

CHAPTER III

3. Compliance Audit

Important audit findings arising out of test check of transactions made by the State Government companies/ corporations are included in this chapter.

STATE TRANSPORT UNDERTAKINGS

3.1 Vehicular Emission by State Transport Undertakings in West Bengal during the period from 2012-13 to 2016-17

3.1.1 Introduction

According to the State of Environment Report, air pollution is proving to be an issue of concern in India. Air pollution and its resultant impacts can be attributed to emissions from vehicular, industrial and domestic activities. According to the Central Pollution Control Board (CPCB), transport sector contributes to 70 per cent of total pollution in Metros. Around 32 per cent of West Bengal's population lives⁷⁶ in locations, where the air quality is affected by emissions from industrial sources and road traffic.

By reducing air pollution levels, the burden of disease from stroke, heart disease, lung cancer and both chronic and acute respiratory diseases, including asthma, can be reduced.

CPCB⁷⁷ and West Bengal Pollution Control Board (WBPCB) pointed out⁷⁸ that vehicular emission is caused by (i) high average age of vehicles, (ii) increase in the number of vehicles, (iii) congestion, (iv) excessive fuel consumption, (v) adulteration of fuel and fuel products, (vi) absence of mass rapid transport systems *etc.* in operation of vehicles. CPCB observed (March 2010) that vehicular emissions can be controlled/ reduced through a combination of technical and non-technical measures. The technical measures include (i) improving fuel quality, (ii) enforcing vehicle emission norms, (iii) monitoring issue of Pollution Under Control (PUC) Certificates, (iv) using vehicles with advanced emission control devices, (v) issuing 'Certificate of Fitness'(CF) for 'in-use' vehicles only after inspection and requisite maintenance *etc.* Non-technical measures include building capacity for monitoring of vehicular emissions as well as ensuring environmental accounting and reporting.

⁷⁶ Source: State of Environment Report of West Bengal 2016, P/243.

⁷⁷ Source: Para-1.0 of the Report of CPCB on Status of the vehicular pollution control programme in India-March 2010.

⁷⁸ Source: Annual Report (2012-13), Page-31

In West Bengal, five State Transport Undertakings (STUs)⁷⁹, owned by the Government of West Bengal (GoWB), run bus services across the state as well as in the neighbouring states. These STUs function under the overall guidance, control and policy of the Transport Department, GoWB.

Operational Performance

As of March 2017, these five STUs held 2,821 buses operating from 55 depots. In addition, they operated nine workshops⁸⁰. The status of performances of the STUs in 2016-17 is given in **Annexure 5**.

3.1.2 Objective, Scope and Methodology of Audit

This thematic audit on impact of vehicular emissions by these five STUs was conducted between April 2017 and June 2017. It covered the period from April 2012 to March 2017 to evaluate:

- The Environment Plan and Policy outlined by the Government for mitigation of vehicular emissions by the STUs, and
- Environment Management System for reduction of emissions implemented by the STUs and the impact of vehicular emissions.

Audit methodology involved scrutiny of records maintained at the Head Offices of the five STUs and 16⁸¹ depots (out of 55 depots). The related records of (i) WBPCB; (ii) Environment Department, GoWB; (iii) Public Vehicles Department (PVD), (iv) Kolkata/ West Bengal Police: Traffic Sections and (v) Transport Department, GoWB were also checked. Joint inspections at different locations of STUs were done. Testing of smoke emitted by STU-owned buses with smoke meters was carried out in the presence of officials of the STUs, *etc.*

Audit findings were reported to the (i) Transport Department, GoWB, (ii) the Environment Department, GoWB, (iii) WBPCB and (iv) the respective STUs in July 2017. Views/ replies⁸² of the Transport Department, GoWB, WBPCB had duly been considered while finalising this Thematic Audit Report.

⁷⁹ Calcutta State Transport Corporation (CSTC), West Bengal Transport Corporation Limited (WBTCL) and West Bengal Surface Transport Corporation Limited (WBSTCL) cater to the passengers of Kolkata and its suburbs. South Bengal State Transport Corporation (SBSTC) caters to the passengers of South Bengal while North Bengal State Transport Corporation (NBSTC) caters to the passengers of North Bengal. Operation areas are after route rationalisation in June 2014 by GoWB.

⁸⁰ Central Workshops-2 (CSTC-1 and WBTCL-1), Divisional Workshops-7 (SBSTC-2 and NBSTC-5).

⁸¹ **CSTC**: Nilgunge, Paikpara, Lake and Taratala; **WBTCL**: Ghasbagan and Tollygunge; **WBSTCL**: Howrah; **SBSTC**: Arambag, Haldia, Belghoria and Durgapur; **NBSTC**: Suri, Dinhat, Berhampore, Cooch Behar and Siliguri.

⁸² The STUs did not submit their views/ replies till January 2018.

3.1.3 Audit Criteria

The audit criteria adopted for assessing the achievement of audit objectives were derived from-

- Environment Policies of Government of India (GoI) and GoWB, plans and performance of the STUs;
- Acts, rules, regulations and notifications issued by the Central/ State Pollution Control Boards and Ministry of Environment and Forests, GoI and GoWB;
- Original Equipment Manufacturer's Manual (OEM) on repair and maintenance of buses;
- Guidelines of the Ministry of Road Transport and Highways (MORTH), GoI; orders of the Hon'ble Supreme Court of India/ Hon'ble Calcutta High Court/ Hon'ble National Green Tribunal (NGT), benchmarks applicable in other countries as well as good practices followed by other STUs.

Audit findings

The thematic audit brought out the deficiencies relating to control of vehicular emissions by the five STUs which are discussed in the succeeding paragraphs:

3.1.4 Planning for reduction of emissions

3.1.4.1 Non-preparation of plans

Government of India (GoI) had brought out National Conservation Strategy and Policy Statement on Environment and Development in 1992. Based on this, the Government of West Bengal (GoWB) had adopted (June 1995) the Policy Statement on Environmental Protection and Conservation of Natural Resources. Subsequently, GoWB framed (April 2012) the West Bengal State Action Plan on Climate Change. Specific roles were assigned to different departments, including the Transport Department. The policy and action plan included actions that were to be taken by concerned departments in order to mitigate green-house gas emissions. These were (i) encourage shifting from use of private to public transport, (ii) reduce use of fossil fuel through increased transmission efficiency, (iii) replace significant share of current stock of para-transit⁸³ and non-motorised vehicles modes with electric/solar powered vehicles.

⁸³ Para transit includes auto-rickshaws and cycle-rickshaws.

Audit observed (April to June 2017) that there was a time lag of about 17 years between the adoption of Policy Statement and framing of State Action Plan. However, there were no recorded reasons. The Transport Department had also not prepared requisite action plans to (i) protect and safeguard the environment from pollution, and (ii) mitigate green-house gas emissions arising out of vehicular emissions in operation of its STUs as stated in the Environmental Policy Statement and the State Action Plan. Moreover, the Government of West Bengal (GoWB) had also not chalked out an overall air-quality management plan. The Transport Department while accepting (November 2017) the observation did not intimate any reason for non-preparation of such action plans.

The Transport Department stated that the Environment Department, GoWB, looked after (November 2017) the overall environmental management and control of environmental pollution. The Environment Department, in its' reply (December 2017) had not responded to the audit findings. However, the Transport Department was silent about its own role in reduction of emission from STUs like preparation of action plans *etc.*

3.1.4.2 Non-creation of infrastructure for supply of CNG/ CBM

The Transport Department, GoWB held (July 2011) a meeting with WBPCB, oil marketing companies (OMCs) and coal bed methane (CBM)⁸⁴ producing companies. It was decided to (i) make available CBM as a clean fuel for public transport vehicles in Kolkata by December 2011 and (ii) OMCs would install a CBM dispensing station at either Kasba or Salt Lake depots of CSTC to ensure supply of CBM for proposed CNG driven State Government buses. Besides, CBM producing companies would furnish information regarding the production and availability of CBM for transport sector in Kolkata.

Audit observed that no action on the issues above had yet been taken by GoWB. Audit further observed that during 2011-12 to 2015-16, the production of CBM in West Bengal rose from 79.106 to 389.423 MMSCM⁸⁵ *i.e.*, the State's share of India's total production expanded from 94 to 99 *per cent*. This could have been used to lower release of air emissions. Besides, a CBM distribution network was operational since 2010 in the Asansol-Durgapur area. Mass transport vehicles in that area consumed approximately 1.80 tonnes of CNG daily in 2010-11 as compared to 0.51 tonnes by STUs in Asansol and Durgapur during February and March 2017.

⁸⁴ According to Directorate General of Hydrocarbons, Coal Bed Methane (CBM), a non-conventional source of natural gas is now considered as an alternative source for augmenting India's energy resource. The vast majority of the best prospective areas for CBM development are in eastern India, situated in Damodar Coal valley and Son valley.

⁸⁵ Million metric standard cubic metres.

CPCB had identified (December 2009) Kolkata, Howrah, Durgapur and Haldia as critically polluted areas. Production of CBM in West Bengal was sufficient and a distribution network also existed. However, the Transport Department had not chalked out plans to set-up CBM stations in those areas. Besides, GoWB's failure to create infrastructure had led to flaring of 2.81 lakh tonnes of CBM *i.e.*, 39.12 *per cent* of production in 2015-16 and 2016-17. This CBM could have been utilised for operation of 7,812 CNG buses annually.

Thus, due to GoWB's failure to ensure CNG/ CBM distribution network in Kolkata, Howrah and Haldia, CNG buses could not be operated. This inaction led to continued release of air pollutants that was avoidable/could have been averted.

The Government responded (November 2017) that the Transport Department would provide space at their depots for setting up the CNG and CBM dispensing stations. The oil marketing companies (OMCs), which were mostly Central PSUs had not set up those dispensing stations in Kolkata, Howrah and other urban areas.

The reply is not tenable as the NGT, Eastern Zone, observed that GoWB had objected in 2005 to the joint venture proposal of GAIL (India) Limited. According to this, GAIL was to supply CNG to Greater Calcutta Gas Supply Corporation Limited, a GoWB PSU. These objections had delayed introduction of CNG in Kolkata by 12 years. NGT had directed (October 2017) the Chief Secretary, GoWB to resolve the matter immediately.

Good Practice: Audit noticed that besides Delhi Transport Corporation had been operating CNG buses 97 per cent of its total fleet of 4,913 buses, 10 STUs⁸⁶ had operated 6,648 CNG buses as of March 2015.

3.1.4.3 CNG buses not introduced

The Report of the Expert Committee on Auto Fuel Vision and Policy 2025 (May 2014), GoI, refers to the use of CNG as an alternative fuel to diesel. Use of CNG results in reduction in emissions of (i) PM⁸⁷ by 97 *per cent*, (ii) carbon monoxide (CO) by 84 *per cent* and (iii) oxides of nitrogen (NO_x) by 58 *per cent*. Further, the Standing Committee of XVI Lok Sabha on Petroleum and Natural Gas (2015-16), observed (August 2016) that coal-bed methane (CBM)⁸⁸ can be converted to CNG and utilised for local transportation.

⁸⁶ (1) Andhra Pradesh State Road Transport Corporation, (2) Telangana State Road Transport Corporation, (3) Maharashtra State Road Transport Corporation, (4) Gujarat State Road Transport Corporation, (5) Uttar Pradesh State Road Transport Corporation, (6) State Transport of Haryana, (7) Bombay Electric Supply and Transport Undertaking, (8) Pune Mahanagar Parivahan Mahamandal Ltd., (9) Thane Municipal Transport Undertaking and (10) Ahmedabad Municipal Transport Services.

⁸⁷ Particulate matter.

⁸⁸ Coal Bed Methane is a form of natural gas extracted from coal blocks through drilling during underground mining.

In November 2016, WBPCB released a grant of ₹ 7.46 crore to SBSTC for procurement of 20 CNG buses in February 2017. These buses were to operate in Asansol-Durgapur area.

Audit observed that SBSTC procured (January 2017) only 10 CNG (BS-IV) buses from Ashok Leyland at a cost of ₹ 3.62 crore till June 2017. Analysis of operational performance of these buses in February and March 2017, showed average 14,802.40 Km run. They released lower quantities of CO₂ (24,091 Kg) as compared to diesel vehicles (31,085 Kg). As such, the CNG buses caused lesser pollution than diesel vehicles (reduction of 6,994 Kg CO₂).

Out of a total 2,821 buses with the five STUs, only 10 CNG buses (0.35 per cent) were in operation. The STUs did not take any major steps for increasing the fleet of CNG buses in the State despite availability of funds.

The Transport Department stated (November 2017) that the Government was very keen to introduce CNG and CBM operated buses, especially, in Kolkata and its neighbourhood and other urban areas with a view to curb the vehicular emission related environment pollution. However, it was silent about the timelines regarding introduction of CNG buses. Further, it had also not created the infrastructure (gas dispensing station, supply of CBM etc.) for introduction of CNG buses in Kolkata. As such, its professed keenness to introduce CNG buses was not reflected in its actions.

3.1.4.4 Expansion of services of trams not undertaken

According to the report⁸⁹ (June 2012) of the Institute of Urban Transport, GoI, trams are environment friendly and energy efficient transport system⁹⁰. It had the potential to play an important role in the urban transport system of Kolkata. Further, the report also highlighted the lack of an integrated multi-modal public transport network⁹¹ for the city. The report found that there was ample scope for improvement and rejuvenation of the tram operation system. It suggested interventions both at planning and strategic level, to be implemented within three⁹² years.

Audit observed that WBTCL⁹³, the only STU operating trams, had an average fleet strength of 269 trams with track length of 114.34 Km as of March 2016. The average number of trams put on road during the year had reduced from 91 in 2013-14 to 80 in 2015-16. As the availability of trams had come down, the effective Km travelled *per* passenger/ day reduced by 20 per cent during 2013-16.

⁸⁹ Renovation of Kolkata Tram to Light Rail Transit and the Tram Train Concept, June 2012.

⁹⁰ Report of the Institute of Urban Transport, Ministry of Urban Development, GoI, P/ 10.

⁹¹ Integrated multi-modal transport system comprises of one trip that involves two or more than two different modes of transportations like bus, metro, car, tram etc., either Government or Privately operated; wherein – between passengers have to transfer into other modes.

⁹² Report of the Institute of Urban Transport, Ministry of Urban Development, GoI, P/ 24.

⁹³ Incorporated (October 1982) with the main object of laying of tramways tracks and running of trams, the construction, maintenance and use of tramways and trolley buses in or near Kolkata, 24 Parganas, Behala and Howrah, carrying on the business of mechanical engineers and to undertake and carry out the overhaul and repair of trams, trolley buses, motors, motorcars, motor vehicles of all kinds.

Trams run by WBTCL were more environment friendly than the buses in the state. However, the Government did not frame a strategic plan for expansion of this service in Kolkata. The drop in availability of tram services led to their substitution by road transport. The number of public transport vehicles in Kolkata increased from 11,141 to 20,711 during 2012-17. This led to higher vehicular emissions in Kolkata.

The Government had in their reply (November 2017) mentioned that inadequate road space in Kolkata and slow moving trams were a limitation to expansion of tram services. Moreover, existing tram network was also being curtailed to create infrastructure for metro services.

The reply needs to be viewed in the light of the fact that trams can be an important component of the city's multi-modal transport network, with trams acting as feeders to metros. Moreover, Managing Director, Kolkata Metro Rail Corporation Limited also had expressed (March 2012) that the tram lines were mostly perpendicular to the metros and would continue to play an important role as feeder to the metro system. Thus, there was a need to integrate tram as an essential part of overall urban transport system in Kolkata.

3.1.5 Implementation of emission control measures

Emission control measures undertaken by the department and its performance against these measures are depicted in the **Figure 3.1**.

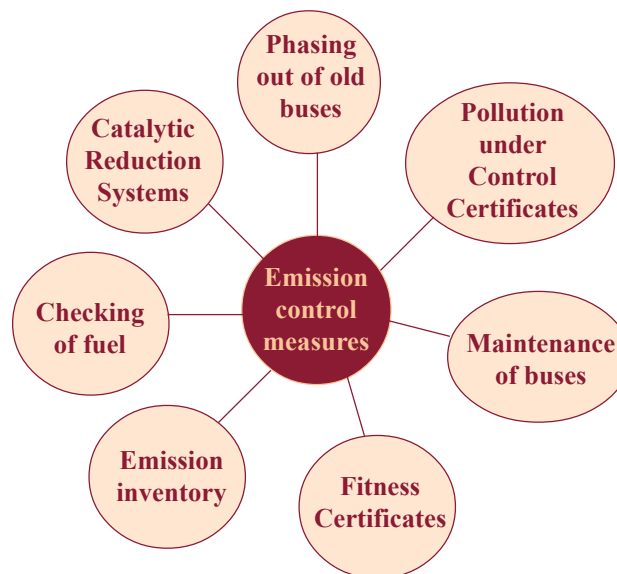


Figure 3.1 : Emission Control Measures

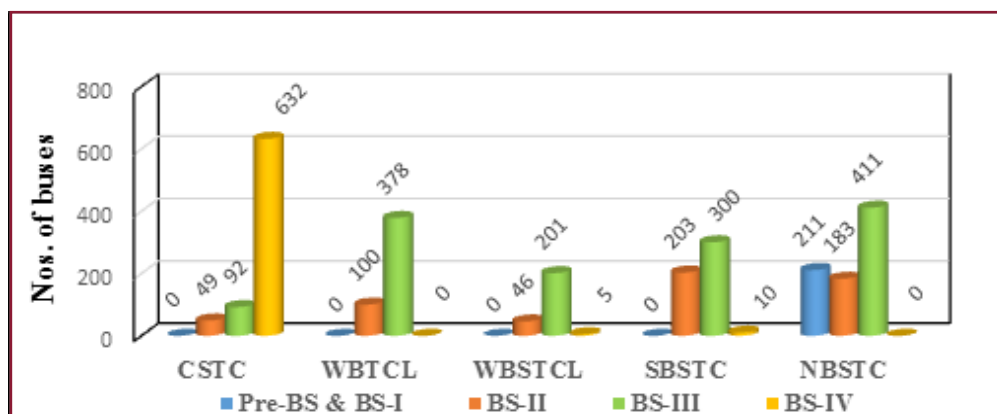
With regard to emission control measures prevalent in STUs, audit observed the non-compliance to extant rules/ measures as discussed in following paragraphs:

3.1.5.1 Non-phasing out of Bharat Stage-I (BS-I), Bharat Stage-II (BS-II) and Bharat Stage-III (BS-III) buses

According to Ministry of Road Transport and Highways, GoI (May 2016)⁹⁴, older vehicles (exceeding 10 years of age) and pre-Bharat Stage (BS)/ BS-I compliant vehicles, pollute 10 to 12 times more than a new vehicle. Further, older vehicles also have lower mileage which leads to more fuel consumption. The Transport Department, GoWB (November 2004)⁹⁵ fixed the normal age of buses owned by STUs as eight years. The Environment Department, GoWB notified (July 2008) that transport vehicles that were 15 years old and more should not be allowed to operate in the Kolkata Metropolitan Area (KMA). It also stated that BS-III compliant vehicles needed to be phased out by 31 March 2009. As per order of the Transport Department, GoWB⁹⁶ dated 7 August 2012, BS-IV norms were applicable for registration within the city of Kolkata from April 2010 and BS-III norms were applicable for the rest of West Bengal⁹⁷. Only BS-IV vehicles were to be operated in metropolitan areas⁹⁸ with effect from April 2010. Further, MORTH, GoI notified (August 2015)⁹⁹ that BS-IV standards shall be effective from April 2017. Sale and registration of non BS-IV compliant vehicles/ buses was prohibited by Hon'ble Supreme Court¹⁰⁰ throughout India from April 2017.

Audit observed that in violation of GoI/ GoWB notifications/ orders, as of 31 March 2017, 2,172 buses (77 per cent)¹⁰¹ operated by five STUs were pre-BS, BS-I, BS-II and BS-III as shown at **Figure 3.2**.

Figure 3.2 : Bharat Stage Analysis of fleet strength of each STU



Source: Information furnished by STUs

⁹⁴ The Concept Note: Voluntary Vehicle Fleet Modernisation Programme.

⁹⁵ Memorandum No.5077-WT/ TR/ O/ 2M-12/ 2003 dated 16 November 2004.

⁹⁶ Notification No.2767-WT/ 3M-21/ 2012 dated 7 August 2012

⁹⁷ This order was issued in reference to GoI Notification No.G.S.R.84 (E) dated 9 February 2009

⁹⁸ Para-6.1.2 of Auto Fuel Policy's Road Map for control of vehicular pollution from new vehicles, Report on the status of the vehicular pollution control programme in India, March 2010.

