Chapter-III

3. Performance Review relating to Statutory Corporation

Assam State Transport Corporation

Functioning of Assam State Transport Corporation

Executive summary

Assam State Transport Corporation (Corporation) provides public transport in the State through its 109 bus stations. The Corporation had a fleet strength of 325 vehicles as on 31 March 2009. The Corporation also allows privately owned buses (POB) to operate under the Corporation's banner on a revenue sharing basis.

The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operation, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and performance

The Corporation's accounts are in arrears since 2004-05. Based on provisional figures, it suffered a loss of Rs.10.16 crore in 2008-09. Its accumulated losses stood at Rs.502.29 crore as at 31 March 2009. The Corporation earned Rs.37.67 per kilometre and expended Rs.45.08 per kilometre in 2008-09.

Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining share

Of the 13,997 buses licensed for public transport in 2008-09, 2.32 *per cent* belong to the Corporation. The percentage share declined marginally from 2.86 in 2004-05. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace over aged buses and add new buses to its fleet). Vehicle density (including private operator's buses) per one lakh population increased from 39.15 in 2004-05 to 46.04 in 2008-09 indicating growth in the level of public transport in the State.

Vehicle profile and utilisation

Corporation's own fleet of 325 buses included 77 (23.69 *per cent*) over aged buses, i.e. more than eight years old. Percentage of over age buses declined from 28.48 *per cent* in 2004-05 due to acquisition of 188 new buses during 2004-09 at a cost of Rs.32.54 crore. The acquisition was funded by the State Government. Corporation's fleet utilisation at 79.38 per cent in 2008-09 was below the All India Average (AIA) of 92 per cent. Its vehicle productivity at 115 kilometres per day per bus was below the AIA of 313 kilometres. However, its load factor at 76 *per cent* was above the AIA of 63 *per cent*. Of the 134 routes operated by the Corporation during 2008-09, Audit analysed that none of the routes was profitable due to high cost of operation.

Economy in operation

During 2004-09, the Corporation was not able to recover its cost of operation and its operating loss increased from Rs.9.65 crore (2004-05) to Rs.15.50 crore (2008-09) due to high consumption of fuel,

rising trend in repairs and maintenance expense and excess manpower cost.

Operation of Buses under ASTC banner (POB)

Although, the Corporation was gainfully utilising its infrastructure and operating staff by allowing POBs to operate under its banner on revenue sharing basis which fetched substantial revenue of Rs.68 crore (31.15 *per cent* of total revenue during 2004-09) for the Corporation without any additional capital investment, it did not exercise adequate financial and operational control over the POBs, so as to reap maximum benefit from these operations.

Need for a regulator

The fare per kilometre stood at 47 paise from 2 August 2008. Though the Government approves fare increase, there is no scientific basis for its calculation. The Corporation has also not framed norms for providing services on uneconomical routes. Thus, 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 grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management on achievement thereof are essential for monitoring by the top management. MIS of the Corporation is not effectively used, as the reports relating to operational parameters are not utilised for control purpose. The monitoring by the top management as well as by the Board of Directors (BOD) fell short, as it did not take/recommend suitable measures to control the costs and increase revenue.

Conclusion and Recommendations

The deficiencies in the Corporation's functioning are controllable and there is scope to improve the performance through better management of its operation. This review contains nine recommendations which includes reducing manpower cost by off loading excess staff, exercising control over privately owned buses.

Introduction

3.1.1 In Assam, Assam State Transport Corporation (Corporation) is mandated to provide an efficient, adequate, economical and properly co-ordinated public road transport. The State also allows the private operators to provide public transport. The fare structure is controlled and approved by the Government. This structure is same for both the Corporation as well as private operators.

3.1.2 Assam State Transport Corporation was incorporated on 1 March 1970 under Section 3 of the Road Transport Corporation Act, 1950 as a wholly owned Corporation of the State Government of Assam. The Corporation is under the administrative control of the Transport Department of Government of Assam. The management of the Corporation is vested with a Board of Directors comprising Chairman, Managing Director and seven Directors appointed by the Government of Assam. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Corporation, with the assistance of Deputy General Manager, one Regional Manager and nine Divisional Managers. The Corporation has one Regional office, 10 Divisional Offices, one Central Workshop, five Divisional Workshops and

109 bus stations. The bus body building is carried out through external agencies**.**

3.1.3 The Corporation had a fleet strength of 325 buses as on 31 March 2009. The Corporation's share in the passenger transport operations in the State was 2.32 *per cent* and the remaining 97.68 *per cent* was accounted for by private operators. The turn over of the Corporation was Rs.37.86 crore in 2008-09, which was equal to 0.05 *per cent* of the State Gross Domestic Product. The Corporation employed 2,667 employees as on 31 March 2009.

3.1.4 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 Assam. The report has not yet been discussed by the COPU (September 2009).

Scope of Audit and Audit Methodology

3.2.1 The present review conducted during February 2009 to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with the 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, the Central Workshop, the Regional Office, and six Divisional Offices covering 75 out of 109 Stations.[1] The share of selected divisions in terms of fleet and turnover were 50 *per cent* and 54.84 *per cent* respectively.

3.2.2 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

The objectives of the performance audit were to assess:

3.3.1 Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;

[1] Out of ten divisions, six divisional offices were selected for scrutiny taking two divisions from each of the three geographical regions of the State. (viz. Upper, Central and Lower Assam).

- 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.

3.3.2 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.

3.3.3 Fare Policy and Fulfillment of Social Obligations

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

3.3.4 Monitoring by Top Management and future needs of the STU

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

Audit criteria

3.4.1 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 the Government of Assam and other relevant rules and regulations;
- corporate policy for investment of funds; and
- procedures laid down by the Corporation.

