Chapter III

3. Performance review relating to a Statutory corporation

Orissa State Road Transport Corporation

Executive summary

The Orissa State Road Transport Corporation (Corporation) provides public transport in the State through its 14 depots. The Corporation had fleet strength of 312 buses as on 31 March 2009 and carried an average of 0.14 lakh passengers per day. The performance audit of the Corporation for the period 2004-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, 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 earned a profit of Rs. 7.11 crore in 2008-09. Its accumulated losses and borrowings stood at Rs. 221.11 crore and Rs. 24.85 crore as at 31 March 2009 respectively. The Corporation earned Rs. 18.26 per kilometre and expended Rs. 15.95 per kilometre in 2008-09. Audit noticed that with the 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 7732 buses licensed for public transport in 2008-09, 4.04 per cent belonged to the Corporation. The percentage share declined marginally from 4.29 per cent in 2004-05. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/add new buses) and lack of support from the State Government. Nonetheless, vehicle density (including private operators' buses) per one lakh population increased marginally from 16 in 2004-05 to 19 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

The Corporation's buses consisted of its own fleet of 312 buses as of March 2009. Of its own fleet, 152 (49 per cent) were overage, i.e., eight years old/covered more than five lakh Kms. The percentage of overage buses increased from 22 per cent in 2004-05 to 49 per cent in 2008-09 due to its non-replacement despite acquisition of 168 new buses during 2004-09 at a cost of Rs. 26.72 crore. The acquisition was funded by Government (Rs. 14.95 crore) and own sources (Rs. 11.77 crore).

The Corporation's fleet utilisation at 90 per cent in 2008-09 was below the All India Average (AIA) of 94.2 per cent. Its vehicle productivity at 287 kilometres per day per bus was below the AIA of 341 kilometres. The load factor at 71 per cent remained above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of vehicle productivity and load factor though the same were fixed after taking into consideration the local factors and constraints. Around 71 per cent of the routes operated were unprofitable due to high cost of operations and non-reimbursement of cost of operation on uneconomical routes and free/concessional passes by the Government. The Corporation's performance on scheduled preventive maintenance and major repairs was poor.

Economy in operations

Manpower and fuel constitute 68 per cent of total cost. Interest, depreciation and taxes account for 17 per cent and are not controllable in the short term. Thus, the expenditure control has to come mainly from fuel which was 53 per cent of total cost. The Corporation succeeded in reducing the manpower per bus from 5.99 in 2004-05 to 5.02 in 2008-09. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 2.93 crore during 2005-09. The Corporation does not operate any scheme for hiring private buses. Though the Transport Commissioner proposed to implement the scheme, the same was not agreed to by the Corporation as it did not enjoy any special provision on issue of permits.

Revenue Maximisation

The Corporation's claim of Rs. 39.60 crore towards free/concessional passes, bus warrant, loss on merger of ORT Company and payment to State Transport Service employees were receivable from Government of Orissa. Further, as the Corporation has about 138.47 acres of land at 85 locations and utilises only a small portion of the available land for its operations, the vacant/unutilised land can be developed on public private partnerships (PPP) basis to earn steady income which can be used to cross-subsidise its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per kilometre stood at 43 paise to 72 paise from 17 December 2008 in respect of ordinary, express, deluxe and air-conditioned buses. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not fixed norms for providing services on uneconomical schedules. 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. Though the Transport Policy adopted by the Government of Orissa envisaged formation of Orissa Transport Regulatory and Advisory Council (OTRAC), the same is yet to be formed.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feedback on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not recommend suitable measures to control the cost and increase the revenue. Though the operational performance was monitored by the top management, no follow-up action was initiated.

Conclusion and Recommendations

Though the Corporation is earning profit at the end of 2008-09 it can still control cost and increase revenue by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains five recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Introduction

3.1.1 In Orissa, the public road transport is primarily provided by Orissa State Road Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The fare structure is controlled by the Government of Orissa (GoO) which approves it. This structure is same for both the Corporation as well as private operators.

3.1.2 The Corporation was set up on 1 May 1974 by the State Government under Section 3 of the Road Transport Corporations Act, 1950 as its wholly owned Corporation. The Corporation is under the administrative control of the Commerce and Transport Department of GoO. The Management of the Corporation is vested with a Board of Directors comprising Chairman-cum-Managing Director (CMD) and seven Directors appointed by the GoO and three Directors nominated by Central Government. No Board, however, was constituted since 17 October 2008 by GoO for reasons not on record. The day-to-day operations are carried out by the CMD, who is the Chief Executive of the Corporation, with the assistance of General Manager (Administration), Financial Advisor and Chief Accounts Officer, Deputy General Managers (Technical and Operation), two Divisional Works Engineers (Central Workshop), one Works Engineer (Central Store), three Divisional Managers and 14 District Transport Managers (DTMs). The bus body building is carried out through external agencies.

3.1.3 The Corporation had a fleet strength of 312 buses as on 31 March 2009. The Corporation's share in the passenger transport operations in the State was 4 *per cent* and the remaining 96 *per cent* was accounted for by private operators as on 31 March 2009. The Corporation carried 14,022 passengers per day during 2008-09. The turnover of the Corporation was Rs. 56.20 crore in 2008-09, which was equal to 0.05 *per cent* of the State Gross Domestic Product (Rs. 1,22,165 crore). The Corporation employed 1,567 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 ended 31 March 2000 (Commercial), Government of Orissa. The report is yet to be discussed by COPU.

Scope of Audit and Audit Methodology

3.2.1 The present review conducted during February to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, Central Workshop at Berhampur and six[#] out of the 14 depots. The units were selected on random basis with high and low *per* kilometer income/expenditure. The six depots selected for audit scrutiny contributed approximately 60 *per cent* of the total income of the depots.

Berhampur, Bhubaneswar, Bolangir, Cuttack, Jeypore and Vizianagaram.

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 the draft review to the Management for comments.

Audit objectives

3.3 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;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently; and
- whether adequate maintenance was undertaken to keep the vehicles roadworthy.

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; and
- whether the Corporation operated adequately on uneconomical routes.

3.3.4 Monitoring by Top Management

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

Audit criteria

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

- all India averages for performance parameters;

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

Financial Position and Working Results

3.5.1 The financial position of the Corporation for the five years up to 2008-09 is given below.

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
				(Provisional)	
A. Liabilities					
Paid up Capital	136.49	136.49	136.49	146.44	151.44
Reserves & Surplus (including Capital Grants but excluding Depreciation Reserve)	3.10	3.04	2.62	3.04	3.05
Borrowings (Loan Funds)	26.26	24.85	24.85	24.85	24.85
Current Liabilities & Provisions	104.50	102.33	102.68	102.51	116.12
Total	**270.35**	**266.71**	**266.64**	**276.84**	**295.46**
B. Assets					
Gross Block	37.59	38.88	40.51	53.65	61.06
Less: Depreciation	17.65	19.74	21.09	26.63	30.47
Net Fixed Assets	19.94	19.14	19.42	27.02	30.59
Capital works-in-progress (including cost of chassis)	-	0.32	0.33	1.40	0.65
Investments	-	-	-	-	-
Current Assets, Loans and Advances	15.67	15.50	15.97	20.21	43.11
Accumulated losses	234.74	231.75	230.92	228.21	221.11
Total	**270.35**	**266.71**	**266.64**	**276.84**	**295.46**

As *per* the RTC Act, 1950, the contribution to share capital by GoO and Central Government would be in the proportion of 2:1 at any point of time. The GoO contributed share capital of Rs. 135.51 crore till date while the Central Government contributed Rs. 15.92 crore as of 1988-89 leaving a balance of Rs. 51.84 crore towards its matching contribution. Non-contribution of share capital by the Central Government on the ground of loss incurred by the Corporation was against the provision of the RTC Act and this was one of the reasons for non-replacement of overage vehicles.

