

ANDHRA PRADESH LEGISLATURE
(Twelfth Legislative Assembly)

NINETH REPORT
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2004 - 2005)

ON

THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT
OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEARS
1997-1998 & 1999-2000 (Paras)
(Commercial)

ON

A.P. TOURISM DEVELOPMENT CORPORATION LIMITED

(Presented to the Legislature on 17-12-2004)

ANDHRA PRADESH LEGISLATURE (P.U.C.) SECRETARIAT
PUBLIC GARDENS, HYDERABAD - 500 004.

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ANDHRA PRADESH LEGISLATIVE ASSEMBLY
COMMITTEE ON PUBLIC UNDERTAKINGS (2004-2005)
(CONSTITUTED ON 28TH JULY, 2004)

CHAIRMAN :

1. Sri N. Uttam Kumar Reddy

MEMBERS :

2. Sri Anam Vivekananda Reddy
3. Sri D. Sridhar Babu
4. Sri Chanumolu Venkata Rao
5. Sri C. Damodar Rajanarasimha
6. Sri Gali Muddu Krishnama Naidu
7. Sri Katamareddy Vishnuvardhan Reddy
8. Smt. Konda Surekha
9. Sri M. Maheedhar Reddy
10. Sri Thota Gopalakrishna
11. Sri K. Lingaiah
12. Sri G. Syam Sunder Sivaji
13. Sri K. Harishwar Reddy
14. Sri P. Dora Babu
15. Sri Puli Veeranna

SPECIAL INVITEES :

16. Sri Yeerram Veenkateswar Reddy
17. Sri D. China Govinda Reddy
18. Sri N. Diwakar Rao
19. Sri Janga Krishna Murthy
20. Sri Gurunath Reddy
21. Smt. Padala Aruna
22. Sri P. Ranganayakulu
23. Sri Mumtaz Ahmad Khan
24. Dr. K. Nagesh

LEGISLATURE SECRETARIAT :

1. Sri K. Tuljanand Singh, Secretary
2. Smt. V. Jayakumari, Joint Secretary
3. Sri D. Siva Rao, Asst. Secretary
4. Sri K. Satyanarayana Rao, P.S. to Secretary

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2004-2005) having been authorised by the Committee to present the Report on their behalf, present this Nineth Report on the Andhra Pradesh Tourism Development Corporation Limited, on the audit paras contained in the Reports of the Comptroller and Auditor General of India (Commercial) for the years 1997-98 & 1999-2000.

The Committee on Public Undertakings (2003-2004) have examined the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 1997-98 & 1999-2000 (Commercial), but could not present a report on the same due to the Dissolution of XI Legislative Assembly earlier than its original schedule.

The Committee (2004-2005) have considered and approved this Report at their sitting held on 13-12-2004.

A statement showing the summary of principal recommendations/ observations of the Committee is appended to this Report.

A record of proceedings of the sitting of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Secretary to Government, Y.A.T. & C Department, the Chairman & M.D. and other Officials of the A.P. Tourism Development Corporation Limited for the co-operation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit) - II, Andhra Pradesh, The Senior Deputy Accountant General (Commercial) and other Officers and staff of the Accountant General Office.

The Committee also places on the record their appreciation of the assistance rendered to the Committee by the Secretary to State Legislature and the other Officers and Staff of Legislature Secretariat, in the examination of the general working and audit paras relating to the Andhra Pradesh Tourism Development Corporation and in preparation of this Report.

Hyderabad,
Dt. 13.12.2004.

N. Uttam Kumar Reddy,
CHAIRMAN,
Committee on Public Undertakings.

**RECOMMENDATIONS ON THE REPORTS OF
C & AG OF INDIA ON THE PARAS APPEARED IN THE
AUDIT REPORTS FOR THE YEARS 1997-98 (1 PARA) AND
1999-2000 (1 PARA), PERTAINING TO A.P. TRAVEL AND
TOURISM DEVELOPMENT CORPORATION LIMITED**

Audit Report 1997-98 :

Leasing out of Yatrivas Complex (Para 4A. 6.1) :

With a view to encourage private participation in tourism, the Company invited (10 April 1996) offers for running the Yatri Nivas (YN) Hotel complex on lease basis initially for a period of 5 years. A screening Committee constituted (April 1996) by the Company for evaluation of the tenders received, selected Hotel Urvashi who had during negotiations improved their initial offer of Rs. 1.97 lakh to Rs. 2 lakh per month. A lease agreement was entered into on 11 June 1996 valid for a period of 10 years. It was observed that the Company ignored the highest offer of Golden Cave Restaurant who offered a lease rent of Rs. 2.34 lakh per month on the ground that they had no experience in lodging and not submitted justification for the quoted lease rent and proposals for development and maintenance of the leased premises. In as much as these conditions were not stipulated initially the rejection of the highest offer of Golden Cave Restaurant lacked justification and this resulted in a loss of potential revenue of Rs. 43.86 lakh for the lease period.

