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GOVERNMENT OF KERALA

Abstract

Transport Department – Kerala State Road Transport Corporation – Financial crisis – Revival package for the Corporation – Administrative sanction for the implementation – Accorded - Orders issued.

TRANSPORT (A) DEPARTMENT

G.O.(Ms) No: 06/2014/Tran Dated, Thiruvananthapuram: 01.02.2014

Read:- Minutes of the meeting held on 21.01.2014 by the Secretary (Finance Expenditure)

ORDER

Considering the severe financial crisis being faced by the Kerala State Road Transport Corporation, a revival package has been prepared and submitted by the Corporation (Appended) for addressing the major problems like huge pension liability, heavy burden of loan raised from various financial institutions and Government, irrational routes and trips, lack of automations etc.

(2) The revival package and the route map for the implementation of the same were discussed in the meeting held on 21.01.2014 by the Secretary [Finance Expenditure] in Government Secretariat. The meeting has approved the following route map for implementation of the revival package submitted by Chairman & Managing Director, KSRTC : -

a) One of the major problem being faced by KSRTC is its monthly pension payments.Corporation need nearly Rs.37 Crore towards payment of pension.Such a huge non-operating expenditure has affected the financial viability of the Corporation. In order to find a permanent solution to this burgeoning liability, LIC has presented various scenarios in the revival package. For carrying out the suggestion Rs.500 Crore initially to be paid during this financial year and thereafter Rs.480 Crore to be provided every year for the next 12 years. The KSRTC will furnish a firm proposal in this matter to Government.

b) The Corporation will make revaluation of assets including land and building to be completed within three months.

c) Dues of KSRTC towards KTDFC are around Rs.1300 Crore and carrying interest @ of 14.5% with pay back period of 5 years. Current monthly repayment on account of this is Rs.40 Crore. As a part of revival package, KSRTC has negotiated with LIC of India for swapping of the KTDFC loan and LIC has agreed in principle to takeover the loan @ 10% interest, repayable in 15 years. Thus, monthly repayment of the loan could be reduced to Rs.15 Crore. With this move KSRTC would reduce financial cost to a good extent, which will be worked out within a month and presented in the Board of KSRTC.

d) Conversion of Government loan amounting Rs.890 Crore as equity:-
At present the corporation has equity worth ₹. 525 crore. The proposed conversion is to be considered after implementing the other internal restructuring and revival package.

e) Regarding introduction of Pension Cess for tickets above Rs.25, the KSRTC will submit proposal as a policy matter to Government.

f) Through modification of schedule, route rationalization by combining nationalised as well as private routes, cash compensation for additional duty for reducing average employee per bus, rationalisation of Trip (Trip management), increase of Fast Passenger, Super Fast and Super Express bus services in long distance routes, reducing average employee per bus from current 7.8 to the national average of 5.5, the Corporation could fetch more revenue and this restructuring would be completed within two months. This would be submitted to the Board with in two months.

g) The fare were last revised on 11.11.2012. Now a fare revision has become due. An increase of ₹. 50 lakh per day is expected through fare revision. Through route and trip management another ₹. 50 lakh can be fetched and thereby the Corporation could reach near to the break-even point which is ₹. 6.37 crore per day. Now, the Corporation is able to mobilise only ₹.5 crore per day. This would be presented to the Board within two months.

h) The Corporation has already introduced GPS facility in long distance services. GPRS, RFID etc would be implemented within a short period so that effective customer relation system and customer satisfaction could be ensured and this inturn improve the facilities provided to the customers. Punctuality of the staff could be monitored and profitable routes could be identified through GPS.

i) The present system of issuing free traveling pass to retired employees will be reviewed as it is not a good practice and a huge sum can be saved from this. The matter will be discussed in the ensuing Board of Director's meeting. Revival measures will be placed in every Board meeting as a regular item for discussion / approval.

(3) Government have examined the matter and are pleased to accord sanction for the implementation of revival package for KSRTC in accordance with the above route map framed for its implementation. The Chairman & Managing Director, KSRTC will ensure that all the proposed revival measures to be carried out internally in a time bound manner, under the periodic evaluation through an ingenuous monitoring system constituted for the purpose.

