

## CHAPTER IV

### TAXES ON VEHICLES

#### 4.1 Tax administration

The Transport Department of the Government of Tamil Nadu administers the provisions of the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989, the Tamil Nadu Motor Vehicles Rules, 1989, the Tamil Nadu Motor Vehicles Taxation Act, 1974 and the Tamil Nadu Motor Vehicles Taxation Rules, 1974.

#### 4.2 Results of audit

Test check of records of departmental offices conducted during the period from April 2015 to March 2016 revealed under assessment of tax, fees and other observations amounting to ₹ 209.97 crore in 231 cases, which broadly fall under the following categories:

Table 4.1

| (₹ in crore) |   |                 |               |
|--------------|---|-----------------|---------------|
| Sl.No.       | Categories  | Number of cases | Amount        |
| 1            | Performance Audit on “Collection of taxes and fees and delivery of citizen services by Home Transport Department” | 1               | 205.82        |
| 2            | Non / short collection of tax   | 27              | 0.50          |
| 3            | Non / short collection of fees  | 40              | 0.29          |
| 4            | Non / short collection of penalty   | 128             | 2.95          |
| 5            | Others  | 35              | 0.41          |
| <b>Total</b> |   | <b>231</b>      | <b>209.97</b> |

During the course of the year 2015-16, the department accepted under assessments and other deficiencies in 116 cases and recovered ₹ 79.24 lakh, out of which, ₹ 1.25 lakh involved in 11 cases was pointed out during the year, and the rest in earlier years.

A Performance Audit on “Collection of taxes and fees and delivery of citizen services by Home Transport Department” involving ₹ 205.82 crore is discussed below:

### **4.3 Performance Audit on “Collection of taxes and fees and delivery of citizen services by Home-Transport Department”**

#### **Highlights**

- Misclassification of Private Service Vehicles as Educational Institution Vehicles resulted in short realisation of tax of ₹ 2.46 crore.

*(Paragraph 4.3.8.5)*

- Incorrect grant of Private Service Vehicle permits to vehicles not owned by the permit holder and plied based on contract agreements resulted in loss of revenue of ₹ 6.59 crore.

*(Paragraph 4.3.8.5)*

- Incorrect classification of Non-metropolitan services as Metropolitan services and collection of tax at the concessional rate applicable to Metropolitan services resulted in short realisation of tax of ₹ 4.18 crore.

*(Paragraph 4.3.8.6)*

- Penalty leviable for violation of permit conditions by the stage carriages of Metropolitan Transport Corporation amounted to ₹ 187.97 crore.

*(Paragraph 4.3.9.3)*

- There was tardy progress in the implementation of various measures undertaken by the Department for improving delivery of citizen services. This resulted in the benefits of such measures not being achieved.

*(Paragraph 4.3.10)*

#### **4.3.1 Introduction**

The assessment, levy and collection of motor vehicles tax and fee is governed by the Motor Vehicles Act, 1988 (MVT Act), passed by the Indian Parliament, as applicable to the State of Tamil Nadu, Central Motor Vehicles Rules, 1989 (CMV Rules), the Tamil Nadu Motor Vehicle Rules, 1989 (TNMV Rules), Tamil Nadu Motor Vehicles Taxation Act, 1974 (TNMVT Act) and the Tamil Nadu Motor Vehicles Taxation Rules, 1974 (TNMVT Rules). The Act and Rules made thereunder prescribe various regulations and conditions for licensing and registration of transport and non-transport vehicles, control of transport vehicles by the State Government and prescribing fees for the transactions. The major functions of the Home-Transport Department are listed below:

- Registration of transport and non-transport vehicles
- Issue of driving and conducting licenses
- Issue of permits and temporary permits to transport vehicles
- Inspection of vehicles for fitness certificate and during accidents
- Enforcement of regulations prescribed in the Act and Rules
- Implementation of road safety measures and control of vehicular pollution
- Granting of licenses to run driving schools and setting up of emission testing centre
- Collection of taxes and fees.

Our present audit exercise deals with the levy and collection of motor vehicles tax and fees and delivery of citizen services by the Department.

#### **4.3.2 Organisational setup**

The Transport Commissioner is the Head of the Department and is assisted by six Joint Transport Commissioners and two Joint Transport Commissioners (Enforcement) in his functions. The Transport Commissioner is also designated as the State Transport Authority and Road Safety Commissioner of the State. The Department has 12 zones headed by Deputy Transport Commissioners and 81 Regional Transport Offices. The monitoring and control at Government level is exercised by the Principal Secretary, Home (Transport) Department.

#### **4.3.3 Audit objectives**

The objectives of the Performance Audit were to ascertain whether

- various statutory provisions in connection with the collection of taxes and fees have been complied with and the extent of their compliance
- an adequate and effective system exists for ensuring timely collection of taxes; and,
- measures taken to improve delivery of citizen services yielded timely and effective results.

#### **4.3.4 Audit scope and methodology**

The Performance Audit was conducted between February 2016 and September 2016, covering the transactions relating to the period from 2010-11 to 2014-15.

Out of 81 RTO offices, 30<sup>43</sup> offices were selected based on stratified random sampling. Further, issue of private service vehicles running on lease and classification of vehicles owned by trusts as educational institution vehicles were also examined. The files and records maintained at the Office of the Transport Commissioner, Chennai and records relating to infrastructure and citizen service projects of Home (Transport) Department, maintained at the Secretariat were scrutinised. Further, the Offices of the Commissioner of Police (Traffic Accounts), Offices of the State Transport Corporations, the Director of Rural Development and the Service Tax Department were also visited for inter-related issues. The database dump of *VAHAN* and *SARATHI* applications were also analysed for identifying non-collection of periodical taxes and fees.

An entry conference was held with the Department in July 2016 during which the objectives, scope and methodology of audit were explained. The draft Performance Audit Report was forwarded to the Government in October 2016 and was discussed in the Exit Conference held in November 2016. The views expressed by the Government and the Department during the Exit Conference and reply furnished by the Government have been taken into account and incorporated in the report.

#### **4.3.5 Audit criteria**

The audit criteria are derived from the following sources:

- The Motor Vehicles Act, 1988
- The Central Motor Vehicles Rules, 1989
- The Tamil Nadu Motor Vehicle Rules, 1989
- Tamil Nadu Motor Vehicles Taxation Act, 1974
- The Tamil Nadu Motor Vehicles Taxation Rules, 1974

#### **4.3.6 Acknowledgement**

We acknowledge the co-operation of the Home (Transport) Department in the conduct of this performance audit.

#### **4.3.7 Trend of Revenue**

The trend of revenue realised by the department for the five years from 2010-11 to 2014-15 is presented in Table below. The data shows that collection of revenue is directly proportional to the number of vehicles registered in that year.

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<sup>43</sup> Chennai (Central), Chennai (North East), Chennai (North West), Chennai (South), Chennai (South East), Chennai (South West), Chennai (West), Coimbatore (Central), Coimbatore (North), Coimbatore (South), Cuddalore, Dharmapuri, Dindigul, Gobichettipalayam, Hosur, Kancheepuram, Madurai (North), Marthandam, Meenambakkam, Redhills, Salem (West), Srirangam, Tambaram, Tenkasi, Theni, Vaniyambadi, Vellore, Villupuram, Virudunagar and Tuticorin

Table 4.2: Trend of revenue

| Year    | No. of newly registered vehicles |           |           | Revenue<br>(₹ in crore) |
|---------|----------------------------------|-----------|-----------|-------------------------|
|         | Non-transport                    | Transport | Total     |                         |
| 2010-11 | 14,09,165                        | 1,67,547  | 15,76,712 | 2,666.94                |
| 2011-12 | 16,35,422                        | 1,38,581  | 17,74,003 | 3,108.86                |
| 2012-13 | 16,81,526                        | 1,39,287  | 18,20,813 | 3,876.99                |
| 2013-14 | 15,32,844                        | 98,757    | 16,31,601 | 3,677.75                |
| 2014-15 | 15,63,429                        | 91,578    | 16,55,007 | 3,847.15                |

(Source: Details furnished by Department)

### Audit findings

The audit findings have been classified into four broad categories viz., observations relating to non-collection of taxes and fees, deficiencies in the system of collection of taxes and fees, issues relating to citizen service delivery and miscellaneous issue regarding misclassification of penalty collected by traffic police. A section on vehicular pollution is exclusively discussed, within the issues relating to citizen service delivery.

