



**FOURTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2019-2021)**

**EIGHTY FOURTH REPORT**  
(Presented on 6<sup>th</sup> February, 2019)

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2019**

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**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2019-2021)**

**EIGHTY FOURTH REPORT**

**On**

**The Action Taken by Government on the Recommendation contained in the  
Fourteenth Report of the Committee on Public Undertakings (2016-2019)  
relating to Kerala Tourism Development Corporation Limited,  
based on the Report of the Comptroller and Auditor  
General of India for the year ended 31-3-2011**

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**COMMITTEE ON PUBLIC UNDERTAKINGS (2019-2021)**

**COMPOSITION**

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***Members:***

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**Legislature Secretariat :**

**Shri V. K. Babu Prakash, Secretary**

**Shri K. Suresh Kumar, Joint Secretary**

**Shri G. Harish, Deputy Secretary.**

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2019-2021) have been authorised by the Committee to present the Report on their behalf, for this Eighty Fourth Report on the Action Taken by Government on Recommendations contained in the Fourteenth Report of the Committee on Public Undertakings (2016-2019) relating to the Kerala Tourism Development Corporation Limited, based on the Reports of the Comptroller and Auditor General of India for the year ended 31st March 2018.

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2016-2019) in a meeting held on 18-09-2018.

This Report was considered and approved by the Committee at its meeting held on 01-02-2019.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala and express gratitude to the officials of Tourism Department and KTDC who were present during the examination of the Action Taken Statements included in this Report.

Thiruvananthapuram,  
1st February 2019.

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

## **REPORT**

This Report deals with the Action Taken by Government on the recommendations contained in the Fourteenth Report of the Committee on Public Undertakings (2016-2019) relating to Kerala Tourism Development Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 2011.

The Fourteenth Report of the Committee on Public Undertakings (2016-2019) was presented to the House on 9<sup>th</sup> March 2017. The Report contained 18 recommendations in Para numbers 1 to 18 of which the Government furnished Action Taken Statements to all of them. The Committee considered the Action Taken Statements furnished by the Government at its meeting held on 18-9-2018.

The Committee accepted the replies to the recommendations in Para Numbers 1 to 18 without remarks. This recommendations and the replies furnished by the Government forms Chapter I 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	1	Tourism	The Committee is much distressed to note that as the number of loss making units of the Company has increased to a certain extent, the Company took more than ten years to implement the recommendation of COPU in 2000 for the allocation of Head Office Overheads to the units for the purpose of performance evaluation. The Committee remarks that the Corporation could gain profit only by giving incentive after evaluating the performance of each unit. Therefore, the Committee recommends that performance related incentive scheme may be introduced in all underperforming units to fast track growth.	Performance Appraisal Mechanism and an incentive scheme will be developed in consultation with all the stake holders concerned. This would be introduced as soon as possible.

2	2	Tourism	<p>The Committee observes that star classification has an inherent business advantage which helps to enhance marketability and profitability of the Corporation. Therefore the Committee recommends to take necessary steps for obtaining star rating for all units and to make property wise analysis for the additional infrastructure facilities required in the units.</p>	<p>The Company had decided to get star classification for all the hotels in the appropriate category. The requirements for appropriate classification are under preparation and actions will be taken to build, upgrade infrastructure facilities based on the classification Criteria.</p>
3	3	Tourism	<p>The Committee voiced its concern over the poor marketing strategy adopted by the Corporation resulting in reduced occupancy over the years and sought the reason behind the decline in tourist arrivals. The Committee also failed to comprehend how the Corporation would exist without a marketing division, while high competition is raging in all sectors of the industry. Therefore, in the current environment of global competition, the only way out is to make an edge over the Competitors and hence the Committee directs the Corporation to devise</p>	<p>A full fledged marketing division will be put in place immediately with a clear-cut strategy for presenting and positioning its offerings touching upon all the seven ingredients of marketing mix viz Product, Price, Distribution, Promotion, People, Process and Physical evidence. A strategic plan would be formulated touching upon all areas of marketing like,</p> <ol style="list-style-type: none"> <li>1. Standardization of property</li> <li>2. Segmentation</li> <li>3. Branding</li> <li>4. Promotion</li> <li>5. Distribution etc.</li> </ol>



a strategic plan to reach into the key areas of trends of demand. To propel further growth, better marketing networks are crucial and hence, the Committee highlights the need for setting up an excellent marketing division to explore those areas and advises the Corporation to move ahead with a clear vision for development.

