Chapter IV

Compliance Audit of State Public Sector Enterprises

CHAPTER – IV

POWER DEPARTMENT

WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

4.1 Loss of revenue due to wrong categorisation of consumer

Wrong classification of consumer, in violation of extant regulations, resulted in undue advantage being extended, leading to loss of revenue, amounting to ₹ 98.04 lakh

The West Bengal Electricity Regulatory Commission (WBERC) issues tariff orders, from time to time, prescribing the applicable tariffs to be charged by distribution companies, from different categories of consumers. In respect of the West Bengal State Electricity Distribution Company Limited (WBSEDCL), tariffs applicable[185] to HT Public Utilities, *inter alia*, include all non-profit making educational institutions, run by public or private charitable organisations, with financial aid from the State/ Central Governments and fulfilling the following conditions -

i) submitting their audited accounts of the last three years,

ii) furnishing necessary documents to indicate that they had been receiving aid from the State/ Central Governments, which was, at least, 50 *per cent* of their total annual income, for the last three years, consecutively, and

iii) furnishing an undertaking, stating that the power supply to their institutions, shall be used and shall continue to be used, exclusively for the purpose for which the supply has been taken.

Eligible consumers were required to apply, along with the aforesaid documents and, if their claims were found to be correct, WBSEDCL was to allow them the tariff, not later than three months from the dates of receipt of applications.

Audit scrutiny of records (February 2022) revealed that *Haldia Institute of Technology*[186] (*HIT*), had signed an agreement with WBSEDCL, in December 2009. The agreement was for the supply of power, at tariff applicable to private educational institutions {Rate - E(C-EI)}[187]. Subsequently, ICARE, the parent organisation of HIT, prayed (August 2016) for amendment of the existing tariff, to concessional tariff, *i.e.* the rate applicable to public utilities {Rate - E(A)}[188]. In support, ICARE had submitted: (a) annual audited accounts of ICARE, for the three financial years, from 2012-13 to 2014-15; (b) a letter from the All-India Council of Technical Education (AICTE), approving (April 2016) the courses

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[185] *Clause 3.2.33 of the Tariff Order for the financial year 2009-10, in respect of WBSEDCL, issued by WBERC.*

[186] *A private educational institution, owned and run by the Indian Centre for Advancement of Research and Education (ICARE), a 'not for profit' registered society, constituted under the West Bengal Societies Registration Act, 1961.*

[187] *The category of tariff applicable to private educational institutions, as per tariff notifications of WBERC.*

[188] *The category of tariff applicable to public utilities, as per tariff notifications of WBERC.*

to be conducted by HIT during the financial year 2016-17; and (c) affidavit by HIT, stating that the power supply to them would be used and would continue to be used exclusively for the purpose for which the supply had been taken. WBSEDCL changed (October 2016) the tariff, to the tariff applicable to a public utility, from the consumption month of November 2016.

Audit observed (March 2022) that, while the audited annual accounts of ICARE had been submitted, annual audited accounts of HIT had not been submitted with the application. It was also noticed that, as per the annual accounts of ICARE (for the financial years 2012-13 to 2014-15), the aggregate grants-in-aid were only one *per cent* of the total income. Moreover, the AICTE approval (April 2016) stated that HIT was an unaided private institute. Further, the audited annual accounts of HIT, from FY 2016-17 to FY 2020-21 (available in the public domain), showed that HIT had not received any grants-in-aid and had generated a surplus of ₹ 9.15 crore in these five years.

WBSEDCL had revised the tariff, from the tariff applicable to a private educational institution to the concessional tariff, applicable to a public utility, despite HIT not fulfilling the prescribed conditions. Consequently, WBSEDCL had short-billed HIT by ₹ 98.04 lakh[189], from November 2016 to November 2021.

Department, in its reply, stated (August 2022) that: (i) HIT was an Institute under ICARE and (ii) the tariff had been modified after legal vetting.

The reply did not, however, address the issue of non-fulfilment of the criterion that the aggregate grants, received by ICARE/ HIT, from the State/ Central Governments, should have constituted, at least 50 *per cent* of their total annual income, for the last three years, consecutively. Moreover, the reply was silent on the issue that, according to AICTE, HIT was an 'unaided private institute'.

Thus, the revision of tariff, in deviation from the WBERC tariff order of July 2009, led to loss of revenue, amounting to ₹ 98.04 lakh, for the period from November 2016 to November 2021.

4.2 Excess expenditure on purchase of solar energy, in excess of the contractually committed quantity

West Bengal State Electricity Distribution Company Limited purchased solar energy beyond the contractually committed quantity, between March 2018 and March 2020, despite fulfilling Renewable Purchase Obligations, resulting in excess expenditure of ₹ 30.22 crore.

The West Bengal Electricity Regulatory Commission (Cogeneration and Generation of Electricity from Renewable Sources of Energy) Regulations, 2013[190], mandated (March 2013) renewable purchase obligation (RPO)[191]

[189] *Being the difference between the applicable tariff of ₹ 543.55 lakh and the amount of ₹ 445.52 lakh billed by WBSEDCL.*

[190] *Regulation No. 50/ WBERC dated 22 March 2013.*

[191] *According to the Indian Electricity Act 2003, all electricity distribution licensees should purchase or produce a minimum specified quantity of their energy requirements from Renewable Energy Sources. This is referred to as their Renewable Purchase Obligation and the minimum quantum of RPO, for each State, is fixed by the respective State Electricity Regulatory Commission.*

targets for solar energy, to enhance the share of non-conventional sources in the total electricity consumption. These targets, increasing from 0.10 *per cent* of the total consumption of electricity, in the areas of supply of the distribution licensees, in FY 2013-14, to 0.30 per cent in 2017-18. From 2018-19 onwards the annual target of solar RPO will be increased by 0.10 per cent till it reaches 0.50 *per cent* in FY 2019-20. These targets were to be met through either purchase or generation. Subsequently, WBERC raised[192] (December 2020) the solar RPO targets to 3.00 *per cent* (FY 2020-21), 4.50 *per cent* (FY 2021-22) and 6.00 *per cent* (FY 2022-23).

To fulfil the RPO targets, the West Bengal State Electricity Distribution Company Limited (WBSEDCL) entered (January 2011) into a long-term agreement, for 25 years, with NTPC Vidyut Vyapar Nigam Limited[193] (NVVNL) for purchase of Bundled Power (Thermal and Solar), from Solar Photovoltaic projects in Rajasthan. Accordingly, NVVNL allocated (April 2011) 50 MW of power, to WBSEDCL, from December 2014. Thereafter, on three occasions, NVVNL clarified (June 2016 to February 2018) that, in the context of the meeting held with WBSEDCL in June 2015, the solar energy, scheduled from 50 MW of power allocated to WBSEDCL, would be limited to 6.5 million units (MU) per month.

Audit scrutiny of the invoices raised by NVVNL and information given by WBSEDCL revealed that:

- From December 2014 to February 2018, the solar energy supplied by NVVNL was restricted to 6.5 MU *per* month.
- However, between March 2018 and March 2020, in 15 out of 25 months, NVVNL had supplied excess electricity, ranging from 6.59 MU (October 2019) to 10.45 MU (May 2018) *per* month. This energy was supplied at rates ranging from ₹ 10.20 per unit (July 2018) to ₹10.92 per unit (March 2019).
- Till March 2020, WBSEDCL could have fulfilled the RPO targets (0.5 *per cent* for 2019-20) prescribed by WBERC, without resorting to purchase of solar energy beyond 6.5 MU *per* month. Yet, during March 2018 to March 2020, it purchased an aggregate of 28.27 MU of solar energy, in excess of the contractually committed quantity, for reasons not on records.

Consequently, WBSEDCL incurred excess expenditure of ₹ 30.22 crore, on procuring solar energy, as detailed in the ***Appendix-21***. Moreover, as the agreement with NVVNL did not include an exit clause to terminate the agreement before its expiry period of 25 years, WBSEDCL was compelled to purchase solar energy, leading to excess expenditure.

The Department/ WBSEDCL, in their replies (February 2020/ October 2020), *inter alia*, stated that WBSEDCL had communicated (April 2018, November 2018, April 2019 and June 2020) with NVVNL regarding restricting the quantity of solar energy supplied, to within 6.5 MU *per* month. WBSEDCL added that,

[192] *Regulation No. 71/ WBERC dated 21 December 2020.*

[193] *NVVNL had been identified (January 2010), by the Government of India, as the nodal agency for purchase and sale of 33 KV and above grid-connected 'Solar Photo-Voltaic' and 'Solar Thermal', under the National Solar Mission, by the Ministry of Power (MoP), Government of India.*

according to NVVNL (June 2020), they had no role in the scheduling of solar energy and the supply had exceeded 6.5 MU, depending upon generation from solar power plants in Rajasthan.

The Department added (November 2022) that since the agreement had been entered into in January 2011, WBSEDCL was unable to amend the agreement in line with the WBERC Regulations of 2013. Moreover, WBSEDCL had attempted to restrict costly solar energy for the requirement of consumers, but these attempts had not fructified due to the non-allocation of power by Government of India. Thus, the agreement could not be amended.

The replies were not acceptable, as NVVNL had specifically committed in its letters (June 2016, August 2016 and February 2018), that scheduling of solar energy would be limited to 6.5 MU *per* month. Consequently, WBSEDCL should have monitored the offtake of solar energy from NVVNL and issued instructions to the State Load Despatch Centre (SLDC) for restricting the inflow to within 6.5 MU *per* month. Further, the Government of West Bengal had communicated (February 2015) to the Government of India that WBSEDCL had met WBERC's RPO targets and, thus, there was no additional requirement of solar power. Further, when WBERC had proposed (September 2020) increasing the targets for RPO, WBSEDCL had objected to the proposal, stating that the renewable energy potential in West Bengal was low. Consequently, meeting higher RPO targets would necessitate purchase of electricity from outside the State, thereby burdening the consumers. The fact that the agreement could not be amended also showed that WBSEDCL had entered into a contract with NVVNL that was inherently defective. This indicates that WBSEDCL was aware that the purchase of solar energy would lead to excess expenditure.

Thus, due to failure to restrict solar energy received, to 6.5 MU per month, WBSEDCL incurred excess expenditure of ₹ 30.22 crore, on purchase of solar energy, in excess of the contractually committed quantity.

4.3 Failure to safeguard assets due to non-deployment of security personnel and not insuring the assets

West Bengal State Electricity Distribution Company Limited (WBSEDCL) failed to safeguard its assets at the solar photovoltaic power plant in Mejia, Bankura, as it did not deploy security personnel, which led to burglary of equipment. In addition, WBSEDCL had not insured these assets, leading to avoidable expenditure of ₹ 29.12 crore, on their replacement.

The Department of Power, Government of West Bengal (GoWB), approved (January 2016) setting up of a solar photovoltaic power plant (SPVGP) at Mejia, Bankura, by the West Bengal State Electricity Distribution Company Limited (WBSEDCL), to be constructed over 52 acres of land, at a sanctioned cost of ₹ 61.34 crore, entirely funded through GoWB.

Accordingly, WBSEDCL floated (January 2016) the tender and placed (September 2016) a letter of award (LoA), on *M/s Bharat Heavy Electricals Limited* (BHEL), for ₹ 56.06 crore. Under the LoA, BHEL was to, *inter alia*,

design, construct and commission the said SPVGP, with a capacity of 10 MW and operate it for five years. The LoA had important clauses as follows:

- BHEL was to arrange for insurance coverage at site, till successful commissioning of the SPVGP. Thereafter, WBSEDCL was required to arrange insurance against theft, burglary, fire, natural calamities *etc*. (Clause 29)
- WBSEDCL was to take possession of the SPVGP, from BHEL, after final commissioning and then transfer the SPVGP to BHEL, for five years of operation and maintenance. (Clause 36)
- During the five years of operation and maintenance of the SPVGP, BHEL was to deploy security personnel at site. (Clause 34)

BHEL commissioned the SPVGP in December 2017, at a cost[194] of ₹ 50.76 crore.

Audit scrutiny (April 2022) of the LoA and other records of WBSEDCL revealed the following-

- WBSEDCL had intimated (August 2018) GoWB that the SPVGP had been satisfactorily completed in December 2017. WBSEDCL provisionally took over the SPVGP from BHEL, in March 2019. It handed the plant back to BHEL, for completing the prescribed[195] Performance Ratio[196] (PR) test. WBSEDCL accepted (July 2019) the successful completion of the PR test and allowed BHEL to operate the SPVGP for five years, from July 2019 onwards. The SPVGP operated intermittently up to January 2020. Thereafter, it was shut down, due to issues such as labour problems, outage of transformer and fires at site, arising from lack of maintenance.
- WBSEDCL was aware that BHEL had withdrawn the security personnel from the site, on 16 December 2020. In addition, the security agency had, on 28 December 2020, handed over the site keys, to BHEL's site engineer, in the presence of SPGD'[197]s representatives.
- In September 2020 and August 2021, BHEL lodged complaints at the Mejia Police Station, regarding theft of transformer copper and pilferage of the entire SPVGP. The Police had 'recovered significant stolen properties' and both cases were under investigation (November 2021).
- WBSEDCL issued (May 2022) LoA, for replacement[198] of stolen equipment, materials and electrical work, at the SPVGP, for ₹ 34.73 crore. Meanwhile, in May 2021, WBSEDCL had invoked BHEL's Performance Bank Guarantee of ₹ 5.61 crore. Hence, the net cost for the replacement was ₹ 29.12 crore.

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[194] *The amount capitalised by WBSEDCL, in its books, during March 2019 and April 2020.*

[195] *Clause No. 16 of the 'Technical Specifications – Electrical', of the bid documents.*

[196] *The performance ratio, stated as a percentage, is a measure of how energy efficient and reliable a solar photovoltaic plant is. This ratio is independent of location and is a proportion of the net energy available for export to the grid, after deduction of energy loss towards thermal and conduction losses, as well as auxiliary consumption of energy for operations.*

[197] *Solar Power Grid Department under Department of Power, GoWB.*

[198] *Supply of equipment/ materials for completion of balance/ replacement work: ₹ 34.23 crore (plus) carrying out all electrical work for recommissioning: ₹ 49.84 lakh.*

Thus, according to the LoA, WBSEDCL was responsible for taking insurance cover on commissioning of the SPVGP in December 2017. Yet, it had failed to do so, even after provisional handing over (March 2019) operations to BHEL (July 2019) or capitalisation of assets (March 2019/ April 2020). Besides, despite being aware of withdrawal of security cover by BHEL in December 2020, WBSEDCL had not deployed security personnel to safeguard the assets, leading to thefts. This, in turn, led to an expenditure of ₹ 29.12 crore, on replacement.

Department stated (March 2023) that the liability for protection of all assets of SPVGP was the responsibility of BHEL, till the formal handing and taking over of the SPVGP, after completion of pending works and final commissioning.

The reply was not acceptable, as according to Clause 29 of the LoA, WBSEDCL was to arrange insurance after the SPVGP, was commissioned in December 2017. Yet, WBSEDCL failed to obtain requisite insurance coverage for SPVGP, for reasons not on record. Besides, although WBSEDCL knew that BHEL had withdrawn security personnel at the site, in December 2020, it failed to deploy security personnel, to safeguard the assets created out of Government grant.

THE DURGAPUR PROJECTS LIMITED

4.4 Non-realisation of water supply charges in contravention of Government scheme and directions of the Hon'ble Supreme Court of India

The Durgapur Projects Limited (DPL) continued to supply water, in deviation from the provisions of the applicable Government scheme and did not implement the directions of the Hon'ble Supreme Court of India. Consequently, it failed to recover water supply charges, aggregating ₹ 27.49 crore, for the period from July 2003 to May 2022.

The Durgapur Projects Limited (DPL), a public sector enterprise wholly owned by the Department of Power, Government of West Bengal (GoWB), had, since its incorporation in September 1961, been engaged in the business of generation and supply of electricity, processed water, *etc*. In addition, DPL had also been supplying water to other industries or residential areas. Accordingly, it had been supplying both water and electricity, to the plant and township of the erstwhile Mining and Allied Machinery Corporation Limited[199] (MAMCL), since April 1965. The supply of both electricity and water, to the plant and MAMCL's township, was billed according to readings taken from meters installed at a single point.