⁹⁹ GSR 643 (E) dated 19 August 2015.

¹⁰⁰ Order dated 29 March 2017 of the Hon'ble Supreme Court of India.

¹⁰¹ Total buses 2821 that include Pre-BS : 197, BS-I: 14 buses, BS-II : 495 buses, BS-III: 1,468 buses and BS-IV: 647 buses.

Audit further observed that -

(i) One STU¹⁰² was operating 27 buses which were more than fifteen years old as of March 2017.

(ii) Three STUs¹⁰³ were operating only 647 (22.94 *per cent* of the total fleet of STUs) BS-IV compliant buses as of March 2017.

(iii) Age analysis of all buses at these five STUs (**Annexure 6**) showed that 676 buses were more than eight years of age *i.e.*, beyond their normative useful life of eight years as prescribed by Transport Department.

(iv) CSTC, WBTCL and WBSTCL were operating within and around Kolkata since June 2014. BS-IV norms were applicable for Kolkata since April 2010. Yet, these three STUs had purchased 213 BS-III buses from July 2014 to March 2017. It was further observed, that to bypass requirement of purchase and registration of BS-IV buses, these buses were registered at Howrah and Durgapur Regional Transport offices. As the sanction cum allotment order issued by GoWB on release of funds did not contain any clause regarding compliance of procurement of BS-IV buses, STUs were escaping the compliance. This defeated the objective of reducing emission norms since BS-III buses emitted 38.11 to 486.42 *per cent* higher emissions than BS-IV buses¹⁰⁴.

Therefore, by continuing to use these over aged and non-compliant buses, the STUs had not only wilfully violated the BS norms but also contributed to higher pollution.

The Government accepted (November 2017) the observations. They added that all non-BS-IV compliant buses would be replaced within next two to three years. Further, battery operated/ electric buses/ e-rickshaws were being introduced. The reply was, however, silent about the introduction of non-BS IV compliant buses in KMA, in deviation of notifications.

3.1.5.2 Pollution under Control (PUC) Certificate and testing of buses

Rule 116 (7) of the Central Motor Vehicles Rules (CMVR) 1989 and Central Pollution Control Board's Report (March 2010) specify that after expiry of one year from the date of registration, every vehicle shall obtain "Pollution under Control" (PUC) certificate every six months. Also, the vehicles more than 15 years have to obtain re-registration certificate. Operation of vehicles without PUC certificate is liable to a penalty¹⁰⁵ of ₹ 1,000 in the first instance with ₹ 2,000 for each subsequent default. Audit noticed that only 23 *per cent* of the total vehicles registered with the Public Vehicles Department¹⁰⁶ (PVD) had undergone PUC test every year. The remaining 77 *per cent* of vehicles were plying without PUC.

¹⁰² Pre-BS and BS-I buses: NBSTC.

¹⁰³ CSTC: 632 buses (79 *per cent* of the total fleet), WBSTCL: five buses (2.42 *per cent* of the total fleet) and SBSTC: 10 buses (1.39 *per cent* of the total fleet).

¹⁰⁴ Source: Emission factor developed (2011) by Automotive Research Association of India, Ministry of Heavy Industries and Public Enterprises, GoI.

¹⁰⁵ Section 190 (2) of the Motor Vehicles Act.

¹⁰⁶ The Regional Transport Authority for Kolkata functioning under the Transport Department, GoWB that among other responsibilities undertakes registration of motor vehicles and related functions.

According to the norms fixed (March 1996) by CPCB, four mass emission parameters¹⁰⁷ were to be met by each vehicle in respect of (i) carbon monoxide, (ii) oxides of nitrogen/ sulphur, (iii) particulate matter and (iv) smoke density¹⁰⁸. Audit observed from PUC certificates of all five STUs that only one parameter *i.e.*, smoke density test was conducted as per aforesaid rule. However, it was seen from the show cause notices issued by Transport Department, GoWB (May 2010 to June 2016) to 78 buses¹⁰⁹ of CSTC, WBTCCL and SBSTC (outside Howrah) that all the above mentioned four parameters were checked. While CSTC conducted the smoke density test in-house, the other four STUs had outsourced them to automobile emission testing centres (AETCs).

The Environment Department replied (December 2017) that PUC standards for on-road diesel driven vehicles was only smoke density. The reply is not acceptable as WBPCB's standard was based on the direction (April 2009) of MORTH, GoI which took into account other three parameters (*viz.* carbon monoxide, oxides of nitrogen/sulphur, particulate matter) also for measuring emission. The norms of CPCB, which were primary, had also specified the checking of the four mass emission parameters. Moreover, CSE¹¹⁰ had observed (December 2016) that the current density tests were archaic and not a good practice for measuring particulate matter emission.

In this connection, Audit observed the following:

(i) Test check of records relating to testing pollution (smoke density) by buses at 16 depots¹¹¹ out of 55 depots of five STUs during 2016-17 is given at **Annexure 7**. It would be seen from the Annexure that 16 depots of five STUs conducted smoke density test on 952 occasions in 2016-17 as against requirement of 2,251. It amounted to only 42.29 *per cent* of the statutory requirement.

(ii) WBSTCL did not obtain any PUC certificate for 85 buses at Howrah Depot. These included 24 buses that were more than 10 years old. Similarly, the Belghoria, Arambag and Durgapur depots of SBSTC had never conducted smoke tests for 149 buses (100 *per cent*). Consequently, compliance of emission standards by these 234 buses were not ascertained.

¹⁰⁷ For BS-II buses- CO (g/km hr), HC (g/km hr), NOx (g/km hr) and PM (g/km hr) and for BS-III buses CO (g/km hr), HC (g/km hr), NOx (g/km hr) and PM (g/km hr).

¹⁰⁸ Maximum emission norms of up to 65 Hartridge Smoke Units (HSU) for BS-III and 50 HSU for BS-IV.

¹⁰⁹ CSTC – 54; WBTCCL– three; SBSTC – 23.

¹¹⁰ Centre for Science and Environment, a public interest research and advocacy organisation based in New Delhi. It had submitted, on the directions of the Hon'ble Supreme Court of India, an Action Taken Report: Examination of the Pollution Under Control (PUC) system as submitted by the Union Government on 2 December 2016 to the Hon'ble Supreme Court and recommendations to improve compliance, enforcement and effectiveness of the system.

¹¹¹ CSTC: Nilgunge, Paikpara, Lake and Taratala; WBTCCL: Ghasbagan and Tollygunge; WBSTCL: Howrah; SBSTC: Arambag, Haldia, Belghoria and Durgapur; NBSTC: Suri, Dinahata, Berhampore, Cooch Behar and Siliguri.

(iii) CSTC's depots had not calibrated their Smoke Testing Machines within the due date (27 March 2017). As a result, the readings obtained by CSTC by its smoke testing machines were not reliable.

(iv) At Siliguri and Suri depots of NBSTC, the readings for all types of buses (non-BS: one bus, BS-II: 39 buses, and BS-III: 120 buses), which were registered between October 2002 and December 2016 were found the same during the entire period of 2016-17. Further, in the 952 instances of smoke density tests, it was seen that PUC was invariably granted in all the instances. This was despite the paucity of testing, non-functioning of test machines, non-calibration of testing machines *etc.* This cast doubt on the veracity of the PUC testing by the STUs.

(v) Transport Department, GoWB in its notification¹¹² (July 2004) stated that all the AETCs of the State should upgrade their testing facilities, among other measures, with a provision for networking among the AETCs and with the RTAs by 31 August 2004.

The Transport Department, GoWB had (i) not implemented networking of AETCs with the RTAs for monitoring and control of ambient air quality and containment of air pollution till March 2017 *i.e.*, almost 13 years from the date of issue of notification (ii) not ensured upgradation of machineries with BS-IV compliant machineries/ software *etc.*, by the AETCs. Four STUs excluding CSTC had obtained PUC certificates from AETCs. This had brought down the level of assurance regarding the 'PUC' issued to the STUs.

The Environment Department responded (December 2017) that WBPCB was responsible for checking and technically evaluating applications for AETCs in terms of Transport Department's notification of July 2004. The reply was not justified since WBPCB is also empowered¹¹³ to monitor and control the AETCs by periodic inspection of their records and verify equipment.

Further, the National Green Tribunal (NGT) had directed¹¹⁴ (May 2015) the Commissioners of Police of Kolkata and Howrah to check all vehicles plying in the twin cities for valid 'PUC' certificate. Action was to be taken against the vehicle owners who are running vehicles without valid 'PUC' certificate. Audit observed that the Kolkata Police operated an anti-pollution cell under the Traffic department. However, Howrah Police had no such anti-pollution cell.

The Government accepted the observations (November 2017). It added that IIT Kharagpur had been engaged to study and work out a standard equipment and service protocol for automatic testing, networking of AETCs *etc.* Further, efforts would be taken to closely monitor the pollution levels of the STUs' bus fleets, especially with respect of old buses.

¹¹² No.3357-WT/3M- 7/2003- 2004 dated 28 July 2004.

¹¹³ Terms and conditions to the AETCs' application (Clause 21).

¹¹⁴ Miscellaneous Appeal No. 86/ 2015/ EW dated 6 May 2015.

3.1.5.3 Improper and irregular maintenance of buses led to adverse effect on emission performance

According to Operators' Manual of buses prepared by the bus manufacturers, emission performance of a vehicle is dependent upon scheduled maintenance¹¹⁵ of vehicles after operating it for a specified number of Kms. It is possible to reduce 30 to 40 *per cent* pollution¹¹⁶ generated by vehicles by proper inspection and maintenance through periodic checking of the fuel system, air-charging system, exhaust system, brakes and tyres, and engine of a vehicle. For reduction of emission, air filters, oil filters and fuel filters of a vehicle are to be regularly¹¹⁷ cleaned/ replaced as prescribed in the respective manuals.

Test check of records for the period 2015-16 and 2016-17 related to preventive maintenance by four STUs¹¹⁸ (*viz.* CSTC, WBTCL, SBSTC and NBSTC) showed inadequate maintenance of buses (**Annexure 8**) with shortfall ranging between 10.94 to 100 *per cent*. The impact of inadequate maintenance/ non-replacement of different components such as air filters (AF)¹¹⁹, fuel filters (FF)¹²⁰, fuel injection pumps (FIPs), injectors¹²¹, change lubricants and oil filters¹²² was that :

- the air/ fuel filters got dirty/ were clogged by accumulated dirt/ contaminants,
- the fuel pump and injectors rapidly wore out, causing untidy injection and excessive nozzle cavity volume, and

¹¹⁵ Maintenance of injectors, fuel injection pump, fuel filters, injection timing, electronic diesel control system, cleanliness of diesel and diesel tank, valve clearance, air clearance, engine breather, silencer, piston/ ring/ valve of engine. Proper/ routine maintenance of vehicles reduces pollution by 30 to 40 *per cent*.

¹¹⁶ Para-6.1.3.1 of the report of CPCB on 'Status of the Vehicular Pollution Control Programme in India' (March 2010).

¹¹⁷ Air Pollution through Vehicular Emissions in Urban India and Preventive Measures by P.R. Sood – 2012 International Conference on Environment, Energy and Biotechnology, Singapore.

¹¹⁸ WBTCL, in its Howrah depot did not produce records related to preventive maintenance of buses.

¹¹⁹ An air filter is a device composed of fibrous materials which removes solid particulates such as dust, pollen, mould and bacteria from the air. Filters containing an absorbent/ catalyst such as charcoal (carbon) may also remove gaseous pollutants such as volatile organic compounds or ozone.

¹²⁰ A fuel filter is a filter in the fuel line that screens out dirt and rust particles from the fuel, normally made into cartridges containing a filter paper.

¹²¹ Fuel Injection is the introduction of fuel in an internal combustion engine by the means of an injector. Fuel injection atomises the fuel through a small nozzle (injectors) under high pressure into the airstream which results in complete combustion of fuel.

¹²² Various oil are used for lubrication of internal combustion engines and it helps to reduce wear on moving parts, cleaning of sludge, inhibits corrosion and cools the engine by carrying heat away from moving parts. Oil filter is a filter designed to remove contaminants from engine oil.

- there was improper lubrication of moving components leading to excessive engine friction.

These resulted in incomplete combustion/ higher consumption of fuel with increased emission of smoke.

The Government in their reply (November 2017) stated that all STUs had acute shortage of technical staff. Action was underway to fill up some of the critical vacancies. Besides, some STUs had started outsourcing of maintenance jobs which resulted significant improvement in running the buses. The reply is not acceptable as environmental issues were not to be compromised for administrative reasons.

3.1.5.4 Failure to issue Certificate of Fitness (CF)

Rule 62 of CMVR 1989 specified that the validity of CF of new vehicle is two years. CF is to be renewed every year after fulfilling 15 parameters which also includes exhaust emissions/ PUC norms. MoRTH, GoI observed¹²³ (June 2014) that an increasing number of vehicles in India were not in a roadworthy state. Poor maintenance and servicing of old in-use vehicles damaged the environment and posed great safety hazard on road.

It was seen that GoWB authorised (October 1998/ August 1999) all the STUs to inspect and annually grant/ renew CF for their own buses. Subsequently, GoWB amended (June 2016) the provisions requiring that CF be issued by an engineer of the STU not below the rank of Assistant Engineer. It was observed that the STUs were also required to file the CFs annually along with requisite fees to the concerned registering authority. In this regard, Audit observed the following:

- Only NBSTC had complied with this requirement of filing CFs annually.
- From April 2012 to October 2016, CSTC conducted CF tests of the buses based on eye estimation as the Smoke Testing Machine was out of order.
- In WBSTCL, WBTCL and SBSTC there was no mechanism for annual inspection and issue of CF for their buses. Thus, SBSTC, WBSTCL and WBTCL operated buses without even certifying their fitness. These led to additional emissions as seen by spot testing reports/ show cause notices of PVD, Transport Department which showed that emissions by STU buses exceeded permissible limits.

The Government accepted the audit observation and stated (November 2017) that STUs had been requested to ensure close monitoring of fitness. Monitoring would be improved with filling up of technical staff of the STUs.

3.1.5.5 Emission Inventory¹²⁴

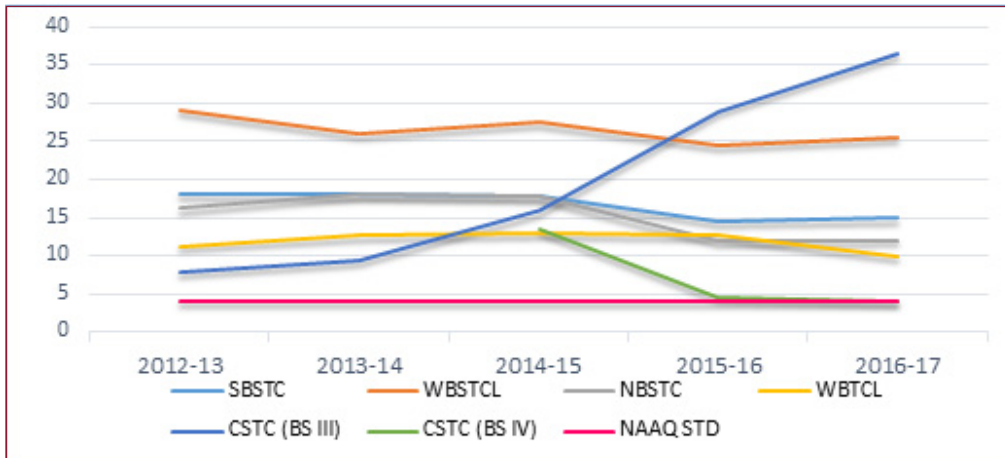
Emission inventory is the accounting of the quantity of the pollutants discharged in the air. According to CPCB, estimation of emission loads is essential to ascertain the share of various emitting sources to the total emission load generated

¹²³ **Source:** Project for establishment of inspection and certification centre for motor vehicles, Ministry Of Road Transport and Highways, Government of India of 26 June 2016.

¹²⁴ Report on Status of pollution generated from road transport in six megacities, CPCB, March 2015

in a region to enable understanding the various mitigation strategies to be adopted. The hourly average quantities of carbon monoxide (CO) released in the air by the vehicles of five STUs *vis-a-vis* National Ambient Air Quality Standards (NAAQ) during the last five years upto 2016-17 is presented in **Figure 3.3**.

Figure 3.3: Emissions by STUs



Source : Data compiled from STUs' records and CPCB standard

From the figure, it can be observed that:

- All the BS-III buses operated by STUs discharged CO¹²⁵ much higher than the norm of NAAQ.
- With the introduction of BS-IV buses by CSTC from 2014-15, discharge of CO in the air showed a reducing trend and was within the NAAQ standards as of March 2017.

Discharge of higher quantities of such pollutant by STU buses were attributable to (i) inclusion of old buses of BS-I, BS-II and BS-III categories in the total fleet, (ii) higher consumption of oil per Km run and (iii) improper maintenance of vehicles by the STUs as discussed in **Paragraphs 3.1.5.1 and 3.1.5.3**.

The Government stated (November 2017) that it expected that by rolling out larger numbers of BS-IV compliant buses to replace older buses, the emission levels would reduce. Lately, the drivers of STUs were being given training to improve fuel efficiency, promote safe driving *etc*.

¹²⁵ SBSTC buses - 263.10 per cent (2015-16) to 349.70 per cent (2012-13), WBSTCL buses - 506.50 per cent (2015-16) to 621.70 per cent (2012-13), NBSTC buses - 196.20 per cent (2015-16) to 299.50 per cent (2012-13), WBSTCL buses - 147.50 per cent (2016-17) and 223.60 per cent (2014-15), and CSTC buses - 91.90 per cent (2012-13) to 809.40 per cent (2016-17).

3.1.5.6 Absence of quality checking of fuel

According to CPCB (March 2010)¹²⁶, adulteration of fuel and fuel products is a reason for air pollution. STUs procured fuel from oil companies directly as well as from the retail suppliers. It was seen that the agreements between the STUs and oil market companies (OMCs) provided that if there were any anomalies in the quality at the time of delivery to the STUs, the STUs would be compensated by the OMCs accordingly. During 2012-17, Audit observed that these STUs had consumed 2.02 lakh Kilolitres (Kls) High Speed Diesel (HSD)¹²⁷. This would have caused discharge of 104.76 lakh Kgs of CO₂ in the air¹²⁸. STUs had not checked quality and quantity of HSD procured in bulk from OMCs in the expectation that they had properly monitored at their end.

Audit observed from the correspondence with Indian Oil Corporation Limited by NBSTC that, at the Central Bus Terminus (CBT), Cooch Behar, water was found (May 2017) mixed with HSD. The mixing of water with HSD was attributable to leakages in the fuel dispensing pipe. This led to suspension of 80 trips, damage to 34 fuel oil filters and discarding three Kl of HSD mixed with water. This indicated that the quality of HSD was not regularly checked. The Government stated (November 2017) that STUs had been directed to monitor the quality of fuel supplied by the OMCs.

3.1.5.7 Excess emissions of NO_x gases due to non-functioning of Selective Catalytic Reduction system

Selective Catalytic Reduction (SCR) system¹²⁹ is required to treat engine exhaust to meet BS-IV emission norms. The SCR system is used for reducing oxides of nitrogen by dosing with an additive. As per the Operators' Manual, for an additive, in the ratio of three litres for every 100 litres of HSD, is required for dosing.

As of March 2017, CSTC operated 234 BS-IV buses and consumed 2.09 lakh litres of additive and 100.90 lakh litres of HSD. Mixing of the additive in reduced¹³⁰ proportion could neutralize NO_x emissions in respect of 69.65 lakh litres of HSD only. Resultantly, 31.24 lakh litres of HSD released 8,375.50 Kg of NO_x in the atmosphere. Further, the SCR systems of 43 vehicles in four selected depots¹³¹ were not functioning properly due to defect in dosing units of SCR system leading to higher emissions of NO_x even after dosing with the additive.

¹²⁶ Para-6.4 of Status of the Vehicular Pollution Control Programme in India, March 2010.

¹²⁷ As per Mangalore Refinery and Petrochemicals Limited, HSD is a complex mixture of hydrocarbon normally used as a fuel in medium and high speed compression ignition engines of vehicles.

¹²⁸ Calculated as per India Green House Gas programme 2015 (India Specific Road Transport Emission Factor) at Page/ 30.

¹²⁹ As per operators' manual SCR, is a compact system/ unit installed inside the exhaust silencer housing of a vehicle. This system is provided to treat engine exhaust to meet the BS-IV emission norms.

