the All India Average[§] of 92 *per cent*, as indicated in the graph given below :




3.36 Fleet utilisation showed a decreasing trend up to 2007-08 and then improved, mainly because the Management closely monitored the utilisation of 1,218 new buses inducted in 2007-08 and 2008-09. Further 155 mini buses costing ₹ 12.87 crore, whose average utilisation was only 55 per cent were withdrawn from the fleet during these years.

3.37 The main reasons which contributed to low fleet utilisation, as analysed by Audit in ten selected Depots and Sub Depots were as follows:

- Shortage of crew (drivers/ conductors) (paragraph 3.58).
- Breakdowns on account of inadequate servicing/maintenance (paragraph 3.61).
- Off road buses for 6,789 days for want of motor vehicle inspection certificates (paragraph 3.66).

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* Andhra Pradesh, Tamil Nadu(Kumbakonam) and Tamil Nadu(Coimbatore) registered best fleet utilisation at 99.40, 98.40 and 98.30 per cent respectively during 2006-07(source: STUs profile and peroformance 2006-07 by CIRT, Pune)

§ All India average is for the year 2006-07 which has been used for comparison for the period under review.

3.38 From the above, it can be concluded that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance adversely.

3.39 Government replied (August 2009) that the figures included by Audit regarding fleet utilisation were incorrect since fleet utilisation is calculated based on the total number of buses held minus the spare buses. It was further stated that the detention of buses for Certificate of Fitness repair was inevitable, holiday cancellation was in the best interests of the Corporation and that the Corporation was facing acute shortage of manpower.

3.40 The reply is not convincing since the Central Institute of Road Transport, Pune has clearly defined fleet utilisation as the ratio of buses held (including spare buses) to the buses on road. Non-utilisation of vehicles for want of timely renewal of Certificate of Fitness was avoidable. Further, manpower *per* bus of the Corporation stood at 5.74 in 2006-07, which was much higher than the manpower *per* bus of Karnataka State Road Transport Corporation at 4.99 in that year.

**Vehicle Productivity**

3.41 Vehicle productivity refers to the average Kilometres run by each bus per day in a year. The vehicle productivity of the Corporation vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the table below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Vehicle Productivity based on average vehicles held (KM) | 262 | 255 | 248 | 247 | 259 |
| 2 | Overage fleet(Percentage) | 15.91 | 20.95 | 24.76 | 29.68 | 26.26 |

3.42 There has been continuous increase in over age fleet leading to decrease in vehicle productivity except in 2008-09 when it had increased but could not attain its own level of 2004-05.The increase in vehicle productivity during 2008-09 was primarily due to addition of new buses during 2007-08 and 2008-09.

*3.43 Compared to the All India Average of 313 KMs *per* day, the vehicle productivity of the Corporation has been on lower side for all the years under review. The lower productivity is mainly on account of:

- Deficient route planning (paragraph 3.50)
- Excess time taken for servicing/repairs (paragraph 3.58)
- Want of crew (paragraph 3.58)
- Cancellation of scheduled kilometres (paragraph 3.58)

3.44 The Corporation had not fixed any specific norms for vehicle productivity. Further, vehicle productivity achieved in 2004-2005 could not be maintained in subsequent years. One of the major reasons for low vehicle productivity was non-adherence to the norm fixed for steering duty. The Corporation had fixed norms for steering duty hours and spread over duty time in each schedule as six and a half hours and eight hours respectively. The Corporation has adopted a practice of assigning double duties to all its crew. A test check in Audit of the duty hours of 2,918 schedules in the selected Depots during review period revealed that in 397 schedules, duty hours were below standards from one hour to three and a half hours against the 13 hours duty (double shift).

3.45 Government stated (August 2009) that the slight fall in the vehicle productivity during 2005-06 to 2008-09 when compared to 2004-05 was due to the introduction of services as chain services in selected route in competition with private stage carriages and small adjustments in duty norms would be more beneficial to the Corporation than extending the schedule to odd timings to suit the duty norms. The reply is not convincing since introduction of chain services in competition with private stage carriages may not be of much benefit to the Corporation. Moreover, shortfall commented in Audit does not relate to small adjustment as short duty ranged from about one hour to three and a half hours against the norm of 13 hours per double shift duty.

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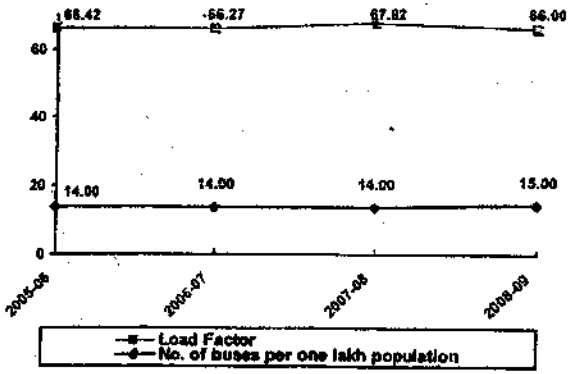
* Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 Kms per day respectively during 2006-07 (source: STUs profile and performance 2006-07 by CIRT, Pune)

**Capacity Utilisation**

*Load Factor:*

3.46 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The Corporation did not have any system to compile the data required for assessing the load factor. Compilation and analysis in Audit of the load factor for the four years up to 2008-09[$] revealed that the Corporation maintained a load factor above All India Average (63 *per cent*) in all years. A graph depicting the Load factor vis-à-vis number of buses *per* one lakh population is given below.




3.47 The load factor could have been improved by conducting scientific route planning, and restricting operation of illegal parallel services.

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$ Since schedule-wise collection for the year 2004-05 were not available with the Corporation, load factor for that year coild not be calculated.

3.48 The table below provides the details for Break-Even Load Factor (BELF) for traffic revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* KM:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Cost per KM (in ₹) | 21.28 | 23.25 | 24.11 | 25.73 | 25.57 |
| 2 | Traffic revenue per KM (in ₹) | 17.46 | 18.56 | 20.38 | 20.77 | 22.08 |
| 3 | EPKM at 100% Load factor (in ₹) | 26.29* | 27.94 | 30.75 | 30.72 | 33.45 |
| 4 | Break Even Load factor considering only traffic revenue (1/3) (pecentage) | 80.94 | 83.21 | 78.41 | 83.76 | 76.44 |

3.49 The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

**Route Planning**

3.50 Appropriate route planning to tap demand leads to higher load factor. However, the Corporation does not have a system for scientific route planning. It had not, at any time during the period under review, assessed the demand for its services on a scientific basis and planned the routes accordingly. Generally, services were being introduced/ modified on the basis of requests received from people's representatives without assessing financial and operational viability.

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* Load factor for the year 2005-06 was adopted for 2004-05 due to non-availability of data for the year.

3.51 The Corporation had not compiled the route-wise revenue details. Instead of routes, the services are made up of schedules, each schedule comprising of a number of trips. An analysis by Audit of schedule-wise revenue details for the four years up to 2008-09 is given in the table below:

| Particulars | Total No.of Schedules* | No.of Schedules making Profit | No.of Schedules not meeting total cost | No.of Schedules not meeting variable cost |
|---|---|---|---|---|
| 2004-05 | NA | NA | NA | NA |
| 2005-06 | 6,511 | 367 (5.64) | 6,144 (94.36) | 135 (2.07) |
| 2006-07 | 5,007 | 169 (3.38) | 4,838 (96.62) | 152 (3.04) |
| 2007-08 | 5,489 | 486 (8.85) | 5003 (91.15) | 125 (2.28) |
| 2008-09 | 7,300 | 1,148 (15.73) | 6,152(84.27) | 121 (1.66) |

Figures in brackets indicate percentage to total schedules.

3.52 Some schedules are profitable while others are not. Though some of the schedules now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical schedules. Given the scenario of mixed schedules and obligation to serve uneconomical schedules, the Corporation should decide an optimum quantum of different schedules so as to optimise its revenue while serving the cause. However, no such exercise was carried out by the Corporation. Further, the operating units of the Corporation did not compile and analyse trip-wise profitability despite instructions issued in this regard by the Management.

3.53 The details in the table indicate that the profit making schedules increased from 5.64 per cent in 2005-06 to 15.73 *per cent* in 2008-09 and those not meeting total cost showed a declining trend. Those not meeting variable cost had

* Including additional schedules and special trips operated over and above notified schedules.

decreased to 1.66 per cent in 2008-09 from 2.07 per cent in 2004-05. Even though the above trend indicated slight improvement in performance, Audit noticed that the profitability for schedules was improved by cancelling a few of the uneconomic trips within the schedule whereas buses available due to such cancellation were not gainfully utilised in other schedules.

3.54 Further, the State Government approved procurement of 1,000 buses in 2007-08 with the stipulation that these vehicles should be operated only on routes having earning per kilometre (EPKM) of ₹ 20 and above. Audit scrutiny, however, revealed that out of 942 buses inducted for operations during 2007-08 and 2008-09, 291 buses were operated in routes where EPKM was below ₹ 20 and ranged between ₹ 8.27 and Rs. 19.98 only. The loss of revenue due to less EPKM worked out to ₹ 4.37 crore. Moreover, in order to improve EPKM, the Management had ordered (January 2009) that all schedules fetching EPKM below ₹ 15 should be stopped. However, Audit noticed that during the period January 2009 to March 2009, the Corporation operated 732 schedules covering 45.72 lakh km with EPKM below ₹ 15. This was in violation of the orders of January 2009.

3.55 Government replied (August 2009) that the percentage of profit making schedules had increased due to concerted efforts initiated from 2007-08 onwards to deploy more buses on routes serviced by private operators where the demand was higher. However, the fact remains that the Corporation could have increased its earnings and at the same time provided better travel facilities to the public by concentrating on routes where illegal parallel services are operated instead of deploying more buses in competition to private operators.

**Cancellation of Scheduled Kilometres**

3.56 A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, shortage of crew and other factors like breakdown, accidents, late arrivals, strikes, planned cancellation on holidays etc.

3.57 The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres are furnished in the Table below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| | | (in lakh KMs) | | | | |
| 1 | Scheduled kilometres | 4,751.00# | 5,289.53 | 5,358.48 | 5,401.01 | 5,530.03 |
| 2 | Effective kilometres | 4,299.89 | 4,402.17 | 4,223.06 | 4,182.63 | 4,732.55 |
| 3 | Kilometres cancelled | 451.11 | 887.36 | 1,135.42 | 1,218.38 | 797.48 |
| 4 | Percentage of cancellation | 9.49 | 16.78 | 21.19 | 22.56 | 14.42 |
| | Cause -wise analysis! | | | | | |
| 5 | Want of buses | 204.40 | 477.13 | 671.03 | 554.12 | 270.03 |
| 6 | Want of crew | 28.00 | 93.97 | 148.29 | 205.30 | 55.50 |
| 7 | Others | 218.71 | 316.26 | 316.10 | 458.96 | 471.95 |
| 8 | Contribution per KM (in ₹) | 8.02 | 7.78 | 8.94 | 9.00 | 10.47 |
| 9 | Avoidable cancellation (want of buses and crew) (lakh KM) | 232.40 | 571.10 | 819.32 | 759.42 | 325.53 |
| 10 | Loss of contribution (8x9) (₹ in crore) | 18.64 | 44.43 | 73.25 | 68.35 | 34.08 |

*3.58 It can be seen from the above table that the percentage of cancellation of scheduled kilometres increased from 9.49 per cent to 22.56 per cent in 2007-08 and decreased thereafter to 14.42 per cent. Over age buses and shortage of staff

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# In the absence of availability of scheduled Kilometres, Gross Kilometres operated during 2004-05 have been taken as scheduled kilometres for the purpose of calculation.

! In the absence of cause -wise analysis by the Corporation, test check in Audit of five Depots in respect of the period under review was conducted and cause-wise percentage so computed was extrapolated on the over all data.

* Tamil Nadu (Salem), State Express Transport Corporation(Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled Kms at 0.45, 0.67 and 0.78 per cent respectively during 2006-07(Source: STUs profile and performance 2006-07 by CIRT, Pune)

*Repairs And Maintenance:*

3.64 A summarised position of fleet holding, over-aged buses,Repairs and Maintenance (R&M) expenditure for the last five years up to 2008-09 is given below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Total buses (at the end of the year) | 4,644 | 4,688 | 4,559 | 4,893 | 5,115 |
| 2 | Over-age buses (more than 10 years old) | 739 | 982 | 1,129 | 1,452 | 1,343 |
| 3 | Percentage of over-age buses | 15.91 | 20.95 | 24.76 | 29.68 | 26.26 |
| 4 | R&M Expenses (₹ in crore) | 97.59 | 101.65 | 108.75 | 118.03 | 118.09 |
| 5 | R&M Expenses per bus (₹ in lakh)(4/1) | 2.10 | 2.17 | 2.39 | 2.41 | 2.31 |
| 6 | Percentage of Manpower cost on R&M Expenses | 38.34 | 34.65 | 39.99 | 41.97 | 41.95 |

3.65 It can be seen from the above table that R&M expenses per bus were steadily increasing up to 2007-08 and then decreased in 2008-09. The impact of over-age buses on R & M is reflected by the fact that when the number of overage buses came down in 2008-09, the *per* bus R & M cost also decreased. Buswise details of the R & M were not available with the Corporation. Hence Audit could not work out the economy of maintaining the over-aged buses. However, it may be observed that the average cost of a bus, which stood at ₹ 11.10 lakh in 2008-09 is expended by the Corporation in less than five years on R & M of one bus.

*Docking of vehicles for fitness Certificates*

3.66 The buses are required to be repaired and made fit before sending the same to Regional Transport Offices (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules, 1989. As the date of expiry of the

fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. A test check of the records revealed that in 10 out of 23 selected Depots/ Sub-Depots, there was delay ranging from 1 to 194 days beyond the date fixed for Motor Vehicle Inspection Report/Certificate resulting in loss of 6,789 bus days. The loss of contribution due to the same has already been included under paragraph 3.58. It was observed in Audit that the Corporation did not have any system to monitor and ensure timely repairs. Further, the Corporation failed to obtain fitness certificates due to reasons like non- rectification of defects in time and poor condition of the buses, which are *prima facie* controllable by Management.

3.67 The Government attributed (August 2009) delay to lack of qualified and experienced staff. However, proper planning by Management could have resulted in avoiding the same as date of expiry of the Fitness Certificate is known in advance.

*Manpower Cost*

3.68 The cost structure of the organisation shows that manpower and fuel constitute 74.68 *per cent* of total cost. Interest, depreciation and taxes-the costs which are not controllable in the short-term – account for 16.18 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

*3.69 Manpower is an important element of cost which constituted 39.17 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. Besides regular employees, the Corporation also deploys temporary staff in various categories who are paid on daily basis. The payment to these temporary employees is quite less than the payments made to regular employees. Management has assessed that around 60 *per cent* of these

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* Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at ₹ 6.10, ₹ 6.13 and ₹ 6.21 cost per effective Kms respectively during 2006-07. (source: STUs profile and performance 2006-07 by CIRT, Pune)

3.82 Further, the Corporation provides free/ concessional passes to various categories of public like students, physically challenged, etc., as detailed in the table below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | No. of student passes issued (No. in lakh) | 6.19 | 5.27 | 5.67 | 5.68 | 6.02 |
| 2 | No. of other passes issued | 45,197 | 46,220 | 47,384 | 48,114 | 48,822 |
| 3 | Loss assessed for student passes (₹ in crore) | 28.82 | 30.11 | 32.18 | 33.13 | 44.90 |
| 4 | Loss assessed for other passes (₹ in crore) | 66.22 | 67.39 | 68.64 | 71.91 | 72.70 |
| 5 | Total loss claimed from Government (₹ in crore) | 95.04 | 97.50 | 100.82 | 105.04 | 117.60 |
| 6 | Amount actually received | Nil | Nil | Nil | Nil | Nil |

3.83 It can be seen from the above that against ₹ 516 crore claimed from the Government during the five years ended 2008-09, the Corporation could not realise any amount. The Government stated (April 2009) that reimbursement of concessional passes would arise only if the Corporation is on self sustaining basis. The Government has been releasing funds to the Corporation without repayment being made to enable the Corporation to stand on its own feet.

*Realignment of Business Model*

3.84 The Corporation is mandated to provide an efficient, adequate and economic road transport to public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap nontraffic revenue

fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. A test check of the records revealed that in 10 out of 23 selected Depots/ Sub-Depots, there was delay ranging from 1 to 194 days beyond the date fixed for Motor Vehicle Inspection Report/Certificate resulting in loss of 6,789 bus days. The loss of contribution due to the same has already been included under paragraph 3.58. It was observed in Audit that the Corporation did not have any system to monitor and ensure timely repairs. Further, the Corporation failed to obtain fitness certificates due to reasons like non- rectification of defects in time and poor condition of the buses, which are *prima facie* controllable by Management.

3.67 The Government attributed (August 2009) delay to lack of qualified and experienced staff. However, proper planning by Management could have resulted in avoiding the same as date of expiry of the Fitness Certificate is known in advance.

*Manpower Cost*

3.68 The cost structure of the organisation shows that manpower and fuel constitute 74.68 *per cent* of total cost. Interest, depreciation and taxes-the costs which are not controllable in the short-term – account for 16.18 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

*3.69 Manpower is an important element of cost which constituted 39.17 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. Besides regular employees, the Corporation also deploys temporary staff in various categories who are paid on daily basis. The payment to these temporary employees is quite less than the payments made to regular employees. Management has assessed that around 60 *per cent* of these

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* Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at ₹ 6.10, ₹ 6.13 and ₹ 6.21 cost per effective Kms respectively during 2006-07. (source: STUs profile and performance 2006-07 by CIRT, Pune)

could be deployed on regular basis. Based on Management's assessment of 60 *per cent* deployment of temporary employees, the Table below provides the details of manpower, its cost and productivity:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Total Manpower (Nos.) | 27,962 | 28,034 | 26,147 | 28,262 | 29,270 |
| 2 | Manpower Cost (₹ in crore) | 388.14 | 400.42 | 395.48 | 439.77 | 474.21 |
| 3 | Effective Kms (in lakh) | 4,299.89 | 4,402.17 | 4,223.06 | 4,182.63 | 4,732.55 |
| 4 | Cost *per* Effective KM (₹) | 9.03 | 9.10 | 9.36 | 10.51 | 10.02 |
| 5 | Productivity per day per person (KMs) | 42.13 | 43.02 | 44.25 | 40.55 | 44.30 |
| 6 | Total Buses (No.) | 4,644 | 4,688 | 4,559 | 4,893 | 5,115 |
| 7 | Manpower *per* bus | 6.02 | 5.98 | 5.74 | 5.78 | 5.72 |

3.70 Manpower cost was higher than the All India Average during all the years under review mainly because of the implementation of pension scheme on par with State Government employees in the Corporation in 1984 following a Government Order without creating a pension fund by the Corporation or Government support. As per the latest finalised accounts of 2005-06, pension and related expenditure constituted 48.45 *per cent* of total personnel cost. Manpower per bus was reduced from 6.02 in 2004-05 to 5.72 in 2008-09.

3.71 The productivity per day per person increased from 42.13 KM in 2004-05 to 44.25 KM in 2006-07. The decrease in productivity of manpower from 2006-07 was mainly due to recruitment of additional staff without corresponding increase in the effective distance operated. Besides, the Corporation was not adhering to the steering duty norms as already mentioned in paragraph 3.44.

3.72 The Corporation had not fixed any norms for manpower productivity. As per the norms fixed by NATPAC for fare fixation, expenditure on wages and salaries was only ₹ 2.63 per KM up to May 2005 after which it increased to ₹ 2.65 and again increased to ₹ 2.93 in June 2008. But the Corporation's wages and salaries of traffic personnel were higher than the norms of NATPAC in all the five years under review resulting in an extra expenditure of ₹ 243.69 crore as detailed in the table below:

| Sl. No. | Year | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Traffic Personnel cost (₹ in crore) | 163.96 | 168.11 | 153.24 | 159.88 | 189.92 |
| 2 | Effective Kilometres (in lakh) | 4,299.89 | 4,402.17 | 4,223.06 | 4,182.63 | 4,732.55 |
| 3 | Traffic Personnel cost (₹ Per KM) | 3.81 | 3.82 | 3.63 | 3.82 | 4.01 |
| 4 | Norm fixed by NATPAC (₹ per KM) | 2.63 | 2.65 | 2.65 | 2.65 | 2.93 |
| 5 | Under recovery of wages (₹ in crore) [(3-4)x2] | 50.74 | 51.51 | 41.39 | 48.94 | 51.11 |

*Fuel Cost*

3.73 Fuel is a major cost element which constituted 35.50 *per cent* of total expenditure in 2008-09. Control of fuel costs by a Road Transport Undertaking has a direct bearing on its productivity. The Table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre ie., KMPL), All India Average and estimated extra expenditure.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Gross Kilometres (in lakh) | 4,751.00 | 4,831.00 | 4,304.43 | 4,302.84 | 4,963.01 |
| 2 | Actual Consumption (in crore litres) | 12.18 | 12.23 | 10.64 | 10.52 | 11.88 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3 | Kilometre obtained per litre (KMPL) | 3.90 | 3.95 | 4.05 | 4.09 | 4.18 |
| 4 | Target of KMPL fixed by Corporation | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 |
| 5 | All India Average in the category* | 4.94 | 4.94 | 4.94 | 4.94 | 4.94 |
| 6 | Consumption as per All India Average (in crore litres) (1/5) | 9.62 | 9.78 | 8.71 | 8.71 | 10.05 |
| 7 | Excess Consumption (in crore litres ) (2-6) | 2.56 | 2.45 | 1.93 | 1.81 | 1.83 |
| 8 | Average cost per litre (in ₹) | 26.60 | 31.65 | 34.67 | 34.22 | 35.55 |
| 9 | Extra expenditure (₹ in crore) (7x8) | 68.10 | 77.54 | 66.91 | 61.94 | 65.06 |

**3.74 It can be seen from the above table that the mileage obtained *per* litre has continuously shown an increasing trend over the period under review though the Corporation could not achieve its target of 4.5 KMPL. The Corporation had identified the main reasons for excessive fuel consumption as bad driving habits, operation of overaged vehicles, and excessive number of stops. A test check in Audit of statements of Petrol, Oil and Lubricants (POL) for two months in each year under review, in 23 Depots, showed that up to January 2007 the Corporation had no mechanism in place to monitor vehicle-wise or driver-wise data for consumption of fuel so as to exercise effective management control though the internal manuals prescribed for the recording and analysis of such data. From 2007-08, the Management initiated several measures to control excessive consumption of fuel. It directed operating units to record driver-wise KMPL. Drivers who consistently failed to obtain good mileage were counselled and trained and their performance monitored. A mileage based incentive scheme was also introduced to motivate drivers to achieve better KMPL. However, test check in

* All India Average is for 2006-07,which has been taken for comparison purpose in all the years under review.