The Board for Industrial and Financial Reconstruction (BIFR) recommended[200] (June 2001) the winding up of MAMCL, which had been closed in January 2002. Thereafter, the Hon'ble Calcutta High Court directed (May 2002/ June 2003) the winding-up of MAMCL. Meanwhile, the Government of West Bengal (GoWB)

[199] *A Central Public sector enterprise incorporated in April 1965, which was closed in January 2002 and is in the process of liquidation.*

[200] *Section 20 (2) of the Sick Industrial Companies (Special Provisions) Act, 1965.*

had decided (March 2003) to take over responsibility for the maintenance and upkeep of MAMCL's township. Accordingly, GoWB submitted (March 2003) a scheme, prepared with the assistance of ADDA, DMC[201] and DPL. Under the scheme of takeover, GoWB's dues, from the erstwhile MAMCL, were to be set-off against takeover of the township. Moreover, while DPL was to continue to supply electricity to the individual dwelling units of the MAMCL township, provision of drinking water was to be undertaken by DMC. The Hon'ble Calcutta High Court approved[202] (June 2003) GoWB's proposal to take over responsibility of maintenance and upkeep of MAMCL's township. ADDA took over the MAMCL township from July 2003, as provided in the takeover scheme.

The State Bank of India (SBI), a secured creditor of MAMCL, was however, aggrieved that in the aforesaid judgement; GoWB, was given preference to set off their dues, ahead of the claims of other creditors. Therefore, in September 2003, SBI filed a Special Leave Petition (SLP) for redressal in the Hon'ble Supreme Court of India (SC).

The dues of DPL, for supply of electricity and water to the erstwhile MAMCL township, till 30 June 2003, were settled by GoWB. Thereafter, DPL had continued to supply both electricity and water, although, under the provisions of the scheme, water was to be supplied by DMC. Moreover, there was no mechanism to realise its dues from consumers on account of electricity and water supplied. Therefore, DPL applied (February 2007**)** to the Hon'ble SC, for directions regarding the realisation of its dues against supply of electricity and water. The Hon'ble SC directed (May 2007) DPL to install individual electricity and water meters for each consumer, instead of only one meter for the entire township. Further, based on the consumption recorded in the individual meters, DPL was to raise bills on the concerned consumers, according to rules. Also, DPL was to raise arrear bills for electricity and water supplied from July 2003 onwards, based on the average consumption of electricity and water for three months, as recorded in the meters.

Audit observed (December 2019/ August 2022) that:

- While DPL had installed individual electricity meters in the erstwhile MAMCL township by August 2016, it had not installed individual water meters, in violation of SC orders. DPL justified (July 2018) non-installation of water meters, to retail supply of water not being in line with its business.
- Reasons for DPL failing to transfer responsibility for the supply of water to DMC, in terms of the provisions of the takeover scheme, were not found available on records. Moreover, DPL continued to supply water through a single meter, raising water charges bills against ADDA, from July 2003 onwards. ADDA, however, refused (February 2019) to pay water supply charges, since it was not willing to be "*made a scapegoat for the inaction and ineptitude of DPL*." In view of ADDA's response, DPL made (2018-19) provision of ₹ 23.28 crore in its accounts, for the water supplied to the MAMCL township between July 2003 and March 2019.

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[201] *Asansol Durgapur Development Authority (autonomous body) and Durgapur Municipal Corporation (urban local body), both under the Department of Urban Development and Municipal Affairs, GoWB.*

[202] *Case No. APOT/354 of 2002; judgement dated 24 June 2003.*

- Although DPL had created a provision for the bills raised, it continued to raise bills for water supply, on ADDA, aggregating to ₹ 4.21 crore, from April 2019 to May 2022. ADDA had, however, not made payment so far (October 2022).

The Department of Power, Government of West Bengal, stated (September 2022) that DPL did not have infrastructure for the door-to-door supply of water. Moreover, it had continued to raise bills on ADDA, which was in-charge of the MAMCL township.

Besides, according to ADDA, the responsibility of supplying water to the MAMCL township would vest with DMC, from a prospective date. Further, ADDA, DMC and DPL had decided (July 2021) that DPL would install water meters, jointly with the help of ADDA and DMC. DPL also proposed to seek realisation of water supply charges from GoWB.

The reply indicates that, although DPL was not the nominated agency for supply of water, in terms of the takeover scheme, it had continued supply of water to the MAMCL township. Moreover, despite having approached the Hon'ble Supreme Court for directions on recovery of dues for supply of water to consumers, DPL had not installed individual water meters, as directed by the Hon'ble Court. Consequently, DPL had persisted in supplying water to consumers beyond the scope of the takeover scheme, without creating a mechanism for realising dues against such supplies.

Thus, due to non-compliance with the provisions of the takeover scheme and subsequent directions of the Hon'ble Supreme Court to install individual water meters for realising water supply charges from the authorised occupants of the MAMC township, DPL had not collected water supply charges of ₹ 27.49 crore.[203]

WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

4.5 Failure to realise revenue from permanently disconnected consumers due to not maintaining sufficient security deposit

West Bengal State Electricity Distribution Company Limited (WBSEDCL) had supplied electricity to four centralised bulk consumers, without obtaining adequate security under the extant provisions. This led to non-realisation of electricity charges of ₹ 47.07 crore.

The applicable regulations[204] (April 2013) of the West Bengal Electricity Regulatory Commission (WBERC), permit a distribution licensee to require that all consumers furnish security deposits (SDs), of three months' estimated consumption, at prevailing rates. Further, the licensees are required to notify the consumers to increase the SD, as and when it becomes insufficient. The consumers are then required to deposit the additional amount of SD, within a

[203] *₹ 23.28 crore +₹ 4.21 crore.*

[204] *Clauses 4.1 and 4.2 of WBERC's (Miscellaneous Provisions) Regulations, 2013, vide notification No. 52/ WBERC dated 02 April 2013.*

period of one month from the notice. The licensee is also permitted to recover the additional amount, or its instalment amount, through the energy bills of the consumers. Moreover, Extra High Voltage (EHV), High Voltage (HV) and Low & Medium Voltage (L&MV) consumers, having contract demand of 50 KVA and above, have the option of depositing the SD either in cash or through an irrevocable Bank Guarantee (BG). However, no SD or BG was, earlier, required where the supply of electricity was being made through an irrevocable revolving Letter of Credit (LC)[205], from either a nationalised or reputed private sector bank, valid for a period not less than 12 months.

Subsequently, in response to an application (October 2016) by the West Bengal State Electricity Distribution Company Limited (WBSEDCL), WBERC directed (February 2018) that consumers, paying their electricity bills through LCs, were also liable to pay SD, as payment through LC was not a pre-payment and making payment through LC, without furnishing security deposit, was inconsistent with the provisions of the Electricity Act, 2003[206].

Audit observed that outstanding debtors[207] of WBSEDCL, on account of sale of power, aggregated to ₹ 4,696.88 crore, at the end of March 2022, including ₹ 1,253.33 crore that was due from industrial and commercial consumers. Scrutiny of records showed that the outstanding dues, as of March 2022, from four permanently disconnected[208] consumers **Table 4.1**, stood at ₹ 46.82 crore, arising from insufficient or '*nil*' SD.

Table 4.1: Details of permanently disconnected bulk consumers having outstanding dues

Consumer	Connected Load	Period of dues		Outstanding amount (₹ in crore)	Nature of Default
		From	To		
Modern India Concast Limited (MICL)	18,000 KVA	January 2019	April 2019	26.86	Insufficient SD
	14,000 KVA	March 2019	April 2019	10.38	
				37.24	
Matangi Steels Private Limited (MSPL)	3,500 KVA	June 2019	October 2019	2.14	Nil SD
Om Shakti Smelters Private Limited (OSSPL)	762 KVA	March 2020	September 2020	5.15	Nil SD
Balaji Paper & Newsprint Private Limited (BPNPL)	3,000 KVA	November 2020	March 2021	2.54	Insufficient SD
				47.07	

(Source: Files and records of WBSEDCL, relating to the consumers)

[205] *A LC that cannot be cancelled or amended without the consent of all concerned and whose amount is renewed or reinstated without needing specific amendments to the credit in relation to time and value.*

[206] *Sub-section 5 of Section 47.*

[207] *Annual Financial Statements of WBSEDCL for the financial year 2021-22.*

[208] *The Electricity Act, 2003, permits a licensee, after prior notice, to cut off electricity supply or disconnect any electric supply line, to any person, for non-payment of any charge of electricity or any other charge due.*

Detailed scrutiny of these four consumers revealed the following:

A. M/s Modern India Concast Limited (MICL), a consumer[209] of WBSEDCL since August 2008, had deposited two irrevocable revolving LCs, for ₹ 10.00 crore and ₹ 5.25 crore, towards payment of electricity bills for the two units. Consequently, it had not deposited any amounts as SD. MICL sought (May 2016) WBSEDCL's consent to make monthly payments from May 2016, through LC having one-time devolvement[210] *i.e.* for simple payment once, contrary to the regulations which had been approved (August 2016) by WBSEDCL, with retrospective effect.

Thereafter, no payments had been routed through LCs, since September 2016. Consequently, WBSEDCL requested (January/ March 2017) MICL to submit two BGs, for ₹ 15.75 crore and ₹ 30 crore, for both units, in WBSEDCL's specified format. Contrary to the Regulations, MICL submitted (May 2017) 10 post-dated cheques (PDCs), aggregating to ₹ 14.75 crore and ₹ 35.98 crore, instead of fresh BGs/LCs. Subsequently, WBSEDCL refunded (November 2017) all the PDCs.

MICL started defaulting on payment[211] of energy bills from the consumption months of January 2019 (Haldia) and March 2019 (Bishnupur). MICL persisted with defaults in the subsequent months of February 2019 to April 2019. Consequently, WBSEDCL disconnected (May 2019) supply of power to MICL and raised two final bills for ₹ 26.86 crore (January to May 2019) and ₹ 10.38 crore (March to May 2019).

Thus, WBSEDCL had allowed MICL to draw electricity from September 2016 till May 2019 and had belatedly disconnected supply of power, resulting in non-realisation of revenue of ₹ 37.24 crore.[212]

B. M/s Matangi Steels Private Limited (MSPL) was a consumer of WBSEDCL, transferred[213] (January 2019) from DPL, with 'Nil' SD. MSPL had been irregular in making payment of electricity charges, since March 2019. Therefore, WBSEDCL raised (August 2019) a demand on MSPL, for payment of SD of ₹ 2.93 crore, in 10 instalments, but MSPL failed to make payment towards the pending SD. Finally, WBSEDCL disconnected (September 2019) power supply to MSPL and also terminated the agreement. WBSEDCL raised (November 2019) a final bill on MSPL, towards outstanding energy charges of ₹ 2.04 crore, from June 2019 to October 2019. In December 2019, WBSEDCL served a demand notice on MSPL, for recovery of dues amounting to ₹ 2.14 crore.[214]

WBSEDCL intimated (June 2020) the matter to the District Magistrate, Paschim Bardhman, for taking appropriate measures under the Recovery of Dues Act 2000, to realise its dues. However, the dues had not been recovered (as of March 2022).

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[209] *Two units at Haldia, Purba Medinipur and Bishnupur, Bankura.*

[210] *A Letter of Credit that expires after a specific transaction i.e. for simple payment once.*

[211] *Payment of ₹ 50 lakh towards bill for ₹ 3.89 crore and payment of ₹ 2.50 crore against bill of ₹ 10.28 crore.*

[212] *₹ 26.86 crore + ₹ 10.38 crore.*

[213] *GoWB notification No. 328/PO/C-IV/1E-60/13 (Pt-VA) dated 26.12.2018.*

[214] *Towards energy charges (₹ 2.04 crore); penalty and cost of recovery (₹ 10.27 lakh).*

Thus, WBSEDCL extended undue benefit to MSPL, by allowing power supply without maintaining SD, leading to non-realisation of revenue, amounting to ₹ 2.14 crore, towards electricity supplied.

C. M/s Om Shakti Smelters Private Limited (OSSPL), which was another consumer transferred from DPL, with 'Nil' SD, defaulted in making payment of ₹ 39.35 lakh, towards energy charges, for March 2019. WBSEDCL raised (June 2019) a demand on OSSPL, for submission of BG of ₹ 3.44 crore. OSSPL offered (July 2019) to pay the amount of SD of ₹ 3.44 crore in 24 instalments. WBSEDCL, however, agreed to 12 instalments, of ₹ 28.68 lakh each, from August 2019 onwards.

However, OSSPL could pay only ₹ 87.81 lakh towards the SD, till October 2019. Moreover, OSSPL had paid its electricity bills, in part, from September 2019 to April 2020, and had, thereafter, had not paid its bills till September 2020, leading to accumulation of dues, totaling ₹ 4.50 crore. Ultimately, WBSEDCL disconnected the power supply of OSSPL, in September 2020. In October 2020, WBSEDCL raised the final bill on OSSPL, for ₹ 4.90 crore. Thereafter, WBSEDCL served (November 2020) a demand notice on OSSPL, for ₹ 5.15 crore[215] and also communicated (January 2021) to the District Magistrate, Paschim Bardhaman, for appropriate measures under Recovery of Dues Act 2000, to realise its outstanding dues. However, recovery had not been affected till March 2022.

OSSPL had defaulted in clearing electricity dues from September 2019, but WBSEDCL belatedly disconnected the power supply in September 2020, which led to accumulation of outstanding dues, totaling ₹ 5.15 crore. This also resulted in undue benefit to OSSPL.

D. M/s Balaji Paper & Newsprint Private Limited (BPNPL) had been a consumer of WBSEDCL, since December 2004 and had maintained SD of ₹ 3.01 crore, by way of BG. BPNPL had been a chronic defaulter, in regard to payment of electricity bills, since December 2019. Till June 2020, its outstanding electricity bills had added up to ₹ 4.77 crore. WBSEDCL issued (July 2020) a disconnection order, for non-payment of energy bills and, concurrently, disconnected the electricity supply. BPNPL immediately deposited (July 2020) ₹ one crore towards outstanding dues and also assured payment of a further amount of ₹ one crore and additional BG of ₹ 46 lakh, towards SD, by August 2020. WBSEDCL then reconnected the electricity supply in July 2020. BPNPL again defaulted in August 2020 and WBSEDCL issued (September/ October 2020) a fresh disconnection order, for defaults in payment of electricity bills, due since January 2020 and after. However, WBSEDCL issued reconnection orders after BPNPL made part-payment (October 2020) of ₹ 3 lakh only. BPNPL again defaulted in making payment of energy charges from September 2020 onwards and WBSEDCL issued (March 2021) another disconnection order.

Ultimately, WBSEDCL disconnected (March 2021) the power supply, raised a final bill for ₹ 3.57 crore, with Late Payment Surcharge (LPSC) for an amount of ₹ 0.27 crore (January 2022) and invoked (January 2022) BG of ₹ 1.30 crore. Thereafter, no dues were recovered and the amount outstanding, after adjustment of BG, was ₹ 2.54 crore[216].

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[215] *Towards energy charges (₹ 4.90 crore); penalty and cost of recovery (₹ 24.61 lakh).*

[216] *(₹ 3.57 crore + ₹ 0.27 crore)- ₹ 1.30 crore.*

Thus, despite chronic default by BPNPL, on multiple occasions, since December 2019 and not raising adequate SD, WBSEDCL had continued to supply electricity to BPNPL. This had led to loss of ₹ 2.54 crore.

Thus, failure to obtain sufficient SD and comply with the regulations, led to non-realisation of revenue of ₹ 47.07 crore[217].

The observation was reported to the Government in (November 2022); reply is awaited (March 2023).

4.6 Loss due to non-compliance with applicable tariff regulations

The West Bengal State Electricity Distribution Company Limited (WBSEDCL) had not obtained prior approval for investment in a project under the Scheme for Rapid Electrification of Agricultural Pumpsets (REAPS), although this was required under the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011. Consequently, WBERC did not allow WBSEDCL to claim interest on the project loan, through tariff orders, leading to loss of ₹ 24.56 crore.

According to the applicable tariff regulations[218], issued (April 2011/ August 2012) by the West Bengal Electricity Regulatory Commission (WBERC), every distribution licensee must separately obtain prior approval of WBERC, for investment in each distribution project with cost exceeding ₹ 125 crore, or five *per cent* of the gross fixed assets of the distribution business of the licensee, whichever is lower, at the time of taking up the project. Further, any subsequent revisions of such investment must also be approved by WBERC, before filing an application for determination of tariff.

The Government of West Bengal (GoWB) introduced (February 2015) a scheme to provide financial assistance for energising 54,311 agricultural pump sets in West Bengal. Accordingly, GoWB approved (September 2015) and sanctioned financial assistance of ₹ 407.33 crore, to WBSEDCL, for the first phase of the Scheme. WBSEDCL commenced work in November 2015 and completed the project in October 2018.

