



ELEVENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2004-2006)**

HUNDRED AND TWELFTH REPORT

(Presented on February 16, 2006)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2006**

ELEVENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
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HUNDRED AND TWELFTH REPORT

On

**Kerala State Road Transport Corporation based on the Report of the
Comptroller and Auditor General of India for the years ended
31-3-2000, 31-3-2001 and 31-3-2002 (Commercial)**

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings 2004-06, having been authorised by the Committee to present the Report on their behalf, present this Hundred and Twelfth Report on Kerala State Road Transport Corporation Limited based on the Reports of the Comptroller and Auditor General of India for the years ended 31-3-2000, 31-3-2001 and 31-3-2002 (Commercial) relating to the Government of Kerala.

The Reports of the Comptroller and Auditor General of India for the years ended 31-3-2000, 31-3-2001 and 31-3-2002 (Commercial) were laid on the Table of the House on 2-7-2001, 15-3-2002 and 16-6-2003. The consideration of the audit paragraphs included in this Report and the examination of the department witness in connection thereto were made by the Committee on Public Undertakings constituted for the years 2004-06.

This Report was considered and approved by the Committee at the meeting held on 20-1-2006.

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

The Committee wish to express their thanks to the officials of the Transport Department of the Secretariat and Kerala State Road Transport Corporation Limited for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Transport Department and Finance Department and the officials of Kerala State Road Transport Corporation Limited, who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

Thiruvananthapuram,
February 16, 2006.

KADAVOOR SIVADASAN,
Chairman,
Committee on Public Undertakings.

REPORT

KERALA STATE ROAD TRANSPORT CORPORATION LIMITED

AUDIT PARAGRAPH

Illegal occupation of stalls

(a) In February 1994, the Corporation decided to award the licence to run stall No. 1 at Thiruvalla bus station to the highest bidder Shri. Benny Cyriac, for a period of one year from 1-4-1994 to 31-3-1995 at a licence fee of Rs.18300 per month. In the meantime, Shri Mathai Cyriac, the existing licensee whose extended term expired on 31-3-1994, obtained (April 1994) an injunction order from Sub Court, Thiruvalla restraining the Corporation from forcibly evicting him from the stall. The temporary injunction issued by the sub Court was against forcible eviction and hence the Corporation could have evicted the licensee by due process of law. But no action was taken to evict the illegal occupant (who was also not paying any licence fee) and stall No. 1 was not let out to the new bidder who had offered higher rates resulting in a potential revenue loss of Rs. 14.09 lakh to the Corporation during the period 1-4-1994 to 31-8-2000 @ Rs. 18300 per month.

(b) In another case relating to stall No. VI (Fruit stall) in the same bus station, the Corporation decided to award the licence to the highest tenderer, Shri M. A. Rahman, for a period of one year from 1-4-1994 to 31-3-1995 at a fee of Rs.15086 per month. In this case also, the previous licensee Shri. Abdul Hameed whose extended term expired on 31-3-1994, obtained a stay order (8-4-1994) restraining the Corporation from evicting him from the stall till the disposal of the original suit filed before the Munsiff Court. Subsequently, the stay order was cancelled (29-6-1995) by the High Court and the original suit was also dismissed in February 1998 stating that the licensee had no legal or equitable right to continue to occupy the stall after the licence period. However, the Corporation did not take any action to evict the illegal occupant (who was also not paying any licence fee) due to which stall No.VI could not be allotted to the highest bidder resulting in a potential revenue loss of Rs. 11.62 lakh to the Corporation for the period April 1994 to August 2000 at the rate of Rs. 15086 per month.

The Management, in reply to Audit enquiries on 'a' and 'b' above, stated (November 1999) that eviction was not carried out due to non-co-operation of police authorities and also in view of the appeal pending before the Sub Court. The reply is not tenable because the Corporation had neither taken effective

measures to get the Court injunction vacated nor any follow up action even after obtaining favourable judgments from the Court. The provisions of the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968 were also not invoked for evicting the illegal occupants.

The inaction on the part of the Chief Law Officer of the Corporation who had been appointed as the Estate Officer under the provisions of the above Act resulted in an aggregate loss of revenue of Rs. 25.71 lakh to the Corporation in the above cases.

Above matters were reported to the Corporation/Government in May 2000; their replies had not been received (September 2000).

[Audit Paragraph 4.2.2.1—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2000 (Commercial)].

The note furnished by Government on the Audit paragraph is given in Appendix II.

Pointing out the inaction of the Corporation in evicting illegal occupants of stalls which had resulted in a revenue loss of Rs.0.26 crore, the Committee wanted to be furnished with the detailed information in this regard. The Committee viewed seriously the inaction on the part of the Chief Law Officer of the Corporation who had been appointed as the Estate Officer under the provision of the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968. The Committee enquired the following as detailed:

- (a) When did the licensee of stall No.1 at Thiruvalla bus station file the petition for a stay from court ?
- (b) When did K S R T C apply for vacation of the stay ?
- (c) Did K S R T C apply for urgent vacation of the stay ?
- (d) When was the stay vacated ?
- (e) What were the reasons for abstaining from evicting the licensee by due process of law ?

The witness could not give a satisfactory reply to any one of the above questions; but agreed to furnish the information as desired by the Committee immediately. Regarding the Estate Officer who failed to co-operate in the eviction of the illegal occupants, the Committee enquired who the Estate Officer was, why he had not co-operated and whether any disciplinary action had been taken against him for disobeying orders. The Secretary, Transport Department stated that the concerned official had retired from Service. The

witness disclosed that action could be taken against him only if he had caused any loss to Government. Moreover, there was no specific time limit for taking such action against him.

Referring to the Government reply that the Corporation could not evict the petitioner by force for want of police protection, the Committee wanted to know the efforts made in this regard. The Committee further enquired why the DTO, Pathanamthitta was asked to seek police protection for eviction to be carried out at Thiruvalla bus station, when KSRTC had a DTO at Thiruvalla. The witness stated that this was due to the fact that the court was situated at Pathanamthitta. The Committee pointed out that DTO Pathanamthitta could not take action on a case which was outside his jurisdiction. The Committee enquired why the Board of Directors in its 258th meeting had resolved to extend license period of stalls under litigation by fixing a reasonable rate of license fee / tender fee from the date of expiry of the licence period and 15% enhancement for each year of further extension. The Committee also wanted to know why the details had not been included along with the government reply. The Managing Director KSRTC informed that the rate for 1994-95 was Rs. 2,500 and in 1995-96 it was Rs. 2,875. The Committee expressed surprise at the fact that the Corporation had failed to evict the licensee who was not paying any license fee at all. Instead, the Board had decided to fix the rent as Rs. 2500/ when it could have let out the stall for Rs. 18,300 per month, resulting in a loss of over Rs.14 lakh upto 31-8-2000. The Committee felt alarmed over this and wanted to know the reasons behind such an irresponsible action. The witness couldn't give any reply.

To the Committee's enquiry whether any legal action had been taken against the law officer who failed to take action to evict the illegal occupant, the witness informed that there were no evidence to show that any action had been taken against him. To the specific question of the Committee whether Government was prepared to recover the loss suffered by the Corporation from the concerned officials, the witness replied in the affirmative. The Committee pointed out the relevant provisions of the Kerala Public Building (Eviction of unauthorized occupants) Act, 1968 which authorized the Estate Officer to initiate eviction proceedings after issuing notice and without any court order. Moreover, a circular was also issued by the Corporation in 1991 to remind the officials of the provisions of the Act. The circular stated that Estate Officers were appointed by the Corporation in order to avoid delay caused in court of law. The Committee was dissatisfied with the reply of the witness that the Estate Officer had no powers to initiate eviction proceedings against illegal occupants. The Committee desired to be furnished with the details regarding the number

of stalls in KSRTC bus stands which were illegally occupied, the number of cases registered, the number of such illegal occupants against whom no action had been taken so far and the number of instances in which action had been taken invoking the provisions contained in the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968.

Conclusions/Recommendations

The Committee is shocked to find that the KSRTC authorities are acting in collusion with the illegal occupants of various stalls in its bus stands resulting in huge financial loss to the Corporation, while the illegal occupants increase their profit manifold. In the case of stall No.I at Thiruvalla bus station, the Corporation failed to take any action against Shri. Mathai Cyril, citing a stay order which was in fact only an injunction order from Sub Court, Thiruvalla against forcible eviction. The Corporation also failed to take action against Shri. Abdul Hameed, illegal occupant of stall No. VI at Thiruvalla bus station, even after getting favourable judgment from the Court. At a time when the Corporation could have let out the stalls @ Rs.18,300 and Rs. 15086 per month respectively to the highest bidders, the Board decided to fix the rent as Rs.2500 with 15% enhancement every year, resulting in great financial loss to the Corporation. The loss in potential revenue computed in these two cases alone is over Rs. 25 lakh per year for the period from April 1994 to August 2000, simply due to the inaction of the Corporation. The Committee realizes that the loss of potential revenue to the Corporation will run into crores of rupees if such cases in various bus stands in the State are taken into account.

The Committee feels this as highly deplorable and desires to be furnished with the following details immediately:

1. The details of stalls in KSRTC bus stands which are illegally occupied as on 31-12-2005.
2. The details of cases registered on the issue, as on 31st December, 2005.
3. The details of the illegal occupants against whom no action has been taken so far.
4. The details of cases in which action has been taken invoking the provisions contained in the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968.

The Committee finds that by proper financial management, the Corporation can be turned into a profit-making enterprise, at the same time providing decent transportation facilities to the public. Hence the Committee

recommends that steps should be taken to fix responsibility for leasing out stalls in various Stations of the Corporation and also for collection of rent and renewal of the same at the right time and to take proper action for eviction of illegal occupants of stalls. The Committee also suggests that the financial management of the Corporation should take care of all these aspects while leasing out and take steps for proper management. The steps taken in this regard should be intimated to the Committee.

AUDIT PARAGRAPH

Extension of concessional rates for transportation of newspapers and periodicals

Newspapers and periodicals were being transported in the buses of the Corporation at a concessional rate of 50 per cent of the charge applicable to unaccompanied luggage, i.e., at half passenger fare for every 30 Kg. The concession was extended since 1965 on the basis of a reciprocal arrangement with the printers/publishers of newspapers and periodicals according to which the news matters and advertisements of the Corporation would be published free of cost by them.

However, the publishers of newspapers had withdrawn this reciprocal arrangement from April 1995 and the Corporation was paying for its advertisements in these newspapers like others. Eventhough the reciprocal arrangement was not in existence since April 1995, the Corporation continued to transport newspapers and periodicals at concessional rates which resulted in a loss of Rs.14.04 lakh in respect of 4546 tonnes of newspapers and periodicals conveyed from six major depots of the Corporation during the four years from 1996-97 to 1999-2000.

The Government stated (June 2000) that the proposal to revise the rate as per luggage rules was postponed consequent on fare revision in October 1999 and steps had already been taken to revise the fare which was expected to be implemented in one or two months. The reply is not tenable since the fare revision is a periodical exercise and this does not have any bearing on the failure to restore the normal rates on publishers and newspapers after withdrawal of reciprocal arrangement in April 1995.

[Audit paragraph 4.2.2.2.—Contained in the Report of the Comptroller of Auditor General of India for the year ended 31st March, 2000 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

The Committee wanted to know the present stage of the reciprocal arrangement with newspaper companies. The witness replied that certain newspapers such as Kerala Kaumudi did not charge for advertisements of KSRTC, and such newspapers were transported free of charge. Newspapers like Mathrubhumi, Malayala Manorama etc., charged KSRTC for advertisement after the withdrawal of the reciprocal arrangement in April 1995. The witness informed that these newspapers were being transported in private vehicles now.

Conclusion/Recommendation

No comments.

