Chapter - III

Performance review relating to Statutory Corporation

Functioning of Uttar Pradesh State Road Transport Corporation

Executive summary

Uttar Pradesh State Road Transport Corporation (Corporation) provides public transport in the State through its 107 depots. The Corporation had fleet strength of 7710 buses as on 31 March 2009 and carried on an average 12.79 lakh passengers per day. It accounted for a share of 28.18 per cent in public transport with rest coming from private operators The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operation, ability to meet its financial commitments, possibility to realign the business model to tap non-conventional source of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance-

The Corporation earned profit of Rs.10.67 crore during 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs.804.29 crore and Rs.239.17 crore respectively as on 31 March 2009. The Corporation earned Rs.15.02 per kilometre and expended Rs.14.91 per kilometre in 2008-09. Audit noticed that with a right kind of policy measure and better management of its affairs it is possible to increase revenue and reduce costs, so as to earn more profit and serve its cause better.

Declining Share

Of 27361 buses licensed for public transport in 2008-09 about 28.18 per cent belonged to the Corporation. The percentage share declined marginally from 31.33 per cent in 2007-08 to 28.18 per cent in 2008-09. The decline in share was mainly due to its operational inefficiency i.e. operation on non nationalized routes up to 39.89 per cent due to non obtaining permits although it has been given priority in allotment of permits over private operators under the Motor vehicle Act, 1988. Vehicle density (including private operators' buses) per one lakh population remained 13 during review period against the All India Average (AIA) of 35 buses, which indicated deterioration in the level of public transport in the State.

Vehicle profile and utilization

The Corporation's bus fleet includes 6831 own buses and 879 hired buses. The Corporation had no bus of eight years old at the end of 2008-09. The percentage of overage buses declined from 16.99 per cent in 2004-05 due to acquisition of 5375 new buses during 2004-09. However, according to management 1239 over aged buses were held at the end of 2008-09 needing replacement.

The Corporation's fleet utilization at 95 per cent in 2008-09 was above AIA of 92 per cent. Its vehicle productivity at 332 kilometres per day per bus was also above the AIA of 313 Kilometres. Similarly, its load factor of 65 per cent remained above the AIA of 63 per cent. However, 14 to 39 depots were under performing as regards fleet utilisation and 29 to 65 depots did not achieve Corporation's average in fuel efficiency. An effective monitoring may improve their operations. Though, the Corporation did well on operational parameter, it did not conduct route wise profitability so as to exercise the effective monitoring.

Economy in operations

Manpower and fuel expenditure constituted 73.88 per cent of total cost during 2008-09. The Corporation succeeded in reducing the manpower per bus from 6.23 in 2004-05 to 5.15 in 2008-09.

Revenue Maximization

The Corporation had above 36.06 lakh square meter land for its operations, the space above can be developed on "public private partnership" (PPP) basis to earn steady income which can be used to cross-subsidise its operation. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per kilometre stood at 49.52 paisa since September 2005. Though the State Government approves the fare increase, there is no scientific basis for its calculation. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify service coverage to different areas and address grievances of commuters.

Monitoring

An effective Management Information System (MIS) for obtaining feed back on achievement is essential for monitoring by the top management. The shortfall in operations was deliberated upon in the Board of Directors with suitable remedial action to be taken by the depot.

Conclusion and Recommendation

The Corporation has been earning profit during review period. However, there was still scope for maximisation of revenue by covering more routes and tapping non–conventional sources of revenue. This review contains eight recommendations to improve the Corporation's performance. Hiring of more buses, creating a regulator to regulate fares and services, tapping non-conventional sources of revenue by undertaking PPP projects and continuing the Chief Executive for a considerable period are some of these recommendations.

Introduction

3.1 In Uttar Pradesh, public road transport is catered to by Uttar Pradesh State Road Transport Corporation, which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport, but the State has reserved certain routes (nationalised routes) exclusively for the Corporation while allowing both Corporation and private operators to operate on other routes (non-nationalised routes). On some non-nationalised routes private operators provide the services exclusively. The fare structure is controlled by the Government and this structure is same for both the Corporation as well as private operators.

Uttar Pradesh State Road Transport Corporation (Corporation) was incorporated on June, 1, 1972 by Government of Uttar Pradesh under Section 3 of the Road Transport Corporations Act, 1950 as a wholly owned Corporation of the State Government. The Corporation is under the administrative control of the Transport Department of the State Government. The Management of the Corporation is vested with a Board of Directors comprising Chairman, Managing Director and eight Directors appointed by the State Government. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Corporation, with the assistance of Chief General Managers, General Managers, Regional Managers and Depot Managers. The Corporation has 19 Regional Offices, 107 Depots and two Central Workshops. The bus body building and tyre retreading operations are also carried out through external agencies.

The Corporation had a fleet strength of *7710* buses as on 31 March 2009, including *879* hired buses. It carried an average of 12.79 lakh passengers *per* day during 2008-09. The share of the Corporation's buses plying in the State was 28.18 *per cent* and the remaining 71.82 *per cent* was catered by the private operators. The turnover of the Corporation was Rs.*1413.86* crore in 2008-09, which was equal to *0.35 per cent* of the State Gross Domestic Product (Rs.400711 crore). The Corporation employed 35198 employees as at 31 March 2009.

A review on "operational performance and material management" of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 2000 (Commercial), Government of Uttar Pradesh. The review was partly discussed by Committee on Public Sector Undertakings (COPU) in May 2003. The status of implementation of the recommendations by COPU, has been discussed in the succeeding paragraphs:

Scope and Methodology of Audit

3.2 The present review, conducted from February 2009 to June 2009, covers the performance of the Corporation during the period 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, one Central Workshop, Seven Regional Offices• (three loss making, three profit making and one Regional Office having inconsistent performance) and *17* out of the 107 depots, contributing 12.42 *per cent* of total revenue and covering all sides of the geographical area of the State.

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

Audit Objectives

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

Financial Management

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

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.

• Lucknow, Ghaziabad, Azamgarh, Agra, Moradabad, Varanasi and Lucknow Mahanagriya Region.

Audit Criteria

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

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

Financial Position and Working Results

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

(Rs in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (Provisional)
A. Liabilities					
Paid up Capital	312.13	312.13	359.13	359.13	369.13
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	1.18	1.28	18.70	33.17	23.19
Borrowings (Loan Funds)	184.24	211.77	187.07	168.94	239.17
Current Liabilities & Provisions	804.22	855.47	974.17	931.07	928.86
UP & Uttaranchal SRTC Reorganisation Settlement Account	26.41	26.41	26.41	26.41	26.41
Total	**1328.18**	**1407.06**	**1565.48**	**1518.72**	**1586.76**
B. Assets					
Gross Block	729.53	838.32	918.82	974.42	1096.27
Less: Depreciation	430.43	485.89	503.41	596.84	649.49
Net Fixed Assets	299.10	352.43	415.41	377.58	446.78
Capital works-in-progress (including cost of chassis)	7.75	6.24	7.75	8.06	11.56
Investments	1.91	2.01	2.53	0.52	-
Current Assets, Loans and Advances	143.42	157.99	167.89	200.75	204.08
Accumulated losses	755.95	768.34	851.85	811.76	804.29
Inter Office Adjustments	120.05	120.05	120.05	120.05	120.05
Total	**1328.18**	**1407.06**	**1565.48**	**1518.72**	**1586.76**