It was observed (April 2022), in audit, that WBSEDCL had:

- not obtained prior approval from WBERC for investment in the project. Instead, it belatedly applied (April 2017) for approval of the project, at a cost[219] of ₹ 1,205.37 crore.
- planned to finance the project through a GoWB grant of ₹ 407.33 crore, loan of ₹ 90.91 crore from the Rural Electrification Corporation Limited (RECL), consumers' contribution of ₹ 21.72 crore and the balance of ₹ 685.41 crore being met from its own funds (working capital).
- after completion of the project in October 2018, approached (March 2019) RECL for a loan of ₹ 90.91 crore. RECL sanctioned (May 2019)

[217] *MICL: ₹ 37.24 crore, MSPL: ₹ 2.14 crore, OSSPL: ₹ 5.15 crore, and BPNPL: ₹ 2.54 crore.*

[218] *Regulations 2.8.2.3 and 4.1 (vi) of WBERC (Terms and Conditions of Tariff) Regulations 2011, as amended by WBERC (Terms and Conditions of Tariff) (Amendment) Regulations 2012 (Notification Nos. 48 & 49/ WBERC of 25 April 2011 and 27 August 2012, respectively).*

[219] *The 0riginal estimate of September 2015, for ₹ 1,411.65 crore, was revised postfacto in April 2019.*

the loan of ₹ 90.91 crore and WBSEDCL drew the entire amount in September 2019. The loan, carrying interest at the rates of 10.90 *per cent per annum* (September to December 2019) and 10.41 *per cent per annum*, thereafter, was repayable in 120 monthly installments. WBSEDCL had repaid principal of ₹ 27.27 crore and interest of ₹ 24.56 crore, till September 2022.

- sought (January 2020) condonation of WBERC, for its failure to seek prior investment approval, since, as desired by GoWB, WBSEDCL had commenced work, considering the urgency of electrification of agricultural pumpsets. Consequently, it had not claimed interest on the RECL loan, or on its own funds in the project cost (₹ 1,205.37 crore) and had also undertaken not to claim this interest, in future, through tariff orders.

WBERC condoned (December 2020) WBSEDCL's failure to obtain prior approval and approved the investment of ₹ 1,205.37 crore, on the condition that WBSEDCL would not claim interest on the working capital fund and interest on RECL loan, either during construction, or in future, through tariff orders.

The Department replied (August 2022) that, considering the urgency of electrification of agricultural pump sets, as desired by GoWB, which had funded the project partially, the project had been executed before receiving the loan.

The reply did not, however, clarify as to why WBSEDCL had not approached WBERC for investment approval before taking up the project, since GoWB had conceived the project in February 2015 and WBSEDCL had obtained GoWB's sanction in September 2015. Hence, WBSEDCL had ample time to apply for approval to WBERC, before commencing the project in November 2015.

Thus, by not obtaining statutory prior approval for investment, WBSEDCL had forgone recovery, through tariff orders, of the interest on the loan from RECL, for the period from September 2019 to September 2022, aggregating to ₹ 24.56 crore.

TOURISM DEPARTMENT

WEST BENGAL TOURISM DEVELOPMENT CORPORATION LIMITED

4.7 Wasteful expenditure on construction of jetties in coastal zone without requisite statutory approvals

The West Bengal Tourism Development Corporation Limited constructed jetties in the Digha-Sankarpur area, without undertaking necessary environmental impact assessments, for obtaining the requisite approvals from the West Bengal Coastal Zone Management Authority. Consequently, the expenditure of ₹ 5.09 crore, on these jetties, was rendered wasteful.

The Ministry of Environment, Forests and Climate Change (MoEFCC), Government of India issued (January 2011/ January 2019) notifications under Section 3 of the Environment (Protection) Act 1986, declaring certain coastal str*etc*hes as part of the Coastal Regulation Zone (CRZ). These notifications mainly sought to conserve and protect the coastal environment/ marine areas, as

well as to promote scientifically sustainable development. Accordingly, coastal zones were classified under four main categories and the economic activities permissible therein were specified. Before taking up economic activities in the CRZ, necessary studies to mitigate their adverse environmental impact had to be carried out and, thereafter, prior approval of the appropriate CRZ Authority had to be obtained.

The Department of Tourism, Government of West Bengal (GoWB), proposed (December 2015) to develop tourism in the coastal areas of Digha-Shankarpur, with financial assistance under the *Swadesh Darshan* Scheme, from the Ministry of Tourism, Government of India (GoI). GoI sanctioned (December 2015) aggregate assistance of ₹ 85.39 crore, for the different project components and disbursed ₹ 68.31 crore between December 2015 and October 2019. Subsequently, GoI reduced (January 2022) the total sanctioned cost to ₹ 67.99 crore. The proposed project area, located along the coast line, having many creeks, estuaries and water bodies susceptible to tidal influence, fell entirely within the CRZ. Therefore, prior permissions from the West Bengal State Coastal Zone Management Authority (WBSCZMA) were required, to implement the different components of the project. The West Bengal Tourism Development Corporation Limited (WBTDCL), as the implementing agency of GoWB, took up a component to operate four deluxe houseboats in the Shankarpur and Tajpur coastal areas, including construction of two floating jetties[220] (comprising of pontoons and gangways) for these houseboats. The jetties were to be completed by December 2021.

Work commenced in November 2016 and, subsequently, due to non-availability of land, WBTDCL decided (July 2020) to drop the floating jetty at Tajpur. Instead, WBTDCL planned to construct two jetties at: (a) Purba Mukundapur, Ramchandrapur, Digha Champa Canal, near Neerakali Mandir and (b) Shankarpur Sluice Gate, Kuliyata under Baisa Bridge, within the estimated cost of ₹ 5.50 crore. The first jetty was completed in June 2020 and the second in August 2022, at an aggregate cost of ₹ 5.09 crore.[221]

Audit observed (June 2022) that:

- Both Shankarpur and Purba Mukundapur were located in CRZ-III,[222] where jetties for tourism purposes were not permitted. Moreover, if exigencies necessitated the construction of jetties, environmental impact assessment (EIA) studies were a prerequisite and prior approval of the West Bengal State Coastal Zone Management Authority (WBSCZMA) was mandatory. Consequently, these jetties were not used, even after completion. Moreover, the navigability of the creeks on which these jetties were located, had also been affected, due to siltation.
- During joint inspection with the representatives of WBTDCL, in June 2022, Audit noticed that requisite river protection works, like embankments,

[220] *A floating jetty provides pedestrian access between the shore and a pontoon (floating platform), with houseboats moored alongside.*

[221] *Civil pathway at Sluice Gate: ₹ 1.15 crore, Civil pathway at Neerakali Mandir: ₹ 1.02 crore, Gateway along with Pontoon at Sluice Gate: ₹ 1.50 crore and Gateway along with Pontoon at Neerakali Mandir: ₹ 1.42 crore.*

[222] *Coastal Regulation Zone III is defined as the area up to 200 mts from the High Tide Line, on the landward side, in case of seafront and 100 mts along tidal influenced water bodies or the width of the creek, whichever is less, and is to be earmarked as a 'No Development Zone.'*

had not been undertaken. Therefore, the civil pathways were damaged. In addition, the gangways/pontoons had also been damaged by lack of maintenance and severe cyclones, such as *Yash*, *Phani*, *Amphan*, *etc*.

Fig 4.1: Damaged approach road at Purba Mukundapur, near Neerakali Mandir

Fig 4.2: Corroded Pontoon at Purba Mukundapur, near Neerakali Mandir

Fig 4.3: Mangrove trees at the Sluicegate at Sankarpur

- As a result, expenditure of ₹ 5.09 crore, incurred on the construction of the jetties, had been rendered wasteful, due to EIA studies not having been undertaken and the requisite statutory permissions not having been obtained.

In reply, WBTDCL stated (September 2022) that super cyclones and continuous siltation at the creek had affected navigation and proved unfavourable to the project. WBTDCL also stated that the damaged road would be repaired and an attempt would be made to lease the pontoons, in future, adding that the houseboats procured under the project would be leased, to realise a Minimum Annual Guaranteed Return.

The reply was not tenable, as WBTDCL had not complied with the provisions of the Coastal Regulation Zone Notification, before taking up the project. Further, the reasons, if there were any, for not preparing EIA reports and obtaining approvals from WBSCZMA, were also not mentioned. Thus, the expenditure of ₹ 5.09 crore incurred on the construction of the jetties, was wasteful.

The observation was reported to the Government in December 2022; reply is awaited (March 2023).

TRANSPORT DEPARTMENT

SOUTH BENGAL STATE TRANSPORT CORPORATION

4.8 Detailed Compliance Audit on "*Management of Resources*" by the South Bengal State Transport Corporation (SBSTC)

4.8.1 Introduction

A bus-based public transport system provides mobility to people and offers a cost-effective alternative form of transport, in urban and rural areas.

The Department of Transport ('Department'), Government of West Bengal (GoWB), aims to provide an efficient, transparent, and smart transport system

for West Bengal. The Department provides a wide spectrum of public services, such as issue of driving licenses/ route permits, registration of vehicles, planning and development of transport infrastructure and provision of transportation services, including in the private sector. There are seven State Public Sector Enterprises (SPSEs), including five State Transport Undertakings (STUs), under the administrative control of the Department, all wholly-owned by GoWB.

The five STUs, *viz*. West Bengal Transport Corporation Limited[223] (WBTCL), West Bengal Surface Transport Corporation Limited (WBSTCL), Calcutta State Transport Corporation (CSTC), North Bengal State Transport Corporation (NBSTC) and South Bengal State Transport Corporation (SBSTC), were incorporated between April 1960 and February 1989. While WBTCL and WBSTCL were constituted as companies, under the erstwhile Companies Act, 1956, CSTC, NBSTC and SBSTC were set up under the Road Transport Corporations Act, 1950. These STUs supplement the requirements for passenger road transport and ferry services across the State.

GoWB nominated (June 2014) each of these STUs as Primary Public Operators (PPOs) for road transport services, distributed across connectivity zones in West Bengal. Accordingly, while WBTCL, WBSTCL and CSTC, were required to operate in the Kolkata Urban Agglomeration (KUA), NBSTC was to primarily function in the districts of North Bengal and provide long distance connectivity with Kolkata and other districts. Similarly, SBSTC was to largely operate in the districts of South Bengal and ensure connectivity with neighbouring states like Jharkhand.

Initially, the South Bengal State Transport Corporation (SBSTC) was incorporated as the Durgapur State Transport Corporation (December 1973), under Section 3 of the Road Transport Corporations Act, 1950. Subsequently, it was renamed as the South Bengal State Transport Corporation in March 1988. The main objective of the Corporation is to provide an efficient, economic and reliable transport service, in coordination with other forms of transport, to public, trade and industry, in the districts of South Bengal.

As of 31 March 2022, SBSTC was providing passenger service covering a total route length[224] of 1.30 lakh kilometres per day. The State also allows private operators to provide public transport in the areas operated by SBSTC. Out of the total buses operated in South Bengal, SBSTC's share was approximately 13 *per cent*.

As of 31 March 2022, besides its head office at Durgapur, SBSTC has three Divisions and 20 depots[225] in South Bengal. SBSTC is under the administrative control of the Transport Department, Government of West Bengal (GoWB).

The resources of SBSTC mainly comprised its buses, manpower, financial resources, land and infrastructure (workshops, depots *etc.*). The audit focus was upon assessing the efficacy of the management in ensuring the optimum utilisation of these resources.

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[223] *Changed with effect from 22 August 2016, from 'The Calcutta Tramways Company (1978) Limited'.*

[224] *Route length = Total number of routes operated by SBSTC x Km. covered per route x Number of trips per route.*

[225] *Durgapur Division (Durgapur, Asansol, Bankura, Burdwan, Kalna, Rampurhat, Berhampore and Suri); Belghoria Division (Belghoria, Howrah, Haldia, Digha, Arambag and Falta) and Jangalmahal Division (Jhargram, Midnapore, Khirpai, Bandwan, Manbazar and Purulia).*

4.8.2 Organisational Structure

The Management of SBSTC is vested in a Board of Directors (BoD), headed by the Chairman. As on 31 March 2022, there were 13 Directors, including the Managing Director (MD). The MD of SBSTC is the chief executive, who works under the superintendence of the BoD and is assisted by a Chief Accounts Officer, three Divisional Managers (*viz.* Durgapur, Belghoria and Jangalmahal), Traffic Managers and Senior Administrative Officer, in managing the affairs of SBSTC. Depots-in-charge are posted down the line, to discharge day-to-day operations of SBSTC at the depot level.

A detailed compliance audit (DCA) on "*Management of Resources by South Bengal State Transport Corporation*", covering the period from April 2017 to March 2022, was undertaken between May and August 2022.

4.8.3 Financial Position and Working Results

4.8.3.1 Financial Position

The Annual Accounts of SBSTC, upto FY 2020-21, were received and audited by the Office of the Accountant General (Audit-II), West Bengal. The provisional Balance Sheet, as on 31 March 2022, was yet to be prepared. The financial position of SBSTC, for four financial years, upto FY 2020-21, is given in **Table 4.2**.

Table 4.2: Financial Position of SBSTC

(₹ in lakh)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21
	Liabilities				
1	Capital	1,100.93	1,100.93	1,100.93	1,100.93
2	Reserves & Funds[226]	18,638.50	21,440.08	21,769.44	24,103.09
3	Loans from Government and other STUs	31,254.33	35,342.89	39,407.94	41,440.76
4	Interest Accrued and due on Govt. Loans	35,792.31	40,047.71	44,812.93	49,866.67
5	Current Liabilities & Provisions	10,261.22	12,404.97	16,517.46	15,387.09
6	**Total**	**97,047.29**	**1,10,336.58**	**1,23,608.70**	**1,31,898.54**
	Assets				
7	Gross Fixed Assets	22,633.01	26,539.66	29,072.03	29,443.08
8	Capital works-in-progress	405.72	238.64	33.92	238.09
9	Current Assets, Loans and Advances, including Cash and Bank Balances	7,402.62	7,488.73	6,709.06	6,825.66
10	Accumulated Deficit in Net Revenue	66,605.94	76,069.55	87,793.69	95,391.71
11	**Total**	**97,047.29**	**1,10,336.58**	**1,23,608.70**	**1,31,898.54**
12	**Debt equity Ratio [3/ 1]**	**28.39:1**	**32.10:1**	**35.80:1**	**37.64:1**
13	**Current Ratio [9 / (4+5)]**	**0.16:1**	**0.14:1**	**0.11:1**	**0.10:1**
14	**Net worth [1 – 10]**	**(-) 65,505.01**	**(-)74,968.62**	**(-) 86,692.76**	**(-) 94,290.78**

(Source: Annual Accounts of SBSTC)

[226] *Reserves and Funds comprised mainly of the Depreciation Reserve Fund (balance as on 31 March 2021 : ₹ 199.64 crore) and the unadjusted balance of capital grants received by SBSTC for purchase of buses (balance as on 31 March 2021 : ₹ 27.67 crore.).*

It is evident from **Table 4.2** that SBSTC was almost entirely reliant on loan assistance from the State Government. During the four financial years ending 31 March 2021, its borrowings increased from ₹ 312.54 crore to ₹ 414.41 crore *i.e.* by 32.59 *per cent.* However, the capital of SBSTC remained constant at ₹ 11.01 crore only. As a result, the ratio of debt to capital remained adverse, increasing from 28.39:1 in FY 2017-18 to 37.64:1 in FY 2020-21, against the All-India Average (AIA) of 1.45:1[227].

Further, due to increased dependence on borrowings and insufficient internal generation of funds, the accumulated deficit increased by 43.22 *per cent,* from ₹ 666.06 crore in FY 2017-18, to ₹ 953.92 crore in FY 2020-21.

The total liabilities (excluding Capital and Reserve & Funds) of SBSTC increased from ₹ 773.08 crore to ₹ 1,066.95 crore, during FYs 2017-18 to 2020-21. This comprised of increase in Government loans (34.66 *per cent*), increase in accrued interest (47.89 *per cent*) and increase in other current liabilities *i.e.*, creditors fund (17.45 *per cent*).

On the other hand, current assets decreased from ₹ 7,488.73 lakh in FY 2019-20, to ₹ 6,825.66 lakh in FY 2020-21.

The current ratio[228] of SBSTC had decreased from 0.16:1 in 2017-18 to 0.10:1 in 2020-21. This indicates that the ability of SBSTC to meet its short term obligations is under stress.

Further, negative net worth of SBSTC had increased from ₹ 655.05 crore in FY 2017-18 to ₹ 942.91 crore in FY 2020-21.

4.8.3.2 Working Results

The Working Results of SBSTC, for five financial years, upto FY 2021-22, are given in **Table 4.3**.

