

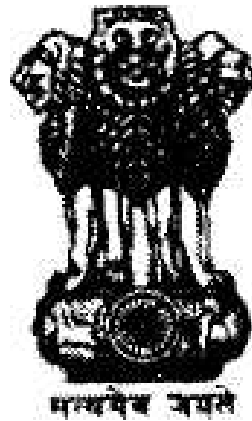
**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION (2005-06)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (DEPARTMENT  
OF CONSUMER AFFAIRS)**

**DEMANDS FOR GRANTS (2006-2007)**

**THIRTEENTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**May, 2006/Vaisakha, 1928 (Saka)**

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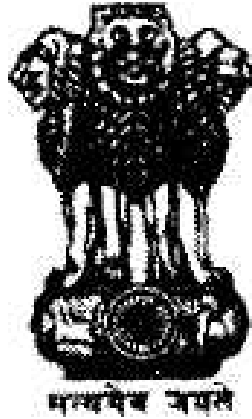
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# THIRTEENTH REPORT

**Presented to Lok Sabha on 22.05.2006**

**Laid in Rajya Sabha on 22.05.2006**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**May, 2006/Vaisakha, 1928 (Saka)**

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- II Minutes of Thirteenth sitting held on 19.5.2006

**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION – 2005-06**

**Shri Devendra Prasad Yadav - Chairman**

**MEMBERS**

**LOK SABHA**

2. Shri A.P. Abdullakutty
3. Shri Govinda Aroon Ahuja
4. Shri Suresh Angadi
5. Shri Ranen Barman
6. Shri Alakesh Das
7. Shri Gadakh Tukaram Gangadhar
8. Shri Atma Singh Gill
9. Shri Abdul Mannan Hossain
10. Shri Jaiprakash
11. Shri Baliram Kashyap
12. Shri Avinash Rai Khanna
13. Shri Parsuram Majhi
14. Shri Zora Singh Mann
15. Shri Harish Nagpal
16. Shri Kondapalli Paidithalli Naidu
17. Shri Harikewal Prasad
18. Shri Ajit Kumar Singh
19. Shri Chandrabhan Singh
20. Shri Ramakant Yadav
21. Vacant

**RAJYA SABHA**

22. Shri T.S. Bajwa
- \* 23. Shri Shyam Benegal
- \*\* 24. Shri Surendra Motilal Patel
25. Shri Nabam Rebia
26. Shri Thanga Tamil Selvan
27. Vacant
28. Vacant
29. Vacant
30. Vacant
31. Vacant

**SECRETARIAT**

1. Dr. (Smt.) Paramjit Kaur Sandhu - Additional Secretary
2. Shri P.K.Bhandari - Joint Secretary
3. Shri R.S. Kambo - Deputy Secretary
4. Shri B.S. Dahiya - Under Secretary
5. Shri Jagdish Prasad - Assistant Director

\* Nominated to the Committee w.e.f 29<sup>th</sup> April, 2006.

\*\* Nominated to the Committee w.e.f 21<sup>st</sup> April, 2006.

## INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2005-06), having been authorised by the Committee to submit the Report on their behalf present this Thirteenth Report on Demands for Grants (2006-2007) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs).

2. The Committee examined/scrutinized the detailed Demands for Grants (2006-2007) of the Ministry which were laid on the Table of the House on 11<sup>th</sup> March, 2006.

3. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) on 2<sup>nd</sup> May, 2006..

4. The Committee wish to express their thanks to the Officers of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs), for placing before them detailed written notes on the subject and for furnishing the information to the Committee, desired in connection with examination of the subject.

5. The Report was considered and adopted by the Committee at their sitting held on 19<sup>th</sup> May, 2006.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

**New Delhi**  
**19<sup>th</sup> May, 2006**  
**29 Vaisakha, 1928 (Saka)**

**DEVENDRA PRASAD YADAV**  
**Chairman**  
**Standing Committee on Food, Consumer**  
**Affairs and Public Distribution**

## CHAPTER – 1

### INTRODUCTORY

1.1 Department of Consumer Affairs (DCA) is one of the two Departments under the Ministry of Consumer Affairs, Food & Public Distribution. It was constituted as a separate Department in June 1997 as it was considered necessary to have a separate Department to give a fillip to the nascent consumer movement in the country. The work allocated to the Department, as per the Allocation of Business Rules, 1961, is listed below :-

- (1) Internal Trade
- (2) Inter-State Trade : The Spirituous Preparation (Inter-State Trade and Commerce) Control Act, 1955 ( 39 of 1955)
- (3) Control of Future Trading :The Forward Contracts (Regulation) Act, 1952 (74 of 1952)
- (4) The Essential Commodities Act, 1955 (10 of 1955) (Supply ; Price and distribution of essential Commodities not dealt with specifically by any other Department.
- (5) Prevention of the Blackmarketing and Maintenance of Supplies of Essential Commodities Act, 1980 (7 of 1980); persons subject to detention thereunder.
- (6) Regulation of Packaged Commodities
- (7) Training in Legal Metrology
- (8) The Emblems and Names (Prevention of Improper Use) Act, 1952 ( 12 of 1952)
- (9) Standards of Weights and Measure; The Standards of Weights and Measures Act, 1976 (60 of 1976)
- (10) The Bureau of Indian Standards Act, 1986 (63 of 1986)
- (11) Forward Markets Commission.
- (12) Consumer Cooperatives

- (13) Monitoring of Prices and availability of essential commodities
- (14) National Test House
- (15) The Consumer Protection Act, 1986 (68 of 1986).

1.2 Department of Consumer Affairs mandate consists of 4 main areas of responsibilities e.g. (i) consumer protection, (ii) internal trade, (iii) quality infrastructure and policies consisting of standards and legal metrology, and (iv) monitoring of prices and availability of essential commodities. In carrying out its mandate, the Department is assisted by the following organizations:-

- (a) Bureau of Indian Standards (BIS)
- (b) National Test House (NTH)
- (c) National Consumer Disputes Redressal Commission (NCDRC)
- (d) National Cooperative Consumers' Federation (NCCF)
- (e) Forward Markets Commission (FMC)
- (f) Indian Institute of Legal Metrology (IILM)

1.3 The Minister of Consumer Affairs, laid on the Table of the Lok Sabha, the Detailed Demands for Grants (2006-007) relating to the Department of Consumer Affairs on 11<sup>th</sup> March, 2006. The Detailed Demands for Grants for the Department of Consumer Affairs shows a budgetary provision of Rs. 198.00 crore. This includes Rs. 163.00 crore for plan activities and another Rs. 35.00 crore, for non-plan programmes and schemes.

1.4 The Committee has examined the Detailed Demands for Grants of the Department of Consumer Affairs in detail. The Committee approve the Demands for Grants of the Department of Consumer Affairs, subject to their observations/recommendations, which are contained in the subsequent **Chapters**.

