

## CHAPTER – VII

### Government Commercial and Trading Activities

#### 7.1 Overview of Government Companies and Statutory Corporation

##### *Introduction*

**7.1.1** As on 31 March 2006, there were 16 Government Companies and one Statutory Corporation (all working) as against 15 working Government Companies and one working Statutory Corporation as on 31 March 2005 under the control of the State Government. During the year, one deemed Government company viz. Info Tech Corporation of Goa Limited, became a Government company due to receipt of capital contribution from the State Government. The accounts of Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangement of the Statutory Corporation is as shown below:

Name of the Corporation	Authority for audit by the CAG	Audit arrangement
Goa Industrial Development Corporation	Section 25(2) of the Goa Industrial Development Corporation Act, 1965 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit upto 31 March 2007 has been entrusted to the CAG

#### Working Public Sector Undertakings (PSUs)

##### *Investment in working PSUs*

**7.1.2** The total investment<sup>‡</sup> in working PSUs at the end of March 2005 and March 2006, respectively, was as follows:

(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans*	Total
2004-05	16	144.14	28.36	442.66	615.16
2005-06	17	186.46	8.00	374.30	568.76

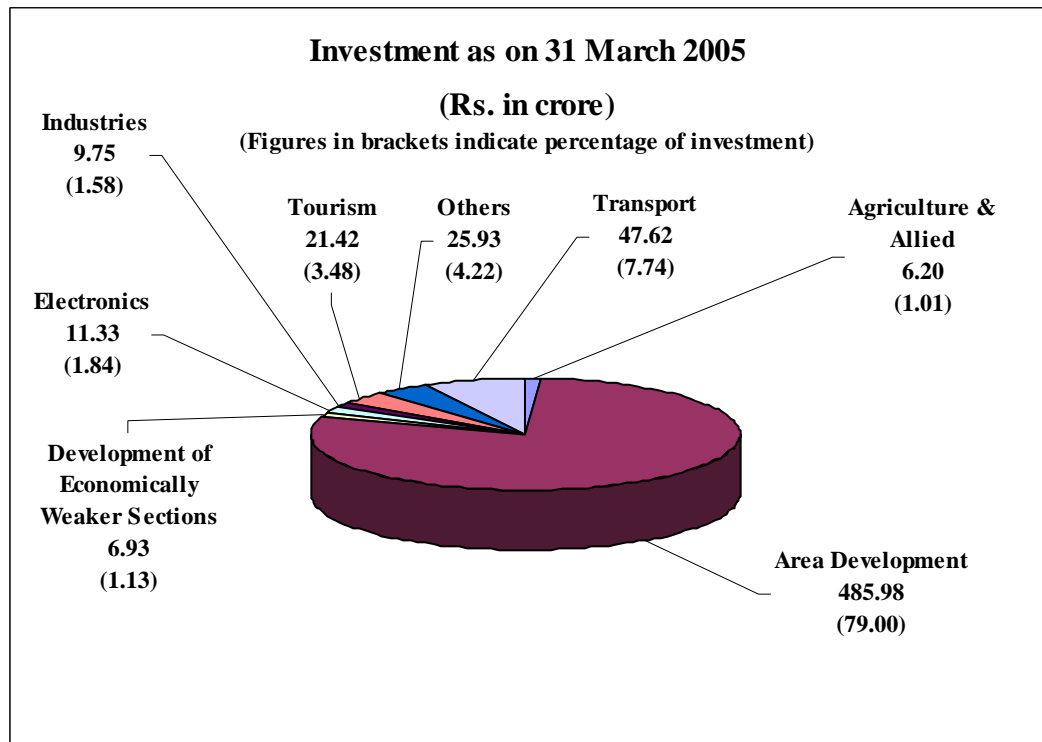
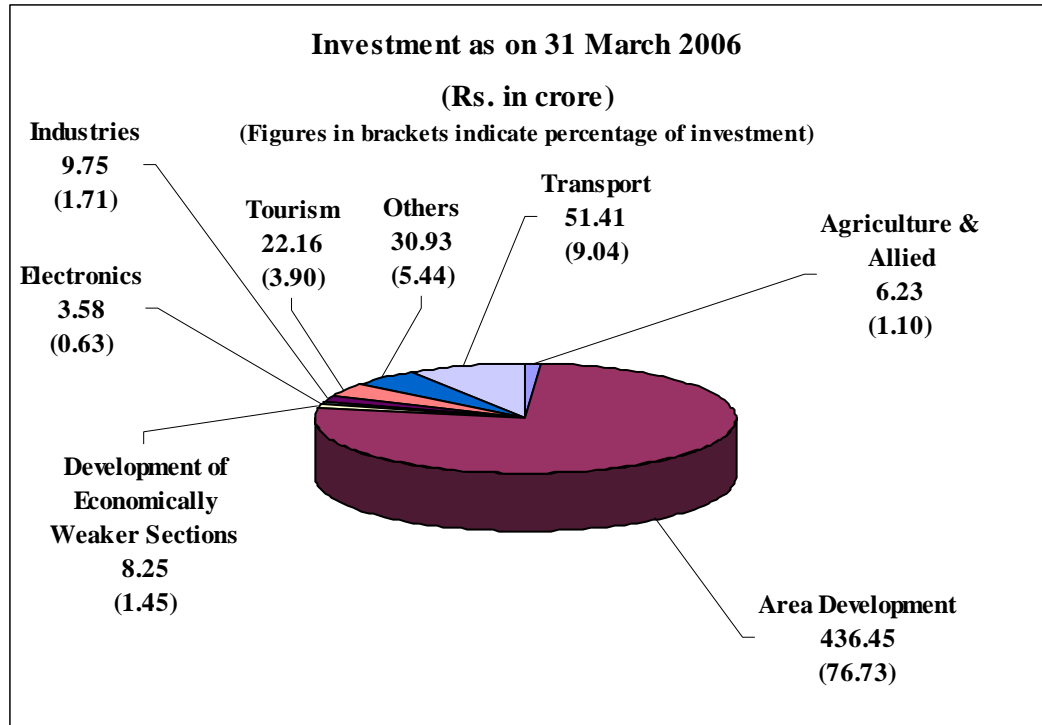
An analysis of investment in working PSUs is given in the following paragraphs.

<sup>‡</sup> The figures of investment by Government as furnished by the PSUs are under reconciliation with figures in the Finance Accounts.

\* Long-term loans mentioned in Para 7.1.2 and 7.1.3 are excluding interest accrued and due on such loans.

**Sector wise investment in working Government Companies and Statutory Corporation**

The investment (equity and long term loans) in various sectors and percentages thereof at the end of March 2006 and March 2005 are indicated in the following pie charts:



**Working Government Companies**

**7.1.3** The total investment in working Government Companies at the end of March 2005 and March 2006 was as follows:

*(Rupees in crore)*

Year	Number of working Government Companies	Investment in working Government Companies			
		Equity	Share application money	Loans	Total
2004-05	15	116.12	28.36	442.66	587.14
2005-06	16	158.44	8.00	374.30	540.74

The summarised statement of Government investment in working Government Companies in the form of equity and loans is given in **Appendix-7.1**.

As on 31 March 2006, the total investment in working Government Companies comprised 30.78 *per cent* of equity capital and 69.22 *per cent* of loans as compared to 24.61 and 75.39 *per cent* respectively as on 31 March 2005. The increase in investment in equity capital of Rs.21.96 crore was due to one 619B Company<sup>(-)</sup> becoming a Government Company, additional investment by the State Government in six<sup>#</sup> Companies and Central Government in one<sup>♦</sup> Company during the year.

**Working Statutory Corporation**

**7.1.4** The total investment in one working Statutory Corporation at the end of March 2005 and March 2006 was as follows:

*(Rupees in crore)*

Name of the Corporation	2004-05		2005-06	
	Capital*	Loan	Capital*	Loan
Goa Industrial Development Corporation	28.02	-	28.02	-

A summarised statement of Government investment in the working Statutory Corporation in the form of equity and loans is given in **Appendix-7.1**.

<sup>(-)</sup> Sl. No. A-9 of **Appendix 7.1**

<sup>#</sup> Sl. No. A-2,7,9,11,12 and 16 of **Appendix-7.1**

<sup>♦</sup> Sl. No. A-11 of **Appendix 7.1**

\* Amount payable to the State Government is treated as capital from State Government.

***Budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity***

**7.1.5** The details of budgetary outgo, grants / subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government Companies and the working Statutory Corporation are given in *Appendix-7.1* and *Appendix-7.3*.

The budgetary outgo in the form of equity, loans and grants / subsidies from the State Government to working Government Companies and the working Statutory Corporation during the years 2003-04 to 2005-06 is given below:

*(Rupees in crore)*

Particulars	2003-04				2004-05				2005-06			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	3	7.69	1	1.62	7	14.76	1	0.38	6	9.08	-	-
Loans given from budget	-	-	-	-	2	0.87	-	-	1	1.00	-	-
Grants/subsidies	5	15.63	-	-	6	14.70	-	-	5	114.68	-	-
<b>Total Outgo</b>	<b>7<sup>@</sup></b>	<b>23.32</b>	<b>1</b>	<b>1.62</b>	<b>8<sup>@</sup></b>	<b>30.33</b>	<b>1</b>	<b>0.38</b>	<b>9<sup>@</sup></b>	<b>124.76</b>	<b>-</b>	<b>-</b>

At the end of the year, guarantees of Rs.453.23 crore obtained by three Government Companies were outstanding as against the outstanding guarantees of Rs.495.06 crore as on 31 March 2005 obtained by three Government Companies. One Company defaulted in repayment of guaranteed loan of Rs.29.43 crore and interest of Rs.3.26 crore.

