

CHAPTER V TRANSPORT

The IT application, ‘Citizen Friendly Services in Transport Department’ (CFST), of Transport Department encompasses the core functions of the department such as issue of driving licenses/ fitness certificates, registration of vehicles, granting of permits, checks of motor vehicles, etc., duly collecting fee at specified rates and penalty wherever applicable.

Audit teams analysed the data for the years 2019-20 and 2020-21 provided by the Transport Commissioner from the CFST system and also test-checked records of APSRTC to ensure whether they complied with the relevant provisions of the Act/ Rules/ Codes in realization of revenue as per applicable rates of tax.

Significant cases of non-compliance with the provisions of the Acts/ Rules amounting to ₹28.16 crore are discussed in the succeeding paragraphs. The Department/ Government has accepted audit observations involving ₹22.13 crore.

5.1 Non-realisation of quarterly tax and penalty on transport vehicles

Quarterly tax and penalty was not realised from the owners of transport vehicles within the prescribed time resulting in non-realisation of revenue of ₹7.62 crore.

Section 3 of Andhra Pradesh Motor Vehicles Taxation (APMVT) Act 1963, stipulates that tax should be levied on motor vehicles used or kept for use at rates specified by Government from time to time. Section 4 of the Act read with Government Order (May 1993)¹⁶⁴, specifies that tax should be paid in advance either quarterly, half yearly or annually within one month from the commencement of quarter.

As per Section 6 of the Act, read with Rule 13 of APMVT Rules, 1963, and Government Order (November 2008)¹⁶⁵, penalty for belated payment of tax beyond two months from the beginning of the quarter shall be leviable at twice the rate of quarterly tax if detected and at 50 *per cent* on voluntary payments.

The Transport Department of Andhra Pradesh uses an IT application ‘Citizen Friendly Services in Transport Department’ (CFST) for providing online services to the public.

Our analysis of the data provided by Transport department for the two-year period 2019-21 revealed that quarterly tax amounting to ₹5.08 crore was not paid by 5,151¹⁶⁶ vehicle owners. In addition, penalty in these cases worked out to ₹2.54 crore.

Government replied (April 2022) that an amount of ₹3.31 crore was realized in respect of 2,347 vehicles towards tax and penalty. Of the remaining 2,804 vehicles with a collectable amount of ₹4.31 crore, it was stated that ‘No Objection Certificates’ (NOCs) for 585 vehicles were issued for other RTA regions; registrations of 545 vehicles were

¹⁶⁴ G.O. Ms. No. 96, Transport, Road & Buildings (Tr. II) Department, dated 21 May 1993

¹⁶⁵ G.O. Ms. No. 318, Transport, Road & Buildings (Tr. II) Department, dated 03 November 2008

¹⁶⁶ 2019-20: 2,206 vehicles; 2020-21: 2,945 vehicles

cancelled; and show cause notices issued in respect of 1,433 vehicles. Further progress in respect of remaining vehicles is awaited.

It is pertinent to mention that this issue was brought to notice of the Government repeatedly through the earlier Audit Reports for the years ended March 2014-2019 which indicates lack of mechanism for checking and sending alerts to vehicle owners for timely payment of tax.

5.2 Non-levy of compounding fee at revised rates

Levy of compounding fee for offences at old rate instead of revised rate resulted in short realization of ₹6.03 crore.

Section 200 of Motor Vehicle Act 1988, deals with composition of certain offences under various sections of the Act and stipulated that the punishable offences may be compounded for such amount as notified by the State Government. Government of Andhra Pradesh had revised¹⁶⁷ (October 2020) the fee with regard to compounding of offences duly issuing Gazette notification. As per the notification, the compounding fee shall not be less than the rates specified in the schedule.

Our analysis of Vehicle Check Reports (VCR) data for the year 2020-21 provided by Transport Department and random test check of records at RTOs revealed that in 3,176 offence cases relating to 'Excess Load Projections (Front/ Rear)', compounding fee was levied at old rate¹⁶⁸ (₹1,000 in each case) instead of revised rate¹⁶⁷ (₹20,000 in each case) which resulted in short realization of compounding fee of ₹6.03 crore.

In response, Government replied (April 2022) that action for recovery of compounding fee was initiated. Further progress is awaited.

5.3 Non-monitoring of renewal of Fitness Certificates

Non-renewal of Fitness Certificate for vehicles whose status is active, besides non-realisation of fitness fee of ₹5.99 crore, is likely to jeopardise road safety.

