# Chapter III

# Performance review relating to a Statutory Corporation

## Gujarat State Road Transport Corporation

### Executive summary

*Gujarat State Road Transport Corporation (Corporation) provides public transport in the State through its 16 divisions and 125 depots. The Corporation had fleet strength of 7,561 buses as on 31 March 2009 and carried an average of 23.97 lakh passengers per day. The performance audit of the Corporation for the period 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of top management in monitoring the affairs of the Corporation.*

***Finances and Performance***

*The Corporation suffered a loss of Rs. 158.28 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs. 1,702.36 crore and Rs. 932.82 crore as at 31 March 2009. The Corporation earned Rs. 17.55 per kilometre and expended Rs. 19.11 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs so as to earn profit and serve its cause better.*

***Vehicle profile and utilisation***

*The Corporation could not keep pace with the growing demand for public transport and its share declined from 19.59 per cent to 16.38 per cent during 2004-09. Corporation had a fleet of 7,561 buses. Of these, 3,791 were overage i.e. more than seven lakh kms. The percentage of overage buses declined from 78.36 per cent to 50.14 per cent due to acquisition of 3,720 new buses during 2004-09 at a cost of Rs. 530.11 crore. The acquisition was mainly funded from the loans and equity contribution from the State Government.*

*Corporation's fleet utilisation at 87.8 per cent in 2008-09 was below All India Average (AIA) of 92 per cent. Its vehicle productivity at 417 kilometers per day was above the AIA of 313 kilometres. Similarly, its load factor at 65.74 remained above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of vehicle productivity except during 2006-07. Though the Corporation did well on operational parameters, its 89 per cent of routes of buses remained unprofitable due to high cost of operations.*

***Economy in operations***

*Manpower and fuel constitute 76 per cent of total cost. The Corporation succeeded in reducing its manpower per bus from 7.32 in 2004-05 to 6.22 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 185.34 crore (Rs. 2.45 lakh per bus) in 2008-09, of which 45.20 per cent was on manpower.*

***Revenue maximization***

*The Corporation can increase its revenue generation by reducing the percentage of spare vehicles to four from the present 10 per cent and put more buses on road for operation. Optimal utilisation of crew can control the cancellation of schedules to a significant level. The Corporation should also take up with the State Government the reimbursement of outstanding subsidy.*

*The Corporation has 4.78 lakh square metres of land. Though the Corporation has undertaken projects under public private partnership for construction of shopping complexes, malls, hotels, office spaces, etc. at seven of the 34 sites, the progress is very* *slow. Early completion of the projects would ensure steady stream of revenue without any investment by it and also help cross subsidise its operations. The Corporation has not framed any policy in this regard.*

***Need for a regulator***

*The Corporation has not formed norms for providing services on uneconomical routes.Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.*

***Inadequate monitoring***

*The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The Corporation did not set targets for fleet utilisation and load factor. Further, the MIS did not give bus wise cost data to assess the viability of repairs and maintenance of buses and taking suitable remedial measures. The Board of Directors did not give any direction /instruction for improvement of various operational parameters.*

***Conclusion and Recommendation***

*Though the Corporation is incurring losses, it is mainly due to its high cost of operations. The Corporation can maximize its revenue by tapping non-conventional sources of revenue. The review contains seven recommendations to improve the Corporation's performance. Phasing out overage buses, creating a regulator to regulate fares and services and devising policy of tapping non conventional sources of revenue through public private partnership projects are some of the recommendations.*

## Introduction

**3.1.1** In Gujarat, the public road transport is provided by Gujarat State Road Transport Corporation, (Corporation) which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The fare structure is controlled by the State Government which approves it.

**3.1.2** The Corporation was incorporated on 01 May 1960, under Road Transport Corporation Act, 1950. The Corporation is under the administrative control of the Ports and Transport Department of the Government of Gujarat. The Management of the Corporation is vested with a Board of Directors comprising Chairman, Vice Chairman and Managing Director (VCMD) and four Directors appointed by the Union/State Government. The day-to-day operations are carried out by the VCMD, with the assistance of two General Managers, Executive Director (Vigilance), Chief Traffic and Commercial Manager, Controller of Purchase, Divisional Controllers and Depot Managers. The Corporation has 16 division[≠] offices, one central workshop and 125 depots. The division office is responsible for traffic operations of its depots and maintenance of buses at divisional workshop. The Corporation has its own bus body building facility at Central Workshop, Ahmedabad and seven tyre retreading plants[⊗]. The Corporation also gets fabrication of bus bodies and retreading of tyres through external agencies.

**The percentage of share of Corporation in passenger traffic reduced from 19.59 to 16.38 during 2004-09.**

**3.1.3** The Corporation had a fleet strength of 7,561 buses as on 31 March 2009. The Corporation carried on an average 23.97 lakh passengers per day during 2008-09. The Corporation does not take buses on hire for its

≠ Palanpur, Mehsana, Himmatnagar, Ahmedabad, Nadiad, Vadodara, Godhara, Bharuch, Surat, Bulsar, Rajkot, Jamnagar, Bhavnagar, Amreli, Junagadh, Kutch

⊗ Ahmedabad, Rajkot, Palanpur, Godhara, Valsad, Amreli and Bharuch operations. The percentage share of the Corporation in the passenger transport operations reduced from 19.59 *per cent* in 2004-05 to 16.38 *per cent* in 2008-09. The turnover of the Corporation was Rs. 1,773.34 crore in 2008-09, which was equal to 0.49 *per cent* of Gross Domestic Product of the State (Rs. 3,61,846 crore). The Corporation employed 41,667 employees as at 31 March 2009.

**3.1.4** A review on Operational performance of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 2000 (Commercial), Government of Gujarat. The review was discussed by the Committee on Public Undertakings (COPU) during December 2003. However, it did not make any recommendation on the review.

## Scope and Methodology of Audit

**3.2.1** The present review conducted during February 2009 to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, one Central Workshop, 8[∇] out of 16 division offices and 51 out of 125 depots selected on the basis of operational performance and geographical location. During 2008-09, the operational revenue of 51 selected depots was Rs. 693.36 crore and amounted to 57.53 *per cent* of the total operational revenue of the Corporation.

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

## Audit Objectives

**3.3** The objectives of the performance audit were to assess:

### 3.3.1 Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations; and
- whether adequate maintenance was undertaken to keep the vehicles roadworthy.

∇ Palanpur, Ahmedabad, Vadodara, Godhara, Surat,, Rajkot, Junagadh and Kutch.

### 3.3.2 Financial Management

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

### 3.3.3 Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy and;
- whether the Corporation operated adequately on uneconomical routes.

### 3.3.4 Monitoring by Top Management

- whether the monitoring by Corporation's top management was effective.

## Audit Criteria

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

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

## Financial Position and Working Results

**3.5.1** The financial position of the Corporation for the five years up to 2008-09 is given below.

**(Rs. in crore)**

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 (Provisional) |
|---|---|---|---|---|---|
| **A. Liabilities** | | | | | |
| Paid-up Capital | 626.52 | 644.21 | 677.21 | 692.21 | 707.31 |
| Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve) | 2.52 | 3.05 | 3.20 | 3.33 | 3.37 |
| Borrowings (Loan Funds) | 654.07 | 715.98 | 709.43 | 852.43 | 932.82 |
| Current Liabilities and Provisions | 478.43 | 645.52 | 777.92 | 912.78 | 961.90 |
| **Total** | **1,761.54** | **2,008.76** | **2,167.76** | **2,460.75** | **2,605.40** |
| **B. Assets** | | | | | |
| Gross Block | 612.38 | 673.24 | 734.91 | 912.47 | 905.48 |
| Less: Depreciation | 552.52 | 557.00 | 527.29 | 481.64 | 561.19 |
| Net Fixed Assets | **59.86** | **116.24** | **207.62** | **430.83** | **344.29** |
| Capital works-in-progress (including cost of chassis) | 5.07 | 45.33 | 50.67 | 11.67 | 15.67 |
| Current Assets, Loans and Advances | 454.27 | 492.61 | 488.75 | 474.17 | 543.08 |
| Accumulated losses | 1,242.34 | 1,354.58 | 1,420.72 | 1,544.08 | 1,702.36 |
| **Total** | **1,761.54** | **2,008.76** | **2,167.76** | **2,460.75** | **2,605.40** |