(4) The progress in evaluation and review of the implementation of the package should be reported to Government in every month without fail.

By order of the Governor
Dr. V.M. Gopala Menon
Secretary to Government

To,

The Principal Accountant General (A&E)/Audit, Kerala, Thiruvananthapuram
The Chairman & Managing Director, Kerala State Road Transport Corporation, Thiruvananthapuram
The Finance (PU-A) Department [vide U.O No.4374/PU A2/14/Fin dated 28.1.2014]
The Finance (BW) Department
The Public Relations (NMD) Department.

Copy to:- P.S to Minister (Forest, Environment, Transport, Sports & Cinema)
P.S to Minister (Finance, Law & Housing)
A.S to Chief Secretary
P.A to Additional Chief Secretary (Finance)
P.A to Secretary (Finance Expenditure)
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FINANCIAL CRISIS AND REVIVAL PACKAGE

KERALA STATE ROAD TRANSPORT CORPORATION

NOVEMBER, 2013

FINANCIAL CRISIS AND REVIVAL PACKAGE

CONTENTS

INTRODUCTION

Kerala State Road Transport Corporation was established in 1965 under the provisions of Road Transport Corporations Act 1950. The present fleet strength is about 6100 nos. There are about 35000 permanent and 9801 temporary (empanelled) employees. Total number of pensioners are 36130.

The Corporation functions under 5 zones with 92 depots. The total land area is about 418 Acres spread across 92 depots which is having high commercial potential. Corporation has already started utilizing this potential in order to augument non operative income. At present the percentage of operation of KSRTC in the realm of public transport is about 27%, the rest being handled by private sector bus operators.

The paid up capital of the Corporation is Rs.587.10 Crores and accumulated loss is Rs.3014.74 crores.

The total income for a month is about Rs.144 Crores with monthly expenditure of Rs.234 Crores resulting in a resource gap of Rs.90 Crores per month. Corporation has a loan liability of about Rs.2000 Crores. Around Rs.1300 Crores were availed from KTDFC, HUDCO, LIC etc. and Rs.665.50 Crores from Government.

THE CRISIS

The Corporation is facing severe **financial crisis** for the past several years. This crisis is mainly the **result of introduction of the pension scheme at par with Government** to the employees of **Kerala State Road Transport Corporation in the year 1984.** The monthly pension payment is to the tune of Rs.40 Crores. Meeting this non operating expenditure from the internal revenue stream had resulted in huge commercial borrowing, the repayment of which is also about Rs.40 Crores per month.

This shows that monthly pension payments and monthly repayment of loan taken for paying pension constitute Rs.80 Crores of the monthly deficit of Rs.90 Crores. Since the number of pensioners are on the increase this burden is bound to grow at least for next two decades. The details of revenue expenditure gap is given as **Annexure I.** This is the most important issue and if it is addressed outside the normal revenue stream, then Kerala State Road Transport Corporation can be in sound financial footing within a couple of years. The other major issues are explained below.

Policy Issues

- No compensation has been provided to Kerala State Road Transport Corporation for concessions provided by

Government to physically challenged, cancer patients, freedom fighters, journalists etc.

- No other State Transport Undertakings in India pays pension at par with Government. In some State Transport Undertakings, limited pension is provided by setting up separate fund and not from normal revenue stream.

- Tariff (Bus fare) is decided by Government which does not take into account of pension expenses.

- New schedules are sanctioned without much study and under pressure from various sources and yielding to lobbies. This affects financial viability of schedules.

Human Resources Issues

- The Executive Directors are not well qualified. Out of 5 Executive Directors, 3 are not even graduates and one with only SSLC. The leadership vacuum at critical positions makes it difficult to introduce reforms.

- The depots are considered to be the profits centres of KSRTC. The Assistant Transport Officer/District Transport Officer heading the depots are not having any administrative experience. Nor they have any business acumen. They are directly promoted from the category of Inspectors whose job profile does not include administration. There is need to have competent and qualified officers at this level.