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

(Rs in crore)

Sl.No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	872.23	1018.68	1141.18	1240.74	1413.86
2.	Operating Revenue[1]	840.77	981.57	1104.17	1198.66	1260.56
3.	Total Expenditure	868.36	1004.91	1101.14	1200.03	1403.19
4.	Operating Expenditure[2]	850.50	987.85	1082.03	1182.24	1381.02
5.	Operating Profit/ Loss	(-) 9.73	(-) 6.28	22.14	16.42	(-)120.46
6.	Profit/ Loss for the year	3.87	13.77	40.04	40.71	10.67
7.	Accumulated Profit/ Loss	(-)755.95	(-)768.34	(-)851.85	(-)811.76	(-)804.29
8.	Fixed Costs					
	Personnel Costs	162.52	171.03	169.60	184.94	204.56
	Depreciation	79.60	89.63	103.09	115.08	117.02
	Interest	16.28	15.76	18.03	17.16	21.93
	Other Fixed Costs	13.34	14.38	17.29	14.52	12.27
	Total Fixed Costs	**271.74**	**290.80**	**308.01**	**331.70**	**355.78**
9.	Variable Costs					
	Fuel & Lubricants	293.57	390.45	449.80	469.89	586.18
	Tyres & Tubes	23.13	25.54	29.28	34.02	41.51
	Other Items/ spares	25.53	28.87	32.04	35.19	40.07
	Taxes (MV Tax, Passenger Tax,	7.37	7.59	8.35	8.37	8.78
	etc.)	92.00	95.13	96.82	115.58	131.89
	Other Variable Costs	155.02	166.53	176.84	205.28	238.98
	Variable Staff cost					
	Total Variable Costs	**596.62**	**714.11**	**793.13**	**868.33**	**1047.41**
10.	Effective KMs operated (in Lakh)	7223.56	7954.30	8477.71	9012.94	9411.53
11.	Earnings per KM (Rs.) (1/10)	12.07	12.81	13.46	13.77	15.02
12.	Fixed Cost per KM (Rs.) (8/10)	3.76	3.66	3.63	3.68	3.78
13.	Variable Cost per KM (Rs.) (9/10)	8.26	8.98	9.36	9.63	11.13
14.	Cost per KM (Rs.) (3/10)	12.02	12.63	12.99	13.31	14.91
15.	Net Earnings per KM (Rs.) (11-14)	0.05	0.18	0.47	0.46	0.11
16.	Traffic Revenue[3]	832.31	975.05	1097.73	1196.08	1249.50
17.	Traffic revenue per KM (Rs.) (16/10)	11.52	12.26	12.95	13.27	13.28
18.	Operating profit/loss (Rs.) per Kms (5/10)	(-)0.13	(-)0.08	0.26	0.18	(-)1.28

Audit scrutiny of the financial statements revealed that profit for the years 2004-05 to 2008-09 have been arrived at without taking into consideration the prior period adjustments (-) amounting to Rs.19.85 crore, Rs.26.16 crore, Rs.123.54 crore, Rs.0.62 crore and Rs.3.20 crore respectively. Therefore, the profit in 2004-05 to 2006-07 would turn into losses amounting to Rs.15.98 crore, Rs.12.39 crore,Rs.83.51 crore and in 2007-08 and 2008-09 the profit would be reduced to Rs.39.89 crore and Rs.7.47 crore respectively.

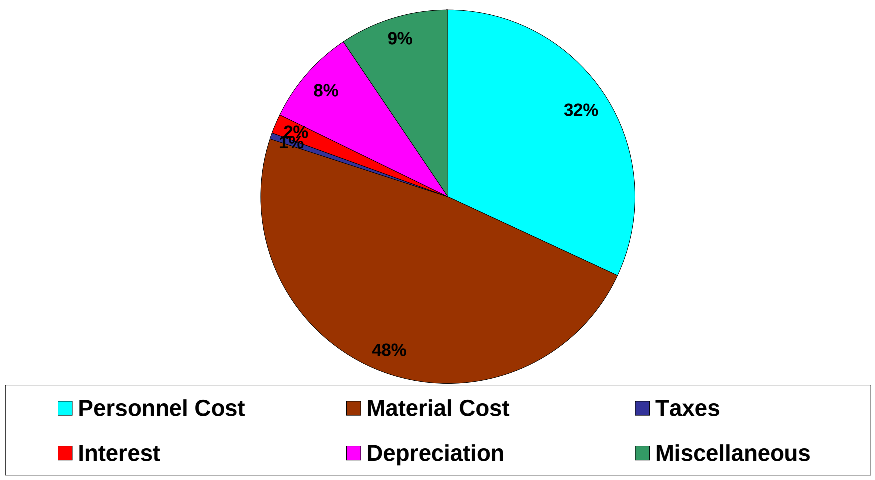
1 Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, income in form of administrative charges realised from private operators under KM Scheme, etc.
2 Operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.
3 Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Audit scrutiny of the workshop operation account for the years 2006-07 to 2008-09 revealed that the Corporation had been debiting standard cost of fabrication of buses/retreated tyres instead of debiting actual cost incurred. This resulted in over capitalization of finished stock by Rs.4.22 crore, Rs.0.88 crore and Rs.8.27 crore respectively. Therefore, the profit for the year was overstated to this extent in the respective years.

Elements of Cost

3.5.1 Personnel cost and material cost constituted the major elements of cost. The percentage break-up of costs for 2008-09 is given below in the pie-chart:

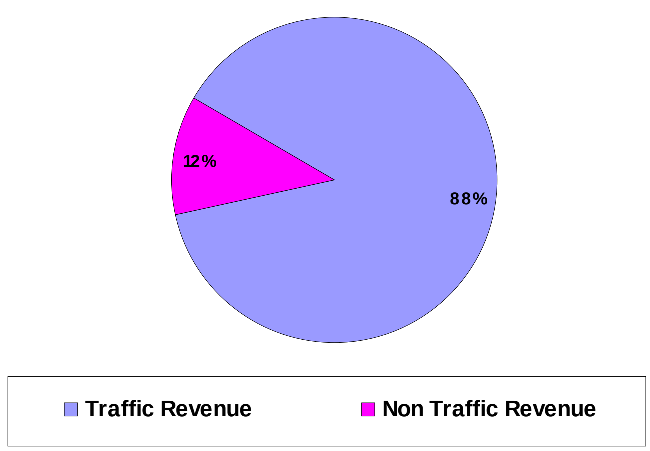
Components of various elements of cost



Elements of revenue

3.5.2 Traffic revenue and non-traffic revenue constituted the major elements of revenue. The percentage break-up of revenue for 2008-09 is graphically depicted below:

Components of various elements of revenue



Audit Findings

3.6 The audit objectives of the performance review were explained to the Corporation by audit during an 'entry conference' held on 11 February 2009. Subsequently, audit findings were reported to the Corporation and to the Government in September 2009 and discussed in an 'exit conference' held on 29 September 2009 which was attended by Managing Director, Finance Controller and Chief General Managers (Operation, Technical and Administration). The Corporation replied to audit findings in August 2009. The views expressed by them have been considered while finalising this review. The audit findings are discussed below:

