ANDHRA PRADESH LEGISLATURE

(ELEVENTH LEGISLATIVE ASSEMBLY)

14th REPORT

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS

(2002 - 2003)

ON

REVIEW AND PARAS
APPEARED IN THE REPORTS OF
THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEARS
1995-96 (PARAS) & 1996-97 (REVIEW & PARAS),
(COMMERCIAL), GOVERNMENT OF ANDHRA PRADESH
ON
ANDHRA PRADESH STATE ROAD TRANSPORT
CORPORATION

(Presented to the Legislature on 29-03-2003)

J.9-1

COMMITTEE ON PUBLIC UNDERTAKINGS
(2002-2003)

(Constituted on the 28th March, 2002)

CHAIRMAN:

1.Sri Reddy Satyanarayana

MEMBERS:

2. Smt. P. Bapanamma
3. Dr. P. Rama Rao
4. Sri Allu Venkata Satyanarayana
5. Sri P. Babu Mohan (upto 10.9.2002)
6. Sri Y. Yella Reddy
7. Sri E. Peddi Reddy
8. Sri Byreddy Rajasekhar Reddy
9. Dr. D. Sivaram
10. Sri J. Rathnakar Rao
11. Sri Pinnamaneni Venkateswara Rao
12. Sri M. Hanumantha Rao
13. Sri Challa Ramakrishna Reddy
14. Sri Dosapati Gopal
15. Sri G. Ramakrishna Reddy

SPECIAL INVITEES:

16. Dr. N. Sudhakar Rao
17. Sri Dadi Veerabhadra Rao
18. Dr. K. Laxman
19. Dr. G. Chinna Reddy
20. Sri N. Kiran Kumar Reddy
21. Sri Vanama Venkateswara Rao

LEGISLATURE SECRETARIAT:

Sri K. Tuljanand Singh, Secretary
Sri P. Kasi Raju, Dy. Secretary
Sri B. Padma Reddy, Asst. Secretary
Sri P. Sitaramulu, Section Officer.

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INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (2002-2003) having been authorised by the Committee to present the Report on their behalf present this Report on Andhra Pradesh State Road Transport Corporation.

The Committee on Public Undertakings (2002-2003) have examined the Audit Paras continued in the Reports of the C & AG of India (Commercial) for the years ended 31 March 1996 and 1997 pertaining to APSRTC on 3-9-2002.

The Committee (2002-2003) have considered and approved the said Report at their sitting held on 27-3-2003.

The Statement showing the summary of Principal recommendations/observations of the Committee is appended to this Report.

A record of proceedings of the sittings of the Committee which has been maintained forms part of this Report.

The Committee wishes to express their thanks to the Principal Secretary to Government, Transport Department, Government of Andhra Pradesh, the Vice-Chairman & Managing Director and other officials of the A.P. State Road Transport Corporation for the co-operation they have extended.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit-II), Andhra Pradesh, the Sr. Dy. Accountant General (Commercial-II) and other officers and staff of the Accountant General's Office.

The Committee also places on record their appreciation of the assistance rendered to the Committee by the Secretary to State Legislature and the other Officers and staff of Legislature Secretariat in the examination of the general working and review relating to A.P. State Road Transport Corporation and in preparation of this Report.

Hyderabad,
Dated: 27-3-2003.

REDDY SATYANARAYANA,
Chairman,
Committee on
Public Undertakings.

R E P O R T

RECOMMENDATIONS ON THE PARAS APPEARED IN THE REPORT OF THE C & AG OF INDIA FOR THE YEAR ENDED 31ST MARCH 1996, (COMMERCIAL), GOVERNMENT OF ANDHRA PRADESH PERTAINING TO AP STATE ROAD TRANSPORT CORPORATION.

1. Advance Payment of Motor Vehicle Tax 4B.3.1.

1.1. The State Government upto July 1995 levied Motor Vehicle (M.V.) Tax on the Corporation vehicles plying on the State roads at specified rates based on route length, type of service and seating capacity. However, with effect from August 1995 the tax structure was changed by the State Government according to which, the corporation is liable for payment of 13% of its annual gross earnings towards MV Tax.

1.2. According to the instructions then in force the annual tax was payable in four quarterly instalments and the tax for each quarter should have been paid witin 15 days from the date of commencement of each quarter.

1.3. The Corporation made payment of M.V. Tax to a tune of Rs. 50.00 crore to improve the ways and means position of State Government for the quarter ending March 1996 which was far in advance of 16 to 67 days of the actual due date. This resulted in loss of interest of Rs. 87.07 lakh to the Corporation.

1.4. The Management in its explanatory notes stated that being a 100 per cent Government owned corporation, the Corporation had conceded the request for payment in advance on one occasion as a reciprocation of good gesture, shown by the Government on several occasions.

1.5. The Corporation in its oral evidence (Managing Director) stated that on several occasions when the corporation was not in position to pay the tax in time the Government did not levy any interest for the delayed payment. In the same way as a reciprocal gesture the Corporation has not collected any interests for the advance payment of

tax from the Government. It was also stated that such an instance rarely happens.