- The Corporation which has an income of about Rs.1700 crores and expenses of about Rs.2700 crores does not have a Chartered Accountant. This is also a serious issue to be addressed.

- There is no well organised training division in Kerala State Road Transport Corporation. Neither it has got a research wing to pursue innovation.

- The number of crew per bus is high compared to other State Transport Undertakings. It is about 7.8 in Kerala State Road Transport Corporation. It is necessary to bring it down to 6.5.

- Highly centralised administration with high level of trade union intervention and high partisan attitudes among employees on trade union basis even in the case of disciplinary issues. No proper employee grievance handling system prevails.

Operational Issues

- The Corporation has about 5607 schedules with around 18 lakhs Kilometers per day. Out of this only 20% is in Fast Passenger and above category. It should be atleast 50% in order to ensure financial viability.

- No rationalization of routes and no scientific study before sanctioning a route.

- Low capacity utilization in nationalized sector which resulted in increased illegal private parallel service operations.

- Unwanted competition with private sector resulting of in low income.

- There are several services which operate to isolated areas and many services at odd hours ie. during late nights and early hours on public demand. In most of the cases these services are at loss. But the expenses on account of these social commitments have not been compensated by Government.

- Over a period of last 10 years ticket checking has seen reduced in field due to entrusting several other less important responsibilities to ticket checking Inspectors ie entrusting more office jobs, enquiries, petition enquiries etc. This leads to revenue leakage.

- Punctuality and regularity in services are not kept due to various reasons.

Technology Issues

- The total computerisation is in slow progress. Main reasons are lack of qualified personnels at key positions especially at depot level, lack of specialization at Head Office level to provide required policy / technical support except an EDP Centre, resistance to change at higher levels etc.

- The operations can be streamlined only through technology intervention. GPRS enabled Electronic Ticketing Machines (ETMs) have been introduced. GPS has to be introduced in all buses to improve efficiency and provide passenger information.

- Corporation has got technical talents at various levels. But no focused leadership to promote this. No systems to promote research or innovation. Recently internal talents has developed a **"speed arrester"** device which costs less than one tenth of normal price of what is available in market and this can be patented. But there is no qualified manpower to pursue these kind of things.

- KMPL (Kilometer per Litre) improvement is another area to be addressed. Driving behaviour has to do a lot with this. Constant training/counselling is needed for this.

REVIVAL PACKAGE

In view of the above said crisis, Kerala State Road Transport Corporation finds it difficult to move forward. Even day to day operations will get affected in near future. In this context following package of solutions are offered. These suggestions mainly pertain to addressing monthly pension liability, conversion of Government loan to equity, renegotiating terms relating to loan from other institutions, improvements of operational efficiency, strengthening of internal financial and human resources management, use of technological innovations in fleet utilization, mechanical maintenance & operational controls, improving customer satisfaction etc. The details are as follows.

A. Addressing monthly pension liability

This is to be addressed from a separate source other than the general revenue of the Corporation. This can be done in the following way. The issues related to existing pensioners and future pensioners are to be dealt separately. Those who join Kerala State Road Transport Corporation after March 31st, 2013 will not have Kerala State Road Transport Corporation pension and they will be covered under New Pension Scheme. The existing pensioners as on 31-03-2013 will be around 37000 and future pensioners will be around 30000. The first step in this direction is to form **"KSRTC Employees Pension Fund Trust".**

It is better to entrust the responsibility of pension fund management to LIC or SBI Life or jointly to both these firms who are professionally competent in this area. Before finalizing various aspects **"acturial valuation"** is a must. The position can be explained schematically as given below.

KSRTC Pension Scheme

Liability

30000 existing Employees

37000 Pensioners / Family Pensioners

KSRTC Employees Pension Fund Trust
(functioning under KSRTC)

For existing employees

Create a fund with a seed contribution of Rs.100 Crores and increasing every year at the rate of 50 Crores either from Government or KSRTC as per acturial valuation.