¹³⁰ 2.07 litres of additive for every 100 litres of HSD.

¹³¹ Taratala Depot-22, Lake Depot-08, Paikpara Depot-11 and Nilgunje Depot-02.

The Government had directed (November 2017) the STUs to look into the matter and take appropriate action at the earliest.

3.1.6 Environmental Reporting

The Environmental Protection Act, 1986 enforces¹³² adoption of environmental reporting in India. According to Generally Accepted Accounting Principles (GAAP) of India, Chapter-2, Environmental Accounting¹³³ forms that part of accounting which deals with the environmental concerns. Audit observed that none of the STUs had adopted environmental reporting¹³⁴ and costing system¹³⁵. Further, the Transport Department had also not issued any directives on the Green Gross Domestic Product (GDP) Accounting.

The Government stated (November 2017) that the STUs had been directed to take appropriate action at the earliest. But reasons for non-compliance were not stated.

3.1.7 Lack of adherence to statutory requirements

Workshops and depots of STUs conduct various maintenance and overhauling activities. Water, Air and Sound pollution arises while performing these activities. Under the prevailing legislative enactments¹³⁶, STUs must take initiatives to control pollution and tackle environmental challenges.

3.1.7.1 Consent to Establish and Consent to Operate not obtained: Pollution Control Board Norms

WBPCB had periodically¹³⁷ issued orders under Water (Prevention and Control of Pollution) Act, 1974 or under Air (Prevention and Control of Pollution) Act, 1981 regarding classification of industries. These orders specified that automobile workshops and service centres were required to obtain consents to establish and operate from WBPCB. Section 21 of the Air (Prevention and Control of Pollution) Act, 1981, specified that no person shall, except with the previous consent of

¹³² Section-20.

¹³³ According to Environmental Agency of UK “Environmental Accounting is the collection, analysis and assessment of environmental and financial performance data obtained from Business Management Information System (BMIS)”.

¹³⁴ Karnataka State Road Transport Corporation discloses environmental information in its Annual Report.

¹³⁵ Lifecycle Costing, Activity-Based Costing, Strategic cost accounting systems to evaluate the ‘whole-of-life’ costs in terms of carbon emissions, Hierarchical Cost Analysis, Balanced Scored Card *etc.*

¹³⁶ Environment (Protection) Act, 1986, The Air (Prevention and Control of Pollution) Act, 1981, The Water (Prevention and Control of Pollution) Act, 1974, The Water (Prevention and Control of Pollution) Cess Act, 1977 and the Noise Pollution (Regulation and Controls) Rules, 2000.

¹³⁷ No. 1512/4A-18/2010 (Pt.I) dated 14 June 2016.

the State Pollution Control Board (SPCB), establish or operate any industrial plant in an air pollution control area. Further, Sections 24, 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974 provide that no person shall knowingly cause or permit flow of any poisonous, toxic or polluting matter into any stream, well, sewer and land without treating it.

Audit observed that while five¹³⁸ STUs had operated 65 workshops without obtaining consents to establish/ operate, two¹³⁹ workshops of WBTCCL had obtained (September 2004 and January 2009) consents to operate but failed to renew them for 138 and 80 months as of March 2017. Reasons for these deficiencies were not on record.

Moreover, the five STUs operating nine central/divisional workshops¹⁴⁰ were required¹⁴¹ to submit to WBPCB annually, an Environmental Statement in Form V¹⁴². Audit observed that none of the STUs had submitted Environmental Statements to WBPCB during the last five years.

The Government had instructed (November 2017) the STUs to obtain clearances for operation of their workshops/ depots *etc.*

3.1.7.2 Air Quality of Howrah and Kolkata: NGT's directions

Under the directions of NGT¹⁴³ (November 2015) WBPCB constituted (November 2015) an Expert Committee to deal with the problem of ambient air pollution in Kolkata and Howrah due to heavy traffic movement. The Expert Committee observed (January 2016) that the annual average values of the air pollutants in Kolkata during last three years up to November 2015 were above the respective standards. The committee proposed (February 2016) 21 recommendations (**Annexure 9**) for containment of air pollution caused due to heavy traffic movement in Kolkata and Howrah. These recommendations were to be implemented by GoWB within six months¹⁴⁴. With regard to compliance with NGT orders, Audit observed the following:

- GoWB claimed to have implemented two recommendations *viz.*, it had (i) engaged (September 2016) NEERI¹⁴⁵ for source apportionment study to be

¹³⁸ CSTC, WBSTCL, SBSTC, NBSTC and WBTCCL.

¹³⁹ Park Circus and Ghasbagan.

¹⁴⁰ SBSTC: One Central/ two Divisional and 12 Depot workshops, NBSTC: One Central/ four Divisional and 21 Depot workshops, WBSTCL: Six Depot workshops (including three Marine Depots), WBTCCL: one Central and nine Depot workshops, CSTC: One Central and 12 Depot workshops.

¹⁴¹ Under Rule-14 of the Environment (Protection) Rules, 1986.

¹⁴² The statement discloses water and raw material consumption, pollutants discharged to the environment and quantum of solid wastes and hazardous wastes generated by the units.

¹⁴³ In its order dated 17 November 2015 on Original Application No.33/ 2014/ EZ (Subhas Dutta Vs. State of West Bengal).

¹⁴⁴ According to order of NGT dated 11 August 2016, Para 40.

¹⁴⁵ National Environment Engineering Research Institute under Council of Scientific and Industrial Research.

submitted in two years, (ii) integrated (January 2016) data from automatic ambient air-quality stations at Kolkata and Howrah with the National Air Quality Index System.

- Four recommendations were not implemented.
- Status of remaining 15 recommendations as of March 2017 was not known. NGT attributed (August 2017) non-implementation/ non compliance with its orders to laxity on the part of the Government.

The Government stated (November 2017) that appropriate action had been taken to comply with NGT's instructions. The reply is not acceptable as even in August 2017, NGT had found Transport and Environment Departments, GoWB's compliance with the directions unsatisfactory.

3.1.7.3 Zero Tolerance Pollution free Zone: Hon'ble Supreme Court's directions

The Hon'ble Apex Court ordered (September 2011) the State to relocate the Esplanade Bus Terminus in Kolkata which was a cause of pollution and threat to the greenery within the heart of the city. As per the recommendation (January 2014) of the High Power Committee¹⁴⁶, necessary steps would be taken so that the area around Esplanade Bus Terminus in Kolkata would be declared as Zero Tolerance Pollution free Zone.

Audit observed that the Transport Department decided (May 2013) to shift the Esplanade and Babughat bus Terminus to Santragachi, Howrah. The Department had developed (May 2015) the bus terminus at Satragachi at a cost of ₹ 22.92 crore. Audit observed that (i) CSTC had shifted (June 2013) their bus terminus from Esplanade area, (ii) NBSTC had not shifted bus operations¹⁴⁷ from the Esplanade area, despite availability of an alternative at depot in Kolkata, (iii) SBSTC, WBSTCL and WBTCCL had also not shifted their buses from the Esplanade area and (iv) private buses operators had also not relocated to Santragachi.

The Government elucidated (November 2017) that action was being taken in phases to shift bus terminus from Esplanade.

3.1.8 Conclusion

Air pollution and its impact is an issue of concern in India. Air pollution is caused by emissions from vehicular, industrial and domestic activities. Despite this, the Transport Department, being the nodal department concerned for vehicular issues –

¹⁴⁶ Constituted by order of the Hon'ble Division Bench of Calcutta High Court in WP No.7987 (W) of 2002 dated 13 September 2013.

¹⁴⁷ NBSTC: 50 buses, SBSTC: 133 buses, WBSTCL:30 buses and WBTCCL: 50 buses ply at an average time interval of 15 minutes to 60 minutes daily.

- Had not prepared action plans (i) to protect and safeguard the environment from pollution and (ii) mitigate green-house gas emissions arising out of vehicular emissions in operation of its STUs.
- Had not chalked out an air-quality management plan for vehicles.

Consequently, attempts to introduce (i) environment-friendlier CNG vehicles and (ii) revive operations of trams in highly polluted urban areas had not materialised.

The STUs did not comply with extant regulations with regard to air pollution. It was seen that majority of buses operated were non-BS compliant and their road worthiness was suspect due to inadequacies in the system of issue of PUCs and CFs. Further, the STUs failed to adopt the manufacturers' maintenance schedules to restrict emissions and fuel consumption. There were shortfalls in testing the actual emissions according to the defined parameters. Many of the auto emissions testing centres from which certificates were obtained were operating without valid licenses. As such, the actual emissions being released by these STUs in the state were underestimated, having serious implications on health and environment. It was also seen that all the STUs were running buses which were found to be violating the air quality norms defined by CPCB. No EMS to address air pollution issues on a sustained basis was seen in any of the STUs. Further, requisite consents to establish and operate workshops had not been obtained. In its operations, the STUs violated Hon'ble Supreme Court, Hon'ble High Court and NGT's directions regarding measures to control air pollution in the state.

West Bengal Mineral Development and Trading Corporation Limited

3.2 Compliance with rules made under Mines and Minerals (Development and Regulation) Act, 1957

3.2.1 Introduction

West Bengal Mineral Development and Trading Corporation Limited (WBMDTCL) was established in 1973 as a State Government Company. It functions under the Industry, Commerce and Enterprises Department, Government of West Bengal (GoWB). WBMDTCL's goals¹⁴⁸ are to (i) develop and exploit coal and other minerals; (ii) facilitate the growth and development of mining and mineral based industries; (iii) acquire land, mines and mining rights in West Bengal and outside; and (iv) explore, mine, process and market minerals and mineral-based products.

¹⁴⁸ Mentioned in WBMDTCL's Mission Statement.

During 2012-13 to 2016-17, WBMDTCL had produced an aggregate¹⁴⁹ of 6.01 million metric tonnes (MMT) of coal, black stone, quartz and feldspar. It also produced 328 cubic metres (M³) of granite. Details of the mines allotted/operated by WBMDTCL during 2012-13 to 2016-17 is given in the **Annexure 10**.

Out of 15 mines/ blocks allotted/ operated by WBMDTCL, allotment of six¹⁵⁰ coal blocks was cancelled by the Hon'ble Supreme Court with effect from September 2014/ March 2015. Of the remaining nine mines, three¹⁵¹ were operative as of March 2017. One (Beldih Apatite Mine) had discontinued operations from June 2011 while five¹⁵² had not yet commenced mining.

As of March 2017, the management of WBMDTCL was vested in the Board of Directors (BoD) comprising of seven members, headed by the Chairman. The Managing Director (MD) was the Chief Executive.

Working results of WBMDTCL for the years 2012-13 to 2016-17 are detailed in **Table 3.1**:

Table 3.1: Working results of WBMDTCL from 2012-13 to 2016-17

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
A. Total Revenue	113.52	284.44	478.22	65.81	67.02
B Total Expenses	106.03	243.80	358.92	64.43	65.56
C. Exceptional items	0	0	62.52	0	0
D. Profit before tax (A – B – C)	7.49	40.64	56.78	1.38	1.46
E. Provision for taxation	1.07	14.41	19.79	0.56	0.51
F. Profit for the period (D – E)	6.42	26.13	36.99	0.82	0.95

It was seen from the Table that annual profits had increased by 476.17 *per cent* in 2014-15 over 2012-13. This was due to extraction and sale of coal from Trans Damodar Coal Block (TDCB) from May 2012. Subsequently, profit had fallen by 97 *per cent* during 2015-16 and 2016-17 as compared to 2014-15. This fall was the result of cancellation of allotment of TDCB by the Hon'ble Supreme Court of India in September 2014.

¹⁴⁹ Coal: 2.12 MMT, Black Stone : 3.75 MMT, Quartz : 46,210 MT and Feldspar : 85,886 MT.

¹⁵⁰ Trans Damodar Sector Block, Jaganathpur-A, Jaganathpur-B, Ichhapur, Kulti and Sitarampur.

¹⁵¹ Pachami Blackstone Mine, Malti Fire Clay Mine and Bara Panjania Granite Mine.

¹⁵² Mukdamnagar China/ Fireclay Mine, Palsara-I Blackstone Mine, Palsara-II Blackstone Mine, Mirmi Quartz/ Feldspar Mine and Gourandih Coal Mine.

3.2.2 Scope and methodology of Audit

Audit conducted from April 2017 to June 2017 and in October 2017 to assess WBMDTCL's compliance with rules¹⁵³ under the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957. The audit covered the period between 2012-13 and 2016-17. Audit methodology involved the scrutiny of records at Head Office of WBMDTCL and one Unit office¹⁵⁴ in Purulia. The examination included Board Agenda/ Minutes, mining/ closure plans, environment impact assessment (EIA)/ environment management system (EMS) reports, actual mining data relating to mines worked during 2012-17, management information reports, credit policy and internal controls.

The audit criteria were derived from (i) Mining Leases (Modification of Terms) Rules¹⁵⁵, 1956 (MLMTR 56), (ii) Mineral Concession Rules, 1960 (MCR 60), (iii) Mineral (Conservation & Development) Rules, 1988 (MCDR 88), (iv) Granite (Conservation & Development) Rules, 1999 (GCDR 99), (v) West Bengal Minor Minerals Rules, 2002 (WBMMR 02), (vi) West Bengal Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules, 2002 (WBMPR 02) and (vii) Environment (Protection) Act, 1986 including rules made thereunder.

Audit Findings

The life cycle of every mine involves five stages: (i) identifying potential mining locations; (ii) undertaking of prospecting and detailed exploration; (iii) granting of mining leases; (iv) undertaking mining operations; and (v) closing down of the mine when it can no longer be exploited including reclamation of the area. In India, survey of minerals¹⁵⁶, done by the Geological Survey of India, is the main basis for geological mapping, regional mineral resource assessment, identifying areas bearing mineral deposits and evaluation of quantity of reserves of minerals. As such, WBMDTCL's area of operation extends to only the last four stages of life cycle of a mine. Compliance with these have been discussed in the succeeding paragraphs. The observations have been segregated into two categories *i.e.*, coal and non-coal mining activities.

3.2.3 Prospecting and detailed exploration

Prospecting and detailed exploration is an invasive process involving close spaced drilling¹⁵⁷ (depending on the mineral) and substantial testing¹⁵⁸ to establish

¹⁵³ Issued by the Government of India (GoI) and Government of West Bengal (GoWB).

¹⁵⁴ One factory office in Purulia and another Unit office in Birbhum not covered.

¹⁵⁵ Section 29 of Mines and Minerals (Development and Regulation) Act, 1957 specifies that rules made under the Mines and Minerals (Regulation and Development) Act, 1948 shall continue till being superseded.

¹⁵⁶ Source: E-Book on Mineral Sector, Ministry of Mines, Government of India (February 2016).

¹⁵⁷ Closed space drilling is a grid where boreholes are drilled in close proximity to delineate - with a high degree of accuracy - size, shape, structure, grade and other relevant characteristics of a mineral deposit.

¹⁵⁸ A method of detailed prospecting to establish economic viability of a mineral reserve.

commercially exploitable mineral ore deposits located either at or below the surface of the earth.

Coal

3.2.3.1 Delay in achieving milestones

The MMDR Act, 1957¹⁵⁹ mandates that operations should commence within two years from execution of a mining lease, else the lease shall lapse. To maintain this timeline, the Ministry of Coal (MoC), Government of India (GoI) had specified¹⁶⁰ 14 to 18 milestones (total 95 milestones) to be achieved for each of the six coal blocks allotted (January 2005 to December 2007) in West Bengal. These milestones were with regard to obtaining prospecting license, geological report (GR), mining plan¹⁶¹, forest clearance¹⁶², environment clearance, mining lease, land acquisition *etc.* These milestones provide for production to start within 48 to 54¹⁶³ months from allotment of blocks. Hence, it was imperative for WBMDTCL to achieve the milestones and begin coal production¹⁶⁴ by February 2009 to February 2015, failing which allotments of the blocks could have been cancelled¹⁶⁵.

Audit observed that WBMDTCL had met only 15 milestones on time, achievement of 38 were delayed and 42 were not achieved till cancellation of allotment by the Hon'ble Supreme Court of India in August/ September 2014.

According to the milestones, the geological reports (GRs)¹⁶⁶ were to be prepared within 27 months from date of allocation. WBMDTCL decided (May 2005) to entrust the entire exploration including preparation of GRs to Mineral Exploration

¹⁵⁹ Section 4A (4) of the MMDR Act 1957.

¹⁶⁰ *Vide* order/ notification/ circular F.No. 13016/5/2002-CA dated 14 January 2005 for Trans Damodar, F.No. 13016/23/2006-CA-I dated 02 August 2006 for Ichhapur and Kulti, F.No. 13016/8/2007-CA-I dated 25 July 2007 for Jaganathpur-A and B, F.No. 13016/23/2006-CA-I dated 27 December 2007 for Sitarampur.

¹⁶¹ A document required to be prepared under Mining Concession Rules 1960 {Rule 22(4)}. It, *inter alia* includes location, physiography, geology, mine boundary and estimation of reserves, method of mining, mine development and dumping strategy, project implementation schedule, environment management and progressive mine closure.

¹⁶² Permissions from the appropriate Government under the Forest (Conservation) Act, 1980 and related rules, for diversion of forest land to non-forest purposes such as cultivation of tea, coffee, spices, rubber, palms, oil-bearing plants, horticultural crops or medicinal plants, construction of infrastructure/ industrial projects, mining *etc.*

¹⁶³ Under-ground coal mine (A basic method of mining an underground mineral deposit, by digging shafts to the mineral-bearing depth) - not requiring forest clearance : 48 months, requiring forest clearance : 54 months.

¹⁶⁴ Only one came into production during audit period, however, all were taken back by MoC in Sept 2014 and March 2015.

¹⁶⁵ In terms of the allotment letters of January 2005 to December 2007.

¹⁶⁶ Six GRs to be prepared, one for each block.

Corporation Limited (MECL), a Central Government Company. The reason was that MECL would take only seven months as compared to 14 months by Central Mine Planning and Design Institute Limited (CMPDIL), another Central Government Company. Audit observed that out of the six GRs, MECL could prepare only three GRs in time, three¹⁶⁷ GRs were belatedly prepared between December 2011 and March 2012 *i.e.*, after delays of 24 to 40 months. The reason for delays was that MECL had accepted assignments in excess of its available drilling equipment. However, WBMDTCL had not monitored the preparation of the GRs or considered the appointment of another agency to prepare GRs in time. Delay in achieving milestones for preparation of GRs had a cascading effect and subsequent milestones relating to submission of mining plan, forest clearance, environment clearance *etc.*, were also delayed. As a result, these three blocks scheduled to produce coal from November 2012 to March 2014 did not commence production.

The Management stated (September 2017) that WBMDTCL had engaged private agencies called Raising Contractors for Coal (RCCs) to carry out exploration works and import foreign technologies. The reply is irrelevant to the issue as MECL is a Central Government Company and not an RCC which would be a private company. Further, WBMDTCL was the allottee and was therefore required to monitor the performance of MECL to ensure that the desired timelines were met. Due to its failure to do so, production of coal could not begin.

Non-coal

3.2.3.2 Non-exploration of granite and blackstone bearing areas reserved for WBMDTCL

In 1992 and 1993, GoWB had reserved granite and blackstone-bearing areas for exploitation by WBMTDCL. WBMDTCL, however, decided not to exploit these areas reserved for it. Accordingly, GoWB de-reserved (November 2002) all except 12 granite and five blackstone-bearing areas. WBMDTCL had brought into operation only two, *viz.*, Bara Panjania and Pachami, out of these 17 areas till March 2017. Reasons for non-exploration of the remaining areas were not on record.

3.2.4 Grant of mining lease

When a mineral deposit is found to be economically viable, an applicant will apply to the State Government for a mining lease. The mining lease would be granted only if there is an approved mining plan (by the prescribed Authority) for the development of the mine.

Coal

3.2.4.1 Appointment of Raising Contractors

The Coal Mines (Nationalisation) Act, 1973¹⁶⁸ required that no person other than the Central Government/ Government Company/ Corporation owned by Central

¹⁶⁷ Ichhapur, Kulti and Sitarampur.

¹⁶⁸ Section 3(3)(a)(i) of Coal Mines (Nationalisation) Act, 1973.

Government or the sub-lease (any other Government Company) of any such Government Company/ Corporation can carry on coal mining activities.

WBMDTCL decided (September 2003) to develop coal blocks through 'Raising Contractors for Coal'¹⁶⁹ (RCC). For this purpose, Government of West Bengal constituted (September 2004) a committee, on whose recommendation, an RCC was appointed (May 2006) for Trans Damodar Coal Block. For the remaining five blocks, two RCCs were appointed (March 2010) on nomination basis with approval of the Standing Committee on Industries of the Cabinet of the Government of West Bengal.

