Chapter II

Performance Audit relating to Government Companies

2. Performance Audit on Rajasthan Tourism Development Corporation Limited

Executive Summary

Rajasthan Tourism Development Corporation Limited (Company) is a nodal agency of the Government of Rajasthan (GoR) for development of tourism in the state of Rajasthan. The major activities of the Company include providing accommodation and catering in hotels/motels, operation of tourist trains, bar facility in selected hotels/motels, package tours, transport and boating facilities to tourists. As on March 2013, the Company was operating 45 hotels/motels and two tourist trains i.e. Palace on Wheels (PoW) and Royal Rajasthan on Wheels (RRoW).

Financial profile

The financial position of the Company remained weak as it earned meagre profit of ₹ 0.05 crore during 2007-08 and thereafter incurred losses which accumulated to ₹ 72.12 crore by the end of March 2012. Only PoW and packaged tours contributed to the profits while all other activities i.e. the hotels/motels (comprising accommodation, catering etc.) and RRoW incurred losses during the five years ending March 2012.

Planning and implementation of State Tourism Policy

The Company had not taken any steps to implement the tourism policy 2001. Long-term/short-term action plan or policy for promotion of tourism and development of tourism infrastructure in the State were not prepared. The Company neither acquired nor got allotted any land for development of any project except a camping site (Ganehra) at Pushkar. The camping site was developed in October 2009 at a cost of ₹2.02 crore and was closed down in 2012 due to lack of profitability.

The percentage of foreign tourists availing Company's accommodation declined from 0.38 (6076) to 0.14 (2247) during 2007-13. The percentage of domestic tourists availing Company's accommodation also declined from 0.79 to 0.58 during 2007-13. The overall performance of the Company took a downslide as against 2.21 lakh tourists (0.77 per cent) availing Company's accommodation in 2007-08, the numbers decreased to 1.71 lakh (0.56 per cent) in 2012-13.

Operational performance and budgetary analysis

Out of 45 to 47 operated hotels/motels, 34 to 39 (76 to 85 per cent) hotels/motels incurred losses during 2007-08 to 2011-12. The Company incurred loss of ₹7.82 crore from operation of hotels/motels during 2007-12. The Company could not achieve the targets of profitability in any activity during all the five years except in PoW (2007-09) and RRoW (2010-12). The budgeted surplus was always higher when compared to actuals and the variation during 2007-12 ranged between 28.33 and 85.62 per cent in case of accommodation, 24.35 and 105.49 per cent in catering, 36.30 and 60.83 per cent in bar and 33.59 and 170.37 per cent in transport and boating.

Accommodation

Hotels/motels ranging between 52.17 and 71.11 per cent incurred losses during 2007-12. The occupancy declined from 42 to 33 per cent during 2007-13 which was far below than the all India average occupancy. Even the hotels/motels located at famous tourist places failed to capture the inflow of tourists due to lack of efforts towards promotion of tourism in the State.

The Company did not formulate any marketing or advertisement policy to ensure promotion of hotels/motels, luxury trains, tour packages and other facilities offered by it.

Catering

More than 50 per cent of the hotels/ motels incurred operational loss of ₹ 5.24 crore in catering activity during 2007-12. During 2007-12, 29 to 35 hotels/motels incurred excess expenditure on raw material (including wastage) than the prescribed norms while 5 to 25 hotels/motels incurred excess expenditure on fuel. Excess consumption of raw material and fuel resulted into excess expenditure of ₹ 2.69 crore and ₹ 6.47 lakh respectively during five years ending March 2012.

PoW and RRoW

PoW has been a profitable venture and the surplus from this activity increased from ₹ 8.80 crore to ₹ 9.64 crore during 2007-12. The occupancy of the train, however, declined from 100 to 80.12 per cent during the same period which further declined to 66.63 per cent during 2012-13. The increase in surplus was due to increase in tariff which increased between 19.33 and 32.35 per cent during October 2007 to March 2012 in various types of occupancy.

The performance of RRoW was poor as the Company could operate 16 to 23 trips against 34 projected trips annually, during 2009-13. The response of the tourists was poor and the Company could achieve occupancy of 49.20 per cent by March 2013. Higher occupancy of 58 per cent during 2011-12 was due to reduced number of trips. The project of RRoW was covered under the GoI scheme for assistance to large revenue generating projects in tourism sector but the Company short claimed grant-in-aid of ₹ 3.27 crore.

Central/State assisted projects

The Company could not complete the Central assisted works within scheduled completion period of 12 and 36 months from the date of sanction. Out of 120 works executed during 2007-13, 65 works were completed after delays ranging between one and 44 months. Among these, tenders for 20 works were invited after period of upto 19 months from the schedule date of completion of the works. Project wise details of funds received and expenditure incurred against each project were not maintained and there were unutilized funds of ₹ 1.08 crore as on March 2013. The Company incurred excess expenditure of ₹ 96 lakh over the sanctioned amount in 23 works and adjusted the same from the unutilized funds. Out of 64 works assigned by the State Government during 2007-13, 11 works allotted during 2010-12 were pending (October 2013) for completion due to delay in invitation of tenders and slow progress of the works by contractors. Further, out of 10 works allotted during 2012-13, nine works were to be completed by March 2013 and one work by March 2014 as per terms of sanction. However, only three works were completed by October 2013.

Recommendations

The Performance Audit contains seven recommendations which include implementation of the tourism policy and preparation of long-term/short-term action plan for tourism promotion and development of tourism infrastructure in the State; preparation of realistic budgets and action plan to support and achieve the targets; improvement of occupancy through improved facilities and better marketing; bringing food cost within norms; preparation of action plan to improve occupancy of PoW and RRoW; adherence to the guidelines of Centre/State in completion of projects; and to streamline the Internal Audit and Vigilance functions.

Introduction

2.1 Rajasthan Paryatan Vikas Nigam Limited (RPVNL) was incorporated (November 1978) as a wholly owned Government company for development of tourism in the State of Rajasthan. RPVNL was renamed to 'Rajasthan Tourism Development Corporation Limited' (Company) in September 2000. The Company is a nodal agency of Government of Rajasthan (GoR) for tourism promotion and is administratively controlled by the Department of Tourism (DoT), GoR.

As on March 2013, the Board of Directors (BoD) of the Company comprised of seven Directors including Managing Director (MD) and Chairman who are appointed by the State Government. The Managing Director is the Chief Executive Officer of the Company and is assisted by two Executive Directors, seven General Managers (Finance, Works, Administration, Food-Beverages & Land Bank, Planning & Monitoring, Marketing & Publicity and Central Store) at Head Office and 20 General Managers at units.

The major activities of the Company include accommodation and catering in hotels/motels, operation of tourist trains, bar facility in selected hotels/motels, package tours, transport and boating facilities to tourists. The prime objective of the Company is to facilitate the development of tourism in the state of Rajasthan. As on March 2013, the Company was operating 45 hotels/motels and two tourist trains *i.e.* Palace on Wheels (PoW) and Royal Rajasthan on Wheels (RRoW). The Company also operated Heritage on Wheels (HoW) during 2005-06 to 2008-09. The operations of HoW were discontinued from January 2009 onwards due to gauge conversion (meter to broad) of the route.

Scope of Performance Audit

2.2 The performance of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2002, Government of Rajasthan. The Performance Audit was discussed by the Committee on Public Undertakings (COPU) during October 2005 to September 2006. The recommendations of COPU are awaited (October 2013).

The present Performance Audit covers all activities of the Company during the period 2007-08 to 2012-13. The Company had not prepared (December 2013) annual accounts for the year 2012-13 and as such the financial figures for the year 2012-13 have not been incorporated in the Performance Audit. However, the operational performance for the year 2012-13 as regards tourist inflow, occupancy of hotels/motels, occupancy of PoW and RRoW, position of Central and State assisted tourism projects *etc.* have been incorporated in the Performance Audit.

Audit examination involved scrutiny of records at the Head Office, 12[1] selected hotels/motels, tourist trains and works division of the Company. Selection of 12 hotels/motels out of 46 hotels/motels as on March 2012 was done on the basis of various factors *viz.* turnover, expenditure, surplus/deficit, occupancy, geographical location, places of importance *etc.* affecting tourism industry.

Audit objectives

2.3 The Performance Audit of the Company was carried out to ascertain whether:

- the policy of the GoR for promotion of tourism in the state was implemented by preparing long term/ short term plans;
- the hotels/motels/restaurants and tourist trains were operated effectively and efficiently and that the targets of occupancy were achieved;
- adequate quality infrastructural facilities and amenities were available for tourists;
- the marketing strategy was geared to the business needs;
- the funds received from the Government of India (GoI) and GoR were utilized effectively and economically for the intended purpose and
- Internal control/internal audit were effective.