According to the lease agreement, the Company leased out not only the YN complex but also the 87 cents of open space. The possession of the YN complex and open space was handed over to the lessee on 14 June 1996. Audit observed that the scheduled property initially offered for lease did not include the open space and the offers received were exclusively for YN Complex. In view of this, handing over the possession of 87 cents of open space having a market value of about Rs. 5.47 crore was not in accordance with the tender conditions and this resulted in extension of unintended benefit to the lessee. The potential rentals foregone on the open space is about Rs. 3.28 crore for the period of lease. The lessee was using the open space for the furtherance of his business.

The following deviations and deficiencies which were detrimental to the financial interest of the Company were also noticed.

i) Collection of lease rent of Rs. 3 lakh for the period from 14 June to 31 July 1996 was waived by the Company on the plea that the lessee did

not transact any business during gestation period. The Company replied (Feb. 98) that a gestation period of 45 days was allowed and due to its inexperience in drafting the lease deed this clause was not incorporated. The reply is not tenable in as much as the agreement provided for collection of lease rent from the date of handing over the premises and the tender document also did not allow gestation period for carrying out modifications and alterations.

ii) Contrary to initial tender conditions, the Company agreed to bear the applicable municipal taxes. Its liability towards municipal taxes for the year 1996-97 alone was Rs. 7 lakh. The Company replied (Feb. 98) that this had happened due to lack of experience and indicated that the lease period will not be extended unless the lessee agreed to pay municipal taxes. The question of extension of lease period arises only after expiry of the initial agreement period of 10 years. In the meanwhile the Company had to bear the taxes of around Rs. 70 lakh (at current rates) for the entire agreement period.

iii) As per the terms of agreement, water charges were to be borne by the lessee. However, at the instance of the lessee, the company dug (August 1996) an additional borewell at a cost of Rs. 1.30 lakh. As the lease rent was quoted by all the tenderers duly taking into account the facilities available, provision of an additional borewell at company's cost especially after finalisation of lease was nothing but extension of undue favour to the lessee.

iv) As per the tender conditions, additions made to the YN complex by the lessee shall become the property of the Company on expiry of the lease period. Contrary to this, the lease agreement stipulated for payment of compensation for such additions on expiry of the lease period. The Company stated (Feb. 1998) that this clause was incorporated due to lack of experience and indicated that the lease period will not be extended unless the lessee agrees not to claim compensation against additions and modifications.

The Company in its explanatory notes and oral evidence stated that:

i) Though the highest bid was by M/s. Golden cave restaurant, the Committee felt that it did not have experience in the relevant field and their offer also did not contain the project details. Hence it was proposed for rejection. The second highest bid of Rs. 1.97 lakh per month quoted by M/s. Urvashi Hotels was negotiated to Rs. 2.00 lakh per months plus 1% share in turnover in the first and second year and 2% share in the turnover for the remaining eight years of lease period. The report was placed before the Board in its 82 meeting held on 3-4-98 and it was accepted.

ii) The lessee has given a petition to hand over to him the 87 cents of open land situated adjoining the YN for temporary usage for parking purpose. This was agreed to by the MD with a condition that this space shall be returned by the lessee within a period of 7 days whenever this land is required by the Company.

In the oral evidence The Principal Secretary to Government stated that it was decided to collect an additional rent of Rs. 20,000 for the 8 rooms constructed in 0.87 cents of land with covered accommodation allotted to him and Rs.50,000 for the additional accommodation constructed in 0.22 cents of land out of 0.87 cents open area w.e.f. 1-4-2000.

iii) After personal discussion with the lessee by the then MD the lessee has requested through his letter dt. 5-8-96 to allow the gestation period of 45 days from the date of handing over of the premises to him which was approved by the then MD.

iv) The payment of Municipal tax by the APTTDC was incorporated in the lease agreement after getting approval from legal council. Regarding the payment of taxes an amount of Rs. 53,024 per annum for the years 1996-97 to 1998-99 were paid. This amount was paid in accordance with the judgement by the City Small Causes Court dt. 9-2-99.