Table 4.3: Working Results

(₹ in lakh)

Sl. no	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22 (Provisional)
1	Operating Revenue	13,836.48	17,161.41	17,793.09	11,430.07	13,472.16
2	Subsidy Received from GoWB	7,078.19	7,475.80	8,522.66	14,068.84	12,693.45
3	Non-Operating Revenue (excluding subsidy received from GoWB)	417.75	306.33	466.77	312.60	199.79
4	**Total Revenue**	**21,332.42**	**24,943.54**	**26,782.52**	**25,811.51**	**26,365.40**
5	**Fixed Costs**					
(i)	Employee Cost	10,287.64	12,075.67	15,110.17	14,579.79	13,703.88
(ii)	Depreciation	1,243.10	1,553.65	1,846.45	1,930.71	1,950.00
(iii)	Interest (Finance Cost)	3,728.71	4,255.40	4,765.22	5,053.74	5,774.85
(iv)	Other Fixed Costs	1,292.22	1,454.21	1,550.87	920.20	848.64
	Total Fixed Costs	**16,551.67**	**19,338.93**	**23,272.71**	**22,484.44**	**22,277.37**

[227] *Pertaining to the financial year 2016-17 (as per the latest STRU Report).*

[228] *Current ratio is the ratio of current assets to current liabilities.*

Sl. no	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22 (Provisional)
6	**Variable Costs**					
(i)	Power Diesel	7,362.70	10,576.67	11,166.58	7,851.64	12,106.72
(ii)	Power CNG	168.71	321.26	461.34	261.28	
(iii)	Lubricants	70.93	82.75	98.13	71.08	71.37
(iv)	Tyre & Tube	487.70	398.43	338.34	244.43	210.28
(v)	Batteries	53.68	40.86	64.05	61.69	-
(vi)	Spare Parts & Other Stores	770.59	872.85	789.85	614.76	452.69
(vii)	Repair & Maintenance	500.07	1,085.94	1,178.81	1,022.43	1,257.40
(viii)	Booking agent commission	439.95	435.39	452.69	285.14	347.98
(ix)	Ticket & Traffic Stationery	20.89	13.75	25.46	17.34	26.26
(x)	License & Tax for Passenger Vehicles	943.14	1,238.70	1,279.86	798.75	1,101.33
(xi)	Other charges	1.14	30.71	5.48	8.76	-
	Total Variable Costs	**10,819.50**	**15,097.31**	**15,860.59**	**11,237.30**	**15,574.03**
7	**Total Cost**	**27,371.17**	**34,436.24**	**39,133.30**	**33,721.74**	**37,851.40**
8	**Loss (-) for the year**	**(-) 6,038.75**	**(-) 9,492.70**	**(-) 12,350.78**	**(-) 7,910.23**	**(-) 11,486.00**
9	Effective km.* operated (in lakh)	521.25	647.82	699.93	474.83	501.24
10	Total Revenue per km (₹) (4/9) (including subsidy)	40.93	38.50	38.26	54.36	52.60
11	Variable Cost per km (₹) (6/9)	20.76	23.30	22.66	23.67	31.07
12	Fixed Cost per km	31.75	29.85	33.25	47.35	44.44
13	Cost per km (₹) (11+12)	52.51	53.16	55.91	71.02	75.52
14	Net Earnings per km (₹) (10-13)	(-) 11.59	(-) 14.65	(-) 17.65	(-) 16.66	(-) 22.92
15	Traffic Revenue per km (₹) (1/9) (Earnings per Km)	26.54	26.49	25.42	24.07	26.88
16	Contribution[229] per km (₹) (15-11)	5.79	3.19	2.76	0.41	(-) 4.19

(Source: Annual Accounts of SBSTC and information furnished by SBSTC)

**Note: As per MoRTH, GoI report:*

a. *Effective Kilometres (or revenue earning KM) are aggregating kilometres actually operated by the fleet of buses for purpose of earning revenues.*
b. *Passenger kms offered= Total Distances operated (effective km) X Total carrying capacity (i.e., number of seats offered to travel).*
c. *Passenger kms performed= Total Distances operated (effective km) X Total carrying capacity actually occupied (i.e., number of seats occupied).*

[229] *Contribution = Sales (i.e., Traffic Revenue) minus Variable Costs.*

It may be seen from **Table 4.3** that SBSTC had sustained losses of ₹ 472.78 crore, during FYs 2017-18 to 2021-22, despite receiving subsidy of ₹ 498.39 crore from Government towards salaries and wages. The yearly losses had increased from ₹ 60.39 crore in FY 2017-18 to ₹ 123.51 crore in FY 2019-20, then decreased to ₹ 79.10 crore in FY 2020-21 and again increased to ₹ 114.86 crore in FY 2021-22 (provisional figures). The decrease in losses during the financial year 2020-21 was mainly due to rise in Government subsidy towards re-imbursement of staff costs, from 75 *per cent,* to 100 *per cent,* from March 2020[230] onwards, in view of the COVID pandemic. However, the losses again increased in FY 2021-22, mainly due to steep rise in fuel costs.

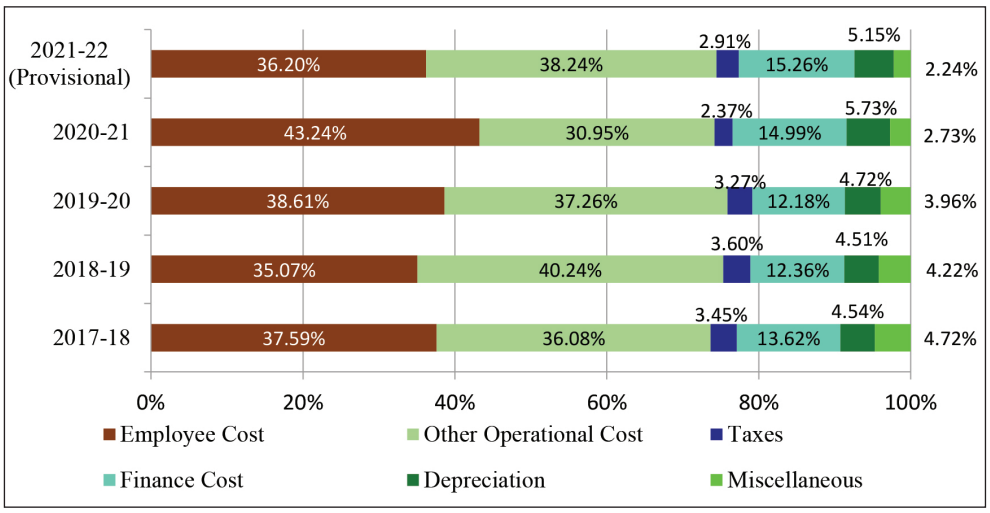
The total revenue constituted only 72.59 *per cent* of the total cost (fixed and variable) for the last five years ended FY 2021-22. Although the revenue (including subsidy) had increased by 25.55 *per cent* in FY 2019-20, as compared to FY 2017-18, the total cost had also increased by 42.97 *per cent*. However, there was a fall in revenue, in FY 2020-21 (as compared to FY 2019-20), by 3.63 *per cent* (35.76 *per cent* in terms of operating revenue), due to the lock-down[231] and passenger booking capacity being restricted to 50 *per cent,* owing to the Covid pandemic. The revenue in FY 2021-22 increased by 2.15 *per cent* against FY2020-21, as the pandemic situation improved.

The contribution per km over variable or running cost had decreased from ₹ 5.79 in FY 2017-18 to ₹ 0.41 in FY 2020-21 and had become negative at ₹ 4.19 *per* km in FY 2021-22, due to fare revision not keeping pace with increases in input costs, social obligation to ply on uneconomic routes, uncertainty of realisation of dues on account of transportation of Government employees during the COVID pandemic *etc*.

4.8.3.3 Elements of cost and revenue

The share of major elements of cost (personnel cost, operating cost, taxes, finance cost and miscellaneous expenditure) and revenue (traffic revenue, subsidy, non-traffic revenue) for the period from FY 2017-18 to FY 2021-22,[232] are given in **Chart 4.1** and **Chart 4.2,** respectively.

Chart 4.1: Break-up of costs (in percentage terms)

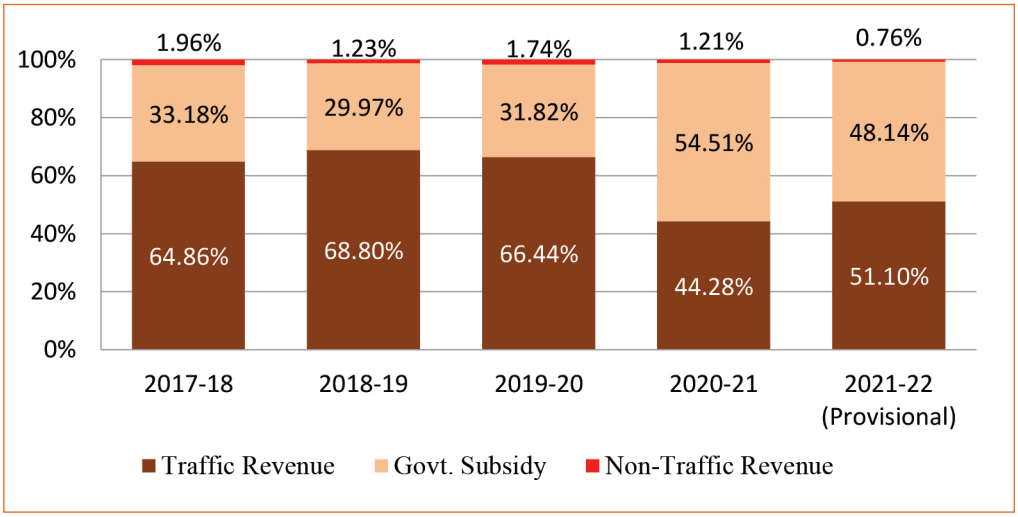


[230] *Except during January 2021, where 90 per cent subsidy was provided.*

[231] *Full lockdown during April 2020, May 2020, June 2021 and partial lockdown during other months.*

[232] *Figures of 2021-22 are provisional.*

Chart 4.2: Break-up of Sources of Revenue (in percentage terms)



It is evident from the charts above that the expenditure towards employee costs increased from 37.59 *per cent* in FY 2017-18 to 43.24 *per cent* in FY 2020-21, with the increase being mainly attributable to pay revision in 2019. However, it decreased to 36.20 *per cent* during FY 2021-22.

Further, due to heavy reliance on loans having high interest rates, the expenditure towards interest was 15.26 *per cent* of total cost in FY 2021-22.

Due to the COVID pandemic, the share of revenue from traffic had decreased in FYs 2020-21 and 2021-22, resulting in increase in dependence on Government subsidy. However, the contribution from non-traffic revenue (interest on fixed deposits *etc*.) remained insignificant, during the period under audit.

4.8.4 Audit objectives

The Detailed Compliance Audit (DCA) was conducted, to assess:

- Whether SBSTC managed its fleet operations optimally with the available resources;
- Whether adequate measures were taken by SBSTC to enhance revenue and control costs;
- Whether there was gainful utilisation of infrastructure and manpower;
- Whether any mechanism existed for monitoring of the various functions and activities of SBSTC and the effectiveness of its internal control/ internal audit system.

4.8.5 Audit Criteria

The audit criteria for assessing the performance of SBSTC were adopted from:

- Agenda papers and approved Minutes of Board meetings.
- Regulations/Rules/Orders/Instructions/ of the Government of West Bengal, Transport Department and SBSTC, issued from time to time.
- Report of the Ministry of Road Transport and Highways (MoRTH) on Performance of State Road Transport Undertakings 2017-18 and Road Transport Year Book 2017-18 and 2018-19.

- Indian Journal of Transport Management, published by the Central Institute of Road Transport (CIRT).

4.8.6 Scope of Audit

The scope of the audit covers the period from FY 2017-18 to FY 2021-22. The audit analysis covers the availability and utilisation of the bus fleet, during the audit period. This apart, the audit also assessed whether SBSTC had taken adequate measures to enhance revenue and control costs. Further, the utilisation and augmentation of infrastructure by SBSTC were also assessed. Effective utilisation of manpower was also considered, within the scope of the audit.

4.8.7 Audit Methodology and Sampling

The pilot study was conducted during May 2022 and the field audit was conducted during July-August 2022. The audit methodology involved scrutiny of records of the Transport Department, Head Office of SBSTC, three Division offices (*Durgapur, Belghoria and Jangalmahal*) and six selected depots.[233] Selection of depots was done on the basis of stratified sampling, using the IDEA software. Physical verification of 10 *per cent* of the fleet strength was conducted in the six selected depots.

An Entry Conference was held on 22 July 2022, wherein the audit objectives, audit criteria, scope and methodology of the DCA were discussed with the Management of SBSTC and officers of the Transport Department. An Exit Conference was held on 04 November 2022. Replies (December 2022) of the Management have been suitably incorporated in the report.

Audit Findings

The audit findings are discussed in the following paragraphs:

4.8.8 Objective 1: Whether SBSTC managed its fleet operations optimally with the available resources.

4.8.8.1 Fleet strength

The physical parameters underlying the performance of buses of SBSTC include the size of the fleet, its age-profile, proportion of overaged fleet *etc*. As of 31 March 2022, the fleet strength was 893 buses, of which 55 buses were operated by franchisees. The remaining 838 buses were operated by SBSTC. During FYs 2017-18 to 2019-20, SBSTC added 254 buses to its fleet strength, which were financed through loans (₹ 46.89 crore)[234] and grants (₹ 15.08 crore) provided by the State Government. During FYs 2017-18 to 2021-22, SBSTC had condemned 123 buses from its fleet strength. The year-wise position is given in ***Appendix-22***. SBSTC did not procure new buses during FYs 2020-21 and 2021-22, as the State Government did not allot funds for this purpose, during the said period.

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[233] *Durgapur Division: Durgapur and Asansol; Belghoria Division: Belghoria and Digha; Jangalmahal Division: Jhargram and Bandwan.*

[234] *Includes funds of ₹ 362.88 lakh which were allotted in the Budget for FY 2019-20 but were transferred in FY 2020-21.*

Details of the operational parameters *viz* fleet utilisation, vehicle productivity, age profile of fleet, occupancy *etc*., of SBSTC are given in ***Appendix-23***. Issues noticed in regard to the operational parameters, are discussed below:

a) Fleet Utilisation

- 'Fleet utilisation' represents the ratio of the number of buses on road to the fleet held by SBSTC. Against the All India Average (AIA) fleet utilisation of 89.20 *per cent* in FY 2017-18, the average fleet utilisation of SBSTC was 77.83 *per cent* during FYs 2017-18 to 2021-22. The fleet utilisation of SBSTC had increased from 80.10 *per cent* in FY 2017-18 to 85.45 *per cent* in FY 2018-19 but decreased gradually to 67.31 *per cent* in FY 2021-22 (***Appendix-23***). The Board of SBSTC recommended (June 2019) gradual improvement of the fleet utilisation, upto 90 *per cent*, by FY 2024-25.

  Management stated (December 2022) that fleet utilisation, during 2020-21, had reduced due to non-operation of buses, due to lockdown during the pandemic period. However, the fact remains that SBSTC's fleet utilisation was lower in 2021-22, as compared to 2020-21.

- The table below indicates the year-wise fleet utilisation (FU) in terms of percentage, for selected six depots, along with SBSTC as a whole, during FYs 2017-18 to 2021-22.

Table 4.4: Fleet Utilisation in selected depots

(***in per cent***)

Depot	Year				
	2017-18	2018-19	2019-20	2020-21	2021-22
SBSTC	80.10	85.45	83.63	72.65	67.31
Durgapur	79.80	93.25	93.79	82.08	76.43
Belghoria	82.00	81.90	81.12	69.14	72.87
Asansol	59.47	66.29	60.13	51.22	59.82
Jhargram[235]	-	78.75	88.99	55.87	55.92
Digha	95.26	93.43	93.76	78.95	81.40
Bandwan[236]	-	-	-	-	32.37

It is evident from **Table 4.4** that, compared to the yearly fleet utilisation by SBSTC, the fleet utilisation in Asansol, Jhargram and Bandwan depots was low. The factors contributing to poor fleet utilisation were shortage of crew (drivers/ conductors); high percentage of over-aged buses which were not road worthy; and buses being under repair for extended periods. Test-check of vehicle registers, at the above depots (except Durgapur depot), showed that 38 buses had remained off-road, for periods ranging between 29 days and 1,383 days, due to delays in repair at workshops, non-availability of spares *etc.* Out of these buses, nine buses, which had been off-road from October 2018 to November 2021, were yet to be made roadworthy (as of 31 July 2022).

Management accepted (December 2022) the fact of delays in repairing buses, due to non-availability of spares for the overaged buses operated by SBSTC.