Audit criteria

2.4 The audit criteria, derived from the following sources, were adopted:

- Tourism Policy 2001 of GoR, guidelines/plan for promotion of tourism prepared by the GoR and Company;
- Guidelines issued by Government of India (GoI) and GoR for sponsored schemes;
- Budgets and norms fixed in respect of food and catering,
- Agenda and Minutes of the meeting of the Board of Directors (BoD) and other Committees; and
- Management Information System/ Internal Control/ Internal Audit.

1 (1) Motel Behror, (2) Hotel Gangaur Jaipur, (3) Hotel Moomal Jaiselmer, (4) Hotel Ghoomer Jodhpur, (5) Hotel Saras Bharatpur, (6) Motel Mahua, (7) Hotel Teej Jaipur, (8) Hotel Kajri Udaipur, (9) Hotel Sikhar Mount Abu, (10) Hotel Dholamaru Bikaner, (11) Hotel Haveli Fathepur and (12) Castle Jhoomar Baori Sawaimadhopur.

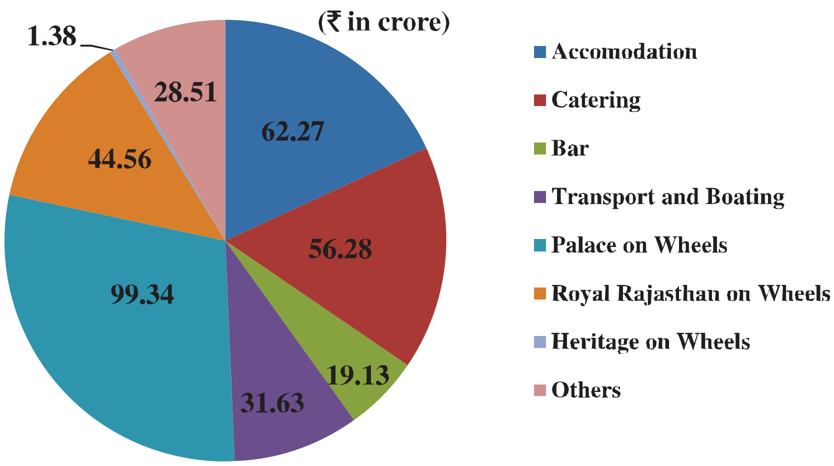
Audit methodology

2.5 The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the Government/top Management of the Company during entry conference (25 April 2013). The records at Head Office and selected units were scrutinized involving analysis of data, raising of audit queries and interaction with Company personnel. Draft Performance Audit Report was issued to Government/Management for their comments. The reply of the Government/Management was received in August 2013/November 2013. Audit findings were discussed with the Government/Management during exit conference (27 September 2013). The Performance Audit has been finalised after considering the replies of the Government/Management.

Audit findings

Financial profile

2.6 The financial position and working results of the Company during five years ending March 2012 is given in **Annexure-7.** The financial position of the Company remained weak as it earned meagre profit of ₹ 0.05 crore in 2007-08 and thereafter incurred losses[2] continuously. The losses accumulated to ₹ 72.12 crore by the end of March 2012 and wiped out the capital employed. The revenue generated from various activities during five years ending March 2012 was as given below:



The percentage share of revenue among various activities during five years ending March 2012 for accommodation, catering, bar, transport and boating, Palace on Wheels, Royal Rajasthan on Wheels, Heritage on Wheels and others was 18.15, 16.40, 5.58, 9.22, 28.95, 12.99, 0.40 and 8.31 respectively.

Profitability analysis disclosed that only PoW and packaged tours contributed to profits while all other activities *i.e.* the hotels/motels (comprising all

2 ₹ 8.36 crore (2008-09), ₹ 25.43 crore (2009-10), ₹ 26.68 crore (2010-11) and ₹ 11.65 crore (2011-12).

activities *viz.* accommodation, catering *etc.*) and RRoW incurred losses during the five years ending March 2012. The activity wise financial performance indicated profits in accommodation and catering but the same was not reflective of the true position as general expenses, repair and maintenance and share in Head Office expenses were not considered for arriving out the results.

Planning and implementation of State Tourism Policy

2.7 The GoR issued a new Tourism Policy (Policy), in September 2001 which envisaged the role of the Company as a catalyst for tourism development in the State. The Company, however, did not prepare any long-term/short-term action plan or policy for promotion of tourism and development of tourism infrastructure in the State. The broad areas defining the role of the Company are given below:

- Acquire or get allotted land from the Government and develop it for setting up hotels and other tourism related projects.
- Preparation of projects jointly with DoT and Devesthan Department for utilisation of properties and valuable land of Devesthan Department for development as Dharamshalas/Yatri Niwas/Tourist Complexes.
- Establishing tourism related ventures in 'assisted sector' by selective equity participation.
- Launch an economy version of POW for budget tourist.
- Offer local conducted sightseeing tours at important tourist places in the State.
- Explore the feasibility of collaboration with Air Taxi operators to promote travel by air.
- Single window facility for processing of loan applications of entrepreneurs willing to establish tourism related projects in State.

The Company had not taken any steps to implement the tourism policy. We noticed that the policy was never discussed in the Board meetings for preparation of long term plans for tourism promotion and infrastructure development. The Company neither acquired nor got allotted any land for development of any project except a camping site (Ganehra) at Pushkar, which was developed in October 2009 at a cost of ₹ 2.02 crore despite negative opinion about the viability of the project. The project was closed down in 2012 due to lack of profitability. The very purpose of the Company to act as a catalyst and nodal agency for tourism development in the State was defeated.

The Government accepted (August 2013) the facts and stated that the Department of Tourism had not issued any administrative orders for the envisaged role of the Company. As regards implementation of air taxi services and development of properties, it was stated that they were not feasible due to lack of financial resources. The reply was not convincing as there was no necessity to issue specific administrative orders by the Department of Tourism and the fact remained that the policy was not implemented in true spirit.

Tourism potential in Rajasthan and achievement of the Company

2.8 Over the years Rajasthan has established itself as an eminent tourist place. Its rich heritage culture, exciting desert safaris, shining sand-dunes, amazing variety of forests and varied wildlife have not only attracted people from India but also placed it on the international tourist map. The details of tourist inflow in Rajasthan and those who availed Company's services during the last six years ending March 2013 are as below:

(Figures in lakh)

Particulars		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total inflow of foreign tourists in India		51.75	50.93	53.88	59.29	65.05	66.94
Tourists inflow in Rajasthan							
Domestic		271.99	280.73	264.59	242.63	277.35	289.67
Foreign		15.84	11.90	11.65	12.79	14.20	14.51
Total		**287.83**	**292.63**	**276.24**	**255.42**	**291.55**	**304.18**
Percentage of foreign tourists visiting Rajasthan to total inflow of foreign tourists		**30.61**	**23.36**	**21.62**	**21.57**	**21.83**	**21.68**
Number of tourists who availed Company's accommodation							
Domestic	Numbers	2.15	2.00	1.73	1.83	1.71	1.69
	Percentage	0.79	0.71	0.65	0.75	0.62	0.58
Foreign	Numbers	0.06	0.05	0.03	0.03	0.03	0.02
	Percentage	0.38	0.42	0.26	0.23	0.21	0.14
Overall	Numbers	**2.21**	**2.05**	**1.76**	**1.86**	**1.74**	**1.71**
	Percentage	**0.77**	**0.70**	**0.64**	**0.73**	**0.60**	**0.56**

(Source: Annual Reports of the Department of Tourism, GoR)

It could be seen that inflow of foreign tourists in India increased (by more than 29 *per cent*) from 51.75 lakh in 2007-08 to 66.94 lakh in 2012-13 but the percentage share of foreign tourists visiting Rajasthan decreased from 30.61 *per cent* to 21.68 *per cent* during the same period. The Company failed to tap the tourists visiting Rajasthan as the percentage of foreign tourists availing Company's accommodation was not only meagre but also declined from 0.38 *per cent* (6076) in 2007-08 to 0.14 *per cent* (2247) in 2012-13. Further, the percentage of domestic tourists availing Company's accommodation also declined from 0.79 *per cent* during 2007-08 to 0.58 *per cent* during 2012-13. The overall performance of the Company took a downslide as against 2.21 lakh tourists (0.77 *per cent*) availing Company's accommodation in 2007-08, the numbers decreased to 1.71 lakh (0.56 *per cent*) in 2012-13.