Section 56 of the Motor Vehicles (MV) Act 1988, stipulates that registration of a transport vehicle shall not be deemed to be invalid unless it carries a Certificate of Fitness (FC) issued by the prescribed authority. As per Rule 62 of the Central Motor Vehicles (CMV) Rules 1989, the FC in respect of the transport vehicles shall be renewed every year on payment of fee prescribed therefor.

As per Rule 12(A) of APMVT Rules 1963, a motor vehicle shall be deemed to be kept for use and is liable to pay tax unless the registered owner intimates in writing to the licensing officer before commencement of the quarter for which tax is due and the motor vehicle shall not be used after expiry of the period for which tax has already been paid.

Analysis of the data provided by Transport Department for the two-year period 2019-21 revealed that the validity in respect of 1,18,399¹⁶⁹ vehicles, though indicating their status as 'active' in the Department's database, had expired and remained

¹⁶⁷ G.O.M.S. No. 21, Transport, Roads & Buildings (Transport I) Department, dated 21 October 2020

¹⁶⁸ G.O.M.S. No. 108, Transport, Roads & Buildings (Transport I) Department, dated 18 August 2011

¹⁶⁹ 2019-20: 76,397 vehicles; 2020-21: 42,002 vehicles

un-renewed. This resulted in non-realisation of FC fee of ₹5.99 crore. Allowing vehicles without fitness certificate to ply not only affects revenue but also impacts road safety and environment adversely.

In response, Government replied (April 2022) that there is no provision in the MV Act to issue notices for non-renewal of FCs. However, whenever the registered owner of a vehicle approaches the Transport office for any purpose, system calculates and collects FC fee also along with other dues. Further, it was added that the list of vehicles in default was being communicated to all the executive staff for initiating action against the vehicles and a total fee of ₹7.46 crore (including service fee and late fee) was collected pertaining to 37,938 (32 *per cent*) vehicles towards renewal fee. Further progress in respect of remaining vehicles is awaited from the Department.

5.4 Non-collection of Green Tax

Green Tax amounting to ₹1.53 crore not collected while renewing the registration/ issuing fitness certificate of non-transport and transport vehicles.

As per Government Order¹⁷⁰ (November 2006) Green Tax at the stipulated rates shall be levied on transport vehicles and non-transport vehicles that have completed seven years and 15 years of age respectively, from the date of registration.

Our analysis of the data of the motor vehicles provided by Transport Department for the two-year period 2019-21 revealed that Green Tax amounting to ₹1.53 crore was not levied on 75,621¹⁷¹ transport vehicles and 406¹⁷² non-transport vehicles. These vehicles need to be checked for their fitness to ply on the roads and their validity renewed. Lack of process control on alerting the vehicle owners for payment has led to loss of revenue in the form of Green Tax.

In response, Government replied (April 2022) that whenever any vehicle owner approaches the transport office for any transaction, Green Tax is collected, as the departmental software is so designed to prompt. It was further stated that special drive was conducted during the years 2019-20 and 2020-21 and an amount of ₹1.25 crore was collected against 52,876 transport and non-transport vehicles and the collected amount includes the vehicles pointed out by Audit. Further progress in respect of remaining vehicles is awaited.

5.5 Short levy of life tax on registration of second and subsequent vehicles

Levy of life tax payable on vehicles registered under the category of second and subsequent vehicles for personal use at 12 *per cent* instead of 14 *per cent* resulted in short levy of tax of ₹1.25 crore.

As per seventh schedule to the APMVT Act 1963, amended vide Act 11/ 2010, life tax payable in respect of vehicles registered under the category of second and subsequent vehicles for personal use (non-transport vehicles) having seating capacity up to 10 in all, shall be levied at 14 *per cent* on invoice price of the vehicle.

¹⁷⁰ G.O. Ms. No. 238, Transport, Roads & Buildings (Transport I) Department, dated 23 November 2006

¹⁷¹ 2019-20: 36,123 vehicles; 2020-21: 39,498 vehicles

¹⁷² 2019-20: 223 vehicles; 2020-21: 183 vehicles

Our analysis of the data provided by Transport department for the two-year period 2019-21 revealed that life tax in respect of 1,179¹⁷³ vehicles having invoice value of ₹20.64 crore was levied at a rate lesser than prescribed rate resulting in short levy of life tax by ₹1.25 crore.