Financial position and working results

3.5.1 The accounts of the Corporation are in arrears since 2004-05. The financial position of the Corporation based on provisional figures for the five years upto 2008-09 is given below:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities	**(Rupees in crore)**				
Paid up Capital	357.00	372.16	377.31	381.42	390.90
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	33.79	40.10	42.81	63.52	90.18
Current Liabilities & Provisions	141.26	140.07	142.74	158.70	167.45
Total	**532.05**	**552.33**	**562.86**	**603.64**	**648.53**
B. Assets					
Net Fixed Assets[♦]	16.14	21.74	23.01	29.45	44.99
Capital works-in-progress (including cost of chassis)	24.81	33.25	40.04	45.49	64.94
Investments	16.20	10.65	5.25	5.57	10.56
Current Assets, Loans and Advances	16.62	13.64	12.26	31.00	25.75
Accumulated losses	458.28	473.05	482.30	492.13	502.29
Total	**532.05**	**552.33**	**562.86**	**603.64**	**648.53**

3.5.2 The details of working results like operating revenue and expenditure, total revenue and expenditure, net loss and earnings and cost per kilometre of operation based on provisional figures are given below:

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
		(Rupees in crore)				
1.	Total Revenue	31.84	36.86	48.49	49.52	51.61
2.	Operating Revenue[ϕ]	29.48	34.36	35.92	36.55	37.86
3.	Total Expenditure	46.79	51.63	57.74	59.35	61.77
4.	Operating Expenditure[ψ]	39.13	43.91	49.84	51.15	53.36
5.	Operating Loss (-)	(-) 9.65	(-) 9.55	(-) 13.92	(-) 14.60	(-) 15.50
6.	Loss (-) for the year	(-) 14.95	(-) 14.77	(-) 9.25	(-) 9.83	(-) 10.16
7.	Accumulated Loss (-)	(-) 458.28	(-) 473.05	(-) 482.30	(-) 492.13	(-) 502.29
8.	Fixed Costs					
	(i) Personnel Costs	22.44	24.25	27.98	28.46	29.76
	(ii) Depreciation	3.50	3.90	4.10	4.20	4.25
	(iii) Interest	7.65	7.71	7.89	8.19	8.40
	(iv) Other Fixed Costs	1.45	1.72	1.81	1.87	1.93
	Total Fixed Costs	**35.04**	**37.58**	**41.78**	**42.72**	**44.34**

♦ Since the Corporation has not prepared its final accounts, the figures of Gross Block of Fixed Assets and accumulated depreciation were not available.

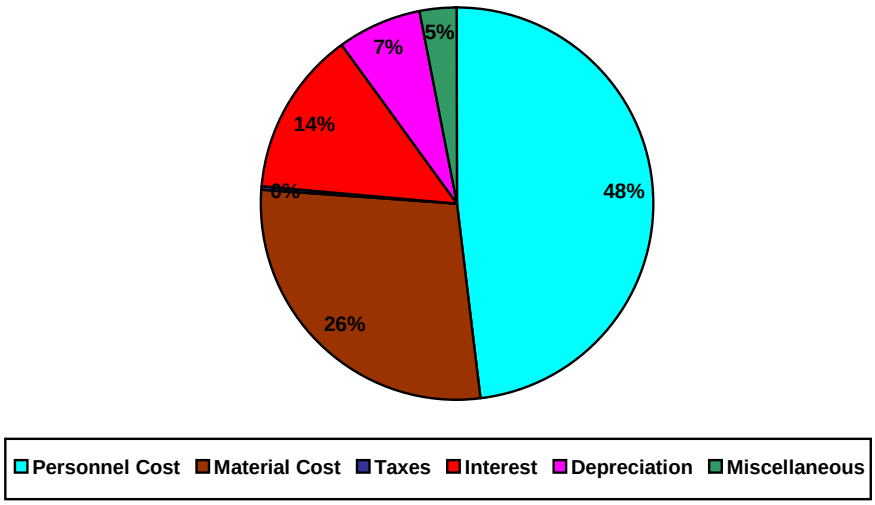
ϕ Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under KM Scheme, *etc*.

ψ Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
9.	Variable Costs					
	(i) Fuel & Lubricants	9.74	11.82	12.64	13.23	13.95
	(ii) Tyres & Tubes	0.70	0.71	0.74	1.06	0.86
	(iii) Other Items/ spares	0.68	0.81	1.26	1.15	1.46
	(iv) Taxes (MV Tax, Passenger Tax, *etc*.)	0.17	0.21	0.23	0.21	0.22
	(v) Other Variable Costs	0.46	0.50	1.09	0.98	0.94
	Total Variable Costs	**11.75**	**14.05**	**15.96**	**16.63**	**17.43**
10.	Effective KMs operated (in crore)	1.26	1.31	1.34	1.40	1.37
11.	Earnings per KM (Rs)(1/10)	25.27	28.14	36.19	35.37	37.67
12.	Fixed Cost per KM (Rs.)(8/10)	27.81	28.69	31.18	30.51	32.36
13.	Variable Costs per KM (Rs.) (9/10)	9.33	10.72	11.91	11.88	12.72
14.	Cost per KM (Rs.)(12+13)	37.14	39.41	43.09	42.39	45.08
15.	Net Earnings per KM (Rs.) (11-14)	(-) 11.87	(-) 11.27	(-) 6.90	(-) 7.02	(-) 7.41
16.	Traffic Revenue[§]	15.96	19.85	21.50	23.50	25.36
17.	Traffic Revenue per KM (Rs.) (16/10)	12.67	15.15	16.04	16.79	18.51

Elements of Cost

3.5.3 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.

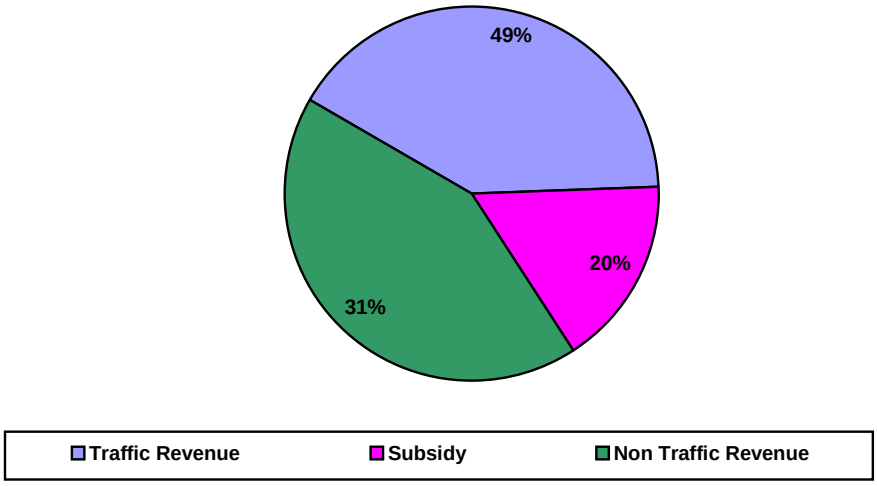


Components of various elements of cost

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

Elements of revenue

3.5.4 Traffic revenue, subsidies and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given in the following pie-chart.



