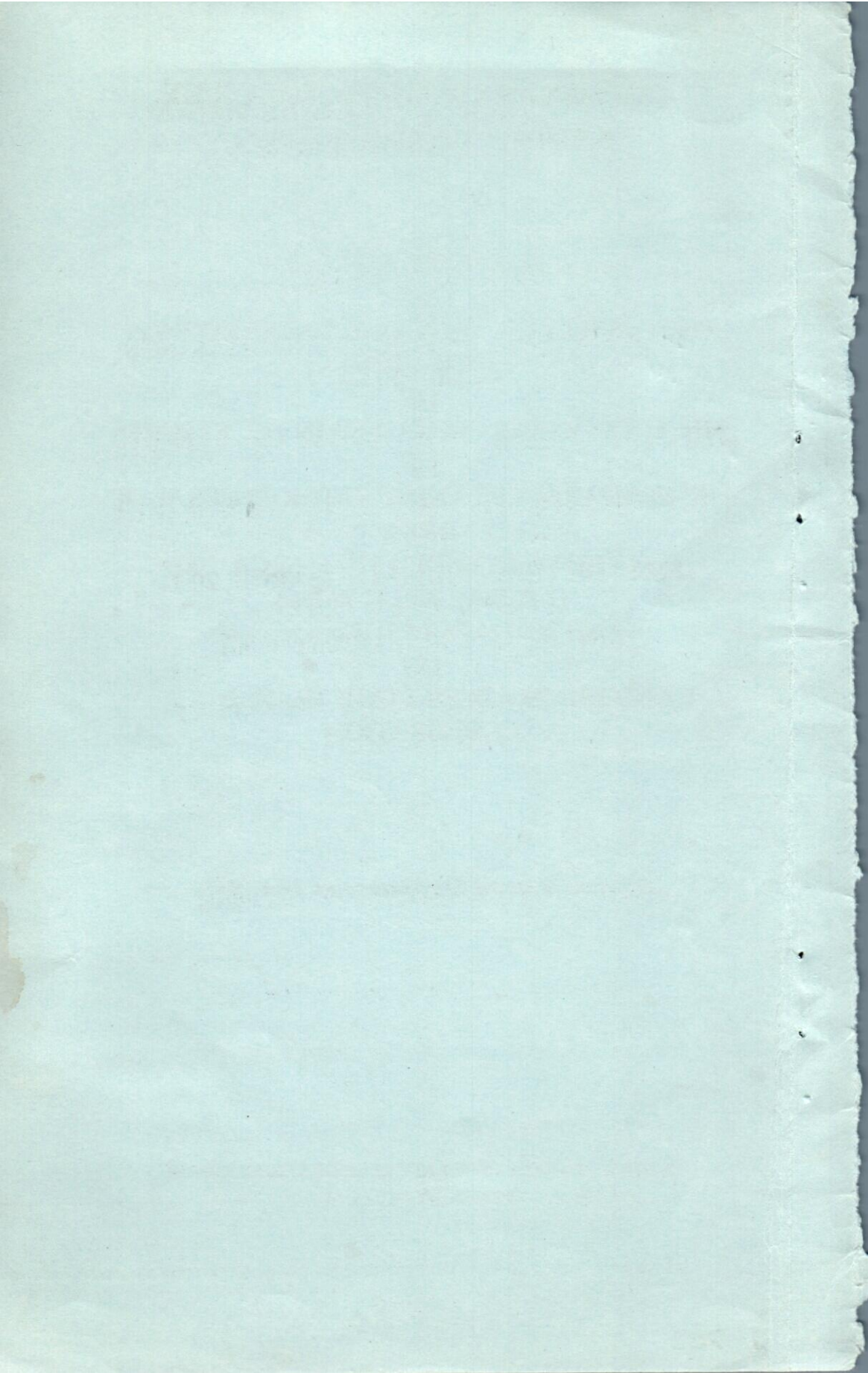


ANDHRA PRADESH LEGISLATURE  
(Twelfth Legislative Assembly)