** North East Karnataka State Road Transport, Uttar Pradesh and AndhraPradesh registered mileage of 5.45,5.33 and 5.26 KMPL. (Source STUs profile and performance 2006-07 by CIRT, Pune)

Audit of 23 selected Depots revealed that in seven Depots[$], driver-wise KMPL data was not maintained. Fuel issue to Depots was strictly controlled by fixing monthly/ daily quotas and fuel tankers were purchased for transporting fuel with a view to avoid pilferage. A Fuel Cell was also set up at top Management level for monitoring fuel efficiency. Further, in nine Depots[@], the fuel accounts were not properly maintained. Due to partial implementation of the Management's initiatives, the top Management may not be in a position to exercise effective control over the issue. However, these efforts helped the Corporation to improve its mileage. Inspite of these, the Corporation consumed 10.58 crore litres of fuel in excess as compared to All India Average during 2004-05 to 2008-09 resulting in extra expenditure of ₹ 339.55 crore.

3.75 As per the recommendations of COPU (July 2004), the Corporation had fixed unit-wise and engine-wise norms for fuel consumption in January 2006. Audit observed that these norms were fixed on the basis of previous performance only. However, the same were not monitored to take follow up action.

3.76 Government replied (August 2009) that the low mileage obtained by the Corporation compared to the All India Average was due to peculiarities of the State such as high co-efficient of friction in Kerala roads, uneven terrain, higher number of stops etc., and the target of 4.5 KM per litre of fuel was fixed only to motivate the crew to achieve better fuel efficiency. It was also stated that the Management had initiated concrete measures to improve fuel efficiency as proved by the increasing trend from 2004-05 to 2008-09.

3.77 The reply is not convincing since the measures taken by the Corporation had partially succeeded in increasing fuel efficiency which shows that within the State specific constraints, it was possible to improve performance. This is further corroborated by the fact that buses operated by Tamil Nadu State Transport Corporation (TNSTC) in the Thiruvananthapuram-Nagercoil interstate route were able to obtain higher mileage[*] than the Corporation's buses plying on the same

$ Thodupuzha , pala, vizhinjam,Thiruvalla, Mala, Thiruvananthapuram city and Thrissur

@ Thodupuzha, Pala,Vizhinjam, Eranakulam, Thiruvalla, Kattakkada, Karunagappally, Aluva and Mavelikkara.

* TNSTC was able to achieve the mileage of 5.3 KM per litre.

route though they had more number of stops. The fact remains that though fuel cost was the major element in the Corporation's operating costs, proportionate attention was not given to improve fuel efficiency.

*Body Building*

3.78 The Corporation has body building units at all the Workshops. In the absence of data with the Corporation, Audit could not ascertain the expenditure incurred on these body building units. The Corporation also outsourced fabrication of buses to private contractors. Based on information provided by the Management, the cost and efficiency of building bodies of ordinary buses in the Corporation's own Workshops is compared against the private contractors in the table given below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Total No. of buses fabricated in house | Nil | Nil | 1 | 569 | 756 |
| 2 | Cost of fabrication *per* bus for ordinary buses (₹ in lakh) | NA | NA | 6.09 | 4.12 | 4.28 |
| 3 | No. of days taken to fabricate an ordinary bus | NA | NA | 84 | 25 | 20 |
| 4 | No. of buses fabricated through private contractors | 336 | 190 | 9 | Nil | Nil |
| 5 | Cost of fabrication per bus (₹ in lakh) | 5.29 | 5.29 | 5.29 | NA | NA |
| 6 | No. of days taken to fabricate a bus | 43 | 51 | 90 | NA | NA |

3.79 The Corporation decided to outsource bus body building by inviting tenders from 2002-03 onwards. The Corporation got fabricated 535 buses during 2004-05 to 2006-07 through outsourcing at the total fabrication cost of

₹ 28.30 crore. In August 2007, it was decided to fabricate the bus bodies in the Central Workshop and four regional Workshops. Accordingly, the Corporation fabricated 1,325 buses at a total cost of ₹ 55.80 crore during 2007-08 and 2008-09. The comparatively low cost of fabrication achieved by the Corporation in 2007-08 and 2008-09 was due to the fact that most of the employees engaged for body building were temporary employees paid on a daily basis.

**Financial Management**

3.80 Raising of funds for capital expenditure, ie., for replacement/addition of buses happens to be the major challenge in financial management of Corporation's affairs. This issue has been covered in paragraph 3.31. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

*Claims and Dues:*

3.81 The Corporation gives its buses on hire for which parties were required to pay in advance the charges at prescribed rates *per* kilometre basis at the time of booking. It was, however, noticed during Audit that the charges due were not promptly recovered from the parties. As *per* the provisional accounts an amount of ₹ 14.92 crore was due as on 31 March 2009 from various debtors which mainly comprised of Government Departments. Audit noticed that the Corporation did not prepare year-wise break up of debtors and age-wise details were not maintained. In the absence of maintenance of primary records by the Corporation, Audit could not vouchsafe the party-wise debts.

3.82 Further, the Corporation provides free/ concessional passes to various categories of public like students, physically challenged, etc., as detailed in the table below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | No. of student passes issued (No. in lakh) | 6.19 | 5.27 | 5.67 | 5.68 | 6.02 |
| 2 | No. of other passes issued | 45,197 | 46,220 | 47,384 | 48,114 | 48,822 |
| 3 | Loss assessed for student passes (₹ in crore) | 28.82 | 30.11 | 32.18 | 33.13 | 44.90 |
| 4 | Loss assessed for other passes (₹ in crore) | 66.22 | 67.39 | 68.64 | 71.91 | 72.70 |
| 5 | Total loss claimed from Government (₹ in crore) | 95.04 | 97.50 | 100.82 | 105.04 | 117.60 |
| 6 | Amount actually received | Nil | Nil | Nil | Nil | Nil |

3.83 It can be seen from the above that against ₹ 516 crore claimed from the Government during the five years ended 2008-09, the Corporation could not realise any amount. The Government stated (April 2009) that reimbursement of concessional passes would arise only if the Corporation is on self sustaining basis. The Government has been releasing funds to the Corporation without repayment being made to enable the Corporation to stand on its own feet.

*Realignment of Business Model*

3.84 The Corporation is mandated to provide an efficient, adequate and economic road transport to public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap nontraffic revenue

sources to cross-subsidise its operations. However, the share of non-traffic revenues was nominal at 1.71 *per cent* of total revenue during 2004-09. This revenue of ₹ 75.76 crore during 2004-09 was mainly from advertisements and restaurant/ shop rentals. Audit observed that the Corporation has not substantially tapped non-traffic revenue sources.

3.85 Over a period of time, the Corporation has come to acquire sites at prime locations in cities, district and tehsil headquarters. The Corporation generally uses the ground floor/ land for its operations, leaving ample scope to construct and utilise spaces above. Audit observed that the Corporation owned land measuring 15.76 lakh square metres. The Management assessed (January 2007) the market value of the land at ₹ 800 crore. Audit observed that the Corporation had land at important locations admeasuring 7.92 lakh square metres as shown below:

| Particulars | Cities (Municipal area) | District HQrs. | Tehsil HQrs. | Total |
|---|---|---|---|---|
| Number of sites | 56 | 1 | 8 | 65 |
| Area (sq. Mtrs.) | 6,89,123 | 10,117 | 92,717 | 7,91,957 |

3.86 It is, thus, possible for the Corporation to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, etc., (from first or second floor onwards) in the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporation and can yield substantial revenue for the Corporation which can only increase year after year.

3.87 The Board of Directors of the Corporation decided (November 1998) to implement projects for constructing commercial complexes at Depots/locations viable for such projects. The Corporation identified 63 such locations upto August 2008. Cost estimates for six of these projects totalling ₹ 201.30 crore have been approved and architects appointed. However, the tender for only Angamaly project has been awarded (July 2008) at a total cost of ₹ 22 crore.

3.93 The above Table does not take into account other inefficiencies such as low fleet utilisation, excess tyre cost, defective route planning, etc. Nonetheless, it shows that the net loss could be lower, if the operations are properly planned and efficiently managed, than what they actually are. Thus, the case made by the Corporation for increase in fare, includes its inefficiencies and in a way would make the commuters pay more than what they should be actually paying.

3.94 The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

*Adequacy of services on uneconomical routes*

3.95 The Corporation had about 15.73 per cent profit making schedules as of March 2009 as shown in Table under paragraph 3.51. However, the position would change if the Corporation improves its efficiency. Nonethless, there would still be some routes which would be uneconomical. Though the Corporation is required to cater to these routes, the Corporation has not formulated norms for providing services on uneconomical routes. It has instead, adopted the practice of classifying all loss making schedules as being operated to fulfill social obligations. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in Audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

**Monitoring by top management**

*MIS data and monitoring of service parametres*

3.96 For an organisation like Kerala State Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to

set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self- reliant. In the light of this, Audit reviewed the system existing in the Corporation.

3.97 The Corporation had a comprehensive system for recording operational and financial data by way of a series of specific registers for recording each aspect of functioning. The system was designed in such a way as to enable regular monitoring and comparison with norms. However, it was observed that the registers, including the Cash Book, were not being maintained properly in any of the Depots test checked. Cost accounts were not being maintained even at the Workshops. This was attributed by the Corporation to shortage of manpower. The effect of non-maintenance of vital records has been that the Management is deprived of authentic data with respect to unit level operations and this has a detrimental effect on decision making.

3.98 The Corporation implemented (1986) computerisation with limited application.The data relating to bus operations are initially collected, compiled and reported at unit level, which is subsequently furnished to EDP Wing at Head Office for analysis. EDP Wing generates various operational reports for evaluation by top Management. However, these reports were not being used by the top Management to exercise control over operational areas.

3.99 The Corporation has not made attempt to treat each bus as a cost centre to assess its performance . Though revenue earned by each bus is available, the expenditure incurred for its operation (including cost of repairs and maintenance, fuel, labour, etc.) is not computed. The Board of Directors though meeting regularly did not evaluate the operational performance to take corrective actions.

3.100 Several proposals were approved by the Government to tide over the financial difficulty. But Management failed to implement such proposals in their true spirit and strengthen its financial viability. Major instances include Government's Order (May 2003) to convert each unit into profit-centres, closing down loss incurring units, conducting trial study for inducting hired buses on long distance routes and hiring of qualified managerial staff.

3.101 Though the Management issued written instructions from 2007-08 onwards to all units to improve various aspects of its functioning, Audit noticed that the system to monitor the actual implementation of these instructions was ineffective. For instance, despite repeated instructions, the units are not maintaining and analysing trip-wise earnings, and driver-wise mileage. Further, the orders in force to ensure attendance of temporary (empanelled) crew by imposing penalty on defaulters were not enforced by the units.

3.102 The top Management of the Corporation is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, such ability was not seen either from records or performance of the Corporation during the period under review except to a limited extent from 2007-08 to 2008-09.

[The Audit Paragraph 3.1 to 3.102 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2009]

1. With regard to the implementation of BOT projects, the Committee wanted to know the reason for not forming joint venture between the Corporation and BOT operator by executing an agreement as specified in the Government order. The Managing Director KTDFC replied that it was explained in the sanction order that the BOT project were to be implemented on a joint venture basis which means the Corporation have to act as a joint venture partner. Since there was no provision for profit sharing, joint venture could not be formed and if it was formed a huge amount have to be spent for the registration of 200 crore project. Therefore Government did not form joint venture.

2. The Committee was aggrieved to note that absence of an agreement disabled the Corporation to collect 15% of the share out of aggregate rental income of ₹ 2.18 crore at Ankamaly BOT project during 2012 September to 2014 June. The Committee also noticed that the Corporation had not framed any methodology to calculate net monthly income generated from the BOT project after construction and there was no mechanism to, validate the expenses related to operation and maintenance of the building. Then, the Committee enquired whether any action had been taken by the Corporation to collect the share of 50 % income from the

BOT operators. The Managing Director KTDFC replied that 50% share had been distributed to them after taking the operating cost up to May 2014. The Committee was much displeased in not furnishing the reply in time and directed to take action against those officials who were responsible for the belated submission of replies to the Committee.

3. The Committee wanted to know the present status of implementation of the projects at Malappuram, Kozhikkode, Thiruvananthapuram Central, Thiruvananthapuram Fort, Thiruvalla, and Peroorkada and causes for the delay in the completion of these projects. The witness replied that the actual project plan was to build construction projects for KSRTC at seven places with in an area of 21.98 acres of land for a cost of ₹ 163.41 Crore. The Corporation completed 4 out of 7 projects and in Malappuram the tender process had been started. But in Fort and Peroorkada Company did not start any work. The Committee observed that the Corporation violated the Government order in several instances during the course of the projects. The Managing Director, KTDFC informed that there was provision in the Government order to condone the delay and in most of the cases administrative sanction was obtained even after 18 months. She also added that the implementation of the project had not been delayed after getting the land and they had completed the projects even in places where the bus operation was going on. Moreover in some cases they did not get free land even though it was instructed to provide only free land for the construction.

4. The Committee noticed that the project at Ankamaly and Thiruvalla had to be structurally altered by the BOT operator during execution to provide space for cinema theatre and multiplexus without the approval of the Corporation and the parking requirements of the Corporation was also not been considered. The Committee pointed out that the tripartite agreement executed among the Corporation, Architect and the BOT operator was malafide hence it was against the Government Order, which stipulated that the implementation of the project by the BOT operator was to be based on approved designs and drawings by the Corporation and no changes to be made in the designs without approval.

5. The Committee enquired about the steps taken by the Corporation to solve the problem of insufficient parking space and the present position of parking space at Angamally and Thiruvananthapuram. The witness replied that at Angamaly

the owner of the film theatre agreed to construct separate parking space for their own usage and in Thiruvananthapuram, parking space had been arranged in the Bus Terminal itself as ordered by the Corporation.

6. The Committee enquired why feasibility report and detailed project report had not been prepared eventhough it was essential for the implementation of projects. The witness replied that KSRTC submitted the same before the Government except DPR. The Committee was concerned to note that due to the absence of commercial feasibility reports and DPRs, the Corporation failed to assess the viability of payback period and return on investment.

7. The Committee was astounded to note that the construction work of Bus terminal cum Shopping Complex at Kozhikode was started without obtaining the Building Construction Permit and enquired about the reason for doing so. The Secretary Transport Department admitted that it was illegal on the part of the Corporation to start construction without obtaining proper permit.The Committee also sought explanation for not having documents proving ownership of its own land of 21 cents which was already surrendered by the Corporation for road widening. The CMD, KSRTC replied that properties inherited from Transport Department had no documents and that measures have been taken to rectify the defects and Deputy Collector has been authorized to frame/procure proper documents for all the properties owned by Corporation. The Committee directed that the properties belonging to the Corporation should compulsorily have documents. The Committee was concerned to note that instead of imposing penalty for illegal construction, the Corporation was forced to surrender 25.30 cents of land valuing ₹ 4.61 crore inorder to condone the irregularity in starting construction without sanction. The Committee pointed out that such unfair practices could have been averted if the Corporation had taken adequate precautions.

8. The Committee pointed out that absence of proper strategic plan and failure of the Corporation in monitoring the execution of BOT projects resulted in delays in completion of the project.

9. The Committee enquired why the BOT operator paid price escalation for the total percentage increase despite knowing that the contractors were eligible for price escalation only when cost of cement and steel increased by 10% or more

from the cost on the date of tender. The Committee further enquired whether any action had been taken by the Corporation to recover the irregular payment of ₹ 3.07 crore from the contractors. The witness replied that as the price of steel and cement had increased more than 10% from the prevailing price, the contractors were eligible for cost escalation. But the Internal Auditor had erroneously calculated the cost escalation and that mistake was not pointed out to the Accountant General at the time of Audit.

10. The Committee remarked that the Corporation had neither submitted the facts before the Accountant General nor furnished the replies to the audit paragraph to the Committee in time. The Committee criticized the Corporation for its failure in furnishing the replies to the Committee within the stipulated time, that disabled the Committee to hold a fruitful discussion on the audit paras.

11. The Committee enquired whether delay in handing over of sites and commencement of work resulted in additional payment of ₹ 2.31 crore to the contractor in Kozhikkode project. The witness replied that the company had given escalation cost to additional work, and all other works were completed as per the tender conditions only.

12. The Committee enquired the reason for not obtaining expert opinion from electrical inspectorate/KSEB before installing HT connection and transformers in Angamaly Depot, eventhough LT connection was sufficient enough for connected load upto 100KVA. The Managing Director KTDFC replied that transformer was necessary for the connected load above 100 KV. The Committee was aggrieved to note the audit observation that the diesel generator commissioned in 2012 which was procured at a cost of ₹ 15.70 lakh had not been utilised even after a period of 2 years.

13. The Committee enquired why the Corporation spent an amount of ₹ 34.47 lakh for the inauguration of Thiruvananthapuram Central BOT project before completing its construction. The witness replied that since it was a prestige issue, 50% of the inauguration cost had been spent by the contractors themselves and ₹ 15 lakh sponsored by the contractors were utilised for advertisement in newspapers. When the Committee enquired about the receipts regarding the same, witness assured to submit the same. The Committee was not at all satisfied with the

hasty decision of the Corporation to inaugurate Thiruvananthapuram Central BOT project before its completion. The Committee disagreed with the explanation of the witness that 50% of the cost for inauguration ceremony had been spent by the contractors. The Committee directed to furnish all the details in this regard to the Committee urgently.

14. The Committee sought explanation regarding the delay in submitting security deposits for 222 days in Angamaly and 184 days in Kozhikkode projects while the conditions of the contract insisted to furnish the security deposit within 15 days of awarding the work. The witness replied that the delay occurred in submitting the security deposit was mainly due to the delay in issuing the work order. The Committee opined that the BOT operators gave undue benefit to the contractors by not insisting them to submit the security deposits in time which adversely affected the satisfactory completion of work.

15. To a query of the Committee regarding the release of retention money to contractors before the completion of work in Angamaly and Kozhikode projects the Managing Director replied that contractors had completed all the works mentioned in the agreement and only some extra works which were not mentioned in the agreement was pending while releasing the retention money.

16. The Committee enquired the reason for not maintaining the hindrance register which was essential for levying loss from the contractors for the delay. The Managing Director replied that extension had been given only after getting a certificate of genuineness from the Agreement Signing Authority. The Committee remarked that non maintenance of proper records disabled the BOT operator to impose liquidated damages. The Committee was also dissatisfied in non furnishing of the reply and directed to submit the reply at the earliest.

17. With respect to the Sree Chithira Thirunal College of Engineering started by KSRTC, the Committee enquired why the Corporation did not implement the provisions in the lease agreement and sought explanation regarding the decision of the Board of Directors which resulted in a loss of ₹ 78.28 lakh to the Corporation. The Secretary Transport Department replied that eventhough there was an agreement to transfer 12.50 acres of land, the Corporation gave only 5.60 acres for

SCTCE. He added that since land would be necessary for the expansion of the Corporation, the Corporation was not in a position to transfer the remaining land. He also added that as the building thereon belonged to SCTCE, the Corporation did not take any action to realise the lease rent of the building. When enquired about the present position, the witness replied that the Corporation already got ₹ 1,23,750 as lease rent of the land. At this juncture, the Committee directed to calculate the lease rent for the land possessed by SCTCE and to take steps to realise the building rent also.

18. The Committee enquired about the delay in the remittance of service tax which resulted in avoidable interest payment of ₹ 31.66 lakh. The witness replied that,at present, Corporation was upto date in collecting Service tax and the problem in this regard had been solved.