Components of various elements of revenue

Audit findings

3.6.1 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 13 March 2009**.** Subsequently, audit findings were reported to the Corporation and the Government in August 2009 and discussed in an 'exit conference' held on 18 August 2009, which was attended by Joint Secretary, Transport Department, Government of Assam besides Managing Director, Chief Automobile Engineer and Deputy Chief Accounts Officer of the Corporation. The replies were received in October 2009 which have been considered while finalising the review. The audit findings are discussed below.

Operational performance

3.7.1 The operational performance of the Corporation for the five years ending 2008-09 is given in the ***Annexure-9***. 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.

3.7.2 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♠	316	328	304	331	325
2.	Private stage carriages (3-1)♠	10,724	11,222	12,151	13,666	13,672
3.	Total buses for public transport♠	11,040	11,550	12,455	13,997	13,997♣
4.	*Percentage* share of Corporation	2.86	2.84	2.44	2.36	2.32
5.	*Percentage* share of private operators	97.14	97.16	97.56	97.64	97.68
6.	Estimated population (crore)	2.82	2.87	2.93	2.98	3.04
7.	Vehicle density per one lakh population (Total)	39.15	40.24	42.51	46.97	46.04
8.	Corporation's bus density per one lakh population	1.12	1.14	1.04	1.11	1.07

The Corporation's share in passenger in transport operation in the State was 2.32 *per cent.*

3.7.3 The Corporation, however, has not been able to keep pace with the growing demand for public transport. Though, total vehicle density per one lakh population increased from 39.15 in 2004-05 to 46.04 in 2008-09, the Corporation's vehicle density per one lakh population reduced marginally from 1.12 in 2004-05 to 1.07 in 2008-09. As analysed in Audit, the main reasons for low fleet holding were:

- absence of any perspective planning;
- inability of the Corporation to generate resource for adequate replacement of condemned vehicles and addition of new buses to the fleet;
- absence of any transport policy of the State Government;
- increased competition from private operators arising from unbridled issuance of permits to private operators by Government;
- increased availability of other modes of transport especially railways at cheaper cost.

The effective per capita KM operated per year is given below:

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Effective KM operated (in crore)	1.26	1.31	1.34	1.40	1.37
2.	Estimated Population (in crore)	2.82	2.87	2.93	2.98	3.04
3.	Per Capita KM *per* year (1/2)	0.45	0.46	0.46	0.47	0.45

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

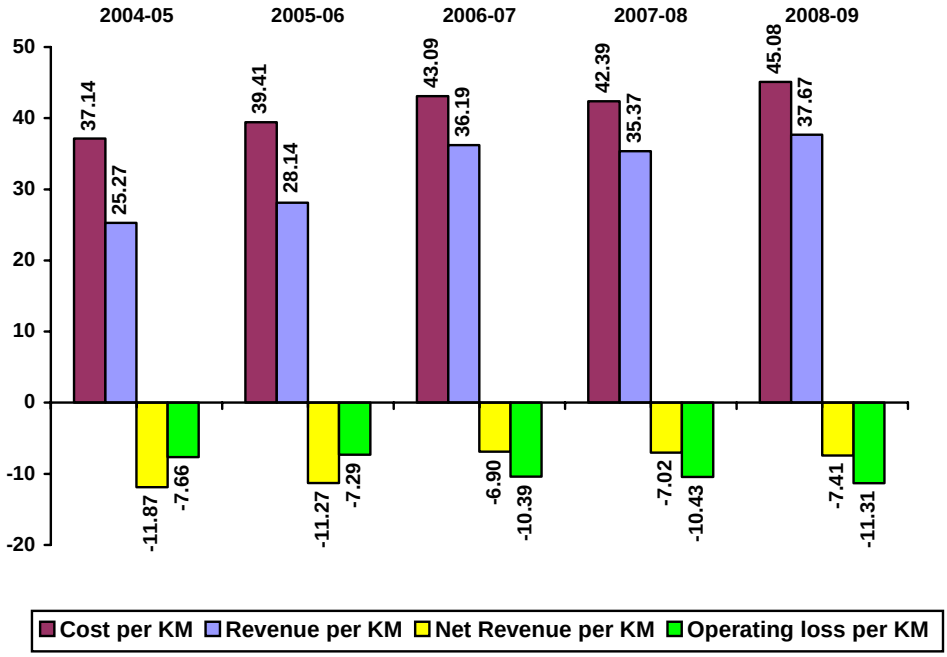
♣ In the absence of availability of total buses in 2008-09, figures of 2007-08 have been adopted for comparison purpose.

3.7.4 The above table shows that the per Capita kilometre per year operated by the Corporation almost remained stagnant during the review period.

3.7.5 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.

Recovery of cost of operations

3.8.1 The Corporation was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a negative trend as given in the graph♠ below:



3.8.2 The above graph indicates the deteriorating performance of the Corporation over the period. The operating loss too has been increasing since 2005-06. The Corporation was not able to achieve the All India Averages for cost (Rs.19.94) in any of the years under review. However,

Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* KM at Rs. 0.49, Rs. 0.47 and Rs. 0.34 respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)

♠ **Cost per KM** represents total expenditure divided by effective KM operated.
Revenue per KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue per KM is revenue *per* KM reduced by cost per KM.
Operating loss per KM would be operating expenditure per KM reduced by operating income per KM.

average revenue per KM of the Corporation exceeded All India Average (AIA) of Rs.18.22 in all the five years due to royalty earning from privately owned buses (POBs); which constituted 33.02 *per cent* to 42.46 *per cent* of total revenue. 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 fleet on time or increase the fleet strength to meet growing demand.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.9.1 The Corporation has its own fleet of buses. It has also allowed POBs to operate buses under its banner on a revenue sharing basis. Audit findings in respect of POBs are given in paragraph 3.15.1. The table below explains the position of Corporation's own fleet.

3.9.2 The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. 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	367	316	328	304	331
2.	Additions during the year	25	32	50	43	38
3.	Buses scrapped during the year	76	20	74	16	44
4.	Buses held at the end of the year (1+2-3)	316	328	304	331	325
5.	Of (4), No. of buses more than 8 years old	90	135	108	123	77
6.	Percentage of over-age buses to total buses	28.48	41.16	35.53	37.16	23.69

The Corporation fleet included 77 overage buses as on 31 March 2009.

