CHAPTER V: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of State Public Sector Undertakings

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. The State PSUs registered a turnover of Rs. 260.69 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 2.60 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Thus, the State PSUs occupy an insignificant place in the State economy. Major activities of Tripura State PSUs were concentrated in power and agriculture sectors. The State PSUs incurred a loss of Rs.19.84 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 13295[1] employees as of 31 March 2009. The State PSUs do not include Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

5.1.2 As on 31 March 2009, there were thirteen PSUs as per the details given below. Of these, none of the companies were listed on the stock exchange.

Table No. 5.1.1

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	11	1	12
Statutory Corporations	1	-	1
Total	**12**	**1**	**13**

5.1.3 During the year 2008-09, no PSU was established nor any was closed down.

Audit Mandate

5.1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

[1] As per the details provided by 12 PSUs. Remaining one non-working PSUs did not furnish the details.
[2] Non-working PSUs are those which have ceased to carry on their operations.
[3] includes 619-B companies.

5.1.5 The accounts of State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 (4) of the Companies Act, 1956.

5.1.6 Audit of statutory corporations is governed by their respective legislations. CAG is the sole auditor of the only statutory corporation in the State *viz*. Tripura Road Transport Corporation.

Investment in State PSUs

5.1.7 As on 31 March 2009, the investment (capital and long-term loans) in 13 PSUs (including 619 B companies) was Rs. 595.36 crore as *per* details given below.

Table No. 5.1.2

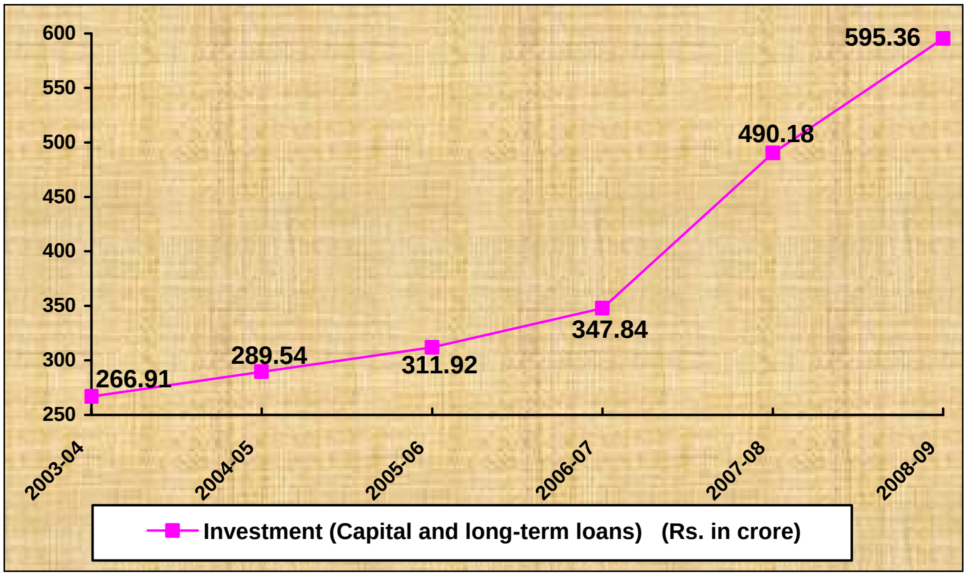
(Rupees in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	343.28	98.04	441.32	153.75	0.25	154.00	595.32
Non-working PSUs	0.04	-	0.04	-	-	-	0.04
Total	**343.32**	**98.04**	**441.36**	**153.75**	**0.25**	**154.00**	**595.36**

A summarised position of total/ Government investment in State PSUs is detailed in **Appendix 5.1**.

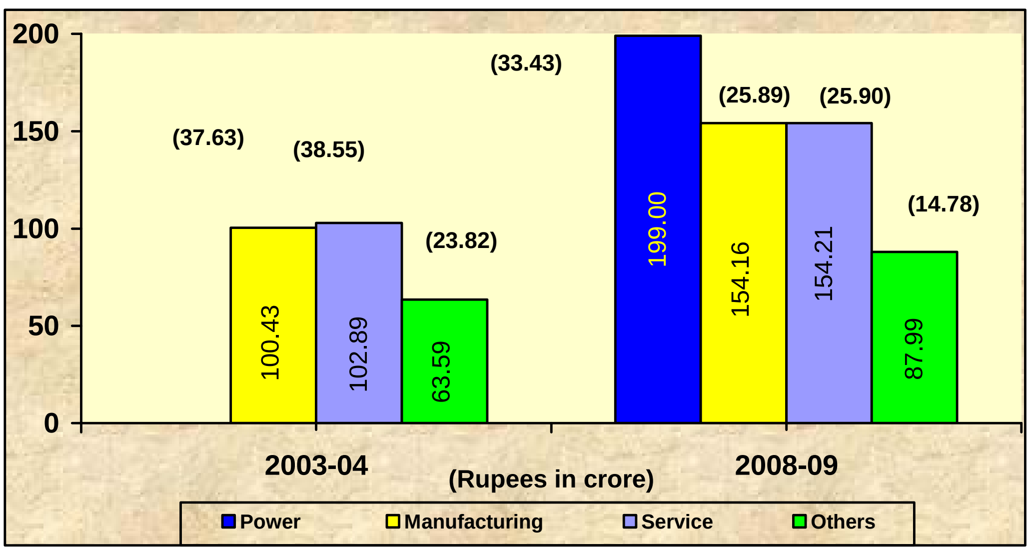
5.1.8 As on 31 March 2009, of the total investment in State PSUs, 99.99 *per cent* was in working PSUs and the remaining 0.01 *per cent* in non-working PSUs. This total investment consisted of 83.49 *per cent* towards capital and 16.51 *per cent* in long-term loans. The investment has grown by 123.06 *per cent* from Rs. 266.91 crore in 2003-04 to Rs. 595.36 crore in 2008-09 as shown in the graph below.

Chart No. 5.1.1



5.1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart.

Chart No. 5.1.2



(Figures in brackets show the percentage of total investment)

The thrust of investment in the power sector arose from transfer of the generation, transmission and distribution of electricity from the Power Department, Government of Tripura since January 2005 to a new company *viz.* Tripura State Electricity Corporation Limited, set up in June 2004. The other major sectors for investment were manufacturing and service.

Budgetary outgo, grants/subsidies, guarantees and loans

5.1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 5.3**. The summarised details are given below for three years ended 2008-09.

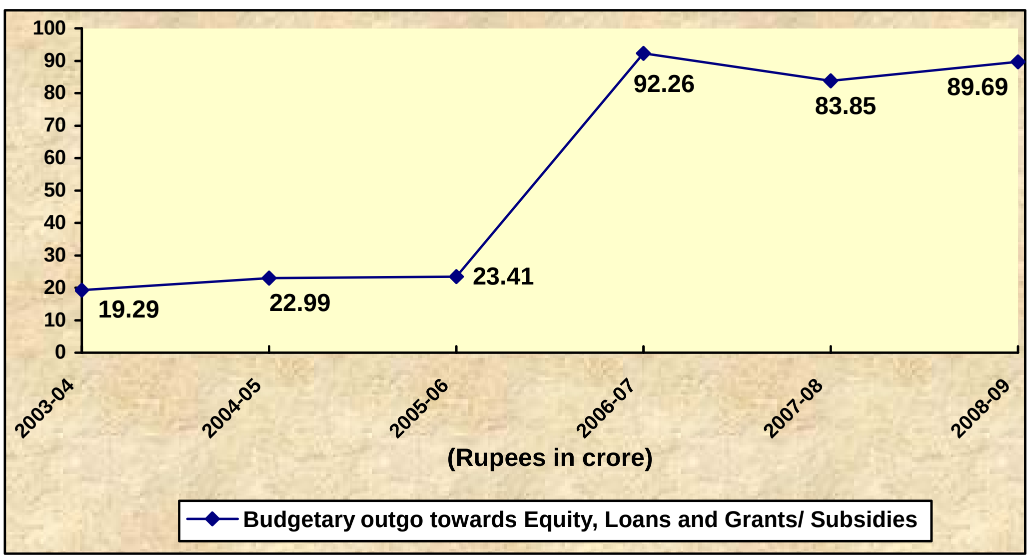
Table No. 5.1.3

(Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	8	36.22	7	29.07	7	31.13
2.	Loans given from budget	1	11.04	1	4.78	1	30.50
3.	Grants/Subsidy received[4]	1	45.00	1	50.00	3	28.06
4.	Total Outgo (1+2+3)	10[5]	92.26	8[5]	83.85	9[5]	89.69
5.	Guarantee Commitment	-	1.80	-	-	-	-

5.1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below.

Chart No. 5.1.3



The increase in annual budgetary outgo from 2006-09 was directed to the power sector. There were no waivers. The State Government provides financial support, mainly to Tripura State Electricity Corporation Limited and Tripura Road Transport Corporation, to bridge the gap of income and expenditure of the PSUs. This indirectly becomes a subsidy support.

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[4] Amount represents outgo from State Budget only.

[5] The figure represents number of companies which have received outgo from budget under one or more heads ie. equity, loans, grants/subsidies.

5.1.12 Since May 2007, guarantee fee was fixed at one *per cent* for any fresh guarantee. No fresh guarantees were issued in the last three years.

Reconciliation with Finance Accounts

5.1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

Table No. 5.1.4

(Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	588.61	489.07	99.54
Loans	17.00	93.63	76.63
Guarantees	2.68	-	2.68

5.1.14 Audit observed that the differences occurred in respect of nine PSUs and some of the differences were pending reconciliation since 1986-87. The matter is taken up every quarter, demi-officially with the Finance Secretary and copy to the concerned PSUs. The last occasion was in April 2009. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

5.1.15 The financial results of PSUs, are detailed in **Appendix 5.2**. The financial position and working results of Tripura Road Transport Corporation are given at paragraphs 5.2.9 and 5.2.10. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

Table No. 5.1.5

(Rupees in crore)

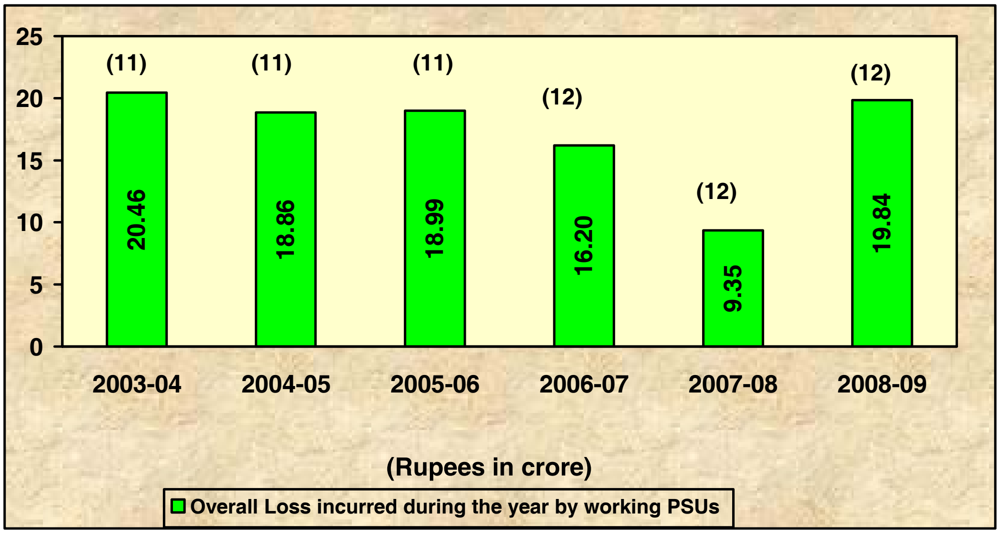
Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[6]	40.15	38.93	53.79	50.43	251.65	260.69
State GDP	6,135.70	6,639.24	7,296.61	7,888.98	8,521.68	10,008.26
Percentage of Turnover to State GDP	0.65	0.59	0.74	0.64	2.95	2.60

The increase in turnover during 2007-08 and 2008-09 was because of inclusion of Tripura State Electricity Corporation Limited.