Appointment of RCCs itself was a violation of the Coal Mines (Nationalisation) Act, 1973. This was compounded by not going in for open tender in contravention of the directions¹⁷⁰ of the Hon'ble Supreme Court of India and Central Vigilance Commission.

The Management stated (September 2017) that the RCCs were selected as per the decision of the Standing Committee and it had the concurrence of the Commerce and Industries department, WBMDTCL and West Bengal Industrial Development Corporation Limited¹⁷¹. Audit did not find anything in WBMDTCL's records to show that it had appraised the Government regarding the provisions that prevented the appointment of private parties as RCCs, that too on nomination basis. As such, the reply seeks to shift the burden of responsibility to GoWB.

Non-coal

3.2.4.2 Execution of lease deed in Bara Panjania Granite Project delayed

According to the provisions¹⁷² of the MMDR Act 1957 read with WBMMR 02, on receipt of a lease application, GoWB may with regard to the provisions of the Act and rules, grant or reject the mining lease within one year. Besides, GCDR 99 specified¹⁷³ that granite mines had to be leased for a minimum of 20 years. Further, WBMMR 02 stated that quarry permits should not be given for short-term quarrying of granite.

It was observed that WBMDTCL had submitted (June 1998) lease application for extraction of granite at Bara Panjania, Purulia. No follow-up regarding grant of lease was done by WBMDTCL. Audit observed that WBMDTCL

¹⁶⁹ A contractor for the working of any mine or part thereof, who is responsible for complying with the legal provisions but not so as to exempt the owner from any liability – Section 2(1)(i) of the Mines Act, 1952.

¹⁷⁰ SLP (Civil) No. 10174 of 2006 (Nagar Nigam, Meerut versus A1 Faheem Meat Export Private Limited) and CVC's Office order No. 23/7/07 dated 5 July 2007.

¹⁷¹ GoWB PSU.

¹⁷² Section 10(3) and Rule 7(1).

¹⁷³ Rule 6(1) of GCDR99 and Rule 27(1) and 27(2) of WBMMR 02.

resubmitted the application in November 2003 and GoWB granted (March 2004) 20 years lease. Instead of taking immediate action, after a delay of 12 years, WBMDTCL submitted draft lease deed in May 2016 which was executed in July 2017. Audit further observed that WBMDTCL had started extraction of granite from the mine since July 2016, based on permit of 90 days issued by District Land and Land Reforms Officer (DL&LRO), Purulia. This permit was extended on three¹⁷⁴ occasions for further periods of 90 days, which was in contravention of the relevant rules. The Management's reply (September 2017) was silent as to reasons for delay of 12 years in submitting lease deed and about short-term lease. Due to delay in submission of lease deed, WBMDTCL had forgone revenue opportunity of ₹ 14.81 crore¹⁷⁵ from the date of grant of lease (March 2004) upto the date of start of actual quarrying *i.e.* July 2016.

3.2.5 Mining Operations

Mining operations are associated with actual recovery of minerals from the earth in quantity, their beneficiation¹⁷⁶ and commercial exploitation. Deviating from rules and codal provisions, WBMDTCL had allowed waivers aggregating to ₹ 61.98 crore to contractors (RCCs), as discussed in the succeeding paragraphs.

Coal

3.2.5.1 Undue benefit to RCC of Trans Damodar Coal Block (TDCB)

WBMDTCL had applied to the Ministry of Coal, Government of India, through GoWB, for allotment of Trans Damodar Coal Block (TDCB) in August 2002. This was allotted to WBMDTCL in January 2005. Even before the allotment, WBMDTCL had called (April 2003) for, through newspapers, Expressions of Interest for Joint Venture/Contractual/ Sub Lease participation with WBMDTCL for exploitation of TDCB. GoWB had (June 2003) constituted a committee to monitor the coal-mining activities of WBMDTCL including evaluation of offers. Out of 20 offers received, offer of M/s Godavari Commodities Limited (GCL) was (September 2004) the highest, based on two parameters *i.e.* (I) rate of retention charge offered *per* ton and (II) minimum guaranteed quantity of production. After WBMDTCL got the allotment (January 2005), GCL formed (May 2006) a JV company¹⁷⁷ called Trans Damodar Coal Mining Project Limited (TDCMPL). TDCMPL was to undertake coal-mining for WBMDTCL.

¹⁷⁴ December 2016, April and August 2017.

¹⁷⁵ Quantity: 56,700 cubic metres at the rate of ₹ 2,612 *per* cubic metre.

¹⁷⁶ Beneficiation is the process in the mining industry that improves (benefits) the economic value of the ore by removing the gangue minerals, which results in a higher grade product (concentrate) and a waste stream.

¹⁷⁷ A joint venture company promoted by Godavari Commodities Limited (GCL), Banowari Lal Agarwalla Private Limited (BLAPL) and Calcutta Industrial Supply Corporation (CISC) by entering into Contract Agreement dated 31 May 2006.

In this connection, Audit observed that:-

(i) As per section 5(2)(b) of Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, a mining plan was required to be prepared and approved by the GoI/ GoWB for the development of mineral deposits in the area concerned. Mining plan *inter alia* includes location, mine boundary, estimation of reserves, method of mining, etc., required to assess the mining cost to estimate retention charge. It was seen that in September 2003, GCL offered ₹ 403 per MT as retention charge whereas the mining plan was approved only in December 2006. In absence of the Mining Plan, WBMDTCL would not have been in a position in 2003 to determine either the mining costs or the retention charge. However, WBMDTCL accepted the retention charge offered by GCL without analysis of cost effectiveness.

(ii) Before formation of JV¹⁷⁸ in May 2006, GCL had offered, in the bid document, (September 2003), retention charge of ₹403 per metric tonne (MT) to WBMDTCL. This was based on the prevailing selling price¹⁷⁹ of ₹ 1,190 per MT for 'C' Grade coal. After finalisation of the tender, WBMDTCL entered into agreement (May 2006) with GCL led JV for extraction of coal with the same retention charge of ₹ 403 per MT, without considering the rise in coal prices over 32 months. The prices of coal of similar quality had increased by 52.94 per cent i.e. from ₹ 1,190 in September 2003 to ₹ 1,820 per MT in March 2010. Hence, WBMDTCL amended the agreement with JV (March 2010) wherein the retention charge was raised. The increased retention charge was fixed at ₹ 403 per MT (fixed when selling price of coal was ₹ 1,190 per MT) plus an additional 25 per cent of the selling prices of coal in excess of ₹ 1,820 per MT (base selling price¹⁸⁰). Consequently, no share of revenue for selling prices between ₹ 1,190 per MT and ₹ 1,820 per MT was received by WBMDTCL. The basis of fixation of base selling price at ₹ 1,820 per MT instead of ₹ 1,190 per MT was not on record. Thus, WBMDTCL had extended undue favour to GCL led JV by fixing the base selling price of coal at ₹ 1,820 and not ₹ 1,190 per MT to determine the increase in retention charge. As a result, WBMDTCL had forgone retention charge of, at least, ₹ 33.38 crore¹⁸¹ on 2.12 MMT coal mined between May 2012 and March 2015. This had affected its financial interests.

¹⁷⁸ GCL, BLAPL and CISC. Later known as Trans Damodar Coal Mining Private Limited.

¹⁷⁹ Price list of Eastern Coalfields Limited as mentioned in the calculation sheet of GCL.

¹⁸⁰ Derived from Coal India Limited's notification dated 16 October 2009. It represented the selling price up to which retention charge was to continue to remain fixed at ₹ 403 per MT. If the actual selling price rises above the base selling price, 25 per cent of the differential amount was to be added to the retention charge of ₹ 403 per MT.

¹⁸¹ Calculated at 25 per cent of the difference between ₹ 1,820 and ₹ 1,190 per MT for 21,19,358.80 MT.

Management stated (September 2017) that MoC had not imposed any penalty on WBMDTCL for the delay in commencing mining operations. It also stated that there was little gap between increase in cost of mining and price of coal during the period from September 2003 to March 2010, if the RBI index was followed.

The reply of the Management did not consider the fact that WBMDTCL had not analysed the original or current mining costs. Moreover, in September 2003, GCL had quoted ₹ 517 *per* MT as the original mining cost. Audit had seen that in 2008-09, the actual cost of mining for open cast coal mines was ₹ 427.82 *per* MT *i.e.* lower by 17 *per cent.* With regard to Management's contention regarding RBI Index, Audit could not find anything on record indicating that the RBI Index was considered for arriving at the appropriate retention charge.

3.2.5.2 Provisions of the agreement not complied with

MCR 60 provides¹⁸² that the leases are required to specify the anticipated annual royalty on production of minerals from the leasehold area, based on prevailing rates of royalty and minimum annual quantity to be extracted over the lease period. WBMDTCL in its agreement (May 2006) with RCC *i.e.*, TDCMPL for TDCB incorporated:

- the Minimum Annual Guaranteed Production (MAGP) of coal as 0.50 MMT for the first year and one MMT annually for the next 29 years;
- WBMDTCL would annually raise penalty on TDCMPL for shortfalls in MAGP at ₹ 403 *per* MT;
- Reduction of MAGP was possible only due to *force majeure* conditions; and
- Adjustment of short extraction in earlier years with higher production in subsequent years was not permissible.

During the course of audit it was observed that:

(i) There were shortfalls in production against the MAGP for which penalty was to be levied. The annual production, shortfall *vis-à-vis* penalty receivable during 2012-15 were as follows :

Table 3.2: Statement showing penalty receivable

Year	Target (MT)	Production (MT)	Shortfall (-)/ excess (+) (MT)	Penalty at ₹ 403 per MT
2012-13	5,00,000	3,52,378.61	(-) 1,47,621.39	5,94,91,420.17
2013-14	10,00,000	7,25,925.31	(-) 2,74,074.69	11,04,52,100.07
2014-15	10,00,000	10,41,054.88	(+) 41,054.88	Nil
Total	25,00,000	21,19,358.80	(-) 3,80,641.20	16,99,43,520.24

¹⁸² Rule 31.

(ii) During 2012-13, TDCMPL extracted coal of 3.52 lakh MT against MAGP of five lakh MT. WBMDTCL deducted penalty amounting to ₹ 5.95 crore from the payable amount. TDCMPL requested WBMDTCL to reduce (February 2013) the MAGP for the year 2012-13 from five lakh MT to 3.25 lakh MT on grounds of low initial demand for sale of coal through e-auction and to prevent the possibility of fire incidents from stacks of unsold coal. WBMDTCL accepted the request of TDCMPL and refunded ₹ 5.95 crore (March 2016) for shortfall against MAGP for the year 2012-13. This decision was not justifiable as reducing the output to avoid accumulation of unsold stocks was not a *force majeure* condition, admissible under the agreement.

(iii) In 2013-14, shortfall in production *vis-à-vis* MAGP was 2.74 lakh MT, for which a penalty of ₹ 11.05 crore was deducted from the payables to TDCMPL. In 2014-15, production had exceeded MAGP by 0.41 lakh MT. On the request of TDCMPL, WBMDTCL adjusted the excess quantity of coal produced against the shortfall in production in 2013-14 and reduced the penalty amount by ₹ 1.65 crore. Despite absence of provisions in the RCC agreement for carry forward of short extraction, WBMDTCL refunded ₹ 1.65 crore (March 2016).

(iv) Though WBMDTCL deducted ₹ 16.99 crore towards penalty for shortfall in production of coal against MAGP during 2012-13 and 2013-14, an amount of ₹ 7.60 crore was refunded (March 2016) as waivers. Moreover, scrutiny of Financial Statement for the year 2016-17 revealed that the balance amount after waivers *i.e.*, ₹ 9.39 crore was not shown in accounts as amount received. The possibility of this amount being subsequently refunded cannot be discounted.

(v) WBMDTCL had originally fixed (May 2006) retention charge and penalty at ₹ 403 *per* MT based on selling price of ₹ 1,190 *per* MT of coal. Subsequently, in the revised (March 2010) agreement, both parties mutually agreed to increase only the retention charge by 25 *per cent* of the selling price in excess of ₹ 1,820 *per* MT. As selling price of coal in 2013-14 was ₹ 3,490 *per* MT, WBMDTCL's incremental share of retention charge worked out to ₹ 417.50 *per* MT¹⁸³. However, WBMDTCL's failure to similarly enhance the amount of penalty in the revised agreement led to loss of revenue of ₹ 11.44 crore¹⁸⁴ in 2013-14.

(vi) GoWB was also deprived of royalty¹⁸⁵ revenue of ₹ 18.13 lakh during 2012 to 2014 due to shortfall in production as compared to MAGP.

¹⁸³ ₹ (3,490-1,820) *per* MT of coal x 25 *per cent*.

¹⁸⁴ 2013-14 : 2,74,074.69 MT multiplied by ₹ 417.50 *per* MT.

¹⁸⁵ As per Rule 9 of the MMDR Act, 1957, royalty at the rate specified by appropriate authority has to be paid for the quantity of mineral removed from the leased area.

Management stated (September 2017) that the agreement was amended with the approval of GoWB. Further, penalty was not subject to any escalation and difficulties in mining and selling coal had not been foreseen while signing the agreement.

The reply of the Management is not acceptable as it was decided by WBMDTCL that if coal was sold above the base price, WBMDTCL would be eligible to receive an additional retention charge of 25 *per cent* of the incremental selling price. Thus, the rate of penalty should have been revised in tandem with the increase (March 2010) in the retention charge. Moreover, as per the agreement, WBMDTCL had withheld (August 2015) penalty for short production in 2012-13 but had subsequently refunded (March 2016) the same. There were no records to indicate that TDCMPL had pointed out any difficulties during 2012-13 or made any request for reduction of MAGP. WBMDTCL brought the issue to the knowledge of its BoD only when TDCMPL had approached (February 2016) for refund. This indicated that the unforeseen difficulties in mining and selling coal were not really significant to adversely impact the mining of coal. Further, the penalty for 2013-14 had not been claimed.

Thus, WBMDTCL's violation of the provisions of the agreement and irregular carrying forward of short extraction led to loss of ₹ 19.04 crore¹⁸⁶.

Non- coal

3.2.5.3 Environment clearance not obtained

WBMDTCL was required to obtain requisite environmental clearance (EC) for mining black stone from the State Environment Impact Assessment Agency in terms of the Environmental Impact Assessment (EIA) Notification, 2006 read with Rule 31 of the MCDR 88. It was observed that WBMDTCL was mining black stone at Pachami in Birbhum, without obtaining requisite environmental clearance. Further, the National Green Tribunal, Eastern Zonal Bench, Kolkata directed (January 2016) GoWB to act against those quarries which had no Environmental Clearance in terms of the EIA Notification 2006. Accordingly, District Land & Land Reforms Officer, Birbhum, GoWB (DLLRO) ordered (February 2016) WBMDTCL to cease operation of the quarries for violating the Environment (Protection) Act, 1986; The Air (Prevention and Control of Pollution) Act, 1981 and rules of MCDR88. WBMDTCL had not yet discontinued production (October 2017).

Management stated (September 2017) that under the said notification, minor mineral mines, for which leases had been executed prior to the notification, were required to obtain environment clearance only on renewal of mining leases. At Pachami, this was due in 2018.

¹⁸⁶ ₹ 5.95 crore + ₹ 1.65 crore + ₹ 11.44 crore.

The reply was not tenable as the Expert Appraisal Committee for Environmental Appraisal of Mining Projects had observed (February 2017) that WBMDTCL had, in violation of the notification, carried out mining until date without requisite EC. Besides, the reply was silent DLLRO's notice to cease operation.

3.2.5.4 Mining of black stone at Palsara-I and Palsara II

The extant provisions require award of contracts by any Government agency only through tendering process or public auction. Yet, WBMDTCL, with approval of GoWB, nominated JSW Natural Resources India Ltd (JSWNRL) to mine black stone deposits at Palsara-I and Palsara-II in Purulia district and entered (June 2012) into an agreement with JSWNRL for the same. Audit observed that as of date, JSWNRL had failed to commence production due to (a) local agitation and (b) non-mobilisation of machinery by JSWNRL. The agreement was finally terminated in December 2013. Subsequently, WBMDTCL entered into agreements (March/ December 2015) with two agencies¹⁸⁷ (selected through open tender) for mining blackstone at Palsara-I and Palsara-II respectively.

Meanwhile, DLLRO, Purulia had claimed (July 2014) dead rent¹⁸⁸ (₹ 3.69 lakh) from WBMDTCL, cess for dead rent (₹ 3.17 lakh) and royalty (₹ 0.56 lakh) for the period from January 2005 to December 2013. In addition, DLLRO, Purulia imposed penalty of ₹ 2.67 crore for shortfall in production of black stone and delay in submission of monthly returns. In November 2012 and November 2014, WBMDTCL paid ₹ 2.57 lakh towards dead rent and cess for dead rent along with ₹ 92.81 lakh towards penalty. WBMDTCL had also applied (April 2016) to GoWB for waiver of penalty on the ground that JSWNRL had not mobilised machinery at site.

Further, WBMDTCL was holder of the lease. To prevent illegal mining, Rule 6 of WBMPR02, required WBMDTCL to intimate to GoWB details of the location where it proposed to store blackstone, at least, 15 days before commencement of production. Audit observed that neither WBMDTCL nor its two mining agencies had issued the required intimation. Instead, production could not commence till date (June 2017) as illegal mining was being carried out by outsiders since May 2013. There was nothing on record to indicate that WBMDTCL had taken action to stop illegal mining.

As such, had the mining commenced in time, WBMDTCL would have earned a minimum guaranteed retention money from contractors of ₹ 3.80 crore for

¹⁸⁷ M/s Anusandhan Commo Trade (P) Limited (ACPL) and M/s IRC Natural Resources Private Ltd (IRCNRPL)

¹⁸⁸ Dead rent is the minimum amount fixed as revenue, irrespective of whether the mine is operational or not. It is not dependent on the actual quantities of minerals extracted from the mines.

Palsara-I and ₹ 1.71 crore from Palsara-II. Besides, GoWB would have earned revenue by way of royalty, cess, VAT *etc.*

Management accepted the facts (September 2017) and stated that that claims of dead rent was paid and request for waiver of penalty was under consideration by GoWB. The reply was, however, silent on failure to stop illegal mining as required under WBMPR02.

3.2.5.5 Mining apatite (rock phosphate) at Beldih

WBMDTCL operated an apatite mine (33.28 hectares) at Beldih, Purulia since 1975 by engaging departmental manpower. The apatite (rock phosphate) was powdered at the Rangadih Grinding unit for sale as phosphatic fertilizer in tea/coffee plantations. The Commerce and Industries (C&I) Department, GoWB renewed (May 2009) the mining lease in favour of WBMDTCL for 20 years. WBMDTCL discontinued manual mining from June 2011 as the mine's depth had exceeded 50 feet. Further, the crushing unit at Rangadih, was not operational since May 2011 with machinery in worn out condition. Bulk connection of power had been discontinued (July/ August 2016) and converted to low tension connection. The land at Rangadih (crushing plant) was on hire but no rent has been paid by WBMDTCL since 1995.

A JV agreement was signed (August 2014) between IRC Natural Resources Private Ltd (IRCNRPL)¹⁸⁹ and WBMDTCL, however the production from the mine had not yet begun (October 2017). In this regard, Audit observed the following:

(a) As per section 18(1) of the MMDR Act, 1957, for the protection of environment by preventing or controlling any pollution caused by prospecting or mining operations, conservation and systematic development of minerals should be followed. Further as per section 18(2) of the MMDR Act, 1957 for the development of mineral resources in any area, the regulation for storage of minerals and stocks thereof, disposal or discharge of waste arising from any mine should be followed properly. Audit, during physical inspection, observed that in contravention of above sections, the mine was exploited unsystematically by WBMDTCL from 1975 to 2000. This had led to the mine becoming steep 'funnel-shaped' with high ore to overburden ratio. This could not be remedied by WBMDTCL because of financial stringency. As per the mining plan, the established (September 2011) existing mineable reserves was 4.92 lakh MT. But these reserves could not be exploited unless WBMDTCL, as the mine operator, removed both the water accumulated at the site and the dumped overburden. Consequently, production had been stopped since May 2011. WBMDTCL could

¹⁸⁹ A private agency.

not fruitfully utilise the 78 workers and 14 staff at Beldih and Rangadih. During May 2011 to March 2017, WBMDTCL paid ₹ 7.70 crore towards idle salaries and wages and overtime of ₹ 2.50 lakh without any production.