FIFTEENTH REPORT  
OF  
THE COMMITTEE ON PUBLIC UNDERTAKINGS  
(2006 – 2007)  
ON  
THE AUDIT PARAS CONTAINED IN THE REPORTS  
OF  
THE COMPTROLLER AND AUDITOR GENERAL OF  
INDIA  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2000  
(1 PARA), 2001 (1 PARA)  
AND 2002 (4 PARAS) (Commercial)  
ON  
ANDHRA PRADESH STATE TRANSPORT  
CORPORATION

*(Presented to the Legislature on 31.8.2006)*

ANDHRA PRADESH LEGISLATURE (P.U.C.) SECRETARAT  
PUBLIC GARDENS, HYDERABAD – 500 004.



**ANDHRA PRADESH LEGISLATURE  
(Twelfth Legislative Assembly)**

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THE COMMITTEE ON PUBLIC UNDERTAKINGS  
(2006 – 2007)  
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*(Presented to the Legislature on 31.8.2006)*

(i)

ANDHRA PRADESH LEGISLATURE  
(Fourth Legislative Assembly)

FIFTEENTH REPORT  
OF  
THE COMMITTEE ON PUBLIC UNDERTAKINGS  
(2006-2007)  
ON  
THE AUDIT PARAS CONTAINED IN THE REPORTS  
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THE COMPTROLLER AND AUDITOR GENERAL OF  
INDIA  
FOR THE YEAR ENDED 31 MARCH 2006  
(1 PARA), 2001 (1 PARA)  
AND 2002 (4 PARAS) (Commercial)  
ON  
ANDHRA PRADESH STATE TRANSPORT  
CORPORATION

(Presented to the Legislature on 11.8.2006)

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2	Introduction
3	Report
10	Summary of Recommendations

**ANDHRA PRADESH LEGISLATIVE ASSEMBLY  
COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2007)**

**(CONSTITUTED ON 28<sup>TH</sup> MARCH, 2006)**

**CHAIRMAN:**

1. Sri N. Uttam Kumar Reddy

**MEMBERS:**

2. Sri Chanumolu Venkata Rao
3. Sri K. Vishnuvardhan Reddy
4. Sri V. Venkaiah
5. Sri M. Maheedhar Reddy
6. Sri Thota Gopalakrishna
7. Sri Jalagam Venkat Rao
8. Sri Chitturi Ravindra
9. Sri J. Ratnakar Rao
10. Sri P. Ravindra Reddy
11. Sri Puli Veeranna
12. Sri D. Uma Maheswara Rao
13. Smt. A. Uma Madhava Reddy
14. Sri E. Rajender
15. Sri Palla Venkat Reddy

**LEGISLATURE SECRETARIAT:**

1. Sri K. Tuljanand Singh, Secretary to State Legislature
2. Sri N. Anjaiah, Deputy Secretary to State Legislature
3. Sri K. Tulasi Ram, Assistant Secretary to State Legislature
4. Sri K. Satyanarayana Rao, Section Officer

ANDHRA PRADESH LEGISLATIVE ASSEMBLY  
 COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2007)  
 (CONSTITUTED ON 28<sup>th</sup> MARCH, 2006)

CHAIRMAN:

1. Sri N. Uttam Kumar Reddy

B

MEMBERS:

- 2. Sri Channur Venkata Rao
- 3. Sri K. Vishnavardhan Reddy
- 4. Sri V. Venkatesh
- 5. Sri M. Maheshwar Reddy
- 6. Sri Thota Gopalakrishna
- 7. Sri Jalagam Venu Rao
- 8. Sri Chintu Ravindra
- 9. Sri J. Ramakrishna Rao
- 10. Sri P. Ravindra Reddy
- 11. Sri P. Venkanna
- 12. Sri D. Uma Maheswar Rao
- 13. Sri A. Uma Maheswar Reddy
- 14. Sri E. Rajender
- 15. Sri Palla Venkata Reddy

LEGISLATIVE SECRETARIES:

- 1. Sri K. Subbarao
- 2. Sri N. Anand
- 3. Sri K. Subbarao
- 4. Sri K. Subbarao



## INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2006-2007) having being authorized by the Committee to present the Report on their behalf, present this Fifteenth Report on the Andhra Pradesh State Transport Corporation, on the audit paras contained in the Reports of the C, & A.G of India (Commercial) for the year ended 31<sup>st</sup> March, 2000 (1 Para), 2001 (1 Para) and 2002 (4 Paras).