3.9.3 The above Table shows that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 188 new buses at a cost of Rs.32.54 crore. The expenditure was incurred out of fund (plan as well as non-plan) provided by the State Government for the purpose. To achieve the norm of right age buses, the Corporation was required to buy 77 new buses additionally, which would have cost it Rs.13.33 crore approximately. However, the Corporation did not generate adequate internal resources through its operations to finance the replacement of buses.

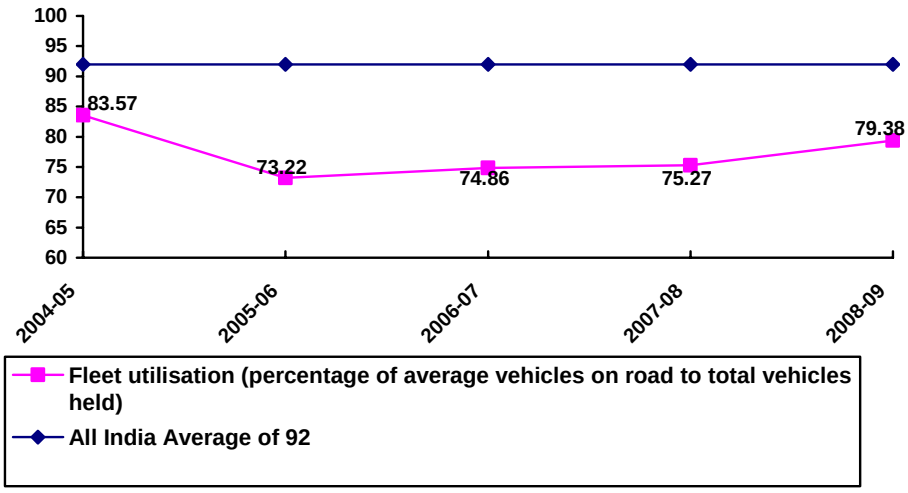
Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

3.9.4 The overage 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.

Fleet Utilisation

3.9.5 Fleet utilisation represents the ratio of buses on road to those held by the Corporation. The Corporation did not set any target of fleet utilisation. The fleet utilisation of the Corporation decreased sharply in 2005-06 and gradually increased thereafter as can be seen in the graph below. It stood at 79.38 *per cent* in 2008-09 as compared to the AIA[∝] of 92 *per cent*.

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and Rs. 98.3 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)



The Corporation's fleet utilisation was below all India average during review period.

3.9.6 From the above, it can be concluded that the Corporation was not able to achieve an optimum utilization of its fleet strength, which in turn impacted its operational performance adversely. The Corporation has neither monitored fleet utilisation on a regular basis nor analysed the reasons for poor fleet utilisation for taking corrective measures.

The main reasons for poor fleet utilisation as analysed by Audit in respect of eight divisions for the period 2004-09 were:

- vehicles remaining off-road for want of repair and maintenance;

[∝] All India Average is for the year 2006-07 which has been used for comparison for the period under review.

- suspension of uneconomic services; and
- strikes, *bandhs* and natural calamities.

The Corporation lost 77.52 lakh kilometres, 63.20 lakh kilometres and 75.90 lakh kilometres due to these respectively.

Scrutiny of records of four Workshops including Central Workshop revealed that the Corporation lost 56,172 kilometres due to delay in repairs for want of spares, engines *etc.*

Vehicle productivity

3.10.1 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 percentage of 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 (KMs run per day per bus)	99	98	99	103	115
2.	Overage fleet (percentage)	28.48	41.16	35.53	37.16	23.69

3.10.2 Compared to the AIA of 313 KMs per day, the vehicle productivity of the Corporation has been much lower for all the years under review. The Corporation neither fixed any target nor made any worthwhile efforts to improve vehicle productivity. Reasons for poor vehicle productivity as analysed in Audit were:

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,

The Corporation's vehicle productivity has been much below all India average during the review period.

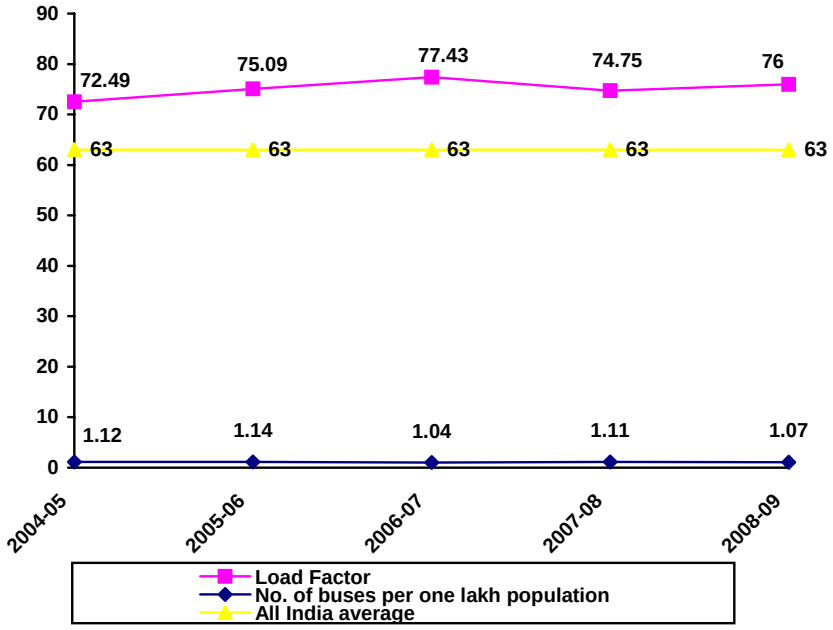
- excess time taken for servicing/repairs *etc*.; (Paragraph 3.9.6)
- deficient route planning; (Paragraph 3.11.4)
- allotment of long distance economic routes to POB's; (Paragraph 3.11.4) and
- cancellation of scheduled KMs on uneconomic routes (Paragraph 3.11.7).

Capacity utilisation

Load Factor

3.11.1 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 calculated load factor as a ratio of passenger earnings to realisable revenue as per seat capacity. As per system adopted by the Corporation, the load factor increased from 72.49 *per cent* in 2004-05 to 76 *per cent* in 2008-09 against the AIA of 63 *per cent*. A graph depicting the Load factor *vis-à-vis* number of buses per one lakh population is given below.



The graph above apparently depicts improvement in load factor over the period under review. However, the fare for ordinary buses were revised from 35 paise per kilometre to 47 paise per kilometre during the review period as discussed in paragraph 3.19.1. Considering the fare increase of about 34.29 *per cent* during review period, Audit worked out that the load factor declined from 72.49 *per cent* in 2004-05 to 56.59[♣] *per cent* in 2008-09, while number of buses per one lakh population remained almost static.

