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STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION
(2005-2006)

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 Sixth Report of the Committee on Demands for Grants (2005-2006) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)}

NINTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2005 /Agrahayana, 1927 (Saka)

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Presented to Lok Sabha on 23.12.2005
Laid in Rajya Sabha on 23.12.2005

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4	Shri R.S. Kambo	- Deputy Secretary
5	Shri B.S, Dahiya	- Under Secretary
6.	Shri Rakesh Bhardwaj	- Committee Officer

INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2005-2006) having been authorised by the Committee to submit the Report on their behalf, present this Ninth Report on Action Taken by the Government on the recommendations/observations contained in the Sixth Report of the Committee (14th Lok Sabha) on Demands for Grants (2005-2006) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Sixth Report was presented to Lok Sabha and laid in Rajya Sabha on 27 April, 2005. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 19th October, 2005.

3. This Report was considered and adopted by the Committee at their sitting held on 20th December, 2005. Minutes of the sitting form Part –II of the Report.

4. An analysis of the action taken by the Government on Recommendations/observations contained in the Report is given in Appendix- II.

New Delhi
__ December, 2005
Agrahyana, 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 and Public Distribution deals with the Action Taken by the Government on the Observations/Recommendations contained in the Sixth Report (14th Lok Sabha) on "Demands for Grants (2005-2006)" 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 27th April, 2005. It contained 28 recommendations/observations. Action Taken Notes in respect of all the 28 observations/recommendations contained in the Report have been received and these have been categorized as follows:-

(i) Recommendations/observations which have been accepted by the Government:

Serial Nos.-1,2,3,6,10,11,12,15,19,20,21,22,23,24,25, 26,27 and 28.
(Paragraph Nos. - 1.10, 2.93, 2.94, 2.97, 2.101, 3.63, 3.64, 4.29, 5.29, 5.30, 5.31, 5.32, 5.33, 5.34, 6.19, 6.20, 6.21 and 6.22)

(Chapter –II, Total 18)

(ii) Recommendations/observations which the Committee do not desire to pursue in view of the replies received from the Government

Serial Nos.14, 16 and 17
(Paragraph Nos-3.66, 4.30 and 4.31)

(Chapter –III , Total 3)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Serial Nos. 4, 5, 7, 9 and 13
(Paragraph Nos. -2.95, 2.96, 2.98, 2.100, and 3.65)

(Chapter – IV, Total 5)

(iv) Recommendations/observations in respect of which the replies of the Government are still awaited

Serial Nos. 8 and 18
(Paragraph Nos. 2.99, 4.32)

(Chapter – V, Total 2)

1.3 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.

1.4 The Committee strongly emphasize that utmost importance should be given to the implementation of Observations/Recommendations accepted by the Government. In case 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.

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

A DECENTRALISED PROCUREMENT

Recommendation (Serial No. 2, Paragraph 2.93)

1.6 While expressing concern over serious lacunae in the proper implementation of procurement policy of the Government and prevalence of certain malpractices at the procurement centres in the States, the Committee had in their earlier Report recommended that the procurement should be in accordance with production from various States and should not be limited to some States only and adequate arrangements should be made before the onset of each procurement season to ensure smooth procurement operations. In the opinion of the Committee, wide publicity should be undertaken through print and audio visual media, Village fairs, Panchayats, Agriculture extension Services, Krishi Vigyan Kendras etc. The Committee had also recommended that FCI/Central Government should seek the support and cooperation of State Governments and their procurement agencies in opening adequate number of procurement centers including mobile/temporary centers with all the infrastructure facilities like, accurate weighbridges, gunny bags, trained manpower, etc. before the onset of procurement operation.

1.7 The Ministry in their Action Taken Reply stated that the Food Corporation of India and State Agencies procure the entire foodgrains conforming to prescribed specifications offered for sale by the farmers at Minimum Support Prices. However, the producers have the option to sell their produce to FCI/State Agencies or in the open market as is advantageous to them. To increase procurement, more and more States are being asked to undertake procurement under decentralized procurement scheme in order to procure marketable surplus food grains. Meetings have been conducted with Food Secretaries of non-traditional States and FCI to get their suggestions and also to find solutions to any problems they may be facing in increasing procurement. Due to these efforts, the total procurement of paddy/rice in non-traditional States of East and South (Bihar, Jharkhand, Orissa, Tamilnadu and Karnataka) has increased from 13.60 lakh MT in 2003-04 to 18.24 lakh MT in 2004-05 (up to 16.05.2005).

According to them, the Government have already stressed upon FCI and the State Governments to set up adequate number of procurement centres including mobile and temporary centres and also to launch awareness campaign in print and audio visual media, village fairs. Panchayats, Agriculture Extension Service/Krishi Vigyan kendras to etc. to inform the farmers about the Minimum Support operations, location and facilities being provided at the Purchase Centres, the need to bring quality produce at the centres etc. However, the FCI and State Governments have again stressed upon the need of opening adequate number of procurement centres, including mobile/temporary centres, with all the infrastructure facilities like accurate weighbridges, gunny bags, trained manpower etc. before the onset of procurement operation.

1.8 The Committee find that FCI and State Governments have been requested to launch awareness campaign in Print and Audio-Visual Media to enable the farmers to reap the benefits of decentralized procurement. They have also been requested to set up adequate number of procurement centres including mobile and temporary procurement centres. The State Governments have been impressed upon to improve the infrastructure facilities at the procurement centres in traditional as well as non-traditional states. In this regard, the Committee would like that the Central Government should closely monitor the position to ensure that adequate number of procurement centres – mobile and temporary- are set up, with all the infrastructure facilities like accurate weigh-bridges, gunny bags, trained manpower etc., before the onset of the procurement operation. It should also be ensured that the awareness campaign for promotion of decentralized procurement is stepped up. The Committee would like to be apprised of the action taken in the matter.

B STATUTORY CHARGES

Recommendation (Serial No. 3, Paragraph 2.94)

1.9 Expressing their deep concern over the levying of various statutory charges by various States which account for almost 10% of the total procurement cost, the Committee felt that such charges need to be just and reasonable lest the economic cost of foodgrains unnecessarily swell and thereby result in raising the food subsidy bill of the Government. Taking into consideration the wide disparity in the imposition of such taxes, across States, the Committee recommended that the States should be impressed upon to set up Regulatory Authority for examining and recommending the local taxes on the procurement of foodgrains.

1.10 The Ministry in their Action Taken Reply stated that the suggestion of the Standing Committee to set up State Level Regulatory Authorities for examining and recommending local taxes on the procurement of foodgrains has been communicated to the State Governments of Andhra Pradesh, Punjab and Haryana where the level of State taxes/levies is high, for taking necessary action.

1.11 The Committee find that the advice of the Committee for setting up of State level Regulatory Authorities has been communicated to the respective State Governments. It has been brought to the notice of the Committee that M/s Mckinsey & Co., in their report on functioning of FCI have also inter-alia recommended the need to reduce Statutory Charges/taxes, levied in the States of Punjab, Haryana and Andhra Pradesh. The Committee concur with the views of the Mckinsey Report and recommend that the State Governments be persuaded to set up Regulatory Authorities for rationalizing the Statutory Charges/taxes and other local levies. The Committee would like to be apprised of the action taken in the matter by the concerned States.

C HILL TRANSPORT SUBSIDY (HTS) SCHEME

Recommendation (Serial No. 4 Paragraph 2.95)

1.12 Expressing surprise over abnormal rise in Hill Transport Subsidy (HTS) claims of the State of Arunachal Pradesh from a level of Rs. 42 lakhs in the year 2001-2002 to Rs. 340.60 crores in the year 2003-04 in spite of offtake of foodgrains not showing the commensurate rise with the same proportion, the Committee were of the view that large scale irregularities had been committed in the State of Arunachal Pradesh and other States where the scheme was in operation in reimbursing claims under HTS. The Committee was not satisfied with the special audit team constituted by FCI in the matter and desired investigation by a higher authority like CBI in the matter. The Committee also desired that the Government should probe as to why the neighbouring States such as Manipur, Meghalaya and Nagaland were not availing the benefits of the scheme for the last couple of years. The Committee also recommended that the benefit of the scheme should also be extended to hilly State of Uttaranchal and parts of Nilgiri areas of Tamil Nadu.

1.13 The Ministry in their Action Taken Reply stated that the Government of India have already requested the Central Vigilance Commission (CVC) on 27.5.2005 to conduct an enquiry into the alleged irregularities in the functioning of the Hill Transport Subsidy (HTS) Scheme in Arunachal Pradesh. As regards implementation of the benefits of the HTS Scheme by Manipur, Meghalaya and Nagaland are concerned, the requisite information is being collected from the FCI. This Ministry has also requested the Government of Uttaranchal to submit a proposal for grant of HTS for the State of Uttaranchal. As regards extending the benefits of this Scheme to Nilgiri Hills of Tamil Nadu, the Government has reconsidered the matter. HTS Scheme is applicable to predominantly hilly States. As Tamil Nadu does not qualify as a hilly State, no reimbursements under the Scheme are admissible for the Nilgiris.

1.14 The Committee had in their earlier Report observed that large-scale irregularities had been committed in reimbursing claims under Hill Transport Subsidy Scheme in Arunachal Pradesh and why the neighbouring States such as Manipur, Meghalaya and Nagaland were not availing the benefits of the scheme of the last couple of years. The Government in their action taken reply has stated that CVC has been requested to conduct an inquiry into higher reimbursement claims from Arunachal Pradesh and that the requisite information was being collected from the FCI. The Committee take a serious view of the time taken by the Ministry in collection of the information from FCI. The Committee are surprised to note that the government has failed to get information from FCI in six months and desire that the information be made available to the Committee within a period of one month from the date of the presentation of this Report.

The Committee had expressed their concern that hilly State of Uttaranchal and parts of Nilgiri areas of Tamil Nadu had been excluded from the purview of the Hill Transport Subsidy Scheme and recommended that the benefits of the Scheme be extended to Uttarachal and Nilgiri Hills of Tamil Nadu. The Committee note that the Ministry has requested the State of Uttarachal to submit a proposal for grant of HTS. The Committee would like to be apprised of the current status of the proposal. As regard to extending HTS benefit to people living in and around Nilgiri Hills, the Committee have been informed that as Tamil Nadu is not a predominantly Hilly State, and hence the benefit of the HTS cannot be extended to Nilgiri Hills. The Committee do not concur with the views of the Government in this regard. The Committee are of the view that benefit like Hill Transport Subsidy is primarily meant for inaccessible, and far flung areas and not State specific. Further, such benefits should not be made available to selective Hill States. The Committee, reiterate their earlier recommendation and desire that HTS benefit be made applicable to the people residing in and around hilly areas like Nilgiri Hills. The Committee also recommend

that the Scheme should cover all the inhospitable terrains and other inaccessible areas of States like Himachal Pradesh and J&K, under HTS Scheme. The Committee would like to be apprised of the action taken by the Government in this regard.

D TARGETED PUBLIC DISTRIBUTION SYSTEM

Recommendation (Serial No. 5 Paragraph 2.96)

1.15 The Committee while concurring with the National Common Minimum Programme (NCMP) of the Government which pledges subsidies to be targeted sharply for the poor and the truly needy were of the view that as APL population has enough purchasing power, there was no justification to give them subsidized foodgrains through the Public Distribution System. The Committee, had therefore strongly recommended that APL population be excluded from the purview of the Public Distribution System with respect to foodgrains. The Committee also recommended that the quantum and percentage of subsidy to BPL beneficiaries, to the total subsidy should also be raised substantially.

1.16 The Ministry in their Action Taken Reply stated that the suggestion made by the Parliamentary Standing Committee of the Ministry has been examined. Excluding the APL population from the TPDS would adversely affect the population in several major States as well as the North Eastern States, where the APL off-take is sizable.

This Department is in full agreement with the view that the subsidies should be targeted sharply for the poor and the truly needy. In this direction the quantum of subsidy for BPL (including AAY) as well as the percentage out of the total food subsidy has increased significantly from Rs 6203.79 crores in 2001-02 constituting 35.46 % of the total food subsidy, to Rs 16648.28 crores in 2004-05 which represents 64.66 % of total food subsidy. The year-wise figures from 2001-02 to 2004-05 are given below:

(figures in Rs crores)

Year	BPL (including AAY)		Total Subsidy
	Quantum of subsidy	% age of total Subsidy	
2001-02	6203.79	35.46%	17494
2002-03	8921.71	36.90%	24176
2003-04	13111.27	52.11%	25160
2004-05	16648.28	64.66%	25746

1.17 The Committee are at loss to understand the dithering stand of the Government on subsidy. While on one hand, the Government acknowledge the desire of the Committee to target sharply the subsidies for the poor and truly needed. On the other, the Government is not inclined to accept the advice of the Committee to exclude Above Poverty Line population from the purview of Targeted Public Distribution System. The Committee does not share the contention of the Government that exclusion of Above Poverty Line population from the ambit of the Targeted Public Distribution System would adversely affect the population in several major States as well as in North-Eastern States. The Committee are of the opinion that subsidies have been designed for the poor and vulnerable section and last man of the society, who cannot afford even two square meals. At no point of time, the affluent section of society and above poverty Line population, have desired or needed subsidy to sustain themselves. The Committee, therefore, reiterate their earlier recommendation and desire that APL population should be excluded from the purview of TPDS with regard to foodgrains and saving so accrued, be passed on to the poorer section of the society i.e. Below Poverty Line Population. The Committee are satisfied to note the rise in quantum and percentage of subsidy to BPL beneficiaries over the years. The Committee desire that this quantum and percentage subsidy needs to be stepped up further and it should be ensured that the subsidy reaches the targeted population and the last man of the society.