***Finalisation of accounts by working PSUs***

**7.1.6** Out of 16 working Government Companies and one Statutory Corporation, only three Government Companies had finalised their accounts for 2005-06 upto 30 September 2006. During the period from October 2005 to September 2006, all the 16 Companies finalised 16 accounts for previous years. Similarly, one Statutory Corporation finalised two accounts for the previous years during the same period.

<sup>@</sup> Actual number of Companies/ Corporations which have received budgetary support from the State Government in the form of equity, loans, grants and subsidy.

The accounts of 13 working Government Companies involving 21 accounts were in arrears for periods ranging from one to five years as on 30 September 2006, as detailed below.

Sl. No.	Number of working Companies	Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of Appendix-7.2
1.	1	2001-02 to 2005-06	5	A-11
2.	1	2003-04 to 2005-06	3	A-10
3.	2	2004-05 to 2005-06	2	A-2 and 5
4.	9	2005-06	1	A-1, 7, 8, 9, 12, 13, 14, 15 and 16
<b>Total</b>	<b>13</b>		<b>21</b>	

Besides, accounts of the Statutory Corporation (B-1 of *Appendix-7.2*) were also in arrears for one year i.e., 2005-06.

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and the officials of the Government were informed, every quarter by Audit, of arrears in finalisation of accounts, no remedial measures have been taken. As a result, the net worth of these PSUs could not be assessed in audit.

### ***Financial position and working results of working PSUs***

**7.1.7** The summarised financial results of the working PSUs (Government Companies and Statutory Corporation) as per their latest finalised accounts are given in *Appendix-7.2*. Besides, the financial position and working results of the working Statutory Corporation are given in *Appendix-7.4*.

According to the latest finalised accounts of 16 working Government Companies and one working Statutory Corporation, 11 Companies had incurred an aggregate loss of Rs.25.28 crore, four Companies earned an aggregate profit of Rs.1.06 crore and one Company, viz., Sewage and Infrastructural Development Corporation Limited had not started commercial activities. The Statutory Corporation incurred a loss of Rs.1.43 crore.

### ***Working Government Companies***

#### ***Profit earning working Companies and dividend***

**7.1.8** Out of three working Government Companies which finalised their accounts for the year 2005-06 by 30 September 2006, one Company (Sl. No. A-3 of *Appendix 7.2*) earned a profit of Rs.0.02 crore. Similarly, out of 16 working Government Companies which finalised their accounts for previous years during October 2005 to September 2006, only three Companies (Sl. No. A – 1, 8 and 15

of **Appendix-7.2**) earned profit aggregating Rs.1.04 crore and only one<sup>⊗</sup> Company declared a dividend of Rs.31 lakh which represents 0.26 *per cent* of total investment of Rs.117.48 crore of the State Government in Government Companies. The State Government has not formulated any policy for payment of minimum dividend by the Companies.

### ***Loss incurring Government Companies***

**7.1.9** Out of the 11 loss incurring working Government Companies, four<sup>#</sup> Companies had accumulated losses aggregating Rs.222.74 crore which was more than two times their aggregate paid-up capital of Rs.95.65 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these Companies in the form of equity, subsidy *etc.* According to the available information, total financial support so provided by the State Government to two<sup>\*</sup> such Companies was Rs.12.87 crore by way of equity (Rupees four crore) and subsidy / grants (Rs.8.87 crore) during 2005-06.

### **Working Statutory Corporation**

#### ***Loss incurring Statutory Corporation***

**7.1.10** The Statutory Corporation, which finalised its accounts for 2004-05, incurred a loss of Rs.1.43 crore during the year. It had an accumulated surplus of Rs.4.98 crore.

#### ***Return on capital employed***

**7.1.11** As per the latest finalised accounts (upto September 2006) the capital employed<sup>⊙</sup> in 15 working Government Companies worked out to Rs.637.36 crore and total return<sup>\*</sup> thereon amounted to Rs.26.35 crore which was 4.13 *per cent*, as compared to total return of Rs. 10.88 crore (1.76 *per cent*) in the previous year (accounts finalised upto September 2005). Similarly, the capital employed and total return thereon in case of the working Statutory Corporation as per the latest finalised accounts worked out to Rs.29.13 crore and (-) Rs.1.43 crore respectively. The details of capital employed and total return on capital employed in case of working Government Companies and the Statutory Corporation are given in **Appendix-7.2**.

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⊗ Sl. No. A-8 of **Appendix 7.2**

# Sl. Nos. A-5, 7, 14 and 16 of **Appendix 7.2**

\* EDC Limited and Kadamba Transport Corporation Limited (**Appendix 7.3**).

⊙ Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free-reserves, bonds, deposits and borrowing (including refinance).

\* For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and Loss Account.

**Status of placement of Separate Audit Report of Statutory Corporation in the Legislature**

7.1.12 The following table gives the status of placement of Separate Audit Report (SAR) on the accounts of the Statutory Corporation, issued by the CAG, in the Legislature by the Government.

Sl. No.	Name of Statutory Corporation	Years upto which SARs placed in Legislature	Years for which SARs not placed in the Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Goa Industrial Development Corporation	2001-02	2002-03 2003-04	02 May 2005 25 April 2006	Not intimated by the Corporation

**Disinvestment, privatisation and restructuring of Public Sector Undertakings**

7.1.13 The State Government did not undertake any disinvestment, privatisation and restructuring of any of its PSUs during 2005-06.

**Results of audit of accounts of PSUs by the Comptroller and Auditor General of India**

7.1.14 During October 2005 to September 2006, the accounts of 16 working Government Companies and one Statutory Corporation were selected for audit. The net impact of the important audit observations as a result of review of accounts of these PSUs was as follows:

Sl. No.	Details	Number of accounts of		Amount (Rupees in lakh)	
		Government Companies	Statutory Corporation	Government Companies	Statutory Corporation
i)	Increase in loss	3	1	28.87	24.95
ii)	Non-disclosure of material facts	5	1	--	--
iii)	Errors of classification	5	--	35.79	--

Some of the major errors and omissions noticed in the course of review of annual accounts of the PSUs are as under:

**Errors and omissions noticed in case of Government Companies**

**Goa Tourism Development Corporation Limited (2004-05)**

7.1.15 Non-accounting of liabilities towards completed capital works, for which bills were received, had resulted in understatement of liabilities by Rs.79.74 lakh.

***Goa State Infrastructure Development Corporation Limited (2004-05)***

**7.1.16** Non-accounting of liabilities, though the bills were received, had resulted in understatement of liabilities by Rs.15.90 crore with consequent understatement of capital work-in-progress by Rs.0.18 crore and expenditure by Rs.15.72 crore.

***Goa Electronics Limited (2002-03)***

**7.1.17** Fixed assets include an amount of Rs.22.94 lakh being the interest and arbitration cost paid in respect of a disputed case. As these expenses did not increase the value of assets, capitalisation thereof had resulted in overstatement of assets and understatement of expenditure as well as loss for the year by Rs.22.94 lakh.

***Kadamba Transport Corporation Limited (2004-05)***

**7.1.18** Non-refundable grant received from Government was accounted as liability instead of income for the year resulting in understatement of income and overstatement of loss by Rs.97.59 lakh.

***Goa Forest Development Corporation Limited (2004-05)***

**7.1.19** Non-accounting of movable and immovable assets, transferred by the Government in 1998-99, for want of revaluation report resulted in understatement of Gross Block of Fixed Assets and Share Capital by Rs.18.91 lakh.

**Errors and omissions noticed in case of Statutory Corporation**

***Goa Industrial Development Corporation (2003-04)***

**7.1.20** Depiction of Rs.14.88 lakh being the expenditure incurred, Rs.1.34 lakh being debtors outstanding for more than three years which were doubtful of recovery and Rs.4.50 lakh being the expenditure incurred towards study and not recoverable, as recoverable resulted in overstatement of amounts recoverable by Rs.20.72 lakh with consequent understatement of expenditure as well as deficit.

**Internal Audit / Internal Control**

**7.1.21** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the Internal Control / Internal Audit Systems in the Companies audited, in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas which need improvement.



An illustrative resume of major recommendations / comments made by the Statutory Auditors on possible improvements in the Internal Audit System in respect of State Government Companies is indicated below:

Nature of recommendations / comments made by the Statutory Auditors	Number of Companies where recommendations / comments were made	Reference to serial number of Appendix 7.2
Auditors Report and Comments/Draft Paras/Mini Reviews not discussed in Audit Committee	1	A-7
No system of making a Business Plan – short term/long term	4	A-13, 14, 15 and 16
No clear credit policy	4	A-1, 5, 8 and 13
No delineated fraud policy	9	A-1, 5, 6, 8, 12, 13, 14, 15 and 16
No separate Vigilance Department	10	A-1, 5, 6, 7, 8, 12, 13, 14, 15 and 16
Maximum and minimum levels of stocks were not prescribed	6	A-1, 3, 4, 5, 14 and 16
No ABC analysis adopted to control the inventory	3	A-1, 5 and 14
Inadequate Scope of Internal Audit	1	A-12
No Internal Audit	2	A-5 and 15

### **Recommendation for closure of PSUs**

**7.1.22** Even after completion of five years of their existence, the turnover of five working Government Companies (Sl. No.A-1, 2, 6, 11 and 15 of *Appendix-7.2*) has been less than Rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, two working Government Companies (Sl. No.A-14 and 16 of *Appendix-7.2*) had been incurring losses for five consecutive years as per their latest finalised accounts leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of these seven Government Companies or consider their closure.