19. The Committee observed that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance adversely.

20. The Corporation could not recover the cost of operations due to operational inefficiency, weak financial management and inadequate monitoring by top management.

21. The Committee observed that the Corporation owned land measuring 15.76 lakh square metres out of which 7.92 lakh square metres are at prime locations. The Committee opined that the Corporation could undertake projects on Public Private Partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces etc., in the existing sites so as to bring in a steady stream of revenue without any investment.

**Conclusions/Recommendations**

22. **The Committee is appalled to notice that the Corporation is yet to realize the rent of the land and building therein leased out to SCTCE in accordance with the provision laid out in the lease agreement. Moreover the rent has not been periodically revised. The Committee strongly recommends that urgent steps should be taken to assess and realize lease rent for the land and building as per the provisions incorporated in the lease agreement.**

23. The Committee is dissatisfied with the Corporation's hasty decision to inaugurate the Trivandrum Central, BOT project before its completion. The Committee therefore, directs to furnish all the details regarding the inauguration including the expenditure incurred and the details of sponsors if any.

24. The Committee opines that the corporation should formulate a suitable mechanism to analyse schedule-wise profitability and reduce the losses.

25. The Committee was shocked to observe many glaring instances of violation of Government Orders by the Corporation. Instances like starting of projects without getting administrative sanction, construction of buildings without getting building permit are only a few. All these violations contributed to excess expenditure including surrender of own property in lieu of regularizing the action. Committee firmly opines that it is highly irregular on the part of the Corporation to violate Government norms, and strongly recommends that any violation, whatsoever, should be seriously viewed and strict action should be taken against those responsible.

26. The Committee is of the view that though the demand for public transport was on the rise, the Corporation failed to grab its due market share in public transport. Also inefficient handling of operation has deteriorated the service standards too. Besides, the Corporation has not taken effective steps to tap non-conventional revenue sources to generate income. The Committee also attributes operational inefficiency, weak financial management and inadequate monitoring by top management as the reasons for the Corporation not being able to realize even the cost of operations. The Committee therefore, recommends that the Corporation should take up projects on Public Private Partnership basis to put up shopping complexes, malls, hotels, office spaces etc., in the existing sites in order to generate revenue without making any investment.

27. The Committee insists on the management's regular monitoring of the important operational parameters to take remedial measures. The Committee is of the view that online banking and other facilities may be improved, so as to enable easy booking and proper accounting.

28. **The Committee exhorts that the Corporation should utilize non-conventional sources of revenue on a large scale, which will bring about a perennial generation of revenue without additional investment. For instance the Corporation owns substantial properties at prime locations and hence it is in a position to earn rental income. Similarly it is possible to earn sizable income from advertisements.**

29. **The Committee realizes that the Corporation had been thoroughly incapable of utilizing its fleet strength to the maximum which ultimately affected its operational performance adversely. The Committee, therefore recommends that an improvement in fleet utilization should be effected judiciously and professional management should be introduced. The Committee recommends that the staff appointments should be frozen as the present position shows excess staff. A detailed analysis of staff requirement and man power utilization is warranted.**

Thiruvananthapuram
26th April, 2017.

C. DIVAKARAN,
*Chairman,*
*Committee on Public Undertakings.*

## APPENDIX I
## SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

| Sl. No. | Para No. | Department Concerned | Conclusions/Recommendations |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1 | 22 | Transport Department | The Committee is appalled to notice that the Corporation is yet to realize the rent of the land and building therein leased out to SCTCE in accordance with the provision laid out in the lease agreement. Moreover the rent has not been periodically revised. The committee strongly recommends that urgent steps should be taken to assess and realize lease rent for the land and building as per the provisions incorporated in the lease agreement. |
| 2 | 23 | | The committee is dissatisfied with the Corporation's hasty decision to inaugurate the Trivandrum Central, BOT project before its completion. The Committee therefore, directs to furnish all the details regarding the inauguration including the expenditure incurred and the details of sponsors if any. |
| 3 | 24 | | The Committee opines that the corporation should formulate a suitable mechanism to analyse schedule-wise profitability and reduce the losses. |
| 4 | 25 | | The Committee was shocked to observe many glaring instances of violation of Government Orders by the Corporation. Instances like starting of projects without getting administrative sanction, construction of buildings without getting building permit are only a few. All these violations contributed to excess expenditure including surrender of own property in lieu of regularizing the action. Committee firmly opines |

| 1 | 2 | 3 | 4 |
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| | | | that it is highly irregular on the part of the Corporation to violate Govt. norms, and strongly recommends that any violation, whatsoever, should be seriously viewed and strict action taken against those responsible. |
| 5 | 26 | | Committee is of the view that though the demand for public transport was on the rise, the Corporation failed to grab its due market share in public transport. Also inefficient handling of operation has deteriorated the service standards too. Besides, the Corporation has not taken effective steps to tap non-conventional revenue sources to generate income. The Committee also attributes operational inefficiency, weak financial management and inadequate monitoring by top management as the reasons for the Corporation not being able to realize even the cost of operations. The Committee therefore, recommends that the Corporation should take up projects on Public Private Partnership basis to put up shopping complexes, malls, hotels, office spaces etc., in the existing sites in order to generate revenue without making any investment. |
| 6 | 27 | | The Committee insists on the management's regular monitoring of the important operational parameters to take remedial measures. The Committee is of the view that online banking and other facilities may be improved, so as to enable easy booking and proper accounting. |
| 7 | 28 | | The Committee exhorts that the Corporation should utilize non-conventional sources of revenue on a large scale, which will bring about a perennial generation |

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| | | | of revenue without additional investment. For example the Corporation owns substantial properties at prime locations and hence it is in a position to earn rental income. Similarly it is possible to earn sizable income from advertisements. |
| 8 | 29 | | The Committee realizes that the Corporation had been thoroughly incapable of utilizing its fleet strength to the maximum which ultimately affected its operational performance adversely. The Committee, therefore recommends that an improvement in fleet utilization should be effected judiciously and professional management should be introduced. The Committee recommends that the staff appointments should be frozen as the present position shows excess staff. Staff requirement and man power utilization is warranted. |

# APPENDIX II

## NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS (AUDIT REPORT 2013-2014)

| Sl. No. | Audit Para No. | Reply furnished by Government |
|---|---|---|
| 1 | 2 | 3 |
| 1 | 3.8 | **Para No. 3.8 IMPLEMENTATION OF BUILD,OPERATE AND TRANSFER (BOT) PROJECTS** |
| 2 | 3.8.2 & 3.8.5 | **3.8.2 & 3.8.5** So far as the payments of annuity to KSRTC from the BOT projects are concerned, the condition stipulated in the Government Orders issued regarding the entrusting of those BOT Projects to KTDFC is that 50% of the net monthly income from the project (income after deducting the expenses related to the operation and maintenance of the projects, the rate of which will be decided on agreement between KTDFC & KSRTC) shall be given as annuity to KSRTC. The details regarding implementation and financial progress of the projects may be seen in the following tables: |

Details of award of works and status of implementation :-

| Sl.No | Name of the Project | Month of Sanction | Date of award of work | Scheduled completion | Date of actual completion | Delay (In Months) |
|---|---|---|---|---|---|---|
| 1 | Angamaly | June/2008 | June/2008 | June/2010 | 30/06/2012 | 24 Months |
| 2 | Kozhikode | Nov/2007 | Jan /2009 | 30/04/2015 | 31/01/2011 | (Progressing) |
| 3 | Thiruvanathapuram Central | Nov/2007 | Jan / 2010 | Feb /2012 | Commissioned | |
| 4 | Thiruvalla | Jan/2010 | June/2010 | Jan/2012 | In Progress | (15/12/2014) |

Details of Financial progress of projects

| Sl.No | Name of the Project | Projected Cost (Rs. in crores) | Received Project Cost (Rs. in crores) | Total Construction cost till July 2014 (Rs. in crores) | Physical Progress in % |
|---|---|---|---|---|---|
| 1 | Angamaly | 22 | | 32.71 | 100 |
| 2 | Kozhikode | 19.73 | 43.21 | 23.48 | 98 |
| 3 | Thiruvanathapuram Central | 61.38 | | 53.97 | 95 |

1 2 3

| | | | | | |
|---|---|---|---|---|---|
| 4 | Thiruvalla | 35 | | 30.88 | 95 |
| | Total | 138.11 | 43.21 | 141.04 | |

3.8.3 **Failure to safeguard the interest of the Corporation (KSRTC)**

&

3.8.4 **Non compliance of Government directives**

(a) **Formation of Joint Venture:**

The term 'Joint venture' mentioned in the G.Os doesn't by itself warrant that agreements are to be executed between KSRTC & KTDFC. Those G.Os clearly stipulate that the projects shall be implemented on BOT basis as a joint venture, subject to the terms and conditions mentioned in the said G.Os. KTDFC has undertaken the projects on BOT basis on the basis of the terms and conditions set forth in the G.Os issued in this regard. Hence there is no need to execute again any agreement thereby reiterating the terms and conditions mentioned in those G.Os. Those G.Os will stand as the principal documents governing the duties and responsibilities of KTDFC & KSRTC. Similarly those G.Os also don't stipulate execution of any further agreement. It is also clearly specified in Clause 22 of the said G.Os that "the decision of the Government shall be final and binding on both KSRTC & KTDFC, in case of any dispute regarding the interpretation and effect of any of the terms and conditions in the Government Orders". Hence it can be found that the execution of a further agreement is not at all stipulated in the said G.Os. The term 'joint venture' doesn't *if so facto* be followed by an agreement in the present case, as the G.Os clearly stipulated the terms and conditions of the BOT projects.

If the business aspect of the term 'Joint Venture' is examined, the term 'Joint Venture' is generally followed by the sharing of profits between the parties of Joint Venture. But it is to be noted that no such profits are envisaged for KTDFC except the recovery of the project cost and its applicable interest. So it can be found that if the term 'Joint Venture' is to be taken in its actual business sense, then the above aspect need also be considered, which would ultimately lead to the violation of the terms and condition set forth in the G.Os.

As such, it can be found that the term 'Joint Venture' was used in the said G.Os subject to the terms and conditions specified in the G.Os. Hence the audit may be pleased to drop the remarks of "execution of the agreement" in the report.

(b) **Completion of Project**

Regarding phase I (construction for KSRTC's exclusive use) and phase II (Remaining construction work which includes the commercial spaces), specific periods for completion are stipulated in the Government orders. On practical considerations, it is to be noted that it is not possible to separate the two phases and arrange to execute the work according to the stipulated time schedule as lot of common works are involved. (Electrification, Water supply and Sanitation, yard and roads, fire fighting works, air conditioning, floor furnishes, wall furnishes, lifts, escalators, etc).

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Delay in getting Sanctions, delay in making land available for the work, delays in finalizing detailed designs and estimates, procedural delays involved in completing the tendering procedures and obtaining approvals whenever required, variations in specifications of different items of works, variation in quantities, procedural delays in finalizing extra items and additional works and for processing them by various agencies at different levels, adverse conditions encountered during construction, short supply of materials in market, difficulty in obtaining sand and quarry materials, earth for filling, lack of storage space at construction sites and several other factors have affected the time schedules. Under the circumstances it was practically impossible to keep up the time frame in clause 3 of the Government Orders. The G.Os itself have anticipated such possibilities and permitted extension of time in certain circumstances (Clauses 18, 19 & 21).

(c) **Approval of design by the Corporation**

It is to be noted that it was KSRTC which prepared preliminary designs and conceptual plans through its Architects on the basis of which Government sanctioned those projects on BOT basis and entrusted KTDFC to implement the same.

Thereafter, tripartite agreements were executed between KTDFC, KSRTC and the Architect concerned (on the basis of the agreements between KSRTC and the Architects). After that the Architect concerned prepared the final design and drawings and those were accordingly submitted to KSRTC for approval. KSRTC had accordingly given approval for all final designs and drawings pertaining to all BOT projects. It is on the basis of the said approved designs and drawings that KTDFC has executed the construction of all BOT projects. Hence the Audit observation to the contrary that the construction of BOT project in Trivandrum Central was carried out with a design which was not approved by KSRTC is incorrect. Trivandrum project was also executed on the basis of the design approved by KSRTC. Similarly all bus parking requirements as per the conceptual designs approved by KSRTC have been retained in the actual construction plan.

So far as the observation regarding earmarking of space for Cinema Theaters/ Multiplexes is concerned, it may be noted that the same was done as per the Government policy. In addition, the said policy of inclusion of space for Cinema Theatre / Multiplexes in the projects were also informed to KSRTC by the Government.

The Thiruvananthapuram terminal has been designed by a group of seasoned Architects within the spatial limitations and other physical factors. It may noted that terminal could be built only at the land under the possession of KSRTC and that too by observing the prevailing clearance rules of the Thiruvananthapuram city corporation.More over it is to be noted that the designs were actually approved by KSRTC and it was based on the said designs that the government has accorded sanction for the project and entrusted KTDFC to do the same. KTDFC had no role in the preparation of the preliminary designs.

It is also learnt that the project was designed and approved by KSRTC as an exclusive

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| | | terminal for short distance buses. (long distance buses were planned to be operated from Eanchackal)<br><br>The original concept while planning the Bus Terminal Complex at Thiruvananthapuram Central was that the Bus Terminal at Eanchakkal would also be completed along with the Bus Terminal at Thiruvananthapuram Central and a major share of operation of buses, particularly the Interstate Services and Long Distance Services, would be shifted to Eanchakkal. However, Eanchakkal Bus Terminal work could not be taken up as planned and this has caused substantial overload at the central Bus Terminal. Once the Eanchakkal project is taken up and completed, this problem will be solved. |
| 3 | 3.8.6 | **3.8.6 Absence of agreement with the BOT operator**<br><br>As discussed in the reply to Para 3.8.4, execution of agreement was not at all envisaged in the Government Orders, whereby the BOT Projects were entrusted to KTDFC. Instead, those Government Orders stand as the Principal documents governing the duties and responsibilities of KTDFC & KSRTC. The terms and conditions relating to the said BOT projects have elaborately been specified in the said Government Orders. It is also clearly specified in clause 22 of the said Government Orders that the decision of the Government shall be final and binding on both KSRTC & KTDFC in case of any dispute regarding the interpretation and effect of any of the terms and conditions in the G.Os. As such it can be found that execution of an additional bipartite agreement between KTDFC & KSRTC reiterating the terms and conditions mentioned in the G.Os was not at all stipulated in the said G Os. Since KTDFC has undertaken those BOT projects with the approval of KSRTC on the basis of the terms and conditions specified in the said G.Os, those G.Os are absolutely binding and effective on both parties and no conditions contrary to the provisions specified in those G.Os can be introduced.<br><br>As such the Audit observation regarding the execution of agreements is based on misconceived notion of facts and wrong interpretation of G.Os. So far as the other observations are concerned, the following details may be taken into consideration.<br><br>As per clause 9 of the G.Os, KTDFC shall pay KSRTC an operating fee (Annuity) @ 50% of the net monthly income (i.e, the income after deducting all expenses related to the operation and maintenance of the project concerned). It is also specified in the G.Os that the rate of such deductions on account of operation and maintenance expense will be fixed between KSRTC & KTDFC. As such, KSRTC has every right to demand the annuity and KTDFC has been obliged to pay the same as per the provisions of the G.Os. The execution of additional agreements do not increase or decrease the right of KSRTC or the obligation of KTDFC in the matter of payment of annuity. As such the Audit observation that 'it was because of non execution of agreement that KSRTC could not claim annuity from KTDFC ', is against the settled legal positions and hence the said observations may be dropped. |

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Actually the non – payment of annuity for Angamali BOT project was attributable to the reasons mentioned hereinafter:

Since the major portion of the commercial space is still unoccupied, the actual rate of monthly expenses for operation and maintenance of the building (which has to be deducted from the total monthly income for finding out the 50% of the net monthly income for payment of annuity to KSRTC as per the G.O.) is yet to be arrived at. Also the final bill of the construction is still pending. The account for Angamali BOT Project can be audited, only after finalizing the project cost. As such, considering the further time period that may be required for the fulfillment of the above aspects, KTDFC, on the basis of the unaudited provisional statement of income and expenditure from September 2012 to October 2014 for Angamali BOT Project, has paid an amount of Rs. 75 lakhs to KSRTC as operating fee (annuity) provisionally vide letter dated 29/11/2014, subject to the condition that the excess or deficit in annuity, as the case may be, will be adjusted in future payments after auditing.

Once the auditing is completed, copies of the said accounts (including the details of income derived and the expenses incurred for operation and maintenance of the building) duly certified by the auditors, will be furnished to KSRTC as per clause 12 of the G.O. As such, the Audit observation that 'there was no authority, mechanism to validate the expenses related to operation and maintenance of the building' is also incorrect and hence the same may also be dropped. Clause 12 of the G.O clearly stipulates the procedure to be followed in this regard.

It may also be noted that the remaining audit observations regarding the execution of agreement outlining the terms and conditions, rate of interest to be charged on the invested funds, fixation of BOT period, computation of reasonable concession period etc, are also on the wrong perception of the G.Os issued in this regard, as mentioned below:

Execution of agreement outlining the terms and conditions is not at all stipulated in the G.Os for the reasons elaborately mentioned earlier. So far as the fixation of BOT Period and rate of interest to be charged on the invested funds are concerned, the same are clearly and exclusively governed by clause 13 of the said G.Os that 'the BOT period will be the duration of the operating period of the project till the total project cost and the rate of interest of the period (which shall be fixed by KTDFC and approved by the Government) is realized fully from the project by way of net rental income generated and collected by KTDFC from the BOT project after payment of annuity to KSRTC.' As such G.Os, on unequivocal terms, decided the BOT period and how the rate of interest be charged on project cost. Hence the Audit observation to the contrary regarding 'the execution of agreements for fixing BOT period and rate of interest', may be dropped.

The final Audit observation regarding 'the non-evolution of a system to compute the reasonable concession period which would enable KTDFC in fixing longer period as against a reasonable period', is imaginary and against the specific terms stipulated in the G.Os. As per the clause 13 the G.Os, BOT period of the each project will be the operating period till the total project

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| | | cost with its applicable interest is realized fully from the project concerned by way of net rental income. Similarly clause 12 of the G.Os specified that "KTDFC shall maintain full accounts of all fees including realizable fees, other revenue derived /collected by it on account of use of the buildings and operation and maintenance expenses and other cost paid and shall provide to KSRTC copies of the said accounts duly audited and certified by the auditors appointed by KTDFC". Hence there exists no possibility /way for KTDFC for keeping the buildings for a longer /shorter period. but only till the period till the entire project cost and applicable interest are realized in the manner mentioned in the G.Os. Hence the Audit observation regarding reasonable concession period is neither applicable nor relevant as per the terms and conditions stipulated in the G.Os. |
| | | **Deficiencies in the pre-construction phases** |
| 4 | 3.8.7 | 3.8.7 **Absence of commercial feasibility reports and DPRs**<br>All the Commercial Complex Projects, at various locations, in land owned by KSRTC were conceived by KSRTC. KSRTC had approved conceptual plans and rough cost estimates prepared by the Architects selected and appointed by KSRTC. Whether the projects were conceived as BOT projects to be executed through a BOT operator (such as KTDFC) or as projects to be executed directly by KSRTC utilizing own funds, commercial feasibility studies ought to have been done by KSRTC before approving the project for implementation and submitting to the Government for according administrative sanction. KTDFC took up the BOT projects for implementation after approval of the Government, on the basis of respective Government Orders.<br>In this context, kind reference is invited to G.O (M.S) No. 22/07/Tran. dated 10.05.2007, by which sanction was accorded to KSRTC to entrust the construction of shopping complex at the premises of Angamaly Bus station, on BOT basis, by Kerala Transport Development Finance Corporation, as pilot project. In this G.O, it is stated that' the Chairman and Managing Director, KSRTC had forwarded the proposal for construction of shopping complexes at various bus stations , as BOT basis, which were commercially viable, to bring in more income, apart from giving a face lift to the Bus stations'. (Evidently KSRTC was satisfied as far as commercial feasibility of the project was concerned).<br>Second paragraph of the G.O states that KSRTC had requested sanction from Government to construct such projects on BOT basis since KSRTC was not financially or technically equipped to take up such projects on its own. Sanction accorded by the Government was to entrust the construction of shopping complex at Angamaly on BOT basis by KTDFC. Further feasibility study for the project and preparation of detailed project Report were not insisted.<br>By G.O(Ms) No. 42/07/Tran. dt. 25.10.2007, specific terms and conditions for implementation of the project on BOT basis were approved and enhancement of project cost was sanctioned. |

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By G.O (Ms)No. 46/07/Tran. Dt. 05.11.2007, Government accorded sanctions for constructing the Bus Terminal complex at Thiruvananthapuram Central, Fort Thiruvananthapuram. Peroorkada, Kozhikode and Malappuram on BOT basis under the same terms and conditions as per the G.O dt.25.10.2007. From this G.O also, it is clear that KSRTC was satisfied of the commercial feasibility of these projects and it is to be noted that it was the implementation of the projects which was entrusted with KTDFC as BOT operator. In this G.O also, there was no directive that further feasibility study was to be done and DPRs were to be prepared.