E SUPPLY OF WAGONS BY RAILWAYS.

Recommendation (Serial No. 7 Paragraph 2.98)

1.18 Expressing their deep concern over lack of coordination between FCI and Railways Authorities, leading to movement of foodgrains in unfit wagons, the Committee in their earlier Report had desired that under no circumstance wagons which are used for transportation of cement, fertilizer etc. be used for transportation of foodgrains. The Committee recommended that Government should take up the matter with the Ministry of Railways for providing special wagons instead of general purpose ones for the transportation of foodgrains so that the quality of foodgrains remains intact till it reaches its final destination.

1.19 The Ministry in their Action Taken Reply submitted that there has not been any laxity on the part of the FCI / Department of Food & Public Distribution in the acceptance of railway wagons which are not fit for transporting foodgrains. While it may be true that sometimes, due to emergent circumstances / acute shortages etc., when no other alternatives are available, even if some uncleaned wagons/rakes are supplied by the Railways for FCI, it is always ensured that such unclean wagons / rakes are first cleaned up by FCI before loading of the foodgrains. The matter was taken up by this Department with the Ministry of Railways as recommended by the esteemed Committee in its report.

The Railways, whose view point in the matter was sought, have stated that presently, the Indian Railways are transporting foodgrains in 'general service covered wagons', which are also utilized for loading of other bagged commodities like fertilizer, cement, etc. The loading of foodgrains is predominantly done from the main producing/procuring States of the Northern Region to the various consuming States throughout the Country. After getting unloaded, these emptied wagons are to be back-loaded with other available commodities for optimum utilization of the precious transportation resource. Such loading is unavoidable, because efforts of the Indian Railways is to utilize their rolling stock in a most efficient manner, so that loading/movement of all essential commodities like foodgrains, fertilizer, etc. is ensured in a cost effective manner and there is no under- utilization of the precious transportation capacity. If some of the 'general service covered railway rakes' are confined to loading only foodgrains, it will result in the wastage of capacity and will increase the empty run of these rakes which will be counter-productive. All efforts are however being made by the Railways to see that the wagons supplied for loading of foodgrains are in loadable condition. A pilot project has already been initiated by the Ministry of Food / FCI towards the development and utilization of a special type of 'bottom discharge wagons' for bulk handling and transportation of foodgrains.

The Department has not fully accepted the views of the Railways and have requested them to ensure that only clean and loadable wagons/rakes are supplied by them to the FCI for loading of foodgrains at all times. The FCI has also been issued instructions to ensure that only wagons in clean and loadable conditions are accepted by the FCI.

1.20 The Committee note that at times uncleaned wages/rakes are delivered by Railways to FCI, for transporting foodgrains. FCI, however, ensure that such uncleaned wagons/rakes are first cleaned before use. The Railways, on the other hand have stated that efforts are made by them to see that only clean and loadable wagons/rakes are supplied by them. The Department of Food do not fully accept the views of the Railways, since the commitment to supply clean and loadable wagons is seldom honoured and violated with impunity. The dust particles and left over of coal, cement, fertilizers and other obnoxious materials moved in general service wagons, tamper the quality of foodgrains/sugar stocks, thereby making such stocks unfit for consumption. Laxity in maintaining quality of foodgrains/sugar stocks, on account of lack of coordination between Railways and FCI, has been highlighted by Area Officers which visited Nagaland in 2004-05. Taking into consideration that the health of citizens is paramount and there should not be any opportunity to cause adulteration/pollution, consciously or otherwise, the Committee reiterate their earlier recommendation and desire that special wagons instead of general purpose wagon be pressed into service, exclusively, for the transportation of foodgrains and sugar.

F. VIGILANCE COMMITTEES

Recommendation (Serial No. 9 Paragraph 2.100)

1.21 The Committee had expressed their unhappiness over non-constitution of Vigilance Committees in all the States. In a few States, where such Vigilance Committees were constituted, these were not functioning at all the levels. The Committee therefore, had recommended that the Union Government should take up the matter with the concerned State Governments. The Committee had further desired that all State Governments be urged to constitute Vigilance Committees at all levels, as per the Model Citizens' Charter for TPDS. The Committee also recommended that local MLAs and MPs should also be associated with these Committees.

In regard to the functioning of the Area Officers, the Committee had recommended that the services of Officers of Subordinate Offices and the officers in the Department at the level of Under Secretary and above be used to review and monitor the working of PDS in a given State. Taking into consideration, the vast network of FPS running into more than 4.7 lakhs, each officer should visit at least 10% of FPS in a revenue district. They should also visit Stock Agents and FCI Depots. Care should be taken to visit FPS in rural/Tribal Areas, Jhuggi-Jhopri Cluster etc. Further the periodicity of visit should be once in a quarter, instead of six months.

1.22 The Ministry in their Action Taken Reply stated that for setting up of Vigilance Committees at FPS, Block/Mondal/Taluk/District level, the Model Citizens' Charter on TPDS issued in 1977, stipulates constitution of Vigilance Committees by the States/UTs concerned at Panchayat, Block, District and the State/UT level drawing members from the Government, Social Organizations and the local bodies to periodically review the functioning of the Scheme/Fair Price Shops under the PDS. However, the State/UT have again been requested to re-constitute Vigilance Committees at all levels vide do letter dated 18.7.2005.

Regarding Area Officer Scheme, it may be stated that the present panel of Area Officers was circulated in April, 2005 wherein DS/Director level officers of this Department has been taken. Out of them some of the Officer has visited their respective States/UTs and some have planned to visit the State/UT allotted to him/her. This Department is examining to consider to designate Under

Secretaries as Area Office under the Area Officer Scheme on PDS on completion of visits of the present Area Officers. In regard to visit of FPS in rural/Tribal Areas, Juggi-Jhopri Cluster etc by the Area Officer, the same will be advised to them accordingly. The entry of Officers from the Subordinate Offices of this Department is concerned, as most of the Subordinate Offices are located far from the Ministry and also they have the lack of PDS knowledge, so it would not be feasible to designate as Area Officer out of them. As regards visit of at least 10% FPS of revenue district by an officer in one visit considering the numbers involved, it may not be practical.

1.23 The Committee find that States/UT Administration have been requested to re-constitute Vigilance Committees at all levels, in pursuance to Model Citizens Charter for TPDS. The Committee would like to be apprised of action taken by each of the State/UT, in this regard and also the extent to which the public representatives have been associated with such Committees. As regard to Area Officer Scheme, the Committee was informed that most of the Subordinate Offices are located far away from the Ministry. Further, they also lack knowledge about working of PDS. So, it is not feasible to designate Officers drawn from Subordinate Offices as Area Officer. The Committee has also been informed that visit of at least 10% FPS in a revenue district by an officer, in one visit is not practical, considering the number involved. The Committee do not concur with the view of the Government in this regard. It has been brought to the notice of the Committee that the services of officials from Subordinate Offices were utilized in the implementation of PDS in the past. The Committee recommend that training be imparted to the officials of Subordinates Offices, so that they are able to perform the duties of an Area Officer. Further, the Area Officers should inspect 10% of FPS in a revenue district in a phased manner and also undertake visit to rural/tribal Area, Jhuggi-Jhopri clusters and stock Agents and FCI Depots. The Committee reiterate their earlier recommendation and desire that the services of officials of Subordinate Offices and the officers in the Department at the level of Under Secretary be used to review and monitor the working of PDS in a given State once in a quarter.

G OUT STANDING DUES AGAINST VARIOUS CENTRAL MINISTRIES/STATE GOVERNMENTS AND THEIR AGENCIES.

Recommendation (Serial No. 11 Paragraph 3.63)

1.24 Expressing their deep concern over the dues outstanding against various Central Ministries and State Governments and their agencies relating to issue of foodgrains as credit and the interest accrued as a result of delayed payment, the Committee had in their Report desired that the Department should take up the matter at the highest level with the concerned Ministries so that the outstanding dues against FCI are liquidated.

1.25 The Ministry in their Action Taken Reply have informed that the outstanding dues of the Food Corporation of India against other Ministries/Departments/State agencies etc., as on 31st May, 2005, are as under:

(Rs. in crore)

S. No.	Ministry/Department	Amount
1.	M/o Rural Development	19416.24
2.	M/o Human Resource Development	684.49
3.	M/o External Affairs	2.52
4.	M/o Defence	1.18
5.	State Government/Agencies	293.57

The matter has been taken up at the highest level with the concerned Ministries/ Departments/ State agencies and also with the Ministry of Finance and the Planning Commission for expeditious liquidation of the outstanding dues of the FCI. For foodgrains distributed under various welfare schemes, including SGRY & MDM, the FCI claims reimbursement on the basis of economic cost, which includes interest on account of delayed payments.

1.26 The Committee are concerned to note that as on 31.5.2005 Rs. 21378.00 crores was outstanding against various Central Ministries and State Governments and their Agencies, inspite of taking the matter at the highest level and with the Ministry of Finance and Planning Commission. As a result, a large chunk of money remains locked in unproductive ventures. The Committee are of view that inability to liquidate the outstanding dues of FCI over the years indicate financial indiscipline and has a cascading effect on the financial health of FCI. It is in this context, the Committee recommend that there is a need to take drastic steps whereunder the outstandings are kept to the barest minimum. The Committee, therefore, recommend that a scheme of "cash and carry" be introduced whereunder the Central Ministries/State Agencies requisitioning foodgrains should obtain them on cash payment basis or any other payment mode recognized under Negotiable Instrument Act only especially those against whom payments are outstanding.

H STORAGE AND TRANSIT LOSSES

Recommendation (Serial No.12 Paragraph 3.64)

1.27 The Committee had in their earlier report expressed shock at the rise in cases of theft and decline in surprise checks undertaken and therefore desired that surprise checks be made more frequent so as to curtail losses. The Committee had also observed that enormous powers had been given to Zonal Managers and Managing Director to write off storage and transit losses and had recommended that only Board of Directors should have full powers to write off such losses. The Committee had also recommended that to reduce transit losses the foodgrains be insured.

1.28 The Ministry in their Action Taken Reply stated that the storage losses as a percentage of the quantity of foodgrains issued has come down from 0.42% in 2000-01 to 0.38% in 2002-03. Similarly, the transit losses as percentage of the quantity of foodgrains moved has come down from 0.84% during 2000-01 to 0.57% during 2002-03.

Surprise checks are conducted in addition to regular inspections which have increased from 374 in 2002-03 to 900 during 2004-05. An Inspection Monitoring Cell has been created at the Headquarters to effectively monitor the frequency of regular and surprise inspections undertaken at various levels. The formats for conducting inspections have also been updated. The Vigilance Division of the Headquarters has been entrusted with the work of scrutinizing the inspection reports and take follow up action. Each and every case of loss is investigated for fixation of accountability. The FCI has been directed to review the existing delegation of powers for 'write off' of transit losses.

Rail transit insurance of the stocks is under active consideration. A broker has already been retained and a tripartite MOU to be signed amongst the FCI as the Insure, M/s A&M Insurance Brokers Pvt. Ltd. as the Brokers and Oriental Insurance Co. Ltd. as the Insurer is likely to be finalised shortly.

1.29 The Committee find that the suggestion of the Committee have been taken with some seriousness thereby showing a minor reduction in storage/transit losses. The Committee is also satisfied to note that the matters regarding delegation of powers for "write off"' of transit losses and rail transit insurance of the stocks is under active consideration of the Government. The Committee would, however, like to be apprised of the latest position in the matters.

I PROXY LABOUR IN FCI

Recommendation (Serial No. 13 Paragraph 3.65)

1.30 The Committee in their earlier Report had taken a serious note that the suggestions of the Committee to prevent proxy labour in the FCI, have not been taken up seriously. The Committee were of the view that by not taking any meaningful action to curb proxy labour, FCI was trying to institutionalize the system. The Committee, therefore, recommended that the system of proxy labour must be abolished by regulating the attendance system so that no further drain is caused on the exchequer. The Committee had also recommended that norms stipulated for the recruitment of workers in the godowns/depots be strictly adhered to.