### **Response to inspection reports, draft paras and reviews**

**7.1.23** Observations made during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative Departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of Departments within a period of six weeks. Inspection Reports issued upto March 2006 pertaining to 13 PSUs and 14 divisions of Electricity

Department of Goa show that 199 paragraphs relating to 55 Inspection Reports remained outstanding at the end of September 2006. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2006 is given in *Appendix-7.5*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the concerned administrative department seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of nine draft paragraphs and one review forwarded to Finance, Public Works, Transport, Tourism, Animal Husbandry, Inland Transport, Forest and Industries Departments during June-October 2006, replies were not received so far (November 2006) in respect of Finance, Public Works, Transport, Animal Husbandry, Forest and Industries Departments. It is recommended that the Government should ensure that

- (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews and ATNs on the recommendations of COPU, as per the prescribed time schedule;
- (b) action is taken to recover loss/outstanding advances/overpayment in a time bound manner; and
- (c) the system of responding to audit observations is revamped.

#### **Departmentally managed Government commercial/quasi commercial undertakings**

**7.1.24** There were two departmentally managed Government commercial/quasi commercial undertakings *viz.* the Electricity Department and the River Navigation Department in the State as on 31 March 2006.

The *pro forma* accounts of both the Electricity Department and the River Navigation Department were in arrears for the years 2004-05 and 2005-06 (October 2006).

The summarised financial results of both the Electricity Department and the River Navigation Department for 2001-02 to 2003-04 are given in *Appendix-7.6*.

## SECTION A - PERFORMANCE REVIEWS

### KADAMBA TRANSPORT CORPORATION LIMITED

#### 7.2 Operational performance

##### *Highlights*

The Company has been incurring losses continuously and the accumulated losses increased from Rs.35.72 crore to Rs.64.86 crore during last five years. The cost per kilometer was higher than the earnings per kilometer in past five years. Under recovery of cost of operation due to non-revision of fares in time also contributed to the losses.

*(Paragraphs 7.2.6 and 7.2.9)*

Only 35 per cent buses were less than four years old as on March 2006 as against the norm of 60 per cent prescribed by the Association of State Road Transport Undertakings (ASRTU). Nearly 22 per cent of the fleet consisted of buses more than 8 years old.

*(Paragraph 7.2.11)*

The mileage obtained from tyres was very low compared to the All India Average during the period 2001-06 resulting in excess consumption/expenditure of Rs.33.90 lakh on tyres. Due to over-aged fleet, the maintenance and repair expenditure increased from Rs.1.51 crore to Rs.2.28 crore during the period. Further, delays in repairs and maintenance of buses at workshops/depots resulted in loss of contribution of Rs.57.93 lakh during the period.

*(Paragraphs 7.2.15, 7.2.16, 7.2.17 and 7.2.18)*

The fleet utilisation of the Company ranged between 78 to 82 per cent as against the All India Average of 92.1 and 92 per cent in 2002-03 and 2003-04. The load factor decreased from 55.94 per cent in 2001-02 to 53.19 per cent in 2005-06 against the All India Average of 62.45 and 59.92 per cent in 2002-03 and 2003-04. Due to low fleet utilization, poor load factor, cancellation of schedules due to want of buses/crew etc., the Company incurred heavy losses.

*(Paragraphs 7.2.12, 7.2.20 and 7.2.23)*

### **Introduction**

**7.2.1** Kadamba Transport Corporation Limited (Company) was incorporated on 15 October 1980 as a wholly owned Company of the Government of erstwhile Union Territory of Goa, Daman and Diu. On formation of the State of Goa, the Company became a State Government Company in 1987. The main objectives of the Company are to provide efficient, economic and a reliable transport service in the State. The Company had a fleet strength of 414 buses and paid up capital of Rs.28.90 crore as on 31 March 2006, fully held by the State Government. The Company's share in the passenger transport operations in the State was only 15 *per cent* and the remaining 85 *per cent* was handled by private operators.

The Company is under the administrative control of the Transport Department of the Government of Goa. The Management of the Company is vested with a Board of Directors comprising Chairman, Managing Director and Directors appointed by the Government of Goa. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Company, with the assistance of General Manager (Administration), Deputy General Manager (Technical), Deputy General Manager (Traffic) and Officer on Special Duty. The Company had four depots\* headed by Depot Managers and a Central Workshop♦ headed by a Works Manager. The bus body building and tyre retreading operations are carried out through external agencies. A review on the working of the Company was included in the Report of the Comptroller and Auditor General of India for the year 1995-96 (Civil), Government of Goa. The Report was not selected by COPU for discussion.

### **Scope of Audit**

**7.2.2** The present performance review covers the operational performance including material management of the Company for the five-year period ended 31 March 2006. The activities of the Company including the four depots and the Central Workshop were reviewed during April to June 2006.

### **Audit Objectives**

**7.2.3** The objectives of this performance review were to ascertain whether:

- the targets for fleet utilisation, vehicle productivity and fuel consumption were achieved;
- scheduled bus trips were properly planned for optimum utilisation of the fleet;
- purchase of stores and material management and resource utilisation with regard to tyre and fuel were carried out efficiently and economically;

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\* Panaji, Porvorim, Margao and Vasco.

♦ Porvorim.

- available manpower was used efficiently and staff norms were adhered to;
- the Company regularly upgraded its fleet through replacement of overaged buses and repairs and maintenance activities were carried out economically and efficiently; and
- internal control mechanism was adequate.

#### **Audit criteria**

**7.2.4** The following audit criteria were adopted:

- Performance standards and operational norms fixed by Association of State Road Transport Undertakings (ASRTU);
- Targets fixed by the Company for fuel consumption, engine/tyre performance;
- Norms adopted / followed by other STUs\* like PEPSU Road Transport Corporation (PEPSU) and North West Karnataka Road Transport Corporation (NWKRTC); and
- Procedures laid down by the Company for procurement of material and spares.

#### **Audit methodology**

**7.2.5** Audit followed a mix of the following methodologies:

- Scrutiny of the agenda notes / minutes of the meetings of the Board of Directors (BoD) and sub-committees of the BoD;
- Analysis of statistical data in respect of performance of the Company on various physical and financial parameters;
- Scrutiny of records maintained at the Company's head office, depots and central workshop; and
- Interaction with Company personnel.

#### **Audit findings**

Audit findings were reported to the Company and the Government in August 2006 and discussed in the Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 3 November 2006, which was attended by the Managing Director of the Company and Secretary, Transport, Government of Goa. The views expressed by them have been considered while finalising the performance review.

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\* PEPSU norms adopted being of comparable fleet strength and NWKRTC for being in the neighbouring State with similar topography.

The performance of the Company was found to be deficient in areas of fleet utilisation, consumption of fuel, tyre performance, route planning and repairs and maintenance as discussed in the succeeding paragraphs:

### **Financial Position and Working Results**

**7.2.6** The financial position of the Company for the five years upto 2005-06 is given in *Appendix 7.7*. The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost per kilometer of operation are given below:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Operating revenue (Rs. in crore)	31.69	32.42	35.51	41.28	46.51
2.	Operating expenditure <sup>@</sup> (Rs. in crore)	37.02	39.75	43.90	47.29	55.64
3.	Operating loss for the year (2-1) (Rs. in crore)	5.33	7.33	8.39	6.01	9.14
4.	Total revenue (Rs. in crore)	38.72	41.72	46.14	49.07	56.10
5.	Expenditure for the year (Rs. in crore)	42.98	45.39	50.57	55.17	62.89
6.	Prior period adjustments (Rs. in crore)	(-)0.03	0.10	(-)0.04	2.95	5.14
7.	Total expenditure (Rs. in crore) (5+6)	42.95	45.49	50.53	58.12	68.03
8.	Loss for the year (5-4) (Rs. in crore)	4.23	3.77	4.39	9.05	11.93
9.	Accumulated loss (Rs. in crore)	35.72	39.49	43.88	52.93	64.86
10.	Cost of fuel, tyres, spares etc. (Rs. in crore)	17.23	18.44	20.48	23.85	30.72
11.	Staff Salaries and Wages (Rs. in crore)	19.79	21.30	23.42	23.44	24.92
12.	Other Expenditure, Interest and Depreciation (Rs. in crore)	5.96	5.65	6.67	7.88	7.22
13.	Effective kilometers operated (in lakh kilometer)	276.05	277.18	295.67	310.49	322.26
14.	Earnings per kilometer (EPKM) (Rs.) (1/13)	11.48	11.70	12.01	13.30	14.43
15.	Fixed cost per kilometer (Rs) (11+12/13)	9.33	9.72	10.19	10.09	9.98
16.	Variable cost per kilometer (Rs) (10/13)	6.24	6.65	6.91	7.68	9.53
17.	Cost per kilometer (CPKM) (Rs.) (5/13)	15.57	16.37	17.10	17.77	19.51

**Note:** @ Operating expenditure includes salaries/wages of administrative staff also, as the separate break-up is not available.

A review of the working results of the Company reveals the following:

- The cost per km (CPKM) was more than the earnings per kilometer (EPKM) in all the five years resulting in continuous losses. Non-revision of fares periodically to absorb the increase in input costs resulted in lower earnings per kilometer.
- The continuous losses since 2001-02 were also attributable to high expenditure on manpower which varied from 40 to 47 *per cent* of the total expenditure during 2001-06 and low vehicle productivity and poor fleet utilisation as discussed in paragraphs 7.2.12, 7.2.13 and 7.2.25.
- The other reasons for the continuous losses were high expenditure incurred per effective km on spare parts which was Re.0.56, Re.0.44 and Re.0.42 in 2003-04, 2004-05 and 2005-06 respectively as against the All India average of Re.0.35 (2003-04) per effective km for that year and excess consumption of fuel, tyres, uneconomic services, cancellation of scheduled trips etc.