For existing Pensioners / Family Pensioners

Option A

Utilise budgetary allocation from Government and also from separate cess charged by KSRTC to meet this liability. Approximately Rs.440 Crores per annum at present. The trust has to manage this directly.

Option B

Entrust responsibility to LIC/SBI Life to pay pension from the accumulated corpus on a month to month basis / purchase pension with return of capital / life pension option suitably after the study of pensioners data. The corpus earn interest as a running account.

Option C

KSRTC can effect payment of pension directly to those who crossed 65 Years and balance can be entrusted to an agency like LIC or SBI Life.

In the above scheme of things pension related to existing employees and existing pensioners are to be dealt separately, With regard to pensioners option A may not be feasible since the timely contribution from Government or KSRTC can not be ensured. And also the management of pension fund puts fiduciary responsibility on the trustees. Hence option B or C has to be looked into.

In the case of option B it may become necessary to transfer the liability regarding existing pensioners / Family pensioners to any agency such as LIC or SBI Life. Initially the interest on the corpus can be utilized to pay monthly pensions and in a planned manner purchase of pension can be made so that pension is guaranteed by LIC / SBI Life.

In the case of option C which can be the economically optimal one, the liability can be distributed between agency and trust. Trust should directly provide pension to those who are above 65 years and family pensioners (details to be worked out) and agency can address pension of those between 56 and 65. Here Kerala State Road Transport Corporation / Government should contribute to trust for effecting pension payments.

In the case of existing employees responsibility can be entrusted to LIC or SBI Life after acturial valuation and capital deployment can be done in a phased manner.

B. Conversion of Government Loan to Equity

Government Loan as on 31-03-2013 is Rs.665.50 Crores. If this is converted as equity, total paid up capital will be Rs.1252.60 Crores (Rs.587.10 Crores + Rs.665.50 Crores). This needs to be done as a part of package of other reforms.

C. Asset revaluation

Asset revaluation process can also be started simultaneously. This can improve the credit worthiness of the Corporation.

D. Renegotiation of existing loan

At present there is about Rs.1300 Crores loan outstanding. Rs.1200 Crores from KTDFC and the balance from LIC, HUDCO etc. Kerala State Road Transport Corporation should explore the possibility of swapping this against lower interest rate and long repayment period. This can be possible only if Kerala State Road Transport Corporation present this proposal a part of total revival package. This can substantially reduce the monthly repayment burden and there by improve the cash flow **(Annexure V)**.

E. Reduction in vehicle employee ratio.

The vehicle employee ratio has to be rationally fixed. This should be done through tehnological innovation in workshops, office automation and most importantly the rationalization of duty pattern of employees as being done in other State Transport

Undertakings. If necessary, a separate scientific management study to be urgently commissioned to look into this.

F. Ensuring customer satisfaction

Online reservation system to be established in all Super Class buses urgently. Also computerization to be completed by 31-03-2014. Introduction of **Season Tickets** also to be done urgently so that more passengers can be attracted.

G. Well defined policy for starting new schedules.

New schedules to be started only after thorough study. Priority has to be given for Nationalised Sector. Scientific criteria is to be evolved for route selection. **Also, till the turn around happens firmly no new schedules to be operated.** New buses to be purchased only for replacement.

H. Modification of all schedules fetch less than Rs.7000/- per day.

All such schedules to be modified by December, 2013. This will help to augment the income by at least Rs.1500/- per bus per day (extra) **(Annexure II)**

I. Compensation for social commitment.

Government has to provide compensation for various concessions given by KSRTC as per Government direction. The pattern followed by other states in this regard can be followed here. (Eg. Karnataka and Tamilnadu).

J. Increase non operating revenue.

At present it is only 3 % of total income. This has to be increased to atleast 6 % of total revenue within 3 years utilizing fixed assets and evolving suitable policies such as advertisement on buses, bus stations and other innovative methods.

K. Strengthening of Human Resources

At higher level there is need for more qualified personnels. Government sanction is needed for appointing well experienced technical / financial experts atleast on contract basis urgently by providing good compensation.