1.31 The Ministry in their Action Taken reply furnished the following details:-

	Name of Item	Regions where implemented
I.	Attendance by putting signature or thumb impression.	Karnataka, Kerala, Tamil Nadu (only in Tuticorin) Rajasthan, Himachal Pradesh.
II.	Mechanical Entry Device	Karnataka (partly)
III.	Payment through cheque	Orissa, Delhi, Haryana, Rajasthan,Dimapur (N&M), Uttranchal, Himachal Pradesh, Karnataka & Tamil Nadu (partly).
IV.	Signing of work slips by Handling Labour, Sardar, Mondal etc.	Kerala, Rajasthan & Gujarat.

The FCI is making sincere efforts to ensure implementation of these recommendations in the remaining Regions.

1.32 The Committee find that the advise of the Committee for curbing the menace of 'proxy labour' in FCI has been partially implemented in FCI. The Committee view it very seriously and is at a loss to understand as to why Government has not been able to implement the suggestions throughout the country when it could be done in some States. The Committee, therefore, reiterate its earlier recommendation and desire that the system of proxy labour be abolished by regulating the attendance so that no further drain is caused to the National Exchequer. In this context, the Committee would like to emphasize that all the four suggestions of the Committee to regulate the attendance system in FCI, should be implemented in letter and spirit, uniformly across all the Regions/States and not selectively.

J ESTABLISHMENT COST OF CENTRAL WAREHOUSING CORPORATION (CWC)

Recommendation (Serial No. 15 Paragraph 4.29)

1.33 Expressing their deep concern over huge expenditure on Establishment in Central Warehousing Corporation (CWC), the Committee had recommended that steps should be taken for effecting cost reduction in CWC.

1.34 The Ministry in their Action Taken Reply stated that as regards the observations of the Standing Committee on the expenditure of the Corporation which has risen from Rs.290 crores in the year 2001-02 to Rs.429 crores in the year 2003-04 it is stated that the expenditure for the year 2001-02 does not include Marketing & Facilitation Charges. The Corporation, in accordance with the sound business principles accounted for the expenditure/income on Marketing Facilitating Charges on gross basis w.e.f. 2002-03 instead of net basis. For the purpose of comparison the total expenditure is given as under: -

	Expenditure (Excluding MF)	M.F.Charges	Total Expenditure
2001-02	289.22	-	289.22
2002-03	310.66	112.80	423.46
2003-04	308.02	120.96	428.98

It may also be stated that the establishment cost has shown a declining trend with a reduction from 60.3.% to 59.2% of the total expenditure. One of the main impacts on the establishment cost is the revision of pay scales of the employees on IDA pattern of pay scales during 2002-03, which was reflected during the year 2002-03 and 2003-04.In order to reduce the establishment cost, the corporation had introduced SVRS during 2002. In all, the requests of 1302 employees were accepted. The effect of the SVRS on establishment cost is likely to be reflected in the coming years. Besides, the Corporation also proposes to re-introduce VRS during 2005. As regards recommendations of TCS regarding reduction in the cost, it is stated that Corporation has reorganized the construction cells thereby reducing their number to 10. Besides, the Corporation is also planning to reorganize the Regional Offices by reducing their number in order to reduce the establishment cost.

1.35 The Committee are concerned to note that the establishment cost of Central Warehousing Corporation is 59.2 % of the total expenditure, which is abnormally very high, when compared to Food Corporation of India (FCI), which spend 3-4% of their total cost on maintaining establishment. The Committee are of the view that if such a large cost is incurred on meeting establishment liability, the organisation can not be financially viable and thus may not sustain itself economically and otherwise. The Committee have taken note of VRS Scheme introduced in CWC which did not yield the desired results. The Committee recommend that Government should find ways and means, including undertaking drastic steps to contain the establishment to a level of 3-4% of the total cost. The Committee are of the view that some of the activities should be outsourced, so as to reduce the establishment cost. The Committee also recommend that Government should commission a study on the working including restructuring of CWC, on the lines of FCI for improving their bottomline.

K CANE ARREARS

Recommendation (Serial No. 19 paragraph 5.29)

1.36 Expressing their deep concern over the outstanding cane arrears for the sugar season 2001-02 and beyond and failure of the State Governments in initiating action under the Sugarcane (Control) Order 1966, the Committee had desired to be apprised of the Sugar Mills which were still to liquidate their outstanding arrears against the farmers.

1.37 The Ministry in their Action Taken Reply stated that the responsibility of ensuring timely payment of cane price dues to the sugarcane growers lies with the respective States. Nevertheless, the Central Government continuously monitors the position of payment of cane price arrears and is taking effective steps for clearing the cane price dues of the sugarcane farmers.

The all time high levels of sugar production in the country during sugar seasons 1999-2000 to 2002-03 had not only lowered the sugar prices but also created huge carry over stocks of sugar which created storage & financial problem to the sugar mills. Therefore, the Central Government had created a buffer stock of 20 lakh tonnes of sugar initially for a period of one year from 18-12-2002. The Government had extended the maintenance of buffer stock for a further period of one year beyond 17-12-2003.. This facilitated liquidity position of the sugar mills, which enabled them to make payment of cane arrears. As on 30.9.2005, 360 claims have been received out of which in 357 cases, an advance buffer subsidy to the tune of Rs 219.72 crores has been paid and 314 cases pertaining to the period 18.12.2002 to 17.12.2003 have been finalized involving further disbursement of Rs 64.70 crores. Further, an amount of Rs 167.46 crores has been disbursed against 186 cases towards buffer subsidy claims for the extended period 18.12.2003. to 17.12.2004.

The Central Government had inserted clause (8) to (14) by making an amendment to the Sugarcane (Control) Order,1966vide G.S.R.No. 903/Ess.com/Sugarcane dated 29-11-2000 vide which the State Governments have been given the power to ensure timely payment of the cane price dues to the sugarcane growers . With this amendment, the arrears of the cane dues and interest due thereon can now be recovered as arrears of land revenue from the producer of the sugar.

It may be seen from the following table that as on 31.8.2005, the total cane price arrears pertaining to the sugar seasons 2001-02 to 2003-04 works out to only Rs. 362.63 crores. Further, out of Rs. 12305.07 crores of total cane price payable for the sugar season 2004-05, an amount of Rs. 12235.59 crores have been paid **(99.44%)** leaving a balance of only Rs. 69.48 crores, which works out to only **0.56 %** of the total cane price payable.

Sugar Season	Total cane price payable	Cane price paid till 31.8.2005	Cane price arrears as on 31.8.2005	% of arrears still pending
2001-02	14121.05	14041.66	79.39	0.56
2002-03	16254.93	16023.26	231.67	1.42
2003-04	12135.82	12084.25	51.57	0.42
2004-05	12305.07	12235.59	69.48	0.56

The status of cane price arrears of the major sugar producing States during the sugar seasons 2001-02 to 2004-05 (upto the period ended 31.8.2005) has been as under:-

PUNJAB: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	624.40	624.40	Nil	0
2002-2003	600.98	562.82	38.16	6.34
2003-2004	404.49	401.93	2.46	0.61
2004-2005	336.75	336.75	Nil	0

The State Government reviews, on monthly basis, the cane price payment position and the sugar mills are persuaded to clear the cane price dues as soon as possible. Recovery Certificates (RCs) have been issued by the State Government to 16 sugar mills who had not cleared their outstanding cane price dues for the sugar season 2002-03 and 2003-04. The said mills have started paying up the dues. Out of this, 5 sugar mills have cleared their total cane arrears, collectively amounting to Rs. 23.72 crores.

HARYANA: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	660.15	660.15	Nil	Nil
2002-2003	619.14	619.14	Nil	Nil
2003-2004	556.41	556.41	Nil	Nil
2004-2005	444.14	444.09	0.05	0.01

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.01% of the total cane price payable.

UTTAR PRADESH: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	5093.77	5077.86	15.91	0.31
2002-2003	5458.91	5385.11	73.80	1.35
2003-2004	4293.11	4283.60	9.51	0.22
2004-2005	5412.52	5393.08	19.44	0.36

The cane price payment position is monitored on regular basis by the District Cane Officer and reviewed by the Cane Commissioner. The cane price arrears for the sugar season 2002-03 are on account of differential price between SMP and SAP payable by some private sugar mills of the State for which the State Govt. is making efforts to have them liquidated at the earliest. There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04 in respect of sugar mills of public sector and cooperative sector. The State Government have issued Recovery Certificates to 8 private sugar mills to expedite liquidation which the High Court has ordered accordingly for payment in installments. It may be mentioned that all these efforts have resulted in clearance of massive cane arrear dues for 2004-2005. Similarly, the care arrear for 2002-2003 have decreased from Rs. 110.11 crore (2.02%) (as on 15.5.05) to Rs. 73.80 crores (1.35%).

UTTARANCHAL: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	442.16	442.16	Nil	Nil
2002-2003	486.28	486.28	Nil	Nil
2003-2004	369.27	369.27	Nil	Nil
2004-2005	419.54	415.71	3.83	0.91

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.91% of the total cane price payable.

GUJARAT: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.2005	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	949.99	949.99	Nil	Nil
2002-2003	1001.91	1001.91	Nil	Nil
2003-2004	1158.05	1158.05	Nil	Nil
2004-2005	790.47	787.12	3.35	0.42

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.42% of the total cane price payable.

MAHARASHTRA: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	2720.18	2718.57	1.61	0.06
2002-2003	4159.62	4088.92	70.70	1.70
2003-2004	2378.47	2346.43	32.04	1.35
2004-2005	1824.77	1814.32	10.45	0.57

The cane price arrears for the sugar season 2001-02 are on account of sugar mills which are sick and having financial constraints. The cane price arrears for the sugar seasons 2002-03 and 2003-04 are only 1.70 % and 1.35% respectively of the total cane price payable for these sugar seasons and have been mainly on account of draught conditions prevailing in the State and lower realizations due to steep fall in open market price of sugar. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 are only 0.57% of the total cane price payable for the season. The State Government also resorts to issue of Recovery Certificates (RCs) to defaulting sugar mills to clear the outstanding cane price dues of growers. In this regard, it is stated that Maharashtra sugar industry comprises of 186 sugar mills out of which 165 sugar mills (about 88%) are in cooperative sector. Besides, approximately 90 sugar mills were either closed/sick or non operational. Further, to liquidate the arrears, the State Government have raised Rs. 299 crores as Additional Open Market Borrowings (AOMB) for liquidation of arrears till 2003-04 sugar season.

BIHAR: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	338.39	301.34	37.05	10.95
2002-2003	329.42	323.87	5.55	1.68
2003-2004	215.33	214.02	1.31	0.60
2004-2005	244.97	244.24	0.73	0.30

The outstanding cane price arrears for the sugar season 2001-02 & earlier includes a sum of Rs.884.04 lakhs payable by the 15 public sector sugar mills of the State which have been lying closed since 1997-98. The outstanding dues pertaining to mills of Bihar State Sugar Corporation would be settled on the outcome of decision in W.P. No. M.J.C. 2684/2000 in the matter of Hira Lal Kanu Vs Bihar State filed in the Hon'ble High Court of Patna. With respect to the three closed private sugar mills, BIFR has recommended winding up and dues would be cleared after liquidation is finalised.

ANDHRA PRADESH: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.2005	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	804.83	804.83	Nil	Nil
2002-2003	1001.58	966.63	34.95	3.49
2003-2004	765.69	765.54	0.15	
2004-2005	837.36	837.36	0.00	--

The outstanding cane price dues for the sugar season 2002-03 are on account of interim directions obtained by 13 private sugar mills from the High Court of Andhra Pradesh. The Central Government has also moved the Hon'ble Supreme Court for vacation of these Orders passed by the A.P. High Court assailing the S.M.P. fixed by the Centre. The issue is therefore, *sub-judice*.

KARNATAKA: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.2005	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	988.80	965.21	23.59	2.39
2002-2003	1258.26	1254.62	3.64	0.29
2003-2004	1090.10	1087.46	2.64	0.24
2004-2005	1018.75	1015.47	3.28	0.32

The State Government has issued Recovery Certificates (RCs) to 5 sugar mills for liquidating the outstanding cane price arrears of Rs. 90.78 crores of earlier sugar seasons and is taking necessary steps in other cases to expedite the payment of dues of the cane growers. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.32% of the total cane price payable for the season.

TAMIL NADU: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	1384.80	1384.80	Nil	Nil
2002-2003	1253.84	1251.69	2.15	0.17
2003-2004	742.07	738.83	3.24	0.44
2004-2005	743.01	714.70	28.31	3.81

The office of the Cane Commissioner reviews every month the cane price payment position of the sugar mills to ensure prompt settlement of the cane price dues. The sugar mills concerned have been instructed by the Cane Commissioner to clear the old outstanding cane price dues pertaining to 2002-03 and 2003-04 sugar seasons as also for the current sugar season 2004-05.

MADHYA PRADESH: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	42.66	42.66	Nil	Nil
2002-2003	61.40	59.56	1.84	3.00
2003-2004	83.14	82.92	0.22	0.26
2004-2005	55.08	55.03	0.05	0.09

ORISSA :The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	18.30	18.30	Nil	Nil
2002-2003	27.72	0.0	Nil	Nil
2003-2004	35.28	0.0	Nil	Nil
2004-2005	31.96	31.96	Nil	Nil

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03, 2003-04 and 2004-05.

