

STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION  
(2004-2005)

FOURTEENTH LOK SABHA

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

{Action Taken by the Government on the recommendations/observations  
contained in the First Report of the Committee on Demands for Grants (2004-  
2005) of the Ministry of Consumer Affairs, Food and Public Distribution  
(Department of Food and Public Distribution)}

FOURTH REPORT



LOK SABHA SECRETARIAT  
NEW DELHI

April, 2005 /Vaisakha, 1927 (Saka)

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AND PUBLIC DISTRIBUTION  
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(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION)**

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2005) of the Ministry of Consumer Affairs, Food and Public Distribution  
(Department of Food and Public Distribution)}**

**Presented to Lok Sabha on 27.4.2005  
Laid in Rajya Sabha on 27. 4. 2005**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2005/Vaisakha, 1927 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION – 2004-05**

Shri Devendra Prasad Yadav - Chairman

**MEMBERS  
LOK SABHA**

2. Shri A.P. Abdullakutty
3. Shri Suresh Angadi
4. Shri Ranen Barman
5. Shri Alakesh Dass
6. Shri Tukaram Gadakh
7. Shri Atma Singh Gill
8. Shri Govinda
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 K.P. Naidu
16. Shri Hari Kewal Prasad
17. Smt. Daggubati Purandareswari
18. Shri Ajit Kumar Singh
19. Shri Chandrabhan Singh
20. Shri Ramakant Yadav
21. Shri Harish Nagpal

**RAJYA SABHA**

22. Shri Santosh Bagrodia\*\*
23. Shri T.S. Bajwa
24. Shri Palden Tsering Gyamtso
25. Shri Narayan Singh Kesri
26. Shri Lalitbhai Mehta
27. Smt. Bimba Raikar
28. Shri Nabam Rebia
29. Shri Thanga Tamil Selvan
30. Shri Vikram Verma
31. Shri Vijay Singh Yadav

**SECRETARIAT**

- |    |                                 |   |                    |
|----|---------------------------------|---|--------------------|
| 1. | Shri P.D.T. Achary              | - | Secretary          |
| 2. | Dr. (Smt.) Paramjit Kaur Sandhu | - | Joint Secretary    |
| 3. | Shri R.S. Kambo                 | - | Deputy Secretary   |
| 4. | Shri B.S. Dahiya                | - | Under Secretary    |
| 5. | Shri Jagdish Prasad             | - | Assistant Director |
| 6. | Ms. Juby Mehra                  | - | Committee Officer  |

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\* Nominated to the Committee w.e.f. 19<sup>th</sup> April, 2005 *vide* Bulletin Part II (Lok Sabha) No. 1116 dated 19<sup>th</sup> April, 2005.

\*\* Nominated to the Committee w.e.f 24<sup>th</sup> April, 2005 *vide* Bulletin Part II (Rajya Sabha) No. 42642 dated 25<sup>th</sup> April 2005.

## INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2004-2005) having been authorized by the Committee to submit the Report on their behalf, present this Fourth Report on Action Taken by the Government on the recommendations/observations contained in the First Report of the Committee (Fourteenth Lok Sabha) on Demands for Grants (2004-2005) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The First Report was presented to Lok Sabha and laid in Rajya Sabha on 25<sup>th</sup> August, 2004. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 8<sup>th</sup> December, 2004. The Draft Report was considered and adopted by the Committee at their sitting held on 8<sup>th</sup> April, 2005.

3. An analysis of the action taken by the Government on Recommendations contained in the Report is given in Appendix II.

New Delhi  
21<sup>st</sup> April, 2005  
1 Vaisakha 1927 (Saka)

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

## Chapter – I

### Report

This Report of the Standing Committee on Food, Consumer Affairs, Food and Public Distribution deals with the Action Taken by the Government on the Observations/Recommendations contained in the First Report (Fourteenth Lok Sabha) on “Demands for Grants (2004-2005)” pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

1.2 The Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 25<sup>th</sup> August, 2004. It contains 25 recommendations/observations.

1.3 Action Taken Notes in respect of all the 25 observations/recommendations contained in the Report have been received and categorized as follows:-

- (i) Recommendations/observations which have been accepted by the Government:  
Recommendations Nos. 1, 2, 7, 8, 9, 14, 20, 22, 23 and 24  
**(Chapter –II, Total 10)**
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government’s replies:  
Recommendations Nos. 3 and 16  
**(Chapter – III, Total 2)**
- (iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:  
Recommendations Nos. 4, 6, 12, 13, 15, 18, 21 and 25  
**(Chapter – IV, Total 8)**
- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited.  
Recommendation No. 5, 10, 11, 17 and 19  
**(Chapter – V Total 5)**

1.4 The Committee desire that the final replies in respect of the Observations/Recommendations for which only interim replies have been received from the Government be furnished to the Committee expeditiously.

1.5 The Committee strongly emphasize that utmost importance should be given to the implementation of Observations/Recommendations accepted by the Government. In cases where it is not possible for the Government to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

1.6 The Committee will now deal with action taken by the Government on some of the recommendations.

**A. Decentralised Procurement**

**(Recommendation No. 2 Paragraph No. 2.69)**

1.7 Expressing their concern over procurement operations restricted to few States, the Committee recommended that the Government should encourage the decentralized procurement operation, by launching awareness campaign in Print and Audio-visual Media, Village Fairs, Panchayats, Agricultural Extension Services/Krishi Vigyan Kendras so that the benefit of decentralised procurement is reaped by the farmers. The Committee also desired that the infrastructure facilities should be improved and adequate number of mobile and temporary procurement centres be set up in non-traditional States. The Committee also recommended that need-based credit be made available to these States and adequate technical staff posted and measuring and other equipments required for the procurement be put up in place before the operation of the system. Further, the Committee recommended that to promote decentralized procurement, an incentive scheme, for the benefit of non-traditional States be thought of.

1.8 In their Action Taken Note, the Ministry inter-alia stated that the Central Government is encouraging State Governments to undertake procurement of foodgrains under Decentralized Procurement System. In the meetings of Food Secretaries held on 21<sup>st</sup> July, 2004 and 18<sup>th</sup> August, 2004, the Department has impressed upon the State Governments to gradually increase their share in procurement of foodgrains and also ensure adequate infrastructural facilities at procurement centres and storage points. At present 9 States viz. West Bengal, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Tamil Nadu, Uttaranchal, A&N Islands, Orissa and Gujarat are procuring foodgrains under the Decentralized Procurement System. FCI and the State Governments have been requested to launch awareness campaign, in print and audiovisual media so that the benefits reach the farmers. They have also been requested to set up adequate number of mobile and temporary procurement centres, wherever necessary, to check distress sale by farmers. The Central Government has been recommending to the RBI to sanction adequate cash credit limit to the FCI/State Governments for undertaking procurement of foodgrains, as and when request to this effect is made by FCI/State Governments.

1.9 The Committee find that FCI & State Governments have been requested to launch awareness campaign in print and audio-visual media so that the benefit of decentralized procurement can be reaped by the Farmers. They have also been requested to set up adequate number of mobile and temporary procurement centers wherever necessary. The State Governments have also been urged to improve infrastructure facilities at procurement centres in non-traditional States. In this context, the Committee would like that Central Government should monitor the position closely and ensure that awareness campaign for promoting decentralised procurement be stepped up, and infrastructure facilities including temporary/mobile procurement centres improved. The Committee would like to be apprised of Action Taken by the State Governments and FCI in the matter. The Committee find that the advise of the Committee to introduce an incentive scheme for the benefit of non-traditional States, has not been reacted to by the Government. The Committee take a serious view of it and desire that each and every suggestion of the Committee should be dealt with all seriousness that it deserves and comments offered on each and every suggestion/advise of the Committee. The Committee desire that views of Government in the matter be furnished to the Committee at the earliest.

**B. Coverage under TPDS**

**(Recommendation No. 4 Paragraph No. 2.71)**

1.10 The Committee took note of the fact that the States have identified 8.17 crore as BPL families under Targeted Public Distribution System whereas the coverage was extended to 6.5 crore families of Below Poverty Line including 2 crore for Antyodaya Anna Yojana only, leaving a large section of vulnerable section of the society from the purview of poverty alleviation programme. As a result, the States are under compulsion to reduce the scale of issue to the BPL beneficiaries. The Committee, therefore, recommended that the coverage of the Targeted Public Distribution System should be extended beyond 6.5 crore families living below poverty line.

1.11 The Government in the Action Taken Reply has stated that the number of BPL households for each State/UT has been determined on the basis of the state-wise poverty estimates of the Planning Commission for the year 1993-94 and the population projections of the Registrar General as on 1.3.2000. As per these estimates the number of BPL families is 6.52 crores (average size of a family being 5.5). Hence while the coverage of households is 6.52 crores, the total coverage of persons is of the order of 35.86 crores. The Government of India makes allocation of foodgrains on this basis. Hence it is not true to presume that the TPDS covers only 6.52 crore BPL people. Though as per the latest available estimates of the Planning Commission for the year 1999-2000, the percentage of BPL population has come down to 26% from 37% in 1993-94, but the Government continues to follow the old estimates of 1993-1994 for allocation of foodgrains so that more number of households are covered under the BPL. The higher number of BPL families in certain States is perhaps due to the improper identification and issue of BPL ration cards to ineligible families or



existence of bogus Ration Cards. The State Governments have been requested time and again to review the identification of families to bring the number to the realistic levels.

1.12 The reply of the Government that higher number of BPL families in certain States is due to improper identification and issue of BPL ration cards to ineligible families or existence of bogus ration cards is not acceptable to the Committee. This is in contradiction with the statement given by Secretary, Department of Food and Public Distribution during evidence wherein he had agreed that the number of poor families are in fact more than 6.5 crore. The Committee feel that figure given by the Government is far from reality. The Committee, therefore, reiterate their earlier recommendation that coverage of TPDS should be extended beyond 6.5 crore families so that all the poor people can come within the purview of TPDS and States are not forced to reduce the scale of issue to BPL beneficiaries.

### C. Barring “creamy-layer” of APL from TPDS

#### (Recommendation No. 6 Paragraph No. 2.73)

1.13 Expressing their concern over misutilization of food subsidies, the Committee suggested that the APL population should be stratified in two categories, either on the basis of income or expenditure, and the so called “creamy-layer” should be barred from the benefit of TPDS. This will help not only in reducing the food subsidy but will also help in checking diversion of foodgrains.

1.14 The Ministry in Action Taken Reply stated that the TPDS was introduced in 1997 with a view to target the under privileged sections of society that is the Below Poverty Line families and providing them foodgrains at subsidized rates. The idea of the Targeted Public Distribution System is targeting the poor. Another role of TPDS is stabilization of prices across the country even in remote areas, providing food security and choice of foodgrains to the consumers. The low off-take under the APL is mainly due to the little difference in the price of foodgrains at the Fair Price Shops and the market price and easy availability in the open market. The suggestions of the Committee to stratify the APL families into two categories on the basis of income/expenditure may not be helpful and practically feasible. The APL families making use of TPDS would continue to make use of it till the price and quality of foodgrains are comparable with the foodgrains in the open market. As regards subsidy, it is given on the offtake of foodgrains. Less offtake would entail less subsidy. Though chances of diversion of foodgrains under APL category are minimum, it can be checked with the sincere use of the PDS (Control) Order, 2001 by the State Governments.

1.15 The reply of the Government that it is neither helpful nor practically feasible to stratify the Above Poverty Line (APL) families into two categories on the income/expenditure, as recommended by the Committee is not acceptable. On one hand, the Government laments that the main purpose of TPDS is to target Below Poverty Line (BPL) families and on the other hand it refuses to bar the “creamy layer” of APL families from TPDS. The Committee do not approve of the action of the Government in continuing to extend the benefit of TPDS to this section, when they can easily afford foodgrains from the market. The Committee are of the view that precious food subsidy should be spent on those who can ill afford the foodgrains and accordingly there is a need to fine tune the beneficiaries. The Committee have observed that the percentage of APL subsidy to the total subsidy is on the rise. For instance, the APL subsidy have risen to 6.58% in year 2003-04, from a level of 2.78% in the year 2001-02. Similarly, the APL subsidy has risen to Rs. 1655.18 crore from Rs. 458.96 crore during the same period. The Committee, therefore, recommend that APL population be barred from the purview of TPDS so far as foodgrains is concerned. The APL population, may, however, continue to draw other PDS items as per their entitlement.

#### D. Area Officers Scheme

##### (Recommendation No. 7 Paragraph No. 2.74)

1.16 Reviewing the implementation of PDS, the Committee noted that series of measures taken, such as issue of the Public Distribution System (Control) Order, 2001 associating Panchayati Raj Institutions (PRIs), constitution of Vigilance Committees and appointing Area Officers to monitor the scheme did not yield the tangible results. The Area Officers’ Scheme failed to take off as the Area Officers seldom visit their allocated States even at least once in a quarter as required. In some of the States not even a single visit was conducted during the last three years. The Committee recommended that enforcement machineries be stepped up, criminal liability clause under PDS(Control) Order, 2001 invoked and Area Officers visits made compulsory for the effective implementation of PDS.

1.17 The Ministry in Action Taken Reply stated that they have noted the observations/recommendations of the Committee, relating to Area Officer’s Scheme. As desired by the Standing Committee, Officers of the level of Director/Deputy Secretary have been designated as area officers of different States and instructions have been issued to them to visit their allocated State/UT compulsorily at least once in six months. Guidelines containing duties and responsibilities of the area officers have also been given to them. The Government of India has already formulated and issued a Public Distribution System (Control) Order, 2001 which is applicable to States/UTs Clause 9 of the PDS (Control) Order, 2001 specifically provides that if any person contravenes any provision of the PDS (Control) Order, 2001 under clauses 3, 4, 6 and 7, he shall be liable for punishment under Section 7 of the Essential Commodities Act, 1955. The enforcement of the Provisions of the Essential Commodities Act, 1955 is with the State Government and UT Administration. The results of

enforcement of the Essential Commodities Act, 1955 in respect of Essential Commodities including PDS items in the States/UTs during the period 1-1-2003 to 31-3-2004 are as under:

i.	Number of raids conducted	-	10,1953
ii.	Number of persons arrested	-	3,326
iii.	Number of persons prosecuted	-	6,892
iv.	Number of persons convicted	-	6,201
v.	Value of goods confiscated	-	Rs. 2027.81 lakhs

1.18 The Department has further stated that in addition to the above, the State Governments/UT Administrations have also been empowered to detain persons under the Prevention of Blackmarketing and Maintenance of Supplies of Essential Commodities Act, 1980 whose activities are found to be prejudicial to the maintenance of supply of commodities to the community. As per reports received from the State Governments, 115 persons were ordered for detention under the Act for Blackmarketing of Essential Commodities including PDS items during the period from 1.1.2003 to 31.3.2004. TPDS is the joint responsibility of the Centre and State Governments. The Central Government constantly monitors the implementation of the TPDS. As soon as any complaint related to TPDS is received in the Ministry from the general public, the same is sent to the concerned State/UT Government for taking corrective/remedial measures on the issue. This Department has drawn the attention of all the States and UTs to this and has requested to take urgent and speedy corrective measures and to activate the enforcement agencies so as to see that the TPDS is run smoothly in the States/UTs.