3.11.2 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 considering the load factor as calculated by the Corporation.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per KM	37.14	39.41	43.09	42.39	45.08
2.	Traffic revenue per KM	12.67	15.15	16.04	16.79	18.51
3.	Traffic revenue per KM at 100 *per cent* load factor	17.48	20.18	20.72	22.46	24.36

[♣] (76 x 100)/134.29=56.59.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
4.	Break-even load factor considering the traffic revenue (1/3 x 100)	212.47	195.29	207.96	188.74	185.06

3.11.3 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

3.11.4 Appropriate route planning to tap demand leads to higher load factor. The Corporation does not have a system of route planning on a regular basis. As against 560 routes available for operation as on September 2009, the Corporation and the privately operated buses (POB) under ASTC banner were operating 522 routes. Management identified routes under two categories *viz.*, economic and uneconomic. Economic routes were defined as routes where the services could recover total cost *i.e.* variable as well as fixed.

Number of services provided by the Corporation and POBs in economic and uneconomic routes is shown in the following table.

Routes		No. of Routes Operated	No. of Services plying
Economic	ASTC	34	120
	POB	20	98
Uneconomic	ASTC	113	150
	POB	355	1194
Total		**522**	**1562**

The Corporation failed to implement the Board of Directors decisions to allot uneconomic routes to POBs.

Board decided (February 2006) that the Corporation should operate only on economic routes and allot uneconomic routes to POBs. However, it was observed in Audit that no route rationalisation has been undertaken by the Corporation so far (September 2009).

It was further noticed in Audit that on 56 long distance (*i.e.* 300 KM and above) and inter State routes, only POBs were exclusively operating at high load factor. However, the Corporation has not explored the possibility of operating its own buses on these routes, which may bring in more revenue.

3.11.5 Some routes are profitable while others are not. The position in this regard as furnished by the Management is given in the table below:

Year	Total No. of routes	No. of routes making profit	No. of routes not meeting total cost[∂]	No. of routes not meeting variable cost
2004-05	139	108 (77.70)	139 (100)	31 (22.30)
2005-06	139	111 (79.86)	139 (100)	28 (20.14)
2006-07	127	101 (79.53)	127 (100)	26 (20.47)
2007-08	133	102 (76.69)	133 (100)	31 (23.31)
2008-09	134	105 (78.36)	134 (100)	29 (21.64)

(Figures in bracket indicate percentage to total routes)

3.11.6 From the above table, it may appear that in 2008-09, 78.36 *per cent* routes were profit making. However, for the purpose of determining the profitability of routes here, the Corporation had considered recovery of variable cost only. If total cost is considered (as has been done in Paragraph 3.11.4 above), the situation may undergo change. Audit analysed that poor traffic earnings coupled with increasing maintenance costs of over-aged buses and poor vehicle productivity incapacitated these services to cover the cost.

Though some of the routes appear uneconomical, they would become profitable once the Corporation improves its efficiency. However, there would still be some uneconomical routes. Given the scenario of mixed routes and obligation to serve uneconomical routes, the Corporation should have decided an optimum quantum of services on different routes so as to optimise its revenue while serving the cause. However, no such exercise was carried out by the Corporation.

Cancellation of scheduled kilometres

3.11.7 A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, and other factors like breakdown, accidents, *etc.*

3.11.8 The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres as per the information received from eight out of 10 divisions are furnished in the table below.

(In lakh KMs)

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled kilometres	157.16	161.04	165.55	154.65	150.20
2.	Effective kilometres	119.28	120.47	122.43	109.93	97.15
3.	Kilometres cancelled	37.88	40.57	43.12	44.72	53.05
4.	Percentage of cancellation	24.10	25.19	26.05	28.92	35.32
Cause-wise analysis						
5.	Want of Buses	13.25	17.39	15.75	13.83	17.32
6.	Want of crew	Nil	Nil	Nil	Nil	Nil

[∂] This has been calculated by Audit.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
7.	Others	24.63	23.18	27.37	30.89	35.73
8.	Contribution per KM (In Rs.)	3.34	4.43	4.13	4.91	5.79
9.	Avoidable cancellation (want of buses)	13.25	17.39	15.75	13.83	17.32
10.	Loss of contribution (8x9) (Rs. in lakh)	44.26	77.04	65.05	67.91	100.28

Avoidable cancellation of scheduled KMs resulted in loss of contribution of Rs.3.55 crore during 2004-09.

3.11.9 It can be seen from the above Table that the percentage of cancellation of scheduled kilometres continuously increased from 24.10 to 35.32 *per cent* during 2004-05 to 2008-09 and remained on the higher side as compared to the best performers. Due to cancellation.n of scheduled kilometres for want of buses, the Corporation was deprived of contribution of Rs. 3.55 crore during 2004-05 to 2008-09. However, the Corporation neither monitored nor analysed reasons for increasing trend of cancellation of scheduled kilometres for taking necessary corrective measures.

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)

Maintenance of vehicles

Preventive Maintenance

3.12.1 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns and other mechanical failures. The Corporation adopted norms for preventive maintenance prescribed by original equipment manufacturers (OEM). However, compliance of timeliness of preventive maintenance work could not be ascertained in Audit as the records for the same were not maintained properly.

Scrutiny of records of eight divisions in Audit revealed that the rate of breakdown per 10,000 effective kilometres varied from 0.48 to 0.75 during 2004-05 to 2008-09, which was much on high as compared to AIA of 0.26. Scrutiny further revealed that the breakdowns were mainly due to failure of engine, pressure plate failure, cutch disc failure, dumper pully broken, fuel injection pump failure, brakes, transmission suspension systems, *etc*., which could have been minimised, had proper preventive maintenance been carried out.

From the above, it can be concluded that Management did not exercise effective control over preventive maintenance, which led to increase in repairs and maintenance cost as discussed in succeeding paragraphs.

Repairs & Maintenance

3.12.2 The Corporation does not maintain vehicle-wise data of repair and maintenance expenditure. However, a summarised position of fleet holding, over-aged buses, total repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is as given below:

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses (Number)	316	328	304	331	325
2.	Over-age buses (more than 8 years old)	90	135	108	123	77
3.	*Percentage* of over age buses	28.48	41.16	35.53	37.16	23.69
4.	R&M Expenses (In crore)	1.46	1.61	2.68	2.54	2.87
5.	R&M Expenses per bus (in Rs.) (4/1)	46,203	49,085	88,158	76,737	88,308

Repairs and maintenance expenditure per bus increased by 91.13 *per cent* during review period.