KTDFC did not have the sufficient organizational infrastructure to make detailed studies in respect of commercial viability of the BOT projects, on its own. However, with assistance from the Architects of the respective projects, some studies were made and reports presented to the Board of Directors of KTDFC, to ensure that investments made on such projects are justified. These studies could be done only based on information gathered in respect of demand for commercial spaces. prevailing rents etc. as these are likely to vary over a period of time depending on economic situations, availability of commercial spaces provided by various agencies, etc. As such, precise predictions and projections were practically impossible. In KSRTC Bus Terminals, it is seen that co-operation from KSRTC staff and workers for maintaining the atmosphere conducive for commercial activities envisaged in such complexes has not been encouraging. Agitations, display of banners, etc in and around the commercial complexes are distractions. Even though separate Administrative Blocks with required facilities and Garage buildings are provided at the Bus Terminal complexes, protests and demonstrations are not confined to such areas.

So far as the remaining observations in the report regarding the delay in allotment of space in Angamali project is concerned, the following ground realities and difficulties that KTDFC has been facing in marketing the built up space of KSRTC Bus Terminal Complexes may firstly be taken into account.

- Anybody who wants to avail space in KTDFC malls on rent has to remit the Security Deposit amount and rent is bound to show source of his funds.
- There is widespread complaint in business fraternity that the rent and rock bottom security deposit rates, especially the security deposit rates, fixed for our Complexes are very high. However, due to the commitment of KTDFC to generate maximum yield from the projects, especially taking into consideration of project costs, we at present are not in a position to address the above issue. However it is requested that any sort of thumb rule that can be applied regarding the SD and rent rates flexibly from time to time based on the responses from the interested parties may be suggested by the Audit in this regard, so that the Company can speed up the marketing of the remaining unallocated spaces.
- The ever booming online trading is adversely affecting the conventional retail business.
- Bus stations are not being considered as ideal locations for up market business. Top brands and big corporate clients show reluctance in setting up their business in bus stations for fear

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| | | it would adversely affect their brand value.<br>• Small and medium scale business men are often reluctant to participate in tender programmes. Perhaps they might have the feeling that the Government procedure are too complex, tough and mechanical.<br>• Corporate clients fear that abrupt changes in Government policies would mar their business set up in public sector malls. (As per Government decision, Reliance Retail was earlier directed to vacate the space allotted to them in Trans Towers, Vazhuthacaud before the expiry of the rent period)<br>• The Shopping Complex would become popular and lively only if a right mix of businesses is there in it. This would make the mall attractive for those who wish to set up lap top shops, mobile phone stores,branded jeans ,boutiques etc. But the tenant who has to set up the anchor business in the mall would demand concessions in Security Deposit & rent, exclusive parking facility etc. as their presence would be advantageous for the general promotion of the Mall. KTDFC, being a Government Company, cannot allow such flexibility or special concessions to such clients.<br>• Likewise, branded shops and corporate clients do not like to see commonplace vending shops, bunk shops etc. in the vicinity of their business establishments.<br>• Since KTDFC began the construction of KSRTC Bus terminal complexes at various locations, the Company have been receiving innumerable enquiries for commercial space from business fraternity within the state and outside (both direct and telephonic). Hence it cannot be assumed that prospective clients are not coming forward to avail space in the complexes for want of information but that those inquiries are not being converted due to other reasons like the ones mentioned above.<br>From the above facts, it can be seen that KTDFC has been trying its level best to market the remaining spaces and that the delay in getting the spaces allotted are due to the reasons mentioned above. KTDFC has been doing everything possible for the marketing of the remaining space. |
| 5 | 3.8.8 | **3.8.8 Construction of building without required permit and unwarranted surrender of land (Kozhikode)**<br>As observed by the Audit, KTDFC had submitted application for Construction permit for Kozhikode project with all required details to the Secretary, Kozhikode City Corporation in 2008, before commencing the construction. Rectification of discrepancies pointed out by the Town Planning Department of Kozhikode Corporation was also done promptly and revised plan and required clarifications were furnished.<br>As instructed by the Corporation of Kozhikode, KTDFC also remitted the fee for preliminary NOC from the Fire and Rescue Department.<br>Construction was commenced as per Government decision, in anticipation of approval by |

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the Corporation of Kozhikode. Later when the issue was considered by the Chief Town Planner, some violations were pointed out on the basis of of the subsequent modification of the building rules and it was informed that the application would be processed only as per the rules currently in force at the time of approval. This has complicated the situation. KSRTC had surrendered its land for widening of the road and as such we were made to understand that KSRTC is entitled for certain exemptions in the amended Building Rules. As the relevants documents establishing the surrender of land could not be traced out, it was not possible to take advantage of the surrender of land made earlier.

As per G.O(Ms) No.01/2015/LSGD dated 1.01.2015, sanction has been accorded to the Secretary,Kozhikode for regularisig the construction of KSRTC Bus Terminal cum Shopping Complex in Kozhikode Corporation for public purpose.Also,the compunding fee for regularisation has been exempted, in view of surrender of 25.30 cents of land for the development of Kozhikode-Mavoor road.

**Deficiencies in preparation of design**

6 3.8.9 **3.8.9 – Insufficient Parking Space**

Space for Cinema Theatre/Multiplexes were incorporated in the Bus Terminal Complexes on the basis of Government Policy. It was also considered that this will attract investors. Deficiency in parking due to the introduction of Cinema Theatres is to be made up by the party taking the space on rent by providing suitable parking areas within the vicinity without affecting the spaces already earmarked for other commercial areas. It may be noted that the inclusion of Theatres/Multiplexes was based on the Government policy intimated to both KTDFC and KSRTC.

7 3.8.10 **3.8.10 - Avoidable factors that led to cost escalation**

Delay in construction was caused in all the projects due to reasons beyond the control of the BOT operator. The Circumstances and reasons for delays have been examined while analysing the time delays. Periodical review reports have been submitted to KSRTC and on several occasions review meetings have been done involving KSRTC officicals at Government level also. Similarly as per the terms and conditions of the BOT projects stipulated in the G.Os, BOT operator (KTDFC) is to monitor the execution of the project.

8 3.8.11 **3.8.11 - Inadmissible payment of price escalation to contractors**

Price escalation for cement and steel is to be given on the basis of difference in prices as prevailed on the date of tender and during the period when the work was done, as per the price lists of Malabar Cements and Steel Authority of India. Percentage increase in prices (above the base prices which were prevailed on the date of tender) is to be applied when the price increases by 10% or more for escalation for cement and steel. Nowhere in the tender conditions or in the terms and conditions of the contract, it was stated that upto 10% increase in value of cement or steel are absorbed in the quoted rates. But the only restriction is that escalation will be paid only when the

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prices increase by 10% or more for cement and steel. For this purpose it is assumed that 30% of the total estimated cost of civil work is the cost of steel and 10% of the total estimated cost of civil work is the total cost of cement. Percentage increase in the market rate of steel will be applied on 30% of the value of work as per the bill and that of cement 10% of the value of work. Clearly the increase above the base prices, i.e, the prices which were prevailing on the date of tender, will have to be given escalation if and when the prices increase by 10% or more from the base prices. It is based on this contract provision that the escalation payments were made. So if there be 11% increase in price of cement, escalation for 11% has to be given. Similarly if there be 11% increase in price of steel, escalation for 11% has to be given as per the terms and conditions of the contract. This method has again been examined in detail and approved by the Board of Directors in its 127th Meeting vide Agenda Item No. 14/127. There were a few computation errors in some cases which were reviewed and corrected subsequently. Hence the audit observation that Rs. 3.07 Crores was paid as excess in price escalation is not true.

9 3.8.12

3.8.12 – **Cost escalation due to delay in commencement of work (Kozhikode)**

Initially the administrative sanction was accorded by the Government on the basis of rough cost estimate prepared on the basis of the conceptual plan approved by KSRTC. As already explained, the detailed designs of structural members and finishing works including all the services to be provided are finalized afterwards when it is decided to commence the work. Then only the detailed estimates could be prepared. At the time of tendering the work, the estimate will have to be updated if the schedule of rates have been revised. Therefore the project cost will change depending on the stage of maturity of detailed design and the schedule of rates prevailing then. To find suitable alternatives for operating the bus station, demolishing the old buildings which were existing at the site,etc.are activities requiring time and a lot of efforts. These are uncertain things and it is not always practicable to get these works done and make the site free of all encumbrances with in a certain specified time frame. In most cases such delays are unavoidable. Similarly the pendancy of an appeal for some time before the Hon'ble Supreme Court of India, also caused some delay in the demolishing of the old buildings.

0 3.8.13

3.8.13 **Avoidable expenditure on electrical equipments**

Before the execution of the BOT project, the Ankamali Bus station was only a single transit place where buses enter and leave the bus station. The present KSRTC administrative block is entirely different with a 4 storied building. The connected load of the building including workshop, yard lighting, etc comes to 109.1 KW. As per the existing rules for the above connected load, HT connection is to be availed with 160KVA Transformer. Hence the audit observations to the contrary in the report are incorrect and hence the same may be dropped. It may also be noted that there was no extra cost required for infrastructure developments, like drawing of 11 KV line and providing equipments, as these are required for the shopping complex main transformer.

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| | | So far as the purchase of Diesel Generator of 200 KVA is concerned, it may be noted that the purchase of such a D.G was suggested as per the request of KSRTC only. |
| 11 | 3.8.14 | **3.8.14 Wasteful expenditure on inauguration of Building which was not ready for letting out. (Thiruvananthapuram Central)**<br><br>KSRTC Bus Terminal Complex, Thiruvananthapuram Central is a dual purpose project. Letting out space for commercial purposes is only one of the objectives of the project. The prime object is making available the terminal for operation of buses. KTDFC could undertake the development of the old yard adjacent to the new terminal only after shifting the bus operations from there to the new terminal. So it was with the above objective that the terminal was inaugurated in February 2014. The inauguration function was conducted in a grand scale as the terminal was considered as one of the largest outstanding & magnificent public structure to come up in Thiruvananthapuram in recent times era. It was also anticipated that the wide publicity given for the inauguration function of the terminal would be helpful to the marketing of the built up space of the complex in future. |
| | | **Undue favour to contractor** |
| 12 | 3.8.15 | **3.8.15 Delay in submission of security deposit**<br><br>In the normal course and as per relevant tender conditions, the successful tenderer should have remitted the security deposit and executed the agreement within the stipulated period. However on practical considerations, it may be required to relax this to some extend as per the discretion of the Agreement Authority. The Security deposit is required to ensure that the work is done properly as per specifications and to make good if any loss or damage is resulted due to non-compliance of the contract provisions. The delay in remitting the security deposit ( Bank guarantee ) was condoned by the Agreement Authority. This has not resulted in any loss to KTDFC or KSRTC. In the case of Kozhikode Project it may be noted that the work was awarded conditionally (that the award of contract was subject to decision in the case pending before the court.) |
| 3 | 3.8.16 | **3.8.16 Irregular release of retention money**<br><br>Retention money can be released on satisfactory completion of the work as it is not mentioned in clause D.011 of the General Conditions of Contract that the Retention money is required to be retained till the completion of defect liability period. By the time the retention money was released to the contractor for Ankamaly Project, he had completed all the works as per the tender schedule and all extra items which were finalized before that. Some items with alteration in specification and some additional works which were yet to be finalised or could not be done at that stage and some rectification works only were remaining then. A substantial amount towards the works already executed including extra items and excess quantities pending approval was to be paid to the contractor. It may be noted that the final bill amounting to about Rs.76.32 Lakhs is yet to be paid. pending some of the processing including Government approval.<br><br>As such it was only fair to release the retention amount to the contractor as he was facing |

financial difficulties. The retention money was released in such a situation, that too against Bank guarantee charging a reasonable rate of interest of 11.5% per annum.

In the case of Kozhikode project also the retention money was released to the contractor in a similar situation. Delay in getting finalized the electrification contract and the contract for elevators and escalators was one of the major reasons for further delay in completing the civil works. Finalisation of extra items and extra quantities in respect of works already done was pending. In the circumstance it was required to release the retention money to make funds available to keep the work going. This was also released against Bank guarantee charging a reasonable rate of interest of 11.5% per annum. It may be noted from the above facts that though the retention amount was released, the purpose and benefit of the Retention amount is still available to the corporation ie.

a) To recover amount from the Retention amount in case of any damage to be recovered from the contractor:-

It can still be done form the B Gs submitted by the Contractor for the Retention amount. Those B Gs shall be kept alive till the contractually applicable time period.

b) Facility of enjoying interest by KTDFC from the Retention amount till its contractually applicable time period:-

It is also still being enjoyed by KTDFC as it has been charging interest @ 11.5% p.a from the Contractor for the Retention amount released. The said interest will be charged till the contractually applicable time period (In this regard, it may be noted that the prevailing highest interest rate for any of our FD schemes is 10.50% only). As such it can be found that the interest being charged from the contractor for the Retention amount released is fair and adequate, while comparing with the FD rates of KTDFC.

It may also be noted that the decision of release of Retention Amount in Ankamali & Kozhikode projects were taken by the Board of Directors of KTDFC as a policy decision after considering all aspects including the necessity of completion of the projects, that too after taking the steps to protect the financial interest and security concern (by way of changing interest and B G) of KTDFC.

Similarly the remaining observation in the Audit Report that the "decision of releasing Retention Money (Rs.2.20Crores) in respect of Kozhikode Project with levy of 11.50% interest was taken in the same Board Meeting where the ratification was accorded to avail CC at 13.25% and thus the release of the retention money amounting to 2.20 Crores to contractor of Kozhikode Project had resulted in avoidable interest burden of Rs. 1.24 Lakhs" is incorrect and against the facts as mentioned hereafter;

It is true that the 127th Board vide Agenda Item No 8/127 ratified the availing of adhoc CC to the tune of Rs. 10 Crore from SBT Puthenchanthai Branch. However the said adhoc CC of Rs.10 Crores was availed on 16/11/2013 exclusively for the purpose of meeting FD redemption and for giving loans to KSRTC. The payment of retention money to the contractor of Kozhikode project was made on 23.08.2013. ie very much before the availing of the said adhoc CC. Hence it can be

found that not even a single paise from the said availed adhoc CC of Rs. 10 Crores was used for making release of the Retention Amount of 2.20 Crores to the contractor of Kozhikode Project and that the audit observations were made without properly assessing actual dates of events.

As such, it can be found that the Audit observation on calculation of the loss are totally incorrect and against the actual facts.

**3.8.17 Failure to levy liquidated damage due to non maintenance of records**

Contract stipulates specific provisions for granting time extension for delays caused due to reasons beyond the control of the contractor. Delays in work were analyzed based on details obtained from the construction sites and also on the basis of periodic review of progress of work, minutes of site meetings, etc. and time extensions have accordingly been granted . In such situations, there is no justification to levy penalties following the provision for liquidated damages. Such attempts would have resulted in legal actions from the part of the contractor causing further delays. It is not because KTDFC did not have proper records regarding the delays that liquidated damages were not levied but because the work was delayed due to various causes which were beyond the control of the contractors.

**Conclusion**

If an analysis of the rental business of built up commercial spaces prevailing in Kerala is attempted, it could be seen that marketing of multi storied shopping complexes owned and operated by Government/ Public Sector organizations wouldn't be that easy at the initial phase owing to myriad of reasons, some which have already been discussed above. However it doesn't mean that the BOT projects of KTDFC would continue to have the same plight in the years to come. For example, it took around 6 years for "Trans Towers", the multi storied BOT project completed by KTDFC in 2006 at Vazhuthacaud, Thiruvananthapuram to achieve full occupancy. But today not even an inch of rentable space remains unoccupied in the project and KTDFC are regularly getting several enquiries from prospective tenants for space in the Complex. Hence it may be too early to ring all alarm bells in the case of our shopping complex projects at KSRTC bus stations and to draw foregone conclusions. KTDFC are optimistic that KSRTC bus terminal shopping complexes would transform into bustling and vibrant business centres within a time span of few years and in the long run these terminals would become the profit centres of KSRTC.

Considering the details mentioned above, the audit observations may be dropped.

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15 3.9 **3.9 LOSS OF REVENUE**

**LOSS OF REVENUE DUE TO FAILURE TO IMPLEMENT PROVISION OF LEASE AGREEMENT ₹ 78.28 LAKH**

As per agreement entered with KSRTC and Sree Chitra Thirunal College of Engineering (SCTCE), 12.05 acres of land was supposed to be leased out to the College for 99 years with lease rent of ₹ 100/- per annum per acre. Accordingly the College remitted an amount of ₹ 1,23,750/- towards lease rent.

The Chairman & Managing Director, KSRTC reported that only 5.06 acre, land was actually transferred against 12.05 acre, considering the future development of Central Works, Pappanamcode.

Government have already examined the matter, in connection with the physical verification done by AICTE officials on the land owned by SCTCE under the possession of College. The College authorities measured the land in actual possession of the College and it comes to 4.93 acres only. The Principal, SCTCE requested Government intervention and speedy solution by the physical transfer of land from the remaining 7.5 acres of land.

Considering the graveness of the issue, a meeting was convened by the Secretary (Transport) with Chairman & Managing Director, KSRTC and Principal, SCTCE on 16/10/2014. In the meeting, it was decided to pursue action on the proposal for constructing a multi-storeyed building by SCTCE with ground floor area of 3000 sq.m on the vacant land about 1.75 acres adjacent to the main building of the College, now on the premises of the Central Workshop, to the mutual benefit of KSRTC and SCTCE. The ground floor of the proposed building will be used by KSRTC. In the meeting, it was decided that the Principal, SCTCE will submit detailed proposal in this regard to KSRTC and further action will be taken by Chairman & Managing Director, KSRTC. Necessary directions were issued to KSRTC and SCTCE in this matter.

The Chairman & Managing Director, KSRTC reported that a meeting has been conducted on 19/02/2015 with Principal, SCTCE in the matter and the same will be submitted before the Board of Directors for consideration.

The fact that only 4.93 acres of land is under the possession of the College has not been taken into account while observing the loss of revenue due to failure to implement the provisions of lease agreement.

Considering the details mentioned above the audit observation may be dropped.

# NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS

| Sl No | Audit Para Paragraph | Reply furnished by Government |
|---|---|---|
| 1 | 2 | 3 |
| 1 | 3.8 | Para No. 3.8 **IMPLEMENTATION OF BUILD,OPERATE AND TRANSFER (BOT) PROJECTS** |

**3.8.14 Wasteful expenditure on inauguration of Building which was not ready for letting out. (Thiruvananthapuram Central)**

As directed in the meeting of the Committee on Public Undertakings held on 30.09.2015, the following additional details are furnished regarding the expenditure incurred in connection with inauguration of Bus Terminal Complex at Thampanoor, Thiruvananthapuram:

An amount of Rs. 34,47,178 /- has been incurred towards inauguration expenses of KSRTC Bus Terminal Complex, Thampanoor as per the Books of Accounts. Out of the above an amount of Rs. 14,78,720/- was contributed by various agencies as sponsorships. Hence the net expenditure incurred by KTDFC charged on the Project cost is only to Rs.19,68,458/-. Some of the sponsors are yet to remit their share of contribution. The details of the agencies who have contributed the amount for meeting the inauguration expenses, the details of expenditure and copy of the Audit Certificate are enclosed as Annexures.

