



**FOURTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2016-2019)**

**FOURTH REPORT  
(Presented on 27-10-2016)**

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2016**

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2016-2019)**

**FOURTH REPORT**

on

**The action taken by Government on the recommendations contained in the Twenty Third Report of the Committee on Public Undertakings (2011-2014) relating to Kerala State Road Transport Corporation, based on the Report of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2006 and 31<sup>st</sup> March, 2007 (Commercial)**

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**COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)**  
**COMPOSITION**

*Chairman:*

Shri C. Divakaran.

*Members:*

Shri T. A. Ahammed Kabeer

Shri K. B. Ganesh Kumar

Shri C. Krishnan

Shri M. M. Mani

Shri Thiruvanchoor Radhakrishnan

Shri P. T. A. Rahim

Shri Raju Abraham

Shri Sunny Joseph

Shri C. F. Thomas

Shri P. Unni.

*Legislature Secretariat:*

Shri V. K. Babu Prakash, Secretary

Smt. P. K. Girija, Additional Secretary

Smt. Manju Varghese, Deputy Secretary

Smt. Deepa.V, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2016-2019) having been authorised by the Committee to present the Report on their behalf, present this Fourth Report on the action taken by Government on the recommendations contained in the Twenty Third report of the Committee on Public Undertakings (2011-2014) on the working of the Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 2006 and 31st March, 2007 (Commercial).

The Statement of action taken by the Government included in this Report was considered by the Committee constituted for the years 2014-2016 in its meeting held on 24-11-2015.

This report was considered and approved by the Committee at its meeting held on 17-10-2016.

The Committee place on record their appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the action taken statements included in this Report.

Thiruvananthapuram,  
27th October, 2016.

C. DIVAKARAN,  
Chairman,  
*Committee on Public Undertakings.*

## **REPORT**

This Report deals with the action taken by Government on the recommendations contained in the Twenty Third Report of the Committee on Public Undertakings (2011-2014) relating to Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 2006 and 31st March, 2007 (Commercial).

The Twenty Third Report of the Committee on Public Undertakings (2011-2014) was presented to the house on 28th January, 2014.

The Report contained Nineteen recommendations and the Government furnished action taken statements to all of them. These recommendations and the action taken by the Government on them are included in this report.

The Committee accepted the reply to the recommendations in para Nos. 11, 12, 13, 14, 36, 41, 42 and 43 without any remarks. These recommendations and the reply furnished by the Government form Chapter I of the Report.

The Committee accepted the reply to the recommendations in para Nos. 19, 20, 21, 22, 23, 30, 31, 32, 33, 34 and 35 with remarks. The recommendations, the reply furnished by the Government and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations	Action taken by Government
1	2	3	4	5
1	11	Transport	The trial run of low floor buses conducted in March/April 2003 had revealed that mileage of these buses is comparatively lower than that of ordinary buses in the operating fleet. In spite of this, the Corporation went on with the purchase of 4 such buses without conducting any cost-benefit analysis. This act of the corporation, in spite of all other justifiable advantages does not seem excusable. The cost of low floor bus being double that of ordinary one, the corporation should have assessed its economic feasibility before going for it. The committee recommends that in view of its heavy accumulated losses and the working capital constraints faced by the Corporation, such irrational decisions, without the backup of even an efficiency assessment should not be repeated in future.	Low floor buses were purchased by KSRTC with an intention for providing more comfortable travel to the passengers, especially for older persons, ladies and children. But sufficient income could not be generated from service of the above buses. Taking into account the recommendation of the Committee on public undertakings, such decisions will be taken by KSRTC in future, only with proper economic feasibility assessment.
2	12	„	The concept of providing better travel comfort and convenience to passengers is worth acceptable	