AUDIT PARAGRAPH

Write-off of dues

The Corporation which was facing acute financial crisis, was entrusted with the management of Trivandrum Rubber Works Limited (TRW) a sick unit declared as a relief undertaking by Government Order in July 1984. After takeover of the management, the Corporation advanced funds to TRW on various occasions as per the directions of the Government, to be adjusted against purchase of tread rubber. But an amount of Rs. 64.83 lakh remained unadjusted as at the end of July 1992.

Due to financial problems, it became difficult for the Corporation to run the sick unit. Hence, the Government, acting on the request of the Corporation decided in February 1994 to transfer TRW to a State Government undertaking viz., The State Farming Corporation of Kerala Ltd. (SFCK) as subsidiary. According to the transfer/acquisition plan formulated by the Government, the SFCK was to receive equity shares in TRW against a portion of the liabilities and the balance was to be written off by the Government. However, as part of the deed, the interests of the Corporation, which maintained the sick unit for nearly 10 years, was not protected and it was ordered to write off the advances recoverable from TRW amounting to Rs.64.83 lakh with interest thereon and cost of fuel supplied (Rs. 6.36 lakh) and a total amount of Rs.98.22 lakh was written off (August 1999).

The waiver of dues recoverable from TRW for the benefit of SFCK, which resulted in a loss of Rs.98.22 lakh to the Corporation, without any compensatory benefit at a time when it was facing acute shortage of funds, lacked justification.

The Management stated (March 2000) that the matter was being pursued with the Government and it was hopeful of realizing the dues from the Government.

The matter was reported to Government in May 2000; their reply had not been received (September 2000).

[Audit paragraph 4.2.2.3.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2000 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

The Committee enquired whether Rs. 98 lakh due from Trivandrum Rubber Works could not be converted into shares. The Secretary, Transport Department informed that the decision had been taken up by a Committee appointed by the Government and necessary orders had been issued in the matter.

Conclusion/Recommendation

No Comments.

AUDIT PARAGRAPH

Avoidable investment.

For the construction of sub-depots/operating centres in rural areas, the Corporation had formulated a policy that the infrastructural facilities should be provided by the Panchayat authorities concerned at their expense. This policy was being followed in the case of sub depots/operating centres approved during the period up to November 1999 when all the infrastructural facilities like land, garage building, store rooms, staff rooms, etc., were provided by the beneficiaries. The Corporation deviated from that policy and agreed (February 1995) to construct a sub-depot at Velland at a cost of Rs. 28.15 lakh on the land donated by the Panchayat. The work was completed (December 1998) at a total cost of Rs.27.99 lakh and the sub depot started operations (March 2000) by diversion of 26 schedules from two other depots. The Corporation's decision to deviate from the policy and construct the sub-depot at Velland resulted in avoidable investment of Rs. 27.99 lakh at a time when its financial position was poor.

The matter was reported to the Corporation/Government in May 2000, their replies had not been received (September 2000).

[Audit paragraph 4.2.2.4.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2000 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

The Committee remarked that the expense of Rs.27.99 lakh incurred by KSRTC for the construction of sub-depot at Vellanad cannot be regarded as a major objection as it greatly benefited the public. The Committee also enquired whether KSRTC had given back the land and other infrastructure facilities to the local bodies for opening of sub-depots/operational centres as they were not used by KSRTC. The witness replied that such an issue had not been brought to notice as no sub-depot/operational centre had stopped functioning.

Conclusion/Recommendation

No comments.

AUDIT PARAGRAPH

Avoidable loss

Till June 1997, the Corporation had been using in their vehicles reclaimed engine oil obtained at a cost of Rs.26 per litre, in place of fresh engine oil (Servo Pride 40/30 grade), both for original filling and for topping-up. The use of reclaimed oil was stopped thereafter (June 1997) on the advice (June/August 1996) of the manufacturers that such oil should not be used for complete oil change since it would affect the life of engines.

It was noticed in audit (March 1999) that while Road Transport Corporations in Tamil Nadu and Andhra Pradesh were using reclaimed engine oil for top-up as instructed by vehicle manufacturers, the Corporation had dispensed with (since June 1997) the use of reclaimed oil altogether. The decision to discontinue the use of cheaper reclaimed oil for topping-up ignoring the practice prevailing in other State Road Transport Corporations and the use of costlier fresh engine oil in its place resulted in avoidable extra expenditure of Rs. 3.06 crore on 12.22 lakh litres of engine oil used for topping-up during 1997-2000 at the differential rate of Rs. 25.05 per litre (cost of purchase of fresh oil: Rs. 51.05, cost of reclaimed oil: Rs. 26).

The Management stated (March 2001) that the vehicle manufacturers advised them to discontinue the use of reclaimed oil and stick on to the use of recommended lubricants only in their engines. The reply is not tenable in as much as the vehicle manufacturers' recommendation was to discontinue the use of re-refined oil for complete oil change in engines after 16000 Km. run of the vehicle and not for topping-up of oil at the rate of 1 litre after every 1000 Km. run of the vehicle.

The matter was reported to Government in June 2001; their replies are awaited (September 2001).

[Audit paragraph 4.2.2.1.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2001 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

14. The Committee enquired why the Corporation was not using reclaimed engine oil for original filling/ topping up when the other State Road Transport Corporations were doing so. The Managing Director stated that Leyland and Tata Engineering Company, the two major vehicle manufacturers had informed that under the terms of warranty they would not cover engine failure due to use of non-recommended lubricants. Pointing out that the practice of not using reclaimed oil had led to loss of over Rs.3 crore to the Company, the Committee enquired why the same conditions of engine failure did not apply to the buses of these two companies, which were being used by the State Road Transport Corporations of the neighbouring States. The witness explained that in 1994-95 when reclaimed oil was being used by KSRTC two engine failures had occurred. The loss on this account was made good by deducting from the salary of the Managing Director, for not using recommended lubricants. The witness added that on enquiry with other Road Transport Corporations, it was found that only certain Corporations have been using reclaimed oil and that too for old buses only. The older buses of KSRTC were used for plying only in city areas. But if instructions were given for the use of reclaimed oil in these buses, the mechanics would use them in all buses leading to major engine failures. Replying to a specific question of the Committee, the Managing Director, KSRTC stated that a study had been conducted in this regard by the Executive Director (Technical).

Conclusions/Recommendations

15. The Committee recommends that the Corporation should examine once more the system of using reclaimed oil being followed in other States.

16. The Committee desires to be furnished with copies of the report of the study conducted in this regard by the Executive Director (Technical).

AUDIT PARAGRAPH

Avoidable excess payment

The Corporation had been using tread rubber slabs for retreading of used tyres. To meet the requirement of retreading, the Corporation purchased during the period April 1995 to March 1999 a total quantity of 1420.430 MT of tread rubber slabs from 12 suppliers at a total cost of Rs. 9.26 crore. As per the terms

of the purchase order, the suppliers had guaranteed performances at varying rates of 20,000 km to 32,000 km for each tyre retreaded out of the material supplied by them and the Corporation had to make 85-90 per cent payment after supply and acceptance of the materials. The balance amount was to be paid after evaluating the performance of at least 80 per cent of the tyres retreaded by using the material supplied. Proportionate recovery for shortfall in actual performance of tyres with reference to the guaranteed performance, was to be made from the suppliers.

While computing the performance of the retreaded tyres, the Corporation had been excluding those retreaded tyres which failed prematurely, on the ground that the failure was due to reasons not connected with the quality of material supplied by the suppliers. Though the suppliers' guaranteed performance ranged between 20,000 km to 32,000 km the actual performance assessed during the period from December 1997 to August 2000 ranged between 16,038 km and 24,774 km. only. Accordingly, proportionate recovery was made for the shortfall in guaranteed performance. However, the Corporation failed to effect proportionate recovery for 40,428 prematurely failed/non-returned tyres out of 143621 tyres retreaded, on the basis of actual performance and the payment for these tyres was made as if they attained the full guaranteed performance as per contract. Thus the failure of the Corporation to regulate recovery as per terms of the contract resulted in avoidable excess payment of Rs. 46.63 lakh.

The matter was reported to the Corporation/Government in June 2001; their replies are awaited (September 2001).

[Audit paragraph 4.2.2.2.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2001 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

17. The Committee enquired why the Corporation failed to effect proportionate recovery for the prematurely failed tyres which resulted in a loss of nearly Rs. 47 lakh to the Corporation. The Managing Director stated that the prematurely failed tyres were not being considered while evaluating performance of tyres according to the system being followed in KSRTC. The Committee reiterated the seriousness of the audit objection and expressed strong displeasure over such practice.

Conclusion/Recommendation

18. The Committee feels that the Corporation should have effected proportionate recovery for the 40,428 prematurely failed/non-returned tyres out

of the 1,43,621 tyres retreaded. The result arrived at on the basis of evaluation of a certain percentage was to be applied to the whole lot and not to the selected percentage only. The Committee therefore, recommends that stringent action should be taken against those responsible for causing financial loss of Rs. 46.63 lakh to the Corporation by excess payment.

AUDIT PARAGRAPH

Loss of Potential Revenue

The Corporation decided (February 1994) to award the licence to run the pan shop at Kollam bus station to the highest bidder (Sri. M. Ramesh Kumar) for a period of one year from 1st April 1994 at a licence fee of Rs.18885 per month. In the mean time, the existing licensee (Sri. H. Habeeb Babu) whose extended term was due to expire on 31st March 1994, obtained (February 1994) an ex-parte interim injunction order from Sub Court, Kollam restraining the Corporation from forcibly evicting him from the stall and continued occupation of the stall without paying any licence fee. The Corporation also did not take any action to evict him by due process of law by invoking the provisions of the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968. Meanwhile, based on the decision (October 1998) of the Board of Directors, the licensee was allowed (December 1998) to continue occupation of the stall paying the licence fee at Rs. 7500 per month for the first year commencing from 1st April 1994 with 15 per cent increase thereon every year, thereafter, and remitting the pending dues with 12 per cent interest. But the licensee defaulted in payment of licence fee. Subsequently the original petition of the licensee was dismissed by Additional Sessions Court, Kollam (August 1999) and the stall was vacated (October 1999). Though the Corporation initiated revenue recovery action for realization of the arrears amounting to Rs. 10.21 lakh, no recovery could be effected (September 2001) as he had transferred (October 1999) the ownership of his assets.

Thus the failure of the Corporation to take action to evict the illegal occupant of the stall by following the provisions of Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968 resulted in a potential revenue loss of Rs.16.43 lakh for the period from April 1994 to September 1999 (at the rate of Rs.18885 per month for the first year with 15 per cent increase every year thereafter).

The matter was reported to Government/Corporation in June 2001, their replies are awaited (September 2001).

[Audit paragraph 4.2.2.3.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2001 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

19. Pointing out the failure on the part of Corporation to use legal measure to evict illegal occupants of stalls, the Committee enquired about the present position in this regard. The witness informed that revenue recovery proceedings had been initiated by the Collector. The licensee had filed a pauper suit and the case was pending in the court. The witness added that the stall had been let out to a new licensee. The Committee enquired why the Corporation had not taken timely and appropriate steps to evict the illegal occupant under the provisions contained in the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968. The witness could not give a satisfactory reply in this regard. The Committee expressed displeasure over this and opined that timely action should have been taken by the Estate Officer.

Conclusion/Recommendation

20. The Committee finds malafide intentions on the part of the Corporation officials in not taking steps to evict the illegal occupant under the provisions contained in the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968 which resulted in loss of Rs. 0.16 crore in potential revenue. The Committee recommends that stringent action should be taken against the officials who failed to take action under the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968, to evict illegal occupants. The Committee further recommends that every year, the licence to run shops in the Corporation's various bus-stations should be given to the highest bidder after inviting tenders.