### 4.3.8 Non-collection of tax and fees

#### 4.3.8.1 Non-realisation of taxes from the owners of maxi cabs and goods vehicles

As per Section 3 of the TNMVT Act, 1974, tax shall be levied on every motor vehicle used or kept for use in the State of Tamil Nadu at the rate specified for such vehicle in the Schedules to the Act. As per Section 8 of the TNMVT Act, the tax due under this Act shall be paid by the owner of the vehicle within such period, not being less than seven days or more than 45 days from the commencement of the quarter, half-year as may be prescribed. Section 15 of the TNMVT Act provides for payment of penalty, if the tax due in respect of any motor vehicle is not paid within the prescribed period. Rule 3 of the TNMVT Rules provides that so long as a transport vehicle is covered by permit issued by any transport authority, the vehicle shall be deemed to be kept for use in the State. Rule 8 of the TNMVT Rules provides for collection of penalty equal to the amount of quarterly tax where the delay in payment of tax is beyond 45 days after the expiry of the prescribed period. As per Section 15-A of the TNMVT Act, the licensing officer may, at any time, within a period of five years, from the expiry of the period to which the tax relates, issue notice to the owner of the motor vehicle and after making such inquiry as he may consider necessary, direct such owner or other person to pay the whole or any portion of such tax, which has not been paid.

Generation of reports from VAHAN database regarding non-payment of taxes followed with further verification of 10 *per cent* of such vehicles in “e-Services”<sup>44</sup> of the Department revealed that in 17<sup>45</sup> out of 30 test checked offices, the owners of 112 Maxi Cabs and 185 Goods vehicles did not pay the quarterly tax amounting to ₹ 34.05 lakh relating to the period from 1 October 2010 to 31 March 2015. However, no action was initiated by the RTOs for recovery of the tax from the defaulting vehicle owners. This resulted in non-realisation of tax of ₹ 34.05 lakh. Besides, penalty of ₹ 34.05 lakh for delay in payment of tax was also leviable.

On being asked, the Government replied that tax was due for only one quarter as the permit was cancelled in the same quarter due to non-payment of tax. The Government further stated that ₹ 15.61 lakh was required to be collected and efforts were made for collection of tax, besides blocking the vehicles in the computer to avoid further transaction of the vehicles.

The reply of the Government was not acceptable as verification of the e-Services website of the Transport Department did not indicate cancellation of permits for these vehicles. In respect of 26 vehicles, ₹ 2.51 lakh was collected based on the audit observation. Further, in respect of 11 vehicles, our verification revealed issue of fitness certificate after the date of said cancellation of permit.

#### **4.3.8.2 Non / short collection of tax and penalty in respect of Contract carriage buses**

By an amendment made to the TNMVT Act in October 2009, Government of Tamil Nadu (GoTN) introduced the levy of quarterly tax based on the floor space at ₹ 4,900 for every square meter of floor area in respect of motor vehicles plying solely as contract carriages and carrying not more than 35 persons and levy of tax at the rate of ₹ 3,000 for every person where the seating capacity is more than 35 persons.

The levy of tax on the basis of floor area was challenged by the owners of omni buses. The Honourable High Court of Madras, by an interim order (October 2009), directed the operators to pay tax for 36 seats at the rate of ₹ 3,000 per seat, irrespective of the seating capacity of the vehicles. The Honourable High Court of Madras upheld (August 2013) the validity of the amendment levying tax on the basis of floor area for contract carriages. The Court directed that if the petitioners failed to pay the arrears of tax within three months from the date of order, the Government shall proceed against them in accordance with the law.

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<sup>44</sup> “e-Services” is the web portal of the Transport Department containing details of information on vehicles and particulars of payment of tax.

<sup>45</sup> Chennai (Central), Chennai (North East), Chennai (North West), Chennai (South East), Chennai (West), Coimbatore (Central), Coimbatore (North), Cuddalore, Kancheepuram, Madurai (North), Meenambakkam, Sholinganallur, Srirangam, Tambaram, Theni, Tuticorin and Virudunagar

Analysis of VAHAN database and verification of tax payment records and “e-Services” of the Department revealed the following deficiencies regarding the collection of tax in respect of contract carriage omni buses.

- In RTO, Tuticorin, the quarterly tax which was due to be paid by the owners of four contract carriage omni buses on the basis of the floor area of the buses was ₹ 48.49 lakh upto the quarter ending 31 March 2015. However, tax of ₹ 43.20 lakh calculated at the rate of ₹ 1.08 lakh per quarter was collected in respect of these vehicles. The failure of the RTO to ensure collection of tax on the basis of floor area of the buses with seating capacity less than 36 resulted in short collection of tax of ₹ 5.29 lakh. The same needs to be recovered along with collection of equal amount of penalty. In respect of three vehicles with seating capacity of less than 36, tax was collected at the rate of ₹ 1.08 lakh per quarter instead of on the basis of floor area of the vehicles. In the absence of information regarding floor area of these vehicles, the amount of tax could not be quantified.
- We noticed that though arrears of quarterly tax of ₹ 41.83 lakh was collected on the basis of floor area in respect of 40 vehicles, based on the decision of the Honourable High Court of Madras. The period of delay in collection of tax ranged from two to six quarters. This belated collection of tax required collection of equal amount of penalty of ₹ 41.83 lakh. However, penalty was not collected by the Department.

Government stated (December 2016) that necessary action would be taken for collection of penalty, though provision does not exist in the TNMVT Act for such levy.

The reply was not acceptable as Rule 8 of the TNMVT Rules read with Section 15 of the TNMVT Act provides for collection of penalty for belated payment of tax. Tax also includes the differential amount of tax collected from the owners of contract carriage omni buses. Further report regarding collection of penalty and reply in respect of the remaining cases was awaited (February 2017).

**Recommendation 1: We recommend that the Department may take necessary steps for effecting recovery of tax and penalty from the owners of contract carriage omni buses registered throughout the State.**

#### **4.3.8.3 Non collection of life time tax from owners of old tourist motor cab**

As per Section 3 of The TNMVT Act read with Class 5-A of the First Schedule, tax of ₹ 6,500 for five years was payable in respect of tourist motor cab. By an amendment made in April 2012, Seventh Schedule was introduced in the TNMVT Act to provide for levy of life time tax in respect of tourist motor cab. The rate of tax in respect of old tourist motor cab was fixed at 8.5 *per cent* of the cost of vehicle, if the cost of vehicle did not exceed ₹ 10 lakh and at 14.5 *per cent* of the cost of vehicle, if the cost of the vehicle exceeded ₹ 10 lakh. The registered owners of such vehicles were required to pay life time tax at specified rates at the time of renewal of permit or during the currency of the existing permit.