The Committee on Public Undertakings (2006-2007) have examined the Report of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2000 2001 and 2002.

The Committee (2006-2007) have considered and approved this Report at their sitting held on 25-08-2006.

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

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

The Committee wishes to express their thanks to the Special Chief Secretary to Government, Transport, Roads & Buildings Department, the Vice-Chairman & Managing Director and other Officials of the A.P. State Transport Corporation 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 (C&RA), Andhra Pradesh, the Senior Deputy Accountant General (Commercial) and other Officers and staff of the Accountant General Office.

The Committee also places on 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 A.P. State Transport Corporation and in preparation of this Report.

Hyderabad,  
Date : 25.8.2006

**N. UTTAM KUMAR REDDY,**  
CHAIRMAN,  
Committee on Public Undertakings.

# INTRODUCTION

The Chairman of the Committee on Public Administration (COPA) having been authorized by the House of Representatives to report on the report of the Auditor General on the Annual Report of the Transportation Corporation, on the first page of the report, the following is stated: "The Auditor General's report for the year ended 31st March, 2000 (Part I) and 2001 (Part II) and 2002 (Part III) have been examined by the Committee on Public Administration and the report is hereby presented to the House of Representatives for its consideration." The Committee on Public Administration has the honor to acknowledge the assistance rendered to it by the Auditor General in the preparation of this report.

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WILLIAM KENNETH RABBITT  
CHAIRMAN  
Committee on Public Administration  
Date: 27th 2006

**Recommendations on six paras appeared in the Report of C&AG of India, Government of Andhra Pradesh for the year ended 31 March 2000 (1 para), 2001 (1 para) and 2002 (4 paras) (Commercial) in respect of Andhra Pradesh State Road Transport Corporation**

**Audit Report 1999-2000**

**Acquisition of Land for bus station (Para 3B.1.1)**

At the request (September 1987) of the Corporation, for allotment of land for construction of a bus station, Municipal Corporation of Hyderabad (MCH) accorded sanction (October 1987) to lease out land on Musi river bed (popularly known as 'Imliban'). The Corporation took possession (January 1988) of 18.75 acres of the said land on lease for 99 years subject to payment of lease rent of Rs 15 per sq. metre per annum. However, no lease agreement was entered into and possession was taken without conducting panchanama even though part of the land was covered by Dhobi Ghats constructed by MCH.

Audit observed that during January 1989 to November 1990, the Corporation spent Rs 23.29 lakh on shifting of Dhobi Ghats and provision of other amenities as demanded by 'Dhobis Association', which could have been avoided had there been a lease agreement and clear possession of land taken from MCH after rehabilitation of the existing occupants. Apart from the construction of Imliban Bus Station, the Corporation also constructed (May 1995) two way bridges at a total cost of Rs 3.60 crore as decided in meeting held on 19 March 1991 on the specific understanding that 50 per cent of the cost would be borne equally by the MCH and Quli Qutubshah Urban Development Authority (QQUDA) (Rs 90 lakh each). Due to ineffective pursuance of recovery of 50 per cent cost agreed to be paid by MCH and QQUDA, Rs 1.80 crore remains locked up for over five years (July 2000).

The Government stated (October 2000) that since the Corporation was badly in need of land, panchanama was not conducted. The reply is not acceptable as the Corporation had to incur extra expenditure of Rs 23.29 lakh on shifting of Dhobi Ghats which could have been avoided by obtaining clear possession.