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

(Rupees in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
				(Provisional)		
1.	Total Revenue	34.13	37.78	40.38	44.56	56.20
2.	Operating Revenue[ϕ]	31.61	35.12	37.78	41.40	52.01
3.	Total Expenditure	33.79	37.02	39.66	41.89	49.09
4.	Operating Expenditure[ψ]	32.44	35.73	38.55	40.78	47.98
5.	Operating Profit/ Loss	-0.83	-0.61	-0.77	0.62	4.03
6.	Profit/ Loss for the year	0.34	0.76	0.72	2.67	7.11
7.	Accumulated Profit/ Loss	-234.74	-231.75	-230.92	-228.21	-221.11
8.	Fixed Costs					
	(i) Personnel Costs	5.44	5.52	6.28	6.70	6.47
	(ii) Depreciation	2.70	2.94	3.09	3.18	3.85
	(iii) Interest	1.35	1.29	1.11	1.11	1.11
	(iv) Other Fixed Costs	-	-	-	-	-
	Total Fixed Costs	9.49	9.75	10.48	10.99	11.43
9.	Variable Costs					
	(i) Fuel & Lubricants	16.81	20.08	21.24	21.76	26.95
	(ii) Tyres & Tubes	1.57	1.61	1.99	2.28	2.68
	(iii) Other Items/ spares	3.25	2.80	2.69	3.43	3.71
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	2.29	2.45	2.76	2.90	3.50
	(v) Other Variable Costs (wages)	0.38	0.33	0.50	0.53	0.82
	Total Variable Costs	24.30	27.27	29.18	30.90	37.66
10.	Effective KMs operated (in lakh)	255.82	263.50	256.06	266.24	307.73
11.	Earnings *per* KM (Rs.) (1/10)	13.34	14.34	15.77	16.74	18.26
12.	Fixed Cost *per* KM (Rs.) (8/10)	3.71	3.70	4.09	4.13	3.71
13.	Variable Cost *per* KM (Rs.) (9/10)	9.50	10.35	11.40	11.61	12.24
14.	Cost *per* KM (Rs.) (3/10)	13.21	14.05	15.49	15.73	15.95
15.	Net Earnings *per* KM (Rs.) (11-14)	0.13	0.29	0.28	1.01	2.31
16.	Traffic Revenue[§]	30.01	33.52	36.18	39.80	50.41

ϕ Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes etc.

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

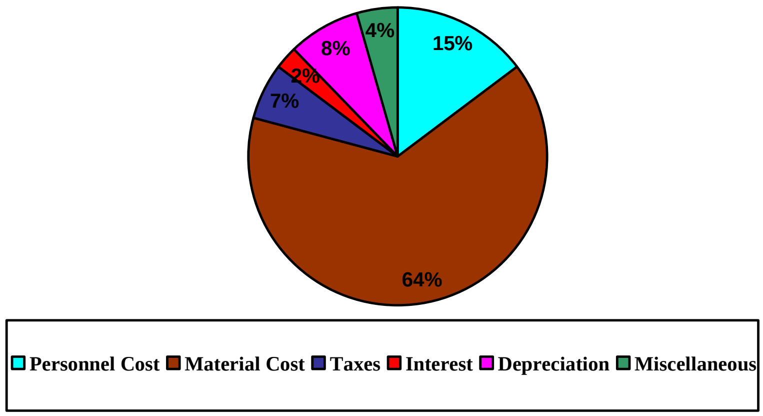
§ Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
				(Provisional)		
17.	Traffic revenue *per* KM (Rs.)(16/10)	11.73	12.72	14.13	14.95	16.38
18.	Operating Profit/Loss *per* KM (Rs.) (5/10)	-0.32	-0.23	-0.30	0.23	1.31

Elements of Cost

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

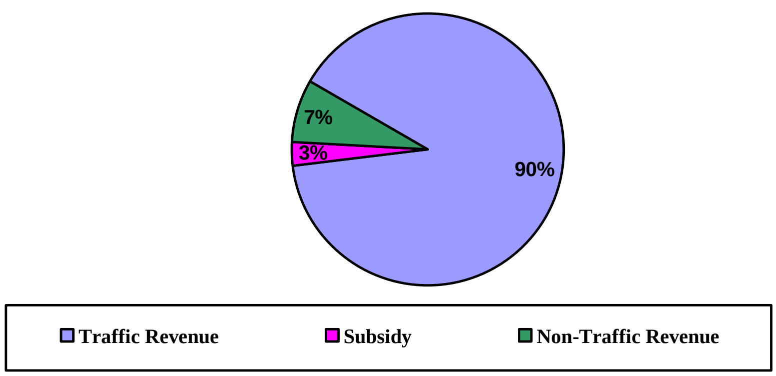
Components of various elements of cost



Elements of revenue

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

Components of various elements of revenue



Audit Findings

3.6 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 18 February 2009. Subsequently, audit findings were reported to the Corporation and the Government in August 2009 and discussed in an 'exit conference' held on 21 October 2009 which was attended by Special Secretary and Additional Secretary, Transport Department of GoO, General Manager (Administration) and Financial Advisor and Chief Accounts Officer of the Corporation. The Corporation also replied to the audit findings in October 2009. The Corporation accepted majority of the findings except that at Paragraphs 3.12.1, 3.17.1 and 3.19.4. The views expressed by them have been considered while finalising this review. The audit findings are discussed in the subsequent paragraphs.

Operational Performance

3.7 The transport service provided by the Corporation is considered as belonging to the rural category. The operational performance of the Corporation for the five years ending 2008-09 is given in **Annexure 7**. 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 for public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

3.8.1 As the Corporation was not making any profit and had huge liabilities, the GoO decided (January 2003) for its closure. Subsequently (March 2007) the GoO decided for continuance of the Corporation since it was providing an essential service and was a backup during emergency situations like strike by private bus operators.

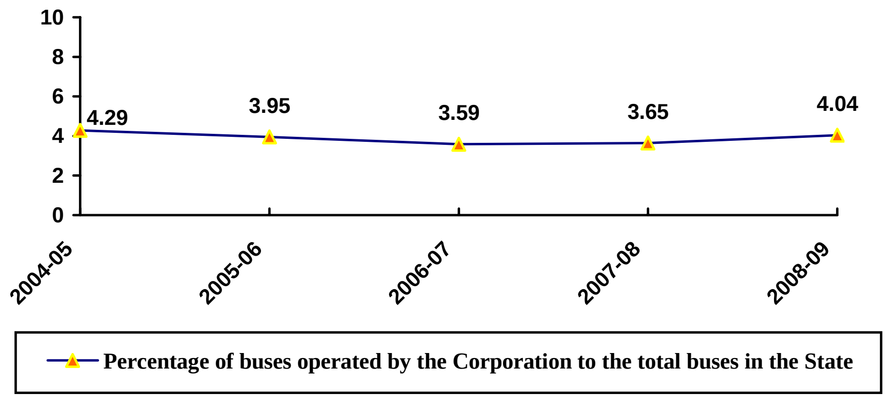
The GoO evolved a transport policy in May 2007 which *inter alia* envisaged the following objectives:

- to increase competition, efficiency, transparency, accessibility and adequate availability of transport services in the State;
- to establish a rational fare structure for which Orissa Transport Regulatory and Advisory Council (OTRAC) would be constituted;
- to restructure Orissa State Road Transport Corporation;
- to evolve an improved urban transport system; and
- to establish Mass Rapid Transport System (MRTS) in densely populated regions.