# ANNEXURE I

**Sponsorship Received with respect to the inauguration of KSRTC Bus Terminal complex TVM Central**

| Sl. No. | Party | Amount Anticipated |
|---|---|---|
| 1 | IDBI Bank | Rs.25,000/- |
| 2 | Harison Malayalam Pvt. Ltd. | Rs.6,59,046/- |
| 3 | V.Tech Electriv Pvt. Ltd. | Rs.3,43,332/- |
| 4 | Johnsons Lifts Pvt. Ltd | Rs.1.86.884/- |
| 5 | Kumar Group Total Designers | Rs.2,58,458/- |
| 6 | Shri. P.K Sunil ( Tenant, Tmpnr.) | Rs.6,000/- |
| | **Total** | **Rs.14,78,720.00** |

**AN AMOUNT OF Rs.74000 YET TO BE RECEIVED.**

# ANNEXURE II

## Inauguration of KSRTC Bus Terminal Complex Trivandrum Central

### Expenditure Details

**Advertisements Through Media**

| Sl.No | Media and Nature of Advertisement | Amount |
|---|---|---|
| 1 | Advertisement of the inauguration news in Radio Mirchi FM (250 seconds each for 3 days) | Rs.12,640.0 |
| 2 | Advertisement in Red FM (250 seconds each for 3 days) | Rs.12,641.0 |
| 3 | Advertisement in Club FM (250 seconds each for 3 days) | Rs.14,747.0 |
| 4 | Advertisement in ACV (scroll ads for 3 days) | Rs.16,854.0 |
| 5 | Advertisement in India Vision Channel (scroll ads for 2 days) | Rs.13,483.0 |
| 6 | Advertisement in Asianet News Channel (scroll ads for 1 day) | Rs.11,236.0 |
| 7 | Jeevan TV (scroll ads for 1 day) | Rs.11,236.0 |
| 8 | Reporter TV (scroll ads for 1 day) | Rs.11,236.0 |
| 9 | Dahana TV (scroll ads for2 days) | Rs.11,236.0 |
| 10 | Amitha TV (Time check for 1 day) | Rs.8,146.0 |
| 11 | Jaihind TV(scroll ads for2 days) | Rs.17,978.0 |
| 12 | People TV (scroll ads for 1 day) | Rs.13,483.0 |
| 13 | Deepika Tvm edition- quarter page black & white ad | Rs.23,554.0 |
| 14 | The Hindu- Full page colour ad -Tvpm edition | Rs.3,43,332.0 |
| 15 | Desabhimani- 8 column x 20 cm colour ad- Tvpm edition | Rs.20,000.0 |
| 16 | Mathrubhumi- Full page colour -Tvpm edn. | Rs.4,83,733.0 |
| 17 | Metro Vartha- quarter page- black& white-Tvpm edn. | Rs.10,098.0 |
| 18 | Mangalam -quarter page- black & white-Tvpm edn. | Rs.31,174.0 |
| 19 | Veekshanam- Half page colour- Tvpm edn. | Rs.55,000.0 |
| 20 | The New indian Express- Full page Colour- Tvpm edn. | Rs.1,86,884.0 |
| 21 | Kerala Kaumudi + Flash- Full page colour- Tvpm edition. | Rs.2,58,638.0 |
| 22 | Chandrika- Quarter page black & white- Tvpm edn. | Rs.20,000.0 |
| 23 | Malayala Manorama- Half page black & white- Tvpm edn | Rs.1,75,313.0 |
| 24 | Janmabhoomi- Quarter page black & white- Tvpm edn. | Rs.15,000.0 |
| 25 | Madhyamam - Quarter page black & white- Tvpm edn. | Rs.28,700.0 |
| 26 | Times of India- Quarter page colour- Tvpm edition | Rs.26,000.0 |
| 27 | Decan Chronicle- 8 column x 20 cm colour ad | Rs.27,117.0 |
| 28 | Siraj- Quarter page black & white- Tvpm edn. | Rs.6,000.0 |
| 29 | Janayugam- Quarter page black & white- Tvpm edn. | Rs.10,000.0 |
| 30 | Thejas - Quarter page black & white- Tvpm edn. | Rs.10,000.0 |
| 31 | Venad Patrika half page b&w Tvpm edn. | Rs.5,000.0 |
| 32 | Designing cost of advertisement (Ms Gbrain Udarasiromani Road Vazhuthacaud) | Rs.26,517.0 |
| **Total for Advertisements Through Media** | | Rs.19,16,976.0 |

**Publicity**

| Sl.No | Particula | Amount |
|---|---|---|
| 1 | Flex Boards (M/s Soundarya Advertising) | Rs.2,34,382.00 |
| 2 | Posre ( M/s Soundarya Advertising) | Rs.24,675.00 |
| 3 | Banne (Technomedia) | Rs.19,500.00 |
| 4 | Banne for specific purposes (M/s GBrain) | Rs.3,008.00 |
| 5 | Mike Announcement (M/s Krishna sounds) | Rs.27,580.00 |
| 6 | Recording of Annuuncement (M/s Jupiter Recording Studio) | 2500 |
| 7 | Arches (Shri. Nishad.N) | Rs.60,000.00 |
| **Total for Publicity** | | Rs.3,71,645.00 |

**Inauguration Expense**

| Sl.No | Particula | Amount |
|---|---|---|
| 1 | Invitation and pamphlets | Rs.70,800.00 |
| 2 | Stage and Allied works | Rs.1,48,900.00 |
| 3 | Illumination and Sound System | Rs.4,15,350.00 |
| 4 | Flower arrangement bouquets etc | Rs.33,500.00 |
| 5 | Live Screen | Rs.16,000.00 |
| 6 | Media kits | Rs.10,800.00 |
| 7 | VIP Folder and inserts | Rs.13,483.00 |
| 8 | Panchvadyam and Sinkari Melam | Rs.52,000.00 |
| 9 | Badges | Rs.3,900.00 |
| 10 | Memontos | Rs.36,000.00 |

| | | |
|---|---|---|
| 11 | Photos and Video Recording | Rs.29,000.00 |
| | Flex work | Rs.6,250.00 |
| 13 | Purchase of gifts for NCC volunteer | Rs.13,835.00 |
| 14 | Payment given to Anchor | Rs.5,000.00 |
| 15 | Food packets for audience | Rs.52,500.00 |
| 16 | Veg. Biriyani | Rs.22,297.00 |
| 17 | Drinking Water water cups waste bags | Rs.1,405.00 |
| 17 | Elaneer Cool | Rs.1,971.00 |
| 18 | Mineral Water | Rs.2,100.00 |
| 19 | Lunch for volunteer deployed at the venue | Rs.600.00 |
| Total for Inauguration | | Rs.9,35,691.00 |

**Cultural Events**

| Sl. No. | Particula | Amount |
|---|---|---|
| 1 | Ganamela of Rakesh Brahmanandan | Rs.1,38,889.00 |
| 2 | Rooms and refreshment for Ganamela Team | Rs.1,310.00 |
| 3 | Dance performance of Shri. Vinil Kumar | Rs.10,000.00 |
| Total for Cultural Events | | Rs.1,50,199.00 |

**Transpotation**

| Sl. No. | Particula | Amount |
|---|---|---|
| 1 | Hiring of Mini Bus | Rs.3,000.00 |
| 2 | Hiring of 2 KSRTC buses | 26966 |
| | Total for Transportation | Rs.29,966.00 |
| | Courtesy for – Laboure | Rs.24,500.00 |
| | Miscellaneous including pre- inauguration expense | Rs.18,201.00 |
| | **Grand Total** | **Rs.34,47,178.00** |
| | **SPONSORSHIP AMOUNT RECEIVED** | **Rs.14,78,720.00** |
| | **NET EXPENDITURE INCURRED BY KTDFC** | **Rs.19,68,458.00** |

# ANNEXURE III

A. Unnikrishnan Nair & Associates
CHARTERED ACCOUNTANTS

Office : Jaya Bharat [illegible] Chr
Attukal, Manacaud P.O., Trivandrum - 6
Ph (O) 0471 2459184 (M) 9447
E-mail : unnis73@yahoo

## CERTIFICATE

We hereby certify that M/s. Kerala Transport Development Finance Corporation Limited, Level 8 (6th Floor), Trans Towers, Vazhuthacaud, Thiruvananthapuram - 695 014 has incurred an expenditure of Rs.34,47,178 (Rupees Thirty Four Lakhs Forty Seven Thousand One Hundred and Seventy Eight only) towards inauguration expenses of KSRTC Bus Terminal Complex, Thampanoor Thiruvananthapuram Central as per the books of account and records produced before us for verification.

Thiruvananthapuram,
Dated: June 20, 2014

For A. UNNIKRISHNAN NAIR & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN No. 012548S

CA. A. UNNIKRISHNAN NAIR, FCA
M.No. 208738

A. UNNIKRISHNAN NAIR & ASSOCIATES
TRIVANDRUM
CHARTERED ACCOUNTANTS

# NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS (AUDIT REPORT 2012-2013)

| Sl No | Audit Para No | Reply furnished by Government |
|---|---|---|
| 1 | 2 | 3 |
| 1 | 4.10 | **Para No. 4.10** **Avoidable payment of interest**<br><br>**Delay in remittance of Service Tax resulted in avoidable interest payment of Rs.31.66 lakh**<br><br>The Kerala State Road Transport Corporation has earlier replied that the amount collected could not be remitted to the account of Central Government since the same was utilised to meet other urgent requirements. The reasons due to which it became necessary to pay interest on amount paid on Service Tax were elucidated in KSRTC's letter No.TC 1/002340/13 dated 10.9.2013 (Annexure).<br><br>The law relating to Service Tax in respect of renting of immovable property was under challenge before the Hon'ble High Court of Delhi. The Court set aside the tax on renting of immovable property. The Central Government retrospectively amended the law and thus KSRTC was forced to pay the interest. If there was no retrospective amendment,KSRTC would have returned the tax collected to the tenants and there would not have been any necessity to pay the interest. However the amount retained was effectively utilized as a substitute for the amount to be mobilised as loan on payment of interest. The interest payable by KSRTC on such loan is saved by utlising the amount as Service Tax. Hence the payment effected as interest is not an avoidable expenditure. The amount of interest paid along with Service Tax is only a substitution of interest payable towards the loan that ought to have been procured to meet the expenses.<br><br>Now a Tax cell has been formed in the Chief Office of KSRTC and the Service Tax collected from third parties has been paid to the credit of Central Government on or before the 6th day of the month, immediately following the calendar month in which the service is provided.<br><br>Considering the details mentioned above, the audit observations may be dropped. |

ANNEXURE

KERALA STATE ROAD TRANSPORT CORPORATION
TRANSPORT BHAVAN, FORT, THIRUVANANTHAPURAM - 695 023
Telephone No: 0471-2471011, Fax: 0471-2478685/ 2462679
E-mail: mdkeralsrtc@yahoo.com, Web: www.keralartc

TC 1/002340/13

Thiruvananthapuram
Dtd: 10/9/2013

From

Chairman & Managing Director,

To,

Accountant General (E & RSA)
Economic and Revenue Sector Audit,
Kerala, Thiruvananthapuram.

Sir,

Sub: - Avoidable payment of interest due to non remittance of service tax Collected reg.-

Ref:-Letter D.O.No.Rep (Comml.)/DP11/AR2012-13/346 dated 27th August 2013 from the Accountant General.

Referring to the above I offer the following remarks.

The Kerala State Road Transport Corporation collected serv tax on renting of its premises and retained the same with the corporati since the tax liability of renting of immovable property was not free fr doubt. The same was collected from parties due to abundant caution a retained with the corporation in anticipation to return the same to those fr whom the same was collected in case the activity turned out to be non taxab The KSRTC is running on severe financial difficulties. The amounts collected were utilized by the corporation instead of procuring loans fr financial institutions on higher interest rates

However Finance Act, 2010 retrospectively amended the definition of renting of immovable property after the decision in re: HOME SOLUTION RETAIL INDIA LTD versus UNION OF INDIA (2009 (237) E.L.T 289 (Del.) by the Hon' ble High Court of Delhi. The taxability of renting of immovable property by KSRTC was made clear by this retrospective amendment only. So after the retrospective amendment of definition by Finance Act, 2010, KSRTC constituted a Tax cell, with view to monitor the service tax collected in units and remit the amount to the account of the Central Government with interest and this action is now questioned in the audit Para.

It is to be noted that if the Central Government accepted the verdict of the Hon' ble High Court of Delhi in Home Solution's case without any retrospective amendment, there was no chance to obtain refund of the amount so remitted to govt account and at the same time KSRTC would have been forced to return the tax to the parties. This would have resulted in actual loss to the Corporation.

In as much as the amount alleged as retained was not safe kept in the cash chest of KSRTC instead used to meet urgent expenses and saved considerable interest on loans that would have been taken to meet the working capital requirements of KSRTC. The interest paid to Central Government thus got set off against the interest saved during the period of retention by KSRTC. The applicable interest for borrowings by KSRTC during the Period was equal or more than the 13% simple interest paid to central government. The KSRTC only gained from this

Hence it can be seen that the collection of the amount and subsequent payment of interest, as such, may lead to KSRTC not having some interest on loans.

Hence, the act of collection and retention of service tax from renters was an action in good faith to save KSRTC from avoidable financial burden and it did not cause any financial burden on KSRTC. Hence the proposal as reflected in the cited reference may be dropped.

# NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS (AUDIT REPORT 2008-2009)

| Sl No | Audit Paragraph | Reply furnished by Government |
|---|---|---|
| 1 | 2 | 3 |
| 1 | 3.1 | **Para No.3.1**<br><br>As per clause 4 of G.O.(P) No.42/2009/Tran dated 14-7-2009, the permits issued in the private sector on or before 9-5-2006 will be allowed to continue till the dates of expiry of the respective permits. Thereafter, regular permits will be granted to them. When the STU applies for introducing new services in the above routes, corresponding number of existing private Stage Carriage permits in the said routes whose permits expire first after filing application by the STU shall not be renewed. As regards permits issued after 9-5-2006 temporary permits alone shall be issued afresh on expiry in these routes or any portion thereof till such time the STU replaces with new services. Such being the position, the observation of the C& AG that 31 notified routes in question are exclusively reserved for KSRTC is not fully correct. |
| 2 | 3.2 | **Para No.3.2**<br><br>**[No remarks]** |
| 3 | 3.3 | **Para No. 3.3**<br><br>The observation in the audit that the share of KSRTC in passenger transport during 2008-09 is only 12.86% is not true to facts. As informed by the Secretary, STA vide his letter dated 28-1-2010, the number of permits owned by private stage carriage operators in the state is 13377, whereas KSRTC has a schedule-strength of 5130. So the share of the KSRTC in passenger transport comes to 27%. |

| 2 | 3 |
|---|---|
| | KSRTC has a schedule-strength of 5130. So the share of the KSRTC in passenger transport comes to 27%. |
| 4 3.4 | **Para No. 3.4** |
| | KSRTC is the single largest fleet owner in Kerala which is providing economic, safe and secure transport facility in the State and nearby States catering 34 to 36 lakh passengers daily. To make KSRTC a healthy organization and as part of expansion 2,023 new buses were built and put on road. Three (3) VOLVO buses, twenty (20) A/C Air buses and thirty (30) Super Deluxe buses were newly introduced to cater the need of long distance passengers. These buses are mainly operating on inter-state routes of Karnataka and Tamil Nadu. 1,014 new services were operated of which 351 new Malabar buses were introduced and these buses are welcomed by the passengers of Northern Kerala. With the introduction of new schedules and induction of new buses, KSRTC's share of operation has increased from 13% to 27% when compared with private bus operation. KSRTC buses are carrying 30% travellers with 26% buses while 74% private buses carry only 70% passengers. The new buses were built in KSRTC's own five Workshops with a cost reduction of about Rs.2.50 lakhs per bus including cost reduction of chassis which were purchased under open tender system for the first time in Kerala. Now the plan is to introduce 1,000 new buses every year. |
| | Supplemental Interstate Reciprocal Transport Agreement with Tamil Nadu and Karnataka were also signed to operate more inter state services. Route number system was introduced for Thiruvananthapuram City services. In June, 2006 KSRTC operated 11.52 lakhs Kms.per day and now it is about 15.2 lakhs Kms. The per day income in June 2006, Rs.2.27 Crores is increased to Rs.3.50 Crores per day in April, 2010. This was achieved by recasting un-remunerative schedules and by introducing new schedules especially chain services throughout Kerala. On 7th January 2010, KSRTC |

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|---|---|---|
| | | got Rs.4.36 crores all time record collection by operating additional services in the wake of private bus strike with 99.13% fleet utilization. To improve efficiency of service operation, five (5) Zonal Offices were started in Thiruvananthapuram, Kollam, Ernakulam, Thrissur and Kozhikode. To attract long distance passengers, on-line reservation facility is implemented.<br>• The norms fixed for docking of vehicles are being adhered to. Even then in certain cases body repairs for metal bodies requires time than composite bodies. Anyhow action has been taken to complete the works within the stipulated time.<br>• Spare parts are being purchased only after ascertaining the requirements and the stock balances are verified every now and then.<br>• Norms for fuel consumption depending upon the vehicles age and route cannot be re fixed. KSRTC is an organisation operating fleets through out Kerala in different depots operating at different areas and in different conditions. Even then considering the routes (Hill areas and Plain areas) diesel target has been fixed for all schedules at all depots.<br>• Regarding tyres also the case is same as in the above para.<br>• Norms have been fixed for Engine Oil Consumption. |
| 5 | 35 | **Para No. 3.5**<br>**[No remarks]** |
| 6 | 36 | **Para No. 3.6**<br>**[No remarks]** |
| 7 | 37 | **Para No. 3.7**<br>**Operational performance** |

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| | | During 2008-09 the total no. of private buses were only 13377 whereas KSRTC had a strength of 5115 buses as on 31/03/09 which clearly shows that KSRTC has a share of 27.66% in Public Transport. During the last four years KSRTC has put on road more than 2000 buses to cater the need of passengers. That is why the present percentage of share in public transport has been at this level. If sufficient number of buses were put on road every year before the audit period also, the percentage of share would have been more than that at present. The increase and expansion of fleet is the result of effective and skillful monitoring by the top management of the Corporation.<br><br>The present cost of operations of KSRTC is calculated to be Rs.29/- per km. This is the desirable epkm also wherein the Corporation can function at a break even level. Calculation of this cost included all overheads, past liabilities such as accrued pensionary benefits, acrued loan repayment, accrued MACT payments, oil bills etc.<br><br>Taking into account the cost of the present operations alone, the CPKM will be only around Rs.17.66. With an average EPKM of Rs.21.01 received during June 2009 (In may 2009 it is Rs.22.29)-Corporation is in fact earning a profit. It is when compared with the cost per km including all past liabilities accrued due to various reasons in the past which Corporation could not correct now, Corporation is at a stage where interpretations can be made to the effect that recovery of cost of operations is not possible. The fare structure of the stage carriage operation in kerala is not fixed by the Government at a rate which will recover the cost of operations of KSRTC.<br><br>It is also to be noted that during the last three years the revenue of the Corporation is showing a gradual increasing trend as shown below.<br><br>2005-06 - 81552 lakhs<br>2006-07 - 86058 " |

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|---|---|---|
| | | 2007-08 - 86581 "<br>2008-09 - 104509 " |
| | | The Corporation is striving its best for the progress by increasing EPKM and decreasing CPKM. There are thousands of petitions received through MPs, MLAs etc, demanding to operate buses in uneconomic routes, which causes loss to the Corporation. Moreover, liabilities (mainly committed in the past) have been a curse to the Corporation in the path of progress and hence the effect of the efforts taken aiming at betterment of the Corporation is not resulted to that extent.<br><br>The actual fleet utilization in 2008-09 was 90.13%. The fleet utilization is calculated based on the total number of bus held minus the spare buses and based on total operated vehicles. There were several reasons like Harthal, Bandh, shortage of manpower etc that caused cancellation which is forcefully done by KSRTC itself in order to avoid extra operating cost as passenger demand for services on these days are less. If KSRTC do not insist to such practice, vehicle can be operated but revenue earnings will be less. It is detrimental to the interest of the Corporation. Moreover if the Corporation cancel schedules on holidays, the staff can be given W/off on these days. So their services will be available for the remaining six days for better utilization.<br><br>KSRTC is even now facing acute shortage of manpower. In our neighbouring states, recruitment of staff is done by STU itself. In Kerala the manpower recruitment is done by Public Service Commission. There is always inordinate delay in getting the manpower recruitment through PSC. Now there is vacancy of Assistant Depot Engineers-30, Mechanic-1890, Junior Assistant-673, Black Smith-371, Painters-53, Assistant Store Keeper-19, Upholster- 19, Security guard-148, Peons-14, Driver-3367, Conductor- |

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be renewed at the end of 2nd year from the .date of commissioning and thereafter in every year. When Corporation was holding 5115 buses 6789 vehicle days off road for CF repair is nothing when compared to the details of work to be done during CF repairs is considered. The Corporation has taken all possible steps in spite of above constraints to improve the fleet utilization. That is why Corporation is able to improve the fleet utilization to 90.4%.

The following reasons also at times contribute to slight decrease in the average fleet utilization.

1. **Shortage of crew**
2. **Harthals**
3. **Holiday cancellations.**

In operating its services KSRTC is now experiencing shortage of Drivers and conductors since the rank list of these categories are yet to come from PSC. During the last 2 years the Corporation has introduced 780 new schedules throughout Kerala and to the neighbouring States of TamilNadu and Karnataka. To operate such an increased number of schedules Corporation require matching number of Drivers and Conductors. The present PSC Rank list of Drivers is now on the verge of expiry. The same in respect of Conductors is not at all in existence. The Corporation has already reported 3367 vacancies of Drivers and 5397 Conductors. As no PSC list is available, KSRTC have selected provisional Conductors through Employment Exchange. It is to be noted in this context that the neighbouring States of Kerala, TamilNadu and Andhra Pradesh such formalities for recruitment of crew is not prevalent and they are free to recruit them directly assessing the suitability and eligibility.

Occurrence of Harthal is more in Kerala when compared to other States. It is true that the Corporation is not able to operate even normal services during the days of Harthal due to reasons beyond its control resulting in idling of buses, crew and consequent revenue loss to the Corporation.

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During holidays the Corporation resorts to forceful cancellation at its own to minimize operation since on those days passenger demand will be less. For this purpose the Corporation have identified schedules in all units for cancellation on Holidays. KSRTC is also working out a separate chronology in main routes to suit holiday operations, avoiding unnecessary trips.

When compared to the total vehicles, the percentage of preventive maintenance shows that there is no delay or negligence in conducting the maintenance. And also it has been revealed that breakdowns due to maintenance lapse have been reduce from 1236 to 196 during 2006-07 to 2008-09. From this itself it is clear that the reduction of breakdowns were only due to the effective preventive maintenance. It is not possible to arrange the various maintenances at the correct interval. The duration prescribed by the OEM is only a guideline and hence there is margin up to which the maintenance can go. Other wise the Corporation have to arrange the maintenance at enroute and not at home depot. For example the oil change of BSII vehicle is done at 36000 km. A vehicle under operation cannot be detained on the road exactly at 36000 km. KSRTC have to wait to reach the vehicle at home depot for which a margin has been allowed by the OEM. In some cases vehicles will be detained at enroute depot due to defects, and it will be returned after a couple of days after repairs. So prescribed number of days is also not possible to stick on regarding Tyre inflation and Battery maintenance. So the difference in " due and done " is within the limit only.