From the above table, it can be seen that the expenditure on R&M has increased substantially during the review period from Rs.46,203 per bus in 2004-05 to Rs.88,308 per bus in 2008-09. Further, the R&M expenditure as mentioned above did not include the labour cost since the Corporation does not have a system of allocation of labour cost.

Manpower cost

3.13.1 The cost structure of the organisation shows that manpower and fuel constitute 70.76 *per cent* of total cost during 2008-09. Interest, depreciation and taxes—the costs which are not controllable in the short term—account for 20.84 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

3.13.2 Manpower is an important element of cost which constituted 48.18 *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. The Table below provides the details of manpower, its cost and productivity.

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

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Number)	2,828	2,810	2,763	2,700	2,667
2.	Manpower Cost (Rs. in crore)	22.44	24.25	27.98	28.46	29.76
3.	Effective KMs (in crore)	1.26	1.31	1.34	1.40	1.37
4.	Cost per effective KM (Rs.)(2/3)	17.81	18.51	20.88	20.33	21.72
5.	Productivity per day per person (KMs)	12.21	12.77	13.29	14.21	14.07
6.	Total Buses (No.)	316	328	304	331	325
7.	Manpower per bus(1/6)	8.95	8.57	9.09	8.16	8.21

The above Table indicates that manpower cost per effective kilometre was continuously on the increase over the period of review except 2007-08 when it marginally decreased but remained above the AIA (Rs.7.50). Further, manpower productivity though increased from 12.21 to 14.07 kilometres per day per person during 2004-09, it remained much below the AIA of 52 kilometres per day per person. Moreover, the manpower per bus was above the AIA (6.5:1). This was attributable to excess non-operating staff in the Corporation.

North West Karnataka State Road Transport, Karnataka State Road Transport and Himachal Pradesh registered best performance at 4.89, 4.99 and 4.94 manpower per bus.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.13.3 The following table provides the details of manpower:

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total number of buses at the end of the year	316	328	304	331	325
2.	Number of drivers	376	373	376	369	364
3.	Number of drivers per bus	1.19	1.14	1.24	1.11	1.12
4.	Number of conductors	605	600	588	499	492
5.	Number of conductors per bus	1.91	1.83	1.93	1.51	1.51
6.	Other staff	1847	1837	1799	1832	1811
7.	Number of other staff per bus	5.84	5.60	5.92	5.53	5.57

The Corporation held excess manpower as compared to all India average.

It can be noticed from the table above that number of crew per bus was almost within the norms fixed by the Corporation (*i.e.* three per bus). However, in the overall manpower position, the Corporation holds surplus staff of 1.7 per bus in 2008-09 as compared to AIA, which could have been off-loaded by implementing Voluntary Retirement Scheme. In this connection, the Committee on Public Undertakings (COPU) in its 30th Report (December 1997) also recommended that staff bus ratio of the Corporation, be fixed at 6:1. However, no action on COPU's recommendation was taken by the Management (September 2009).

Fuel cost

3.14.1 Fuel is a major cost element, which constituted 22.58 *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 actual fuel consumption, mileage obtained per litre (Kilometre per litre *i.e.* KMPL), AIA and the extra expenditure.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	130.14	136.28	139.00	145.88	144.22
2.	Kilometre obtained per litre (KMPL) (1/4)	3.54	3.65	3.62	3.67	3.70
3.	AIA in the category	4.94	4.94	4.94	4.94	4.94
4.	Actual Consumption (in lakh litres)	36.74	37.32	38.36	39.78	39.02
5.	Consumption as per AIA (in lakh litres) (1/3)	26.34	27.59	28.14	29.53	29.19
6.	Excess Consumption (in lakh litres) (4-5)	10.40	9.73	10.22	10.25	9.83
7.	Average cost per litre (in Rs.)	25.66	30.86	32.09	32.21	34.50
8.	Extra expenditure (Rs. in crore) (6x7)	2.67	3.00	3.28	3.30	3.39

Consumption of excess fuel as compared to all India average during 2004-09 resulted in extra expenditure of Rs.15.64 crore.

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

3.14.2 It can be seen from the above table that mileage have improved over the period of review, the reasons for which as analysed in Audit was due to induction of 188 new vehicles during the period. However, it was below the AIA of 4.94 during all the years under review, which resulted in excess consumption of 50.43 lakh litres of fuel leading to extra expenditure of Rs.15.64 crore during 2004-09. The Corporation fixed different norms for different types of vehicles with different age profile. However, it had never analysed actual performance *vis-à-vis* its own norms for taking corrective necessary measures.

Audit scrutiny revealed that Corporation's performance against rural routes (3.40 km to 3.55 km) was below the Corporation's own norms of 4.25 KM as well as AIA of 5.11 KM. Further, the Corporation's performance for hill routes (0.25 km to 0.30 km) was also far below the Corporation's norms of 3.74 KM and AIA of 3.69 KM.

In regard to plain routes, which included rural as well as urban routes, Management attributed (October 2009) the poor performance to bad road condition in the State. However, fact remains that Corporation's norms were fixed taking into consideration the road condition also. Management further stated that KMPL shown for hill routes were incorrect. However, the fact remains that mileage for hilly areas computed by Audit is based on the information furnished by the Management.

3.14.3 A test check in Audit of two months Petrol, Oil and Lubricants (POL) statements for each year under review in six divisions showed that 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. Further, the Corporation had not prescribed any ideal driving speed norms, so as to enhance fuel economy.

Operation of private buses under ASTC banner

3.15.1 The Corporation introduced a scheme under the name and style "Self Employment Scheme" in August 2001. Under the scheme, the Corporation allowed private bus owners (POB) to use its infrastructure to operate their buses on routes approved by it on a revenue sharing basis according to the agreement entered into with private bus owners.

As per the agreement, the bus owners were liable to pay 10 *per cent* of the fare collected subject to a minimum rate on per kilometre basis covered for different types of buses. In the absence of any laid down mechanism to check the actual fare being collected by POB, the Corporation was realising its share of revenue on the basis of minimum applicable rates only. It was noticed in Audit that although the State Government had revised the fare structure upward for different types of buses from 34.29 to 41.67 *per cent* during the period from April 2004 to March 2009, the minimum charge realisable from operation of private buses was not revised. Considering the minimum fare revision of 34.29 *per cent* for ordinary buses during review period, Audit worked out that due to non-revision of minimum rate on per KM basis to be collected from POB, the Corporation realized less revenue of Rs.3.83 crore for 2008-09[1] alone.