### **Absorption of social cost**

*The Company has not assessed the actual loss due to concessions / operation of obligatory trips*

**7.2.7** The Company operates a number of social / obligatory trips as per Government directives and has been extending concessions to senior citizens, students, cancer patients, freedom fighters etc. During the period 2001-06, the Company received a total amount of Rs.25.50 crore from the Government as subsidy towards the losses sustained due to extending concessions and operation of obligatory trips. According to the Company, the subsidy received was not adequate to compensate such losses. Such trips and concessions contributed to increase in losses. The Company, however, has not assessed the financial impact of these concessions/obligatory trips and hence the exact loss in this regard could not be quantified.

### **Financial planning**

*Financial budgets were not prepared*

**7.2.8** The Company did not prepare budgets which are essential for financial planning of current and future activities and to take care of increase in cost of fuel and wages, for arranging funds for fleet replacement, need for fare revision, for timely repayment of loans and for sending proposals to Government for fare revision.

The term loans obtained by the Company increased from Rs.17.85 crore in 2001-02 to Rs.29.41 crore in 2005-06 as the Company heavily depended on loans while it had defaulted / not repaid the earlier loans due to financial crunch. The Company could repay only Rs.4.43 crore during 2001-06 against loan of Rs.10.42 crore due for repayment.

The efforts made by the Company in August 2004 to reduce its interest burden by repaying the above loan availed at 9.75 *per cent* by borrowing from Dena Bank at a lower rate of 8.5 *per cent* did not materialise as the Government did not accede

to the request of the Company for guarantee. The Company is paying interest at 9 *per cent* from November 2004. Non-furnishing of guarantee by the Government resulted in extra interest burden of Rs.35.13 lakh being the difference in interest (1.25 *per cent* for 2 months and 0.5 *per cent* for 2 years) on the outstanding loan of Rs.29.08 crore.

The Management stated (October 2006) that budgets would be prepared from the current financial year. It was also stated that the loans were availed for purchase of buses and default in re-payment of loans was due to the financial crisis arising out of high input costs and delay in revision of fares. The Company also informed that the funds have been sought from the Government to clear the debts.

### **Revision of fares**

**7.2.9** Under Section 67 of the Motor Vehicles Act, 1988, the power to fix fares in respect of the stage carriages operating in the State and their periodic revision is vested with the State Government. The State Government has not authorised the Company to effect automatic revision of fares according to the rising cost of operation as recommended by the Association of State Road Transport Undertakings (ASRTU), Ministry of Surface Transport.

*Non-revision of fares in time resulted in continued losses*

The Company revised its fares in August 2004 after a gap of five years from the last revision effected in October 1999. During the intervening period, the CPKM increased from Rs13.02 (1999-2000) to Rs.17.10 (2003-04). The revision effected in August 2004 was barely sufficient to cover the operational cost, as the fares increased by only 17 *per cent* against 31 *per cent* increase in CPKM between the two revisions, resulting in continued under-realisation. The Company sent only one proposal to the State Government, after the revision in 2004, to reimburse the increase in cost of fuel for the period from August 2004 to March 2006 which was stated to be under the active consideration of the Government (September 2006). The Government was not approached for evolving a system for fare revision linked to input cost. The failure of the Company to obtain Government sanction for periodic revision in fares resulted in continuous losses which in turn affected the capacity of the Company to control operational cost and to generate / raise funds for fleet expansion / replacement.

### **Operational performance:**

**7.2.10** The performance efficiency of the Company as assessed on important parameters like vehicle productivity, fuel efficiency, tyre performance, fleet utilisation etc. is discussed in the succeeding paragraphs.

### **Fleet Management**

#### ***Vehicular strength and age profile***

**7.2.11** ASRTU has prescribed (September 1997) that 60 *per cent* of the total fleet should be less than four years old and that normal life of a bus should be



considered as eight years or five lakh kilometers run, whichever is earlier. The table below indicates fleet holding, number of over-aged buses and their percentage to the fleet holding at the end of each of the five years up to 31 March 2006:

Sl. No.	Particulars	March 2002	March 2003	March 2004	March 2005	March 2006
1.	Total number of buses held	364	375	374	433	414
2.	No. of buses in operation for eight years or above	130 (36)	135 (36)	107 (29)	84 (19)	93 (22)
3.	No. of buses in operation for over four years but less than eight years	54 (15)	81 (22)	148 (40)	203 (47)	177 (43)
4.	No. of buses in operation for four years or less	180 (49)	159 (42)	119 (32)	146 (34)	144 (35)
5.	Average age in years	6.04	6.37	5.99	5.37	5.98

*Figures in brackets indicate percentage to average number of buses held*

It can be seen from the table above that against the norms, only 144 buses (35 per cent) held by the Company as on 31 March 2006 were less than four years old whereas 93 buses (22 per cent) were more than eight years old.

According to the policy of the Company, old buses are to be replaced after eight years or 700,000 kilometers, whichever is earlier. The Company could not fully replace the over-aged buses as per its policy due to non-availability of funds and accordingly 93 buses, which were more than eight years old, had not been replaced as at the end of March 2006.

The Management stated (October 2006) that inadequate compensation from Government for operating social / obligatory trips and paucity of funds were the main reasons for not implementing the replacement programme. There was, however, no system in the Company to quantify the exact cost of operation of social / obligatory trips.

### ***Fleet Utilisation***

**7.2.12** The Average number of buses held by the Company, buses on road and percentage utilisation of buses for the five years period ended 2005-06 is given below:

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Average number of buses held	372	369	373	399	427
Average number of buses on road	289	292	297	327	352
Percentage utilisation of buses	78	79	80	82	82

As can be seen from the above table, the fleet utilisation increased from 78 per cent to 82 per cent during 2001-06. The All India Average for 2002-03 and 2003-04 was 92.1 and 92 per cent respectively. The Company, however, has not fixed any norms for fleet utilisation. The Management stated (October 2006) that the reasons for lower utilisation were over-aged fleet resulting in frequent repairs

and breakdowns and inability of the Company to replace the fleet in time due to paucity of funds. The reply is not tenable as the Company was not even able to operate the scheduled kilometers which were fixed after considering the above factors.

**Vehicle productivity**

**7.2.13** The vehicle productivity of the Company, which denotes the kilometer operated per bus per day, was 203, 206, 217, 213 and 207 kilometers during 2001-02 to 2005-06 respectively as against the target of 235, 234, 242, 236 and 232 kilometers<sup>∇</sup> and all India average of 296 to 301 kilometers during 2002-04<sup>^</sup>. Audit analysis revealed that low vehicle productivity was due to high incidence of repairs and cancellation.

*The Company could not achieve the targets for vehicle productivity*

The Management stated (October 2006) that lower vehicle productivity was due to low market share of the Company in the transport operations in the State. Further, it was not possible to achieve vehicle productivity of national average in the small State of Goa. The reply is not tenable since the Company was not able to achieve its own target fixed after considering the operational constraints.

**Consumption of high speed diesel**

**7.2.14** The Table below gives the targets fixed by the Company for consumption of high speed diesel (HSD), the actual consumption, mileage obtained per litre (KMPL), all India average and the estimated extra expenditure.

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Gross kilometer (in lakh)	279.32	279.11	297.34	316.45	330.93
Target of KMPL (fixed by Company)	4.20	4.22	4.50	4.70	5.00
Kilometer obtained per litre (KMPL)	4.20	4.26	4.50	4.60	4.47
All India Average	4.55	4.69	4.73	NA	NA
Actual consumption of HSD Oil (in lakh litres)	66.53	65.50	66.08	68.75	74.03
Consumption as per All India Average (in lakh litres) (Gross KM / (All India Average or Company's target )	61.39	59.51	62.86	67.33*	66.19*
Excess Consumption (in lakh litre) (Actual consumption-Consumption at All India Average / Company's target)	5.14	6.00	3.22	1.42*	7.84*
Average cost per litre (Rs)	17.18	20.27	22.10	25.81	27.50
Extra Expenditure (Average cost x Excess litres) (Rs. in lakh)	88.31	121.62	71.16	36.65	215.60

\* Company's target has been adopted, as All India Average was not available.

Though the Company achieved the targets fixed by it during 2001-04, the targets fixed were lower than the All India Average. Further, the Company did not

<sup>∇</sup> Scheduled kilometers/(Average number of buses held\*365)

<sup>^</sup> Figures for other years were not available.

achieve its own targets fixed in 2004-05 and 2005-06 and showed a declining trend during 2005-06 when compared with those of 2004-05. The Company consumed 14.36 lakh litres of HSD in excess as compared with All India Average during 2001-04 resulting in extra expenditure of Rs.2.81 crore. The excess consumption of 9.26 lakh litres when compared with Company's own target during 2004-06 resulted in extra expenditure of Rs.2.53 crore.

The Management stated (October 2006) that KMPL was on the lower side as compared to other STUs due to hilly terrain, populated areas along the road and more stoppages unlike in the neighbouring States. The reply is not tenable since the Company could not achieve its own targets fixed after considering the above factors during both 2004-05 and 2005-06. The mileage even reduced during 2005-06 when compared with 2004-05.

