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FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2023-2026)**

SEVENTEENTH REPORT
(Presented on 1-2-2024)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2024

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2023-2026)**

SEVENTEENTH REPORT

On

**The action taken by Government on the Recommendations
contained in the Hundred and Sixth Report of the Committee
on Public Undertakings (2014-2016) relating to Roads and
Bridges Development Corporation of Kerala Limited,
based on the Report of the Comptroller and Auditor
General of India for the year ended on 31st
March 2010 and 2011 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-2026)

COMPOSITION

Chairman:

Shri E. Chandrasekharan.

Members:

Shri A.P. Anil Kumar

Shri Anwar Sadath

Shri Ahammad Devarkovil*

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla.

Legislature Secretariat:

Shri Shaji C. Baby, Secretary -in -charge

Shri Venugopal R., Joint Secretary

Smt. Jayasree M., Deputy Secretary

Shri Mohanan O., Under Secretary.

* In the vacancy of Shri K.B Ganesh Kumar sworn in as Transport Minister w.e.f. 16-01-2024

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2023-2026) having been authorised by the Committee to present the Report on their behalf, present this 17th Report on the Action Taken by the Government on the Recommendations contained in the Hundred and Sixth Report of the Committee on Public Undertakings (2014-2016) relating to Roads and Bridges Development Corporation of Kerala Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2010 and 2011(Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the Committee at its meeting held on 23-11-2021.

This Report was considered and approved by the Committee at its meeting held on 22-12-2023.

The Committee place on record their appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala, officials of Public Works Department and Roads and Bridges Corporation Limited who were present during the examination of the Action Taken Statements included in this Report.

Thiruvananthapuram,
1-2-2024.

E. CHANDRASEKHARAN,
Chairman,
Committee on Public Undertakings.

REPORT

This Report deals with the action taken by Government on the recommendations contained in the Hundred and Sixth report of the Committee on Public Undertakings (2014-2016) relating to Roads and Bridges Development Corporation of Kerala Limited based on the report of the Comptroller and Auditor General of India for the year ended 31st March 2010 and 2011(Commercial).

The Hundred and Sixth Report of the Committee on Public Undertakings (2014-2016) was presented to the House on 18th February 2016.

The Report contained seven recommendations and the Government furnished replies to all these recommendations.

The Committee (2021-2023) considered and approved the replies received from Government after considering the explanation by the officials from Public Works Department and Roads and Bridges Development Corporation of Kerala Limited at its meeting held on 23-11-2021.

The Committee accepted the replies to the recommendations without remarks. The recommendations and the replies furnished by the Government form Chapter I of this Report.

CHAPTER – I

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

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	8	Public Works Department	The Committee finds that the failure of the Company to ensure the availability of required land within the allotted time forced them to re-tender the works which consequently affects the smooth execution and incompleteness of works. The Committee also finds that inordinate delay had occurred on the part of Government also to make available the required land.	RBDCK is engaged in the construction of infrastructure projects on behalf of Government of Kerala using borrowed funds as well as Government funds. In the initial stages of the company many of the projects were tendered before taking possession of the entire land required for the construction. In the agreement with contractors, it was specifically mentioned that the land will be handed over to the contractor in stages in accordance with the progress of work. Tendering and commencement of work was done in the bonafide belief that the land acquisition will be completed by the District Collectors concerned in time.

2	9	Public Works Department	<p>The Committee expresses discontent towards the arguments of the witness that works were tendered in good faith assuming the availability of land during the progress of work and opines that in almost all cases the work tendered in good faith before acquiring the required land would result in loss. The Committee recommend that in order to avoid loss due to the delayed completion of projects the managements should strictly ensure the availability of land before inviting tenders for the works.</p>	<p>In majority of the cases, the Company could provide the required land in accordance with the progress of work. In some of the cases, the land acquisition was not completed in time, and the company could not hand over the land in time and the project got delayed.</p> <p>After the report of the Committee has been received, the Company adopted a policy of tendering the work only after getting 100% land in possession. So this kind of issue will not occur in future.</p>
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The Committee while considering the Government reply sought explanation regarding the stage of the work of the remaining 9 ROB's and the witness replied that, the work of one ROB was cancelled and 8 were completed during 2009-2010. At present of the remaining 72 works, after acquiring land the tender process will start as per the Committee's recommendation. The Committee approved the Government reply based on the explanation of the witness.