The Corporation has entrusted IMK (Kerala) to study the corporation business model and to evolve a suitable one and IMK has already submitted a plan to reorient the marketing activities. The board of the Corporation has constituted two sub committees to study the recommendations & suggestions of IMK. The sub committee will finalize the strategies in consultation with all the stake holders.

The Company has already developed distribution/sales promotion networks through several Travel agents. The Company has also developed business tie-ups/networks with Domestic and International Online travel Portals like Booking.com, Agoda.com, Expedia.com, Makemytrip etc. who have global presence and also known for their aggressive sales promotion strategies. All the KTDC

			<p>properties are featured in those popular Travel portals. In the year 2016-17, 10,140 room nights were sold through Online Travel, portals having global presence.</p> <p>With regard to setting up of Marketing division, there is a Marketing Manager and the post of Deputy Manager (Marketing) (1 post), Assistant Manager (1 post) and Marketing executive (4 posts) are available under marketing division as per the Special Rules of 2014. Notification has already been issued for filling the posts from among internal candidates in accordance with the Special Rules of 2014. In addition to Deputy Manager, one post of Assistant Manager (post) and Marketing Executive will be filled internally and the other 2 post of Marketing Exe. will be filled through PSC on 1:2 ratio as per rules.</p>
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4	4	Tourism	<p>The Committee criticizes the leaden performance of the Corporation. Rather than conducting a study regarding the various measures taken by the private sector, the Corporation merely blames the poor location, small rooms, inventory etc. for its lackluster performance. Therefore the Committee remarks that, in order to convert the loss making units into profit making ones the Corporation should launch a strong marketing campaign across the globe.</p>	<p>Corporation has conducted a study through Institute of Management in Kerala, University of Kerala and appropriate actions through online channels are taken up for ensuring the reach of KTDC offerings across the globe in an aggressive and cost effective manner by considering the cost to reach potential source market and also by considering the potential earning. We have already tied up with major Indian online travel agents like MakeMyTrip, TravelGuru, Goibibo, Cleartrip, Yathra etc. and also International Online Travel agents like Booking.com, Expedia, Agoda etc. having global presence and are known for their aggressive sales promotion strategies (symbiotic strategic association-cost effective and ideal option to reach international/domestic audience).</p> <p>Moreover it has been decided to take part in all the domestic travel meets and</p>
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				important international meets to disseminate information on KTDC Services.
5	5	Tourism	<p>The Committee also suggests that the Corporation may also consider the starting or construction of new projects in association with Tourism Department and instructs to execute those projects in time. Going forward, it would help to extend its operation to more destinations. It is also learnt that the Corporation has failed to capitalise the advantages in sectors such as heritage tourism, health tourism and adventure tourism. The vast and varied potential of eco-tourism projects were not properly explored. Properties like Thekkady and Thanneermukkam which have great USP in Global Tourism Chart were not adequately exploited. Moreover, the potential of Pilgrim Tourism in properties such as Nandanam-Guruvayoor, Thirunelli-Wayanad were not fully explored. Meanwhile the</p>	<p>Government of Kerala funded projects are under implementation. The Operation of the company is planned to organize in the suggested lines.</p>

			<p>abounding possibilities of Monsoon Tourism, Culture Tourism and Wellness Tourism etc., are yet to be tapped. Therefore the Committee directs the Corporation to take an earnest effort to grab the huge potential of the above sectors.</p>	
6	6	Tourism	<p>The Committee is distressed to note that lakhs of rupees had been lost by the Corporation due to bulk bookings via. Segment I tour operators. Moreover it is pointed out that revenue loss had occurred as the company provided maximum discount to segment I agents only and did nothing to restrict the booking of other tour operators through segment I agents. Hence, in order to control the misuse of discount policy enjoyed by segment I agents, the Committee recommends to take necessary measures to facilities direct/online booking in Corporation's properties. The Committee further recommends to conduct a study in each unit and success rate of each segment during a 2 year period and based on the findings a reallocation of booking may be</p>	<p>Online booking facility for all KTDC properties have been put in place in the website of KTDC. The online bookings are happening according to the availability of rooms and there is no blocking of rooms to Segment I agents and is given only on as per availability of rooms. The direct online booking received through KTDC website during the period 2016-17 for all properties including budget properties were 17625 room nights. The segmentation of agencies is a practice throughout the industry. The difference between Segment I and Segment II rate is only Rs. 300 during the season and Rs. 150 during the off-season. The difference between the</p>

made. The Corporation may also consider the possibility of setting aside 10% of all rooms for direct/online bookings.