1.19 The Committee find that the Officers at the level of Director/Deputy Secretary have been designated as Area Officers for different States and instructions issued to them to visit the allocated State/UT compulsorily at least once in six months. The Committee are of the view that this plan of the Government may not yield the desired result. Taking into consideration, a vast network of Fair Price Shops in each State, it will be difficult for an officer to monitor the working of Public Distribution System and that too once in six months, to the satisfaction of the consumers. In this context, the Committee recommend that the Department should engage the services of retired Defence/Civil Servants, Chartered Accountants, Management Consultants, Social Activists and NGOs with un-blemished records, in the task of monitoring the Public Distribution System in a State. This will ensure not only close monitoring of the System but will also relieve the Department's officers from such gigantic task. The Committee would also like to recommend that FPS in a State should not be run by an individual but by Panchayats, Mahila Samitis, Cooperative Institutions or any like bodies, agencies/authority, on the lines of practices in vogue in the States of Kerala and Tamil Nadu.

## **E. Welfare Schemes**

### **(Recommendation No. 9 Paragraph No. 2.76)**

1.20 Taking a serious note of the mismatch between allocation and offtake of foodgrains for various Welfare Schemes such as Mid-Day Meal Scheme, Sampoorna Gramin Rozgar Yojana and tendency of the Central Government to shift the onus on State Governments for this lapse, the Committee had recommended that the Government should take the average annual offtake in the past, say, last 3 or 5 years to form the basis of allocation for the next year so that foodgrains are allocated on the basis of requirement. The Committee had also recommended that there should be some mechanism with the Central Government so that the State Governments can be made accountable and they are not able to escape from their responsibility of making operational arrangements for distribution of foodgrains on a regular basis.

1.21 The Ministry in its Action Taken Reply has agreed that it is not only the responsibility of the State Government/Union Territories to lift the allocated food grains, it is a coordinated effort to be made by Department of Food & Public Distribution, the nodal ministries of each schemes, Food Corporation of India and the State Govt. to ensure lifting the food grain in time in proportion to the allocation made to each State Government/Union Territory. But sometimes lifting the food grains is effected due to non-availability of transport, rains, floods, non-availability/lesser number of railway racks and different priority accorded by each State amongst different Welfare Schemes. Lifting is also affected because of non-viability of Fair Price Shops (FPS) and availability of cheaper rates of food grains during harvesting seasons. Further, as regards taking average annual off-take of last three or five years for the basis of allocation for the next year, all the Nodal Ministries of each Welfare Scheme /FCI/State Government/UT are being apprised of these comments to adopt this procedure. A Nodal Officer of the rank of Additional Chief Secretary in each State has been appointed to prioritize/fix the need of the State under each scheme so that the off-take will be in keeping with the allocation.

1.22 The Ministry of Human Resource Development which is the Central nodal Ministry for Mid-Day Meal Scheme, in their Action Taken Reply have stated that allocation of foodgrains is made on the basis of enrolment data received from States/UTs. As per information given by Food Corporation of India, actual off-take of foodgrains during 2003-04 by States/UTs was 79% of the quantity allocated, which is, on the whole, not unsatisfactory. Upto 2004-05, allocation of foodgrains was being done on the assumption of 100% attendance of enrolled children. From 2005-06, this is being fine-tuned so as to allocate foodgrains on the basis of average attendance rate of children as estimated/projected by States/UTs concerned. This would make for more realistic allocation, and will further improve offtake as percentage of allocation.

1.23 The Ministry of Rural Development which is the Central nodal Ministry for SGRY Scheme, in their Action Taken Reply have stated that under SGRY Scheme every worker engaged in work under the SGRY is provided a minimum of 5 Kg of foodgrains per man-day as part of wages, while the balance of wages (Not less than 25% ) is paid in cash. For this, 50 lakh tonnes of foodgrains amounting to about Rs. 5, 700 crore (at economic cost) is being provided every year free of cost to the State Governments and Union Territory Administrations. The payment of foodgrains is made by the Ministry of Rural Development to the Food Corporation of India (FCI) directly on receipt of bills in respect of foodgrains lifted by the implementing agencies under SGRY.

1.24 According to the Ministry of Rural Development, one of the reasons for lifting less quantity of foodgrains was non-availability of foodgrains at FCI godowns in some States. The Ministry of Rural Development has been getting communications from various States regarding inadequate availability of foodgrains and these are being taken up with FCI and Ministry of Food from time to time. As regard mechanism of accountability, the SGRY Guidelines provides that if the Implementing Agencies fail to lift 75% of authorised foodgrains and to utilize more than 50% of the available foodgrains, subsequent installment of funds and foodgrains are to be withheld. Thus, for poor lifting the States/UTs loose their due share of Central Grants under SGRY.

1.25 The Committee feel that the Government has taken the steps in the right direction by appointing a nodal officer to prioritize/fix the need of the State under each Scheme. This will surely help in matching offtake with allocation. Moreover some changes are being made by the Ministry of HRD in the Mid-Day-Meal Scheme. This will also make for more realistic allocation. However, to ensure that the targeted beneficiaries avail the benefit of Welfare Schemes, the Committee recommend that SGRY Guidelines which provide that if the Implementing Agencies fail to lift 75% of authorized foodgrains and utilise more than 50% of the available foodgrains, subsequent installment of funds and foodgrains are to be withheld, should be made applicable uniformly for all the Welfare Schemes and the Guidelines, for the purpose revised. The Committee are of the view that such an action shall improve the off-take position of foodgrains under various Welfare Schemes.

#### **F. Outstanding dues of FCI**

##### **(Recommendation No. 12 Paragraph No. 3.32)**

1.26 The Committee were concerned to note that there was continuous rise in the outstanding dues of Food Corporation of India (FCI) against other Central Ministries for the various Welfare Schemes undertaken by them which rose from Rs. 1000 crore in 2001 to more than Rs. 4000 crore in the year 2004. The Committee was shocked to find that these pending dues were mainly relating to non-payment of bills in respect of foodgrains issued under various welfare schemes such as Sampoorna Gramin Rozgar Yojana (SGRY), Mid-day Meal Scheme, implemented by the concerned Central Ministries. Being not satisfied with the situation, the Committee strongly recommended that the pending dues

should be cleared expeditiously and some time-limit should be fixed within which the Central Ministries be asked to make payments, in future, failing which some penal interest be levied.

1.27 The Ministry in the Action Taken Reply stated that the issue of settlement of outstanding dues of FCI against other Central Ministries for the welfare schemes in respect of foodgrains supplied under various welfare schemes such as Sampoorna Gramin Rozgar Yojana (SGRY) and Mid Day Meal Scheme (MDM) etc. has been taken up at the highest level with the concerned Ministries including the Ministry of Finance to expedite the matter.

1.28 In this regard, the Ministry of Rural Development in the Action Taken Reply stated that Rs. 600 crore under the SGRY, including the Special Component (Rs. 300 crore for each) have been provided in BE - 2004-2005 towards the payments to the FCI. This amount has already been exhausted and this Ministry has committed liabilities of Rs. 5111 crore under the SGRY and Rs. 6900 crore under the Special Component for which a formal request has already been made. The pending dues of the FCI with the Ministry of Rural Development are not due to delay in processing the bills but for want of adequate funds. The Ministry of Rural Development has been requesting the Planning Commission and the Ministry of Finance persistently for allocation of adequate funds for payment to the FCI for the foodgrains lifted under the SGRY. However, the SGRY Guidelines do not permit for payment of any penal interest to the FCI in respect of their outstanding bills.

1.29 The Ministry of Human Resource Development (Department of Elementary Education and Literacy) has replied that arrears payable to Food Corporation of India (FCI) for foodgrains under the Mid-Day Meal Scheme is of the order of Rs. 600 crore. Progress of payment to FCI depends to a large extent on timely action by States/UTs in as much as payment to FCI is made after off-take figures are received from States and are reconciled with FCI's supply figures. At present, Department is yet to receive offtake figures amounting to about Rs. 595 crore from States, notably Bihar (Rs. 332 crore), Assam (Rs. 64 crore), Jharkhand (Rs. 36 crore) and Uttaranchal (Rs. 24.50 crore). These States have been repeatedly requested to furnish off-take figures so that FCI's claims are settled at the earliest. Subject to the defaulting States now responding promptly, the Department expects to liquidate arrears to the extent of about Rs. 500 crore during 2004-2005, and the remaining amount in 2005-06.

1.30 The Committee are shocked to note that the failure on the part of Central Ministries, who are implementing various Welfare Schemes in liquidating their outstanding dues against FCI, has resulted in rise in interest liability on FCI. The Committee are of the view that FCI under no circumstance should be allowed to be penalized for the laxity on the part of State Government/Planning Commission/Ministry of Finance. The Committee are concerned to find that Ministry of Rural Development have pointed out that they were unable to make timely payment to FCI for want of adequate funds with them. Similarly, the Ministry of Human Resource Development were unable to process the bills of State Government on account of foodgrains received under Mid-Day-Meal Scheme as final off-take figures from States like Bihar (Rs. 330 crore), Assam (Rs. 64 crore), Jharkhand (Rs. 36 crore) and Uttaranchal (Rs. 24.50 crore) were awaited and yet to be reconciled. The Committee take a strong note of the inability of Central Ministries in making timely payment to FCI. Reiterating their earlier recommendation, the Committee recommend that pending dues of FCI should be cleared expeditiously and some time limit should be fixed within which the Central Ministry be asked to make payment failing which some penal interest or any other suitable action may be initiated against them. The Committee also recommend that in the event of delayed payment by the Central Ministries, the interest accrued should not be loaded on Food Subsidy Bill of the FCI.

**G. Establishment cost of FCI**

**(Recommendation Sl. No. 13 Paragraph No. 3.33)**

1.31 Deeply concerned over the fact that a large part of the food subsidy goes towards meeting the Establishment Cost of FCI and dramatic rise in Food Subsidy Bill of the Government, which is increasing year after year, the Committee recommended that the FCI should take drastic measures to bring down its Establishment Cost. The Committee also desired that FCI should find ways and means to mobilize resources through diversification and finance their administrative expenses on their own without seeking any budgetary support from the Government for the purpose.

1.32 The Ministry in the Action Taken Reply stated that FCI has taken the following steps to reduce the administrative overheads:

- a. The resultant entry level vacancies due to retirement of officials etc. are not being filled up, except in unavoidable cases;
- b. FCI has not been resorting to any further recruitment for the last few years in order to downsize its manpower;
- c. The expenditure on over-time allowance (OTA), travelling allowance (TA) and other administrative expenses are being closely monitored to keep it minimum;

- d. With a view to rationalize the manpower and reduce the establishment cost, a Voluntary Retirement Scheme (VRS) has been introduced in the FCI for its permanent employees and surplus labour.

1.33 Further, FCI has prepared a "Vision 2020 Document" and drawn up its Mission Statement together with an Action Plan. FCI intends to identify over a period of time suitable commercial activities within and outside the country, in addition to fulfillment of the present mandate of holding buffer, providing foodgrains at subsidized rates, and holding the price line. It would examine the possibilities of branching out into diversified areas, activities and commodities. FCI could examine opportunities like dealing in value added products like atta, maida, suzi; diversify into transactions in quality foodgrains like basmati rice, durum wheat, oil seeds, etc.; creation of new storage capacity through outsourcing, modernization of handling operations, outsourcing activities like maintenance, training, security operations, exploration of Consultancy and research activities, operating through subsidiary companies, identifying independent profit centers, exploring direct export of foodgrains, accessing new markets like forward trading, etc. The resources for the commercial ventures could be raised from the market/financial institutions on the basis of their viability and marketability. Besides, FCI, in the meanwhile, has taken the initiative to reduce the cost of capital by proposing to issue bonds for an amount of Rs. 5000 crores during the current financial year, backed by Government Guarantee. The Working Group, constituted by the RBI, has recommended the modalities and the proposal is currently under examination.

1.34 The Committee are not satisfied with the steps taken by the Government to reduce administrative overhead expenditure especially when such costs are loaded on food subsidy bill. The Committee desire that Establishment/Staff Cost should not be clubbed with food subsidy but shown separately. The Committee are of the view that food subsidy need to be fine tuned and focused for the benefit of the vulnerable section of the society and not fretted away on meeting the costs of Establishment/Staff etc. The Committee, therefore, recommend that the administrative costs need to be further pruned. In this context, the Committee recommend that on the lines of Central Warehousing Corporation, the activities like Security and House Keeping need to be outsourced. Moreover, instead of purchasing, vehicles these should be hired. Taking into consideration that the average manpower engaged in godowns owned by FCI is proportionally higher, as compared to godowns managed by CWC, the Committee are of the view that there is a scope for further reducing the establishment cost. The Committee, therefore, desire that FCI should review its manpower engaged in its godowns and try to bring it down. The Committee are concerned to note that there is mal-distribution of manpower in FCI. Whereas the concentration of manpower is higher in Headquarter, Regional and Zonal Offices where only administrative work is undertaken, the field/District offices are deprived of adequate manpower. The Committee would like that transfer policy of FCI should be reviewed so that adequate manpower is provided at field levels and only skeleton staff manage Headquarter/Zonal Offices and Regional Offices.