### **Performance of tyres**

**7.2.15** The Company has not fixed any norms for the mileage from new tyres while it was stated that the "expected" mileage was 40,000 kilometers. Further, a tyre retreaded under hot process and cold process was expected to give a mileage of 30,000 kilometers and 40,000 kilometers per retread respectively and a tyre could be retreaded thrice. Based on the above norms, the total mileage expected from a tyre was around 1.30 lakh kms. Audit scrutiny revealed that tyres of size 900 x 20 used in buses other than mini buses did not attain a mileage of even 1.30 lakh kms resulting in excess consumption of 468 tyres during 2001-06 entailing excess expenditure estimated at Rs.33.90 lakh as detailed in the Table below:

<b>Particulars</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Tyres withdrawn (Number)	1283	1108	1033	1108	1102
Average life (lakh km)	1.17	1.16	1.17	1.17	1.15
Total km covered (lakh km)	1498.38	1280.16	1203.94	1299.57	1266.53
Expected mileage (lakh km) at minimum of 130,000 kms / tyre	1667.90	1440.40	1342.90	1440.40	1432.60
Short fall (lakh km)	169.52	160.24	138.96	140.83	166.07
Extra tyres used	130	123	107	108	128
Cost per tyre (Rs.)	5901	5901	5375	5601	5601
Extra expenditure (Rs. in lakh)	7.67	7.26	5.75	6.05	7.17

The Management stated (October 2006) that claims for replacement were made against the supplier for the new tyres which failed prematurely under the warranty clause and deduction was made from the bills on pro-rata basis for performance below the fixed mileage from the bills of the re-treading agency. However, no penalty was being levied for low mileage in respect of new tyres. As number of tyres scrapped / withdrawn before obtaining the expected mileage of 1.30 lakh kms was around 120 every year resulting in excess expenditure, purchase of new

tyres may be made after trial orders, field / laboratory testing and scientific evaluation of performance.

### **Repairs and maintenance expenditure**

**7.2.16** A summarised position of the fleet holding, over-aged buses (based on the life of bus fixed by Company), breakdown ratio, repairs and maintenance (R&M) expenditure of the Company for the last five years up to 2005-06 is given below:

<b>Particulars</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Total buses (Number)	364	375	374	433	414
Over-aged buses (Number)	130	135	107	84	93
Percentage to total buses	36	36	29	19	22
R & M expenses (Rs. in crore)	1.51	1.76	2.21	2.17	2.28
R&M expenses (per bus) (in Rs) (R & M expenses / Total buses)	41,470	46,829	59,042	50,110	55,019
Operating expenses (Cost of fuel, tyres, spares etc. Rs. in crore)	17.23	18.44	20.48	23.85	30.72
Percentage of R & M expenses to operating expenses (R & M expenses / Total operating expenses)	8.76	9.52	10.82	9.10	7.41

Though there was reduction in the number of over-aged buses, the Company could not contain the R&M expenses which showed an increasing trend. The Management stated (October 2006) that the cost of repairs and maintenance was mounting due to change in scrapping policy (August 2004) from eight years to 12 years resulting in operation of over-aged buses, which demanded constant repairs to make them road worthy. The reply is not tenable as the average age of the fleet has decreased and the increase in R&M expenditure indicates poor preventive maintenance.

### **Delay in maintenance and repairs of buses**

**7.2.17** The Company has not fixed any norms for major or minor repairs except for engine overhauling for which 10 days have been prescribed. There was no system to watch arrival / release of buses received for repair and no records were maintained in the workshops / depots to ensure timely completion of repairs. The Register maintained from 2005-06 did not contain the actual number of days utilised for repairs and indicated only the total number of days for which the buses were in the workshop.

*Overaged vehicles resulted in increased repair costs*

Audit scrutiny of the records at Central Workshop at Porvorim for the year 2005-06\* revealed delays ranging from 20 to 154 days in respect of 18 buses for overhauling of Engines. The bus days lost due to delay over and above 10 days required for engine overhauling during the year ended 31 March 2006 alone worked out to 1243 days for 18 buses and loss of contribution of Rs.12.61 lakh<sup>♦</sup>.

### **Docking of buses for repairs in connection with fitness Certificates**

*Docking of vehicles in the workshop for long periods resulted in loss of revenue*

**7.2.18** The buses are required to be repaired and made fit as per the rules before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate. As the date of expiry of the old fitness certificate is known in advance, planning should be made to get the buses repaired well in time so that bus days are not lost due to delay in renewal. A test check of the records at the Central Workshop revealed that 128 buses were held up for periods ranging from 11 to 179 days for want of Motor Vehicle Inspection Report / Certificate resulting in loss of 4174 bus days and loss of potential revenue of Rs.45.32 lakh. It was observed in audit that the Company did not have any system to monitor and ensure timely repairs. The delay in renewal of the fitness certificates reduced the availability of fleet.

The Management stated (October 2006) that the delays were due to bunching of buses for fitness repairs and added that major engine repair works were being offloaded to three private workshops and this arrangement was expected to eliminate delay in fitness repair and loss of revenue. The reply is not tenable since there was no system in the Company to plan the extent of repairs required for the buses which were due for renewal and mere offloading of major repairs to private workshops would not be a solution until a proper system was devised.

### **Breakdowns**

**7.2.19** The number of breakdowns provides a fair scale for quality of service of any STU. The following table indicates the number of breakdowns, rate per lakh kilometers, scheduled kilometers cancelled due to breakdowns and contribution lost during 2001-06:

<b>Particulars</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Number of breakdowns	754	809	684	538	596
Rate of breakdowns per lakh kilometer	2.7	2.9	2.3	1.7	1.8
Scheduled kilometers cancelled due to breakdowns (in lakh)	0.57	1.08	0.82	0.66	0.80
Contribution per kilometer (in Rs.)	5.24	5.05	5.10	5.62	4.90
Loss of contribution (Rs. in lakh)	3.35	6.06	4.74	5.40	0.83

\* No register was maintained prior to 2005-06.

♦ 1243X207 (Vehicle productivity achieved by the Company during 2005-06) X4.90 (Contribution for 2005-06).

It can be seen from the table above that though the rate of breakdowns decreased from 2.7 in 2001-02 to 1.8 per lakh kilometer in 2005-06 due to reduction in the number of over-aged buses, it was still high when compared to 0.10 to 0.14 in NWKRTC<sup>#</sup> during 2002-04. Audit analysis revealed that the breakdowns were due to failure of engine, brakes, transmission suspension systems etc. which could have been minimised had proper preventive maintenance according to manufacturer's schedule been carried out. It was further observed that 3.93 lakh scheduled kilometers were cancelled during the period of breakdowns thereby causing loss of contribution of Rs.20.38 lakh. The Management stated (October 2006) that with timely replacement of fleet, further improvement in reducing breakdown could be achieved. The fact, however, remains that the preventive maintenance system needs to be strengthened.

### **Cancellation of scheduled kilometers**

**7.2.20** A review of the daily operations of depots revealed that the scheduled kilometers were not operated, mainly due to non-availability of adequate number of buses, shortage of crew and other factors like breakdown, accidents, late arrivals etc.

The details of scheduled kilometers, effective kilometers, cancelled kilometers calculated as difference between the scheduled kilometers and effective kilometers along with cause-wise analysis for cancellation are furnished in the table below:

<b>Particulars</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Scheduled kilometers (in lakh)	379.36	315.00	331.72	340.14	361.02
Effective kilometers (in lakh)	276.05	277.18	295.67	310.49	322.26
Kilometers cancelled (in lakh)	103.31	37.82	36.05	29.65	38.76
Percentage of cancellation	27.23	12.01	10.87	8.72	10.74
<b>Cause-wise analysis for cancellation</b>					
Want of buses (in lakh kms)	10.12	15.64	8.67	5.39	8.93
Want of crew (in lakh kms)	11.97	6.05	10.66	12.17	11.46
Break down and accidents (in lakh kms)	0.64	1.20	0.93	0.96	0.17
Late arrivals (in lakh kms)	2.32	0.50	0.52	0.46	0.63
By order <sup>@</sup> (in lakh kms)	10.84	11.62	8.80	8.54	7.92
Other reasons (in lakh kms)	67.42	2.81	6.47	2.13	9.65
<b>Total (in lakh kms)</b>	<b>103.31</b>	<b>37.82</b>	<b>36.05</b>	<b>29.65</b>	<b>38.76</b>
Contribution per kilometer (in Rs)	5.24	5.05	5.10	5.62	4.90
Avoidable cancellation (want of buses and crew) (in lakh kms)	22.09	21.69	19.33	17.56	20.39
Loss of contribution (Avoidable cancellation X Contribution) (Rs. in lakh)	115.75	109.53	98.58	98.69	99.91

*@ Cancellation by Order refers to cancellation of uneconomical trips/ routes and school trips on Holidays*

<sup>#</sup> NWKRTC – North West Karnataka Road Transport Corporation – being a neighbouring transport corporation is considered comparable.

It can be seen from the above table that the percentage of cancellation of scheduled kilometers varied from 8.7 to 27.2 during 2001-06 whereas it was only 1.27 in NWKRTC during 2003-04. Audit analysis revealed that the cancellation of schedules for want of buses ranged from 10 to 41 *per cent* of the total cancellation whereas cancellation for want of crew ranged from 12 to 42 *per cent* during the same period. As such, about 50 *per cent* of the total cancellations were for want of crew and the buses, which were controllable. Due to cancellation of scheduled kilometers for want of buses and crew, the Company was deprived of contribution of Rs.5.22 crore during 2001-06.

The Management stated (October 2006) that steps had been taken to minimise cancellation due to want of buses by outsourcing repairs to reduce downtime. It was also stated that an exercise in re-scheduling was being carried out to bring down the rate of cancellation. The reply is not tenable as cancellation for want of crew was high despite having high employee bus ratio. Further, poor maintenance and absence of system to ensure timely repairs had resulted in cancellation of scheduled kilometers for want of buses.