GoO had not implemented its own transport policy.

None of these objectives has been implemented by the GoO so far (June 2009).

3.8.2 The Corporation carried 13,841 to 17,225 passengers per day during 2004-09 which was 0.03 to 0.04 *per cent* of total population of the State. A line-graph depicting percentage share of buses operated by the Corporation to the total buses run in the State during the five years ending 2008-09 is given below:



3.8.3 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	259	254	241	252	312
2.	Private stage carriages	5,772	6,183	6,465	6,650	7,420
3.	Total buses for public transport	6,031	6,437	6,706	6,902	7,732
4.	Percentage share of Corporation	4.29	3.95	3.59	3.65	4.04
5.	Percentage share of private operators	95.71	96.05	96.41	96.35	95.96
6.	Estimated population (crore)	3.82	3.87	3.92	3.97	4.02
7	Vehicle density per one lakh population	15.79	16.63	17.11	17.39	19.23

The Corporation has not been able to keep pace with the growing demand for public transport as its share in public transport in 2008-09 was only 4.04 *per cent.*

3.8.4 The Corporation, however, has not been able to keep pace with the growing demand for public transport. The percentage of buses of the Corporation to total buses operated in the State decreased from 4.29 in 2004-05 to 3.65 in 2007-08 with marginal increase to 4.04 *per cent* in 2008-09. The fleet strength of private operators increased from 5,772 in 2004-05 to 7,420 in 2008-09. The effective *per* capita KM operated *per* year by the Corporation is given below.

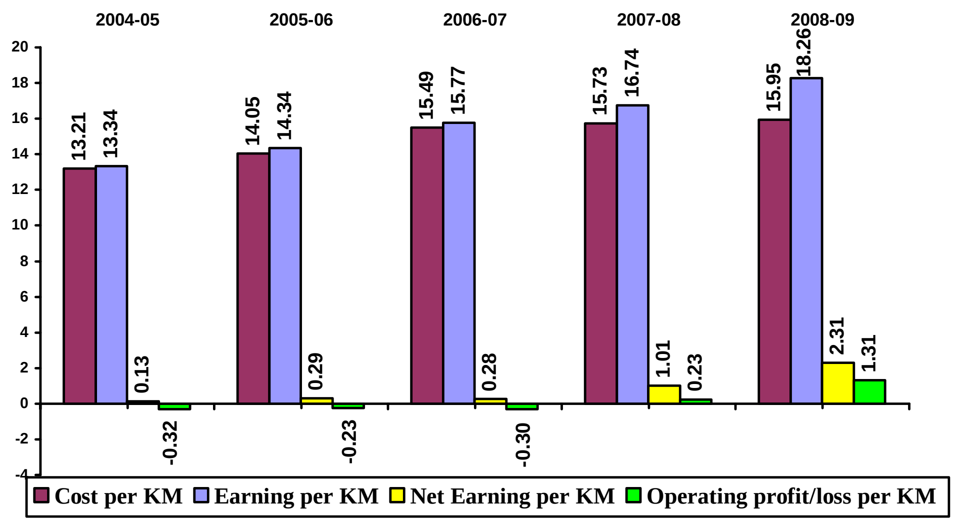
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	255.82	263.50	256.06	266.24	307.73
Estimated population (crore)	3.82	3.87	3.92	3.97	4.02
Per capita KM *per* year	0.67	0.68	0.65	0.67	0.77

3.8.5 The above table shows marginal increase in service by the Corporation in 2008-09. The *per* capita KM *per* year of the Corporation was far below the All India Average of 10.26 (2006-07).

3.8.6 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

3.9.1 The Corporation was able to marginally recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a positive trend as given in the graph⊗ below:



3.9.2 The above graph indicates the improving performance of the Corporation over the period. The operating loss during 2004-05 to 2006-07 turned into operating profit for the years 2007-08 and 2008-09. Though the Corporation was able to achieve the All India Average for cost *per* KM of Rs. 17.83 for 2006-07 in respect of rural category due to low personnel cost, it was not able to achieve the same

Uttar Pradesh and Karnataka registered best net earnings *per* KM at Re. 0.47 and Re. 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

for revenue *per* KM of Rs. 17.18 for 2006-07. Despite marginal improvement in performance of the Corporation it has not been able to replace its fleet on time or increase the fleet strength to meet the growing demand.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.10.1 The Corporation has its own fleet of buses. It had not hired buses from contractors. Non-implementation of the proposal on hiring of buses is discussed in Paragraph 3.16. The table below explains the position of the Corporation's own fleet.

3.10.2 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. 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	253	259	254	241	252
2.	Additions during the year	23	15	22	48	60
3.	Buses scrapped during the year	17	20	35	37	-
4.	Buses held at the end of the year (1+2-3)	259	254	241	252	312
5.	Of (4), No. of buses more than 8 years old/ covered five lakh KM$^{\alpha}$	57	92	142	144	152
6.	Percentage of overage buses to total buses (5/4)	22	36	59	57	49

The Corporation was not able to achieve the norm of right age buses due to its failure to generate adequate resources for replacement of overage buses.

3.10.3 The above table shows that the Corporation was not able to achieve the norm of right age of buses. During 2004-09, the Corporation added 168 new buses at a cost of Rs. 26.72 crore. The expenditure was funded by the Government for Rs. 14.95 crore during 2007-09 and the balance amount of Rs. 11.77 crore was met from its own sources. To achieve the norm of right age buses, the Corporation was required to buy 587 new buses additionally which would have cost it Rs. 96.62 crore approximately at the rate of Rs. 16.46[#] lakh per bus. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. It earned a profit of Rs. 27.36 crore before charging of depreciation during 2004-09,

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α For 2004-05 and 2005-06 overage buses are for more than eight years old only.
Procurement rate for 2008-09

which was grossly inadequate. The Corporation had fixed (January 1986) a norm of 5.80 lakh KMs for Leyland vehicle and 4.80 lakh KMs for Tata vehicle for replacement. It could not even meet its own norms and the overage vehicles of the Corporation for the last three years ending 2008-09 were 44, 49 and 49 *per cent* respectively based on progressive kilometre running. 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.

Procurement of buses constitutes a large part of capital expenditure of the Corporation. As the buses become overage with usage and passage of time, these are required to be replaced continuously. Hence, the Corporation is required to incur capital expenditure on a regular basis so as to keep its fleet level adequate and modern. Towards this goal, the Corporation is expected to prepare a Corporate Plan outlining its capital expenditure needs for say five years and the means of financing them. No such plan was prepared by the Corporation prior to May 2007. As a result, the activity of procurement of buses was not taking place as would be required ideally.

The Corporation in its corporate plan for 2007-11 proposed (May 2007) to add 100 buses each year to its fleet strength by funding this from the GoO for 50 buses, from its own resources for 25 buses and purchasing 25 buses by tie-up with medium and heavy industries. During 2007-08 and 2008-09 the GoO contributed Rs. 14.95 crore towards purchase of 100 new buses. The Corporation procured 108 buses during the last two years. Though the GoO contributed as *per* the plan, the Corporation neither explored the possibility to tie up with medium/heavy industries nor procured buses from its own resources.