The details of sugar mills along with the outstanding cane price arrears as on 31.8.05 is enclosed as Annexure. The sick sugar mills which are registered with BIFR have been marked as ‘ * ‘ in the said Annexure. In regard to liquidation of cane price arrears by the sick sugar mills under BIFR, it may be stated that the same can be liquidated only after settlement of cases by BIFR and/or liquidation of said sugar mill as per the orders of the concerned High Courts.

1.38 The Committee note that a large number of sugar mills have not liquidated their sugarcane arrears for the sugar seasons for the year 2001-02 and subsequent sugar seasons. The Committee acknowledge that sugar mills going sick or those referred to BIFR may not be in a financial position to liquidate the cane arrears. But, some of them were neither sick nor referred to BIFR and are still in default of payment towards sugarcane growers. The Committee would like to bring to the notice of the Government that as per Sugarcane (Control) Order, 1966, the State/UT Administration are required to recover the cane price arrear along with interest @ 15% after 14 days of supply of cane by farmers. Sadly, no State Government/UT Administration has invoked this provision of Sugarcane (Control) Order, 1966. The Committee feel that the State Governments/UT Administrations have failed to protect the interest of farmers at the cost of sugar mill-owners. The Committee view this with seriousness. The Committee desire that the interest for the delayed payment be recovered from sugar mills and they be apprised of the action taken by various State Governments/UT Administration in the matter.

L SUGAR MILLS UNDER BIFR

Recommendation (Serial No. 20 Paragraph 5.30)

1.39 Expressing concern over the low disbursal of loans from Sugar Development Fund (SDF) especially for modernization/rehabilitation of sugar mills and for cane development, the Committee had felt that the present laid down procedure for availing assistance was quite cumbersome and therefore, needed to be simplified further. The Committee had also desired to be apprised of the status of sugar mills, i.e., the extent to which loan assistance was availed for the purpose for which it was sanctioned and whether any mill went sick or was referred to BIFR for rehabilitation/modernization during last 10 years, after availing the loan assistance.

1.40 The Ministry in their Action Taken Reply stated that Sugar Development Fund (SDF) comes under Public Accounts and Government has to ensure financial propriety in sanction of loan from SDF. For sanction of loan, a transparent procedure has been prescribed wherein a sugar factory has to make an application in prescribed format to the Department. The application is considered by the Sub/Screening Committee wherein the representatives of the sugar factories are also invited to discuss their application and clarify doubts, if any. Thereafter, the loan application is considered by the Standing Committee, which is headed by the Secretary, Department of Food & Public Distribution. After the loan is sanctioned, the applicant sugar factory signs an Agreement and furnishes security against the loan amount.

The prescribed procedure for availing loan for modernization/ rehabilitation of sugar mills and other schemes is required to ensure financial propriety in sanction of loan as well as to ensure adequate security for repayment of loan.

Of the 86 cases of modernization/rehabilitation disbursed loans amounting to Rs.927 crores from SDF in the last 10 years, 6 mills have been referred to BIFR, details of which are at Annexure.

Annexure

List of Sugar Mills referred to BIFR during last 10 years.

<u>BIFR Cases list</u>

(Position as on 31.3.2005)

S.No.	Name of the Sugar Mills	Amount Disbursed	Status
1	Kanoria Sugars General Mfg. Co. Ltd.	Modernization/Rehabilitation Rs.2,86,00,000/30.6.95 Rs.2,86,00,000/28.9.95 Rs.2,68,00,000/7.12.99 Rs.47,00,000/18.2.2001	Under Enquiry by BIFR
2.	Shervani Sugar Syndicate Ltd., Neoli, U.P.	Modernization /Rehabilitation Rs.3,20,06,000/-1997	Winding up recommended by BIFR. Appeal of the Co. being heard by AAIFR.
3.	Swadesi Mining & Mfg. Co. Ltd., U.P.	Modernization/Rehabilitation Rs.35,00,000/31.3.89	Winding up recommended by BIFR.
4.	Saraya Sugars Mills Ltd., U.P.	Modernization/Rehabilitation Rs.1,58,00,000/6.1.89	Rehabilitation Scheme sanctioned by BIFR
5.	Chhata Sugar Co. Ltd., U.P.	Modernization/Rehabilitation Rs.4,00,00,000/14.3.91	Rehabilitation Scheme sanctioned by BIFR
6.	Khalilabad Sugar Mills Pvt. Ltd., U.P.	Modernization/Rehabilitation Rs.4,71,00,000/30.11.94 Rs.4,71,00,000/24.2.95 Rs.1,24,00,000/12.4.96	Under enquiry by BIFR

1.41 **The Committee are concerned to note that a number of sugar mills which were granted liberal and concessional aid from Sugar Development Fund (SDF) for modernization/rehabilitation, were referred to BIFR. The Committee are of the view that adequate care and caution was not taken while processing the claims of sugar mills for availing modernization/rehabilitation package from Sugar Development Fund. The Committee, therefore, recommend that appropriate steps should be taken to ensure that sugar mills availing financial assistance from SDF, do not go sick and/or referred to BIFR within a period of five years of the disbursement of the last installment of assistance availed from SDF. Moreover, proper guidelines should be framed to watch employees' interests also.**

CHAPTER -II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No. 1 Paragraph 1.10)

The Committee were happy to note that with the concerted efforts made by the Government the utilization of allocated funds, for Plan Schemes were more than 95% during the last two years. In the year 2004-05, as against Rs. 48.64 crore earmarked for the Plan Schemes, Rs. 47.04 crore i.e. 96.61% have been utilized by the end of the year. The utilization of Plan funds during 2003-04 was 96.25%. Further, with respect to quarterly utilization of funds, which had been the trend earlier, the Committee appreciated that the Government had managed to keep the expenditure in the last quarter within the prescribed limit of 33% as per direction of the Ministry of finance. The committee desired that the Government should continue to maintain this fiscal discipline in future as well.

Reply of the Government

The Department is making concerted efforts to monitor the expenditure on an even basis throughout the year to avoid unnecessary parking of funds as well as rush of expenditure during the last quarter. It is pertinent to mention that during the year 2004-05 also, expenditure both on Plan & Non-Plan side was incurred within the ceiling of 33% in the last quarter.

The Department would continue to put in concerted and constant efforts to maintain this fiscal discipline during 2005-06 also, through a regular monitoring system.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 1-34/5/2004-05-Budget Dated 19.5.2005)

Recommendation (Serial No. 2 Paragraph 2.93)

Expressing deep concern over serious lacunae in proper implementation of procurement policy of the Government, the Committee desired that the procurement should be in accordance with production from various States and should not be limited to some States only. The Committee were informed that Government had taken various steps including wide publicity about the minimum support price, location of procurement centers, prompt payment etc. to prevent the distress sale. However, the Committee were not satisfied with the steps taken by the Government. The Committee agreed that infrastructure bottlenecks do come in the way with the onset of procurement season, and the FCI and other State Government Agencies failed to address these and therefore the farmers are forced to undertake distress sale.

The Committee, therefore, recommended that adequate arrangements should be made before the onset of each procurement season to ensure smooth procurement operations. Moreover wide publicity should be undertaken through print and audio visual media, Village fairs, Panchayats, Agriculture extension Services, Krishi Vigyan Kendras etc. At the same time, the Committee also recommend that FCI/Central Government should also seek the support and cooperation of State Governments and their procurement agencies, in opening adequate number of procurement centers including mobile/temporary centers, with all the infrastructure facilities like accurate weighbridges, gunny bags, trained manpower etc. before the onset of procurement operation.

Reply of the Government

The Food Corporation of India and State Agencies procure the entire food grains conforming to prescribed specifications offered for sale by the farmers at Minimum Support Prices. However, the producers have the option to sell their produce to FCI/State Agencies or in the open market as is advantageous to them. To increase procurement, more and more States are being asked to undertake procurement under decentralized procurement scheme in order to procure marketable surplus food grains. Meetings have been conducted with Food Secretaries of non-traditional States and FCI to get their suggestions and also to find solutions to any problems they may be facing in increasing procurement. Due to these efforts, the total procurement of paddy/rice in non-traditional States of East and South(Bihar, Jharkhand, Orissa, Tamilnadu and Karnataka) has increased from 13.60 lakh MT in 2003-04 to 18.24 lakh MT in 2004-05 (up to 16.05.2005).

The Government have already stressed upon FCI and the State Governments to set up adequate number of procurement centres including mobile and temporary centres and also to launch awareness campaign in print and audio visual media, village fairs. Panchayats, Agriculture Extension Service/Krishi Vigyan kendras to etc. to inform the farmers about the Minimum Support operations, location and facilities being provided at the Purchase Centres, the need to bring quality produce at the centres etc. However, the FCI and State Governments have again stressed upon the need in opening adequate number of procurement centres, including mobile/temporary centres, with all the infrastructure facilities like accurate weighbridges, gunny bags, trained manpower etc. before the onset of procurement operation.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 156(8)/2005-Py-I Dated 1.6.2005)

Comments of the Committee:

(Please see Para No.1.8 of Chapter I of the Report)

Recommendation (Serial No.3 Paragraph 2.94)

Expressing their deep concern over the levying of various statutory charges by various States which account for almost 10% of the total procurement cost the Committee felt that such charges need to be just and reasonable lest the economic cost of foodgrains should unnecessarily swell and thereby results in raising the food subsidy bill of the Government. Taking into consideration the wide disparity in the imposition of such taxes, across States, the Committee recommended that the respective States should be impressed upon to set up Regulatory Authority for examining and recommending the local taxes on the procurement of foodgrains.

Reply of the Government

The suggestion of the Standing Committee to set up State Level Regulatory Authorities for examining and recommending local taxes on the procurement of foodgrains has been communicated to the State Governments of Andhra Pradesh, Punjab and Haryana where the level of State taxes/levies is high, for taking necessary action.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 156(8)/2005-Py-I Dated 5.8.2005)

Comments of the Committee:

(Please see Para No. 1.11 of Chapter I of the Report)

Recommendation (Serial No. 6 Paragraph 2.97)

Expressing serious concern over the deteriorating quality of foodgrains provided through PDS, the Committee felt that their concern of poor quality of foodgrains, is not taken seriously by the Government, whereas this is an important reason for low off-take of foodgrains by the States and the beneficiaries. The Committee were of the opinion that low off-take of foodgrains defeats the very purpose of PDS, i.e. providing subsidized foodgrains to the poor. The committee, therefore, recommended that FAQ norms should be strictly adhered to during procurement and distribution of foodgrains. The Committee desired to be apprised of the action taken by the Government in the matter.

Reply of the Government

The Government is conscious about the quality of foodgrains being procured and distributed under PDS and Other Welfare Schemes. The foodgrains are procured by FCI and State Agencies strictly conforming to the uniform specifications. These uniform specifications are formulated by the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) every year after consulting the FCI and State Government before commencement of Rabi and Kharif Marketing Seasons. From Kharif Marketing Season 2000-2001, a Committee under the chairmanship of Joint Secretary(Policy), with representatives of CFTRI, Mysore, FCI and Food Secretaries of certain producing and consuming States is functioning under the

Department to suggest and recommend the uniform specifications of foodgrains keeping in view the interest of the farmers as well as consumers.

There is a well defined procedure for monitoring the quality of foodgrains being procured, stored and distributed. The FCI has a separate quality control wing at hqr., zonal, regional and district level which ensures that the stocks of foodgrains are invariably procured as per the FAQ norms. However, wherever there are stray incidences of procurement of stocks beyond specifications, stern and exemplary disciplinary actions are taken against the delinquent officials so that acceptance of BRL stocks is ruled out. Under no circumstances sub-standard stocks beyond PFA norms are released for distribution through PDS.

Besides, there are three Quality Control Cells under the Ministry with its offices at New Delhi, Kolkata and Hyderabad to have a nation-wide super check on quality of foodgrains being procured, stored and distributed. Certain State Governments and their agencies are also engaged in the procurement of foodgrains through the price support mechanism either on behalf of FCI or independently under the decentralized procurement scheme. With a view to streamlining, the procurement of foodgrains, guidelines for the State Governments and their agencies have been formulated by this Ministry and issued to the State Governments for circulating among the field functionaries with the instructions that these should be strictly followed. The guidelines clearly define the role of FCI which inter-alia envisages inspection of foodgrain stocks of the State Governments and their agencies during procurement and subsequent storage to ensure that foodgrains are procured strictly as per uniform specification limits and code of practices of scientific storage of foodgrains are adopted by the State Agencies.

After the issue of uniform specifications of foodgrains, detailed instructions for quality control measures to be taken by procuring agencies to ensure procurement of foodgrain strictly as per the specifications are issued to procuring States and FCI for strict compliance and procurement centers are inspected by the officers of the State Governments, FCI and the Ministry to monitor quality of foodgrains being procured.

