

CHAPTER VI

COMMERCIAL ACTIVITIES

General

6.1 Lack of accountability for the use of public funds in departmental commercial undertakings

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that Government can assess the results of their working. The Heads of Department in Government are to ensure that the undertakings which are funded by the budgetary release, prepare the accounts on timely basis and submit the same to Accountant General for audit. In respect of certain schemes/activities run on a commercial basis also, the Heads of Department concerned have to submit *pro forma* accounts. As of March 2001, there were seven such undertakings/trading schemes under Government of Kerala, of which two undertakings did not prepare accounts for more than 10 years, two undertaking/scheme for more than five years, one scheme for two years and two undertaking/scheme for one year.

Comptroller and Auditor General of India has in the Audit Reports of the State repeatedly commented upon the failure of the Heads of Department and the management of the undertakings, to prepare the *pro forma* accounts. The matter was also brought to the notice of Finance Department and the Secretary of the concerned departments. In spite of these, there was little improvement in the situation and most of these undertakings have not finalised their accounts for long periods. As a result, accountability of the management and Government in respect of the public funds spent by these undertakings was not ensured.

The department-wise position of arrears in preparation of *pro forma* accounts is given in the following table:

Sl. No.	Department	No. of undertakings under the Department	Account not finalised (Name of undertaking/trading scheme)	Year for which accounts are due
1.	Finance Department	1	Kerala State Insurance Department	1967 to 1982 and 1991 to 2000
2.	General Education Department	1	Text Book Office, Thiruvananthapuram.	1987-88 to 1995-96 and 1998-99 to 2000-01
3.	Public Works and Transport Department	1	State Water Transport Department, Alappuzha.	1991-92 to 2000-01

Sl. No.	Department	No. of undertakings under the Department	Account not finalised (Name of undertaking/trading scheme)	Year for which accounts are due
4.	Home Department	1	Rubber plantation at open prison, Nettukaltheri	2000-01
5.	Agriculture (Animal Husbandry) Department	3	(i) Intensive Poultry Development Block, Muvattupuzha.	1993-94 to 1996-97, 1999-2000 and 2000-01
			(ii) Intensive Poultry Development Block, Pettah	1994-95 and 1995-96
			(iii) Feed Compounding Unit, Chengannur*	2000-01

The *pro forma* accounts from April 1983 to June 1983 in respect of Egg Collection and Marketing Scheme, Chengannur (wound up on 30 June 1983) and that of Livestock and Poultry feed Compounding Factory, Malampuzha (transferred to Kerala Live Stock Development Board from 1 May 1976) for 1970-71 were also in arrears.

No action was taken against the managements of these undertakings for such failure. Government should take steps to finalise the accounts in arrears in respect of those undertakings. Government should also re-examine the justification of release of budgetary funds to the undertakings since their utilisation cannot be monitored effectively in the absence of accounts. A synoptic statement showing the summarised financial results of one undertaking on the basis of latest available accounts is given in Appendix XXVIII.

The matter was referred to Government in November 2001; reply has not been received (October 2001).

PUBLIC WORKS AND TRANSPORT DEPARTMENT

6.2 Working of State Water Transport Department

6.2.1 Introduction

The State Water Transport Department formed in June 1968 with headquarters at Alappuzha, operates inland water transport services on 104 routes covering a route distance of 1818.16 Km. Water Transport Wing of the Kerala State Road Transport Corporation, operating ferry services in Ernakulam, was merged with the Department in July 1994.

Working of the Department was commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Civil). The Committee on Public Accounts recommended (December 2000) that an experienced person should be at the helm on regular basis for revamping the organisation and that after a work study to assess the man- power requirement,

* Formerly Poultry Feed Manufacturing and distribution Scheme, Chengannur.

surplus staff should be redeployed. Working of the Department from 1996-97 to 2000-01 was reviewed during May-June 2001. The following points emerged:

6.2.2 Delay in finalisation of accounts

Pro forma accounts completed up to 1990-91 only

Pro forma accounts of the department have been finalised only up to the year 1990-91 as of May 2001. Government stated (October 2001) that its Director had been directed to complete the pending accounts in a time-bound manner.