AUDIT PARAGRAPH

Avoidable expenditure

As a part of its procurement policy the Corporation had been adopting a ratio of 1:1 in respect of purchase of bus chassis from the two vehicle manufacturers viz., M/s. Ashok Leyland Limited (ALL) and M/s. TATA Engineering and Locomotive Company Limited (TATA). Taking into account the requirement of more number of ALL bus chassis and considering the lower price per unit when compared to TATA chassis, the Corporation revised (January 1994) the procurement ratio from 1:1 to 2:1 in favour of ALL.

In April 1997 there was reduction in price of TATA chassis by Rs.17412 Rs. 20885 per chassis when compared to that of ALL. However, the Corporation decided to continue the policy of procurement of more chassis from ALL in the ratio 2:1 ignoring the Government direction (December 1997) under Section 34 (1) of the Road Transport Corporations Act, 1950 to change the ratio as 1:1 which was advantageous to the Corporation in view of the reduction in price by TATA. The advice of the Central Institute of Road Transport, Pune to opt for price advantage while making purchase of TATA/ALL bus chassis and its recommendation (June 1998) to follow a ratio of 1:1 taking into account the then prevailing practice in the three large Transport undertakings in the States of Andhra Pradesh, Maharashtra and Karnataka, were also not given due consideration by the Corporation. Following the procurement ratio of 2:1, the Corporation purchased additional 169 no. of chassis from ALL at higher price during the period July 1998 to July 2000 involving extra payment of Rs. 0.60 crore. Thus, the failure to analyse technical/commercial advantages and adopt suitable procurement policy resulted in avoidable extra expenditure of Rs. 0.60 crore.

The matter was reported to the Corporation and Government in April 2002, their reply had not been received (September 2002).

[Audit paragraph 4.2.2.1.—Contained in the Report of the Comptroller of Auditor General of India for the year ended 31st March, 2002 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

21. The Committee enquired why KSRTC had failed to obey Government direction and advice of the Central Institute of Road Transport, Pune to follow the ratio of 1:1 while making purchase of TATA/ALL bus chassis. The Managing Director, KSRTC informed that a technical study had been conducted by officials of KSRTC and it was found that Leyland buses were of better quality. By this study, a new Leyland engine had to be reconditioned only after 5000 Km whereas TATA engine had to be reconditioned after 3000 Km. The life of gear box is also longer in the case of Leyland. Moreover, out of the 83 operating units of KSRTC 56 units are operating with Leyland buses. The witness revealed that for effective replacement, the ratio 2:1 was considered to be the best. The Committee invited attention of the witness to the fact that the Corporation, being a fully owned Government Company had no power to take such a decision in violation of Government direction and wanted to know who were the Government representatives in the Board which took a decision to continue the ratio of 2:1. The Committee also wanted to know whether anyone

had opposed the decision of the KSRTC to follow the ratio 2:1. Referring to the remarks of the Managing Director that Leyland buses were far better and more beneficial to the Corporation, the Committee wanted to know whether the Corporation had ever written to Government about the matter and requested corresponding changes in the Government direction. The witness answered in the negative. The Committee wanted to be furnished with the details regarding the Board of Directors of the Corporation from 1998 to 2000, the nominees of Government Secretaries of Finance & Transport Departments, etc. during the period.

Conclusions/Recommendations

22. The Committee finds malafide intention in the Board's decision to procure chassis in the ratio 2:1 favouring Ashok Leyland Limited. The Board continued with this ratio even after TATA Engineering and Locomotive Company Limited reduced the price of its chassis by Rs. 17,412/Rs. 20,885 per chassis. The Corporation also did not pay heed to the advice of the Central Institute of Road Transport, Pune to opt for the price advantage and adopt the ratio 1:1 as was being done in the three large transport undertakings in the States of Andhra Pradesh, Maharashtra and Karnataka. To make things worse, the Board failed to comply with Government direction issued in December 1997 to purchase chassis in the ratio 1:1 in adherence to Store Purchase Manual and relevant procedures to maintain financial discipline. The Board of a public sector undertaking has no power to act against Government directions. The very policy of the Corporation had led to a financial loss of Rs. 0.60 crore for purchases made during the period from July 1998 to July 2000 alone. The Committee is shocked at the financial indiscipline in the Corporation and strongly recommends that such irregular practices should be dispensed with.

23. The details regarding the Board Directors and Government nominees during the period from July 1998 to July 2000 should be furnished to the Committee immediately.

AUDIT PARAGRAPH

Extra expenditure on purchase of tyres

For procurement of tyres for buses, the Corporation had been following a system of open tenders on annual basis and placing orders on more than one firm at the lowest quoted rate so as to ensure steady supply of the material. In order to meet the requirement of tyres for the year 1998-99 the Corporation invited (February 1998) tenders and the lowest rate received was that of M/s. Appollo Tyres Ltd. (ATL) at Rs. 5400 per tyre (all inclusive).

M/s. Modi Rubber Ltd. (MRL) the second lowest tenderer had quoted a rate of Rs. 5680 per tyre. The Corporation while placing orders with ATL and MRL in the ratio 60:40, instead of placing orders on MRL at the rate of the lowest tenderer (ATL), accepted the higher rate and purchased 17440 tyres at a landed cost of Rs. 5576 to Rs. 5680 per tyre during the period May 1998 to June 2000. It was noticed in Audit that while finalizing the preceding (1997-98) and succeeding (1999-2000) tenders, the Corporation had scaled down the price of tyres of MRL to the level of the lowest offer of ATL. Thus, the omission to level down the price of MRL to that of the lowest tenderer ATL while finalizing the tenders for the year 1998-99, had resulted in conferring undue benefit of Rs. 39.03 lakh on MRL.

According to Government (July 2002) the rate quoted by MRL was firm and there was no scope for lowering the rate and hence the Board decided to purchase from both the firms on 60:40 basis to ensure uninterrupted supply of tyres for smooth service operations. The reply is not tenable since the intention of splitting the order quantity and placing orders on more than one supplier was only to ensure uninterrupted supply and not for conferring benefit to tenderers who quoted higher rates. The Board itself had scaled down the rates of MRL to the level of the lowest tenderer ATL during previous and subsequent years on the basis of negotiations, indicating that the omission to conduct negotiations had conferred undue benefit to MRL.

[Audit paragraph 4.2.2.2.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

24. The Committee enquired why the Corporation had failed to negotiate with Modi Rubber Limited for lowering the price of tyres to that of the lowest tenderer while finalizing the tender for 1998-99, when it had done so during 1997-98 and 1999-2000, which had resulted in undue benefit of Rs. 39.03 lakh to Modi Rubber Ltd. The witness explained that the factual situation was such that negotiation could not be done. The witness informed that Government had directed the Corporation to follow strictly the instructions contained in the Store Purchase Manual. He added that the Manual does not state that negotiations should be done and that the tender should be given to the lowest tenderer. It only states that if the lowest tender is rejected, the reasons should be explained.

Conclusion/Recommendation

25. The Committee finds that the Corporation had conferred an undue benefit of Rs. 39.03 lakh on Modi Rubber Limited by not negotiating and scaling down its price to that of the lowest tenderer (ie., Appollo Tyres Ltd.) while finalizing the tenders for the year 1998-99, as was done in the previous and succeeding years. The Committee recommends that an enquiry should be conducted to find out the exact reason for not negotiating during the year 1998-99 and the result should also be intimated to the Committee at the earliest.

AUDIT PARAGRAPH

Avoidable extra expenditure

The Corporation had been meeting a major portion (65 per cent) of their requirement of new chassis from Ashok Leyland Limited (ALL). During the year 1999-2000 the Corporation placed 8 purchase orders with ALL for the supply of 240 numbers of chassis at prices ranging from Rs. 5.34 lakh to Rs. 5.66 lakh per chassis on immediate delivery basis. The supplies were effected by ALL after delays ranging from 3 to 11 months and payment made by the Corporation at revised prices ranging from Rs. 5.45 lakh to Rs. 5.78 lakh per chassis which came into effect only after 19 days to 4 months from the date of purchase order. Payments made at prevailing rates for delayed deliveries resulted in extra expenditure of Rs. 46.95 lakh. On a previous occasion, the Corporation disallowed (September 1998) the subsequent upward revision in the basic price of the chassis by ALL, after due negotiations with the suppliers. This time, however, the Corporation did not make any effort to negotiate with ALL on this issue.

According to the Management (February 2002) the suppliers stipulated that price prevailing at the time of delivery would be applicable and Association of State Road Transport Undertakings did not have any control over the revision in prices by vehicle manufacturers. It was also stated that there was paucity of funds and due to delay in effecting payments, delivery of chassis was delayed and the delivery was insisted only when labour and material were ready at Corporation's workshop for the work on the chassis. The reply is not tenable since the Corporation had received funds aggregating Rs. 30.90 crore from KTDFC during April 1999 to March 2000 for procurement of vehicles against which only Rs. 11.99 crore was required for payment to suppliers. Besides, the labour in the Corporation's workshop was also idling for want of chassis to carry out the body building work.

The matter was reported to Government in June 2002, their reply had not been received (September 2002).

[Audit paragraph 4.2.2.3.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

26. The Committee enquired why the Corporation had failed to negotiate with Ashok Leyland Ltd., to reduce the price as there had been delay on the part of ALL in supplying chassis. The Secretary, Transport Department stated that negotiations were not being allowed and that the Company was claiming the price prevalent at the time of delivery. When the Committee pointed out that negotiation had led to lowering of price in September 1998, the witness remarked that the benefit had been obtained only once. To a specific question of the Committee regarding the availability of funds of Rs. 30.90 crore from KTDFC, the Secretary stated that many practical difficulties were involved in it. The Committee remarked that payment of Rs. 11.99 crore to the suppliers of the chassis should have been effected to avoid the loss of Rs. 46.95 lakh to the Corporation.

Conclusion/Recommendation

27. The Committee feels that the Corporation should have negotiated and tried to reduce the price, citing delayed supply. The Corporation's stand that there was paucity of funds is unacceptable to the Committee since funds totalling Rs. 30.90 crore received from KTDFC was available with the Corporation and only Rs. 11.99 crore was required for payment to suppliers. An explanation in this regard should be furnished to the Committee.

AUDIT PARAGRAPH

Avoidable loss

The Corporation had been meeting the annual requirement of 6 V batteries used in its vehicles from ASRTU rate contract suppliers. To meet the estimated requirement of 4200 batteries for the year 1997-98 the Corporation invited tenders from five ASRTU rate contract firms and decided to place order for 50 per cent of the requirement on M/s. Kirloskar Batteries Limited (KBL) Bangalore, a new tenderer. The life of KBL battery was evaluated as 46.2 months on the basis of the high average life rendered by 25 selected batteries out of 360 number of batteries supplied (April 1992) by another firm, M/s. UB MEC Batteries, Bangalore which was taken over by M/s. KBL in March 1997. Against this, the evaluated average life of batteries supplied by M/s. Exide Industries Limited (EIL) Ernakulam, was 29.34 months.

The Corporation placed orders for 1900 number of batteries on KBL at the rate of Rs. 1542.78 per battery against which 1678 batteries were received and payment effected (July 1997 to May 1998). Out of this, 745 batteries were treated as prematurely failed within the guarantee period of 12 months after obtaining an average life of only 8.11 months. Though the supplier replaced 695 failed batteries, the overall average life of batteries supplied by KBL including that of the replaced batteries was only 14.77 months as against the life of 46.2 months evaluated for the purpose of taking purchase decision. When compared to this the actual average life of batteries supplied by EIL, the regular supplier, was 28.6 months against the per battery price of Rs. 1640.64. Based on the difference in average life obtained for the battery supplied by EIL and KBL the procurement from KBL resulted in avoidable loss of Rs. 13.42 lakh on 1678 batteries.

It was noticed in audit that due to the poor quality and low life of battery supplied by KBL, the Corporation had to dock vehicles in five depots (Kannur, Sulthan Bathery, Kozhikode, Kasaragod and Mananthavady) for an aggregate 357 days during the period April 1997 to August 1998 involving revenue loss of Rs. 13.24 lakh, based on the average earnings per vehicle per day of these depots. Thus, the decision to procure poor quality batteries with low life from KBL by exaggerating the average life for the purpose of procurement decision resulted in avoidable loss of Rs. 26.66 lakh.