[235] *Jhargram depot started functioning since August 2018.*

[236] *Bandwan depot commenced operations in September 2021.*

Management also stated that low fleet utilisation of the Asansol depot, during 2020-21, was due to non-availability of CNG during the pandemic period. In case of Jhargram and Bandwan depots, the operations were affected due to COVID. However, there was low fleet utilisation at Asansol depot, throughout 2017-18 to 2021-22. Further, in case of Jhargram depot, the fleet utilisation during 2021-22 was far below SBSTC's average and the operation of Bandwan depot had started after the COVID period.

b) Vehicle Productivity

'Effective kilometre' represents the distance operated by buses for the purpose of earning revenue. 'Vehicle productivity' refers to revenue earning kilometres run by each bus per day in a year. Against the AIA vehicle productivity of 340 km per day in FY 2017-18, the average vehicle productivity of SBSTC was only 298 km during FYs 2017-18 to 2021-22. Further, SBSTC did not fix norms for productivity to be achieved, indicating lack of efforts to enhance vehicle productivity. Consequently, SBSTC could not optimise its revenue earning capability.

Management stated (December 2022) that the vehicles of SBSTC are put on road, considering the traffic demand, competition from private operators *etc*. Further, judicious use of buses reduces the variable costs. However, the reply did not address the fact that, with lower vehicle productivity, the assets of SBSTC would remain underutilised. Further, the admission that vehicles were put on road depending on the competition, indicated that SBSTC had conceded space to the private sector.

c) Overaged Fleet

- The average age of the fleet is one of the important determinants of its physical productivity. Bus utilisation largely depends upon the age profile of the buses. **Table 4.5** indicates year-wise details of the fleet operated by SBSTC, including off-road buses.

Table 4.5: Off-road and overage buses

Sl. No.	Particulars	2017-18	2018- 19	2019-20	2020-21	2021-22
1)	Number of buses belonging to SBSTC as on 31 March	836	909	926	931	893
2)	No. of buses with franchisees	86	64	64	63	55
3)	Number of buses held for operation by SBSTC as on 31 March[237] {Sl. Nos.(1) less No.(2)}	750	845	862	868	838
4)	Average number of off-road buses	286	272	240	321	300
5)	Percentage of off-road buses to total buses {Sl. Nos.(4)/(3) X 100}	38.13	32.19	27.84	36.98	35.80
6)	Average age of all buses (in years)	5.96	6.15	6.31	7.31	8.06
7)	Number of buses more than 8 years old	386	408	356	366	336
8)	Percentage of buses more than 8 years old {Sl. Nos.(7)/(1) X 100}	46.17	44.88	38.44	39.31	37.63

[237] *Excluding buses operated by franchisees.*

It is evident from **Table 4.5** that the percentage of off-road buses was very high, ranging between 27.84 (FY 2019-20) and 38.13 (FY 2017-18). This implied that SBSTC could not earn revenue from these buses during the said periods. As against the AIA[238] of 6.48 years, the average age of buses of SBSTC was 8.06 years in FY 2021-22.

Management admitted the fact and stated (December 2022) that it was facing difficulties in providing services, due to these overaged buses.

- As per the guidelines (November 2004) of the Transport Department, the normal life of vehicles above 3 tons is considered 4 lakh km or eight years of age. During the last five years, ending FY 2021-22, SBSTC had scrapped 123 buses. Despite this, 37.63 *per cent* of its fleet strength (893) as of 31 March 2022, was more than eight years old, as compared to the AIA of 25.09 *per cent*. The high percentage of overaged (more than 8 years old) buses, during 2020-22, was mainly due to non-procurement of new buses. As SBSTC did not generate surplus from internal generation, it had to depend on Government assistance for replacement of overaged (more than 8 years) buses. High incidence of over-aged buses resulted in non-availability of spares for off-road buses, with consequential impact on fleet utilisation.
- SBSTC had floated (May 2019) a tender for procurement of 50 buses before receipt of administrative approval from the Transport Department. Administrative approval was subsequently received (September 2019) for procurement of 65 buses and SBSTC was requested to place its demand for allotment, to the Transport Department. On receipt of the approval, SBSTC placed (October 2019) a Work Order (WO) on *Garrison Engineering Company Pvt. Ltd (GEC),* for procurement of 65 fabricated buses at total cost of ₹ 16.85 crore.[239] The buses were scheduled to be delivered within 120 days of placement of WO, *i.e.*, by February 2020.

  After placement of the WO, GEC informed (January 2020) that, since the tender had been floated for 50 buses, they were unable to supply balance 15 buses. This was due to the fact that the chassis supplier, *i.e.* Tata Motors Ltd (TML), was not willing to supply additional 15 chassis, without receiving their sale price in advance. SBSTC accepted (March 2020) GEC's contention and revised the ordered quantity to 50 buses. Records revealed that GEC had supplied 50 buses between December 2019 and March 2020. Thus, due to undue favour to GEC, SBSTC failed to augment its fleet strength by 15 more buses.

  Management replied (December 2022) that SBSTC had placed the Work Order for supplying 65 BS-IV buses, after receipt of the administrative approval. During the transition period of floating of e-tender and supply of such buses, new registrations of BS-IV buses had been stopped and registration was possible only for BS-VI buses. As such, supply of the balance 15 buses could not be made after 31 March 2020, due to these changes. Moreover, GoWB had not allocated funds for procurement of the remaining 15 buses.

[238] *AIA in FY 2017-18.*

[239] *Basic price per bus ₹ 20.25 lakh plus 28 per cent GST.*

The reply was not acceptable, as the supply of buses had been scheduled within February 2020. Although registration of BS-IV buses was stopped after 31 March 2020, the scheduled delivery period was well within the time frame. Had SBSTC insisted upon supply of buses within the scheduled timeframe, it could have added 15 more buses to its fleet. Further, out of 50 fully built-up buses, GoWB had released (February and March 2020) funds for 36 buses within March 2020 and released (September 2020) funds for the remaining 14 buses in the next financial year. Again, SBSTC did not seek funds for procurement of the additional 15 buses. Hence, the rationale of non-allotment of funds, for these 15 additional buses, does not hold good.

d) Timely disposal of scrapped buses

Timely disposal of scrapped buses f*etc*hes better prices and the funds so received can be used as working capital. As per guidelines framed by the State Government (November 2004/ October 2014), for condemnation of vehicles, a proposal is to be placed before SBSTC's Condemnation Committee, stating the period of non-use due to un-roadworthiness, kilometres run, age of the vehicles *etc*. Thereafter, the recommendations of the Committee are to be placed before SBSTC's Board, for final approval and disposal as scrap sale.

It was observed that there were long gaps between the time the buses had become un-roadworthy and beyond economical repair, to declaration of condemnation. Test-check of the statistics[240] of 113 buses, which had been condemned during FYs 2018-19 to 2021-22, showed wide gaps between the dates from which they had been off-road and the dates on which they had been proposed for condemnation. These gaps ranged between one to three years for 50 buses, three to five years for 13 buses and were in excess of five years for 16 buses. Due to the inordinate time taken, the possibility of their having f*etc*hed lower scrap values cannot be ruled out.

Management stated (December 2022) that time is required for inspection by the technical experts and approval by the Board of SBSTC, for final declaration of condemnation. However, it added that SBSTC would expedite the condemnation process, in future.

4.8.8.2 Occupancy Ratio

i. 'Occupancy ratio' is the ratio between the total passengers carried to the seats available in the bus, expressed as a percentage. The occupancy ratio[241] of SBSTC ranged from 70.42 *per cent* (FY 2018-19) to 68.27 *per cent* (FY 2020-21) during FYs 2017-18 to 2021-22, against the AIA of 71.13 *per cent*. Management stated (July 2022) that SBSTC had been able to maintain its occupancy percentage, especially during the COVID period, as services were planned according to the changed needs of the commuters.

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[240] *Off-road dates in respect of 10 out of 123 buses proposed for condemnation were not available.*

[241] *In the case of SBSTC, 'occupancy ratio' and the ratio of 'Passenger km performed' to 'Passenger km offered' is almost the same, since most of the buses ply on long routes, with occupancy being restricted to the seating capacity of the buses.*

Management added (December 2022) that the occupancy level of SBSTC cannot be compared with AIA, due to the fact that SBSTC faces competition from private operators and also other STUs, unlike the situation in other states. However, the reply needs to be viewed in light of the fact that the North Bengal State Transport Corporation (NBSTC), another STU in West Bengal, was facing similar competition from private operators and had attained occupancy of 80.78 *per cent* (FY 2017-18).

ii. **Table 4.6** provides details of the break-even occupancy level (BEOL) for traffic revenue at the given level of vehicle productivity and total cost per km. This cost per km is inclusive of the employee costs[242] of SBSTC (depreciation and interest have not been considered).

Table 4.6: Break-even Occupancy level

Sl. No	Operational parameter	2017-18	2018- 19	2019-20	2020-21	2021-22
1	Cost per km excluding interest, depreciation and deducting subsidy *(in ₹)*	29.39	32.65	34.29	26.68	34.78
2	Traffic revenue per km. at 100 *per cent* Occupancy Level *(in ₹)*	37.70	37.62	37.10	35.26	38.49
3	Break-even occupancy level (1/2) *(as percentage)*	77.96	86.79	92.43	75.67	90.36

Thus, the break-even occupancy level increased from 77.96 *per cent* to 90.36 *per cent* during FYs 2017-18 to 2021-22. Considering the best occupancy of 82.38 *per cent* achieved by the Delhi Transport Corporation (DTC)[243], amongst the State Road Transport Undertakings (STUs) in India, during the quarter ending December 2017, expected occupancy level of SBSTC to be at break-even seems unattainable.

iii. **Very low occupancy in air-conditioned buses:** SBSTC had 48[244] AC buses as of 31 March 2022. However, it was not maintaining separate records, either for the revenue earned (make-wise) from operation of AC buses or for the cost of their maintenance. Records made available to Audit at four[245] depots showed that the occupancy ratio of standard AC, Volvo and electric AC buses, in FY 2021-22, was 37.57, 20.68 and 29.03 *per cent,* respectively. The average earnings per kilometre (EPKM)[246] of these buses worked out to ₹ 25.25, ₹ 23.20 and ₹ 13.47 respectively, whereas the cost of fuel per km/cost of energy consumed per km (in case of electric buses) worked out to ₹ 24.63, ₹ 36.95 and ₹ 5.77 respectively. The contribution

[242] *After deducting subsidy. The employee cost, after deducting subsidy received from GoWB for payment of salaries of regular employees, indicates the share of employee costs that have been incurred by SBSTC from its operational revenues [Row 5(i) (-) Row 2 of Table 2: Working results].*

[243] *Central Institute of Road Transport (CIRT) Report: October to December 2017. The Corporation operates mainly on city routes, where occupancy tends to be high.*

[244] *38 standard AC buses, five Volvo AC buses and Five Electric AC Buses.*

[245] *Digha, Belgharia, Durgapur and Asansol.*

[246] *For FY 2021-22.*

margin, after meeting the fuel costs, worked out to ₹ 0.62, ₹ (-)13.75 and ₹ 7.70. Thus, the operation of High Speed Diesel (HSD) driven AC bus services was uneconomical. Further scrutiny showed the following:-

- The State Government had fixed (July 2018) the fares for AC services at ₹ 2 per Km. However, records showed that SBSTC was charging ₹ 1.60 per Km. Despite charging lower rates, the average occupancy ratio of standard AC buses was low at 37.57 *per cent* (FY 2021-22) compared to overall SBSTC's occupancy level of 69.84 *per cent* (FY 2021-22). However, in the absence of complete records regarding revenue km (make-wise) achieved, the losses, due to low fares being charged, could not be quantified in audit.

  Management stated (December 2022) that, due to competitive operations in similar alignments made by other STUs and some of the private operators, per km earnings for the said category of service dropped, after enhancement of fare.

  The reply of the Management was not acceptable, as the occupancy level of AC services, even at the lower rate of fare, had been sub-optimal.

- As per the decision (July 2021) of the Transport Department, NBSTC handed over five Volvo buses to SBSTC for operations. These buses had previously been operated by NBSTC, under the franchisee model, till January 2020 and had, thereafter, been surrendered to NBSTC. As NBSTC was unable to run these buses on its own, they were transferred (August 2021) to SBSTC. SBSTC incurred (September-November 2021) expenditure of ₹ 54.85 lakh, in order to make these buses roadworthy. In the meanwhile, SBSTC formed (August 2021) a committee to study the techno-economic viability and assess the mode of operation of these buses. The Committee opined (23 August 2021) that, due to involvement of huge capital and recurring revenue expenditure on repairing/maintenance of Volvo buses, alongwith low KMPL and rising fuel costs, it was not viable for SBSTC to operate these buses on its own. Therefore, the Committee was of the opinion that the buses should be run under the franchisee system, on cost plus basis, with recurring maintenance expenditure to be borne by the franchisees. However, SBSTC operated these five Volvo buses on two routes, *i.e.,* Esplanade-Farakka and Esplanade-Jhargram, during November-December 2021, due to low EPKM on the aforesaid routes, SBSTC discontinued operations on both routes. Thereafter, the buses were deployed on the Kolkata-Asansol route (January 2022) and Kolkata-Digha route (February 2022). EPKM improved on these new routes, however, SBSTC was unable to recover even the fuel costs, due to low demand (as of March 2022).

4.8.8.3 Depot size and numbers

According to the Bus Rapid Transit (BRT) Design Guidelines for Indian Cities, issued (November 2017) by the Indian Roads Congress (IRC: 124-2017), the size of the depots and terminals depends on the number of vehicles that will be based at the depot. Further, a depot for 100 standard buses requires approximately 2 hectares. In addition, the "bus depot design guidelines", initially issued in 2017, under the guidance of the Association of State Road

Transport Undertakings (ASRTU), indicated that

(i) the per bus area requirement reduces exponentially with increases in the depot capacity/size,

(ii) conversely, very small depots lead to inefficient use of space, and

(iii) depot capacity should ideally be 80 to 100 buses per depot,

(iv) SBSTC had observed that close proximity between two depots needed to be avoided, to prevent overlapping of routes and increase in administrative costs.

SBSTC was, however, not carrying out any viability study to check whether its proposed depots would be self-sustainable and stated that depots were being commissioned as per sanctions received from the Department, adding that the fleet size was gradually being increased, as per demand.

Test-check of four[247] newly constructed depots and one newly constituted Division[248] revealed that SBSTC had not conducted cost benefit analysis in regard to these depots/ division. Audit observed[249] that the newly constructed Jhargram depot was at a distance of 39 km from the Medinipur depot. Further, the distance between the Manbazar and Bandwan depots, which were also newly constructed, was less than 30 km.

Audit observed that Jhargram, Khirpai, Bandwan and Manbazar depots had fleet strengths of 26, 15, 22 and 12 buses, respectively, as of 31 March 2022. Therefore, the cost of investment (₹ 1,240.43 lakh, ₹ 299.86 lakh, ₹ 97.51 lakh and ₹ 98.33 lakh, respectively), on these four depots, lacked adequate justification. Further, joint physical inspection by Audit (along with SBSTC Officials) at the Bandwan depot showed that basic infrastructural facilities, such as boundary wall, fuelling station *etc.,* had not been constructed (August 2022) at the Bandwan depot.

Had SBSTC constructed terminus[250] instead of depots, it could have reduced expenditure on infrastructure, on 169 additional personnel[251] and other associated administrative expenditure. As depot-wise expenditure was not being prepared, the revenue losses suffered by these depots could not be quantified in audit.

Management replied that: (i) the depots under the Jangalmahal division had been opened for socio-economic upliftment, under the mission of GoWB. These depots were not in robust health. However, with the passage of time, their performance had improved and (ii) SBSTC is the only State Transport undertaking which provides services to remote villages and sub-divisions of South Bengal, as well as a part of North Bengal, as mentioned in its VISION 2025 document.

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[247] *Jhargram (08.08.2018), Khirpai (05.11.2020), Bandwan (01.09.2021) and Manbazar (01.09.2021).*

[248] *Jangalmahal Division (8 March 2019).*

[249] *Google maps.*

[250] *A 'bus terminus' is a designated place where a bus starts or ends its scheduled route.*

[251] *The aggregate existing manpower at Jhargram (78), Khirpai (50), Bandwan (36) and Manbazar (37), was 201. With eight personnel {Security: 5, Housekeeping: 1 and Conservancy: 2 (Source: Minutes of meeting with Divisional Manager of Belghoria Division dated 06.08.2022)} required for each terminus, 169 personnel could have been reduced.*

However, the fact remains that SBSTC had not chalked out a plan for operation of un-economic depots, as there was no surplus from other operations for cross-subsidising these losses. Moreover, the reply did not address the issue of opening depots in close proximity.

RECOMMENDATIONS:

SBSTC may –

1. ***Improve its fleet utilisation, by enhancing its vehicle productivity, inducting new buses and disposing of scrapped buses in a timely manner.***
2. ***Take suitable action to replace its ageing fleet and improve fuel efficiency, thereby reducing vehicular emissions and ensuring safety of passengers.***

4.8.9 Objective 2: Whether adequate measures were taken by SBSTC to enhance revenue and control costs

4.8.9.1 Economy in costs of operation

The major operating costs of SBSTC include fuel cost; cost of operation and maintenance of buses; and expenditure on tyres, tubes *etc*. Some significant issues, relating to costs, are discussed below.