Recommendation:

1.6. The practice followed by the Corporation is against the principles of sound public Financial management. The Committee therefore recommends that such practices should not be resorted to in order to improve the ways and means position of the Government.

2. Non-conversion of ordinary service into express service (4B. 3.2)

2.1 Instructions were given in Nov. 1993 to the effect that where ordinary services were being operated on route length of more than 120 KMs, they shoud be converted into Express services in order to improve performance of routes. In 5 Depots (B.K. Kota, Atmakur, Mydukur, Banaganapally and Kuppam) test checked, this was not followed. Buses on 9 routes, where the route length was more than 120 Kms, were being operated as ordinary services instead of express services without any specific orders. This resulted in the Corporation foregoing traffic revenue of Rs. 64.62 lakh for the period from January 1994 to November 1995; which was worked out on the basis of Corporations average revenue at 80 per cent.

2.2. Management in its explanatory notes stated that the circular on upgradation had set out certain guidelines for increasing revenues and cannot be treated as applicable in all situations. The options and preferences of commuters cannot be ignored.

2.3. The Corporation in its oral evidence (Managing Director) stated that based on complaints from the general public in respect of any particular service, the service would be run either as ordinary service or as express service. In this regard, SRs are also being taken into consideration for making such judgements.

2.4. **Recommendation:**

The Committee recommends that if a decision is to be taken against a rule which is already in force, permission of higher authority shall be obtained and Corporation's interest shall be protected before taking a final decision.

3. **Over payment of hire charges (4B.3.3.)**

3.1. Besides its own fleet of buses, the Corporation since December 1984 was hiring buses from private operators for operation of long distance routes. Hire charges were fixed from time to time separately for each type of bus service viz; deluxe, express, district ordinary and city. As on 1st October 1993 the Corporation had about 162 deluxe, luxury express, district ordinary and city. As on 1st October 1993 the Corporation had about 162 charged were dependant on the type of service operated and these were uniform for owned as well as hired buses.

3.2. The Corporation on a review of performance of hired buses, carried out in September 1993, noticed a steep fall in the occupancy ratio of hired deluxe buses operated in Hyderabad - Vijaya wada & Vijayawada - Visakhapatnam sections mainly due to large volume of illicit operations on these sections and also because the comfort level of travel in hired deluxe buses was not comparable to that of the deluxe buses operated by the Corporation. This resulted in greater diversion of traffic to other modes of transport such as contract carriages. In order to improve the occupancy ratio and also to combat illicit operations, the Corporation decided to charge luxury fares for the hired deluxe buses operating on Hyderabad - Vijayawada and Vijayawada - Visakhapatnam sections with effect from 11th October and 20th October 1993 respectively. Although the hired deluxe services were operated as luxury services collecting luxury fares from commuters, the owners of private services/buses were paid hire charges at rates applicable to deluxe service buses which were higher. This resulted in over payment of hire

charges to private operators by Rs. 30.17 lakh for the period from October 1993 to March 1996 in respect of 110 private deluxe buses operated - on Hyderabad - Vijayawada - Visakhapatnam sections. Since the hired deluxe buses were not comparable with the Corporation deluxe buses in comfort, payment of hire charges at rates applicable to deluxe buses lacked justification.

3.3. Management in its explanatory notes stated that agreements were entered into with Vehicle owners accepting their vehicles as deluxe buses with the agreement to pay hire charge applicable to hired deluxe vehicles. Switching from the payment of deluxe rate to luxury rate in the interregnum period of contract for factors which are external and not under the control of owners of hired buses would have amounted to violation of conditions of the hiring agreement, leading to litigation.

3.4. The Corporation in its oral evidence stated that the model of the bus (deluxe/semi-luxury/ Ordinary) will be decided basing on the necessity and viability of the bus being run on a particular route.

3.5. Recommendation:

The Committee recommends that requirement of model of buses to be hired shall be assessed before going in for a contract, which will be based on local requirements, to avoid unnecessary losses to the Corporation. The Committee also opined that when buses are plied on-time, people will wait and utilise the service. Hence while withdrawing any service or in case of any change of any service from luxury to ordinary etc, the opinion of the local people's representative shall also be taken into consideration before a final decision is taken by the Corporation.

4. Posting of Depot Managers much in advance of Opening of Bus Depots (4.B. 3.4.)

4.1. Corporation posted Depot Managers far in advance of the inauguration of the depots resulting in payment of salaries unnecessarily to a tune of Rs. 4.31 lakh.

4.2 Management in its explanatory notes gave the following reasons for the postings made before commencement of operations:

(i) To locate office accommodation for hire and to obtain sanction of the competent authority for procurement of accommodation.;

(ii) To obtain No objection certificates from the Revenue Department, District Police and Fire Services;

(iii) To approach the municipal authorities to obtain approval of drawings and buildings;

(iv) To obtain licence for installation of petrol pump and ground storage tank for diesel oil and to procure various licences as per Factories Act etc.,

4.3 The Corporation in its oral evidence stated that it is necessary to post the Depot Managers in advance of the opening of any depot so as to attend to relevant works that are connected to the depot. Otherwise it would become difficult to operate the depot in the absence of any facilities.

