

TWELFTH KERALA LEGISLATIVE ASSEMBLY

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

FORTY SIXTH REPORT

On

**[The action taken by Government on the Recommendations contained
in the Twenty Seventh Report of the Committee on Public
Undertakings (2001-2004) relating to Kerala State
Electricity Board based on the Report
of the Comptroller and Auditor General
of India for the year ended 31st March
1995 (Commercial)]**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

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INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty Sixth Report on the action taken by Government on the recommendations contained in the Twenty Seventh Report of the Committee on Public Undertakings (2001-2004) on the working of the Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1995 (Commercial).

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

This Report was considered and approved by the Committee at the meeting held on 16-6-2008.

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.

MANKONF RADHAKRISHNAN,

Thiruvananthapuram,
30th June, 2008.

*Chairman,
Committee on Public Undertakings.*

Report

This Report deals with the Action Taken by Government on the recommendations contained in the 27th Report of the Committee on Public Undertakings (2001-2004) relating to Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 1995 (Commercial).

The Report contains nine recommendations. Government furnished replies to all recommendations. The Committee (2006-2008) considered the replies received from Government at its meeting held on 5-12-2007.

The Committee accepted the replies to the recommendations No. 2 (23), 3 (24), 4 (25), 5 (26) and 9 (30) without any remarks. These recommendations and its replies form Chapter I of the Report.

The replies to the recommendations No. 1 (22), 6 (27), 7 (28) and 8 (29) were accepted by the Committee with remarks. These recommendations, their replies and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

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

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/ Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
2	23	Power	In the Construction of the dams at Moozhiyar and Veluthode, the Committee finds that, tenders were floated even before finalizing the construction drawings. It took 9½ months for the Board to provide the construction drawings to the contractor after awarding the work. There was failure on the part of Kerala State Electricity Board in conducting the geo/ engineering and geological study of the proposed dam site to ascertain the structural stability and rock dynamics of the area. If such an exhaustive study of the proposed site had been made before finalizing the dam site, the time loss due to the geological problem could have been avoided. It is surprising to note that initially masonry dams were envisaged at Moozhiyar and Veluthode in spite of having bitter	For Kakkad HEP, Project Reports were prepared based on preliminary investigations conducted to study the feasibility of projects in general. The estimate in the Project Report was for masonry dam. As such the original tender was invited with the items in the Project Report. Introduction of surge expansion gallery, concrete lining surge shaft etc. were not anticipated in the Project Report. The construction of masonry dam invited labour problems and consequent hold ups of the work frequently resulting in high cost of construction and much longer time of completions. Hence, the change from masonry to concrete may be viewed in the light of the above perspective. In case of ongoing projects, Board have conducted geological

(1)	(2)	(3)	(4)	(5)
			<p>experience in the past in the construction of masonry dams. The Board, being an experienced body in project extension was well aware that in the case of concrete dams, the construction could be mechanized to a large extent and hence could have been constructed more quickly than masonry dams. The time loss due to change of design from masonry to concrete dams at a later stage was 40 months. The Committee cannot, therefore, understand the rationale behind the quixotic idea of envisaging masonry dams in the project.</p>	<p>study by Geological Survey of India and the projects are being executed as per the observations in the Geotechnical Investigation Report. In the pre-construction stage Geotechnical investigations is carried out for each project which includes evaluation of the weir alignment, water conductor system, power house site, logging of the drill core and critical evaluation of the foundation medium. The Construction of the project will be carried out only if the geological set up is favorable and the site is found suitable.</p>
3	24	Power	<p>The Committee finds that the works of the construction of the dams were tendered and re-tendered 4 times, and the process had taken 4 years which had turned out to be a major factor for the delay in commissioning the project. The Committee cannot comprehend the reason which has prompted the Board to go in for a</p>	<p>Tenders were floated for the construction of dams at Mnozhayar and Veluthodu in October 1980. The offers received were not acceptable and were retendered three times between 1980 and 1984. In the third tender Shri P. A. Jacob quoted 75% above estimate which was the lowest rate with special conditions.</p>