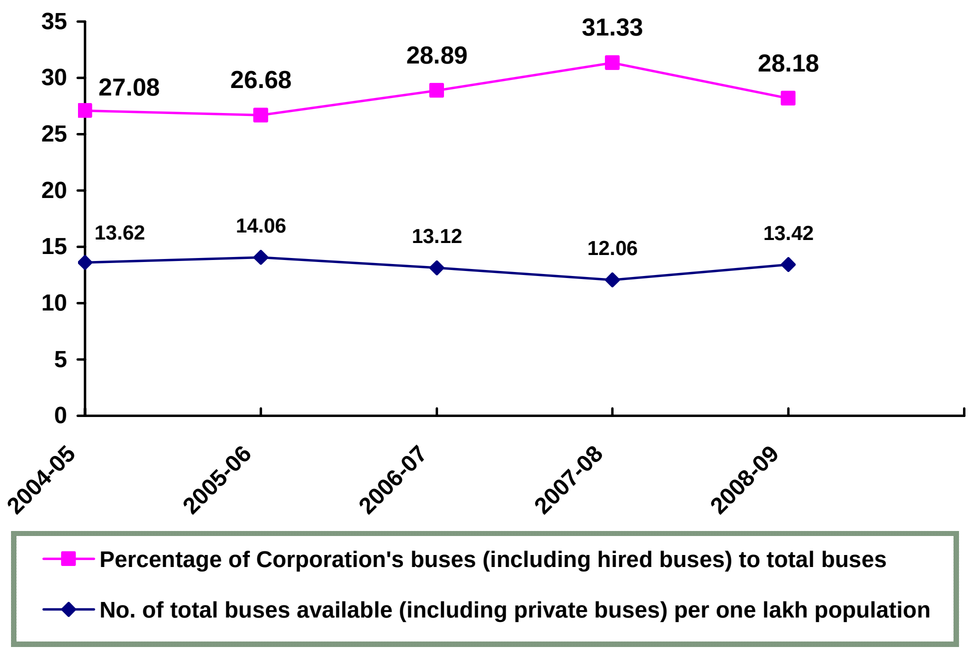
Operational Performance

3.7 The operational performance of the Corporation for the five years ending 2008-09 is given in the **Annexure-17**. 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. The audit findings discussed in the subsequent paragraphs show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

3.8 The State Government has not formulated any transport policy. However, the transport policy of the Central Government seeks to achieve a balanced modal mix of public transport and to discourage personalized transport. The focus should be on increasing mass transport options by providing adequate, accessible and affordable modes like buses, mini-buses, electric trolley buses complemented by network of rail based mass rapid transit systems like metro and commuter rail. The policy recognises that even after a fully developed rail based Mass Rapid Transit System comes into existence, the bus system will continue to play the role of main mass transport system provider.

Under Section 103 of the Motor Vehicle Act, 1988, the Corporation has to operate its buses mainly on nationalised roads. There are 133105 kilometre motorable roads in the State, out of which 17729 kilometre (13 *per cent*) roads are nationalised and 87 *per cent* are non-nationalised. The position of nationalised as well as non nationalised roads is depicted in the map given in **Annexure-18.** The Corporation has exclusive right over nationalised roads whereas non nationalised roads are open for operation by the private operators as well as Corporation. However, the Corporation has been given preference over private operators in allotment of permits for operation on non-nationalised roads. Test check of records of five region revealed that the Corporation operated on 39.89 *per cent* non-nationalised roads which needed to be augmented by expanding its fleet position as share of the Corporation in operation of non-nationalised roads was not adequate. Line-graphs depicting the percentage share of the Corporation's buses to total buses in the State and total buses available per one lakh population during five years ending 2008-09 are given below:



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

Sl. No.	Particulars[1]	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporation's owned buses	5843	6230	6561	6665	6831
2.	Hired buses	949	853	784	848	879
3.	Corporation's total buses	6792	7083	7345	7513	7710
4.	Private stage carriages	18289	19466	18078	16467	19651
5.	Total buses for public transport	25081	26549	25423	23980	27361
6.	Percentage share of Corporation	27.08	26.68	28.89	31.33	28.18
7.	Percentage share of private operators	72.92	73.32	71.11	68.67	71.82
8.	Estimated population (crore)[2]	18.41	18.89	19.38	19.88	20.39
9.	Vehicle density *per* one lakh population (5/8)	13.62	14.05	13.12	12.06	13.42

Availability of bus per one lakh population remained 13.42 against national average of 35.

It is evident from the above table that the Corporation has not been able to keep pace with the growing demand for public transport as the availability of public transport in the State decreased from 13.62 in 2004-05 to 13.42 per one lakh population in 2008-09. It was far below the national average of 35 buses per one lakh population. It indicates that the Corporation has failed to develop an adequate, efficient and economical transport facility, in the State, as mandated in the Act. Considering the national average of 35 buses per one lakh population, the total requirement of buses in the State worked out to 71365. In view of 27361 buses on road as at the end of March 2009, the net shortage of buses comes to 44004. To meet out the deficiency, funds of Rs.568.53 crore would be required at the procurement rate of Rs.12.92 lakh per bus in 2008-09.

The effective *per* capita KM *per* year operated is placed below, which shows that it has slightly improved from 3.92 to 4.62.

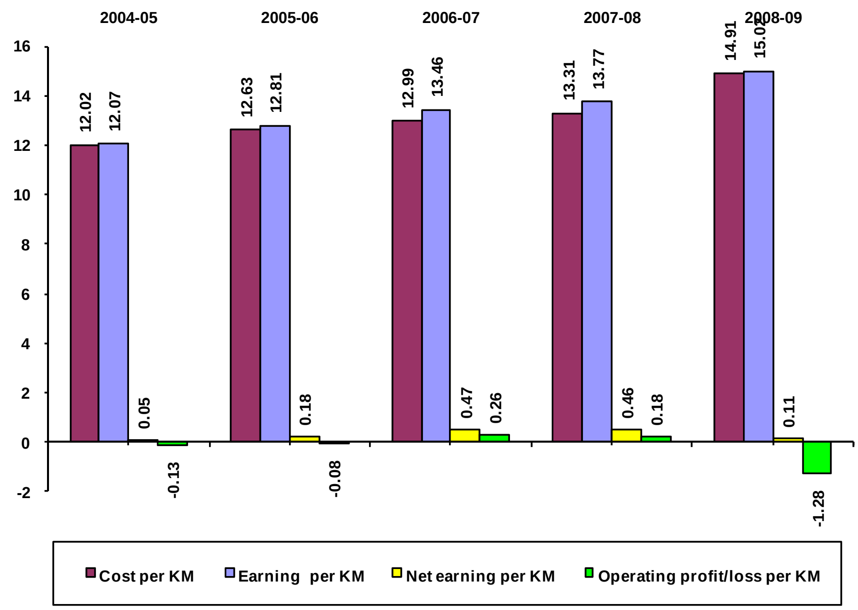
1 Number of buses at the end of year.
2 Based on Census data of 2001 and updated at the rate of 2.59 *per cent* per year.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	7223.56	7954.30	8477.71	9012.94	9411.53
Estimated Population (Crore)	18.41	18.89	19.38	19.88	20.39
Per Capita KM *per* year	3.92	4.21	4.37	4.53	4.62

Recovery of cost of operations

3.9 The recovery of cost of operations and net revenue earned during the last five years ending 2008-09, is given in the graph[1] below:

(Amount in Rs.)