The Corporation in its explanatory notes stated that the Corporation took advantage in negotiations in fixing the lease rentals. The actual demand of MCH worked out to Rs. 5.62 crore till 31-3-2000. But, the APSRTC was able to convince the MCH in view of land development/utility and it was mutually agreed for the lease rental, which worked out to Rs. 1.42 crore only. Regarding the two-way bridges, they were constructed at a total cost of Rs.3.60 crore. Out of this, 50% was to be borne by Municipal Corporation of Hyderabad and Quli Qutubshahi Urban Development Authority equally. The Corporation has been continuously pursuing with both the authorities for realization of Rs. 1.80 crore towards 50 % cost of the two bridges across the river Musi.

The Principal Secretary, Transport, Government of Andhra Pradesh in the oral evidence stated that a meeting was convened by the Chief Secretary with MCH and APSRTC where in it was agreed to adjust Rs.1.42 crore payable to MCH towards lease rentals against Rs. 1.80 crore due from MCH towards cost of the two bridges and to pay balance amount of Rs. 0.38 crore to Corporation.

**Recommendation:**

**The Committee observed that land was taken possession by Corporation without observing various procedures involved and lease agreement between Corporation and MCH could have avoided extra expenditure on shifting Dhobi Ghats and construction of bridges and directed the Corporation to avoid such lapses in future. The Committee further directs the Corporation to collect the balance amount from MCH as agreed to in the meeting with Chief Secretary, Government of Andhra Pradesh.**

## Audit Report 2000-01

### Outsourcing of Bus Body Fabrication (Para 3B.1.1)

The total annual average requirement of the corporation is 2000 new buses (500 for augmentation and 1500 for replacement). The capacity of corporation's own Bus Body Building Workshop (BBBW) is 720 bus bodies and the remaining requirement is outsourced.

The year wise details of outsourcing of bus bodies are as detailed below

(1) Year-wise details of outsourcing

Year	No. of buses fabricated by corporation			No. of buses outsourced		
	TATA	AV*	Total	TATA	AV*	Total
1997-1998	163	206	369	651	353	1004
1998-1999	101	172	273	259	151	410
1999-2000	58	100	158	76	150	226
2000-2001	105	93	198	148	180	328

\*AV: Ashok Viking

It could be observed from the above that the capacity built-in was less than the requirement.

(2) Cost of fabrication

The cost of fabrication in the BBBW vis-à-vis outsourcing is as shown below

(Amount in Rupees)

Year	Elements of cost					
Own fabrication						
		Material	Labour	Over Head	Total	Out sourcing
1997-1998	TATA	184924	104472	6698	296094	310670
	AV	187299	114836	7362	309497	314805
1998-1999	TATA	199304	112489	7549	319342	315335
	AV	206045	123629	8312	337986	319335
1999-2000	TATA	195321	122550	9823	327694	311180
	AV	198667	135050	10716	344433	315732
2000-2001	TATA	252800	137900	10800	401500	333650
	AV	255800	151600	11900	419300	337627

It could be observed that the cost of outsourcing bus bodies was more than the cost of fabrication done in BBBW during the year 1997-98 and less in the years 1998-1999 to 2000-2001 for both TATA and AV. Further, it could be seen that cost of man-hours required per TATA bus, had been lower than those of Ashok Viking.

### (3) Labour hours required (BBBW)

The details of labour hours required to fabricate the annual requirement of bus bodies in BBBW are tabulated below:

Year	Total labour hours required for annual requirement including outsourcing (No of Buses X Hours)			Total Hours
1997-1998	TATA	814 x 1970 hours	1603580	28,14,374
	AV	559 x 2166 hours	1210794	
1998-1999	TATA	360 x 1970 hours	709200	14,08,818
	AV	323 x 2166 hours	699618	
1999-2000	TATA	134 x 1970 hours	263980	8,05,480
	AV	250 x 2166 hours	541500	
2000-2001	TATA	253 x 1970 hours	498410	10,89,728
	AV	273 x 2166 hours	591318	

**Note :** Labour hours required at BBBW for Tata : 1970 hours and for AV : 2166 hours.

It could be observed from the above details that the labour hours required for fabrication of annual requirement of buses has always been more than the available labour hours in BBBW.

