



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

TWENTY EIGHTH REPORT

(Presented on 21st March, 2007)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007**

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

TWENTY EIGHTH REPORT

On

**The Action Taken by Government on the Recommendations contained
in the Seventy-sixth Report of the Committee on Public
Undertakings (1998-2001) relating to Kerala
State Road Transport Corporation based
on the Report of the Comptroller and
Auditor General of India for the
year ended 31 March 1996
No. 2 (Commercial)**

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COMPOSITION OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS (2006-2008)

Chairman :

Shri Mankode Radhakrishnan

Members :

Shri P. K. Abdu Rabb

„ A. A. Azeez

„ M. Chandran

„ C. M. Dinesh Mani

„ K. T. Jaleel

„ K. K. Jayachandran

„ P. J. Joseph

„ K. Kunhiraman

„ K. Sudhakaran

„ K. C. Venugopal.

Legislature Secretariat :

DR. N. K. Jayakumar, Secretary

Shri R. Vijayakumar, Joint Secretary

„ K. Mohanakumar, Deputy Secretary

„ C. R. Reghunathan Pillai, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2006-2008) having been authorised by the Committee to present the Report on their behalf, present this Twenty Eighth Report on the action taken by the Government on the recommendations contained in the 76th Report of the Committee on Public Undertakings (1998-2001) on the working of the Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India for the year ended 31-3-1996 (Commercial).

The Statement of action taken by the Government included in this Report were considered by the Committee constituted for the years 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 15-3-2007.

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

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
21st March, 2007.

Chairman,
Committee on Public Undertakings.

REPORT

The Report deals with the Action Taken by Government on the recommendations contained in the 76th Report of the Committee 2001 relating to Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India for the year ended 31-3-1996 No. 2 (Commercial) which was presented to the House on February 22, 2001.

The Report contains seven recommendations. Government furnished replies to all recommendations. The Committee (2004-2006) considered the replies received from Government at its meeting held on 7-12-2005.

The Committee accepted the replies to the recommendations No. 5(43) and 7(55) without any remarks. These recommendations and its replies form Chapter I of the Report.

The Replies to the recommendations 1(18), 2(19), 3(20), 4(42) and 6(54) were accepted by the Committee with remarks. These recommendations, their replies and the remarks form Chapter II of the Report

CHAPTER I

Replies furnished by Government on the recommendations of the Committee which have been accepted by the Committee without remarks

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department</i>	<i>Conclusions/Recommendations</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
5	43	Transport	The latest position about the Vigilance enquiry may be intimated to the Committee	The Director of Vigilance and Anti Corruption Bureau have reported that the allegation of irregularities in the purchase of tyres during the period from 1991-92 to 1995-96 was enquired. The Vigilance enquiry revealed that due procedure with respect to open tender was followed in the purchase of tyres during the above period. The average annual requirement was in the range of 18000-20000 tyres. No single manufacturer was capable of supplying the entire quantity. As many as six companies were placed with supply orders M/s. Premier Tyres and CEAT Tyres were issued with supply orders for major quantity. These were considered and

approved by the Director Board for valid reasons. On the whole there was transparency in the deal. Hence no action is recommended in the matter. However, in the audit report of the C&AG there is some adverse observation regarding the purchase of steel radial tyres without proper authorization and knowing that they are unsuitable for the KSRTC vehicles in the present road conditions. Many purchases effected from 1991 to 96 were examined and found that the Corporation had followed the normal procedure according to Store Purchase Rules and also the purchase were seen enhanced in such a way neither to cause loss to the corporation nor the paralisation of the machinery. Vigilance enquiry so far conducted could not collect anything to pause the allegation mentioned in the petition and they are not substantiated in evidence.

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7	55	Transport	The Committee also recommend the Corporation to streamline the whole system to avoid the recurrence of such mishaps in future.
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In view of the position stated in Sl. No. 1, there is no scope for the recurrence of the alleged mishaps.

CHAPTER II

Replies furnished by Government on the recommendations of the Committee which have been accepted by the Committee with remarks

<i>Sl. No.</i>	<i>Para No</i>	<i>Department</i>	<i>Conclusions/Recommendations</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	18	Transport	The witness failed to convince the Committee about the norms adopted by the Corporation for the purchase of tyres. The Committee strongly doubt whether the Corporation had a policy for the purchase of tyres and recommend the Corporation/ Govt. to take immediate steps to evolve a clear cut credit purchase policy.	KSRTC is so far depending upon the manufactures for the supply of tyres. Usually offers are obtained from the manufacturer for the supply of tyres before arriving at a decision for purchase of tyres.

2	19	Transport	The system now followed by the Corporation for purchasing tyres may be intimated to the Committee.	The Board takes decision considering availability, reliability in supply and credit facility
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Remarks of the Committee:

The Committee wants to know whether the Corporation has adhered to the provisions of the store purchase rules. If not, the committee strongly recommends that the corporation in all future purchases should follow the provisions of the said rule.