Above graph indicates the deteriorating performance of the Corporation in the last year where net revenue of Rs.0.46 in 2007-08 has come down to Rs.0.11 in 2008-09. The deteriorating revenue has been adversely impacting the ability of the Corporation to provide adequate public transport services as part of the surplus generated from operational activities is utilised for enhancement of fleet.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.10 The Corporation has its own fleet of buses and it also hires buses from contractors. As on 31 March 2009 it had 6831 buses of its own and 879 hired buses. Audit findings in respect of hired buses are given in paragraph 3.16.

The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) that the desirable age of a bus was up to eight

1 Cost *per* KM represents total expenditure divided by effective KM operated.
Earning *per* KM is arrived at by dividing total revenue with effective KM operated.
Net earning per KM is revenue *per* KM reduced by cost *per* KM.
Operating profit/loss *per* KM would be operating expenditure *per* KM reduced by operating income per KM.

years or five lakh kilometres, whichever was earlier. However the Corporation has fixed the desirable age of a bus up to six years or eight lakh kilometres. The table below shows the age-profile of the buses held by the Corporation for the five years ending 2008-09.

The Corporation needed Rs.160.08 crore for replacement of 1239 overage buses.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of Corporation's buses* at the beginning of the year	5643	5843	6230	6561	6665
2	Additions during the year	1048	1230	1134	498	1465
3	Buses scrapped during the year	848	843	803	394	1299
4	Buses[Π] held at the end of the year (1+2-3)	5843	6230	6561	6665	6831
5	Of (4), No. of buses more than 8 years old	993	729	273	91	0
6	Of (4), No. of buses more than 6 years old	1439	1310	1062	1294	1239
7	Percentage of overage buses to total buses	16.99	11.70	4.16	1.37	0

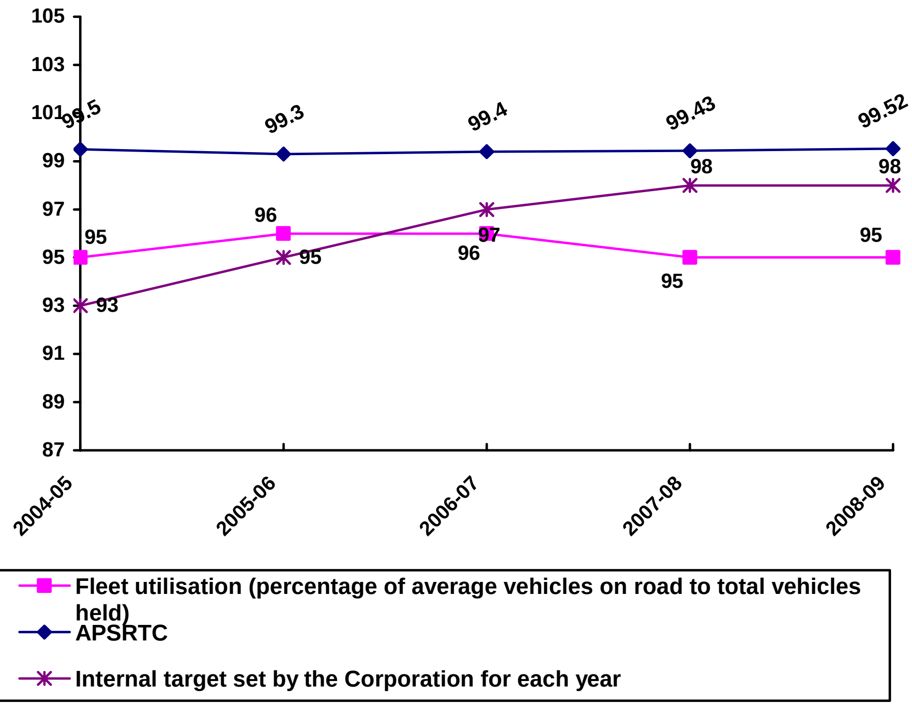
During 2004-09 the Corporation added 5375 new buses for which the expenditure of Rs.678.27 crore was funded through borrowings from financial institutions, State Government and internal resources. To achieve the norm of right age buses fixed by the Corporation, it was required to buy 1239 buses additionally which would have approximately cost Rs160.08 crore. Though, the Corporation generated adequate resources of Rs.613.47 crore (profit before depreciation of Rs.504.22 crore) through its operations up to 2008-09 to finance the replacement of buses, the whole profit was ploughed back in the business activities instead of earmarking the depreciation fund for purchase of buses. The Corporation should have enforced a better fund management system to tap non-conventional revenue avenues to fund its capital expenditure.

Fleet Utilisation

3.10.1 Fleet utilisation represents the ratio of buses on road to the buses held by the Corporation. The Corporation had set a target of fleet utilisation of 93 to 98 *per cent* during the period 2004-05 to 2008-09. Against this, the fleet utilisation of the Corporation varied from 95 *per cent* to 96 *per cent* whereas Andhra Pradesh State Road Transport Corporation (APSRTC) achieved fleet utilization above 99 *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 Rs. 98.3 *per cent* respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

* Excludes hired buses.



Region wise study of data revealed that there were pockets of underperforming Depots/Regions as compared to Corporation's own achievement. During 2005-09, 14 to 39 out of 107 depots could not achieve fleet utilisation of even 95 *per cent*. The reason for poor fleet utilisation, noticed by audit, was delay in repair of buses.

Thus, the overall performance of fleet utilization has been arrested by the under performing depots. The Management did not take effective steps to improve the performance of such depots.

Vehicle productivity

3.11 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:

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (KMs run *per* day *per* bus) of the Corporation	307	315	321	330	332
2.	Vehicle productivity of the APSRTC	332	335	347	352	360
3.	Overage fleet (percentage)	17	12	4	1	0

Compared to the All India Average of 313 kilometres per day per bus during 2006-07, the vehicle productivity of the Corporation has been on higher side excepting 2004-05 but remained below than that of APSRTC. The correlation of overage buses and its effect on the vehicles productivity can clearly be established from above since vehicle productivity has increased during review period.