We observed that lack of marketing, poor infrastructure, inadequate services/facilities and higher room tariffs in comparison to the private sector (as discussed in subsequent paragraphs) were the main reasons for poor performance of the Company.

The Government accepted the facts and stated that major causes for downfall in occupancy of rooms were lack of up-gradation of its facilities and on the other hand increase in the number of hotels and available bed capacity coupled with flexi and lesser tariff in private sector. However, the Company did not furnish any data in support of their argument.

Operational performance and budgetary analysis

Operational performance (hotels/motels)

2.9 The Company operated 45 to 47 hotels/motels during 2007-08 to 2011-12 in various parts of the State. The operational performance of hotels/motels during this period is given in **Annexure-8** and summarized position is given below:

(₹in crore)

Year	No. of hotels/ motels	Income	Expenditure[1]	Operational surplus/ (deficit)	Performance of Hotels/ motels			
					Surplus (No.)	Deficit (No.)	Surplus	Deficit
2007-08	47	23.78	24.04	(0.26)	11	36	2.85	(3.11)
2008-09	47	24.83	25.90	(1.07)	12	35	2.42	(3.49)
2009-10	46	30.24	32.82	(2.58)	7	39	3.40	(5.98)
2010-11	45	34.71	35.89	(1.18)	11	34	4.22	(5.40)
2011-12	46	32.92	35.65	(2.73)	11	35	3.21	(5.94)

(Source: Annual Accounts of the Company)

It could be seen that the operational performance of hotels/motels was not satisfactory as out of 45 to 47 operated hotels/motels, 34 to 39 (76 to 85 *per cent*) hotels/motels incurred losses during 2007-08 to 2011-12. In all the five years ending March 2012, the operational surplus generated by remaining hotels/motels was not sufficient to cover the deficit of loss making hotels/ motels. The gap between operational income and expenditure increased from ₹ 0.26 crore in 2007-08 to ₹ 2.73 crore in 2011-12. The Company incurred loss of ₹ 7.82 crore from operation of hotels/motels during 2007-12.

Our analysis (**Annexure-9**) of the loss making hotels/motels disclosed that 29 hotels/motels incurred losses during all the five years, three hotels/motels in four years, three hotels/motels in three years, four hotels/motels in two years and five hotels/motels incurred losses in one year. Among the loss making hotels/motels, eight[4] hotels/motels were located at Pushkar, Bharatpur, and Jaipur which are renowned tourist places of Rajasthan. Only five[5] hotels/motels generated operational surplus during all the five years.

The Government stated that losses were due to high establishment cost which increased manifold due to implementation of sixth pay commission. The turnaround in the performance requires huge investment for up-gradation of hotels/ motels to the level of private hotels, recruitment of young service staff and massive publicity in domestic and international market. The fact remained that the Company did not take adequate measures to improve the profitability of its hotels/motels.

2.10 In view of losses, the Board of Directors decided (September 2007) to close 10[6] small and unviable hotels/ motels *w.e.f.* 1 January 2008. We, however, noticed that the Company closed down (July 2009) only one unit

3 Expenditure excludes depreciation, proportionate head office expenses and provisions for employee costs and other overheads.

4 Saorvar, Tourist Village, RTV Ganehra, Saras, Gangaur, Teej, Swagatam and Durg Café.

5 Samdhani, Khadim, Motel Behror, Shikhar and Kajri.

6 Barr, Bundi, Churu, Dausa, Dholpur, Deogarh, Yatrika Nadhtdawara, Ranakpur, Mavath Amer and Barmer.

(Mavath Amer) and leased out (2010-11) another unit (Yatrika, Nathdwara). No action was taken (June 2013) for closing the remaining eight hotels/ motels. The Company by operating these eight economically unviable hotels/ motels suffered loss of ₹ 4.13 crore during 2007-12.

The Government stated that serious efforts were made for leasing out the hotels/ motels but only one unit could be outsourced which has also been vacated. The fact remained that the Company did not adhere to the directions of Board and operated the hotels/ motels in loss.

Budgetary analysis

2.11 The Company sought activity wise proposals from unit offices and prepared a consolidated activity wise budget for the Company as a whole. The performance of the Company towards achievement of budgetary targets during 2007-12 is given in **Annexure-10**.

It would be seen from the annexure that the Company could not achieve the targets of profitability in any activity during all the five years except in PoW during 2007-09 and RRoW in 2010-12. The budgeted surplus was always higher when compared to actuals and the variation during 2007-12 ranged between 28.33 and 85.62 *per cent* in case of accommodation, 24.35 and 105.49 *per cent* in catering, 36.30 and 60.83 *per cent* in bar and 33.59 and 170.37 *per cent* in transport and boating. In case of PoW, the excess over budgeted surplus ranged between 4.55 and 39.82 *per cent* during 2009-12. The Company projected loss of ₹ 20 lakh in RRoW during 2010-11 and profit of ₹ 27 lakh in the year 2011-12. However, the train registered surplus of ₹ 12 lakh in 2010-11 and ₹ 1.93 crore in 2011-12.

We noticed that the budget proposals prepared by the unit offices were not based on material facts and figures as all the units simply made additions or deductions to previous year budgeted figures without giving cognizance to actual results. There was no action plan to achieve the laid down targets. Our analysis of budgetary targets for hotel/motel disclosed that the Company projected losses of ₹ 1.49 crore and ₹ 0.03 crore during 2010-11 and 2011-12 respectively. In respect of individual hotels/motels, deficit budgets were prepared for 14 to 23 hotels/ motels, out of 45 to 47 hotels/ motels, during 2007-12, and of these, deficit budget for nine[7] hotels/ motels was prepared during all the five years. Preparation of deficit budget shows lack of planning for revival of hotels/ motels.

The head office prepared consolidated budget without any concrete plan to achieve the targets. Further, budgets and actual results from various activities were not indicative of the true profitability, as the Company did not apportion the indirect expenses *viz.* general expenses, repair and maintenance, depreciation, interest cost, retirement benefits and head office administrative expenses.

The Government stated that certain provisions *viz* leave encashment, gratuity and pay arrears made during the financial years was the main reason for difference in budgeted surplus and actual surplus. As regards deficit budget, it

7 (1) Motel Barr, (2) Vrindawati Bundi, (3) Saras Bharatpur, (4) Meenal Alwar, (5) Motel Shahpura, (6) Motel Deogarh, (7) Shilpi Ranakpur, (8) Motel Dausa, (9) Chirmi Churu.

was stated that as per planning of the State Government the Company had to operate hotels/ motels at those places where tourist traffic was not sufficient. The reply of the Government is not convincing as these provisions were not apportioned to the units. Further, the Company could not produce any directions issued by the State Government to operate unviable hotels/motels. The overall budget preparation exercise became futile and there was no strategy for revival of the loss making hotels/motels.

Accommodation

2.12 Under the activity of accommodation, the unit-wise performance of the Company during five years ending March 2012 is given in **Annexure-11** and summarized position is given below:

(₹in crore)

Year	Total hotels/ motels[1]	Hotels/ motels which earned surplus				Hotels/motels which incurred deficit			
		No.	Income	Expenditure	Surplus	No.	Income	Expenditure	Deficit
2007-08	46	22	9.86	5.18	4.68	24	1.29	2.10	0.81
2008-09	46	21	10.43	6.42	4.01	25	1.29	2.25	0.96
2009-10	46	16	8.96	6.31	2.65	30	2.84	4.62	1.78
2010-11	45	13	8.90	5.73	3.17	32	4.58	6.36	1.78
2011-12	46	19	10.16	6.84	3.32	27	3.95	5.71	1.76

(Source: Annual Accounts of the Company)

Providing accommodation was the most important activity of the Company. However, the performance of the Company in this regard was not satisfactory as hotels/motels ranging between 52.17 and 71.11 *per cent* incurred losses during 2007-12. However, expenditure included only the salary of engaged staff and washing charges/consumable items but the indirect expenses (as discussed under para 2.11) had not been included as the Company has no system of activity wise apportionment.