			<p>However, the Corporation miserably failed to improve collection from low floor bus so as to justify its heavy cost. The Committee emphasises that the Corporation ought to have assessed the extent to which the increased comfort and convenience would be utilised by public, especially when fare charged by low floor bus is higher.</p>	
3	13	„	<p>To attract more passengers to low floor buses and thus reduce use of private vehicles in cities, some basic infrastructure facilities like properly maintained roads and parking facility near each junction/terminal are highly essential. The committee strongly recommends the need to consider utilisation of JNNURM fund which would otherwise get lapsed after a definite period, for bringing about such infrastructure facilities. It is stressed that a proposal with regard to this should be placed without delay.</p>	<p>Provision of sufficient parking facilities and properly maintained roads are essential for implementing the JNNURM project in an effective manner. The C&amp;MD, KSRTC requested Government to take action for taking up the matter with related Departments. Action has been initiated for implementing the recommendations of the Committee, in co-ordination with Local Self Government Department and Public Works Department.</p>
4	14	„	<p>KSRTC should also take the initiative to co-ordinate with LSGD and PWD and make their joint meetings fruitful so as to set up such infrastructure arrangements needed for success of operation of low floor buses. The Committee desires to know the result of such joint meetings already convened. It should be reported whether any fruitful decision has been taken in the meetings.</p>	



1	2	3	4	5
5	36	Transport	The Corporation should also reframe its tender conditions for tyres and tubes such that the price once quoted should be standing for a shorter period in place of 'one year'. This would enable the Corporation to avail the benefit of more major tyre suppliers participating in its tenders.	In accordance with the recommendation of the Committee, KSRTC will take steps for amending the one year period clause in the tender conditions to a shorter period of six months for enabling participation of more tyre suppliers in the tender process.
6	41	„	The failure of the Corporation to take delivery of tubes and tyres at cheaper rates within the scheduled delivery period and delay in remittance of dues to JK tyres ended up in the Corporation procuring the same at much higher rates from the Birla. The committee is not satisfied with the reply of the Corporation that due to the then poor financial position of the Corporation, it couldn't take delivery of tyres and tubes in August 2006. The point doesn't stand valid as the Corporation placed fresh order with Birla at enhanced rates just one month after this in September 2006. The Committee therefore wants to be informed of the motive behind such an act by the Corporation.	Tenders were invited on 1-7-2005 for purchasing tyres and tubes for the annual use in 2004-2005. The following companies participated in the tender process: <ul style="list-style-type: none"> <li>(i) MRF Limited</li> <li>(ii) Birla Tyres</li> <li>(iii) J.K. Tyres</li> <li>(iv) Appollo Tyres</li> <li>(v) CEAT Limited</li> </ul> It was provided that the Companies would compensate KSRTC the loss, if any, sustained due to the defaults in supply. MRF Limited submitted quotation on the condition that it could not agree to the above provision and hence the firm was technically disqualified for the tender. However, purchase order was given to them taking in to account of their lowest 'Cost per
7	42	„	The Committee expresses its surprise that even though KSRTC makes bulk purchases suppliers are reluctant to participate in KSRTC tenders. The	

			KSRTC should take steps to improve its credibility among general public as well as suppliers and maintain transparency in all purchases in future.	Kilo meter' (CPKM) offer. But the firm was not ready to enter into an agreement honoring the terms and conditions in the purchase order and hence no legal action was possible against the firm.
8	43	”	The Committee wants to know the reason for cancelling order placed with MRF, on their refusal to execute agreement. The Committee should be informed if risk and cost provision couldn't have been invoked on MRF instead of cancellation of the order.	In the above circumstances, 1500 tyres and 2250 tubes were bought from Appollo Tyres and 500 Tyres and 750 Tubes from CEAT Limited, in order to meet the immediate necessity. As the MRF Limited did not respond to the repeated requests from KSRTC for entering in to an agreement, the purchase order dated 15-10-2005 given to that firm for purchasing 5000 tyres and 7500 tubes was cancelled. Even though 2000 tyres and 3000 tubes were purchased from Appollo Tyres and CEAT Limited, amended purchase order was given to J.K. Tyres on 1-4-2006 without deducting the number of items ordered for supply from Appollo tyres and CEAT Limited. Thus purchase order for total number of 28000 tyres were happened to be given against the actual annual requirement of 26000 tyres for one year from August 2005.