Our scrutiny of departmental records revealed that in eight<sup>46</sup> out of 30 test checked offices, out of 1,636 permits of old tourist motor cabs which were due for renewal during the period from April 2012 to March 2015, the owners of 279 vehicles had not renewed the same. Since these vehicles were covered by valid permits as of April 2012, the owners of these vehicles were liable to pay life time tax in respect of these vehicles, notwithstanding the non-renewal of permits thereafter. The Department, however, failed to issue demand notices for recovery of life time tax from the owners of the vehicles. The amount of life time tax due in respect of 175 vehicles calculated on the basis of details of cost of vehicles available in the records worked out to ₹ 53.01 lakh as mentioned in **Annexure 6**. Further, after the introduction of levy of life time tax for old tourist motor cabs with effect from April 2012, the Department should have obtained the details of cost of vehicles and calculated the amount of life time tax in respect of all vehicles which were covered by valid permits as on April 2012. The Department, however, failed to do so, with the result that the amount of life time tax in respect of 104 vehicles could not be calculated in the absence of details of cost of these vehicles.

Government stated (December 2016) that demand notices for 175 vehicles were issued and action was being taken for collection of tax under the Revenue Recovery Act. The Government further stated that the vehicles were also blacklisted and details thereof were communicated to all RTOs and Enforcement Wings. Further report regarding recovery and reply in respect of the remaining 104 vehicles were awaited (February 2017).

**Recommendation 2: We recommend that the Department may take necessary steps to ensure collection of life time tax in respect of all old tourist motor cabs in the State which were covered by valid permits as on 1 April 2012.**

#### **4.3.8.4 Non / short collection of tax in respect of construction equipment vehicles**

As per clause 6B of First Schedule to the TNMVT Act, construction equipment vehicles<sup>47</sup> were taxed at the rate of ₹ 3,500 per annum upto 31 March 2012. As per new clause 6C inserted in the First Schedule to the Act with effect from April 2012, tax in respect of construction equipment vehicles was raised to ₹ 10,000 per annum.

Our scrutiny of records in 30 test checked offices revealed that out of 13,191 construction equipment vehicles, tax was not collected in respect of 665 construction equipment vehicles during the years 2011-12 to 2014-15, while in respect of 56 construction equipment vehicles, tax was collected at pre-revised rates. This resulted in non / short collection of tax of ₹ 1.25 crore.

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<sup>46</sup> Chennai (Central), Chennai (South), Chennai (West), Coimbatore (Central), Hosur, Meenambakkam, Salem (West) and Theni

<sup>47</sup> Construction equipment vehicles means excavator, loader, mobile crane, self-loading concrete mixer and such other type of vehicles used in mining, industrial undertaking, irrigation and general construction operations.



Government to whom the matter was referred (October 2016) stated that since construction equipment vehicles are classified as non-transport vehicles, the owners of the vehicles were permitted to pay tax anywhere in the State. Further the owners were permitted to remit the tax in Treasuries / Banks all over the State, where the taxes are collected manually, for which the database is not available in the RTO offices.

Government, however, stated (December 2016) that demand notices were issued to the owners of the vehicles and action was being taken under the Revenue Recovery Act. Further report regarding recovery was awaited (February 2017).

Thus, the classification of construction equipment vehicles as non-transport vehicles involving payment of tax annually anywhere in the State results in lack of departmental control to ensure due payment of tax by the owners of construction equipment vehicles.

**Recommendation 3: We recommend that since construction equipment vehicles are classified as non-transport vehicles, life time tax can be prescribed for these vehicles, so that the same can be collected at the time of registration of the construction equipment vehicles.**

#### 4.3.8.5 Non-fulfilment of permit conditions

##### *Short realisation of tax due to misclassification of Private Service Vehicles as Educational Institution Vehicles*

As per Section 2 (11) of the MV Act, “educational institution bus” means an omnibus, which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities. As per class 8(a) of First Schedule to TNMVT Act, the rate of tax in respect of vehicles owned by schools is ₹ 50 per person per quarter and in respect of vehicles owned by colleges and other educational institutions, the rate of tax is ₹ 100 per person per quarter.

The Honourable Madras High Court held in January 2008 that the educational institution must own the vehicle and vehicles held in the name of Trust cannot be treated as ‘educational institution vehicles’.

On a scrutiny of the permit registers, we observed in 20<sup>48</sup> out of 30 test checked offices that 136 vehicles owned by Trusts / Societies were classified as educational institution vehicles and permits were accordingly issued. These vehicles were classifiable as “private service vehicles” and attract tax of ₹ 500 per seat per quarter. The incorrect issue of permits and collection of tax at the rates applicable to EIVs led to short realisation of revenue of ₹ 2.46 crore during the period from 2010-11 to 2014-15.

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<sup>48</sup> Chennai (Central), Chennai (North West), Chennai (South), Chennai (South West), Chennai (West), Coimbatore (North), Coimbatore (South), Dindigul, Gobichettipalayam, Kancheepuram, Marthandam, Redhills, Salem (South), Salem (West), Sholinganallur, Srirangam, Tenkasi, Tuticorin, Vaniyambadi and Vellore

Government did not accept the audit observation and stated (December 2016) that since the vehicles were used solely for the purpose of transporting students or staff of the educational institution, the issue of EIV permits to the vehicles was in order. The Government further stated that the Honourable High Court of Madras in their order (November 2016) had stayed the demand raised by the RTO reclassifying the petitioner's vehicle from educational institution bus to private service vehicles.

The reply was not acceptable as Section 2(11) of the MV Act stipulates that in addition to the usage, the ownership of the vehicle should also vest with the educational institution. The Honourable High Court of Madras had already held that vehicles registered in the name of Trust cannot be treated as EIVs and the decision was still in force.

***Incorrect grant of Private Service Vehicle (PSV) permits to vehicles not owned by the permit holder and plied based on contract agreements***

As per Section 2(33) of the MV Act, 'private service vehicle' (PSV) means a motor vehicle constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with, his trade or business otherwise than for hire or reward, but does not include a motor vehicle used for public purposes.

As per Section 2(30) of the Act *ibid*, "owner" means a person in whose name a motor vehicle is registered, and in relation to a motor vehicle, which is the subject of a hire-purchase agreement, or an agreement of lease or an agreement of hypothecation, the person in possession of the vehicle under that agreement.

GoTN, while clarifying (September 2002) on the issue of the PSV permits to leased vehicles owned by the companies, stipulated that the company should enter into an agreement with the registered owner and take over their vehicle on lease for company's use. The GoTN issued instructions in 2004 that there should be a lease deed evidencing transfer of vehicle and the lessee (in the capacity of "owner" of the vehicle in pursuance of the agreement) shall also have the liability to pay all taxes, fees, penalties, fines, damages, insurance claims and other necessities and requirements arising out of MV Act and its related rules.

During test check of records in nine<sup>49</sup> offices, we noticed that permits were issued to 59 motor vehicles classifying the same as PSV vehicles based on the agreement entered into between the companies and the original owners of the vehicles. Accordingly, tax of ₹ 150 per seat per quarter (up to 31 March 2012) and ₹ 500 per seat per quarter (from 1 April 2012) applicable to PSV as per class 8 (b) of the First Schedule to the TNMVT Act was collected in respect of these vehicles on the basis of permits issued.

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<sup>49</sup> Chennai (Central), Chennai (South), Chennai (West), Coimbatore (North), Hosur, Kancheepuram, Vaniyambadi, Vellore and Virudhunagar

Scrutiny of the agreements, however, revealed that the identity of specific vehicle, which was proposed to be given on lease was not mentioned. The liability of payment of tax vested with the original owner of the vehicle, which was in contravention of the instructions of the Government. The vehicles were not intended to be possessed by the lessee as there was contract agreement on per passenger charges, timings relating to entry and exit into and from the owner's premises, maintenance and insurance, etc. The lessor was asked to provide a replacement vehicle, in case, if it could not operate the leased vehicle. The agreements, therefore, were basically in the nature of a contract and instead of the lease ownership of vehicle, only the services of the lessor were agreed upon. Thus, issue of PSV permits to these vehicles was not in order. These vehicles should have been treated as contract carriages and tax of ₹ 3,000 per seat per quarter should have been collected as per Part II of the Schedule VII of the TNMVT Act. However, tax applicable to PSV was collected in respect of the vehicles. This resulted in a loss of revenue of ₹ 6.59 crore during the period from 2010-11 to 2014-15 as mentioned in **Annexure 7**.

