



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

SEVENTY SIXTH REPORT
(Presented on 23rd March, 2015)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2015

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SEVENTY SIXTH REPORT

On

**The Action Taken by Government on the Recommendations contained in the
Ninety Second Report of the Committee on Public Undertakings (2008-11)
relating to Kerala State Road Transport Corporation based on the
Report of the Comptroller and Auditor General of India
for the year ended 31st March, 2005 (Commercial)**

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Shri P. S. Selvarajan, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2014-16) having been authorised by the Committee to present the Report on their behalf, present this Seventy Sixth Report on the Action Taken by Government on the recommendations contained in the Ninety Second Report of the Committee on Public Undertakings (2008-11) on the working of the Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2014-16).

This Report was considered and approved by the Committee at the meeting held on 11-2-2015.

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,
23rd March, 2015.

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

REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the Ninety Second Report of the Committee on Public Undertakings (2008-11) relating to Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Commercial).

The Ninety Second Report of the Committee on Public Undertakings (2008-11) was presented to the House on 15th July, 2010. The Report contained three recommendations. The Government furnished replies to all the recommendations. The Committee considered the replies received from the Government at its meeting held on 12-11-2014.

The Committee accepted the replies to the recommendations without any remark. These recommendations and their replies are included in this Report.

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

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Department concerned</i>	<i>Conclusions/ Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	8	Transport	<p>The Committee opined that the decision of the Corporation to reject the offer of Micro FX Company, which had supplied the thermal paper rolls for printing tickets in initial stages and offered to supply the paper rolls free of cost if they were allowed to print advertisement on back side of tickets, was not wise. The Committee opined that had the Corporation accepted the offer, Micro FX would have continued the free supply of paper rolls. The Committee found that in the board meeting there was difference in opinion among members at the time of considering free of cost offer from Micro FX Company. However, as per the Board decision, the Corporation had invited tender instead of accepting the free of cost offer, but no response was received.</p>	<p>When Electronic Ticketing Machines were implemented in KSRTC during 6/2003, M/s Micro FX, one of the suppliers of ETMs had provided about 1450 rolls of ticketing paper as an introductory offer. But M/s Soft Land, the other supplier did not provide the paper rolls. Later M/s Micro FX and M/s Soft Land approached KSRTC with a fancy offer that they would supply the paper rolls free of cost if the advertisement rights on paper rolls were awarded to them.</p> <p>The Board of KSRTC has taken the decision on the subject that permitting the companies for canvassing advertisement in lieu of cost of paper is not profitable to the corporation. It was decided to purchase the paper rolls for the Electronic Ticketing Machines to be used in Kollam Unit. The intention behind the decision was to squeeze out the entire monetary benefit out of advertisement, by avoiding filtration of profits through intermediaries.</p>

The Committee further added that under such a circumstance the Corporation should have conducted another board meeting to discuss and decide wisely on the future course of action. The Committee seriously views the fact that without making a viable decision, the Corporation proceeded with a hasty purchase of paper rolls worth ₹ 3 crore. The Committee finds the Corporation alone to be responsible for the huge loss. The Committee wants to be furnished with the details regarding the officers responsible for the resultant loss and wants to be informed of the action initiated against them. The Committee also wants to know whether any firm would be willing to advertise in future. The Committee also recommends that when taking similar decisions the Corporation should, in future, consider all possible alternatives and decide on the course of action to be pursued only after analysing the alternatives in the light of their economic impact on the Corporation.

M/s Micro FX repeated their fancy offer, but the Board resolved to go ahead with the effort to find bidders for the purchase of advertisement rights. Meanwhile KTDFC was allowed to supply paper rolls with their advertisement for the first six months since they extended their willingness. Accordingly KTDFC supplied 140750 rolls and discontinued it. It was the expectation that the tender formalities and awarding of advertisement right could be finalised in between.

In the meantime, the demand for thermal paper rolls considerably increased due to the implementation of ETMs in more depots and in order to tide over the crisis, KSRTC invited open tender and issued purchase order to M/s Gopsons papers.

Earnest attempts were made by inviting tenders three times for the sale of advertisement right. But unfortunately no one came forward to purchase the advertisement right. Then the Board decided to invite tender for “Thermal paper rolls with advertisement”. M/s Sri Sai papers offered rolls at zero cost. M/s Micro FX also again offered the paper rolls at zero cost and the Board decided to place orders with them in equal quantity in 2004. But these two bidders could not execute their promise.

