



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2014-2016)**

FORTY FIRST REPORT

(Presented on 30th June, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

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On

**The Action Taken by Government on the Recommendations contained in the
Thirty Ninth Report of the Committee on Public Undertakings (2006-08)
relating to Kerala Transport Development Finance Corporation Ltd.,
based on the Report of the Comptroller and Auditor General of India
for the years ended 31st March 2004,
31st March 2005 (Commercial)**

1037/2014.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty First Report on the Action Taken by Government on the recommendations contained in the Thirty Ninth Report of the Committee on Public Undertakings (2006-08) on the working of the Kerala Transport Development Finance Corporation Ltd., based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 2004 and 31st March, 2005 (Commercial).

The Statement of Action Taken by the Government included in this Report were considered by the Committee constituted for the year (2011-14).

This Report was considered and approved by the Committee at the meeting held on 23rd April, 2014.

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

Thiruvananthapuram,
30th June, 2014.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

REPORT

The Report deals with the Action Taken by Government on the recommendations contained in the Thirty Ninth Report of Committee on Public Undertakings (2006-08). The Thirty Ninth Report, relating to Kerala Transport Development Finance Corporation Ltd., is based on the reports of the Comptroller and Auditor General of India for the years ended 31-3-2004 and 31-3-2005 (commercial) which were laid on the Table of the House on 5-7-2005 and 13-2-2006 respectively.

The Report contained 5 recommendations. The Government have furnished replies to all the recommendations. The Committee (2011-14) considered the replies received from the Government at its meeting held on 17-9-2012.

The Committee accepted the reply to the recommendation No. 1(2) without any remarks. This recommendation and its reply form Chapter I of the Report.

The replies to the recommendations No. 2(3), 3(8), 4(9), 5(10) were accepted by the Committee with remarks. These recommendations, their replies and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

REPLY FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS
OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE
COMMITTEE WITHOUT REMARKS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations of the committee</i>	<i>Action Taken by Government</i>
1	2	Transport	The Committee finds that KTDFC Ltd., had lost ₹ 15.18 lakh due to payment of interest on short paid advance tax in spite of the fact that surplus fund was available and there exists provision for refund of excess tax paid with interest on it, by Income Tax Department. The Committee understands that KTDFC Ltd., had switched over to hybrid system of accounting even though accrual system of accounting is mandatory as per Income Tax Act and Companies Act. The Committee therefore recommends that the company should be more cautious and take necessary step to avoid such instances in future.	The recommendations are noted and the company has taken necessary steps to avoid such instances in future and necessary instructions were given to the concerned officials in this regard.

CHAPTER II

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

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations of committee</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
2	3	Transport	The Committee also recommends that the Company should forward the copy of the Agenda notes and minutes of the meetings of the Director Board to the Accountant General (Audit) without fail.	At present the company is forwarding the copy of the Agenda notes and minutes of the Board Meetings to the Accountant General (Audit), Kerala.
<i>Remarks of the Committee:—</i> The Committee wants to be furnished with the copies of Minutes and Agenda notes of Board Meetings held after November 2010.				
3,4, 5	8,9, 10	Transport	The Committee understands that KTDFC Ltd. has procured thermal paper rolls for the use of KSRTC in the Electronic Ticketing Machines without following the conditions laid down in the Store Purchase Manual. The Committee further learns that the KTDFC was aware that KSRTC had not invited tenders for the work and not observed the basic formalities of examining quantity, quality, and the probable rates before placing purchase orders. The Committee is not satisfied with the explanation that the	The Board of Directors of KSRTC in the 298th meeting held on 1-2-2003 resolved to implement ET system at Kollam Depot. Considering the requirement of T.P. Rolls to be used in ETM, the Board of Directors of KSRTC in the 301st meeting held on 13-6-2003 decided to invite open tender for advertising on the reverse of the paper roll for the entire requirement of KSRTC. Till the tender formalities were finalized, it was decided to give advertisement rights to