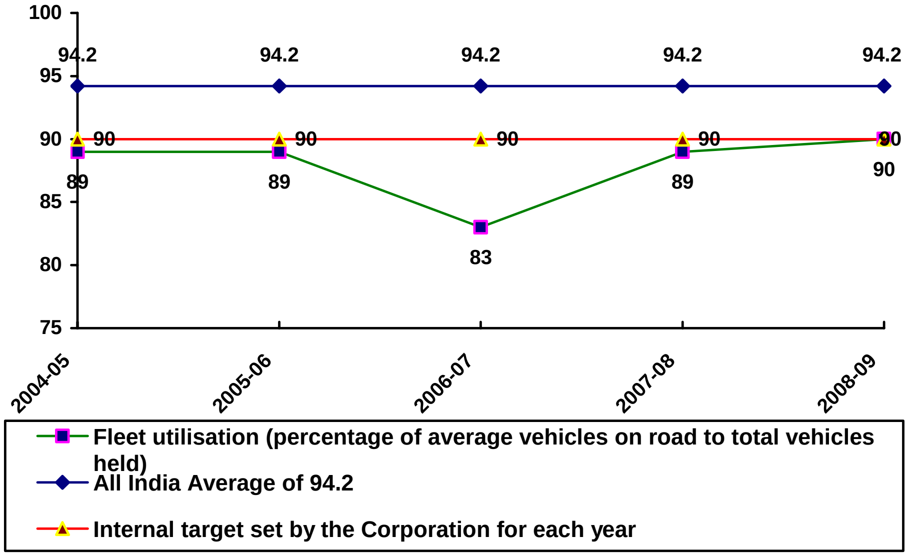
3.10.4 The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis.

Fleet Utilisation

The fleet utilisation of the Corporation remained low except in 2008-09 due to break-down and inadequate manpower.

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

3.10.5 Fleet utilisation represents the ratio of buses held by the Corporation to the buses on road. The Corporation had set a target of fleet utilisation of 90 *per cent* for all the years during the period 2004-09. Against this, the fleet utilisation of the Corporation remained low except in 2008-09. During 2006-07, the utilisation was only 83 *per cent*. It was also observed that the norm was fixed lower than the All India Average of 94.2 *per cent* in the rural category. The particulars of fleet utilisation of the Corporation, internal targets and the All India Average in the rural category are depicted in the line-graph given below.



3.10.6 The main reasons, as analysed during audit, contributing to low fleet utilisation were as follows:

- Loss of 1,764 vehicle-days for want of permit from State Transport Authority (STA).
- Breakdowns on account of inadequate servicing/ maintenance.
- Shortage of crews (drivers/conductors).
- Due to low pay load, the Corporation suspended number of services and kept the vehicles idle.

3.10.7 From the above, it can be concluded that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance adversely. The Corporation did not take any effective step to improve the performance of fleet utilisation during the last five years.

Vehicle productivity

3.11.1 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 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.	Targets for vehicle productivity fixed by the Corporation	278	272	282	223	280
2.	Vehicle productivity (KMs run *per* day *per* bus)	272	272	257	282	287
3.	Overage fleet (percentage)	22	36	59	57	49

From the above table it would be seen that though the vehicle productivity decreased during 2006-07 due to cancellation of scheduled KMs, it was on an increase thereafter. The reasons for fixation of target for 2007-08 at 223 KM per day which was even lower than the achievement of the previous year (257 KMs per pay) were not on record. Therefore, there was no scientific/logical basis for fixation of targets for vehicle productivity.

3.11.2 Compared to the All India Average of 341 KMs in 2006-07 *per* day, the vehicle productivity of the Corporation has been on the lower side for all the years under review. Although the Corporation fixed lower targets in all the years compared to the All India Average, it failed to achieve the target during 2004-05 and 2006-07. Audit scrutiny revealed that the vehicle productivity in three[1] depots selected for audit was very low ranging from 108 to 241 KMs *per* day *per* bus during 2004-09 due to deficient route planning which contributed to the low vehicle productivity. Further, lower productivity is also on account of cancellation of scheduled KMs as discussed in Paragraphs 3.12.7 and 3.12.8.

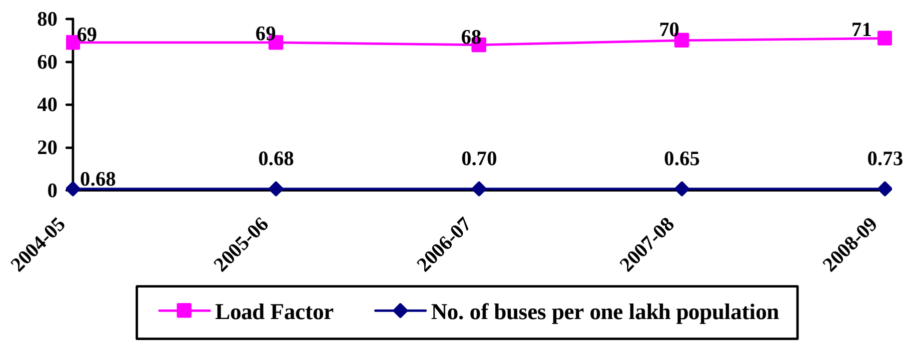
Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs *per* day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

Deficient route planning led to cancellation of scheduled kilometres contributing to low vehicle productivity.

Capacity Utilisation

Load Factor

3.12.1 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 load factor of the Corporation ranged from 68 *per cent* in 2006-07 to 71 *per cent* in 2008-09 against the All India Average of 63 *per cent* (2006-07). A graph depicting the load factor vis-à-vis number of buses *per* one lakh population is given below.



1 Angul, Bolangir and Jeypore.

In order to increase the load factor and income, the Corporation resorted (April 2005) to chartering some routes to contractual conductors and private agents with certain criteria fixed in September 2005 and in May 2007 which *inter alia* included that (i) the payload for chartering should be two *per cent* more than the highest payload recorded during the last three years and (ii) in case of new vehicles the payload should not be fixed below 85 *per cent*.

The Corporation did not follow its own norm in chartering the buses.

Audit observed that the Corporation adopted chartering system in 52 out of 155 routes on the basis of recommendation of the District Transport Managers (DTMs) and generally negotiated with single party. The payload is approved by GM (Administration). It was noticed in respect of three[#] routes that the Corporation fixed the payload lower than the recommended rates without assigning any reason. Further, in Bhubaneswar – Motu route, though a new bus was used, the chartered payload was fixed between 70 to 81, instead of 85 *per cent*, during February 2008 to February 2010 by the DGM (Operation). In case of chartering in Bhubaneswar- Paralakhemundi route, the pay load for chartering was reduced to 90 *per cent* by DGM though 92 *per cent* payload was recommended by the Traffic Section. Due to deviation in the chartering principle in Bhubaneswar-Motu and Bhubaneswar-Paralakhemundi routes the Corporation realised less revenue of Rs. 10.10 lakh. Only in April 2009 the Corporation negotiated with more than one interested party for chartering in four routes[$], as a result of which there was increase in payload of up to 17 *per cent* above the previous payload. Had the Corporation followed its laid down policy and adopted a transparent system of chartering, its payload could have been increased further.

The Management stated (October 2009) that payload of chartered route could not be fixed at 85 *per cent* even in case of new vehicles and was fixed considering the views of DTMs. The fact remained that the payloads were enhanced beyond 85 *per cent* after the Corporation adopted the procedure of negotiation with the interested parties.

