



**FOURTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**SEVENTY SIXTH REPORT**  
(Presented on 4<sup>th</sup> December, 2018)

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

**2018**

**FOURTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**SEVENTY SIXTH REPORT**

On

**The Action Taken by the Government on the Recommendations contained in the Forty Seventh Report of the Committee on Public Undertakings (2014-2016) relating to Kerala State Road Transport Corporation, based on the Report of the Comptroller and Auditor General of India (Commercial) for the years ended 31 March 2008 and 31 March 2011**

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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 S. Rajendran

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

Shri K. Suresh Kumar, Joint Secretary

Shri Harish G., 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 Seventy sixth Report on the Action Taken by the Government on the Recommendations contained in the Forty Seventh Report of the Committee on Public Undertakings (2014-2016) relating to Kerala State Road Transport Corporation based on the Reports of the Comptroller and Auditor General of India (Commercial) for the years ended 31 March, 2008 and 2011.

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2016-2019) at its meetings held on 9-9-2015 and 9-5-2018.

This report was considered and approved by the Committee at its meeting held on 19-11-2018.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala during the consideration of the Action Taken Statements included in this Report.

Thiruvananthapuram,  
19th November, 2018.

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

## REPORT

This Report deals with the Action Taken by the Government on the recommendations contained in the Forty Seventh Report of the Committee on Public Undertakings (2014-2016) relating to Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India (Commercial) for the years ended 31 March, 2008 and 2011.

The Forty Seventh Report of the Committee on Public Undertakings (2014-2016) was presented to the House on 30th June, 2014. The Report contained 10 recommendations in Para numbers 3, 4, 18, 19, 20, 21, 26, 27, 31 and 32 of which the Government furnished Action Taken Statements to all of them. The Committee (2016-2019) considered the Action Taken Statements furnished by the Government at its meeting held on 9-9-2015 and 9-5-2018.

The Committee accepted the reply to the recommendations in Para numbers 3, 4, 19, 20, 21, 26, 27, 31 and 32 without remarks. The recommendations of the Committee and their corresponding replies from the Government form Chapter I of the Report.

The Committee accepted reply to the recommendation in Para No. 18 with remarks. The recommendations of the Committee, its reply from Government and 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 the Government
1	2	3	4	5
1	3	Transport	The Committee finds no justification for the loss of ₹ 18 lakh sustained to the Corporation consequent on its imprudent decision to accept two bids by hand in violation of the provisions of tender notification. Moreover the Committee suspects some ulterior motive behind this injudicious decision. The Committee views this lapse seriously and therefore recommends that stringent action should be taken against the responsible officer.	Tenders were invited by KSRTC in June 2005 for the construction of Shopping Complex at Kasargod obeying all departmental procedures. It was directed to submit tenders through Registered post or Speed post or Courier service. 15 (fifteen) tenders were received out of the 39 sold tender forms. Two tenders were furnished by hand and its receipt is treated as violation of tender conditions.
2	4	Transport	The Committee remarks that it is the responsibility of the officer concerned to make necessary arrangements well in advance to	These two tenders, were later found to be submitted by Shri Moitheenkutty Haji and Shri M. Sreekantan Nair, which came as L1

ensure compliance with tender specifications. The Committee opines that it would be advisable to conduct a sample survey so as to get an approximate number of prospective bidders so that similar situations can be avoided in future. The Committee recommends that due care and vigilance should be exercised by concerned officials while processing tender and venturing into new areas of operation and that in no circumstances, the tender conditions should be violated.

and L3 respectively. The details of first 4 tenders in the order of quoted rates from the least, including the above two, are mentioned below:

- (1) L1-Shri Moideenkutty Haji-₹ 4.01 Crore
- (2) L2-M/s Concord Constructions-₹ 4.27 Crore
- (3) L3-Shri M. Sreekantan Nair-4.28 Crore
- (4) L4-Shri T. K. Rajan-4.45 Crore

Shri T. K. Rajan, who quoted 4<sup>th</sup> lowest amount approached Hon'ble High Court against the receipt of tender by hand. While the case was under the consideration of Hon'ble High Court, the firm period fixed for taking up the work by the tenderer (120 days) expired on 28-3-2006, and M/s Concord Constructions, which quoted the second lowest rate, withdrew themselves from the process. L1 & L2 were later disqualified by the Court and it was ordered to consider the tender submitted by L4. If the Court had ordered



				<p>to extend the firm period also, it would not have been possible to M/s Concord Constructions to withdraw from the process. Accordingly the work was awarded to Shri T. K. Rajan (L4) for ₹ 4.45 Crore and the same was completed by him. The audit observed that the construction would have been awarded to M/s Concord Constructions (L1) for ₹ 4.27 Crore, if the tenders were not received by hand and a loss of ₹ 18 lakhs occurred due to this action.</p>
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KSRTC allowed the tenders to be submitted by hand since it seemed not possible to submit tenders on time if it were sent by post due to the delay happened in obtaining of re-printed tender forms. As the construction of Kasargod shopping complex was the first initiative undertaken by the KSRTC in such pattern, the Corporation failed to foresee the

				<p>number of tender forms that could have been sold and procure sufficient number of tender forms well in advance.</p> <p>KSRTC reported that there is no ulterior motive in accepting the tenders by hand and the reasons for awarding the tender for ₹ 4.45 Crore were beyond the control of the Corporation.</p>
3	19	Transport	<p>The Committee understands that the present system followed in the Corporation to ascertain the quality of tyres has proved to be unscientific and irrational. The Committee notices that cost per km of a tyre purchased in a particular year could be assessed only after three or four years.</p>	<p>The usage of 'CPKM' (cost per kilometer) as an indicator for determining quality and price of tyres is not unscientific. Similar method is being used by other Road Transport Corporations in the Country for determining the quality of tyres. Also, the CPKM value is being observed in the case of new suppliers whose CPKM details are not available, by purchasing and using 500 nos of tyres from them. The life of tyres purchased through a purchase order can be obtained within 2 (two) years after completion of supply.</p>