Government stated (December 2016) that the vehicles could not be treated as contract carriages as the agreement was between the companies and the original owners and not like contract carriages, where the agreement was between the end user and the permit holder. The Government further stated that since the vehicles were used only for the purpose for which the permit was issued, these could not be classified as contract carriages. The Government replied that necessary orders would be issued to the RTOs to ensure the mentioning of registration number of the vehicles in the lease agreement.

The reply was not acceptable as the agreements entered into between the owners and the companies did not involve transfer of ownership of the vehicles to the companies. The conditions mentioned in the agreements were clearly contractual. The end use of the vehicle shall not justify the incorrect classification of the vehicles by the department.

#### **4.3.8.6 Incorrect classification of other services as Metropolitan services**

As per Rule 3(n) of the TNMV Rules, "Metropolitan Service" means a service exclusively in the Madras Metropolitan area defined and notified under clause (4) of Section 2 of the TNMVT Act. "Madras Metropolitan Area" means the City of Madras and such contiguous area of the city as the Government may, from time to time, specify by notification. The Government issued orders in November 2006 revising the contiguous area notified as Chennai Metropolitan area in order to extend the Chennai Metropolitan service from the existing distance of 40 kms to 50 kms. The revised contiguous areas of City of Chennai as comprising the Chennai metropolitan area are specified in the Schedule appended to the Notification. The Metropolitan Transport Corporation (MTC) is permitted to ply within the contiguous areas of Chennai city.

As per Article 2 III of First Schedule to the TNMVT Act, tax on vehicles permitted to ply as stage carriages exclusively within the Madras Metropolitan Area shall be leviable at ₹ 80 per seat per quarter. The tax in respect of vehicles plying on other town service routes is ₹ 325 per seat and in respect of vehicles plying in routes other than those mentioned above, the tax is ₹ 400 per seat per quarter. In addition, surcharge of 10 *per cent* for town services and surcharge of 25 *per cent* is leviable for metropolitan and other than town services.

We observed during check of records in the office of RTO, Chennai Central and from the details obtained from Metropolitan Transport Corporation (MTC) that 105 stage carriage buses were operated during the years 2009-10 to 2014-15 to areas, which were not covered in the areas notified as Chennai Metropolitan area. Though tax at the rate of ₹ 400 per seat per quarter in respect of vehicles operated to places beyond 50 kms and tax at the rate of ₹ 325 per seat per quarter in respect of vehicles operated to places within 50 kms was applicable, tax of ₹ 100 per seat per quarter was collected. This resulted in short collection of tax of ₹ 4.18 crore as mentioned in **Annexure 8**.

Government accepted the audit observation and stated (December 2016 that demand notice had been issued to MTC for remittance of the amount of ₹ 4.18 crore. Further report regarding remittance was awaited (February 2017).

#### **4.3.9 Deficiencies in the system of collection of taxes and fees**

##### **4.3.9.1 Lack of system to monitor collection of compounding fees**

Rule 206 of the TNMV Rules relating to compounding of offences provide that the sum of money determined to be recovered in lieu of cancellation or suspension of permit shall be recovered from the permit holder within 15 days from the date of determination.

The violations noticed during vehicular checks are recorded in a check report prepared in triplicate, the first copy of which is given to the vehicle owner and the third copy being retained by the checking authority. Where the permit for such vehicle falls within the area of jurisdiction of the checking authority, the compounding fee for the offence recorded is quantified, levied and collected and thereafter, the second copy of the check report along with the challan is forwarded to the administrative section. If, however, the permit of the vehicle is covered by an area beyond the jurisdiction of the checking authority, the offence is recorded in the check report and the second copy is forwarded to the jurisdictional RTO for further action.

During scrutiny of the check report register (also known as compounding fee register), we noticed cases of belated receipt of check reports by the jurisdictional RTOs and also cases of delay in initiation of action on receipt of check reports. Consequently, there was delay in collection of compounding fee, the delay ranging from 46 days to 73 months and 18 days in 805 cases across various classes of vehicles as against the prescribed time frame of 15 days as per the TNMV Rules. The age-wise analysis is given in Table below.

**Table 4.3: Delay in communication of check reports**

| Sl. No. | Period of delay                         | No. of cases |
|---------|---|--------------|
| 1.      | 5 years and more                        | 5            |
| 2.      | Less than 5 years but more than 3 years | 25           |
| 3.      | Less than 3 years but more than 1 year  | 214          |
| 4.      | Less than 1 year but more than 6 months | 254          |
| 5.      | Less than 6 months                      | 307          |
|         | <b>Total</b>                            | <b>805</b>   |

Thus, the delay in forwarding of check reports by the enforcement officers to the concerned RTO coupled with the delay in initiation of action on receipt of check reports by the RTOs resulted in non-collection and accumulation of arrears.

Government accepted the audit observation regarding pendency of check reports and attributed the same to appeals and cancellation of permits. The Government stated that circular prescribing time frame of three months for dealing with check reports would be issued to all RTOs. The Government further stated that introduction of hand held devices would eliminate the delay in the process of sending physical check reports to the concerned office through post.

**Recommendation 4: We recommend the early introduction of hand held devices to eliminate the delay involved in forwarding of hand written check reports by the enforcing officers to the concerned RTO, which in turn would help to improve the efficiency of enforcement work and ensure timely collection of revenue.**

#### **4.3.9.2 Non-registration of ticket canvassing agents / goods distributing and forwarding agents**

Section 93 of the MV Act stipulates that no person shall engage (i) as an agent or a canvasser, in the sale of tickets for travel by public service vehicles or in otherwise soliciting customer for such vehicles, or (ii) as an agent in the business of collecting, forwarding or distributing goods carried by goods carriages, unless he has obtained a licence from such authority and subject to such conditions as may be prescribed by the State Government.

Further as per Rule 234 of the TNMV Rules, no person shall act as an agent or a canvasser and no owner of a public service vehicle shall employ or permit any person to act as an agent or canvasser unless he holds a valid license in Form ACL (Agent or Canvasser's Licence) granted by the Secretary, Regional Transport Authority, authorizing the carrying on of such business. Rule 235 of the TNMV Rules stipulates that no person shall act as an agent for goods booking, forwarding and distributing unless he holds a valid license in Form AL granted by the Secretary, Regional Transport Authority authorising the carrying on of such business.

Rule 279 of the TNMV Rules provide for collection of fee of ₹ 45 per annum and security deposit of ₹ 2,000 for canvassing agents. The Common Carrier Act prescribes collection of security deposit of ₹ 5,000 and fee of ₹ 1,250 for 10 years in respect of goods booking agents.

As per the data collected from the Service Tax Department, 1,081 canvassing agents involved in sale of tickets for travel by public service vehicles and 3,056 goods booking agents, involved in booking of goods were functioning in various parts of the State but none of them was registered with the Transport Department. Failure to identify and register these canvassers and agents by the Department resulted in loss of scope to collect fee of ₹ 39.84 lakh and security deposit of ₹ 1.74 crore, besides not bringing them into the system.

Government stated (December 2016) that all assesseees paying service tax are registered with the Service Tax Department and hence all the service tax payers registered with the Service Tax Department cannot be insisted to register themselves with the Transport Department unless they satisfy the conditions specified in TNMV Rules regarding agent licence and goods booking agent licence.