## H. Under-utilisation of FCI's godowns capacity

### (Recommendation No. 15 Paragraph No. 3.35)

1.35 Expressing their concern over under-utilization of capacity of FCI's foodgrains, the Committee recommended that the FCI should go in for de-hiring of hired godowns. The Committee also desired that in de-hiring process, priority should be to de-hire the private godown, followed by godowns of other Public Agencies. Secondly, it should re-examine its planning process so that there is sufficient availability of owned godowns and the dependence on the hired ones can be minimised.

1.36 In the Action Taken Note, the Ministry stated that it is true that utilisation of hired godowns capacity is more as compared to FCI's owned godowns capacity because FCI's own godowns are having higher storage capacity as these are created generally for buffer stocking so the percentage utilisation of FCI godowns is on lower side except in the procurement season. However, the godowns taken on hire are generally to meet the TPDS requirement only and these godowns are of a smaller storage capacity. Therefore, their percentage utilisation is always on the higher side than those of FCI's godowns. It may be further added that with the arrival of the stock the capacity utilisation increases whereas it decreases with the issue/off-take of stocks under TPDS. This does not mean that storage space is not required at that centre because to maintain the TPDS the requirement of the godowns is a primary factor. As regards, de-hiring of godowns is concerned, it is stated that the capacity to the tune of 69.40 lakh MT hired from CWC/SWC on 7 year guarantee basis can not be de-hired before completion of the terms of 7 year as per agreement. However, during calendar year 2003, FCI has de-hired the idle capacity to the tune of 69.99 lakh MT from 1/2003 to 12/2003 and further 2.64 lakh MT also de-hired from 1/2004 to 6/2004. Thus from 1/2003 to 6/2004 72.63 lakh MT of storage capacity of the Private Parties/Agencies has been de-hired.

1.37 The Committee are at a loss to understand the rationale of hiring of godowns by FCI when only 37 per cent of its owned capacity is put to use. The Committee are of the view that godowns of FCI were constructed on merits, other than techno-economic viability and demonstrates lack of planning and vision on the part of the organization. Hiring of godowns from Private/State agencies, when (FCI's) owned capacity utilization is less than 40% indicates criminal wastage of public money and this trend needs to be put to rest for once and all. The Committee recommend that FCI should undertake hiring of godowns only when the capacity utilization of their owned godowns is more than 75% or break even point at each godowns level and not aggregate, except in North-Eastern States and hilly tracks of Jammu & Kashmir, Himachal Pradesh and Uttranchal. The Committee are further perturbed to note that the capacity to the tune of 69.40 lakh MT hired from CWC/SWC cannot be de-hired before completion of the term of the 7 years guarantee. The Committee fail to understand the justification of 7 years guarantee Scheme, when the godowns of FCI remain vacant for a considerable long period. The Committee are of the view that such type of unproductive and unimaginative expenditure swells the food subsidy bill of the Government and needs to be brought down drastically. The Committee, therefore, recommend that in order to save precious money which is spent on

food subsidy, the 7 years guarantee programme needs to be reviewed so that the public money is put to best use. It is in this context, the Committee desire that if there is an in-built exit clause in the 7 years guarantee agreement under which, either party can terminate the agreement after due notice, the same should be invoked and in case of non-existence of such a clause, the responsibility be fixed.

## I. Proxy Labour

### (Recommendation No. 18 Paragraph No. 3.38)

1.38 Expressing their concern over spate of proxy labour in FCI, the Committee recommended that measures like: (i) requiring each and every worker to put one's signature or thumb impression as a token of attendance; (ii) introduction of mechanical gate entry devices, punching card system with thumb impression; (iii) payment of wages to all workers through cheque as per the provision of Income Tax Act; and (iv) signing of Daily work output slip by each labour at the end of the day and countersigned by Mandal/Sardar/Shed Incharge would go a long way in curbing this malpractice. The Committee, taking into consideration the dimension of loss incurred to the FCI, due to proxy labour, recommended that all cases of proxy labour especially in Haryana, Maharashtra and West Bengal be investigated by CBI or CVC or any other higher investigating agency and the Committee apprised of the outcome.

1.39 In their Action Taken Note, the Ministry has stated that the FCI has informed them that as per the existing system in vogue, the steps taken for marking attendance for Departmental/Direct Payment System workers of the FCI are as follows:-

- i) The workers enter the depot showing Identity Cards at the gate (wherever feasible).
- ii) Then, the workers go to the labour section with their Identity Cards and staff of the labour section mark their attendance in the Attendance Card and Register on the basis of the Identity Cards.
- iii) Then, the workers are provided work slips and directed to report at their respective place of work
- iv) On reaching the work place, the Shed Incharge on verification of the Identity Card, puts his signature on the Attendance Card and marks 'Present' / 'Absent' in the Booking-cum-Out put Slip.

- v) On conclusion of the day, the Shed Incharge after writing Work Slips showing output of the whole day signs the Booking Slip and after final verification of the Attendance Card, Booking-cum-Output Slips are returned to the workers which are at the same time signed by the Shed Incharge and, thereafter, by the Assistant Manager (Depot).

1.40 In addition to the inherent system of attendance of workers in the FCI depots, the then Senior Regional Manager, FCI, West Bengal (Shri Suraj Prakash), introduced the system of putting signature/Right Thumb Impression/Left Thumb Impression in the Attendance Register, separately kept for the workers in the depot premises prior to starting of work, on arrival and also at the time of departure, after finishing the work for the day. This new system was resented by the Food Corporation of India Workers Union and the Regional Labour Commissioner (C), Kolkata also insisted for maintenance of status-quo and held the view that this system may be evaluated after compliance of Section 9A of the Industrial Disputes Act. The FCI has reported that the then Senior Regional Manager had to be transferred from West Bengal to Jharkhand in order to diffuse the labour unrest and disruption of foodgrains supplies for the Public Distribution System.

1.41 The Department of Food and Public Distribution has further stated that the earning of the Departmental and Direct Payment System labourers is linked with their productivity as they are Piece Rated Workers. After completion of the norm prescribed for a shift of seven hours, they are eligible to get incentive wages for the number of bags handled beyond the datum as per the rates prescribed on slab basis. These incentives are prevalent in the FCI since 1973. It is further stated by the FCI that the work force of labour has only marginally increased since 1980s/1990s although the volume of loading, unloading, movement operations etc. of the FCI has multiplied more than four times. It is only the incentive scheme that has enabled the FCI to ensure smooth handling of foodgrains. The un-equitable distribution of work may be the reason for high earning of the labourers, which is being checked by proper supervision. The FCI HQrs has issued strict instructions, from time to time, to regulate the attendance of food handling labour with valid Identity Cards in the FCI depots. The latest instructions in this regard were issued on 16.09.2003 by the FCI HQrs.

1.42 It has been further stated by the Department that the matter was also discussed in the meeting of the Standing Committee of Parliament on Consumer Affairs, Food & Public Distribution on 11.08.2004. The observations/recommendations of the Committee as contained in para 3.38 of Chapter 3 of the First Report of the Committee were forwarded, on 01.09.2004, to the FCI for urgent necessary action and for intimating the Action Taken Report to this Department. The FCI has informed that investigation of proxy labour in respect of West Bengal Region of the FCI has been entrusted to the Executive Director (Vigilance) of the FCI. The investigation will also be conducted by the FCI in respect of Maharashtra and Haryana Regions of the FCI. On examination of the information received from the FCI and the Report of the

Standing Committee referred to in para 5 above, it has been decided that the existing system of marking of attendance of workers in the FCI Depots and payment of wages to them needs to be reviewed. The FCI has, therefore, been asked to place these matters before the Board of Directors of the FCI for consideration in the next meeting of the Board of Directors. Further the matter has been re-examined and the Central Vigilance Commission has been requested to conduct an enquiry regarding the proxy labour system in the Food Corporation of India.

1.43 The Committee find that as per the existing practice in vogue, a worker is not entitled to put one's signature or thumb impression on Attendance Card and instead other functionary verifies the identity of a person by marking 'present' or 'absent' in the official record. The Committee are at a loss to understand the resentment by the workers' Union over the introduction of new Attendance Rule under which signature/right thumb impression/left thumb impression is put in the Gangwise Attendance Register separately kept for workers in the Depot premises, prior to starting of work, on arrival and also at the time of departure. The Committee do not share the contention of Regional Labour Commissioner that the introduction of new system will disturb the industrial harmony in the FCI Godowns. The Committee have their own reservation over the failure of FCI in introducing this fool proof system to weed out the system of proxy labour in FCI. The Committee find that Government have merely advised FCI to consider and review of existing system of marking of attendance of workers in the FCI Depot and payment of wages, at their next meeting of Board of Directors. In the opinion of the Committee, this demonstrates lack of will and seriousness on the part of Government in putting an end to corruption in FCI. The Committee fail to understand what prevents Government to issue policy directive to FCI, for bringing about reform in the Organisation. Reiterating their earlier recommendations, the Committee desire that the suggestions made by them to weed out Proxy Labour be made operational in all the godowns of FCI without fail immediately as it is causing drainage of public funds.

1.44 The Committee have taken note of incentive schemes prevalent for Departmental and Direct payment system to labourers in FCI. The Committee have come across instances where a labour is being paid Rs.40,000 to 50,000 per month but no justification is given. The Committee are of the view that the norms prescribed for a shift of seven hours, after which a worker is eligible for incentive wages, for the number of bags handled, as per the rates prescribed on slab basis is too liberal and prone to manipulation. The contention of the Government that the incentive scheme has enabled FCI to ensure smooth handling of foodgrains is hardly convincing and demonstrates lack of supervision on the part of management. The Committee are of the view that but for the incentive scheme, the workers handling foodgrains hardly work. The shortage of labour should be made good by fresh induction or contract labour system which is cheaper. The Committee recommend that a work study be conducted and the norms prescribed be reviewed and revised, in order to ensure that a worker is gainfully employed and handles a minimum number of bags during a shift. This will ensure that a worker undertakes a reasonable amount of work during the shift duty and only thereafter gets eligible wages and incentives.

1.45 The Committee have further noted that the proxy labour system in FCI is being enquired into by CBI. The Committee would like to be apprised of the progress report of the CBI and follow up action taken thereon.

**J. Diversification of CWC in Freight Container Business**

**(Recommendation No. 21 Paragraph No. 4.22)**

1.46 The Committee found that the Container Corporation of India, a PSU under the ambit of Ministry of Railways enjoys monopoly, in the transportation of import/export containers through railways. The Committee were of the view that CWC should also be allowed to diversify and operate in Freight Container business and the Ministry of Railways should permit CWC to operate Inland Container Depot as per their own policy. The Committee, therefore, recommended that Ministry of Consumer Affairs, Food and Public Distribution should take up the matter of permitting CWC in Freight Container business in consultation with Planning Commission/Ministry of Finance/CCEA, at the earliest.

1.47 In the Action Taken reply, the Department of Food and Public Distribution stated that a meeting has been held on 18.08.2004 in the Ministry of Consumer Affairs, Food and Public Distribution with the officers of the Railway Board in the matter of granting of permission to the Central Warehousing Corporation by the Ministry of Railways to operate Container Freight business on the lines of CONCOR. The matter is being pursued by this Ministry.

1.48 The Planning Commission has replied that in principle it finds merit in the recommendation of the Committee in breaking monopolistic scenario of freight container business and allowing the Central Warehousing Corporation to operate freight container business. However, the issue needs to be sorted out by the Inter-Ministerial consultations.

1.49 The Ministry of Railways in the Action Taken Reply has stated that at the instance of the Ministry of Commerce, the subject of grant of permission to organization other than CONCOR for rail based container was examined in this Ministry in 1994. The Ministry of Railways decided in 1994 to permit agencies other than CONCOR also to undertake operation of container trains. As per policy any party can approach Railways for permission to move container trains on any route. Till 2001 nobody approached Railways for operation of containers trains. On 14.6.2001 Central Warehousing Corporation (CWC) had requested the Ministry of Railways to allow them to operate container trains between Loni in Delhi area and JNPT in Mumbai area. Railway Board on 22.7.2001 issued Rail Transport Clearance (RTC) for rail siding facilities for Container Freight Station Dronagiri Node near JNPT. The RTC was granted for a period of six months from date of issue of the letter. The party was to confirm to the Railway the time frame within which the traffic would materialize. On 30.9.2002 CWC applied for permission to set up CONCOR type operation for the container trains in terms of the extant guidelines of Indian Railways Board appointed a Committee to examine the volumes of container traffic to be moved to JNPT and other ports,

CONCOR's plan and if it is essential to supplement CONCOR's effort by other players.

1.50 The Ministry of Railways further stated that It was observed by the Committee set up by Railway Board that CONCOR is also able to meet nearly the entire transport needs of containerized traffic on Delhi-Mumbai route and is making investment to augment the infrastructure and handling facilities in the hinterland of Northern Region. The Committee therefore opined that it would not be desirable to agree to the proposal of CWC to operate container trains between Loni (Delhi area) and JNPT (Mumbai area). Thus the proposal of CWC was rejected on technical ground.

1.51 The Committee are not satisfied with the casual and evasive reply furnished by the Ministry of Railways. The Committee do not find any merit in the rejection of the request of CWC for permitting them to operate containerized train between LONI and JNPT on the grounds that CONCOR is able to meet the entire transport needs of container traffic of Delhi-Mumbai route and they (CONCOR) are also making investment to augment the infrastructure and handling facilities in the hinterland of Northern Region. The Committee are of the view that the Ministry of Railways have failed to enlist the participation of other players in supplementing CONCOR efforts to increase the volume of containerized traffic. The Committee are in agreement with the contention of Planning Commission that there is a need to break monopolistic scenario of the Ministry of Railways in Freight Container Business. Taking into consideration that the Guidelines of the Ministry of Railways permit the entry of other players in setting up of Rail Link Island Container Depot, the Committee reiterate their earlier recommendation and desire that CWC be allowed to diversify and operate Containerized Freight Business. Accordingly, the Ministry of Railway should reconsider their earlier decision and permit CWC to operate Containerized traffic.

#### K. Cane Arrears

(Recommendation No. 24 Paragraph No. 5.20)

1.52 Taking serious note of rise in cane arrears due to Cane growers, the Committee recommended that Government should take appropriate action under Sugarcane (Control) Order, 1966 under which Central/State Government Officers are authorized to recover the arrears of cane prices remaining unpaid after 14 days supplies of cane by the growers, together with interest @ 15% p.a. as arrears of land revenue.