The Corporation is striving hard to decrease the cost in all areas in its working like the manpower cost and kept it under control. But it may be noted that the various parameters considered for arriving at the manpower cost are not actual. The figures of 2008-09 may be analyzed as follows.

The total manpower seen considered is the number of employees on the rolls/panels of the Corporation. The number of employees as a whole are not engaged for duty as such. The permanent employees on LWA are not engaged

| 1 | 2 | 3 |
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for duty and not paid salary. So also temporary employees who are on the panels are engaged and paid wages only as per requirement. So the total manpower engaged is only 32520 (permanent employees 22056 & temporary 10464).

The manpower cost considered is Rs.493/-crores. This is the Budget estimate cost and includes the cost for pension and pensionary benefits also. The actual cost incurred in 2008-09 is Rs.462.21 Crores only which is inclusive of Rs.213.84 crores spent on pension and pensionary benefits. The expenditure on pension and pensionary benefits are statutory obligations of KSRTC, which cannot be kept under control by KSRTC. Also the salary and allowances are governed by the bilateral agreements with recognized trade unions and approved by Government.

**Financial Management**

KSRTC gives its buses on hire to two different categories.

1. To individuals, Corporate Bodies, Educational Institutions etc.
2. To Government Departments for government functions and purposes.

In the case of buses hired for item No.1, the hire charges are realized in advance and therefore there are no dues.

In addition to rent from tenants at corporate office, commercial stalls in bus stations etc, the Corporation has proposed construction of shopping complexes in important centers. KSRTC do not have a full-fledged Engineering wing capable of handling such large projects. Technically qualified persons now available is very limited. The corporation through its initiative, ventured for innovative method of presenting the future prospects of the projects and collecting deposits from prospective tenants for carrying out the constructions. The Corporation is successful in its efforts in this direction, in the two projects already launched. The fact that the Corporation without even minimum resources, managed to start these projects is not appreciated by

| 1 | 2 | 3 |
|---|---|---|

the Audit and it did not consider it, when it commented that the inability of the Corporation to implement the commercial complex projects in time resulted in revenue loss.

To increase the non-operating revenue, KSRTC has planned to construct Bus Terminal-cum-Shopping Complexes in prime centres in Kerala at international standard. The first phase of construction of which has already been started in Ankamali under B.O.T Scheme. The work has started in Kozhikode. In Kasargode the construction work is in progress under Rent-Deposit-Scheme and that in Kottarakara is completed and inaugurated by the then Chief Minister on 14.5.2010. The work has also been started in Kattakada under this scheme. In Karunagapally, Vadakara, Pathanapuram and Adoor, new bus station buildings were constructed utilizing funds of MPs/MLAs and Corporation fund. An interstate bus terminal is constructed at Palakkad with the help of MLA fund for Rs.40 lakhs. In Kilimanoor, utlising MLA fund of Rs.60 lakhs, a shopping complex-cum-office building is under finishing stage. Alagappa Nagar-Puthukkad bus station is inaugurated on 20.4.2010. Foundation Stone for Kanhangad bus station in Kasargode district also laid down in April 2010.

**Fare policy and fullfillment of social obligation**

**[No remarks]**

**Monitoring by Top management**

The management is making use of the MIS system in place to exercise effective control of operational areas. The data related to collection of the previous day are analysed on a daily basis and wherever corrective measures required are taken immediately. In the operational areas like the position of off-road vehicles, availability of spare parts, position regarding diesel supply, making vehicles ready for CF test etc are controlled by the top management by using MIS. Inventory

| 1 | 2 | 3 |
|---|---|---|

management is an area where MIS plays an important role. The total computerisation which is almost completed in KSRTC helps each unit to locate spare parts availability from nearest source, which will save time and money.

Management is effectively monitoring all operational parameters. This is evident from the growth in route kilometerage, collection, fleet utilization etc registered during the last few years. Other parameters like fuel consumption, consumption of spare parts, breakdowns, accident rates etc have drastically come down. The effective monitoring and the training given to drivers have helped to increase KMPL from 3.9 to 4.23. This improvement is notable especially in the context of winning the award for good energy management, from the Energy Management Centre.

8 | 3.8 **Para No.3.8**

**[No remarks]**

9 | 3.9 **Para No.3.9**

The figures for 2004-05 & 2005-06 are confirmed. The actual figures as per Annual Accounts for 2006-07 & 2007-08 are furnished below. The figures for 2008-09 are provisional.

**Financial Position and Working results**

Particulars Rupees in Crore

| | 2006-07 | 2007-08 |
|---|---|---|
| A. Liabilities | | |
| Paid up Capital | 152.95 | 406.03 |
| Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve) | 32.25 | 38.10 |
| Borrowings (Loan funds) | 548.07 | 476.96 |
| Current Liabilities & Provisions | 1254.42 | 723.86 |
| Total | 1987.69 | 1644.95 |

| | | |
|---|---|---|
| B.Assets | | |
| Gross Block | 487.61 | 551.08 |
| Less: Depreciation | 344.42 | 367.45 |
| Net Fixed Assets | 143.32 | 183.63 |
| Capital works in progress (including cost of chassis) | 0.64 | 5.25 |
| Investments | 0.03 | 0.03 |
| Current Assets, loans & advances | 66.2 | 87.15 |
| Accumulated loss | 1777.5 | 1368.89 |
| Total | 1987.69 | 1644.95 |

**Para No. 3.10**

The figures for 2004-05 & 2005-06 are confirmed. The figures as per accounts for 2006-07 & 2007-08 are furnished below. The figures for 2008-09 Provisional.

| Sl. No | Description | 2006-07 | 2007-08 |
|---|---|---|---|
| 1 | Total Revenue | 876 | 881.74 |
| 2 | Operating Revenue | 861.94 | 867.86 |
| 3 | Total Expenditure | 1031.63 | 1018.13 |
| 4 | Operating Expenditure | 772.13 | 720.49 |
| 5 | Operating Profit/Loss | 89.81 | 147.31 |
| 6 | Profit/Loss for the year | -155.63 | -136.39 |
| 7 | Accumulated Profit/Loss | 1777.5 | 1368.89 |
| 8 | Fixed cost | | |
| | Personnel costs (inc. Pension) | 412.35 | 452.86 |
| | Depreciation | 41.11 | 38.45 |
| | Interest | 59.98 | 54.32 |
| | Other fixed costs | 29.8 | 36.81 |
| | Total fixed costs | 543.24 | 582.44 |
| 9 | Variable costs | | |
| | Fuel & Lubricants | 371.25 | 356.59 |
| | Tyres & Tubes | 30.02 | 26.27 |
| | Other items & Spares | 32.40 | 37.78 |

| | | | |
|---|---|---|---|
| | Taxes (MV Tax) | 51.08 | 11.4 |
| | Other variable costs | 3.58 | 4.05 |
| | | 488.39 | 435.69 |
| 10 | Effective KMs Operated (in lakh) | 4223.06 | 4182.63 |
| 11 | Earnings per KMs (1/10) | 20.74 | 21.08 |
| 12 | Fixed cost per KMs (8/10) | 12.86 | 13.93 |
| 13 | Variable cost per KM (9/10) | 11.56 | 10.42 |
| 14 | Cost per Km (12+13) | 24.42 | 24.35 |
| 15 | Net earnings per Km (11-14) | -3.68 | -3.27 |
| 16 | Traffic Revenue | 861.94 | 867.86 |
| 17 | Traffic Revenue (16/10) | 20.41 | 20.75 |

**Para No.3.11 & 3.12**

**[Confirmed]**

**Para No. 3.13 & 3.14**

The Corporation is taking consistent efforts to maintain phase with growing demand of public transport by enhancing the fleet strength schedules.

**Para No. 3.15**

**[Reply to Para No.3.1 may be seen]**

**Para No.3.16 & 3.17**

Mini buses have been purchased by the Corporation for giving transport facilities to backward areas where long chassis buses do not have access. Aiso it was intended to operate these where illicit parallel operators were operating.

No cost benefit study was done by the Corporation before purchasing Mini buses as these vehicles were intended for a special purpose as stated earlier. The NATPAC has conducted a study in 2003 and recommended to purchase mini buses. In the year 2007 August, they conducted a study and admitted that the mini buses are loss to the Corporation. The study conducted

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|---|---|---|
| | | by NATPAC was not at all reliable. In these circumstances KSRTC has decided to remove these buses from the fleet as they were creating huge loss to the Corporation. Due to this, Corporation has started winding up the service of these vehicles one by one.<br><br>In the 334th meeting of the Board of Directors, it was decided to sell these Mini buses by cannibalizing so that further loses can be prevented. The norms, which Corporation considered for scrapping the normal vehicle, cannot be taken into account as in the case of Eicher buses. It was very clear that Eicher buses were creating huge loss to the Corporation and hence it may kindly be noted that the premature scrapping has only eliminated further losses. |
| 15 | 3.18 | **Para No. 3.18**<br><br>**[Reply to para No.3.3 may be seen]** |
| 16 | 3.19 | **Para No. 3.19**<br><br>**Share in Public Transport**<br><br>It is stated that 39763 stage carriage were licensed for Public Transport in 2008-09 and about 12.86% share belonged to the Corporation. This is not true to the fact. During 2008-09 the total number of private buses were only 13377 which was officially intimated to KSRTC by the Secretary, STA. As on 31/03/2009 KSRTC had a fleet strength of 5115 vehicles which shows very clearly that KSRTC has share of 27.66%. During the period 2005-08. 16128 vehicles were operated by Private Operators where as KSRTC had only 4644 vehicles, which shows that the Corporation had only a share of 22.35% during that time. From this it is very clear that the share of Corporation in Public Transport has been increased by 5.31% but it is very surprising that reports submitted shows that the share decreased from 13.77% to 12.86% from 2005 to 2009. The increase and expansion of fleet has happened only due to the effective and skillful monitoring by the Top Management. |

1 | 2 | 3

**Vehicle profile and Utilisation**

It is stated in the report of A.G that even after adding 2098 buses during the period 2004-09, the average age of over aged buses during 2004-05 was 15.91% where as in the year 2008-09, it has gone up to 26.26%. It may kindly be noted that as on 31/03/2005, KSRTC had only 4644 buses out which 739 where above 10 years of age. During this period 1642 buses were aged above 6 years which has covered 10 years of life in the year 2008-09. After adding 2098 buses the actual number of buses which should have been scrapped by 2009 was 2381 to maintain the age constant. But only 1627 buses were scraped during the period 2005-09.

The data from 1999 is as follows.

| As on | No. of buses |
|---|---|
| 31/03/1999 | 3823 |
| 31/03/2000 | 4093 |
| 31/03/2001 | 4413 |
| 31/03/2002 | 4417 |
| 31/03/2003 | 4302 |
| 31/03/2004 | 3677 |
| 31/03/2005 | 4644 |

Kindly see that during the period 31/03/1999 to 31/3/2005, there was an increase of only 823 vehicles in the fleet during the long span of 6 to 7 years. During the period from 1/04/2000 to 31/3/2005 only 1799 buses were added in 5 years and 364 buses from 1/04/2005 to 23/08/2007. From 24/08/2007 to 31/03/2009 there was a production of 1345 buses in a short period of one year and 6 months. Since there was no addition and no expansion during the long span, the number of vehicles which were aged more than 5 to 6 years increased by 31/03/2005 which has covered 10 years of life by 2009. Since there were no adequate number of buses proper scraping of buses were not done during those

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period. This is the basic reason why the percentage of over aged vehicles in KSRTC fleet has increased. It is not the fault of the present management that adequate number of new buses were not added between 1999 to 2005. Even though the number of over aged vehicles has increased, the total average as on 31/03/2005 is 6.02% and as on 31/03/2009 is only 6.47%. The Fleet Utilization of the Corporation during the year 2004-05 is 79.32% and as on 2008-09 it is 90.46% and the overall vehicles productivity during 2008-09 is 326 kms per bus/day and 330 during the year 2004-05. As on 31/03/2009 KSRTC had a fleet strength of 5115 and the buses operated were 4331 and the holdings stated in the report is only 4999. This itself is wrong. Kindly see the Kerala Motor Vehicles Rule 1989 Section (eb) " Fleet owner " means a person or institution who or which the registered owner not less than 50 stage carriage kept for use in the state and the Section 182. " Reserve Bus (Spare Bus)":- It shall be a condition of every stage carriage permit that an operator having 7 or more route buses in operation (including stage carriage operating on temporary permits) shall maintain reserve buses calculated at the rate of one reserve bus for every complete unit of 7 route buses calculated at the rate of one reserve bus for every complete unit of 7 route buses. While holding a fleet of 5115 buses for the effective operation 730 vehicles have to be kept as spare for maintenance and repair reserve. If such a calculation is made the actual fleet utilisation will be (4331/5115-730) × 100 = 98.76%). But Corporation have considered only a very minimal spare percentage and calculated it as 90.46. Kindly note that the operated kms during the year 2004-05 was 43266016 kms less than that of 2008-09. Hence it should be noted, the total operated km has been increased along with vehicle productivity. Also it is intimated by the AG that 22% maintenance was not done in the year 2008-09. As stated earlier, KSRTC while holding a fleet of 5115 buses, only 578 buses were off road which shows that only 11.3% of the total fleet was off road on that day which is permissible. The datas stated in the report is not at all true to the facts.

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| 17 | 3.20<br>3.21<br>3.22<br>3.23<br>3.24<br>3.25 | **Para No. 3.20, 3.21, 3.22, 3.23, 3.24, 3.25**<br>Only in Kerala the cost of operation includes pension, pensionary benefits and non-received social costs. Actual operational cost is in fact is not involving the above items. The audit has confused between total cost of operation of the Corporation and the operational cost. The operational cost includes variable cost only. The variable cost comes to Rs.12.71 only.<br>The average earning per km (EPKM) of the Corporation is much above this. No other STU has to bear pension, pensionary benefits and social costs from its own funds. In no other Corporation persons get retired at the age of 55 and go for pension for a long time. If we compare the EPKM of KSRTC with profitable organisations like Karnataka SRTC and A.P.S.R.T.C. We can see that we have a much higher EPKM.<br>Another way of comparison is cost of spare parts per km.<br>**Comparison of cost of spare parts**<br>The cost per Km of tyre and tubes, spare parts of KSRTC is comparatively less at present when compared to Andhrapradesh SRTC, Maharashtra SRTC and Karnataka SRTC as detailed below. |

| | APSRTC | Maharashtra | Karnataka | Kerala |
|---|---|---|---|---|
| Tyre &Tubes (Paise/km) | 45.3 | 66.6 | 78.2 | 47.73 |
| Spare Parts (Paise/km) | 59.7 | 52.2 | 49.3 | 48.81 |

This shows the efficiency of the management. For comparing efficiency the data should be compared with similarly placed organisations or data which are not attributable to other Corporations are to be deleted.

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The opinion of the A.G. is not at all based on comparing the comparative status of various features.

Year-wise comparison of Income, EPKM, EPB, buses held, km operated

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|---|
| Average earning per km | 17.07 | 18.53 | 20.38 | 20.70 | 22.08 | 21.75 * |
| Average EPB | 5639 | 6032 | 6586 | 6695 | 7196 | 7074 |
| Average Fleet Utilisation | 79.32 | 78.41 | 76.71 | 76.36 | 90.46 | 93.64 |
| Average daily operated km | 1178053 | 1206074 | 1157003 | 1145927 | 1296590 | 1438668 |
| Average bus held | 4496 | 4724 | 4666 | 4640 | 4999 | 5379 |
| Average daily collection (in crores) | 2.01 | 2.23 | 2.36 | 2.37 | 2.86 | 3.13 |

* Fares reduced from 17-2-2009 to 8-3-2010

The progress achieved by KSRTC in various fields is an example for its better performance.

8 3.26 **Para No.3.26**

[No remarks]

19 3.27 **Para No.3.27**

The assurance said to have been given to PUC with regard to the closing down of four units viz. Erumely, Vadakara, Vadakkanchery and Mallappally units has since been reviewed consequent on better performance of the Units coupled with the policy of the Government. The following details are ardent proof for this. As part of the policy of the Government 1000 buses are put on

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road every year. These units were also benefited with proportionate number of buses and services which too helped improve performance. It is as part of the policy of the Government that these units are still functioning.

The average collection details of these Units during Septemeber, 2010 are given below.

| Unit | Sch. held | Sch. optd | Buses held | Buses optd. | Colln. | EPKM | EPB | Fleet Utilisation % |
|---|---|---|---|---|---|---|---|---|
| EMLY | 17 | 17 | 22 | 17 | 121730 | 21.64 | 7077 | 88.84 |
| MLPY | 32 | 31 | 34 | 31 | 202646 | 22.33 | 6572 | 100 |
| VDA | 16 | 14 | 17 | 14 | 94765 | 22.12 | 6674 | 95.14 |
| VDCY | 29 | 28 | 34 | 28 | 224274 | 20.25 | 8116 | 93.27 |

In the above circumstances the question of closing down of these Units doesn't arise.

**Commissioning of new sub depots at Thalassery, Kattappana and Operating Centres at Piravom and Aryankavu:**

As part of the new policy, KSRTC cannot entertain proposal for new depots/sub depots due to paucity of resources. But on the other hand, KSRTC considers such proposals at important places where there is much scope for traffic demand on condition that Local Bodies should provide all the infrastructure facilities. It was on this principle that the above four units were commissioned.

20 3.28 **Para No. 3.28**

The total revenue of Corporation had increased from Rs.815.52 Crores in 2005-2006 to Rs. 1045.09 Crores in 2008-09; which constitute 28.15% increase in revenue. During the period, the fare of stage carriages was revised 2 times as on 12/07/08 and 17/02/09.The net impact of revision was below 10% of increase in fares. On Comparing the percentage of increase of revenue and fare, it revealed that the increase in revenue of the Corporation was not due to increase in fare alone. One of the main reasons for increase in revenue was

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| | | introduction of new buses. During 2006-09 428 numbers of new buses were added to its fleet. When more buses were added, the effectiveness of service operation improved and it resulted in increase in revenue. The total buses held as on 3/2006 was 4687. Thereafter 428 numbers of buses were introduced up to 3/2009. From this it is evident that the increase in revenue was achieved by the introduction of new buses and the effective operation of service. |
| 21 | 3.29 | **Para No.3.29**<br>**[No remarks]** |
| 22 | 3.30 | **Para No.3.30**<br>**Fleet strength and its age profile**<br>The number of buses aged less than four years during 3/09 was 1648 and not 1584. So the percentage of buses having less than 4 years of age was 32.21%. We have not received any such norms fixed by ASRTU as the average age of fleet as 8 years or 5 lakh km and 60% of total fleet should be less than 4 years old. The average age of our fleet is 6.47 only. Since 2007 we have introduced around 1650 new buses to the fleet. The policy of Government is to introduce 1000 buses every year to the fleet of the Corporation and if it is mentioned we will also have 60% of fleet having less than 4 years of age. It is to be noted that even with this aged vehicles the repair cost is 42 paise/km which is less than that of the nearby STU like Karnataka (49.9 paise/km and APSRTC 58.4 paise/km). The number of schedules was not increased to 5066 in 3/09 as stated in the audit para. But it was only 4668, the bus required was 5252. As per the MV Act each 8th bus is a spare bus (1/8) ie; 12.55 and is not 14% as stated in audit.<br>It is not true to fact that the maintenance cost will be more for overage fleet. KSRTC's spare parts cost/km is 42 paise which is less when compared to neighbouring ATU like Karnataka, APSRTC etc. In Karnataka, the average age of the bus is 2.78 year where as the CPKM on spares was 49.9 paise. |

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| | | The average all India fleet age is 5.48 year and all India average, CPKM for spare parts is 49.61 paise/km. This clearly indicates that the age of fleet is not the only factor that affects the maintenance cost. So in the case of KSRTC, the aged fleet has not led to extra maintenance cost compared to underage fleet. |
| 23 | 3.31 | **Para No. 3.31**<br>KSRTC has taken more steps to increase its operational efficiency. In order to maintain growth in operational revenue the project of fleet aug mentation was started. Similarly, activities aimed at increasing KMPL and reducing maintenance expenditure is also continuing. Moreover, KSRTC is giving training to all its staff. As a result of the systematic and scientific training given to drivers the fuel efficiency has improved from 3.87 to 4.27 KMPL. Another important steps taken to increase the revenue is that all routes which are fetching below Rs.15 per km should not be allowed to operate. In this regard instructions have been issued to all Unit Officers, to cancel the schedules, which fetch below Rs.15 per km. However, during the last four years more than 1000 requests were received from MLA's alone for starting new bus services. The services started on the request of people's representatives are mostly fetching low revenue. It is not even enough to cover the variable cost of Rs 18.98 per KM. The total Kilometer operated fetching below Rs.18.98 per KM is 10528930 per month and the average EPKM of the said services is Rs.17.07 per km. If an amount of Rs.30.41 per kilometer is received it will break even. Due to the operation of such services an amount of RS.168.55 Crores is lost during the last financial year. In addition to this in order to increase the non-operational revenue KSRTC has launched a scheme to build shopping complexes at major Bus stations of KSRTC. Moreover, KSRTC has also taken steps to reduce the cost by using quality thread rubber materials by which the tyre mileage is increased from 95000 in 2005 to 1.40 km in 2009 which in turn resulted in a savings of Rs.1.91 Crores as compared with the expenditure |