(b) Section 9A (1) of the MMDR Act, 1957 requires the holder of a mining lease to pay either dead rent or royalty for any mineral removed or consumed from the leased area to the State Government every year at specified rates, whichever is greater. Audit observed that WBMDTCL had not paid outstanding dead rent of ₹ 11.65 lakh to GoWB for the period from June 2011 to March 2017, in violation of aforesaid provisions since GoWB had not raised any claim.

(c) Beldih Apatite Mine had no valid 'Consent to Operate' from WBPCB in violation of the statutory provision of the Water (Prevention & Control of Pollution) Act 1974, Air (Prevention & Control of Pollution) Act 1981 and Environment Protection Act, 1986. Consequently, WBPCB issued (March 2017) notice to WBMDTCL against their application for non-compliance with pollution requirements. Failure to comply within 15 days attracted closure of the mine. Further, WBMDTCL had operated the mine for many decades, which had contaminated the groundwater with fluoride in nine out of 12 blocks in Purulia district.

Management was silent on all the issues raised by Audit in the above paragraph.

3.2.6 Closure

When the economic mineral resource is exhausted and mining ceases, mine facilities and the site are required to be reclaimed and closed. The goal of mine site reclamation and closure is to return the site to a condition that most resembles the pre-mining condition.

Coal

3.2.6.1 Rules and Government order relating to mine closure not complied with

According to Rule 29A of Mineral Concession (MC) Rules, 1960, the lessee shall not determine the lease or part thereof unless there was an approved final Mine Closure Plan (MCP). A Mine Closure Deposit (MCD) equal to the annual cost was to be deposited into an escrow account each year throughout the mine life compounded at the rate of five per cent annually. Further, MoC had fixed (August 2009/ January 2013) annual cost of mine closure at rupees six lakh *per* hectare for an open cast mine, to be computed for total project area.

In this regard, it was observed that –

(i) No amount was deposited by TDCMPL with WBMDTCL as Mine Closure Deposit (MCD) which was to be retained in an escrow account. As per requirements, it should have deposited ₹ 75.87 lakh *per* year as MCD from 2012-13 to 2014-15. *i.e.*, a total of ₹ 2.28 crore.

(ii) WBMDTCL had not obtained bank guarantees (BGs) for this amount, as provided in the contract. Consequently, WBMDTCL had become entirely liable for MCD as the original allottee.

Management stated (September 2017) that provision for MCD with escrow account was added during amendment of mining agreement in May 2010. However, since the mine was operational from May 2012, WBMDTCL should have collected the yearly requirement of MCD from TDCMPL, 2013 onwards.

3.2.7 Other issues

3.2.7.1 District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET)-implementation

Section 9B of the Mines and Minerals (Development and Regulation) Amendment Act, 2015¹⁹⁰, specifies establishment by GoWB of District Mineral Foundation (DMF) in any district affected by mining related operations with effect from 12 January 2015. DMF was to work for the interest and benefit of persons and areas affected by mining related operations. The Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 prescribed (September 2015) contribution to DMF¹⁹¹. It was seen that DMFs have not been set up in West Bengal. Further, Audit observed from the accounts of 2016-17, that WBMDTCL had (i) not paid ₹ 63 lakh to GoWB towards DMF during January 2015 to March 2017, and (ii) not realised ₹ 59.60 lakh of the unpaid amount from its contractors as contribution to DMF.

Management stated (September 2017) that WBMDTCL had already raised claims for DMF to be recovered from the contractors. However, recovery of DMF from contractors, whose contract periods were over, was difficult. The fact remains that DMF was to be realised from January 2015 and WBMDTCL should have recovered the amount from the contractors from January 2015 itself.

3.2.7.2 Avoidable liability of towards service tax

West Bengal Power Development Corporation Limited (WBPDC) and The Durgapur Projects Limited (DPL) appointed (March and April 2015) WBMDTCL as Advisor-cum-Mining Agent¹⁹² under the Mines Act, 1952 for their six coal mines. WBMDTCL then entered into agreements with WBPDC (November

¹⁹⁰ Inserted by MMDR Amendment Act, 2015, vide G.O.I. Ext. Part II, Section 1, No. 13, dated 27 March 2015 (No. 10 of 2015).

¹⁹¹ (a) 10 per cent of the royalty in respect of mining leases or prospecting license-cum-mining leases granted on or after 12 January 2015, and (b) 30 per cent of the royalty in respect of mining leases granted before 12 January 2015.

¹⁹² Functions of an agent are to (i) ensure security of the coal mines and coal reserves, (ii) continue with de-watering in the coal mines, (iii) continue with minimum CSR activities, (iv) posting personnel in all coal mines and (v) payments to the employees and workers.

2016) and DPL (March 2017). Since April 2015 to December 2016, WBMDTCL incurred expenditure towards security expenses, salaries, wages, power/ fuel *etc.* aggregating to ₹ 84.07 crore on behalf of WBPDCCL and DPL. Thereafter, in accordance with the agreements, WBMDTCL had obtained monthly reimbursement of these expenses from WBPDCCL and DPL.

In this regard, Audit observed that reimbursement of expenses attracts service tax under Rule 5(1) of the Service Tax (Determination of Value) Rules, 2006. Thus, though WBMDTCL was liable to recover and deposit service tax on reimbursement of these expenses, it had not collected and paid the service tax of ₹ 12.13 crore for this period within due date as required under the Service Tax Rule, 1994. This resulted in avoidable liability of WBMDTCL towards service tax and interest on belated deposit.

Management stated (September 2017) that WBMDTCL had incurred expenditure on behalf of WBPDCCL and DPL to continue serving of employees of prior allottee, maintain security services, social services in villages, power supply *etc.* As per agreements, all this expenditure was part of reimbursement only for which WBMDTCL received consultancy fees. Moreover, some judgements had excluded reimbursable expenditure from the taxable value. Thus, any expenditure incurred on behalf of WBPDCCL and DPL did not attract service tax.

The reply was contrary to the provisions of the Finance Act, 1994. Any reimbursable expenditure or cost incurred by the service provider and charged was liable to tax. Besides, WBMDTCL did not fulfill the conditions of 'pure agent' under Service Tax (Determination of Value) Rules, 2006. Consequently, it was liable to pay service tax on reimbursement of expenses.

3.2.8 Conclusion

WBMDTCL had failed to achieve prescribed milestones for development of the allotted coal blocks resulting in non-commencement of mining in three coal blocks and lost opportunity to earn revenue. Similarly, in respect of a granite project, extraction was taken through 90 day quarry permits in contravention of rules. There were irregularities in tendering procedure for selection of RCC in case of TDCB. Moreover, undue benefit was extended to the contractor while fixing the retention charge and penalty towards short extraction of coal. WBMDTCL had not complied with statutory provisions of mine closure, minimum guaranteed production, maintenance of records, payment of statutory dues including royalties/ cesses and recovery of dues from contractors. Moreover, it had failed to obtain requisite environment clearances and to undertake mitigation measures leading to the ever present possibility of stoppage of mining activities. All these violations led to lost opportunity to earn revenue as well as direct losses to the Company.

These matters were brought to the notice of the Government in July 2017, their replies are awaited (January 2018).

Saraswaty Press Limited

3.3 Follow-up Audit: Performance Audit on production and marketing performance

3.3.1. Introduction

Saraswaty Press Limited¹⁹³ (SPL) was incorporated (January 1987) as a Government Company with the objective of carrying on the business of various printing activities like photo offset, packing and book binding, computer typesetting, image processing, security designing and printing, *etc.*

A Performance Audit (PA) on the ‘Production and Marketing performance of Saraswaty Press Limited’ was incorporated as Paragraph 2.3 in the Report of the Comptroller and Auditor General of India (Commercial), Government of West Bengal for the year ended 31 March 2008. That PA covered the period from 2003-04 to 2007-08. The PA pointed out 35 audit observations and made six recommendations. The Report was laid in the West Bengal Legislative Assembly in July 2009. Government of West Bengal (GoWB) accepted (July 2012) all the observations/recommendations and assured to take action for improvement of performance. The Committee on Public Undertakings (COPU) had not discussed the PA till date.

By the time the PA was conducted, a subsidiary *viz.*, West Bengal Text Book Corporation Limited (WBTBCL) dedicated to textbook printing was formed (March 2008) in order to avail excise exemption¹⁹⁴. WBTBCL did not have separate employees, infrastructure or fixed assets. Its day-to-day management and operations are carried on by SPL. At present, these two PSUs execute only Government jobs at SPL’s printing press as well as through outsourcing.

The Management of both the PSUs is vested in the same Board of Directors (BoD) with the same Managing Director (MD) as the Chief Executive. The Production Controller who supervises the entire printing activity and the Marketing Manager responsible for obtaining job orders are common to both the PSUs.

3.3.2. Scope, methodology and criteria of Audit

A Follow-up Audit was conducted during October to December 2016. The objectives were to assess the extent to which the efforts were made for implementation of Performance Audit recommendations and monitoring thereof during the period from 2012-13 to 2016-17.

¹⁹³ SPL under the name ‘Sree Saraswaty Press Limited’ (SSPL) was established in the year 1923 and was taken over (1984) by State Government under Sree Saraswaty Press Ltd (Acquisition and Transfer of Undertakings) Act 1984 and was renamed in the style of ‘Saraswaty Press Limited’ (SPL) with effect from 25 June 1993.

¹⁹⁴ This exemption was withdrawn *vide* notification no. 4/2011-Central Excise (NT) dated 1 March 2011.

Criteria for this Follow-up Audit were sourced from (i) policies framed by SPL and WBTBCL for printing activities; (ii) Board agenda and minutes; and (iii) Enterprise Resources Planning (ERP) module.

The audit methodology adopted was (i) scrutiny of records at Head Office at Belghoria and Marketing office at Sealdah; (ii) issuing questionnaire regarding present status and actions taken by the Management against their reply to the PA; and (iii) discussions with officials at all levels.

Audit Findings

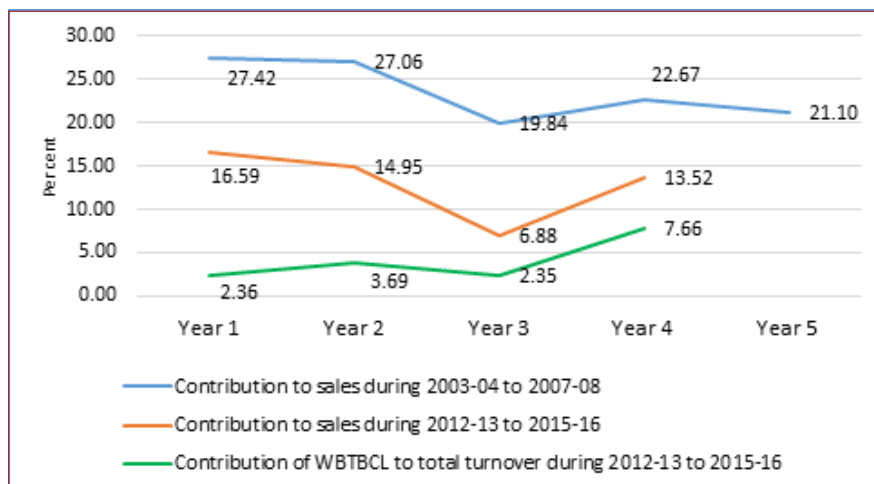
Based on verification of records and replies to a questionnaire issued (October 2016) to SPL, following observations are made with reference to each of the recommendations contained in the earlier Audit Report.

3.3.3 Recommendation 1: SPL needed to devise effective and efficient production planning to ensure optimum utilisation of in-house capacity of the press section and binding section machinery.

3.3.3.1 Contributions to sales of SPL/WBTBCL¹⁹⁵

Audit observed from the contribution analysis of both PSUs during the period 2012-16¹⁹⁶ that the consolidated percentage of contribution¹⁹⁷ to sales for both PSUs was 6.88 to 16.59 per cent (Figure 3.4).

Figure 3.4 : Comparative contribution analysis



¹⁹⁵ Referred to in paragraph 2.3.7 of the Audit Report (Commercial) 2007-08 *re* : Cost trends.

¹⁹⁶ Both standalone and consolidated financial statements of SPL for 2016-17 have not yet been prepared.

¹⁹⁷ Total sales less direct expenses like raw materials, subcontracting cost, power/ fuel, as well as direct overheads and direct labour (expressed as a percentage).

- This was lower than the 20 to 27 *per cent* achieved during 2003-04 to 2007-08. Further, the percentage of contribution of WBTBCL to aggregate sales of both PSUs was only 2.36 to 3.69 *per cent* in 2012-13 to 2014-15. This increased to 7.66 *per cent* in 2015-16.
- In 2015-16, out of 62 estimates for printing of textbooks by WBTBCL, the contribution to sales ranged from (-) 8.43 to 7.50 *per cent*. Out of these, 23 *i.e.* 37.10 *per cent*, were at a loss. This indicated that WBTBCL was printing and supplying textbooks against Government orders at lower margins or even at a loss. This had brought down the aggregate contribution.

Management stated (September 2017) that a managerial and administrative team would be drawn from SPL to work exclusively for WBTBCL. Thus, WBTBCL would develop and grow its business.

Management further stated (September 2017) that the School Education Department, GoWB insisted on the production and distribution of the books at rates at par with the previous years. This was the cause for WBTBCL's lower margins. Besides, cost of production for short-run non-Bengali language books was high in comparison to high volume Bengali textbooks.

The reply overlooked the fact that WBTBCL had underestimated the cost estimates for 37.10 *per cent* of jobs undertaken by it. Further, WBTBCL should have approached the Government departments for enhancement of the rates at which jobs had been undertaken; however, no record of any such step was found.

3.3.3.2 Lack of Production planning¹⁹⁸

SPL procured job orders through the marketing department for execution by the production department. GoWB had replied (July 2012) in response to the Audit Report that Enterprises Resource Planning (ERP) would be utilised for better production planning. Audit observed (December 2016) that even after implementation of ERP, SPL had, for two academic sessions¹⁹⁹ delivered text books²⁰⁰ after delays of 63 to 180 days from their scheduled delivery dates. Belated delivery resulted in students receiving course textbooks after 31 to 148 days from commencement of their academic sessions. Management had not reviewed production performance for corrective action.

While accepting the fact, Management stated (September 2017) that the requirement of books had substantially increased over the years. Moreover, the delays in delivery were in respect of those books for which, the School Education Department had issued orders at the year end. Management assured to try harder to overcome such problem in future.

¹⁹⁸ Referred to in paragraph 2.3.9 of the Audit Report (Commercial) 2007-08 *re* : Production planning.

¹⁹⁹ Commencing from January and May 2016.

²⁰⁰ No. of books in 2014-15: 50,51,087; 2015-16: 63,65,917 and 2016-17: 37,03,602.

3.3.3.3 Manpower and its utilisation in the Pre-press department²⁰¹

Audit had pointed out excess financial burden²⁰² due to unutilised manpower. It was, further, observed during the Follow-up audit (December 2016) that due to introduction of digital technology, manpower attrition has taken place over the years.

The pre-press department of SPL comprised two sections²⁰³ engaging 10 personnel and operated three shifts daily. It was observed that till date, SPL/WBTBCL did not set any standard time/output norms for undertaking Desk Top Publishing (DTP) and Computer to Plate (CTP) activities. Further, activity-wise time spent on each job at pre-press stage was not recorded in the job tickets²⁰⁴ along with the details of pending jobs. Therefore, the extent of utilisation of manpower in the pre-press activities, whether optimum or not, could not be ascertained.

Management stated (September 2017) that the DTP and CTP operators provide support services to the very large number of high speed machines at the printing division. Further, the Production Planning section had to ensure instant delivery of plates to the machine section. Hence, any separate work time/ output norms could not be laid down.

The reply of the Management did not address the finding that activity-wise time spent on each job at pre-press stage was not monitored through job tickets.

3.3.3.4 Printing Press activity

(i) Low utilisation of capacity²⁰⁵

The press section of the production department operated 31 machines²⁰⁶ as of March 2017. These comprise three categories of machines *viz.* (A) machines owned and operated by SPL, (B) machines owned by SPL but operated by vendors, and (C) machines owned and operated by vendors at SPL. The details of printing capacity, machine availability and their utilisation are given in the **Annexure 11**.

Audit scrutinised the production records and machine log books for the period from 2014-15 to 2016-17²⁰⁷. The annual standard production capacity for printing

²⁰¹ Referred to in paragraph 2.3.10 of the Audit Report (Commercial) 2007-08 *re* : Pre-press department.

²⁰² Referred to in paragraph 2.3.10 of the Audit Report (Commercial) 2007-08 *re* : Pre-press department.

²⁰³ As per activity, the two sections of pre-press department were Desk Top Publishing (DTP) and Computer to Plate (CTP).

²⁰⁴ A job ticket is a detailed description of work that is to be performed for a work order. It contains information about planning and scheduling of the job.

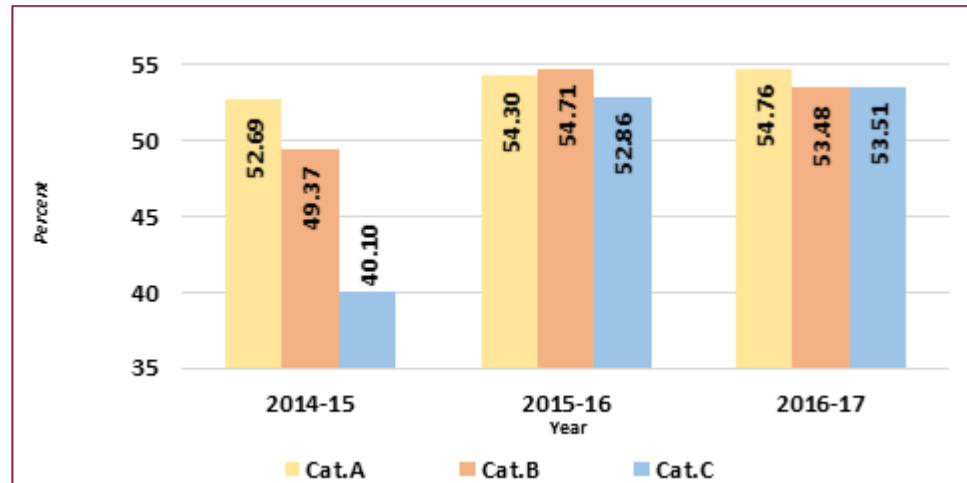
²⁰⁵ Referred to in paragraph 2.3.11 of the Audit Report (Commercial) 2007-08 *re* : Low utilisation of capacity.

²⁰⁶ Owned and operated by SPL (six), owned by SPL but operated by vendors (10) and owned and operated by vendors (15).

²⁰⁷ The ERP system data was made available only from 2014-15. Hence, position mentioned for three years only.

was fixed by SPL and WBTBCL at 30.85 to 37.32 *per cent* of the rated capacity of the machines. The basis and date of fixation of this low standard production capacity was not on record. As against these standards, the actual production to standard production (**Figure 3.5**) ranged from 40.10 to 54.76 *per cent*.

Figure 3.5: Utilisation of machinery (in percentage)



Moreover, during 2003-08, actual production had varied from 22 to 56 *per cent* of standard production capacity. This indicated that the performance had not improved. As such, the standard capacity was one-third of the installed capacity. Production was only half of the standard capacity. This indicated very low capacity utilisation.

Management stated (September 2017) that during 2014-17, the total production of SPL and WBTBCL had increased substantially over a much shorter production period. The actual production season was limited to five months in a year due to delays in receipt of printing orders from School Education Department.

The reply was not acceptable since both PSUs were mostly dependent on Government orders. Further, the highest capacity utilisation achieved in a month was only 52.24 *per cent* of installed capacity, which indicated scope for increasing capacity utilisation. Therefore, it was critical for both PSUs to widen their customer base to improve capacity utilisation.

(ii) Low availability of machine run-time²⁰⁸

During 2003-04 to 2007-08, the actual machine run-time²⁰⁹ after adjusting the idle machine time²¹⁰, ranged from 39 to 49 *per cent* of available machine run-time. Audit observed that during 2014-17²¹¹ this percentage of machine hours remained less than 50 *per cent*. Hence there was no improvement.

²⁰⁸ Referred to in paragraphs 2.3.12 to 2.3.16 of the Audit Report (Commercial) 2007-08 *re* : Low availability of machine run-time.

²⁰⁹ Machine run-time is the actual number of hours a machine is operated productively.

²¹⁰ Due to factors like make-ready time, breakdowns, waiting time for job/staff/material *etc.*

²¹¹ The ERP system data was made available only from 2014-15. Hence, position mentioned for three years only.