## CHAPTER II

### A. General Performance

2.1 Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) have furnished the following statement showing the Budget Estimate (BE), Revised Estimate (RE) and Actual Expenditure (AE) during the financial years 2004-2005, 2005-2006 and Budget Estimate 2006-2007:-

#### Plan Schemes

(Rs. in crores)

		2004-2005			2005-2006			2006-2007
		BE	RE	AE	BE	RE	AE (upto 15.3.2006)	BE
1.	Consumer Protection	3.25	8.59	18.25	79.27	71.14	48.25	81.50
2.	National Test House	5.73	5.69	5.00	5.66	5.35	3.43	6.30
3	Consumer Disputes Redressal Agencies	5.40	0.40	0.00	7.40	0.01	0.00	3.15
4	Integrated Project on Consumer Protection			10.20		0.01	0.00	41.40
5	BIS	0.00	0.00	0.00	0.90	0.50	0.45	0.90
6	Contribution to QCI	0.15	0.00	0.00	0.00	0.00	0.00	0.00
7	Weights and Measures	1.06	0.99	0.77	1.17	2.12	0.53	9.25
8	Regulation of Markets	0.25	0.25	0.21	2.25	1.25	0.55	3.00
9	Information Technology (Office Expenses)	0.35	0.35	0.21	0.50	0.50	0.20	0.75
10	Lump sum provision for scheme in North – Eastern Region	2.06	1.98	1.47	10.79	9.12	7.57	16.75
	<b>Total</b>	<b>18.25</b>	<b>18.25</b>	<b>36.11</b>	<b>107.94</b>	<b>90.00</b>	<b>60.98</b>	<b>163.00</b>

#### Non-plan Schemes

(Rs. in crores)

SL No	Scheme	2004-2005			2005-2006			2006-2007
		BE	RE	AE	BE	RE	AE (upto 15.3.2006)	BE
1	Secretariat	7.03	7.00	6.64	7.25	8.08	7.27	8.43
2	Forward Markets Commission (FMC)	2.01	2.11	2.01	2.19	2.93	2.17	3.98
3	Weights and Measures	1.45	1.49	1.36	1.55	1.66	1.48	1.81
4	Consumer Protection Unit	0.14	0.14	0.13	0.15	0.12	0.10	0.14



5	National Consumer Dispute Redressal Commission	1.65	1.64	1.64	1.70	1.89	1.69	2.06
6	National Test House	11.17	11.06	10.91	11.41	12.15	11.42	12.43
7	Contribution to International Organization of Legal Metrology	0.14	0.14	0.14	0.15	0.14	0.13	0.15
8	National Agricultural Cooperative Marketing Federation of India	2.00	1.00	0.05	1.00	1.00	0.03	1.00
9	Project under Consumer Welfare Fund	6.50	19.57	17.43	31.50	31.50	4.92	33.00
10	Deduct Refund	-6.50	-19.57	-17.43	-31.50	-31.50	4.92	-33.00
11	Loans to Super Bazar	0.46	20.66	2.96	0.00	0.42	0.42	5.00
	<b>Total (Non-plan)</b>	<b>26.05</b>	<b>45.24</b>	<b>25.84</b>	<b>25.40</b>	<b>28.39</b>	<b>24.71</b>	<b>35.00</b>
	<b>(Plan)</b>	<b>18.25</b>	<b>18.25</b>	<b>36.11</b>	<b>107.94</b>	<b>90.00</b>	<b>60.98</b>	<b>163.00</b>
	<b>Grand Total</b>	<b>44.30</b>	<b>63.49</b>	<b>61.95</b>	<b>133.34</b>	<b>118.39</b>	<b>85.69</b>	<b>198.00</b>

2.2 From the above statement, it may be observed that out of Rs. 90 crore, the Ministry could utilize Rs. 60.98 crore up to 15<sup>th</sup> March, 2006. The underutilization of the funds was especially on the “Consumer Protection” which is the most important scheme of the Department of Consumer Affairs. Explaining the reasons for less utilization of funds, the Ministry stated that the major portion of the expenditure is on account of Advertisement and Publicity, through DAVP on the basis of authorization, for which the utilization of funds’ certificate is obtained from DAVP. This was delayed resulting in rush of expenditure in March 2006. The expenditure against fund authorized is booked in the last quarter of the financial year though the expenditure is spread over the entire year.

2.3 The Secretary, Department of Consumer Affairs further clarified during evidence :-

“Our actual expenditure is Rs.88.36 crore as against RE of Rs. 90 crore. So, in percentage terms, it is 98.8 per cent. I would like to submit for the consideration of the Committee that we have been able to almost fully utilize whatever resources were made available to us.”

2.4 When enquired as to why the Ministry waited for release of a huge amount in the last week of the financial year, the Secretary during evidence stated that the size of Annual Plan of the Department for 2005-06 was increased to double that of the entire Tenth Five Year Plan but the Department’s size remained the same. Secondly, due to stepped up of resources, the procedural requirement actually got raised and the Department had to go to CCEA for getting approval.

Hence the expenditure could not spread out equally in the four quarters of the year. But all these procedural formalities have been more or less completed and they are on the verge of getting the remaining clearance.

**2.5** The Committee are happy to note that the Department of Consumer Affairs has been able to reach the level of utilization of funds up to 98.8%. Out of Rs. 90 crore, the Ministry have utilized Rs. 88.36 crore which reflect a better planning of the utilization of the Funds allocated to the Department. The Committee hope that the Ministry would streamline the efforts and achieve the 100% utilization of funds in the coming years. At the same time, the Committee express its dissatisfaction over the tendency of utilization of funds at the fag end of the financial yea and the reasons given by the Ministry for the same are not acceptable to the Committee. In the opinion of the Committee, the Ministry should make advance exercise to clear the proposals submitted by the implementing agencies and finalize the modalities of the scheme/ programmes so that the approval does not get delayed. The Committee strongly feel that there is an urgent need to curb the tendency of implementing agencies to clear huge bills for reimbursement towards the fag end of the financial year where the clearance of bills without proper scrutiny cannot be ruled out. The Committee hope and trust that the Ministry would make sincere efforts to avoid the release of funds in the last week of the financial year and plan to utilize the funds equally in any quarter of the year.

## **CHAPTER III**

### **CONSUMER PROTECTION/**

#### **(a) CONSUMER AWARENESS / PUBLICITY MEASURES**

3.1 The success of consumer movement depends mainly upon the level of consumer awareness generated in the country by educating the consumers about their rights and responsibilities and where the consumers can ultimately assert their right in seeking redressal. Where the literacy rate is high and social awareness is greater, the consumer cannot be easily exploited. Within India, the level of consumer awareness varies from State to State depending upon the level of literacy and the social awareness of the people.

3.2 The Department of Consumer Affairs had been provided for this purpose with an annual budget of Rs. 70 crores during 2005-06. The Department has taken number of steps to strengthen consumer movement in the country involving the State Governments, voluntary consumer organization, consumer activists etc.

3.3 Asked whether all State Governments and Central Ministries are making provision in their respective Budgets for publicity, the Committee was informed that the Central Ministries which are dealing with consumer related issues such as Railways, Health & Family Welfare, Food Processing Industries, Tourism etc are making budget provisions for publicity purposes. The Department is having regular interaction with Secretary-in-charge of Consumer Affairs States/UTs on various consumer related policy formation issues and during such interaction the State/UTs are continuously persuaded to make budget provision for consumer protection programme activities for submitting their Plan proposals to Planning Commission.

3.4 When asked about the role of National Consumer Helpline in generating consumer awareness, the Committee was informed that the National Consumer Helpline is a landmark project, set up in collaboration with Delhi University, providing a toll free number 1800-11-4000 which can be accessed from any BSNL/MTNL telephone line. The service is available in English and Hindi. The Helpline is intended to deal with all consumer problems related to products and services including problems related to telecom, courier, banking, insurance, financial services etc. It helps consumer in out-of-court settlement of consumers' disputes.

3.5 It has been stated that the level of consumer awareness varies from State to State depending upon the level of literacy and social awareness of the people. Asked whether any matching share is also provided by the States/UTs, the Committee was informed that at present the States /UTs are not making matching contribution for the Consumer awareness campaign due to limited resources available with them. However during regular interaction with States/UTs, the Department has impressed upon them to make budget provisions for consumer campaign.

3.6 Asked whether local body at village level i.e. Panchayat is also involved in the Consumer Awareness Programmes, the Committee was informed that the publicity material such as posters, magazines, CDs containing consumer related issues are being distributed through the District Administration to take across the messages at a grass root level. The Committee pointed out that movement of Consumer Awareness has been centralized in the urban areas and the people living in rural and backward areas are not aware about their rights for want of publicity. On being suggested that Ministry may spread awareness amongst consumers at rural areas through Village Fair or Village Haat in regional languages, the Secretary, Department of Consumer Affairs stated during evidence :

“This is very valid suggestion and we not only accept it but we will certainly try to operationalise it through our media plan. The publicity through village haat is also in our media plan.”