Experienced Chartered Accountant	-	2 nos.
Experienced Automobile Engineers	-	2 nos.
Experienced IT expert	-	1 no.

The amount spent on such human resources will not be a loss. On the contrary it will bring in more benefits / revenue on account of quality improvement.

L. Other important innovation to be addressed by Kerala State Road Transport Corporation.

- Contract buses for long distance / Inter State Operations.
- Moving from schedule management to trip level management.

- Attenance computerization in all offices
- Creation of effective Customer Relation System and Grievance Redressal System.
- Establish Rule of Law and reduce bias in disciplinary cases
- Strengthen the legal wing to avoid wasting of resources through various litigations.
- Inspections in buses to be more effective. Comprehensive proposal to cover maximum buses by existing Inspectors.
- Fast Passenger and above category of buses to be brought to 50 % of total fleet gradually.

CONCLUSION

The proposal demands continuous norm based financial support from Government **(Annexure IV)**. The proposal also envisages time bound actions / decisions on the part of Government and KSRTC **(Annexure VII)**.

The entire revival package has to be implemented simultaneously. Then only the desired result will be obtained **(Annexure VI)**. Otherwise again the Corporation will fall back to old vicious circle. Addressing pension issue is the most important reform. That needs tremendous support from Government. Regarding reforms within KSRTC support of trade unions has to be ensured coupled with commitment from top management. Given proper political will it will be possible to effect a miraculous turnaround in this organization.

Annexure - I

MONTHLY REVENUE EXPENDITURE GAP.

Income per month	**- Rs. 144 Cr.**
Expenditure -	
Salary	- Rs. 54 Cr.
Pension	- Rs. 40 Cr.
Diesel	- Rs. 70 Cr.
Wages	- Rs. 5 Cr.
Loan repayment	- Rs. 40 Cr.
Court attachment (10 %)	- Rs. 14 Cr.
MACT, Tyre, Spare parts etc.	- Rs. 11 Cr.
Total	**- Rs. 234 Cr.**

Monthly Revenue Expenditure Gap - Rs. 90 Cr.

Annexure - II

EXPECTED ADDITIONAL INCOME THROUGH SCHEDULE MODIFICATION AND FARE REVISION.

I Total number of schedules that fetches less than Rs.7000 per day } 2000 nos.

Expected increase in revenue by modification Rs.1500

II Total number of other schedules which can be modified to fetch higher revenue } 1000 nos

Expected additional revenue Rs.1000 per day

III New Super Class Schedules added which can fetch atleast Rs.15000 per day — 500 nos. (300 New and 200 upgradation)

Expected additional income from modification as above

2000 x Rs.1500	=	Rs.30 Lakhs
1000 x Rs.1000	=	Rs.10 Lakhs
300 x Rs.15000	=	Rs.45 Lakhs
200 x Rs.5000	=	Rs.10 Lakhs
TOTAL	=	Rs.95 Lakhs per day

That means daily revenue in this context will be Rs.5.55 Crores (4.60 + 0.95)

IV Impact of fare revision proposed — 15 %

This means the total income after that will be
Rs.5.55 + (5.55 x 1.15) = 5.55+.80 = **Rs.6.35 Crores**

Details are furnished as follows.

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I. PRESENT SCENARIO:

The major limiting factors in improvement of various types of services are

1. Restricted Running time
2. Restricted Duty Hours
3. Limited Passenger capacity
4. Insufficient Occupancy
5. Insufficient ticket fare
6. Low span of Peak Hours etc.