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

**(Rs. in crore)**

| Sl. No. | Description | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 (Provisional) |
|---|---|---|---|---|---|---|
| 1. | Total Revenue | **1,370.70** | **1,430.17** | **1,612.10** | **1,714.24** | **1,773.34** |
| 2. | Operating Revenue[ϕ] | 1,300.47 | 1,346.36 | 1,483.51 | 1,626.35 | 1,708.11 |
| 3. | Total Expenditure | **1,519.60** | **1,542.41** | **1,678.19** | **1,808.80** | **1,931.61** |
| 4. | Operating Expenditure[ψ] | 1,420.26 | 1,483.62 | 1,633.35 | 1,781.80 | 1,913.10 |
| 5. | Operating Profit/ Loss | (-)119.79 | (-)137.26 | (-)149.84 | (-)155.45 | (-)204.99 |
| 6. | Profit/ Loss for the year | (-)148.90 | (-)112.24 | (-)66.09 | (-)94.56 | (-)158.27 |
| 7. | Prior period expenditure | (-) 24.33 | - | (-) 0.05 | (-) 28.80 | - |
| 8. | Accumulated Profit/ Loss | (-)1,242.34 | (-)1,354.58 | (-)1,420.72 | (-)1,544.08 | (-)1,702.35 |
| 9. | Fixed Costs | | | | | |
| | (i) Personnel Costs | 563.80 | 555.50 | 571.38 | 639.20 | 699.23 |
| | (ii) Depreciation | 42.69 | 25.90 | 47.08 | 83.99 | 111.06 |
| | (iii) Interest | 75.01 | 57.93 | 44.33 | 26.05 | 18.12 |
| | (iv) Other Fixed Costs | -- | -- | -- | -- | -- |
| | Total Fixed Costs | 681.50 | 639.33 | 662.79 | 749.24 | 828.41 |
| 10. | Variable Costs | | | | | |
| | (i) Fuel and Lubricants | 488.04 | 556.37 | 632.37 | 644.09 | 672.34 |
| | (ii) Tyres & Tubes | 38.60 | 39.13 | 43.43 | 46.08 | 50.78 |
| | (iii) Other Items/ spares | 26.67 | 31.59 | 24.62 | 24.30 | 46.34 |
| | (iv) Taxes (MV Tax, Passenger Tax, *etc.*) | 175.53 | 183.97 | 210.82 | 229.96 | 216.12 |
| | (v) Other Variable Costs | 109.26 | 92.02 | 104.16 | 115.13 | 117.62 |
| | Total Variable Costs | 838.10 | 903.08 | 1,015.40 | 1,059.56 | 1,103.20 |
| 11. | Effective KMs operated (in Lakh) | 9,250.79 | 8,899.04 | 9,355.97 | 9,970.21 | 10,106.81 |
| 12. | Earnings *per* KM (Rs.) (1/11) | 14.82 | 16.07 | 17.23 | 17.19 | 17.55 |
| 13. | Fixed Cost *per* KM (Rs.) (9/11) | 7.37 | 7.18 | 7.08 | 7.51 | 8.20 |
| 14. | Variable Cost *per* KM (Rs.) (10/11) | 9.06 | 10.15 | 10.85 | 10.63 | 10.92 |
| 15. | Cost *per* KM (Rs.) (3/11) | 16.43 | 17.33 | 17.94 | 18.14 | 19.11 |
| 16. | Net Earnings *per* KM (Rs.) (12-15) | (-)1.61 | (-)1.26 | (-)0.71 | -0.95 | (-)1.56 |
| 17. | Traffic Revenue[§] | 958.26 | 990.36 | 1,127.51 | 1,212.48 | 1,313.01 |
| 18. | Traffic Revenue *per* KM (Rs.) (17/11) | 10.36 | 11.13 | 12.05 | 12.16 | 12.99 |
| 19. | Operating loss per K.M. (Rs.) (5/11) | (-)1.29 | (-)1.54 | (-)1.60 | (-)1.56 | (-)2.03 |

ϕ Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under KM Scheme, etc.

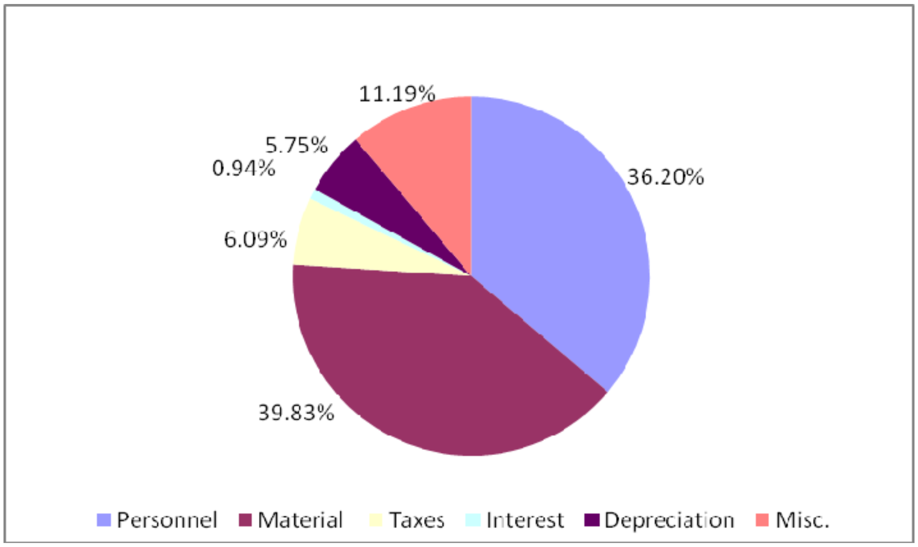
ψ Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

§ Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

***Elements of Cost***

**3.5.3** Personnel cost and material cost constitute the major elements of cost. The percentage break-up of cost for 2008-09 is given below in the pie-chart.

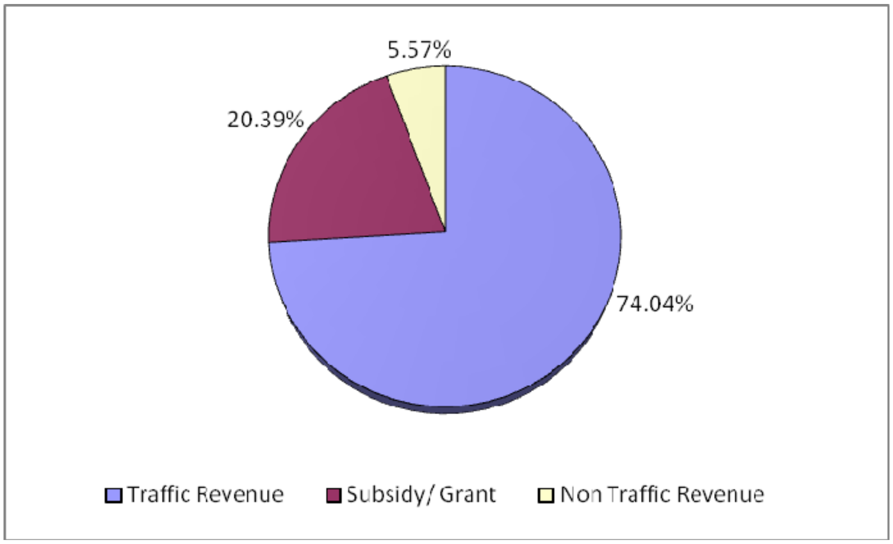
**Components of various elements of cost**




***Elements of revenue***

**3.5.4** Traffic revenue, subsidy/ grant and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

**Components of various elements of revenue**




## Audit Findings

**3.6** Audit explained the audit objectives to the Corporation during an 'entry conference' held on 20 March 2009. Subsequently, audit findings were reported to the Corporation and the State Government in September 2009 and discussed in an 'exit conference' held on 24 August 2009 which was attended by VCMD, General Manager and heads of departments of the Corporation. The views of the Management have been considered at the time of finalisation of the review. The audit findings are discussed below.