(4) Optimum decision with available labour hours

The table below indicates the available labour hours and the production that could have been planned in BBBW with the available labour hours. The availability of labour hours and the cost of fabrication at BBBW vis-a-vis outsourcing being the key factors, the corporation should have made proper sensitivity analysis of cost and cash out flow each year before taking decision for outsourcing.

Year	Total available labour hours	Total requirement	Actual production in BBBW		Production that should have been with available man hours	Number that should have been outsourced
(a)	(b)	(c)	(d)		(e)	(f)
1997-1998	767306	28,14,374	TA	163	390	424
			TA			
			AV	206	—	559
1998-1999	571522	14,08,818	TA	101	290	70
			TA			
			AV	172	—	323
1999-2000	330860	8,05,480	TA	58	134	—
			TA			
			AV	100	31	219
2000-2001	408288	10,89,728	TA	105	207	46
			TA			
			AV	93	—	273

5) Cash outflow

The details of actual cash outflow as against the cash outflow that would have taken place with proper analysis is as shown below

(Rupees in lakh)

Year	Actual cash outflow	Cash out flow for column (f) of table (4)	Excess cash outflow
1997-1998	3133.72	3077.00	56.72
1998-1999	1298.91	1252.19	46.72
1999-2000	710.09	691.45	18.64
2000-2001	1101.53	1075.20	26.33
		Total	148.41

It could thus be seen that the availability of man hours and the cost of fabrication being the key factors, the corporation has not made proper sensitivity analysis each year before taking decision on outsourcing. This resulted in loss of Rs. 1.48 crore to the corporation during the four years ending 31 March 2001

The Corporation stated (September 2001) that it was inevitable for them to allot AV chassis to BBBW also. The reply is not acceptable, as the management could have worked out economies of outsourcing with reference to cost and labour hours available to gain maximum benefit.

The Corporation in its explanatory notes stated that there would not be as much loss as pointed out by the audit. The audit had taken into account the analysis of district and ordinary buses only, whereas the Corporation has included the services of luxury, express and ordinary kinds of coaches also. There was no outsourcing of fabrication of buses for the year 2002-03. Outsourcing is given where no inhouse fabrication facility was available at BBBW, Miyapur. It was also stated that it was not possible to allot a particular make chassis only to BBBW and the other to outside fabricators as fabrication work goes on changing depending on the circumstances. However, the suggestion given by Accountant General would be followed in future.

The Corporation in the oral evidence stated that some aspects were overlooked. The required attention was not focused over the cost analysis.



Recommendation:

The Committee ordered the Corporation to conduct sensitivity analysis each year before taking a decision to outsource the work of bus body fabrication.

## Audit Report 2001-02

### Construction of Mandal Bus stations ( para 3B.2.1 )

In April 1999, the State Government decided to construct bus stations in all mandal headquarters of the State. Accordingly, the Corporation, without considering its financial position and without making funding arrangements, identified 456 mandal headquarters for construction of bus stations. The State Government authorised (May/June 1999) the District Collectors to alienate government land in these mandals, free of cost, in favour of the Corporation. It also directed (May 1999/October 2001) the Corporation to complete construction of these bus stations within a period of 120 days, which was later extended up to one year from the date of handing over of land.

On the basis of number of buses touching the proposed mandal bus station, the Corporation classified bus stations to be constructed into eight categories and fixed a cost ceiling ranging from Rs.0.75 lakh to 15.00 lakh each and estimated (May 1999) the total cost at Rs.12.11 crore. However, at the instance of State Government, the Corporation finally decided (June 1999) to construct only two types of bus stations viz., one type costing Rs.6.00 lakh each at places buses touched 70 trips per day and another type costing Rs.10.00 lakh each at places buses touched 71 trips and above per day. On the basis of revised categorisation, the cost of construction of 456 bus stations was finally estimated at Rs.39.22 crore.