Figure 3.6: Percentage of actual machine run-time

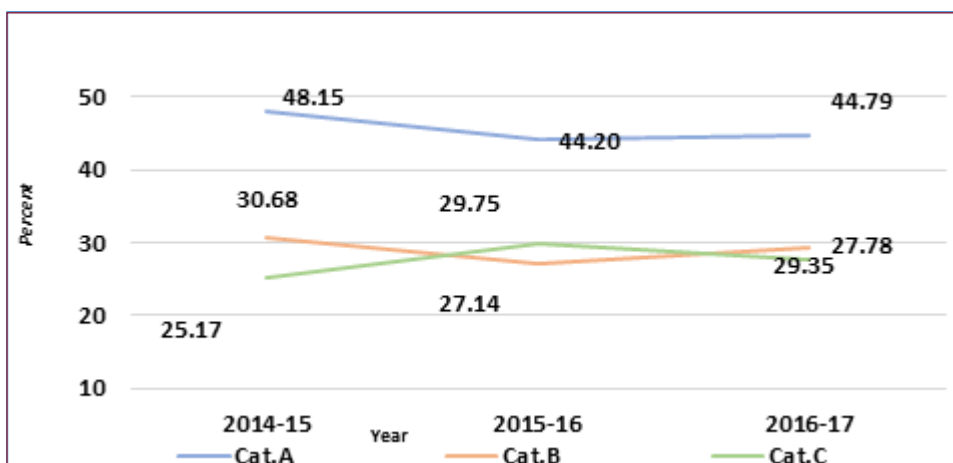


Figure 3.6 indicates the percentage of actual machine run-time of Category A, B and C machines (**Annexure 11**) *vis-à-vis* the available machine run-time. It shows that there was a marginal improvement in Category A (owned and run by SPL) machines.

It was also observed that SPL/WBTBCL had hired machinery at an average annual hire charges of ₹ 2.14 crore for fulfilling printing jobs. However, they were lying unutilised for more than 68 *per cent* of available hours. As such, SPL/WBTBCL incurred unproductive expenditure of ₹ 1.50 crore *per year* on hiring of these machines.

Management clarified (September 2017) that there were delays in receiving orders from the School Education department. This had led to shrinking of time available for printing and distribution of textbooks. Hence, more machines were deployed to ensure timely delivery of textbooks within a short production season. The outcome was low utilisation of machine run-time.

Audit observed this low utilisation was not brought before the BoD for review and corrective actions to minimise idle hours. Further, the maximum utilisation of machine run-time achieved during the peak months of 2014-17 was 38.70 (Cat.A, September 2016), 49.70 (Cat.B, July 2016) and 52.24 *per cent* (Cat.C, August 2016). This supported the observation that capacity was significantly underutilised.

3.3.3.5 Post-printing press activity

(i) Manual binding and cutting section²¹²

Audit had observed in 2007-08 that SPL neither set work norm/ targets for binding nor did it monitor the performance of operators and machines. During follow-up, Audit observed that SPL had outsourced the entire manual binding and cutting activity. The binding section had the facilities of manual binding of forms, lottery tickets, cheques *etc.* in three shifts. But the job-wise output was not documented in the job tickets. The performance of the section was not reviewed as SPL had still not set any work norm/ targets for binding. While accepting the fact, Management stated (September 2017) that manual binding and cutting machines were a support service to production. As their requirement was based on necessity, a separate work norm had not been ascertained.

²¹² Referred to in paragraph 2.3.18 of the Audit Report (Commercial) 2007-08 *re* : Manual cutting and binding section.

The reply was not acceptable, as these requirements had been evaluated earlier stage. Based on this evaluation, their norms could have been worked out.

(ii) Auto binding section²¹³

It was observed that SPL had installed (February 1992) an imported automatic flow-line binding machine at a cost of ₹ 77 lakh. The machine's achievable capacity was binding 8,000 books *per* hour. Subsequently, the machine developed a problem with its sensor and went out of order from 2011. It was restored back only in July 2016. Instead of getting the machine repaired in time, SPL purchased and installed (July 2013- November 2013) three²¹⁴ auto Binding Machines. Between 2011-2016, SPL resorted to outsourcing of binding work to private entities and incurred extra costs despite availability of new machines from 2013.

Audit observed from the information made available that SPL/WBTBCL had printed 10.34 crore and 11.91 crore books during 2015-16 and 2016-17 respectively. All the books printed were required to be bound but the targets were fixed at 5.22 crore and 4.46 crore respectively. The basis for these lower targets was not on record. Moreover, only 3.37 crore (64.56 *per cent*) and 2.71 crore books (60.76 *per cent*) were bound in these two years. Hence, the actual number of books bound did not even achieve the lower targets fixed.

While accepting the fact, Management stated (September 2017) that due to change in specifications of books, work load of the binding machines had reduced. Besides, the machines had remained idle for long time due to non-availability of spare parts.

3.3.4 Recommendation 2: The Company needs to introduce a sub-contracting policy detailing the procedure to be followed for sub-contracting the jobs after evaluating the economics of such sub-contracting.

3.3.4.1 Extent of outsourcing²¹⁵

Expenditure on sub-contracting of printing and binding charges was 65 *per cent* of its total cost during 2003-08. Audit observed that both PSUs had undertaken sub-contracting work totalling to ₹ 101.31 crore during 2014-17. This represented 8.70 *per cent* of their sales and 9.53 *per cent* of their cost in the same period. The value of work outsourced had increased from ₹ 28.30 crore (2014-15) to ₹ 38.14 crore (2015-16). In 2016-17, it reduced to ₹ 34.86 crore. Yet, SPL had no documented sub-contracting policy/ guidelines. SPL formulated a procurement manual only in July 2016. This manual included the binding work to the sub-contractors as a part of normal range of procurement. However, the detailed procedure to be followed for subcontracting jobs was not specified. Rate contract was the only basis for binding work.

Job-wise details of the total sub-contracted jobs of ₹ 101.31 crore during the years 2014-15 to 2016-17 were not made available. Audit could not ascertain the profitability of each job as well as the economics of sub-contracting of jobs.

²¹³ Referred to in paragraph 2.3.19 of the Audit Report (Commercial) 2007-08 *re* : Auto binding section.

²¹⁴ Muller Martin Binding and Trimming, Kolbus Martín Binding and Trimming, Wellbound Binding and Trimming machines.

²¹⁵ Referred to in paragraphs 2.3.28 to 2.3.32 of the Audit Report (Commercial) 2007-08 *re* : Sub-contracting.

Management stated (September 2017) that in the past few years sub-contracting/outsourcing to outside printers had virtually been eliminated. Further, it agreed that profitability of individual jobs had not been carried out through job costing in ERP due to their limited resources. Management also stated that they were continuously creating and strengthening in-house technical and commercial infrastructure to evaluate the economics of sub-contracting.

The reply regarding elimination of outsourcing was contradictory to the financial statements which show expenditure on outsourcing. The reply about ERP was also not in consonance with GoWB's earlier response (July 2012) to the Performance Audit. It was then stated that SPL was doing cost booking for all items produced in the computer-based ERP system.

Thus, the recommendation remained yet to be fulfilled by SPL.

3.3.5 Recommendation 3: The Company needs to revamp the incentive schemes to ensure increase in productivity and reduce overtime.

3.3.5.1 Ineffective incentive scheme²¹⁶

SPL/ WBTBCL jointly implemented an incentive scheme (January 2009) for different categories of employees which was revised in January 2016.

Categories of Employees	2009 scheme	2016 scheme
Direct production group employees	₹ 12 - ₹ 16 <i>per head per day</i> on achievement of machine production per shift for both SPL and WBTBCL.	₹ 31 - ₹ 35 <i>per head per day</i> on average amount collected against invoices of both SPL and WBTBCL in the immediately preceding three months, subject to minimum average collection of ₹8 crore <i>per month</i> .
Common service group employees	₹ 12 - ₹ 16 <i>per head per day</i> on average of amounts collected against invoices of both SPL and WBTBCL in the immediately preceding three months, subject to minimum average collection of ₹ 1.75 crore <i>per month</i> .	

The PSUs had paid incentives up to January 2016, based on achieving the targeted production *per shift per machine*. Thereafter, incentives were linked to collection of invoices. During November 2005 to March 2008, the average monthly production per employee was 0.77 to 0.83 lakh impressions. The aggregate incentive disbursed was ₹ 28.04 lakh. Audit observed that ₹ 68.85 lakh was paid towards incentive during April 2013 to March 2017. Each employee received ₹ 30,875 over and above his salary, on an average, for the three years.

²¹⁶ Referred to in paragraph 2.3.24 of the Audit Report (Commercial) 2007-08 *re* : Ineffective incentive scheme.

Audit analysis showed that even though standard production targets were set lower by 62.68 to 69.15 *per cent* than the installed production capacity during 2014-17, SPL paid incentives to production staff. It was also seen that despite payment of sales incentives, the percentage of realisation of dues to sales had shown a fluctuating trend. Consequently, the aggregate amount due from Government written off as 'bad debt' during 2012-16 was ₹ 9.61 crore. The Management stated (September 2017) that incentives were to increase productivity and reduce overtime. However, their customers had delayed payment of dues. The PSUs were "continuously trying to overcome this situation through more, more and more effort".

The reply was not acceptable since the gains in productivity were the result of utilising vendors' manpower/ machines by the PSUs. Moreover, Audit could not see the result of those efforts stated to have been taken, in terms of increase in productivity.

3.3.5.2 High incidence of overtime²¹⁷

Audit observed that SPL and WBTBCL paid overtime (OT) of ₹ 1.66 crore, ₹ 1.70 crore and ₹ 2.39 crore in 2014-15, 2015-16 and 2016-17 respectively to 106 to 145 employees. According to the Factory Act 1948, the total overtime hours shall not exceed fifty hours for any quarter for any employee. Audit observed from test check of pay roll registers, attendance registers and pay sheets that:

- During April 2014 to September 2016, an average of 120 out of 130 employees were engaged in overtime work of more than fifty hours in a quarter.
- An average of 22 out of above 120 employees had worked continuously in a month for an average period of 50.23 hours *i.e.* more than two days at a stretch, which is inhuman.
- On 10 occasions, overtime of ₹ 2.23 lakh was paid to 27 workers where there was no production.

Management stated (September 2017) that, on a regular basis, large numbers of Government printing orders arrived at SPL after working hours. These materials were to be printed and delivered before the start of the next working day, if necessary, by working on holidays. This resulted in high OT. The reply was, however, silent about the violations of the Factory Act 1948 and measures, if any, to curb the incidence of OT.

As such, this recommendation was also not implemented by the Management.

²¹⁷ Referred to in paragraph 2.3.25 of the Audit Report (Commercial) 2007-08 *re* : High incidence of overtime.

3.3.6 Recommendation 4: The Company needs to strengthen the control mechanism in regard to the maintenance of job tickets, job-wise profitability and utilisation of paper with reference to the norms.

3.3.6.1 Costing²¹⁸

It was observed that after introduction of ERP in April 2012, SPL and WBTBCL had neither prepared any costing manual nor maintained a Costing Department. The job-wise estimates prepared by the marketing wing were, therefore, not subject to any oversight process. Moreover, as (i) job-wise actual cost of material consumed, (ii) machine and manpower utilised were not synchronised, job-wise actual cost and profitability thereof could not be ascertained in audit.

Management stated (September 2017) that the job-wise costing was done as ongoing basis in the ERP system. The reply was contradictory, as Management had stated in reply to an earlier observation (**Paragraph 3.3.3.2**) that profitability of individual jobs had not been carried out through job costing in ERP due to their limited resources. As such, Management was unaware about the actual profitability of its various operations.

3.3.6.2 Deficiencies in Internal Control system²¹⁹

Internal Control system is an essential pre-requisite for efficient and effective management of an organisation. Audit observed the following deficiencies in the Internal Control system :-

- Paper cost, ink cost and other direct costs were not recorded job-wise in ERP. Consequently, any deviation from the purchase proposals and actual material purchased could not be identified.
- Job cost estimates as prepared by marketing section after receipt of job orders were not fed into ERP system. Therefore, actual expenditure incurred was not compared with cost estimates. Audit observed that overhead costs were not included in test checked 62 cost estimates.
- Machine- wise binding activities were not recorded in ERP.

The Management had accepted the observation in March 2017. Subsequently, it attributed (September 2017) the deficiencies in internal controls to difficulty in individually linking the cost of paper and ink to a particular job. It was silent on rest of the points raised by Audit.

²¹⁸ Referred to in paragraph 2.3.39 of the Audit Report (Commercial) 2007-08 *re* : Costing.

²¹⁹ Referred to in paragraph 2.3.40 of the Audit Report (Commercial) 2007-08 *re* : Internal control.

3.3.7 Recommendation 5: The Company needs to introduce the sales and realisation target for the marketing agents.

3.3.7.1 Marketing set-up²²⁰

SPL and WBTBCL shared a marketing wing, headed by the Marketing Manager who was assisted by ten sales executives. Besides, SPL and WBTBCL had appointed two marketing agents for securing sales orders from the Governments of two adjacent States viz. Bihar and Jharkhand as well as from Central PSUs at a commission on a rated scale on sales value to be paid after realisation of dues.

In this connection, the following issues were noticed in audit:

Issue	Management
1. Mentioned during 2003-2008 Performance Audit report: (i) absence of documented marketing strategy; (ii) business development; (iii) database of competitors' pricing; (iv) job-wise profitability; <i>etc.</i>	No action taken to rectify these issues
2. Preparation of sales budget during 2012-17	Not prepared
3. Jobs amounting to ₹ 9.56 crore (printing of books for academic session 2016-17) performed without any formal order or agreement.	No realisation against these jobs till completion of audit. (December 2016).

Management stated (September 2017) that the Government departments had not informed their requirements in advance. This had made it difficult to assess the requirements of different departments for preparation of sales budget.

The reply was not tenable since the nature of printing jobs undertaken by both PSUs were predominantly repetitive. They comprised of textbooks, cause lists, holograms, lottery tickets, question papers, blank answer scripts *etc.* Hence, the PSUs were in a position to draw up tentative sales budgets, without any specific inputs of Government departments. These could be firmed up on receipt of actual orders.

3.3.7.2 Flawed and outdated estimates

Audit observed that SPL had drawn up estimates with defects as well as had continued with obsolete estimates prepared in 1999 and 2006 leading to losses of ₹ 12.84 crore²²¹ as follows:

²²⁰ Referred to in paragraph 2.3.26 and 2.3.27 of the Audit Report (Commercial) 2007-08 *re* : Marketing set-up and Sales performance.

²²¹ ₹ 12.84 crore (₹ 1.22 crore *plus* ₹ 68.14 lakh *plus* ₹ 10.94 crore).

Nature of job	Amount and Reasons for loss
1. Printing of state excise security hologram labels	Loss of revenue of ₹ 1.22 crore due to adopting rate of VAT at five <i>per cent</i> instead of applicable rate of 14.5 <i>per cent</i> (During January 2015 to December 2016)
2. Printing and binding of High Court Cause Lists	Billed on estimates prepared in 1999 instead of current rates, leading to loss of ₹ 85.30 lakh.
3. Ballots printed for Bihar panchayat elections in 2011 and 2016	Billed at rates prevailing in 2006 leading to loss of revenue of ₹ 10.94 crore.

Management stated (September 2017) that the Government departments did not allow escalation in prices. Besides, Bihar State Election Commission had, over the years, allowed SPL the enhanced actual cost of paper. However, requests for escalation to the High Court had not yet been approved (October 2017). GoWB had insisted that SPL accept a lower rate for hologram printing.

The reply does not clarify whether SPL had deliberated on the financial impact of printing and supplying ballot papers and cause lists at rates below their costs by 29.72 and 13.59 *per cent*. Further, the correspondence with the Government departments for enhancement of rates and change in negotiated rates were not produced to Audit, though called for.

Thus, the recommendation was not implemented by SPL and its sales and marketing scenario remained unchanged.

3.3.8 Recommendation 6: The Company needs to strengthen the monitoring mechanism over the machine performance and sub-contracted jobs.

3.3.8.1 Excess generation of scrap paper²²²

SPL/ WBTBCL had followed the norms²²³ for allowable wastage of papers at (i) three *per cent* for printing of single colour job, (ii) four *per cent* for bi-colour jobs and (iii) 8.62 *per cent* for four colour jobs. Such wastages were sold as scrap. During 2004-08, the percentage of scrap generated to paper consumed was 13 to 19 *per cent*.

Audit scrutiny of records showed that SPL/WBTBCL was yet to introduce a monitoring mechanism in the ERP system to identify generation of scrap paper for single, bi-colour and four colour jobs. Hence, Audit evaluated that the loss

²²² Referred to in paragraph 2.3.20 and 2.3.21 of the Audit Report (Commercial) 2007-08 *re* : Paper consumption.

²²³ Based on IS : 12000 (Part 1) – 1987 – Guide for Paper Spoilage and Wastage for Printing Industry of January 1988.

was ₹ 23.62 crore during 2013-17 on account of wastage of paper. The wastage was (10.07 to 18.41 *per cent*) in excess of the fixed norm of 8.62 *per cent* (for four-colour jobs). The PSUs attributed (September 2017) the excess generation of scrap paper to reel damage during transportation, loading and unloading; severe space shortage leading to handling losses; and storage of paper in the open during monsoons.

The Management accepted (September 2017) the observation.

3.3.8.2 Time lag between delivery of goods to customers and raising of invoices²²⁴

WBTBCL had entered into agreements with transporters to (i) deliver goods to its customers and (ii) obtain acknowledgement of delivery on the goods delivery challans. WBTBCL raised invoices on customers only when these transporters returned the challans duly receipted by its customers. While the agreements had specified delivery periods of one day (for customers within Kolkata) to 10 days (for customers in North Bengal), the timelines for return of challans after receipt by customers was not specified. WBTBCL did not monitor return of the challans by the transporters.

Audit scrutiny of challans and tax invoices raised showed that WBTBCL had raised (2014-17) invoices valued at ₹ 46.69 crore against 2,464 challans. The time lag ranged from 14 to 268 days from their dates of delivery and raising of invoices. The standard payment terms of the invoices required that customers make payment on their presentation; else interest would be recovered at 1.5 *per cent per* calendar month. Moreover, during the period 2014-17 (upto October 2016), WBTBCL had met its requirement of working capital through cash credit facility from banks²²⁵ at an interest rate of 10.75 to 12.50 *per cent per annum*. Thus, raising invoices after time lags of 14 to 268 days from their dates of delivery resulted in payment of additional interest of ₹ 1.78 crore.

The Management attributed (September 2017) the time lag between delivery of goods and raising of bills on customers to delivery at distant locations and staggered schedule for deliveries. It stated that these deliveries would, however, be minimised with the introduction of Goods and Service Tax and development of a computerised delivery module for the School Education department.

The reply needs to be seen in context of the fact that the PSUs had failed to specify the time within which the transporters would be required to return the challans after receipt of goods by customers. Moreover, they had not monitored the post-delivery return of challans. As such, they had not imposed any controls on the delivery times.

²²⁴ Referred to in paragraph 2.3.37 of the Audit Report (Commercial) 2007-08 *re* : Inordinate delays in billing.

²²⁵ Axis Bank and United Bank of India.

3.3.9 Conclusion

The Follow-up audit showed that out of six recommendations included in the earlier Performance Audit, SPL had not yet implemented any of the recommendations in their entirety. There was insignificant or no progress on implementation of two recommendations (recommendations - two and four) while four (recommendations - one, three, five and six) had been partly implemented. SPL continued with its out-dated production and marketing/sales practices, low capacity utilisation of machines etc., resulting in sustained losses over the years. Its' monitoring and control mechanisms remained weak, which provided no assurance of management oversight over its operations. There were no further findings in respect of other issues included in the earlier Performance Audit.

The Management added (September 2017) that SPL had made substantial progress in the past few years. Moreover, it was working very hard to minimise the limitations imposed by the commercial and operational difficulties, which were part of its business profile.

WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED

3.4 Extra expenditure on Exchange Rate Variation due to contractual flaw

West Bengal Power Development Corporation Limited had not included an Exchange Rate Variation (ERV) clause in the tender document as it was for a firm price. Yet, subsequently it had included an ERV clause in the agreement. This led to extra expenditure of ₹156.76 crore.

West Bengal Power Development Corporation Limited (WBPDCCL) is a state-owned electricity generation company. It operates five thermal power stations at Kolaghat, Bandel, Bakreshwar, Sagardighi and Santaldih.