6.2.3 Operational results

The operational statistics* of the Department for the five years 1996-2001 are given below:

	1996-97	1997-98	1998-99	1999-2000	2000-2001
Number of Routes	103	92	96	95	104
Route Distance (Km)	1689.16	1726.16	1782.63	1730.60	1818.16
Total distance to be covered on scheduled operations (in lakh Km.)	27.44	27.47	27.88	29.54	28.91
Scheduled services actually operated (in lakh Km)	24.66	24.63	24.74	25.84	25.70
Scheduled services cancelled (in lakh Km.)	2.78	2.84	3.14	3.70	3.21
Percentage of cancellation of services	10.15	10.35	11.29	12.54	11.10
Number of passengers carried including students (in crore)	2.66	2.31	2.41	2.41	2.42
Total Expenditure (Rs. in crore)	7.03	8.64	9.31	11.06	12.68
Total Receipts (Rs. in crore)	3.82	4.00	4.10	4.21	4.65
Loss (Rs. in crore)	3.21	4.64	5.21	6.85	8.03
Average receipts per Km (Rs.)	15.50	16.23	16.57	16.29	18.08
Average expenditure per Km (Rs.)	28.50	35.09	37.62	42.81	49.33
Average loss per Km.(Rs.)	13.00	18.86	21.05	26.52	31.25
Average receipts per passenger (Rs.)	1.44	1.73	1.70	1.75	3.31
Average expenditure per passenger (Rs.)	2.64	3.74	3.87	4.59	5.23

Heavy losses incurred year after year, from Rs 3.21 crore in 1996-97 to Rs 8.03 crore in 2000-01

The above statistics revealed that average expenditure per kilometre went up by 73 *per cent* from Rs 28.50 in 1996-97 to Rs 49.33 in 2000-01 while average receipt per kilometre increased by 17 *per cent* from Rs 15.50 to Rs 18.08 only. Thus average loss per km went up from 84 *per cent* to 173 *per cent* during the same period. While average growth of receipts was only 5 *per cent*, the average growth of expenditure was 20 *per cent*. Consequently, the annual operating loss increased from Rs 3.21 crore in 1996-97 to Rs 8.03 crore in 2000-01. National Transportation Planning and Research Centre (NATPAC), in their Report submitted (December 2000) to Government pointed out the necessity to combine/club/cancel certain low-earning trips/schedules in 12 operating stations. No action on these recommendations has been taken by Government (September 2001).

6.2.4 Fleet strength and utilisation

Most of the boats in service overaged

The Department had not fixed the normal life span of a boat (October 2001). As of March 2001, there were 81 passenger boats, of which 12 boats were more

* Provisional figures as accounts have not been finalised

than 30 years old, 27 boats were 20 -30 years old, 27 boats were 10 - 20 years old and remaining 15 boats were less than 10 years old.

The table below indicates the total number of boats plied, number of boats repaired during each year and number of boats awaiting repairs during 1996- 2001.

Year	Number of passenger boats	Number of serviceable boats	Number of boats repaired	Number of boats awaiting repairs as on 31March
1996-97	74	51	25	23
1997-98	74	56	31	18
1998-99	80	55	24	25
1999-2000	83	56	18	27
2000-01	81	54	13	27

Due to lack of repair of boats scheduled trips were frequently cancelled

The number of repaired boats decreased drastically since 1997-98, from 31 in 1997-98 to 13 in 2000-01. Due to prolonged waiting time for repairs, one third of the fleet strength remained non-operational. As repairs were badly delayed scheduled trips were frequently cancelled leading to loss of revenue collection.

Government stated (October 2001) that the Director was instructed to carry out timely repairs and to avoid frequent cancellation of trips due to delay in repairs.

6.2.5 Poor performance of dock and repair staff

The repairs and maintenance unit of the Department was located at Alappuzha Dock yard under the supervision of the Mechanical Engineer (ME) with one Works Manager, one Assistant Works Manager and 115 workers.

a) Inordinate delays in carrying out repairs

Delay in repair ranged up to 11 years

As on 31 March 2001, twentyseven passenger boats were awaiting repairs. The boats were awaiting repairs for periods ranging between 1 and 11 years of which 19 were in Alappuzha dock. Of this, 12 boats of Alappuzha dock were kept submerged in water. The prolonged detention of boats submerged in water (instead of dry docking) resulted in further deterioration in the condition of the boats. During 2000-01, Department lost 7704 boat days in excess of the permissible loss of 90 days for major repairs.