5.1.16 Losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.

[6] Turnover as per the latest finalised accounts as of 30 September of respective years.

Chart No. 5.1.4



(Figures in brackets show the number of working PSUs in respective years)

Between 2003-04 and 2007-08, the losses were declining but doubled in 2008-09 mainly due to jump of Rs. 8.47 crore in losses of Tripura Jute Mills Limited (TJML) and Tripura Tea Development Corporation Limited as well as decline by Rs. 1.63 crore in the profit of Tripura Rehabilitation Plantation Corporation Limited (TRPCL). During the year 2008-09, out of 12 working PSUs, five PSUs earned profit of Rs.10.63 crore and seven PSUs incurred loss of Rs. 30.47 crore. The major contributors to profit were TRPCL (Rs.1.27 crore) and Tripura State Electricity Corporation Limited (TSECL) (Rs. 8.81 crore). The heavy losses were incurred by TJML (Rs.7.69 crore) and Tripura Road Transport Corporation (TRTC) (Rs.16.41 crore).

5.1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 175.43 crore and infructuous investment of Rs. 81.42 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

Table No. 5.1.6

(Rupees in crore)

Particulars	2006-07	2007-08	2008-09	Total
(Loss)	(16.20)	(9.35)	(19.84)	(45.39)
Controllable losses as per CAG's Audit Report	105.97	66.70	2.76	175.43
Infructuous Investment	80.94	0.48	-	81.42

5.1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be eliminated. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.19 Some other key parameters pertaining to State PSUs are given below.

Table No. 5.1.7

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	NEGATIVE IN ALL YEARS					
Debt	11.04	9.85	8.81	8.50	23.74	98.29
Turnover[7]	40.15	38.93	53.79	50.43	251.65	260.69
Debt/ Turnover Ratio	0.27	0.25	0.16	0.17	0.09	0.38
Interest Payments[7]	7.92	8.13	5.68	5.69	6.31	5.89
Accumulated (losses)[7]	(171.91)	(176.38)	(196.39)	(197.98)	(210.18)	(243.74)

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

5.1.20 Debt had increased in the past two years on account of loans of Tripura State Electricity Corporation Limited.

5.1.21 The State Government had not yet formulated a dividend policy. As per their latest finalised accounts, five PSUs earned an aggregate profit of Rs. 10.63 crore but none had declared dividend.

Performance of major PSUs

5.1.22 The investment in working PSUs and their turnover together aggregated to Rs. 856.01 crore during 2008-09. Out of 12 working PSUs, the following three PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These three PSUs together accounted for 81 *per cent* of aggregate investment *plus* turnover.

Table No. 5.1.8

(Rupees in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	**(2)**	**(3)**	**(4)**	**(5)**
Tripura State Electricity Corporation Limited	199.00	211.09	410.09	48
Tripura Jute Mills Limited	122.16	2.40	124.56	15
Tripura Road Transport Corporation	154.00	3.23	157.23	18
Total	**475.16**	**216.72**	**691.88**	**81**

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

[7] Turnover of working PSUs and interest as well as accumulated losses as *per* the latest finalised accounts as of 30 September.

Tripura State Electricity Corporation Limited

5.1.23 The Company had arrears of accounts for three years as of September 2009. The arrear was for a year as of September 2006. The arrears have increased in spite of a separate accounts department. The delay was attributable to the management's failure to compile accounts in time. As a result of these arrears, the Company's power tariff was not enhanced since 2006-07.

Deficiencies in Planning

- The Company's failure to enter into agreements and execute contract documents prior to taking up renovation/ modernisation of Gumti Hydel Power Station led to idle expenditure of Rs. 0.56 crore.

(Audit Report 2005-06, Paragraph 7.3)

- The Company and the Government of Tripura delayed signing of memorandum of agreements with the Government of India by two to thirty months leading to receipt of Rs. 59.31 crore only under the Accelerated Power Development and Reforms Programme against sanction of Rs. 146.74 crore. Moreover, delays in finalisation of methodology of calculating reduction in losses led to forgoing incentive of Rs. 30.74 crore.

(Audit Report 2006-07, Paragraphs 7.3.6.2 and 7.3.6.5)

- In April 2002, the Company (erstwhile Power Department) renewed gas supply agreement with GAIL (India) Limited without amending provision of the contract leading to payment of transmission charges of Rs. 11.76 crore from March 2003 to March 2007 despite non-supply of gas. Further, due to defects in installations, the Company also paid minimum guaranteed offtake charges aggregating Rs. 1.30 crore during 2002-07.

(Audit Report 2006-07, Paragraphs 7.2.10.4 and 7.6)

Deficiencies in Monitoring

- The Company had not analysed the reasons for excess consumption of gas valuing Rs. 57.43 crore as a consequence of actual heat rate exceeding the designed heat rate by nine to 136 *per cent*.

(Audit Report 2006-07, Paragraph 7.2.10.2)

Tripura Jute Mills Limited

5.1.24 The Company had arrears of accounts for four years as of September 2009. The arrears were seven years as of September 2006. The arrears have reduced.

Deficiencies in Implementation

- The Company incurred losses of Rs. 0.98 crore on operation of its jute mill against conversion charges due to inability to make available looms and not contesting the arbitration findings.

(Audit Report 2004-05, Paragraph 6.2.11)

- The Company also failed to reduce maximum contractual demand for electricity in time, incurred interest on delayed payment to raw jute suppliers and was liable to carrying charges on delayed lifting of raw jute leading to avoidable expenditure of Rs. 1.01 crore.

(Audit Report 2004-05, Paragraphs 6.2.12 to 6.2.14)

- The Company incurred idle wages of Rs. 30.67 crore between April 2000 and March 2005 due to poor manpower management and deployment of excess labour.

(Audit Report 2004-05, Paragraph 6.2.8)

Tripura Road Transport Corporation

5.1.25 The Corporation had arrears of accounts for six years as of September 2009. The arrears were for four years as of September 2006. The arrears have increased in spite of a separate accounts department as the books of account were not completed.

Conclusion

5.1.26 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. In some PSUs under the administrative control of the Industries and Commerce Department, the State Government has a performance based system of accountability. Not only should this be extended to all PSUs, but it should also be implemented in practice.

Arrears in finalisation of accounts

5.1.27 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Table No. 5.1.9

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of working PSUs	12	12	12	12	12
2.	Number of accounts finalised during the year	12	7	5	6	24
3.	Number of accounts in arrears	67	73	80	86	74
4.	Average arrears per PSU (3/1)	5.58	6.08	6.67	7.17	6.17
5.	Number of Working PSUs with arrears in accounts	11	12	12	12	12
6.	Extent of arrears	1 to 12 years	1 to 12 years	1 to 13 years	2 to 14 years	2 to 15 years

5.1.28 The finalisation of accounts showed remarkable improvement in 2008-09. Yet, in this period, four[8] PSUs had not even cleared a year's arrears till September 2009. The reasons for arrears in accounts were lack of skilled personnel in PSUs as well as delays in preparation of accounts.

5.1.29 The only non-working PSU is under liquidation process since 1971.

5.1.30 The State Government had invested Rs. 419.36 crore (Equity: Rs. 261.39 crore, loans: Rs. 38.63 crore, grants: Rs. 108.90 crore and others: Rs. 10.44 crore) in twelve PSUs during the years for which accounts have not been finalised as detailed in **Appendix 5.4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.31 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed of the arrears in finalisation of accounts by Audit every quarter, remedial measures were taken belatedly. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up in a meeting with the Chief Secretary on 11 June 2009 followed by one on 5 August 2009 with the Principal Secretary, Finance Department. In the light of relaxed norms of CAG for expeditious clearance of the backlog in arrears, all PSUs had been categorically instructed by the State Government to show results in overcoming arrears in accounts.

5.1.32 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

5.1.33 There was one non-working Company *viz.* Tripura State Bank Limited, as on 31 March 2009, which had been non-functional for around 39 years. It was in the process of liquidation under Section 560 of the Companies Act, 1956. During past five years no other PSU was non-working.

[8] Sl. Nos. A(4), A(9), A(10) & B(1) of **Appendix 5.2**.

5.1.34 The non-working PSU is required to be closed down since its existence is not going to serve any purpose. During 2008-09, the expenditure, if any, incurred by it was not known.

5.1.35 During the year 2008-09, no company/corporation was finally wound up. The Company which had taken the route of winding up under the Companies Act continues to await liquidation for almost four decades. The Government may expedite winding up of the Company.

Accounts Comments and Internal Audit

5.1.36 Eight working companies forwarded their audited 24 accounts to AG during the year 2008-09. Of these, 15 accounts of eight companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

Table No. 5.1.10

(Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	-	-	1	0.11	1	0.02
2.	Decrease in loss	-	-	1	-	5	1.71
3.	Decrease in profit	3	0.18	1	0.02	1	0.01
4.	Increase in loss	2	3.96	1	2.94	8	9.73
5.	Non-disclosure of material facts	1	0.08	1	5.96	5	12.17
6.	Errors of classification	4	24.74	4	2.35	9	17.06

Whereas the aggregate value of comments on five accounts in 2006-07 was Rs. 28.96 crore, it fell to four accounts in 2007-08 with money value of Rs. 11.38 crore and sharply rose to Rs. 40.70 crore for 16 accounts in 2008-09, when CAG's supplementary audit of three[9] accounts was due and CAG's supplementary report on two[10] accounts awaited issue as of September 2009.

5.1.37 During the year, the statutory auditors had given unqualified certificates for eleven accounts and qualified certificates for thirteen accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were 26 instances of non-compliance in 16 accounts during the year. This non-compliance related to AS-1 (Disclosure of Accounting Policies), AS-2 (Valuation of Inventories), AS-4 (Contingencies and Events occurring after the Balance Sheet date), AS-6 (Depreciation Accounting), AS-12 (Accounting for Government grants), AS-15 (Employee benefits) and AS-22 (Accounting for taxes on income).

[9] Srl. Nos. A(7), A(8) & A(11) of **Appendix 5.2**.
[10] Srl. Nos. A(2) & A(3) of **Appendix 5.2**.

5.1.38 Some of the important comments in respect of accounts of companies are stated below.

Tripura Rehabilitation Plantation Corporation Limited (2006-07)

- Stock shortages of sheet rubber (24,976.11 Kgs) and scrap rubber (2,547.94 Kgs) valuing Rs. 8.15 lakh had neither been written off nor provided for and were shown as advance recoverable.
- Interest of Rs. 7.46 lakh accrued on bank deposits and service charges of Rs. 13.79 lakh had not been accounted as income.

Tripura Forest Development Plantation Corporation Limited (2001-02)

- Neither stocks of scrap rubber and concentrated rubber latex were valued at lower of cost or realisable value nor was value of non-saleable stocks written off leading to their overvaluation by Rs. 56.18 lakh.
- Excess interest provision of Rs. 50.84 lakh on term loan from bank had not been written back despite one time settlement of dues.