3	20	Transport	The Committee observed that by placing orders for inferior quality tyres without examining the performance of different types of tyres the Corporation suffered a loss of Rs. 704.25 lakhs during a period of 3 years from 1993-94 to 1995-96. The Committee express concern over the matter and urge the Corporation to take immediate steps to examine the reason for such a huge loss and the result intimated to the Committee.	None of the tyre companies are giving any performance guarantee for their products. The Corporation has no practice of placing purchase orders for inferior quality tyres. It is noteworthy that the difference in performance may vary from terrain to terrain. Other factor like service abuse, season to season and premature failure due to accidental damages etc. also affect performance of tyres. The alleged loss for the period in question is only on assessment of audit with the available datas after the use.
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(1)	(2)	(3)	(4)	(5)
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Remarks of the Committee:

The Committee expresses its displeasure over the reply furnished by Government “ that the Corporation has no practice of placing purchase orders for inferior quality tyres” and wants to know on what basis the Corporation had given such a reply. The Committee opines that the aforesaid reply is a disregard towards the Committee. The Committee also wants to know whether the Corporation had made studies about the utilization of the tyres purchased by the Corporation and why the Corporation did not get the “performance guarantee” from the tyre companies. (Clear details from the Government about the illogical replies and non availability of performance guarantee from tyre firms should be furnished to the Committee)

4	42	Transport	In the absence of complete information from relevant files it is difficult for the Committee to arrive at the conclusion with regard to the purchase of tyres. The Committee therefore direct the Corporation to submit the details as and when they receive the files after the enquiry by the Vigilance Department.	The purchase decision was taken based on the decision of the Board. As per the Board decision negotiations were conducted with various firms Viz. Premier Tyres, Bombay Tyres, TCI Vikrant, J.K., Good Year and CEAT. During negotiations M/s. Good Year and Vikrant offered a discount of 1.5% subject to payment within 30 days from the date of despatch of tyres. M/s. Premier tyres have promised that they can offer the discount which is the maximum offered by any other company and they will send a letter in this regard.	9
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In their original offer no firm including CEAT has agreed for performance warranty. Almost all the firms were contacted and the following firms furnished revised rates.

<i>Sl.No.</i>	<i>Firm</i>	<i>Original offer rate</i>	<i>Revised Rate</i>
1.	CEAT	5390	5348
2.	Good year	5390	5388
3.	Modi Rubber	5390	5386
4.	Vikrant	5399	5386
5.	J.K.	5430	5386

M/s. CEAT have stated that they do not offer any performance guarantee to any State Transport Undertakings in India. And they expressed their inability to offer guarantee for performance.

The 227th Board meeting (Vide agenda item No. 8/94) dated 11-1-1994 resolved to withdraw the minimum performance guarantee of tyres.

M/s. CEAT have furnished a revised offer and allowed a discount of Rs. 118 on their original offer of Rs. 5,599.36. And a further discount of 2% for prompt payment was also allowed.

(1)	(2)	(3)	(4)	(5)
				<p>From the above, it is clear that negotiations were conducted before making the purchase of tyres for the period from 1992-93 to 1995-96.</p> <p>Since there was no performance guarantee offered, the question of recovery of loss for poor performance does not arise. Further in the Vigilance Enquiry report on the irregularities in the purchase of tyres, it is concluded as follows:—</p> <p>Many purchases effected from 1991 to 1996 were examined and found that the Corporation had followed the normal procedure according to Store Purchase rules and Purchase rules and also the purchases were seen arranged in such a way neither to cause loss to the Corporation nor the paralisation of machinery. Vigilance enquiry conducted could not prove the allegations mentioned in the petition</p>

Remarks of the Committee:

The Committee recommends that the corporation should insist the general guarantee in all future purchase of tyres if no performance guarantee could be insisted.

During evidence, it was deposed that the performance evaluation done by Audit was an interim one for a short period and that achievement was much above that. The Committee wanted to know the reason for the difference and to be informed of whether the same was pointed out to Audit by the Corporation during the time of audit. The Committee urge the Corporation to intimate the actual figures and to state the reason for such discrepancy about the figures pointed out by the Audit.

The audit observation was that the performance obtained from the tyres retreaded using the materials purchased at higher rates during 1995-96 was between 12,500 KM & 15,000 KM only against the anticipated target of 16,000 Kms. The average life period of a retreaded tyre (usually retreaded 6 times) can be taken as 1½ years. The performance of tyre will vary every month based on places, road condition, number and type of retreads, quality of retreading materials etc. The performance taken by Audit was based on initial performance reports as on 3/96 and not based on final performance report. As reported earlier, the performance obtained from tyres retreaded with materials supplied by the four firms are given below:

1. M/s. Anikon : 18,600 Kms.
2. Associated : 17,581 Kms.
3. Hard : 18,465 Kms.
4. Jago : 17,549 Kms.

From the above, it can be seen that the average performance of the firms comes to 18,048 Kms. If there was any shortfall in

(1)	(2)	(3)	(4)	(5)
				<p>mileage offered the loss would be realized from firms as per the agreement executed by them to that effect. The Corporation had already recovered such loss from those firms which had not fulfilled expected mileage. The reason for difference in performance found in audit is caused due to depending upon initial performance report in Audit. This fact has not been pointed out to Audit by the Corporation at the time of audit.</p>

Remarks of the Committee:

If there was a short fall in performance of retreaded tyres, the loss would be realised from the firms which has supplied materials for retreading tyres. The Committee wants to know why this norm was not insisted in the case of tyre purchase also.

Thiruvananthapuram,
21st March, 2007.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.