1.53 In the Action Taken Note, the Ministry in their reply stated that the sugarcane growing States have been asked to strictly enforce the provisions of the Sugarcane (Control) Order, 1966 subject to any directive given by Courts of Law. A copy of the letter addressed to the States is enclosed (Annexure).

1.54 The Committee have taken note of letter addressed to the States by the Department for enforcing the provision of Sugarcane (Control) Order, 1966 under which the State Government/Central Government are authorized to recover the

arrears of cane price remaining unpaid after 14 days of supply of cane by growers together with the interest at the rate of 15% per annum recovered as arrears of land revenue. The Committee would like to be apprised of implementation of the order by various sugarcane growing States.

L. SAP of Sugarcane

(Recommendation No. 25 Paragraph No. 5.21)

1.55 The Committee failed to understand the rationale of declaring State Advised Price (SAP) by some of the States when it is not statutorily binding on the sugar factories to pay according to it. The Committee felt that this puts an additional burden on the sugar factories which are already in precarious financial position and do not have adequate funds for payment of cane price arrears. The Committee, therefore, recommended that the Central Government should continue to declare SMP after due consultation with State Governments without any stipulation and State Governments should be discouraged to declare a separate SAP.

1.56 In the Action Taken Note, the Ministry stated that with regard to SAP not being statutorily binding on sugar factories, it may be mentioned that the Hon'ble Supreme Court in its Order dated 5<sup>th</sup> May, 2004 has held that States which have enacted legislations regarding regulation of supply and purchase of sugarcane have the right to fix prices for sugarcane purchased by sugar mills which can be higher than the SMP determined by the Central Government. However, the Central Government in its packages of assistance to State Governments for clearing cane price arrears has stipulated *inter alia* the condition that the State Governments would refrain from declaring SAP in future.

1.57 The Committee are not in agreement with the contention of the Government that Central Government in its package of assistance to State Governments for clearing cane arrears has stipulated inter alia the condition that the State Government would refrain from declaring SAP in future. The Committee are of the view that when Supreme Court in its order dated 5<sup>th</sup> May, 2004 has held that the States which have enacted legislation regarding regulation of supply and purchase of sugarcane, have the right to fix prices of sugarcane purchased by sugar mills which can be higher than the SMP determined by the Central Government, the Central Government has no justification in putting any condition or rider for availing the package of assistance. Such a condition, shall not only amount to disregarding the orders of Supreme Court but also amounts to encroachment upon State's right by Union Government. The Committee, therefore, recommend that State Government may continue to declare SAP and ensure that the cane price arrears are cleared expeditiously.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### (Recommendation No. 1 Paragraph No. 1.11)

The Committee are deeply concerned to note the uneven utilisation of budgetary allocation under plan and non-plan during the year 2003-2004. For instance, the actual plan expenditure for the first quarter was 10% which rose to 50% in the last quarter. Similar unhealthy and uneven expenditure trends are visible for non-plan sectors also for the different quarters. The Committee in their earlier report had repeatedly been impressing upon the need to spread expenditure evenly during the year but it seems that the recommendations of the Committee have not been taken seriously at all. The Committee are deeply anguished that even the financial rules of the Government which clearly stipulate spreading of expenditure evenly for the four quarters and bars the rushing of utilisation in the last quarter have been ignored. The Committee, therefore, strongly recommend that the Government should ensure spreading of expenditure evenly in all the four quarters of the year without any exception.

#### Reply of the Government

The Department has adopted Cash Flow Management System w.e.f. 01.04.2003. To ensure spreading of expenditure as evenly and as meaningfully as feasible in all the four quarters of the year, periodical review of trends of expenditure is conducted on a quarterly basis by AS&FA and the Grant Controlling Authorities are instructed to ensure even expenditure in all the four quarters of the year. During 2003-04, such meetings to monitor the expenditure trends were held at the level of AS&FA on 8.4.2003, 10.6.2003, 12.9.03 and 24.12.2003. Necessary instructions were simultaneously issued to Divisional Heads of spending units concerned (copies of O.Ms No. G 21014/1/2003-04/Budget dated 10.4.2003, 17.9.2003, 15.10.2003, 5.1.2004, 29.1.2004, 1.3.2004 and 3.3.2004 are enclosed).

Despite these efforts, Plan expenditure in different Quarters of the financial year varied, mainly as the very nature of the Plan schemes in operation involves a great deal of coordination with State Governments. However, 96% of the total Plan allocation could be put to use during 2003-0-4, due to close following and monitoring.

It is also relevant to add that Budget Estimates for 2003-04 were reduced by Rs. 2.23 crore and Rs. 2646.19 crore under Plan and Non-Plan respectively at Revised Estimates stage due to financial position of the Government which were communicated to the Department by Department of Expenditure on 31.12.2003. as such, expenditure for the last quarter with reference to revised provisions comes to 12.00%.



The above cited examples are some of the efforts regularly put in by the Department towards spreading expenditure as evenly as possible during the year, and meeting projected expenditure in each quarter.

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**(Recommendation No. 2 Paragraph No. 2.69)**

The committee finds that as Government's Food Policy resolve to protect the farmers from distress sale of foodgrains by ensuring remunerative price and at the same time ensure food security for the masses, decentralized procurement operation of wheat and paddy is undertaken in non-traditional States. Hitherto the procurement operations were confined to few States for want of adequate infrastructure and marketable surplus and thereby leading to regional disparities. In the opinion of the Committee the decentralized procurement will not only encourage local procurement and thereby benefit farmers, but also effect substantial savings in form of reduction in the outgo of food subsidy and also enhance efficiency of Public Distribution System. Secondly, as decentralized procurement has not taken off as expected, the local private traders have taken undue advantages. In this context, the Committee recommend that Government should encourage the decentralized procurement operation, by launching awareness campaign, in Print and Audio-visual Media, Village Fairs, Panchayats, Agricultural Extension Services/Krishi Vigyan Kendras so that the benefit of decentralised procurement is reaped by the farmers. At the same time, infrastructure facilities should be improved and adequate number of mobile and temporary procurement centers set up in non-traditional States. In this context, the Committee recommend that need-based credit be made available to these States. Further adequate technical staff posted and measuring and other equipments required for the procurement be put up in place before the operation of the system. The Committee also recommend that to promote decentralized procurement, an incentive scheme, for the benefit of non-traditional States be thought of.

**Reply of the Government**

The Central Government is encouraging State Governments to undertake procurement of foodgrains under Decentralized Procurement System. In the meetings of Food Secretaries held on 21<sup>st</sup> July, 2004 and 18<sup>th</sup> August, 2004, the Department has impressed upon the State Governments to gradually increase their share in procurement of foodgrains and also ensure adequate infrastructural facilities at procurement centres and storage points. At present 9 States viz. West Bengal, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Tamil Nadu, Uttaranchal A&N Islands, Orissa and Gujarat are procuring foodgrains under the decentralized Procurement System. FCI and the State Governments have been requested to launch awareness campaign, in print and audiovisual media so that the benefits reach the farmers. They have also been requested to set up

adequate number of mobile and temporary procurement centres, wherever necessary, to check distress sale by farmers.

2. The Central Government has been recommending to the RBI to sanction adequate cash credit limit to the FCI/State Governments for undertaking procurement of foodgrains, as and when request to this effect is made by FCI/State Governments.

3. A Committee under the Chairmanship of Additional Secretary & Financial Adviser of the Department with Food Secretaries of UP, MP and Chhattisgarh was constituted to examine the requests received from various States undertaking decentralised procurement scheme for full reimbursement of costs and based on the recommendations of the Committee action has been taken.

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### **Comments of the Committee**

(Please see Para No. 1.9 of the Chapter I of the Report.)

### **(Recommendation No. 7 Paragraph No. 2.74)**

The Committee find that the Public Distribution System has failed to meet the expectations of the masses. There are complaints of identification of beneficiaries, ration cards, scale and issue price, quality etc. To plug the loopholes, in the implementation of the scheme, a series of measures have been taken, such as issue of the Public Distribution System (Control) Order, 2001 associating Panchayati Raj Institutions (PRIs), constitution of Vigilance Committees and appointing Area Officers, to monitor the scheme, but the tangible results achieved are far from satisfactory. For instance, State/UTs Administration have not invoked criminal liability under the PDS (Control) Order, 2001, issued under Essential Commodities Act, 1955. Similarly, Area Officers' Scheme has failed to take off as the Area Officers seldom visit their allocated States even at least once in a quarter as required. In some of the States not even a single visit was conducted during the last three years. The contention of the Government that visits could not be materialised by the Officers due to exigencies of work, intervening Parliament Session, election and transfer of Officers, is hardly convincing. The Committee are of the view that enforcement machineries, have to be stepped up, criminal liability clause under PDS(Control) Order, 2001, invoked and Area Officers visits made compulsory, for the effective implementation of PDS. The Committee urge that in the interest of the poorest of the poor, the State Governments and Central Government ought to leave no stone unturned, in the effective implementation of this scheme. The Committee would like to be apprised of the action taken by the State/Central Government in the matter.

## Reply of the Government

The Department has noted the observations / recommendations of the Committee, relating to Area Officer's Scheme. As desired by the Standing Committee. Officers of the level of Director / Deputy Secretary have been designated as area officers of different States and instructions have been issued to them to visit their allocated State/UT compulsorily at least once in six months. Guidelines containing duties and responsibilities of the area officers have also been given to them.

The Government of India has already formulated and issued a Public Distribution System (Control) Order, 2001 which is applicable to States/UTs. Clause 9 of the PDS (Control) Order, 2001 specifically provides that if any person contravenes any provisions of the PDS (Control) Order, 2001 under clauses 3, 4, 6 and 7, he shall be liable for punishment under Section 7 of the Essential Commodities Act, 1955. The enforcement of the Provisions of the Essential Commodities Act, 1955 is with the State Government and UT Administration. The results of enforcement of the Essential Commodities Act, 1955 in respect of Essential Commodities including PDS items in the States/UTs during the period 1-1-2003 to 31-3-2004 are as under

i. Number of raids conducted	-	101953
ii. Number of persons arrested	-	3326
iii. Number of persons prosecuted	-	6892
iv. Number of persons convicted	-	6201
v. Value of goods confiscated	-	Rs.2027.81 lakhs

In addition to the above, the State Governments / UT Administrations have also been empowered to detain persons under the Prevention of Blackmarketing and Maintenance of Supplies of Essential Commodities Act, 1980 whose activities are found to be prejudicial to the maintenance of supply of commodities to the community. As per reports received from the State Governments, 115 persons were ordered for detention under the Act for Blackmarketing of Essential Commodities including PDS items during the period from 1-1-2003 to 31-3-2004.

TPDS is the joint responsibility of the Centre and State Governments. The Central Government constantly monitors the implementation of the TPDS. As soon as any complaint related to TPDS is received in the Ministry from the general public, the same is sent to the concerned State/UT Government for taking corrective / remedial measures on the issue.

5. This Department has drawn the attention of all the States and UTs to this and has requested to take urgent and speedy corrective measures and to activate the enforcement agencies so as to see that the TPDS is run smoothly in the States / UTs.

## **Comments of the Committee**

(Please see Para No.1.19 of the Chapter I of the Report).

### **(Recommendation No. 8 Paragraph No. 2.75)**

The Committee would like to draw the attention of the Government on the shortcomings in the working of PDS, reported by the Task Force Teams on their visits to some States. Ensuring proper functioning of the Public Distribution System is the responsibility of the Government. Hence the Committee suggest that the Government should consider the reports of the Task Force Teams seriously and frame necessary guidelines, to ensure effective functioning of Public Distribution System. The Government should also impress upon the State Governments/UTs to strengthen the enforcement agencies/Vigilance Committees in order to check various irregularities which often take place at different centres/depots.

### **Reply of the Government**

The Department has noted the observations/recommendations of the Committee.

To ensure effective functioning of the PDS and also to impress upon the State Government/UTs to strengthen the enforcement agencies/vigilance Committee in order to check various irregularities which at times take place at different centres/depots, the Government of India has already issued a Public Distribution System (Control) Order, 2001 which is applicable to States/UTs. All States/UTs have again been requested to ensure effective implementation of the TPDS in their State/UT.

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**(Recommendation No. 9 Paragraph No. 2.76)**

The Committee note that the offtake of foodgrains, allocated under various schemes of the Government (Mid-Day-Meal, Sampoorna Gramin Rozgar Yojana, Wheat Based Nutrition Programme, Annapurna etc.) is far from satisfactory. In the case of some schemes such as Wheat Based Nutrition Programme and scheme for the welfare of SC/ST/OBCs, the offtake is not even 50%. According to the Government, it is the responsibility of the State Governments/UTs to uplift the allocated foodgrains. The Committee are, however, not satisfied with this reply since it is the Central Government which is responsible for making arrangements to store the allocated foodgrains and is accountable for storage losses. In addition it has to pay rent on hired godowns also. The Committee, therefore, recommend that the Government should take the average annual offtake in the past, say, last 3 or 5 years to form the basis of allocation for the next year, so that the foodgrains are allocated on the basis of requirement. Moreover there should be some mechanism with the Central Government so that the State Governments can be made accountable and they are not able to escape from their responsibility of making operational arrangements for distribution of foodgrains on a regular basis. In the absence of such an arrangement the various welfare schemes introduced by the Government remain just a futile exercise on the paper only, signifying no gains to those sections who are supposed to benefited.

**Reply of the Government**

It is agreed that it is not only the responsibility of the State Govt./ Union Territories to lift the allocated food grains, it is a coordinated effort to be made by Deptt. of Food & Public Distribution, the nodal ministries of each schemes, Food Corporation of India and the State Govt. to ensure lifting the food grain in time in proportion to the allocation made to each State Govt. / Union Territory. But sometimes lifting the food grains is effected due to non-availability of transport, rains, floods, non-availability / lesser number of railway racks and different priority accorded by each State amongst different Welfare Schemes. Lifting is also affected because of non-viability of Fair Price Shops (FPS) and availability of cheaper rates of food grains during harvesting seasons.