WBPDCCL notified (November 2009) a tender for the supply of equipment and materials for Units 3 and 4 of its Sagardighi Thermal Power Project (SgTPP) Phase II. M/s Bharat Heavy Electricals Limited (Contractor), was awarded (February 2011) the contract for supply and erection at a total firm price²²⁶ of ₹ 3,220 crore (including USD and Euro for imported materials). The Letter of Award (LOA) specified a completion schedule of 45 months (Unit 3) and 48 months (Unit 4) from the zero date (February 2011). The contract price was also to remain firm throughout the execution period and any extension thereof, as per the LOA. Moreover, the bid documents provided (November 2009) for

²²⁶ A firm-price contract is a type of contract in which there is no uncertain or indefinite element in the price. The amount paid does not depend on resources used or time expended.

execution of an agreement within 60 days from the date of issue of LOA. The agreement was signed only in January 2012, *i.e.* beyond 60 days from LOA with additional clause for application of prevailing exchange rates for imported components. As per the LOA, the supply and erection value was ₹ 3,220 crore. Till December 2016, WBPDCCL had approved bills for ₹ 3,241.32 crore. This included an extra amount of ₹ 156.76 crore on account of Exchange Rate Variation (ERV) on imported materials. After certification by WBPDCCL²²⁷, the contractor was paid the ERV amount between April 2011 and December 2016. The payments were based on the exchange rates of US Dollar and Euro to the Indian Rupee (INR), prevailing on the dates of release of payment.

The Government of India Manual on Policies and Procedures for Purchase of Goods²²⁸ (GoI Manual) laid down (August 2006) the guidelines that in case the delivery period exceeded one year from the date of contract (LOA):-

- The purchase organisation formulate an appropriate Exchange Rate Variation (ERV) clause;
- The tenderers be asked to indicate the base exchange rate for each foreign currency to be used for converting the foreign exchange content into Indian Rupee; and
- The tenderers also be asked the extent of ERV risk that they were willing to bear.

Audit observed (January 2017) during inspection of records of WBPDCCL that:

- There was no provision for payment of any ERV either in the tender documents or in the LOA. The period of supply of goods was more than a year (Unit 3: 45 months and Unit 4: 48 months). Hence, WBPDCCL should have incorporated an ERV clause in the tender document to ensure that the burden of ERV was shared by both WBPDCCL and Bharat Heavy Electricals Limited (BHEL).
- Despite diminution in value of INR (November 2010 and January 2012), clause 3.5 on ERV was included in the agreement between WBPDCCL and BHEL. This clause stipulated that WBPDCCL would pay BHEL for imported components (denominated in US Dollars and Euros) in equivalent INR at the exchange rate prevailing on the date of release of payment to BHEL. This placed the entire burden of ERV on WBPDCCL, in deviation from the GoI guidelines.

²²⁷ For the delivery of materials between December 2013 and July 2016.

²²⁸ Clause 9.3.4 on ERV.

The Management stated (January 2018) that since the contract was issued on BHEL, an Indian contractor, WBPDCCL had intended not to purchase the foreign currency. Instead, it decided to pay the foreign currency component in INR at the exchange rate prevailing on the day of payment. In case the ERV had taken place in the reverse direction, WBPDCCL would have been benefitted. The reply is not tenable as Audit had observed that there was diminution in the value of INR between November 2010²²⁹ and January 2012²³⁰. Hence, addition of an ERV clause favourable to BHEL was not justified.

As such, payment of ₹ 156.76 crore (between April 2011 and December 2016) as ERV was unjustifiable. Moreover, WBPDCCL had compromised its financial interests by incorporating unfavourable terms in the agreement (January 2012). This had also violated the GoI Manual on Policies and Procedures for Purchase of Goods.

This matter was brought to the notice of the Government (July 2017); reply is awaited (January 2018).

3.5 Avoidable payment towards compensation on short lifting of coal

West Bengal Power Development Corporation Limited failed to give requisite three months' advance notice to Eastern Coalfields Limited (ECL) for short requirement of coal. This was due to renovation of Unit 5 at Bandel Thermal Power Station (BTPS). Consequently it paid avoidable compensation of ₹ 80.97 crore to ECL in 2013-14 and 2014-15.

West Bengal Power Development Corporation Limited (WBPDCCL) entered (June 2009) into a Fuel Supply Agreement²³¹ (FSA) with Eastern Coalfields Limited²³² (ECL). The FSA was for 20 years from 1 April 2009 and covered all five Thermal Power Stations (TPS)²³³ of WBPDCCL. The Annual Contracted Quantity (ACQ) in the FSA was 4.15 Million Metric Tonnes (MMT) of coal²³⁴.

The FSA, *inter alia*, provided that WBPDCCL: -

- would pay compensation to ECL for short lifting of coal if any TPS lifted below 90 per cent of ACQ;
- could re-allocate the ACQ of a TPS among the remaining TPS, to obviate payment of compensation; and

²²⁹ Month of evaluation of BHEL's offer by WBPDCCL.

²³⁰ Month of agreement with BHEL in which ERV clause was introduced.

²³¹ Under the New Coal Distribution Policy issued by Ministry of Coal, Government of India in October 2007.

²³² A Government of India Undertaking and a subsidiary of Coal India Limited.

²³³ Kolaghat Thermal Power Station (KTPS), Bakreswar Thermal Power Station (BkTPS), Sagardighi Thermal Power Station (SgTPS), Santaldih Thermal Power Station (STPS) and Bandel Thermal Power Station (BTPS).

²³⁴ Specified in Clause 3.1.1 of FSA-KTPS : 0.55 MMT, BkTPS : 1.00 MMT, SgTPS : 1.00 MMT, STPS : 0.40 MMT and BTPS : 1.2 MMT.

- must give three months' advance notice to ECL specifying the period of outage at its TPS if the TPS was under RMLEP.²³⁵ In this manner, the ACQ would be reduced and compensation to ECL avoided.

During audit of records of WBPDCCL, it was observed (December 2016) that:

- The Board of Directors of WBPDCCL decided (December 2009) to take up RMLEP of Unit 5 at Bandel Thermal Power Station (BTPS). Accordingly, WBPDCCL entered into contracts (between February 2012 and April 2013) for the works. The works were to start from March 2012 with schedule of completion being June 2014. According to this schedule, the unit was to remain under shut down for nine months from September 2013 to May 2014.
- WBPDCCL intimated²³⁶ (September 2013) to its shareholders that Unit 5 of BTPS would remain under shutdown for RMLEP tentatively from November 2013. Finally, the Unit was under shutdown between December 2013 and November 2015 for RMLEP; with resultant reduction in the requirement of coal. WBPDCCL was aware that the shutdown was scheduled from November 2013. But it did not give the requisite three months' advance notice to ECL specifying outage of the Unit for nine months. This advance notice was required to avail consequential reduction of ACQ.
- WBPDCCL had, in 2013-14, allocated 56.75 *per cent* of ACQ coal to BTPS and re-allocated to other TPS. In 2014-15, the quantity rose to 63.83 *per cent*. ECL had raised (May 2014/ April 2015) compensation bills of ₹ 97.07 crore²³⁷ for short allocation of coal to all five units of BTPS during these two years. WBPDCCL accepted (August 2015) these claims after reconciliation with ECL. It paid ECL the compensation during 2015-17.
- The annual requirement²³⁸ of coal for Unit 5 was 0.92 MMT. Therefore, ACQ for 2013-14 and 2014-15 would have decreased proportionately, had WBPDCCL issued notice to ECL in advance. The details are as follows: -

Table 3.3 : Statement showing payment of avoidable compensation

Year	Months for non-availing ACQ	Proportionate reduction in ACQ (MMT)	Amount of avoidable compensation (₹ in crore)
2013-14	From December 2013 to March 2014 for four months	0.31	35.01
2014-15	From April to August 2014 for five months	0.38	45.96
Amount of avoidable compensation			80.97

²³⁵ Clause 3.1.3 of FSA specified Renovation, Modernisation and Life Extension programme.

²³⁶ Annexure-I to the Directors' Report in the twenty-eighth Annual Report of WBPDCCL for the year 2012-13.

²³⁷ 2013-14 : ₹ 49.87 crore and 2014-15 : ₹ 47.20 crore.

²³⁸ Calculated on the basis of coal and fuel oil consumed by Unit 5 between April 2011 and November 2013. **Source** : CEA Reports and WBPDCCL Tariff proposals 2014-17 and 2017-20.

WBPDCCL stated (June 2017) that under the FSA, ECL was entitled to regulate or suspend coal supply for non-payment of dues in time. The quantities so regulated or suspended would be treated as Deemed Delivery Quantity (DDQ) by ECL. WBPDCCL had delayed payments against dues and ECL had exercised the option of regulating/ suspending supplies. Consequently, ECL had claimed compensation based on DDQ.

The reply is not relevant to audit observation since WBPDCCL had not responded to the observation on failure to give timely notice. WBPDCCL had failed to give three months' advance notice to ECL specifying the scheduled period of shutdown of Unit-5, BTPS. Consequently, the reduction in ACQ had not materialised. This led to avoidable payment of compensation of ₹ 80.97 crore to ECL.

This matter was brought to the notice of the Government (June 2017); reply is awaited (January 2018).

3.6 Additional expenditure on purchase of coal at higher rates

West Bengal Power Development Corporation Limited purchased coal above the prevailing market rates. As a result, it had incurred additional expenditure of ₹ 23.46 crore.

The Ministry of Power (MoP), Government of India fixed the targets each year (since May 2005), for the annual²³⁹ quantities of imported coal to be utilised by each generating company. This was to meet shortages in the availability of indigenous coal. In respect of West Bengal Power Development Corporation Limited (WBPDCCL), the annual quantity of coal that had to be imported ranged from 0.36 Million Metric Tonnes (MMT) in 2005-06 to 1.5 MMT in 2012-13. It was reduced to one MMT for the year 2013-14.

(i) During the compliance audit at Head Office of WBPDCCL, Audit observed (January 2017) the following:

- In August 2012, WBPDCCL awarded a contract to M/s Adani Enterprise Limited (AEL) for supply of 1.5 Million Metric Tonnes (MMT) of imported non-coking Indonesian coal²⁴⁰. Supply was to be made at a rate of ₹ 5,439 per Metric Tonne²⁴¹ (MT) for delivery by September 2013. As per the contract, WBPDCCL had the option to buy an additional quantity of 0.375 MMT upto March 2014, at same rate, if AEL's performance was found satisfactory. This placement of order on AEL was approved for

²³⁹ Amended every year keeping in mind requirements and availability of coal.

²⁴⁰ Gross Calorific Value (GCV) of 5,400 – 5,600 kcal/kg.

²⁴¹ Rate is Free On Rail (F.O.R.) at Paradip and Haldia ports *i.e.* excluding cost of loading, unloading and railway freight with Free On Board (F.O.B.) rate at originating port of ₹ 4,656.60 *per* MT *i.e.* excluding shipping freight, insurance, import duties, local taxes *etc.*

adoption by the Board of Directors (BoD) in September 2012. From August 2012 to October 2013, WBPDCCL received 1.5 MMT of imported coal from AEL. It also had the option to buy additional quantities as specified above.

- WBPDCCL's Contract, Purchase and Procurement Committee (CPPC) proposed (March 2013) to initiate a fresh tender for purchase of 1.5 MMT coal in 2013-14 as the prices of Indonesian coal had plunged by 11 to 23 *per cent* over the previous price. Accordingly, the BoD approved (March 2013) the proposal and sanctioned (September 2013) the purchase of 1.5 to 2 MMT of imported coal, through open tender.
- Despite BoD's recommendations for fresh tender, WBPDCCL had extended (October 2013) the order on AEL for supply of an additional quantity of 0.375 MMT, at the same rate. After receiving 0.322 MMT (October 2013 to January 2014) of imported coal from AEL, WBPDCCL terminated (February 2014) the contract due to supply of inferior²⁴² quality of coal.

The BoD had decided to call for fresh tender to take advantage of the declining prices. Yet, WBPDCCL had extended the supply order. This led to an additional expenditure of ₹ 7.51 crore on purchase of 0.322 MMT of imported coal as given in **Annexure 12**.

The Management stated (January 2018) that it was advised by the appropriate higher authority that no further tender would be floated for procurement of imported coal by WBPDCCL. The reply was not acceptable as the BoD had granted approval for inviting fresh tender to procure imported coal. No proposal to change this order was brought before the BoD. In light of the facts, it was not clear as to which appropriate higher authority advised against the orders of BoD.

(ii) With regard to purchase of indigenous coal, Audit observed the following:

- BoD of WBPDCCL approved (July 2013) procurement of indigenous non-coking coal²⁴³ from West Bengal Mineral Development and Trading Corporation Limited (WBMDTCL), a state PSU. The purchase was approved on the condition that the base price of coal procured from WBMDTCL should be equal to the notified price of CIL/ ECL²⁴⁴ for equivalent grade of coal. WBPDCCL entered (August 2013) into an agreement with WBMDTCL to purchase 0.35 MMT coal²⁴⁵ from September 2013 to March 2014 at the rate of ₹ 5,159.94 *per* MT. Later, WBPDCCL extended (April 2014) the period till September 2014 as WBMDTCL could not complete the supply on time.

²⁴² Wet and sticky coal as specified in termination letter no. WBPDCCL/ DGM(FM)/ IMPORT-XIII/ 6526 dated 20 February 2014.

²⁴³ Trans-Damodar coal mined by Trans-Damodar Coal Mining Private Limited.

²⁴⁴ Coal India Limited/ Eastern Coalfields Limited, both central public sector undertakings.

²⁴⁵ Gross calorific value of 6,101 – 6,400 kcal/kg.

The contract was terminated (June 2014) due to disagreement upon sharing of under/ over-loading charges. Till June 2014, WBPDCCL had purchased 0.243 MMT from WBMDTCL.

- While submitting the proposal for BoD's approval, WBPDCCL had compared the rates of non-coking coal from WBMDTCL with the prices of imported coal procured (August 2012 to January 2014) from AEL. However, it did not compare these with the prices²⁴⁶ of imported coal prevailing worldwide, which were in fact cheaper than the prevailing rates of indigenous coal.

Thus, despite being aware that the prices of imported coal had declined, WBPDCCL went in for procurement of indigenous coal. This led to additional expenditure of ₹ 15.95 crore on purchase of 0.243 MMT coal from WBMDTCL as given in **Annexure 12**.

The Management stated (January 2018) that the landed cost of coal from WBMDTCL was lower than the landed cost of imported coal.

The reply is not factual since the prevailing market price of imported coal in 2013-14 was lower than the price of August 2012. Yet, WBPDCCL had considered the prices of August 2012.

Thus, WBPDCCL failed to reap the benefits of declining prices of imported coal, resulting in additional expenditure of ₹ 23.46 crore²⁴⁷ (**Annexure 12**). This also led to higher fuel cost, which was ultimately passed on to consumers by way of higher energy charges.

The matter was brought to the notice of the Government (June 2017); reply is awaited (January 2018).

WEST BENGAL STATE ELECTRICITY TRANSMISSION COMPANY LIMITED

3.7 Loss due to delay in recovery of interest free advances

West Bengal State Electricity Transmission Company Limited had awarded construction contracts for sub-stations and transmission lines. It had disbursed noninterest bearing advances of ₹195.36 crore to 18 contractors. In violation of CVC guidelines, their recovery was not effected in time-based manner, thereby resulting in loss of interest of ₹4.06 crore.

West Bengal State Electricity Transmission Company Limited (WBSETCL) is the state transmission utility. It awarded (April 2011 to March 2016)

²⁴⁶ ₹ 4,423.38 per metric tonne.

²⁴⁷ ₹ 7.51 crore + ₹ 15.95 crore.

106 contracts²⁴⁸ to 18 contractors for supply, erection, commissioning *etc.* of 25 sub-stations and 20 transmission lines on turn- key basis.

The Central Vigilance Commission (CVC) had issued²⁴⁹ (April 2007) guidelines stipulating that recovery of non-interest bearing advances should be time-based and not linked with the progress of work.

Audit examined (November 2016) 58²⁵⁰ out of 106 contracts executed between January 2012 and March 2016. It was observed that WBSETCL had granted non-interest bearing advances aggregating to ₹ 121.28 crore²⁵¹. These advances were disbursed from cash credit accounts of WBSETCL, which carried interest at rates ranging from 9.65 to 12.60 *per cent per annum*. Further, WBSETCL had not specified any time frame in the contracts for recovery of advances. Due to slow progress of works, WBSETCL could recover only ₹ 49.59 crore through adjustment of running account bills. These recoveries were made after delays of eight to 26 months beyond the scheduled dates of completion of the contracts. This resulted in loss of interest of ₹ 4.06 crore (at the rate of 9.65 *per cent per annum*) to WBSETCL. As in November 2017, the remaining amount of ₹ 71.69 crore is still unadjusted and WBSETCL continued to bear interest on it.

The Management accepted (July 2017) the audit observation. It added (September 2017) that WBSETCL's Board of Directors (BoD) had amended (July 2017) the existing policy and General Conditions of Contract in line with the CVC guidelines. However, the fact remains that an action taken earlier would have saved WBSETCL from the loss of interest which arose due to delayed recovery of advances.

Thus, due to disbursement of non-interest bearing advances by WBSETCL to contractors, without providing for their time bound recovery, WBSETCL had to incur loss of interest of ₹ 4.06 crore²⁵².

The matter was brought to the notice of the Government (June 2017); reply is awaited (January 2018).

²⁴⁸ Aggregate value : ₹ 2,792.82 crore (sub-stations : ₹ 915.80 crore, lines : ₹ 1,877.02 crore).

²⁴⁹ Office Memorandum/ Circular No. 10/4/07.

²⁵⁰ Aggregate value : ₹ 1,617.36 crore (sub-stations : ₹ 480.12 crore, lines : ₹ 1,137.24 crore).

²⁵¹ Sub-stations: ₹ 38.63 crore, lines: ₹ 82.65 crore.

²⁵² The payments were initially made from WBSETCL's cash credit accounts and subsequently recouped from Rural Electrification Corporation Limited through transfer of loans. Hence, loss has been calculated at the lowest rate of interest at 9.65 *per cent per annum* on cash credit during this period.

WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

3.8 Loss of revenue due to short-billing and grant of unjustified exemption

West Bengal State Electricity Distribution Company Limited incurred loss of revenue aggregating to ₹1.56 crore on supply of power due to application of incorrect tariff rates. It had also forgone revenue of ₹2.15 crore of the Government of West Bengal by allowing unjustified exemption from electricity duty.

West Bengal State Electricity Distribution Company Limited (WBSEDCL) is a state-owned electricity distribution company. The West Bengal Electricity Regulatory Commission approves tariff orders annually. These tariff orders specify the rates at which electricity was to be charged by WBSEDCL from different categories of consumers. Prior to 2007-08, the power used by the consumer for construction works used to be billed at rates as applicable for industries. From 2007-08, separate tariff category for “construction power” was introduced. Further, Section 5 of Bengal Electricity Duty Act 1935 (Act) requires that WBSEDCL collect electricity duty from all consumers, except from exempted²⁵³ consumers. Thereafter, WBSEDCL was to remit the electricity duty collected to the Government of West Bengal (GoWB).

West Bengal Power Development Corporation Limited (WBPDC), a power generating state public sector undertaking, applied (April 2011) to WBSEDCL for reviving a dormant service connection. This service connection was effected from September 2011. WBPDC's contractors, *i.e.* Bharat Heavy Electricals Limited (BHEL) and its associates utilised the power for construction of Unit 3 and 4 of the Sagardighi Thermal Power Project (SgTPP), Stage-II.

It was observed (June 2017) during the audit of WBSEDCL that: -

- Specific tariff rates²⁵⁴ were applicable for the supply of power for construction works at SgTPP. Yet, during the period 2011-17, WBSEDCL had raised electricity bills on WBPDC for construction power at rates applicable to industries²⁵⁵. Since the rates levied were much lower than the rates actually applicable, this led to under-billing. The short-collection of revenue was ₹ 1.73 crore (**Annexure 13**).
- WBPDC was not in the list of entities exempted from payment of electricity duty. But, in the same period (2011-17), WBSEDCL had waived electricity duty realisable from WBPDC for no recorded reasons. This exemption of electricity duty had led to loss of revenue of ₹ 2.78 crore (**Annexure 13**).

²⁵³ The Second Schedule of the Bengal Electricity Duty Act 1935 exempts entities such as government organisations, hospitals/ dispensaries, any licensee or private generator *etc.* from payment of electricity duty.

²⁵⁴ Ranging between ₹ 7.07 *per* kwh (kilowatt hour) and ₹ 7.20 *per* kwh.

²⁵⁵ Ranging between ₹ 3.61 *per* kwh and ₹ 7.20 *per* kwh.