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)

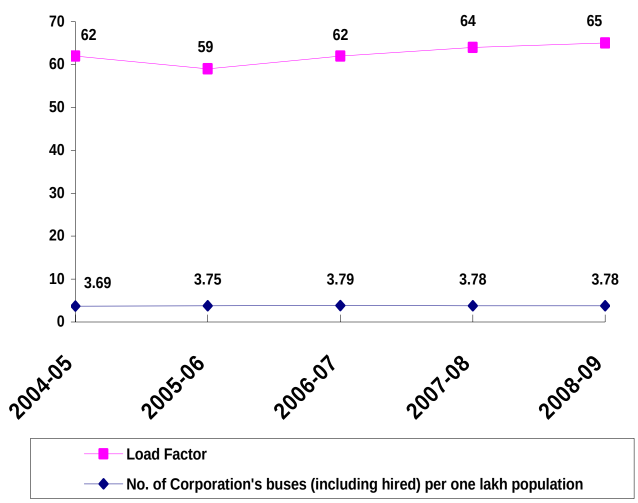
However, there were STUs with higher vehicle productivity which proves that there was room for improvement. On comparison of performance of UPSRTC vis-à-vis APSRTC it was noticed that the bus productivity of the latter has been better with far older fleet. The APSRTC, with much more stringent scrapping criteria than adopted elsewhere (9 years or 11.00 lakh kms), had 32 *per cent* over aged buses in its fleet in 2006-07 compared to UPSRTC's four *per cent* over-aged buses has outperformed UPSRTC in all the years. The reasons for poor bus utilization noticed (May 2009) by audit were unscientific route planning, skipping scheduled maintenance, frequent trip curtailment and longer time taken by the workshops in attending to breakdowns and in repair of buses as discussed in subsequent paragraphs.

Capacity Utilisation

Load Factor

3.12 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical review thereof is also necessary to improve the load factor. The load factor of the Corporation increased from 62 *per cent* in 2004-05 to 65 *per cent* in 2008-09 against the All India Average of 63 *per cent* (2006-07). A graph depicting the load factor vis-à-vis number of buses *per* one lakh population is given below:

State Express Transport Corporation (Tamil Nadu), Tamil Nadu (Coimbtore) and Tamil Nadu (Villupuram) registered best load factor of 85.69, 79.57 and 79.06 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT,



During audit (May 2009) of seven regions, the following limiting factors were noticed against maximization of Load factor:

- Absence of scientific surveys to plan bus routes and their timings in order to maximize load factor.
- Non adherence to time table and absence of co-ordinating mechanism between depots resulted in frequent cases of simultaneous buses and at

times complete absence of any bus on routes which affected load factor adversely and also caused hardships to the commuters in case of latter.

- System of route based indiscriminate checking was not changed in view of changes in the composition of hired/departmental crew. Unlike departmental conductors, who face disciplinary action in case of any malpractice detected, condition of removal from duty was not a sufficient deterrent for the hired crew leading to leakage of revenue.

The table below provides the details for break-even load factor (BELF) worked out on the basis of revenue at 100 *per cent* load factor and total cost per KM:

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM (in Rs.)	12.02	12.63	12.99	13.31	14.91
2.	Traffic revenue *per* KM at 100 *per cent* load factor (in Rs.)	18.58	20.78	20.89	20.73	20.75
3.	Break – even Load Factor (1/2) (in percentage)	64.69	60.78	62.18	64.21	71.86

The break-even load factor was indicative of the fact that the Corporation should plan its operation in such a way that may increase the income. In case of operations on uneconomical routes, the scope to improve the load factor though remains limited; there is tremendous scope to cut down costs of operations as explained in subsequent paragraphs.

The Management stated (August 2009) that it has improved the load factor from 62 in 2004-05 to 65 in 2008-09 and efforts are being made to improve the load factor of under performing depots by rescheduling the routes.

Route planning

3.12.1 The Corporation was operating 2450 routes of 5.75 lakh kilometer length at the end of March 2009.The average length of route was 235 kilometer. The operation of buses on the routes is decided on the basis of trips planned on the routes. Product of number of trips planned and length of route is the schedule kilometer. The Audit scrutiny revealed that the Corporation was not maintaining the route wise expenditure in its databank although the income is shown therein. Thus, in absence of route wise expenditure, profitability of the routes was not worked out and monitored. It was observed that the planned trips were curtailed due to various factors *i.e.* non-availability of bus/crew, break down and accidents etc. Curtailment of Scheduled Kilometers in the Corporation during 2004-05 to 2008-09 remained as under:

(Kms in lakh)

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled kilometres	7914.66	8542.14	8993.59	9456.74	10423.02
2.	Effective kilometres	7223.56	7954.30	8477.71	9012.94	9411.53
3.	Kilometres cancelled	691.10	587.84	515.88	443.80	1011.49
4.	Percentage of cancellation	8.73	6.88	5.74	4.69	9.70

The table depicts that curtailment of scheduled kilometer has come down to 4.69 *per cent* in 2007-08 against 8.73 *per cent* of 2004-05 and again increased to 9.70 *per cent* in 2008-09. It was noticed in audit that the cause wise analysis of curtailed kilometer was not maintained in the databank of the Corporation. The cancellation of scheduled kilometers during 2004-05

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)

to 2008-09 entailed loss of Rs.6.98 crore as per the stated profit margin of the Corporation in the respective years.

The fixation of scheduled kms was not correct as it did not correspond with route length and no. of trips.

The Management stated that the curtailment was due to flood, curfew and other social factors. However, the reasons for curtailment of scheduled kilometers were neither maintained nor monitored by the top management at Corporate level.

The quantum of earned kilometre proportionately depends on the number of trips operated. The decrease/increase in quantum of trips operated reflects the same in quantum of earned Kilometre. Scrutiny of records of five regions[♠] test checked in audit revealed that the route wise scheduled kms planned, were not correct as that was not the product of route length and number of trips planned. Further scrutiny revealed two inter contradictory facts in all the routes, viz.

- operation of trips in excess of planned but earned less kilometre than scheduled ;
- operation of trips less than planned but earned excess kilometres than scheduled.

This indicated that the operation was not being done as per plan formulated. The main reason for such situation was incorrect recording of operation of unplanned kilometres separately in the databank for monitoring by the top management. This made the operational plan unreliable.

Appropriate route planning to tap demand leads to higher load factor. It was noticed during review that:

- The financial feasibility of routes was not carried out before starting new operations.
- The routes operated on the recommendations of Members of Parliament/State legislative Assembly and other public representatives were not on the basis of feasibility study.

It was stated in the reply that the ARMs have been authorized for diversion of routes by cancellation of planned routes as required under circumstances. However, the fact remained that such diversions were not justified in the operation chart to ensure accountability and transparency.

Maintenance of vehicles

Preventive Maintenance

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

Sl.No.	Particulars	Schedule
1.	**Engine Oil change**	
1 (a)	Tata make	Every ***9000*** KMs
1 (b)	Leyland make	Every ***10000*** KMs
2.	**Brake Inspection**	
2 (a)	Tata make	Every ***18000*** KMs
2 (b)	Leyland make	Every ***24000*** KMs

♠ Moradabad,Agra,Jhansi,Varanasi and Lucknow.

The Corporation has fixed its own norms for carrying out periodic preventive maintenance at 4000/4500 KMs to 32000/36000 KMs besides washing, cleaning, daily inspection. The COPU while discussing the review on the "Operational Performance and Material Management" featured in the Report of the Comptroller and Auditor General of India (Commercial) for the year 2000 had recommended for preparation of a Workshop Manual to check the delay in repair of buses. However, the Corporation has not prepared any such Manual. It was noticed that the scheduled maintenance could not be carried out as per norms during 2004-05 to 2008-09 and shortfall were as under:

No of scheduled maintenance	2004-05	2005-06	2006-07	2007-08	2008-09
Due	169966	187160	199476	212070	156858
Done	152060	167565	179083	193511	145239
Shortfall	17906	19595	20393	18559	11619
Percentage of shortfall	10.54	10.47	10.22	8.75	7.41

The Corporation, to improve fleet utilization, has introduced a system in which the buses of depots are grouped in clusters of 20-30 buses and a senior mechanic of the depot is made incharge of the cluster. The responsibility of proper performance of the buses in the cluster rests with the incharge and mechanics/staff of the group. However, it had not fixed norms for the time to be taken in undertaking various activities in respect of preventive maintenance so as to maintain adequate number of buses on road.