### ***Dead kilometers***

**7.2.21** Dead kilometers represent the gross kilometers minus the effective kilometers and refer to the distance travelled by the buses from various depots/workshops to the bus stations for which no revenue is earned. The total dead kilometers operated by the Company are given in the table below:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Gross kilometers (in lakh)	279.32	279.11	297.34	316.45	330.93
2.	Effective kilometers operated (in lakh)	276.05	277.18	295.67	310.49	322.26
3.	Dead kms (in lakh)	3.27	1.93	1.67	5.96	8.67
4.	Average number of buses on road	289	292	297	327	352
5.	Percentage of Dead kilometers to Gross kilometers	1.17	0.69	0.56	1.88	2.62
6.	Dead kilometers per bus (3/4)			562	1823	2463
7.	Dead kilometers based on 2003-04 (in lakh)				1.84	1.98
8.	Excess dead kilometers (in lakh) (3-7)				4.12	6.69
9.	Contribution (Rs.)				5.62	4.90
10.	Loss of contribution (Rs. in lakh) (8X9)				23.15	32.78

It can be seen from the table above that percentage of dead kilometers to gross kilometers decreased from 1.17 in 2001-02 to 0.56 in 2003-04 and increased to 2.62 in 2005-06. Considering 2003-04 as the base, excess dead kilometers during 2004-06 worked out to 10.81 lakh kilometers resulting in loss of contribution of Rs.55.93 lakh.

It was noticed during audit that the system for recording of dead kilometers has been found to be defective as a test check revealed that the speedometers of 75 *per cent* of the buses were not in working condition and hence the kilometers run

were not being recorded correctly. It was observed that the dead kilometer increased abnormally from 1.67 lakh in 2003-04 to 5.96 lakh in 2004-05 and further to 8.67 lakh in 2005-06. The reasons for the abnormal increase were not on record.

The Management stated (October 2006) that it proposed to expand its depots at Panaji and Mapusa and utilise Porvorim Depot for inter-State operations and also start operation of mini bus service from the Depot to reduce the dead kilometers. It also stated that the main reason for the increase in dead kilometers was due to Porvorim Depot and that the process of fitment of speedometers would be completed by October 2006. The reply is not tenable as the statistics relating to dead kilometers cannot be relied upon considering the fact that speedometers in 75 per cent of the buses were not working and that Porvorim depot was in existence since 2000.

**Route Planning**

**7.2.22** Route analysis revealed that out of the total number of routes, the number of routes making profit ranged between 25 to 27 per cent only as detailed in the following table:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1	Total No. of routes	215 (100)	215 (100)	216 (100)	218 (100)	218 (100)
2	No. of routes making profit	53 (25)	56 (26)	58 (27)	59 (27)	59 (27)
3	No. of routes not meeting total cost	162 (75)	159 (74)	158 (73)	159 (73)	159 (73)
4	No. of routes not meeting operation cost*	122 (57)	125 (58)	126 (58)	127 (58)	129 (59)
5	No. of routes not meeting running cost*	40 (19)	34 (16)	32 (15)	32 (15)	30 (14)

*Only 27 per cent of the routes were making profits indicating the need for better route planning*

(figures in bracket indicate percentage)

It can be seen from the table above that the number of routes not meeting direct running cost constituted about 14 to 19 per cent of the total routes. The Company needs to analyse the reasons and adopt scientific route planning techniques to minimise the losses.

**Load Factor**

**7.2.23** Load factor<sup>^</sup> is an important indicator of utilisation of available seating capacity and has a bearing on the economy of operations and financial viability of any public transport organisation. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. Audit analysis revealed that the load factor of the Company came down from 55.94 per cent in 2001-02 to 53.19 per cent in 2005-06.

\* Operation cost includes Total Cost minus Interest, Depreciation and Other Cost

♦ Running cost includes Fuel plus Salaries

^ Load factor represents ratio of total passenger kilometer to total carrying capacity in kilometers.



An analysis of the actual earnings, expected earnings and load factor of various types of services of the Company for the last three years up to 2005-06 are given in the *Appendix 7.8*. As the fixed costs and running costs would remain the same or would vary only marginally, any improvement in load factor would have resulted in reduction of operating cost / loss.

The Management stated (October 2006) that the low load factor was due to severe competition from private operators, operation of uneconomic social / obligatory trips and non-replacement of inter-state buses in time. It added that they would be operating more of mini buses to improve overall load factor and revenue.

### **Accidents**

**7.2.24** During the period 2001-06, the number of accidents increased from 113 to 122 representing about 0.36 to 0.43 accidents per lakh kilometer. A comparison of average number of accidents per lakh kilometer revealed that in NWKRTC it ranged from 0.15 to 0.14 and the all India average was 0.18 to 0.19 during 2002-04.

The Management stated (October 2006) that the accidents were due to over-speeding, aged drivers and bad road conditions especially in villages and that a number of steps like recruitment tests, continuous training and disciplinary action etc. have been taken to reduce the number of accidents. The fact, however, remains that the increase in incidence of accidents had not been analysed for taking remedial action to prevent losses.

### **Manpower Management**

**7.2.25** Audit analysis of manpower in the Company revealed that:

- Though the establishment cost as a percentage to operating revenue decreased from 62 *per cent* in 2001-02 to 54 *per cent* during 2005-06, it was still high when compared to 41 *per cent* in NWKRTC during the two years 2002-04 and All India Average of 47 *per cent* in 2003-04.
- The average number of employees per bus held during the above period of five years ranged from 5.82 to 6.65 while it was 5.55 to 5.97 in NWKRTC.
- The Company introduced a voluntary retirement scheme (VRS) for reducing the staff-bus ratio in 2003-04, but only five employees availed of the scheme. The Company, however, has not taken any further action to effect reduction in surplus manpower.
- The normal duty time prescribed for operating crew is eight hours, which includes steering duty of six and half hours. Test check in the depots revealed short provision of normal duty, which ranged between half-an-hour to 4.15 hours and resulted in under-utilisation of crew.

The Management stated (October 2006) that the lower bus-staff ratio in other States was due to hiring of buses with drivers and that the Company also proposed to adopt the practice to bring down the staff cost. It was also stated that the crew could not be assigned eight hours of duty as the timings of bus service in Goa is

from 7 AM to 8 PM and action would be taken to introduce double night halt schedules to ensure minimum steering / duty hours in both the shifts. The reply is, however, silent regarding proposals for reducing the existing surplus manpower.

### **Material Management and Inventory Control**

**7.2.26** As on 31 March 2006, there were about 1,900 inventory items handled by the Company. The details of spares and other stores held, consumption and stock in terms of months' consumption during 2001-06 are furnished below:

Value of inventory of spares and other stores									
<i>(Rupees in lakh)</i>									
2001-02		2002-03		2003-04		2004-05		2005-06	
Value	Month's consumption	Value	Month's consumption	Value	Month's consumption	Value	Month's consumption	Value	Month's consumption
63.06	7.28	67.00	6.64	72.54	5.08	73.04	6.48	77.57	6.92

A review of inventory holding of the Company revealed the following deficiencies:

- During the five years upto 2005-06, inventory holding in the Company in terms of month's consumption varied from 5.08 to 7.28. Comparison of the stock holding of spare parts of various STUs revealed that PEPSU was holding 3 months and 9 days, Tamil Nadu only one month and 15 days and Andhra only 1 month and 9 days requirement during 2003-04.
- There were 1,764 items valued at Rs.12.55 lakh lying in store, which had not moved for more than twelve years and had been declared obsolete as on 31 March 2006.

A test check of the records of the depots revealed that the repair work of buses was frequently held up due to non-availability of the required materials even while the Company was holding excess inventory of unwanted items. The Company did not have a satisfactory system to ensure the availability of various materials in time, which affected the operation of schedules.

The Management stated (October 2006) that 80 *per cent* of the spare parts were procured from rate contract holders who were not willing to supply on monthly basis and more quantities were being ordered to avail of the price benefit. The reply is not tenable as orders could be placed for bulk quantities but actual supply may be staggered and payment made on receipt basis so as to avoid blocking of funds.

### Vigilance mechanism to check ticketless travel

7.2.27 The details of inspections done to check ticketless travel, the fines realised etc., for the last five years are given in the table below:

Year	No. of checking inspectors	Total No. of checks performed	Cases involving irregularity	Amount involved (Rs.)	Amount of fine levied on passengers (Rs.)	Passengers carried (in lakh)
2001-02	18	24537	330	19521	13159	237
2002-03	18	20047	309	21062	76718	242
2003-04	18	16125	173	14332	64537	274
2004-05	18	11680	112	9959	50263	281
2005-06	18	16890	146	13159	74288	284

As can be seen from the table, the number of checks performed has decreased while the fines collected showed an increasing trend indicating the need to further strengthen the checking mechanism. The Company has adopted the system of checking tickets of passengers at the alighting / destination points only and there is need to introduce checking of buses “en route”.

### Outstanding dues

7.2.28 The Company gives its buses on hire, which are termed as Casual Contracts for which parties were required to pay charges at prescribed rates per kilometer basis. The rules provide for collection of advances at the time of booking. It was, however noticed during audit that the destination of the journeys performed was not recorded either in the Register of Casual Contracts or in the bills raised by the Company. Speedometers were not working and the charges due were also not promptly recovered from the parties. An amount of Rs.37.88 lakh was due as on 31 March 2006 from various parties for services rendered on casual contracts. Out of the total dues, Rs.5.20 lakh were pending for more than 3 years, which indicates ineffective follow up action.

The Management stated (October 2006) that proper records were now being maintained in the depots and instructions had been given not to send buses without speedometers for contract services. The fact remained that the dues were allowed to accumulate due to lack of monitoring system.

### Internal Control

7.2.29 Adherence to built-in Internal Control System minimises the risk of errors and irregularities in operational and financial matters and provides assurance in achieving reliability in accounting, financial reporting and efficiency in the Company’s operation. Review of the Company’s operations revealed that there were weaknesses in Internal Control System in respect of financial planning, vehicle productivity, fuel and tyre consumption, repairs and maintenance, renewal of fitness certificate and collection of dues as discussed in paragraphs 7.2.8, 7.2.13, 7.2.14, 7.2.15, 7.2.16, 7.2.18 and 7.2.28. The report of the Statutory Auditors of the Company under Section 619(3) (a) of the Companies Act, 1956 also indicated deficiencies like non-preparation of short / long term business plans, absence of fraud policy and separate vigilance department and poor inventory management.