## Operational Performance

**3.7** The operational performance of the Corporation for the five years ending 2008-09 is given in the ***Annexure 11***. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport and recover the cost of operations. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

## Share of Corporation in public transport

**3.8.1** The State Government has not framed any transport policy to achieve a balanced model mix of public transport and to discourage personalized transport. The State Government, however, approved (1994) a scheme of Road Transport Services authorising the Corporation to operate bus services (Stage Carriage Services) in the entire area of State of Gujarat covering all routes by operating maximum 8,823 vehicles and minimum 7,521 vehicles at a time, with minimum 56,306 daily trips. In addition, permits for stage carriage operation were given to Municipal Corporations, Municipalities and private operators in 13 cities/towns, one in each city/town for city service. The Corporation operated an average of 6,872 vehicles during the period under review. All the Stage Carriage routes are exclusive for operation of the Corporation

Private operators are permitted to operate buses under contract carriage. However, private operators who are permitted to operate buses under contract carriage are also plying vehicles parallel to the Corporation's buses on some of the stage carriage routes. Hence, the Corporation is facing stiff competition from private operators to that extent. The matter was also brought to the notice of State Government by the Corporation in COPU meeting (August/ November 1998). Accordingly COPU recommended (August 2001) to declare "No Parking Zone" around bus station area of the Corporation. The respective district administration declared the area of bus station as 'No Parking Zone'. The Corporation started implementing the same and lodged 97,403 cases against private operators for illegal operations and recovered Rs. 91.38 lakh upto October 2009, but could not succeed completely as the powers of impounding the vehicles were vested with Regional Transport Officer and Police Authorities. Therefore, such operations were still continuing.

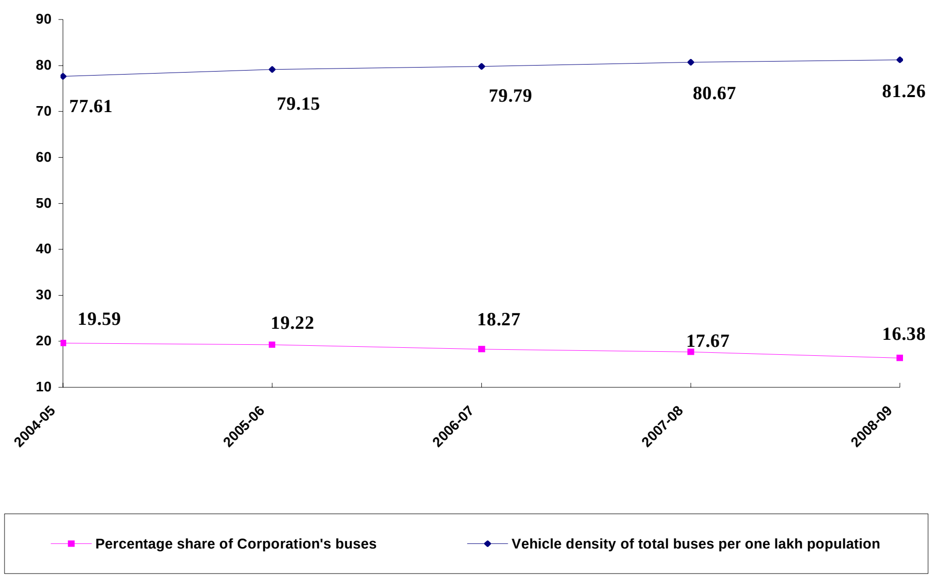
To confirm the above facts, Audit test checked daily time tables from 17 private bus operators of Ahmedabad on various routes. One important observation derived from the analysis was that in the Saurashtra region, the services of private operators are more as compared to the services of

Corporation. This may be due to the fact that Railway connectivity in this region is not very good and Corporation is not able to cater to the demand for road transport. The Corporation, however, neither conducted any analysis nor compiled data on the buses operated by private operators to assess the impact of private operations.

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

| Sl. No. | Particular | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1. | Corporations buses at the end of year | 8,164 | 8,277 | 8,046 | 7,981 | 7,561 |
| 2. | Private buses | 33,515 | 34,783 | 36,001 | 37,194 | 38,594 |
| 3. | Total buses for public transport | 41,679 | 43,060 | 44,047 | 45,175 | 46,155 |
| 4. | Percentage share of Corporation | 19.59 | 19.22 | 18.27 | 17.67 | 16.38 |
| 5. | Percentage share of private operators | 80.41 | 80.78 | 81.73 | 82.33 | 83.62 |
| 6. | Estimated population (in crore) | 5.37 | 5.44 | 5.52 | 5.60 | 5.68 |
| 7. | Vehicle density of total buses per one lakh population (3/6) | 77.61 | 79.15 | 79.79 | 80.67 | 81.26 |

The line graph indicating percentage share of Corporation buses in public transport and vehicle density per one lakh population is given below:




**3.8.3** The Corporation has not been able to keep pace with the growing demand for public transport. According to Census 2001, the population of Gujarat was 5.07 crore. Considering increase in population at the rate of 1.44 *per cent*, the Corporation should have gradually increased its fleet over the period to meet the growing demand for public transport. However, during 2004-05 to 2008-09, the number of buses reduced from 8,164 to 7,561. On the other hand, number of private buses increased from 33,515 in 2004-05 to

38,594 in 2008-09. Therefore, the percentage share of Corporation's buses decreased from 19.59 *per cent* in 2004-05 to 16.38 *per cent* in 2008-09. The average number of schedules operated by the Corporations also decreased from 6,936 in 2004-05 to 6,512 in 2008-09. The effective *per* capita KM operated *per* year is given below.

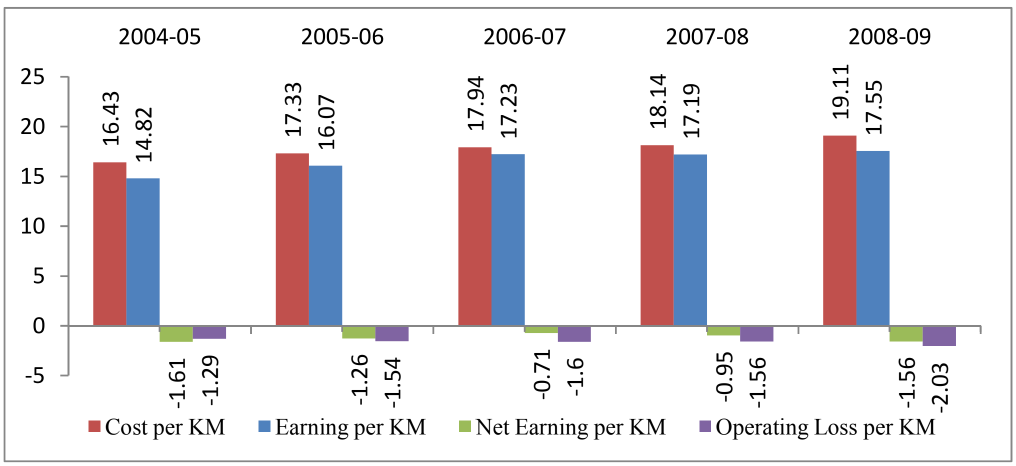
| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| Effective KM operated (lakh) | 9,251 | 8,899 | 9,356 | 9,970 | 10,107 |
| Estimated Population (crore) | 5.37 | 5.44 | 5.52 | 5.60 | 5.68 |
| *Per* Capita KM *per* year | 17.23 | 16.36 | 16.95 | 17.80 | 17.79 |

**3.8.4** The above table shows the decline in service by the Corporation except during 2007-08 and 2008-09.

**3.8.5** Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport due to operational inefficiencies as described later.

## Recovery of cost of operations

**3.9.1** The Corporation was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a negative trend as given in the graph⊗ below:




**Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* KM at Rs. 0.49, Rs. 0.47 and Rs. 0.34 respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)**

**3.9.2** Above graph indicates the deteriorating performance of the Corporation over the period. The operating loss has also increased. Though the cost per km was significantly lower than the All India Average (Rs. 19.94) the Corporation was not able to achieve the All India Average for revenue per km (Rs. 18.22) during review period.