4.4. Recommendation:

The Committee recommends that the Corporation shall draw guidelines in respect of the posting of Depot Managers for new depots, in such a way that their services shall be optimally utilised so as to avoid unnecessary expenditure.

5. Violation of recruitment regulations: (4B.3.5)

5.1 A Review indicated that in 63 cases in 12 Depots of the Corporation, services of some employees were regularised with retrospective effect and arrears of pay aggregating Rs.12.37 lakh were paid to the employees from the date of regularisation instead of from the date of issue of orders in deviation to the Recruitment Regulations.

5.2 The management in its explanatory notes stated that modification would be taken up with regard to Regulation No. 18 of APSRTC Recruitment Reg. 1966 so as to fall in line with the Court orders and in keeping with the spirit of Regulations 11 and 13(I) of Pay and Allowances.

5.3 The Corporation in its oral evidence stated that the provision under Service Regulation says that 'If a person is appointed temporarily under provision 17, he shall be eligible to draw increment from the date of commencing probation, but shall not be entitled to arrears of pay unless otherwise ordered by the Corporation.' Therefore Corporation has the necessary powers. However as the rule is not clear, this has been sent to the Government for a clear amendment.

5.4 The Joint Commissioner (Transport) in his oral evidence stated that the matter was under consideration of the Government (Public Enterprises Department).

5.5 Recommendation:

The Committee recommends that a clear cut amendment be brought out, to avoid unnecessary confusion in the interpretation of these service regulations.

Recommendations on the Review (Hiring out of Commercial and Bus Stations/complexes and space) and 5 paras appeared in the Report of C & AG of India, for the year 1996-97 (Commercial), Government of Andhra Pradesh pertaining to A.P. State Road Transport Corporation.

6. Scope of Audit:

6.1 Matters relating to hiring out of shops/stalls/complexes/space were reviewed in general and test check conducted of records kept at all the 6 zonal offices and 12 out of 23 regional offices during the period from September, 1996 to February 1997 and July 1997 covering a period of five years from 1992-93 to 1996-97. The Audit findings are set out in the succeeding paragraphs (3D.3).

7. Methodology of allotment:

7.1 The shops/stalls/premises are allotted to bidders based on highest bids received in open tenders called at periodical intervals. The tenders are finalised at Regional Office level by a Tender Committee. Tenders for advertisement on buses and transportation of luggage/parcels are finalised at head office level. The rents collected from the licencees on monthly basis is called licence fee. Besides the licence fee, water and electricity charges are also collected monthly at actuals. As on 31st March 1997 there were 2927 licensees who had been allotted shops//stalls/premises for carrying out their business within the bus station/commercial Complexes on payment of agreed monthly licence fee 3D.4).

8. Revision of licence period (3D.6)

8.1 The maximum period of licence initially fixed in September 1981 was 6 years, enhanced to 9 years in 1986-87; and again to 12 years in January 1990. From October 1996 onwards the period was fixed for 5 years in case of canteens and dormitaries and 2 to 3 years in case of stalls/shops/office accommodation and cycle/scooter stands. Licence fee was revised 6 times during the period between 1981 and 1996.

9. Delay in implementation of decision to reduce the period of licence (3D.7):

9.1 With a view to prevent the licencees from developing vested interest and possible litigation, the Board of Directors resolved (Dec. 1994) to reduce the maximum period of licence from 12 years to 6 years with effect from 1.1.1995. This decision was however given effect from 15 June, 1995 for reasons not furnished. During the intervening period of 1 January to 14 June 1995. The Corporation allotted 117 shops/stalls in terms of the old instructions in force for a maximum period of 12 years. Because of delayed implementation of the decision 117 licences were eligible for the maximum agreement period of 12 years instead of 6 years as envisaged by the Corporation in December, 1994.

9.2 It was also observed that in respect of 45 licensees whose maximum licence period of 9 years expired subsequent to 15 June 1995, Licencees were allowed extending the licence period by three more years i.e., upto 12 years as per the earlier circular of January 1990 which was no longer valid. This resulted in showing undue favour to the licencees.

9.3 The Corporation in its explanatory notes stated that the decision that took place before issue of the circular caused the delay. It was also stated that the revised guidelines have no retrospective effect, and are applicable only in respect of licences to be granted in response to tenders called on or after 15.6.1995.

9.4 The VC & MD in his oral evidence stated that presently the period has been reduced to 3 years. However, for the licences for which the licence period is yet to be completed, necessary action will be taken after the period of agreement is completed.

9.5 **Recommendation:**

The Committee is of the opinion that 45 licenses were allowed unnecesarily by extending the licence period which resulted in showing undue favour to these licencees. Responsibility may be fixed on the concerned.

10. Vacant stalls/shops/office space (3D.8.1)

10.1 As on 31.3.1997 about 11.5 per cent (336 Stalls/shops) of total stalls/shops (2927) were vacant. The period of vacancy of 105 out of 336 stalls/shops test checked ranged from 3 to 96 months resulting in potential loss of rentals of Rs.52.30 lakh.

10.2 Besides this 48,020 sft. of office accommodation meant for hiring available at 4 Bus Station Complexes (at Kurnool (26178 Sft.), Hyderabad (7811 Sft.), Guntur (1600 Sft.) and Vijayawada (12431 Sft.) remained vacant for periods ranging from 29 to 90 months. Loss of potential revenue on this account worked out to Rs.129.89 lakh.