**3.7 The Committee note that the Consumer awareness varies from state to state depending upon the level of literacy and social awareness of the people. Although the Ministry has taken a number of steps to spread awareness programme at grass root level through publicity material such as posters, magazines, compact discs (CD) at District Level, the people living in remote and backward areas are still deprived of their rights due to inadequate publicity. The Committee are of the view that traditionally Village Fairs, Cattle Fairs and Village Haats are organized by the people at a fixed interval where a large number of people gather. The Committee desire that the Ministry in coordination with the State Government / UT Administration may participate in such Haats and have interaction with the local people about their consumer rights. The Secretary, Department of Consumer Affairs has also accepted during evidence that the publicity through Village Fair / Village Haat was in their media plan and they will operationalize it. The Committee, therefore, recommend that the Department of Consumer Affairs should make all out efforts to educate the people of remote and backward areas about their consumer rights through these Village Haats, Cattle Fairs and Village Fairs. The Committee would like to be apprised of the action taken in the matter.**

**(b) CONSUMER COURTS AND FORUMS**

3.8 The vision of the Department is to make every Indian consumer aware of his legitimate rights and to facilitate assertion of these rights whenever necessary. Government of India had taken the pioneering step of setting up a 3-tier fora for redressal of consumer grievances at the District, the State and the National levels under the Consumer Protection Act, 1986, whereby a consumer can effectively get his complaints redressed expeditiously. However, the Department has now adopted the strategy that the bulk of consumer complaints should get resolved at the first stage at the retail level or at the second stage at the company level with recourse to consumer fora being the last resort.

3.9 The Committee observed that for strengthening of Consumer Disputes Redressal Agencies (Major Head-3601) Rs. 1.50 crores was allocated during 2005-06 which was reduced to Rs. 0.01 crore at R.E. stage. Now an allocation of Rs.37.40 crores has been made for the financial year 2006-07. The Committee enquired about the reasons for mismatch between BE/RE for the year 2005-06 and the reasons for steep hike for the year 2006-07. The Ministry informed the Committee that since approval of Ministry of Finance to the revised scheme viz “Integrated Project on Consumer Protection” was not received during 2005-06, the allocation was reduced to Rs. 1 lakh (token provision). The scheme is still to be approved by the Ministry of Finance but efforts are being made to get the approval expedited. Accordingly, a provision of Rs. 37.40 crores has been kept in BE 2006-07. As soon as the scheme is approved by the Ministry of Finance, this Department will be in a position to utilize the allocated amount and the disbursement to State/UTs would be made on case to case basis after ascertaining the critical gap in infrastructure of District Fora and State Commissions.

3.10 It has been observed that consumer forums still lacked infrastructure facilities and adequate supporting staff. Asked to explain the steps taken by the Government to overcome this problem, the Committee was informed that although it is the responsibility of the State/UTs Government to provide the Consumer Fora with the requisite infrastructure, manpower and funds, for their efficient functioning, keeping in view the financial constraints faced by most of the State/UTs. the Department had provided a one time financial assistance to the State/UTs @ Rs. 50 lakhs each for 32 State Commissions and Rs. 10 lakhs each to 458 District Fora during 1995-99 and @ of Rs. 75 lakhs each for three State Commissions and @ Rs. 15 lakhs each for 53 District Fora during 2004-05.

3.11 Asked about the difficulties being faced by the States/UTs in providing their matching share for setting up Consumer Courts /Forums, the Committee was informed that the setting up of Consumer Fora at the State & District level is basically the responsibility of the State Government for which they are supposed to meet expenditure out of their own funds. However, most of the State/UTs face financial constraints in this regard due to low priority being accorded to Consumer Affairs in allocation of funds in the State Budget.

3.12 The Planning Commission during the meeting with the Department of Consumer Affairs on 21.06.2005 had pointed out that although 5 % to 8 % of cases could be resolved within a stipulated period of 90 days, average period of disposal of cases was 150 days, which had underlined requirement of strengthening of the institutional mechanism. In this regard, the Committee enquired the reasons for such low percentage of cases disposed by the Consumer Fora and the steps taken by the Government for strengthening the institutional mechanism. The Secretary, Department of Consumer Affairs stated during evidence:-

“What is happening is that the appointments to the District Consumer Fora and State Commissions is within the purview of State Governments and that is where delay, sometimes, takes place and at any given time, many district fora remain non-functional because their Presidents are not being appointed in time. That is why they remain non-functional. We have been advising the State Governments repeatedly and on a regular basis at the level of the Minister, at my level and at other levels to maintain panels of Members and Presidents for district fora and for the State Commissions, to anticipate vacancies and to take steps well in time to fill up those vacancies and to ensure that these fora not only remain functional, but they should also be given all the minimum facilities required. In spite of this, the vacancies remain and they are not attended to.”

3.13 For minimizing the cases before Consumer Forum, the Secretary apprised the Committee as under :

“.....So far we were advising everybody through our multi-media campaign and through consumer groups that if they have a complaint they can go to the consumer forum. Now, we are saying that approaching the consumer fora should be the last resort and should not be the first resort. We are putting various systems in place by which, as in developed countries, we can sort out complaints at the first level itself, at the company level. Then, we go to the ombudsman or the regulator and the

Government level. Then, if all of these fail, we go to consumer courts. We want to reduce the burden of consumer courts so that they are able to dispose of all the complaints within this period of 90 days.”

**3.14 The Committee note with concern that the funds allocated in 2005-06 for strengthening the Consumer Courts / Fora could not be utilized by the Department of Consumer Affairs due to non approval of the scheme namely, “Integrated Project on Consumer Protection” by the Ministry of Finance. The Planning Commission has allocated Rs. 37.40 crore for 2006-07. The Committee recommend that the Ministry should take up the matter at the highest level to expedite the approval of the scheme by the Ministry of Finance and ensure that the entire fund is meaningfully utilized for strengthening the State Commissions and District Fora.**

**3.15 The Committee are perturbed to note that inspite of one time financial assistance to the States / UTs, for strengthening the infrastructure of Consumer For a not much improvement is seen in terms of disposal of cases. Taking into consideration that it is the responsibility of a given State/UT to provide the Consumer Fora with requisite infrastructure, manpower and funds, for their efficient functioning, the Central Government should prevail upon each State Government to (a) provide need based financial assistance for Consumer Fora (b) separate Department, separate Head and separate Budget for Consumer Affairs in each State / UT, for promoting the**



interest of consumers. The Committee would like to be apprised of the action taken by the Government in this regard.

3.16 The Committee note that according to the Planning Commission, only 5 % to 8% cases could be resolved by Consumer Courts / Fora within 90 days which in the opinion of the Committee is indicative of poor monitoring mechanism on the part of the Ministry. The plea of the Government that many District Fora remain non functional as they are within the purview of the State Government is not convincing to the Committee. The Committee is of the view that the Central Government is equally responsible for ensuring that the funds released by them are properly utilized for the purpose for which they are sanctioned and should monitor the working through concerned State Governments. The Committee, therefore, recommend that the Ministry should make sincere efforts for strengthening the institutional mechanism at District and State levels so that the District Fora and State Commissions are functional and the cases filed in Consumer Courts / Consumer Fora are disposed off within the prescribed period.

**(c) Redressal of Consumer related cases through Lok Adalat**

3.17 Establishment of Lok Adalats under the Legal Services Authority Act upto Block level to deal with public utility services has now given another option for the consumers to seek redressal of their grievances. In a conference of presidents of State Commissions and Secretaries in-charge of Consumer Affairs of States/UTs held on 17.8.2005, it was decided that the State Commissions and District Forums may also organize lok adalats on the last working day of each week to settle about 20-25 cases and 1 or 2 eminent persons be invited to participate in the proceedings.

3.18 The Committee have been informed that the Consumer Protection Act does not as such mandate the Consumer Fora to organize Lok Adalats in order to adjudicate the consumer grievances. However, while exploring ways of speeding up disposal of pending cases in Consumer Fora, it was decided in a meeting held by the Department of Consumer Affairs with Secretaries in-charge of Consumer Affairs in States/UTs on 15-07-2005 as well as in a Conference of Presidents of States Commissions and Secretaries in-charge of Consumer Affairs in States/UTs held by National Commission on 17-08-2005, that all Consumer Fora may also organize Lok Adalats on the last working day of each week. Letter have been sent to all State Governments by the Department suggesting the adjudication of consumer grievances through Lok Adalat pattern. Directions in this regard were also circulated by President, National Commission to all State Commissions on 23-08-2005. As per information made available by National Commission, the States of Punjab, Haryana, Chandigarh (UT), Karnataka and Maharashtra have started Lok Adalat, pursuant to the directions of Hon'ble President, National Commission.