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| | | incurred on this account during 2005- 06. KSRTC is taking all efforts to increase the operational efficiency and to reduce the costs. |
| 24 | 3.32 | **Para No. 3.32**<br>**[No remarks]** |
| 25 | 3.33 | **ParaNo.3.33**<br>**(Reply to Para 3.30 may be seen)** |
| 26 | 3.34 | **Para No.3.34**<br>For calculating the bus wise expenditure total consumption has to be implemented which is under process through the EDP Centre. |
| 27 | 3.35 | **Para No.3.35**<br>**Fleet Utilisation**<br>The figure furnished in the audit regarding fleet utilization 79.2 is incorrect. The actual fleet utilization in 2008-09 was 90.13. The fleet utilization is calculated based on the total number of bus held minus the spare buses and based on total operated vehicle. There were several reasons like Harthal, Bandh, shortage of manpower etc that caused cancellation of services which are beyond the control of KSRTC. The holiday cancellation is forcefully done by KSRTC itself in order to avoid extra operating cost as passenger demand for service on these days are less. If we do not insist to such practice, vehicles can be operated but revenue earnings will be less. It is detrimental to the interest of Corporation. Moreover if KSRTC cancel schedules on holidays, the staff can be given W/off on these days. So their services will be available for the remaining six days for better utilization.<br>KSRTC is even now facing acute shortage of manpower. In our neighbouring state, recruitment of staff is done by STU itself. In Kerala the manpower recruitment is done by Public Service Commission. There is always inordinate delay in getting the manpower recruitment through PSC. Now there is vacancy of Assistant Depot Engineers-30, Mechanic-1890, Junior Assistant-673, Black Smith-371, Painters-53, Assistant Store Keeper-19, Upholster-19, |

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| | | Security guard-148, Driver-19824, Conductor-5332, Store issuer-43 to be filled and awaiting selection list from PSC. This also effects the fleet utilization.<br>There was no case of vehicles off road for tyre only and diesel shortage. The detention of buses for want of CF repair is inevitable as it is statutory. CF is to be renewed at the end of 2nd year from the date of commissioning and thereafter in every year. When Corporation was holding 5115 buses 6789 vehicle days off road for CF repair is nothing when compared to the details of work to be done during CF repairs is considered.<br>The Corporation has taken all possible steps in spite of above constraints to improve the fleet utilization. That is why Corporation was able to improve the fleet utilization to 90.4%. |
| 28 | 3.36 | **Para No.3.36**<br>**[No remarks]** |
| 29 | 3.37<br>3.38 | **Para No.3.37 & 3.38**<br>The break down rate has been considerably reduced and off-road buses for CF are being monitored very closely by the Management. |
| 30 | 3.39<br>3.40<br>3.41<br>3.42 | **Para No.3.39, 3.40, 3.41, 3.42**<br>**[Reply to Para 3.19 may be seen]** |
| 31 | 3.43<br>3.44<br>3.45<br>3.46<br>3.50 | **Para No.3.43, 3.44, 3.45, 3.46 & 3.50**<br>New Services are being introduced at routes where there is much traffic demand and that too after obtaining feasibility report from concerned Unit Officers. If the route is found to be feasible, sanction will be accorded for introducing the service for one month on trial basis. If the service doesn't fetch the required revenue during the trial period, the schedule will be cancelled or modified. |
| 32 | 3.47 | **Para No.3.47**<br>Illegal parallel services pose severe threat to KSRTC services. Unless such services are eliminated from the field it will seriously affect the revenue of the Corporation. Though the endeavour being made by KSRTC to curb illegal |

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| | | parallel services in TVM City area with the help of MV Department and Police has evoked some response, similar measures in other areas, where such services are on the increase, do not bring the desired result. |
| 33 | 3.48<br>3.49 | **Para No. 3.48 & 3.49**<br>**[No remarks]** |
| 34 | 3.50 | **Para No.3.50**<br>**[Reply to Para Nos. 3.43, 3.44, 3.45, 3.46, & 3.50 together furnished above]** |
| 35 | 3.51 | **Para No 3.51**<br>The total number of schedules held by KSRTC for the period 2005-06 to 2008-09 shown in the chart is incorrect. For example, the schedules held by KSRTC during the period are shown as 7300, whereas the actual schedules held by the Corporation as on 31-3-2009 were only 4668. The Corporation has never held schedule strength of 7300. It is for the first time that the Corporation has crossed the 5000 mark that too only on 4-6-2010. |
| 36 | 3.52 | **Para No.3.52**<br>There are instructions to modify or cancel schedules fetching below Rs.15/- as EPKM, provided tribal areas, S.C, ST colonies and high-range areas should be exempted considering social obligations. Skeleton services will also come under this category. These are all factors compelling the Corporation to operate uneconomic schedules. |
| 37 | 3.53 | **Para No.3.53**<br>**[No remarks]** |
| 38 | 3.54 | **Para No. 3.54**<br>New buses are mainly meant for starting chain services in routes where there is severe threat of private operators. KSRTC's effort is to find out new areas where private operators are dominating. So the earnings of such schedules for a shorter period cannot be taken as a criterion to ascertain whether the |

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| | | routes are profitable or not. It will take time to make the route profitable. In this context the facts mentioned in para 3.52 may also be taken into account. |
| 39 | 3.55<br>3.56<br>3.57<br>3.58<br>3.59 | **Para No. 3.55, 3.56, 3.57, 3.58, 3.59**<br>**[No remarks]** |
| 40 | 3.60<br>3.61<br>3.62<br>3.63 | **Para No. 3.60, 3.61, 3.62, 3.63**<br>**Preventive Maintenance**<br>The preventive maintenances shown in the query is not as per the schedule of the OEM. The percentage of the preventive maintenance pointed out in the query is as follows.<br>WM- 84% MM- 92% FM- 92%<br>O/C- 99% Tyre inflation-78% BM- 92%<br>When compared to the total vehicles, the percentage of preventive maintenance shows that there is no delay or negligence in conducting the maintenance. And also it has been revealed that breakdowns due to maintenance lapse have been reduced from 1236 to 196 during 2006-07 to 2008-09. From this itself it is clear that the reduction of breakdowns were only due to the effective preventive maintenances. It is not possible to arrange the various maintenances at the correct interval. The duration prescribed by the OEM is only a guideline and hence there is margin up to which the maintenance can go. Other wise Corporation have to arrange the maintenance at enroute and not at home depot. For example the oil change of BSII vehicle is done at 36000 km. A vehicle under operation cannot be detained on the road exactly at 36000 km. Corporation have wait to reach the vehicle at home depot for which a margin has been allowed by the OEM. In some cases vehicles will be detained at enroute depot due to defects, and it will be returned after a couple of days after repairs. So prescribed number of days is also not possible to stick on regarding Tyre inflation and Battery maintenance. So the difference in "due and done " is within the limit only. |

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This analysis is also without considering that there is a vacancy of 30 Assistant Depot Engineers and 1890 Mechanics. This has been reported to the Kerala Public Service Commission and there is no recruitment for so many years. So most of these vacancies are to be filled by inexperienced staff.

41 | 3.64 **Para No.3.64**

**Repair and maintenance**

The vehicles having more than 8 years old as on 31-03-2009 was 2352 and maintenance cost per bus in 2008-09 was more by Rs.38000/- when compared to that in 2004-05.

The price of steel which is the basic material for any spare parts was about Rs. 30000/- for MT in 2005 where as the rate in 2008-09 was about Rs. 50000/- for MT.ie; 60% increase.

Two examples of the cost of spare parts is furnished below.

| Item | Rate in 2004-05 | Rate in 2008-09 |
|---|---|---|
| Brake drum | 2612 | 3770 |
| Crown and Pinion | 5348 | 6666 |

The repair and maintenance cost include spare parts cost and labour cost. The spare parts cost in 2005-06 and 2008-2009 is tabulated below

| | |
|---|---|
| 2005-06 | Rs.600805240 |
| 2008-09 | Rs.536239351 |

The cost in 2008-09 is inclusive of a fleet hike of 508 buses and in spite of the price hike in 2008-09 as stated above.

So it is evident from the above data that the repair and maintenance cost for bus did not record an increase even though overaged buses increased:

42 | 3.65 **Para No.3.65**

**[Reply to Para 3.34 may be seen]**

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| 43 | 3.66 | **Para No.3.66**<br>**Docking of vehicles for Fitness Certificate**<br>The CF of new vehicles is to be renewed on completion of 2 years and there after once in a year. During this maintenance, body repairs including upholstery and painting and mechanical repairs are to be done as to make the vehicle in roadworthy condition. Normally these repairs will take an average of 14 days. When the repairs are huge, the vehicles will be withdrawn to workshop. Even though the repairs are said to be CF repairs there are so many cases in which Complete Over Hauling (COH) is to be done. So the time taken for the repairs will be more in that case. KSRTC have limited facility in workshop where COH, accident repairs, CF repairs etc are to be done. Even though the Corporation can plan for accidents repairs. It means that as against the planning for COH and CF repair the Corporation has to arrange. Moreover upper class buses, inter state buses etc are also to be attended for which priority is to be given. So normally if a vehicle is taken for accident repairs, the repairs including CF repairs of some other vehicles will be affected adversely.<br>KSRTC have very limited supervisory staff like Assistant Depot Engineers in their roll. Now there are 30 vacancies of ADE's reported to PSC (25%). Most of the mechanical employees in KSRTC are empanel who do not have any accountability on the functioning of KSRTC. They are irregular for duty also. All these causes delay in maintenance and quality of vehicle. So on one side lack of qualified, experienced and disciplined Mechanics and on the other side lack of qualified supervisory staff aggravates the situation further. Delay is caused in getting sufficient hands recruited through PSC. In the case of A/C buses, it was a new type/version of the company. So its parts catalogue was not made available by the company even after repeated request. Its spare parts are not available with vehicle manufacturer and in the local market. Both the accidents were major and require major overhauling. Mechanics are not having any previous experience with this type of vehicles. |

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| | | It is also to be noted that there is a shortage of 1890 mechanical staff and 30 Assistant Depot Engineers for which KSRTC have requested PSC to arrange the postings. So till getting the shortage filled the Corporation have to manage with empanel and inexperienced unskilled labourers. The shortage of Assistant Depot Engineers will have adverse impact on the maintenance of quality as they are the direct supervisors in the garage.<br>In spite of all these, KSRTC has taken positive steps to improve the maintenance. |
| 44 | 3.67 | **Para No.3.67**<br>**[No remarks]** |
| 45 | 3.68 | **Para No. 3.68**<br>The contention in this para is that the major cost saving can come only from manpower and fuel. In this connection, it may be noted that considerable effort has been taken to reduce manpower per bus and to increase KMPL. The manpower per bus in KSRTC is showing a down ward trend as illustrated in para 3.69 in Chapter III- Performance Reviews relating to Statutory Corporation viz 6.02, 5.98, 5.74, 5.78 and 5.72 in 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 respectively. Using the same criteria, the manpower per bus works out to 5.56 only in March, 2010.<br>AS for fuel, considerable improvements could be achieved to obtain better KMPL during the last 3 years viz 4.06, 4.09 and 4.18 in the year 2006-07, 2007-08 and 2008-09 respectively. Now the KMPL could be increased to 4.24 in the month of April, 2010 through continuous monitoring and various training programmes to drivers and conductors. |
| 46 | 3.69 | **Para No. 3.69**<br>As far as the manpower in KSRTC is concerned, the manpower per bus could be reduced to 5.56 only in March, 2010 as per the Criteria shown in chapter III- Performance Reviews relating to Statutory Corporation (para 3.69). Also there was a decreasing trend in the manpower per bus (except in 2007-08) |

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| | | as shown in para 3.69 as 6.02, 5.98, 5.74, 5.78 and 5.72 during the years 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 respectively. |
| 47 | 3.70 | **Para No. 3.70**<br>As per the statement in para 3.69 of Chapter III- Performance Reviews relating to Statutory Corporation, the manpower per bus in KSRTC shows a decreasing trend ie; 6.02, 5.98, 5.74, 5.78 and 5.72 in 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 respectively. Special attention was given on the subject and the manpower per bus could be further reduced to 5.56 in March, 2010 applying the same criterion used. |
| 48 | 3.71 | **Para No.3.71**<br>As per the statement shown in para 3.69 in chapter III-performance Reviews relating to Statutory Corporation there was a decrease in the productivity per day (40.55) per person (KMs) in 2007-08 but it shows an increasing trend from 2008-09 ie; 44.3. which was the highest compared to previous 4 years. Again by applying the same criterion ie total kilometers per employees, the productivity per day per person is worked out as 45.78, that is also the highest compare to previous 5 years. Further productivity cannot be worked out solely from the operated KM per day per person alone, because if a driver operates 350 KMs with a total collection of Rs. 8,750/- and another driver operated 360 KMs without corresponding increase on the total collection, the former is beneficial though there is a drop in distance operated. However KSRTC always try to adhere with the steering duty norms. |
| 49 | 3.72 | **Para No.3.72**<br>As shown in the statement in para 3.69, Chapter III- Performance Reviews relating to Statutory Corporation the manpower per bus is showing a decreasing trend ie; 6.02, 5.98, 5.74, 5.78 and 5.72 during 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The manpower per bus has been further reduced to 5.56 in March, 2010 by applying the same criterion. Further |

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| | | increase in wages and salaries takes place as a result of pay revision and increase in Dearness allowances. |
| 50 | 3.73<br>3.74<br>3.75<br>3.76<br>3.77 | **Para No. 3.73, 3.74, 3.75, 3.76, 3.77**<br>Fuel cost data given is wrong. The obtained KMPL shown in the table is based on the revenue earning KM alone. There are so many other purpose for which the vehicles are operating. Eg, Route deviation due to road block, Traffic regulations, B/D attending, Van operation, Staff vehicle operation, trial run. shunting in garage etc. Fuel is consumed for all the purposes, where as it is not accounted in gross KM. The KMPL in March 2009 was 4.23 and not 3.92 as stated in Audit.<br>The Corporation has fixed the target KMPL as 4.5 to motivate the related staff to attain that figure. From the table itself it is clear that Corporation has taken several steps to attain the target as the KMPL was increasing and still in the increasing trend from 2004-05 to 2008-09. It may also be noted that the fuel efficiency is not only related to vehicle efficiency or driving efficiency, but related to road condition, traffic density, number of stops etc. Also the geography of Kerala is entirely different from that of neighbouring states of Karnataka, Andhra Pradesh, Tamil Nadu etc. In Kerala, the density of population is very high and hence all the places in Kerala are having small cities and towns. So naturally the number of stops in kerala (idling time) is very high when compared to neighbouring states on which KSRTC has no control. The KMPL of Rajasthan is 4.96 that cannot be compared with that of a hilly region where it is 3.57 only. So the geography of each place play a role on the KMPL. So it is unwise to compare the fuel efficiency of Kerala with other neighbouring states. The averment of audit parties that the Corporation was not considered procuring fuel efficiency engine while purchasing new buses is not based on any scientific data because in India there are mainly two vehicle manufactures namely Ashok Leyland and TATA Motors who are supplying vehicles to all the STUs including Kerala State RTC. The present fuel-efficient engine are of |

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| | | Hino, Cummins and 697 Engines which is common in all STUs. Corporation is purchasing vehicles fitted with best fuel-efficient engines. The present purchase is Hino BSII fitted on Leyland buses and Cummins BSII fitted on TATA buses. However audit is silent on any vehicle fitted with better engine now available in India and is being used by the vehicle manufactures. It is also not known about the suppliers of any other heavy vehicles who are able to supply vehicle with better fuel-efficient engines. |
| 51 | 3.78<br>3.79 | **Para No. 3.78 & 3.79**<br>It is stated in the Audit Report that due to fabrication of bus bodies in KSRTC Workshops Corporation has achieved comparatively low cost than outsourcing, and it is stated that the low cost of fabrications has been achieved due to the fact that employees engaged were temporary or permanent, it is clear that the Management was very successful in fabricating buses at a very lower rate than outsourcing and has worked for the betterment of the Corporation. |
| 52 | 3.80 | **Para No. 3.80**<br>**[No remarks]** |
| 53 | 3.81 | **Para. No. 3.81**<br>The unit officers of KSRTC are authorized to provide buses on private hire basis to Government Departments on various occasions like Independence Day, Republic Day, Election etc. They are also authorized to prefer claims to the respective officers with invoices and other records. The break up details of private hire is available in the depots concerned. The works related with the private hire charges of buses is attached with Revenue Section at Chief Office. But the said section is kept vacant. Hence, the break up details of debtors is not available there. Now the urgent works of Revenue sections is additionally carried out by Budget Section. On a review conducted recently it is seen that such claims are not honoured by the concerned Government Departments especially from Revenue Department and Police Departments. The matter was |

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| | | taken-up with Departmental Heads concerned and necessary steps have been taken to make available the entire details of buses supplied on private hire basis. |
| 54 | 3.82<br>3.83 | **Para No.3.82 & 3.83**<br>KSRTC has been undertaking several social obligation on behalf of the Government including allowing concession to students, passes to handicapped, press men, and other categories providing vehicles for the conveyance of MLA's during Assembly Sessions and operating uneconomic services on the recommendation of people's representatives. But this has not been billed to Government for reimbursement or accounted till 2007-08. |
| 55 | 3.84 | **Para No.3.84**<br>KSRT Corporation has let out maximum space available in almost all bus stations for commercial purpose. In the case of advertisements the Board of Directors in its meeting held on 16/08/2010 resolved to extend the period of license for two more years at 25% increase in the prevailing contract amount to attract advertising agencies. Corporation expects considerable revenue on this account. Further the Board of Directors in this meeting also resolved to initiate steps for re-tender for implementing Passenger Information System in upper class buses after effecting certain modifications in the terms and conditions. The modification was to attract more businessmen/firm to participate in the tender. There is no expense from the part of Corporation for this purpose. The installation will be at the cost of license. Corporation expects considerable revenue on this account also. As in the case of vacant land, Corporation initiated steps to let out the same other than the land proposed for shopping complexes, for pay & park facility. Corporation already let out space for this purpose in 7 bus stations. |

**DETAILS OF LICENCE FEE FOR THE YEAR 2009-2010**

| District | Amount |
|---|---|
| Thiruvananthapuram | 13825269 |

| 1 | 2 | 3 |
|---|---|---|

| | |
|---|---|
| Kollam | 4098937 |
| Pathanamthitta | 3209197 |
| Alappuzha | 3874059 |
| Kottayam | 6185023 |
| Idukki | 2179509 |
| Ernakulam | 3978951 |
| Thrissur | 4610484 |
| Palakkadu | 2540486 |
| Malappuram | 277593 |
| Kozhikode | 2215179 |
| Wayanad | 138929 |
| Kannur | 1204939 |
| Kasargod | 326306 |
| Total | Rs.48664861 |

1. License Fee for the year 2009-2010 : Rs. 486, 64,861/-
2. Advertisement in Bus stations (2009-2010) : Rs. 68, 33,333/-
3. Advertisement in Buses (2009-2010) : Rs. 2,27,00,000/-

Total Rs. 781, 98, 194/-

56 | 3.85 | **Para No. 3.85**

KSRT Corporation has land at important locations admeasuring 7.92 lakh square meters. As a measure to increase the non-operational revenue corporation decided to undertake projects as detailed below.

1. Construction of Shopping Complex cum Bus Terminal on BOT basis.
2. Construction of Shopping Complex by utilizing interest free deposits from the successful tenderers of stalls in the respective units.

57 | 3.86 | **Para No.3.86**

The concept of PPP has to be decided by Board of Directors/ Government for implementation. It is seen that PPP initiated by SIDCO has not achieved the desired results which shows PPP is not a solution in all circumstances.