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

## Efficiency and Economy in operations

## Fleet strength and utilisation

***Fleet Strength and its Age Profile***

**3.10.1** The Corporation has its own fleet of buses. The table below explains the position of Corporation's own fleet.

**3.10.2** The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The Corporation prescribed the life of a bus as 7 lakh KMs. The Corporation has revised the norm for overage buses from seven lakh KMs to eight lakh KMs in 2008-09. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Total No. of buses at the beginning of the year | 8,820 | 8,164 | 8,277 | 8,046 | 7,981 |
| 2 | Additions during the year | 5 | 656 | 1,005 | 1,961 | 93 |
| 3 | Buses scrapped during the year | 661 | 543 | 1,236 | 2,026 | 513 |
| 4 | Buses held at the end of the year (1+2-3) | 8,164 | 8,277 | 8,046 | 7,981 | 7,561 |
| 5 | Of (4), No. of buses more than 7 lakh kms | 6,397 | 6,641 | 6,014 | 4,177 | 3,791 |
| 6 | Percentage of overage buses to total buses | 78.36 | 80.23 | 74.75 | 52.34 | 50.14 |

**3.10.3** The above table shows that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 3,720 new buses at a cost of Rs. 530.11 crore. The expenditure was funded through loan (Rs. 431.62 crore) and equity (Rs. 98.49 crore) contribution from State Government. To achieve the norm of right age buses, the Corporation was required to buy 3,791 new buses additionally which would have cost it Rs. 909.08 crore[€]. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

**3.10.4** The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses

€ calculated at the procurement rate of Rs.23.98 lakh per bus during 2008-09.

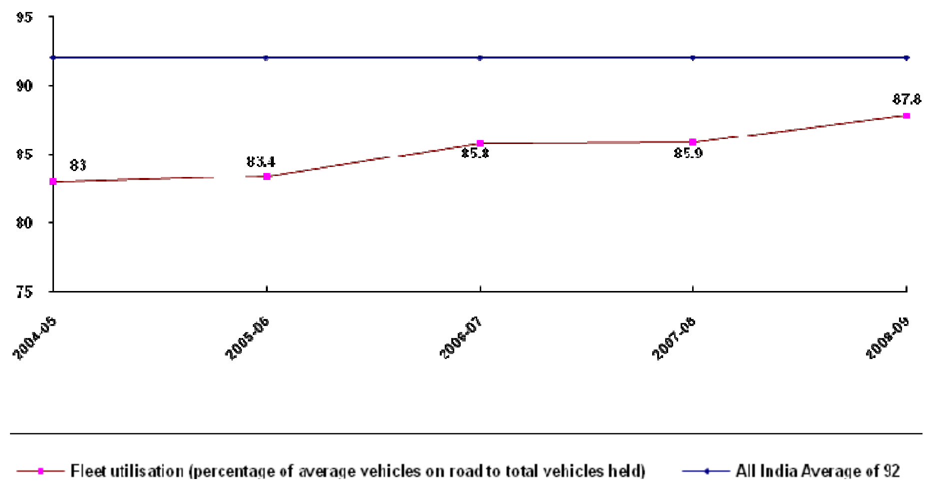
which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis.

The Management stated (August 2009) that the Corporation has prepared a business plan (up to 2014-15) to acquire buses, for submission to State Government.

### *Fleet Utilisation*

**3.10.5** Fleet utilisation represents the ratio of buses held by the Corporation to the buses on road. The Corporation did not fix any target for fleet utilisation during the period 2004-05 to 2008-09. The fleet utilisation of the Corporation varied from 83 *per cent* in 2004-05 to 87.8 *per cent* in 2008-09 as compared to the All India Average[∝] of 92 *per cent* as indicated in the graph given below.

> **Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and Rs. 98.3 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)**




**3.10.6** It can be observed from the above chart that the utilisation of fleet of the Corporation improved year after year since 2004-05 due to induction of new buses. This led to reduction in breakdown and repair and maintenance expenditure. However, the fleet utilisation of the Corporation remained lower than the All India Average.

**3.10.7** From the above, it can be concluded that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance. In reply to an audit query, the Corporation stated (November 2008) that it has fixed 4 *per cent* and 6 *per cent* spare vehicles for division and depot respectively, so 10 *per cent* of total vehicles remained off road. However, Rajasthan State Road Transport Corporation is keeping 4 *per cent* vehicles as spare. Thus, the Corporation kept 6 *per cent* vehicles as spare as compared with the practice adopted by the adjoining State Transport

∝ All India Average is for the year 2006-07 which has been used for comparison for the period under review.

**Comparing to RSRTC norms, the Corporation kept 6 *per cent* more spare buses depriving it an opportunity to earn Rs. 47.67 crore during 2004-09.**

Corporation. Consequently, the Corporation lost an opportunity to earn Rs. 47.67 crore as contribution during the review period, as given below:

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| Average numbers of vehicles held | 8,164 | 8,277 | 8,046 | 7,981 | 7,561 |
| Spare vehicles at the rate of 10 *per cent* | 816 | 828 | 805 | 798 | 756 |
| Excess spare vehicles (10-4 *per cent)* | 490 | 497 | 483 | 479 | 454 |
| Bus utilisation per day | 359 | 363 | 377 | 396 | 417 |
| Loss of bus kilometres (in lakh) | 642.07 | 658.50 | 664.63 | 692.34 | 691.01 |
| Contribution Per KM (in Rs.)♣ | 1.30 | 0.98 | 1.20 | 1.53 | 2.07 |
| Loss of contribution (Rs. in crore) | 8.35 | 6.45 | 7.98 | 10.59 | 14.30 |

## Vehicle productivity

**3.11.1** Vehicle productivity refers to the average Kilometres run by each bus *per* day in a year. The vehicle productivity of the Corporation vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the table below.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1. | Vehicle productivity (KMs run *per* day *per* bus) | 359 | 363 | 377 | 396 | 417 |
| 2 | Internal targets | 380 | 388 | 376 | 417 | 434 |
| 3 | Shortfall in Vehicle Productivity | 21 | 25 | -- | 21 | 17 |
| 4 | Overage fleet (percentage) | 78.36 | 80.23 | 74.75 | 52.34 | 50.14 |

The trend indicates improvement in vehicle productivity vis-à-vis the reduction in overage fleet.

**Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs per day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)**

**3.11.2** Compared to the All India Average of 313 KMs *per* day, the vehicle productivity of the Corporation has been on higher side for all the years under review. However, the Corporation could not achieve its own targets in any of the year during review period, except 2006-07. Due to non achievement of internal target of vehicle productivity, the Corporation lost opportunity to earn Rs. 29.87 crore as contribution during the review period.

This indicates that the Corporation did not take corrective actions to improve the vehicle productivity.