In response, Government replied (April 2022) that action for recovery of the tax was initiated and an amount of ₹66.24 lakh was realized in respect of 840 vehicles. Show cause notices were issued in respect of 265 vehicles involving collectable amount of ₹21.47 lakh. Further progress is awaited.

5.6 Loss of revenue due to failure in modification in the software towards collection of GST

Loss of ₹3.25 crore due to failure of the Corporation to timely collect GST on all components of AC bus fare from passengers and delay in modifications in Online Ticket Accounting System/ Central Information System module with consequent payment of GST retrospectively with interest and penalty.

Andhra Pradesh State Road Transport Corporation (Corporation) operates both AC and Non-AC passenger bus services¹⁷⁴. The components of bus fare included basic fare, reservation fee, service fee, toll fee and the Corporation levies Cess, Goods and Service Tax (GST), passenger information system (PIS) tax, insurance and others, as required under the provisions of Acts/ Government orders. As per the provisions of Section 15(2) of AP GST Act, 2017, GST is payable on the total value of the services *i.e.*, on all components of the bus fare, whereas the Corporation was collecting GST only on the basic fare as per existing bus ticketing system. On recognizing the need for collecting and remitting GST on all components of bus fare, the Corporation initiated (October 2019) action to make necessary modifications in the Ticket Issuing Machines/ Online Ticket Accounting System/ Central Information System module to levy GST on all components of fare and the same was completed in February 2020. In the meanwhile, the Corporation received (28 November 2019) a notice from State Tax Department, Government of Andhra Pradesh (GoAP) stating that the Corporation was not remitting GST on reservation fee, service fee, toll fee, Cess and PIS fee.

The Corporation paid (March 2020) total GST amounting to ₹2.66 crore on value of other components of the bus fare (*i.e.*, other than basic fare) for the period from July 2017 to February 2020. In addition, it also paid interest amounting to ₹44.24 lakh and penalty of ₹14.59 lakh on the shortfall in GST amount paid to the Government during the above period.

In this connection, we observed the Corporation failed to timely recognise the applicability of GST on AC bus fares after introduction of GST effective from 1 July 2017, despite engaging a specialized private agency. Further, modifications in software modules were made (February 2020) belatedly due to lack of coordination between IT and Accounts Departments within the Corporation. Though Accounts Department

¹⁷³ 2019-20: 644 vehicles; 2020-21: 535 vehicles

¹⁷⁴ Air-conditioned (AC) and Non-AC bus (passenger) services: Amaravati, Vennela, Night Rider, Garuda Plus, Indra, Super Luxury, Ultra Deluxe/ Deluxe, Express, Saptagiri Luxury, Saptagiri Express, Metro Express, Metro Luxury, Metro Deluxe, Pallevelugu, City Ordinary etc.

instructed the IT Department in October 2019 to carry out modifications in software modules, the latter started seeking clarifications from former only in January 2020 and finally changes were made in February 2020.

In view of the above, the Corporation suffered total financial loss of ₹3.25 crore (including GST of ₹2.66 crore, which could not be collected from passengers for retrospective period and interest of ₹44.24 lakh and penalty of ₹14.59 lakh respectively due to delays in remitting GST to the Government).

Government stated (March 2022) that upon receiving instructions from Accounts Department, detailed discussions were held on various models for collecting GST on AC fares, as it would have impact on the total fare and on the passenger patronage for Corporation buses. It also stated that after examining all the models necessary changes were made in the software modules (like TIMS, CIS and OPRS).

The reply is not acceptable. The Corporation's failure to initially assess the impact of the provisions of the GST Act on its operations despite engaging a private agency to deal with statutory payments coupled with delays in carrying out modifications in software due to lack of effective coordination resulted in payment of GST retrospectively along with avoidable payment of interest and penalty for the delays.

5.7 Infructuous expenditure in implementation of live television (TV) system in Amaravati buses

Infructuous expenditure of ₹2.49 crore due to failure of the Corporation to carry out due diligence in implementation of Live TV System in Amaravati buses

Andhra Pradesh State Road Transport Corporation (Corporation) decided (November 2015) to provide live television (TV) system (project) in high-end buses, together with set-top boxes and electronically powered/ motorized antenna fixed on the bus roof with a view to enhancing services to passengers thereby increasing passenger patronage and improving the occupancy ratio and revenues.