3.19 Asked about the response of the other States / UTs, the Committee was informed that the other states are being persuaded to dispose of cases on the pattern of Lok Adalat. In the recent meeting of Secretaries in charge of Consumer Affairs held on 28<sup>th</sup> April 2006 and a Seminar held on 29<sup>th</sup> & 30<sup>th</sup> April, 2006 in New Delhi it was again emphasized to hold Lok Adalat to resolve the cases on every last working day of the week Department of Consumer Affairs as well as National Commission has been impressing upon the need to follow the pattern of Lok Adalat for speedy disposal of cases. A number of letters in this regard have been sent to the States/UTs and State Commissions in this regard.

3.20 When asked about the number of cases settled by the Lok Adalats since its inception (23.8.2005), the Committee was informed that as reported by National Consumer Disputes Redressal Commission (NCDRC) a few State Commissions have also started the Lok Adalats and disposed of 410 cases out of 1632 cases. The District Fora in Punjab, Haryana and Chandigarh have disposed of a good number of cases by conducting Lok Adalat:-

	<u>Cases filed</u>	<u>Cases Settled</u>
Punjab	1505	526
Haryana	872	234
Chandigarh	521	123

**3.21 The Committee are happy to note that holding of “Lok Adalats” by Consumer Fora has given consumers another Forum to seek redressal of their grievances. The Consumer Protection Act does not mandate the Consumer Fora to organize “Lok Adalats”. However, to reduce pendency in Consumer Courts, an out of Court settlement through Lok Adalats, is a powerful medium to resolve Consumers grievances. The Committee, however, regret to note that despite the instructions issued by the President of National Commission to adjudicate the consumer grievances through Lok Adalat, only five States namely, Punjab, Haryana, Chandigarh, Karnataka and Maharashtra have started the Lok Adalats. In the opinion of the Committee, the concept of Lok Adalat is a very convenient option for the consumers to seek redressal of their grievances, which is evident from the number of cases settled by the State Commission and District Fora through Lok Adalats during 2005-06. The Committee, therefore, recommend that the Ministry should prevail upon**

**the remaining States / UTs to adopt the concept of Lok Adalats  
so that the burden on the Consumer Courts / Fora is lessened  
and the inexpensive justice is delivered to the consumers  
expeditiously.**

**(d) Construction of NCDRC Building**

3.22 The NCDRC is presently functioning in Janpath Bhavan which is in a crowded area, has no parking place and not convenient to all concerned. The office space available to NCDRC is too inadequate for their efficient functioning, and the space can not be augmented to meet their full requirement in Jan Path Bhavan. In order to meet their full requirement of space as well as to provide a building according to the status of the apex Consumer Forum, it had been decided to construct a new building for the NCDRC.

3.23 The Planning Commission had allocated Rs. 11 crores for construction of building called “Upbhokta Nyaya Bhawan”. An amount of Rs. 6 crore was provided in 2005-06 but the construction work could not be started by CPWD and the fund remained unutilized.

3.24 When asked about the reasons for delay in the construction work by CPWD and the efforts made by the Govt. for early completion of the work, the Ministry informed the Committee that the Department of Consumer Affairs has been repeatedly requesting the Ministry of Urban Development not only through letters at the level of Secretary and Additional Secretary but also personal meetings at the level of Additional Secretary, to get the construction of building for NCDRC expedited. It has now been intimated by CPWD that the drawings of the building are yet to be approved by the MCD which is not under the control of CPWD. Construction work in respect of the building by CPWD can only commence after receipt of the approval.

**3.25 The Committee are surprised to note that out of Rs. 11 crore allocated for construction of NCRDC building called “Upbhokta Nyaya Bhavan”, Rs. 6 crore was earmarked in 2005-06 but the construction work could not be started by CPWD due to delay in getting clearance from MCD. The Committee have been informed that the office space available is too inadequate for smooth functioning of the NCRDC. The Committee, therefore, desire that the Department of Consumer Affairs may take up the matter with the Ministry of Urban**

**Development at highest level for early clearance of drawings of the building by MCD so that the funds allocated for the purpose is utilized in the financial year itself and the work of the construction of the building is completed. The Committee suggest that while entering into any agreement with CPWD, a specific penalty clause be inserted in it for non-performance of the contract by either clause so that the project can be completed in a time bound manner.**

**(e) Proposal for revival of Super Bazaar**

3.26 The Cooperative Store Ltd. popularly known as Super Bazar, was registered under the Bombay Cooperative Societies Act, 1925 as extended to the Union Territory of Delhi under Registration No. 284(s) dated 25.6.1966. During January 1996, it has been registered under the Multi State Cooperative Societies Act, 1984. The accounts of the Super Bazar were audited upto the year 2004-2005. Since the Cooperative Store Ltd. (Super Bazar) was continuously running on loss, the Central Registrar of Cooperative Societies & Joint Secretary in the Department of Agriculture and Cooperation, after following the due procedure, issued order for winding up of the Super Bazar on 5.7.2002 under sub section (2) of section 77 of Multi State Cooperative Societies Act, 1984 and appointed a Official Liquidator (OL) to complete the proceedings. The Liquidator assumed office on 25.7.2002.

3.27 During 2005-06 no fund was allocated but at the R.E. stage Rs. 0.42 crore was made available. For 2006-07 Rs. 5 crores have been earmarked for loans to Super Bazar. Asked the reasons for allocation of such huge amount, the Ministry informed the Committee that the allocation under the Scheme is likely to be fully utilized for payment of terminal benefits to the remaining employees of the Super Bazar and payment of salaries to the skeleton staff. The Super Bazar Karamchari Dalit Sangh has filed an SLP in the Supreme Court of India for revival of the Super Bazar. The matter is sub-judice.

3.28 When asked whether the Special Leave Petition filed by Super Bazaar Karamchari Dalit Sangh has since been settled by Hon'ble Supreme Court, the Committee was informed that the Supreme Court in its Order dated 7.2.2006 directed the Government of India to file a statement showing the assets and liabilities of Super Bazar, which have to be taken over by any

Multi-State Cooperative Society which wishes to run the Super Bazar after revival of the same. Accordingly, the Department of Consumer Affairs has filed an affidavit in the Supreme Court on 22.2.2006. In the last hearing of the case on 28<sup>th</sup> February 2006, Supreme Court observed that professional management of the Super Bazar is absolutely essential. Besides, the body of professionals, to whom the management of the Super Bazar may be entrusted, may be paid for the services rendered on such basis as may be settled between the parties. With a view to explore the possibility of having such an arrangement, Supreme Court constituted a Committee consisting of the following persons:-

- (1) Central Registrar, Cooperative Societies.
- (2) Economic Adviser, Department of Consumer Affairs
- (3) Official Liquidator, Cooperative Stores, Super Bazar Delhi.

3.29 The Supreme Court directed that this Committee shall go into all aspects of the matter and submit a comprehensive scheme, which in their view is feasible, within a period of 4 weeks from 28<sup>th</sup> February 2006. Thereafter, Supreme Court would consider the modalities to be adopted for implementing the Scheme, if possible.

3.30 In their post-evidence reply, the Ministry informed the Committee that the Committee constituted by Supreme Court has submitted its report on 29.03.06. The main recommendations of the Committee are as under:-

(i) The proposed revival scheme shall not change the cooperative structure of Super Bazar. The Super Bazar was a name, which radiated trust in the matter of price and quality, and therefore, the various Government institutions came forward to provide properties at concessional rates. The Committee is of the view that this aspect need to be kept uppermost in mind while implementing any scheme for revival. This would, therefore, necessitate that the management is vested in the hands of professionals as observed by the Hon'ble Court in its order dated 28.2.2006.