10.3 The corporation in its Explanatory Notes stated that 545 out of 3039 stalls/shops were vacant as on 30.11.1999 and the main reason for the vacant stalls was due to (i) their construction in underdeveloped areas under the State Government scheme. Telugu Gramina Kranti Patham and these remained unoccupied despte tenders called for more than 10 times (ii) fear of frequent disturbances caused by the naxals/anti social elements etc. in some parts of the State with the result that business people were not coming forward to carry out business in bus stations. Regarding vacant space at Bus stations efforts are being made to allot space at Hyderabad, Guntur and Vijayawada. No space at Kurnool was vacant.

10.4 The VC & MD in his oral evidence stated that the Corporation's position was not good at that time, land was procured by the Corporation wherever land was available at cheaper rates, Now the situations has changed, presently the land is being procured as per the facility of the commiters i.e., nearer to the town with facilities.

10.5 **Recommendation:**

The Corporation did not evince due care resulting in loss of potential revenue of about Rs.129.89 lakh. It is recommended to examine the issue denovo and to fix responsibility to avoid such irregularities in future.

11. Outstanding dues from licencees: (3D.8.2)

11.1 The outstanding dues at the end of 1996-97 were Rs.197.09 lakh. the main reasons for accumulation of arrears were (i) intervention by courts (130 cases - Rs. 46.21 lakh) and (ii) slackness in taking action for recovery in terms of agreement conditions (10) cases-Rs. 15.15 lakh).

11.2 The Corporation in its explanatory notes state that the matter was being reviewed in every RMs/HODs meeting.

11.3 The VC & MD in his oral evidence stated that security deposit is being collected for 6 months. If there is any default in case of payment, penal interest is being collected from the contractor for delayed payament and a time of 2 to 3 months is being given to the contractors for payment of the fees, to avoid unnecessary delay by calling for fresh tenders and finalising them.

11.4 Recommendation:

The Corporation should take effective steps for recovery and careful enough in terms of agreement conditioins toi avoid litigations.

12. Delay in claiming water charges (3D.8.4)

12.1 A test check of records of four regional offices at Tirupathi, Guntur, Visakhapatnam and Karimnagar revealed inordinate delay in claiming/ non-claiming of recovery of water charges from the licenses. The charges in respect of these Region wherever assessed and claimed belatedly worked out to Rs.11.26 lakh and recovery was still awaited.

12.2 The Corporation in its explanatory notes stated that efforts are being made to collect and water charges in the Guntur region where dues are more.

12.3 The VC & MD in his oral evidence stated that as on date the amount outstanding was Rs.218.16 lakh out of which amount involved in court litigation was Rs.50.44 lakh. In respect of one case which was won by the corporation the amount due would be received. The remaining amounts to be received worked out to Rs.167.72 lakh and this

amount would be realised, he added. However it is stated that this would be a recurring feature. Only in Guntur District there is a problem. Two cases are pending. In the case, the issue is over. Cots and beds were auctioned and in respect of the other case, a suit is pending in the court.

12.4 **Recommendation:**

The Committee recommends that amounts due shall be recovered by pursuing them effectively and the same shall be intimated to the Committee by September, 2003.

13. **Non revision of licence fee (3D.8.6)**

13.1 The corporation allotted office accommodation to State Bank of India (SBI) for a period of three years. The lease agreement expired in November, 1983 and was renewed upto March'87 with an escalation in the licence fee. The lease agreement was neither renewed for enhancement in license fee demanded at the rate prevailing in the market at that time as per the allotment order for the period subsequent to March 1987, and it was revised only w.e.f. 1.4.1995. As per corporation regulations, the monthly licence fee was liable for revision annually at 15 per cent compounded. Thus the failure to revise the licence fee periodically resulted in its short collection of rent by Rs.20.93 lakh for the period from 1987-88 to 1996-97.

13.2 The corporation in its explanatory notes stated that efforts were made to increase the licence fee after completion of 6 years but due to various reasons i.e., dispute in regard to plinth area etc., and as the allotment is made to government offices of central and state the licence fee could not be revised.

13.3 The VC & MD in his oral evidence stated that the problems have been sorted out and the same was put on record.

13.4 **Recommendation:**

As the Corporation is a commercial organisation, every aspect shall be viewed on the same lines ie., in the interest of the Corporation. The Committee recommends that in future all such cases shall be dealt with on commercial lines only.

14. Loss of potential revenue due to allotment of stall/canteen on nomination basis (3D.8.7)

14.1 During 1984 to 1994 the stalls/canteens available in the Central Bus Station (CBS), Tirupathi were allotted to different licensees on tender basis. But, when the corporation constructed another bus station Srinivasa Bus Station(SBS) the Stalls/canteen available in the new bus station were allotted to the existing licencees of CBS with effect from January 1995 on nomination basis. Thus, allotment of Stalls/canteen in the newly extended SBS to the existing licence holders on nomination at negotiated rates without calling for fresh tenders, in spite of a clear indication that the Corporation reserves the right of allotment of stalls/canteen for the same business in the extended bus station, (this condition was not incorporate in respective agreements entered with the existing licensees) resulted in loss of potential licence fee of Rs.24.78 lakh being the difference between the licence fee being paid in CBS and SBS) for the period from January 1995 to March 1997.