(1)	(2)	(3)	(4)	(5)
			<p>paper rolls were needed urgently, since the decision to implement Electronic Ticketing Machine was taken in February, 2003, though it was inaugurated only in August, 2003.</p> <p>The Committee opined that the KTDFC cannot act on the sole reason that the request for the purchase was brought by the Chairman, who was also the Chairman of KSRTC.</p> <p>The Committee finds no justification in the haste and unlawful purchase and therefore recommends that the matter should be seriously looked into and responsibility should be fixed and the action taken in this regard should be intimated to the Committee. The Committee desires to be furnished with the details of the system now being followed in the supply of thermal paper rolls.</p>	<p>KTDFC who would supply the paper rolls free of cost by printing KTDFC advertisement on the reverse of the paper roll for the first six months.</p> <p>KSRTC, vide letter No. SRA1.493/2002 dated 4-7-2003 communicated the above Board decision to KTDFC and requested KTDFC to supply 500 papers rolls per day with immediate effect. It was also informed that the demand would be increased based on requirements which would be intimated then and there.</p> <p>The Secretary, Transport Department was the Chairman of Both KSRTC and KTDFC at that time. In these circumstances KSRTC Board decided to request KTDFC to provide paper rolls free of cost and the decision of KSRTC Board was also formally approved by KTDFC Board. The total cost was estimated at ₹ 11.25 lakh only at a rate of ₹ 25 per roll depending on the</p>

(1)	(2)	(3)	(4)	(5)
				<p>requirement of 250 rolls per day. (` 25 per roll X 250 rolls per day X 30 days X 6 months).</p> <p>Introduction of electronic ticketing machines was an innovative concept and its consumable, i.e., the ticket roll was not a commonly used item. As the ETMs were to be inaugurated in August 2003 as per the decision of the Board of KSRTC and the time to invite tenders observing tender procedures was very short, KTDFC was forced to invite quotations. The four quotations received included quotations from outside the State which were placed in the 66th Board Meeting of KTDFC held on 18-8-2003 as Agenda Item No. 1179 for an urgent decision.</p> <p>Out of the 4 quotations received, the lowest quotation was from M/s Panchami Systems and hence, it was decided by the Board of Directors to place orders with them.</p> <ol style="list-style-type: none"> 1. Eagle Stationeries, Bangalore— ` 40.00 per roll. 2. Hans Papers, Ernakulam— ` 21.00 per roll. 3. Metro Systems, Tvpm.— ` 25.00 per roll. 4. Panchami Systems, Tvpm.— ` 19.50 per roll.

(1)	(2)	(3)	(4)	(5)
				<p>The Board had decided to accept the lowest quote from M/s Panchami Systems for ₹ 19.50 per roll which was well below the approximate rate per roll suggested by KSRTC.</p>
				<p>Orders were placed for the first supply of Thermal papers on 19-8-2003 and supply of the rolls of 14 bundles were made to KSRTC on 21-8-2003.</p>
				<p>Initial order was expected at 45000 rolls. On 10-11-2003, when the initial supply was about to complete i.e. a balance of 3647 roll was to be supplied, KSRTC intimated that though the requirement per day was estimated at 250 rolls earlier, considering the Sabarimala Festival and the increase in the number of commuters, the requirement had increased to 500 rolls per day. This matter was placed before the Board in the 68th meeting of KTDFC held on 21-11-2003. The Board of Directors of KTDFC noted that out of an amount of ₹ 50 lakh allocated under Advertisement expenditure in the company's budget for the year 2003-04, as on 31-10-2003, the company had expended only ₹ 27,08,279 for advertising and considering the benefits that may accrue to KTDFC as a result of this advertisement, its Board</p>