So far as adherence of FAQ norms at the time of distribution of foodgrains is concerned, there exists a well defined procedure to be followed at the time of issue of PDS stocks to States/UTs. The salient points are as under:-

(i) Ample opportunities are to be provided to the officials of the State Governments/UT administrations to inspect the stocks prior to lifting from FCI godowns. States/UTs may ensure that officers not below the rank of Inspector be deputed for inspection of the foodgrains before lifting from FCI godowns.

(ii) The samples from the stock to be issued to States/UTs under PDS are to be drawn jointly and sealed by the officers of the State Government and FCI for displaying at the counters of FPSs for the benefit of the consumers. A duplicate of the same sample is to be kept with FCI for any future reference. In case the State agencies are taking delivery from FCI and thereafter delivering the same to the FPS dealers, they should also follow the same procedure as is being followed by FCI for issuing the joint sealed samples drawn for display at the FPS counters.

(iii) Type samples should be displayed by FPS dealers in their shops, so that the consumers may check the quality of foodgrains which are supplied to them. FPS dealers should also maintain a complaint register to enable consumers to lodge their complaints, in case the quantity and quality of the foodgrains is not proper.

Besides, the concerned officers of the State Governments and this Department pay surprise checks to the Fair Price Shops(FPSs), with a view to over seeing the quality of foodgrains being distributed through TPDS. Similarly, officers of the Department designated as 'Area Officers' for monitoring the TPDS work in the respective States also undertake visits to the storage depots and the FPSs, during their visit to the States to check the quality of foodgrains being issued.

Instructions for monitoring the quality of foodgrains at the time of procurement and distribution have been issued to State Governments and FCI for ensuring that the foodgrains are procured strictly as per uniform specifications and distributed as per the laid down norms. Based on the observations/recommendations of the Committee, these instructions have again been reiterated to States and FCI, for strict compliance.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 40-4/2004-QCC Dated 23.6.2005

Recommendation (Serial No. 10 Paragraph 2.101)

The Committee had desired that for strengthening the Public Distribution in the States, the Central government should invoke clause 13 of PDS Control Order under which the Central government have been given powers to give such directions as it deems necessary to State governments for execution of all or any of the provisions of PDS Control Order and the State government is required to comply with such directions.

Reply of the Government

PDS is operated under the joint responsibility of the Central Government and the State Governments / UTs wherein the Central Government is responsible for procurement of foodgrains, its storage and transportation upto the public distribution centres of the Food Corporation of India and the State Governments are responsible for identification of BPL families, issue of ration cards and fair distribution of foodgrains to them through the network of Fair Price Shops located all over the country.

The Clause 13 of PDS (Control) Order is a saving clause and will be invoked as and when the situation demands.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 20(2)2004-PD-II Dated Nil

Recommendation (Serial No. 11 Paragraph 3.63)

Expressing their deep concern over the dues outstanding against various Central Ministries and State Governments and their agencies relating to issue of foodgrains as credit and the interest accrued as a result of delayed payment which also loaded on the Food Subsidy Bill, the Committee desired that the Department should take up the matter at the highest level with the concerned Ministries so that the outstanding dues against FCI are liquidated. The Committee further desired that the interest accrued on account of delayed payment should not be loaded on the Food Subsidy Bill of the Government.

Reply of the Government

The outstanding dues of the Food Corporation of India against other Ministries/Departments/State agencies etc., as on 31st May, 2005, are as under:

(Rs. in crore)

S. No.	Ministry/Department	Amount
1.	M/o Rural Development	19416.24
2.	M/o Human Resource Development	684.49
3.	M/o External Affairs	2.52
4.	M/o Defence	1.18
5.	State Government/Agencies	293.57

The matter has been taken up at the highest level with the concerned Ministries/ Departments/ State agencies and also with the Ministry of Finance and the Planning Commission for expeditious liquidation of the outstanding dues of the FCI.

For foodgrains distributed under various welfare schemes, including SGRY & MDM, the FCI claims reimbursement on the basis of economic cost, which includes interest on account of delayed payments.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 197(1)/2005-FCA/cs

The Ministry of Defence in their reply stated that -

Ministry of Defence purchases wheat and rice from FCI on pre-payment basis for the use of Defence forces,. During the year 200-05 payments made to FCI for purchase of wheat and rice are Rs.130.32 crore andRs.159.47 crore respectively. Prior to 2000-01, FCI supplied the wheat to the Defence forces on Open Market Supplies Scheme (Domestic). Subsequently, Ministry of Finance directed FCI to charge the average cost of wheat from the Ministry of Defence. Accordingly, FCI started supplying wheat on average rate and asked for the differential cost of wheat supplied to the Defence forces since 2000-01. The outstanding bills of FCI due to differential cost of wheat have been paid.

Ministry of Defence (Department of Defence) MOD(Fin) OM No. 7(2)/05-QB Dated Nil

The Ministry of External Affairs in t heir reply stated that-

As far as the Ministry of External Affairs is concerned the position on pending dues of the FCI is as follows:

The Ministry of External Affairs has so far made payments totaling an amount of Rs.82.25 crore to FCI towards bills received from them for an amount of Rs. 97.71 crore in respect of the first, second and third tranches of biscuits for the food aid assistance programme to Afghanistan. The details of outstanding payments of Rs.15.46 crore are as under:

First tranche of wheat and rice

The Food Corporation of India submitted bills totaling Rs.37.07 crore for supply of first tranche of wheat and rice released by them for sending high protein biscuits for the school feeding programme in Afghanistan. The bills were at part export price and part domestic price. The Ministry of External Afafirs has already paid Rs.27.26 crore against these bills at the export price of wheat and rice as was approved by the Ministry of Finance.

As regards the balance payment of Rs.9.81 crore, Ministry of External Affairs requested the Department of Food and Public Distribution to reconsider pricing the entire quantity of rice and wheat supplied to WFP for the first tranche to Afghanistan at the effective export price as had been approved by the Ministry of Finance. Department of Food and Public Distribution has not agreed to the proposal. No final decision on the matter is arrived at so far.

Second tranche of wheat and rise

The Food Corporation of India submitted bills totaling Rs.40.89 crore for supply of second tranche of wheat and rice released by them for sending high protein biscuits for the school feeding programme in Afghanistan. The bills were effective export price. The Minsitry of External Affairs has already paid Rs. 35.24 crore against these bills at the expoprt price of wheat and rice as was approved by the Minsitry of Finance.

As regards the balance payment of Rs. 5.65 crore, the bills have been received only recently and are under process.

Third tranche of wheat and rice

The Food Corporation of India submitted bills totaling Rs.19.75 crore for supply of third tranche of wheat released by them for sending high protein biscuits for the school feeding programme in Afghanisation. The bills were at effective export price. The Ministry of External Affairs has settled the bill fully. There is no outstanding bill for the third tranche.

Comments of the Committee:

(Please see para no. 1.26 of Chapter –I of the Report)

Recommendation (Serial No. 12, Paragraph 3.64)

The Committee were shocked to note that in spite of so called adequate measures taken by the Government to contain storage and transit losses, there has been a steep rise in these over the last few years. The abnormal cases of loss (caused due to theft, pilferage, misappropriation etc.) for which recovery proceedings are resorted to have increased tremendously over the last few years, as is clear from the increase in the number of delinquent officials – from 140 in 2000 to 489 in 2004. Although, the number of routine inspections had risen, the Committee were at loss to understand the decline in surprise checks undertaken during the period from 2002 to 2005. The Committee desired that surprise checks be made more frequent, so as to curtail losses. The Committee observed that 0.5% is the norm prescribed for transit losses. The Committee were of the view that this norm was still on the higher side and there is a need to further reduce the same. In addition, the Committee noted that enormous powers have been given to Zonal Manager (10%) and MD (Full power) to write off storage and transit losses. The Committee recommended that these powers need to be reduced and Board of Directors and not MD should have full power to write off such losses. Moreover, to reduce transit losses, the Committee recommend that the foodgrains be insured and all the formalities regarding this be completed at the earliest.

Reply of the Government

The storage losses as a percentage of the quantity of foodgrains issued has come down from 0.42% in 2000-01 to 0.38% in 2002-03. Similarly, the transit losses as percentage of the quantity of foodgrains moved has come down from 0.84% during 2000-01 to 0.57% during 2002-03.

Surprise checks are conducted in addition to regular inspections which have increased from 374 in 2002-03 to 900 during 2004-05. An Inspection Monitoring Cell has been created at the Headquarters to effectively monitor the frequency of regular and surprise inspections undertaken at various levels. The formats for conducting inspections have also been updated. The Vigilance Division of the Headquarters has been entrusted with the work of scrutinizing the inspection reports and take follow up action.

Each and every case of loss is investigated for fixation of accountability . The FCI has been directed to review the existing delegation of powers for 'write off' of transit losses.

Rail transit insurance of the stocks is under active consideration. A broker has already been retained and a tripartite MOU to be signed amongst the FCI as the Insurer, M/s A&M Insurance Brokers Pvt. Ltd. as the Brokers and Oriental Insurance Co. Ltd. as the Insurer is likely to be finalised shortly.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 197(1)/2005-FCA/cs Dated 11.7.2005

Comments of the Committee:

(Please see para no. 1.29 of Chapter I of the Report)

Recommendation (Serial No. 15 Paragraph 4.29)

The Committee noted that the expenditure on Establishment in Central Warehousing Corporation (CWC) was very high despite various cost reduction strategies adopted by the Corporation. The Committee further found that the expenditure of the Corporation had also risen from Rs.290 crores in the year 2001-02 to Rs.429 crores in the year 2003-04, within a span of three years. Surprisingly, the Establishment Cost of CWC was 60.3% of the total expenditure in 2001-02 and 59.2% in the year 2003-04. The Committee noted that the Corporation had outsourced watch and ward, house keepings, DESS employees through contractor, which had helped in reducing its administrative cost. The Committee further noted that a study undertaken by TCS, for cost reduction exercise, had recommended a number of measures to reduce administrative cost in CWC. The Committee emphasized that CWC should implement the recommendations of TCS in letter and spirit for effecting cost reduction in the Corporation.

Reply of the Government

As regards the observations of the Standing Committee on the expenditure of the Corporation which has risen from Rs.290 crores in the year 2001-02 to Rs.429 crores in the year 2003-04 it is stated that the expenditure for the year 2001-02 does not include Marketing & Facilitation Charges. The Corporation, in accordance with the sound business principles accounted for the expenditure/income on Marketing Facilitating Charges on gross basis w.e.f. 2002-03 instead of net basis. For the purpose of comparison the total expenditure is given as under: -

	Expenditure (Excluding MF)	M.F.Charges	Total Expenditure
2001-02	289.22	-	289.22
2002-03	310.66	112.80	423.46
2003-04	308.02	120.96	428.98

It may also be stated that the establishment cost has shown a declining trend with a reduction from 60.3.% to 59.2% of the total expenditure.

One of the main impacts on the establishment cost is the revision of pay scales of the employees on IDA pattern of pay scales during 2002-03, which was reflected during the year 2002-03 and 2003-04.

In order to reduce the establishment cost, the corporation had introduced SVRS during 2002. In all, the requests of 1302 employees were accepted. The effect of the SVRS on establishment cost is likely to be reflected in the coming years. Besides, the Corporation also proposes to re-introduce VRS during 2005.

As regards recommendations of TCS regarding reduction in the cost, it is stated that Corporation has reorganized the construction cells thereby reducing their number to 10. Besides, the Corporation is also planning to reorganize the Regional Offices by reducing their number in order to reduce the establishment cost.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 1-2/2005-SG Dated 13.6.2005

Comments of the Committee:

(Please see para no. 1.35 of Chapter –I of the Report)

Recommendation (Serial No. 19 paragraph 5.29)

The Committee were concerned to note that more than Rs. 1000 crore of cane arrears pertaining to sugar seasons 2001-02, 2002-03 and 2004-05, were still outstanding. Sugar mills in all the Sectors i.e., private, public and cooperative were in default. The Committee were pained to note that although the payment of sugarcane was required to be paid within 14 days of supply of cane, it was seldom done. In default of payment, the State Governments are authorized to recover cane price arrears remaining unpaid after 14 days after supply of cane by farmers, along with interest @ 15% per annum as arrears of land revenue. The Committee were deeply concerned to note that the arrears for the sugar seasons 2001-02 onwards was still outstanding and yet action had not been taken against sugar mills to recover the cane price arrears along with interest @ 15% till date. The Committee would like to be apprised of the failure in not invoking the provision of Sugarcane (Control) Order 1966, in this regard. The Committee would also like to be apprised of the details of sugar mills which are still to liquidate their outstanding arrears against the farmers and the reasons for not paying the outstanding arrears along with interest. The Committee would like to be apprised of mills under private sector which have been gone sick or referred to BIFR and against whom outstanding cane arrears were still pending and the steps taken by the Government to recover the same.