The stratified break-up of percentage of room occupancy in hotels/ motels is shown below:

Year		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
No. of hotels and motels operated		46	46	46	45	46	45
No. of room days available		324873	303107	308622	330115	333686	330290
No. of room days occupied		136723	129022	107909	111714	109153	107449
Occupancy (in *percentage*)		42	43	35	34	33	33
Number of Hotels and Motels having occupancy	Below 20 *per cent*	10	9	12	12	14	12
	20 *per cent* and above but below 40 *per cent*	19	22	23	23	23	24
	40 *per cent* and above but below 60 *per cent*	13	11	9	10	7	7
	60 *per cent* and above	4	4	2	0	2	2

(Source: MIS of the Company)

8 Hotels/ Motels which provided accommodation service.

It could be seen from above that the performance was not encouraging as the occupancy of 42 *per cent* in 2007-08 declined to 33 *per cent* in 2012-13 as against the all India average occupancy[9] of 69.40, 63.10, 59.90, 62.10, 60.90 and 58.30 *per cent* respectively during 2007-13. Further, analysis of the nine[10] hotels/motels situated at famous tourists places having rich heritage, culture, sand dunes, wildlife, hill station *etc.* disclosed that average occupancy during 2007-13 ranged between 37.77 and 49.37 *per cent.* This indicates that even the hotels/motels located at famous tourist places failed to capture the inflow of tourists due to lack of efforts towards promotion of tourism in the State.

The Government accepted the facts and stated that the newly constructed private sector hotels have better modern technology in comparison to Company coupled with their lower tariff, better facilities along with relatively younger staff. Besides, some of the hotels/ motels of the Company have been put into place with the sole objective of tourism development even if these were economically not viable. The fact remained that the Company failed to capture the tourist inflow due to lack of planning and far-sightedness despite it being an established brand name in Rajasthan since 1978 and having properties at strategic locations in the state.

Fixation of targets

2.13 The Company fixed the occupancy targets for individual hotels/motels on the basis of accommodation income. However, the Company did not follow the correct procedure of fixing room occupancy targets on the basis of location of the unit, tourist flow and conditions prevailing. Due to fixation of occupancy targets on the basis of income, in some cases the occupancy targets fixed by the Company were more than 100 *per cent* (upto 211 *per cent* for Motel, Dausa in 2010-11).

The Company had not fixed any break-even occupancy level for hotels/motels though it was a vital parameter to judge the profitability. In absence of break-even occupancy level fixed by the Company, we calculated the break-even occupancy level by apportioning the indirect expenditure in proportion to direct turnover of hotels/motels. In comparison to break-even occupancy calculated by us *i.e.* 56.60, 65.37, 67.80, 58.71 and 52.02 *per cent* for five years from 2007-12, the actual average occupancy was 42.09, 42.57, 34.96, 33.84 and 32.71 *per cent* respectively.

The Government stated that the aim and objective of the Company was to develop tourism in the State and hotels/ motels were not established purely on commercial viability. The break-even point did not serve any purpose under such circumstances. The reply lacks justification as break-even provides essential input to the management in profit planning of the hotels/motels.

Fixation of Tariff

2.14 The Company fixed and revised room tariff at the head office on the basis of proposals received from unit managers. A common room tariff for whole of the year was fixed upto the year 2010-11 and there was no concept of

9 As per survey reports of the Federation of Hotel and Restaurant Association of India.

10 CJB (Sawai Madhopur), Vinayak (Sawai Madhopur), Gangaur (Jaipur), Teej (Jaipur), Swagatam (Jaipur), Shikhar (Mount Abu), Kajri (Udaipur), Ghoomar (Jodhpur), and Moomal (Jaiselmer).

seasonal and off-seasonal tariff. However, discretionary powers were given to hotel managers to offer higher discount upto 35 *per cent* during the off-season. Further, the Company started to fix different tariffs for 'season' and 'off-season' period from 2011-12 onwards.

We noticed that there was no rational basis for fixation of tariff based on various factors like occupancy registered by the hotel/motel, tariff structure of other hotels/motels in close vicinity *etc*. Further, there was no policy for tariff revision and the Company revised tariff (mostly upward) several time between the regular annual revision of tariff. This had caused inconvenience to the tourists who reserved rooms prior to revision of tariff as they were required to pay the differential amount on account of upward revision.

The Government stated that tariff was fixed at the head office level after taking into consideration all the relevant aspects to make the tariff reasonable and acceptable to the customer profile. The reply is in contradiction to reply against para no. 2.8 in which the Government had accepted that higher tariff led to low occupancy of hotels and losses to the Company.

Customer feedback system

2.15 The Company maintained visitor's book (complaint cum suggestion register) at the hotels/motels to obtain feedback from tourists regarding quality of services, food and facilities. Review of visitor's book at selected hotels/ motels disclosed that tourists complained about bad conditions of rooms, quality of food, room services, non-working of electrical appliances (air conditioners, fans, switches *etc.*), and other facilities like toilets and bathrooms. Our audit disclosed that one unit (CJB, Sawai Madhopur) did not maintain visitor's book while in other two hotels/ motels (Haveli Fatehpur and Dholamaru Bikaner) the visitor's book was not properly maintained as both these hotels/ motels registered merely five comments each during 2007-12. Further, in six[11] hotels/ motels the number of adverse comments were more than favourable comments while only three hotels/ motels (Gangaur Jaipur, Ghoomar Jodhpur and Saras Bharatpur) registered favourable comments.

The Company directed (July 2008) the hotels/motels to set up guest suggestion boxes at various points *i.e.* reception, dining hall, lounge, each floors *etc.* and provide free inland letters necessarily to each tourist staying at the hotel/motel for suggestions. The suggestion box was to be opened on first and fifteenth day of each month and letters were to be sent to head office in a sealed envelope. The tourists were also free to send the letters directly to the head office.

We noticed that two[12] hotels/ motels did not implement the system. In remaining hotels/ motels, suggestions/ feedback received through inland letters were negligible. Test check at hotel Teej (Jaipur) disclosed that only 36 letters were received during 2007-13 against accommodation provided to 68335 number of tourists. Further, the head office did not maintain any data base of the inland letters received and action taken against the complaints.

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11 (1) Teej Jaipur, (2) Motel Behror, (3) Motel Mahua, (4) Kajri Udaipur, (5) Shikhar, Mount Abu and (6) Moomal Jaisalmer.

12 Dholamaru Bikaner and Motel Mahua.

The Company did not maintain proper records regarding receipts/ issue of inland letters and action taken thereon. Therefore, effectiveness of the system could not be vouchsafed in audit.

The Government stated that serious complaints reported to the management were attended with written and verbal warning to concerned unit managers. However, effective mechanism would be put in place in future.

Marketing and publicity

2.16 Marketing/publicity of services is a tool for effective promotion of tourism. The Company has a separate marketing and publicity division at head office along with six central reservation/marketing offices at Ahmedabad, Delhi, Mumbai, Chennai, Kolkata and Jaipur for publicity and business promotion of the Company. Further, the Company also participated in 43 domestic and three international level travel and tourism fairs and road shows during 2007-13 for marketing of tourism infrastructure owned by it.

We noticed that the Company did not formulate any marketing or advertisement policy to ensure promotion of hotels/motels, luxury trains, tour packages and other facilities offered by it. The central reservation offices performed poorly and provided business ranging between 10.48 *per cent* and 13.45 *per cent* of the total operational turnover of hotel/motels during the period 2007-12. The total business from these offices during 2007-12 was ₹ 17.89 crore against operational turnover of ₹ 146.48 crore. Further, the expenditure on marketing was only ₹ 2.32 crore during 2007-12 which was 0.68 *per cent* of the total turnover of the Company. The expenditure on advertisements through electronic media like television, radio/F.M which creates high impact was only 5.36 *per cent* of the total expenditure on advertisement.

The Company incurred an expenditure of ₹ 0.59 crore on participation at domestic and international travel and tourism fairs and road shows but did not evolve any mechanism to assess the impact of these promotional campaigns. Besides, the DoT, GoR organized 29 to 34 festivals every year in Rajasthan but the Company did not participate in any of the festivals to attract tourists during 2010-13.

In 10 hotels/ motels out of 12 selected hotels/motels, we found that the Company did not put hoardings *en-route* to bus-stands/railway stations or at other places of interest to make tourists aware about Company's hotels/motels and services provided by them.

We also noticed that DoT, GoR operates 24 tourist reception centers (19 in Rajasthan and five outside State). However, Company staff was deputed at only six centers (three centers in Rajasthan and three outside State) despite the directions (May 2008) of Principal Secretary, Tourism to depute staff at all tourist centers. Besides, there was no system of monitoring of adverse comments posted on travel websites like *www.tripadvisor.com* and there was no mechanism in place to improve the services on the basis of adverse comments.