14.2 The Corporation in its explanatory notes stated that it has agreed for overall increases of around 50% over the existing licence fee. It also stated that without any negotiations, if the corporation had called for fresh tenders, the entire issue would have fallen into legal complications.

14.3 The Corporation in the oral evidence stated that the practice is discontinued.

14.4 Recommendation:

The Committee recommends that the Corporation should protect its interest by taking necessary care in the wording of the various clauses of the tender documents and also ensure that no such discrepancies occur in future.

15. Unauthorised occupation of open space (3D.8.8)

15.1 The corporation allotted an area of 6000 sft. at Vijayawada bus station to Sri BN for running a cycle stand on a monthly licence fee of Rs.16,666 for a period of three years from October 1990 to

september 1993. Corporation noticed (October 1992) that the licensee had encroached an additional area of 9000 sft. which was adjacent to the leased area. However, at the time of renewal of the licence for 6000 sft. originally allotted (April 94) was enhanced to Rs.20000 per month. 4000 sft. of land out of 9000 sft. encroached previously for 3 years was also allotted to the same person for Rs.8,000 per month w.e.f. November, 1994, and the remaining ara of 5000 sft. was vacated by the licensee. Unauthorised occupation of an area of 9000 sft. by the licensee without any payment upto October 1994 and short fixation of licence fee by Rs.5,333 per month for the additional area of 4000 sft. the Corporation suffered a loss of potential revenue of Rs.8.11 lakh for the period from October 1992 to September, 1996.

15.2 The corporation in its explanatory notes stated that as per the orders of High Court the area of 4000 sft. was allotted to the old licensee at Rs.8000 per month. Subseqauently the licence was extended from 10/96 to 9/99 by raising the rent by 30% i.e., to Rs.36,400 per month.

15.3 The Chief Traffic Manager of the Corporation in his oral evidence stated that the licence was extended from 10/96 to 9/99 by enhancing the rent by 30%.

15.4 **Recommendation:**

The Committee recommends that periodical inspection be conducted by responsible officers to prevent encroachments of valuable properties and ensure that such undue advantage is not made available to the licensees in future.

16. **Loss of potential revenue due to delay in inauguration of bus station (3D.8.9)**

16.1 The new bus station complex also containing 27 stalls was constructed at Chittoor at a cost of Rs.2.22 crores. The complex was ready for occupation by April '1995 but was inaugurated in December'1995. Though the Corporation had entered into an agreement for leasing the stalls from May 1995 to August 1998 on a total monthly licence fee of Rs.1.21 lakh, the stalls could be handed over only in January 1996 due to delay in its inauguration.

This has resulted in loss of potential revenue of Rs.9.68 lakh from May '95 to December '95.

16.2 The corporation in its explanatory notes stated that the bus station was inaugurated by Hon'ble Minister of Transport on 28.12.95 and the bus station was not put to use prior to inauguration even though the stalls were allotted to successful bidders from May'1995.

16.3 The corporation in its oral evidence stated that the bus station was inaugurated by Hon'ble Minister of Transport on 28.12.95 and the bus station was put to use.

16.4 **Recommendation:**

The Committee recommends that the Corporation ensure that there is no abnormal delay, as in this case, between completion of construction of bus station and its inauguration as this would result in potential loss to the Corporation.

17. Delay in getting a Licensee Evicted (3D.8.13)

17.1 Consequent to construction of new bus station at Narasaraopeta, Sri JV who was a licensee in Old Bus Station (pan shop) at a monthly licence fee of Rs.1050/- was allotted a pan shop in the new Bus Station for a period of three years with effect from 12 August 1988 to 11 August 1991 at a monthly licence fee of Rs.1700. The licensees went to court against the enhancement in rent and the corporation won (October 1994) the case but accepted the fee at old rates. After a lapse of 15 months from the date of High Court Judgement the corporation issued notice for eviction and got possession after one year (August '96) and reallotted it in September '1996. This has resulted in loss of rent of Rs.3.68 lakh.

17.2 The Corporation in its explanatory notes stated that even though the licencee issued a legal notice through his advocate, the Corporation did not allow him to continue business and the stall was reallotted to a new tenderer.

17.3 The VC & MD in his oral evidence stated that instructions have been issued to review the case and also intimated that the then standing counsel was not rendering his services to the Corporation.

17.4 Recommendation:

The Committee is unhappy to note the state of affairs. The Committee recommends that only reputed lawyers be appointed as standing counsel. The Committee recommends to take suitable action against the standing counsel for not rendering proper services to the Corporation.