The Government accepted (December 2017) the audit observation. The tariff code for WBPDC had been changed with effect from July 2017. Moreover, WBSEDCL had claimed ₹ 0.87 crore²⁵⁶ (**Annexure 13**) from July 2015 to March 2017 as arrears in the energy bill for September 2017. This amount had been received by WBSEDCL by way of adjustment.

Under the Electricity Act 2003, no claims shall be raised on any consumer beyond two years from the date, when such sum became first due. Therefore, the balance arrears of ₹ 3.71 crore in respect of the period prior to July 2015 had become time-barred.

Thus, WBSEDCL, (i) sustained loss of revenue aggregating to ₹ 1.56 crore due to billing at rates below the applicable tariff; (ii) caused loss of revenue to GoWB aggregating to ₹ 2.15 crore by allowing unjustified exemption from electricity duty.

WEST BENGAL HIGHWAY DEVELOPMENT CORPORATION LIMITED

3.9 Avoidable loss of revenue due to non-collection of toll charges

West Bengal Highway Development Corporation Limited (WBHDCL) sustained an avoidable loss of revenue of at least, ₹2.56 crore. This was due to absence of proper planning for timely appointment of toll charges collection agency for the Dum Dum-Barrackpore-Kalyani Expressway.

The Kolkata Metropolitan Development Authority (KMDA) had outsourced the collection of toll charges on the Dum Dum-Barrackpore Kalyani Expressway since November 1998 to private agencies. The Public Works Department (PWD), GoWB directed (February 2015) West Bengal Highway Development Corporation Limited (WBHDCL) to take over the expressway from KMDA with the objective of maintaining and upgrading it. KMDA decided (March 2015) to hand over the expressway in phases. In the first phase, PWD took over (April 2015) possession of a stretch of 39 km. PWD concurrently handed it over to WBHDCL. WBHDCL took over (January 2016) the balance portion of the expressway, excluding the toll collection infrastructure. The toll collection infrastructure remained under the control of KMDA.

During audit of transactions of WBHDCL for 2015-16, it was observed (March 2017): -

- KMDA had entrusted (December 2012) the toll collection from the expressway to SAE²⁵⁷, a private agency. KMDA was to receive ₹ 8.19 crore²⁵⁸ over three years. According to the asset handing over/taking over report (April 2015), the collection agency was to remain under the control of KMDA until 17 December 2015.

²⁵⁶ This is the amount calculated by WBSEDCL by multiplying unit consumption and average rate difference between construction power and Industrial (11 KV).

²⁵⁷ Sahakar Aakash Enterprise (SAE).

²⁵⁸ In three yearly instalments of ₹ 2.52 crore (17 December 2012 to 16 December 2013), ₹ 2.70 crore (17 December 2013 to 16 December 2014) and ₹ 2.97 crore (17 December 2014 to 16 December 2015).

- KMDA requested (7 January 2016) WBHDCL to take over toll collection as the agreement with SAE was to expire on 26 January 2016. WBHDCL approached (January 2016) KMDA to continue with collection of toll charges for further six months. This was because the appointment of an agency would require time. Hence, KMDA and WBHDCL decided (25 January 2016) that the toll collection agency, SAE, would continue to remain under the control of KMDA until further orders.
- KMDA communicated (17 February 2016) that SAE had declined any further extension to the agreement. SAE would discontinue collection of toll charges from 19 February 2016. Despite this, WBHDCL reiterated (19 February 2016) that KMDA continue toll collection for the next four months due to paucity of time for inviting fresh quotations.
- SAE stopped the collection of toll charges from 19 February 2016. As such, the expressway remained unattended and no toll charges were collected.
- Meanwhile, WBHDCL had undertaken (August-September 2015) traffic survey on the expressway. Based on the existing toll charges, WBHDCL could have earned an annual revenue of ₹ 3.55 crore. It decided (August 2016) to initiate e-tendering for collection of toll charges on the expressway, after lapse of six months since cessation of collection of toll charges.
- WBHDCL did not receive any bids. Therefore, they re-tendered (September 2016) and received a single bid²⁵⁹ for ₹ 9.17 crore for one year. Based on the sole offer, WBHDCL issued (December 2016) a letter of award for an annual toll revenue of ₹ 9.17 crore on the sole bidder. Finally, that collection agency commenced collecting toll charges from 30 December 2016.

WBHDCL failed to float and finalise the tender well in advance for the collection of toll charges. This was despite being aware of timelines regarding expiry of contract. Thereby, such failure led to non-collection of toll charges on the expressway between 19 February and 29 December 2016²⁶⁰. This non-collection resulted in loss of revenue of, at least, ₹ 2.56 crore (**Annexure 14**).

Government admitted (August/ November 2017) to the loss of revenue due to delay. They ascribed it to observing proper procedural formalities in inviting tenders and selecting a collection agency. Moreover, the loss of revenue was made up through substantial higher toll revenue in subsequent period. However, Audit reiterated WBHDCL was aware that it would have to take over toll collection on expiry of the contract (December 2015). Yet, WBHDCL had

²⁵⁹ Barjora Alert Co-operative Labour Contract and Construction Society Limited.

²⁶⁰ For a period of 315 days.

initiated action to appoint new collection agency only in August 2016. Besides, timely action would have led to earning of higher toll revenue since February 2016 instead of December 2016.

Thus, WBHDCL's failure to exercise requisite due diligence regarding collection of toll charges led to avoidable loss of revenue of, at least, ₹ 2.56 crore.

CALCUTTA STATE TRANSPORT CORPORATION

3.10 Additional expenditure on procurement of buses due to non-compliance with contractual terms

Calcutta State Transport Corporation had not complied with contractual provisions. It had incurred additional expenditure of ₹ 1.92 crore by reimbursing to Tata Motors Limited excise duty at higher rate of 12 per cent on 81 out of 120 buses.

Calcutta State Transport Corporation (CSTC) awarded (February 2014) a contract to Tata Motors Limited (TML) for the supply of 120 buses²⁶¹. The contract price was ₹ 64.75 lakh per bus including excise duty²⁶² at 12 per cent. The delivery of all the 120 buses was to take place between May and November 2014 as per the agreement signed (March 2014) with TML. The agreement also provided for payment of five per cent of contract value as mobilisation advance within 15 days of issue of Purchase Order (PO), subject to submission of bank guarantee by TML. Further, the second mobilisation advance was to be paid by CSTC to TML within 15 days of approval of prototype buses to be supplied by TML. The delivery schedule commenced after disbursement of the second mobilisation advance. According to the agreement²⁶³, TML was not entitled to any increase in duties and levies after expiry of contracted delivery schedule. CSTC received these 120 buses only between December 2014 and March 2016.

Audit observed (October 2016) during audit of transactions of CSTC at Belghoria (Main) for 2015-16, the following:

- According to CSTC's records, it had received (December 2013 and February 2014) ₹ 103.97 crore from the Transport Department for the purchase of buses under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) scheme. CSTC delayed release of the two mobilisation advances to TML despite having sufficient funds. Analysis showed that the first mobilisation advance was required to be disbursed

²⁶¹ Under the JnNURM scheme.

²⁶² Central Excise Notification 12/2012 dated 17 March 2012, effective from March 2012.

²⁶³ Clause 24.2 of Request for Proposal (No. 002/80 dated 30 January 2014) that was part of the agreement.

by CSTC to TML by 25 March 2014 but only after receipt of bank guarantee. TML had submitted the bank guarantee for the first advance on 02 April 2014, but CSTC paid the amount only on 05 May 2014. Similarly, in respect of the second mobilisation advance, CSTC had approved the prototype on 30 June 2014. Hence, advance was to be paid to TML by 15 July 2014. Although, CSTC had formally sanctioned payment on 06 August 2014, after receiving the bank guarantee on 21 July 2014. The advance was paid to TML on 10 December 2014. The advances were belatedly released in May and December 2014 *i.e.*, after delays of two and five months respectively. As such, the contractual delivery schedule, which was staggered, got pushed back. Hence, 112 buses were actually delivered only between December 2014 and April 2015, with the remaining eight buses arriving only in December 2015 to March 2016. The reasons for delays in release of the mobilisation advances were not on record nor made available, though called for in Audit.

- The Department of Revenue, Ministry of Finance, Government of India had reduced the rate of excise duty²⁶⁴. Therefore, for the period between 17 February and 31 December 2014, excise duty had dipped from 12 to eight *per cent*. Consequently, the price of each bus had reduced by ₹ 2.37 lakh. Yet, the agreement (04 March 2014) and purchase order (10 March 2014) between CSTC and TML had included excise duty of 12 *per cent* instead of eight *per cent*.
- Between March 2015 and May 2015, CSTC had reimbursed excise duty at eight *per cent*²⁶⁵ on 39 buses despatched by TML till December 2014. This was in line with the prevailing rates of excise duty. CSTC reimbursed excise duty at 12 *per cent*²⁶⁶ on 81 buses delivered after December 2014. It was noticed that delayed payment of mobilisation advance had pushed back the delivery dates. Consequently, payment of excise duty was at 12 *per cent* of the cost of the buses, instead of eight *per cent*. This led to additional expenditure of ₹ 1.92 crore towards higher excise duty (**Annexure 15**) on 81 out of 120 buses.

The Management replied (July 2017) that the agreement provided for payment of excise duty at 12.125 *per cent*. Consequently, CSTC had not imposed additional financial burden on the Government Exchequer by reimbursing TML at the higher rate of excise duty prevailing at the time of supply of 81 buses.

²⁶⁴ Central Excise Notifications 04/2014 and 06/2014 dated 17 February 2014 and 25 June 2014 respectively, read with D.O.F. No.334/3/2014-TRU dated 17 February 2014.

²⁶⁵ ₹ 4.21 lakh per bus.

²⁶⁶ ₹ 6.28 lakh per bus.

Moreover, the amount paid as excise duty had been deposited by TML to the Government Exchequer. Besides, payments were released to TML after approval from the Government and release of fund by it.

The reply of Management is not correct since the agreement envisaged that excise duty was payable at the prevailing rates. The rate applicable was eight *per cent* for deliveries within the scheduled delivery period. Moreover, Government of West Bengal had provided sufficient fund to CSTC for the procurement of these buses under JnNURM.

Thus, CSTC's failure to release mobilisation advance to TML within the time prescribed in the contract, led to delivery of all buses beyond the delivery schedule. It had, thereby, incurred additional expenditure of ₹ 1.92 crore towards excise duty on 81 buses at higher rate of 12 *per cent*.

This matter was brought to the notice of the Government (June 2017); reply is awaited (January 2018).

3.11 Undue favour extended to advertising agencies in deviation of contractual terms

Calcutta State Transport Corporation had allowed reduction in license fees, rebate on license fees and not claimed interest on delayed payments from two advertising agencies. This was in deviation from contractual provisions. Consequently, it was deprived of revenue of ₹ 1.31 crore.

Calcutta State Transport Corporation (CSTC), a state transport undertaking, was established in 1960. It was entrusted with the development of road transport in the areas comprising Calcutta and its adjacent districts.

CSTC wanted to increase revenue and reduce the subsidy burden on the State. So, it entered (August/ September 2014) into agreements for three years with two advertising agencies²⁶⁷, viz. SIPL and OADPL. The agreements were for display of advertisements on 68 air-conditioned (AC) buses²⁶⁸ operated by CSTC. These agreements, *inter alia*, provided that:

- Agencies were to pay CSTC monthly license fees 15 days in advance for the next month. The fees amounted ₹ 47,000 per bus per month from the dates of allotment of buses up to July/ August 2017.
- CSTC would grant rebate on payment of license fees only on those allotted buses that remained out of service, for repair and/or for other reasons, in excess of three days at a stretch.
- CSTC could either terminate the agreement or recover interest at 18 *per cent* for the period of delay, if the agencies remitted license fees belatedly.

²⁶⁷ M/s Signpost India Private Limited (SIPL) and M/s One AD Display Private Limited (OADPL).

²⁶⁸ To SIPL: 55 'Volvo' buses; OADPL: Six 'Volvo' and seven 'Ashok Leyland' buses.

- The advertisements would be displayed, among other areas, on the exterior surface of selected portion of glass panel and body surface by pasting vinyl film.
- CSTC would obtain bank guarantees as security deposit from both the agencies to be kept till expiry or revocation of the agreements.

SIPL prematurely closed (June 2016) the agreement on the pretext of reduction in advertising area by CSTC to comply with a Public Interest Litigation (PIL) filed in the Hon'ble High Court, Kolkata (September 2015). Further, CSTC did not raise bills on OADPL beyond June 2016. Ultimately, in June 2016, CSTC floated fresh notice inviting tender for advertisement on bus bodies.

During inspection of records at Belghoria (Main) office of CSTC for the period 2015-16, Audit observed (October 2016) the following: -

- SIPL claimed (November 2015/ February 2016) that it was given lesser space than that envisaged in the agreement for advertisement. Consequently, it sought proportionate reduction in the rate²⁶⁹ of monthly licence fees to ₹ 43,540 *per bus per month* from inception. CSTC accepted (March 2016) SIPL's claim and reduced the aggregate billed amount by ₹ 40.34 lakh. In this context, the Hon'ble Supreme Court of India had directed²⁷⁰ (April 2012) compliance with the provisions of rule 100 of the Central Motor Vehicle Rules, 1989. Therefore, use of black film or any other materials upon safety glasses, front/ rear windscreens and side glasses was prohibited. As such, this reduction was not admissible, as that space was never available for advertisement. The deduction allowed by CSTC was also not justified since, in the agreement, CSTC had not specified the area *per bus* that would be available for advertising. Hence, the question of increase/ decrease in advertising area does not arise.
- CSTC had claimed net license fees of ₹ 5.57 crore²⁷¹ from September 2014 to June 2016, after granting rebate of ₹ 1.46 crore²⁷². CSTC allowed this rebate for 9,844 days, *i.e.*, for the total number of days, buses had remained out of service. However, this rebate should have only been allowed for only those 4,941 days when these buses had remained out of service for more than three days at a stretch. CSTC allowed rebate for all the days even when buses were out of service for one or two days only. Excess allowance of rebate due to excess calculation of non-operational days amounted to ₹ 0.65 crore²⁷³ as depicted in **Annexure 16**.

²⁶⁹ Advertisement area envisaged by SIPL: 326 sft *per bus*, rate: ₹ 47,000 *per bus per month*; actual advertisement area: 302 sft *per bus*, proportionate rate: ₹ 43,540 *per bus per month*.

²⁷⁰ Writ Petition (Civil) No. 265 of 2011, Avishek Goenka vs. Union of India and others.

²⁷¹ SIPL: ₹ 4.52 crore and OADPL: ₹ 1.05 crore.

²⁷² SIPL: ₹ 1.03 crore and OADPL: ₹ 0.43 crore.

²⁷³ SIPL: ₹ 44.80 lakh and OADPL: ₹ 19.89 lakh.

- Both the agencies in contravention to the terms of agreements, did not pay license fees 15 days in advance to CSTC for the subsequent month. CSTC received payments after delays of six to 360 days from SIPL and five to 271 days from OADPL. CSTC had not claimed interest of ₹ 0.26 crore²⁷⁴ as provided in the agreement on that belated payments.
- The agreements specified that CSTC should obtain security deposit valid for the contractual period of three years. However, both agencies had submitted four bank guarantees²⁷⁵ valid for only one year and had not extended them thereafter. As a result, CSTC held no security deposit for realisation of dues. At the end of May 2017, ₹ 0.82 crore was still due from SIPL and ₹ 0.13 crore from OADPL. Interest would continue to accrue on the outstanding amount till their final realisation.

The Management accepted the audit observation and stated (July 2017) that invoices had been raised on SIPL and OADPL towards amounts of loss arising from inadmissible rebates and interest on belated payments by both the agencies.

Thus, CSTC's failure to follow contractual provisions resulted in it being deprived of license fees aggregating to ₹ 1.31 crore.²⁷⁶

These matters were brought to the notice of the Government in June 2017, reply is awaited (January 2018).

SOUTH BENGAL STATE TRANSPORT CORPORATION

3.12 Loss due to inadmissible discount on route sale of tickets

South Bengal State Transport Corporation allowed discount on route sales of tickets. This was in deviation of fares statutorily fixed by the Government of West Bengal and directions issued to implement those fares. Therefore, it sustained a loss of ₹ 80.26 lakh.

The Government of West Bengal (GoWB) is empowered²⁷⁷ to issue directions to the State and Regional Transport Authorities regarding setting fares for stage carriages²⁷⁸. The Committee on Public Undertakings (COPU) in 2006-07 recommended²⁷⁹ that once the fare chart/ table was issued, it should be

²⁷⁴ Interest calculated for the period from September 2014 to May 2017.

²⁷⁵ SIPL : ₹ 51.70 lakh expiring in August 2015, OADPL : ₹ 13.16 lakh expiring between September 2015 to March 2016.

²⁷⁶ Inadmissible reduction in license fees : ₹ 0.40 crore, ineligible rebate on license fees : ₹ 0.65 crore and interest on delayed of license fees : ₹ 0.26 crore.

²⁷⁷ Under Section 67 of the Motor Vehicles Act, 1988.

²⁷⁸ Motor vehicles constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey.

²⁷⁹ In 114 COPU Report, presented to the West Bengal Legislative Assembly on 9 July 2010.

immediately implemented. Accordingly, GoWB had directed (September 2011) all STUs to implement fares fixed by it. It laid down²⁸⁰ (August/ September 2014) the fares for stage carriages operated by the five²⁸¹ State Transport Undertakings (STUs) and private operators with effect from September 2014. Out of the five STUs, one STU, viz. South Bengal State Transport Corporation (SBSTC), operates 12 depots²⁸². SBSTC had incurred total losses of ₹ 209.70 crore from 2011-12 to 2015-16.

Audit inspected (January 2016/ February 2017) the transactions of SBSTC for 2014-15 and 2015-16 at its Head office and depots. SBSTC bought (October/ November 2014) 350 hand-held Electronic Ticket Vending Machines (ETVMs). The objectives was arresting leakage of revenue and keeping records of journey²⁸³ details.

Audit observed the following from the data generated by the ETVMs (January 2015 to January 2017) that: -

- GoWB's directions (August/ September 2014) did not provide for any discount on fares. Between January 2015 to January 2017, SBSTC had, however, allowed a discount of ₹ 80.26 lakh on route sales²⁸⁴ of tickets. This was in contravention of GoWB's direction (August 2014) to all STUs to implement the fares fixed by it and the statutory provisions regarding fixing of fares by GoWB.
- No record seeking approval of GoWB or SBSTC's Board of Directors (BoD) for allowing this discount was available. There was also no document on record to indicate the level at which the decision was taken to introduce the discount.
- On being pointed out by Audit, SBSTC rolled back (April 2017) this inadmissible discount on route sales of tickets from 1 May 2017. Thereafter, the BoD also decided (June 2017) that no discount would be allowed on sales of tickets, in future.

SBSTC replied (September 2017) that to compete with private transport operators offering lower fares, it was compelled to offer discounts. The conductors of

²⁸⁰ Notification 3524-WT/3M-47/2008 of 26 August 2014 and Notification 3903-WT/3M-47/ 2008 of 16 September 2014.

²⁸¹ Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Transport Corporation Limited and West Bengal Surface Transport Corporation Limited.

²⁸² Durgapur Division: Durgapur, Bankura, Kalna, Purulia, Burdwan, Asansol and Arambag; Belghoria Division: Digha, Midnapore, Belghoria, Haldia and Howrah.

²⁸³ Including time and date of issuing ticket(s) to passenger(s).

²⁸⁴ Sale of tickets by conductors on the buses during their journeys.


SBSTC faced problems in refunding the balance amount during collection of actual fares. Therefore, even after introduction of ETVMs, discounts were maintained. However, discounts were already discontinued from 1 May 2017, following the Managing Director's order dated 24 April 2017.

The reply is not tenable as the directions of Government with regard to bus fares were applicable throughout the State. Further, if shortage of coins was a reason for discounts, SBSTC had not sought approval from Government or BoD before introduction of the discount.

Thus, SBSTC had contravened the mandate and directions of GoWB on the fares. It had allowed inadmissible discount on route sale of tickets resulting in a loss of revenue of ₹ 80.26 lakh. The Government may review the matter and take necessary action to fix responsibility for this loss.

The matter was brought to the notice of Government (June 2017); reply is awaited (January 2018).

KOLKATA
The 07 May 2018


(NAMEETA PRASAD)
Accountant General
(Economic & Revenue Sector Audit)
West Bengal

Countersigned

NEW DELHI
The May 2018


(RAJIV MEHRISHI)
Comptroller and Auditor General of India