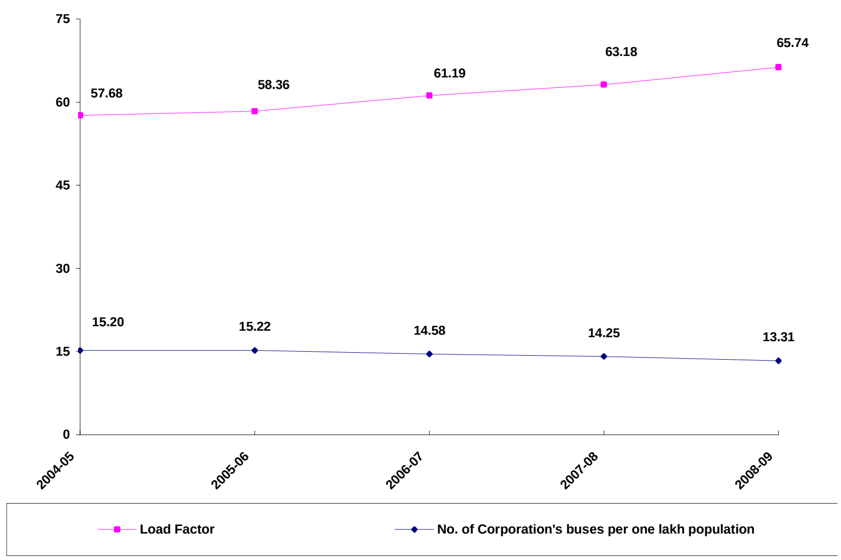
♣ Contribution Per KM = Traffic revenue per km *less* variable cost per km.

The Management stated (August 2009) that the internal targets were fixed based on the achievement of the previous years.

## Capacity Utilisation

### *Load Factor*

**3.12.1.** Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The load factor of the Corporation increased from 57.68 *per cent* in 2004-05 to 65.74 *per cent* in 2008-09 against the All India Average of 63 *per cent*. A graph depicting the Load factor vis-à-vis number of buses *per* one lakh population is given below.




The improvement in load factor was mainly due to introduction of monthly pass scheme to daily commuters (November 2005), return travel concession (March 2006), advance group booking (March 2006), increase in passenger amenities such as audio system, better seats in express buses and video system, fans etc in luxury buses.

**3.12.2** The table below provides the details for break-even load factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* KM.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Cost *per* KM | 16.43 | 17.33 | 17.94 | 18.14 | 19.11 |
| 2 | Traffic revenue per KM at 100 *per cent* load factor | 17.96 | 19.07 | 19.69 | 19.25 | 19.76 |
| 3 | Break – even Load Factor considering only traffic revenue (1/2) | 91.48 | 90.88 | 91.11 | 94.23 | 96.71 |

**3.12.3** The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

***Route Planning***

**3.12.4** Appropriate route planning to tap demand leads to higher load factor. While planning the routes, the Corporation takes into account availability of buses and the expected earning per kilometre for sanction of new trips and in case of student trips, number of students are kept in view. For this, the Corporation also considers suggestions of passengers/ Members of Legislative Assembly/Members of Parliament and District Co-ordination Committee. The Corporation also conducts survey of low income trips from time to time and takes appropriate steps like cancellation, deviation/diversion, extension, and change of timings. The total number of routes being operated by the Corporation was 15,227 with the length of 11.46 lakh kilometres at the end of 2008-09.

**Parallel operation of bus services**

Parallel operation means two or more buses starting from the same bus station at the same time and run parallel in the same direction on the same route[♣]. Audit test checked the relevant records including the bus time table applicable for the period 2006-07 related to two central bus stations at Ahmedabad and Vadodara. Out of 963 trips[∑], 448 trips were running parallel to others on same route in a day from Ahmedabad bus station. Similarly, out of 669 trips, 154 trips were running parallel to others on same route in a day from Vadodara bus station.

Such parallel operation of bus services leads to under utilisation of buses. Though the Corporation did not maintain details of occupancy ratio of such services, it has (2007-08) rationalised (curtailed 54 trips and made changes in 68 trips) the routes based on recommendation of audit.

♣ Route means a line of travel which specified the highway that may be traversed by a bus between one terminus to another.

∑ A single journey from one point to another and every return journey is also considered as a separate trip.

The Management admitted the fact and stated (August 2009) that number of such operations have gradually reduced as a result of various steps taken, after being pointed out by audit during 2008.

**3.12.5** Some routes are profitable while others are not. The position in this regard is given in the Table below:

**The percentage of profit making routes increased from 6.12 in 2005-06 to 17.44 in 2007-08, but again decreased to 10.73 in 2008-09.**

(Figures in the bracket are percentage)

| Particulars | Total No. of routes | No. of routes making profit | No. of routes not meeting total cost |
|---|---|---|---|
| **2004-05** | 15,100 (100) | 1,131 (7.49) | 13,969 (92.51) |
| **2005-06** | 14,972 (100) | 917 (6.12) | 14,055 (93.87) |
| **2006-07** | 15,025 (100) | 2,292 (15.25) | 12,733 (84.74) |
| **2007-08** | 15,637 (100) | 2,727 (17.44) | 12,910 (82.56) |
| **2008-09** | 15,206 (100) | 1,631 (10.73) | 13,575 (89.27) |

*(Source-Information as provided by the corporation)*

The profit making routes increased from 6.12 *per cent* in 2005-06 to 17.44 *per cent* in 2007-08, however, it decreased to 10.73 *per cent* in 2008-09. This decrease was due to increase in the staff cost owing to merger of 50 *per cent* dearness allowance in the pay and allowances of the employees during 2008-09.

**3.12.6** Though some of the routes now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical routes. Given the scenario of operated routes and obligation to serve uneconomical routes, an organisation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause. Trend analysis of routes revealed that the number of unprofitable routes have reduced owing to introduction of new buses, decrease in cancelled kilometres, rationalisation of trips, better crew utilisation, etc. The Corporation should review the unprofitable routes on continuous basis for its further reduction.

***Cancellation of Scheduled Kilometres***

**3.12.7** A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, underutilisation of crew and other factors like breakdown, accidents, late arrivals, etc.

**3.12.8** The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres are furnished in the Table below.

**(in lakh Kms)**

| Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| **1**.Scheduled | 10,492.00 | 10,173.00 | 10,180.00 | 10,640.00 | 10,751.91 |
| **2**. Effective | 9,250.79 | 8,899.04 | 9,355.97 | 9,970.21 | 10,106.81 |
| **3**. Cancelled | 1,399.20 | 1,456.97 | 1,023.33 | 938.73 | 874.83 |
| **4.** Percentage of cancellation | **13.34** | **14.32** | **10.05** | **8.82** | **8.14** |
| Cause wise analysis | | | | | |
| **5**. Want of buses | 739.38 | 685.43 | 124.48 | 39.46 | 54.06 |
| **6**. Want of crew | 78.61 | 241.05 | 270.26 | 298.60 | 350.88 |
| **7**. Others ϒ | 581.21 | 530.49 | 628.59 | 600.67 | 469.89 |
| **8**. Contribution Per KM (in Rs.)♣ | 1.30 | 0.98 | 1.20 | 1.53 | 2.07 |
| **9**.Avoidable cancellation (want of buses and crew) | 817.99 | 926.48 | 394.74 | 338.06 | 404.94 |
| **10**. Loss of contribution (Rs. in crore ) (8x9) | 10.63 | 9.08 | 4.74 | 5.17 | 8.38 |

*(Source-Information as provided by the corporation)*

**Cancellation of schedules for want of crew and buses led to loss of contribution of Rs.38.00 crore during 2004-09.**

**3.12.9** It can be seen from the above table that the percentage of cancellation of scheduled kilometres came down from 13.34 to 8.14 during 2004-05 to 2008-09 but remained on higher side as compared to the best performers. Due to cancellation of scheduled kilometres for want of buses and crew, the Corporation was deprived of contribution of Rs. 38.00 crore during 2004-05 to 2008-09. While availability of buses increased, the non availability of crew increased during review period. Thus, crew were not utilised optimally because there was no shortage of crew during review period as brought out in paragraph 3.14.2.