The Corporation invited open tenders (June/July 1999) for construction of 276 out of 456 bus stations. The Corporation completed construction of 221 bus stations during July 1999 to March 2002 at a cost of Rs.14.92 crore and 17 bus stations were still under construction on which an expenditure of Rs.37 lakh was incurred (March 2002). The remaining 38 bus stations were not taken up for construction. As the Corporation had no internal resources and as the expenditure on bus stations did not yield any return, funding the expenditure of Rs.15.29 crore with borrowed funds was unwarranted and unnecessary.

**Audit observed that:**

the Corporation did not devise a mechanism to monitor the utilisation of bus station for the intended purpose.

-74 out of 158 bus stations were constructed at places where government land was made available and not at places actually convenient to passengers.

-due to locational disadvantage, 17 out of 104 bus stations were not in use since their inauguration, rendering Rs.1.15 crore incurred on them infructuous.

-out of 184 stalls constructed in 104 mandal bus stations 147 stalls still remained (May 2002) unoccupied due to lack of demand. The very construction of these stalls was not warranted as there was insignificant demand and Rs.1.03 crore invested on them remained locked up without return.

-47 out of 161 bus stations were not "need-based" as the number of buses touching these bus stations ranged from one to 10 and it would have been sufficient to construct bus shelters or smaller size bus stations in their place.

-Thus, implementation of Government directive without financial support resulted in unnecessary drain on scarce resources of the Corporation. Further, the need for taking up construction of the remaining bus stations requires to be looked into afresh.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

The Corporation in its explanatory notes stated that the Corporation has implemented the schemes not with a profit motive but purely as a policy matter as directed by the State Government. As a matter of fact many of the Bus Stations constructed are at prime locations and serving the needs of the traveling local people.

The VC & MD in the oral evidence stated that a decision was taken to construct two bus stations in each Assembly constituency. The Corporation has limited options as land was given free of cost. Hence, lands selected were away from traffic. 38 bus stations were still not being used.

**Recommendation:**

**The Committee orders that a report be submitted indicating utilization of vacant stalls and unutilized bus stations for generating revenue.**

**Construction of Bus Bhavan ( Para 3B.2.2).**

With a view to locating all administrative offices under one roof, the Corporation approved (May 1990) construction of Bus Bhavan at Hyderabad in two blocks, in an area admeasuring 4.65 acres at an estimated cost of Rs.13.66 crore.

The proposed 'Bus Bhavan' comprised basement and four floors with a total plinth area of 3.73 lakh sq.ft. After inviting tenders (February 1991), civil works portion was awarded (November 1991) to M/s. S.A. Builders Limited, Chandigarh (SAB) for Rs.3.06 crore on lowest tender basis. The work was commenced in January 1992 and was to be completed within three years i.e., by January 1995. At the instance (February 1992) of the VC & MD of the Corporation, the orientation of the building was changed from west to east resulting in revision in the scope of work by 70 per cent with 158 supplemental works which were got executed at a cost of Rs.4.00 crore by the same contractor. The civil works were actually completed in July 1998 at a total cost of Rs.5.70 crore. Even though 70 per cent of the scope of work had undergone revision, the matter was not reported to the Board of Directors till January 2000. In February 2000, the Board of Directors approved the revision in cost estimates from Rs.13.66 crore to Rs.18.10 crore. The Corporation had incurred an amount of Rs.12.15 crore by March 2002. Despite completion of civil works in July 1998, the Corporation was not in a position to complete the balance work and put the building to use for the intended purpose. Audit observed that:

The orientation of the building was changed from west to east without envisaging any specific advantage.

-though the scope of work was revised to the extent of 70 per cent over the original estimates in February 1992, approval of the Board of Directors for the revised estimated cost was obtained only in February 2000.

-supplemental items were awarded to the same contractor on nomination basis at market rate plus 10 *per cent* instead of working out the rate from the SSR.

-adequate funds were not provided for execution of work by the scheduled completion date.