(1)	(2)	(3)	(4)	(5)
			<p>fourth tender even when the C.E (Civil) had given his recommendation for the acceptance of the lowest tender which was 75% above the estimate. The tender was subsequently awarded to H.C.C. after the fourth tender, that also at a much higher rate of 120% above the estimate rate, accepting 15 special conditions which included payment for increase in cost of labour, materials viz. petrol, oil and lubricants and extension of time for completion of work due to reasons beyond the control of the contractor. It is found that the Board had also borne escalation in cost of the materials supplied departmentally to the contractor.</p>	<p>The Chief Engineer (Civil) had recommended for acceptance of the lowest tender. The tenderer was not willing to reduce the rate in spite of repeated negotiations, the Board decided to retender the work. The Board's experience in awarding work to inexperienced contractors also forced to take such a decision. For major works quoted rate alone cannot be taken as the sole criterion for awarding work especially in the case of Hydro Electric Projects Experience in doing similar works, technical as well as financial capability etc. may also be taken into consideration. Awarding work to inexperienced contractors can cause greater loss. Awarding work to inexperienced contractors is one of the major factors in delaying the work of Kakkad Hydro Electric Project. In the fourth tender, for Moozhiyar dam 4 tenderers viz. M/s. HCC, Shri P. P. Poulase, M/s. Bhageeratha Engineering Ltd. and Shri. K. Kuriakose participated. In the case of Veluthodu dam 4 tenderer viz. Shri C. V. George,</p>

(1)	(2)	(3)	(4)	(5)
				<p>M/s. Sreekumar Construction company, P. P. Poullose and M/s. H.C.C. Ltd. participated.</p> <p>As all the tenders had deviations and conditions, the Full Time Members of the Board negotiated with the tenderers on 18-8-1984. Thereafter, the tenderers revised the deviations and conditions. But some of the revised deviations and conditions could not be evaluated on monetary terms. In the case of Moozhiyar Dam S/s P. P. Poullose and K. Kuriakose had offered monetary equivalents of the conditions. In the case of M/s. HCC Ltd. and M/s. Bhageeratha Engineering Ltd. evaluation of some of their deviations was not possible. The Board had made clear to M/s. Bhageeratha Engineering Ltd. during the negotiation that the arbitration condition was not acceptable to the Board under any circumstances and hence they should withdraw the said condition. But M/s. Bhageeratha Engineering Ltd. had not withdrawn the arbitration clause. So they were not pre qualified.</p>

(1)	(2)	(3)	(4)	(5)
				<p>Shri P. P. Poulse had no previous experience in the construction of dams. Hence he was not qualified.</p> <p>Shri K. Kuriakose had submitted the tender in his individual capacity. The tools and plants at his disposal were inadequate hence he was not qualified.</p> <p>Shri C. V. George who quoted for Veluthodu Dam had no previous experience in dam construction. So he was also not qualified.</p> <p>M/s. HCC Ltd. had previous experience in concrete dam construction. They had sufficient construction equipment, technical personnel and were financially stable. Based on these M/s. HCC Ltd. was qualified for both Moozhiyar dam and Veluthodu dam.</p> <p>In the original tender M/s. HCC had quoted 135% above estimate with special conditions. During negotiation they had reduced their quoted rate to 120%. The Board had accepted this rate along with certain special conditions. The</p>

(1)	(2)	(3)	(4)	(5)
				<p>payment of escalation to the contractor on the value of work including departmental materials was agreed by the Board as part of the negotiated settlement and it is only reasonable to assume that if the above condition was not agreed upon, the final agreed rate of contractor would have been much higher.</p>
4	25	Power	<p>The Committee could understand that H.C.C. had not quoted for the work in the first three tenders and that it was only in the 4th tender that they had first participated. The whole affair presents a murky picture and the Committee doubts whether the tendering and re-tendering of the work was done to favour any contractor in particular. Nowhere in the whole work on the dams, it is seen that any effort was made by the Board to safeguard its interest.</p>	<p>The decision taken by the Board to retender the work was in good faith that better offer might be received when the work was retendered. But the expectation did not materialize in the retender and Board had to accept a rate of 120% above this estimate rate offered by HCC. The availability of construction equipment, technical competence and the financial stability of the firm were also considered. In the 4th tender M/s. HCC was the only qualified tenderer and their offered rate of 135% and above estimate rate was later reduced to 120% on negotiation with the Board. It is to be</p>