## **CONCLUSION**

In spite of being in existence for over 25 years with the objective of providing efficient, economic and a reliable transport service in the State, the share of the Company in passenger transport operations was only 15 *per cent*.

The Company does not prepare financial budgets for cost control and corporate planning. The cost per kilometer (CPKM) was higher than the Earnings per Kilometer (EPKM) in the past five years. As a result of this, the Company has been incurring losses continuously and the accumulated loss stood at Rs 64.86 crore as on 31 March 2006.

Under-realisation of cost of operation due to non-revision of fares in time resulted in losses and affected the ability of the Company to generate/raise funds for fleet replacement. Over-aged buses resulted in increased operational costs due to higher repair cost, breakdowns, cancellation, excess consumption of fuel etc.

The fleet utilisation ranged from 78 to 82 *per cent* in the last five years against the All India Average of 92.1 and 92 *per cent* during 2002-03 and 2003-04. The load factor of the fleet came down from 55.94 *per cent* in 2001-02 to 53.19 in 2005-06. Poor fleet utilisation and load factor also resulted in considerable decrease in earnings and consequent loss of contribution towards fixed cost.

Only 25 to 27 *per cent* of the routes operated by the Company were making profits. High establishment expenses, uneconomic routes, low performance of tyres, over-docking of buses and higher bus-staff ratio also adversely affected operational performance of the Company and contributed to the increasing losses.

## **Recommendations**

- Company should take effective measures to bring down losses by controlling operational and administrative costs. Budgeting should be introduced for financial control and corporate planning.
- Timely action should be taken to increase the fares to recover the increased cost of operations to avoid accumulation of losses, to ensure financial viability and generate funds for fleet replacement.
- The Company should follow the ASRTU guidelines for replacement of over-aged buses so as to contain operating costs.
- The Company should increase fleet utilisation and improve load factor by efficient utilisation of fleet and crew and better route planning.
- The Company should ensure timely release of buses after repairs to avoid over docking of buses after repairs and for renewing motor vehicles Inspection Certificate in time by proper monitoring.
- The Company should analyse the reasons for low performance of tyres, low retreadability factor and excess consumption of fuel and take remedial action.

## SECTION B - TRANSACTION AUDIT OBSERVATIONS

### GOVERNMENT COMPANIES

#### Goa Antibiotics and Pharmaceuticals Limited

#### *7.3 Unproductive expenditure on defective Heating, Ventilation and Air Control (HVAC) System*

**Failure to include performance guarantee clause in a high value contract and release of payment in violation of the contract conditions resulted in the investment of Rs.1.11 crore made in HVAC system remaining unproductive for more than two years thereby adversely affecting the business of the Company.**

The upgradation work to obtain World Health Organisation-Good Manufacturing Practices (WHO-GMP) certification under the modified rehabilitation Programme was taken up by the Company. For the purpose, the Company entered into a work contract (November 2002) with Aeolus Technovation Private Limited (ATPL) for designing and commissioning of a Heating, Ventilation and Air Control (HVAC) system in its plant at Pernem, consisting of 24 Air Handling Units and related works at a cost of Rs.1.11 crore. According to the contract, the performance of the systems supplied was to be certified by an external agency to ensure compliance with WHO-GMP requirements before making full payment.

Audit scrutiny revealed the following:

- Though compliance with the WHO-GMP requirements and validation was the essence of the contract in terms of the preamble and clauses 5 and 14 of the contract, the Company failed to insert any Performance Guarantee clause in the contract.
- The contract stipulated payment upto 50 *per cent* of the price against supply of materials, 40 *per cent* after completion of installation and certification by In-House Inspection Team, five *per cent* after validation by external agency and five *per cent* after approval by WHO-GMP Inspection Team. ATPL carried out the work during January-March 2004. The payment of 40 *per cent* of the contract value amounting to around Rs.40 lakh was made on installation without conducting a formal In-House inspection to ensure the performance requirements as stipulated in the contract. The Managing Director issued a letter to the supplier (11 March 2004) stating that the commissioning had been done to the satisfaction of the Company based on which payment upto 90 *per cent* was made. Though payment of Rs.1.11 crore (being more than 95 *per cent* of contract value) was made to the contractor, yet validation of performance was not arranged by the Company before releasing the payment.
- Sipra Lab Private Limited (external agency), who carried out the validation, stated in their report (24 April 2004) that the HVAC system failed to achieve almost all the essential parameters required for successful commissioning.

Though the Company requested (May 2004) ATPL to rectify the defects and comply with the requirements, ATPL did not respond. As the Company failed to incorporate a performance guarantee clause, it was unable to take any action against the supplier.

- As the supplier did not respond, the Company decided (August 2004) to take up rectification of the defects with in-house expertise and obtained (July 2005) GMP certification for the Tablet Section after incurring an expenditure of Rs.10 lakh. The Company, however, could not obtain certification for the other three sections (Vials, Capsules and Syrups) due to non-completion of rectification work even after a lapse of two years and the investment of Rs.1.11 crore remained unproductive so far (September 2006). As per the Company's estimate, Rs.25 lakh would be required to set right the balance defects.

The Management stated that ATPL failed to comply with the requirements under the contract and the Company had filed a claim for damages and referred the matter for arbitration. The reply is not tenable since the Company failed to incorporate a performance guarantee clause in the contract and released full payments in violation of the contract conditions resulting in unproductive expenditure of Rs.1.11 crore for more than two years and consequential losses due to delay in obtaining GMP certification, which was of vital importance for its survival. The rectification would entail a further extra expenditure of around Rs.25 lakh in addition to Rs.10 lakh already spent.

The matter was referred to the Government in June 2006; their reply is awaited (October 2006).

#### **EDC Limited**

#### *7.4 Sanction of loan against overvalued security*

**Sanction of loan against inadequate security and delay in recovery action resulted in waiver / loss of principal of Rs 40 lakh and interest of Rupees two crore under OTS scheme.**

The Company disbursed (February 1998) a corporate loan of Rupees one crore bearing interest at the rate of 24 *per cent* and an additional loan (June 1998) of Rs.50 lakh at the rate of 22 *per cent* to Sunrise Electromelt Limited (SEL), a Company engaged in the manufacture of steel ingot castings, towards working capital requirements. The loan, secured by fixed assets, was repayable in six months while additional loan was to be repaid within one year. Though the loan of Rupees one crore was to be repaid by August 1998, SEL was given extension of time up to August 1999. SEL, however, paid only Rs.10 lakh in March 1999 towards principal and Rs.26.45 lakh towards interest and defaulted in further payments. The Company recalled the loan in January 2001 and the account was settled in October 2003 under One Time Settlement (OTS) for Rupees one crore against the total loan of Rs.1.40 crore and interest of Rupees two crore (due as on 31-12-2002).

Audit scrutiny revealed that:

- The loan was disbursed on the understanding that the loanee would clear the loan immediately after sanctioning of working capital loan by Oriental Bank of Commerce. The Company, however, did not insist for an escrow arrangement or tripartite agreement with the loanee and the bank for settlement of the loan.
- According to the valuation report furnished by SEL in May 1998, the value of land and structure was Rs.1.57 crore. There was no dependable mechanism in the Company for verification of valuation furnished by the loanee which was accepted without any independent verification. When the Engineering Department of the Company conducted a valuation (September 2000) after the borrower defaulted, the value of land and structure was assessed at Rs.40 lakh, indicating that the securities offered were grossly overvalued for obtaining the loan.
- Though the entire loan was repayable by August 1999, there was nothing on record to show that any recovery action was taken by the Company till the loan was recalled in January 2001 i.e. six months after closure of the loanee unit and 16 months after the date of repayment.
- Though personal guarantees of the promoters were obtained, neither the value of collateral securities nor the net worth of personal guarantors was ascertained before proposing OTS. Further, no action was taken to invoke the personal guarantees of the promoters.

Thus, absence of a dependable mechanism in the Company to ensure the correctness of valuation furnished by the loanee led to accepting a highly inflated valuation resulting in settling the loan under OTS and consequent loss of Rs.2.40 crore due to waiver of principal (Rs.40 lakh) and interest (Rs. 2 crore).

The Government stated (November 2006) that Oriental Bank of Commerce did not inform the Company of sanction of working capital loan to the unit and valuation of assets was an independent assessment of the valuer based on various factors. The reply is not tenable since there was no obligation on the part of the bank to intimate the Company about sanction, the valuation report did not contain any detailed workings and no independent valuation was conducted by the Company to verify the correctness of the valuation. Reduction in value of land and structure from Rs.1.57 crore in May 1998 to Rs.40 lakh in September 2000 (in 29 months) proves that the assets were grossly overvalued.

**Goa State Infrastructure Development Corporation Limited**

**7.5 Payment of bonus for construction of bridge**

**Retention of bonus clause in the Agreement after extending the time for completion of work resulted in undue benefit of Rs.36.54 lakh to the contractor.**

The Company entrusted (April 2002) techno feasibility study for the construction of a bridge over Mapusa River connecting Aldona and Khorjuem to S.N. Bhohe & Associates. The Company accepted the recommendation of the consultant for a steel cable stayed span bridge. Tenders were invited in December 2002 for lump sum turnkey offers for construction of the bridge. Out of the three offers received, two offers were technically qualified and the work was awarded (February 2003) to Afcon Infrastructure Limited (AIL) at their quoted cost of Rs.20.70 crore, being the lowest bidder.