Following are the allocation, off-take of both rice and wheat from 2001-02 to 2004-05 up to September, 2004 (6 months) for all 35 States/Union Territories:-

Figure in 000 tonnes

Sl. No.	Scheme	Total allocation (Rice+ wheat)	Off-take	% of Off-take upto Sept.04 (6 months)	% of off-take	% of off-take	% of off-take	Remarks
					2001-02	2002-03	2003-04	
1.	Mid-day meal	2768.47	938.68	33.90	72.51	75.07	77.20	Scheme is administered, monitored and implemented by M/o Human Resources but food grain is distributed at BPL Central Issue Price on their demand.
2.	Wheat based nutrition prog.	443.84	128.11	28.86	52.94	59.49	64.49	-do-
3.	Annapurana scheme	166.61	48.98	29.36	57.40	147.43 (incl. Backlog)	88.61	Scheme is administered, monitored by M/o Rural Development but food grain is distributed at BPL Central Issue Price by D/o F&PD on their demand.
4.	Sampoorna Gramin Rojgar Yojna(SGRY)	3759.15	2703.58	71.91	49.82	95.49	107.77 (incl. Backlog)	Administered, monitored by M/o Rural Development Department of F&PD allocates food grains at Economic Cost on their demand.
5.	Special SGRY	1016.62	994.95	97.86	71.32	82.68	97.83	-do-
6.	SC/ST/OBCs Hostel/ Welfare Institutions	737.06	159.19	21.00	42.34	12.96	25.86	Administered, monitored and implemented by M/o Social Justice & Empowerment. Food grains allocated by Deptt. of F&PD at BPL Central Issue Price.

In case of SGRY and SSGRY the foodgrains is allocated at Economic Cost and is distributed free of cost in different States/Union Territories. Thus, the percentage of take-off is more than other schemes for which the allocation is made at BPL rates and difference between Economic Cost and BPL rates is subsidized by the Government & State Governments have to bear transportation which results in reduced off-take. In order to increase off-take under SC/ST/OBC Hostel / Welfare Institutions, State Govts. are authorized to make allocation of food-grains to these Institutions without making a reference to the Deptt. of Food & Public Distribution and also advised to meet the requirement of food grains of SC/ST/OBC Hostel / Welfare Institutions, out of 5% additional BPL allocation made to the concerned States and approach this Department only if the States' requirement is not covered in this allocation.

As regards taking average annual off-take of last three or five years for the basis of allocation for the next year, all the Nodal Ministries of each Welfare Scheme /FCI/State Govt/UT are being apprised of these comments to adopt this procedure. A Nodal Officer of the rank of Additional Chief Secretary in each State has been appointed to prioritize / fix the need of the State under each scheme so that the off-take will be in keeping with the allocation.

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### **Comments of the Committee**

(Please see Para No. 1.25 of the Chapter I of the Report).

### **Reply of the Ministry of Human Resource Development**

Allocation of foodgrains is made on the basis of enrollment data received from States/UTs. As per information given by FCI, actual offtake of foodgrains during 2003-04 by States/UTs was 79% of the quantity allocated, which is, on the whole, not un-satisfactory. Upto 2004-05, allocation of foodgrains was being done on the assumption of 100% attendance of enrolled children. From 2005-06, this is being fine-tuned so as to allocate foodgrains on the basis of average attendance rate of children as estimated/projected by States/UTs concerned. This would make for more realistic allocation, and will further improve offtake as percentage of allocations.

MINISTRY OF HUMAN RESOURCE DEVELOPMENT (DEPARTMENT OF  
ELEMENTARY EDUCATION AND LITERACY) O.M. No. 5-21/2004-MDM dt.  
15.12.2004

### **Reply of the Ministry of Rural Development**

Sampoorna Grameen Rozgar Yojana (SGRY) is one of the many schemes with a component of foodgrains. It was launched on 25<sup>th</sup> September, 2001 by merging the on-going schemes of Jawahar Gram 'Samridhi Yojana (JGSY) and Employment Assurance Scheme (EAS). Both these schemes were implemented separately till 31<sup>st</sup> March, 2002. However, it became fully operational from 1<sup>st</sup> April, 2002. Every worker engaged in work under the SGRY is provided a minimum of 5 kg. of foodgrains per manday as part of wages, while the balance of wages (not less than 25%) is paid in cash. For this, 50 lakh tonnes of foodgrains amounting to about Rs, 5m700 crore (at economic cost) is being provided every year, free of cost, to the State Governments and Union Territory Administrations. The payment of foodgrains is made by the Ministry of Rural Development to the FCI directly on receipt of bills in respect of foodgrains lifted by the implementing agencies under SGRY.

The foodgrains authorized and lifted under SGRY during the last three years are given as under:-

(Foodgrains in lakh tonnes)					
Year	Opening balance	Authorized	Total (2+3)	Lifted	% of lifting against authorisation
1	2	3	4	5	6
2001-02	-	34.51	34.51	18.06	52.22
2002-03	16.45	45.26	61.71	37.55	60.85
2003-04	24.16	49.97	74.13	45.07 (provisional)	60.80

The above table shows that except in the initial year (2001-02) of implementing of SGRY, about 60% of authorized foodgrains was lifted by the Implementing Agencies under the SGRY during the subsequent two years. However, one of the reasons for lifting less quantity of foodgrains was non-availability of foodgrains at FCI godowns in some States. This Ministry has been getting communications from various States regarding inadequate availability of foodgrains and these are being taken up with FCI and the Ministry of Food from time to time.

Special Component of the SGRY was launched on 1.4.2004. Special Component is demand driven and allocation of foodgrains to the States is made on the basis of the requirement to deal with the calamities such as drought, earthquake, cyclone, flood etc. Allocation is made by a High Level Committee headed by Home Minister. The foodgrains authorized and lifted under the Special Component during the last two years are given as under:-

(Foodgrains in lakh tonnes)			
Year	Authorized	Lifted	% of lifting against authorisation
1	2	3	4
2002-03	63.40	59.34	93.60
2003-04	65.83	57.11 (provisional)	86.75



As regard mechanism for accountability, the SGRY Guidelines provide that if the Implementing Agencies fail to lift 75% of authorized foodgrains and to utilise more than 50% of the available foodgrains, subsequent instalment of funds and foodgrains are to be withheld. Thus, for poor lifting the States/UTs loose their due share of Central grants under SGRY.

MINISTRY OF RURAL DEVELOPMENT (DEPARTMENT OF RURAL DEVELOPMENT) O.M. No. V-24011/25/2004-SGRY-I dated 4.10.2004

**(Recommendation No. 14 Paragraph No. 3.34)**

The Committee note that out of the total storage of 272.37 lakh tonnes available with FCI as on 31.3.2004, the capacity available in the North East Region is only 7.6 lakh tonnes. North Eastern States are the most disadvantaged States in terms of lack of infrastructure, communication and rail/road networks. Maintaining adequate foodgrain stocks is thus a great challenge. The induction of stocks in the North Eastern States is a perpetual problem which gets acute during the monsoon season. Besides natural calamities and vagaries of nature and law and order problems, the Railways capacity to carry required number of rakes on daily basis for North Eastern States also aggravates the problem. It is, therefore, pre-requisite that sufficient storage capacity is created in this region, so that the people living there are able to reap the benefits of Public Distribution System. The Committee, therefore, recommend that FCI should step up the construction of godowns in North Eastern Region on a priority basis.

**Reply of the Government**

The total covered capacity (Owned/Hired) available with FCI as on 30.6.2004 in N.E. Zone is 3.75 lakh M.T. with 40% utilisation. Special attention has been given by Government of India to set up more godowns in the North East Region. The Planning Commission/Ministry of CAF&PD while making allocation of budget for construction of godowns/Railway siding by FCI during 10th Five Year Plan (2002-07) have clearly indicated that 10% of the allocated budget will be earmarked for NE Region including Sikkim.2. At present the construction of storage at the following centres are in progress in North East Region:-

Name of the Centre	Present status
Agartala/Tripura(Ph.II)	2500 MT completed.
Jiribam/Manipur	2500 MT Work at Truss Level, Compound wall completed
Dimapur/Nagaland (Ph.II)	Godown has reached upto truss level and fabrication of trusses is in progress

. In addition to above FCI has already approved construction of 5000 MT each godowns at Kolasib (Mizoram) and Udaipur (Tripura) and the State Govts. have been requested to allocate suitable lands. Also, the proposals for construction of godowns at the following centres in Assam have been approved:-

Azara (Kamrup Distt)	25000 MT (Without Railway siding)
Dikom(Dibrugarh Distt)	25000 MT (With Rly siding)
Hailakandh (Hailakandi Distt)	5000 MT

The respective State Govts. have been asked to acquire land at the identified centres so as to facilitate creation of additional capacity there. The Ministry has taken up the matter with respective State Government to expedite the identification/acquisition of land for construction of storage godowns at Udaipur (Tripura), Dibrugarh, Hailakandi, Azra/Guwahati (Assam). Detailed estimates are under preparation in respect of construction of godowns in Lunglai and Lungthalia in Mizoram. As regards, construction of godowns in Bualpui (Mizoram), the State Government has agreed in principle to hand over the land and follow up action is being taken.

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**(Recommendation No. 20 Paragraph No. 4.21)**

The Committee are concerned to note the declining trend of capacity utilisation of CWC godowns, over the years. For instance, against the norm of 60% occupancy level, the utilisation of owned/covered godowns, dropped from a level of 48%, in the year 2001-2002 to 38.37% in the year 2003-2004. However, the utilisation capacity of hired/covered godowns, during the same period, did not show sharp, decline as witnessed in owned/covered godowns. The hired utilisation, declined to 16%, from a level of 23%, during this period. The Committee are of the view that norm for occupancy level of 60% is too liberal. The Committee, therefore, recommend that norms be revised upwards, to a level of 80-85%. At the same time, the hired godowns should be de-hired so as to improve occupancy utilisation of owned godowns. While de-hiring, priority should be given first to de-hire the godowns of private parties and then of other agencies. The Committee also find that there is continuous decline in the profits of Central Warehousing Corporation over the years. Drought, during the last three years, has been cited as one of the main reasons for dwindling profits. This has also resulted in decline in the capacity utilisation of CWC godowns. The Committee recommend that besides diversification, CWC should find ways and means for improving their profitability.

## Reply of the Government

Normally, the norms for any Organisation are to be fixed based on the factors which are within the control of the Organization. The warehousing occupancy depends inter alia upon the availability of storage capacity, volume of foodgrains available for storage, production of foodgrains, etc. hence the targets for utilisation may have to be fixed, keeping in view the factors for utilisation of capacity available.

The CWC has already initiated action of de-hiring of godowns keeping in view the availability of foodgrains for storage, and has de-hired 3.75 lacs MT storage capacity during the period 2001-02 to July 2004.

The Department of Food and Public Distribution has also reviewed the storage capacity in view of its requirement, and has taken a decision during a review meeting that all the private godowns where the occupancy is less than 25% should be de-hired.

The CWC has taken a number of steps, as mentioned below, for improving their profitability:-

- (i) The fertiliser trade has been given a very competitive tariff which shall motivate them to use the warehouses of CWC.
- (ii) The sugar trade has been given discounts in the tariffs which would result in the occupancy pattern going up and income improving.
- (iii) The general management warehousing of sugar is being undertaken in a big way and tripartite agreements have been signed with STC, MMTC and NAFED and various other agencies who are motivated to utilise the warehouses under the management of CWC.
- (iv) The Container Freight Station at Bhadohi and Jammu have started. The Kandla Port CFS has been notified for utilization by the Kandla Port Trust. Extra thrust has been given to increase the volumes of handling of containers at major ports viz. Jawahar Lal Nehru Port Trust.

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**(Recommendation No. 22 Paragraph No. 5.18)**

**Recommendation No. 5.18**

The Committee note that a Standing Committee on Sugar Development Fund (SDF) chaired by the Secretary of the Department looks into the performance of Schemes implemented with SDF assistance. The Committee note that huge sums to the tune of Rs. 105.64 crore, Rs.93.94 crore and Rs. 89.40 crore for modernization and rehabilitation of sick sugar mills, maintenance of buffer stock of sugar subsidy and bagasse based co-generation power projects, respectively have been surrendered in (2003-2004) under Sugar Development Fund. The Committee find that the surrendering of resources under SDF is a recurring phenomenon in the Department of Food and Public Distribution. The Committee do not approve of this. The Committee recommend that the Government should take proactive steps to step up utilization under SDF. In this context, the Committee recommend that the Standing Committee on SDF should meet once in every quarter of the year to review the situation arising out of under utilization of funds allocated under each Head of SDF. A quarterly target for utilization of funds should also be fixed. The Committee also desire that the Government should make sincere efforts for judicious utilization of funds within the financial year so that the amount surrendered is reduced to minimum.

**Reply of the Governments**

The SDF Rule, 1983 provides that the Standing Committee may hold meetings as often as may be deemed necessary by it but shall meet at least once in each quarter of a year; provided that in a quarter during which no application, or any other matter referable to it has been received by the Committee, it shall not be necessary to hold a meeting in that quarter.

As recommended by the Committee, Government will take proactive steps to improve the utilisation under SDF. The utilisation of funds under the heads under SDF will be taken up at the quarterly meetings of the Standing Committee on SDF (It was taken up in the meeting held on 25.08.2004). The Department has also fixed quarterly targets and sincere efforts are being made for judicious utilisation of funds and for reducing the amounts that remain undisbursed for want of completion of pre-disbursement requirements by loanees and hence are surrendered.

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**(Recommendation No. 23 Paragraph No. 5.19)**

**Recommendation No. 5.19**

The Committee note that an amount of Rs. 300 crore was allocated in BE & RE (2003-2004) for subsidy for maintenance of buffer stock of sugar and an amount of Rs. 206 crore utilized due to lower number of claims received in the Department. This year (2004-2005), an amount of Rs.400 crore has been earmarked under this head. The Committee note that final settlement of buffer subsidy claims for the period 18.12.2002 to 17.12.2003 are yet to be completed. The Committee feel that one of the reasons for non-receipt of complete claims by the sugar factories is cumbersome procedure and paper work in respect of these claims. The Committee feel that though the Government should ensure that no false claims are accepted and money disbursed, still the paper work should be kept to a bare minimum so as to facilitate a large number of sugar mills to avail of the buffer subsidy claims.