The Management stated (January 2002) that the minimum guarantee period prescribed by ASRTU was only 12 months whereas the average life obtained from Kirloskar batteries was 14.77 months and since the minimum guaranteed life had been covered, no loss was sustained. The reply is not tenable since the Corporation lost the benefit of higher average life of 28.6 months obtained from EIL batteries.

The matter was reported to Government in July 2002, their reply had not been received (September 2002).

[Audit paragraph 4.2.2.4.—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial)].

The note furnished by Government on the audit paragraph is given in Appendix II.

28. The Committee enquired whether the Corporation had any means to make good the loss of the balance amount of Rs. 6.34 lakh, from M/s. Kirloskar Batteries Ltd. The witness answered in the negative.

Conclusion/Recommendation

29. No Comments.

Thiruvananthapuram,
16th February, 2006.

KADAVOOR SIVADASAN,
Chairman,
Committee on Public Undertakings.

APPENDIX I
Summary of Main Conclusions/Recommendations

<i>Sl. No.</i>	<i>Para-graph No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	5	Transport	<p>The Committee is shocked to find that the KSRTC authorities are acting in collusion with the illegal occupants of various stalls in its bus stands resulting in huge financial loss to the Corporation, while the illegal occupants increase their profit manifold. In the case of stall No. 1 at Thiruvalla bus station the Corporation failed to take any action against Shri Mathai Cyriac, citing a stay order which was in fact only an injunction order from Sub Court. Thiruvalla against forcible eviction. The Corporation also failed to take action against Shri Abdul Hameed, illegal occupant of stall No. VI at Thiruvalla bus station, even after getting favourable judgement from the Court. At a time when the Corporation could have let out the stalls @ Rs. 18,300 and Rs. 15,086 per month respectively to the highest bidders, the Board decided to fix the rent as Rs. 2500 with 15% enhancement every year, resulting in great financial loss to the Corporation. The loss in potential revenue computed in these two cases alone is over Rs. 25 lakh, for the period from April 1994 to August 2000, simply due to the inaction of the Corporation. The Committee realizes that the loss of potential revenue to the Corporation will run into crores of rupees if such cases in various bus stands in the State are taken into account.</p>

(1)	(2)	(3)	(4)
2	6	Transport	<p>The Committee feels this as highly deplorable and desires to be furnished with the following details immediately.</p> <ol style="list-style-type: none"> 1. The details of stalls in KSRTC bus stands which are illegally occupied as on 31-12-2005. 2. The details of cases registered on the issue, as on 31st December, 2005. 3. The details of illegal occupants against whom no action has been taken so far. 4. The details of cases in which action has been ^{has been} invoking the provisions contained in the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968.
3	7	"	<p>The Committee finds that by proper financial management, the Corporation can be turned into a profit-making enterprise, at the same time providing decent transportation facilities to the public. Hence the Committee recommends that steps should be taken to fix responsibility for leasing out stalls in various stations of the Corporation and also for collection of rent and renewal of the same at the right time and to take proper action for eviction of illegal occupants of stalls. The Committee also suggests that the financial management of the Corporation should take care of all these aspects while leasing out and take steps for proper management. The steps taken in this regard should be intimated to the Committee.</p>

(1)	(2)	(3)	(4)
4	15	Transport	The Committee recommends that the Corporation should examine once more the system of using reclaimed oil being followed in other States.
5	16	"	The Committee desires to be furnished with copies of the report of the study conducted in this regard by the Executive Director (Technical).
6	18	"	The Committee feels that the Corporation should have effected proportionate recovery for the 40,428 prematurely failed/non-returned tyres out of the 1,43,621 tyres retreaded. The result arrived at on the basis of evaluation of a certain per centage was to be applied to the whole lot and not to the selected percentage only. The Committee therefore, recommends that stringent action should be taken against those responsible for causing financial loss of Rs. 46.63 lakh to the Corporation by excess payment.
7	20	"	The Committee finds mala fide intentions on the part of the Corporation officials in not taking steps to evict the illegal occupant under the provisions contained in the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968, which resulted in loss of Rs. 0.16 crore in potential revenue. The Committee recommends that stringent action should be taken against the officials who failed to take action under the Kerala Public Buildings (Eviction of unauthorized occupants) Act, 1968 to evict illegal occupants. The Committee further recommends that every year, the licence to run shops in the Corporation's various bus-stations should be given to the highest bidder after inviting tenders.

(1)	(2)	(3)	(4)
8	22	Transport	<p>The Committee finds malafide intention in the Board's decision to procure chassis in the ratio 2:1 favouring Ashok Leyland Limited. The Board continued with this ratio even after TATA Engineering and Locomotive Company Limited reduced the price of its chassis by Rs. 17,412/Rs. 20,885 per chassis. The Corporation also did not pay heed to the advice of the Central Institute of Road Transport, Pune to opt for the price advantage and adopt the ratio 1:1 as was being done in the three large transport undertakings in the States of Andhra Pradesh, Maharashtra and Karnataka. To make things worse, the Board failed to comply with Government direction issued in December 1997 to purchase chassis in the ratio 1:1 in adherence to Store Purchase Manual and relevant procedures to maintain financial discipline. The Board of a public sector undertaking has no power to act against Government directions. The very policy of the Corporation had led to a financial loss of Rs. 0.60 crore for purchases made during the period from July 1998 to July 2000 alone. The Committee is shocked at the financial indiscipline in the Corporation and strongly recommends that such irregular practices should be dispensed with.</p>
9	23		<p>The details regarding the Board Directors and Government nominees during the period from July 1998 to July 2000 should be furnished to the Committee immediately.</p>

(1)	(2)	(3)	(4)
10	25	Transport	<p>The Committee finds that the Corporation had conferred an undue benefit of Rs. 39.03 lakh on Modi Rubber Limited by not negotiating and scaling down its price to that of the lowest tenderer (ie., Appollo Tyres Ltd.) while finalizing the tenders for the year 1998-99 as was done in the previous and succeeding years. The Committee recommends that an enquiry should be conducted to find out the exact reason for not negotiating during the year 1998-99 and the result should also be intimated to the Committee at the earliest.</p>
11	27	.	<p>The Committee feels that the Corporation should have negotiated and tried to reduce the price citing delayed supply. The Corporation's stand that there was paucity of funds is unacceptable to the Committee since funds totalling Rs. 30.90 crore received from KTDPC was available with the Corporation and only Rs. 11.99 crore was required for payment to suppliers. An explanation in this regard should be furnished to the Committee.</p>

APPENDIX II

Notes furnished by Government on the Audit Paragraphs Audit Report for the year ended 31-3-2000 (*Commercial*)*Illegal Occupation of Stalls (4.2.2.1)**(a) Stall No. I at Thiruvalla :*

Tenders were invited for the licence period from 1-4-1994 to 31-3-1995 vide tender Notice dated 20-1-1994 and confirmed in favour of the highest tenderer Sri. Benny Cyriac, son of ex-licencee Sri. Mathai Cyriac for Rs. 18,300 p.m. But Sri. Mathai Cyriac filed a petition before the Sub Court, Thiruvalla against eviction proposed vide the termination notice. Directions were issued to District Transport Officer to vacate the stay order vide Memorandum dated 9-5-1994 and directed to initiate action regarding the eviction/steps taken against Sri. Mathai Cyriac. In response to the request of the District Transport Officer for Police protection, oral directions were issued on 14-8-1995 to District Transport Officer, Pathanamthitta to contact Supdt. of Police, Pathanamthitta. Appeal petition No. As. 73/95 filed at District Court, Pathanamthitta was posted for hearing on 26-9-1995 and 3-4-1996. District Transport Officer reported that the petitioner had move for an interim injunction against eviction, by force. The Corporation could not evict the petitioner by force for want of police protection inspite of all efforts done. The Board of Directors in its 258th meeting had resolved to extent licence period of stalls under litigation on fixing a reasonable rate of licence fee/tender rate, if tendered from the date of expiry of the license period and 15% enhancement for each year of further extension. Thus the period of licence was renewed upto 31-3-1999. Taking into consideration of this and on the strength of the stay orders obtained by the party Corporation was not in a position to evict the licensee. He is continuing on the strength of a stay order obtained from District Court, Pathanamthitta.

(b) Stall No. VI at Thiruvalla (Fruit Stall) :

As the licence fee in respect of stalls in the Bus Stations are not remitted in time, unit officers were directed to issue time bound notice to the licensees at Thiruvalla vide Memorandum dated 11-4-1994. Based on the Board decision the licence period of stalls at various Bus Stations were extended upto 31-3-1994/31-3-1995 wherever necessary so as to adjust the licence period from 1st April. A negotiation based on the decision of the Board to extend licence period of stalls under litigation were conducted on 23-1-1998 but Sri. Abdul Hameed the licensee was reluctant to abide by conditions of the Corporation. OS No. 78/94 pending before Munsiff Court, Thiruvalla filed by Sri. Abdul Hameed, the licensee of Stall No. VI has been dismissed stating that Court of Law cannot protect the right

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claimed to continue occupation of the scheduled room. Hence directions were issued to take urgent steps with police protection to evict the plaintiff from the Stall No. VI after issuing 24 Hrs. in As 38/98 vide Memorandum dated 7-10-1998. As such notice was served to Sri Abdul Hameed, Stall No. VI but he has not complied with the direction. It may be noted that even though the Assistant Transport Officer approached the Police authorities they were reluctant to act in the absence of specific court orders. In the circumstances the ex-licencees could not be evicted. Directions were issued to evict the licensee of stall No. VI within 48 hrs. vide memorandum dated 2-11-1999. Eventhough KSRTC made earnest attempts to evict the unauthorised occupants of various stalls including that in Thiruvalla, Supreme Court stayed the operation of the Division Bench in SLP (civil) No. 2614/99. Due to this stay order KSRTC could not formulate a final policy in the matter. Though the Hon'ble Court has directed the petitioner to pay Rs. 2 lakhs the petitioner did not comply direction of the Court within the stipulated period. On eviction of the above petitioner the same stall was tendered and awarded fresh licence to another party w.e.f. 6-1-2000.

Regarding the inaction of the part of the Chief Law Officer of the Corporation. Who had been appointed as Estate Officer, it may be pointed out that the then Estate Officer has no *suo-moto* authority to take on the spot eviction of stalls as the licencees have already filed case before the Judicial authorities. Moreover the Estate Officer could act only according to the procedure established by law with the assistance of Police. Even the police authorities did not co-operate with the request of KSRTC. Further the Corporation Advocate has informed that as the licensee has filed an appeal petition he could not be evicted till the hearing of the case is over.

In the circumstances stated above the Corporation was not in a position either to recover the amount under RR Act or to evict the illegal occupant.

The Media persons were conveying dailies and periodicals in KSRTC buses at a subsidised rate of Rs. 1 per 100 Kgs. with whom the Corporation have reciprocal agreement since 1965. In turn they have published the Corporation's advertisement matters free of cost. In 1994 the Corporation had decided to hike the rates of paper conveyance. As a part of maintaining good liaison with the media the Corporation had conducted a negotiation with the representatives of press management. In the negotiation the major dailies expressed their-willingness to withdraw from the mutual agreement and to convey their paper bundles at the existing luggage rate. In the same way the Corporation had to pay for its advertisement published in the dailies. At present the Corporation is realising unaccompanied luggage charges from the dailies which are not having reciprocal agreement with the Corporation whereas the others are allowed to enjoy the concession facilities.

Write off dues (Para 4.2.2.3.)

The Management of Trivandrum Rubber Works Ltd., was shifted from KSRTC to Kerala State Farming Corporation vide G.O. (Ms.) No. 31/94/AD. dated 8-2-1994. In the Govt. Order it was ordered that (i) a sum of Rs. 93.85 lakhs advanced to TRW would be written off and; (ii) KSRTC should enter into formal agreement with Trivandrum Rubber Works Ltd., that KSRTC would purchase all the rubber products required by it at mutually agreed rates.