The Government stated that the web portal started from December 2009 was quite popular and it provided sufficient publicity. The income from central reservation offices decreased due to online booking facility available to customers. Since DoT was making ample publicity for the destinations where the Company's properties were located, the Company restricted direct marketing and publicity due to financial constraints. The reply is not convincing as the average occupancy of hotels/motels decreased from 42 *per cent* in 2007-08 to 33 *per cent* in 2012-13 and the Company incurred operational loss of ₹ 7.82 crore from operation of hotel/motels during 2007-12. Further, the Government had accepted **(para no. 2.9)** that turnaround in operational performance requires massive publicity in domestic and international market. The reply did not elaborate other issues highlighted in the para.

Star Categorization

2.17 The Ministry of Tourism (MoT), GoI classifies hotels into different categories (1-star to 5–star deluxe, heritage *etc.*) based on the facilities and services offered. The Company has to apply to the Hotel and Restaurant Approval and Classification Committee (HRACC) under the DoT, GoI to get its hotels rated. The star classification has an inherent business advantage. However, the Company did not apply for star categorization of its hotels.

The Government accepted the facts and stated that most of the hotels of the Company did not meet the facilities and services prescribed for classification.

Other issues affecting the accommodation business

2.18 The Company directed (August 2010) all hotels/motels to strictly monitor and supervise the various activities by providing checks for proper maintenance of bed rooms, front office, lounge/lobby, kitchen, restaurants/coffee shop, bar, garden and parking in the hotels/motels giving due regard to sanitation and hygiene.

We conducted (8 April 2013 to 1 June 2013) a joint survey of 12 selected hotels/motels with the management to check on compliance to the directions issued by the Company. The rooms inspected were 20 to 25 *per cent* of the total rooms on random basis. The results of survey were as below:

- Rooms ranging between 31 *per cent* (Hotel Kajri Udaipur) and 86 *per cent* (Dholamaru Bikaner) of the total surveyed rooms in nine[13] hotels/ motels required major repairs.
- Twelve air conditioners in Ghoomar (Jodhpur) were very old and were not working properly. Further, coolers were not installed in 14 rooms at hotel Saras (Bharatpur). The customers also complained about non-availability/non-working of air conditioners and coolers.

The Government accepted the facts and stated that major repairs would be done and unit heads had been directed to purchase air conditioners and other such items as per prescribed limit allotted to them.

13 Hotel Teej, Dholamaru, Motel Mahua, Midway Behror, Moomal, Shikhar, Ghoomar, Saras and Kajri.

Catering

2.19 The performance of catering activity during five years ending March 2012 was as below:

(₹in crore)

Year	No. of hotels/ motels[1]	Profit making hotels/ motels				Loss incurring hotels/ motels				Net Surplus/ (deficit)
		No.	Income	Expen diture	Surplus	No.	Income	Expen diture	Deficit	
2007-08	46	17	6.48	5.18	1.30	29	2.24	2.99	0.75	0.55
2008-09	46	19	6.94	5.47	1.47	27	2.36	3.28	0.92	0.55
2009-10	45	26	9.47	7.15	2.32	19	2.22	3.16	0.94	1.38
2010-11	44	23	11.47	8.60	2.87	21	2.60	3.73	1.13	1.74
2011-12	46	19	7.12	5.76	1.36	27	5.38	6.88	1.50	(0.14)
Total			**41.48**	**32.16**	**9.32**		**14.80**	**20.04**	**5.24**	**4.08**

(Source: Annual Accounts of the Company)

It would be seen from the above that the catering activity generated surplus except in the year 2011-12. However, more than 50 *per cent* of the hotels/ motels incurred losses during 2007-09 and 2011-12. The loss incurring hotels/ motels led to operational loss of ₹ 5.24 crore during the period 2007-12. The loss incurring hotels/motels included prestigious hotels/motels also *viz.* Hotel Ghoomer, Hotel Kajri, Durg Café, Hotel Swagatam, Hotel Teej, Motel Barr, and Hotel Gangaur which incurred losses in one to five years during 2007-12. These hotels/motels registered average turnover ranging between ₹ 0.22 crore (Hotel Swagatam) and ₹ 1.46 crore (Hotel Gangaur) during 2007-12.

Our analysis of the loss incurring hotels/ motels during five years ending March 2012 disclosed that 15 hotels/ motels incurred losses in all the five years, three hotels/ motels in four years and 21 hotels/ motels incurred losses in at least one out of five years. Only 10 hotels/ motels earned operational profit during all the five years. However, the actual profitability from catering activity could not be commented as there was no activity wise apportionment of financing cost, general expenses, depreciation, repair and maintenance, head office expenses and provision for retirement benefits of staff engaged in catering.

We noticed that the performance of catering activity was reviewed by the Company in meetings with the hotels/motels management and quarterly performance was also placed in Board Meetings. However, the management issued only general directions to improve the performance and no effective action was taken by the hotels/ motels there against.

The Company decided (March 2009) to organise food festivals in potential hotels/ motels once in three months as well as on special occasions/festivals. It was also decided to invite chain of restaurants (Pizza Hut, Café Coffee Day *etc.*) for running restaurant in potential hotels/ motels on lease/Public Private Partnership model. However, no action was taken to implement the decisions.

The Government accepted the facts and stated that performance of catering activity depends on occupancy of the hotels which was constantly falling and the offsite public occupancy in dining halls is very limited. The fact remained

14 Hotels/ motels which provided catering services.

that the Company neither implemented decisions nor took effective action to improve the performance of catering activity.

Food cost

2.20 The Company fixed (June 1998) food cost norms to control the catering cost. The norms provided that raw material, fuel cost, establishment cost, wastage and other cost should not exceed 35, 7, 20, 5 and 13 *per cent* of menu rates respectively. The stipulated limits were to be used as a guiding principle to fix menu rates so as to generate at least 20 *per cent* surplus and the rates so fixed were to be comparable with the rates offered by similar category of hotels/establishments *etc.* in the private sector. The maximum limit of raw material cost was revised to 25 *per cent* of sale price in July 2009. The food cost norms were again revised in December 2011 and the maximum limits of raw material, establishment cost, fuel and wastage were fixed at 35, 46, 7 and 2 *per cent* of the menu rates respectively with minimum profit of 10 *per cent*.

Our analysis of the raw material and fuel cost incurred by hotels/motels in comparison to the norms fixed by the Company disclosed that the cost charged under these heads was in excess of the norms. The analysis of raw material and fuel cost pattern during 2007-08 to 2011-12 indicated as below:

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Total Number of hotels/ motels providing catering services	46	46	45	44	46
Maximum cost allowed on raw material including wastage (*per cent* of menu rates)	40	40	40 and 30[15]	30	30 and 37[16]
Maximum fuel cost allowed (*per cent* of menu rates)	7	7	7	7	7
Number of hotels/ motels where raw material cost was in excess of norms	34	33	29	35	34
Number of hotels/ motels where fuel cost was in excess of norms	25	21	5	5	7
Excess expenditure on raw material (₹ in lakh)	57.49	33.11	33.59	75.00	69.96
Excess expenditure on fuel cost (₹ in lakh)	3.08	2.65	0.11	0.27	0.36

(Source: Annual Accounts of the Company)

Out of total (44 to 46) hotels/ motels providing catering services, 29 to 35 hotels/ motels incurred expenditure on raw material (including wastage) in excess of the prescribed norms of 30 to 40 *per cent* of menu rates during 2007-12. Similarly, in case of fuel, 5 to 25 hotels/ motels incurred excess expenditure as compared to norms. Excess consumption of raw material and fuel resulted into excess expenditure of ₹ 2.69 crore and ₹ 6.47 lakh respectively during five years ending March 2012.

We observed that lack of sales or meager turnover of hotels/ motels was not a reason for excess cost of raw material than prescribed norms as despite

15 40 *per cent* during April 2009 to July 2009 and 30 *per cent* from August 2009 to March 2010.

16 30 *per cent* during April 2011 to December 2011 and 37 *per cent* from January 2012 to March 2012.

registering turnover of more than ₹ 10 lakh, 11 to 22 hotels/ motels incurred excess expenditure during 2007-12. Two hotels/ motels *i.e.* Motel Behror and Hotel Gangaur with highest turnover incurred excess expenditure on raw material in five and three years respectively during the period 2007-12.

The Government stated that food cost was very high whenever there was low occupancy in the hotels and the same was compensated whenever there was higher occupancy. This resulted into overall higher consumption of raw material due to low sale, wastage and higher fuel consumption. The reply is not convincing as there was excess expenditure than the norms fixed by the company itself. Further, the hotels/ motels registering higher turnover also incurred excess expenditure on raw material.