**Reply of the Government**

As on 31-10-2004, the advance buffer subsidy had been paid to 356 sugar factories amounting to Rs 220 crores out of 362 sugar factories, who had submitted their buffer subsidy claims and the final buffer subsidy claims for the period 18-12-2002 to 17-12-2003 had already been settled in respect of 172 sugar factories amounting to Rs 38.52 crores and 60 other cases are under process. Keeping the financial implication involved in the claims relating to buffer subsidy, bare minimum documents have now been prescribed in consultation with Integrated Finance Division to ensure that genuine cases alone get sanctioned.

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**(Recommendation No. 24 Paragraph No. 5.20)**

The Committee find that arrears to the tune of Rs. 1169.78 crore for the sugar season 2000-01 is still outstanding. The arrears of the sugar season 2001-02, 2002-03 and 2003-04 have also not been liquidated. The Committee desire that Government should take appropriate action under Sugarcane (Control) Order, 1966 under which Central/State Government Officers are authorized to recover the arrears of cane prices remaining unpaid after 14 days supplies of cane by the growers, together with interest @ 15% p.a. as arrears of land revenue.

The Committee further note that the Central Government had approved one time assistance for an amount of Rs. 678.00 crore to the States of U.P., Uttaranchal, Haryana, Punjab and Bihar to clear the cane price arrears to private sugar factories. The Committee find that only the States of Uttaranchal and Bihar availed of this assistance and were provided with Rs. 45.54 crores and Rs. 19 crores respectively. The Committee have been informed that the said scheme was for the year 2002-03 and has since lapsed. The Committee feel that adequate opportunity was not given to the State Governments for availing of this assistance. Taking into consideration, the large scale sickness witnessed in the sugar industry, the Committee feel that the scheme of one time assistance should be revived afresh.

### **Reply of the Government**

The sugarcane growing States have been asked to strictly enforce the provisions of the Sugarcane (Control) Order, 1966 subject to any directive given by Courts of Law. A copy of the letter addressed to the States is given in Annexure.

The Ministry of Agriculture was informed of the recommendations of the Committee and requested that taking into consideration the large scale sickness witnessed in the sugar industry, the scheme of one time assistance should be revived afresh. Ministry of Agriculture has replied that since the package was a one time assistance to clear the sugarcane arrears for 2002-03 sugar season in SAP States, no provision of fund has been made in the budget of the Department of Agriculture & Cooperation for the year 2004-05. Revival of the scheme of one time financial assistance may not serve the purpose as the State Governments of Punjab, Haryana and U.P are not agreeing to the terms and conditions of the package.

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### **Comments of the Committee**

## CHAPTER III

### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

#### (Recommendation No. 3 Paragraph No. 2.70)

The Committee are deeply concerned to note the rise in procurement incidental charges and distribution cost over the years. For instance, the procurement incidental charges, which were Rs. 134.68/qn. rose to Rs. 156.30/qn., during the period from 2001-2004, for wheat and Rs. 66.61/qn. to Rs. 74.90/qn. during the same period, for rice. Similar uptrends have been noticed for distribution cost also. As a result, the economic cost of wheat and rice and also subsidy has risen to a large extent. The Committee recommends that ways and means should be found out to reduce procurement incidental charges and distribution cost. The reduction in distribution cost can be effected by planning economy in the movement of distribution of foodgrains from procurement centres to consumption/distribution centres and also by promoting decentralized procurement.

#### Reply of the Government

Procurement incidentals comprise of statutory charges, cost of gunnies, labour & transport charges, storage charges, administrative costs, etc. Some of these charges including statutory charges, are fixed in relation to the Minimum Support Price of the foodgrains which has increased over the years resulting in increase of these charges. Further, due to increase in cost of raw material and overall inflation, transportation charges, labour charges and storage charges have also increased over time. With the introduction of 50 kg. packing, the gunny costs and handling charges have also gone up. In addition, the salary of staff and other overheads, etc. reflected in the administrative cost have also increased over the years.

Similarly, distribution cost which comprises freight, handling charges, storage charges, interest, transit & storage shortages & administrative overheads have increased mainly due to increase in labour, transportation, storage rates, etc.

A number of steps have been taken for containing/ reducing expenditure on items included in procurement incidentals and distribution cost. These include reduction of rate of interest on the borrowing of funds by the FCI to finance its operations, introduction of voluntary retirement scheme in the FCI for employees and labour, to cut down the establishment cost and other controllable expenses of the FCI, encouragement of decentralized procurement to cut down on transportation costs, etc.

States are being encouraged to adopt decentralized procurement for reducing distribution cost. Recently based on the discussions with the various State Governments a Committee was constituted under the Chairmanship of Additional Secretary & Financial Adviser of the Department with Food Secretaries of UP, West Bengal and Chhattisgarh as members to examine the issues raised by the States. Based on the recommendations of the above Committee, following additional components of costs have been decided to be allowed as incidentals:-

- (i) Transportation cost from the procurement centre to the storage point and from the storage point to the milling point.
- (ii) Commission to societies at 1% of MSP.
- (iii) Payment of cost towards transportation of gunnies from railheads to procurement centres.
- (iv) Enhancement of milling rate of parboiled rice from Rs. 15 per quintal to Rs. 20 per quintal.

To keep the procurement costs low, it has been decided to freeze the levy rice prices for the current Kharif Marketing Season 2004-05 at the last year level.

The Department is also making suitable recommendations to the RBI to sanction adequate Cash-Credit Limit to States for handling the procurement operations.

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## CHAPTER IV

### RECOMMENDATIONS/OBSERVATION IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### (Recommendation No. 4 Paragraph No. 2.71)

The Committee find that the Public Distribution System (PDS) is a major instrument of Government's economic policy for ensuring availability of foodgrains to the poor at an affordable price as well as for ensuring food security for the poor. Public Distribution System is an important constituent of the strategy for poverty eradication and is intended to serve as a safety net for around 33 crore poor who are nutritionally at risk. The Committee are concerned to note that the benefit of the Targeted Public Distribution System is extended to 6.5 crore beneficiaries of Below Poverty Line families including 2 crore for Andhyodaya Anna Yojana only, leaving a large section of vulnerable section of the society, from the purview of poverty alleviation programme. Surprisingly, the States have identified 8.17 crore as BPL families. As a result, the States are under compulsion to reduce the scale of issue to the BPL beneficiaries. The Committee, therefore, recommend that the coverage of the Targeted Public Distribution System should be extended beyond 6.5 crore families living below poverty line.

#### Reply of the Government

The number of BPL households for each State/UT has been determined on the basis of the state-wise poverty estimates of the Planning Commission for the year 1993-94 and the population projections of the Registrar General as on 1.3.2000. As per these estimates the number of BPL families is 6.52 crores (average size of a family being 5.5). Hence while the coverage of households is 6.52 crores, the total coverage of persons is of the order of 35.86 crores. The Government of India makes allocation of foodgrains on this basis. Hence it is not true to presume that the TPDS covers only 6.52 crore BPL people.

Though as per the latest available estimates of the Planning Commission for the year 1999-2000, the percentage of BPL population has come down to 26% from 37% in 1993-94, but the Government continues to follow the old estimates of 1993-1994 for allocation of foodgrains so that more number of households are covered under the BPL. The higher number of BPL families in certain States is perhaps due to the improper identification and issue of BPL ration cards to ineligible families or existence of bogus Ration Cards. The State Governments have been requested time and again to review the identification of families to bring the number to the realistic levels.

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#### Comments of the Committee

### **(Recommendation No. 6 Paragraph No. 2.73)**

The Committee note that there exists a big gap in the allotment and offtake of foodgrains, under Targeted Public Distribution System (TPDS). Out of the total allotment of 746.84 lakh tones in the 2002-2003; only 201.3 lakh tones was uplifted, again in the year 2003-2004 out of 715.64 lakh tones of foodgrains that had been allocated, offtake was only 227.92 lakh tones. According to the Ministry this gap is mainly due to very less offtake under Above Poverty Line (APL) category, which was only 8.4% in 2002-2003 and 9.4% in 2003-2004 as compared to 59.3% by BPL people in 2002-2003 and 65.4% in 2003-2004. This situation is grave as in the absence of offtake of foodgrains being almost equal to that in the market, it is marked for open sale, thus defeating the very purpose of food subsidy. The Committee, therefore, suggest that the APL population should be stratified in two categories, either on the basis of income or expenditure, and the so called “creamy-layer” should be barred from the benefit of this scheme. This will help not only in reducing the food subsidy but will also help in checking diversion of foodgrains.

### **Reply of the Government**

The TPDS was introduced in 1997 with a view to target the under privileged sections of society that is the Below Poverty Line families and providing them foodgrains at subsidized rates. The idea of the Targetted Public Distribution System is targeting the poor. Another role of TPDS is stabilization of prices across the country even in remote areas, providing food security and choice of foodgrains to the consumers. The low off-take under the APL is mainly due to the little difference in the price of foodgrains at the Fair Price Shops and the market price and easy availability in the open market. The suggestions of the Committee to stratify the APL families into two categories on the basis of income/expenditure may not be helpful and practically feasible. The APL families making use of TPDS would continue to make use of it till the price and quality of foodgrains are comparable with the foodgrains in the open market.

As regards subsidy it is given on the offtake of foodgrains. Less offtake would entail less subsidy. Though chances of diversion of foodgrains under APL category are minimum it can be checked with the sincere use of the PDS (Control) Order, 2001 by the State Governments.

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### **Comments of the Committee**

### **(Recommendation No. 12 Paragraph No. 3.32)**

The Committee are concerned to note that there is continuous rise in the outstanding dues of Food Corporation of India (FCI) against other Central Ministries for the various Welfare Schemes undertaken by them. It has risen from Rs. 1000 crore in 2001 to more than Rs. 4000 crore in the year 2004. It is astonishing to find that these pending dues are mainly relating to non-payment of bills in respect of foodgrains issued under various welfare schemes such as Sampoorna Gramin Rozgar Yojana, Mid-day Meal Scheme, implemented by the concerned Central Ministries. The Committee strongly recommends that the pending dues should be cleared expeditiously and some time-limit should be fixed within which the Central Ministries be asked to make payments, in future, failing which some penal interest be levied.

### **Reply of the Government**

The issue of settlement of outstanding dues of FCI against other Central Ministries for the welfare schemes in respect of foodgrains supplied under various welfare schemes such as Sampoorna Gramin Rozgar Yojana (SGRY) and Mid Day Meal Scheme (MDM) etc. has been taken up at the highest level with the concerned ministries including the Ministry of Finance to expedite the matter.

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION  
(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION) O.M. No. G  
20017/2/2004-AC Dated 8<sup>th</sup> December, 2004

## **Reply of the Ministry of Human Resource Development**

According to information available with the Department of Elementary Education & Literacy, amount of arrears payable to Food Corporation of India (FCI) for foodgrains under the Mid-Day Meal Scheme is of the order of Rs. 600 Crore. Progress of payment to FCI depends to a large extent on timely action by States/UTs in as much as payment to FCI is made after off-take figures are received from States and are reconciled with FCI's supply figures. At present, Department is yet to receive of off-take figures amounting to about Rs. 595 Crore from States, notably Bihar (Rs. 332 Crore), Assam (Rs. 64 Crore), Jharkhand (Rs. 36 Crore) and Uttaranchal (Rs. 24.50 Crore). These States have been repeatedly requested to furnish off-take figures so that FCI's claims are settled at the earliest.

Subject to the defaulting States now responding promptly, the Department expects to liquidate arrears to the extent of about Rs.500 Crore during 2004-05, and the remaining about in 2005-06.

Reply of the Ministry of Rural Development

MINISTRY OF HUMAN RESOURCE DEVELOPMENT (DEPARTMENT OF ELEMENTARY EDUCATION AND LITERACY). O.M. No. 5-21/2004-MDM Dated 15.12.2005.

## **Reply of the Ministry of Rural Development**

During 2003-04 the Budget allocation for foodgrains component under the SGRY was Rs. 736.25 crore. Keeping in view the lifting and utilization of foodgrains during the year, additional supplementary grant of Rs. 380.00 crore have been provided to make payment to the FCI against the foodgrains lifted under the normal SGRY. Besides, in addition of Budget allocation of rs. 38.75 crores, additional supplementary grant of Rs. 4850 crore have also been provided for making payment to FCI under the Special Component of SGRY.

During the current year, Rs. 600 crore under the SGRY, including the special component (Rs. 300 crore for each) have been provided in BE-2004-05 towards the payment to the FCI. This amount has already been exhausted and this Ministry has committed liabilities of rs.5111 crore under the SGRY and Rs. 6000 crore under the Special Component for which a formal request has already been made.

The pending dues of the FCI with the Ministry of Rural Development are not due to delay in processing the bills but for want of adequate funds. This Ministry has been requesting the Planning Commission and the Ministry of Finance persistently for allocation of adequate funds for payment to the FCI for the foodgrains lifted under the SGRY. However, the SGRY Guidelines do not

permit for payment any penal interest to the FCI in respect of their outstanding bill.

MINISTRY OF RURAL DEVELOPMENT (DEPARTMENT OF RURAL DEVELOPMENT) O.M No. V-24011/25/2004-SGRY-I dated 4.10.2004.

**(Recommendation No. 13 Paragraph No. 3.33)**

The Committee are deeply concerned to note that a large part of the food subsidy goes towards meeting the Establishment Cost of FCI, which is increasing year after year. For instance, out of the total food subsidy of Rs. 24,176 crores released in the year 2002-03, Rs. 1254.57 crores was to service Establishment Cost alone. Also in the year 2003-04, out of Rs. 25,769 crores subsidy released, Rs. 1287.35 crores contributed for Establishment Cost alone. Taking into consideration, the ever ballooning food subsidy bill over the years, the Committee recommend that the FCI should take drastic measures to bring down the Establishment Cost. This will help in reducing the burden of food subsidy. At the same time, FCI should find ways and means to mobilize resources through diversification and finance their administrative expenses on their own without seeking any budgetary support from the Government for the purpose.

**Reply of the Government**

- FCI has taken the following steps to reduce the administrative overheads:
- b) The resultant entry level vacancies due to retirement of officials etc. are not being filled up, except in unavoidable cases;
  - c) FCI has not been resorting to any further recruitment for the last few years in order to downsize its manpower;
  - d) The expenditure on over-time allowance (OTA), travelling allowance (TA) and other administrative expenses are being closely monitored to keep it minimum;
  - e) With a view to rationalize the manpower and reduce the establishment cost, a Voluntary Retirement Scheme (VRS) has been introduced in the FCI for its permanent employees and surplus labour.