Tripura Industrial Development Corporation Limited (2003-04)

- Scheme funds of Rs. 6.69 lakh remaining unutilised even after completion of the schemes were not treated as income.
- Difference of Rs. 2.50 lakh between the opening balance as per cash book and previous year's closing balance as per accounts was adjusted in the cash book at the year end without reconciliation and identifying the reasons for the difference.
- Despite earning a profit, no provision for income tax of Rs. 10.46 lakh was created.
- Share capital of Rs. 2.19 crore received from the State Government for investment in two joint sector companies - being partly refunded, disbursed to the intended recipients as share capital and loan as well as parked in term deposits with banks to earn interest thereon - was neither reconciled nor correctly reflected in the accounts.

Tripura Small Industries Corporation Limited (1996-97)

- Adjustment of one time settlement of bank loan had not been effected in the accounts leading to overstatement of liability by Rs. 1.29 crore.

5.1.39 The only working Statutory corporation had not forwarded even one account to AG during the year 2008-09. The sole audit of CAG indicates that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below.

Table No. 5.1.11

(Amount Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	-	-	1	1.95	-	-
3.	Non-disclosure of material facts	-	-	1	0.02	-	-
4.	Errors of classification	-	-	1	0.41	-	-

5.1.40 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. Supplementary reports were received on one account in 2007-08 and twelve accounts in 2008-09. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of one company[11] for the year 2007-08 and four companies[12] for the year 2008-09 are given below.

Table No. 5.1.12

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Appendix 5.2
1.	Non-fixation of minimum/ maximum limits of store and spares	Two	A(2), A(7)
2.	Absence of internal audit system commensurate with the nature and size of business of the company	Three	A(2), A(5), A(7)
3.	Non maintenance of cost record	One	A(7)
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	One	A(7)

Recoveries at the instance of audit

5.1.41 During the course of propriety audit in 2008-09, recoveries of Rs. 56.20 lakh were pointed out to the Management of a PSU (Tripura Handloom and Handicrafts Development Corporation Limited), which was admitted by the Management. Of which, Rs. 30.16 lakh was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

5.1.42 Separate Audit Reports (SARs) issued by the CAG on the accounts of Tripura Road Transport Corporation was placed in the Legislature by the Government upto 2002-03.

[11] Sl. No. A(7) in **Appendix – 5.2**.
[12] Sl. No. A(2), A(5), A(7), & A(8) in **Appendix – 5.2**.

The SAR for the year 2002-03 was issued in February 2008 and was placed in the Assembly in July 2009 after a delay of 17 months. The Government should ensure prompt placement of SARs in the Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

5.1.43 No disinvestment, privatisation or restructuring of PSU occurred during 2008-09.

Reforms in Power Sector

5.1.44 The State has the Tripura Electricity Regulatory Commission (TERC) formed in November 2003 and operational since May 2004 under the Electricity Act, 2003 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, TERC issued three orders on others matters. TERC did not issue tariff order in 2008-09 due to non-receipt of tariff petitions, annual revenue requirements and audited annual accounts from the sole licensee *i.e.* Tripura State Electricity Corporation Limited.

5.1.45 Memorandum of Understanding (MoU) was signed in August 2003 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Table No. 5.1.13

Sl. No.	Milestone	Achievement as at March 2009
1.	Installation of meters on 11 KV feeders by 31 December 2003.	100 *per cent* (168 out of 168 feeders).
2.	100 *per cent* metering of all consumers by 31 December 2003.	Commercial consumers - 100 *per cent* Urban/ semi-urban - 96.70 *per cent* Individual consumers - 85.25 *per cent* Rural consumers - 80.62 *per cent*
3.	100 *per cent* metering on the LT side of distribution transformers.	38.45 *per cent* (2,723 out of 7,082 distribution transformers).
4.	Development of Distribution Management Information System.	Computerised Energy Billing System (EBS) implemented in Electrical Sub divisions.

While significant progress had been achieved, the impact on Tripura State Electricity Corporation Limited was yet to be quantified and duly verified in absence of current accounts.

Discussion of Audit Reports by COPU

5.1.46 The status as on 30 September 2009 of reviews and paragraphs that appeared in the Commercial Chapter of the Audit Reports (Civil) and discussed by the Committee on Public Undertakings (COPU) is as under.

Table No. 5.1.14

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1997-98	1	5	1	4
2006-07	2	4	2	3
2007-08	2	4	-	-
Total	**5**	**13**	**3**	**7**

5.1.47 The matter relating to clearance of backlog of reviews/ paragraphs was also discussed with the Chairperson of COPU on 19 January 2009 and 27 July 2009.

SECTION–A: PERFORMANCE REVIEWS

TRANSPORT DEPARTMENT

5.2 Performance Audit Report on the performance of Tripura Road Transport Corporation (TRTC)

Executive Summary

The Tripura Road Transport Corporation (Corporation) provides public transport in Tripura through its two Depots for buses. The Corporation had a fleet strength of 81 buses and 20 trucks as on 31 March 2009 and carried an average of 3,500 passengers per day during the review period. The performance audit of the Corporation for the period from 2004-05 to 2008-09 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's books of accounts are in arrears since 2003-04. Based on provisional figures, it suffered loss of Rs. 16.90 crore in 2008-09. The accumulated losses of the Corporation stood at Rs. 228.25 crore as at 31 March 2009 (Provisional). The Corporation does not maintain separate records relating to costs incurred in the bus operations. However, traffic revenue earned and kilometres operated by buses are recorded separately. In 2008-09, the Corporation earned Rs. 4.89 crore of traffic revenue from buses by operating 23.11 lakh effective kilometres. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase traffic revenue and reduce overall costs, so as to limit losses and serve its cause better.

Share in Public Transport

Out of 1,979 stage carriage buses licensed for public transport in 2008-09 (based on 2006-07 figures), about 4.09 per cent belonged to the Corporation. The percentage share decreased from 5.81 per cent in 2004-05 to 4.09 per cent in 2008-09. The decline in share was mainly due to its operational inefficiency and lack of effective monitoring by top management. Bus density (including private operators) per one lakh population increased from 53 in 2004-05 to 58 in 2008-09 indicating improvement in the level of public transport in the State. However, the Corporation's vehicle density reduced from 3.1 buses per one lakh population in 2004-05 to 2.4 buses per one lakh population in 2008-09. This was due to the inability of the Corporation to expand its operations.

Vehicle profile and utilisation

The Corporation added 23 buses during 2004-09 at a total cost of Rs. 3.23 crore. However, the overage fleet increased from 48 per cent in 2004-05 to 51 per cent in 2008-09. The acquisition was primarily funded through financial assistance from State Government. The overall fleet utilisation of the Corporation decreased from 60 per cent in 2004-05 to 48 per cent in 2008-09, which was quite less than all India average (AIA) of 92 per cent. The overall vehicle productivity at 141 kilometres per day per bus in 2008-09 was less than the targeted 161 kilometres. The passenger load factor stood at 65 per cent during 2008-09, which was marginally above the AIA of 63 per cent. None of the routes operated by the Corporation were profitable. In the absence of proper record maintenance, Audit could not assess adherence to the preventive maintenance schedule prescribed by the Original Equipment Manufacturers.

Economy in operations

Manpower and fuel constitute 64 per cent of total cost. Interest, depreciation and taxes account for 22 per cent and are not controllable in the short-term. Thus, the major cost saving has to come from manpower and fuel. However, the Corporation does not maintain separate records for manpower and its cost associated with the bus operations. However, the overall manpower position per vehicle (including trucks), which stood at 6.32 per vehicle in 2004-05 improved marginally to 6.01 per vehicle in 2008-09. The Corporation did not attain AIA in respect of fuel efficiency. Consumption of fuel in excess of AIA resulted in extra consumption of 1.13 lakh litres valued at Rs. 33.66 lakh during 2004-09.

Revenue Maximisation

The Corporation has about 98,301 square metres of land. As it mainly utilises ground floor/ land for their operations, the space above can be developed on public private partnership (PPP)/ Build Operate and Transfer (BOT) basis to earn steady income, which can be used to cross-subsidise its operations. However, the Corporation did not have a policy in place to tap non-conventional sources of revenue by large scale commercial exploitation of available land.

Need for a regulator

The fares in Tripura are decided by the State Government which is same for both the Corporation as well as Private Operators. The fare policy adopted by the State Government is based on costs of inputs but is not on a scientific basis. In the absence of norms, the adequacy of services on uneconomical routes can not be ascertained in Audit. 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 Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Though targets are fixed for important operational parameters, the achievement against them is not monitored. During the last six years, the Government appointed nine Managing Directors who held additional charge of the Corporation besides their regular assignments. This had a detrimental effect on decision making. The top Management of the Corporation did not demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things were not moving on expected lines.

Conclusion and Recommendations

Though the Corporation is incurring losses, it is mainly due to operational inefficiencies. The Corporation can control losses by improving efficiency and resorting to tapping non-conventional sources of revenue. This review contains nine recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services on uneconomical routes, tapping non-conventional sources of revenue and filling up vacant posts in top management by appointing regular incumbents are some of these.

Introduction

5.2.1 In Tripura, public road transport is provided by Tripura Road Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly coordinated road transport. The State also allows the private operators to provide public transport. The State has not reserved routes exclusively for the Corporation and allowed both Corporation and private operators to ply on all routes. The fare structure is controlled and approved by the State Government. This structure is same for both the Corporation as well as private operators.

5.2.2 The Corporation was incorporated in October 1969 by Government of Tripura under Section 3 of the Road Transport Corporations Act, 1950. It started its passenger services in December 1972 while goods transport services were started in April 1971. The Corporation is under the administrative control of the Transport Department of the Government of Tripura. The Management of the Corporation is vested with a Board of Directors comprising Chairman, Managing Director and seven Directors appointed by the Government of Tripura. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Corporation, with the assistance of a Deputy Managing Director and Chief Accounts Officer. As on 31 March 2009, the Corporation has two Depots for buses, one Depot for trucks, a Central Workshop and 13[13] bus stations. Bus body building and retreading of mini bus tyres are carried out through external agencies. Tyre retreading of ordinary and deluxe buses is undertaken at City Bus depot. The Central Workshop repairs both buses and trucks.

5.2.3 The Corporation had a fleet strength of 81 buses and 20 trucks as on 31 March 2009. The Corporation's share in the bus passenger transport operations in the State was four *per cent* in terms of the bus fleet strength. The Corporation's buses carried an average of 3,500 passengers *per* day during 2004-05 to 2008-09. The turnover of the Corporation was Rs.6.75 crore (provisional) in 2008-09, which was equal to 0.07 *per cent* of the Gross State Domestic Product of the State. The Corporation employed 679 employees as on 31 March 2009. The Corporation also serves as ticketing agent for airlines and railways.

5.2.4 A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 2001-02 (Civil), Government of Tripura. The report was discussed by COPU during December 2003. Their recommendations were awaited (September 2009).

Scope of Audit and Audit Methodology

5.2.5 The present review conducted during June and July 2009 covers the performance of the Corporation's bus operations during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management,

[13] Amarpur, Ambassa, Battala, Gandacherra, Kailashahar, Kamalpur, Kanchanpur, Kumarghat, Sabroom, Teliamura, Udaipur, Guwahati and Silchar.

fare policy, fulfillment of social obligations and monitoring by top management of the Corporation's bus operations. The audit examination involved scrutiny of records at the Head Office, the Central Workshop and both Depots[14] for buses.