Bar activity

2.21 The facility of bar finds an important place in tourism sector especially where inflow of international tourists is concerned. The Company provides bar facility in its selected hotels/motels. The position of income and expenditure from the bar facilities provided during the period 2007-12 was as below:

(₹in crore)

Year	Number of hotels/ motels with bar facility	Income	Expenditure	Profit/(Loss)
2007-08	16	2.62	2.23	0.39
2008-09	14	2.54	2.13	0.41
2009-10	28	4.33	3.86	0.47
2010-11	27	5.13	4.36	0.77
2011-12	15	4.51	3.58	0.93

(Source: Annual Accounts and MIS of the Company)

As seen from above, the bar facility provided to tourists had been a profitable venture for the Company as it had contributed profits of ₹ 2.97 crore during 2007-12.

We noticed that the Company decided (March 2009) to extend the bar facility in 14 more hotels/ motels. However, no feasibility study was undertaken for this need and license fees[17] payable. The proposal to open bars was also opposed (March/April 2009) by the unit heads on the grounds of economic viability and lack of demand. As the new hotels/ motels incurred losses, the bar facility at one unit (Gavri, Rishbdeo) was discontinued in 2010-11 and in remaining hotels/ motels the facility was discontinued in 2011-12. Except for Motel Mahua which earned nominal profit of ₹ 1.11 lakh during 2010-11, the Company incurred loss of ₹ 63.03 lakh[18] during 2009-11 from bar facility provided in 13 new hotels/ motels.

We further noticed that the Company, to revive its bar activity, made arrangements with the Excise Department and paid a composite fee of ₹ 75 lakh for the Company as a whole along with vend fee of ₹ 0.25 lakh per unit for the year 2012-13. Consequently, the bar activity again commenced in 12 hotels/motels during 2012-13 where it was discontinued in 2011-12.

17 The license fee varied from ₹ 6 lakh to ₹ 2.50 lakh per year per unit depending upon the location of unit *i.e.* district headquarter or in the limits of municipal cantonment.

18 ₹ 38.49 lakh in 2009-10 and ₹ 24.54 lakh in 2010-11.

The Government stated that bar facility was introduced during 2009-10 as a basic facility for the guests and profitability was not a consideration for some of the hotels/ motels. The reply is not convincing as the bar facility was provided despite opposition of hotels/ motels heads in view of economic unviability and lack of demand. The Company would not have discontinued bar facility in all the hotels/ motels except one during 2010-12 if profitability was not the consideration.

Tourist trains

2.22 The Company operated three tourists trains (1) Palace on wheels (PoW), (2) Royal Rajasthan on Wheels (RRoW) and (3) Heritage on Wheels (HoW) during 2007-13. PoW was operated during all the six years while RRoW was operated during 2008-13. The HoW was operated during two years (2007-09) and its operations were discontinued thereafter. The performance of the Company in operation of the tourist trains is discussed below:

Palace on Wheels (PoW)

2.23 The PoW (meter gauge) was introduced (January 1982) in collaboration with the Indian Railways with the objective to increase foreign exchange earnings, flow of tourists to India, employment opportunities and promote Rajasthan State tourism potential by offering unique rail travel experience. The meter gauge version of PoW was replaced (September 1995) by new PoW on broad gauge. As per agreement entered into (4 June 2009) between Railways and the Company, revenue sharing ratio was 56:44 respectively after deduction of commission payable to agents and one *per cent* on account of publicity and promotion of the train. The agreement was effective from 1 June 2006 to 31 May 2011. The agreement for the period 1 June 2011 to 31 May 2016 was renewed (May 2013) on same terms and conditions.

The performance of PoW during the period 2007-13 was as below:

(₹in crore)

Year	No. of trips	No. of Passengers travelled	Occupancy (Percentage)	Total Income	Total Expenditure	Surplus
2007-08	34	3601	101.84[19]	19.35	10.55	8.80
2008-09	35	3425	94.09	20.15	10.71	9.44
2009-10	38	2678	67.76	20.07	10.74	9.33
2010-11	38	2364	59.82	17.49	10.87	6.62
2011-12	34	2833	80.12	22.28	12.64	9.64
2012-13	34	2356	66.63	NA	NA	NA

(Source: Annual Accounts and information provided by the Company)

It could be seen that PoW has been a profitable venture for the Company and surplus of ₹ 8.80 crore in 2007-08 from this activity increased to ₹ 9.64 crore in 2011-12. The occupancy of the train, however, declined from 100 *per cent* to 80.12 *per cent* during the same period. It further declined to 66.63 *per cent*

19 There are 52 cabins in PoW with double occupancy. More than two passengers travelled in one cabin during 2007-08 and as such occupancy is more than 100 *per cent*.

during 2012-13. We observed that increase in surplus was due to increase in tariff as the same increased between 19.33 and 32.35 *per cent* during October 2007 to March 2012 in various types (single, double and triple) of occupancy.

We noticed that Minister Tourism, GoR had directed (22 April 2010) the Company to launch special package for domestic tourists. However, despite low occupancy, no efforts were found on records to increase the occupancy by attracting domestic tourists.

The Government stated that the occupancy decreased during 2010-11 due to economic recession and launching of other similar train. It further stated that the Company was planning to launch special package for domestic/NRI tourists to increase the occupancy of the PoW and to utilize the amount retained for promotion by aggressive marketing of both the luxury trains. The fact remained that despite increase in inflow of foreign tourists, the Company did not make efforts to increase the occupancy of PoW. Further, no plans were found on record for launching of special packages for domestic/NRI tourists also.

Royal Rajasthan on Wheels (RROW)

2.24 Based on the success of PoW and to tap the enhanced inflow of international tourists in Rajasthan the Company proposed (August 2005) Indian Railways for launching another tourist train on the lines of PoW. The proposal was in principle approved (December 2005) by the Railways and thereafter a comprehensive proposal was sent (March 2006) wherein the revenue and investment was to be shared on 50:50 basis between the Company and Railways. The project report (March 2006) envisaged profit of ₹ 5.13 crore during 2007-08, to be increased to ₹ 6.08 crore by 2010-11 at an occupancy of 85 *per cent* during 2007-08 and 90 *per cent* during 2008-11. The Railways agreed (May 2006) to bear ₹ 12.51 crore towards the cost of bare shells (unfurnished coupe) against its share of ₹ 15 crore. However, Railways did not elaborate on the sharing of revenue. The new train *i.e.* RRoW was launched in January 2009 after delay of 16 months from the scheduled commencement period (September 2007). The performance of the RRoW during 2008-13 was as below:

(₹in crore)

Year	Projected trips	No. of trips	No. of passengers travelled	Occupancy (Percentage)	Total income	Total expenditure	Surplus/ (Deficit)
2008-09	13	5	48	11.70	0.97	2.52	(1.55)
2009-10	34	20	706	43.05	12.64	13.26	(0.62)
2010-11	34	23	843	44.70	14.42	14.30	0.12
2011-12	34	16	761	58.00	16.53	14.60	1.93
2012-13	34	23	928	49.20	NA	NA	-

(Source: Annual Accounts and information provided by the Company)

The performance of the Company towards operation of RRoW was poor as trips ranging between 16 and 23 against 34 number of projected trips could be operated during 2009-13. The response of the tourists was poor and the occupancy in operated trips also remained low. The Company could achieve occupancy of 49.20 *per cent* by March 2013. Higher occupancy of 58 *per cent* during 2011-12 was due to reduced number of trips. RRoW had negatively contributed to the profits of the Company as there was deficit during 2008-10. Thereafter, it earned marginal profit during 2010-11 and 2011-12. Moreover, while working out the operational results financing cost (₹ 4.08 crore) and depreciation (₹ 4.74 crore) were not taken into consideration.

We observed that the new luxury train policy introduced by Railways in March 2008 adversely affected the profitability of RRoW as against revenue sharing arrangement on 50:50 basis, the Company was forced to pay haulage charges to the Railways as per new luxury train policy. Against total revenue of ₹ 44.56 crore earned by the Company during 2008-12 the payable haulage charges were ₹ 34.01 crore. There was substantial increase in the rate of haulage charges every year along with wide variation in charges on the basis of operated coaches. There was no mechanism available with the Company to satisfy itself about the rate of haulage charges demanded by Railways and also whether it was calculated in a fair and transparent manner. Had RRoW been operated on revenue sharing arrangement, the Company was liable for payment of ₹ 22.28 crore only against payment of ₹ 34.01 crore and the differential amount of ₹ 11.73 crore could have been saved during 2008-12.