(1)	(2)	(3)	(4)	(5)
				<p>noted in this context that implementation of important items of work of Kakkad Hydro Electric Project were under different stages of execution. And machinery for the power house had already been ordered and that further delay on the construction of Moozhiyar and Veluthodu Dams would upset the overall schedule of completion of the project. Hence it was decided to make the offer to HCC. M/s. HCC was well experienced in the construction of dams and have all the financial and technical facility than any other tenderer. So the work was awarded to M/s. HCC considering the ^{above} aspects for its execution at the earliest</p>
5	26	Power	<p>The Committee finds that an amount of Rs. 349.29 lakh was awarded to the Board as compensation in the arbitration in construction of Water Conductor System. But the Board could recover only a sum of Rs. 22 lakh from the Contractor as he had alienated his landed properties by that time.</p>	<p>As per judgment and decree dated, 3-2-1994 in O.S. No. 285/81 and 286/81 Board is entitled to recover Rs. 308.03 lakh with interest from the contractor for tunnel works whose contract was terminated. Board filed execution petition on 26-7-1997 at the Sub Court, Thiruvananthapuram.</p>

(1)	(2)	(3)	(4)	(5)
9	30	<p>The Committee recommends that a Project Management Cell be constituted for each project hereafter and all the implementing officers be brought under the cell so that any deficiency/lapse in project management could be made accountable.</p>		<p>The Board has appointed Project Managers for speedy execution of works and timely completion of the following projects.</p> <ol style="list-style-type: none"> 1. Kuttiyadi Additional extension. 2. Lower Meeumutty. 3. Idukki Augmentation Scheme-Vazhikadavu diversion. 4. Malankara 5. Chembukadavu, Urumi. 6. Neriyamangalam Extension Scheme. 7. Athirappilly HEP. <p>The Project Managers are having overall charge of the projects and they are responsible for the progress of the project. The Project Managers have been delegated with adequate financial and administrative powers. At present the projects are regularly reviewed by the Chairman and full time members besides the Chief Engineers concerned and this serve as a management cell. However, the following</p>

(1)	(2)	(3)	(4)	(5)
				cells have been constituted now.
				1. <u>For Generation</u>
				Chairman
				Member (Finance)
				Member (Generation and Transmission)
				Chief Engineer (Civil Construction)
				Convenor
				Financial Adviser
				2. <u>For Transmission</u>
				Chairman
				Member (Finance)
				Member (Transmission)
				Chief Engineer (Corporate Planning)
				Convenor
				Chief Engineer (Transmission-North)
				Chief Engineer (Transmission-South)
				Chief Project Manager, Rural Electrification Corporation, Thiruvananthapuram.

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 of the Committee</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	22	Power	<p>The Committee points out that the implementation of Kakkad Hydro Electric Project is a classic example for improper monitoring and mismanagement of project execution by the Kerala State Electricity Board. A project which was started in 1979 with an estimated cost of Rs.18.60 crores and envisaged for completion and commissioning in 1985 has taken 20 long years for completion and commissioning. The cost of the project has gone up to ten times the original estimate. It is learnt that as per the latest estimate the cost will come up to Rs.165 crores. The Committee observes that the delay in completion of the project and the subsequent rise in the cost of the project is mainly due to the lapse on the part of the implementing authorities in the Kerala State Electricity Board.</p>	<p>The observation of the Committee is noted. In order to ensure proper project monitoring the Board have since appointed Project managers for the following ongoing projects for speedy execution and timely completion.</p> <ol style="list-style-type: none"> 1. Kuttiadi Additional Extensions. 2. Lower Meechnuttu. 3. Idukki Augmentation Scheme. 4. Malankara 5. Chembukadavu, Urumi 6. Neriyanmangalam Extension Scheme 7. Athirappilly HEP. <p>The Project Managers have overall charge of projects and shall be responsible for the progress of the projects in the civil and erection side. They will be having</p>

(1)	(2)	(3)	(4)	(5)
				<p>technical, administrative, and financial powers with regard to the projects. Approval of the drawings, designs issuing clarifications etc. relating to the project shall also be done by the Project Manager. The progress of the projects are being reviewed regularly by the Chairman and full time Members, besides the Chief Engineers concerned and this serve as a Management Cell.</p>

Remarks of the Committee :

The Committee wants to know whether the Department has taken any action against the officials responsible for such a huge escalation in the cost of the project.