3.12.2 The table below provides the details for break-even load factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost per KM.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per KM (Rs.)	13.21	14.05	15.49	15.73	15.95
2.	Average traffic revenue per KM at 100 *per cent* load factor (Rs.)	17.00	18.43	20.78	21.36	23.07
3.	Break-even Load Factor considering only traffic revenue (1/2) (percentage)	77.71	76.23	74.54	73.64	69.14

Barbil-Kolkata, Jagdalpur-Visakhapatnam I & II.
$ Bhubaneswar-Lanjigada, Bhubaneswar-Paralakhemundi, Cuttack-Narasinghpur and Cuttack-Jeypore.

It is evident from the above table that the Corporation could not achieve BELF in any of the years except 2008-09.

Route Planning

3.12.3 Appropriate route planning to tap demand leads to higher load factor. During formulation of routes proper route survey was not conducted to assess the potentiality of payload as well as timing for operation of routes. The route planning was also defective since there was clash of timing between the buses of different depots of the Corporation as well as private buses.

3.12.4 The total number of routes operated in the State as on 31 March 2008 was 3,232 covering 6.70 lakh KMs of which 3,091 routes covering 6.22 lakh KMs were being operated exclusively by private operators. The Corporation on the other hand did not operate exclusively on any of the routes. The percentage of number of routes and route length operated by the Corporation to the total number of routes and route length in operation in the State varied from 5.07 to 4.36 and 8.04 to 7.12 respectively during 2004-05 to 2007-08[ϕ]. Some routes are profitable while others are not. The position in this regard is given in the table below:

(Figures in brackets are in percentage)

Year	Total No. of routes	No. of routes making profit	No. of routes not meeting total cost
2004-05	154 (100)	30 (19)	124 (81)
2005-06	144 (100)	28 (19)	116 (81)
2006-07	141 (100)	28 (20)	113 (80)
2007-08	141 (100)	33 (23)	108 (77)
2008-09	155 (100)	45 (29)	110 (71)

3.12.5 Though some of the routes now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical routes. Given the scenario of mixed routes and obligation to serve uneconomical routes, an organisation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause.

The Corporation could not recover even material cost on 12 to 21 routes.

Audit observed that 33 to 38 routes did not meet variable cost and 12 to 21 routes operated during 2004-09 could not even meet the material cost. Though the Corporation planned to improve its efficiency through chartering of some routes as a result of which the percentage of number of routes not meeting total cost decreased from 81 in 2004-05 to 71 in 2008-09, there is scope for further increase in efficiency by chartering more routes by formulating a

ϕ Data on routes and route length operated for 2008-09 in the State was not available.

transparent and adequate policy for chartering. The Corporation stated that unhealthy practices adopted by private operators like cut down fare and hawking of passengers etc., had an adverse impact on the revenue of the Corporation and needed to be addressed by the STA.

Cancellation of Scheduled Kilometres

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

3.12.7 The details of scheduled kilometres, effective kilometres and cancelled kilometres calculated as difference between scheduled kilometres and effective kilometres 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	275.13	282.03	281.11	285.84	338.17
2	Effective kilometres	255.82	263.50	256.06	266.24	307.73
3	Kilometres cancelled	19.31	18.53	25.05	19.60	30.44
4	Percentage of cancellation	7.02	6.57	8.91	6.86	9.00
5	Contribution per KM(Rs.)	2.23	2.37	2.73	3.34	4.14
6	Loss of contribution (3X5) (Rs. in lakh)	43.06	43.92	68.39	65.46	126.02

It is evident from the above table that the loss of contribution increased during the review period from Rs. 43.06 lakh to Rs. 126.02 lakh. The cause-wise analysis of scheduled kilometres cancelled for want of buses, crew, etc. could not be worked out in audit since data was not maintained by the Corporation in that fashion. Thus, the Corporation could not exercise any control over cancellation of scheduled kilometres which increased from 7 to 9 *per cent* during the review period.

Due to cancellation of scheduled kilometres for various reasons, the Corporation was deprived of contribution of Rs. 3.47 crore during 2004-05 to 2008-09.

3.12.8 It can be seen from the above table that the percentage of cancellation of scheduled kilometres varied from 6.57 to 9.00 during 2004-05 to 2008-09 and remained on the higher side as compared to the best performers. Due to cancellation of scheduled kilometres for various reasons, the Corporation was deprived of contribution of Rs. 3.47 crore during 2004-05 to 2008-09.

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

3.13.1 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. The Corporation had Tata and Leyland make buses, for which the following schedule of maintenance has been prescribed by the Original Equipment Manufacturers (OEMs) and adopted by the Corporation:

Sl.No.	Particulars	Schedule
1.	**Engine Oil change**	
1 (a)	Tata make	Every 18,000 KMs
1 (b)	Leyland make	Every 16,000 KMs

3.13.2 Audit observed that the required preventive maintenance schedules were not adhered to in 387 cases during the review period due to less number of regular maintenance staff and for non-availability of contractual technical staff who were paid low wages. The irregularities noticed in three[#] units covering 42 buses are as detailed in the following table:

KMs at which Engine Oil changed	No of instances	KMs at which Engine Oil changed	No of instances	Total
Tata make		Leyland make		
18,001 to 20,000	88	16,001-18,000	51	139
20,000-24,000	69	18,000-24,000	138	207
>24,000	26	>24,000	15	41

Repairs & Maintenance

3.13.3 A summarised position of fleet holding, overage buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses at the end of the year (No.)	259	254	241	252	312
2.	Overage buses (more than 8 years old/covered five lakh KMs)	57	92	142	144	152
3.	Percentage of overage buses	22	36	59	57	49
4.	R&M Expenses (Rs. in lakh)	68.78	39.66	49.36	67.30	79.90
5.	R&M Expenses *per* bus (in Rs.) (4/1)	26,556	15,614	20,481	26,706	25,609

Berhampur, Bhubaneswar and Jeypore

From the above table it can be seen that the R&M expenses during 2005-06 and 2006-07 were lower as compared to 2004-05 as the number of buses repaired were less than that of 2004-05.

The target for major repairs were not met in any of the years except in 2007-08.

It was also observed that target of major repairs was not achieved in any of the years except in 2007-08, as per plan. As a result, 99 vehicles remained without major repair during the last five years ending 2008-09. This ultimately affected the fleet utilisation and vehicle productivity due to breakdowns.

Manpower Cost

3.14.1 The cost structure of the organisation shows that manpower and fuel constitutes 68 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short -term account for 17 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

3.14.2 Manpower constitutes 15 *per cent* of total expenditure of the Corporation in 2008-09. 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	Manpower (regular) (Nos.)	1,336	1,247	1,192	1,114	1,055
2	Manpower (contractual) (Nos.)	217	274	267	373	512
3	Total manpower (Nos.)	1,553	1,521	1,459	1,487	1,567
4.	Manpower cost (Rs. in lakh)	582.33	585.43	677.12	722.89	729.32
5.	Effective KMs (in lakh)	255.82	263.50	256.06	266.24	307.73
6.	Manpower cost *per* effective KM (Rs.)	2.28	2.22	2.64	2.72	2.37
7	Productivity *per* day *per* person (KMs)	45	47	48	49	54
8.	Total buses at the end of the year (No.)	259	254	241	252	312
9.	Manpower *per* bus	5.99	5.99	6.05	5.90	5.02

It would be seen from the above table that the manpower *per* bus decreased from 5.99 in 2004-05 to 5.02 in 2008-09. The manpower cost ranged between Rs. 2.22 *per* KM and Rs. 2.72 *per* KM during the last five years ending 31 March 2009 which was lower than the All India Average of Rs. 7.50 *per* effective KM

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)