-low priority works like ducting and false-ceiling, installation of transformers, elevators, gardening etc., costing Rs.0 82 crore were executed without completion of various civil works and without finalisation of tenders for related major works like air-conditioning system, internal electrification etc.

The work on the 'Bus Bhavan' which commenced in January 1992 was yet to be completed even after a decade, defeating the very objective of construction. On the capital cost of Rs.12.15 crore invested an interest of Rs.7.59 crore was incurred up to March 2002.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

The Corporation in its explanatory notes stated that in view of critical financial position, as an alternative, it was planned for leasing out the building to gain income with no further capital investment. As the response was not encouraging, it was finally decided to complete the balance works and occupy the premises. Accordingly, balance works were planned/prioritized towards early completion to occupy and use the building.

The Corporation in its oral reply stated that project was started when the Corporation was making profits. Due to financial crunch later, budget allocation was not made leading to delay in completion of work. The Building originally designed in the year 1990 underwent changes due to provision of more space for parking and the additional items of works were carried out at market price as per provisions in the agreement.

### Recommendation:

The Committee recommends that, in future, procedural irregularities like i) taking approval of Board of Directors much later, after the scope of work had under gone revision, ii) supplemental items being awarded to the same contractor on nomination basis at market rates instead of SSR rates and iii) prioritizing certain inessential supplemental works over major Civil/Electrical/Service works, should not recur.

### Construction of Kalyanamandapam (Para 3B.2.3)

The Corporation proposed (May 1990) to construct a multi-functional socio-cultural centre at Hyderabad comprising Kalyanamandapam (in two floors), auditorium (basement and ground floor) and accommodation block (24 rooms in 3 floors) with additional facilities viz., exhibition hall and a restaurant. The complex was to be constructed in 1.95 acres of land, near the administrative building of the Corporation, at an estimated cost of Rs.2.60 crore. The civil works were awarded (November 1991) on lowest tender basis for Rs.1.73 crore. The work was commenced in January 1992 and was to be completed by August 1993. However, due to lack of budgetary support and delay in execution of civil works by the contractor, the construction was abnormally delayed by more than five years and was partially commissioned (except auditorium) in January 1998. Due to revision in overall design, increase in plinth area from 5132 sq. metres to 6568 sq. metres and time overrun, the estimated cost of work had gone up to Rs.4.59 crore and Board approved (August 1998) the same. To end of February 2002, the Corporation incurred Rs.4.97 crore and in order to complete the work, Rs.0.60 crore was further required.

Audit observed that:

-as about 80 per cent of work force of the Corporation was employed outside Hyderabad, construction of Kalyanamandapam at a huge cost of Rs.4.97 crore in Hyderabad was not 'need based' and lacked justification.

-from the date of partial commissioning till 31 March 2002 i.e., in 1521 days only 106 staff members hired the Kalyanamandapam for 130 days and an income of Rs.7.91 lakh was earned. During the above period, the Mandapam was allotted to 286 private parties for 347 days and Rs.42.97 lakh was earned. The total income of Rs.0.51 crore earned was far less than the expenditure of Rs.3.52 crore incurred towards interest, depreciation, property tax and maintenance charges during the period of four years.

-while capital investment was locked up, the Corporation was incurring expenditure towards interest on borrowed funds (Rs 0.62 crore) and depreciation (Rs 21.00 lakh) per annum.

It is, thus, clear that the economics of constructing a huge complex with an investment of Rs.4.97 crore and the extent of its utility to the employees were not examined before taking up the above work. As such, the complex was serving more to the needs of general public than its employees.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

The Corporation in its explanatory notes stated that the interior works pertaining to the Auditorium are planned and completed. The Auditorium was inaugurated on 27-4-2003. The Kalynamandapam was put to use during 1998 and the bookings picked up during 1999. The employees of the Corporation get the booking at 50 % concession when compared to the cost at which it is being given to the outsiders. The amount realised through license fee is Rs. 72.55 lakh over a period of 4 ½ years against construction cost of Rs. 300 lakh.