Reply of the Government

Th responsibility of ensuring timely payment of cane price dues to the sugarcane growers lies with the respective States. Nevertheless, the Central Government continuously monitors the position of payment of cane price arrears and is taking effective steps for clearing the cane price dues of the sugarcane farmers.

The all time high levels of sugar production in the country during sugar seasons 1999-2000 to 2002-03 had not only lowered the sugar prices but also created huge carry over stocks of sugar which created storage & financial problem to the sugar mills. Therefore, the Central Government had created a buffer stock of 20 lakh tonnes of sugar initially for a period of one year from 18-12-2002. The Government had extended the maintenance of buffer stock for a further period of one year beyond 17-12-2003.. This facilitated liquidity position of the sugar mills, which enabled them to make payment of cane arrears. As on 30.9.2005, 360 claims have been received out of which in 357 cases, an advance buffer subsidy to the tune of Rs 219.72 crores has been paid and 314 cases pertaining to the period 18.12.2002 to 17.12.2003 have been finalized involving further disbursement of Rs 64.70 crores. Further, an amount of Rs 167.46 crores has been disbursed against 186 cases towards buffer subsidy claims for the extended period 18.12.2003. to 17.12.2004.

The Central Government had inserted clause (8) to (14) by making an amendment to the Sugarcane (Control) Order,1966 vide G.S.R.No. 903/Ess.com/Sugarcane dated 29-11-2000 vide which the State Governments have been given the power to ensure timely payment of the cane price dues to the sugarcane growers . With this amendment, the arrears of the cane dues and interest due thereon can now be recovered as arrears of land revenue from the producer of the sugar.

It may be seen from the following table that as on 31.8.2005, the total cane price arrears pertaining to the sugar seasons 2001-02 to 2003-04 works out to only Rs. 362.63 crores. Further, out of Rs. 12305.07 crores of total cane price payable for the sugar season 2004-05, an amount of Rs. 12235.59 crores have been paid **(99.44%)** leaving a balance of only Rs. 69.48 crores, which works out to only **0.56 %** of the total cane price payable.

Sugar Season	Total cane price payable	Cane price paid till 31.8.2005	Cane price arrears as on 31.8.2005	% of arrears still pending
2001-02	14121.05	14041.66	79.39	0.56
2002-03	16254.93	16023.26	231.67	1.42
2003-04	12135.82	12084.25	51.57	0.42
2004-05	12305.07	12235.59	69.48	0.56

The status of cane price arrears of the major sugar producing States during the sugar seasons 2001-02 to 2004-05 (upto the period ended 31.8.2005) has been as under:-

PUNJAB: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	624.40	624.40	Nil	0
2002-2003	600.98	562.82	38.16	6.34
2003-2004	404.49	401.93	2.46	0.61
2004-2005	336.75	336.75	Nil	0

The State Government reviews, on monthly basis, the cane price payment position and the sugar mills are persuaded to clear the cane price dues as soon as possible. Recovery Certificates (RCs) have been issued by the State Government to 16 sugar mills who had not cleared their outstanding cane price dues for the sugar season 2002-03 and 2003-04. The said mills have started paying up the dues. Out of this, 5 sugar mills have cleared their total cane arrears, collectively amounting to Rs. 23.72 crores.

HARYANA: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	660.15	660.15	Nil	Nil
2002-2003	619.14	619.14	Nil	Nil
2003-2004	556.41	556.41	Nil	Nil
2004-2005	444.14	444.09	0.05	0.01

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.01% of the total cane price payable.

UTTAR PRADESH: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	5093.77	5077.86	15.91	0.31
2002-2003	5458.91	5385.11	73.80	1.35
2003-2004	4293.11	4283.60	9.51	0.22
2004-2005	5412.52	5393.08	19.44	0.36

The cane price payment position is monitored on regular basis by the District Cane Officer and reviewed by the Cane Commissioner. The cane price arrears for the sugar season 2002-03 are on account of differential price between SMP and SAP payable by some private sugar mills of the State for which the State Govt. is making efforts to have them liquidated at the earliest. There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04 in respect of sugar mills of public sector and cooperative sector. The State Government have issued Recovery Certificates to 8 private sugar mills to expedite liquidation which the High Court has ordered accordingly for payment in installments. It may be mentioned that all these efforts have resulted in clearance of massive cane arrear dues for 2004-2005. Similarly, the care arrear for 2002-2003 have decreased from Rs. 110.11 crore (2.02%) (as on 15.5.05) to Rs. 73.80 crores (1.35%).

UTTARANCHAL: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	442.16	442.16	Nil	Nil
2002-2003	486.28	486.28	Nil	Nil
2003-2004	369.27	369.27	Nil	Nil
2004-2005	419.54	415.71	3.83	0.91

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.91% of the total cane price payable.

GUJARAT: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.2005	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	949.99	949.99	Nil	Nil
2002-2003	1001.91	1001.91	Nil	Nil
2003-2004	1158.05	1158.05	Nil	Nil
2004-2005	790.47	787.12	3.35	0.42

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03 and 2003-04. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.42% of the total cane price payable.

MAHARASHTRA: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	2720.18	2718.57	1.61	0.06
2002-2003	4159.62	4088.92	70.70	1.70
2003-2004	2378.47	2346.43	32.04	1.35
2004-2005	1824.77	1814.32	10.45	0.57

The cane price arrears for the sugar season 2001-02 are on account of sugar mills which are sick and having financial constraints. The cane price arrears for the sugar seasons 2002-03 and 2003-04 are only 1.70 % and 1.35% respectively of the total cane price payable for these sugar seasons and have been mainly on account of draught conditions prevailing in the State and lower realizations due to steep fall in open market price of sugar. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 are only 0.57% of the total cane price payable for the season. The State Government also resorts to issue of Recovery Certificates (RCs) to defaulting sugar mills to clear the outstanding cane price dues of growers. In this regard, it is stated that Maharashtra sugar industry comprises of 186 sugar mills out of which 165 sugar mills (about 88%) are in cooperative sector. Besides, approximately 90 sugar mills were either closed/sick or non operational. Further, to liquidate the arrears, the State Government have raised Rs. 299 crores as Additional Open Market Borrowings (AOMB) for liquidation of arrears till 2003-04 sugar season.

BIHAR: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	338.39	301.34	37.05	10.95
2002-2003	329.42	323.87	5.55	1.68
2003-2004	215.33	214.02	1.31	0.60
2004-2005	244.97	244.24	0.73	0.30

The outstanding cane price arrears for the sugar season 2001-02 & earlier includes a sum of Rs.884.04 lakhs payable by the 15 public sector sugar mills of the State which have been lying closed since 1997-98. The outstanding dues pertaining to mills of Bihar State Sugar Corporation would be settled on the outcome of decision in W.P. No. M.J.C. 2684/2000 in the matter of Hira Lal Kanu Vs Bihar State filed in the Hon'ble High Court of Patna. With respect to the three closed private sugar mills, BIFR has recommended winding up and dues would be cleared after liquidation is finalised.

ANDHRA PRADESH: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.2005	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	804.83	804.83	Nil	Nil
2002-2003	1001.58	966.63	34.95	3.49
2003-2004	765.69	765.54	0.15	
2004-2005	837.36	837.36	0.00	--

The outstanding cane price dues for the sugar season 2002-03 are on account of interim directions obtained by 13 private sugar mills from the High Court of Andhra Pradesh. The Central Government has also moved the Hon'ble Supreme Court for vacation of these Orders passed by the A.P. High Court assailing the S.M.P. fixed by the Centre. The issue is therefore, *sub-judice*.

KARNATAKA: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.2005	Arrear as on 31.8.2005	% of cane arrear to the total price payable
2001-2002	988.80	965.21	23.59	2.39
2002-2003	1258.26	1254.62	3.64	0.29
2003-2004	1090.10	1087.46	2.64	0.24
2004-2005	1018.75	1015.47	3.28	0.32

The State Government has issued Recovery Certificates (RCs) to 5 sugar mills for liquidating the outstanding cane price arrears of Rs. 90.78 crores of earlier sugar seasons and is taking necessary steps in other cases to expedite the payment of dues of the cane growers. For the current sugar season 2004-05, the cane price arrears as on 31.8.05 were only 0.32% of the total cane price payable for the season.

TAMIL NADU: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	1384.80	1384.80	Nil	Nil
2002-2003	1253.84	1251.69	2.15	0.17
2003-2004	742.07	738.83	3.24	0.44
2004-2005	743.01	714.70	28.31	3.81

The office of the Cane Commissioner reviews every month the cane price payment position of the sugar mills to ensure prompt settlement of the cane price dues. The sugar mills concerned have been instructed by the Cane Commissioner to clear the old outstanding cane price dues pertaining to 2002-03 and 2003-04 sugar seasons as also for the current sugar season 2004-05.

MADHYA PRADESH: The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	42.66	42.66	Nil	Nil
2002-2003	61.40	59.56	1.84	3.00
2003-2004	83.14	82.92	0.22	0.26
2004-2005	55.08	55.03	0.05	0.09

ORISSA :The Sugar season-wise status of cane price arrears payable to the sugarcane growers by the sugar mills situated in the State is detailed under:-

(Rs. in crores)

Sugar Season	Total Cane price payable	Cane price paid till 31.8.05	Arrear as on 31.8.05	% of cane arrear to the total price payable
2001-2002	18.30	18.30	Nil	Nil
2002-2003	27.72	0.0	Nil	Nil
2003-2004	35.28	0.0	Nil	Nil
2004-2005	31.96	31.96	Nil	Nil

There are no outstanding cane price arrears for the sugar seasons 2001-02, 2002-03, 2003-04 and 2004-05.

The details of sugar mills along with the outstanding cane price arrears as on 31.8.05 is enclosed as Annexure. The sick sugar mills which are registered with BIFR have been marked as ‘ * ‘ in the said Annexure. In regard to liquidation of cane price arrears by the sick sugar mills under BIFR, it may be stated that the same can be liquidated only after settlement of cases by BIFR and/or liquidation of said sugar mill as per the orders of the concerned High Courts.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 7-4/2002-Stat.II dated 19.10.2005

Comments of the Committee:

(Please see para no. 1.38 of Chapter –I of the Report)

Recommendation (Serial No. 20 Paragraph 5.30)

The Committee were concerned to note the low disbursal of loans from Sugar Development Fund (SDF) especially for modernization/rehabilitation of sugar mills and for cane development. For modernization/rehabilitation of sugar mills during the year 2002-03, Rs.92.19 crores only was utilized out of the Rs.200 cores sanctioned for the purpose, whereas in 2003-04 out of Rs.150 crores sanctioned for the purpose Rs.44.36 crores only could be utilized The Committee felt that the present laid down procedure for availing assistance was quite cumbersome and therefore, needed to be simplified further. The Committee would like to be apprised of the status of sugar mills, i.e., the extent to which loan assistance was availed for the purpose for which it was sanctioned and whether any mill went sick or was referred to BIFR for rehabilitation/modernization during last 10 years, after availing the loan assistance.

Reply of the Government

Sugar Development Fund (SDF) comes under Public Accounts and Government has to ensure financial propriety in sanction of loan from SDF. For sanction of loan, a transparent procedure has been prescribed wherein a sugar factory has to make an application in prescribed format to the Department. The application is considered by the Sub/Screening Committee wherein the representatives of the sugar factories are also invited to discuss their application and clarify doubts, if any. Thereafter, the loan application is considered by the Standing Committee, which is headed by the Secretary, Department of Food & Public Distribution. After the loan is sanctioned, the applicant sugar factory signs an Agreement and furnishes security against the loan amount.

The prescribed procedure for availing loan for modernization/ rehabilitation of sugar mills and other schemes is required to ensure financial propriety in sanction of loan as well as to ensure adequate security for repayment of loan.

Of the 86 cases of modernization/rehabilitation disbursed loans amounting to Rs.927 crores from SDF in the last 10 years, 6 mills have been referred to BIFR, details of which are at Annexure.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 3-1/5/2005-SDF Dated 20.9.2005

Comments of the Committee:

(Please see para no. 1.41 of Chapter –I of the Report)

Annexure

List of Sugar Mills referred to BIFR during last 10 years.