Repairs and Maintenance

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

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses (at the end of the year) (Nos.)	5843	6230	6561	6665	6831
2.	Over-age buses (at the end of the year) (more than 8 years old) (Nos.)	993	729	273	91	Nil
3.	Percentage of over age buses	17	12	4	1	Nil
4.	R&M Expenses (Rs.in crore)	118.44	130.02	135.76	152.01	175.46
5.	R&M Expenses per bus (Rs.in lakh) (4/1)	2.03	2.09	2.07	2.28	2.57

This shows that the Corporation has not been able to control expenditure on maintenance and R&M expenses per bus have increased. The steep increase in R&M expenses per bus during 2007-08 and 2008-09 was on account of higher number of overage buses as per the norms of the Corporation, increase in cost of spares and staff cost.

Major repair and maintenance

3.13.2 The regional workshops were assigned the work of scheduled maintenance due after 1.00 lakh kilometers (revised to 2.00 lakh from August 2008). The scrutiny of records for the year 2005-06 of Lucknow Region revealed that it had 485 buses in its fleet and operated 597.93 lakh Kilometres. The average operation of each bus was 1.20 lakh Kilometres. Thus, all the buses were due for major repair. Against this, only 56 buses reported to Regional Workshop for repair. Although it earned more kilometre due to operation without due maintenance yet such performance may affect the Corporation in long run.

Test check of records of Regional Workshops at Agra, Jhansi and Moradabad also revealed that there were delays in repair ranging from 1 to 50 days during the period 2004-05 to 2008-09 (as compared to 10 days for normal repairs and 15 days for accidental repairs allowed to outside agency). This resulted in loss of potential revenue of Rs.1.81 crore (worked out taking 330 kms bus utilisation and Income of Rs.13.27 per Km) during the said period.

The reasons for non fixation of activity wise norms in respect of man hours/ man days have not been explained in the reply.

Manpower Cost

3.14 The cost structure of the organization shows that manpower and fuel constitute 73.78 *per cent* of total cost during 2008-09. Interest, depreciation and taxes *i.e.* costs which are not controllable in the short-term account for 19.93 *per cent*. Manpower is an important element of cost which constituted 31.61 *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 utilized optimally to achieve higher productivity. It was noticed (July 2009) that there were 1234 surplus staff. The Corporation, however, did not formulate any policy/scheme to utilise service of such staff in productive work despite being pointed out (1999-2000) by Audit during review on "Operational Performance and Material Management of the Corporation." During the review period an amount of Rs.41.80 crore was incurred in the form of unproductive salary and wages (taking average salary during 2004-05 as base). The table below provides the details of manpower, its cost and productivity.

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

Despite being pointed out by audit in 1999-2000, action for utilisation of 1234 surplus staff was not taken and an amount of Rs. 41.80 crore was spent on unproductive wages.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	36398	37339	35687	35314	35198
2.	Manpower Cost (Rs.in crore)	317.53	337.56	346.44	390.22	429.42
3.	Effective KMs (in lakh)	7223.56	7954.30	8477.71	9012.94	9411.53
4.	Cost per effective KM (Rs.) 2/3	4.40	4.24	4.09	4.33	4.56
5.	Productivity per day per person (KMs)	54.37	58.36	65.08	69.92	73.26
6.	Total Buses at the end of the year	5843	6230	6561	6665	6831
7.	Manpower per bus (Nos.)1/6	6.23	5.99	5.44	5.30	5.15

The Corporation has won first prize in managing lowest cost of operation for the year 2004-05, 2005-06 and 2006-07 from CIRT, Pune. The personal cost per kilometre has remained significantly lower than the national average (Rs.7.50). The reasons for lower manpower cost, as analysed by audit were ban on fresh recruitments, outsourcing the services to outside agencies at lower cost in respect of drivers/conductors under Kilometer scheme and non implementation of recommendations of sixth pay commission effective from January 2006.

Moreover, staff-bus ratio had been worked out and reported incorrectly due to apportionment of 4.77 persons/bus for hired buses instead of 2.16 persons per bus.

Fuel Cost

3.15 Fuel is a major cost element which constitutes 40.80 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its operating expenses. However the Corporation has won the award for maximum improvement in fuel average in 2006-07 and has remained first runner up in 2004-05 and 2005-06. Audit observed that in 29 to 65 depots fuel consumption was not at par with the Corporation's average during 2004-05 to 2007-08 and there was need to control the fuel average to reduce operating cost as detailed below:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Fuel average of the Corporation	5.03	5.16	5.33	5.31	5.32
Number of depots below Corporations' average	42	55	65	29	43
Excess consumption of diesel (in lakh litre)	5.32	9.28	14.92	18.81	17.56
Average cost per litre (in Rs.)	28.45	29.45	29.45	29.45	33.64
Total excess expenditure (Rs. in crore)	1.51	2.73	4.39	5.54	5.91

Thus, during review period under performing depots incurred additional expenditure of Rs.20.09 crore which could have been reduced substantially had there been effective monitoring at appropriate level.

Cost effectiveness of hired buses

3.16 The Corporation started hiring private buses on Kilometre payment basis (KM Scheme) in 1977-78. Agreements with the private bus owners were initially entered into for a period of five years under KM scheme. The owners of these buses were required to provide buses with drivers and to incur all expenditure for the running of these buses. The Corporation was to provide conductors and make payment to bus operators as *per* the actual Kilometers operated by the hired buses after deducting its administrative charges. During 2005-09, the Corporation earned a net profit of Rs.19.36 crore from the operation of 879 to 949 hired buses. Review of performance of hired buses in audit revealed that the Corporation could not mobilize private participation by promoting Anubandhit buses (Hired Buses) and the total number of such buses came down from 949 in 2004-05 to 879 in 2008-09. Moreover, profit earning from Anubandhit buses also decreased from Rs.3.42 crore in 2004-05 to Rs.2.68 crore in 2008-09. The effective profit *per* km from Anubandhit buses also came down from 33 paise to 23 paise. Unlike in previous years, hired buses with drivers were less profitable than Corporation buses in 2008-09. The factors for erosion of profits from hired buses as analysed by audit, were due to granting undue benefits to bus operators in the form of:

- revising the bus income formula to include notional income from monthly pass users for making payments to the bus operator;
- removing the penalty leviable on non-completion of scheduled kilometers;

- adding 75 *per cent* of proceeds of accidental funds included in the fare in order to maximize the bus income on which the profit of bus operators was to be calculated;
- revising the rates payable to private operators on increases in price of diesel despite no increase in fares since September 2005; and
- stagnant administrative rates charged by the Corporation despite increase in input costs.