Segment II and III is Rs. 50 during season and Off-season. Segment I are generally given to agents who aggressively promote KTDC products among various segments/market and predominantly in the domestic market. Segment II/III rates are generally provided to the agents who look for foreign market which are not very rate sensitive and also to agents booked for a specific target segment/market and to online travel agents. Moreover an incentive of Rs.300 to Segment II agent and Rs. 350 to the Segment III agents in season and Rs. 150 to Segment II agents and Rs. 200 to Segment III agents will be given if they provide 750 room nights spread over Samudra, Waterscapes, Tea County, Aranya Nivas and Bolgatty Palace & Island Resort. Thus rate parity is assured if segment II/III agents perform in a season and segment I agents also to continuously perform to retain the Segment

				<p>I position. The Committee may also note that the total bookings through segment III during the last three financial years viz 2014-15, 2015-16 and 2016-17 were 8910, 9126, 16120 room nights respectively and for the segment I during the same period were 9454, 7746, 7801 room nights respectively. The business through segment II/III agents have collectively gone up and therefore the presumption of routing of business through segment I agents had a very little impact. The matter recommended, by the committee will be studied and appropriate action will be taken immediately. We would also explore the possibility of giving performance linked bonus (eg. one room complimentary for every 15 rooms) after maintaining rate parity among agents and also work out separate group rates (room rate for group of guests) for all agents.</p>
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7	7	Tourism	<p>The Committee is distressed to note that though action was taken based on the recommendation of COPU report of 2000 it could not derive desired results as it was not strictly complied with. This inaction on the part of Company resulted in a loss of ₹ 3.75 crore during 2008-09 to 2010-11 on account of excess food cost. The Committee also learnt that in most of the Company's properties, the food cost out of the catering income exceeded the permissible limit. Therefore the Committee recommends to ensure the procurement of raw material from Government run organisations thereby reducing the extra expenditure on food costs.</p>	<p>The Company has taken steps to reduce the food cost to industrial standard of 28 to 35%. The company had already started to procure provisions, vegetables, meat products etc. from Govt. agencies like KEPCO, SUPPLYCO, MILMA, HORTICORP etc.</p>
8	8	Tourism	<p>The Committee observes that the energy consumption of the Company during 2006-07 to 2008-09 was above the industry average. The Committee is grieved to note that the Company neither extended the cost savings measures implemented in Hotel Mascot to other units nor</p>	<p>The Company has extended all energy savings measures like Upgradation of conventional lighting to LED lighting schemes, Service hot water using renewable energy source (Solar -3000 LPD) which is for savings in diesel</p>



			<p>conducted any energy audit in its properties except Hotel Mascot. Therefore the Committee suggests that energy saving mechanism should be introduced in all destinations and explore the possibility of using non-conventional energy sources and also the implementation of energy efficient methods in the Company's properties.</p>	<p>consumption. Automation of power systems using automatic selection of capacity as and when required which is for optimizing fuel consumption and energy, to other units of the corporation. Whenever the units are renovated steps are taken to install latest energy savings mechanism to all functional areas. Some of the specific Measures adopted are follows :</p> <ol style="list-style-type: none"> <li>1. Conversion of conventional electrical water heating systems to heat pump system at Periyar house and solar Hot water systems at Mascot Hotel and Tamarind Hotel Alappuzha.</li> <li>2. Specification of 5 star rated equipments for light fittings, Air conditioner, ceiling fans other electrical appliances etc. for new procurement.</li> <li>3. We have provided bulk quantity of Brushless DC motor (BLDC) based ceiling</li> </ol>
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				<p>fan which are more efficient than even 5 star fans at our marriage hall at Nandanam Guruvayoor and at Certain renovated Guest rooms at Bolgatty Palace etc. and we are planning to implement same at various other installations also to reduce energy consumption.</p> <p>4. We have replaced split ACs at some guest rooms at Hotel Chaithram which were very old and energy intensive with latest technology-Variable Refrigerant Volume- VRV based central system.</p> <p>5. Energy intensive and old DG sets at our various installations are replaced using most modern automatic pollution free CPCB2 complied DG sets at Nandanam, Bolgatty, Garden House etc. Thereby optimizing the Diesel Consumption.</p> <p>6. We have implemented automatic power switching and sharing to DG sets of right capacity as and when required at our major</p>
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				substations at Mascot Hotel, Bolgatty Palace etc. Thereby optimizing Diesel consumption and improving power reliability at these units.
9	9	Tourism	<p>The Committee is aggrieved to note that even though the premium hotels had unique location advantages, it could not capitalise the advantage and all of the units could not achieve profit. It is also observed that these hotels could not make profit because of poor marketing and maintenance. The renovation work of Hotel Samudra, Kovalam was started belatedly, that too on a piecemeal basis. Moreover the renovation work was not completed in time. The Committee remarks that incompleteness of work in time shows the inefficiency and irresponsibility of the officials concerned.</p>	<p>The Company has already tied up with all the Online travel agents to ensure global presence and global distribution. Similarly the Company has business arrangements with lot of trade intermediaries. The company has also decided to ensure its product management according to its brand promise (Brand management) in a comprehensive manner to gain an edge over its competitors as recommended by the Committee by properly integrating the hotel operations, its engineering/maintenance activities by keeping the marketing departments as its fulcrum after</p>