BIFR Cases list

(Position as on 31.3.2005)

S.No.	Name of the Sugar Mills	Amount Disbursed	Status
1	Kanoria Sugars General Mfg. Co. Ltd.	Modernization/Rehabilitation Rs.2,86,00,000/30.6.95 Rs.2,86,00,000/28.9.95 Rs.2,68,00,000/7.12.99 Rs.47,00,000/18.2.2001	Under Enquiry by BIFR
2.	Shervani Sugar Syndicate Ltd., Neoli, U.P.	Modernization /Rehabilitation Rs.3,20,06,000/-1997	Winding up recommended by BIFR. Appeal of the Co. being heard by AAIFR.
3.	Swadesi Mining & Mfg. Co. Ltd., U.P.	Modernization/Rehabilitation Rs.35,00,000/31.3.89	Winding up recommended by BIFR.
4.	Saraya Sugars Mills Ltd., U.P.	Modernization/Rehabilitation Rs.1,58,00,000/6.1.89	Rehabilitation Scheme sanctioned by BIFR
5.	Chhata Sugar Co. Ltd., U.P.	Modernization/Rehabilitation Rs.4,00,00,000/14.3.91	Rehabilitation Scheme sanctioned by BIFR
6.	Khalilabad Sugar Mills Pvt. Ltd., U.P.	Modernization/Rehabilitation Rs.4,71,00,000/30.11.94 Rs.4,71,00,000/24.2.95 Rs.1,24,00,000/12.4.96	Under enquiry by BIFR

Recommendation (Serial No. 21 Paragraph 5.31)

The Committee found that for cane development scheme during 2002-03, Rs.15.74 crores out of Rs.20 crores and during 2003-04, Rs.9.70 crores only out of the Rs.20 crores sanctioned for the purpose were disbursed to the sugar mills. The Committee found that activities like purchase of seeds/fertilizers /pesticides, rearing of seed nurseries, incentives to cultivators to switch over to improved varieties of sugarcane etc. are functions best performed by sugarcane growers and not sugar entrepreneur. The Committee found hardly any justification in routing the assistance through sugar enterprise, for the cane development schemes, especially when such functions are to be undertaken by cane growers. It had been brought to the notice of the Committee that the funds from SDF did not percolate to the ultimate beneficiaries, i.e., the farmers and as a result the cane development works suffer and at present were far from being satisfactory. The Committee viewed this with concern and recommended that SDF authorities should review the scheme so that the benefits of the scheme are realized. The Committee felt that the farmers should be directly involved in such development programmes. The loan for cane development should be given directly to the farmers through the panchayats and not he sugar mills who either due to lack of interest or some other reasons best known to them, do not help in realizing the benefits of the scheme to a desired levels.

Reply of the Government

The objective of granting SDF loan under this head is to help the sugar mill from a long term perspective by improving its capacity for providing good quality seeds. The emphasis of cane development loan is on Varietal change of seeds, which gives higher yield and, in turn improves recovery of sugar. It is pertinent to mention that this is not a crop loan. Hence, it is given to sugar mills only.

The application of the sugar mill for cane development loan is forwarded by the State Government to the Department and loan, after sanction, is disbursed to the sugar mill through the State Government only. The State Governments also monitor utilization of the loan for the intended purpose and submit utilization certificates to the Central Government.

It may also be informed that there are 20,000-30,000 farmers who supply sugarcane to a sugar factory on an average. Giving loans from SDF to such large numbers as also recovering the loan from them would become a very difficult task. Further obtaining security for repayment of SDF loan as also maintaining the securities with the Central Government may not be possible.

This can be best performed by the Commercial and Rural Regional Banks, which have branches and staff in the villages. It is in the interest of the factory to ensure regular supply of sugarcane, which would give them better recovery. Therefore, it is submitted that SDF loan may be continued to be given to the sugar factories as prescribed in SDF Rules, who in turn would take up various schemes, and/or give incentives to farmers to adopt better varieties of seed.

In view of the above, it is requested that the Committee may kindly to reconsider the recommendation in regard to giving cane development loans directly to farmers through Panchayats.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 3-1/5/2005-SDF Dated 20.9.2005

Recommendation (Serial No. 22 Paragraph 5.32)

Expressing deep concern over the decrease in recovery of loans availed as financial assistance from SDF by Sugar Industries the Committee strongly recommend that all out efforts should be made for speedy recovery of loans and stringent action should be taken against the defaulting units.

Reply of the Government

While efforts were/are being made to ensure recovery of loans, it maybe noted that the sugar industry has been in great financial stress since 2001, resulting from high holding costs as domestic production outstripped domestic demand for a number of years. Taking cognizance of the position, the question of revitalizing the sugar industry has been engaging the attention of the Government.

However, the recommendation of the Committee is accepted and all out efforts are being made and shall be made for speedy recovery of loans and for taking action against defaulting units.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 3-1/5/2005-SDF Dated 20.9.2005

Recommendation (Serial No.23 paragraph 5.33)

The Committee were deeply concerned to note the low number of sugar mills being visited/inspected by the Government in respect of quality control measures The Committee felt that the Government is not giving adequate attention that it deserves in the matter of quality control of sugar. The Committee were of the view that if the quality of sugar was not maintained, Indian sugar will not be able to compete in the international market. The Committee, therefore, strongly recommended that stringent action be taken against the defaulting sugar mills as by issuing warning merely may not bring in the desired results. The Committee also desired that the enforcement set up should be spruced up so that at least 40-50% of the total numbers of factories were visited every year.

Reply of the Government

The Government agrees with the Committee's recommendation that the quality of sugar should be strictly maintained and inspection of sugar factories should be stepped up with frequent visits to cover at least 40-50% of the total number of factories every year.

Government also agrees with the recommendation that in order to control quality of sugar, for the first offence in colour series committed by the sugar factories warning will be issued and for subsequent offences they will be prosecuted.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 7-1/2004-CC dt. 21.7.2005

Recommendation (Serial No. 24 Paragraph No.5.34)

The Committee noted that 21 violations of export release orders were reported in the year 2001-2002. The Committee were not convinced with the Government's reply that no case of violations of statutory/administrative orders/directions were reported during the years 2001-2002 and 2002-2003. The Committee felt that the matter was being approached in a very casual manner by the Government. The Committee, therefore, recommended that the Enforcement Department may be asked to strictly monitor the position so that any type of violation may immediately be taken note of and suitable action against the violators. The Committee would also like to be apprised of the action taken against the defaulters, for violation of export release orders during the year 2001-2002.

Reply of the Government

It may be seen from the reply of the Government that 21 cases of violations of export release orders were reported in the year 2001-2002 and no case of violations were reported in the years 2002-2003 and 2003-2004. The Department taking serious note of such violation had authorized the competent State Government authority to file prosecution against the defaulters, inter alia, for violation of Clause 9 of the Sugar (Control) Order, 1966.

As regards action taken against the defaulters, it is stated that the Government have already taken various steps, *inter alia*, launching of prosecution against the defaulting exporters/sugar mills, for violation of Clause 9 of the Sugar (Control) Order, 1966.

It may be further stated that the recommendation of the Committee to further beef up the Enforcement Department to strictly monitor the position to avoid export violations has also been taken note of, for necessary action.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.NO.24-1/2005-ES dated 19.10.2005

Recommendation (Serial No.25 paragraph 6.19)

The Committee were concerned to note that only 50-55% of edible oil requirement of the country was met indigenously and the rest 45% was met through imports resulting in huge outgo of precious foreign exchange to the tune of US $2542 million (RS.11683 crore). The dependence on imported edible oils of more than 40% also pointed towards insecurity in edible oil sector. The Committee were of the view that although the country had achieved self-sufficiency in the production of foodgrains, adequate attention had not been paid for raising the production of edible oilseeds indigenously. The Committee took note of measures taken to increase the production of edible oils both from primary and secondary sources. The Committee, therefore, recommended that ways and means should be initiated to improve the production and productivity of traditional oilseeds crop. Incentives to farmers-fiscal and otherwise, low and cheap credit and other inputs be extended and adequate steps taken to promote and popularize the use of non-traditional secondary sources of edible oils, such as Cotton

Seed, Rice Bran and oilseeds of Tree and forest origin, so that the dependence on imported edible oils is reduced to a large extent. In order to augment production of edible oils, there is an imperative need to improve technology fro extraction of edible oils. The Committee would like to be apprised of the action taken by the Government in this regard.

Reply of the Government

The subject matter, primarily relates to production and productivity of oilseeds, which lies within the purview of Ministry of Agriculture. The matter has been taken up with that Ministry. According to the Ministry of Agriculture:-" In order to increase the production and productivity of oilseeds in the country, Government of India is implementing a centrally sponsored" Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize"(ISOPOM) in 14 major oilseeds growing States. Under the Scheme, assistance is provided for purchase of breeder seed, production of foundation seed, production and distribution of certified, distribution of seed minikits, distribution of plant protection chemicals, plant protection equipments, weedicides, supply, of rhizobium culture/phosphate solubilising bacteria, distribution of gypsum/pyrite/liming/dolomite, distribution of sprinkler sets and water carrying pipes, publicity, etc. to encourage farmers to grow oilseeds. In order to disseminate information on improved production technologies amongst the farmers, block demonstrations and Integrated Pest Management (IPM) demonstrations are organized through State Department of Agriculture and Front Line Demonstrations through Indian council of Agricultural Research (ICAR).

The budget allocation under the scheme has been enhanced to Rs. 240 crores in 2005-2006 against the B.E. of Rs. 152.75 crores in 2004-2005.

Government of India announces Minimum Support Prices (MSP) for major oilseeds every year to provide remunerative price to the Oilseed growers in the country. Government of India has been announcing higher increase in the MSP of oilseeds in comparison to cereals like wheat and rice to encourage farmers to diversify their cultivation towards oilseeds. National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) as Central Nodal Agency, undertakes procurement of oilseeds under Price support Scheme in the country as and when market prices fall below MSP.

Besides, Government of India is making efforts to promote the production and popularization of the use of non-traditional secondary sources of edible oils such as rice bran, tree-borne oilseeds etc. A central sector scheme of integrated development Tree Borne Oilseeds is being implemented through National Oilseeds and Vegetable Oils Development (NOVOD) Board. Under the scheme, assistance is provided for nursery raising, model plantation, installation of pre-processing and post processing facilities, capacity building, need based research etc. development of tree borne oilseeds like neem, wild apricot, simarouba, cherua, jojoba, kokum, tung, mahua etc. Besides, 30% subsidy is provided to the farmers on back ended credit linked basis for commercial cultivation of tree borne oilseeds.

Under the scheme of R & D on Post Harvest & Processing Technology in Oilseeds, Pulses, Oilpalm and Maize (PHT), assistance has been provided for popularizing the rice bran oil refining technology and modernization of huller rice mills etc. to increase the domestic availability of edible oils.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No.6/2/2005-Exp dt. 23.6.2005

Recommendation (Serial No. 26 paragraph 6.20)

The Committee found that management of Vegetable Oils, particularly relating to quality control and monitoring of prices was exercised by the Directorate of Vanaspati, Vegetable Oils & Fats (DVVO&F). One of the regulatory functions assigned to DVVO&F is to administer the Edible Oils Packaging (Regulation) Order, 1998 which inter-alia provides for availability of safe and quality edible oils in packaged form at pre-determined prices to the consumers. Under this Order, the packaging of edible oils sold in retail is compulsory, unless specifically exempted by the concerned State Government. The Committee took note of the status of the implementation of the Edible Oils Packaging (Regulation) Order, 1998 and found that in a large number of populous States such as, Uttar Pradesh, the Order was not being implemented. Similarly, in States like Assam and Bihar, the implementation of the Order was still under active consideration. In the State of Haryana the implementation of the Order had been kept in abeyance. The Committee were of the view that the purpose for which the Order had been promulgated shall be frustrated, if it is not implemented in letter and spirit by the State Governments. The Committee, therefore, recommended that all state Governments may be impressed upon the need to implement the said Order in the interest of the health of the citizens. At the same time, the enforcement machinery of DVVO&F should be geared up to ensure quality control and monitoring of prices. The Committee would like to be apprised of the action taken by the Government in this regard.

Reply of the Government

Regarding implementation of the Edible Oils Packaging (Regulation) Order, 1998, the State Governments are regularly and periodically advised to take expeditious action in this regards. As recommended by the Standing Committee, the State Governments have again been reminded on 17.3.2005 for the implementation of the said Order in the interest of the health of the citizen. The State Governments have also been requested that no further exemption or relaxation be granted in this regard. Quality control measures are geared up and price situation of edible oils is regularly monitored by DVVO&F.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No.6/2/2005-Exp dt. 23.6.2005

Recommendation (Serial No. 27 Paragraph 6.21)

The Committee were concerned to note that as per Report of Director General of Health Services, M.O of Health and Family welfare whereas the number of edible oils samples drawn for analysis have been on he decline, the number of samples found adulterated have risen. For instance the number of samples drawn in the year 1999 were 19,289 which declined to 15998 in the year 2001, the number of samples which were found to be adulterated rose from 1605 to 1790 during the same period. The Committee were of the view that there was widespread adulteration in the edible oils and hardly any exemplary punitive action is taken against the culprits. The Committee were further of the view that in a country like ours where the main cooking medium was edible oils, the number of samples were miniscule. The Committee, therefore, recommended that to check adulteration in edible oils, a large number of samples need to be drawn across length and breadth of the country. In this context special attention needs to be paid for drawing sample from rural /tribal and far flung areas, jhuggi-jhonpri bastis, unauthorized residential areas in citieis and other vulnerable pockets. The cases of adulteration ought to be decided expeditiously. In case where adulteration was proved, exemplary punishment must be meted to the culprits.

