



**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**FIFTY FOURTH REPORT**  
(Presented on 11th December, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM

2014

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

**FIFTY FOURTH REPORT**

**On**

**The Action Taken by Government on the Recommendations contained in  
the Ninety Third Report of the Committee on Public Undertakings  
(2008-11) relating to Kerala State Construction Corporation Ltd.  
based on the Report of the Comptroller and Auditor General  
of India for the year ended 31st March, 2003 (Commercial)**

75/2015.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2014-2016) having been authorised by the Committee to present the Report on their behalf, present this Fifty Fourth Report on the Action Taken by Government on the recommendations contained in the Ninety Third Report of the Committee on Public Undertakings (2008-11) on the working of the Kerala State Construction Corporation Limited based on the Reports of the Comptroller and Auditor General of India for the year ended 31st March, 2003 (Commercial).

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

This Report was considered and approved by the Committee at the meeting held on 3-9-2014.

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,  
11th December, 2014.

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

## **REPORT**

The Committee on Public Undertakings (2008-11) in its Ninety Third Report presented to the House on 28th December, 2010, had made six recommendations relating to Kerala State Construction Corporation Ltd., based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2003 (Commercial).

The Government have furnished replies to all recommendations of the Committee and the Committee (2011-14) considered the replies at its meeting held on 30-9-2013.

The Committee accepted the Government replies to the recommendations No. 1(13), 2(14), 3(15), 4(16), 5(17) and 6(18) without any remark. These recommendations and replies thereon form Chapter I of the Report. The General Remarks of the Committee form Chapter II of the Report.

## CHAPTER I

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

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/ Recommendation</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	13	Public Works	Committee expresses dissatisfaction on the explanations of the Company for not conducting 24 hour traffic census on time. Further the Committee finds the explanation of the witness that the calculations for quotation submitted in 2001 January were made based on the 24 hour census conducted in April 2001 as irrelevant.	Even though the functioning of the Corporation was satisfactory during the earlier and initial stages, the situation gradually changed and the quantum of work in hand came down and the fund position was also depleting. The main handicap during the period was the non completion of works in time due to non-payment of work bills of the contractors. The Corporation could not procure even the minimum number of contract works to match with the recurring administrative expenses for its mere existence. The contractors were also reluctant to take up works for the Corporation. The reason for reluctance was due to non-payment of their bill amount in time. The bill amount received from the client department were re-appropriated for the administrative expenses of the Corporation. The Mobilisation advances for works received were also diverted for administrative expenses without making available the same to the contractors.

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The Committee disagrees with the company's claim that toll collection was affected by

(1)	(2)	(3)	(4)	(5)
				<p>The situation aggravated during the period from 1999-2000 to 2001-2002 and the Corporation was not in a position to meet its daily expenses from the profit margin. The staff, in the various categories were idling due to shortage of works. The salary of staff could not be paid in time due to shortage of funds. The retirement benefits of the employees were also in arrears since 1999. The extreme financial difficulties of the KSCC have led the Corporation to undertake the toll collection of PWD NH as a part of diversification of its activities and for catering the financial needs and utilisation of its manpower.</p> <p>With these bona fide objectives, the company tried to quote rates for the Toll Collection in January 2011 by conducting a Traffic census for 12 hours. As the Company have no previous experience, it could not conduct the 24 hour traffic census. However, the failure to conduct the 24 hour traffic census is not deliberate, which is to be excused as a special case.</p>
2	14	Public Works	The Committee disagrees with the company's claim that toll collection was affected by the	The KSCC admits that due to the lack of previous experience in managing the Toll collection of NH, the company might have quoted a slightly higher rates by



(1)	(2)	(3)	(4)	(5)
			<p>restrictions on sand mining, as there was no data available to substantiate the same. The Committee expresses displeasure on the attempt of the company to link restriction on sand mining with the loss connected with toll collection.</p>	<p>which a working loss of ₹ 11.20 lakh occurred. The reason of getting a fair return by managing the Toll Booth effectively without causing a working loss cannot be said to be a neglect or lapses on the part of officials concerned. Actually the booming in the sale of motorcars and other vehicles took place in Kerala during the period from 2000-2006 onwards which caused considerable increase in the vehicular traffic. The restrictions on sand mining alone is not the reason for the short fall of toll collection but only one among the various reasons. However the observation of the Committee in the matter is noted with due seriousness and respect. Now the Company is not conducting any toll collection. Hence, the explanation as above is kindly be accepted and further action in the matter is to be dropped.</p>
3	15	Public Works	<p>The Committee also blames the Company for failing to reckon reduction on account of return tickets and concession tickets for estimating income from toll collection, while preparing the bid.</p>	<p>As already explained due to lack of experience, the attempt of the company to participate in the bid for Toll collection for the first time, could not be planned with a proper vision and indepth study. Hence the Company could not fix the license fee on a realistic basis. Further even on awarding the contract by the PWD NH and</p>