			<p>The Committee observes that many Premium Hotels have registered loss over the period of audit due to poor administration. Premium properties like Hotel Samudra, Kovalam, Bolgatty Palace/Island Resorts, Ayurvedic Lake Resort, Thanneermukkom etc. registered reduced occupancy over the years. Therefore the Committee recommends to take corrective steps and earnest efforts to increase the occupancy of Premium Hotels. Proper control over Administrative and Establishment expenses may be taken care of and irregular payments should be halted to avoid seepage in revenue. It is also recommended to cut down its administrative expenses so as to achieve economy in operations.</p>	<p>obtaining necessary feedbacks from Travel intermediaries/guests/hotel managers &amp; Staff. Renovation works at Hotel Samudra has been completed and Mascot Hotel and Bolgatty are at their finishing stage. Over the period the loss at Premium hotels have been reduced and occupancy rate has been improved. Various steps have been taken to increase the occupancy ratio also. The Corporation has taken various steps to reduce the administrative expenses by outsourcing non-core activities and steps are being taken to put potential best use of its human resource by fixing staff strength according to the new promotion policy of 2014 and also accordance to the rules and guidelines of the government in the matter.</p>
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10	10	Tourism	<p>The Committee observes that online booking system will increase easy accessibility which in turn will improve occupancy. Hence the Committee recommends that in order to improve profitability, online room reservation system should be introduced in Budget Hotels also.</p>	<p>The Corporation has implemented Online Reservation System in all its properties including budget properties.</p>
11	11	Tourism	<p>The Committee can't comprehend the logic behind the branding of Tamarind Easy Hotels under a single brand name. It is observed that though Tamarind Easy Hotels (TEH) were branded under a single brand name and assigned uniform tariff rate, they differ widely in their amenities and most of them were lacking in facilities. Hence the Committee suggests that a revised strategy may be adopted in the branding of TEHs and the tariff rate may be fixed in accordance with amenities available. The Committee also propose a revival plan for providing modern amenities in all TEHs.</p>	<p>The Corporation has fixed different Tariff in Tamarind Easy Hotels (TEH) according to its facility and demand. There is a plan to upgrade the Tamarind Hotel with modern facilities.</p>

12	12	Tourism	<p>The Committee recommends to conduct proper feasibility study before heading to new projects such as Motel Aaram so that the number of loss making units can be lessened. The Committee also recommends to allocate adequate funds from the Government for the timely annual maintenance of Tamarind Easy Hotel, Motel Aaram, etc. So that facilities may be improved which in turn will lead to betterment of business and profit to the properties.</p>	<p>The Corporation has been entrusted with running of Motels and TEH and no feasibility could be conducted before taking over the units.</p> <p>The Corporation has not received any funds for annual maintenance of Tamarind Easy Hotels, Motel Aaram. However the Corporation will be taking up the matter before the Government for the financial assistance for annual maintenance and also for providing sufficient funds to enhance the facilities of Tamarind Easy Hotels so that the Corporation would get improved returns as recommended by the Committee.</p>
13	13	Tourism	<p>The Committee expresses its dissent over the continued operation of loss making RBP, Harippad despite the decision of the Board to close it down and also the closing of the three profit making units for want of premises.</p>	<p>The Restaurant &amp; Beer Parlour at Harippad has started to generate profit consistently. But now it is closed from 1-4-2017 onward due to the Hon'ble Supreme Court Judgment to close down the Beer Parlour</p>