The reply was not acceptable as ticket canvassing and goods booking agencies had been identified from the data of Service Tax Department on the basis of code number allotted to a particular industry. Thus, the details mentioned in the audit observation pertain to ticket canvassing agents and goods booking agents.

Thus, the absence of provisions for conducting market survey in the TNMV Rules, coupled with the failure of the department to institute control measures for registration of the travel agents and canvassers resulted in them remaining outside the control of the Department, though the MV Act and TNMV Rules provide for their compulsory registration for carrying on their activities.

**Recommendation 5: We recommend that the data may be obtained from the Service Tax Department and market surveys conducted to identify the travel agents / canvassers engaged in goods booking so as to bring the unregistered service providers into the tax net.**

#### **4.3.9.3 Violation of permit conditions by State Transport Undertaking**

As per Rule 249 of the TNMV Rules, every stage carriage, where a schedule of timings has been prescribed under Rule 248, shall run on such a route in accordance with it unless prevented by accidents or unavoidable cause or authorized in writing by the authority granting the permit. Breach of Rule 249 is punishable as a violation of permit conditions (Rule 252) and penalty of ₹ 2,500 for the first instance and ₹ 5,000 for subsequent violations are leviable from 28 December 2011.

We obtained the details of routes from Metropolitan Transport Corporation (MTC) in which buses were operated and while comparing the same with the permit register relating to stage carriages of MTC, we observed that in the case of 109 out of 3,818 vehicles, this schedule was not followed. The routes plied by these vehicles were at complete variance with the schedule of route granted by the competent authority. Though these vehicles were continuously operating in contravention of TNMV Rules, no action was initiated by the Transport Department for violation of permit conditions. Penalty leviable for violation of permit conditions amounted to ₹ 187.97 crore in respect of 109 vehicles relating to the period from 2010-11 to 2014-15 (calculated on the basis of two trips per day (to and fro) for each vehicle, as mentioned in **Annexure 9**.

Government contended that there was no permit violation as the GO issued in December 1982 empowers Pallavan Transport Corporation (now MTC) to have flexibility in changing the buses, subject to the condition that timings were adhered to and no trips were left out causing inconvenience to the travelling public.

The reply was not acceptable as the GO issued under the erstwhile Motor Vehicles Act 1939 pertains to change of buses and does not relate to relaxation of permit conditions. The audit observation is regarding the continued plying of buses on routes other than the schedule of routes granted by the competent authority.

**Recommendation 6: We recommend that strict adherence to the conditions governing issue of permits to MTC may be ensured by the Department, in the interest of transparency, accountability and to avoid inconvenience to the general public.**

#### 4.3.9.4 Absence of system to ensure plying of vehicles with fitness certificates

Section 56 of the MV Act provides that a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness (FC) in such form containing such particulars and information as may be prescribed by the Central Government, issued by the prescribed authority, or by an authorized testing station, to the effect that the vehicle complies for the time being with all the requirements of this Act and the rules made thereunder.

Rule 62 of the CMV Rules prescribe that the FC granted in respect of new transport vehicle shall be valid for two years, which shall be renewed every year thereafter.

A comparison of the total number of transport vehicles plying in the State *vis-a-vis* the number of vehicles in respect of which FC was granted during the period 2009-10 to 2014-15 indicate a vast disparity in figures suggesting perhaps the plying of vehicles without proper FC. The details are given in Table below.

**Table 4.4: Issue of fitness certificate**

| Year    | Vehicle position as on 1 April | Newly registered vehicles | Number of vehicles due for FC Col (2) – Col (3) of previous year | Number of FC issued | Number of vehicles without FC Col (4) – (5) | Percentage of vehicles plying without FC Col (6) to (2) |
|---------|--------------------------------|---------------------------|--|---------------------|---|---|
| (1)     | (2)                            | (3)                       | (4)  | (5)                 | (6)   | (7)   |
| 2009-10 |                                | 1,01,426                  |  |                     |   |   |
| 2010-11 | 9,28,539                       | 1,67,547                  | 8,27,113   | 6,79,733            | 1,47,380                                    | 17.82   |
| 2011-12 | 10,01,025                      | 1,38,581                  | 8,33,478   | 7,32,483            | 1,00,995                                    | 12.12   |
| 2012-13 | 10,42,642                      | 1,39,287                  | 9,04,061   | 8,00,401            | 1,03,660                                    | 11.47   |
| 2013-14 | 11,36,040                      | 98,757                    | 9,96,753   | 8,27,789            | 1,68,964                                    | 16.95   |
| 2014-15 | 11,82,530                      |                           | 10,83,773  | 8,83,751            | 2,00,022                                    | 18.46   |

Plying of vehicles without FC is dangerous to fellow drivers and pedestrians besides being violative of permit conditions.

Government did not accept the audit observation and stated that the reasons for non-obtaining of FC could be non-plying of vehicles, cancellation of permits, surrender of permits by the vehicle owners and movement of vehicles to other State. The Government further stated that 59,842 vehicles plying without FC were detained by enforcement officials during the period from 2009-10 to 2015-16 and there was a system to monitor the vehicles which are not having a valid FC.

The reply was not acceptable as the data on vehicles relates to vehicles plying with valid permits and those not surrendered or cancelled. Further, the Department stated during Exit Conference that other than booking of offence by the enforcement wing, there was no system to identify the non-compliance of plying of vehicles without FC.

**Recommendation 7: We recommend that the Department may make effective usage of the available data for identification of vehicles plying without fitness certificate and for initiating corrective measures in the interest of safety of public and users of vehicles.**

#### **4.3.10 Issues relating to citizen services**

##### **4.3.10.1 Delay in Introduction of High Security Registration Plates**

The Government of India (GoI) amended the CMV Rules in 2001 making it mandatory to fix High Security Registration Number Plates (HSRP) covering both the newly registered vehicles and existing vehicles. The purpose of introduction of HSRP was to curb the stolen vehicles being used for criminal activities.

The rationale behind introduction of the high security plate is security of the vehicle. The new plates are tamper proof and are secured by non-removable snap lock. These plates safeguard vehicle owners against theft or misuse of vehicles by the criminals. The HSRP would assist in identifying stolen vehicles, preventing misuse of vehicles by changing number plates and also in identifying hit-and-run cases.

While disposing a writ petition, the Supreme Court in 2010 expressed anguish that several States did not even take initial steps towards implementing the amended rule provisions mandating use of HSRP in vehicles. It directed the State among others to file an affidavit on publication and issue of tender within eight weeks from August 2011.

Consequent to the Supreme Court's directive, the State appointed a Technical Committee in September 2011 to prepare and scrutinise the tender documents and 15 November 2011 was fixed as the last date for tenders. Meanwhile, the State filed affidavit in the Supreme Court that due to the introduction of model code of conduct from 21 September 2011, the tenders would be finalised by the end of February 2012. As this deadline could not be met by the State, the GoI issued directives to the effect that the process in respect of old vehicles should be completed by 30 April 2012 and for new vehicles by 15 June 2012 as per the instructions of the Supreme Court.



The tender finalisation process became mired in litigation as one of the bidders, whose bid was rejected, filed a writ petition in the Madras High Court and interim injunction was granted by the Court. In December 2014, when the State expressed that a fresh tender process would be initiated, the Court ordered that the bidder disqualified earlier shall be given an opportunity to participate in the fresh tender. The State Government once again formed a Technical Committee (July 2015) to prepare and scrutinise the tender documents.

Although the installation of HSRP was mandated by the GoI in the year 2001, the State acted only upon the directives of Supreme Court in 2011. Even after 15 years, the process of installation of HSRP in motor vehicles has not become operational.

When the delay was brought to notice, the Government replied that a writ petition was filed in 2016 against conditions specified in the bid document. Further details were awaited.