According to the techno feasibility study, the period of completion was 18 months, which was changed to 22 months in the pre-bid meeting held in November 2002. The initial time frame of 18 months was based on the techno-feasibility study carried out by the consultant which prescribed the said time frame. As a result, the date of completion was extended from 30 September 2004 to 31 January 2005. The contract provided for payment of bonus at Rupees two lakh per week for early completion and levy of penalty at Rupees three lakh per week of delay. When the time limit was extended, inclusion of a bonus clause was unwarranted in the absence of any stated urgency in completing the work. The bridge was completed on 14 September 2004, which was ahead of the extended time schedule of 31 January 2005 (22 months) and 16 days ahead of the original date of completion (18 months). This would also indicate that the extension was not based on the assessment of the actual requirement of time. The Company paid a bonus of Rs.37.94 lakh instead of Rs.1.40 lakh resulting in undue favour to the contractor of Rs.36.54 lakh.

The Government stated (September 2006) that the work was of specialised nature and the contractor made extra efforts for early completion of the work. The reply is not tenable since the time permitted by the Company had already been extended by four months (22.22 per cent). The retention of bonus clause was unjustified especially in view of the fact that there was no urgency for completion of work and had resulted in undue benefit of Rs.36.54 lakh to the contractor.



**Sewage and Infrastructural Development Corporation Limited**

**7.6 Wasteful expenditure on formation of the Company**

**Injudicious decision of the Government to form a Company to take over the works carried out by the State PWD resulted in wasteful expenditure of Rs.1.97 crore.**

The Company was incorporated in February 2001 by the Government of Goa to take up and execute works related to treatment and disposal of sewage. The Government of Goa invested (December 2001) Rupees two crore in the Company as equity contribution. In pursuance of its objectives, the Company decided (April 2001) to take over the Sewage works which were being done till then by the State Public Works Department (PWD).

Audit scrutiny revealed as under:

- Though the Company was incorporated to take up and execute works related to treatment and disposal of sewage, no work was entrusted to the Company by the Government. The Company, however, decided to take up works at various localities\* in the State without entrustment and appointed (March 2002) consultants for preparation of feasibility studies for these projects. The Detailed Project Reports (DPRs) were to be peer-reviewed by the Technical Officer of the Company.
- The expenditure of Rs.1.02 crore incurred towards consultancy charges was rendered wasteful as the DPRs received in August 2002 were not utilised (June 2006).
- The Company incurred an expenditure of Rs.94.50 lakh on salaries and establishment during 2001-05 even though no work was carried out.

The Management stated (September 2006) that the Company started functioning in right earnest but the technical officer was withdrawn and no substitute was posted due to which draft studies submitted by the consultants could not be “finalised”. It was also stated that Government was considering winding up of the Company but no formal communication was received. The reply only proves that decision to set up the Company was injudicious.

Thus, the action of the Government in setting up a Company and non-entrustment of work resulted in wasteful expenditure of Rs.1.97 crore (Rs.94.50 lakh on establishment and Rs.1.02 crore on DPRs).

The matter was reported to Government in August 2006; their replies are awaited (October 2006).

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\* Mapusa, Calangute-Candolim, Porvorim and Ponda.

### **Goa Meat Complex Limited**

#### **7.7 Continuation of unviable operations**

***Underutilisation of capacity resulted in recurring unproductive expenditure rendering the Company unviable. Continued operations of the Company lack justification.***

The Company was incorporated in 1982 with the main objectives of providing modern and hygienic facilities for slaughtering of animals in the towns of Goa and for purchase / sale of animals and meat products. The Company set up an abattoir (plant) in 1982 with a capacity to slaughter 45000 animals per annum (for a single shift). The Company started the operations but could not run it profitably. The plant had to be closed with effect from February 1994.

In order to utilise the substantial spare capacity, the Company leased out its plant to Al Nafeez Frozen Food Exports Private Limited in October 1999 for 5 years. The lease was again awarded (October 2004) to the same contractor for a further period of five years. The contractor, however, did not resume slaughter of animals and the lease was terminated (January 2006). The efforts of the Company to lease out the plant in January 2006 and June 2006 were not successful, as there was no response to its tenders.

At present, the plant is being used at only four *per cent* of the installed capacity and the Company is paying idle wages from October 2004. The payment of idle wages from October 2004 to March 2006 resulted in a loss of Rs.1.82 crore to the Company. The continuation of operation would result in further recurring losses due to payment of idle wages of about Rs.10 lakh per month. Therefore, continuation of operations by the Company needs to be reviewed.

The matter was reported to Government in August 2006; their reply is awaited (October 2006).

### **7.8 Non-compliance with Accounting Standards by Government Companies**

Accounting Standards (AS) are the acceptable standards of accounting recommended by the Institute of Chartered Accountants of India and prescribed by Government of India in consultation with the National Advisory Committee on AS. The purpose of introducing AS is to facilitate the adoption of standard accounting practices by the Companies so that the annual accounts exhibit a true and fair view of the state of affairs of the Company and also to facilitate comparability of the information contained in published financial statements of various Companies. It is obligatory under section 211 (3A) of the Companies Act, 1956 for every Company to prepare the financial statements (Profit and loss account and Balance sheet) in accordance with the AS.

A review of the financial statements and the Statutory Auditors' report thereon in respect of five Companies selected for audit revealed non-compliance with various Accounting standards as detailed below.

- AS 9 prescribes that revenue arising out of performance of any work should be taken to the statement of profit and loss only when the work is substantially complete or based on the degree of completion of the work. Goa State Infrastructure Development Corporation Limited accounted the Development fee receivable from Government without reference to stage of completion of work. The Company replied (August / September 2006) that the audit observation was noted.
- AS12 prescribes the methods for accounting of assets acquired out of Government grants. Goa State Horticultural Corporation Limited charged depreciation on assets acquired out of grants to the P&L account instead of adjusting against Capital Reserve resulting in overstatement of assets, Capital reserve, Depreciation and Accumulated Loss. The Company accepted the observation and assured to take necessary action in future.
- AS 15 prescribes that an appropriate charge should be made to the profit and loss for the year through a provision for the accruing liability towards Retirement benefits. Kadamba Transport Corporation Limited and Goa Antibiotics and Pharmaceuticals Limited did not provide for leave encashment benefit resulting in understatement of provisions and accumulated loss.
- AS 29 prescribes that a provision should be made when an enterprise has a present obligation as a result of a past event, it is probable that outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate could be made of the amount of the obligation. Goa Tourism Development Corporation Limited and Goa State Infrastructure Development Corporation Limited did not provide for bills received for Works/assets put to use resulting in understatement of current liabilities. Goa Tourism Development Corporation Limited replied (September 2006) that the observation was noted.

Though the non-compliance was brought to the notice of the Management in previous years, four Companies (Goa Tourism Development Corporation Limited, Goa State Horticultural Corporation Limited, Kadamba Transport Corporation Limited and Goa Antibiotics and Pharmaceuticals Limited) did not comply with the accounting standards in the subsequent years also.

The matter was reported (August 2006) to the Government; reply is awaited (October 2006).

**DEPARTMENTAL COMMERCIAL UNDERTAKINGS**

**River Navigation Department**

**7.9 Avoidable expenditure on overtime wages**

**Operation of ferryboats in two shifts of twelve hours each instead of three shifts of eight hours each resulted in avoidable expenditure on overtime wages of Rs.3.55 crore in the last three years.**

The River Navigation Department is a Departmental Commercial Undertaking, which operates ferry services in Goa as a means of inland water transport. As of March 2006, the Department had a fleet of 40 Ferry Boats of which 13 were idle and 27 were in regular use. The crew required for running a ferryboat consists of one Coxswain, one Machinist and two Sailors. The Department engaged a staff of 74 Coxswain, 70 Machinist and 173 Sailors in two shifts of 12 hours each at a stretch and paid overtime wages of Rs. 4.73 crore during 2003-2006. The Department required\* only 66 Coxswain, 66 Machinist and 132 Sailors for operating two shifts every day as against actual availability of 74, 70 and 173 respectively. Had the Department operated three shifts with the existing staff, the actual overtime payable would have been 1,88,336 hours per year as against 7,55,728 hours of overtime paid each year.

The Department had not reviewed the safety aspects and the necessity to operate round the clock services since inception of the ferry services, especially after new bridges had been built in the State on the routes on which these ferries were being operated. As the Department does not maintain any records of passenger traffic either for day time or night time services, the necessity for operating 24 hour ferry service could not be verified in audit.

Nevertheless, had the Department operated the 27 ferry boats in three shifts of eight hours each with the available staff on 298 (365-67 holidays) working days in a year, it would have resulted in minimum overtime expenses and consequent savings of Rs.3.55 crore during the three years from 2003-04 to 2005-06 as worked out in the *Appendix 7.9*.

The Government stated (September 2006) that it was essential to operate the ferryboats round the clock as there were no other means of connection to the islands, the boats had to be run on demand beyond the scheduled hours and that services on three routes where bridges were built were withdrawn but additional services had to be operated on many routes due to increased demand. It was also stated that as the services were made free from 2000, records of passenger traffic could not be maintained and that the decision of the Government to introduce three shifts was strongly opposed by the employees. It was further stated that introduction of third shift would entail additional recruitment/expenditure and the

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\* Computed for 27 ferries per day considering 298 working days.

Government has constituted a committee to study all aspects of the operations of the Department to make it a revenue earning activity.

The reply of the Government is not tenable as studies have proved that the working for long hours was a major contributor to accidents and lower performance levels. Besides, the staff available was more than what was required for two shifts and operation of an additional shift with the available staff would have resulted in savings of Rs.3.55 crore.

**Panaji**  
**The**

**(YASHWANT N. THAKARE)**  
**Accountant General, Goa**

Countersigned

**New Delhi**  
**The**

**(VIJAYENDRA N. KAUL)**  
**Comptroller and Auditor General of India**