KSRTC has taken up the matter with Govt. on the 2nd condition of the above said Govt. order and a High power Committee meeting held on 18-12-1996 by the Additional Chief Secretary, Law Secretary Agricultural Production Commissioner, Managing Director of KSRTC and Trivandrum Rubber Works and have decided that KSRTC would make the payment of Rs. 68.65 lakhs, due to TRW. Later on 26-3-1998 the then Minister (Fisheries and Transport) took up the matter with Minister for Agriculture to review the decision as the KSRTC was facing acute financial crisis and was not in a position to make payments of any outstanding dues. The Managing Director, TRW has informed that the KSRTC has been managing Thiruvananthapuram Regional Workshop from 10-7-1984 for 10 years till the taken over and during this period alone the accumulated losses works out to Rs. 1300.50 lakhs and the amount of Rs. 93.95 lakhs represents only the balance of advances received against the take over the State Farming Corporation has taken over this liability of Rs. 1,300.50 lakhs incurred as loss by TRW during the 10 year period under KSRTC management and the KSRTC is being directed to write off only Rs. 93.95 lakhs. TRW's funds to the extent of Rs. 117 lakhs is blocked for a long time by way of outstanding with KSRTC and this is causing considerable strain in managing the affairs of the company and hence KSRTC should release the outstanding payable to TRW's at an early date.

Several discussions with the Managing Directors of TRW and KSRTC were held by the Govt. to settle the issue in response to the decisions in the last meeting held on 17-3-1999 the following actions were taken by KSRTC.

- (i) A meeting with the officers of TRW was conducted on 24-5-1999 to discuss regarding the supply of Thread Rubber. The rates furnished by M/s. TRW was placed before the meeting of the Board of Directors of the Corporation for a decision.
- (ii) Arrangements were made to entrust 24 tyres each per day to M/s. TRWs for retreading.
- (iii) M/s. TRW was requested to furnish sample tyre flaps to arrange a further quality test at CIRT, Pune.

- (iv) It was also agreed that the amount if any due to M/s. TRWs against their current supplier will be reconciled and settled.

As the Corporation was bound to implement the Govt. direction Board of Directors held on 3-8-1999 decided to write off the outstanding amount due to KSRTC.

Avoidable Investment (Para 4.2.2.4)

Corporation used to start bus station utilising its own money but due to paucity of funds the policy was later changed. The local bodies were required to provide necessary land and other infrastructural facilities for starting new bus stations.

The proposal to staff a new bus station at Vellanad was approved by the Board vide Agenda item No. 33/95 of the 237th meeting held on 28-2-1995. When the decision to start bus station at Vellanad was taken, the old policy was still in force. Further, Board of Directors of KSRTC approved the implementation of the decision in the past vide Agenda item No. 214/97 in the meeting held on 5-9-1997. But in the case of Vellanad Corporation persuaded the Panchayath to provide some of the infrastructural facilities and they agreed.

On 18-7-1998, the M.L.A. Nedumangad took the initiative and conference was convened in the conference hall of Velland Block Panchayath. The then MD KSRTC also participated in the meeting. The conference demanded to initiate action by KSRTC to complete the Civil works required for opening the Sub Depot. The Chairman and Managing Director explained the inability of the Corporation for incurring huge expenditure on Civil Works considering the poor financial position and requested the Panchayath to take up the works at their cost. Honouring the request of Chairman and Managing Director, the Panchayat Authorities agreed to share the works required for a bus station except the construction of 4 bay garage which has to be undertaken by KSRTC. The Chairman and MD assured that KSRTC is prepared to incur expenditure of Rs. 10 lakhs. The conference has decided to discuss the issue in detail with the participation of the then Chief Engineer, KSRTC and the officials of Panchayath on 21-7-1998.

On 21-7-1998 the issue was discussed in detail in the Chamber of the President, Vellanad Block Panchayath. The Officials of Grama Panchayath and prominent persons of the locality were present. During discussion it was decided:

1. to construct 4 bay garage at the cost of KSRTC.
2. to construct the office building at the cost of the District Panchayath.

3. providing surfacing yard of bus station (including block topping) approach to yard of garage and yard in front of garage at the cost of Grama Panchayath.
4. all other works required for the functioning of bus station at Vellanad are to be executed by the Block Panchayath at their cost.

It is to be noted that if the Panchayath has not agreed to undertake the works under item No. 2 to 4 KSRTC would have to bear the whole burden in the light of the Board decision on 5-9-1997. So there has been no deviation from the policy against the interest of the Corporation in re-opening of the new bus station at Vellanad.

Considering the increasing public demand for open KSRTC unit at Vellanad and the decision agreed in the conference, the Corporation had constructed the garage dispensing its own fund. Later the action was admit Board in its 265th meeting vide Agenda item No. 106/98.

Hence it is requested that the above reply accepted and the objections raised may kindly be

(sd.)

**Statement showing the Action Taken Report on the Audit paras contained in
the report of the C & A.G. of India for the year ended 31-3-2001
(Commercial) Reg.**

ACTION TAKEN STATEMENT

Para 4.2.2.1 : Avoidable loss

The vehicle manufacturers of M/s. TELCO and M/s. ASOK LEYLAND have advised the corporation to discontinue the use of reclaimed oil for oil change in their vehicles stating the reason that reclaimed oil may drastically reduce the life of the engine and cause other problems in engine. They have further informed that any failure of engines due to the use of non recommended lubricants will not be covered under the terms of warranty.

While using the reclaimed oil, it has been noticed that the engine oil got thickened even before covering the stipulated kilometres causing hindrance to the free flow and thus resulted in the improper lubrication, thereby causing engine failures. Many reports on the premature failure of engines due to the use of refined oil had been received and this has been the reason for discontinuing the use of reclaimed oil.

Moreover, it is also informed that the lubricating oil is stored in the sump of the engine. Due to continuous working by engine some quantity of oil during the lubricating process evaporates and burns out. This causes shortage in the level of oil. For maintaining proper lubrication this level is to be maintained by topping up with the same brand of oil used in the sump. The oil used for change and for top up are for one and the same function. If reclaimed oil is topped up, on due course it may destroy the properties of oil resulting in engine failures.

Hence it is clear that the recommended oil should only be used for both i.e. for oil change and for topping up. The use of reclaimed oil in engines for top up as well as change was stopped under the above circumstances with a view to avoid the engine failures resulted due to the use of improper lubricants.

2. Para 4.2.2.2.

KSRTC was purchasing Tread, Rubber (hot process and cold process) prior to 1993 without any specified mileage guarantee. But thereafter, the corporation resorted to the purchase of Tread Rubber from SSI manufacturers within our state specifying mileage guarantee and retaining 10% of the cost of materials supplied towards performance warranty.

According to the guidelines regarding the assessment of field performance of retreaded tyres, the tyres which failed due to service abuses for which the firm is not responsible are to be excluded.

The prematurely failed tyres which described above are removed from vehicles before yielding the guaranteed mileage not due to any product complaint, it is not fair and tenable to realise the cost of the unyielded mileage at the rate of the average mileage given by the performance assessed tyres.

While evaluating the performance of the tyres retreaded using bulk quantity of materials supplied by different firms, it was found that, it is practically impossible to monitor the life of 100% tyres for the purpose of assessment of average mileage. Hence as a practical solution to settle the releasing of retention amount without giving any room for legal dispute/court intervention, the loss due to shortage of guaranteed mileage is taken only on performance evaluated tyres. But all possible efforts were taken to ensure that the final performance assessment is done only on return of at least 80% tyres.

In the above circumstances a definite system for the assessment of final performance and release of retention amount was followed and the retention amount was done accordingly. In this context, it may be noted that in case the Corporation effected recovery for the prematurely failed/non-returned tyres on the basis of actual performance, it may attract legal disputes.

3. Para 4.2.2.3.

The period of licence of stall No. 11 at Kollam Bus station under litigation was extended from 1-4-1994 to 31-3-1999 to Sri. Habeeb Babu as per the Board direction on condition that he has to remit the pending dues with 12% interest and to withdraw the case pending against the Corporation. The arrears amounting to Rs. 7,91,871 had to be remitted in 10 instalments as allowed by the Board. Sri. Habeeb Babu had not complied with the above conditions.

On disposal of OP filed by him, he was evicted from the stall on 3-10-1999. As such the calculation based on the then prevailing rate was recalculated with 12% interest which arrived at Rs. 10,21,451 for which revenue recovery steps have been taken.

Hence it is requested that the above explanations may be accepted and the above three paras may be dropped.

MARIAMMA GEORGE,
Joint Secretary,
Transport Department.

**Comptroller and Auditor General Report for the year ended on 31-3-2002
(Commercial) Relating to KSRTC**

ACTION TAKEN STATEMENT

Para 4.2.2. KSRTC 4.2.2.1—Avoidable Expenditure:

Regarding the policy of procurement of chassis based on a technical study conducted by KSRTC, it was decided by the Board of Directors vide Agenda Item No.6/94 in the meeting held on 11-10-1994. According to which Leyland and TATA chassis were purchased at the ratio of 2:1.

Subsequently, the Board of Directors resolved to change the ratio as 1:1 to Leyland and Tata chassis.

Later the Board of Directors have decided to restore the ratio as 2:1 for Leyland and Tata chassis.

The KSRTC is following the procurement policy as decided by the Board of Directors from time to time.

Govt. have furnished this reply to the Accountant General (Audit) vide letter No. 3507/A1/2002/Tran. dated 14-2-2003.

4.2.2.2—Extra expenditure on purchase of tyres:

The purchase of tyres in KSRTC is decided by the Board of Directors from time to time. As the ratio quoted by M/s. Modi was their firm rate and there was no scope for lowering the rate, the Board had decided to purchase from both the firms ie. M/s. Appollo Tyres and M/s. Modi Rubbers in ratio 60:40 in order to ensure uninterrupted supply of tyres for smooth service operation. It is only a presumptive assumption that scaling down of rates could have been possible because it occurred in the previous and succeeding purchases which was not the factual situation during the purchase under reference. Govt. have furnished reply to this para to the Accountant General (Audit) vide letter No. 5218/A1/2002/Tran. dated 12-7-2002.

4.2.2.3—Avoidable extra expenditure :

The Corporation is purchasing chassis from vehicle manufacturers viz. Ashok Leyland and Telco directly. While placing purchase orders, the condition stipulated by them is that the price prevailing at the time of delivery will only be applicable. The firm effect price revision due to (i) increase of excise duty and sales tax subsequently which the corporation is bound to accept it since it is a Govt. levy and (ii) increase in price of raw materials.

The corporation is compelled to accept the rate revision due to the following reasons:

1. There is no control over the manufacturers by the ASRTU in revising rates based on increase of raw materials or any other valid reasons.

2. Also, due to the paucity of funds KSRTC could not often affect payment of previous supplies of chassis in time which resulted in delay of further supply by firms. In this context the corporation could not be in a position to strictly demand supply of the ordered chassis within the stipulated time before an ensuring rate revision. While placing purchase orders with M/s. Ashok Leyland Ltd. During 1999-2000, there was outstanding payment for huge amount for the previous supply by the company and the corporation was compelled to accept the price revision as stipulated by the company while placing purchase orders. In the case of vehicle manufacturers, the price at the time of delivery alone is applicable. The fund from KTDPC specified in the draft para was received by the KSRTC only at the fag end of the financial year 1999-2000 ie. on 29-3-2000. The corporation was constrained to pay the revised rate in order to avoid further idling of labour indefinitely.

Govt. have furnished reply to this audit para vide letter No. 7355/A1/2002/ Tran. dated 24-6-2003.