FCI has prepared a "Vision 2020 Document" and drawn up its Mission Statement together with an Action Plan. FCI intends to identify over a period of time suitable commercial activities within and outside the country, in addition to fulfillment of the present mandate of holding buffer, providing foodgrains at subsidized rates, and holding the price line. It would examine the possibilities of branching out into diversified areas, activities and commodities. FCI could examine opportunities like dealing in value added products like atta, maida, suzi; diversify into transactions in quality foodgrains like basmati rice, durum wheat, oil seeds, etc.; creation of new storage capacity through outsourcing, modernization of handling operations, outsourcing activities like maintenance, training, security

operations, exploration of Consultancy and research activities, operating through subsidiary companies, identifying independent profit centers, exploring direct export of foodgrains, accessing new markets like forward trading, etc. The resources for the commercial ventures could be raised from the market / financial institutions on the basis of their viability and marketability.

FCI, in the meanwhile, has taken the initiative to reduce the cost of capital by proposing to issue bonds for an amount of Rs. 5000 crores during the current financial year, backed by Government Guarantee. The Working Group, constituted by the RBI, has recommended the modalities and the proposal is currently under examination.

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION  
(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION) O.M. No. G  
20017/2/2004-AC Dated 8<sup>th</sup> December, 2004

### **Comments of the Committee**

Please see part No. 1.34 of the Chapter I of the Report).

### **(Recommendation No. 15 Paragraph No. 3.35)**

The Committee are surprised to notice that the utilisation of hired storage capacity is more as compared to the owned by FCI. For the year 2003-2004, while there was 65% utilisation of hired capacity, only 37% of the owned capacity could be utilised. Further a large amount was spent on the payment of rent for hired capacity, which was Rs. 354 crore in the year 2003-2004. The Committee, therefore, recommend that firstly, the FCI should go in for de-hiring of hired godowns. In de-hiring process, priority should be to de-hire the private godown, followed by godowns of other Public Agencies. Secondly, it should re-examine its planning process so that there is sufficient availability of owned godowns and the dependence on the hired ones can be minimised.

### **Reply of the Government**

It is true that utilisation of hired godowns capacity is more as compared to FCI's owned godowns capacity because FCI's own godowns are having higher storage capacity as these are created generally for buffer stocking so the percentage utilisation of FCI godowns is on lower side except in the procurement season.2. However, the godowns taken on hire are generally to meet the TPDS requirement only and these godowns are of a smaller storage capacity. Therefore, their percentage utilisation is always on the higher side than those of FCI's godowns. It may be further added that with the arrival of the stock the capacity utilisation increases whereas it decreases with the issue/off-take of stocks under TPDS. This does not mean that storage space is not required at that centre because to maintain the TPDS the requirement of the godowns is a

primary factor.3. As regards, de-hiring of godowns is concerned, it is stated that the capacity to the tune of 69.40 lakh MT hired from CWC/SWC on 7 year guarantee basis can not be de-hired before completion of the terms of 7 year as per agreement. However, during calender year 2003, FCI has de-hired the idle capacity to the tune of 69.99 lakh MT from 1/2003 to 12/2003 and further 2.64 lakh MT also de-hired from 1/2004 to 6/2004. Thus from 1/2003 to 6/2004 72.63 lakh MT of storage capacity of the Private Parties/Agencies has been de-hired.

Further, in view of the sufficient storage capacity available with the FCI, the construction of new storage godowns is restricted only to Jammu & Kashmir and North Eastern States.

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

O.M. No. G 20017/2/2004-AC

Dated 8<sup>th</sup> December, 2004

**Comments of the Committee**

(Please see Para No. 1.37 of the Report).

**(Recommendation No. 18 Paragraph No. 3.38)**

The Committee are concerned to note the system of proxy labour prevalent in FCI, inspite of foolproof arrangements reported to be in place to check this menace. Such malpractices, not only drain the public exchequer, but also sullies, the image and reputation of a Central Public Undertaking. The Committee have been informed that at times a regular labour is marked present in the register of FCI while he in fact indulges in other activities outside. The Committee are of the view that proxy labour is prevalent due to default in attendance system. For instance, a labour is marked present by "P" or absent by putting a "dot" in the Attendance Register. Further, the labours and farmers are deprived of cheque payment facilities. The contention of the FCI that proxy labour is inevitable during heavy procurement season, is hardly convincing, as the proxy labour reports have emanated not only from the procurement centers, but also from foodgrains godowns from non-traditional procurement States. The Committee are surprised to note the statement of MD, FCI during evidence that there is scope to reduce the number of complaints but the system of proxy labour cannot be eliminated totally. The Committee are not in agreement with the contention of the Government that there is no extra burden on the national exchequer as a result of substitution of regular worker with that of proxy labour. The Committee are of the view that it depends upon the number of substitutes who work as proxy, enabling the regular worker to draw fictitious, fraudulent excessive wages, OTA and other incentives disproportionately, the loss to the exchequer. The Committee are at a loss to understand the manner in which the entitlement of a proxy labour is determined specially when genuine worker has not worked.

In regard to incidence of proxy labour which was reported in the State of West Bengal, it was brought to the notice of the Committee that the concerned officials of FCI West Bengal, who tried to exercise strict supervision and control was alleged to have been over ruled by Executive Director(P) Headquarter and abruptly transferred at short notice for exposing this racket. The Committee take serious note of malpractices of proxy labour and recommend that measures like: i) requiring each and every worker to put one's signature or thumb impression as a token of attendance; ii) introduction of mechanical gate entry devises, punching card system with thumb impression; iii) payment of wages to all workers through cheque as per the provision of Income Tax Act; and iv) signing of Daily work output slip by each labour at the end of the day and countersigned by Mandal/Sardar/Shed Incharge would go a long way in curbing this malpractices.

The Committee, taking into consideration the dimension of loss incurred to the FCI, due to proxy labour, recommend that all cases of proxy labour especially in Haryana, Maharashtra and West Bengal be investigated by CBI or CVC or any other higher investigating agency and the Committee apprised of the outcome.



## Reply of the Government

The FCI has informed that as per the existing system in vogue, the steps taken for marking attendance for Departmental/Direct Payment System workers of the FCI are as follows :-

- vi) The workers enter the depot showing Identity Cards at the gate (wherever feasible).
- vii) Then, the workers go to the labour section with their Identity Cards and staff of the labour section mark their attendance in the Attendance Card and Register on the basis of the Identity Cards.
- viii) Then, the workers are provided work slips and directed to report at their respective place of work
- ix) On reaching the work place, the Shed Incharge on verification of the Identity Card, puts his signature on the Attendance Card and marks 'Present'/'Absent' in the Booking-cum-Output Slip.
- x) On conclusion of the day, the Shed Incharge after writing Work Slips showing output of the whole day signs the Booking Slip and after final verification of the Attendance Card, Booking-cum-Output Slips are returned to the workers which are at the same time signed by the Shed Incharge and, thereafter, by the Assistant Manager (Depot).

In addition to the inherent system of attendance of workers in the FCI depots, the then Senior Regional Manager, FCI, West Bengal (Shri Suraj Prakash), introduced the system of putting signature/Right Thumb Impression/Left Thumb Impression in the Attendance Register, separately kept for the workers in the depot premises prior to starting of work, on arrival and also at the time of departure, after finishing the work for the day. This new system was resented by the Food Corporation of India Workers Union and the Regional Labour Commissioner (C), Kolkata also insisted for maintenance of status-quo and held the view that this system may be evaluated after compliance of Section 9A of the Industrial Disputes Act. The FCI has reported that the then Senior Regional Manager had to be transferred from West Bengal to Jharkhand in order to diffuse the labour unrest and disruption of foodgrain supplies for the Public Distribution System.

The earning of the Departmental and Direct Payment System labourers is linked with their productivity as they are Piece Rated Workers. After completion of the norm prescribed for a shift of seven hours, they are eligible to get incentive wages for the number of bags handled beyond the datum as per the rates prescribed on slab basis. These incentives are prevalent in the FCI since 1973. It is further stated by the FCI that the work force of labour has only marginally increased since 1980s/1990s although the volume of loading, unloading,

movement operations etc. of the FCI has multiplied more than four times. It is only the incentive scheme that has enabled the FCI to ensure smooth handling of foodgrains. The un-equitable distribution of work may be the reason for high earning of the labourers, which is being checked by proper supervision.

The FCI HQrs has issued strict instructions, from time to time, to regulate the attendance of food handling labour with valid Identity Cards in the FCI depots. The latest instructions in this regard were issued on 16.09.2003 by the FCI HQrs.

The matter was also discussed in the meeting of the Standing Committee of Parliament on Consumer Affairs, Food & Public Distribution on 11.08.2004. The observations/recommendations of the Committee as contained in para 3.38 of Chapter 3 of the First Report of the Committee were forwarded, on 01.09.2004, to the FCI for urgent necessary action and for intimating the Action Taken Report to this Department. The FCI has informed that investigation of proxy labour in respect of West Bengal Region of the FCI has been entrusted to the Executive Director (Vigilance) of the FCI. The investigation will also be conducted by the FCI in respect of Maharashtra and Haryana Regions of the FCI.

On examination of the information received from the FCI and the Report of the Standing Committee referred to in para 5 above, it has been decided that the existing system of marking of attendance of workers in the FCI Depots and payment of wages to them needs to be reviewed. The FCI has, therefore, been asked to place these matters before the Board of Directors of the FCI for consideration in the next meeting of the Board of Directors.

Further the matter has been re-examined and the Central Vigilance Commission has been requested to conduct an enquiry regarding the proxy labour system in the Food Corporation of India.

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

O.M. No. G 20017/2/2004-AC

Dated 8<sup>th</sup> December, 2004

#### **Comments of the Committee**

(Please see Para No. 1.43 of the Chapter I of the Report).

**(Recommendation No. 21 Paragraph No. 4.22)**

The Committee appreciate the ambitious plan of action initiated by CWC, to diversify their business. Container Freight Station, Railsiding Warehouses, Cold

Storage, development of Land Custom Stations etc. are some of the diversified activities planned by CWC. The Committee find that the Container Corporation of India, a PSU under the ambit of Ministry of Railways enjoys monopoly, in the transportation of import/export containers through railways. The Committee find that CWC took up the matter of their entry into the field of container freight, with Ministry of Railways, as the CWC had expertise in container Freight Station/Inland Clearance Depots Operations at Inland Station. However, the proposal did not find favour with the Ministry of Railways. Surprisingly, Ministry of Railway's guidelines permits setting up of Rail link inland Container Depot to parties other than the Container Corporation of India. Further, the Ministry of Commerce is advocating opening of container Freights business for other places also. The Committee finds merit in the contention of Ministry of Commerce, in breaking monopolistic scenario of Freight Container Business. The Committee are of the view that CWC be allowed to diversify and operate in Freight Container business and the Ministry of Railways should permit CWC to operate Inland Container Depot as per their own policy. The Committee also recommend that Ministry of Consumer Affairs, food and Public Distribution should take up the matter of permitting CWC in this business with Planning Commission/Ministry of Finance/CCEA, at the earliest.

#### **Reply of the Government**

A meeting has been held on 18.08.2004 in the Ministry of Consumer Affairs, Food and Public Distribution with the officers of the Railway Board in the matter of granting of permission to the Central Warehousing Corporation by the Ministry of Railways to operate Container Freight business on the lines of CONCOR. The matter is being pursued by this Ministry.

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#### **Reply of the Ministry of Railways.**

At the instance of the Ministry of Commerce, the subject of grant of permission to organization other than CONCOR for rail based container was examined in this Ministry in 1994. The Ministry of Railways decided in 1994 to permit agencies other than CONCOR also to undertake operation of container trains. As per policy any party can approach Railways for permission to move container trains on any route. Till 2001 nobody approached Railways for operation of containers trains. On 14.6.2001 Central Warehousing Corporation (CWC) had requested the Ministry of Railways to allow them to operate container trains between Loni in Delhi area and JNPT in Mumbai area. Railway Board on 22.7.2001 issued Rail Transport Clearance (RTC) for rail siding facilities for Container Freight Station Dronagiri Node near JNPT. The RTC was granted for a period of six months from date of issue of the letter. The party was to confirm to the Railway the time frame within which the traffic would materialize. On 30.9.2002 CWC applied for permission to set up CONCOR type operation for the

container trains in terms of the extant guidelines of Indian Railways Board appointed a Committee to examine the volumes of container traffic to be moved to JNPT and other ports, CONCOR's plan and if it is essential to supplement CONCOR's effort by other players.

It was observed by this Committee that CONCOR is also able to meet nearly the entire transport needs of containerized traffic on Delhi-Mumbai route and is making investment to augment the infrastructure and handling facilities in the hinterland of Northern Region. The Committee therefore opined that it would not be desirable to agree to the proposal of CWC to operate container trains between Loni (Delhi area) and JNPT (Mumbai area). Thus the proposal of CWC was rejected on technical ground.

MINISTRY OF RAILWAYS O.M NO. 2005/BC-II/XIV/600/2 dated 11.02.2005

### **Reply of the Planning Commission**

The Planning Commission, in principle, finds merit in the recommendation of the Committee in breaking monopolistic scenario of freight container business and allowing the CWC to operate freight container business. However, the issue needs to be sorted out by Inter-Ministerial consultations.

Planning Commission OM No. 20(8)/DP/PC/2004 dated 19.11.2004

### **(Recommendation No. 25 Paragraph No. 5.21)**

The Committee fail to understand the rationale of declaring State Advised Price (SAP) by some of the States when it is not statutorily binding on the sugar factories to pay according to it. The Committee feel that this puts an additional burden on the sugar factories which are already in precarious financial position and do not have adequate funds for payment of cane price arrears. The Committee, therefore, recommend that the Central Government should continue to declare SMP after due consultation with State Governments without any stipulation and State Governments should be discouraged to declare a separate SAP.

### **Reply of the Government**

The SMP of sugarcane is fixed on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) and after consultations with the State Governments and such other organisations/authorities as may be considered appropriate by the Central Government.