As per the scheme, loss to the Corporation was not likely since the Corporation directed (March 2002) Regions to invite tenders for engagement of hired buses at lowest per Kilometre rates quoted by the bidders, subject to a maximum rate fixed by it. The order envisaged that the administrative charges was to be deducted from the income first, and from the remainder income the payment was to be made to the bus operator at the approved rates or the balance income, whichever was less. In some cases it was observed that expenditure on operation of hired buses was more than the income which was notionally increased subsequently due to various undue favours to the private parties and administrative charges were recovered at actual income. As a result, the Corporation suffered loss of Rs.2.11 crore during the period 2004-05 to 2008-09.

Body Building

3.17 The Corporation has two bus body building workshops namely Central Workshop and Ram Manohar Lohia Workshop, located at Kanpur, with a installed capacity of 948 bus body fabrication per year. These workshops fabricated 4947 bus bodies at total cost of Rs.215.39 crore during period of five years up to 2008-09 as detailed below:

(Cost Rs. in lakh)

Sl. No	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	No of buses fabricated in house	992	1192	833	454	1476
2.	Average cost of fabrication per bus	4.27	3.57	4.03	4.85	5.07

Bus wise costing had not been done in Workshops; capitalisation was done at standard cost.

In addition, the Corporation also outsourced fabrication of 368 bus bodies to private contractors at a cost of Rs.46.80 crore. Audit scrutiny of records of Workshops, revealed the following:

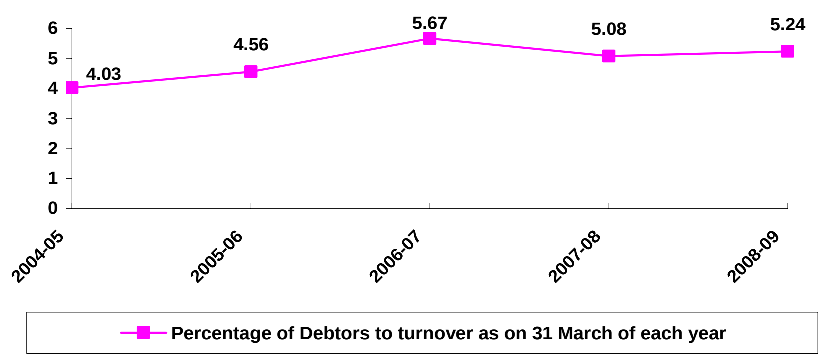
- The outsourcing of bus body building at higher rate was unwarranted since existing in house facility was not fully exploited during 2006-07 and 2007-08. This resulted in avoidable expenditure of Rs.7.47 crore.
- Workshops did not close the job cards of buses by indicating actual expenditure and rather adopted standard cost which was on the higher side.
- Against the norms of 30 days fixed by the Corporation for fabrication of bus body, Central Workshop, Kanpur delayed 192 bus body building which included exceptional delay of 30 to 250 days in 60 buses and resulted in loss of potential revenue of Rs.2.46 crore during 2004-05 to 2008-09.

Financial Management

3.18 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 3.10. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

3.19 The Corporation gives its buses on hire to Departments of the State Government and Central Governments and other parties for which parties were required to pay 75 *per cent* of the charges in advance. In addition, the Corporation provides free travel facility to the elected Members of Lok Sabha and Rajya Sabha, elected and Ex Members of Vidhan Sabha and Vidhan Parishad, press correspondents, Handicapped persons, Freedom fighters and Lok Rakshak Senani, whose bill amount is paid by the State Department. It also provides VIP taxis to District Authorities on demand. The claims due from various parties accumulated to Rs.74.04 crore as on 31 March 2009 as against Rs.35.99 crore as of March 2005. The Management did not carry out any age wise analysis for effective monitoring of recovery of its claims. An analysis by Audit, of the debts outstanding, as a percentage of turnover, for the years 2004-05 to 2008-09, are depicted in the graph below:



It may be observed from the graph that the percentage of debtors to turnover has continuously increased and it was 5.24 *per cent* at the end of the year 2008-09 against 4.03 *per cent* in 2004-05. This indicates piling up of dues because of lack of effective action.

The main reasons for sharp increase in the debtors, as analysed by the audit, were inadequate documentation as duty slips were not got verified from the user departments, bills of police department amounting to Rs.13.67 crore were not verified and names of user departments were not indicated on the bills. Therefore, in majority of cases recovery could not be affected.

The Corporation operated Mahanagriya Bus Sewa in Noida/Greater Noida from November 2006 and Greater Noida/Noida Authorities agreed to reimburse the operational loss to the Corporation. The Corporation incurred loss since inception in this activity and loss accumulated to Rs.7.65 crore up to March 2009 but failed to get the same reimbursed from the aforesaid authorities.

The Management stated that recoveries were being pursued.

Under Section 13 of the Uttar Pradesh State Legislature (Members' Emoluments and Pension) Act, 1980 existing Members of Uttar Pradesh State Legislature were entitled for free bus travel facility in the buses of the Corporation. The claim on account of this facility was reimbursable from the Vidhansabha Sachivalaya, Uttar Pradesh. This free bus travel facility was withdrawn by the Government in August 2005, which was again restored in March 2006 and continued up to April 2008. It was noticed in audit that the Corporation provided this facility to the existing members of State Legislature but did not prefer the claim of Rs.23.96 lakh for the period April 2006 to April 2008 to Sachivalaya, Vidhan Sabha, Uttar Pradesh, Lucknow.

The Corporation stated that it had pursued the matter with the State Government for reimbursement which was denied by the State Government.

Realignment of business model

3.20 The Corporation is mandated to provide an efficient, adequate and economical road transport to the public. Therefore, the Corporation cannot take purely commercial view for running its operations. It has to cater to uneconomical routes to fulfil its social obligation. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidize its operations. With a view to tap non-traffic revenue, the Corporation had undertaken a study to assess the likely benefits from such activities and sent the report to State Government in December 2008 for approval by the Central Government. The State Government has formed (February 2009) a Committee for appointment of consultant for development of Bus Stations on Public Private Partnership (PPP) basis. Further progress would be awaited in audit.

Sale of media rights for advertisements

CAMD, engaged in sale of media rights on bus, was closed without alternative arrangement which resulted in loss of Rs 1.19 crore.

3.20.1 The Corporation also earns non traffic revenue from sale of space on bus for advertisement and on stations for fixing hoardings. The Corporation created (September 2005) Corporate Advertising and Marketing Division (CAMD) for sale of space for advertisement at predetermined rates. It sold media rights of Rs.11.70 crore up to April 2008. The Chairman directed (March 2008) that the media rights may be sold through open tender. Accordingly, the functioning of the CAMD was stopped from May 2008 and tenders invited in July 2008 could be finalised after a gap of nine months by February 2009 and sustained revenue loss of Rs.1.19 crore.

Acceptance of rates for sale of media rights on buses below the base rate would result into loss of potential revenue of Rs.8.12 crore.

The bidders had quoted highest rates for A, B and C category# buses as Rs.3013, Rs.54000 and Rs.39960 bus per year against base rate fixed by the Corporation at Rs.88321, Rs.92841 and Rs.200403 per bus per year respectively. The Management rejected (September 2008) the rates of A and C category buses on the ground that these rates were lower than the base rate but accepted the rate of Rs.54000 bus per year quoted for B category bus by Jagran Prakashan Ltd. which was also lower by 42 *per cent of* the base rate. The acceptance of lower rate than the base rate would result into loss of potential revenue of Rs.8.12 crore during September 2009 to September 2014.