A. Impact of Running Time and Duty Hours

Class of service	Standard Running Time fixed by STA (Minute / km)	Acceptable duty pattern for work men						Maximum possible km operation for 16 Hr. Duty (with existing running time)
		Actual steering duty	Total terminal halt for trips (Minute)	Total steering duty (Hours)	Manda tory rest for 16 Hr. duty (Hrs)	Manda tory Sign-on and sign-off (Hrs)	Total spread over for two duty (Hrs)	
City Ordinary (City)	3.00	13	30	13.5	1.5	1	16	260
Mofussil (Ordinary)	2.50	13	30	13.5	1.5	1	16	312
City Fast (City Fast)	2.25	13	30	13.5	1.5	1	16	347
Fast Passenger (Fast Passenger)	1.75	13	30	13.5	1.5	1	16	446
Super Fast (Super Fast)	1.50	13	30	13.5	1.5	1	16	520
Super Express (Super Express)	1.25	13	30	13.5	1.5	1	16	624
Super Deluxe (Super Deluxe)	1.25	13	30	13.5	1.5	1	16	624
Garuda	1.25	13	30	13.5	1.5	1	16	624
Average	2.36	13	30	13.5	1.5	1	16	330

The above classes of services can be grouped into following broad categories.

- Old mofussil ordinary covered 5 years
- New ordinary buses below 5 years
- Super class (From Fast Passenger onwards)

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B. Possible revenue generation for existing services on the basis of limited passenger capacity, occupancy, ticket fare etc.							
Class	Passenger occupancy ratio, %	Average km	Fare, Paise [(Fixed fare for min.km+ Balance km*Fare)/ Passenger km]	Maximum Passengers (with 25% standees up to FP class)	Bench Mark EPB	Total number of Operating schedules	Total Bench Mark collection
Old mofussil ordinary covered 5 years	60	265	71	60	6773	1800	12192120
New ordinary buses below 5 years	65	330	70	60	9009	1800	16216200
Super class (From Fast Passenger onwards)	71	430	75	55	12594	1400	17631075
Total / Average	65	330	72	59	9208	5000	46039395

The present revenue generation per day is 4.60 crore

Sample calculation:-

For Old Mofussil (Ordinary)

Load Factor (Max. Occupancy) L = 0.60
Carrying capacity of bus, C = 60

Minimum Charge for first 5 km = Rs 6
Fare for further km = Rs 0.58
Average passenger km = 23
Average passenger fare = 6+ (18x 0.58) = Rs 16.44

Average Passenger Fare per km, F = (16.44/23) = Rs 0.71
Average km, D = 265km
Maximum possible Daily EPB per bus = L * C * F * D
= 0.60 x 60 x 0.71 x 265 = Rs. 6773

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II. IMPROVED SCENARIO:

Revival proposals for improving revenue

1. Increasing % occupancy by rearranging number of buses where ever possible
2. Improving km operation to maximum limit, where ever possible.
3. Revising fare even up to operating expense
4. Extending trips in peak hours
5. Upgrading the class of service according to demand
6. Increasing % of super-class services.
7. Increasing the bus utilization.

After Revival in operation							
Class	Improved Passenger occupancy ratio, %	Improved Average operating km	New Fare, Paise	Maximum Passengers (+25% standees up to FP)	Bench Mark Max. EPB	Total Numbers (New)	Total Bench Mark collection (Max.)
Old mofussil ordinary covered 5 years	65	285	76	60	8447	1500	12671100
New ordinary buses below 5 years	70	350	75	60	11025	1800	19845000
Super class (From Fast Passenger onwards)	76	450	82	55	15424	2000	30848400
Total / Average	71	364	78	58	11956	5300	63364500

The daily collection is expected to increase to Rs 6.34 Crores

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III. COST DETAILS OF OPERATION FOR EACH CATEGORY OF FLEET

1. COST OF 1500 OLD MOFUSSIL ORDINARY BUSES COVERED 5 YEARS					
		Rs. In Crores		in Rupees	
Item No	Item	Per year	Per month	Per Bus per day, Rs.	Per km (285 avg km)
1	Pension Rs 6.89 per km	108	8.96	1964	6.89
2	Pensionary Benefit Rs.0.86 per km	13	1.12	245	0.86
3	Vehicle Tax	20	1.65	367	1.29
4	MACT	6	0.50	110	0.39
5	Insurance				
6	Debt Charges				
7	Depreciation	21	1.75	389	1.36
10	Salary&wages	186	15.47	3392	11.90
11	Other Expenses(Allowance, Electricity,water etc)	12	1.02	226	0.79
A) Total Fixed cost (item No.1 TO 11)		361	30.12	6692	23.48
B) Variable cost (285km per bus,Rs16per km)		246	20.52	4560	16.00
A) Total Fixed cost		608	50.64	11252	39.48
Total Expenditure = 11094 x 1500		**16878375**			

Assumptions

(i) Pension burden is allocated on the basis of km operated.