Para 4.2.2.4—Avoidable loss

During 1997-98 as decided by the Board of Directors of KSRTC, the Corporation has purchased 1678 Nos. of Batteries from M/s. Kirloskar Batteries Ltd. considering the rate of cheapness amongst the rate contract holders with ASRTU and the highest rate offered for scrap batteries. Out of this 596 batteries prematurely failed within the warranty period. The matter was taken up with the firm and they replaced all the failed batteries.

Though the average life of Kirloskar batteries was very poor when compared with other brand of higher priced batteries, the batteries purchased by the Corporation had attained the guaranteed life as per R/c. terms ie. 14.77 months.

However, the Corporation had realised an amount of Rs. 6,27,084 (Rs. Six lakhs twenty seven thousand and eighty four only) from the bill of the M/s. Kirloskar Batteries Ltd. for the loss sustained due to the poor performance of Kirloskar Batteries and with held an amount of Rs. 81,000 (Rs. Eighty one thousand only) for the loss due to premature failure of batteries.

Govt. have furnished reply to this audit para to Accountant General (Audit) vide letter No. 9438/A1/02/Tran. dated 26-9-2002.

MARIAMMA GEORGE,
Joint Secretary.

APPENDIX III

Additional information furnished by Government

GOVERNMENT OF KERALA

No. 2607/A1/2004/Tran.

Transport (A) Department,
Thiruvananthapuram, Dated 23-9-2004.

From

The Secretary to Government.

To

The Secretary,
Legislature Secretariat,
Thiruvananthapuram.

Sir,

Sub:—Committee on Public Undertakings (2004-2008)—Meeting on
17-3-2004 Additional details—Reg.Ref:—1. Letter No.7028/PUC.B2/04/Leg. dated 8-3-2004 from the
Secretary, Legislature Secretariat.2. Letter No.A1-00124, dated 3-5-2004 from the Managing
Director, KSRTC.With reference to the above, I am directed to furnish the following
additional details based on the remarks furnished by the MD, KSRTC.*Para 4.2.2.1 [C & AG Report for the year 1999-2000 (Commercial)]**Illegal occupation of stalls,*

1. Stall No.1, Thiruvalla: 1. Request for police protection was given in writing to concerned station house officer, Thiruvalla. Dy. Supdt. of Police, Thiruvalla and Supdt. of Police, Pathanamthitta for the eviction, Copies of the same are enclosed as Annexure I(a), (b) & (c).

2. The Board of Directors in its 248th meeting held on 20-11-96 vide Agenda item No. 139/96 resolved to authorize the Managing Director to enhance 15% fee per year by negotiation with the licensees to avoid litigation. Copies of Board note and decision are enclosed as Annexure II (a & b). So also the Board in its 258th meeting held on 6-8-1997 resolved to extend the license period every

year by enhancing 15% of the licence fee after fixing a reasonable rate of license fee to those stalls which were under litigation. [Copies enclosed as Annexure III (a), (b)]. The 266th meeting of the Board held on 22-10-1998 vide Agenda item No. 114/98 decided to extend the licence period of stalls under litigation fixing the licence fee of stall No.1 of Thiruvalla as Rs. 2500 per month, i.e. By an enhancement of 211% of the then existing licence fee as was done in the case of Aluva stall in 265th meeting of the Board on 31-7-1998. Copies of the board note and decision are enclosed as Annexure IV (a & b). The rates fixed by the Board for the stalls under litigation at Aluva Bus station was taken as the criteria for fixing the licence fee of other stalls under litigation in various bus stations including the Stall No. 1 at Thiruvalla.

3. The Board of Directors in its meeting held on 4-4-1994 decided to appoint a Deputy Collector on deputation basis as Estate Officer to assess the land possessed by KSRTC. But the appointment in pursuance of the Board decision was fulfilled only during the month 3/2001, when Smt. K. Indira Devi, Dy. Collector (Retd.) was appointed as Estate Officer vide order dated 13-3-2001. Copies of Board decision and appointment orders are enclosed as Annexure V (a, b & c). Hence there was no Estate Officer during the period from 4/94 to 2/2001.

4. Eviction need not be initiated in the light of the decisions of the Board referred to above. As per available records the position that the duties of Estate Officer was entrusted to anybody during the period is not forthcoming. The same may be considered.

Stall No. VI at Thiruvalla

1. A case filed by Sri. Abdul Hameed, the licensee was dismissed on 26-3-1994. He then filed an appeal before the Sub Court, Thiruvalla and obtained a stay order on 8-4-1994 restraining the Corporation from forcibly evicting him till the disposal of the OS filed before the Munsiff Court. The OS was also dismissed by the Munsiff court on 27-2-1998.

Voluntarily vacated the stall 4-11-1999.

II. Para 4.2.2. (2001-02)

1. Details of Board of Directors during the period 1999-2000 are enclosed as Annexure VI.

2. The Board of Directors in its 227th meeting held on 11-1-1994 vide Agenda items No. 6/94 resolved to purchase new Leyland and Tata chassis in the ratio 2:1 as against the prevailing rate of 1:1 and the purchase of chassis was made accordingly. Copy of the Board decision is enclosed as Annexure VII.

As per the note dated 16-12-1997 the Hon'ble Minister for Forest and Transport and Devaswom desired as follows:

"The chassis required for the Corporation may be purchased from the two manufacturers ie. from M/s. Ashok Leyland and M/s. Telco in the ratio of 1:1". Copy of the note is enclosed as Annexure VIII. As such the purchase orders were placed in the ratio 1:1. Hence the Corporation has implemented the Government direction 1:1.

As per para 18(B) of Note file No. SRA 1.007925/97, the Chairman and Managing Director had ordered as follows:—

"Discussed with the Hon'ble Minister. Let us purchase the chassis at 2:1 ratio". Thereafter the purchase is made in the ratio 2:1.

The purchase policy was adopted since majority of corporation's units were earmarked as Leyland units based on geographical peculiarities. Moreover, most of the vehicles plying in the interstate routes are Leyland buses. Considering the suitability it is not proper to compare the difference in rates alone of Leyland and Tata vehicles. It is true that CJRT, Pune has recommended to consider the purchase of chassis of Leyland and Tata at the ratio of 1:1. This recommendation was only based on the cost consideration. They have only advised us to consider this ratio. But we have the power to consider/reject their advice based on other factors like geographical features of the State, expenditure on maintenance, Driving comfort etc.

When the geographical features of Kerala are considered, Leyland vehicles are more suitable. This is a proven fact because most of the private operators prefer Leyland and Tata make. Out of 24000 vehicles running in private sector of Kerala, 19000 Nos. are learnt to be as Leyland. Considering these facts the decision of the Corporation to purchase more Leyland chassis is justifiable.

Yours faithfully,

G . RAJASEKHARAN,
Secretary to Government.

ANNEXURE—I (a)

No. G1-49/94/TVL.

Dist. Transport office,
Thiruvalla, Dated 12-8-1995.

From

The Dist. Transport Officer,
Thiruvalla.

To

The Station House Officer,
Police Station,
Thiruvalla.

Sir,

Sub:—Stall No. 1 at K.S.R.T.C. Bus station, Thiruvalla—Police Protection sought for—

Ref:—O. S. 37/94 of Hon'ble Sub Court, Thiruvalla.

Stall No.1 at Thiruvalla Bus Station was given to Sri Mathai Cyriac, Nelluvellil Gardens, Thiruvalla to run medical shop. Even though his period of Licence expired on 31-3-1994, he did not vacate the stall and occupied the stall on the strength of a stay order from Hon'ble Sub Court, Thiruvalla. Finally, the suit No. 37/94 filed by him has been heard and the court dismissed the case with cost in favour of the K.S.R.T.C. In view of the court order, I have issued notice to Sri Mathai Cyriac to vacate the stall within 24 hours (copy enclosed). The period of notice will expire at 11.00. hrs. on 13-8-1995 and I have instructions from the Executive Director and Secretary, K.S.R.T.C. to evict him by force, if he fail to vacate the stall as demanded. In the circumstances, I request to render police protection to evict Sri. Mathai Cyriac from stall No.1 of this bus station and also to prepare mahazar.

Yours faithfully,

(sd.)

Asst. Transport Officer In-Charge.

ANNEXURE—I (b)

No. G1- 49/94/TVL.

District Transport Office,
Thiruvalla, Dated 12-8-1995.

From

The Dist. Transport Officer,
Thiruvalla.

To

The Dy. Superintendent of Police,
Thiruvalla.

Sir,

Sub:—Stall No. 1 at K.S.R.T.C. Bus Station, Thiruvalla—Police Protection
sought for—

Ref:—O. S. 37/94 of Hon'ble Sub Court, Thiruvalla.

Stall No. 1 at Thiruvalla Bus Station was given to Sri Mathai Cyriac, Nellikuzhal Gardens, Thiruvalla to run medical shop. Even though his period of Licence expired on 31-3-1994, he did not vacate the stall and occupied the stall on the strength of a stay order from Hon'ble Sub Court, Thiruvalla. Finally, the suit No. 37/94 filed by him has been heard and the court dismissed the case with cost in favour of the K.S.R.T.C. In view of the court order, I have issued notice to Sri Mathai Cyriac to vacate the stall within 24 hours (copy enclosed). The period of notice will expire at 11.00 hrs. on 13-8-1995 and I have instructions from the Executive Director and Secretary, K.S.R.T.C. to evict him by force, if he fail to vacate the stall as demanded. In the circumstances, I request to render police protection to evict Sri Mathai Cyriac from Stall No. 1 of this bus station and also to prepare *mahazar*.

Yours faithfully,

(sd.)

Asst. Transport Officer In-Charge.

ANNEXURE—I (c)

No. G1-49/94/TVL

District Transport Office,
Thiruvalla, dated 14-8-1995.

From

The District Transport Officer,
Thiruvalla.

To

The Superintendent of Police,
Pathanamthitta.

Sir,

*Sub:—Stall No.1 at K.S.R.T.C. Bus Station, Thiruvalla—Eviction—Police
Protection sought for—**Ref:—O.S. No. 37/94 of Hon'ble Sub Court, Thiruvalla.*

Stall No. 1 at Thiruvalla Bus Station was licensed to Sri Mathai Cyriac, Nelluvellil House, Thiruvalla to run medical shop. Even though his period of Licence expired on 31-3-1994, he did not vacate the Stall on the strength of a stay order from, Hon'ble Sub Court, Thiruvalla. Finally, the suit No. 37/94 filed by him was heard and the court dismissed the case with cost in favour of the K.S.R.T.C. In view of the Court Order, I have issued notice to Sri Mathai Cyriac to vacate the Stall within 24 hours (copy enclosed). The period of notice will expired by 11.00 hrs. on 13-8-1995. But he did not care to vacate the Stall till time. I have instructions from the Executive Director and secretary, K.S.R.T.C. to evict him by force, if he cares not to vacate, the stall as demanded. Accordingly, I have requested the Dy. Superintendent of police, Thiruvalla and the Station House Officer, Thiruvalla to render police protection to evict him from Stall No.1 vide this office letter of even No. dated 12-8-1995. But my request has been declined for want of copy of the judgement. I have tried to obtain copy of the judgement urgently; but in vain and it is learnt that it will take time to obtain the same. In the circumstances, I have obtained a letter from our advocate stating the Gist of the Court Order, which is forwarded herewith for perusal.

In the circumstances, I request your goodself to sanction police protection to evict Sri Mathai Cyriac from Stall No. 1 urgently.

Yours faithfully,

(sd.)

Asst. Transport Officer In-Charge.

ANNEXURE—II (a)

- AGENDA No. 139/96

No. GLA. 49476/83.

NOTE FOR THE BOARD OF DIRECTORS

Sub:—Stalls at Aluva Bus Station—Request for the extension of licence period—Regarding.

Ref:—Representation dated 5-8-1996 from the occupiers of Stalls at Aluva Bus Station.