**Tamilnadu (Salem), State Express Transport Corporation (Tamilnadu) and Tamilnadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07.**
**(Source: STUs profile and performance 2006-07 by CIRT, Pune)**

The cancellation of scheduled kilometres decreased as a result of measures taken to reduce breakdowns and better monitoring by the Central Office.

## Maintenance of vehicles

### *Preventive Maintenance*

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

ϒ Cancelled due to late arrival of buses, road accident, diversion of road, public agitation/ road blockage and heavy rain and mechanical failure.

♣ Contribution Per KM = Traffic revenue per km- variable cost per km (Sl.no.18-14 of Table in paragraph 3.5.2).

| Sl. No. | Particulars | model | Schedule |
|---|---|---|---|
| 1. | **Engine Oil change** | | |
| | Tata make | 697 and Cummins 1,510 | Every 16000 KMs |
| | | CNG | Every 9000 KMs |
| | Leyland make | 6.65 and HINO | Every 16000 KMs |
| | | HINO big bowl | Every 36000 KMs |
| | | CNG | Every 10000 KMs |
| 2. | **Brake Inspection (Docking)** | | |
| | Tata and Leyland make | | Every 18000 KMs |

Audit observed that as against the above norms, the Corporation actually changed oil and carried brake inspections in buses after completion of 18,000 KMs.

**3.13.2** A schedule of maintenance has been prescribed by the Corporation and is being followed as test checked during audit. The Corporation has prescribed preventive maintenance schedule for each bus and the checks to be carried out at depot and divisional workshop. Audit scrutiny revealed that the Corporation did not maintain bus wise record indicating preventive maintenance carried out as per the schedule, expenditure incurred on labour and spares, time taken for completing the job *etc*. In absence of proper records, extent of preventive maintenance as per schedule and its impact on breakdowns could not be ascertained in audit.

The Management admitted (August 2009) that it does not maintain bus wise cost incurred on preventive maintenance.

**Repairs and Maintenance**

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

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1. | Total buses at the end of year | 8,164 | 8,277 | 8,046 | 7,981 | 7,561 |
| 2. | Percentage of overage buses | 78.36 | 80.23 | 74.74 | 52.34 | 50.14 |
| 3. | R&M Expenses (Rs. in crore) | 184.13 | 188.59 | 180.54 | 180.22 | 185.34 |
| 4. | R&M expense per bus (Rs. in lakh) | 2.26 | 2.28 | 2.24 | 2.26 | 2.45 |
| 5. | Percentage of manpower cost in R&M expenses | 48.48 | 45.84 | 44.84 | 45.52 | 45.20 |

*(Source:- Information given by the Corporation)*

Though the percentage of overaged buses to total buses reduced after 2005-06, the R&M expenses remained more or less at the same level.

***Docking of vehicles for fitness certificates***

**3.13.4** The buses are required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. A test check of the records of Ahmedabad Divisional Workshop for the period June 2006 to March 2008 revealed that no norms have been fixed for each type of job. Moreover, the Corporation did not maintain proper record to ascertain labour hours spent for repairing of each bus. As a result, bus days lost for excessive docking of vehicles and the loss of contribution due to cancelled km for want of bus on account of RTO passing could not be ascertained in audit.

## Manpower Cost

**3.14.1** The cost structure of the organisation shows that manpower and fuel constitute 76 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 12.78 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

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

**3.14.2** Manpower is an important element of cost which constituted 36.20 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The Table below provides the details of manpower, its cost and productivity.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1. | Total Manpower (Nos.) | 52,043 | 49,956 | 47,327 | 44,557 | 41,667 |
| 2. | Manpower Cost (Rs. in crore) | 563.80 | 555.50 | 571.40 | 639.20 | 699.23 |
| 3. | Effective KMs (in lakh) | 9,250.79 | 8,899.04 | 9,355.97 | 9,970.21 | 10,106.81 |
| 4. | Cost per effective KM (Rs.) | 6.09 | 6.24 | 6.11 | 6.41 | 6.92 |
| 5. | Productivity *per* day *per* person (KMs) | 48.70 | 48.82 | 54.13 | 61.27 | 66.45 |
| 6. | Total Buses (average No of vehicles on road.) | 7,113 | 6,767 | 6,854 | 6,932 | 6,697 |
| 7. | Manpower *per* bus | 7.32 | 7.38 | 6.90 | 6.43 | 6.22 |

**North West Karnataka State Road Transport, Karnataka State Road Transport and Himachal Pradesh registered best performance at 4.89, 4.99 and 4.94 manpower *per* bus.**
**(Source : STUs profile and performance 2006-07 by CIRT, Pune )**

**3.14.3** During the period, the Corporation reduced its manpower per bus from 7.32 to 6.22. However, cost per effective kilometre increased during review period, though, the

Corporation has not so far implemented Sixth Pay Commission Report. As such, its impact on the manpower cost is not ascertainable.

**3.14.4** As per the settlement (August 1987) with the workers union, the normal duty hours prescribed for operating crew is 11 hours, which includes steering duty of 8 hours, against which the Corporation could take normal duty ranging between 7.25 to 8.14 hours and steering duty ranging between 6.13 to 7.06 hours. As such, on an average each bus schedule[£] required 5.25 persons[$] forming two crew per schedule and including prescribed reserve ratio for the weekly off and leave. Results of the study of deployment of crew, average steering duty/normal over duty of crew, gross kilo meters covered during 2004-09 are tabulated below:

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1 | Crew in position (nos.) | 36,461 | 35,208 | 33,690 | 31,764 | 29,881 |
| 2 | Crew required as per normψ. | 34,662 | 32,947 | 32,445 | 31,510 | 29,754 |
| 3 | Excess crew (1-4) | 1,799 | 2,261 | 1,245 | 254 | 127 |
| 4 | Excess crew cost (Rs. in crore)♣ | 15.08 | 19.21 | 11.08 | 2.45 | 1.44 |

*(Source-Information as provided by the corporation)*

As seen from the above table, the crew was not utilised optimally as per norm though the position improved significantly during review period. However, by optimum utilisation of staff, the Corporation could have minimised the overtime allowance of Rs. 85.63 crore paid during 2004-05 to 2008-09.

## Fuel Cost

**3.15.1** Fuel is a major cost element which constituted 34.80 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The Table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre *i.e.* KMPL) and All India Average.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1. | Gross Kilometres (in lakh) | 9,330.81 | 8,981.52 | 9,428.73 | 10,056.81 | 10,202.81 |
| 2. | Actual Consumption (in lakh litres) | 1,797.84 | 1,727.22 | 1,795.95 | 1,872.77 | 1,845.00 |
| 3. | Kilometre obtained per litre (KMPL) | 5.19 | 5.20 | 5.25 | 5.37 | 5.53 |
| 4. | Target of KMPL fixed by Corporation | 5.25 | 5.18 | 5.23 | 5.35 | 5.45 |

£ Is the programme of operation of a bus on one or more routes operating one or more trips within 24 hours.

$ 2 drivers and 2 conductors for to and fro for one route + 0.66 person for weekly off (4*1/6) + 0.59 Leave Reserve (4.66*1/8).

ψ Worked out on the basis of gross kilometre run x 5.25/steering duty in terms of kilometre.

♣ Worked out on the basis of average cost of crew.

**North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.**
**(Source : STUs profile and performance 2006-07 by CIRT, Pune)**

**3.15.2** It can be seen from the above table that the mileage obtained *per* litre has continuously shown an upward trend over the period under review and the same was above all India average of 4.94 KMPL (2006-07) and the same was above internal targets during review period except during 2004-05. Thus, the Corporation has been able to control the fuel cost.

## Body Building

**3.16** The Corporation is fabricating only Super Express (CNG) buses at Central workshop of Corporation. It outsources fabrication of special nature buses such as Luxury, Semi-Luxury, Super Express (Diesel), AC-Luxury and Sleeper Coach by inviting tenders.