In the oral evidence the Deputy Manager of the Company stated that the Company is not paying the Municipal Taxes as of now. The amounts paid earlier were also recovered from the lessee.

v) Regarding the digging of borewell, the Company stated that the scheme of YN was sanctioned by the Government of India Tourism Department with one of the stipulations that all the basic amenities have to be provided by the State Government in which the provision of water is part of basic amenities. Accordingly, on request by the lessee, the then MD accorded the sanction for 2nd borewell as the first borewell was not supplying water sufficiently, and the additional borewell, pump, pipes to overhead tank and other fittings were provided by the Company.

In his oral evidence the Principal Secretary to Government stated that when a property is leased out it would be assured with water supply. Since the existing borewell was not yielding water on the request of the lessee the Company went in for an additional borewell and it also got approved.

vi) The clause of payment of compensation for additions on expiry of the lease period was included in the agreement for lack of experience by the Company.

The Principal Secretary to Government in his oral evidence stated that the lease period would not be extended unless the lessee agrees not to claim compensation against additions and modifications.

To a query by the Hon'ble Committee the Principal Secretary, Tourism Department, Government of Andhra Pradesh, in his oral evidence stated that there were two agreements pertaining to Yatri Nivas. Original agreement was executed on 11-6-96 and another agreement was also executed on 31-7-1998 and site map was also there which would give clear picture about all the aspects.

Recommendation :

The Committee desired the Company to submit copies of both the agreements (6/96 & 7/98) and site map of Yatri Nivas, Secunderabad, to the Committee for detailed study on the subject. The Committee recommended to Government to take action against the concerned Managing Director and other official responsible for various lapses and keep the para pending till the required information is furnished.

Audit Report 1999-2000 :

Loss in leasing of restaurant. (3A.7.1)

The Company acquired (Dec.90) Dawood Jung pavilion on the Tank Bund, Hyderabad, from the Municipal Corporation of Hyderabad (MCH) on lease for one year at a monthly rent of Rs.2300 and spent Rs.5.09 lakh (Including Central assistance of Rs.4.00 lakh) on converting it into a restaurant without approval of MCH as per the terms of allotment. The Company also violated the terms of Central assistance, which stipulated inter-alia that land should be contributed by the State Government free of cost and title transferred in favour of Government of India.

The restaurant was sub-leased (April 92) for a period of two years on a monthly rent of Rs.26,501. The sub lessee was irregular in payment of rent, due to alleged failure of the Company to make permanent arrangements for water supply and drainage. The Company neither provided the amenities demanded nor got the lessee evicted immediately as per the terms of the lease agreement. It initiated the eviction proceedings only after expiry of the lease period, when the sub-lessee obtained an injunction order (May 94) from the Court and the Company could not evict him. Further, the MCH evicted (Feb-98) the sub lessee as the Company had not paid the lease rent of Rs. 1.66 lakh due to it. As against Rs. 18.42 lakh due towards lease rent from April 1992 to February 1998 from the sub lessee, the company could recover only Rs. 7.94 lakhs. The Company could also not recover Rs. 5.09 lakh from MCH spent on conversion of pavilion into a restaurant, as it was done without the latter's approval.

The Company thus incurred a total loss of Rs. 15.57 lakh towards non recovery of lease rent (Rs. 10.48 lakh) and cost of development of restaurant (Rs. 5.09 lakh) and the chances of recovery of these amounts were remote.

The Company in its explanatory notes stated that the lessee was evicted from the premises by the MCH. The Company also stated that the rental arrears due to the Corporation are covered under the CRP which is pending in the High Court of Andhra Pradesh.

To a query by the Committee the Dy. Manager of the Company in his oral evidence stated that two year rentals to the tune of Rs. 10.48 lakh is due from the lessee. A civil Revision Petition was filed and it was disposed of. The CMD has been asked to act as an Arbitrator and settle the matter. Subsequently MCH has taken back the property because the Tourism Department has also constructed illegally.

Recommendation:

The Committee recommends that action shall be taken to make good the loss of Rs. 15.57 lakh (lease rent Rs. 10.48 lakh) and cost of development (Rs. 5.09 lakh) by expediting the arbitration case and the result of the same shall be intimated to the Committee.

SUMMARY OF RECOMMENDATIONS

1. The Committee desired the Company to Submit copies of both the agreements (6/96 & 7/98) and site map of Yatri Nivas, Secunderabad to the Committee for detailed study on the subject. The Committee recommended to Government to take action against the concerned Managing Director and other officials responsible for various lapses and keep the para pending till the required information is furnished.

(Paragraph No. 4A.6.1.)

2. The Committee recommends that action shall be taken to make good the loss of Rs. 15.57 lakh (lease rent Rs. 10.48 lakh) and cost of development (Rs. 5.09 lakh) by expediting the arbitration case and the result of the same shall be intimated to the Committee.

(Paragraph No. 3A. 7.1)