Formerly, the licence period of Stalls at various Bus Stations were extended from time to time by enhancing licence fee @ 33 $\frac{1}{3}$ %. The above system of extension of licence period is dispensed with and adopted the procedure of tendering the Stalls as decided in the 155th meeting of Board of Directors.

2. The present policy of the Corporation to let out its stalls is by inviting competitive tenders on expiry of the existing licence period and tenders are confirmed in favour of the highest bidders. Accordingly, tenders were invited in almost all stalls on expiry of the existing licence period and licences given to the highest tenders. Due to this process, the Corporation can fetch a big amount as non-operational revenue on account of licence fee. But in some cases, the existing licensees of the stalls approached the courts and obtained stay orders against their eviction from the stalls and continuing business in the stalls on the strength of the stay orders.

3. The licence period of Stall No. 1,2,3,4,5 and 6 at Aluva Bus Station has already expired. Hence fresh tenders were invited to conduct the stalls from the date of expiry of the licence period. But the present occupiers of the stalls obtained stay orders from the Hon'ble Munisiff Court, Aluva and continuing business in the stalls. The occupiers of Stall No.1,2,3,4,5 and 6 are remitting the licence fee at old rate at Aluva office as per court direction. The occupier of Stall No.4 is remitting the licence fee at the rate in the tender at the Hon'ble Munisiff Court, Aluva.

4. Now, the occupiers of Stall No. 1,2,3,4,5 and 6 have requested to extend the licence period of the stalls for further period on the basis of the rate of licence fee fixed by the corporation.

5. The details of the stalls are shown below:

<i>Stall No.</i>	<i>Name of occupiers</i>	<i>Existing Licence fee</i>	<i>Date of Expiry of licence period</i>
1.	James Jacob	Rs. 1586 p.m.	29-11-1994
2.	P. I. Abdul Hammed	Rs. 1531 p.m.	31-3-1996
3.	P. M. Nazar	Rs. 1406 p.m.	31-12-1993
4.	M. M. Ibrahim	Rs. 3,750 p.m.	31-3-1993
5.	M. M. Moideen	Rs. 1880 p.m.	31-3-1996
6.	K. V. Jose	Rs. 1425 p.m.	31-3-1996

(6) Based on the request of the occupiers to extend the licence period the following facts are noted for information.

(i) The system followed in KSRTC to extend licence period from time to time was dispensed with and adopted the competitive tender system of as decided by the Board of Directors.

(ii) The occupiers are continuing in the stalls on the strength of court stays.

(iii) If the corporation can let out the stalls on the basis of competitive tenders a higher rate of licence fee can be fetched out.

(iv) Licences are given in the case of majority of stalls in the bus stations on the basis of competitive tenders.

(v) Several cases filed by the occupiers of various stalls to extend licence period of the stalls are pending before various courts.

Remarks of F A & C A O

(7) We should follow a uniform policy. Even though Corporation could fetch higher amount due to the present policy, large sums are pending recovery due to various persons. To avoid revenue loss a uniform policy with proper recovery follow up should be ensured.

(8) This was deferred in the 247th Meeting of the Board of Directors held on 24-10-1996 vide Agenda Item No. 111/96. Hence re-submitted for decision.

Points for decision:

"Whether the request of the occupiers of the stalls at Aluva Bus Station to extend the licence period of the stall as was done earlier may be considered".

(Sd.)

Secretary.

ANNEXURE—II (b)

KERALA STATE ROAD TRANSPORT CORPORATION
248TH MEETING OF BOARD OF DIRECTORS
HELD ON 20-11-1996

AGENDA ITEM NO. 139/96

File No. GLA.42476/83.

Sub:—Stalls at Aluva Bus Station—Request for the extension of licence period—Regarding.

DECISION

Resolved to authorise the Managing Director to enhance 15% licence fee per stall per year. Managing Director is also authorised to negotiate with the licensees of stalls in the bus stations who are prepared to enhance 15% of the licence fees per stalls per year to avoid litigation against the corporation on various courts throughout the bus station.

Managing Director is directed to place a detailed note on the present situation of the pending cases of the stalls before the Board of Directors. If fresh tenders are invited, the licence should be awarded for one year term at first instance.

(Sd.)

Chairman.

Thiruvananthapuram,
Dated. 20-11-1996.

Communicated to:—

The Industrial Relations Manager.

ANNEXURE III (a)

AGENDA ITEM No. 180/97

No. GLA. 49476/83.

NOTE FOR THE BOARD OF DIRECTORS

Sub: Stalls at various Bus Stations under litigation—Decision of the board of directors to extend licence period by enhancing licence fee—Regarding.

Ref: Decision of the 248th meeting of the board of directors held on 20-11-1996 vide Agenda Item No. 139/96.

The board of directors in its meeting cited had resolved to authorise the managing director to enhance 15% of licence fee for stall per year. The Managing director is also authorised to negotiate with licences of stalls in bus stations who are prepared to enhance 15% of the licence fees per stalls per year to avoid litigation against the corporation on various courts throughout the bus stations.

2. The above decision was taken by the board based on the requests of the occupiers of stalls at Aluva Bus Station under litigation to extend licence period as done in previous occasions. As resolved by the board, a negotiation was conducted with the occupiers of stall No. 1, 2, 3, 4, 5 and 6 at Aluva Bus Station. In the negotiation the stall holders have offered 50% increase in the existing licence fee from the date of expiry of the licence period and 10% enhancement per year for extension. Now, they have expressed their willingness for the enhancement of 15% for each year of extension. A decision in the matter is pending.

3. There are pending cases of stalls in most of the bus stations resulted due to retendering. Hence to settle the disputes and to put an end to existing litigations a uniform policy decision applicable to the stalls in all KSRTC bus stations is necessary and hence this note.

4. Formerly, the licence period of stalls at various bus stations were extended from time to time by enhancing licence fee @ 33 $\frac{1}{3}$ %. The above system of extension of licence period is dispensed with and tendering system was adopted. Accordingly, competitive tenders were invited in almost all stalls on expiry of the licence period and licence are given to the highest tenders. But in some cases the stalls could not be handed over to the new licensees since the existing stall holders had obtained stay orders from the courts and continuing business in the stalls. The rates quoted in the tenders are very higher than the

existing rates of stalls under dispute. If the existing licence period of stalls under litigation is extended for a lower rate than the tender rate, there is the possibility of the highest bidders in the tenders, to whom the tenders are confirmed moving courts of law which may result in further litigation.

5. The occupiers of stalls under litigation are not remitting licence fees and other dues for the period of litigation. As such a considerable amount is pending realisation from them. As per rule the licensee shall pay the licence fee in advance every month, failing which penalty @ Re.1 per diem upto Rs.1500 and above Rs. 1500 penalty @ 24% to be remitted.

6. In this connection, it is noted that the Division Bench of Honourable High Court of Kerala had decided in writ Appeal Nos. 308/94 and 313/94 that public interest is involved when the KSRTC is trying to get as much income as possible by way of calling tenders. The Honourable High Court has also observed that it is a matter of common knowledge that the KSRTC is running in losses over a long period of time and if it tries to call for tenders for its own shops such action cannot be said to be arbitrary. This judgement of Justice N. Jagannatha Rao, Chief Justice delivered on behalf of the Division Bench was pronounced on 9-3-1994 in writ Appeal case of Mathai Cyriac (occupier of Stall No.1 at TVLA) Vs. KSRTC. which was reported in Kerala Law Journal [1994 (1) KLJ 923] (copy enclosed). Thus the Hon'ble High Court of Kerala decided in favour of the corporation through the judgement of the Division Bench in this writ Appeal.

In this connection the chief law officer has remarked as follows:

"The Honourable High Court of Kerala rightly held that public interest is involved when the KSRTC is trying to get as much income as possible by way of calling tenders. It is the bounden duty of the corporation to make all efforts to get maximum income from the licence holders whether it may be by calling fresh tenders or by negotiation. Our aim should be to make utmost income from our properties."

Remarks of F A and C.A.O.

Reasonable rate of licence fee may be fixed from the date of expiry of the previous licence period and further extension of licence period may be allowed on getting reasonable enhancement every year. For this a committee may be constituted to fix the licence fee unit-wise.

Point for decision are:

1. whether a reasonable rate of licence fee of stalls including cool bars under litigation may be fixed from the date of expiry of the previous licence period and further extension of licence period allowed by enhancing 15% of licence fee every year.

OR

2. Whether the licence period may be extended for every year by enhancing 15% of licence fee only from the date of expiry of the previous period.

3. Whether the highest rate of licence fee in the tender may be taken to fix the licence fee from the date of expiry of licence period in the case of stalls already tendered.

4. Whether the dues pending remittance to be realised with penalty for late remittance as per rule, ie. @ Re.1 per diam or any other rate of interest to be fixed.

5. Whether the period of licence may be extended every year by enhancing 15% of the licence fee on expiry of the present period or retender in the case of stalls not under litigation.

(sd.)

Secretary.

ANNEXURE III (b)

KERALA STATE ROAD TRANSPORT CORPORATION
MEETING OF BOARD OF DIRECTORS
HELD ON 6-8-1997

AGENDA ITEM No. 180/97.

File No. GLA/49476/83.

Sub : Stalls at various Bus Stations under litigation—Decision of the board of directors to extend licence period by enhancing licence fee—Reg.

DECISION

Resolved to extend the licence period every year by enhancing 15% of the licence fee from the date of expiry of the previous period. Also decided to approve the proposals 1 and 3. Penal interest of 24% may be realised in the case of dues pending.

(sd.)

Chairman.

Communicated to:

The Industrial Relations Manager.

(sd.)

Secretary.

ANNEXURE IV (a)
KERALA STATE ROAD TRANSPORT CORPORATION
AGENDA ITEM No. 114/98.

No. GLA. 49476/83.

Dated 3-10-1998

NOTE FOR THE BOARD OF DIRECTORS

Sub:—Decision of the Board of Directors to extend licence period of stalls under litigation—Fixing licence fee from the date of expiry of licence period—Proposal—Regarding.

Ref:—Decision of the 265th meeting of the Board of Directors held on 31-7-1998 vide Agenda item No. 84/98.

The Board of Directors in its meeting cited had directed to workout a detailed proposal for introducing slab system for fixing reasonable licence fee for stalls under litigation from the date of expiry of licence period.

The Board fixed the licence fee of stalls at Aluva bus station under litigation from the date of expiry of the licence period as shown below :

Stall No.	Existing licence	Proposed licence fee (Rs.)	Percentage of enhancement
I	1586	3000	189
II	1562	3000	192
III	1406	3000	213
IV	1147	2750	240
VI	1425	3000	211

The rates fixed by the Board for stall at Aluva bus station may be taken as criteria for fixing licence fee of other stalls under litigation.

According to the above average enhancement proposed in the existing licence fee is 200% and the multiples of Rs. 250. On adopting the above principles the licence fee proposed for other stalls under litigation are shown below :

Unit.	Stall No.	Date of expiry of licence period	Existing licence	Proposed licence fee (Rs.)	Percentage of enhancement
(1)	(2)	(3)	(4)	(5)	(6)
TVM CI	1	31-3-1995	2315	4750	205
	2	"	2315	4750	205
	3	"	2315	4750	205
	5	"	2315	4750	205

(1)	(2)	(3)	(4)	(5)	(6)
TVM Cy	Book stall	20-3-1988	476	1000	210
KLM	2	31-3-1994	3701	7500	203
KTRA	1 (old)	15-12-1989	1505	3000	199
	2 "	"	1055	2250	213
	3 "	"	1115	2250	202
	4 "	"	1105	2250	204
	5 "	"	1205	2500	207
TVLA	1	31-3-1994	1185	2500	211
"	4	"	711	1500	311
KKD	1	"	575/90	1250	217
	3	"	2056/15	4250	207
	4	"	2089/30	4250	203
	6	"	1275/30	2500	196

The above proposal is placed before the Board of Directors for decision.

Remarks of FA & CAO :

May be considered.