(ii) The scheme for revival has been framed after considering and examining the following four important issues:

- Sustainable Financial and Economic model
- Financial Restructuring/Means of Finance
- Revised Management structure
- Criteria for Selection of Partner

(iii) The revival of Super Bazar may be carried out in two phases. In the first phase, the operations are to be started in the existing premises after carrying out renovation, refurbishing, air-conditioning etc.. The second phase would include the development of the properties on the vacant plots leased out to Super Bazar.

(iv) The financial restructuring and the revival scheme has taken into account following facts:-

a) As observed by the Hon'ble Court, the GOI has already taken a decision to waive the Government dues and interest thereon amounting to Rs. 65 crore approximately, in case the scheme for revival is approved.

b) The demands raised by the institutional agencies on pending dues may not be justified. The Committee has kept a provision of Rs. 10 crore for paying off these liabilities.

c) The Committee presumes that the new entity may return the Government equity in full. However, it would induct its own equity to the extent of 1/5<sup>th</sup> of total authorized share capital. In view of the requirement of infusion of funds and to have committed management, the Committee is of the view that that total authorized share capital of Super Bazar may be raised to Rs. 50 crores.

(v) To implement a possible revival scheme, in case of approval by the Hon'ble Court, the Central Government may have to issue direction under Section 122 of MSCS Act, in public interest to raise the total authorized share capital of the Super Bazar say to Rs. 50 crores. The new partner may concurrently induct Rs. 10 crores as equity in order to secure proper management of the business and may return Government of India equity on its face value. The Board of Super Bazar may have to be reconstituted. All this will be done through suitable amendments of bye-laws of the Society. Finally, CRCS may issue directions for withdrawal of liquidation proceedings and handing over the management control to the new Board.

3.31 Some of the points that need consideration while deciding upon a revival partner are given below-

a) The proposal of revival envisages a loss for almost 2 years of operations. This would, therefore, need financial strength for the selected partner to absorb the losses and to carry on operations.



b) The infusion of fresh funds in the revival proposal envisages additional equity of Rs. 10 crore and raising of loans of almost Rs. 45 crores. The selected partner shall be able to demonstrate its capacity to mobilize these funds.

c) The revival entity should have a good track record of protecting the interests of its stakeholders.

d) It would be desirable that the entity which is selected as a partner for this project is able to adopt policies for the welfare of the employees and fair management practices.

3.32 The Committee constituted by the Supreme Court has sought the following from the Hon'ble Supreme Court for revival of Super Bazaar:-

(i) The Hon'ble Court may kindly consider issuing directions regarding revival of Super Bazar and criteria for selection of a partner who will bring professional management and funds for its revival.

(ii) The Hon'ble Court may kindly give direction regarding the person/authority who may be entrusted with the responsibility for inviting the proposals based upon the criteria fixed by the Court and short listing the proposals received in order of preference for selection of a partner.

**3.33 The Committee note that consequent upon the Special Leave Petition (SLP) filed by the Super Bazaar Dalit Karamchari Sangh, Hon'ble Supreme Court has constituted a Committee consisting of (i) Central Registrar, Cooperative Societies (ii) Economic Adviser, Department of Consumer Affairs; and (iii) Official Liquidator, Cooperative Stores, Super Bazaar, Delhi to explore the possibilities for revival of Super Bazaar. The Committee constituted by the Supreme Court has recommended for revival of Super Bazaar. The Committee are of the view that unless and until the guidelines framed by the Official Committee are strongly adhered to, the**

**proposal of revival of Super Bazaar would be a futile exercise. The Committee, therefore, recommend that before handing over the management of Super Bazaar to a Group or Society, it must be kept in mind that it has adequate infrastructure, experience and financial capacity to run the business. Also, the Government may strengthen its monitoring mechanism over the functioning of the Super Bazaar so that it does not re-lapse to losses. It should be ensured that there is due financial accountability on the part of the future management and employees of the Super Bazaar. They should be given a time frame during which the program must be made self-sustaining failing which it should be closed down.**

(f) **Consumer Welfare Fund**

3.34 A Consumer Welfare Fund was created in 1992 with the objective of providing financial assistance to promote and protect the welfare of the consumers, create consumer awareness and strengthen consumer movement in the country, particularly in rural areas. The Fund was set by the Department of Revenue under the Central Excise and Salt Act, 1944, and is operated by the Ministry of Consumer Affairs, Food & Public Distribution. The Central Excise and Salt Act, 1944 was amended in 1991 to enable the Central Government to create the CWF where the money, which is not refundable to the manufacturers, etc. shall be credited.

3.35 The Consumer Welfare Fund Rules were framed and notified in 1992. Under these Rules, any agency / organization engaged in consumer welfare activities for a period of three years and registered under the Companies Act, 1956 or any other law for the time being in force, village/mandal/samiti-level cooperatives of consumers, industries, State Governments etc. are eligible for seeking financial assistance from the Fund. An inter-Ministerial Standing Committee has been constituted under the Rules to make recommendations for proper utilization of the money credited to the Consumer Welfare Fund for the welfare of the consumers.

3.36 The year-wise funds allocated, funds utilized and balance at the end of financial year for the last three years is given below:

**(Rs. in Crores)**

<b>Year</b>	<b>Funds allocated</b>	<b>Fund utilized</b>	<b>Balance</b>
2003-04	5.00	4.18	.82
2004-05	19.47	18.97	.50
2005-06	31.50	8.56	22.94

3.37 When asked about the number of NGOs/VCOs who were provided financial assistance from Consumer Welfare Fund during last 2 years, the Ministry stated that 167 NGOs/ VCOs were provided financial assistance from Consumer Welfare Fund. As regards the NGOs/VCOs who have submitted the utilization certificates/progress reports/audited statements of accounts, the Committee was informed that 124 NGO/VCOs have submitted the Utilization certificates/progress reports. Efforts have been taken to bring down the pendency in Utilisation Certificates and the Department has brought down the pendency from 600 to 177.

3.38 A Statement (state-wise) showing the number of NGOs/VCO who have not submitted Utilization Certificates for the last four / five year is given below :-

SL No.	Name of the State / UT	Number of VCOs/ NGOs	Amount released
1.	Andhra Pradesh	19	7,22,800
2.	Bihar	5	1,73,700
3.	Delhi	1	1,54,800
4.	Haryana	3	40,500
5.	Jharkhand	1	2,34,000
6.	Karnataka	4	1,49,400
7.	Kerala	1	1,07,325
8.	Madhya Pradesh	3	1,08,000
9.	Maharashtra	1	5,00,000
10.	Orissa	15	13,80,700
11.	Punjab	1	31,500
12.	Rajasthan	4	1,84,000
13.	Tamil Nadu	3	1,91,000
14.	Utter Pradesh	24	7,88,600
	Total	85	47,71,300

3.39 From the above statement, it may be observed that there are 85 VCOs/ NGOs who have not submitted Utilization Certificates for the funds released four / five years back from the Consumer Welfare Funds. In this context, the Committee enquired the reasons thereof and the steps taken by the Government. The Secretary, Department of Consumer Affairs stated during evidence that these are small VCOs /NGOs spread in a number of states. The funds were released to them on the recommendations either of the District Administration or State Government. The Ministry has taken up the matter with these authorities for getting the Utilization Certificates. No further grants has been given to any VCOs/ NGOs from whom Utilization Certificates for previous grant has not been received.