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

Audit Objectives

5.2.7 The objectives of the performance audit were to assess:

Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- the extent to which the Corporation was running its bus operations efficiently; and
- whether adequate maintenance was undertaken to keep the buses roadworthy.

Financial Management

- whether the Corporation was able to raise claims and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfillment of Social Obligations

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

Monitoring by Top Management

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

Audit Criteria

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

- all India averages for performance parameters in respect of buses;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;

[14] City Bus Depot, Agartala and Dharmanagar Depot.

- 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 Tripura and other relevant rules and regulations; and
- procedures laid down by the Corporation.

Financial Position and Working Results

5.2.9 The Corporation operates trucks besides buses. However, no separate records are maintained for bus operations. The accounts of the Corporation were in arrears since 2003-04. The consolidated financial position of the Corporation (covering both bus and truck operations) for the five years upto 2008-09 based on provisional figures provided by the Corporation is given below.

Table No. 5.2.1

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid-up Capital	111.10	119.15	129.65	140.75	153.75
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	11.55	13.00	15.00	17.00	19.00
Borrowings (Loan Funds)	0.25	0.25	0.25	0.25	0.25
Current Liabilities & Provisions	55.38	60.73	64.87	69.85	73.02
Total	**178.28**	**193.13**	**209.77**	**227.85**	**246.02**
B. Assets					
Gross Block	15.97	15.24	15.08	15.97	16.16
Less: Depreciation	8.14	8.94	9.74	10. 69	11.69
Net Fixed Assets	7.83	6.30	5.34	5.28	4.47
Capital works-in-progress (including cost of chassis)	Nil	Nil	Nil	Nil	Nil
Investments	Nil	Nil	Nil	Nil	Nil
Current Assets, Loans and Advances	8.36	9.52	11.53	11.22	13.30
Accumulated losses	162.09	177.31	192.90	211.35	228.25
Total	**178.28**	**193.13**	**209.77**	**227.85**	**246.02**

5.2.10 The Corporation does not maintain separate records relating to various components of costs. However, traffic revenue and effective kilometres are recorded for bus operations separately. In view of the above, the costs components, total revenue, operating revenue, total expenditure and operating expenditure are not comparable with reference to bus operations. Based on the provisional figures furnished by the Management, the details of consolidated working results are given below.

Table No. 5.2.2

(Rupees in crore)

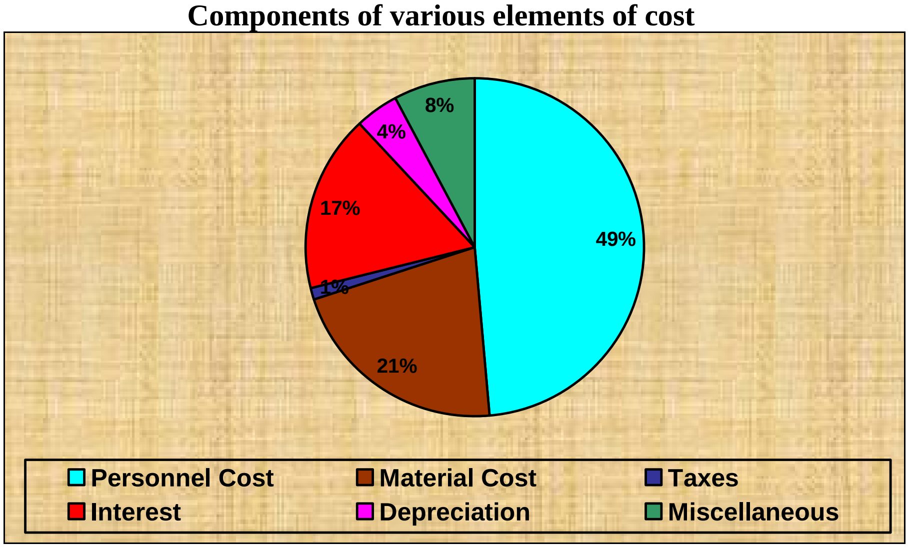
Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	4.11	4.35	4.65	4.80	6.75
2.	Traffic Revenue[15] **(For Bus operations only)**	3.49	3.20	3.27	3.33	4.89
3.	Total Expenditure (6+7)	18.04	19.57	20.24	23.25	23.65
4.	Loss for the year	13.93	15.22	15.59	18.45	16.90
5.	Accumulated Loss	162.09	177.31	192.90	211.35	228.25
6.	Fixed Costs					
	(i) Personnel Costs	9.60	10.13	10.30	11.00	11.50
	(ii) Depreciation	0.82	0.80	0.80	0.95	1.00
	(iii) Interest	3.45	4.41	4.00	5.00	4.00
	(iv) Other Fixed Costs	0.90	1.00	1.40	1.60	1.80
	Total Fixed Costs	14.77	16.34	16.50	18.55	18.30
7.	Variable Costs					
	(i) Fuel & Lubricants	2.22	2.19	2.65	3.25	3.73
	(ii) Tyres & Tubes	0.33	0.30	0.36	0.45	0.52
	(iii) Other Items/ spares	0.54	0.56	0.58	0.76	0.83
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	0.14	0.15	0.14	0.20	0.25
	(v) Other Variable Costs	0.04	0.03	0.01	0.04	0.02
8.	Total Variable Costs	3.27	3.23	3.74	4.70	5.35

Elements of Cost

5.2.11 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.

Chart No. 5.2.1

Components of various elements of cost



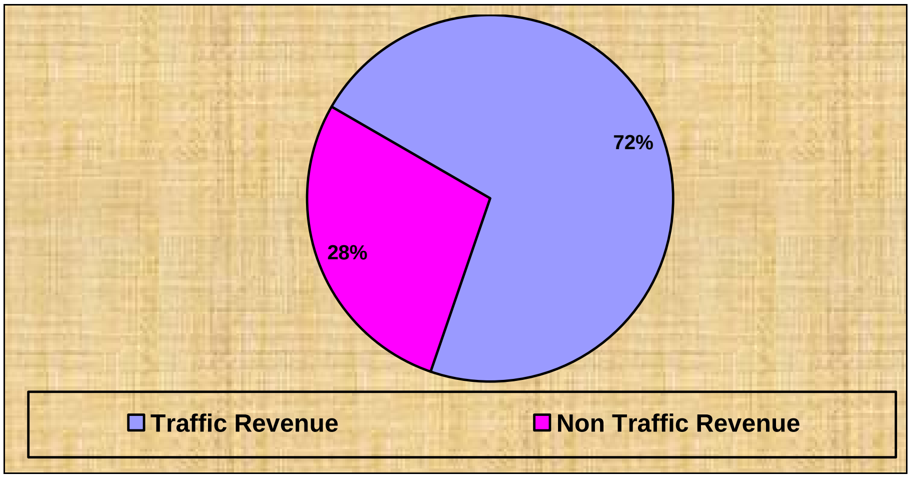
[15] Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Elements of revenue

5.2.12 Traffic revenue constituted the major element of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Chart No. 5.2.2

Components of various elements of revenue



Audit Findings

5.2.13 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 19 March 2009. Subsequently, audit findings were reported to the State Government in August 2009 and discussed in an 'exit conference' held on 25 August 2009, which was attended by Commissioner and Secretary, Transport Department, Government of Tripura along with Joint Secretary and the Managing Director, Chief Accounts Officer and Deputy Managing Director of the Corporation. The Corporation/ Government had not replied to audit findings (October 2009) separately. The views expressed by them in the exit conference have been considered while finalising this review. The audit findings are discussed below.

Operational Performance

5.2.14 The operational performance of the Corporation for the five years ending 2008-09 is given in the **Appendix–5.5**. 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 and recover the cost of operations. 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

5.2.15 The transport policy of the State Government seeks to achieve adequate passenger services in the remote and trouble prone areas of the State through the Corporation. In order to meet its social obligation to provide transportation facilities to people in interior places of the State, the Government declared the Corporation as a public utility service.

5.2.16 Neither the State Government nor the Corporation assessed the annual bus passenger traffic in the State during the period under review. However, the State Government assessed the daily bus passenger traffic in June 2009 as 4.17 lakh.

5.2.17 The table below depicts the growth of public transport in the State.

Table No. 5.2.3

S.No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporation's buses	98	98	92	105	81
2.	Private stage carriages (3-1)	1,589	1,715	1,887	1,874	1,898
3.	Total buses for public transport	1,687	1,813	1,979	1,979[16]	1,979[16]
4.	Percentage share of Corporation	5.81	5.41	4.65	5.31	4.09
5.	Percentage share of private operators	94.19	94.59	95.35	94.69	95.91
6.	Estimated population (in lakh)	32	32	33	33	34
7.	Total bus density *per* one lakh population	53	57	60	60	58
8.	Corporation's bus density *per* one lakh population	3.1	3.1	2.8	3.2	2.4

5.2.18 The Corporation, however, has not been able to keep pace with the growing demand for public transport. This was attributable to its inability to keep pace in terms of number of buses and effective KMs operated. The effective *per* capita KM operated *per* year is given below.

Table No. 5.2.4

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated by the Corporation's buses (in lakh)	28.00	25.01	20.64	25.00	23.11
Estimated Population (in lakh)	32	32	33	33	34
Per Capita KM *per* year	0.88	0.78	0.63	0.76	0.68

5.2.19 The above Table shows the decline in service by the Corporation. The decline in 2006-07 was mainly due to cancellation of trips.

5.2.20 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's marginal share in transport was mainly due to operational inefficiencies as described later.

[16] In the absence of availability of data for 2007-08 and 2008-09, total buses in 2006-07 has been taken for the purpose of comparison.

Efficiency and Economy in bus operations

Fleet strength and its utilisation

Fleet Strength and its Age Profile

5.2.21 The Corporation has its own fleet of buses, the position of which is explained at Table No. 5.2.5.

5.2.22 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) that the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The Corporation has, however, fixed norm of ten years or three lakh kilometers. The table below shows the age profile of the buses held by the Corporation for the period of five years ending 2008-09.

Table No. 5.2.5

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of buses at the beginning of the year	104	98	98	92	105
2	Additions during the year	5	-	3	13	2
3	Buses scrapped during the year	11	-	9[17]	-	26
4	Buses held at the end of the year (1+2-3)	98	98	92	105	81
5	Of (4), No. of buses more than 8 years old	47	57	67	67	41
6	Percentage of overage buses to total buses	48	58	73	64	51

As on 31 March 2009, the Corporation had 51 *per cent* buses more than eight years old.

5.2.23 The State Government suggested (August 2009) that the Corporation may reconcile its' norms with those of ASRTU. The Corporation's norms for scrapping of vehicles, however, matched those laid down by the Government.

5.2.24 The above table shows that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 23 new buses at a cost of Rs. 3.23 crore. The expenditure was funded through financial assistance (2004-08) of Rs. 3.10 crore from the State Government and the balance of Rs. 13 lakh from own sources. To achieve the norm of right age buses, the Corporation was required to buy 41 new buses additionally which would have cost it Rs. 5.78 crore approximately. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. It incurred loss of Rs. 54.86 crore before charging of interest on capital and loans from Government as well as depreciation during 2004-09. 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. The State Government stated (August 2009) that the Corporation was already availing the Government's assistance to replace vehicle fleet.

[17] Includes eight underage buses.