(2006-07) and lowest in the country. The low manpower cost was mainly due to implementation of the Report of the Fifth Pay Commission, with effect from 16 February 2009. The manpower *per* bus of the Corporation was also lower than the All India Average of 6.5 persons *per* bus in 2006-07. Due to restructuring of the Corporation, 2,337 employees took Voluntary Retirement during 1999-2000 to 2002-03 which resulted in decrease in regular manpower. Due to ban on recruitment by the State Government the Corporation depended on the contractual staff. During the above period the Corporation engaged contractual staff which ranged from 217 in 2004-05 to 512 in 2008-09. The table given below indicates the requirement of drivers and conductors vis-à-vis persons in position highlighting that there was shortage of drivers as well as conductors which led to cancellation of scheduled kilometres.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	No. of buses held at the end of the year	259	254	241	252	312
2	Requirement of drivers as per norm of 2.5 per bus	648	635	603	630	780
3	Actual drivers available at the end of the year	552	558	528	576	634
4	Shortage of drivers (2 – 3)	96	77	75	54	146
5	Requirement of conductors as per norm of 1.4 per bus	363	356	337	353	437
6	Actual conductors available at the end of the year	328	322	319	310	346
7	Shortage of conductors at the end of the year (5 – 6)	35	34	18	43	91

The Corporation sustained loss of Rs. 0.24 crore for its failure to operate for want of drivers and conductors.

It is evident from above table that there was shortage of 237 drivers/conductors at the end of 2008-09 and was major contributing factor for cancellation of scheduled KMs. Audit observed that the Corporation could not operate buses in six® routes for 183 days resulting in loss of 1.39 lakh effective KMs with loss of revenue of Rs. 23.93 lakh during the years 2005-06 and 2008-09. The reason for non-availability of contractual drivers and conductors was due to payment of low wages to them.

Fuel Cost

3.15.1 Fuel is a major cost element which constituted *53 per cent* of total expenditure in 2008-09 and 83 *per cent* of material cost. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Corporation for fuel consumption,

® Berhampur to Boudh, Rayagada, Umerkote and Cuttack to Bolangir, Damanjodi, Jharsuguda actual consumption, mileage obtained *per* litre (Kilometre *per* litre i.e. KMPL), All India Average and estimated extra expenditure.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	258.71	266.14	258.16	269.86	310.73
2.	Target of KMPL fixed by Corporation	4.37	4.53	4.52	4.48	4.64
3.	Kilometres obtained *per* litre (KMPL)	4.40	4.40	4.40	4.40	4.37
4.	All India Average in the category (Rural) (KMPL)	4.93	4.93	5.11	5.11	5.11
5.	Actual consumption (in lakh litres) (1/3)	58.80	60.49	58.67	61.33	71.11
6.	Consumption as *per* All India Average (in lakh litres) (1/4)	52.48	53.98	50.52	52.81	60.81
7.	Excess consumption (in lakh litres) (5-6)	6.32	6.51	8.15	8.52	10.30
8.	Average cost *per* litre (in Rs.)	31.99	35.14	33.50	33.69	34.62
9.	Extra expenditure (Rs. in lakh) (7X8)	202.18	228.76	273.03	287.04	356.59

The Corporation consumed 39.80 lakh litres of fuel in excess as compared to All India Average during 2004-05 to 2008-09, resulting in extra expenditure of Rs. 13.48 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)

3.15.2 It can be seen from the above table that the mileage obtained *per* litre was constant at 4.40 upto 2007-08 which was reduced to 4.37 in 2008-09. The Corporation consumed 39.80 lakh litres of fuel in excess as compared to the All India Average during 2004-05 to 2008-09 resulting in extra expenditure of Rs. 13.48 crore. The consumption was even more than the norms fixed by the Corporation considering the local situations except in 2004-05 and there was excess consumption of 8.52 lakh litres of fuel during 2005-09 resulting in extra expenditure of Rs. 2.93 crore.

It was observed in audit that upto the year 2004-05 the Corporation fixed fuel consumption target of each unit on the basis of achievement in the previous year and thereafter the targets were fixed on monthly basis with quarterly average. In case of shortfall the amount was to be recovered from the erring drivers. Out of 14 depots, the target was achieved in 12 depots in 2004-05, five depots in 2005-06, three depots in 2006-07, nine depots in 2007-08 and two depots in 2008-09. The Corporation, however, could not recover Rs. 41.13 lakh from the erring drivers of two units[#] test checked in audit towards non-achievement of the fuel target. The excess cost was not recovered from the drivers as responsibility could not be fixed on them in respect of chartering service where more fuel was consumed. Excess consumption of fuel was stated to be on account of more number of stoppages and overloading allowed by the conductors.

Bhubaneswar and Jeypore

The expenditure towards fuel and lubricant to total cost during 2006-07 was 53.56 *per cent* which was higher than the All India Average of 35 *per cent* and highest in the country during that year.

The other reason, as analysed in audit, was more number of overage buses held by the Corporation which was 44 to 49 *per cent* of the total vehicles held during 2007-09 based on progressive kilometre running. Audit observed in two[β] depots that the fuel performance of overage buses ranged from 3.95 to 3.99 *per* KM during 2007-08. However, in case of right-age buses the fuel performance ranged from 4.26 to 4.42 *per* KM during the same period.

3.15.3 A test check in Audit of two months Petrol, Oil and Lubricants (POL) statements for each year under review, in six depots, showed that though the Corporation had a mechanism to monitor vehicle-wise or driver-wise data for consumption of fuel so as to exercise effective management control, due to ineffective follow-up action the Corporation could not achieve the targets for fuel consumption. Further, although the Corporation had prescribed ideal driving speed norms so as to enhance fuel economy, the implementation of the same was not ensured.

Cost effectiveness of hired buses

3.16 The Corporation does not operate any scheme for hiring private buses. The Transport Commissioner of GoO suggested (August 2006) to increase the fleet strength of the Corporation to 10 *per cent* of the total vehicles of the State by hiring private buses after formulating a suitable hiring scheme as *per* the strategy adopted by Andhra Pradesh State Road Transport Corporation and Kolkata State Road Transport Corporation. The Corporation, however, intimated (September 2006) to the GoO that the scheme for hiring private buses to augment its fleet strength was not workable since the owners of new buses would earn more by operating independently as the Corporation did not enjoy any special privilege like that of the Assam State Road Transport Corporation (ASRTC) where the STA does not allow any new permit to private buses unless they operate under ASRTC banner.

Body Building

3.17.1 The Corporation got 165 buses fabricated during 2004-05 to 2008-09 through outsourcing. The average cost of fabrication per bus was Rs. 8 lakh during 2008-09. There had been delay of one to 44 days in fabrication of bus bodies during 2004-05 to 2008-09. The Corporation, however, awarded fabrication work to the same fabricators in the subsequent years ignoring their deficient past performance. Due to delay in fabrication, the Corporation lost 1.17 lakh kilometres of operation during 2004-05 to 2008-09, resulting in loss of revenue of Rs. 19.80 lakh.

β Berhampur and Jeypore.

The Management stated (October 2009) that due to heat wave the working hours for fabricators were reduced which resulted in delay in delivery of bus bodies. The reply is not convincing since during 2006-07 four fabricators completed the fabrication work as per the schedule.

The Corporation incurred excess expenditure of Rs. 0.69 crore on account of undue favour to fabricators.