**3.40 The Committee note with concern that Utilization Certificates in respect of Rs. 47,17,300 released to 85 NGOs / VCOs released 4-5 years back from Consumer Welfare Fund have not yet been received which reflects the poor performance and monitoring over the scheme by the Department of Consumer Affairs. While viewing the situation with great concern, the Committee strongly recommend that concerted**

**efforts should be made to recover the whole amount released to these NGOs/ VCOs at the earliest and appropriate legal action should be taken against them. For this, the matter should be taken at the highest level in persuading the State Governments / UTs to trace out the whereabouts of the NGOs/VCOs. The Committee also desire that the Ministry should blacklist such NGOs from whom the Utilization Certificates are not received within the 12 months from the date of release of funds and their names may be displayed on the website of the Department so that they may not get any grant under the schemes being implemented by the other Ministry / Department. The matter should be got examined in consultation with the Central Vigilance Commission (CVC) as to how the accountability of such NGOs/ VCOs can be ensured.**

## CHAPTER – IV

### BUREAU OF INDIAN STANDARDS

4.1 Indian Standards Institution gave the nation the standards it needed for orderly industrial and commercial growth, quality production and competitive efficiency. However, the set up was considered inadequate and thus through an Act of Parliament dated 26 November 1986, Bureau of Indian Standards (BIS) came into existence on 1 April 1987 with a broadened scope and more powers taking over the staff, assets, liabilities and functions of ISI. Through this change over, the Government envisaged building the climate for quality culture and consciousness and greater participation of consumers in formulation and implementation of National Standards. The BIS Certification Marks Scheme is primarily voluntary in nature. However, keeping in view the health and safety of the consumer, 109 products have been brought under mandatory certification of BIS through various Quality Control Orders / Acts.

4.2 The entire enforcement activity of the Bureau is coordinated centrally by the Enforcement Department at BIS Headquarters under the supervision and overall guidance of Chief Vigilance Officer, a senior IPS Officer. The enforcement activity at RO/BO level has been strengthened by nominating Enforcement Officers in two regions to coordinate the enforcement activity in their Region and all Heads of Branch Offices have been nominated as Nodal Officers to coordinate enforcement activity with Enforcement Department at HQs, Legal Dept. of BIS & other enforcement agencies in their respective states. The responsibilities of nodal/regional officers includes arranging market surveys, visit to exhibitions, interaction with industry/traders associations and BIS licensees, investigation of complaints and search & seizures, wherever required in addition to regular follow up of enforcement cases for launching prosecution in respective courts.

4.3 The Committee was furnished the following statement showing the Prosecution Cases filed under BIS Act during last 3 years:-

Sl No.	State	Year 2003-04	Year 2004-05	Year 2005-06*	Total
1	Delhi	15	13	6	34
2	Rajasthan	3	0	0	3
3	Madhya Pradesh	6	1	5	12
4	Uttar Pradesh	15	8	1	24
5	H.P.	6	0	1	7
6	Haryana	9	15	8	32

7	Punjab	13	23	7	43
8	A.P.	11	15	7	33
9	Tamil Nadu	2	6	4	12
10	Gujarat	11	11	1	23
11	Maharashtra	21	31	6	58
12	Orissa	1	0	0	1
13	Assam	2	0	0	2
14	Jharkhand	0	1	0	1
15	West Bengal	17	8	1	26
16	Karnataka	2	1	0	3
17	<b>Total</b>	<b>134</b>	<b>133</b>	<b>47</b>	<b>314</b>

\* upto 15<sup>th</sup> March, 2006

4.4 Asked about the action taken by the Government against the misuse of BIS Standards, the Ministry informed the Committee that the Enforcement activities in the BIS are being taken on proactive basis to check misuse of BIS Standard Mark. BIS is also regularly taking remedial steps to check such misuses which include educating the consumers about the means adopted by unscrupulous elements to deceive the consumers by spurious and deceptive markings during consumer awareness drives undertaken by BIS and regular advertisements in print and electronic media. Also, whenever noticed, raids are conducted with the help of local police and material and documentary evidences seized to launch the prosecution in court against the person responsible for misuse. Press releases are also issued simultaneously for public awareness.

#### **Hallmarking Of Gold Jewellery**

4.5 BIS has been nominated as the sole agency in India for Hallmarking of Gold Jewellery. The Hallmarking Scheme was formally launched by BIS in April 2000 on voluntary basis. Jewellers desirous of operating the BIS Hallmarking Scheme for gold jewellery have to apply BIS and get BIS Certification under the Product Certification Scheme. A BIS certified jeweller will have the licence to get his jewellery assayed and hallmarked by any BIS recognized Assaying and Hallmarking Centre. The recognition of Assaying and Hallmarking Centres is done by BIS after ensuring that the Assaying and Hallmarking Centre are following BIS Criteria for Hallmarking, international norms for sampling, assaying and hallmarking and also have adequate testing facilities, trained and competent manpower. The norms for recognition of these centres have been aligned with those in other parts of the World, in order to ensure the acceptability of the jewellery with 'Indian Hallmark' world over.

4.6 Since launch over 1330 jewellers have taken licence from BIS and have so far hallmarked over 110 lakh jewellery articles. Under BIS Hallmarking Scheme, 37 Gold Assaying &

Hallmarking Centres have been recognized. All the centres except one by MMTC Ltd. have come up in the private sector. However, in order to encourage the entrepreneurs, a scheme of setting up of Assaying and Hallmarking centres for gold jewellery in 35 select districts on a pilot basis with central assistance has been approved by Govt. for implementation during 2005-06 and 2006-07 with total financial outlay of Rs.5.75 crores. Under the scheme selected applicants would be given one time financial assistance @ 15% of cost of machinery & equipment subject to maximum of Rs. 15 lakhs per centre. The scheme will be implemented by BIS on turn key basis.

4.7 During the year 2001-2002, BIS conducted surveys in eight major cities to find out the actual position with regard to purity of gold jewellery available in the market as against the claims made by jewellers and to make consumer aware of the actual purity of jewellery purchased by him. The surveys were conducted in Delhi, Mumbai, Chennai, Hyderabad, Jaipur, Bangalore, Ahmedabad and Kolkata in association with consumer activists of repute in the respective cities. More than 88% samples failed against the purity declared with shortage of purity as wide as 36%. Legal cases have been filed against all 107 jewellers in MRTP Commission whose samples had failed against declared purity.

4.8 Asked whether any survey has been conducted in semi urban and rural areas, the Committee was informed that no survey has been conducted in the semi urban and rural areas. However, as per directive of the Ministry of Consumer Affairs, Govt. of India, a survey has been planned to be conducted in 16 cities in 2006 namely, Pune, Vadodara, Thiruvananthapuram, Madurai, Bhubaneswar, Ranchi, Kanpur, Ludhiana, Indore, Meerut, Jaipur, Jodhpur, Chandigarh, Jammu, Gurgaon & Delhi.

**4.9 The Committee note that the prosecution cases filed under the BIS Act for misuse of BIS Standards are far from satisfactory. During 2003-04 (134), 2004-05 (133), 2005-06 (47) cases have been filed. In the opinion of the Committee, there is a slackness on the part of the enforcement machinery of the BIS. In this context, the Committee desire that the enforcement department of BIS should be activated and adequate number of officers appointed in the regions and**



**branch offices of BIS to conduct surprise visits / raids so as to prevent the misuse of ISI mark. There is also a need to step up market surveillance, visits to exhibitions, interaction with industry and trade associations, feedback from BIS licensees and other sources. This will go a long way in protecting the interest of consumers.**

**4.10 The Committee note that Hallmarking Scheme was formally launched by BIS in April 2000 on voluntary basis. During 2001-02, BIS conducted survey in 8 major cities namely, Delhi, Mumbai, Chennai, Hyderabad, Jaipur, Bangalore, Ahmedabad and Kolkata to find out the actual position with regard to purity of gold jewellery. It was found that 88% samples failed against the purity declared with shortage of purity as wide as 36%. The Committee further note that no survey has been conducted in semi-urban and rural areas to ascertain the purity of gold. The Committee have been informed that the Ministry has planned to conduct surveys in another 16 major cities of the country. The Committee are of the opinion that the surveys should not be centralized to the urban cities only but it should cover the semi-urban and rural areas where the chances of cheating by jewelers are more. For this, the facility of Assaying and Hallmarking Centres may be provided in the remote and backward areas so that the consumers may get facilities of**

**testing the quality of gold purchased by them and are not subject to cheating by unscrupulous traders/jewelers.**

**4.11 The Committee also desire that quality hall marked jewelery may also be sample test checked to ensure that these 37 centres are working within the parameters of the licenses issued to them and the people can take their certification on face value.**

## CHAPTER - V

### NATIONAL TEST HOUSE ( NTH)

5.1 The National Test House (NTH) under the administrative control of Department of Consumer Affairs, is a premier Scientific Institution of the country. It was established way back in 1912 under the then Railway Board and since then it has grown into a laboratory of national importance in the field of testing, evaluation and quality control of various engineering materials and finished products. It is actively involved in all respects of technology connected with industry, commerce, trade and standardization. It has played a pivotal role in the development of indigenous industries and serves as a vital link between industrial research and manufacture of finished products under rigid quality control.