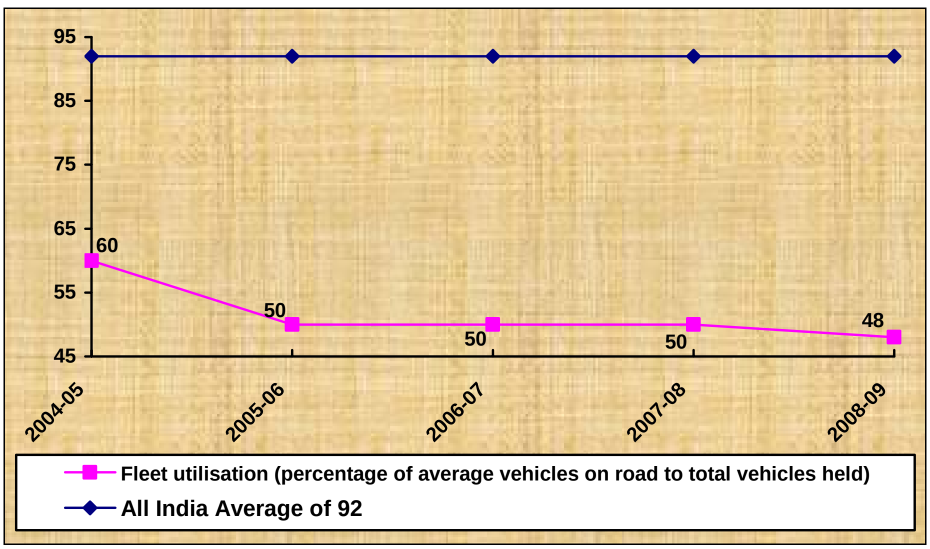
5.2.25 The overage fleet requires high maintenance and results in extra cost and lower availability of vehicles compared to right age fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis. The Corporation had not maintained records/ data bus-wise to quantify the expenditure on overage vehicles *vis-à-vis* right age vehicles.

Fleet Utilisation

5.2.26 Fleet utilisation represents the ratio of buses on road to those held by the Corporation. The Corporation had not set targets for fleet utilisation in 2004-07, while the targets were 52 and 55 *per cent* in 2007-08 and 2008-09 respectively. The fleet utilisation of the Corporation fell from 60 *per cent* in 2004-05 to 48 *per cent* in 2008-09 as compared to the All India average[18] of 92 *per cent*, as indicated in the graph given below.

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)

Chart No. 5.2.3



During 2008-09, the fleet utilisation of the Corporation was 48 *per* cent against the all India average of 92 *per cent* during the review period.

5.2.27 There was a sudden drop in the fleet utilisation in 2005-06 due to cancellation of scheduled trips and availability of fewer vehicles on road.

5.2.28 The main reasons which contributed to low fleet utilisation, as analysed in Audit, were:

- Overage fleet with more than half the fleet being above eight years old (Paragraph 5.2.22);

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

- Frequent breakdown on account of inadequate servicing/ maintenance leading to average breakdown of 1.10 to 1.70 per 10,000 effective Kms during 2004-08 as compared to all India average of 0.26 (Paragraph 5.2.45); and
- Non-availability of spares leading to delays of a fortnight to almost three years in repairs of buses (Paragraph 5.2.48).

5.2.29 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. No tangible measures to improve fleet utilisation were noticed in Audit. The Corporation stated (August 2009) that measures had been taken subsequently to improve fleet utilisation and in August 2009, 55 out of 81 buses were on road.

Vehicle productivity

5.2.30 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.

Table No. 5.2.6

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (Kms run *per* day *per* bus on road)					
	- Target	144	144	144	144[19]	161
	- Actual	125.76	139.84	117.81	136.61	140.70
2.	Overage fleet (percentage)	48	58	73	64	51

5.2.31 Compared to the all-India average of 313 Km per day, the vehicle productivity decreased from 125.76 (2004-05) to 117.81 (2006-07), which increased to 140.70 Km (2008-09) during review period. The Corporation failed even to achieve the targets fixed by it, mainly on account of high percentage of overage buses as discussed in paragraph 5.2.22 and restriction on passenger services in the State from 6 PM to 6 AM due to insurgency problem. The improvement in 2007-08 was attributable to fall in number of breakdown from 350 in 2006-07 to 274 in 2007-08 and decrease in overage buses in 2008-09. The State Government concurred (August 2009) with the need to raise targets.

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

Capacity Utilisation

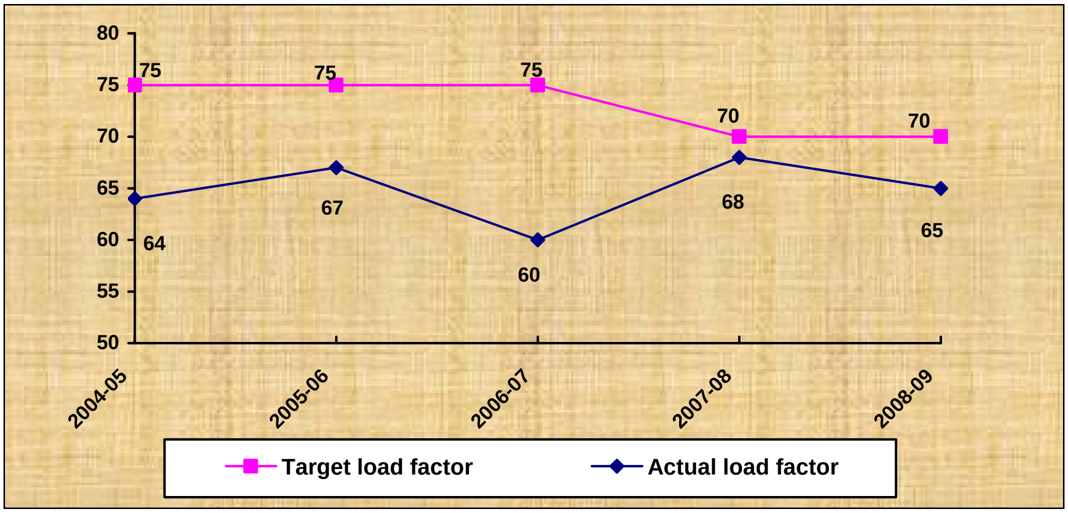
Load Factor

5.2.32 Capacity utilisation of a transport undertaking is measured in terms of load factor, which represents the percentage of passengers carried to seating capacity. The

[19] In the absence of availability of targeted vehicle productivity for 2007-08, the targets of 2006-07 have been taken for comparison purpose.

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 varied from 60 *per cent* (2006-07) to 68 *per cent* (2007-08) against the All India average of 63 *per cent* and Corporation's target of 70 to 75 *per cent*. A graph depicting the load factor *vis-à-vis* targets is given below.

Chart No. 5.2.4



5.2.33 Route analysis for the year 2008-09 of City Bus Depot, Dharmanagar Depot and Battala bus station revealed that nine out of 22 routes were below the all India average. In absence of records for previous years, Audit could not analyse the trend over the period in review to ascertain whether the position had improved/ deteriorated.

5.2.34 The State Government agreed (August 2009) that the Corporation needed to assess the reasons for losses despite high load factor.

Route Planning

5.2.35 Appropriate route planning to tap demand leads to higher load factor. There is no system of route surveys/ studies by either the State Government or the Corporation. Both the State Government and the Corporation had neither evaluated route profitability nor assessed passenger traffic along different routes.

5.2.36 The Corporation had envisaged operation of 30 routes during 2004-08 and 36 in 2008-09 against which only 27 and 32 respectively were actually operated. However, none of the routes operated by the Corporation was able to recover the total cost. Further, against 32 routes operated in 2008-09, only 14 routes (44 *per cent*) could recover the variable cost.

5.2.37 Though some of the routes may appear unprofitable now, these may become profitable once the Corporation improves its efficiency. However, there would still be some uneconomical routes. Given the social obligation to serve uneconomical routes, the Corporation should decide 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. The Government assured (August 2009) to revitalise the role of Planning and Development cell of the Transport Department.

5.2.38 Since the records indicating each route analysis were not available, the reasons for unprofitable routes could not be identified. However, route analysis by Audit of 15 routes for the year 2008-09, revealed that though all the routes were not making profit, only one route *viz.*, Agartala – Guwahati was meeting variable cost. In view of this, the Corporation's claim that in 2008-09, 14 out of 32 routes were meeting variable cost could not be vouchsafed in Audit. The Management attributed (November 2008) the reasons for uneconomical routes to cheap fares for the poor and services in far flung remote tribal areas. Further, the losses from October 2008 were due to cancellation of trips for want of passengers because of introduction of train services on National Highway, which connects the State to other parts of the country. The Board decided (June 2009) to induct new small buses on uneconomic routes to improve load factor and fuel efficiency.

Cancellation of Scheduled Kilometres

5.2.39 A review of the bus 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, want of passengers, late arrivals etc.

5.2.40 The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres for bus operations are furnished in the table below.

Table No. 5.2.7

(KMs in lakh)

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled kilometres	33.93	33.93	33.93	33.93	36.44
2.	Effective kilometres	28.00	25.01	20.64	25.00	23.11
3.	Kilometres cancelled	5.93	8.92	13.29	8.93	13.33
4.	Percentage of cancellation	17.48	26.29	39.17	26.32	36.58

5.2.41 The above table depicts a significant increase in the percentage of cancellation of scheduled kilometres during the review period. The Management did not made any attempt to analyse the reasons for cancellations of scheduled kilometres. However, the cause-wise analysis made in Audit for 12 months[20] was as follows:

[20] April to June 2004, July and August 2005, September and October 2006, November and December 2007, July 2008, and February and March 2009 for City Bus Depot, Battala bus station and Dharmanagar Depot.

Table No. 5.2.8

(In KMs)

Sl. No.	Period covered	April – June 2004	July – August 2005	September – October 2006	November – December 2007	July 2008, February – March 2009
1.	Kilometres cancelled	1,42,966	1,01,068	1,49,255	1,25,177	1,58,066
2.	Want of buses	66,316	62,668	91,952	1,10,416	71,012
3.	Want of crew	2,338	Nil	1,130	268	380
4.	Others	74,312	38,400	56,173	14,493	86,674
5.	Avoidable cancellation (want of buses and crew)	68,654	62,668	93,082	1,10,684	71,392

5.2.42 Analysis in Audit of the causes for cancellation in 12 months during the period under review showed that want of buses (88.21 *per cent* in November – December 2007) had been the major reason for cancellation. Cancellation of scheduled Kms for want of buses and crew were *prima facie* controllable. The Corporation stated (August 2009) to furnish revised reduced figures for scheduled kilometres for all years, which was still awaited (September 2009).

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

5.2.43 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 schedules of maintenance have been prescribed by the Original Equipment Manufacturers (OEMs) according to the model and engine type. A couple of major items of preventive maintenance are indicated below.

Table No. 5.2.9

Sl.No.	Particulars	Schedule
1.	**Engine Oil change**	
1 (a)	Tata make	Every 9,000 KMs
1 (b)	Leyland make	Every 10,000 KMs
2.	**Brake Inspection**	
2 (a)	Tata make	Every 18,000 KMs
2 (b)	Leyland make	Every 24,000 KMs

The Corporation had not chalked out schedule for preventive maintenance of fleet.

5.2.44 The Corporation had not chalked out a schedule for preventive maintenance. Further, the vehicle log books contained no details of Kms run before maintenance works like engine oil change, brake inspection *etc.* were undertaken. Hence, Audit could not analyse the compliance with OEMs' preventive maintenance schedule. Due to incomplete records maintenance, the Management control over maintenance works was ineffective. This may have contributed to decrease in fleet utilisation as discussed in paragraph 5.2.26.