## Financial Management

**3.17.1** Raising of funds for capital expenditure, *i.e.*, for replacement/ addition of buses happens to be the major challenge in financial management of Corporation’s affairs. This issue has been covered in Paragraph 3.10.3. The section below deals with the Corporation’s efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

## Claims and Dues

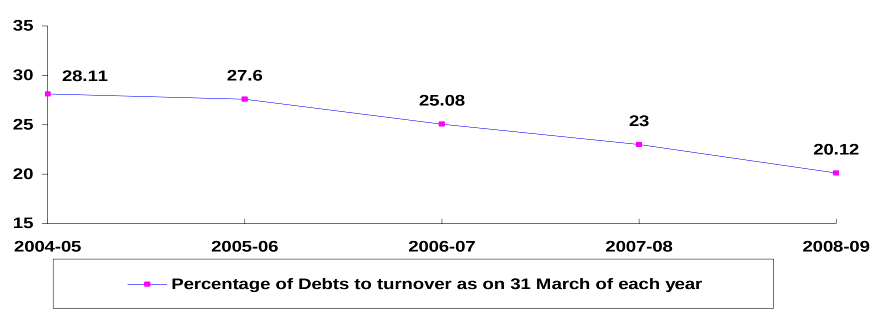
**3.17.2** The Corporation gives its buses on hire (on casual contract). The parties are required to pay in advance the charges at prescribed rates ranging from Rs. 16 to Rs. 24 (for carrying 52 to 80 passengers) per kilometre or Rs. 220 to Rs. 360 per hour, whichever is higher at the time of booking. The rates of casual contract were fixed in November 1999 which have not been revised, despite increase in operational cost per kilometer from Rs. 11.56 in 2000-01 to Rs. 18.93 in 2008-09. The Corporation keeps the amount as deposit and on completion of journey, actual bill is prepared and amount payable/receivable is adjusted against the deposit. It was, however, noticed that an amount of Rs. 91.14 lakh was lying unadjusted as on 31 March 2009. Further, an amount of Rs. 93.98 lakh was still pending for recovery from State Government on account of hiring of vehicle prior to 2004-05.

**3.17.3**. The Corporation provides concessional passes to students only. For issuing the concessional passes to the students, the Corporation charges only 17.5 *per cent* of bus fare for both inward and outward journey. The Corporation accounts this income received in a separate head of account, and submits claims for remaining 82.5 *per cent* to the State Government annually. The State Government reimburses lump sum amount alongwith other subsidy claims such as city services, uneconomic and obligatory routes without any detailed break-up. Hence, actual or short reimbursement of subsidy for student passes is not ascertainable. Number of student passes issued during 2004-05 to 2008-09 and amount recoverable are shown in the table below.

| Sl. No. | Particulars | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|---|
| 1. | No. of student passes issued (in lakh) | 6.57 | 5.12 | 6.27 | 5.34 | 5.28 |
| 2. | Amount recoverable from State Government (Rs. in crore) | 135.87 | 82.87 | 97.12 | 113.98 | 117.13 |

**3.17.4** It was observed in audit that an amount of Rs. 1,978.76 crore was claimed during 2004-05 to 2008-09 from the State Government for reimbursement on account of concessional fare to students, losses incurred in city services and losses on buses plied on uneconomical routes as on 31 March 2009. The Corporation could realise only Rs. 1,745.33 crore till March 2009. Thus, an amount of Rs. 233.43 crore remained unrealised from State Government during review period. However, the State Government, while reimbursing the subsidy, did not give break up of the claim passed. As a result, the Corporation could not ascertain the component for which subsidy was short received and reasons thereof.

**3.17.5.** An analysis in Audit of the debts outstanding as a percentage of turnovers for the five years ending March 2009 are depicted in the graph below.




**3.17.6.** From the above, it can be seen that the outstanding dues are being recovered promptly.

## Realignment of business model

**3.18.1.** The Corporation is mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidize its operations. However, the share of non-traffic revenues (other than interest on investments) was nominal at 4.72 *per cent* of total revenue during 2004-09. This revenue of Rs. 372.68 crore during 2004-09 includes advertisements and restaurant/ shop rentals. Audit observed that the Corporation has non-traffic revenue sources which it has not tapped substantially.

**3.18.2.** Over a period of time, the Corporation has acquired sites at prime locations in cities, district and tehsil headquarters. The Corporation generally uses the ground floor/ land for its operations, leaving an ample scope to construct and utilise spaces above. Audit observed that the Corporation has land (mostly owned/ leased by Government) at 34 important locations admeasuring 4.78 lakh square meters as shown below.

| Particulars | Cities (Municipal areas) | District HQrs. | Tehsil HQrs. | Total |
|---|---|---|---|---|
| Number of sites | **12** | **7** | **15** | **34** |
| Occupied Land (lakh Sq. mtrs.) | **2.80** | **1.66** | **0.32** | **4.78** |

**3.18.3** It is, thus, possible for the Corporation to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, etc. above (from first or second floor onwards) the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporation. Such projects can yield substantial revenue for the Corporation which can increase year after year.

The Corporation invited (October 2005) proposals from private entrepreneurs for taking up projects under Public Private Partnership basis for construction of shopping complexes, malls, hotels, office spaces, etc. at seven sites. The Corporation received offers from the parties for seven sites involving concession fees of Rs. 182 crore. The proposal sent (October 2007) to State Government was approved in February 2008. However, the letter of acceptance (LOA) issued to the parties were kept in abeyance by the Corporation as per instructions of State Government for one year and the same were issued in six cases excluding Surat. Further developments were awaited (March 2009).

The Management stated (November 2009) that the State Government approved the proposal in October 2009 in respect of four projects in which the letter of acceptation were issued in November 2009. In respect of remaining two projects, developers are unwilling.

The Corporation also developed (March 2009) bus stations including Commercial Complex on Build, Transfer and Lease basis at 14 sites out of 27 identified sites. The Corporation earned Rs. 22.28 crore as premium and received Rs. 4.54 crore as construction cost. The work on three sites is in progress whereas in 10 sites, the Corporation has initiated the process.

**3.18.4** Audit observed that the Corporation has not framed any policy in this regard. Since substantial non-traffic revenue will help the Corporation cross-subsidise its operations and fulfil its mandate effectively, the Corporation may like to study realigning its business model and frame a policy in this regard. Some of the audit findings relating to advertisement and stall rental are as follows.

**Advertisements**

**The Corporation sustained loss of revenue of Rs.1.02 crore due to non awarding of contract during August 2006 to December 2006.**

The Corporation had earned income of Rs. 15.18 crore during last five years ending 2008-09 through advertisements on the sides of buses, compound walls of bus stations and staff colonies by appointing advertisement agents through open tenders. During last five years up to 2008-09, three contracts♠ were awarded for advertisement by the Corporation. The scrutiny of these contracts revealed irregularities in the form of non submission of bank guarantee of Rs. 2.10 crore by firm "K", non recovery of interest on delayed payment of installments from firm 'K' (Rs. 39.45 lakh) and firm 'P' (Rs. 1.01 crore) from December 2002 to March 2009 and loss of potential revenue of Rs. 1.02 crore due to non-award of contract for advertisement during 1 August 2006 to 4 December 2006.

**Vacant stalls/ canteens**

**The Corporation lost potential revenue of Rs. 1.48 crore due to non leasing of 209 stalls.**

The Corporation had 1,408 stalls/ canteens in sixteen divisions, of which 451 stalls/ canteens (32.03 *per cent*) were vacant as on 31 March 2009. Jamnagar and Rajkot Divisions were having highest vacant stalls/ canteens at 56.14 *per cent* and 54.69 *per cent* respectively. Three Divisions i.e. Amreli, Bhavnagar and Nadiad published advertisements 22 to 40 times for leasing out the stalls/ canteen. However, 102 out of 267 stalls/ canteens of these divisions remained vacant as on March 2009. Due to non-leasing of stalls/ canteens, the Corporation lost potential revenue of Rs. 1.48 crore in respect of 209 stalls/ canteens for which details were made available to audit. However, no details were made available by the Corporation in respect to 242 stalls/ canteens.