18. Unjustified rejection of Valid Officer:(3D.8.15)

18.1 In response to tenders invited in March 1994 for allotment of canteen at Siddipet Bus Station, the Corporation received 7 offers. Among the offers received, the offers of Sri BJ, Sri SVR and Sri NRR were the three highest who offered licence fee of Rs.33399.99. Rs.31329.99 and Rs.28151per month respectively. When the Corporation called the abvoe three tenders for negotiations in April, 94 Sri BJ Sri SVR and Sri NRR offered during negotiations a licence fee of Rs.33999, Rs.45999 and Rs.42005 per month respectively. But the canteen at Siddipet was given to Sri BJ who was the third highest bidder at Rs.33999 per month for three years from 9 May 1994 to 8 May 1997. The second highest offer of Sri NRR was rejected on the ground that he had submitted a Xerox copy of DD towards EMD instead of original one. This resulted in loss of potential rentals of Rs.3.10 lakh over the contract period of three years due for expiry in May'97.

18.2 The Corporation in its explanatory notes stated that the tender was allotted to Sri JB on genuine grounds.

18.3 The VC & MD in his oral evidence stated that consequent to the elimination of the first two highest bidders the third was awarded the tender. It was also admitted that the Corporation should not have called for the second highest bidder for the negotiations since his offer was considered as invalid.

18.4 Recommendation:

The Corporation should evolve and follow correct procedures to maximise rental earnings.

19. Continuance of a Licencee without Payment of Licence Fee: (3D.8.16)

19.1 A canteen at Visakhapatnam City Bus Depot was allotted to Sri RK for a period of six years from 9 June 1993 to 8 June 1999 on a monthly licence fee of Rs.5900. The licensee was not regular in payment of licence fee and after accumulation of arrears to a tune of Rs. 0.35 lakh up to March 1994 closed down the canteen. As there was no response from the licensee fresh tenders were called for November 1994, and the licensee aggrieved on this, approached court and obtained (November, 1994) interim injuction orders which were vacated in July 1995. But the licensee continued the business without paying licence fee accumulating arrears to Rs.3.00 lakh (upto September 1996). In the light of vacation of the court orders, the Corporation should have got the licensee vacated without extending any undue favour.

19.2 The corporation in its explanatory notes stated that no action could be taken against the licensee in the light of the court orders and final judgement was pronounced against the licencee on 17.7.1998 and by that time the whereabouts of the contractors were not known.

19.3 The VC & MD in his oral evidence stated that accumulated arrears upto Rs.43,000 has been adjusted against the amount available with the Corporation and some amount was still due. The whereabouts of the licensee was not known and the case is being pursued to trace the whereabouts of the person.

19.4 Recommendation:

The Committee recommends that proper care shall be taken by the Corporation to collect proper addresses and other details of person with whom it enters into a contract to avoid such losses to the Corporation, in future. The final outcome

of the recovery and action taken on the persons responsible for not taking proper addresses of the contractor may be appraised.

20. Delay in renewal of agreement (3D.8.17)

20.1 The Corporation entered into an agreement with M/s. ANL Parcel Services Ltd., according to which ANL have exclusive rights to use the Corporation Buses for transportation of parcels/merchandise for a period of 6 years commencing from 16 February 1986 to 15 February 1992 on payment of a fee of Rs.261.72 lakh in six yearly instalments; the last instalment payable was Rs.59 lakh. When the agreement was coming to close, M/s. ANL proposed (September 1991) for extension of the Agreement by another 6 years on expiry of the existing term in February 1992 with an annual increase of 10 percent in the fee compounded every year. The agreement was, however, renewed for another 6 years with effect from 1 August 1992 to 31 July 1998 subject to annual increase in the fee last charged (Rs.59 lakh) by 10 per cent compounded annually. During the intervening period from 16 February 1992 to 31 July 1992, M/s. ANL carried on the business and paid the fee at old rates. The agreement was renewed with effect from 1 August 1992 resulting in loss of potential revenue of Rs.25.69 lakh, being the difference between the licence fee recoverable at old contract rates and actually recovered at new contract rates compounded annually at 10 per cent.

20.2 The Corporation in its explanatory notes stated that the Board at its meeting held on 27.01.1992 felt that decision can be arrived in the next meeting and resolved that M/s. Alloy Nitrides Limited could continue its operation on the same terms. When the Board again met on 31.7.1992, it was resolved to renew the contract of M/s. ANL for a further period of six years commencing from 1.8.1992 to 31.7.1998. Amounts were collected from ANL in the intervening period (16.2.1992 to 31.7.1992) as per the previous agreement.

20.3 The VC & MD in his oral evidence stated that the Board at its meeting held on 27.01.1992 felt that decision can be arrived in the next meeting and resolved that M/s. Alloy Nutrides Limited could continue its operation on the same terms.

20.4 Recommendation:

The Committee opined that the decision of the Board should have been implemented in a right way so that the Corporation did not lose revenue. As per the decision of the Board, the rent should leave been increased by 10% as M/s. ANL had also voluntarily agreed to increase the amount. A detailed note on the issue should be submitted to the Committee by September, 2003.

21. Non collection of adequate security deposit from advertising agents (3D.8.18)

21.1 The Corporation divided the entire State into 7 zones for the purpose of displaying of advertisements on buses and appointed an agent for each zone on payment of agreed licence fee for a period of 5 years from 1 January 1995 to 31 December 1999. As per the agreed terms and conditions each agent should deposit a sum equivalent to 25 per cent of the annual contract value towards security deposit and also furnish a bank guarantee for an equal amount before commencement of the business for each year. The agents did not furnish security deposit and bank guarantee for the second year based on enhanced licence fee. This resulted in accumulation of arrears in second year amounting to Rs.36.87 lakh in respect of Hyderabad city zone and Rs.17.68 lakh in respect of Hyderabad Rural Zone (January to May 1996).