I) Economy in Fuel Costs

Fuel was a major cost element, which constituted 29.14 per cent of total expenditure and 73.30 per cent of the variable costs during FYs 2017-18 to 2021-22. The fleet strength of SBSTC comprised: (i) HSD driven standard, air-conditioned and Volvo buses (ii) Compressed Natural Gas (CNG) driven standard buses and (iii) air-conditioned electric buses.

For HSD and CNG buses, fuel efficiency is measured by average kilometres travelled per litre of HSD or per Kg of CNG (Kmpl/ Kmpkg). For electric buses, it is measured by kilometres travelled per kilowatt-hour (Km/ KWH).

The fuel efficiency of HSD driven standard, air-conditioned and Volvo buses, at the six selected depots, was 4.34 Kmpl, 3.63 Kmpl and 2.42 Kmpl, in FY 2021-22. For electric buses, it was 1.22 Km/KWH. Considering energy prices as of FY 2021-22, the cost of fuel per km, in the six selected depots, worked out as shown in **Table 4.7**.

Table 4.7: Fuel cost/km

	HSD driven			CNG driven	Electric AC bus
	Standard	AC	Volvo		
Km per unit	4.34	3.63	2.42	4.82	1.22
Average Rate (₹)	89.41	89.41	89.41	70.19	7.04
Fuel Cost /Km (₹)	20.60	24.63	36.95	14.56	5.77

Table 4.7 indicates that the cost of operation of CNG driven buses and electric AC buses was less than cost of operation of HSD driven standard buses, by ₹ 6.04 and ₹ 14.83 per km, respectively. Moreover, CNG driven buses and electric

AC buses have lower vehicular emissions and are thus environment-friendly alternatives. However, these buses had the following disadvantages:

- CNG buses cannot operate more than 450 km in one fill and electric buses can run only approximately 80 km in one charge.
- Spares for CNG buses are not available in adequate quantities.

Due to the rising prices of HSD oil, SBSTC had taken certain steps to reduce the cost of fuel expenses, as discussed below:

a. Conversion of Buses

SBSTC placed a proposal (September 2021) to the Transport Department, for placing funds of ₹ 6.00 crore at its disposal, for conversion of 100 old diesel driven buses to CNG. As the cost of CNG is less than HSD, Management estimated that there would be cost saving of ₹ 11.36 crore per annum. SBSTC placed (October 2021) an order on M/s Diya Automobiles LLP, for conversion of 72 buses, at the cost of ₹ 8.28 lakh per bus, to be completed within 90 days of placing the order. SBSTC had obtained fund sanction in October 2021. The warranty was two years from the date of delivery. SBSTC sent 11 buses to the firm, between November 2021 and January 2022. Thereafter, an inspection team was sent (January 2022) to oversee the work of the contractor and the report of the team stated that the mechanical attachment, cylinder *etc*, used in the conversion process, were faulty and defective, and, hence, were extremely unsafe. Following the team's report, the Board decided (March 2022) to stop the conversion process and these 11 buses were still lying with the contractor (as of July 2022). In July 2022, SBSTC's Board decided to shift the buses to Belghoria Divisional workshop. As SBSTC had kept the buses idle, there was a loss of 2,310[252] bus days from January 2022 to July 2022.

Management stated (December 2022) that the said work was in progress and the matter is being expedited, to put the buses on road, as early as possible.

b. Fuel efficiency

- The fuel efficiency[253] of SBSTC was 4.25 km/litre of HSD, as against the AIA of 4.89[254]. Records showed that the Telangana State Road Transport Corporation (TSRTC), which had a similar age profile (8.46 years) of buses as that of SBSTC, had fuel efficiency of 5.12 Kmpl.

  In case of CNG buses, the kilometres covered by SBSTC's buses per kg of CNG were 4.73 km in FY 2021-22, which was below the achievable norm of 5.30 km, as projected by SBSTC. This indicated that there was scope to improve the fuel efficiency for both–HSD, as well as CNG driven buses. Due to non-availability of fuel category-wise (HSD & CNG) records of gross km. run during the FYs 2017-18 to 2021-22, the impact of low fuel efficiency, on the cost of operations, could not be computed by Audit.

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[252] *11 buses x 30 days x 7 months.*

[253] *Kilometres covered by buses per litre of HSD Oil.*

[254] *CIRT: October to December 2017.*

Table 4.8 indicates the year-wise kmpl of HSD, achieved at the SBSTC level, as well as at the six test-checked depots, during FYs 2017-18 to 2021-22.

Table 4.8: Kilometres per litre at selected depots

Depot	Year					Average
	2017-18	2018-19	2019-20	2020-21	2021-22	
SBSTC	4.31	4.24	4.16	4.22	4.32	4.25
1. Durgapur	4.24	4.25	4.23	4.10	4.75	4.31
2. Belghoria	4.53	4.43	4.39	4.20	4.35	4.38
3. Asansol	4.24	4.17	4.12	4.02	4.19	4.15
4. Jhargram	-	4.80	4.66	4.59	4.57	4.66
5. Digha	4.08	4.04	4.06	4.12	4.07	4.07
6. Bandwan	-	-	-	-	4.21	4.21

It is evident from the above table that the fuel efficiency (kmpl), for the Digha and Asansol depots, was below the overall average fuel efficiency achieved by SBSTC. However, the average fuel efficiency, for the Jhargram, Belghoria and Durgapur depots, was above SBSTC's average.

Management stated (December 2022) that SBSTC is operating with overaged buses. With these overaged buses, it is not possible to achieve the desired KMPL and the lower KMPL of Digha depot is due to poor road condition and stoppages for the routes. The reply is not tenable, as, with a similar age profile of buses, the Telangana State Road Transport Corporation (TSRTC) had achieved better fuel efficiency (*i.e.,* 5.12 kmpl), as compared to SBSTC.

- In order to maximise fuel efficiency, the Central Institute of Road Transport (CIRT) had *inter-alia* suggested the following: (i) analysis of data and fixing of targets (ii) periodical training to low performing drivers (iii) display of fuel efficiency of drivers in depots and (iv) introducing reward techniques *etc.* The following deficiencies were noticed in this regard:

  i) CIRT had observed[255] that training to drivers would lead to improvement in fuel efficiency, ranging between 5 and 10 *per cent,* with the greatest benefit coming from on-road training (as compared to classroom instructions). Records showed that, although SBSTC had put in place a system to impart training to drivers, there was no system of feedback, for ascertaining the impact. Further, the training was imparted in a classroom environment, rather than on-road. While SBSTC maintained driver-wise fuel efficiency (km per unit) at depot level, the analysis did not show the fuel efficiency achieved by drivers according to the types of buses viz. standard, AC, Volvo, CNG or electric. Hence, Audit could not ascertain the number of drivers achieving low kmpl, to assess the need for training.

  ii) SBSTC did not fix targets for kmpl to be achieved by each type of bus. Due to this, monitoring the performance of drivers, as well as the maintenance contractors engaged at various depots, was not feasible.

[255] *CIRT: Indian Journal of Transport Management, October-December 2016.*

For payment of incentive to drivers SBSTC had fixed (May 2018) a target of 4.2 kmpl for each standard HSD bus, operating on long distance routes exceeding 100 Kms. Considering the fuel efficiency as per AIA and TSRTC (having similar age profile of fleet) being 4.89 and 5.12 Kmpl, respectively, the target had been fixed by SBSTC at lower side. Management stated (December 2022) that driver wise KMPL is monitored at depot and divisional level. However, the fact remains that in absence of target fixation, monitoring would not be effective.

iii) Use of good quality lubricants assists in achieving better fuel efficiency. It came to the notice (January 2022) of the Tender Purchase Committee of SBSTC that, by using better lubricant than the conventional cheap lubricant, at *Durgapur* depot, during FY 2021-22, there had been an increase in kmpl, upto 3.47 *per cent*. Although the Committee had recommended (January 2022) carrying out a cost-benefit analysis, for considering extending its usage in other depots as well, no such analysis had been carried out (as of August 2022).

Management stated (December 2022) that considering the financial crunch, it has planned phase wise utility of such lubricants in other depots.

iv) **Table 4.9** indicates the pattern of fuel (HSD) consumption by different age groups of standard buses, at the six selected depots of SBSTC, during FY 2021-22.

Table 4.9: Age-profile *vis-à-vis* consumption of HSD

Age-profile of buses (years)	Number of buses	Total km run	Total HSD (litres)	KMPL
(1)	(2)	(3)	(4)	(5)=3/4
0-4	41	26,63,789	6,16,298	4.32
4-8	130	87,97,517	20,45,913	4.30
8-10	8	2,49,210	55,186	4.52
10-12	24	14,50,683	3,31,778	4.37
12 and above	80	36,05,429	8,26,083	4.36
Total	**283**	**1,67,66,628**	**38,75,258**	**4.33**

It is evident that buses in the age-group of eight to 10 years had achieved better kmpl, as compared to newer buses. The kmpl achieved by other age-groups showed that the rate of fuel consumption did not vary significantly with the age of buses. However, reasons in this regard had not been analysed by the Management. Audit observed that the tenders issued for procurement of buses, between FYs 2017-18 and 2021-22, did not incorporate energy efficient criteria. As a result, SBSTC lost an opportunity to reduce its fuel costs.

Management stated (December 2022) that buses in the age group of 0-4 years were of BS-IV category. While these buses are less polluting, their KMPL is low. The older buses have better fuel efficiency but they lack pollution checking abilities.

However, in absence of detailed analysis by the Management and absence

of confirmation from the manufacturers, the contention of the Management cannot be accepted.

c. Dead Kilometres

Dead Kilometres is the distance that a bus travels from the bus depot to the bus stand and *vice-versa*, without carrying or accepting any passengers. Thus, depots being nearer to the bus stands, result in reduction of dead kilometres, as well as the time lost due to traffic congestion. During FYs 2017-18 to 2021-22, the value of fuel consumed to cover dead kilometres amounted to ₹ 2,843.43 lakh.[256] Except in the case of Digha depot, the distance between depot to bus stand for the five selected depots varied between 4 km and 21 km.

Management stated (December 2022) that it was contemplating converting some of the dead kms. into revenue earning kms. by allowing passengers to board the buses between the depot to the bus stand and back. Moreover, breakdown of buses on route also contributed to dead kms, but SBSTC had not quantified the distance.

II) Maintenance of buses

In order to keep buses in good running condition and to reduce breakdown and other mechanical failures, repairs and periodic maintenance are required. During FYs 2017-18 to 2021-22, repair and maintenance costs[257] constituted 15.80 *per cent* of the variable costs. SBSTC has a two-tier maintenance system, comprising the following: (i) Preventive Maintenance of Buses at Depots and (ii) Major Repairs/Overhauls at Divisional Workshops. Preventive maintenance is carried out in depot workshops, to keep the buses in good running condition and to reduce breakdowns/other mechanical failures. The Divisional Workshops of SBSTC at *Durgapur* and *Belghoria* are mandated to perform a check of mechanical and electrical components, as well as bus body renovation.

(a) Depot workshops

None of the six selected depot workshops had maintained a float of major assemblies[258] and subassemblies to reduce the down-time of running buses. The work at depot workshops involved changing of five[259] lubricants, as per schedule and checking of the mechanical and electrical systems of buses. Each of the depots had promulgated a schedule for replacement of different lubricants, which lacked uniformity, as mentioned in ***Appendix-24***. Further, compared to the maintenance schedule adopted by the respective depots, there were 2,093 cases of shortfall and 112 cases of excess, in regard to the number of maintenance jobs undertaken by the selected depots, as compared to the scheduled number of maintenance jobs prescribed in the depot concerned.

Management stated (December 2022) that the process of unit exchange system (float of major and sub-assemblies), as mentioned by Audit, was being followed in the workshops of SBSTC since long. However, due to financial difficulties,

[256] *Dead km (FYs 2017-18 to 2021-22) x Average HSD rate/Average KMPL= 1,71,90,013 x ₹ 70.30/4.25.*

[257] *Spare parts, lubricants, batteries, repair and maintenance charges, tyre tubes (₹ 108.39 crore).*

[258] *Engine, gear box, fuel injection pumps etc.*

[259] *Engine oil, Gear oil, Differential oil, Greasing and Steering oil change.*

SBSTC cannot maintain the system. Further, the maintenance operation was being strictly followed and lubricants were being replaced according to schedule.

However, the reply did not address the issue of prescribing different maintenance schedules for individual depots. Moreover, Audit had observed that depots had not complied with the requirements of their own schedules.

(b) Engagement of contractors for maintenance of buses

Maintenance of buses at various depots was done by engagement of maintenance contractors. The selection of these contractors was done through tendering in January 2017. SBSTC issued (March 2017) work orders to five[260] contractors, for undertaking maintenance work for a period of three years, which was subsequently extended (April 2020) for another three years, up to March 2023. The contractor was to supply the required manpower (as stated in the tender for each depot) and to pay them minimum wages (as per the Circulars issued by the Labour Department, from time to time). The fixed cost of manpower was to be paid by SBSTC, to the contractor, as labour charges, on monthly basis. In addition, the contractor would receive variable maintenance charges, termed as 'commission', at the quoted rate per kilometre, based on the number of kilometres operated by the respective depots, on monthly basis. The spares, required for maintenance, were to be supplied by SBSTC.

The following deficiencies, in this regard, were noticed, during test-check of records:

i) Payment bills of two contractors, in the six selected depots, for FY 2021-22, showed that SBSTC had paid ₹ 394.51 lakh towards labour charges, as the fixed component. This was not directly related to upkeep and maintenance of buses. In addition, it had paid ₹ 21.03 lakh as commission, based on the number of kilometres operated by these depots. Thus, the lump-sum payment towards labour payment, comprised 95 *per cent* of the payments made to the contractors, whereas the variable component comprised only five *per cent* of the total bills. Had SBSTC awarded preventive maintenance work, on job order basis, it could have paid the labour charges on the value of actual work done, instead of making consolidated monthly payments of labour. Audit noted that the West Bengal Transport Corporation Limited (WBTCL) had awarded (June 2019) maintenance work on job order basis for five years, wherein the rate had worked out to ₹ 8,660 *per* bus per month, whereas the rate, as paid by SBSTC, worked out to an average of ₹ 14,735 per bus per month, in FY 2021-22. This had resulted in additional financial outgo of ₹ 1.71 crore per annum (detailed in ***Appendix-25***), for the six test-checked depots.

   Management stated (December 2022) that job contract was not possible, as the nature of job was different, due to involvement of manpower inside the premises/ precincts of the depots, workshops and other establishments of SBSTC. Since manpower was involved, SBSTC was bound to pay statutory obligations like minimum wages. The contention of Management was not acceptable, since SBSTC had awarded (March 2021) bus body maintenance and overhauling jobs, at Divisional workshops, on job order basis.

[260] *M/s New Siemech Engineering, M/s Chandan Motor Repairing Works, M/s Lakshmi Priya Engineering Works, M/sR.S.Engineering and M/s Ma Manasha Engineering Works.*

ii) The work orders issued to the contractors did not specify the quantum of manpower (number of personnel) to be deployed in the depot, although the tenders had stated that this would be done. Further, the payment of labour charges was being made to contractors without certified attendance sheets being attached with the bills.

Management accepted (December 2022) the fact and stated that it would incorporate a suitable clause in this regard, in the next tender.

iii) SBSTC did not have a system of seeking periodic reports from the Depots-in-charge (DIs) about the performance of contractors. However, it was only in July 2021, that the Works-in-charge of Durgapur Division sought (July 2021) reports from the respective DIs, about the performance of the contractors. Scrutiny of the reports of the DIs of 18 depots, under all three Divisions, showed (July 2021) that the performance of maintenance contractors had been reported as 'satisfactory' in case of only seven depots, while, for the balance 11 depots, it had been reported as 'unsatisfactory'.

Management stated (December 2022) that, for unsatisfactory performance, SBSTC had asked the contractors to show cause and accordingly penalized them, by suitably making deductions from their bills. However, the reply did not provide details of deductions, if any, made by SBSTC, from the bills, when releasing the payments.

iv) During physical verification of serviceable buses[261] in the selected depots, it was observed that the indicator lights, brake lights, display boards *etc*., were not functioning properly, in 55 out of the total of 89 buses. Although Management assured that these would be rectified by the time the buses were placed on route, this was indicative of the inefficiency of the contractor, as well as failure of the Management to effectively oversee the work executed by the contractor.

Management stated (December 2022) that depot-wise orders would be issued, for proper verification, before putting the buses on road.