The Government on the issue of poor performance of RRoW stated that the Company made all possible efforts for promotion of train by participating in India Festival Dubai, World Trade Mart (WTM London), ITB Berlin, FITUR Madrid (Spain), telecast of documentary film on CNN, BBC and National Geography and invitation of leading travel trade and Media people on inaugural trip. However, the global economic meltdown and Mumbai terrorist attack just before launching of the train along with other reasons *viz.* spread of swine flu negatively affected the train.

Irregularities in designing of RRoW

2.25 The Company invited (October 2006) 'Expression of Interest' (EOI) for interior designing of the train. All the five[20] bidders were considered (16 November 2006) technically qualified. The core committee, however, on the basis of presentation (20 November 2006) given by all the five bidders, opened (12 February 2007) price bid of only one bidder *i.e.* Gharaonda Interiors Private Limited (GIPL). The decision to open price bid of only GIPL was justified on the grounds that interiors of the train involve multiple agencies belonging to the field of plumbing, sanitary, electric, fabric, carpenters, painting, artists *etc.* and inviting separate tenders for various works on the basis of consultancy report would likely cause coordination problems among various agencies/contractors thereby causing delay. The work order was issued (March 2007) to GIPL on turnkey basis (consultancy and all other works) at a cost of ₹ 7.99 crore after negotiating against the quoted price of ₹ 9.97 crore.

We observed that the justification of core committee to open price bid of only GIPL lacked transparency as two[21] other bidders also offered designing of the train on turnkey basis. Further, GIPL had no experience of interior designing in respect of luxury trains except consultancy for partial refurbishment in PoW

20 (1) Vision Interiors Pvt. Limited, New Delhi, (2) Form and Functions, New Delhi, (3) Designer Consortium, New Delhi, (4) Infinity Interiors, New Delhi, and (5) Gharonda Interiors Private Limited, New Delhi.

21 Form and Functions, New Delhi and Designer Consortium, New Delhi.

(2005). However, other two bidders earlier had satisfactorily executed the work of designing of other prestigious trains *viz.* Deccan Odyssey and PoW.

We noticed that work progress of GIPL was not satisfactory and it could not complete the work even during the extended period (upto September 2008). Consequently, the Company withdrew (November 2008) the works valuing ₹ 4.58 crore and awarded them to different contractors. The withdrawn works were got executed at a cost of ₹ 5.61 crore.

Thus, awarding work to an inexperienced contractor not only caused delay in construction of RRoW but also led to an extra expenditure of ₹ 1.03 crore. Moreover, the Company did not levy penalty of ₹ 79.90 lakh on GIPL at the rate of 10 *per cent* of the work order cost.

The Government stated that the presentation of all the bidders was seen by higher authorities (General Manager Works, Executive Director Finance, Managing Director and the Chairman) and the presentation of GIPL was unanimously considered most suitable for furnishing of the train. The reply is not convincing as work order was given to an in-experienced firm despite availability of the offers of other experienced firms to execute work on turnkey basis by two other bidders. This led to withdrawal of work due to un-satisfactory performance.

Un-claimed grant from GoI

2.26 The GoI scheme, for assistance to large revenue generating projects in tourism sector promoted by State Governments/PSUs or other government agencies, provided grant-in-aid of 50 *per cent* of the equity contribution of the promoter subject to limit of 25 *per cent* of the total project cost or ₹ 50 crore whichever is least. The proposed RRoW project was covered under the scheme and the Company claimed (July 2006) grant-in-aid of ₹ 7.50 crore from the GoI on the basis of initial estimates of ₹ 30 crore. The grant was released by the MoT, GoI in 2008-09. The actual work of construction was completed in December 2008 at a cost of ₹ 43.08 crore. However, the additional grant of ₹ 3.27 crore was not claimed by the Company (October 2013).

The Government accepted the facts and stated that action was being initiated for claiming the differential amount of central assistance from GoI.

Sale on Credit

2.27 The credit policy (June 2000) stipulated that the unit in-charge would take order in writing before allowing credit and ensure recovery of credit sales. As on March 2012, an amount of ₹ 3.68 crore was pending recovery against various Government Departments and private parties.

Our analysis of the outstanding dues of ₹ 2.23 crore against Government Departments disclosed that ₹ 51.29 lakh[22] was recoverable from Rajasthan State Hotels Corporation Limited on account of sale of beer, ₹ 31.14 lakh from GAD and ₹ 69.97 lakh from DoT. The dues from GAD and DoT pertained to the period as old as September 1982 and April 2001 respectively. As regards

22 ₹ 30.64 lakh prior to March 2002 and ₹ 20.65 lakh from April 2002 onwards.

credit allowed to private parties, ₹ 44.12 lakh were pending recovery for more than one year against accommodation and catering and ₹ 78.03 lakh against counter rent, package tour, transport *etc.*

We noticed that the Company made correspondences with GAD and DoT for recovery of dues but no such correspondence with other government departments/PSUs was found on record.

The Company did not make proper efforts for recovery of dues and also did not fix the responsibility against units for non-recovery from private parties.

The Government accepted the facts and stated that the Company was bound to provide credit facility to the guests. However, more vigilant measures would be taken in future to recover the dues.

Development of Tourism Infrastructure

2.28 The Company received funds from the Ministry of Tourism (MoT), GoI through DoT, GoR and the State Government for development of tourism infrastructure in the State. During the period 2007-08 to 2012-13, the Company received funds of ₹ 16.67 crore from GoI and ₹ 12.63 crore from the State Government for development of hotels, wayside facilities, tourist information centers, tourist complexes, historical places *etc.* The performance of the Company towards development of tourism infrastructure in the State is discussed below:

Central assistance

2.29 The GoI sanctioned (between December 2003 and March 2010) 137 works under 10 projects for the State of Rajasthan under various schemes for development of tourism infrastructure in the State. The projects involved renovation of historical properties, monuments, temples, bawris, talabs and construction of wayside facilities *etc.* in various parts of the State. Out of 137 works, eight works were transferred by the DoT to other departments and remaining 129 works were to be executed by the Company. The Company executed 120 works during 2007-13 while nine works were not executed due to non-availability of land, forest clearance, site clearance, litigation *etc.*

The conditions governing the sanction of GoI stipulated that the funds would be utilized only for the purpose for which they were released and the Company would not keep unutilized amount for more than six months. In case, the funds could not be utilized by such time the same would have to be surrendered to the GoI or formal approval was to be obtained for transfer/adjustment against other projects. Further, the projects were to be completed between 12 and 36 months from the date of sanction. The details of project-wise sanction, amount released and utilisation there against is given in **Annexure-12** while the position of funds received from GoI and its utilisation during 2007-13 is given below:

(₹in crore)

Year	Opening balance	Funds received	Total f unds available	Expenditure	Closing balance	Percentage utilisation
2007-08	24.57	6.38	30.95	11.29	19.66	36.48
2008-09	19.66	2.40	22.06	14.31	7.75	64.87
2009-10	7.75	2.16	9.91	4.86	5.05	49.04
2010-11	5.05	5.73	10.78	6.57	4.21	60.95
2011-12	4.21	0	4.21	1.76	2.45	41.81
2012-13	2.45	0	2.45	1.37[23]	1.08	30.77[24]

(Source: Personal Deposit Accounts of the GoR)

As seen from the table, percentage utilisation of available funds during 2007-13 remained below 50 *per cent* except 2008-09 and 2010-11 when the same was 65 and 61 *per cent* respectively. This indicated poor utilization of funds leading to delay in execution of works.

The Government stated that delay in issue of NIT was due to delayed transfer of funds by DoT. The reply is not convincing as DoT released the funds within three to seven months from the date of sanction while the delay in completion of six projects ranged from 22 to 44 months.

Delay in execution of works

2.30 A review of 120 works executed by the Company during 2007-13 disclosed that only 55 works were completed within the scheduled period and 65 works were completed after delays ranging between one and 44 months. Out of these 65 works, tenders for 20 works were invited after period of upto 19 months from the expiry of schedule date of completion of the works. Further, out of remaining 45 works, for 33 works tenders were invited after 10 to 23 months from the date of sanction of the project by GoI. This not only delayed the tourism development projects but also violated the GoI guidelines that projects be completed between 12 and 36 months from the date of sanction.

The Government accepted the facts and stated that the delay in execution of works was due to unavoidable circumstances such as non-availability of funds, non-clearance from forest/archeological Department/litigation *etc.* This caused delay in invitation of tenders as well as execution of works.