21.2 The Corporation in its explanatory notes stated that a notice was issued in advance on 15.12.95 to deposit enhanced security deposit and furnish bank guarantee. As the agents had not paid for both the items, the contracts were terminated on 26.5.1996. Suits were filed and judgement was in favour of the Corporation.

21.3 The VC & MD in his oral evidence stated that amounts had been collected in Karimnagar and Cuddapah Zones and in case of Hyderabad zone amounts are yet to be collected, and also that the contracts were terminated.

21.4 Recommendation:

The Committee may be apprised of the realisation of the amounts in all Zones by September '2003.

INDIVIDUAL PARAS:

22. Cost benefit foregone in procurement of Tyres (4B.3.2)

22.1 The tyres procured by the Corporation are of two type viz., Universal and Semilug. the Corporation assessed the requirement of both types of tyres for 1995-96 at 72,455 and invited (June 1995) limited tenders for their supply from 12 tyre manufacturing firms. The provisions committee of the Corporation, however, decided to procure only 64,500 tyres (56,000 Universal type and 8,500 Semilug type) covering 9 months requirements up to May/June 1996. Accordingly the Corporation placed (September 1995) 26 orders for supply of 56,000 Universal type and 8,500 Semilug type tyres. A review of orders place for supply of Semilug tyres revealed that among others the Corporation placed one order on M/s. Ceat Ltd., for supply of 1500 Semulug tyres (14 ply) of HT 80 brand whose CPK was 48.9844 paise. The Corporation should have placed the order on M/s. Ceat Ltd., for supply of 1500 semilug tyres of HT 92 brand whose CPK was 36,8533 paise in lieu of HT 80 brand to derive a cost benefit of about Rs.18.70 lakh (P. 37/38).

22.2 The Corporation, in its explanatory notes stated that the Audit para is arrived at considering the abnormal mileage of 182299 KMs of HT 92 brand of tyres. This mileage performance was based on the meagre sample of 641 tyres procured around 5 years earlier and did not reflect the true performance of the tyre for which a rate was quoted by the firm presently.

The Corporation in its oral reply (Executive Director (Engg.) stated that HT 80 brand tyres were superior when compared to the HT 90 brand tyres.

22.4 Recommendation:

The performance details of both HT 80 brand tyres and HT 90 brand tyres for the last six years

may be furnished to the Committee for correct evaluation of their performance.

23. Incorrect fixation of Bus fare (4B.3.3:)

23.1 The Adoni Bus Depot of the Corporation is operating an Ordinary bus service involving 16 single trips daily between Adoni and Siruguppa (route length 46 KM). As per the approved fare structure in vogue, the distance of 46 KM fall under 10 fare stage and the chargeable fare for the said route length was Rs.8.50 and Rs.10.50 with effect from 4 January 1993 and 6 August 1995 respectively. As against this, the Depot had fixed the fare at Rs.7.75 and Rs.9.50 respectively (fare applicable for a distance of 45 KM for 9 fare stages) for the above period resulting in short realisation of fare by 75 paise/Re. 1 as the case may be. Thus, on account of under fixation of fare for the service operated on Adoni-Siruguppa route the Corporation suffered a loss of revenue of Rs.7.85 lakh for the period from January'93 to February '97. In reply the Corporation stated (October 1996) that the fare was fixed on the lower side mainly to face competition from illicit/private operators, high incidence of infringement on the route and non availability of tickets. The State Government has also endorsed the reply of Corporation (May 1997).

23.2 The Corporation in its explanatory notes stated that the contention that 10 stages have to be fixed for a distance of 46 KMs, is not correct, in view of fixation of stages at an average distance of 5 Kms.

23.3 The Corporation in its oral evidence stated that a stage shall be fixed at every 5 KM. But, when a village was not there at 5 KM, as per the working instructions, a stage can be fixed anywhere between 4 KM and 6 KM. In the particular instance, stage has been fixed at 45 KM, and charged accordingly. Later it was found that the distance was 45 KMs only.

23.4 Recommendation:

The earlier and subsequent replies furnished by the Corporation are contradictory. Such contradictory should be avoided and the officers should be more vigilant while furnishing replies to Audit and the Committee.

24. Use of fresh Engine Oil in lieu of reclaimed Engine Oil (4B.3.4)

24.1 Engine oil used in the vehicles is changed after attaining the prescribed kilometers of run. The drained used engine oil is then returned to Stores for reclamation. Fresh engine oil is used for oil changes, whereas the reclaimed oil is used for topping up of engine and air cleaners. There was heavy accumulation of used engine oil in Karimnagar stores, 400 barrels of used engine oil were disposed of at Rs.1325 per barrel in a tender cum auction held in December, 1996 against a solitary offer. As against 81,180 litres of RC oil indented for the year 1996-97 by the Bus Depots, the stores at Karimnagar could supply only30,135 litres due to paucity of reclaimed stocks. Due to the short fall in this the depots had to meet this shortfall from the supplies of fresh engine oil (Rs.38.39 per litre). Due to this extra expenditure of Rs.7.15 lakh, being the difference between the cost of fresh engine oil and RC oil (minus sale proceeds of 400 barrels of used oil) was incurred.