Point for decision :

"Whether the period of licence of the stalls under litigation noted above may be extended by fixing the licence fee as proposed on the state of expiry of the licence period".

ANNEXURE IV (b)
KERALA STATE ROAD TRANSPORT CORPORATION
266TH MEETING OF BOARD OF DIRECTORS
HELD ON 22-10-1998

AGENDA ITEM No. 114/98.

File No. GL4-49476/83.

Sub:—Decision of Board of Directors to extend the licence period of stalls under litigation—Fixing the licence fee from the date of expiry of licence period—Proposal—Regarding.

DECISION

Approved.

Thiruvananthapuram,
26-10-1998.

(Sd.)

Chairman

(True Copy)

Communicated to the Industrial Relations Manager

ANNEXURE V (a)
KERALA STATE ROAD TRANSPORT CORPORATION 229TH MEETING OF
BOARD OF DIRECTORS HELD ON 4-4-1994

AGENDA ITEM No. 90/94.

File No. GL4-49476/83.

Sub:—Appointment of Estate Officer in K.S.R.T.C. on deputation
basis—Reg.

DECISION

Resolved to appoint a Deputy Collector on deputation basis as Estate
Officer to assess the land possessed by Kerala State Road Transport
Corporation.

Thiruvananthapuram,
9-4-1994.

(sd.)
Chairman.

(True Copy)

Communicated to the Executive Director (General).

ANNEXURE V (b)
KERALA STATE ROAD TRANSPORT CORPORATION
285TH MEETING OF BOARD OF DIRECTORS
HELD ON 21-2-2001

File No. 277/GL2/94/RTC.

Agenda Item No. 55/200

*Sub:—Maintenance of Register of land—Posting of personnel from
Revenue Department on deputation basis.*

DECISION

Resolved to appoint Smt. K. Indira Devi, Dy. Collector (retired) on contract basis for a period of one (1) year or till a Tahsildar joins the Corporation on deputation basis whichever is earlier on a consolidated pay of Rs. 4,000 p. m.

Thiruvananthapuram,
28-2-2001.

(sd.)
Chairman.

(True Copy)

Communicated to GL2 Seat

(sd.)
Secretary.

ANNEXURE V (c)

PROCEEDINGS

APPOINTMENT OF SMT. K. INDIRA DEVI, DY. COLLECTOR (RETIRED) AS ESTATE OFFICER,
K.S.R.T.C.—ORDERS ISSUED

GENERAL SECTION

No. 277/GL2/94/RTC.

Thiruvananthapuram, Dated 13th March, 2001.

*Read:—*Minutes of the Board of Directors in its 285th Meeting held on
21-2-2001 vide Agenda item No. 55/2001.

ORDER

Smt. K. Indira Devi, Dy. Collector (retired) ("Sreeniketh", TC.7/968, Maruthankuzhi, Kanjirampara P.O., Thiruvananthapuram) is appointed as Estate Officer, K.S.R.T. Corporation on contract basis on usual terms for a period of one (1) year or till a Tahsildar joins the Corporation on deputation basis whichever is earlier. She will be paid a consolidated pay of Rs. 4,000 (Rupees four thousand only) per mensem. She is directed to report before the undersigned forthwith.

(sd.)

Managing Director.

To

Smt. K. Indira Devi,
"Sreeniketh", T. C. 7/968,
Maruthankuzhi, Kanjirampara P. O.,
Thiruvananthapuram-30.

Forwarded/By Order.

(sd.)

Executive Director and Secretary.

ANNEXURE VI

DETAILS OF BOARD OF DIRECTORS 1999-2000

Board of Directors—1999 & 1/2000

1. M. N. Krishnamoorthy, IPS
Chairman & M.D. KSRTC.
2. Dr. A. K. Dubey
Secretary,
Finance Expenditure Dept.,
Government Secretariat.
3. N. M. Krishnan,
Addl. Financial Advisor,
Ministry of Surface Transport,
Government of India, N/Delhi.
4. K. K. Hamsa,
K. K. House, Post Muttal,
Kalpetta, Wayanad.
5. N. Padmalochanan,
Sea View, Thankacherry,
Kollam.
6. G. Balakrishnan Nair,
Sree Bhavan, Konchira,
Vembayam, Trivandrum.
7. K. P. Sankara Das,
No.7, Kalpaka Nagar,
Chackai, Trivandrum.
8. Charupara Ravi,
Vasanthi Vilasam,
Vithura P. O., Tvm
9. P. C. George, M. L. A.,
Plathottam, Erattupetta.
10. N. V. Pradeep Kumar,
Thanuvelil,
Post Thekkathu Kavala,
Ponkunnam, Kottayam.

Board of Directors—2000

(During the period from 2/2000 to
4/2000)

1. Dr. Sathyanarayana Dash,
(Chairman, KSRTC)
Principal Secretary to Govt.
Social Welfare Dept.
I/C Transport Dept.,
Govt. Secretariat.
2. P. S. Dharmarajan,
Addl. Secretary to Govt.,
Finance Department.
3. James K. Joseph,
Managing Director, K.S.R.T.C.
4. Ramu Gupta,
Asst. Financial Advisor,
Ministry of Surface Transport,
Government of India,
New Delhi.
5. Smt. Rajashree Ajith,
Managing Director,
K.T.D.F.C.

During the period from 5/2000 to 8/2000

1. Dr. Sathyanarayana Dash,
(Chairman, KSRTC)
Principal Secretary to Govt.
Transport Dept.,
Govt. Secretariat.
2. P. S. Dharmarajan,
Addl. Secretary to Govt.,
Finance Department.
3. James K. Joseph,
Managing Director, K.S.R.T.C.
4. Ramu Gupta,
Asst. Financial Advisor,
Ministry of Surface Transport,
Government of India,
New Delhi.
5. Smt. Rajashree Ajith,
Managing Director,
K.T.D.F.C.
6. M. Chandran
Melepurath Veedu
Anakkara P. O., Palakkad.
7. G. Balakrishnan Nair,
Sree Bhavan Konchira
Vembayam, Trivandrum.
8. P. C. George, M. L. A.,
Plathottam, Erattupetta.
9. N. V. Pradeep Kumar,
Swamiyar Madom,
Kottayam.
10. S. Thyagarajan, Ex. M.L.A.,
'Samas', Mundakkal,
Kollam.
11. B. Krishnan Nair,
Thakidi Veedu,
Ookkode P. O.,
Nemom, Trivandrum.
12. Prof. N. M. Joseph,
Arunappuram P. O.,
Palai, Kottayam.

Board of Directors 9/2000

1. Dr. Sathyanarayana Dash
(Chairman and M. D., KSRTC)
Principal Secretary to Govt.
Transport Dept.,
Govt. Secretariat.
2. V. S. Senthil
Secretary,
Finance (Expenditure) Department,
Govt. Secretariat.
3. Ramu Gupta,
Asst. Financial Advisor,
Ministry of Surface Transport,
Government of India,
New Delhi.
4. Smt. Rajashree Ajith
Managing Director,
K.T.D.F.C.
5. M. Chandran,
Melepurath Veedu,
Anakkara P. O., Palakkad.
6. G. Balakrishnan Nair,
Sree Bhavan, Konchira,
Vembayam, Trivandrum.
7. P. C. George, M. L. A.,
Plathottam, Erattupetta.
8. N. V. Pradeep Kumar
Swamiyar Madom,
Kottayam.
9. S. Thyagarajan, Ex. M.L.A.,
'Samas', Mundakkal,
Kollam.
10. B. Krishnan Nair,
Thakidi Veedu,
Ookkode P. O.,
Nemom, Trivandrum.
11. Prof. N. M. Joseph,
Arunappuram P. O.,
Palai, Kottayam.

From 10/2000 to 11/2000

1. Dr. Sathyanarayana Dash
(Chairman, KSRTC)
Principal Secretary to Govt.
Transport Dept.,
Govt. Secretariat.
2. V. S. Senthil
Secretary,
Finance (Expenditure) Department,
Govt. Secretariat.
3. V. S. Vargheese IFS.,
Managing Director,
K.S.R.T.C.
4. Ramu Gupta,
Asst. Financial Advisor,
Ministry of Surface Transport,
Government of India,
New Delhi.
5. Smt. Rajashree Ajith,
Managing Director,
K.T.D.F.C.
6. M. Chandran,
Melepurath Veedu
Anakkara P. O., Palakkad.
7. G. Balakrishnan Nair,
Sree Bhavan, Konchira
Vembayam, Trivandrum.
8. P. C. George, M. L. A.,
Plathottam, Erattupetta.
9. N. V. Pradeep Kumar
Swamiyar Madom,
Kottayam.
10. S. Thyagarajan, Ex. M.L.A.,
'Samas', Mundakkal,
Kollam.
11. B. Krishnan Nair,
Thakidi Veedu,
Ookkode P. O.,
Nemom, Trivandrum.
12. Prof. N. M. Joseph,
Arunappuram P. O.,
Palai.

During 12/2000

1. N. Ramakrishnan,
(Chairman, KSRTC)
Principal Secretary to Govt.
Transport Dept.,
Govt. Secretariat.
2. V. S. Senthil
Secretary,
Finance (Expenditure) Department,
Govt. Secretariat.
3. V. S. Vargheese, IFS
Managing Director, K.S.R.T.C.
4. Ramu Gupta,
Asst. Financial Advisor,
Ministry of Surface Transport,
Government of India,
New Delhi.
5. Smt. Rajashree Ajith,
Managing Director,
K.T.D.F.C.
6. V. Ramakumar,
Law Secretary,
Govt. Secretariat.
7. M. Chandran,
Melepurath Veedu
Anakkara P. O., Palakkad.
8. G. Balakrishnan Nair,
Sree Bhavan, Konchira,
Vembayam, Trivandrum.
9. P. C. George, M. L. A.,
Plathottam, Erattupetta.
10. N. V. Pradeep Kumar
Swamiyar Madom,
Kottayam.
11. S. Thyagarajan, Ex. M.L.A.,
'Samas', Mundakkal,
Kollam.
12. B. Krishnan Nair,
Thakidi Veedu,
Ookkode P. O.,
Nemom, Trivandrum.
13. Prof. N. M. Joseph,
Arunappuram P. O.,
Palai.

ANNEXURE VII

KERALA STATE ROAD TRANSPORT CORPORATION
227TH MEETING OF BOARD OF DIRECTORS
HELD ON 11-1-1994

AGENDA ITEM No. 6/94.

File No. SRA1-60275/93.

Subject:—Purchase of Chassis—Reg.

DECISION

1. Resolved to *purchase* new Leyland and Tata Chassis in the ratio 2:1 as against the prevailing ratio of 1:1.
2. Resolved to authorise the Managing Director purchase chassis at the above ratio subject to availability of funds from IDBI, KTDPC, LIC availing loans.

Trivandrum,
25th January, 1994.

(Sd.)
Chairman.

Communicated to : Executive Director (Technical)

(Sd.)
Secretary.

ANNEXURE VIII

Trivandrum, Dated 16-12-1997.

P R. KURUP

Minister for Forest Transport and Devaswom

NOTE

The file perused. The decision of the board in its 227th meeting (Agenda item No. 6/94) seems to be incorrect. There appears no valid reason to fix a specific ratio of 2:1 between the two firms with regard by the purchase of chassis. Either it should be decided on performance vice or fixed after inviting competitive quotations. Here, both these are not seen considered.

Therefore, the chassis required for the Corporation may be purchased from the two manufactures, that is M/s. Ashok Leyland and M/s. Telco in the ratio of 1:1. The difference, in the purchases already made may also be adjusted in the future purchases.

Invariably in all purchases, the KSRTC should adhere to the store purchase manual and relevant procedures so as to maintain financial discipline and decorum.

(Sd.)

*Minister for Forest,**Transport and Devaswom.*

To

The Managing Director,
Kerala State Road Transport Corporation.