			Therefore the Committee recommends to open the Restaurant & Beer Parlour (RBP) by finding suitable premises where it can be operated profitably.	with in 500 Metres from National Highway. However the other three profit making units as observed by the Committee could not be re-opened for want of suitable places. However company is yet to make any attempt to start these units in place of the existing closed units.
14	14	Tourism	The Committee observes that the revenue generated from boating operation is much less compared to its vast potential in tourist destinations. The Committee is aggrieved to note that the Company stopped the boating operation in Thanneermukkom Water Scapes, Kumarakom and Bolgatty Palace Hotel by merely stating the lame excuse that the company could not compete with private sector. The Committee is distressed to note that the Corporation did nothing to promote boating despite boating being a major source of revenue. The Committee	The corporation has already planned to purchase new Boats of higher capacity to start boating operation at Waterscapes, Bolgatty Palace, Thanneermukkam with funds from Government during the financial year 2017-18. One new boat with higher capacity (120 seats) are ready to be operated within two months time at Periyar lake Thekkady and the same will be put into operation shortly.

			is shocked at the Company's decision for lower capacity boats in Thekkady despite its turnover and it suggests to introduce boating services in all potentially viable properties of the Corporation. Therefore the Committee recommends boating operations of high capacity boats with adequate safety measures.	
15	15	Tourism	The Committee observes that the average manpower strength per room in Company's properties is high compared with the industry average. Therefore Committee recommends to assess the staff strength and desires to furnish the details regarding the sanctioned staff strength, category, their qualification, existing staff strength, shortage etc. The Committee also recommends that for the effective functioning of the company, qualified candidates should only be appointed through PSC towards sanctioned staff strength.	The Corporation has already started to fix the staff strength for each and every property/offices in accordance with the recruitment (Qualification and Method of appointment) Regulations of Kerala Tourism Development Corporation Ltd. 2014, rules and also in accordance with the rules/guidelines from the government in this matter.  The average man power per room as per industry average is 1.8 and where as to KTDC it is 2.58. The corporation is taking efforts to reduce the ratio.



16	16	Tourism	<p>The Committee observes that the construction and renovation works of the Company got delayed due to entrusting of work to KITCO as consultant. The committee is worried to note that the Company entrusted the construction and renovation work of the Company to KITCO despite having an Engineering wing. Therefore the Committee recommends that all the construction works should be executed directly through its engineering wing. The Committee criticises the Corporation for not including penal provision in the agreement. The Committee opines that if it had incorporated penal provision, an amount of ₹ 1.50 crore could have been saved by the Corporation and such incidents will not recur in future.</p>	<p>The Company had dispensed with service KITCO. However, all new projects are being implemented by the in house Engineering-Department. The Company is now incorporating liquidated damage clause in all the contracts.</p>
17	17	Tourism	<p>The Committee is surprised to note that the Company deployed contract workers recruited for cleaning activities in other departments. The Committee view this as a serious lapse that seems to tarnish the very image of the</p>	<p>The Company provides training to all staffs in areas like customer relationship management and these trainees having qualifications are posted in the respective departments.</p>

			<p>Corporation. Image and brand building are crucial for any service industry. Hence the Committee opines that training of staff in areas such as customer relationship management is critical to the success of the tourism industry and therefore the Corporation should take measures that all employees are adequately trained in this respect and personnel having required qualification should only be posted in respective departments.</p>	
18	18	Tourism	<p>The Committee observes that the Internal Audit System's working was only overall in nature. The Committee is of the view that the scrutiny on the working of the Company was not done diligently and effectively and was not taking due effort in auditing the areas where the Company's working was not up to the mark and was showing lapses. The Committee expresses its concern over the inefficient functioning of Internal Control Mechanism of the Company</p>	<p>The Company conducts internal audit through outside professional and audit reports are reviewed periodically. The company used to rectify the systems and procedures based on this report to improve the internal control. The company also constitutes audit committee to overview the internal system and control.</p>

		which failed to suggest timely corrective measures. Therefore the Committee recommends to strengthen the Internal Audit and Control Mechanism which include proper review of unit wise functioning, maintenance of control registers etc.	
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Thiruvananthapuram,  
1st February, 2019.

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

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