The Corporation, after ascertaining the implementation of the system in other State Road Transport Corporations¹⁷⁵, consulted a private Party¹⁷⁶ and also deployed (November 2015) its staff to study the system in KSTRC. The Corporation introduced (January 2016) high-end buses, branded as 'Amaravati' for operating in Vijayawada-Hyderabad route and decided to implement the live TV project in 'Amaravati' buses.

Based on the quotation¹⁷⁷ submitted (29 March 2016) by the Party, the Corporation issued (5 April 2016) work order on nomination basis and entered (18 April 2016) into an agreement with the Party for installation of live TVs in 15 Amaravati buses. As per the agreement, 15 buses were required to be delivered in a phased manner (four buses each in three phases and three buses in last phase) for installation of the live TVs. The cost of supply, installation and yearly subscription for video signals (with Airtel for five

¹⁷⁵ Karnataka State RTC (KSRTC) implemented the project in buses operated in Bangalore-Pune, Bangalore-Mysore, Bangalore-Chennai, Bangalore-Ernakulam and Bangalore-Tirupati routes. Rajasthan State RTC implemented the project in buses operated in Delhi-Jaipur route

¹⁷⁶ M/s. Integrated Live TV Services Private Limited (ICS)

¹⁷⁷ Cost of project: Live TV sets = ₹20.00 lakh plus taxes extra per bus with 49 seats. Airtel subscription: ₹3,000 per set-top box per annum (₹250 x 12 months).

years) was ₹29.15 lakh per bus. Total contractual value (including annual maintenance contract for four years) was ₹5.06 crore. The Party completed the installation of live TVs and antennae in eight buses in two phases of four each, by July 2016 and February 2017 respectively. Corporation paid ₹1.74 crore between May 2016 to March 2017 to the Party for the eight buses.

Subsequently, Corporation decided (6 March 2017) to study the functioning of live TVs installed in the eight buses through a Committee, which submitted (April 2017) study report pointing out several functional problems. Accordingly, the Corporation decided (30 May 2017) to discontinue the live TV operations in the buses and issued (10 July 2017) termination orders to the Party to remove the live TVs from the buses and also to stop installation of live TVs in remaining seven buses. Aggrieved by this decision of the Corporation, the party claimed (4 September 2017) ₹1.85 crore due to breach of contract and cost of the equipment already supplied for remaining seven buses also. The party also filed (21 February 2018) an arbitration case in the High Court. After negotiations, the Corporation agreed for ₹75.00 lakh as final payment and paid (4 October 2018) the said amount accordingly. Thus, the total amount paid to the private party was ₹2.49 crore.

In this connection, we observed the following:

- The Corporation did not follow tendering process to ensure competitive price for the project.
- The Corporation neither conducted any feasibility study considering the limitations (such as receipt of poor signal by antenna, disruption of service due to heavy rains, tunnels, flyovers, high rise building in the city) identified during study on the project in KSRTC buses nor did it assess the performance of live TVs installed during first phase (July 2016). Only at a later stage, it realized that the measure intended as a value addition failed to appeal the passengers and such installations added an element of discomfort.
- As there was no clause in the agreement for termination for any reason mutually acceptable or against unsatisfactory performance, the Corporation had to pay for live TV equipment supplied against remaining seven (out of 15) buses also, though not installed as the project was discontinued. In addition, the TVs removed from the eight buses were lying in the stores of the Corporation for the last five years without any further use.

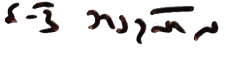
Thus, the Corporation implemented the project without conducting proper feasibility study and considering the limitations identified during the study of project in other RTC buses resulting in wasteful expenditure of ₹2.49 crore.

Government in reply stated (March 2022) that keeping in view the trends of new products in AC segment; importance in public transport market, Amaravati bus was introduced and in order to improve occupancy of the Amaravati buses, the live TV project was introduced. It also stated that Corporation has paid lumpsum amount of ₹75.00 lakh as a settlement out of court and not against the cost of Live TV sets for seven buses. It further stated that the project was implemented as an experiment on

special products like Amaravati buses to be active in the competitive market in comparison to private buses.

The reply is not acceptable. The Corporation failed to carry out proper due diligence before undertaking the project on experimental basis. Instead of assessing the performance of the project in the first phase itself, it waited till completion of second phase and even made payments before reviewing project performance.

Vijayawada
The 24 JAN 2023


(INDU AGRAWAL)
Principal Accountant General (Audit)
Andhra Pradesh

Countersigned

New Delhi
The 30 JAN 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India