The VC & MD in the oral evidence stated that rental charges have been increased and presently, occupancy ratio has also increased upon completion of the project. The VC & MD stated that they are confident that in future, Kalyanamandapam would not incur any losses.

**Recommendation:**

**The Committee dropped the para basing on the reply by the VC & MD of the Corporation.**

### Operation of Mavuri Air-conditioned sleeper coaches ( Para 3B.2.4)

At the instance of VC&MD (who visited China in November 1997), the Corporation decided (December 1997) to introduce 12 air-conditioned (A/c) sleeper coaches from Hyderabad to Shirdi, Bangalore, Pune, Hubli, Tirupati, Bhadrachalam and Amalapuram. Before obtaining approval for the proposal, neither traffic survey was conducted nor introduction of these services on trial basis examined. Out of 12 A/c sleeper coaches purchased at a cost of Rs.2.45 crore during the period from April to November 1998, only eight sleeper coaches were in operation (two for Shirdi and six for Bangalore), as of March 2001, while three sleeper coaches were lying idle from July 1999 onwards (except for two months in May and June 2000) due to poor occupancy ratio. One sleeper coach caught fire in January 2001 and was converted into city ordinary service at a cost of Rs.5.42 lakh. In August 2001 five sleeper coaches were sent to zonal workshop, Uppal for conversion into city special services.

Audit observed that the Corporation introduced all the 12 sleeper coaches in one go instead of limited number on experimental basis initially and increasing gradually depending on occupancy ratio. Though the Corporation was operating sleeper coaches from April 1998 onwards, cost of operation of these services was not worked out and reviewed. Based on the cost per KM of the depot at the end of each year, the uneconomic operation of sleeper coaches resulted in loss of Rs.0.68 crore (as worked out in Audit) from April 1998 to March 2002.

The matter was reported to Government/Corporation (August 2002); their replies had not been received (October 2002).

The Corporation in its explanatory notes stated that for an organization having a fleet strength of more than 19000 buses, introduction of 12 vehicles was to be considered as right size sample in order to have objective assessment. In respect of non conducting of survey, the Corporation stated that to cater to the upper end of the traveling public and also to get deflection from other modes such as private buses, the product was introduced as a new model. Regarding reduction of AC buses from 12 to 5 it was stated that wherever the services were not patronized, Corporation has *suo motto* withdrawn them, in order to cut losses further. On the other side, on Hyderabad -



Bangalore route the patronage was encouraging and hence 5 sleeper buses are being continued.

The VC & MD in the oral evidence stated that presently, the sleeper coaches are being run successfully.

**Recommendation:**

**The Committee recommends that in future, before taking up such huge projects, the Corporation should conduct a better and more focused survey and carry out a cost – benefit analysis to obviate incurring such huge losses.**

## Summary of Recommendations

1. The Committee observed that land was taken possession by Corporation without observing various procedures involved and lease agreement between Corporation and MCH could have avoided extra expenditure on shifting Dhobi Ghats and construction of bridges and directed the Corporation to avoid such lapses in future. The Committee further directs the Corporation to collect the balance amount from MCH as agreed to in the meeting with Chief Secretary, Government of Andhra Pradesh.
2. The Committee ordered the Corporation to conduct sensitivity analysis each year before taking a decision to outsource the work of bus body fabrication.
3. The Committee orders that a report be submitted indicating utilization of vacant stalls and unutilized bus stations for generating revenue.
4. The Committee recommends that, in future, procedural irregularities like i) taking approval of Board of Directors much later, after the scope of work had under gone revision, ii) supplemental items being awarded to the same contractor on nomination basis at market rates instead of SSR rates and iii) prioritizing certain inessential supplemental works over major Civil/Electrical/Service works, should not recur.
5. The Committee dropped the para basing on the reply by the VC & MD of the Corporation.
6. The Committee recommends that in future, before taking up such huge projects, the Corporation should conduct a better and more focused survey and carry out a cost – benefit analysis to obviate incurring such huge losses.