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|---|---|---|
| | | However the projects intended for improving the revenue other than ticket collection were taken up following Board decisions based on policy decisions of the Government of Kerala. As such Board of Directors had decided to take up projects either by corporation directly collecting interest free deposit from prospective tenants or BOT schemes. |
| 58 | 3.87 | **Para No.3.87**<br>Even though the Board of Directors decided to implement projects for constructing commercial complexes at Depots/locations Corporation could not start the projects due to various reasons. The development of major projects is to be done with BOT. This is essentially because KSRTC will not be in a position to invest large amounts of money in advance in the infrastructure field. At the same time smaller projects which may cost less than Rs. 10 crores could be directly taken up by KSRTC by collecting interest free depostis from the public. However, all such projects depend upon the timely availability of finance, supervisory staff, materials, demands for space in each location. There are a lot of activities to be managed for a smooth launching of the project such as design finalization, approval from local bodies, clearance from the fire-fighting department etc. KSRTC is not having sufficient technical staff for the supervision of the projects. An accurate time schedule cannot be finalized before starting the work. Hence it is improper to recruit the project staff, prior to the start of the project.<br>Now KSRTC has started projects on BOT basis with KTDFC in Ankamaly, Kozhikode, Thiruvananthapuram Central and Thiruvalla. In this Ankamaly project has been inaugurated and all the other works are under speedy execution. Also KSRTC have entrusted Karunagapally bus station on BOT basis to KTDFC.<br>By Collecting interest free deposit KSRTC has completed Kottarakara complex and Kasargod complex. The project at Kattakada is also progressing fast. Now Corporation has finalized the design at Nedumangad, Thodupuzha, |

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|---|---|---|
| | | Pathanamthitta and Palakkad and these will be implemented as early as possible. The above facts may please be considered. |
| 59 | 3.88 | **Para No.3.88**<br>Following the decision taken by the Corporation for the commercial exploitation of available land, action was initiated for constructing Shopping Complex at various depots. Lot of activities like design finalisation approval from local bodies, clearance from fire fighting department etc were to be computed for the smooth launching of the project. After the completion of the above said activities tendering process of the project initiated. But due to various reasons the tendering process of the projects prolonged. Moreover there was no adequate technical personal resulted in slow progress in project implementation.<br>It may please be noted that the main objective KSRTC civil wing is to maintain the available infrastructure facilities so that better services can be provided to the public. So no additional staff/officers were available to run the projects effectively. Now the Corporation is taking action to post adequate number of Engineers/Supervisory staff on regular/contract basis for the implementation of each project. The project at Kottarakara which is coming under above head has been completed by KSRTC on rent deposit scheme and the Corporation is getting revenue from the above. Besides the KSRTC project at Kasargod and Kattakada, BOT projects at Thampanoor, Kozhikkode, Ankamaly and Thriuvalla are at various stages of completion and are progressing satisfactorily. Now the corporation is taking all out efforts to commence and complete the projects as early as possible. |
| 60 | 3.89 | **Para No.3.89**<br>Only small projects (below 10 crores) are executed directly by KSRTC on rent deposit scheme basis. Big projects mainly Bus terminal cum Shopping Complex projects are being entrusted to KTDFC on BOT basis. The projects now directly executed by KSRTC are Kasargod and Kattakada. The ongoing |

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| | | BOT projects are Ankamaly, Kozhikkode, Thampanoor and Thiruvalla. These 4 projects are entrusted to KTDFC. |
| 61 | 3.90 | **Para No.3.90**<br>**[No remarks]** |
| 62 | 3.91 | **Para No. 3.91**<br>It is true that the revised fares are not sufficient to meet the cost of operation. |
| 63 | 3.92<br>3.93 | **Para No.3.92 & 3.93**<br>**[No remarks]** |
| 64 | 3.94 | **Para No.3.94**<br>The Government has constituted a committee to look into the matter. |
| 65 | 3.95 | **Para No.3.95**<br>In this context, the facts mentioned in para 3.52 may be taken into account. |
| 66 | 3.96 | **Para No.3.96**<br>At present following item of works are attended through computer as a part of MIS. Daily collection analysis (using a web based programme) by which the important parameters for all the 87 centres are obtained on a daily basis, ie collection, distance held and operated, buses held and operated, fuel available and used, separate collection details of mini and JnNURM buses, number of passengers travelled etc are collected and made available through website. Daily collection statement is prepared showing Earning Per KM (EPKM), Earning Per Bus (EPB), Fleet Utilization, comparison with last year and last week, best performance, worst performance etc. The daily collection statements prepared are submitted to the Board members, Chief Executives and other top management and all concerned and the statement is being analysed on a daily basis and corrective measures are taken then and there. Other areas includes Daily Brake down analysis, daily off-road position, Accident data, KMPL analysis, provident fund account, inventory, pay roll, bus warrant, data captured from Electronic Ticketing Machines etc. |

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| | | However, total computerization project in KSRTC aims at covering all the important areas viz Inventory, Intranet, Fleet Management, Purchase Management, Route Management, Fare Structure Management, Transfer and Posting, Disciplinary Management, online reservation etc to be covered through net work so as to get all data online which would enable information flow within and between processes efficiently and effectively and would provide as a complete form of MIS and further it can be made use of as ERP (Enterprise Resource Plan) as well. The software developed are now on trial run and the network cabling (LAN), power wiring and installation of systems at all Units are undergoing. KSRTC's own Data Centres is already set up in the Transport Bhavan. With the implementation of all softwares in a full-fledged manner would definitely provide all information needed to manage the organization effectively, which is known as the best form of MIS. |
| 67 | 3.97 | **Para No. 3.97**<br><br>Computerisation of all vital areas to make available all data online is being carried out. Now certain areas relating to daily service operation detils; break down, off-road position, KMPL, provident fund, pay roll, reservation system etc. are attended to through computer. However these are working as off-line (except the online reservation system and web based daily collection analysis) and are working in DOS platform with certain limitations. However, new softwares are developed in open source (using Java as programming language and MySQL as data base) and now these softwares are put into use on trial basis. KSRTC's own Data Centres is set up at Transport Bhavan. The network cabling, power wiring and installation of system in all Units are in progress and with the implementation of all softwares in a full-fledged manner would definitely meet all the requirements. |

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|---|---|---|
| 68 | 3.98 | **Para No.3.98**<br>The contention that the operational reports generated by the EDP wing were not being used by the top management to exercise control over operational areas is not true to fact.<br>The various reports generated by EDP Centre are being evaluated by all top level management including the Chief Executive, Chairman & Managing Director. Various parameters such as collection, operated KM, EPKM, EPB, Fleet Utilisation, KMPL, availability and requirement of diesel, Brake down details etc. are being analysed every day and corrective measures are taken then and there, most of them over telephone and in writing as well. |
| 69 | 3.99 | **Para No.3.99**<br>Bus wise collection and diesel consumption of new buses are now attended to. There is also provision for analyzing bus wise inventory cost. However cost of repairs is to be incorporated to obtain bus wise income and expenditure. Software development for the total computerization project is in its final stage of trial run. The software for all the items of works are developed in such a way that they would be available through network. With the implementation of the software in a full-fledged manner would meet the requirement of providing the revenue earned by each bus and the entire expenditure thereupon including cost of repairs and maintenance, fuel, labour etc. |
| 70 | 3.100 | **Para No.3.100**<br>**[No remarks]** |
| 71 | 3.101 | **Para No.3.101**<br>Action has been taken to monitor the actual implementation of the instructions given to all units to improve various aspects of functioning and also maintaining and analyzing trip-wise earnings, driver-wise mileage etc. Orders are issued to ensure attendance of temporary (empanelled) crew by imposing penalty on them who do not perform specific number of duties in every month. |

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|---|---|---|
| 72 | 3.102 | **Para No. 3.102**<br>The managerial capacity of the top Management of then Corporation has improved to a considerable extent by 2009-10. |
| 73 | 4.10 | ***Para 4.10 Undue benefit***<br>**Decision to refund rent for the period of 18 months during which Reliance Retail Limited occupied the premises, resulted in undue benefit of Rs.15.92 lakh.**<br>It is true that the Company decided (October 2005) to allot shops and offices in Trans Towers on lease and invited tenders (July 2006). Reliance Retail Limited submitted their bid (August 2006) for an area of 4411.60 square feet in Level-1 in Trans Towers for a lease rent of Rs.1,10,700/- per month and was alloted (August 2008) space for 3 years from 7th December 2006 to 6th December 2009 having quoted the highest amount of lease rent. M/s RRL executed lease agreement (December 2006) and remitted the security deposit of Rs.1,10,70,000/-RRL was regular in remitting rent since January 2007.<br>Government has directed (December 2007) to revoke the agreement with RRL and consequently, the company terminated the agreement (June 2008) and returned the security deposit of 1,10,70,000/- along with rent (after adjusting TDS deducted) of Rs.15.92 lakh for the period from January 2007 to June 2008. The lease agreement did not contain provision for refund of rent collected for the period of occupation in case of premature termination of the agreement. However to get RRL vacated from the building KTDFC had to agree to refund the rent for the -period of 18 months during which RRL occupied the premises also along with the security deposit.<br>M/s Reliance Retail had executed Agreement on 7th December 2006 for allotment of space 4411.60 square feet at level-1 in Trans Towers by depositing Rs.1,10,70,000/-(Rupees One Crore ten lakhs seventy thousand only) as security deposit and at a monthly rent of Rs.1,10,700/-(Rupees One lakh ten thousand and seven hundred only) for a period of 3 years ending on 6.12.2009. |

Annexure 14

*(Reference to in paragraph 3.14)*

**Statement showing operational performance of *Kerala State Road Transport Corporation***

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| Average number of vehicles held | 4496 | 4,724 | 4,666 | 4,640 | 4,999 |
| Average number of vehicles on road | 3,366 | 3,704 | 3,580 | 3,543 | 3,979 |
| Percentage of utilisation of vehicles | 74.31 | 78.41 | 76.73 | 76.36 | 79.60 |
| Number of employees▼ | 27,962 | 28,034 | 26,147 | 25,262 | 29,270 |
| Employee vehicle ratio (based on average vehicles held) | 6.22 | 5.93 | 5.60 | 6.09 | 5.86 |
| Number of routes operated at the end of the year♣ | 4,907 | 4,907 | 4,907 | 4,907 | 4,907 |
| Route kilometres♦ | 2,42,470 | 2,42,470 | 2,42,470 | 2,42,470 | 2,42,470 |
| Kilometres operated (in lakh) | | | | | |
| Gross | 4,751.00 | 4831.00 | 4,304.43 | 4,302.84 | 4,963.01 |
| Effective | 4,299.89 | 4,402.17 | 4,223.06 | 4,182.63 | 4,732.55 |
| Dead | 451.11 | 428.83 | 81.37 | 120.21 | 230.46 |
| Percentage of dead kilometres to gross kilometres | 9.50 | 8.88 | 1.89 | 2.79 | 4.64 |
| Average kilometres covered per bus per day | 262 | 255 | 248 | 247 | 259 |
| Average revenue per kilometre (Rs.) | 17.77 | 18.89 | 20.75 | 21.13 | 22.44 |
| Average expenditure per kilometre (Rs.) | 21.28 | 23.25 | 24.11 | 25.73 | 25.57 |
| Loss (-)/Profit (+) per kilometre (Rs.) | -3.51 | -4.36 | -3.36 | -4.60 | -3.13 |
| Number of operating units (Depots, Sub Depots and Operating Centres) | 83 | 84 | 85 | 86 | 87 |
| Average number of break-down per lakh effective kilometres | NA | 4.8 | 6.2 | 5.9 | 5.8 |
| Average number of accidents per lakh effective kilometres | 0.28 | 0.29 | 0.24 | 0.26 | 0.19 |
| Passenger kilometres operated (in crore) | NA♣ | 2,620.98 | 2,511.40 | 2,493.08 | NA |
| Occupancy ratio (Load Factor) | NA | 66.42 | 66.27 | 67.62 | 66.00 |
| Kilometres obtained per litre of: | | | | | |
| Diesel Oil | 3.90 | 3.95 | 4.05 | 4.09 | 4.18 |
| Engine Oil | NA | 751.32 | 712.65 | 739.32 | NA |

▼ Number of employees after excluding 40 *per cent* of temporary employees (refer paragraph 3.69)

♦ As per Economic Review published by Kerala State Planning Board.

♦ As per Economic Review published by Kerala State Planning Board

♣ NA-Not Applicable.

**Annexure 16**

*(Referred to in paragraph 3.9)*

**Statement showing calculation of rent of building in leased land- Kerala State Road Transport Corporation**

| Nature of building | Area of Building ($m^2$) | Construction cost of building (₹/$m^2$) | Total cost of Building (₹) | Depreciation Rate applicable | Depreciated value of building (₹) | Lump sum Amt for water supply & electricity (₹) | Value of Building (₹) | Annual rent of the building (Column no.9 x 6%) | Rent of Building (₹) per month (Column nr. 10/12) | Loss of revenue for 5 years 160 months upto July 2014 (₹) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Modern Workshop (Cement concrete with steel truss roof) | 3695.92 | 6516 | 24080660 | 0.8083 | 19464397 | 50000 | 19514397 | 1170864 | 97572 | 5854319 |
| [illegible] roof with steel trusses (trusses) | 637.09 | 6516 | 4151278 | 0.8083 | 3355478 | 10000 | 3365478 | 201928.70 | 16827.40 | 1009643 |
| Electronics Lab (R.C.C Building) | 216.82 | 6516 | 1412709 | 0.8083 | 1141965.5 | 10000 | 1272662 | 76359.72 | 6363.31 | 381799 |
| Bank Building (Tiled Roof) | 205.70 | GF-6516 FF-6201 | 2615887 | 0.7379 | 1930263 | 10000 | 1940263 | 116415.80 | 9701.32 | 820079 |

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- It was also noticed in audit that the BOT Operator had availed of Cash Credit (CC) from Banks for BOT projects. In the Board meeting held in December, 2013, the BOT Operator decided to release retention money (₹ 2.20 crore) in respect of Kozhikode project with levy of 11.50 per cent interest and in the same meeting, ratification was accorded to avail of CC at 13.25 per cent. Thus, the release of retention money amounting to ₹ 2.20 crore to the contractor for Kozhikode BOT project had resulted in avoidable interest burden of ₹ 1.24 lakh[58].

Thus the BOT Operator failed to safeguard its financial interest amidst financial stringency, by giving undue benefit to the contractors at the cost of the interest of the Corporation, which calls for fixing of responsibility.

*Failure to levy liquidated damage due to non-maintenance of records:*

3.8.17 As per the terms of the contract, the contractors were to complete the construction work within the scheduled time of two years. For delays beyond the scheduled time, liquidated damage to the maximum of the aggregate retention money and security deposit was leviable if reasons for delay were attributable to the contractors. As per the Kerala Public Works Department Manual, in order to determine the levy of liquidated damages a hindrance register detailing nature of hindrance, date of occurrence, date of clearance, net effective days of hindrance etc. shall be maintained at site. The register shall be signed jointly by both the parties. Out of the four projects taken up for implementation by the BOT Operator, only Ankamaly project has been completed after delay of two years. The other three projects were not completed even after a delay of 30 to 43 months. Despite the delay in implementation of the projects, the BOT Operator could not impose liquidated damage on the contractors since the proper records were not maintained in any of the projects except Thiruvalla.

**Conclusion**

The Corporation entrusted the BOT Operator 16.09 acres of land to construct Shopping Complexes at 4 bus stations to augment its non-operational revenue. The projects were to be completed during the period June 2010 to February 2012 at an estimated cost of ₹ 112.18 crore.

58 ₹ 2.20 crore x (118/365) x (13.25-11.50 per cent)

(February 2014) at a cost of ₹ 34.47 lakh by the Corporation/BOT Operator to give a semblance of completion of the project. The BOT Operator, could not, however, complete construction of the project so far (August 2014) and as a result letting out of space is yet to take place.

**Undue favour to contractor**

*Delay in submission of security deposit :*

3.8.15 As per general conditions of contract, the contractor was to furnish, within 15 days of award of work, security deposit to the tune of five *per cent* of the value of work for the satisfactory completion of work. The security deposit , thus, furnished was to be held back until the completion of the contract and defect liability period of one year thereafter.

Scrutiny of records revealed that there was delay of 222 days and 184 days in submission of initial security deposits by the contractor (KV Joseph & sons) for Ankamaly project (₹ 1.45 crore) and Kozhikode project (₹ 2.20 crore) respectively. Bank Guarantees (BGS) were furnished against security deposits and there was delay of 313 days in subsequent renewal of BG in Ankamaly project. The delay in subsequent renewal of BG in Kozhikode project ranged from 29 days to 226 days. Thus, the BOT Operator extended undue favour to the contractors by not insisting for timely submission of security deposit which were essential for the satisfactory completion of the work and to guard against any eventuality.

*Irregular release of retention money:*

3.8.16 As per terms of contract, retention money at the rate of 10 per cent was deductible from the bills of contractors. The retention money was to be released only after successful completion of the contract and completion of defect liability period. However, the BOT Operator released retention money to the contractor (KV Joseph & Sons) before completion of work in Ankamaly and Kozhikode BOT projects violating the contractual provision as discussed below:

- In Ankamaly project, retention money of ₹ 1.45 crore was released (March 2011) to contractor against BG and payment of interest at the rate of 11.50 *per cent per annum* offered by the contractor. Similarly, the retention money of ₹ 2.20 crore was released(August 2013) to the contractor in Kozhikode project on the same terms and conditions.

*Cost escalation due to delay in commencement of work(Kozhikode):*

3.8.12 GoK sanctioned (November 2007) the construction of commercial complex at Kozhikode at a project cost of ₹ 19.73 crore based on the SOR 2007. The project cost was thereafter revised (January 2009) to ₹ 43.21 crore based on SOR 2008 with enhancement of area and provision of additional facilities. There were delays in handing over of site upto 15 months. As a result, the work could not be started within the scheduled time and the contractor was granted enhanced rate based on SOR 2011 necessitating additional payment of ₹ 2.31 crore upto July 2014.

**Avoidable expenditure on electrical equipments**

3.8.13 Ankamaly Depot of the Corporation was having a three phase Low Tension (LT) electric connection to its garage building before execution of BOT project. As per the recommendation of the electrical consultant of Ankamaly BOT project, High Tension (HT) electricity connection with a contract demand of 50 KVA was taken (May 2012) for the garage under the BOT project. One 160 KVA transformer and 200 KVA diesel generator were also installed (May 2012) in the garage at a cost of ₹ 21.33 lakh to meet the requirements of garage building. Scrutiny of records revealed that as per provisions of Kerala Electricity Supply Code, LT connection was sufficient for connected load up to 100 KVA. Installation of transformer was also not warranted for connected load up to 100 KVA. Thus, decision to have HT connection a garage building necessitated installation of transformer at an additional expenditure of ₹ 5.63 lakh.

It was also noticed that the procurement of 200 KVA diesel generator at a cost of ₹ 51.70 lakh was not necessary in view of the three phase HT connection. The diesel generator commissioned in June 2012 had not been utilised so far (August 2014).

*Wasteful expenditure on inauguration of Building which was not ready for letting out (Thiruvananthapuram Central):*

3.8.14 Due to delay in completion of construction, the BOT Operator was not in a position to commence letting out of space in Thiruvananthapuram Central BOT project. Despite this, an inauguration ceremony was conducted

more from the date of tender. It was assumed that 10 per cent and 30 per cent of total cost consisted of cost of cement and steel respectively. For steel, price of Steel Authority of India and for cement, price of Malabar Cements Limited would be the basis for calculation. Scrutiny of records revealed that the BOT Operator had paid price escalation for the total percentage increase when the prices of steel and cement increased by 10 per cent or more. Audit observed excess payment of ₹ 3.07 crore to the contractors in three BOT projects during the period June 2010 to March 2014 as detailed below:

Table 3.13 : Statement showing excess payment to contractors:

| Name of project | No.of CC bills for which price escalation allowed | Esclalation paid | Eligible payment | Excess paid |
|---|---|---|---|---|
| | | (₹ crore) | | |
| Kozhikode | 7 | 2.24 | 1.19 | 1.05 |
| Thiruvananthapuram Central | 12 | 3.02 | 1.73 | 1.29 |
| Thiruvalla | 7 | 1.53 | 0.80 | 0.73 |
| **Total** | | **6.79** | **3.72** | **3.07** |

It was stipulated in the tender notice itself that price escalation would be given only when cost of cement and steel increased by 10 per cent or more from the cost prevailing on the date of tender. Thus, the price increase up to 10 per cent was to be borne by the contractor.

The BOT Operator stated that agreement with the contractor did not stipulate that price escalation would be allowed only if price increases above 10 per cent or more. The reply of the BOT Operator is not acceptable since according to the contract, price increase up to 10 per cent was not to be considered for price escalation.

*Repairs And Maintenance:*

3.64 A summarised position of fleet holding, over-aged buses,Repairs and Maintenance (R&M) expenditure for the last five years up to 2008-09 is given below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Total buses (at the end of the year) | 4,644 | 4,688 | 4,559 | 4,893 | 5,115 |
| 2 | Over-age buses (more than 10 years old) | 739 | 982 | 1,129 | 1,452 | 1,343 |
| 3 | Percentage of over-age buses | 15.91 | 20.95 | 24.76 | 29.68 | 26.26 |
| 4 | R&M Expenses (₹ in crore) | 97.59 | 101.65 | 108.75 | 118.03 | 118.09 |
| 5 | R&M Expenses per bus (₹ in lakh)(4/1) | 2.10 | 2.17 | 2.39 | 2.41 | 2.31 |
| 6 | Percentage of Manpower cost on R&M Expenses | 38.34 | 34.65 | 39.99 | 41.97 | 41.95 |

3.65 It can be seen from the above table that R&M expenses per bus were steadily increasing up to 2007-08 and then decreased in 2008-09. The impact of over-age buses on R & M is reflected by the fact that when the number of overage buses came down in 2008-09, the *per* bus R & M cost also decreased. Buswise details of the R & M were not available with the Corporation. Hence Audit could not work out the economy of maintaining the over-aged buses. However, it may be observed that the average cost of a bus, which stood at ₹ 11.10 lakh in 2008-09 is expended by the Corporation in less than five years on R & M of one bus.

*Docking of vehicles for fitness Certificates*

3.66 The buses are required to be repaired and made fit before sending the same to Regional Transport Offices (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules, 1989. As the date of expiry of the