4	20	Transport	<p>The Committee remarks that raw materials used for the production of tyres such as rubber, tread nylon belt, silica, textile fabric, specialised chemical components, temperature holding capacity, etc. should be taken into consideration while assessing the quality of tyres. The Committee further recommends that scientific pre-qualification test should be made mandatory.</p>	<p>The possibilities will be studied by the KSRTC.</p>
5	21	Transport	<p>The Committee recommends that the Corporation should evolve a reliable, scientific and transparent method to assess the quality of tyres purchased. The Committee desires to be furnished with an action plan and a detailed report on the measures taken by the Corporation in this regard without delay.</p>	<p>A report will be prepared and submitted by KSRTC after proper study in the matter.</p>
6	26	Transport	<p>The Committee finds that the failure of the Corporation to enter into a formal agreement with Hill Top Rubber Pvt. Ltd. incorporating provisions to safeguard its interest refrained it from initialing legal action against the firm when</p>	<p>As per the existing conditions of ASRTU (Association of State Road Transport Undertakings) Rate Contract, the suppliers cannot enter into agreement with State Transport Undertakings. Hence KSRTC</p>

			<p>it failed to comply with the oral agreement. The Committee desires to be furnished with the copies of correspondence made with HTR. The Committee recommends that in its future dealings a formal agreement in the best interest of the Corporation should be executed and strict compliance of the agreement ensured so as to avoid such incidents in future.</p>	<p>will take up the matter with ASRTU for including the above condition in the rate contract. Copies of the correspondence made with HTR are enclosed as Annexure.</p>
7	27	Transport	<p>The Committee opines that the Corporation should consider the prospects of entering into tyre manufacturing industry so that the Corporation should be self reliant in its needs for tyre, tube, etc.</p>	<p>Further action will be taken by KSRTC after conducting feasibility study.</p>
8	31	Transport	<p>The Committee observes that absence of a clause to sue the suppliers for non linking of payments to actual performance and non imposition of penalty clause on the supplies for default supply has led to loss of ₹ 6.67 crore to the Corporation in the procurement of tyres, tubes and flaps.</p>	<p>The agreement and Security deposit as per the Kerala Store Purchase Manual has been made mandatory for the suppliers also.</p>

9	32	Transport	<p>The Committee suspects an illicit nexus between the officials of the Corporation and some manufactures like M/s Birla Tyres and M/s JK Tyres in the procurement of tyres, tubes and flaps. The Committee opines that the Corporation suffered substantial financial loss due to fraudulent practices prevailing in the Corporation, absence of a definite procurement policy and unscientific parameter used to assess the performance of tyres. The Committee recommends that the officials of the Corporation should analyse the reasons for the inefficiency and should take appropriate remedial measures. The Committee further recommends that a scientific quality parameter should be evolved and enforced for ensuring quality of materials procured by the Corporation. The Committee also recommends that details regarding the action taken should be intimated without delay.</p>	<p>Tyres, tubes and flaps are purchased in a transparent manner through open tenders. The rates quoted by various companies are compared on the basis of CPKM (Cost per kilometer), which is calculated on the basis of price and durability obtained on the use of tyres for the last five years. This method is very scientific, and a Company has to maintain its efficiency to continue its position. As the present method of selecting a company after inviting open tenders and ranking them on the basis of 'value for money' is practical, it is continued. KSRTC pays utmost attention in the blame-less implementation of this method.</p>
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CHAPTER II

REPLY FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATION OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para. No.	Department Concerned	Recommendation/Conclusion	Action Taken by Government
1	2	3	4	5
1	18	Transport	The Committee notices that an avoidable extra expenditure of ₹ 2.13 crore incurred to the Corporation was due to the inappropriate decision of the tender committee to procure materials at higher rates after ignoring the valid lowest tender submitted by Michigan Rubber (India) Ltd. On the ground that the Company has no previous experience with the Corporation. The Committee expresses its strong displeasure over the decision of the tender committee without considering the relevant certificates placed by the firm along with the bid to prove its previous experience with the Corporation. The	KSRTC has not incurred additional expenditure of ₹ 2.13 Crore, as mentioned in the para. As the rates quoted by M/s Michigan Rubber (India) Ltd. was placed fourth viz-a-viz the criteria of 'Cost per Kilometer' (CPKM) that Company was not deserving to get the supply order. KSRTC gave the supply order to the Company which came first quoting lowest CPKM. Hence no excess expenditure was incurred by KSRTC. All important tenders have been made in 'two-bid' method. Also, the evaluation time has been extended and tender decisions are being re-examined by a Committee of higher officials. Hence the recommendation may kindly be reconsidered.

			<p>Committee therefore recommends that an investigation should be conducted to bring to light the real intention which persuaded the tender committee to take such an imprudent decision. The Committee also recommends that legal action should be taken against the officers responsible for the huge extra expenditure incurred by the Corporation.</p>	
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Remarks:—The Committee expressed dissatisfaction for not conducting the investigation and for not disclosing the details of the responsible officers.

Thiruvananthapuram,  
19<sup>th</sup> November, 2018.

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

●  
**Kerala Legislature Secretariat**  
**2019**

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