(1)	(2)	(3)	(4)	(5)
3	10	Public Works Department	<p>The Committee observes that hasty decision of the Company to award construction work of ROBs before acquiring the required land free of encumbrance and the commencing of work on railway portion without obtaining prior approval from Railways reveals that the Company have neither a definite plan of action for the construction and execution of major works nor an effective mechanism to follow up with concerned Authorities like Railways to get necessary approvals in time. The Committee remarks that if the Company had proper monitoring team and proper planning revenue loss of Rs.16.17 crore in the way of re-tendering and enhancement of rates could have been avoided.</p>	<p>The State Government entered into an MoU with Indian Railways during the year 2002 for the construction of 20 ROBs in the State, in which the Railway portion also was to be constructed by State Government/Government Agency. As per the MoU, the constructing agency has to get approval of Railways for designs of the portion of the bridge coming in Railway land. Though the contractors and RBDCK submitted required designs in time, the Railways had not approved the design as quickly as expected, causing delay in completion of the project. It was the first time the Railways had permitted any State/State Government Agency to construct bridges on Railway land and hence there was no historical information to reasonably assess the time required for the approval of Railways.</p> <p>Now all the ROBs included in the MoU has been completed and Railways has not extended in the MoU for other projects. So this will not happen in future.</p>

4	11	Public Works Department	<p>The Committee expresses its suspicion towards the action of the Company to award the contracts for the non MoU works also instead of awarding works to approach road portion only according to MoU. The Committee remarks this as the best example of sheer negligence on the part of the Company for causing compensation claims and loss of profit. The Committee directs that such lapses should not be repeated and recommends that the existing and monitoring system prevailed in the Corporation should be changed and an effective mechanism should be evolved to follow-up the ROB projects for getting timely approvals from Railway Authorities.</p>	<p>As the Railways had accorded sanction to the State Government in 2002 to construct the entire ROB including Railway portion by way of an MoU for 20 ROBs, the Company was under the impression that the MoU will be extended for other ROBs also. On such an expectation the company tendered the construction of 3 ROBs in Palakkad together including Railway portion. But the Railways did not include additional ROBs under the MoU, and hence the company could not complete railway portion of 2 ROBs out of the 3 tendered in Palakkad. Thereafter the company invites tenders for approach portion only. This was a one time event and has not been repeated since then.</p>
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To the query of the Committee in the above matter, the witness replied that currently works are tendered only after obtaining NOC and all relevant clearance from Railways and a clause has been included in the tender document stipulating

that if clearance for the Railway portion of ROBs is not obtained, the remaining portion of the work should be completed in time as per the agreement. The witness further clarified that at present works are executed only after proper planning. The Committee accepted the reply.

(1)	(2)	(3)	(4)	(5)								
5	12	Public Works Departmen	The Committee directs that a detailed report regarding the ongoing projects tendered by the Company, the works which had been completed within the stipulated time, escalation cost etc. should be furnished to the Committee within one month.	The details of ongoing projects and completed subsequently by the company is tabulated below.								
				Sl. No.	Name of Work	Agreed PAC	Actual Cost incurred (in Rs)	Date of Commencement	Date of completion as per Agreement and Supplementary agreement	Actual date of completion	Escalation cost (in Rs)	Present Status
				1	ROB at Eroor	11,45,75,251	100970304	1-12-2014	30-5-2017	7-1-2017	NIL	completed
				2	ROB at Angadi ppuram	12,61,89,866	154004710	4-2-2014	31-3-2016	26-3-2016	26.5% on agreed items in the BOQ as per original agreement , only for the quantities executed after 1-8-2015	completed