Government stated (October 2001) that 12 boats were marked for sale and attributed the delay in repair to shortage of employees. The contention of Government is not tenable as no yardstick regarding out-turn of work has been fixed so far.

b) Idle investment on land

To augment the repair facilities at Dock and Repair Section, Alappuzha the Department acquired 67.12 ares of land at Ponjikkara in October 1994 at a cost of Rs 28.61 lakh. However, the land was not put to use even after 6 ½ years as a modern slipway estimated to cost Rs 1.92 crore was not approved by Government.

6.2.6 *Uneconomic operation of passenger boat services*

(i) *Boat service at Payyannur*

The boat services between Payyannur and Kottappuram were stopped from October 1993 as two new boats procured at a cost of Rs 10 lakh became unserviceable for want of repairs. The boat services were revived in March 1997 on a revised route.

New services were not popular and caused heavy loss

Against total expenditure of Rs 28 lakh on operating the services (excluding administrative overheads) revenue earned was only Rs 8.88 lakh, which did not cover even the fuel cost. The uneconomic operation was mainly due to the reason that places enroute were well connected with bus services and private ferry services. Despite huge losses year after year, the Department has not scaled down its operation.

(ii) *Boat service at Parassinikadavu*

Boat service from Parassinikadavu Station functioning from September 1998 also suffered from lack of patronage from travelling public. Total expenditure in 2000-01 worked out to Rs 30.93 lakh while total revenue generated was Rs 6.55 lakh.

Government stated (October 2001) that the Director has been asked to review the uneconomic operations from these two stations.

6.2.7 *Avoidable expenditure on construction of slipway at Thevara*

Construction of slipway entrusted to an inexperienced firm

To provide adequate facilities for repair of boats in Ernakulam region, Department started (July 1996) construction of a modern slipway at Thevara. No open tenders were invited. Steel Industrials Kerala Limited (SILK) was entrusted (April 1999) to construct the slipway at a cost of Rs 38 lakh of which Rs 19 lakh was paid as advance in April/May 1999. Though the work was due to be completed by September 1999, the site was handed over to SILK only in April 2000. In violation of the terms of agreement, SILK entrusted (June 2000) the work of supply and erection of winch and other accessories (for Rs 16.50 lakh) and civil works (Rs 11.94 lakh) to private firms without approval of the Department. As of May 2001, only 44 *per cent* of the work was completed. As SILK had no expertise for such construction, entrustment of the work of construction of slipway again to SILK lacked justification. As such, the expenditure (Rs 19 lakh) incurred on construction of the slipway did not serve the intended purpose.

Government stated (October 2001) that an expert team constituted for the purpose has prepared an action plan to complete the work.

6.2.8 *Inordinate delay in supply of steel boat*

In April 1998, SILK proposed to construct steel passenger boats at Rs 21.50 lakh per boat to replace the unserviceable boats in a phased manner. Government sanctioned (December 1998) purchase of one steel boat of 150 passenger capacity

at an estimated cost of Rs 28 lakh. An advance of Rs 25 lakh was paid to SILK in March 1999, for supply within August 1999. The boat was not supplied as of October 2001.

Government stated (October 2001) that 95 *per cent* of the work on the boat was over and it would be released soon.

6.2.9 Idle/infructuous investment

(a) Based on Government sanction Director purchased (July 2000) 12 marine diesel engines along with accessories (cost: Rs 29.34 lakh) to be fitted in twelve boats. Only eight engines could be fitted to the boats upto October 2001 and the remaining four engines (cost: Rs 9.78 lakh) could not be commissioned due to non-availability of gear boxes, delay in repairing of boats, as of September 2001.

(b) Director purchased 20 Ghatge Patil brand gear boxes with accessories at a cost of Rs 7 lakh during March-November 1992. These gear boxes were found unsuitable for the Leyland engines. Consequently, the Department had to purchase 15 David Brown brand gear boxes at a cost of Rs 7.38 lakh between February 1995 and April 1997. Thus expenditure of Rs 7 lakh was a waste. The Director stated (August 1999) that purchase of ghatge patil gear boxes was effected as per Government orders.

6.2.10 Delay in construction of administrative block

A three storeyed building at a cost of Rs 10.75 lakh was sanctioned in June 1994 for storing the valuable materials and to accommodate the office of the Mechanical Engineer. The estimate was repeatedly revised, last one for Rs 25.50 lakh in April 1998. PWD took up the work in September 1999 but the construction work has not been completed as of May 2001.

Government stated (October 2001) that the delay was beyond the control of the Department.