5.2.45 Although the number of breakdown reduced from 376 in 2004-05 to 274 in 2007-08, the rate of breakdown per 10,000 effective Km during review period ranged from 1.34 to 1.10, which was above the all India average of 0.26. Audit observed that these breakdowns were mainly due to failure of engine, brakes, transmission suspension systems *etc.* which could have been minimised had proper preventive maintenance been carried out.

Repairs and Maintenance

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

Table No. 5.2.10

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Average number of vehicles held during the year (buses + trucks) (No.)	125	118	115	119	113
2.	R&M Expenses (Rs. in lakh)	54	56	58	76	83
3.	R&M Expenses per vehicle (Rs. in lakh) (2/1)	0.43	0.47	0.50	0.64	0.73

5.2.47 R&M expenses had shown an increasing trend over the period. The Corporation did not maintain bus-wise R & M expenditure data. So, Audit could not analyse the trend of expenditure on repairs of buses.

5.2.48 Audit noticed that between November 2005 and January 2008, there were delays of a fortnight to almost three years in repair of buses at Central Workshop on 19 occasions for want of spares. The Corporation attributed (July 2009) delays in repairing of buses to shortage of skilled staff. It also ascribed (August 2009) the rising expenditure to the need to send all Leyland-make buses and even some Tata-make buses to Guwahati for major repairs while assuring to undertake scientific analysis of stores and spares to avoid delays in repair.

5.2.49 The operation of buses on inter-state routes under the Corporation's banner entails no expenditure by the Corporation on repairs and maintenance. In view of this, the Corporation may consider permitting private operators to operate under the Corporation's banner on other approved routes (besides inter-state routes) against payment of appropriate consideration. This will not only help the Corporation to bring in more revenue without incurring additional expenditure but also provide additional services to the commuters of the State. This is discussed in detail under paragraph 5.2.64 and 5.2.65.

Docking of vehicles for fitness Certificates

5.2.50 The buses are required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules, 1989. It was observed that the Corporation does not send its vehicles for fitness re-certification and thus operates the buses without RTO's clearance. This is not only in violation of the rules but also enhances the risk of endangering the safety and lives of the commuters.

Manpower Cost

5.2.51 The cost structure of the Corporation shows that manpower and fuel constitute 64 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 22 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

5.2.52 Manpower is an important element of cost which constituted 49 *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 Corporation does not maintain separate records of manpower associated exclusively with the bus fleet. The table below provides the details of manpower (associated with the bus and truck fleet collectively), its cost and manpower per vehicle during the five years ended 2008-09.

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)

Table No. 5.2.11

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	790	758	720	700	679
2.	Manpower Cost (Rs. in crore)	9.60	10.13	10.30	11.00	11.50
3.	Average number of vehicles held during the year (buses + trucks) (No.)	125	118	115	119	113
4.	Manpower *per* vehicle	6.32	6.42	6.26	5.88	6.01

5.2.53 The manpower per vehicle remained more than six during the review period except in 2007-08. Due to high fleet holding in 2007-08, the vehicle staff ratio remained less in that year. However, it remained above North West Karnataka State Road Transport, which was the best performer in 2006-07 with 4.89 manpower *per* bus. Though the best performer relates only to bus operations, there is a scope of improvement in the Corporation in this regard. The Corporation stated (August 2009) to furnish revised manpower cost for 2008-09, which was still awaited (September 2009).

5.2.54 In September 2004, the Council of Ministers approved the proposal for a Voluntary Retirement Scheme (VRS) for restructuring the Corporation. Instead of working out the modalities of VRS, the Board decided (September 2006) to appoint 42 fixed pay drivers on regular scale from April 2007 who were working for the Corporation since June 1999. The additional expenditure on this account was Rs. 12 lakh per annum.

5.2.55 The State Government agreed (August 2009) that the Corporation would need to analyse its manpower per bus under the categories of traffic, maintenance and administrative staff with all India average in the same categories.

Fuel Cost

5.2.56 Fuel is a major cost element which constituted 15.77 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre i.e. KMPL), all India average and estimated extra expenditure in respect of bus operations.

Table No. 5.2.12

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	28.30	25.25	20.84	25.35	23.64
2.	Target of KMPL fixed by Corporation	3.65	3.65	3.65	3.65	3.65
3.	Kilometre obtained per litre (KMPL)	3.60	3.62	3.63	3.50	3.50
4.	All India average in the category[21]	3.69	3.69	3.69	3.69	3.69
5.	Actual consumption (in lakh litres)	7.86	6.98	5.74	7.24	6.75
6.	Consumption as per all India average (in lakh litres) (1/4)	7.67	6.84	5.65	6.87	6.41
7.	Excess consumption (in lakh litres) (5-6)	0.19	0.14	0.09	0.37	0.34
8.	Average cost per litre (in Rs.)	20.81	26.66	30.37	33.68	31.73
9.	Extra expenditure (Rs. in lakh) (7X8)	3.95	3.73	2.73	12.46	10.79

The mileage obtained by the Corporation's buses was less than all India average resulting in extra expenditure of Rs.33.66 lakh.

5.2.57 It can be seen from the above table that the mileage obtained *per* litre had marginally improved and then declined in 2007-08 and 2008-09. However, the mileage was below the all India average as well as targets fixed by the Corporation. This was despite adding nine mini buses in 2006-09. The Corporation consumed 1.13 lakh litres of fuel in excess as compared to all India average during 2004-09 resulting in extra expenditure of Rs. 33.66 lakh. The reasons identified for such losses were mainly due to overage of the fleet and operation on hilly routes.

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)

5.2.58 The Corporation did not prepare any petrol, oil and lubricants (POL) statements for all the years under review. There was no mechanism in place to prepare and monitor vehicle-wise or driver-wise data for consumption of fuel so as to exercise effective management control. Further, the Corporation had not prescribed for ideal driving speed/ norms so as to enhance fuel economy.

5.2.59 The Government agreed (August 2009) the need to set out route-wise mileage norms for buses.

21 All India average is for 2006-07, which has been taken for the purpose of comparison for the period under review.

5.2.60 The Corporation operates two fuel pumps at City Bus Depot, Agartala and Dharmanagar Depot for issue of HSD to its' buses. The quantity of HSD received in bulk through tankers is to be entered in the stock register and issued only against properly authorised issue slips which are also to be entered in the issue and stock registers. The stock register is to be closed daily. Periodic verification of the stock register, stock receipts and counterfoils of issue slips and reconciliation of book and physical stock is imperative to obviate the possibility of pilferage. It was noticed in Audit that stock registers were not verified monthly or even annually. In absence of physical verification, there were frequent variations in opening and closing balances without proper authentication. Actual quantity of HSD issued could not be verified due to non-production of counterfoils of issue slips. Moreover, the readings shown by auto meter for issue of oil during the period from 4 July 2007 to 31 March 2008 were also not recorded.

5.2.61 Scrutiny of HSD stock registers made available to Audit for fuel pumps at Agartala (4 July 2007 to 31 October 2008) and Dharmanagar (18 November 2004 to 22 July 2007) revealed the shortage of 0.08 lakh litres and 0.01 lakh litres respectively as shown below, valued at Rs. 2.51[22] lakh, which had not yet been recovered from the concerned officials.

Table No. 5.2.13

(In lakh litres)

S.No.	Description	Agartala	Dharmanagar
1.	Opening Balance	0.24	0.06
2.	Receipts	6.66	2.76
3.	Total	6.90	2.82
4.	Issues	6.77	2.73
5.	Closing Balance (3 - 4)	0.13	0.09
6.	Closing Balance (as per Stock Register)	0.05	0.08
7.	Shortage	0.08	0.01

5.2.62 An internal Audit team of the Corporation found shortage of 16,774 litres of diesel valuing Rs.5.27[23] lakh in Agartala. Similarly, at Dharmanagar, an internal Audit team found (June 2008) shortage of 1,054 litres of diesel valuing Rs. 33,096. This indicated that the Management was aware that the requisite controls had been rendered ineffective but no action was taken.

5.2.63 The Managing Director ordered (June 2009) to initiate departmental proceeding against the concerned officials, which was still pending. The Government assured (August 2009) to expedite the inquiry and fix responsibility. However, the State Government/ Corporation need to take steps so as to devise a suitable mechanism to plug fuel pilferage.

Operation of Private buses under Corporation's banner

5.2.64 The Corporation started (January 2005) issuing 'no objection certificates' (NOC) to private bus operators for obtaining inter state route permits from the State

[22] At the average cost of Rs. 27.88 per litre for 2004-08.
[23] At the rate of Rs. 31.40 per litre.

Transport Authority in consideration of payment for every kilometre run on the approved route. NOCs were issued to the private bus owners for a period of three months. The owners of these buses were required to operate under the Corporation's banner, provide buses with drivers, conductors as well as cleaners and to incur all expenditure on their operation. The Corporation's involvement is limited to receiving rupee one, Re. 1.25 and Re. 1.35 per KM of route length for mini buses (32 seats), ordinary buses (52 seats) and deluxe buses respectively, irrespective of the private operators' earnings or expenditure.

5.2.65 From January 2005 to March 2009, the Corporation earned a net income of Rs. 1.01 crore from the operation of such buses. Analysis in Audit of the Agartala – Guwahati route for 2008-09 indicated that the Corporation earned Rs. 546[24] per trip after meeting all variable expenses on operations of its own buses while it received Rs. 1,620[25] per trip from buses run under the Corporation's banner. This substantiated the proposition that buses operating under the Corporation's banner are more profitable than own fleet without any additional investment. The Corporation may explore the possibility of operating intra-state and city routes in addition to inter-state routes under the Corporation's banner in consideration of payment for each kilometer run along pre-approved routes, subject to a minimum consideration every week or month.

Body Building

5.2.66 The Corporation does not have its own body building unit. Only six buses were fabricated at a total cost of Rs. 27.59 lakh in 2004-05 (five) and 2007-08 (one) through outsourcing. All other 17 buses procured during 2005-09 were ready built buses and as such no body building cost was incurred by the Corporation on them.

Financial Management

5.2.67 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 paragraph 5.2.24. 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

5.2.68 The Corporation gives its buses on hire for which parties were required to pay the charges at prescribed rates *per* trip basis. The charges applicable would depend on distance and time to and from the location and levied at the rates mentioned in the applicable tariff orders. The Corporation bills charges after completion of trips and does not charge any advance. The charges due were not promptly recovered from the

[24] After deducting assessed fuel cost, lubricant cost, tyre cost, stores/ spares and other variable costs from average earnings.