1	2	3	4	5																																				
				<p>The details of total purchase order placed during the said period is shown in the following table:</p> <table border="1" data-bbox="940 266 1418 863"> <thead> <tr> <th data-bbox="940 266 1056 361">Supplier</th> <th data-bbox="1056 266 1198 361">Date of Purchase order</th> <th data-bbox="1198 266 1299 361">Number of tyres</th> <th data-bbox="1299 266 1418 361">Number of tyres supplied</th> </tr> </thead> <tbody> <tr> <td data-bbox="940 361 1056 405">M.R.F</td> <td data-bbox="1056 361 1198 405">19-8-2005</td> <td data-bbox="1198 361 1299 405">5000</td> <td data-bbox="1299 361 1418 405">cancelled</td> </tr> <tr> <td data-bbox="940 405 1056 470">Birla Tyres</td> <td data-bbox="1056 405 1198 470">19-8-2005</td> <td data-bbox="1198 405 1299 470">15000</td> <td data-bbox="1299 405 1418 470">15000</td> </tr> <tr> <td data-bbox="940 470 1056 536">J. K. Tyres</td> <td data-bbox="1056 470 1198 536">19-8-2005</td> <td data-bbox="1198 470 1299 536">6000</td> <td data-bbox="1299 470 1418 536">6000</td> </tr> <tr> <td data-bbox="940 536 1056 601">Appollo Tyres</td> <td data-bbox="1056 536 1198 601">20-9-2005</td> <td data-bbox="1198 536 1299 601">1000</td> <td data-bbox="1299 536 1418 601">1000</td> </tr> <tr> <td data-bbox="940 601 1056 667">Appollo Tyres</td> <td data-bbox="1056 601 1198 667">15-10-2005</td> <td data-bbox="1198 601 1299 667">500</td> <td data-bbox="1299 601 1418 667">500</td> </tr> <tr> <td data-bbox="940 667 1056 732">CEAT Limited</td> <td data-bbox="1056 667 1198 732">15-10-2005</td> <td data-bbox="1198 667 1299 732">500</td> <td data-bbox="1299 667 1418 732">500</td> </tr> <tr> <td data-bbox="940 732 1056 798">J. K. Tyres</td> <td data-bbox="1056 732 1198 798">1-4-2006</td> <td data-bbox="1198 732 1299 798">5000</td> <td data-bbox="1299 732 1418 798">5000</td> </tr> <tr> <td data-bbox="940 798 1056 863"></td> <td data-bbox="1056 798 1198 863"></td> <td data-bbox="1198 798 1299 863">Total</td> <td data-bbox="1299 798 1418 863">28000</td> </tr> </tbody> </table> <p data-bbox="940 882 1418 980">An amount of Rs. 1.35 crore was required for purchasing the Balance Number of 2000 tyres from J.K tyres before 2006 August.</p>	Supplier	Date of Purchase order	Number of tyres	Number of tyres supplied	M.R.F	19-8-2005	5000	cancelled	Birla Tyres	19-8-2005	15000	15000	J. K. Tyres	19-8-2005	6000	6000	Appollo Tyres	20-9-2005	1000	1000	Appollo Tyres	15-10-2005	500	500	CEAT Limited	15-10-2005	500	500	J. K. Tyres	1-4-2006	5000	5000			Total	28000
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				<p>But the bulk purchase of 2000 tyres and 3000 tubes with advance payment could not be done by KSRTC due to its deteriorated financial condition.</p> <p>KSRTC invited tender on 16-8-2006 for purchasing 25000 tyres, 40000 tubes and 50000 flaps required for one year from September 2006. Subsequently, purchase order was given on 15-9-2006 for buying 5000 tyres, 7500 tubes and 10000 flaps from Birla Tyres who quoted the lowest CPKM. The observation that 2000 tyres promised by J. K. Tyres to supply in the previous year were bought from Birla Tyres after one month at an increased rate is not true to facts. It is true that the purchase for the next year could have been postponed by one and half month and 2000 tyres could have been purchased at a reduced rate, if KSRTC were in a better financial position for bulk purchasing of tyres from J.K. Tyres effecting advance payment and storage of the same. In these circumstances, tenders were invited for the next year's requirement and in turn purchase order was given to Birla Tyres.</p>
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## CHAPTER II

### REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations	Action taken by Government
1	2	3	4	5
1	19	Transport	The Committee is not satisfied with the replies furnished by the corporation regarding the purchase of 50 bus body kits at higher rates. Moreover, quality of Aluminium material included in the body kits was not a valid reason for the difference of Rs. 44,000 per unit in prices of bus body kits and full bus body.	As per the recommendations of the committee, action has already been taken for conducting Vigilance enquiry on the purchase of bus body kits by KSRTC.
2	20	"	The committee understands that after the purchase of 20 bus body kits the Corporation had proposed to stop its purchase due to its high cost, but the Board decided to go ahead with the purchase as its stoppage would have caused idling of labourers in its workshops. This justification doesn't hold good as whether work was given or not to labourers had to be	The KSRTC will take action for inviting tenders for the necessary purchase of tyres, tubes and flaps with necessary provision in the agreement for ensuring stability of prices over a period of 6 months.

			paid. Hence paying higher price for body kits just to avoid idling of labour could not bring savings in any form to the Corporation.	
3	21		The committee finds that the purchase decision was injudicious and has caused an additional burden of Rs. 22 lakh to the Corporation.	
4	22	”	The committee views the injudicious purchase of bus body kits seriously. Since a fishy intention is suspected behind the deal, the committee recommends a thorough enquiry in to the matter. The committee also observes that such bizarre decisions should not be repeated by the Corporation.	
5	23	”	The Committee recommends that a detailed enquiry by Vigilance Department should be conducted on the injudicious purchase of bus body kits.	
6	30	„	The Committee envisages that the Corporation had given undue favour to Birla tyres by accepting their	

1	2	3	4	5
			<p>partial withdrawal from the tender without any objection, as per the tender conditions Birla was bound to supply 14400 tyres and 4800 tubes. But on placing the order Birla intimated that they could supply only 5500 tyres. The Committee cannot agree with the corporations justification in accepting Birla's stand.</p>	
7	31	Transport	<p>The failure of the Corporation to follow the procedure of signing agreement with the supplier after acceptance of tender cannot be pointed out as the reason for making Birla not legally binding for supply of the whole quantity ordered. This is because so long as the practice of signing agreement was not followed, the tender acceptance was a binding agreement. Hence the subsequent partial withdraw from the tender should have been at Birla's risk and cost. The corporation is bound to submit explanation as to why it refrained from insisting Birla to supply the entire quantity of first order and why the firm was not asked to make the further supply at the initially quoted rates.</p>	

8	32	”	<p>The Corporation is further blamed for not following the procedure of signing an agreement after the tender procedures. Such an agreement would have made Birla more legally binding. The committee views the failure to do this as a gross negligence on the part of the Corporation. The committee learns that the Corporation had done nothing to enforce the supply of entire ordered quantity by Birla. The Corporation consequently had to bear the additional expenditure of Rs. 17.92 lakh for the purchase of the remaining quantity from the same supplier Birla at an enhanced rate to make good the short supply. The committee directs that this kind of negligence and irresponsibility should not be repeated by the Corporation.</p>
9	33	”	<p>No justification is found in accepting the partial withdrawal of Birla from the first order and again placing order at enhanced rate with Birla without inviting tender. The Committee cannot comprehend the logic behind the reply given by the Corporation regarding this matter that the enhanced price was</p>



1	2	3	4	5
			<p>lesser than the price quoted by other suppliers, as the Corporation had not negotiated with other suppliers after reduction in excise duty rates.</p>	
10	34	Transport	<p>The Committee disagree with the statement that the Corporation avoided both MRF and JK in the second order due to their short supply as Birla had also committed the same mistake by cutting short the proposed supply. The Committee finds fault with KSRTC in vindicating the act of Birla's partial withdrawal from first order and blaming MRF and J. K. Tyres for short supply. By accepting the offer of Birla for the second time at an enhanced rate overlooking the lowest bidder, the interest of the Corporation was put at stake. Since this act of KSRTC is unjustifiable the Committee recommends that an enquiry should be conducted by Vigilance Department on the purchase of Tubes and Tyres.</p>	

11	35	„	Decisions giving undue favour to a supplier, thereby incurring additional expenditure, are detrimental to the Corporation. Hence such decision to favour any supplier, with added expenditure, should not be taken by the Corporation in future.	
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**Remarks:** The Committee directs to furnish details of the Vigilance enquiry within one month.

Thiruvananthapuram,  
27th October, 2016.

C. DIVAKARAN,  
Chairman,  
Committee on Public Undertakings.

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