III) Performance of Tyres

Tyre costs constituted 2.45 *per cent* of the operating costs and 0.97 *per cent* of the total costs of SBSTC, during FYs 2017-18 to 2021-22. SBSTC was using both nylon and radial tyres for its buses but was not maintaining tyre cards[262], for new and re-treaded tyres. As such, SBSTC was unable to ascertain the average new life[263] re-treaded life[264] and retreadability factor,[265] of nylon and radial tyres individually.

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[261] *'Serviceable buses' included buses available at the Traffic section for placement on routes, but excluded the buses held up for maintenance jobs.*

[262] *Tyre cards are maintained for each tyre, containing details such as its serial number, date, type, size, date on which it was put to use, date on which it was out for re-treading and km covered, date of condemnation, total km covered etc.*

[263] *'Average new life' means the average km covered by a new tyre, from the date when it was first put to use and the date when it was taken off for first re-treading.*

[264] *'Re-treaded life' means the average km covered by the re-treaded tyre from the date when it was put to use and the date when it was taken for condemnation.*

[265] *'Retreadability factor' means the number of times a tyre is re-treaded over its active life, before being scrapped.*

SBSTC stated (December 2022) that it would take suitable steps to develop a software, for analysis of tyres.

Considering the numbers of new tyres purchased by SBSTC and the re-treaded tyres used, the average km, covered by new and re-treaded tyres, worked out as follows:

Table 4.10: Performance of Tyres

Average Life of:	2017-18	2018-19	2019-20	2020-21	2021-22
New Tyres *(in km)*	59,418	47,835	45,320	43,525	60,325
Re-treaded Tyres *(in km)*	55,738	61,609	59,341	47,296	45,558

The life of tyres depends on road conditions, driving habits, vehicle condition/maintenance & tyre maintenance practices. As per the tyre manufacturer's declaration, the average life of new tyres was approx. 50,000 KM. In comparison with the manufacturer's declaration about expected average life of new tyres, the shortfall ranged between 4.33 and 12.95 *per cent,* during FYs 2018-19 to 2020-21. These shortfalls had increased the operating costs (*i.e.*, expenditure on tyres) by ₹ 74.04 lakh, during the said period. Further, the average life of re-treaded tyres had gone down considerably, during the financial years 2020-21 and 2021-22, in comparison to the earlier years.

Management stated (December 2022) that life of the re-treaded tyres had reduced due to buses being off-road for a long-time, during the pandemic period. However, the contention of Management is to be viewed in light of the fact that life of re-treaded tyres in 2021-22 *i.e.*, even after the pandemic period, had fallen further.

IV) Avoidable payment of penalty on toll tax

FASTag is an electronic toll collection device, attached to the wind screen of a vehicle, to enable drivers to cross toll plazas, without stopping to make physical payments for the toll. It uses Radio frequency identification (RFID) technology, to enable direct toll payments from a moving vehicle. However, cash payment of toll charges attracts penalty of an amount equal to the toll charges. The toll fare is directly deducted from the Bank Account linked to *FASTag*.

SBSTC entered into an agreement (March 2018) with the State Bank of India (SBI), for availing the FASTag facility. Instances were noticed where toll charges were paid in cash, due to failure of FASTag readers of NHAI, resulting in double payment of Toll Tax, amounting to ₹ 22.14 lakh[266], for the period from June 2020 to January 2022. SBSTC had brought (July 2021/ June and July 2022) the fact to the notice of SBI and claimed reimbursement of the penalty levied by NHAI. However, the matter remained unresolved.

Management had accepted (December 2022) the fact and stated that they had persuaded SBI for reimbursement of penalty. However, SBI was silent regarding reimbursement of the claim of SBSTC towards penalty on payment of toll tax in cash, due to failure of the *FASTag* facility.

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[266] *Penalty on payment of Toll Tax in cash: ₹ 9,13,180, for the period from June 2020 to July 2021; ₹ 12,08,298, for the period from 22.01.2022 to 27.01.2022 and ₹ 0.93 lakh on 07.05.2022. Hence, the aggregate penalty worked out to ₹ 22.14 lakh (₹ 9.13 lakh + ₹ 12.08 lakh + ₹ 0.93 lakh).*

V) Extra expenditure due to non-procurement of CNG Buses from Original Equipment Manufacturer (OEM)

SBSTC approached (July 2018) two OEMs, *i.e.* M/s Ashok Leyland Ltd. (ALL) and M/s Tata Motors Ltd (TML), to deliver 20 CNG buses, based on the rate (₹ 33.40 lakh) offered in August 2017, to which M/s Ashok Leyland agreed (July 2018). SBSTC invited (August 2018) tender for another 20 CNG buses, wherein *Bhandari Automobiles Pvt. Ltd.*, an authorised dealer of ALL, became the lowest bidder, by quoting ₹ 41.97 lakh per bus, for similar capacity of bus. The OEMs had not been approached for subsequent supply of the 20 additional CNG buses, which had led to additional outlay of ₹ 1.71 crore.

Management stated (December 2022) that the Department of Environment, Government of West Bengal, after due concurrence of the Finance Department, Government of West Bengal, had approved the rate and accorded sanction for the funds. Moreover, none of the OEMs had participated in the tender. Hence, SBSTC had procured the CNG buses after approval by the Transport Department and maintaining procurement norms.

However, the reply of the Management did not address the fact that, although in July 2018, an OEM (M/s ALL), had agreed to a lower rate, SBSTC did not approach it, thereby incurring additional outlay of ₹ 1.71 crore, on procurement of 20 buses.

RECOMMENDATIONS:

SBSTC should take –

3. ***Steps to economise on the cost of fuel, reduce dead kilometres and ensure effective maintenance of buses, for effecting economy in its operations.***
4. ***Action to eliminate the reasons and may determine and fix responsibility for payment of penalties on toll charges.***

4.8.9.2 Optimising Revenue

Revenue from bus operations, *inter-alia,* depends on passenger ticket fares, occupancy and extent of operation of buses through franchisees, while it is affected by un-economic services, revenue leakage, collection of outstanding dues *etc*. Study of yearwise data showed that, during the last five financial years ending 2021-22, the Earnings Per Kilometre (EPKM) had gradually decreased from ₹ 26.54 in FY 2017-18 to ₹ 24.07 in FY 2020-21 and had increased to ₹ 26.88 in FY 2021- 22. The following were observed in this regard:

I) Non-revision of bus fares

The State Government last revised the fare structure, applicable to all State Transport Corporations, as well as private stage carriers, in June 2018, and for air-conditioned services in July 2018, based upon the demand placed by the Bus Owners' Association. Although the average price of HSD had increased from ₹ 67.71 per litre in FY 2018-19 to ₹ 89.41 in FY 2021-22, the fare per km had remained static during this period. As a result, the gap[267] between EPKM

[267] *Traffic Revenue per Km less Fuel cost per KM.*

and fuel cost *per* Km gradually diminished from ₹ 9.67 *per* Km in 2018-19 to ₹ 2.73 *per* km in FY 2021-22.

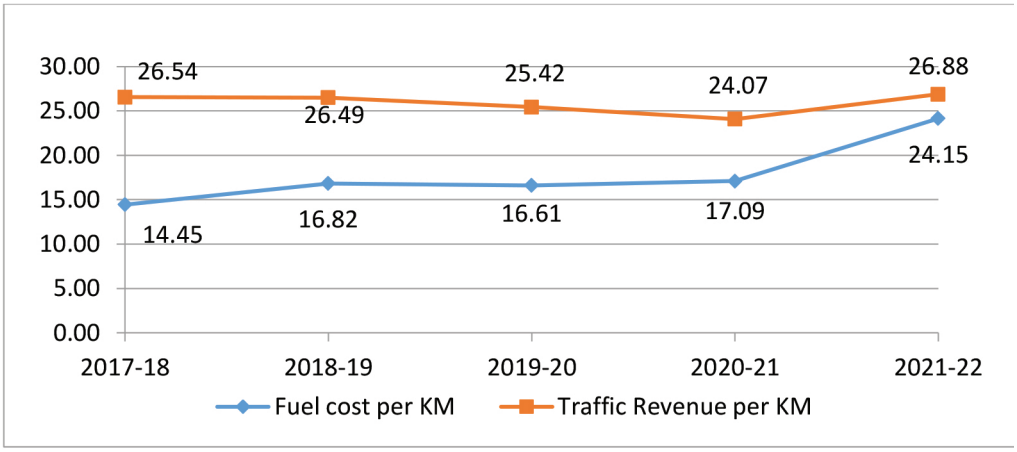
From records made available, there was no indication that SBSTC had approached the Transport Department, GoWB, seeking fare revision. Audit also noticed that the Transport Department had framed a dynamic fare pricing model for the public transport system in May 2018. The model had prescribed automatic fare revision, whenever there were changes in the fuel prices and the wholesale and consumer price indices. However, the fare had been fixed in June 2018, on an *ad-hoc* basis, without reference to the model, which had neither been notified, nor put to use.

Management stated (December 2022) that fare is administered by the State Government. Hence, there is no scope for SBSTC to approach the Transport Department. Further, GoWB had not invited suggestions for increase in fares.

However, since the matter relates to the sustained viability of the public transport system, it needed immediate attention of Government.

A comparison of fuel cost per km and EPKM, for the last five financial years ending 2021-22, is depicted in **Chart 4.3.**

Chart 4.3 Comparison of Fuel cost per km to Traffic Revenue per km



In comparison, after the last revision had been made in June 2018 by the Government of West Bengal, the Government of Orissa had revised its fares on 10 occasions. This apart, it was observed that the Government of Tamil Nadu had permitted STUs to seek reimbursement due to the increasing cost of HSD. As per the Revised Budget Estimates for FY 2021-22, the Government of Tamil Nadu had provided funds of ₹ 750 crore in this regard.

Due to significant increases in the cost of fuel and spares, private stage carriers in the State had, however, been charging higher fares from passengers, since December 2020.

Department stated (July 2022) that, after enhancement of fare in 2018, not much hike in fuel prices had been observed till March 2020 and a hike had been kept in abeyance, to avoid imposing extra financial burden to the commuters, on account of enhancement of fares. However, the reply is not tenable, as the price of fuel had increased by 61 *per cent*[268] since March 2020. In regard to charging

[268] *HSD Price: (March 2020: ₹ 59.33 and March 2022: ₹ 95.27).*

of higher fares by private stage carriers, the Department stated that no complaint had been received in this regard. However, the fact remains that the Department had not investigated the unauthorised charging of increased fares by private operators.

Both CIRT[269] and C&AG[270], in their reports on the performance of STUs, had recommended that State Governments may consider appointment of an independent regulator, for fixation of tariff, after considering normative costs, in addition to monitoring the availability of adequate transport facilities across the State.

II) Loss of operation on uneconomic routes

Route surveys[271] are necessary for assessing the economic viability of new, as well as existing routes. In this regard, Audit analysed the earnings of the routes of the six selected depots of SBSTC, during the period January-March, for FYs 2017-18 to 2021-22. The year-wise variable costs and total costs (excluding interest and subsidy being adjusted with employees cost), along with the year-wise viability of the routes of the selected depots, is given in **Table 4.11**.

Table 4.11: Viability of routes of selected depots

Financial Year	Total No. of routes	No. of routes not meeting the variable costs	No. of routes meeting the variable costs but not meeting the total costs	No. of routes earning more than the average total cost per km
2017-18	184	39 (21.20%)	121 (65.76%)	24 (13.04%)
2018-19	218	78 (35.78%)	125 (57.34%)	15 (6.88%)
2019-20	226	77 (34.07%)	145 (64.16%)	4 (1.77%)
2020-21	200	57 (28.50%)	104 (52.00%)	39 (19.50%)
2021-22	199	179 (89.95%)	15 (7.54%)	5 (2.51%)

(All percentages were computed in respect of total number of routes)

It is evident from **Table 4.11** that the number of routes, EPKM of which was more than the average total cost per km, had declined from 24 in FY 2017-18 to five in FY 2021-22. Similarly, the number of routes not meeting variable costs had increased from 39 to 179 during FYs 2017-18 to 2021-22. The main reason for the significant increase in the number of uneconomic routes in FY 2021-22 was the steep increase in HSD prices.

Management stated (December 2022) that it was the responsibility of SBSTC to provide transport infrastructure to commuters of all areas, including the remotest areas. Though many of them are not economically viable but they are still important to commuters, because a coordinated mode of transportation always helps other sectors to flourish and to gear up the social structure.

However, the reply did not address the fact that, despite the steep increase in number of uneconomic routes, due to steep increase in operating costs *vis-à-vis*

[269] *CIRT: Indian Journal of Transport Management, October-December 2018.*

[270] *Performance Audit of State Transport Undertakings (STUs), conducted across the country, covering the period from FY 2004-05 to FY 2008-09.*

[271] *'Route surveys' indicate the traffic demand, route length, timings, stoppages. expected revenue etc.*

constant fare rates over the years, SBSTC had not chalked out plans in regard to the manner in which it would continue operations on these uneconomic routes.

III) Measures to improve revenue

SBSTC had taken measures for increasing revenue, such as appointing agents to enhance sale of tickets. However, lapses were noticed in this regard, as discussed below.

(a) Loopholes in the software for online booking

SBSTC developed (January 2015) a web-based application for ticketing, through M/s Webel Technology Ltd[272] (WTL). The software, which provides an online facility to passengers, for booking of tickets, was also used by the Principal Ticket Booking Agents (PTBA) of SBSTC, for selling tickets to passengers.

The online booking system by the principal agents envisaged that the agents would deposit sufficient money with SBSTC, in advance, on the basis of which SBSTC would issue virtual tickets to the principal agents, who, in turn, would allocate the funds to different counters operated by them. SBSTC specifically instructed the principal agents to deposit sufficient money with SBSTC beforehand, failing which the software would be locked. The instruction was conveyed (October 2014) to WTL also. However, there was absence of reconciliation between value of tickets sold by agents, *vis-à-vis* the advances deposited by them. The value of the advances deposited by the agents was treated as sales by SBSTC. Upon integration of the booking module with accounting module since July 2020, SBSTC asked WTL to furnish the current balances and system generated reports of all primary agents, as on 02 April 2021, wherein differences were detected between the accounting data and traffic data, mainly in case of sales made by one of the Principal Agents, M/s New Eureka Travels Club (NETC). It was noticed that the value of tickets sold by NETC was more than the advance deposited by them with SBSTC, which had resulted in negative balance (overdrawal beyond the refilled amount). WTL was asked (August 2021) to report regarding this discrepancy. In reply, WTL clarified that it had developed the booking system, but maintaining positive or negative balances had not been clarified before, until recently. The software did not provide checks to restrict the agents to overdraw beyond the refill amount. The software had been kept open since its inception and had not provided for checks to restrict agents from overdrawing beyond the refill amount. As a result, an agent had exploited the loophole and had sold tickets, in excess of the amount of deposit by ₹ 7.19 crore, from May 2016 to September 2021. SBSTC took initiatives to recover the amount, by deducting the advances deposited by them thereafter. At the request of the agent, an arbitrator had been appointed (May 2022). The matter is under arbitration[273].

SBSTC admitted (December 2022) that there was failure of the software to lock excess allotment /distribution of tickets over and above the recharged value with

[272] *WTL would provide a web-based application, which was to conform to the booking logic, as conveyed by SBSTC, for the ticketing system, along with hosting of application software, so that the SBSTC need not procure or install any server set up or data centre, for running the system.*

[273] *Order sheet of Hon'ble High Court of Calcutta AP/244/2022 for appointment of arbitrator.*

the sub agents. Further, the issue was now under investigation by the GoWB's Anti-Corruption Bureau.

(b) Payment of commission at different rates

Principal Ticket Booking Agents (PTBAs), were appointed by SBSTC, through tenders floated in June 2019. The rates of commission were fixed at the percentages quoted by the PTBAs against the tenders, which were mentioned in the Work Orders, issued from time to time. These rates varied between 3.5 to 4.2 *per cent* on sales made by them. The tenders and Work Orders provided that these agents would engage sub-agents, at different points. However, the terms and conditions in tenders and work orders issued by SBSTC provided that for tickets sold by their sub-agents, PTBAs were entitled to receive commission at ₹ 9/- per ticket. Out of ₹ 9/- per ticket, the sub-agents were entitled to get ₹ 7/-. Reasons for preset rates were not on record. Further, the SBSTC did not have a mechanism to assess/ monitor whether the PTBAs were paying the agreed commission to the sub-agents. SBSTC could not furnish specific reasons for payment of commission at a flat rate (₹ 9 per ticket), for tickets sold by sub-agents, instead of as a percentage (3.5 to 4.25 *per cent*) on the sales value. Payment of commission at a flat rate, instead of at a percentage rate, as quoted by the PTBAs, resulted in excess payment of commission of ₹ 50.63 lakh[274] (***Appendix-26***) for sales made by sub-agents of PTBA, during April 2017 to March 2022.