Thus, the non-installation of HSRP in vehicles, despite Supreme Court's monitoring of the same, has resulted in non-achievement of the intended objective of securing vehicles from theft and misuse of vehicles with tainted number plates.

**Recommendation 8: We recommend the implementation of HSRP in vehicles without further delay to achieve the intended objective of securing the owners against theft of vehicles.**

#### **4.3.10.2 Operation of Regional Transport Offices without Testing Tracks and delay in introduction of computerised testing tracks**

As per the information furnished in the State Transport Authority's website, 69,059 accidents occurred during the year 2015 and 94 *per cent* of such accidents were due to the fault of drivers. In the State of Tamil Nadu, out of 141 offices, only 42 offices have been provided with the conventional testing track facilities. Thus, driving licence test were conducted in the heavily congested public roads.

In order to have an effective testing procedure to produce quality drivers, the Department had proposed during 2008 to set up a centralized driving licence issuing system at Institute of Road Transport (IRT), Taramani for use of nearby RTOs and Unit offices by improving the infrastructural facilities and accordingly ₹ 38.75 lakh and ₹ 45.01 lakh were allotted from the Road Safety Fund (RSF) during 2010-11 and 2012-13 respectively. In 2012-13, it was decided to establish electronic testing tracks in five places, and ₹ 4 crore was allotted (2013) from RSF to establish the same at IRT Taramani and RTO Redhills for use of nearby RTOs in Chennai city.

It was further decided to computerise 14 out of the 42 testing tracks, taking into consideration the need for introduction of scientific methods and latest technology to conduct driving tests. Government sanctioned (January 2014) ₹ 10 crore during 2013-14 for the formation of computerised driving testing tracks.

The centralised driving licence issuing system could not be established at IRT Taramani due to paucity of land. The proposal to use the funds already allotted from RSF for establishment of computerised testing track at RTO Sholinganallur and for establishment of computerised testing track instead of the electronic testing track at RTO Redhills was not accepted by the Inter Departmental Committee of RSF as the funds were meant for utilisation during the year 2013 and hence the same were surrendered.

In respect of ₹ 10 crore allotted for establishment of computerised testing tracks, the civil and electrical works entrusted to Public Works Department at a cost of ₹ 4.46 crore were yet to be completed, while in respect of computerisation work involving ₹ 5.54 crore, the Transport Commissioner, had only initiated action (September 2015) for publication of Notice inviting tenders in newspapers.

Government stated (December 2016) that the last date for receipt of tender document for computerisation of 14 testing tracks was extended till 28 February 2017 and alternate technologies were being evaluated.

Thus, due to improper planning which resulted in allotment of funds without ascertaining the land requirement, indecision of the Government regarding the nature of testing tracks, not even a single testing track had been established in addition to the existing testing tracks. The testing of drivers for issue of licences was, therefore, being done on the congested roads of the city. The delay in construction of computerised testing tracks had resulted in continued lack of transparency in issue of licenses.

**Recommendation 9: We recommend that the Government may put in place adequate testing tracks to ensure conducting of quality driving licence test by the Department.**

#### **4.3.10.3 Delay in conversion of petrol driven autorickshaws into LPG driven vehicles**

GoTN issued Orders in April 2007 and decided to convert the existing petrol run autorickshaws into LPG mode in a phased manner. The Order required the autorickshaws to install LPG kits to get new permits; the time frame being 31 July 2007 in respect of vehicles registered during the years 2005 and 2006 and extending upto 31 January 2008 for vehicles registered during 1997 and earlier periods. Subsidy was decided to be provided by Tamil Nadu Pollution Board (TNPCB) for each conversion. In November 2008, the High level Committee of TNPCB suggested amount collected by Transport Department towards green tax from old vehicles maybe utilised for grant of subsidy for conversion of petrol driven autorickshaws to LPG mode.

We observed that decision for utilisation of amount collected towards green tax for subsidising the cost of conversion of petrol driven autorickshaws to LPG and for payment of subsidy through Bank was not taken by Government, though proposal in this regard was made by Transport Commissioner in November 2013 and January 2014. The indecision of the Government resulted in non-release of subsidy, thereby affecting the conversion, though as of November 2011, ₹ 136.13 crore was collected as green tax.

The inordinate delay in implementing a green initiative measure was brought to the notice of the Government. Government stated (December 2016) that modalities followed by the Delhi Government for conversion of petrol driven autorickshaws into LPG mode was called for in December 2016. Further report was awaited (February 2017).

Since the emission of smoke from motor vehicles is a major source of air pollution, the delay in implementing the scheme has contributed to continued air pollution beyond the permissible limits.(Chennai is the 3<sup>rd</sup> largest city in India having high air pollution).

**Recommendation 10: We recommend that steps may be taken without any further delay for early implementation of decision of Government to convert petrol driven autorickshaws into LPG driven vehicles.**

#### **4.3.10.4 Delay in implementation of checking through hand held devices**

The GoTN decided (May 2012) to provide hand held device for the field staff of Transport Department to overcome the time consumed in forwarding hand written check reports by the enforcement officers to the concerned RTO. The hand held devices, besides improving the efficiency of enforcement work and revenue collection, was also envisaged to reduce the waiting time of the public in activities concerning issue of driving licences, fitness certificate and for registration of new vehicles.

We observed from the records that the Technical Expert Committee constituted in December 2012 for purchase of devices, without ascertaining the exact requirements of the Transport Department, decided to have the same hardware and software specification already introduced by the Chennai Traffic Police as basic requirements with additional features. The procurement of the devices was entrusted to ELCOT, a State Public Sector Undertaking and ₹ 4.30 crore was paid by the Department in March 2013 from the Road Safety Fund.

ELCOT informed to the Department in October 2013 that the scope of work pertaining to the Transport Department varied to a greater extent when compared to the “e-fine system”. The single bid which was opened in February 2014 consequent to the publishing of tender notice in September 2013 was also scrapped since the specification was not as per departmental specifications. The Technical Expert Committee opined in January 2016 that the configurations of the Chennai Traffic Police was of older version and recommended the purchase of hand held devices with improved configuration. As of February 2016, the proposals were still a subject of discussion and final decisions were yet to be arrived.

The failure to determine the required configurations of hand held devices before grant of funds to ELCOT indicated lack of proper planning. This resulted in non-procurement of hand held devices and the envisaged objective of timely collection of compounding fees without delay, considerably reducing the waiting time of the public and rendering of efficient services to the citizen remains unachieved.

#### **4.3.10.5 Non-utilisation of Nirbhaya Fund**

GoI set up a fund called “Nirbhaya Fund” in September 2013 to provide safety to women in public places. One of the objectives of the scheme was “security of women in road transport in the country”, covering 32 towns, each with a population of over one million to be implemented over a period of 2 years.

The Fund was set up with an initial corpus of ₹ 1,000 crore for the entire country. Ministries / departments of State Governments were advised by the Ministry of Finance, GoI, to formulate proposals to utilise the resources in the fund with a view to enhance the safety and security of women in the country.

The Ministry of Road Transport and Highways (MoRTH) of GoI proposed in July 2013 to set up control rooms in cities with population of more than one million for monitoring public transport through GPS devices with Nirbhaya funds to meet the expenditure on procurement of equipments and installation of other infrastructure to be given to the Transport Department of the State from Nirbhaya Fund. The Transport Secretaries of the States were requested to offer their views on the said proposal and also assess the financial requirements in their States for setting up control rooms in cities with population of more than one million for monitoring of public transport through GPS. Accordingly, in August 2013, the Principal Secretary / Transport Commissioner instructed all the zonal officers to send their views on the said proposal of MoRTH and since only a couple of zones had responded, the Transport Commissioner had once again reminded (November 2013) the Zonal officers to offer their views. GoTN also did not send its views to GoI. According to a census in 2011, four cities, viz., Chennai, Tiruchirappalli, Madurai and Coimbatore have population of more than one million and therefore, they qualify for utilisation of funds under Nirbhaya Scheme. Despite this, Tamil Nadu had not set up any control room nor funds were sought under the Nirbhaya Scheme.