It was noticed in Audit that private owners have not been operating their buses as per terms and conditions of the agreement. Occasional checks by field officials of the Corporation revealed that some of these buses were operating without the knowledge of the Corporation. This not only disrupted the service schedules but also impacted the earnings of the Corporation. As per the agreement, the POBs were required to operate at least 80 *per cent* of the scheduled KMs allocated to them on the basis of route KM and number of trips. However, it was observed in Audit that the same were not operated by the POBs as mandated. Due to non-performance of minimum required KMs, the Corporation sustained the revenue loss of Rs.4.89 crore worked out for three years *i.e.* 2006-07 to 2008-09 at Rupee one per km being the lowest tariff applicable for ordinary buses. In view of the fact that the Corporation was earning a substantial amount of revenue from POB without any capital investment, the Management should have exercised adequate control over the operation of POBs.

Financial management

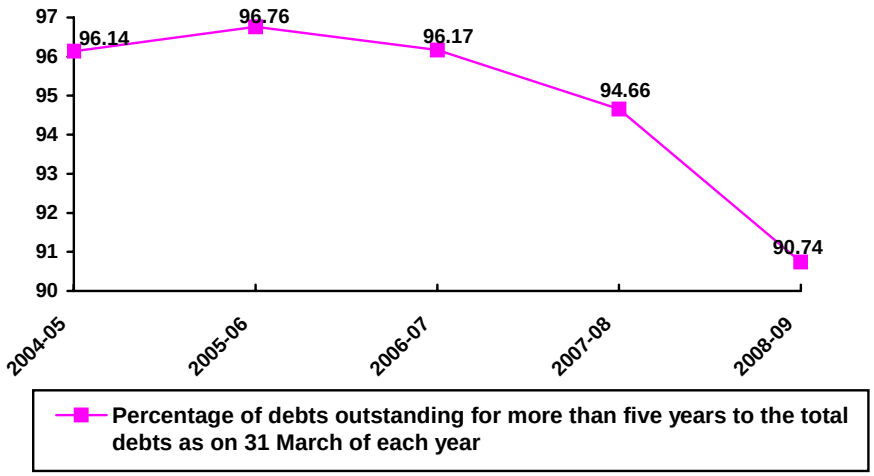
3.16.1 Raising of funds for capital expenditure *i.e.,* for replacement/addition of buses happens to be the major challenge in financial management of Corporation's affairs. This issue has been covered in Paragraphs 3.9.1 to 3.9.3. The section below deals with the Corporation's efficiency in raising claims

[1] The revenue loss has been worked out on the assumption that KMs operated by POB have remained constant from 2004 to 2009 (Rs.11.17 crore x 34.29 *per cent*).

and their business model to generate more resources without compromising service delivery.

Claims and dues

3.17.1 The Corporation has outstanding debtors amounting to Rs.4.97 crore as on 31 March 2009 (provisional). An analysis in Audit of the debts outstanding for more than five years to the total debts for the years under review are depicted in the graph below:



3.17.2 The age-wise analysis of debts showed that outstanding dues for more than five years as compared to the total outstanding debts for each year has almost remained static over the period under review due to lack of effective pursuance. However, the percentage of debts to turnover as on 31 March of each year has been less than one *per cent* during the review period except in 2004-05 when it was 1.13 *per cent*.

3.17.3 The Corporation has been providing chartered services to Oil and Natural Gas Corporation Limited (ONGC) since 1975. As per the agreement with the ONGC, the Corporation raises monthly bills for standing charges (fixed) per vehicle as well as transportation charges at specified rates per kilometre. The agreement *inter alia* stipulated that standing charges per day per bus would be paid even if the bus after being placed at the disposal of the ONGC is not utilised or operated by it.

Arbitrary rejection of Corporation's claims by ONGC was not pursued by the top Management.

Test check in Audit for the period April 2006 to January 2009 revealed that claims for Rs.39.73 lakh constituting standing charges (Rs.29.07 lakh) and overtime charges (Rs.10.66 lakh) were rejected by ONGC without assigning any reason. Further, standing charges amounting to Rs.13.35 lakh for the test check period was disallowed on the ground of strike by ONGC employees, which was not covered by *force majeure* condition stipulated in the agreement.

Besides, claim of Rs.1.38 crore pertaining to the period from August 2008 to February 2009 were outstanding as on date (September 2009).

The matter of arbitrary rejection of claims by the ONGC authorities was not taken up by the higher Management for settlement. This highlights lack of effective control by the top Management.

Realignment of business model

3.18.1 The Corporation is mandated to provide an efficient, adequate and economical 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 fulfill its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidize its operations. However, the share of non-traffic revenues (other than interest on investments) was at 31.50 *per cent* of total revenue during 2004-09. This revenue of Rs.112.15 crore during 2004-09 mainly came from POB operations (Rs.68 crore) besides advertisements and restaurant/shop rentals. Audit observations relating to POB operations have already been discussed under Paragraph 3.15.1. Audit observed that the Corporation has other non-traffic revenue sources, which it has not tapped substantially.

3.18.2 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 an ample scope to construct and utilise spaces above. Audit observed that as on 31 March 2009, the Corporation had land at important locations measuring 9.58 lakh square metres.

The Corporation does not have a policy for large scale tapping of non-traffic revenue sources.

3.18.3 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*., above (from first or second floor onwards) 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. Such projects can yield substantial revenue for the Corporation which can only increase year after year.

3.18.4 Audit observed that the Corporation has neither framed any policy in this regard nor studied these aspects to assess the likely benefits from such activities. Since substantial non-traffic revenue will help the Corporation cross-subsidize its operations and fulfill its mandate effectively, the Corporation may like to study realigning its business model and frame a policy in this regard.

3.18.5 The Corporation has hired out shops constructed within the premises of different stations to private parties. As per the agreement made with the shop owners, the Corporation had the right to get the shops and commercial

outlets vacated for failure to pay the dues in time. Audit scrutiny revealed that a total amount of Rs. 46 lakh remained outstanding against 886 tenants for two to 11 months for which no follow up action was taken by the Management. This indicates that the Corporation did not exercise effective monitoring and control over realization of its dues. Audit further observed that as the Corporation has not secured itself against non-payment of rentals by lessees by obtaining security deposit, the chances of losses of rental in future by the Corporation could not be ruled out.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

3.19.1 The State Government fixes the maximum limit of fare applicable for different type of vehicles operating in the State, through notification issued from time to time to that effect. It was noticed in Audit that fixation and revisions of fares for different type of vehicles were done on piecemeal basis on the request of the Corporation and the private operators. Further, the procedure for fixation of fare by the State Government had no scientific basis, as it does not take into account the normative cost. Thus, there is, a risk of commuters paying for inefficiency of the Corporation.