(1)	(2)	(3)	(4)	(5)
			<p>The Committee further expresses concern that the company, while preparing the bid, it did not give provision for expenditure on construction of temporary structure, telephone and water charges, rent, shortage in return of coins, bank guarantee commission etc. Thus making an unrealistic bid. The Committee thus concludes that there occurred serious lapse on the part of the company by over-estimating earning from toll collection for the financial year 2001-2002 and hence quoting a license fee of ` 2.34 crore when the previous years contract rate was just ` 1.87 crore. The Committee suggests strict warning to Officers responsible for this lapse.</p>	<p>executing the contract for toll collection from April 2001 due to the litigation, the actual toll collection could be commenced only from September 2001 onwards. The lapses and shortfalls occurred in the matter are not due to any willful neglect, but due to the lack of experience on the part of the then officials. However, the concerned GM,DGM and RM have been strictly warned not to repeat these type of laxities. Hence the further action in the matter is to be dropped.</p>

(1)	(2)	(3)	(4)	(5)
4	16	Public Works	<p>The Committee finds that the Company is merely sub-contracting the works undertaken and this resulted in huge loss to the Government. The explanation for not undertaking work directly such as lack of managerial skill was not worth justifying. The Committee recommends that the Company should revive its system in such a way that it becomes capable of executing independently the works undertaken by it.</p>	<p>The Government have extended the following privileges to Kerala State Construction Corporation:</p> <p>(1) KSCC is declared as registered 'A' Class contractor of the State for all works under various departments and autonomous bodies vide G.O. (Ms.) 67/87/PW&amp;T dated 13-8-1987, (2) KSCC is declared as "pre-qualified" for public works tendered by State Government department/state public undertakings/local bodies vide G.O. (Ms.) No. 16/92/PW&amp;T dated 12-2-1992 and vide Circular No.28673/E1/08/PWD dated 30-12-2008, (3) KSCC is allotted a "price preference of 10%" over quoted rate/amount vide G.O. (Ms.) No.81/97/PW&amp;T dated 7-8-1997, (4) KSCC have been exempted from remitting security deposit/earnest money deposit vide G.O. (P) No. 75/98/PWD dated 18-8-1998.</p> <p>The Government is earning enormous amount indirectly by the mere presence or participation of KSCC in tenders. However, during the year 2008 the Government have increased the cost of tender forms which was not affordable to KSCC due to the financial stringency. Consequently KSCC was unable to submit tender for many of the works. Similarly after getting a</p>

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(1)	(2)	(3)	(4)	(5)
				<p>work order, the KSCC finds it difficult to entrust the time bound execution to an able contractor as another tender call under the method of piece work system is quite impractical and cause delay. As a remedial measure, the KSCC have already requested the Government to award works to the tune of ` 200-300 crore every year, on guideline basis. But the request has not been considered yet which resulted the KSCC in a financial imbalance.</p>
				<p>The KSCC have generated indirect financial gains to Government, from its very inception by making economic tender offers on realistic and economic terms. Consequently the active presence of KSCC have compelled the private contractors to quote the competitive rates. In effect the quoted rate in public tenders have come down wherever the KSCC have participated or even procured the tender forms. The 10% price preference to KSCC is not exploited but only wisely applied. The KSCC have no financial source other than to depend on the meagre profit share derived from the execution of works. So it is most essential that certain sizable number of works be entrusted on guideline basis or awarded to the KSCC through</p>

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(1)	(2)	(3)	(4)	(5)
				<p>the public tenders even by price preference. However, it is submitted that under economic stimulus package, Vision 2010, Malabar package etc. certain number of works were awarded to the KSCC on the basis of the public tenders and after due evaluation of the quoted rates.</p>
				<p>Further from 2001-2002 onwards there was huge pendency in the payment of contractors bills in PWD and as a result the clearing of pending bills of contractors in date wise seniority order was resorted to. Due to various reasons the clearing of pending bills of the works done by the KSCC was delayed. On the other hand due to the financial difficulties the company was constrained to divert funds for the works done for payment of administrative expenditure which also caused a tendency among the registered PWD contractors not to undertake and carry out the works of the KSCC properly. The tendency in the matter could be altered only during 2008-2009 onwards after taking a policy decision of not to divert funds for works done towards administrative expenses. As a result the reluctance of the contractors to undertake the works of KSCC came to an end.</p>

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(1)	(2)	(3)	(4)	(5)
				<p>During the year 2009-10 and 2010-11, the Company have managed to gain considerable number of works by participating in public tenders and guideline works of SCST DD etc. Now the company is having works for balance PAC of ₹ 494.95 crore as on 30-9-2011. Recently the urgent Road maintenance works for traffic diversion for the Metro railway, the KSCC could carry out the BM &amp; BC works of 13 roads in Cochin city for a total cost of ₹ 11.05 crore and the same completed within a short span of 45 days. Few more works are anticipated in the current year.</p>
5	17	Public Works	<p>The Committee expresses surprise to see that advertisement has been released to recruit new staff when the Company is already overstuffed and fund has been allotted by Government for rehabilitating existing employees. The Committee directs that no further recruitment of staff should be done and that highly essential</p>	<p>Most of the existing Employees of the KSCC are non-technical and out of 1/3 are in the category of attenders/watchers. More than 70% of the Employees are in the age group of 53 to 57. Hence as a first step for reducing administrative cost 44 staff members were deputed to the Kerala State Beverages Corporation. This deployment has reduced the monthly administrative expenses to certain extent. At the same time, there is shortage and deficiency in the technical posts and of accountants. These deficiency</p>