The failure of the department to compile needs and requirements relating to safety of women passengers has led to delay in availing funds under Nirbhaya Scheme, which is ready to be disbursed based on needs.

Government stated (December 2016) that funds would be obtained from the Central Government after studying the necessities of the State. The reply of GoTN was not convincing as it had already not only delayed its response to the GoI but had also not been able to utilise the fund for the safety of women.

#### **4.3.10.6 Non-installation of GPS Meters in Autorickshaws**

GoTN, while issuing orders (August 2013) for revision of fare, decided to install electronic / digital fare meter with printer and GPS in autorickshaws plying in Chennai metropolitan area. The move was aimed at tracking the vehicle and for ensuring collection of fare at the rates approved by Government.

A technical committee was constituted by GoTN (September 2013) to work out the details of the project and the process of procurement was proposed to be completed on or before 28 February 2014. The work of procurement of the device was entrusted by GoTN to ELCOT in June 2014.

Our scrutiny of records revealed that after entrusting the work to ELCOT, the Principal Secretary of Home Department had addressed ELCOT in January 2016 to take expeditious action for procurement of the device. This indicated that necessary follow up action was not taken by the Department for a period of 18 months since the award of works to ELCOT. The GPS meters have not yet been installed in autorickshaws, even after a period of more than three years since the decision was taken by Government.

Government stated (December 2016) that the evaluation of tender by ELCOT was under process.

Thus, due to the failure of the Department to initiate necessary follow up action and the failure of ELCOT to finalise the tender for procurement of the devices, GPS meters were not installed in autorickshaws plying in Chennai metropolitan area.

#### **4.3.10.7 Insufficiency of funds allocated by State Transport Corporations to meet claims of accident victims**

Section 140 of the MV Act lays down that the owner of the motor vehicle is liable for payment of compensation for death or permanent disablement as a result of accident by involvement of motor vehicles.

Section 146 of the MV Act stipulates that no motor vehicle shall be used in a public place unless there exists a policy of insurance to cover third party risks. Sub-section 3 of the above Section, however, exempts State Transport Corporations (STCs) provided they maintain a minimum insurance fund of ₹ 20 lakh. Government of Tamil Nadu created (July 2010) a corpus fund of ₹ 20 crore to meet compensation to accident victims subject to maintenance of similar amount by the STCs. Thus, the total corpus with the STCs would be ₹ 40 crore each year.

It was found that the STCs had a liability of ₹ 435.07 crore as compensation to accident victims as on March 2015, out of which, ₹ 207.72 crore was accepted by them. But as at the end of March 2016, corpus of ₹ 59.10 crore alone was available. As a result of this insufficient corpus, there was delay in settling claims of accident victims.

Non-provision of corpus funds by the STCs to meet even the past accepted liability was akin to plying the vehicles without insurance. Plying without insurance was a violation of Section 140 of the MV Act.

**Recommendation 11: The Government may initiate action to increase the corpus fund every year to meet the claim of accident compensation awarded to the victims. The Government and the STCs may provide for disbursement of the entire amount of undisputed claim of compensation.**

#### **4.3.10.8 Lack of Infrastructure and non-computerisation in checkposts**

The Transport Department check posts are located at vantage points in the State along its borders. They play important role in controlling and monitoring of inter-state movement of vehicles. The check posts are manned by Motor Vehicle Inspectors (Non-Technical), who assist in collection of taxes and fees.

There are 19 checkposts in the State, of which only two are housed in concrete buildings. The check posts lack weigh bridges. To overcome the difficulties in the existing checkposts, the modernisation of checkposts was undertaken. The main features of the project involved construction of bye lanes, provision of weigh bridges, construction of office buildings and facility buildings, warehouses, check post plazas, road furniture, sign boards and installation of electrical / electronic equipments and computers.

Government of Tamil Nadu (GoTN) accorded (July 2008) “in principle” approval to modernize the Check post at Pethikuppam, situated in the border of Andhra Pradesh. GoTN accorded (August 2008) enter-upon permission for land measuring 21 acre for the project. The work of preparation of Detailed Project Report (DPR) and execution of work was entrusted to M/s. Pallavan Transport Consultancy Services Limited (PTCS) as a special case and ₹ 30 lakh was paid (April 2010) as advance to meet the preliminary expenses of pre-tender activities connected with the project. The Transport Commissioner (TC) requested permission of National Highways Authority of India (NHAI) for accessing the National Highways for the construction of retaining wall. GoTN also transferred (August 2010) 12 acres to Transport Department.

Based on the proposals from the TC and DPR of PTCS, Government modified the approval as formation of Modern Integrated Checkpost at Pethikuppam, to also house the Departments of Revenue, Police, Prohibition and Excise, Civil supplies and Consumer Protection and Commercial Tax and accorded administrative sanction (November 2011) for ₹ 79.77 crore to provide quality service to citizens and entrusted the work to the Public Works Department (PWD). After field investigation, PWD proposed (December 2011) for alternate design considering the requirement of acquisition of land from NHAI and suggested for alternate proposals. TC insisted (February 2012) PWD to undertake the work as per DPR as administrative sanction was accorded by Government after detailed examination of DPR. PWD submitted detailed estimates with revised cost for the project adopting modified technical specifications based on soil test and escalation of cost. GoTN accorded revised administrative sanction (April 2013), for ₹ 109.46 crore including recurring expenditure of ₹ 3.62 crore.

In the meantime, proposals were forwarded (March 2012) to the District Collector, Tiruvallur for allotment of land to the extent of 4.82 acres for establishing the check post.

Pre-qualification tender notice was published on 2 May 2013. The lowest quoted tenderer for ₹ 107.52 crore was accepted and the site for the above work was handed over in September 2013 for completion of the work in the agreed period of 20 months. PWD forwarded proposals to TC for requirement of additional funds to meet the tender excess, changes in schedule of rates, excess amount for pile foundation and rigid pavement of road. Accordingly, GoTN accorded (February 2016) revised administrative sanction for ₹ 128.13 crore. An expenditure of ₹ 116.65 crore was incurred till November 2016 and the work relating to laying of road for access with the National Highway was yet to be done. Thus, the proposed modernised integrated checkpost was yet to be completed.

Audit observed the following:

- (i) The modification of the technical specifications of the project by PWD from the specifications finalised in the DPR considering the soil conditions of the site indicated non-identification of appropriate agency for the work of preparation of DPR, which resulted in revision of cost of the project and was indicative of absence of proper planning.
- (ii) Though Department identified access to the National Highways for the completion of project, TC failed to consider alternate design suggested by PWD. This resulted in delay in obtaining of permission from NHAI for more than six years from the date of request and non-completion of the project despite incurring expenditure of ₹ 116.65 crore.
- (iii) The problems encountered during commencement of the work, which involved modifications in pile foundation and design for rigid pavement on the recommendations of the Highways Research Station revealed that proper planning including prior soil testing had not been undertaken. This resulted in delay in execution of the project.

Government stated (December 2016) that the probable date of completion of provision of necessary software and integration of the existing software and hardware infrastructure was 28 February 2017 and tenders were called for in this regard. The Government further stated that the integrated check post would be made fully operational only after completion of additional amenities of software development and hardware installation.

Thus, failure to identify proper agency for preparation of DPR, absence of pursuance to obtain necessary permission from NHAI, non-consideration of the proposals of PWD for revision of design resulted in non-achievement of the objective of establishment of modernised integrated check post to provide quality service to the citizens even after eight years from sanction despite incurring expenditure of ₹ 116.65 crore.