24.2 The Corporation in its explanatry notes stated that no actual loss accrued by disposal of used engine oil when evaporation and leakage of oil are taken into consideration.

24.3 The Corporation in its oral evidence stated that the oil was sold without reclaiming the oil.

24.4 **Recommendation:**

The Committee recommends that the Corporation before selling its used engine oil in the depots, in future, shall assess the requirement of used oil for the purpose of topping up of engines and air cleaners. This would avoid unnecessary usage of fresh engine oils and avoid unnecessary expenditure on procurement of fresh engine oil particularly as the Corporation is in financial difficulty.

SUMMARY OF RECOMMENDATIONS

1995-1996

1. The practice followed by the Corporation is against the principles of sound public financial management. The Committee therefore recommends that such practices should not be resorted to in order to improve the ways and means position of the Government. (1.6)

2. The Committee recommends that if a decision is to be taken against a rule which is already in force, permission of higher authority shall be obtained and Corporation's interest shall be protected before taking a final decision.(2.4)

3. The Committee recommends that requirement of model of buses to be hired shall be assessed before going in for a contract, which will be based on local requirements, to avoid unnecessary losses to the Corporation. The Committee also opined that when buses are plied on time, people will wait and utilise the service. Hence while withdrawing any service or in case of any change of any service from luxury to ordinary etc., the opinion of the Local People's representative shall be taken into consideration before a final decision is taken by the Corporation (3.5).

4. The Committee recommends that the Corporation shall draw guideliens in respect of the posting of Depot Managers for new depots, in such a way that their services shall be optimally utilised so as to avoid unnecessary expenditure. (4.4).

5. The Committee recommends that a clear cut amendment be brought out, to avoid unnecessary confusion in the interpretation of these service regulations. (5.5)

1996-97

6. The Committee is of the opinion that 45 licensees were allowed unnecessary extension of licence periods resulting in showing undue favour to these licensees. Responsibility may be fixed on the concerned. (9.5)

7. The Corporation did not evince due care resulting in loss of potential revenue of about Rs.129.89 lakh. It is recommended to examine the issue denovo and to fix responsibility and to avoid such irregularities in future. (10.5)

8. The Corporation should take effective steps for recovery and careful enough in terms of agreement conditions to avoid litigtions. (11.4)

9. The Committee recommends that amounts due shall be recovered by pursuing them effectively and the same shall be intimated to the Committee by September, 2003 (12.4)

10. As the Corporation is a commercial organisation every aspect shall be viewed on the same liens i.e., in the interest of the Corporation. The Committee recommends that in future, all such cases shall be dealt with on commercial lines only. (13.4)

11. The Committee recommends that the Corporation should protect its interest by taking necessary care in the wording of the various clauses in its tender documents, and also ensure that no such discrepancies occur in future(14.4)

12. The Committee recommends that periodical inspections be conducted by responsible officers to prevent encroachments of valuable properties and ensure that such undue advantage is not made available to the licensees in future (15.4)

13. The Committee recommends that the Corporation ensure that there is no abnormal delay, as in this case, between completion of construction of bus station and its inauguration as this would result in potential loss to the corporation.(16.4)

14. The Committee is unhappy to note the state of affairs. The Committee recommends that only reputed lawyers be appointed as standing counsel. The Committee recommends to take suitable action against the standing counsel for not rendering proper services to the Corporation.(17.4).

18. The Corporation should evolve and follow correct procedures to maximise rental earnings. (18.4)

19. The Committee recommends that proper care shall be taken by the Corporation to collect proper addresses and other details of person with whom it enters into a contract, to avoid such losses to the Corporation, in future. The final outcome of the recovery and action taken on the persons responsible for not taking proper addresses of the contractor may be appraised.(19.4)

20. The Committee opined that the decision of the Board should have been implemented in a right way so that the Corporation did not lose revenue. As per the decision of the Board, the rent should have been increased by 10% as M/s. ANL had also voluntarily agreed to increase the amount. A detailed note on the issue should be submitted to the Committee by September, 2003 (20.4)

21. The Committee may be appraised of the realisation of the amounts in all zones by September, 2003 (21.4)

22. The performance details of both HT 80 brand tyres and HT 90 brand tyres for the last six years may be furnished to the Committee for correct evaluation of their performance. (22.4)

23. The earlier and subsequent replies furnished by the Corporation are contradictory. Such contradictory should be avoided and the officers should be more vigilant while furnishing replies to Audit and the Committee. (23.4)

24. The Committee recommends that the Corporation before selling its used engine oil in the depots in future shall assess the requirement of used oil-for the purpose of topping up of engines and air cleaners. This would avoid unnecessary usage of fresh engine oils and avoid unnecessary expenditure on procurement of fresh engine oil particularly as the Corporation is in financial difficulty. (24.4).

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