5.2 The Planning Commission had allocated Rs. 25 crores to National Test House for Tenth Five Year Plan (2006-07). The year wise break-up of BE, RE and actual expenditure incurred during 2002-03 to 2005-06 and the BE for 2006-07 is given below :-

(Rs. In crore)

Year	Allocation	BE	RE	Actual Expenditure
2002-03	4.05	3.95	2.50	2.45
2003-04	7.41	3.80	3.80	3.39
2004-05	5.45	5.73	5.69	5.00
2005-06	4.43	5.66	5.35	3.43 (upto 15.03.2006)
2006-07	3.66	6.30	-	-
<b>Total</b>	<b>25.00</b>	<b>25.44</b>	<b>17.34</b>	<b>14.27</b>

The reasons for slow pace of expenditure are stated to be as under:-

(i) Procurement of Machinery & Equipment which forms a major part of Plan Expenditure got delayed in respect of Equipments ordered from foreign countries.

(ii) CPWD were authorized funds for major works under 'Land & Building' Head. CPWD could not utilize the expenditure.

(iii) During the first two years of 10<sup>th</sup> Plan, there was a proposal of NTH-BIS merger and the NTH could not focus on investment till the final decision regarding role of NTH crystallizes.

(iv) The post of Director General, NTH remained vacant for quite some time and could be filled on regular basis only in November, 2005. The lack of leadership in NTH contributed to the sluggish utilization of funds.

(v) NTH had projected balance funds i.e. Rs.8.74 crores, approximately to be utilized during the financial year i.e. 2005-06. However, due to overall reduction in the allocation to this Ministry by Planning Commission, Rs.6.5 crores only has been allocated to NTH.

5.3 The Secretary, Department of Consumer Affairs further clarified during evidence as under :-

“Now we have got regular Director-General. All the issues between the Ministry and the NTH have been discussed in detail and we have settled them. Whatever they required, consistent with the policy directions which have been given to them, will be utilised. We do not see any problem with reference to NTH. There were organisational problems of NTH because of which they were not in a position to spend the money. It was because there were not concrete proposals and thus the money could not be spent. As the problem was internal to NTH as they did not have a regular Director-General and since we have taken care of it, I think, we will not face this sort of a problem in future.”

**5.4 The Committee note that the Planning Commission had allocated Rs. 25 crore to National Test House for entire Tenth Five Year Plan ( 2006-07) but the Ministry could utilize only Rs. 14.27 crore up to 15<sup>th</sup> March, 2006. The reasons for less utilization of funds are stated to be (i) Delay in procurement of machinery and equipment (ii) Non-utilization of funds by CPWD (iii) Non approval of proposal for merger of NTH-BIS (iv) Non filling the post of Director General, NTH (v) Reduction in allocation by the Planning Commission. The Committee feel that the non utilization of entire funds reflects the poor planning on the part of the Department. Now that a**

**regular Director General has been appointed in the National Test House, the Committee hope that the organizational problem of the NTH will be resolved and the Ministry will be able to utilize the entire funds within the plan period.**

**5.5 The Committee find that NTH is a premier R & D Institution under the ambit of Department of Consumer Affairs. It is involved in all respect of technology, connected with industry, commerce, trade and standardization. In the opinion of the Committee, NTH should gear up their machineries, in the wake of challenges thrown upon by globalization of Indian economy and take proactive action / steps in protecting the interest of Indian entrepreneurs. At the same time, the Committee recommend that the Government should evaluate the working of NTH to see as to how far it has been able to achieve the aims and objectives for which it was set up. There is also a need to undertake Serial Audit of NTH. The Committee would like to be apprised of the outcome.**

## CHAPTER – VI

### REGULATION OF MARKET - FORWARD MARKET COMMISSION (FMC)

6.1 In a free market economy the Futures trading performs two important economic functions, viz. **price discovery** and **price risk management**. Such trading in commodities is useful to all sectors of the economy. The forward prices give advance signals of an imbalance between demand and supply. This helps the government and the private sector to make plans and arrangements for timely imports, instead of having to rush in for such imports in a crisis-like situation when the prices are already high. This ensures availability of adequate supplies and averts spurt in prices. Similarly, in a situation of a bumper crop, the early price signals emitted by futures market help the importers to defer or stagger their imports, which protects the producers against unremunerative prices. At the same time, it enables the importers to hedge their position against commitments made for import. Similarly exporters are able to hedge their export commitments. As a result, the export competitiveness of the country improves.

6.2 Farmers and growers benefit through the price signals emitted by the futures markets even though they may not directly participate in the futures market. The futures markets lead to reduction in the amplitude of seasonal price variation and help the farmer realize somewhat better price at the time of harvest. This helps the farmer in planning his cultivation in advance as well as to determine the kind of crop which he would prefer to raise, by taking advantage of the advance information of the price, and probable supply and demand of various commodities in advance. By providing the manufacturers and the bulk consumers a mechanism for covering price-risk, the futures market induces them to pay higher price to the producers, as the need to pass on the price-risk to farmers is obviated. The manufacturers are able to hedge their requirement of the raw material and also to hedge their finished products. This results in greater competition in the market and ensure viability of the manufacturing units.

6.3 Asked whether any special attention is paid by FMC to protect the interests of small market participants, small growers, processors and consumers, the Committee was informed that futures markets provide the benefit of price discovery and price risk management. Since the futures prices is most competitive price based on the information available at that point of time, the producers, processors and consumers get useful information to plan their operations. The competitive price that emerges in the efficient market place enables the small farmers to negotiate better terms for themselves in the market. For those farmers who intend

to participate in the futures market directly to cover their price risk, the contract size is also kept relatively small in comparison to international standards.

6.4 The Committee pointed out that recently there was a sudden rise in prices of Wheat, Rice, Sugar and Pulses and Edible Oils and enquired about the role of the Forward Market Commission in stabilizing the prices of these commodities and the benefits to farmers and consumers by the system of Forward Marketing. The Secretary, Department of Consumer Affairs, stated during evidence :-


“Whenever the trading takes place of any commodity, benefit flows down to the producers. As far as the consumer is concerned, Agro processing units also can take advantage of it because of the forward trading. So, that is the second benefit of forward market, which is the hedging of risks. If I am an agro processor, I utilise the agricultural commodity. My ability can be adversely affected if I do not know the prices. That is how the major players hedge their risks on the exchanges. That is how the world over the trading takes place. As far as wheat is concerned, I would like to submit for Committee's consideration that trading is based on market forces being allowed to operate. In India, in respect of some commodities, we are not totally out of Government's control. Wheat is one such commodity. Another is sugar. The acts of the Government can also influence the price of wheat. If the Government finds that the prices of wheat are going up, they can release wheat in the open market to contain the prices of wheat. This is really not in the Government's interest because we are also responsible for maintaining the prices and our sister Department is responsible for procurement. Due to futures prices in the commodity exchanges, now the farmers know what he can expect if he holds on to his produce. We believe that many farmers now in States like Punjab, Haryana, etc. are holding back their produce. That is why *mandi* arrivals have been much lower than the last year. So, though ultimately it is bad for the Government's procurement scheme, I would submit that this forward trading has started benefiting the producer.”