				3	ROB at Kunjipally	11,72,69,302	101721287	13-2-2014	12-5-2015	Not completed	NIL	Retendered the work and bid opened
				4	Airport Seaport road (Phase II section A) H M T to NAD	35,07,88,700	93737403	24-11-2015	23-11-2016	Not completed	NIL	38.5% completed
				5	Airport Seaport Road (Phase II-section B) Mahilal ayam Junction to Chowara including two bridge across Periyar river	27,29,06,194	25,07,73,178	22-6-2013	31-3-2017	30-3-2017	NIL	completed
				6	Palarivattom Flyover	41,27,98,842	34,85,10,854	5-3-2014	4-3-2016	12-10-2016	NIL	completed

The Committee enquired about the present position of the works related to ROB at Kunjippally and Airport-Seaport road from HMT to NAD. The Managing Director replied that the ROB at Kunjippally has been completed. In the case of Airport-Seaport road, the required land has not been made available by HMT and NAD, and NAD has agreed to hand over the land after discussion with the company. But the land acquisition related to HMT has to be dealt with the Central Government and consequently Industries Minister and PWD Minister are holding discussions with the Central Government in the said matter and 52% of the work had been completed and no cost escalation is needed at present for the completion of the work. The Committee accepted the reply.

(1)	(2)	(3)	(4)	(5)
6	15	Public Works Department	The Committee remarks that the decision of the Company to invest surplus fund in mutual funds instead of investing it in the Government Treasury is totally unjustifiable and criticise the then Managing Director who wilfully violated the Government Order in this regard. The Committee is not at all satisfied with the arguments of the witness that even though audit objection regarding	The Directions of the Committee has been conveyed to Managing Director, Roads and Bridges Development Corporation Kerala Limited and requested to furnish explanation from the then Managing Director regarding the decision of the Company to invest surplus fund in mutual funds instead of investing it in the Government Treasury violating the Government Order (Circular No.84/97/Fin dated 5-11-1997 and Circular no.75/09/Fin dated 29-8-2009) in this regard. Government have examined the explanation submitted by the then Managing Director, Smt. Sreelekha IPS in detail. According to the explanation RBDCK was a sinking company when she took charge as Managing Director on 19-6-2006 with debts more than 100 crores due to various banks

			the matter is true, the Company gained a profit of ₹ 11 lakh than if it was invested it in Treasury or Nationalised Banks.	including HUDCO and also due bond amounts. A loan of Rs.53.6 Crores was sanctioned from Kerala Road Fund Board in various installments to continue the pending work of ROBs and to repay some of the loan which were in the red. This amount was taken at an interest rate of 9.5% and 6 % for the various installments of loan amounts sanctioned. The funds generated from Loan, toll amount collected from RoBs and from Advertisements near RoBs were used for pending construction activities as well as for meeting overhead running costs of RBDCK. Since interest was due to Kerala Road Fund Board also, a decision was taken to lodge excess fund not immediately needed with Mutual Funds of reputed Central Government and revenue generating companies for making profit. Over a period of 3 years an amount of 3 crores which was deposited initially and a total amount around Rs.20 crores which was profit generated from these transactions also were deposited in Mutual Funds and the organization could make good income out of this.
7	16	Public Works Department	The Committee recommends that since such investments are against the interest of Government strict warning should be given that such unviable decisions should not be repeated in future. The Committee also directs the Government to furnish report after seeking explanations from the then Managing Director regarding the matter and call for details regarding the circumstances which led to the investment.	The investment in the Mutual Funds generated a revenue of over Rs.11 lakh in excess to that which would have generated through investment in Government Treasury or Nationalised Banks. The real profit through this was around Rs.2.10 crores.

				<p>The then Managing Director informed that the decision to invest in Mutual Funds was not unilateral but taken with the approval of Board Members for the best interest of the organization and also since there was financial gain due to that decision. Hence Managing Director requested to drop the objections by accepting the explanation (as Annexure I).</p>
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The Managing Director replied to the query of the Committee that since 2009 the company had dropped the practice of investment of surplus fund in mutual fund and as per the recommendation of the Committee the amount invested in mutual fund had been withdrawn. The Committee accepted the Government reply and the explanation from the then Managing Director who had taken the decision to invest in mutual fund.

Thiruvananthapuram,
1-2-2024.

E. CHANDRASEKHARAN,
Chairman,
Committee on Public Undertakings.