(ii) Insurance not taken for old buses (As per Government Notification No.22005-Estt.B3/65/Fin. dated 13.05.1965).

(iii) Debt charges not taken since these are oldest fleets.

(iv) Salary per km is Rs 11.90 due to low running time and km

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2. COST OF 1800 NEW ORDINARY BUSES BELOW 5 YEARS					
		Rs. In Crores		in Rupees	
Item No	Item	Per year	Per month	Per Bus per day, Rs.	Per km (335 avg km)
1	Pension	152	12.64	2308	6.89
2	Pensionary Benefit	19	1.58	288	0.86
3	Vehicle Tax	25	2.10	389	1.16
4	MACT				
5	Insurance	14	1.20	222	0.66
6	Debt Charges	48	4.00	741	2.21
7	Depreciation	25	2.10	389	1.16
10	Salary&wages	238	19.81	3618	10.80
11	Other Expenses(Allowance, Electricity,water etc)	15	1.29	239	0.71
A) Total Fixed cost (1 TO 11)		531	44.25	8194	24.46
B) Variable cost (335 km per bus,Rs15.66per km)		340	28.33	5246	15.66
Total		871	72.58	13440	40.12
Total Expenditure = 13909 x 1800		**24192163**			

Assumptions

(i) Pension burden is allocated on the basis of km operated.

(ii) Insurance taken since these are new buses.

(iii) Salary per km reduces to Rs. 10.80 due to high running time and km

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3. COST OF 2000 NEW SUPER CLASS BUSES BELOW 5 YEARS					
Item No	Item	Rs. In Crores		in Rupees	
		Per year	Per month	Per Bus per day, Rs.	Per km (450 avg km)
1	Pension	226	18.86	3101	6.89
2	Pensionary Benefit	28	2.35	387	0.86
3	Vehicle Tax	28	2.33	389	0.86
4	MACT				
5	Insurance	16	1.33	222	0.49
6	Debt Charges	155	12.92	2153	4.79
7	Depreciation	28	2.33	389	0.86
10	Salary&wages	286	23.82	3915	8.70
11	Other Expenses(Allowance, Electricity,water etc)	13	1.08	239	0.53
A) Total Fixed cost (1 TO 11)		583	48.58	10795	23.99
B) Variable cost (450km per bus,Rs15 per km)		365	30.38	6750	15.00
Total (A + B)		947	78.95	17545	38.99
Total Expenditure = 17680 x 2000		35089667			

Assumptions

(i) Pension burden is allocated on the basis of km operated

(ii) Insurance taken since these are new buses

(iii) Salary per km reduces to Rs 8.70 due to high running time and km

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IV. ABSTRACT

DETAILS	Rs in Crore
1. COST OF OPERATION OF 1500 OLD ORDINARY BUSES COVERED 5 YEARS	1.69
2. COST OF OPERATION OF 1800 NEW ORDINARY BUSES BELOW 5 YEARS	2.42
3. COST OF OPERATION OF 2000 NEW SUPER CLASS BUSES BELOW 5 YEARS	3.51
Grand Total Cost per day	7.62
Gant Total Revenue, Per Day	6.34
NET Loss per day	1.28
Net Loss per Month	38.93
Net Loss per Year	467.20

"The total annual pension burden in 2014-15 will be Rs.486 Crores. This shows that if monthly pension payment is separated, KSRTC will achieve Break Even".

Annexure - III

PATTERN OF DIESEL CONSUMPTION DURING LAST 7 MONTHS.