Management replied (December 2022) that percentage commission is applicable against large quantum of deposits. In order to encourage employment generation, commission of ₹ 9/- per passenger was fixed for sub-agents. However, SBSTC did not have a mechanism to ascertain the quantum of employment generation in this regard. Further, in this situation, tendering was rendered unfruitful, as the rates were fixed by SBSTC.

IV) Collection of dues

a) Dues from franchisees

SBSTC operates some of its buses through franchisees, against monthly rent payable. As of 31 March 2022, SBSTC had seven franchisee operators, operating 55 buses[275]. As per agreement, the franchisees were required to bear the responsibility for proper upkeep of the buses and keep them in safe places, under their (franchisee) custody. Scrutiny showed that, as of 31 March 2022, the agreements made with six franchisees[276] had lapsed, between 137 and 2,251 days before 31 March 2022. Although the franchisees were required to pay monthly rent in every succeeding month, there had been accumulation of dues of ₹ 32.14 lakh (as on 31 March 2022).

Management stated (December 2022) that many of the franchisee operators had not been able to ply buses during the pandemic period. The issue regarding waiver of rental charges had not been settled (as of March 2023).

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[274] *M/s Eureka: ₹ 23.09 lakh, M/s Maa Tara: ₹ 24.14 lakh and M/s Sohini Travels: ₹ 3.40 lakh.*

[275] *Shri Arun Kumar Sannigrihi (12) , M/s S.B.S Travels (1), M/s Gopal Enterprises (1), M/s Maa Manasha Engineering Works (7), M/s K.S. Security Services (16),Shri Jaydeb Giri (2) and Tamanna Enterprises (16).*

[276] *Except for the agreement with Shri Jaydeb Giri.*

b) Other dues

i) SBSTC facilitated workers of different departments, *viz.* Health Department, and High Court, in attending office during the Covid pandemic. Records showed that such services had been rendered in phases, commencing from June 2020 onwards. Although the services to the Health Department had stopped since October 2021, the services to the High Court staff were continuing (August 2022). The amount outstanding towards the services rendered to the employees of High Court upto March 2022 amounted to ₹ 214.56 Lakh (as of August 2022).

Management replied (December 2022) that it had received ₹ 21 Lakh from the Health Department, adding that a G.O had been issued, for allotting funds for the services provided to the employees of High Court.

However, the fact remains that Management is yet (March 2023) to receive the remaining funds.

ii) During 2021-22, SBSTC had deployed buses to facilitate commuters, with 50 *per cent* of the sitting capacity, as per Government Orders issued from time to time. Due to restricted occupancy in FY 2021-22, SBSTC had suffered operational losses of ₹ 1,008.54 lakh[277] and the same had been claimed from the GoWB. Against the said claim, SBSTC had received ₹ 600 lakh (up to July 2022) from GoWB. However, Management was silent in its reply about recovery of the balance amount of its claim towards operational losses, amounting to ₹ 408.54 lakh[278], for deploying buses to facilitate commuters, with 50 *per cent* of the sitting capacity, as per Government Orders, which had not been received (as of March 2023).

RECOMMENDATIONS:

SBSTC may-

5. ***Take steps to enhance its revenues by undertaking revision of fares, enhancing its dues collection system and assessing the viability of any new routes, before opening them for operations.***
6. ***Determine and fix responsibility for payment of commission at flat rate on tickets sold through sub-agents in violation of the tender conditions.***

4.8.10 Objective 3: Whether there was gainful utilization of infrastructure and manpower

4.8.10.1 Utilization of depot land

To augment non-traffic revenue, SBSTC identified (January 2020) the following as sources of non-traffic revenue:

- Leasing unused/vacant quarters
- Identifying areas at depots and terminals for building stalls and ATM counters
- Displaying advertisements at the back side of computerized tickets

[277] *Operational Loss calculated: ₹ 1,173.90 lakh+ Amount received: ₹ 100 lakh- Due from High Court: ₹ 214.56 lakh- Due from Health Department: ₹ 50.80 lakh.*

[278] *₹ 1,008.54 lakh less ₹ 600 lakh.*

- Installing towers of network service providers
- Displaying advertisements on the walls of kiosks, at important locations

Records revealed that SBSTC had 220 quarters at six locations of Durgapur, for the purpose of allotment to its employees, for residential purposes. 43 of these quarters were vacant, as of 31 March 2022. However, the periods of vacancy were not available on record. Further scrutiny revealed that there was unauthorised occupation of 14 quarters, by retired employees of SBSTC, for periods ranging from five months to 193 months, without payment of rental charges. This had resulted in loss of revenue of ₹ 11.12 lakh (upto 31 March 2022).

Management replied that, despite issue of several letters to vacate the quarters, the ex-employees had not vacated the same. However, the terminal dues of such retired employees had been withheld. The amount recoverable from these ex-employees, in the form of rent/penal rent, electricity charges *etc*, will be adjusted from their terminal dues, as and when they vacate the quarters.

However, details of the terminal benefits retained by SBSTC, against each employee, were not furnished.

The Board, at its 161st meeting, decided (September 2021) to lease out vacant unused quarters, on as-is-where-is basis, for increasing its non-traffic revenues. This was, however, yet to materialize (as on 31 March 2022).

i. SBSTC floated a tender (October 2020) for construction of kiosks, for providing facilities for information and booking, to passengers. It had appointed (October 2020) an agent to run these kiosks, who would receive commission at 4 *per cent* on the sales booked. 34 kiosks were, accordingly, constructed, at a cost of ₹ 27.60 lakh, in December 2020. The agent, however, failed to effectively run the kiosks *ab-initio* and the agreement was terminated (April 2022).

   Management stated (December 2022) that it was exploring the possibilities of earning revenue, by displaying advertisements on the body of the kiosks.

ii. As per records, SBSTC had 134.04 acres of land, at 45 locations, where it had constructed depots, workshops, buildings *etc*. In order to augment non–traffic revenue, the 161st Board Meeting of SBSTC (September 2021) had approved a proposal for identifying the areas/spaces at the depots & terminus of SBSTC, that could be used for building stalls & ATM Counters. However, steps were not taken to identify locations for construction of buildings, stalls, ATM counters *etc*., for increasing non-traffic revenue.

   Management, in its reply, stated (December 2022) that it had identified areas for construction of ATMs, ware houses, mobile towers and stalls, at different depots. It had also envisaged the possibilities of increasing non-traffic revenue, through advertisements on bus bodies, as well as hoardings at depots and terminal premises. However, a detailed action plan, in this regard, had not been submitted.

4.8.10.2 Tyre Re-treading Plant

SBSTC has two tyre retreading plants, situated at the Durgapur and Belghoria Divisions, having annual capacity of 3,120 and 2,496 tyres, respectively. Infrastructure for retreading Radial tyres was, however, available only at the

Durgapur Division. **Table 4.12** shows the year-wise utilization of the tyre re-treading plant capacity.

Table 4.12: Capacity *vis-à-vis* utilization of the re-treading plants

	Annual Capacity	No. of Tyres Re-treaded (*Percentage* to Annual Capacity utilised)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Durgapur Division	3,120	2,154 (69.04)	2,406 (77.12)	2,655 (85.10)	2,808 (90.00)	2,994 (95.96)
Belghoria Division	2,496	1,786 (71.55)	2,029 (81.29)	2,326 (93.19)	1,497 (59.98)	1,720 (68.91)
SBSTC Total	**5,616**	**3,940** (70.16)	**4,435** (78.97)	**4,981** (88.69)	**4,305** (76.66)	**4,714** (83.94)

It is evident from the above that the performance of the Durgapur Tyre Retreading plant had consistently improved, from 69.04 *per cent* in FY 2017-18, to 95.96 *per cent* in FY 2021-22. However, the utilization of the Retreading plant at Belghoria, against its capacity, had decreased from 93.19 *per cent* in FY 2019-20 to 68.91 *per cent* in FY 2021-22. Scrutiny revealed that the tyre retreading plant of the Belghoria Division had been installed in 1991 and was, thus, 31 years old. This retreading plant had suffered frequent breakdowns and was in need of replacement of some outdated components.

Management accepted (December 2022) the audit observations and stated that a proposal had been sent to GoWB, for releasing funds, in order to procure machinery for the plant at the Belghoria Division. However, funds had not been received (March 2023).

4.8.10.3 Manpower

Manpower costs constituted 38.12 *per cent* of the total costs of SBSTC during FYs 2017-18 to 2021-22. As of 31 March 2022, SBSTC had 3,127 staff, including regular and contractual staff supplied by various Agencies.

(a) High Staff-bus ratio

During FYs 2017-18 to 2019-20, staff per bus[279] decreased from 4.94 in FY 2017-18 to 4.76 in FY 2019-20, which was lower than the AIA[280] of 5.76. During the same period, staff productivity[281] per day per bus had increased from 62.31 km to 64.59 km, which was also higher than the AIA of 56.14 Km. However, due to fresh induction of contractual staff, as well as decrease in the average number of on-road buses, the staff per bus had increased to 5.75 during FY 2020-21 and to 5.81 during FY 2021-22. This also resulted in decrease in staff productivity, from 64.59 km (FY 2019-20) to 47.85 km (FY 2021-22) per day per bus. Despite the high bus-staff ratio, 23,127 trips had been cancelled during the last five financial years ending 2021-22, for want of crew. While

[279] *'Bus' here refers to 'on-road bus'.*

[280] *FY 2017-18.*

[281] *'Staff productivity' refers to revenue earning kilometers performed per worker per day in a year.*

assessing the crew requirement for daily out-shedding of buses[282] in selected depots, it was observed that there was shortage of 29 drivers and excess of 16 conductors. This indicates that the deployment of crew in these depots was not adequate for meeting the needs of the traffic department.

Management stated (December 2022) that, during the COVID period, very few buses had been put on road. Due to this fact, the ratio was high. Further, if the buses operated by the franchisees were included, the bus-staff ratio would be reduced.

However, the reply, in regard to computation of bus staff ratio considering the buses operated by franchisees was not acceptable, as the manpower of SBSTC is not engaged in the operation of franchisee-operated buses.

(b) Appointment of Contractual personnel

In terms of the Finance Department orders (July 2014), SBSTC was, henceforth, entitled to receive subsidy for payment of salary, pension and retirement benefits in regard to existing employees and also in regard to employees whose appointment would be made with the approval of Finance Department. Accordingly, SBSTC receives subsidy for staff costs, to the extent of 75 *per cent,* from the State Government. This subsidy was raised to 100 *per cent* since March 2020[283], due to the Covid pandemic.

Examination of records showed that SBSTC had engaged 345 contractual employees, from time to time, through agencies, without prior approval of the Government, resulting in financial outgo of ₹ 10.15 crore during FYs 2020-21 and 2021-22.These contractual employees were posted at different depots and divisional offices of SBSTC. Although SBSTC had sought *post-facto* approval for this, the approval was pending.

Management stated (December 2022) that the Board of SBSTC had approved the induction of contractual employees. However, SBSTC is planning to discontinue the ticket booking agency system at a few places and deploy the above mentioned staff gainfully, to reduce the cost of commission paid to the Principal Booking Agents.

(c) Excess payment of incentive to drivers and conductors

In order to boost revenue, SBSTC had introduced (May 2018) an incentive scheme for drivers and conductors, based on Earnings per kilometre (EPKM). Records showed that, out of the total sales made by SBSTC during FYs 2018-19 to 2020-21, 50 *per cent* of the sales had been made through online booking, made by the agents of SBSTC for which commission was paid to them and the balance 50 *per cent* was earned through hand sale of tickets by conductors. The incentive for crew was, however, based on the total sales, instead of hand-sale made by conductors. As the figure for total sales (including online sales) was being considered for arriving at EPKM, there was excess payment of incentive to drivers and conductors on account of the online booking. However, the amount of extra payment could not be quantified, as incentive was paid at fixed rates, depending upon slabs of EPKM.

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[282] *'Out-shedding of buses' means putting the buses on route.*

[283] *Except for the month of January 2021, wherein 90 per cent subsidy had been provided.*

Management stated (December 2022) that the incentive slab has been modified. The limit has been set in such a way that the incentive cost will be reduced considerably.

RECOMMENDATION 7:

SBSTC may improve its HR management system and ensure that payments of incentive for staff are properly scrutinised, before implementation.

4.8.11 Objective 4: Whether a mechanism existed for monitoring of various functions and activities of SBSTC and internal control/internal audit system

4.8.11.1 Monitoring

The following deficiencies were noticed in regard to monitoring:

(i) SBSTC maintains a database of operational parameters, such as fleet utilization, fuel efficiency *etc.,* which is compiled at the division and head office levels. Audit noticed that: (i) these operational parameters were not being reviewed periodically by the Management (ii) targets in regard to operational parameters, were rarely being set by the Board or top Management and (iii) the available data on operational parameters was not being analyzed, for exercising better and more efficient management control over operations.

Management stated (December 2022) that: (i) analysis was being done constantly, at the divisional levels and (ii) with overaged buses, continuous hikes in fuel costs, as also the costs of spares and tyres, improvement in performance is cumbersome.

(ii) Intelligent Transport System (ITS): To ensure the safety and security of passengers travelling in SBSTC's buses, the BoD felt (June 2018) the need for installation of CC cameras, panic buttons, GPS tracking systems and LED destination boards, in all buses, at a cost of ₹ 3.37 crore. The GPS tracking systems were expected to ensure real-time information on buses, with regard to punctuality of service, bus stop skips, over-speeding *etc.,* while the closed circuit (CC) cameras were expected to carry out video photography within the buses and to store the videography data so captured, in hard discs, with the help of mobile digital video recorders.

The project was implemented during April 2019 to February 2020. However, non-payment of software charges had affected the GPS tracking of buses. A survey (conducted in March 2022) showed that, out of 688 buses, the system was in operation in only 426 buses. Thus, SBSTC failed to derive the intended monitoring benefits from the investment.

Management replied (December 2022) that day-to-day monitoring was being done through CCTVs and other tracking systems, before the pandemic period. After the pandemic, the equipment had become inoperative, which was beyond its control.

However, the reply cannot be accepted, as SBSTC could not furnish records regarding videography data having been stored in buses, particularly on uneconomic and vulnerable routes, for arresting revenue leakages, better monitoring of passenger and staff activity *etc.*

(iii) Despite continuing poor operating performance and cash crunch, the Board did not issue directives to the executives of SBSTC, to pursue revision of fares or to recover outstanding dues from Departments *etc.* Thus, monitoring of service parameters by the top Management was deficient.

(iv) In terms of Section 56 of the Motor Vehicles Act, 1988, a vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness (CF), containing such particulars and information, as may be prescribed. Similarly, under Rule 115 (7) of the Central Motor Vehicles Rules 1989, after the expiry of a period of one year from the date on which a vehicle was first registered, every vehicle is required to obtain a 'pollution under control' (PuC) certificate, issued by an agency authorized for this purpose by the State Government. This certificate is to be produced on demand by the officers. While conducting test-check of records of 345 buses, it was noticed that the CFs and PuCs of 186 and 112 buses, respectively, had not been updated, as on 31 March 2022.

Management assured (December 2022) that, at present, SBSTC has updated the CFs and PuCs.

RECOMMENDATION 8:

SBSTC may fix written norms of operations, service standards and targets, while putting in place an effective Management Information System (MIS), to generate consolidated reports on achievement of targets and norms, for better monitoring.

4.8.11.2 Internal Audit

There is no separate internal audit wing in SBSTC. Officers of the Accounts section are acting as Internal Auditors. Further, no audit reports are being prepared on a periodic basis.

Management replied (December 2022) that : (i) internal checks are regularly being done through vouching and verification (ii) the depot management software enables to detect flaws in the financial and physical parameters and (iii) the SBSTC Board has approved the proposal of constituting central audit teams for conducting depot audit. Accordingly, two central audit teams have been constituted. The teams visit the depots and submit their reports, after conducting audit.

4.8.12 Conclusion

SBSTC sustained losses, mainly due to operational inefficiencies and non-revision of fares in tandem with the increase in fuel prices and rise in operational costs. Non-fixation of norms for achieving different operational parameters, coupled with dependency on an overaged fleet, were other impediments in this regard.

In addition, sub-optimal fuel efficiency and issues in maintenance of buses also had a detrimental effect. Further, there was a lack of diligent efforts to tap into non-traffic sources of revenue. Also, there was deficient utilization of SBSTC's database, which could have been utilised to achieve better and more efficient management control and monitoring.

KOLKATA **(ANADI MISRA)**
The 26 APRIL 2023 **Accountant General (Audit-II)**
West Bengal

Countersigned

NEW DELHI **(GIRISH CHANDRA MURMU)**
The 27 APRIL 2023 **Comptroller and Auditor General of India**