(1)	(2)	(3)	(4)	(5)
6	27	Power	<p>The Committee recommends that responsibility should be fixed for the delay in filing execution petition for the award by the arbitrator and realizing the amount from the contractor. Appropriate action should be taken against those found responsible and the details intimated to the Committee.</p>	<p>The delay in filing execution petition for the award by the arbitrator was due to the following reasons:</p> <p>The judgment of the above decree was received only in 1/95.</p> <p>In order to file execution petition the details of assets of the judgment debtor, details regarding his landed properties such as survey number, village, extent, location etc. were required and unexpected delay occurred in collecting these details.</p> <p>In the meantime the judgment debtor expired.</p> <p>As a result, the details of his legal heirs and their assets were also to be assessed and the details had to be collected from the village authorities for filing execution petition.</p> <p>The execution petition was filed immediately on receipt of the details from the revenue authorities. The Hon'ble Court has granted an order of attachment of 28 cents of property and a building</p>

(1)	(2)	(3)	(4)	(5)
				<p>in Survey No.2058 of Thirumala (Aramada) village, on 18-10-2004. The service of an officer of the Board has been made available to help the Ameen to identify the property and render required assistance so that the Hon'ble Court's order of attachment can be executed without delay. In view of these it is submitted that the Committee may reconsider the recommendation.</p>

Remarks of the Committee :

The Committee wants to know the current status of the attachment proceedings of the property from the legal heirs of the contractor.

(1)	(2)	(3)	(4)	(5)		
7	28	Power	<p>The Committee understands that an amount of Rs. 277.36 lakh is pending recovery from the various contractors who had executed the works relating to power tunnel and the inter-connecting tunnel. The Committee desires to be informed whether the amount had since been recovered in full and the various steps taken by the Board to recover the amount.</p>	<p>The details of recovery effected from the contractors are shown below :</p>		
			<p><i>Name of Contractor</i></p>	<p><i>Amount to be recovered as per one Man Fact Finding Commission (Rs. in lakhs)</i></p>	<p><i>Amount recovered (Rs. in lakhs)</i></p>	<p><i>Amount remained to be recovered (Rs. in lakhs)</i></p>
			M/s. IPC	48.35	50.02	(-) 1.67
			M/s. Charles C. George	125.70	69.74	55.96
			M/s. R. J. Shah & Co.	55.34	17.37	37.97
			M/s. Paily Pillai & Sons	69.04	47.08	21.96
			Total	298.43	184.21	114.22

(1)	(2)	(3)	(4)	(5)
				<p>Pursuant to the findings of the One Man Commission, the contractors M/s. Paily Pillai & Sons, M/s. R. J. Shah & Co. and M/s. Charles C. George filed OP (OP No. 20899 of 1999, 31361 of 1999, 8334 of 2000) before the Hon'ble High Court of Kerala challenging the decision of the Board to implement the recommendation of One Man Fact Finding Commission. The said cases are pending with the Hon'ble High Court of Kerala. The final settlement of the accounts of these contractors can be done only after the disposal of the cases.</p>

Remarks of the Committee :

The Committee expressed its displeasure on the inordinate delay of recovery of the amount from the contractor and recommended that Department should take immediate steps for the speedy disposal of the case pending before court.

(1)	(2)	(3)	(4)	(5)
8	29	Power	The Committee is not satisfied with the explanations given by the Board in defense to the various audit objections pointed out by the Comptroller & Auditor General of India in his report regarding the implementation of the Kakkad Hydro Electric Project. The implementation as a whole from the stage of tender itself is not transparent and gives room for doubts as to the nexus between the contractors and Board. The Board which is plunging into loss day by day has totally failed to safeguard its interest. The Committee therefore, recommends that a detailed Vigilance enquiry into the implementation of the Kakkad Project be conducted.	The execution of works as per the contract with M/s. Paily Pillai & Sons (tunnel contractor) and with M/s. T. O. Abraham & Co. (Surge and pressure shaft works) are under vigilance investigation.

Remarks of the Committee :

The Committee desires to be furnished with the present stage of the on going Vigilance investigation on the execution of the work of the Kakkad Project.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
30th June, 2008.

*Chairman,
Committee on Public Undertakings.*