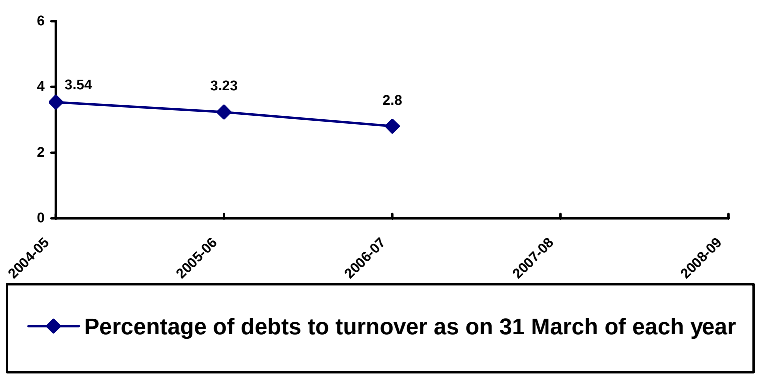
3.17.2 The fabrication was done through open tender and prices were fixed after negotiation. Audit observed that there was excess expenditure of Rs. 68.92 lakh in bus body fabrication during 2004-09 on account of rejection of lowest offer on invalid grounds (Rs. 20.21 lakh) and the remaining ten parties had quoted the same rate, extending undue favour to fabricators (Rs. 28.04 lakh) with regard to Orissa Value Added Tax (OVAT) and payment of OVAT (Rs. 20.67 lakh) to fabricators for seat manufacture instead of purchasing the same and handing over to them for fabrication during review period.

Financial Management

3.18.1 Raising of funds for capital expenditure, i.e. for replacement/addition of buses happens to be the major challenge in financial management of the Corporation's affairs. This issue has been covered in Paragraphs 3.10.2 to 3.10.4. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

3.18.2 Total debts of Rs. 1.13 crore as on 31 March 2007 were on account of bus warrant, claim from Indian Oil Corporation Limited, etc. The Corporation did not carry out any age-wise analysis for the purpose of monitoring and recovery purposes. Further, control accounts of sundry debtors were not supported by subsidiary ledger, party-wise and item-wise. An analysis of the debts outstanding as a percentage of turnover for three years ending March 2007 are depicted in the graph below, since accounts for the years 2007-08 and 2008-09 were not compiled.



3.18.3 The Corporation has been providing concessional passes to various categories of persons like students, blind and physically challenged persons, journalists and freedom fighters since 1981-82 in deference to the orders of GoO. From the year 1995-96, irrespective of the claim of the Corporation, the GoO had been releasing Rs. 1.60 crore every year. As a result, the Corporation stopped claiming the actual subsidy amount from the year 2005-06.

Besides the above claims, the Corporation had been pursuing claims on concessional facilities and transfer-related items separately with the GoO as given below, though the same do not form part of the Sundry Debtors.

Due to lack of pursuance, Rs. 39.60 crore remained un-realised since long.

3.18.4 The Corporation has been providing transport facilities to police personnel on the strength of bus warrant credit vouchers issued by the police authorities. Due to lack of pursuance by the Corporation towards realisation of the outstanding amount from the police authorities, the dues of the Corporation mounted to Rs. 48.62 lakh as on 31 March 2009. Further, the Corporation provided the facility for carrying postal bags along with one escort of the Postal Department in its buses up to June 2007. The dues of the Corporation for Rs. 49.92 lakh, however, remained unrealised from the Postal Department so far (March 2009).

3.18.5 The Corporation claimed Rs. 38.61 crore from time to time from the GoO towards transfer of loss of Rs. 28.55 crore incurred by the Orissa Road Transport Company after its merger with the Corporation in August 1990 and payment of Rs. 10.06 crore to the employees of the erstwhile State Transport Service towards their pension dues to be reimbursed by the GoO. The amount is yet to be realised (March 2009).

3.18.6 From the above, it can be seen that the percentage of debt to turnover is decreasing since 2004-05. In the absence of age-wise analysis of the debts and non-maintenance of subsidiary ledgers, the percentage of debts outstanding for more than five years to total debts could not be worked out in audit.

Realignment of business model

3.19.1 The Corporation is mandated to provide an efficient, adequate and economical road transport to the public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidise its operations. However, the share of non-traffic revenues (other than interest on investments) was nominal at 7.11 *per cent* of total revenue during 2004-09. This revenue of Rs. 15.14 crore during 2004-09 mainly came from collection of parking fees, advertisements and restaurant/ shop rentals. Audit observed that the Corporation has non-traffic revenue sources which it has not tapped substantially.

3.19.2 Over a period of time, the Corporation has come to acquire sites at prime locations in cities, district and tehsil headquarters. The Corporation partly uses the land and buildings for its operation, leaving ample scope to construct and utilise the vacant space. Audit observed that the Corporation has land (mostly owned/ leased by Government) at important locations ad-measuring 138.47 acres as shown below.

Particulars	Cities (Municipal areas)	District Headquarters	Tehsil Headquarters	Total
Number of sites	27	38	20	85
Occupied land (acres)	20.81	94.33	23.33	138.47

3.19.3 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.

3.19.4 Audit observed that the Corporation has not studied this aspect to assess the likely benefits from such activities. Since substantial non-traffic revenue will help the Corporation to cross-subsidise its operations and fulfill its mandate effectively, the Corporation may like to study realigning its business model and frame a policy in this regard. Other irregularities noticed in audit regarding non-realisation of non-traffic revenue are discussed below:

The Corporation could not realise Rs. 2.70 crore towards lease rent from RRL and sale of land without retendering lacked justification.

- The BoD decided (April 1981/December 1994) to dispose of surplus lands. During tendering, the offer of BPD Steel Syndicate was short-listed (June 2004). However, the BoD decided (October 2007) for sale of land at one site (Baripada) for Rs. 6 crore and subleasing of six[⊕] other sites to Reliance Retail Limited (RRL) though RRL had not participated in the tender. As *per* valuation of Swain and Associates (September 2001) value of this land was Rs. 5.10 crore. However, the land was sold to RRL with marginal increase of Rs. 0.90 crore after a lapse of six years without retendering. This lacked justification. Further, RRL also did not pay the lease rent against six sites which resulted in non-realisation of Rs. 2.70 crore.

  The Management stated (October 2009) that as per Swiss Challenge Process, tender was invited in November 2007 for sale of land at Baripada and for leasing out six sites against which no bidder came forward. The fact, however, remained that the current valuation of the land was not done since there was a gap of six years between the date of valuation and sale of the land.

⊕ Barbil, Berhampur, Bhubaneswar, Cuttack, Dhenkanal & Keonjhar

- The Corporation has 413 shops, hotels, open spaces, etc., at different locations/bus-stands to be used for rental purpose. Audit observed that an amount of Rs. 33.43 lakh was outstanding from 209 tenants at different locations and further, 29 shops were vacant for which the Corporation sustained loss of Rs. 15.02 lakh for the last four years ending 2008-09.

The Corporation sustained loss of Rs. 1.25 crore on account of shop rental, parking fee and advertisement besides non-realisation of Rs. 0.51 crore.

- Due to non-collection/short collection of parking fees during February 2002 to March 2009 from different bus stands, the Corporation sustained loss of Rs. 68.52 lakh besides non-realisation of outstanding amount of Rs. 17.86 lakh from the agents up to March 2009.
- The Corporation had been offering three sides of its buses for advertisement which was later on restricted to one side only (July 2004). As a result, advertisement rental was reduced from Rs. 55,000 *per* month from July 2001 to Rs. 20,000 *per* month during July 2004 to June 2010. Thus, there was loss of Rs. 41.29 lakh during July 2004 to June 2010.
- The Corporation did not have any advertisement policy though the need for formulation of such a policy had been considered in December 2002. Had the Corporation finalised its advertisement policy and utilised the space in other bus stands its revenue could have been augmented.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

3.20.1 The fare policy of the Corporation is administered by the GoO. The revision of fare *per* kilometre is considered by the GoO on the basis of increase/decrease of 13 items of expenditure related to operation.