(1)	(2)	(3)	(4)	(5)
				<p>considered the request of KSRTC for supply of further paper rolls for use in KSRTC ticketing machine at Kollam Depot.</p> <p>Since the decision for incurring this expenditure for advertisement was taken, the company restricted advertisement through other channels and thereby the total advertisement expenditure had not in any way exceeded the budgeted expenditure for 2003-04 and 2004-05.</p> <p>Taking into consideration the requirement of KSRTC and since the tender formalities of KSRTC had not been finalized, to ensure uninterrupted supply, based on the request of KSRTC, the KTDFC Board in its 68th meeting held on 21-11-2003 decided to continue the supply of paper rolls to KSRTC for a further period of 6 months or till finalisaion of tender formalities by KSRTC whichever is later. These circumstances lead to the full supply of 200000 paper rolls at ~ 19.50 per roll.</p> <p>Only after considering all the factors mentioned in the Agenda and taking into account the amount that was directly expended on this account for the supply of paper rolls. KTDFC Board decided to continue the supply and this resulted in the initial order quantity of around 45000 rolls being increased to 200000 rolls.</p>

(1)	(2)	(3)	(4)	(5)
				<p>The rate of ₹ 19.50 per roll for the supply of limited number of rolls to KTDFC during 2003 cannot be compared with the rate of ₹ 8.59 per roll quoted by M/s Gopsun Paper for the supply of 72 lakh rolls for a period of 2 years to KSRTC. It may also be noted that such an offer came before KSRTC only after a long process including re-tenders consuming more than 4 months.</p> <p>The following details are also presented to emphasise the fact that even though the rate quoted by certain firms were low, the situation is such that there is non-supply of this item to KSRTC.</p> <p>The requirement of thermal paper to be used in Electronic Ticketing Machine (ETM) for 2 years was estimated to be 72 lakh rolls. Tenders were invited by KSRTC with due date on 28-10-2003. Only 6 offers were received. The lowest offer was ₹ 14.45 per roll (with printing of advertisement on reverse side). The points that may be highlighted here are:</p> <ol style="list-style-type: none"> 1. The cost quoted for a quantity of 2 lakh paper rolls and 72 lakh paper rolls cannot be compared. The rate quoted for 2 lakh paper rolls was for a piecemeal purchase for a limited period only whereas the rate quoted for 72 lakh paper rolls was for the purchase of huge

(1)	(2)	(3)	(4)	(5)
				quantities for a period of 2 years. The quantity increase offers economy of scale to the supplier and hence lower the cost.
				2. There is only another Transport Corporation where Electronic Ticketing Machine has been introduced. The quotes given to KTDFC was at a time when this new system was introduced in KSRTC. After six months of successful functioning of the system, when KSRTC had invited tenders for 72 lakh rolls, new Companies would give their offer and that too at a lower rate considering the huge quantum of business that could be obtained by them or manufacturing companies could perfect a supply chain management at lower costs enabling supply to KSRTC at lower costs.
				3. Though a particular firm had quoted ` 8.59 per roll to KSRTC at a much later date for a bigger quantity, they have not ensured uninterrupted supply to KSRTC.
				4. An immediate decision was required from both KSRTC and KTDFC Ltd. since Electronic Ticketing Machines were inaugurated in August 2003 and this necessitated the supply of thermal paper rolls with advertisements immediately. Therefore, a decision was taken, based on the available quotations received at that point of time.

(1)	(2)	(3)	(4)	(5)
				<p>The time that KTDFC got to identify the suppliers for this new item and to ensure timely and smooth supply was hardly one month. The lower price came only after a period of more than 4 months and that too after two tenders.</p>
				<p>If KTDFC has resorted to invite tender after the acceptance of the proposal of KSRTC as per their letter dated 4-7-2003, it would not have been possible to supply the rolls in time to KSRTC and that would have prevented KSRTC from implementing ETM in August, 2003.</p>
				<p>Under these circumstances, the decision of the Board of Directors regarding supply of thermal paper roll to KSRTC with KTDFC advertisement was done in the best interest of the company at that time in order to get maximum advertisement benefit for KTDFC through this channel.</p>

Remarks of the Committee:—The Committee wants to be informed about the action taken to fix the responsibility against the delinquent officers and also to implement the recommendations of the Committee.

Thiruvananthapuram,
30th June, 2014.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.