The policy regarding leasing stalls/ canteens should be reviewed after ascertaining reasons for which the stalls/ canteens remained vacant *i.e.* inadequate lease period (11 months), upset value fixed for each stall, location of stalls, existence of unauthorized stalls around bus station etc.

**Parcel and allied services**

The Corporation awarded (July 2007) contracts for transportation of parcel, allied services and courier services to M/s. "S" for a period of 36 months. Audit scrutiny revealed that the firm did not pay service tax of Rs. 63.59 lakh (July 2007 to May 2009).

♠ **(i)** Krishna communication (firm K) for 15.12.02 to 14.12.05 Extended up to 31.3.06; **(ii)** Sambhav Media (firm S) for 1.4.06 to 31.3.2011 (cancelled): **(iii)** Prithvi Associated (firm P) for 5.12.06 to 4.12.2011.

## Fare policy and fulfillment of social obligations

## Existence and fairness of fare policy

### Pricing policy and related issues

**3.18.5** As per State Government notification (December 1997), the Corporation could increase the passenger fare on six monthly basis after obtaining its approval. Further, State Government notified (February 2003) various factors *viz.* increase/decrease in dearness allowance to staff, cost of diesel, average cost of tyres and the cost of chassis as basis for revising the fares under Automatic Fare Revision System.

**The Corporation suffered revenue loss of Rs.1.87 crore due to delay in revision of fare.**

The Corporation with the approval of the State Government revised the fares on four[ϒ] occasions during 2004-09. The amount of fare revision ranged from 1.66 paisa/km to 2.42 paisa/km. There was delay of 34 days in submission of proposal for fare revision on one occasion (July 2006) to the State Government and delay of 123 and 157 days in granting the approval by State Government on two other occasions (November 2004/November 2005), which resulted in revenue loss of Rs. 1.87 crore due to belated revision of fare.

**3.18.6** Further, during the period 2004-08 the Corporation paid Rs. 97.63 crore towards toll tax. However, due to non availability of exemption from payment of toll tax from concerned authorities[↔] and also non provision for recovering the toll tax through passenger fare, the Corporation had to absorb the financial burden of Rs. 97.63 crore during the period. To meet the cost of toll tax, Rajasthan State Road Transport Corporation (RSRTC) recovers an additional amount of rupee one[ƒ] and rupee two on the bus fares depending upon bus fare and distance. The Corporation could follow the similar practice and avoid absorption of toll tax.

The Corporation faces stiff competition from private operators who are paying composite tax for contract carriage whereas the Corporation pays Passenger tax and Motor Vehicle tax as given below:

| Sl. No. | Type of Vehicle | For the Corporation | | for Private Operators | |
|---|---|---|---|---|---|
| | | Tax Rate | Average tax paid per bus (Rs. in lakh) | Tax Rate | Average tax paid per bus (Rs. in lakh) |
| 1 | Luxury | 17.5 *per cent* of traffic revenue + M.V. tax | **5.55** | Rs. 6000/- per seat for one year | **1.94** |
| 2 | Ordinary | 17.5 *per cent* of traffic revenue + M.V. tax | **2.44** | Rs. 3600/- per seat for one year | **1.88** |

As a result, the Corporation pays more tax than private operators. Further, the rates of Passenger tax prevailing in other States are lower than Gujarat such as

ϒ 12 November 2004, 15 November 2005, 15 July 2006 and 23 June 2008.

↔ National Highway Authority of India, Government of Gujarat/ Local authority.

ƒ Rupee one for bus fares ranging between Rs.20 and 40 or for the travel between 51 kms. to 105 kms and rupee two on the bus fares of Rs.40 and above or travel of Rs.105 kms and more from passengers.

Karnataka (7 *per cent*), Andhra Pradesh (7.5 *per cent*) and Rajasthan (12 *per cent)*. The State Government should take suitable action for regulating the tax structure to help the Corporation in facing the competition.

The Management stated (August 2009) that the proposal for inclusion of toll tax in the fare structure and passenger tax would be taken up with the State Government.

### Adequacy of services on uneconomical routes

**3.18.7** The Corporation had about 10.73 *per cent* profit making routes as of March 2009 as shown in table under paragraph 3.12.5. However, the position would change if the Corporation improves its efficiency. Nonetheless, there would still be some routes which would be uneconomical. Though the Corporation is required to cater to these routes, the Corporation has not formulated norms for providing services on uneconomical routes. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

The Management admitted (August 2009) that there was no norm regarding uneconomical routes and the routes were finalised based on population and geographical locations.

The Corporation claims subsidy for losses sustained by it in operation of buses on uneconomical routes. For working out this claim, the Corporation keeps record of kilo meters operated and earning per kilometre at depot level for each trip operated and prepares statement showing kilometres operated and EPKM, which are not meeting operational cost[ϒ] worked out by central office. Based on this data, claim for reimbursement of losses of services on uneconomical routes are preferred on State Government which in turn gives subsidy as lump sump, as discussed in paragraph no. 3.17.4, without giving any item wise details. Hence, the amount of short reimbursement, if any, on this account is not ascertainable.

### Monitoring by top management

### MIS data and monitoring of service parameters

**3.19.1** For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the

ϒ Operational cost= cost of fuel, crew, spare parts, tyre tubes, lubricants, battery, depreciation, taxes and cost of repairs and maintenance staff.

light of this, Audit reviewed the system prevailing in the Corporation and noticed that the Management set the targets for important parameters except fleet utilisation and load factor. MIS did not give bus wise cost data to guide the Management in assessing the viability of the operations and taking suitable remedial measures. The Top Management never gave any directions/ instructions on various short comings with a view to further improve the operations.

**3.19.2** The top management of the Corporation is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, such ability was not seen either from records or performance of the Corporation during period under review.

The above matters were reported (September 2009) to the State Government/Corporation; their replies are awaited (December 2009).

## Acknowledgement

Audit acknowledges the cooperation and assistance extended by different levels of the Management at various stages of conducting the performance audit.

## Conclusion

***Operational performance***

- The Corporation could not keep pace with the growing demand for public transport as its share came down from 19.59 *per cent* in 2004-05 to 16.38 *per cent* in 2008-09.
- The Corporation could not recover cost of operations in any of the five years under review. This was mainly due to operational inefficiencies and ineffective monitoring by top management.
- The Corporation did not maintain bus wise data for cost of preventive maintenance.

***Financial management***

- The Corporation did not follow up recovery of its dues from State Government to logical end.
- The Corporation has tremendous potential to tap non-conventional sources of revenue but it did not have a policy in place to undertake large scale tapping of such funds.

***Fare policy and fulfillment of social obligations***

- Though the Corporation has a fare policy, it is not based on scientific norms.

- No policy yardstick has been laid down for operation on uneconomical routes. Therefore, the adequacy of operations could not be ascertained in Audit.

***Monitoring by top management***

- The MIS system of Corporation was not adequate and the monitoring by its top management of key operational parameters and service standards was largely ineffective.

On the whole, there is immense scope to improve performance of the Corporation. However, the present set-up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

## Recommendations

**The Corporation may:**

- phase out overage buses in a time bound manner to achieve ideal fleet composition and improve its operations.

- assess the route behavior in order to facilitate rational route planning.

- consider devising a policy for tapping non-conventional sources of revenue on a large scale, which will result in steady inflow of revenue without additional investment.

- hold regular meeting of its Board of Directors to review various operational parameters and take remedial action, if any.

**The State Government should :**

- give break up of subsidy released and reasons for the claims rejected.

- consider creating a regulator to regulate fares and also services on uneconomical routes.

- evolve mechanism to link the bus fare with cost of toll tax.