Sl. No.	Months	Litres (in Lakhs)	Cost (Rs. in Crores)
1	April, 2013	127	64
2	May, 2013	125	64
3	June, 2013	122	63
4	July, 2013	129	68
5	August, 2013	130	71
6	September, 2013	124	67
7	October, 2013	127	72

* Expenditure shows an increasing trend.

Annexure - IV

PROPOSAL FOR ADDITIONAL RESOURCE MOBILISATION TO MEET PENSION PAYMENTS

The liability to be shared between Government and Kerala State Road Transport Corporation at 1:1 ratio

A. By Government

➢ Direct contribution for pension payment	Rs.120 Crores
➢ Compensation for social obligation concessions	Rs.100 Crores

B. By Kerala State Road Transport Corporation

➢ Pension Cess for ticket above Rs.25/-	Rs.150 Crores
➢ A portion of the amount already set part for pension as per Supreme Court direction	Rs. 70 Crores
TOTAL	**Rs.440 Crores**

This amount is for the year 2013-14.

Annexure – V

STRATEGY FOR RENEGOTIATION OF LOAN

Total amount	-	Rs. 1300 Crores
Current Interest rate	-	14.5 %
Current pay back period	-	5 Years
Current monthly repayment	-	Rs.40 Crores

If negotiated for 10.5 percentage interest and payback period for 12 Years -

The monthly payment will be - Rs. 15 Crores.

Annexure - VI

PROJECTED AVERAGE MONTHLY INCOME AND EXPENDITURE STATEMENT FOR THE NEXT THREE YEARS IF THE PROPOSAL IS IMPLEMENTED FROM 2014 - 15

Details	2014-15 (Rs. in Crores)	2015-16 (Rs. in Crores)	2016-17 (Rs. in Crores)
A) Income	192	205	220
B) Expenditure			
Salary	60	65	71
Diesel	80	85	90
Wages	4	5	6
Loan repayment (after renegotiation)	15	15	15
Court attachment	18	20	22
MACT, Tyre, Tube, Spares	15	15	16
Total	192	205	220
A - B	Nil	Nil	Nil

- Monthly pension payment not taken into account since it is separately addressed.
- Income from Cess (as proposed) also not taken since it has to be fully given to Pension Trust.
- The assumption is that there will be income increase on account of tariff revision every year as happening in previous years.

Annexure – VII

DECISIONS NEEDED ON THE PART OF GOVERNMENT AND KSRTC

A) Government.

1. Creation of "**KSRTC Employees Pension Fund Trust**"

2. Orders on who should be the Fund Manager ie. LIC or SBI Life or other agencies

3. Providing resources as required by the proposal.

4. Specific orders on providing compensation for social commitment and setting apart a portion of tax on diesel consumed by KSRTC for pensionary purpose.

5. Orders for realizing pension cess on tickets above Rs.25/-.

6. Conversion of Government Loans to equity.

7. Sanction for creation of following posts on contract basis

Chartered Accountant	-	2 Nos.
Automobile Engineer	-	2 Nos.
IT expert	-	1 No.

8. Provide Government Guarantee (if necessary) for the amount of loan that is to be renegotiated with Financial Institutions.

9. Permission for revaluation of Assets

Contd....

B) Kerala State Road Transport Corporation

1. Income augmentation by modification of schedules.

2. Reductions of employee – vehicle ratio – draw up a road map with time frame.

3. Introduction of Online Reservation Systems in all Super Class buses urgently.

4. Action plan for improving non operating income – with achievable target and time frame.

5. Enhancing percentage of Fast Passenger and above category of buses to 50 – Strategy to be drafted.

6. Utilise contract buses for long distance / Inter state operation – decision to be taken urgently.

7. Introduce GPS in all buses urgently.

8. Other reforms such as

   (a) Computerisation of attendance in all offices.

   (b) Strengthening of Ticket Inspection in buses to be implemented on warfooting.

9. Complete Asset revaluation process.

10. Ensure that no new schedules during turnaround period. Only replacement of buses.

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