Non-surrender of un-utilised funds

2.31 We observed that the Company did not maintain project wise details of funds received and expenditure incurred against these for each work. In absence of the same there were possibilities of diversion of funds from one project to another and from one work to other work of same project. The Company was required to surrender the unutilized funds or obtain formal approval from GoI for using the unutilized funds of one project/work for another project/work.

Our analysis of the expenditure incurred on works executed by the Company disclosed that funds amounting to ₹ 2.24 crore (received between February 2005 and February 2009) pertaining to nine works not executed due to non-

23 The expenditure during 2012-13 includes refund of ₹ 0.89 crore to the DoT, GoR.

24 The percentage utilisation has been calculated after excluding amount refunded to the DoT from the available balance.

availability of land, forest clearance, site clearance, litigation *etc.* were not surrendered to GoI. The Company incurred excess expenditure (December 2007 to October 2010) of ₹ 96 lakh over the sanctioned amount in 23 works which was adjusted from the unutilized funds. Further, there were unutilized funds of ₹ 1.08 crore as on March 2013.

The Government accepted the facts and stated that the excess expenditure was incurred in particular work due to un-avoidable circumstances but in totality the projects were completed within sanctioned amount. However, the fact remains that the expenditure incurred for works should be limited to its sanctioned amount.

Improper utilisation of funds

2.32 The GoI sanctioned (March 2010/ May 2010) funds of ₹ 6.06 crore for construction of wayside facilities at 14 hotels/motels of the Company situated on national highways and released (May 2010) ₹ 4.85 crore to the GoR. The GoR transferred ₹ 4 crore (₹ 2 crore in June 2010 and ₹ 2 crore in October 2010) to the Company for completion of the project. The terms and conditions of sanction provided that project was to be completed as per plan, drawings, blue print *etc.* approved by the GoI. The Company also submitted an undertaking that the works under the project would be new works and would not cover any renovation and up-gradation work.

We noticed that the Company did not adhere to the terms and conditions of sanction as it adjusted funds of ₹ 2.15 crore against renovation/up gradation of 14 hotels/motels for which work orders were issued prior to sanction of this project by GoI. The overall works were completed during September 2010 to November 2011 at a cost of ₹ 4.29 crore but drawings, blue print *etc.* of these works were not considered in the project report.

The Government stated that works were started prior to sending of project reports to GoI in anticipation of formal sanction and to complete the works well in time keeping in view the Common Wealth Games. The fact remained that the works were executed in violation of guidelines and the expenditure of ₹ 4.29 crore could not be vouchsafed in absence of approved drawings and blue prints.

State assistance

2.33 The State Government assigned 64 works (₹ 12.63 crore) to the Company during 2007-13 for development of tourism infrastructure in the State. Out of these, 11 works allotted during 2010-12 were pending (October 2013) completion due to delay in invitation of tenders and slow progress of the works by contractors. Further, out of 10 works allotted during 2012-13, nine works were to be completed by March 2013 and one work to be completed by March 2014 as per terms of sanction. However, the Company issued work orders for four works in January 2013, five works in April 2013 and one work in June 2013 with schedule dates of completion (as per work order) in July 2013, September/October 2013 and December 2013 respectively. Out of 10 works, only three works with schedule date of completion in July 2013 were completed by October 2013.

The Government did not furnish any reply on the issue.

Internal Audit and Internal Control

Internal Audit

2.34 The Company is not having Internal Audit Wing. The Internal Audit of the Company was entrusted to external firms of Chartered Accountants during the period 2007-11 and from 2011-12 the Internal Audit was being conducted by its own staff. The Company had not formulated an Internal Audit Manual and Internal Audit was conducted only on the basis of guidelines issued for Internal Audit mentioning scope and areas to be covered. The table below shows the year-wise number of units audited, audit paras issued, settled and remained outstanding during 2007-13.

Particular	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Number of units audited	45	49	50	53	52	48
Number of audit paras issued	391	438	480	517	491	560
Number of paras settled	370	412	448	487	35	203
Number of paras still outstanding	21	26	32	30	456	357

(Source: Information provided by the Company)

From the above it would be seen that 922 paras which were issued during 2007-13 have been outstanding for compliance. Further, we noticed that old audit paras were outstanding from 1980-81 onwards. However, no register/data base showing para-wise position has been prepared by the Company and Company management was not aware of the position of outstanding paras. Further, 194 internal audit reports as old as 1980-81 were pending due to non-settlement of paras as on October 2013. The position of outstanding para was never discussed and evaluated by the management of the Company. In absence of proper follow up system, the Company failed to address the issues raised by the internal auditors.

The reply of Government was silent as regards non-settlement of old internal audit reports. It, however, stated that in future more care would be taken and specific instructions would be issued for internal audit work. Moreover, the outstanding paras would be settled at the earliest.

Frequent changes in incumbency of apex management

2.35 The State Government frequently changed the Chairman and Managing Director/Managing Director of the Company. The post was held by nine incumbents during 2007-08 to 2012-13. The span of tenure of four CMDs/MDs was one to three months while two others held the post for six months. We observed that the frequent changes resulted in lack of initiative at the top level to formulate and implement any long term action plan for improvement of the working of the Company. This is evident from the fact that there was no long term Corporate Plan/ Perspective Plans during the above mentioned period.

The Government stated that Chairman and Managing Director/Managing Directors are appointed by the State Government and Company has no control on the same and that the issue would be considered to decide minimum tenure.

Hotel Management Software

2.36 The Company developed (May 2010) Hotel Management Software (HMS) for monitoring of various activities *viz.* front office, restaurant, bar, accounts, taxation, payroll, kitchen/bar/housekeeping store management along with instant/daily periodic reports and computerized billing. HMS was installed (May 2010 to September 2010) in 21 hotels/ motels but the Company decided (December 2010) to operationalize the HMS in only 15 hotels/ motels due to lack of infrastructure and trained staff. We, however, noticed that HMS could not be fully operationalized even in these 15 hotels/ motels by March 2013 due to non-availability of proper infrastructure and lack of training to staff. Hence the objectives sought to be achieved through installation of the software could not be achieved.

The Government accepted the facts and stated that HMS would be implemented in major hotels/ motels in phased manner.

Vigilance

2.37 The vigilance wing of the Company is directly controlled by the Managing Director and conducts surprise check of units and enquiry of complaints received from the tourist, staff *etc.* The wing acted on the verbal directions of the management and no annual/quarterly/monthly targets were planned. We noticed that the surprise checks conducted by the wing were inadequate and during the period 2007-08 to 2012-13, units ranging between 10.71 and 52.73 *per cent* were only covered. Our scrutiny disclosed that 17 units[25] were not checked by the vigilance wing even once during six years and 14 units were checked only once during this period.

The Government stated (September 2013) that a system would be put into place to inspect all units in coming years.

Conclusion

The Company did not prepare any long-term/short-term action plan or policy for promotion of tourism and development of tourism infrastructure in the State. Further, no steps were taken for implementation of tourism policy 2001. There were wide variations in budgeted targets and achievements due to non-preparation of budgets on material facts. The overall occupancy declined from 42 to 33 *per cent* during 2007-13 and even the hotels/motels situated at famous tourists places failed to capture the inflow of tourists due to lack of efforts for tourism promotion. The Company incurred excess expenditure on raw material and fuel against the prescribed food cost norms. The occupancy of PoW declined from 100 to 66.63 *per cent* during 2007-13 while RRoW could achieve occupancy of 49.20 *per cent* by March 2013. The Company

25 Tourist Village, Panihari, Tourist Hotel Jaipur, Yatrika, Shilpi, Chirmi, Mavath, Ren Basera, Kurja, Ganehara, Motel Dholpur, CRO Chennai, CRO Mumbai, CRO Jaipur, CRO New Delhi, PoW and RRoW.

could not complete the Central/State assisted tourism infrastructure projects within scheduled period.

Recommendations

We recommend that the Company should:

- **Implement the tourism policy and prepare long-term/short-term action plan for tourism promotion and development of tourism infrastructure in the State;**
- **prepare realistic budgets and action plan to support and achieve the targets;**
- **improve occupancy through improved facilities and better marketing;**
- **bring food cost within norms;**
- **prepare action plan to improve occupancy of PoW and RRoW. The option of attractive tariff, domestic tourists and better marketing may be considered;**
- **adhere to the guidelines of central/State in completion of projects; and**
- **streamline the Internal Audit and Vigilance functions.**