#### **4.3.11 Issues relating to compliance of pollution norms**

As per Rule 115(7) of the CMV Rules, after the expiry of one year from the date on which the motor vehicle is first registered, every such vehicle shall carry a valid “Pollution under control” certificate (PUC) issued by an agency authorised for this purpose by the State Government. The validity of the certificate shall be for six months and the certificate shall always be carried in the vehicle and produced on demand by the officers competent to verify the certificate.

##### **4.3.11.1 Issue of Fitness certificates without PUC**

According to Rule 62 of the CMV Rules, renewal of FC shall be made only if the vehicle is covered by PUC.

A comparison of the details of transport vehicles, which were issued FC and PUC during the period 2010-11 to 2014-15 indicated issue of FC without production of PUC. The comparison further revealed that almost 20 per cent of the vehicles were issued FC every year without PUC, as detailed in Table below:

**Table 4.5: Issue of fitness certificate without PUC**

| Year    | No. of transport vehicles issued with PUC | No. of vehicles issued with FC as per Government Policy note | No. of vehicles issued FC without PUC | Percentage of vehicles issued FC without PUC (column 4 to column 3) |
|---------|---|--|---------------------------------------|---|
| (1)     | (2)                                       | (3)  | (4)                                   | (5)   |
| 2010-11 | 4,99,064                                  | 6,79,733   | 1,80,669                              | 26.58   |
| 2011-12 | 5,62,430                                  | 7,32,483   | 1,70,053                              | 23.22   |
| 2012-13 | 6,11,590                                  | 8,00,401   | 1,88,811                              | 23.59   |
| 2013-14 | 6,98,312                                  | 8,27,789   | 1,29,477                              | 15.64   |
| 2014-15 | 7,28,551                                  | 8,83,751   | 1,55,200                              | 17.56   |

Source: Policy Note of Government and details furnished by Department

#### 4.3.11.2 Plying of vehicles without emission certification

As of April 2014, there were about 188.08 lakh vehicles plying in the State, which involved issue of 359.83 lakh PUCs during 2014-15. However, 12.69 lakh PUCs alone were issued, which indicated that only 3.5 per cent of the vehicles had fulfilled the requirement of obtaining PUC every six months. The details of the total number of vehicles, the number of PUCs, which were required to be issued and those actually issued during the period 2010-11 to 2014-15 are given in Table below.

**Table 4.6: Pollution Under Control Certificates**

| Year  | Total vehicles on 1st April of next year | No. of newly registered vehicles) | No. of PUCs due for existing vehicles (twice an year) (Twice of column 2 - column 3) | No. of PUCs due for new vehicles (once in the year) (column 3) | Total no of PUCs needed in the subsequent year (column 4+column 5) | Actual PUCs issued | Percentage of issue of PUC (column 7/ to column 6) |
|-------|--|-----------------------------------|--|--|--|--------------------|--|
| (1)   | (2)                                      | (3)                               | (4)  | (5)  | (6)  | (7)                | (8)  |
| 09-10 | 12156961                                 | 1170536                           | 21972850   | 1170536  | 23143386   | 878670             | 3.80   |
| 10-11 | 13660717                                 | 1576712                           | 24168010   | 1576712  | 25744722   | 958670             | 3.72   |
| 11-12 | 15368625                                 | 1774003                           | 27189244   | 1774003  | 28963247   | 1049105            | 3.62   |
| 12-13 | 17091768                                 | 1820813                           | 30541910   | 1820813  | 32362723   | 1171995            | 3.62   |
| 13-14 | 18807505                                 | 1631601                           | 34351808   | 1631601  | 35983409   | 1268603            | 3.53   |

Source: Policy Note of Government and details furnished by Department

The above Table indicates that 96.5 per cent of the vehicles plying in the State did not adhere to the mandatory provisions of obtaining emission certificate every six months. This indicates that the Department had failed to enforce pollution control measures. Hence, urgent steps need to be taken to ensure the plying of vehicles within permissible emission levels.



#### 4.3.11.3 Insufficiency of Pollution Testing Centres

There are 288 pollution testing centres in Tamil Nadu (March 2015) attached to various Regional Transport Offices. The certificate is issued after conducting various tests as envisaged in Rule 118 of the CMV Rules. Tests on each class of vehicle vary from each other. If 3.60 crore PUCs were to be issued for the year ending 31 March 2015, each centre should have tested on an average 1,24,942 (at 342 per day assuming the centres work all 365 days in a year) vehicles during the year. This shows that the availability of pollution testing centres fell short of the requirements, taking into account the ever increasing plying of vehicles.

The non-availability of data relating to vehicles plying without pollution, absence of proper enforcement and lack of a clear policy with respect to emission testing centres to meet the emission certification of ever increasing number of vehicles have resulted in 96 *per cent* of vehicles plying without pollution check, thereby contributing massively to vehicular pollution.

Government stated (December 2016) that PUC was being insisted for all transactions like renewal of registration certificate, re-registration of vehicles, issue of FC, transfer of ownership, hypothecation entry, issue of No Objection certificate and issue of all kinds of permits. The Government further stated that 1,96,270 cases were booked by the Transport officials for non availability of PUC during the period from 2009-10 to 2014-15. As regards insufficiency of pollution testing centres, Government stated that since the business was not profitable, sufficient interest was not shown by persons to establish pollution centres.

The reply was not acceptable as the details furnished by Department indicate that FCs were issued to vehicles even in the absence of PUCs. Since emission checking of vehicles is mandatory, the lack of interest exhibited by private persons to establish pollution testing centres cannot be cited as an excuse for the insufficient number of pollution testing centres.

**Recommendation 12: We recommend that the Government / Department may institute measures for stringent enforcement of pollution control measures and for opening of adequate pollution testing centres to meet the requirements of increasing vehicular population.**

#### 4.3.12 Other findings

##### **Amount of penalty collected by Traffic Police not deposited in the relevant head of Account**

Rule 118 of the CMV Rules empowers the traffic police to enforce the provisions of the MV Act and to collect the compounding fee prescribed. The Government also issued an order in December 2011 empowering the Sub-Inspector of Police (Traffic) to collect fines.

We noticed from the information obtained from the Police Department that the amounts collected as fines based on Tamil Nadu Motor Vehicle rules were not been credited into the Head relating to Taxes on motor vehicles (i.e. 004100800AE0003) but into Head 0055 relating to Police Receipts. Due to the improper crediting of fine into police receipts, the department's revenue was understated to the extent of ₹ 102.76 crore relating to the period from 2010-11 to 2014-15.

After we pointed this out (September 2016), Government replied (December 2016) that necessary instructions would be issued to the Police Department to remit the collection of spot fine into the head relating to Transport Department.

#### **4.3.13 Conclusion**

The Home-Transport Department had not utilized available data to monitor payment of tax by owners of transport and non-transport vehicles, and to issue demand notices in cases of non-payment of periodical taxes. The adherence to conditions of permit by stage carriage operators was not ensured by the Department and MTC was allowed to operate vehicles in violation of permit conditions. Though, erroneous driving was identified by the Department as one of the major cause of accidents, the absence of testing tracks in RTOs to ensure the quality of driving tests was a major concern. The pace of implementation of other infrastructure and citizen service schemes or measures had been tardy. With just three *per cent* of vehicle population subjected to pollution check, there was inadequate control of vehicular pollution in the State. Our audit exercise revealed non / short collection of motor vehicle tax and fees amounting to ₹ 18.40 crore, besides the non-levy of penalty of ₹ 187.96 crore for violation of permit conditions by MTC. Since these cases pertain to test checked offices, Government / Department may examine these issues in other offices of the State, which would result in realisation of adequate revenue to Government.