Fare structure for ordinary services during the five years ended 2008-09 is shown below. Fares for hill routes are 30 *per cent* over that of plain routes.

Fare Table for ordinary buses

With effect from	01.04.04	01.01.05	25.09.06	02.08.08
Plain routes (per KM)	35 paise	40 paise	44 paise	47 paise

3.19.2 The table below shows how the Corporation would have curtailed cost and increased revenue with better operational efficiency.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per KM	37.14	39.41	43.09	42.39	45.08
2.	Traffic Revenue per KM	12.67	15.15	16.04	16.79	18.51
3.	Loss of revenue due to less vehicle productivity (per KM)	27.39	33.24	34.67	34.23	31.87
4.	Excess cost due to low manpower productivity (per KM)	13.63	13.96	15.54	14.77	15.84
5.	Excess cost due to excess consumption of fuel (per KM)	2.05	2.20	2.36	2.26	2.35
6.	Ideal revenue per KM (2+3)	40.06	48.39	50.71	51.02	50.38
7.	Ideal cost per KM [1-(4+5)]	21.46	23.25	25.19	25.36	26.89

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
8.	Net revenue per KM (2-1)	(-)24.47	(-)24.26	(-)27.05	(-)25.60	(-)26.57
9.	Net ideal revenue per KM (6-7)	18.60	25.14	25.52	25.66	23.49
10.	Effective km (in lakh)	1.26	1.31	1.34	1.40	1.37
11.	Avoidable loss (Rs. in crore) [(9-8)X10]	54.27	64.71	70.44	71.76	68.58

3.19.3 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 reduced, if the operations are properly planned and efficiently managed, than what they actually are.

3.19.4 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

3.20.1 The Corporation had only 78.36 *per cent* profit making routes as of March 2009 as shown in Table under Paragraph 3.11.5 based on Management version of covering variable cost. However, the position would change if the Corporation improves its efficiency. Nonetheless, 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. In the absence of norms, the adequacy of services on uneconomical routes can not 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 parameters

3.21.1 For an organisation like a 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. The status in this regard is given below.

As per the system laid down by the Corporation, the Divisional offices are required to furnish monthly MIS reports in various formats covering various operational parameters and internal targets fixed by them.

Audit scrutiny revealed that

- the MIS covering the above operational parameters were neither furnished by the Divisional offices nor submission of the same were ever insisted upon by the top management.

- However, certain operational information like vehicle-wise, route-wise earning and expenditure *etc.*, were furnished by Divisions for compilation and consolidation at Head office of the Corporation. However, these were not analysed and used for regular monitoring and control of performance of the Division against the norms fixed by the Management.

- During the review period, against the requirement of holding 20 Board of Directors meetings as per the Road Transport Corporations Act 1950, the Corporation held only nine such meetings. Although, in six of these meetings, poor performance of the Corporation was reviewed, the Board failed to give any direction to the Management for evolving measures for revival of the Corporation.

This indicates failure of the laid down system and absence of an effective management control mechanism besides loss of accountability at different levels of Management.

3.21.2 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 from performance of the Corporation during the period under review.

Conclusion

Operational performance

- ***The Corporation could not keep pace with the growing demand for public transport as its share declined from 2.86 per cent in 2004-05 to 2.32 per cent in 2008-09.***

- ***The Corporation could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies, weak financial management and inadequate monitoring by top management.***

- ***The Corporation was not running its operations efficiently as its performance on important operational parameters was below AIA.***

- ***The Corporation did not ensure economy in operations as its manpower and fuel costs were higher than the AIA.***

- ***The Corporation did not carry out the preventive maintenance as required affecting the roadworthiness of its buses.***

Financial management

- ***The Corporation did not demonstrate utmost discipline in raising its claims for dues in time or follow-up recovery of its dues to logical end.***

- ***The Corporation has tremendous potential to tap non-conventional sources of revenue but it did not have a policy in place to undertake large scale tapping of such funds.***

Fare policy and fulfillment of social obligations

- ***The Corporation does not have a fare policy. It follows fare structure fixed by the State Government from time to time, which is not based on scientific norms.***

- ***No policy yardstick has been laid down for operation on uneconomical routes. Therefore, the adequacy of operations could not be ascertained in Audit.***

Monitoring by top management

- ***The MIS system of Corporation was not adequate as it does not cover performance parameters with regard to targets, make-wise vehicle performance against uneconomic routes, performance of workshop etc. Further, monitoring by its top Management of key operational parameters and service standards were also largely ineffective.***

On the whole, there is immense scope to improve the performance of the Corporation. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

Recommendations

Operational performance

- ***In order to increase its share in public transport, increase productivity of its fleet and minimize R & M expenditure, the Corporation should phase out overage buses by inducting new buses.***

- ***Proper route planning would help to achieve optimum quantum of services to optimize its revenue.***

Financial performance

- ***The Corporation needs to generate surplus funds from operation by enforcing economy in cost of operations and also by off-loading excess non-crew members of staff.***

- ***The Corporation needs to demonstrate utmost discipline in raising its claims for dues in time or follow up recovery of its dues to logical end.***

- ***The Government/Corporation may consider devising a policy for tapping non-conventional sources of revenue on a large scale, which will result in steady inflow of revenue without additional investment.***

Fare policy and fulfillment of social obligations

- ***The Government may consider creating a regulator to regulate fares and services on uneconomical routes.***

- ***Instead of granting annual non-plan assistance in the form of salaries and wages to the Corporation, the Government may consider subsidizing operational cost of uneconomic services after proper identification of uneconomic routes on a case to case basis.***

Monitoring by top management

- ***In order to ensure accountability at all levels, the Management is required to maintain a proper data base and evolve MIS covering all operational parameters for record, monitoring and control.***

- ***Operating stations are required to maintain proper records showing daily scheduled services, scheduled departure time, actual time of departure, suspension, cancellation of services indicating thereagainst, reasons for delay, suspension etc., and submit a periodical report to Head office for record, monitoring and control.***