(1)	(2)	(3)	(4)	(5)
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During the period KSRTC could ensure the supply of TP rolls, since the purchase orders placed with M/s Gopsons paper Ltd. was kept alive. M/s Micro FX (P) Ltd. again approached KSRTC with the same offer in the year 2007 and that was again considered. But the firm could not supply the item as they offered.

Even though KSRTC accepted the free of cost offer of M/s Micro FX two times, the firm could not keep their promise. Hence it is obvious that the offer of M/s Micro FX was not genuine and dependable. Had the KSRTC relied on M/s Micro FX for the supply of rolls in 2003 free of cost basis, the Corporation would not have received any TP rolls.

The decision to invite tender for the sale of advertisement right on ticketing paper was in fact in the best interests of the Corporation. But with the evolution of Electronic medias, the circumstances changed a lot in the advertisement market and the advertisement on paper especially in a very small area was being set behind in the advertisement market. Hence nobody came forward for the purchase of advertisement in tickets. The repeated inability of M/s Micro FX to supply ticketing paper rolls on free of cost basis in two different occasions

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itself is enough to prove that the decision of the Board in 2003 was not wrong.

The decisions of the Board, which is evolved after analysing all possibilities and probabilities through serious debates and discussions among the various Board Members, are unquestionable directions to the organisation. The officers of KSRTC had to scrupulously implement the directions from the Board. In every occasion, the decisions were taken by the Board of Directors of KSRTC itself. None of the officers from subordinate service of KSRTC had involved in framing this Board decisions. As such there was no possibility to initiate action against officers in KSRTC.

In the year 2009 KSRTC invited tender for ticketing paper rolls with advertisement printing and without advertisement printing. The tenderer would have the right to print advertisement on tickets. But the rate difference was not at all attractive, as the difference was only 10 paise per roll. So KSRTC did not go for rolls with advertisement. In the year 2010 also tenders were invited for ticketing paper rolls with advertisement right and without advertisement right. But noone offered rates for the supply of paper rolls with advertisement.

(1)	(2)	(3)	(4)	(5)
3	19	Transport	<p>The Committee finds that the Corporation had shown unwarranted haste in entering into Annual Maintenance Contract for mini buses spending ₹ 1.23 crore in addition to the warranty provided by the supplier. The Committee comments that the Corporation, with its 5 workshops to carryout repairing works of its fleet and without much difference between repairing works of mini bus and large bus, should have thought twice before taking up the AMC. The Committee remarks that the purchase of mini buses by the Corporation, with the expectation of getting more mileage than large buses, without conducting even a trial run is also a failure. The Committee therefore recommends that responsibility for this lapse should be fixed and to take stern action against those responsible and action taken in this regard be intimated to the Committee.</p>	<p>It is hereby assured that KSRTC will be more cautious in future while arriving at decisions which will have considerable financial impact on the organisation as instructed by the Committee.</p> <p><i>Action Taken on Para (19) & (22)</i></p> <p>The persons who were responsible for the loss incurred in the purchase and Annual Maintenance Contract of mini buses had retired from the Corporation. Therefore a Committee has been constituted on 15-12-2010 with the following members, for quantifying the loss incurred and for taking action against the responsible persons:</p> <ol style="list-style-type: none"> (1) Executive Director (M & W) – Chairman (2) Assistant Controller of Purchase (I), Chief Office –Member (3) Dy. Chief Accounts Officer (OAD) – Member <p>The above committee has started functioning.</p>

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The Committee understands that the Corporation had procured 50 mini buses without conducting a single trial run. Moreover, the Corporation awarded the tender to Eicher Motors Limited, Kochi (Eicher) who quoted ₹ 8.30 lakh per bus avoiding the lowest bid of ₹ 7.80 lakh per bus quoted by the Ashok Leyland Limited Kochi, which the Committee feels is beyond justification. The Committee opines that this happened due to the failure in evaluating running costs. The Committee, therefore recommends that responsibility for the loss be fixed and desires to be informed of the action taken in this regard. The Committee concludes that the irresponsible attitude of Managing Directors from time to time and their decisions driven by personal interests are definitely threats to even existence of the Corporation and suggests that an effective system should be evolved and implemented to prevent such loss generating decisions in future.

Thiruvananthapuram,
23rd March, 2015.

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

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