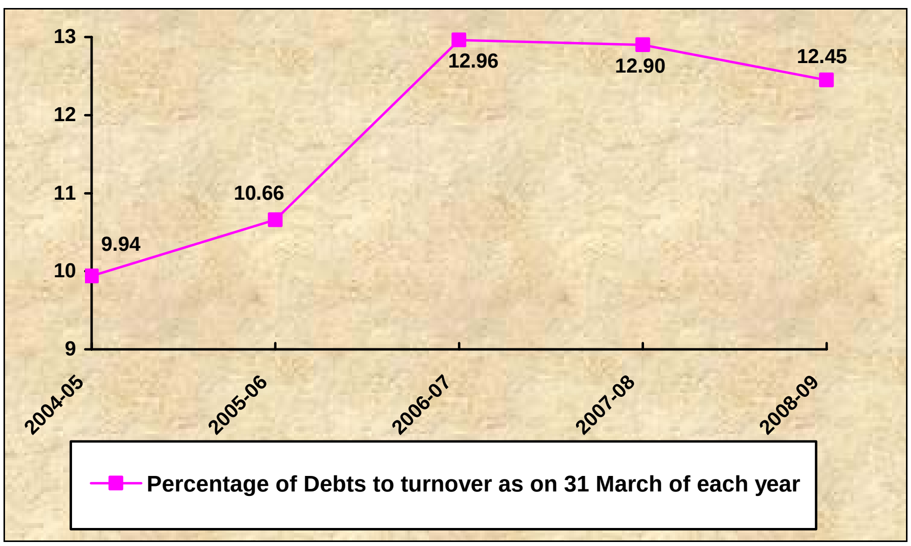
[25] At the rate of Re. 1.35 per KM of route length of 1,200 KM per round trip from Agartala to Guwahati and back.

parties. An amount of Rs. 60.89 lakh was due as on 31 March 2009 from various parties out of which Rs. 55.52 lakh was due from Government Departments. An amount of Rs. 19.85 lakh was pending for more than five years, which indicates ineffective follow up action.

5.2.69 Further, the Corporation provides free/ concessional passes to various categories of public like students, senior citizens, physically handicapped persons etc. During 2004-05 to 2008-09, the Corporation incurred Rs.18.50 lakh on such facilities in pursuit of Government policy. It was observed in Audit that the Corporation did not maintain records detailing concession provided category-wise and hence did not claim the amount from the Government. The Government stated (August 2009) that reimbursement was not feasible since these concessional fares were not quantifiable in the absence of an assessable system of passes, as is in use in other State Transport Corporations.

5.2.70 Analysis in Audit of the debts outstanding as a percentage of turnover for the five years ending March 2009, is depicted in the graph below. However, the age-wise analysis of outstanding debts for all five years was not available.

Chart No. 5.2.5



The percentage of debts outstanding to the turnover has increased from 9.94 *per cent* in 2004-05 to 12.45 *per cent* in 2008-09.

5.2.71 From the above, it can be seen that outstanding dues continuously increased over 2004-07 as compared to turnover and decreased marginally in 2007-08 and 2008-09, indicating that the Corporation had not taken regular follow up action to recover its dues.

Realignment of business model

5.2.72 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 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. The share of non-traffic revenues (other than interest on investments) was 21.90 *per cent* of total revenue during 2004-09. This revenue of Rs.5.40 crore during 2004-09 mainly came from goods transport service, railways ticketing service and airlines ticketing service.

5.2.73 Over a period of time, the Corporation has come to acquire sites at prime locations in towns, district and tehsil headquarters. The Corporation generally uses the ground floor/land for its operations, leaving ample scope to construct and utilise spaces above. Audit observed that the Corporation has owned lands at important locations measuring 98,301 square metres (sq.m) as shown below.

Table No. 5.2.14

Particulars	Town	District HQrs.	Tehsil HQrs.	Total
Number of sites	4	3	6	13
Occupied Land (sq.m.)	50,532	22,793	24,976	98,301

5.2.74 It was observed that out of 98,301 sq.m of land available with the Corporation, it had utilised only 13,721 sq.m. 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.

5.2.75 Under a Memorandum of Understanding (April 2006) with the Dhalai Zilla Parishad (ZP), the Corporation handed over 14,377.50 square metres of land at Ambassa to the ZP for developing an integrated motor stand. The net revenue was to be shared by the Corporation with the ZP. Even after lapse of three years, the Corporation had neither ascertained the extent of development nor followed up for realisation of income, indicating a casual approach. Further, though the Board had directed (May 2008) preparation of an action plan for best utilisation of land/property, the Corporation had not prepared any plans. Since substantial non-traffic revenue will help the Corporation cross-subsidise its operations and fulfil its mandate effectively, the Corporation may like to study realigning its business model and frame a policy in this regard. The Government assured (August 2009) to re-examine the MOU and re-work revenue sharing as an appropriate percentage of gross earnings instead of net earnings to preclude possibility of cost inflation by operators.

5.2.76 The Corporation also acts as ticket booking agent for Railways and Airlines on commission basis. As per agreement with the railways, which was in effect till December 2006, the Corporation was paid commission at four *per cent* on aggregate sale proceeds of tickets. However, as per the policy of the Railway Board, in the fresh agreement entered from January 2007, the commission was reduced to two *per cent*. It was observed that during 2004-05 and 2005-06, the Corporation earned net revenue of Rs. 10.59 lakh after deducting salaries and service tax from commission. However, after revision, it incurred a loss of Rs. 16.76 lakh by operating the railway reservation counter. The Corporation may consider taking up the matter with Railway Board to enhance the commission appropriately so that losses on that account can be avoided.

5.2.77 The Corporation has not explored the possibility of utilising the exteriors and interiors of the buses and the exterior of its' premises for advertisements to earn revenue from advertisers.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

5.2.78 For all road transport operators including the Corporation, the State Government fixes fares within Tripura under sub-section (1) of Section 67 of Motor Vehicles Act, 1988. The policy is to revise fares *pro rata* on cost of inputs mainly fuel at 80 *per cent*, passenger load factor for a 47 seat capacity bus, fuel efficiency of 3.1 KMPL and with 20 *per cent* loading as operators' profit. The Government fixes the fares for ordinary buses on per kilometre per passenger basis considering the above factors, which rose from 32 paise in 2004-05 to 35.05 paise in 2008-09. Therefore, the normative costs of the Corporation find no place in the fixation of fares. Audit observed that with the same fare for all bus operators (including private operators), the Corporation could have curtailed cost and increased revenue with better operational efficiency. Audit further worked out that the loss of revenue due to less vehicle productivity and excess cost due to extra fuel consumption as compared to all India average during 2004-09 was as given in the table below.

Table No. 5.2.15

(In Rupees)

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Loss of revenue due to less vehicle productivity (per KM)	18.55	19.04	23.58	19.83	31.50
2.	Excess cost due to excess consumption of fuel (per KM)	0.14	0.14	0.13	0.49	0.46

5.2.79 The Corporation stated (August 2009) that since it played a marginal role in the public transport system, it had never approached the Government for increase in fares.

5.2.80 The Government stated (August 2009) that the fare policy with presumptive load factor was a simplified explanation. In actual practice, the fares were based on estimated daily fixed and variable costs for a bus with seating capacity of 52 passengers and daily vehicle productivity of 100 KM.

5.2.81 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 Tripura Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Adequacy of services on uneconomical routes

5.2.82 The Corporation had no profit making routes as of March 2009 as discussed in paragraph 5.2.36. 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.

Monitoring by top management

MIS data and monitoring of service parameters

5.2.83 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 status in respect of the Corporation in this regard is given below.

- Though the targets were set for important operational parameters, the basis for fixation of the same were not available on record. Further, the physical and financial operational milestones achieved were not periodically put up to the Board of Directors for consideration and discussion.

- Though monthly returns are prescribed for various operational parameters, these were not analysed, reviewed, compiled or safely housed.

Most of the posts in the top Management had been vacant during the review period.

- The Corporation is managed by a part time Managing Director (MD), a Deputy Managing Director (Administration) and a Chief Accounts Officer. It was observed in Audit that most of the posts in the top management were vacant. During the last six years, the Government appointed nine MDs for terms ranging from 13 days to two years. Further, all the MDs were holding additional charge of the Corporation besides their regular assignments. The Government agreed (August 2009) that senior level vacancies needed to be filled up for better performance.

- Under the Road Transport Corporations Act, 1950, a Board meeting shall be held every three months. Against the requirement of 20 Board meetings during the period under review, only 11 Board meetings were held after delays of nine days to six months from their due dates.

5.2.84 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 capability was not seen either from records or performance of the Corporation during period under review.

Conclusion

Operational performance

- The Corporation could not keep pace with the growing demand for public transport as its share declined from 5.81 *per cent* in 2004-05 to 4.09 *per cent* in 2008-09.
- In the absence of separate records for the various components of costs relating to bus operations, Audit could not analyse the recovery of the same with reference to traffic revenue from the bus operations.
- The Corporation was not running its operations efficiently as its performance on important operational parameters like fleet utilisation and vehicle productivity was below all India average.
- In the absence of maintenance of proper records, Audit could not ensure compliance to preventive maintenance schedule prescribed by OEMs. This may have affected the roadworthiness of its buses.
- The Corporation did not ensure economy in operations as its fuel cost was higher than the all India average.

Financial management

- The Corporation did not demonstrate utmost discipline in raising its claims for dues in time and follow up recovery of dues to logical end leading to increase in percentage of debtors to the turnover from 9.94 in 2004-05 to 12.45 in 2008-09.
- The Corporation did not have any policy for tapping non-conventional sources of revenue by undertaking PPP projects on vacant land though it could have brought in steady stream of revenue**.**

Fare policy and fulfillment of social obligations

- Though the State Government fixes fare on the basis of input costs, the same is not on scientific basis.
- 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 top level management posts are either vacant or filled by holding additional charge besides their regular duties leading to ineffective control.
- The requisite number of Board of Directors meetings as per the Road Transport Corporations Act 1950 were not held during the review period.

On the whole, there is immense scope to improve the performance of the Corporation. However, the present set-up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

Recommendations

Operational performance

- The Corporation may take effective steps to increase vehicle productivity.
- The Corporation may prepare schedules for preventive maintenance and ensure adherence to the same so as to increase the efficiency on that account.
- The Corporation may take immediate steps to reduce its manpower by implementing a suitable voluntary retirement scheme as envisioned by the Council of Ministers in September 2004.
- The Corporation should maintain separate records for the various components of costs relating to bus operations for control purposes.

Financial performance

- 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.
- The Government/ Corporation may ensure that the books of accounts are properly maintained and accounts are compiled in time.

Fare policy and fulfillment of social obligations

- The Government may consider creating a regulator to regulate the fares on the basis of a normative cost, specify operations on uneconomical routes and address the grievances of commuters.

Monitoring by top management

- Government may consider filling up the vacant post in top management by appointing regular incumbents.
- Management may also ensure regular monitoring of important operational parameters to take remedial measures and adequately follow up the same to achieve desired objectives.

SECTION- B
AUDIT OF TRANSACTIONS

INDUSTRIES AND COMMERCE DEPARTMENT
(Tripura Industrial Development Corporation Limited)

5.3 Loss of revenue

Granting additional term loans to known defaulters and failure to take timely action to recover dues from defaulting loanees including non invocation of securities, led to loss of revenue of Rs. 2.08 crore in two cases.

Tripura Industrial Development Corporation Limited (Company), allows One Time Settlement (OTS) of outstanding loans to defaulting units on payment of a lump sum amount in full settlement of their outstanding dues. The Company does not have guidelines nor has framed any modalities for allowing OTS, decisions are taken on case to case basis.

During 2008-09, the Company allowed OTS to 15 loanees to whom Rs. 38.18 lakh was disbursed during 1988 to 2004 and Rs. 3.47 crore[26] was outstanding against them as on 31 March 2008, on payment of Rs. 51.90 lakh, allowing a waiver of Rs. 2.95 crore. Two cases of OTS noticed in audit are discussed under:

(a) Nirmala Hotel-cum-restaurant at Kailashahar was sanctioned (October 1990) a term loan of Rs. 11 lakh for construction of the hotel-cum-restaurant, which was disbursed in 7 installments between May 1991 and July 1993. The loan was repayable in 14 half yearly equal installments from the date of disbursement, with one year moratorium. Interest at 12.5 *per cent* per annum was payable at the end of every quarter and penal interest at 3 *per cent* per annum was to be charged on all overdue installments of principal and interest. In addition to primary securities, the Company has also taken collateral security of land valued in 1990 as Rs. 11.53 lakh.