The Management stated that activities of CAMD were stopped to include more buses in the tender. It was also stated that the quoted rate in respect of B

Category A (ordinary and premium buses), B (city buses) and C (AC buses).

category buses was higher than the rate achieved by other STUs. The reply is not based on facts as the anticipated buses were not available for tender and CAMD had itself achieved earlier, the rate of Rs.92841 for B category buses.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

3.21 The Corporation recovers the proportionate fare from the commuter for the distance travelled by them. The power of the fixation of fare lies with the State Government. The Fare table given below indicates the applicable fare during 2004-05 to date:

Fare table for ordinary buses (in paisa per Km.)

Period	Up to 30.06.04	31.07.04 - 31.01.05	01.02.05 - 30.06.05	08.09.05 to date
Fare per KM (in paisa)	42.89	45.00	48.00	49.52

The State Government directed (May1996) that since the diesel price and Dearness Allowance (DA) paid to employees are uncontrollable, the fare may be revised by 0.18 *per cent* and 0.20 *per cent* on every increase of 1 *per cent* on the price of diesel and DA. The State Government revised the fare on the basis of aforesaid formula till May 2000. Later on, the State Government directed (May 2000) that the increase in the fare on the aforesaid formula may be limited to the extent of 10 *per cent* in a year. The fare was revised on above basis up to September 2004. The State Government notified in November 2004 that the revision of fare shall be done twice in a year (January and July) by the Chairman, State Transport Authority and officers of Regional Transport Office based on change in the price of diesel. However, normative cost for fixation of bus fare had not been prescribed.

Non revision of bus fare resulted in extra expenditure of Rs. 291.38 crore.

It was noticed (May 2009) in audit that the Bus fare was last revised in September 2005 when diesel price was Rs.28.45 per litre but thereafter fares have not been revised though the price of diesel has increased several times during June 2006 to January 2009 (Rs.30.45 per litre to Rs.33.64 per litre). As a matter of routine, the Corporation approached the State Government several times for increase in the passenger fare. However, the State Government did not increase fare and accorded (July 2008) sanction for lump sum assistance of Rs.100 crore in 2008-09 on account of increase in the price of diesel and introduction of Value Added Tax (VAT) effective from January 2008. Non revision of fare commensurate to the price of diesel put the Corporation in extra expenditure of Rs.291.38 crore during the period June 2006 to August 2009.

The action for adjustment of losses due to delay in revision of bus fare by the State Government was not taken by the Corporation as recommended by the Committee on the Public undertakings while discussing the review on the "Operational Performance and Material Management" of the Corporation appeared in the Report of the Comptroller and Auditor General of India for the year 2000.

Need for Independent Regulator

3.21.1 The power of fixation of tariff is exercised by the State Government. To ensure level playing field for road passenger transport services, operating in public and private sector, there is a need for Independent Regulator in Road Transport

Sector. The Independent Transport Regulator at State level should be entrusted with the following task:

- Fix price band for different kinds of services in an objective and transparent manner;
- Ensure service coverage across regions (including rural, remote and hilly areas) and provide mechanism for compensation for discharge of universal service obligations;
- Mandate ISO 9001-2000 Certification for the Transport Service Providers, consistent with reasonable tariff; and
- Promote healthy competition among various bus operators viz. public and private.

Thus, there is a need for an independent regulator to fix the tariff periodically and monitor the transport system in the State.

Adequacy of services on uneconomical routes

3.22 The Corporation does not have a system to identify an economical/uneconomical route. The route wise expenditures are also not maintained by the Corporation, in absence of which such analysis could not be done during audit. None the less, there would be many 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 could not be ascertained in audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined. However, it is operating Janta Bus Service at reduced fare for the passengers having lower paying capacity. In case any route becomes unprofitable it is discontinued. Thus, the bus operation is being done with a profit earning motive which deviated the Corporation from its prime objective of development of transport facility in the State.

It was stated in reply that the route wise profitability was not possible as the route wise/ bus wise expenditure/Income was not maintained and the profitability was monitored on load factor basis. However, the operation on uneconomical routes was not done as the operation on unprofitable routes was stopped.

Monitoring by top Management

3.23 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. The Corporation has a MIS Cell headed by a General Manager under the control of Managing Director. MIS cell compiles monthly information received from depots for various performance indicators and communicates it monthly to concerned Heads of Department (HOD) viz. CGM (Operation), CGM (Technical) and Finance Controller. The depot wise monthly or yearly targets for various performance parameters are set by the concerned HOD. The activities of the Corporation are monitored by the Board of the Directors. In addition, it has system of conducting meetings of the Regional Managers with the Managing Director on monthly basis to monitor the progress of the regions. The monitoring by the top management was deficient as the tenure of the Managing Director was not for at least three years as prescribed by the State Government in the policy document issued in 1994, which did not provide adequate time for planning, execution and follow up of the activities of the Corporation. Further, the route wise profitability was not worked out in the absence of route wise expenditure in the databank. The annual targets were not fixed individually for the regions and depots and intimated in advance. Therefore, monitoring at regional level was not in place.

The matter was reported to the Management and the Government (September 2009); their replies had not been received (November 2009).

Conclusion

Operational performance

- **The Corporation could not keep pace with the growing demand for public transport as its share declined from 31.33 *per cent* in 2007-08 to 28.18 *per cent* in 2008-09**
- **It was able to recover the variable cost during five years up to 2008-09.**
- **The preventive maintenance and major repair were not carried out as per norms affecting the roadworthiness of its buses.**

Financial management

- **The Corporation did not demonstrate fiscal discipline in raising its claims for dues in time or follow up recovery of its dues to logical end.**
- **It needs to create a strategy to tap non-conventional sources of revenue as there is a tremendous potential.**

Fare policy and fulfilment of social obligations

- **The fare policy of the Corporation is controlled by the Government which is not based on normative cost.**
- **No policy yardstick has been laid down for operation on uneconomical routes.**

Monitoring by top management

- **The MIS system of Corporation was not adequate as it did not maintain the route wise/bus wise databank.**

On the whole, there is immense scope to improve the performance of the Corporation.

Recommendations

The Corporation may:

- **expand its operation on non-nationalised routes by increasing hired buses to provide adequate, economical and effective service in the state.**

- **maintain complete databank to work out route wise/bus wise profitability.**
- **take steps to frame action plan with State Government for timely recovery of dues.**
- **speed up the efforts for tapping non-conventional sources of revenue on a large scale under Public Private Partnership *(PPP)*, which will result in steady inflow of revenue without additional investment.**
- **the top Management should monitor the important operational parameters and take remedial measures for improvement.**

The State Government may consider:

- **formulating State transport policy on the lines of national transport policy.**
- **appointing Chief Executive of the Corporation for a considerable period in view of consistency and continuity for the purpose of formulation and execution of Corporate Plan.**
- **appointment of an independent regulator to regulate fares and formulate standards for transport services in the State.**