6.5 Asked whether any study of Market has been conducted to ascertain the reasons of such price rise, the Secretary replied :-

“We have already asked the FMC to carry out a study. Chairman will give the details of what they are going to do about that study. But, I would like

to mention here that these three National Exchanges have not yet completed their second year of operation. There is now almost daily review of wheat procurement. What we are told by the FCI officials is that it is not that the traders have cornered the entire stock of wheat and they are waiting for the prices to go up further to take benefit. What we are told is that in many parts of the wheat producing areas of this country, it is the farmers who have held back the stock and are going to gain by the price rise. This, I think, should not be a matter of criticism. Although it is eating the procurement operations of the Government, because if the farmer gets a price which is above the MSP, I think, it is for a change. The Government does not have to intervene through the MSP.”

6.6 In this regard, the Chairman of the Forward Market Commission further supplemented :-

“The fundamental problem in the commodity futures market is that unlike the securities market, we cannot be very happy if the prices move in one direction. In the security market, the whole country wants the prices to move only in one direction, which is ‘up’. But unfortunately, in the commodities futures market, if the prices move up, the consumer is affected. If the prices move down, the producer, who is the agriculturist, is affected. We are still very young. We have just completed two years of full operation of the market. We are going to study the impact of trading in certain major commodities like wheat, sugar, pulses and a few other commodities, which impact in the rural parts of India. We will make out a study and place it before the nmittee.”



**6.7** The Committee note that recently there was a sudden rise in the prices of wheat, rice, sugar, pulses and edible oils in the market but the farmers are neither getting the benefit of such price rise and nor future trading benefitted them. The Committee are of the view that there is no Government control on the price of such commodities. The Committee have been informed that many farmers now in States like Punjab and Haryana are holding back their products due to which there was less arrival of foodgrains in the Mandi. The Committee are of the opinion that future / forward trading has not assisted the farmers in releasing remunerative price of agricultural produce. In fact, the speculative tendency of a Commodity Market, has hit the consumers most to the advantage to unscrupulous traders / middlemen. As such, the advantage of operating future / forward market benefits have been reaped by middlemen / traders instead of farmers. A futures market should serve the purpose of stabilization of prices in commodities which are susceptible to season to season and year to year variations based on supply and demand. Futures trading enables the various trading interests to shift the risk involved in such activities arising out of adverse price fluctuations through hedging to those who are willing to assume it in the hope of making some profit in future. In the absence of such hedging facilities, traders and manufacturers would attempt to cover their risks by charging a higher price to the consumers or paying a lower price to the producers. During evidence, the Chairman, FMC deposed that they were going to study the impact of trading in certain major commodities like wheat, sugar, pulses and a few other commodities, which impact in the rural parts of India. The Committee, therefore, recommends that the Government should conduct the study on the impact of future / forward

trading in certain major commodities like wheat, sugar, pulses in various parts of the country. At the same time, the Committee desire that FMC should instruct Commodity Exchanges like NCDEX, MCX and others to set up / install terminals, at Sub-District / Block levels, in various part of the country. The Committee would like to be apprised of the action taken in the matter.

**NEW DELHI**  
**19th May 2006**  
**29 Vaisakha, 1928 (Saka)**

**DEVENDRA PRASAD YADAV**  
**Chairman**  
**Standing Committee on Food,**  
**Consumer Affairs and Public Distribution**

**MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON TUESDAY, THE 2<sup>ND</sup> MAY, 2006**

The Committee sat from 1500 hrs. to 1700 hrs .in Committee Room 'C', Parliament House Annexe, New Delhi.

**PRESENT**

Shri Devendra Prasad Yadav - Chairman

**MEMBERS**

**LOK SABHA**

1. Shri Alakesh Das
2. Shri Jaiprakash
3. Shri Avinash Rai Khanna
4. Shri Harikewal Prasad
5. Shri Ajit Kumar Singh
6. Shri Chandrabhan Singh

**RAJYA SABHA**

7. Shri Nabam Rebia

**SECRETARIAT**

1. Shri P.K.Bhandari - Joint Secretary
2. Shri R.S.Kambo - Deputy Secretary
2. Shri B.S.Dahiya - Under Secretary
3. Shri Jagdish Prasad - Assistant Director

**REPRESENTATIVES OF THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (DEPARTMENT OF CONSUMER AFFAIRS)**

1. Shri L.Mansingh - Secretary
2. Shri Vivek Mehrotra - AS &FA
3. Smt. Alka Sirohi - AS
4. Shri Paul Joseph - Sr. Economic Advisor
5. Shri A.N. Bokshi - Chief Controller of Accounts
6. Smt. Jayashree Gupta - Joint Secretary (JG)
7. Ms. Rinchen Tempo - Joint Secretary (RT)
8. Shri G.S. Negi - Director (IT)
9. Shri Zile Singh - Director (Coop.)
10. Shri B.V. Sharma - Jt. Registrar (NCDRC)
11. Shri Sundereshan - Chairman (FMC)

12. Shri S.P. Sharma - Director General (BIS)
13. Shri S.U.M. Rao - Director General (NTH)
14. Shri L.B. Singh - MD (NCCF)

2. At the outset, Hon'ble Chairman welcomed the Secretary and other senior officers of the Department of Consumer Affairs and apprised them of Direction 58 of the Directions by the Speaker. The Committee then took evidence of the representative of the Department of Consumer Affairs in connection with the examination of Demands for Grants (2006-07). The following important points were discussed by the Committee:-

- (a) Rush of expenditure at the fag end of the financial year.
- (b) Reasons for uneven expenditure of funds during 2005-06.
- (c) Separate funds for the development of North-Eastern Region.
- (d) Delay in approval of the Scheme "Integrated Project on Consumer Protection".
- (e) Proposal for revival of Super Bazar
- (f) Delay in Construction of NCRDC Building
- (g) Non-disposal of cases by the Consumer Court / Consumer Fora within the prescribed period.
- (h) Computerization and Computer Networking of Consumer Courts / Forum.
- (i) Need for more publicity measures for creating awareness among consumers of rural and backward areas in regional languages.
- (j) Non-submission of utilization certificate of funds by the NGOs/ VCOs.
- (k) Non-utilization of funds allocated for matters relating to weights and measures in the Tenth Five Year Plan.
- (l) Need to establish Hallmarking / Assaying Centres in all the Districts of the country.
- (m) Non-utilization of entire funds allocated to National Test House for Tenth Five Year Plan.
- (n) Role of Forward Market Commission in ensuring remunerative prices of agricultural commodities to farmers; speculative tendency to jack-up prices artificially.

3. A copy of the verbatim proceedings of the sitting of the Committee has been kept on records.

**The Committee then adjourned.**

**MINUTES OF THE THIRTEENTH SITTING OF THE STANDING COMMITTEE  
ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON  
FRIDAY, 19<sup>TH</sup> MAY, 2006.**

The Committee sat from 15.00 to 16.00 hours in Committee Room . `B', Parliament House Annexe, New Delhi.

**Present**

Shri Devendra Prasad Yadav - Chairman

**MEMBERS**

**LOK SABHA**

2. Shri Suresh Angadi
3. Shri Jai Prakash
4. Shri Avinash Rai Khanna
5. Shri Harikewal Prasad
6. Shri Ajit Kumar Singh
7. Shri Chandrabhan Singh

**RAJYA SABHA**

8. Shri Surendra Motilal Patel

**SECRETARIAT**

- |    |                     |   |                    |
|----|---------------------|---|--------------------|
| 1. | Shri P.K. Bhandari  | - | Joint Secretary    |
| 2. | Shri R.S. Kambo     | - | Deputy Secretary   |
| 3. | Shri B.S. Dahiya    | - | Under Secretary    |
| 4. | Shri Jagdish Prasad | - | Assistant Director |

2. At the outset, the Hon'ble Chairman welcomed the Members to the sitting of the Committee. xxx xxx xxx

3. The Committee then took up Draft Thirteenth Report on Demands for Grants (2006-2007) relating to Department of Consumer Affairs for consideration and adopted the same with some minor amendments.

4. The Committee authorized the Chairman to finalise these Reports after making consequential changes arising out of factual verification of the reports by the concerned Departments and present/lay the Reports in both the Houses of Parliament during the current session of Parliament.

**The Committee, then, adjourned.**