Further, despite irregular repayments, an additional term loan of Rs. 3.85 lakh was sanctioned (August 1994). Of which, Rs. 3.30 lakh was disbursed in four installments between December 1994 and September 1995.

The repayment of dues continued to be irregular and despite serving customary notices, no action was taken to either invoke primary or collateral security. Upto March 2006, the loanee had paid only Rs. 11.05 lakh (Principal: Rs. 2.50 lakh + Interest: Rs.8.55 lakh) against outstanding of Rs. 98.26 lakh[27]. No further repayments were made thereafter and in June 2007, the loanee proposed for One Time Settlement (OTS), of Rs. 12 lakh (Principal: Rs.11.80 lakh + Interest: Rs. 0.20 lakh) payable

[26] Principal: Rs.0.38 crore, Interest: Rs. 2.80 crore and Penal interest: Rs 0.29 crore.
[27] (Principal: Rs.11.80 lakh + Interest: Rs. 72.72 lakh + Penal Interest: Rs. 13.74 lakh).

within 4 years against Rs. 1.17 crore[28] outstanding as on 31 March 2007, which was not accepted by the Company. Only then did the Company issue on 23 June 2008, a notice under Section 30 of the State Financial Corporation Act, 1951, demanding payment of Rs. 1.39 crore[29] due as on 31 March 2008, to which the loanee did not respond. The Company then issued notice to the loanee under Section 29 of the Act, *ibid*, on 7 January 2009 for taking over possession of the hotel on 21 January 2009. The loanee proposed (12 January 2009) to pay Rs. 25 lakh as OTS, against Rs. 1.39 crore due as on 31 March 2008. The Company had not assessed the current value of the property[30] despite apprehending (July 2007) that the value of the land would be much more than at the time of disbursement of the loan. The Board of Directors (BOD) of the Company in its meeting held on 3 February 2009 accepted the proposal, allowing waiver of Rs. 114.41 lakh. This resulted in loss of revenue of Rs. 93.75 lakh[31].

The Government stated (October 2009) that as the project was incomplete due to cost overrun, additional loan was released to safeguard the original loan. The substantial outstanding was only a book figure arising from compounding of interest and penal interest over 17 years with little co-relation to the repaying capacity of the borrower.

The reply does not address the fact that Management's failure to take timely action at the first instance of default would have prevented this accumulation of dues.

(b) The Company sanctioned (July 1989) a term loan of Rs. 5.70 lakh and an additional term loan of Rs. 1.65 lakh (August 1990) to C.K. Industries, Agartala, a Nuts and Bolts manufacturing unit, to be repaid within a period of eight years in 14 half yearly installments of equal amounts. Though the loanee did not repay at all, an additional term loan of Rs. 0.85 lakh was sanctioned (June 1992) which was to be repaid in 84 monthly installments within a period of eight years. The loan carried interest at 12.50 *per cent* per annum for Rs. 7.35 lakh (Rs. 5.70 lakh and Rs. 1.65 lakh) and at 15 *per cent* per annum for Rs. 0.85 lakh. Though the loan was disbursed subject to hypothecation of the assets created, the Company had failed to obtain the mortgage deed.

The unit was in operation from January 1992 to July 1993 and thereafter remained closed, as it could not arrange working capital from commercial banks. Though the loanee had only paid interest of Rs. 788 till January 1990, no recovery suit / certificate case was filed by the Company.

The loanee proposed (December 2005) to pay the principal (Rs. 8.20 lakh) only in five years as OTS against Rs. 76.56 lakh outstanding as on 31 March 2005 (Principal: Rs. 8.20 lakh and Interest: Rs. 68.36 lakh), which was not accepted by the BOD in its 125th Meeting (held on 4 May 2006) and the case was referred (15 May 2006) to the

[28] Principal: Rs. 11.80 lakh + Interest: Rs. 88.31 lakh + Penal interest: Rs. 16.89 lakh.
[29] Principal: Rs. 11.80 lakh + Interest: Rs. 106.97 lakh + Penal interest: Rs. 20.66 lakh.
[30] Value of the land assessed in October 1990 at Rs. 11.53 lakh, hotel building and other fixed assets estimated in April 1994 at Rs. 17.50 lakh.
[31] Rs.114.41 lakh *minus* penal interest of Rs. 20.66 lakh.

Tripura Public Demand Recovery Court for recovery. Pending decision of the Court, the loanee again proposed (November 2008) to pay the principal (Rs. 8.20 lakh) only as OTS, against Rs. 1.23 crore outstanding as on 31 March 2008 (Principal: Rs. 8.20 lakh and Interest: Rs. 114.45 lakh). In the absence of any guidelines, the BOD in its 141st Meeting (held on 12 December 2008) accepted the alike proposal, which it had rejected in May 2006, allowing waiver of interest of Rs. 114.45 lakh. This resulted in loss of revenue of Rs. 1.14 crore.

The Government stated (October 2009) that the additional loans were disbursed to overcome non-availability of capital investment subsidy and working capital from commercial banks. Consequently, the unit was unable to operate commercially and failed to repay its dues.

The reply overlooks the fact that the borrower had pointed out (March 1994) that the working capital assessment was totally theoretical and far from practical. Moreover, even after release of additional loans the unit failed to take off due to shortage of finance.

Thus, granting additional term loans to known defaulters and failure to take timely action to recover dues from defaulting loanees including non invocation of securities, led to loss of revenue of Rs. 2.08 crore in two cases.

(Tripura Jute Mills Limited)

5.4 Avoidable loss due to gunny bags damaged during transportation

Failure of Tripura Jute Mills Limited to properly wrap bales of gunny bags with water resistant packing materials resulted in water damage of 485.5 out of 910 bales of gunny bags and avoidable loss of Rs. 31.03 lakh.

As per orders of the Directorate General of Supplies and Disposals, Kolkata, Tripura Jute Mills Limited (Company) supplied 910 bales[32] of gunny bags at invoice value of Rs. 98.57 lakh to the District Manager, HAFED, Haryana (390 bales in January 2004) and to the District Manager, CONFED, Haryana (260 bales in February and 260 bales in March 2006). The consignments were insured with the National Insurance Company and dispatched to their destinations through Tripura Town Out Agency, Agartala, an agent of the NF Railway, in sealed and riveted wagons. According to Para 11 Indian Railways Goods Tariff No. 44 Pt I (Vol. II), the Company had to ensure that the gunny bags were to be packed in such a manner that they are not liable to damage during transit and to withstand the rigours of transportation.

Scrutiny (January 2009) of records of the Company indicated that out of 910 bales of gunny bags, 485.5 bales were received by the consignees (District Manager, HAFED: 186.5 bales and District Manager, CONFED: 299 bales) in water-damaged condition. The Company sold the damaged bags to other parties for Rs. 7.97 lakh. To cover the loss, the Company made a claim with the Insurance Company for the balance amount

[32] One bale contains 500 bags each weighing 665 grams.

of Rs.45.56 lakh[33]. The Insurance Company paid only Rs.14.53 lakh as final settlement of the claim based on five survey reports of three surveyors appointed (September 2004 and September 2006) by the Insurance Company, assessing therein (May 2005 and August 2007) an aggregate loss of Rs. 42.79 lakh. Reasons for deduction by the Insurance Company were not intimated, though called for in audit.

Thus, failure of the Company to properly wrap the bales of gunny bags with water resistant packing materials resulted in water damage of 485.5 out of 910 bales of gunny bags, which resulted in avoidable loss of Rs. 31.03 lakh (Rs. 45.56 lakh *minus* Rs. 14.53 lakh).

The Government attributed (October 2009) the water damage to defective metre gauge rail wagons and during the transhipment at Lumding railway junction. Moreover, gunny bags were manufactured as per the specifications of Bureau of Indian Standards and there was no provision to use water resistant packing materials for the bales. However, since 2007, bales shipped both by road and rail were being covered with polythene sheets to protect them from water damage.

The reply substantiates that the loss in the earlier instances could have been avoided, had the bales been covered with water resistant materials, like polythene sheets, as required under rules of the Indian Railways. The reply did not mention whether cost benefit analysis of improved packaging for all goods had been undertaken by the Management to obviate the possibility of damage in transit.

[33] Total loss: Rs.53.53 lakh *minus* salvaged value: Rs. 7.97 lakh.

INDUSTRIES AND COMMERCE, FOREST, TRIBAL WELFARE (TRP&PGP) AND TRANSPORT DEPARTMENTS

5.5 Opportunity to recover money ignored

Seven Public Sector Undertakings did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs. 4.19 crore remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 23 paras in respect of seven Public Sector Undertakings (PSUs) involving a recovery of Rs. 4.19 crore. As per Memorandum No.F. 8(2)-FIN(PAC)/89 dated 14 July 1993, of the Finance Department, Government of Tripura, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, i.e., to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money, which could have augmented their finances.

PSU-wise details of paras and recovery amount are given below. The list of individual paras is given in **Appendix-5.6.**

Table No. 5.5.1

(Rupees in crore)

Sl. No.	Name of the Public Sector Undertakings	No. of paras	Amount for recovery
1.	Tripura Small Industries Corporation Limited	6	0.97
2.	Tripura Forest Development Plantation Corporation Limited.	3	0.33
3.	Tripura Tea Development Corporation Limited	1	0.01
4.	Tripura Handloom and Handicrafts Development Corporation Limited	7	2.02
5.	Tripura Rehabilitation Plantation Corporation Limited	1	0.07
6.	Tripura Jute Mills Limited	1	0.36
7.	Tripura Road Transport Corporation	4	0.42
	Total	**23**	**4.19**

The paras mainly pertain to recovery on account of advances to staff and private parties, credit sales and dues from Government departments of the State and shortage of stock.

Above cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/ Finance Department and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to the Government in July 2009; their reply was awaited (September 2009).

INDUSTRIES AND COMMERCE, FOREST AND TRANSPORT DEPARTMENTS

5.6 Lack of remedial action on audit observations

Seven Public Sector Undertakings did not either take remedial action or pursue the matters to their logical end in respect of 16 paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 16 paras in respect of seven Public Sector Undertakings (PSUs) which pointed out deficiencies in functioning of these PSUs. As per the Government of Tripura, Finance Department Memorandum No.F. 8(2)-FIN(PAC)/89 dated 14 July 1993, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU-wise details of paras are given below. The list of individual paras is given in **Appendix-5.7.**

Table No. 5.6.1

Sl No.	Name of the Public Sector Undertakings	No. of paras
1.	Tripura Small Industries Corporation Limited	4
2.	Tripura Forest Development Plantation Corporation Limited	1
3.	Tripura Tea Development Corporation Limited	1
4.	Tripura Handloom and Handicrafts Development Corporation Limited	5
5.	Tripura Jute Mills Limited	1
6.	Tripura Natural Gas Company	2
7.	Tripura Road Transport Corporation	2
	Total	**16**

The paras mainly pertain to irregular expenditure, non-deposit of provident fund dues, avoidable liabilities on sales tax payment and idle investment.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to the Government in July 2009; their reply was awaited (September 2009).

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The 2010 **Tripura, Agartala**

Countersigned

New Delhi **(Vinod Rai)**
The 2010 **Comptroller and Auditor General of India**