In regard to SAP not being statutorily binding on sugar factories, it may be mentioned that the Hon'ble Supreme Court in its Order dated 5<sup>th</sup> May, 2004 has held that States which have enacted legislations regarding regulation of supply and purchase of sugarcane have the right to fix prices for sugarcane purchased by sugar mills which can be higher than the SMP determined by the Central Government. However, the Central Government in its packages of assistance to State Governments for clearing cane price arrears have stipulated inter alia the condition that the State Governments would refrain from declaring SAP in future.

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**Comments of the Committee**

(Please see Para No. 1.57 of the Chapter I of the Report)

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED.

#### (Recommendation No. 5 Paragraph No. 2.72)

The Committee note that under the Targeted Public Distribution System, the responsibility for identification of the BPL families and issuing them ration cards rests with the State Governments/UT Admn. concerned. But the States/UTs of Goa, H.P., Manipur, W.B,A&N Islands, Chandigarh, D&NH and Lakshadweep have yet to complete identification of the BPL families. The Committee feel that inordinate delay in identification of BPL families in the above mentioned States would deprive the vulnerable section of the society, the benefit of Public Distribution System. Considering the fact that this will dilute the whole programme of providing foodgrains to the poor families, the committee recommend that identification of BPL families should be completed within 6 months in the defaulting States.

#### Reply of the Government

The Department has noted the observation/recommendation of the committee.

The concerned States/UTs have been requested to identify BPL/AAY families at the earliest without delay.

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#### (Recommendation No. 10 Paragraph No. 2.77)

The Committee note that the precious food subsidy is expended on domestic sale and export of foodgrains and contributed as much as Rs. 4105.73 crore for these, as against total food subsidy of Rs. 25160 crore, in the year 2003-2004. It has been brought to the notice of the Committee that stock of wheat and rice from Central Pool were sold by FCI to selected exporters at a highly subsidised rate with a view to benefit them during the months from April, 2003 to May, 2004. It has also been stated that Export of wheat and rice was prohibited in August, 2003, but the order of prohibition was subsequently withdrawn. The Committee have taken note of open sale (domestics) and export of wheat and rice during the period from 2002-2003, 2003-2004 to 2004-2005. The Committee find that the open sale of wheat which was 53.52 lakh tonnes

during the year 2002-2003 dropped to 9.26 lakh tonnes to 0.13 lakh tonnes during the years 2003-2004 and 2004-2005 respectively. Similarly, the open sale of rice which was 38.72 lakh tonnes during the year 2002-2003 declined to 4.04 lakh tonnes and 0.03 lakh tonnes during the years 2003-2004 and 2004-2005 respectively. Drastic rise in the export of wheat was also witnessed during this period. The Committee are given to understand that certain irregularities in the name of Open Market Sale and export of foodgrains have taken place. It has been alleged that not only the demand of domestic market was ignored but export subsidy too was misused. Similarly other irregularities have also taken place such as operationalising export sales, release of stocks of foodgrains in favour of few and release of bank guarantee despite non-performance. Taking a serious view of such abnormalities, the Committee recommend that an inquiry by CBI or any other higher investigating agency be instituted into the above transactions and the Committee apprised of the outcome.

### **Reply of the Government**

As per the recommendations of the Standing Committee on Food, Consumer AFFAIRS, FOOD AND PUBLIC Distribution (2004) i.e. conducting an inquiry by CBI or any higher investigative agencies into allegations of irregularities in the export of foodgrains from the Central Pool, Central Vigilance Commission (CVC) has been requested that it may get an inquiry conducted in a manner found suitable and Lok Sabha Secretariat has been informed of it.

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### **(Recommendation No. 11 Paragraph No. 2.78)**

The Committee have taken note of stringent procedure followed by FCI, before foodgrains stored in their godowns are decided as damaged. It has been brought to the notice of the Committee, that disposal of issuable stock of rice/wheat as damaged stocks, has been reported in various procurement centers, especially in West Bengal. The Committee take serious note of it and recommend that the matter be enquired into and the Committee apprised of the outcome thereof.

### **Reply of the Government**

It has been the endeavour of the Government/FCI to ensure that the stocks of foodgrains stored for the Central Pool in the godowns all over the country is maintained properly. To this end, the stocks of foodgrains are inspected by the technical officers of the quality control on a regular basis. Any stock or its part, if suspected to have deteriorated in quality, is examined and the stock, if found not conforming to the specifications prescribed for the stocks fit for

human consumption under the PFA, is categorized as damaged stock under a well defined procedure and segregated from the sound stocks.

Complaints received regarding categorization and disposal etc. of damaged foodgrains are attended by the FCI promptly. A few complaints in the matter have been received in respect of the stocks of rice stored in West Bengal. These complaints were looked into immediately and the position thereof is as under:

(i) 2364 MT of rice with FCI at Coochbehar

This stock of damaged rice was alleged to have been not categorized properly and sold to an agency which according to the prescribed procedure for sale of damaged foodgrains was not entitled for such purchase.

The above stock of rice pertaining to the Kharif Marketing Season 2000-01 was dispatched ex-Punjab in January 2001. This stock was found to be damaged by the Vigilance squad of the FCI(Hqrs.,) as per their analysis reports dated 21<sup>st</sup> March and 22<sup>nd</sup> March, 2001. The CBI which is investigating into the matter issued its no objection for the disposal of above stock of rice in question in the end of May, 2004 and as informed by the FCI, the stock has been sold to West Bengal Fishermen's Cooperative Federation Ltd.(BENFISH) on an assurance of the Government of West Bengal that the damaged fodgrains lifted from the FCI would be used as fish feed by societies of Fisherman and Fisherman Groups under the direct supervision of BENFISH.

(ii) 4371 MT of URS rice at CSD, FCI, Dabgram (Siliguri)

This stock of rice initially procured in Punjab under the relaxed specifications during KMS 1998-99 and subsequently dispatched to Bengal was alleged to have been categorized improperly, as damaged and the officers of the FCI were allegedly involved in disposing of it at cheap rates.

The FCI on a similar complaint received earlier had deputed its Vigilance squad of the Headquarters to investigate. In this investigation, the uric acid content of the 4371 MT of URS was found in excess of the limit specified in the PFA and the stock was hence not fit for human consumption. The stock was allotted to the NCCF as feed category-I stock. A private party who was interested in getting the supply of the above stock at higher rates approached the Calcutta High Court and the matter is still subjudice.

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Dated 8<sup>th</sup> December, 2004



**(Recommendation No. 17 Paragraph No. 3.37)**

The Committee note that different labour systems exist in different zones of Food Corporation of India. These are Regular Department Labour, Contract System, Society System and Direct Piecemeal System. The Committee find that a Committee has been constituted to study and rationalize the different labour systems in vogue. The Committee desire that the findings of this Committee be completed within a period of six months. The Committee would like to be apprised of the outcome of the report in this regard.

**Reply of the Government**

Meetings of the Sub-Committee, constituted by the Board of Directors of the FCI relating to the long term labour policy of the FCI were held on 19.12.2003 and 18.06.2004. In the last meeting, the Sub-Committee made recommendation relating to reference pending before the National Industrial Tribunal, Mumbai in respect of 'Equal pay for Equal work' for workers working in Direct Payment System, No Work No Pay System and Workers Management Committee System at par with Departmental Labour. The interim order of the National Industrial Tribunal, Mumbai relating to payment of Rs.50/- per day per worker on day of working was discussed and as per the recommendation of the Sub-Committee, the interim order has been challenged in the High Court of Mumbai, by the Food Corporation of India.

Rationalization of Labour System in the Food Corporation of India is linked with the outcome of the said Industrial Dispute pending before the National Industrial Tribunal, Mumbai. In case, the aforesaid Industrial Dispute is decided in favour of the workmen, then there will be only two systems of labour in the FCI i.e. Departmental and Contract Labour System. All the other systems of labour i.e. Direct Payment System, No Work No Pay System and Workers Management Committee System will merge in the Departmental Labour System. If the case is decided in favour of the FCI then the existing different labour systems will have legal sanctity.

The recommendation of the Committee has been noted for compliance and action will be taken for rationalization of the labour systems in the Food Corporation of India depots within the prescribed time limit.

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION  
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O.M. No. G 20017/2/2004-AC

Dated 8<sup>th</sup> December, 2004

**(Recommendation No. 19 Paragraph No. 4.20)**

The Committee note that in order to encourage the farming community and to motivate them to avail public warehousing facilities, a rebate of 30% is extended to farmers by Central Warehousing Corporation (CWC). The farmers pay 30% less tariff than the base rate of foodgrains tariff as made applicable by CWC for the General Public. As a result, the farmers, for storage of foodgrains bags of 100 Kg., are charged @ Rs. 3.75 per bag per month including insurance of the stocks, which after allowing 30% rebate calculates to @ Rs.2.62 per bag 100 Kg./month at a standard rated warehouse of the CWC. Further, the Committee find that one of the objectives of the CWC is to assist farmers in getting loans from banks against the pledge of Warehouse Receipts. It has been brought to the notice of the Committee that banks have failed to honour the Warehouse Receipt, on the ground that the receipt has not been recognized as a Negotiable Instrument. The Committee do not approve of this and recommend that Government should amend the relevant statute, so that the warehouse receipt can be pledged and the farmers are able to obtain subsidized institutional credit on pledge of the Warehouse Receipt.

**Reply of the Committee**

Action to make the warehouse receipt a negotiable instrument so that farmers may be able to obtain loans from banks against the receipt is being taken by the Department of Food and Public Distribution. A draft legislation on Negotiable Warehouse Receipt Act has been prepared which is being finalized in consultation with all the stake holders.

MINISTRY OF CONSUMER AFFAIRS, Food AND PUBLIC DISTRIBUTION  
(DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION) O.M. No. G  
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New Delhi  
21<sup>st</sup> April, 2005  
1 Vaisakha 1927 (Saka)

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



**IMMEDIATE  
TIME BOUND**

**F. No. 15 (2)/2004-SP  
Government of India  
Ministry of consumer Affairs, Food and Public Distribution  
(Department of Food and Public Distribution)**

**Krishi Bhawan, New Delhi  
Dated the 5<sup>th</sup> October, 2004**

To  
The Food Secretaries of Sugarcane Growing States.

Subject: Action Taken by the Government on the recommendations/observations contained in the First Report of the Standing Committee on Food, Consumer Affairs, Food and Public Distribution.

Sir,

I am directed to say that the Standing Committee on Food, Consumer Affairs, Food and Public Distribution in its First Report on Demands for Grants (2004-05) has recommended as follows:- The Committee finds that huge cane price arrears for sugar season 2001-02 ARE still outstanding. The arrears of the sugar season 2001-02, 2002-03 and 2003-04 have also not been liquidated. The Committee has desired that appropriate action under Sugarcane (Control) Order, 1966 under which Central Government/State Government officers are authorised to recover the arrears of cane price remaining unpaid after 14 days of supplies of cane by growers together with the interest at the rate of 15% per annum should be recovered as arrears of land revenue. It is requested that the above provisions of Sugarcane (Control) Order, 1966 may be implemented strictly to comply with the recommendations of the Standing Committee.

However, in case of SMP for sugar season 2002-2003, the order notifying the SMP of sugarcane at Rs. 69.50 per quintal came in for legal challenge in various High Courts. You are requested to obtain a copy of the judgment from the Central Government Standing Counsel in your State and ensure that the Orders of the respective High Courts are strictly implemented. In this connection, this Department's letter NO. 3-8/2003-SLD dated 19<sup>th</sup> August, 2004 may be referred (Copy enclosed).

You are also requested to inform this Department in detail the year wise cane price arrears from the Sugar season 2000-2001 onwards. Since the Parliamentary Standing Committee is to be kept apprised of the position, an immediate reply is requested.

Yours faithfully,

(P.Uma Shankaer)

Joint Secretary to the Government of India

**MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON  
FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON FRIDAY,  
THE 8<sup>TH</sup> APRIL, 2005.**

The Committee sat from 1100 to 1800 hours. in Committee Room '53',  
Parliament House, New Delhi.

**Present**

**Shri Devendra Prasad Yadav** - Chairman

**MEMBERS  
LOK SABHA**

2. Shri A.P. Abdullakutty
3. Shri Alakesh Dass
4. Shri Atma Singh Gill
5. Shri Avinash Rai Khanna
6. Shri Baliram Kashyap
7. Shri Hari Kewal Prasad
8. Smt. Daggubati Purandareswari
9. Shri Chandrabhan Singh
10. Shri Ramakant Yadav

**RAJYA SABHA**

11. Shri T.S. Bajwa
12. Shri Palden Tsering Gyamtso
13. Shri Lalitbhai Mehta
14. Smt. Bimba Raikar
15. Shri Thanga Tamil Selvan
16. Shri Vikram Verma
17. Shri Vijay Singh Yadav

**SECRETARIAT**

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

2. xxx xxx xxx

3. The Committee, then, took up following two draft Reports for consideration:

(i) Draft Fourth Report on Action Taken by the Government on the recommendations contained in their First Report on Demands for Grants (2004-2005) relating to Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

(ii) xxx xxx xxx

4. The Committee adopted the draft Report at (i) above with minor changes. The Committee, then, authorised the Chairman to make consequential changes in the Report and present/lay the same in both the Houses of parliament in the ongoing Budget Session.

5. xxx xxx xxx

6. xxx xxx xxx

7. A copy of the verbatim proceedings of the sitting of the Committee have been kept on records.

**The Committee, then, adjourned.**

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XXX Not related to this Report.



## APPENDIX II

(Vide Introduction of the Report)

Analysis of the Action Taken by the Government on the recommendations contained in the First Report of the Standing Committee on Food, Consumer Affairs and Public Distribution (Fourteenth Lok Sabha)

(i)	Total Number of Recommendations	25
(ii)	Recommendations/observations which have been accepted by the Government: Recommendations Nos. 1, 2, 7, 8, 9, 14, 20, 22, 23 and 24	
	Total	10
	Percentage	40
(iii)	Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies: Recommendations Nos. 3 and 16	
	Total	2
	Percentage	18
(iv)	Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee: Recommendations Nos. 4, 6, 12, 13, 15, 18, 21 and 25	
	Total	8
	Percentage	36
(v)	Recommendations/observations in respect of which final replies of the Government are still awaited. Recommendation No. 5, 10, 11, 17 and 19	
	Total	5
	Percentage	20