(1)	(2)	(3)	(4)	(5)
			supervisory posts only should be filled on deputation basis.	could not be set right earlier, as the financial position of the Corporation was very poor. However on getting works awarded to KSCC during 2008-09 and 2009-10, the volume of work has increased considerably.
				For ensuring the proper supervision of works and timely completion of projects, the necessity of providing additional staff was taken up for consideration in the 149th meeting of Board of Directors held on 21-12-2007 and in the 157th meeting held on 30-12-2009. Accordingly the appointment of certain Engineering and Accounting personnel on contract for a period of 1 year as per rule 8 of Part I KSRs was resorted to as per the advertisement in the Mathrubhumi daily dated 3-2-2010. In this connection it is submitted that the action of the company in having advertised the appointment of Technical and Accounting personnel on contract basis is not for increasing the staff strength but manage the requirement of such personnel whose services are essential and inevitable. Hence the action in the matter may be approved and ratified as a special case. The Employees of the KSCC are allowed the pay revision of 1997. The 2004 Pay

(1)	(2)	(3)	(4)	(5)
				<p>revision has not been implemented in KSCC so far. Hence the appointment of Personnel from Government department is not feasible on account of the increased financial commitment. Observation of the Committee has been taken into account in the right perspective for compliance.</p>
6	18	Public Works	<p>The Committee remarks that in spite of the privileges given by all Government departments in the Company, lack of credibility and d e f e c t i v e administration caused a hindrance in its path to prosperity. Unless the Company functions properly, its existence would be a burden to the exchequer. The Committee directs that for a better outcome the Company must strengthen its administration, abandon its callous attitude, regain its lost credibility and speed up the works undertaken.</p>	<p>As a subordinate institution under PWD the Kerala State Construction Corporation Limited has given certain legally valid concessions for the smooth functioning of the corporation. At present PWD (Buildings) Division has allowed 10% Price preference for the acceptance of competitive Tenders to the Corporation. In addition to this, Kerala State Construction Corporation Limited has given 20% mobilisation advance.</p> <p>No budgetary support is given to KSCC by Government for meeting salary and other expenses. The only financial source to KSCC is the meagre profit share derived from the execution of works. However, KSCC have managed to get more works from 2009-10 onwards. During the year 2008-09, KSCC could not disburse even the salary of staff in time and the employees were in agitation. Now situation</p>



(1)	(2)	(3)	(4)	(5)
			<p>The Committee recommends that the possibility to deploy existing excess staff of the Company should be considered immediately and that if the Company finds it impossible to improve its performance, steps should be taken to discontinue its operation.</p>	<p>have changed considerably due to the new approach. The KSCC have gained considerable number of works. As per the abstract of ongoing works as on 30-9-2011, KSCC has 79 works having a balance PAC of ` 475.17 crore and 39 consultancy works in various regions with a balance PAC of ` 19.78 crore, the aggregate of which comes to ` 494.95 crore.</p> <p>During the past two years, the company have cleared the entire arrear dues to employees amounting to ` 255.66 lakh. Similarly the arrears of contractors for ` 180 lakh paid and arrears of KHST for ` 25.71 lakh remitted to the Government funds. The payment of lease rent of the land at Vytila and Kakkanad has been remitted and a semi permanent office building under the ROB Ponnurunny costing ` 35.40 lakh got completed and the administrative office shifted from Carmel Centre, Ernakulam to 3 Bays of the ROB Ponnurunny from September 2010 onwards and the monthly rent could be avoided. During the period from 1-3-2010 to 30-6-2011 the Company have managed to complete the construction of 18 major works for a total estimate cost of ` 92.85 crore.</p>

(1)	(2)	(3)	(4)	(5)
				<p>Though KSCC was running on loss for the last so many years, KSCC have managed to earn a nominal profit of ₹ 7.11 lakh for the year 2009-10 and accumulated loss brought down to ₹ 24.11 crore. Similarly as per the provisional account for the year 2010-11 the Company gained a net profit of ₹ 60.38 lakh and the cumulative loss brought down to ₹ 23.50 crore. During 2011-2012, KSCC anticipates a total contract receipts of ₹ 163.33 crore fetching a revenue income of ₹ 8.16 crore. Accordingly KSCC expect a net profit of ₹ 2 crore for 2011-2012. In the circumstances, it is brought to kind notice that the company have managed to regain its credibility and the various Government departments/institutions are coming forward to entrust many of their works to KSCC and its functioning is going on smoothly.</p>

CHAPTER II

GENERAL REMARKS OF THE COMMITTEE

The Committee wants to be furnished with a full detailed report covering all aspects of the staff pattern as well as employees of the KSCC Ltd. The Committee also desires a report on the various works undertaken and completed by the Corporation within the past 10 years, various ongoing works undertaken by the Corporation as well as detailed report stating the present position of the Corporation.

Thiruvananthapuram,  
11th December, 2014.

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

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