During 2004-05 to 2008-09 the GoO revised the fare six times on the above mentioned basis as well as on the demand of private operators. The Technical Committee constituted by the GoO, where DGM (Technical) of the Corporation is a member, examines and recommends the revision in the bus fare.

The *per* kilometre fare during the last five years ended March 2009 is detailed below.

Type of buses	2004-05	2005-06	2006-07	2007-08	2008-09
	Per **kilometre rate in rupee#**				
Ordinary	0.32/0.35	0.35/0.38	0.38/0.41	0.41/0.40	0.40/0.43
Express/Hi-Comfort	0.33/0.37	0.37/0.40	0.40/0.43	0.43/0.42	0.42/0.45

Fare revision was made on 16 August 2004, 11 July 2005, 1 August 2006, 9 April 2007, 24 June 2008 and 17 December 2008.

Type of buses	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
	***Per* kilometre rate in rupee#**				
Deluxe/Hi-Tech	0.43/0.48	0.48/0.52	0.52/0.56	0.56/0.55	0.55/0.59
Air Conditioned Coach	0.53/0.59	0.59/0.64	0.64/0.69	0.69/0.67	0.67/0.72

The fare policy of the Corporation has no scientific basis.

3.20.2 The fare policy of the Corporation/GoO has no scientific basis as it does not take into account the normative cost. The DGM (T) submitted a statement showing the quantitative figures and financial figures of a vehicle running for 300 KMs a day for 27 days in a month. The statement showing the *per* kilometre expenditure on the 13 stipulated items submitted to the committee was not approved by the CMD. In many cases the data furnished was higher than the actual data as *per* monthly trial balance of the Corporation.

Consideration of inflated data in regard to cost per kilometre resulted in fixation of fare at higher side.

Thus, consideration of inflated data in regard to cost *per* kilometre of operation at the time of fare revision by the committee resulted in fixation of fare at a higher side which ultimately was a burden on the commuters besides giving a scope to the private operators for undercutting fares which in turn affected the Corporation.

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

(Amount in Rupees)

Sl. No.	**Particulars**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
1.	Cost *per* KM	13.21	14.05	15.49	15.73	15.95
2.	Traffic Revenue *per* KM	11.73	12.72	14.13	14.95	16.38
3.	Loss of revenue due to less vehicle productivity (*per* KM)	0.64	0.52	0.91	0.59	0.41
4.	Excess cost due to low man power productivity (*per* KM)	--	--	--	--	--
5.	Excess cost due to excess consumption of fuel (*per* KM)	0.79	0.87	1.07	1.08	1.16
6.	Ideal revenue *per* KM (2+3)	12.37	13.24	15.04	15.54	16.79
7.	Ideal cost *per* KM (1-5)	12.42	13.18	14.42	14.65	14.79
8.	Net revenue *per* KM (2-1)	(-)1.48	(-)1.33	(-)1.36	(-)0.78	0.43
9.	Net ideal revenue *per* KM (6-7)	(-)0.05	0.06	0.62	0.89	2.00
10.	Effective kilometres (In lakh)	255.82	263.50	256.06	266.24	307.73
11.	Avoidable loss (Rs. in lakh) {(9-8)X10}	365.82	366.27	507.00	444.62	483.14

3.20.3 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 revenue could be higher, if the operations are properly planned and efficiently managed, than what they actually are. Thus, the case made by the Corporation for increase in fare, includes its inefficiencies and in a way would make the commuters pay more than what they should be actually paying.

3.20.4 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. Though the Transport Policy adopted (May 2007) by the GoO envisaged for formation of a regulatory body named as Orissa Transport Regulatory and Advisory Council (OTRAC), the same is yet to be formed.

Adequacy of services on uneconomical routes

3.20.5 The Corporation had about 29 *per cent* profit making routes as of March 2009 as shown in the table under paragraph 3.12.4. 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 cannot be ascertained in audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

Due to operation of services in hilly areas, the Corporation incurred loss of Rs. 40.25 crore during 1998-2006 which had not been reimbursed by GoO.

The Corporation had only 4.04 *per cent* of the total fleet strength in the State as of 2008-09. The majority of its operations are in the hilly areas like Kalahandi, Bolangir and Koraput (KBK). The maximum services were provided in the night. The Corporation did not operate any service in the coastal belt which is mostly urbanised and thickly populated. It was noticed that the private operators are operating in the day time in the coastal areas. Due to operation of services in hilly areas the Corporation incurred loss of Rs. 40.25 crore during 1998-99 to March 2006 which was to be reimbursed by the GoO as decided (July 2000) in the meeting chaired by the Chief Minister. Though the Corporation claimed the amount from time to time up to June 2008 the GoO had not reimbursed any amount towards operation in hilly areas.

Monitoring by top management

MIS data and monitoring of service parameters

3.21 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. The Corporation has a Statistical Cell headed by a Senior Manager under the control of General Manager (Administration). Statistical Cell compiles monthly information received from depots for various performance indicators which were not communicated regularly to the concerned Heads of Department (HOD) *i.e.* DGM (O), DGM (T) and Financial Advisor and Chief Accounts Officer. The depot-wise monthly or yearly targets for various performance parameters are set by the concerned HOD. Audit found the system deficient as the Board of Directors of the Corporation was never apprised about the operational performance. Though the CMD held periodical review meetings corrective action on operational underperformance was not followed. The performance reported to the HODs was also not effectively monitored as proper records, showing action taken against underperforming depots, were not maintained. Information relating to schedules operating below variable cost, utilisation of employee pass, etc. received from depots was not compiled and used for monitoring, controlling and improving operational performance.

Conclusion

Operational performance

- **The Corporation could not keep pace with the growing demand for public transport as its share declined from 4.29 *per cent* in 2004-05 to 4.04 per *cent* in 2008-09.**
- **Though the Corporation earned operating profit and achieved the AIA for cost due to low personnel cost, it could not achieve AIA for revenue due to operational inefficiencies and inadequate/ineffective monitoring by top management.**
- **The Corporation has scope to improve its operations as its performance on important operational parameters such as fleet utilisation, vehicle productivity and load factor was not up to its internal targets.**
- **The Corporation did not ensure economy in operations as its fuel cost was higher than its internal targets.**
- **Despite having shortage of buses, the Corporation did not implement the proposal of GoO for hiring of buses.**

Financial management

- **The Corporation does not have a policy in place to exploit non-conventional sources of revenue.**

Fare policy and fulfillment of social obligations

- **The Corporation neither has a fare policy based on scientific norms nor any yardstick for adequacy of operation on uneconomical routes.**

Monitoring by top management

- **The MIS was not effectively used by the top management for monitoring key operational parameters.**

On the whole, there is immense scope to improve the performance of the Corporation. The Corporation can increase the profit further by resorting to hiring of buses and tapping non-conventional sources of revenue. Effective monitoring of key parameters coupled with certain policy measures can see improvement in performance.

Recommendations

The Corporation may:

- **consider devising a policy for tapping non-conventional sources of revenue by undertaking PPP (Public Private Partnership) projects;**
- **devise a fare policy on the basis of normative costs; and**
- **monitor the important operational parameters and take remedial measures for improvement.**

The Government may consider:

- **creating a regulator to regulate fares and also services on uneconomical routes; and**
- **reimbursing the Corporation the actual cost towards plying of buses on uneconomical routes.**