Reply of the Government

The subject matter primarily relates to Ministry of Health. The matter has been taken up with that Ministry. Accordingly to Ministry of Health:- the Prevention of Food Adulteration (PFA) Act, 1954 and the Rules made there under are implemented by the Sate Governments. The State /UT Governments have been requested to drawn more number of samples of edible ols and also to conduct a survey to ascertain the use and sale of blended edible oils in loose from ad whether it is sold under Agmark condition in 5 Kg. packs.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No.6/2/2005-Exp dt. 23.6.2005

Recommendation (Serial No. 28 Paragraph 6.22)

The Committee noted that Rule 49 (21) of the Prevention of Food Adulteration Rule, 1955 provided that blended edible oil shall not be sold in loose form and it shall be sold in sealed package weighing not e more than 5 kg. The sealed packaged shall be sold only under Agmark. The Committee had been informed that no case of blended edible oil being sold in loose form has been brought to the notice of Director General Health Services, Ministry of health. The Committee were not inclined to accept this contention of Government, since edible oils are sold in loose form freely, especially in rural and far far-flug area where the purchasing power of the citizen is quite low. The Committee, therefore, recommended that a survey should be undertaken to ascertain the use and sale of edible oils in loose form and violation of Agmark. At the same time, the enforcement machinery of Directorate of Vanaspati, Vegetable Oils and Fats (DVVO&F) be geared up to ensure that quality of edible oils sold in the market is not compromised. The committee would also like to be apprised of the action taken in the matter.

Reply of the Government

The matter primarily relates to Ministry of Health and Ministry of Agriculture. The matter has been taken up with both the Ministries.

According to Ministry of Health:- The Prevention of Food Adulteration (PFA) Act, 1954 and the Rules made thereunder are implemented by the Stat Governments. The State/UT Governments have been requested to draw more number of samples of edible oils and also to conduct a survey to ascertain the use and sale of blended edible oil in loose form and whether it is sold under Agmark condition in 5 kg. packs.

Accordingly to Ministry of Agriculture:- The grading and certification of agriculture commodities under Agmark is voluntary. Rule 49 (21) the Prevention of Food Adulteration Rules, 1955 requires blended edible vegetable oils to be sold or offered for sale only under Agmark certification. Sale of blended edible vegetable oils in loose form is violation of Prevention of Food Adulteration Rules,1955.

A survey to ascertain the use and sale of blended edible oils in loose from may be carried out buy the Directorate General of Health Services who are implementing the provisions of Prevention of Food Adulteration Rules,1955.

Quality control measures of edible oils have been geared up by DVVOF.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No.6/2/2005-Exp dt. 23.6.2005

CHAPTER III

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

Recommendation (Serial No. 14 Paragraph 3.66)

The Committee appreciated that M/s McKinsey and Co. was conducting a study on FCI. It is high time that FCI's functioning be improved so as to increase its efficiency and effectiveness in meeting the social obligation of the Government as well as in reducing the over-increasing subsidy burden. The Committee desired that the study be completed within the prescribed time period and the Committee be apprised of the outcome.

Reply of the Government

M/s McKinsey & Co. has submitted their Interim Report, completing the 1st phase of the study, in May, 2005. The Interim Report was examined by the Steering Committee in its meeting held on 9th May, 2005 and accepted.

The short-term opportunities identified in the Interim Report include – (i) adopting a multi-tired debt structure (Rs.700–850 cr), (ii) optimizing rail movement using a linear programme (Rs.195-280 cr), (iii) centralizing outsourcing of handling and road transportation to logistic service providers (Rs.180–235 cr), (iv) procuring directly at FCI depots or rice mills in Punjab and Haryana (Rs.50–60 cr), (v) purchasing consolidated requirement of gunny bags through open tender (Rs.60–90 cr), (vi) renting excess storage capacity to third parties (Rs.40 – 50 cr), (vii) reducing transit losses by appointing third party agency to monitor stock moved by rail (Rs.25-50 cr), (viii) reimbursing State agencies for stocks carried by them at the end of procurement season (Rs.25–50 cr), (ix) revising staffing norms and implement targeted VRS (Rs.180–200 cr), (x) revising handling incentive norms, balancing labour capacity across network and retiring excess labour (Rs.160–255 cr), (xi) reducing arthias expenses by having them perform additional tasks in mandis (Rs.90–110 crore) and (xii) persuading Punjab and Haryana to reduce statutory charges /taxes. The implementation of these measures in the next 18 – 24 months is expected to result in a savings of Rs. 2150 crore. In the long term, additional savings of upto Rs. 2900 cr are possible through complete outsourcing of all procurement and distribution activities to private parties and State agencies.

To implement the recommendations contained in the Interim Report, a Programme Implementation Office (PIO) has been set up in the FCI. M/s McKinsey & Co. is assisting the PIO in implementation of the agreed initiatives during the Phase-II of the project.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 14-1/2004-FC-I dated 21.6.2005

Recommendation (Serial No. 16 Paragraph 4.30)

The Committee noted with deep concern that there was a gradual decline in utilization of owned capacity of CWC godowns. The capacity has declined from 48.52% in the year 2000-01 to 38.37% in the year 2003-04. The Committee was pained to note that the capacity utilization of hired godowns, ranges in the vicinity of 15% to 20%. For instance, the hired capacity utilisation in the year 1997-98 which was 14.22% rose to 16.87% in the 2003-04. The Committee had taken note of percentage utilisation in different regions and States and were shocked to find that in a State like Jammu & Kashmir, the utilization capacity is ‘Nil’. In States like Orissa, Assam, Nagaland, Tripura and Rajasthan, the percentage capacity utilisation was 45%, 40%, 19% and 42% respectively in the year 2003-04, when the norm for capacity utilization is 75%. The Committee had further noted that the capacity utilization in the State Warehousing Corporations (SWC) whose 51% of equity is contributed by CWC is 79% whereas the percentage utilization of CWC is merely 59%. The Committee expressed their deep concern over under-utilization of owned capacity of the godowns. The Committee would like to be apprised of under-utilization of owned capacity and undertaking hiring of godowns and the infructuous expenditure incurred thereon. The Committee, therefore, recommended that efforts should be made by CWC to ensure that break even point for capacity utilisation is reached and the hired capacity, whose percentage utilization is merely 14% to 18%, be de-hired and synergy be effected between CWC and SWC.

Reply of the Government

The Central Warehousing Corporation has issued instructions from time to time for de-hiring of under utilized hired capacity taking into account non-viability, future aspects of the business as well as to make use of own constructed capacity.

The Central Warehousing Corporation has been able to reduce the hired capacity to the tune of 3.67 lakhs MT as may be seen from the data’s mentioned below:-

S.No.	Position as on 31st March	Hired Capacity (Lakh MTs)	Utilisation (Lakh MTs)	% of Utilisaation	Rent paid for the Hired capacity during the year (Crores Rs).
1	2002	15.60	10.79	69	26.42
2	2003	12.96	8.23	64	22.17
3	2004	11.06	6.15	56	21.11
4	2005	11.93	7.93	66	21.05

It will not be out of place to mention here that the CWC has hired the additional capacity of 33645 MT exclusively during the year of 2004-05 in Rajasthan to accommodate the Mustard stock belonging to M/s. NAFED in view of bumper crop of Mustard in Rajasthan. Utilisation of the available hired capacity to the tune of 97082 MT is more than 100%.

As may be seen from the data above, the utilisation of hired capacities have since been to the level of 66% as on 31.3.2005 as compared to the level of 56% as on 31.3.2004. Thus there is an increase in utilisation of hired capacity of the tune of 10%.

Due to de-hiring of sizeable capacity, the CWC has been able to reduce the payment of rental to the tune of Rs. 5.37 Crores as compared to the payment during the year 31.3.2002 and the existing payment as on 31.3.2005.

The CWC has also been able to improve the utilisation level of constructed capacity from the previous year as may be seen from the data mentioned below:-

Sl.No.	Position as on 31st March	Constructed Capacity (Lakh MT)	Constructed capacity utilisation (Lakh MT)	% of Utilisation of Constructed Capacity
1	2002	58.89	48.17	82
2	2003	63.53	41.90	66
3	2004	65.46	39.34	60
4	2005	66.57	43.27	65

From the above data it may be seen that there is an increase in constructed capacity to the tune of 7.68 lakhs MT particularly in view of godowns constructed under 7 years guarantee scheme.

There was a downfall in utilisation level due to drought conditions in the country as well as change of Govt. Policy in respect of Public Distribution Scheme.

However there is an increase to the tune of 5% as compared to the previous year utilisation level as on 31.3.2004, and an increasing trend is seen in the utilisation level.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 1-2/2005-SG Dated 13.6.2005

Recommendation (Serial No. 17 Paragraph 4.31)

The Committee noted that the effective rate charged from all farmers was Rs.2.73 paisa for storage of a bag of 100 kg. per month. This included a rebate of 30% over and above the tariff fixed so far. The Committee had reasons to believe that this subsidized rate was being misused by depositors other than farmers. The Committee, therefore, recommended that CWC should ensure that the subsidized rate was allowed only to farmers and not-others.

Reply of the Government

The CWC with a view to ensure that the subsidized storage rate is allowed only to farmers and not others, insist on the following minimum documents to assess the genuineness

(i) A declaration from the farmer that the produce meant for storage in CWC are the bonafide produce/crops/inputs of own agriculture land.

(ii) Certificate from the farmer duly authenticated by Land Revenue Officials about land holdings.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 1-2/2005-SG Dated 13.6.2005

CHAPTER -IV

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

Recommendation (Serial No. 4 Paragraph 2.95)

The Committee noted that under Hill Transport Subsidy (HTS) Scheme, the Union Government reimburse the full transportation cost of foodgrains up to designated Principal Distribution Centres (PDCs) in predominantly hilly States to enable the State Governments to take foodgrains in the interior areas. Of 11 States/UTs, in which the scheme was in operation, only a few States took the benefit. The claims under HTS were preferred only by 5 States in the year 2003-04 and 3 States in the year 2004-05. The Committee are surprised to note the abnormal rise in Hill Transport Subsidy claims of the State of Arunachal Pradesh from a level of Rs.42 lakhs in the year 2001-02 to Rs.340.60 crores in the year 2003-04 in spite of the fact that the offtake of foodgrains did not show the commensurate rise with the same proportions during this period. The Committee have been further informed that a special Audit Team of FCI has been deputed to make a detailed investigation in the matter, although FCI is not making any direct payment to the party/contractors under the scheme and the reimbursement are made to the State Government based on the certificates provided by the States Authorities. The Committee were of the view that large scale irregularities have been committed in the State of Arunachal Pradesh and other States, where the scheme is in operation in reimbursing claims under HTS.

The Committee were not satisfied with the special audit team constituted by FCI in the matter and therefore, desired that investigation by a higher authority like CBI be conducted in the matter. The Committee also recommended the Government should also probe as to why the neighbouring States of Arunachal Pradesh such as Manipur, Meghalaya and Nagaland are not availing the benefit of the scheme for the last couple of years and desired to be apprised of the action taken by the Government in this regard.

The Committee were further concerned to note that hilly State of Uttaranchal and parts of Nilgiri Areas of Tamilnadu have been excluded from the purview of the scheme. Taking into consideration that the people living in these hilly regions also face the same problems as being witnessed by the other hilly States, the Committee recommended that the benefit of this scheme may also be extended to Uttaranchal and Nilgiri Hills of Tamilnadu.

Reply of the Government

The Government of India have already requested the Central Vigilance Commission (CVC) on 27.5.2005 to conduct an enquiry into the alleged irregularities in the functioning of the Hill Transport Subsidy (HTS) Scheme in Arunachal Pradesh.

As regards implementation of the benefits of the HTS Scheme by Manipur, Meghalaya and Nagaland are concerned, the requisite information is being collected from the FCI. This Ministry has also requested the Government of Uttaranchal to submit a proposal for grant of HTS for the State of Uttaranchal. As regards extending the benefits of this Scheme to Nilgiri Hills of Tamil Nadu, the Government has reconsidered the matte. The HTS Scheme is applicable to predominantly hilly States. As Tamil Nadu does not qualify as a hilly State, no reimbursements under the Scheme are admissible for the Nilgiris.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.NO.2(LS)/1/2005-PY.III 27.6.2005)

Comments of the Committee:

(Please see para No. 1.14 Chapter I of the Report)

Recommendation (Serial No. 5, Paragraph 2.96)

The Committee noted that the subsidy given to APL population has risen by leaps and bounds during the last three years. The Committee concurred with the National Common Minimum Programme (NCMP) of the Government which pledges that the subsidies are to be targeted sharply for the poor and the truly needy. The Committee were of the view that as APL population has enough purchasing power, there was no justification to give them subsidized foodgrains through the Public Distribution System. On the one hand, the Government seems to be reluctant to increase the number of BPL beneficiaries as identified by State Governments, and on the other hand, it spends a large chunk of precious subsidy on those, who do notactually need it. The Committee, therefore strongly recommended that APL population be excluded from the purview of the Public Distribution System with respect to foodgrains. The Committee also recommended that the quantum and percentage of subsidy to BPL beneficiaries, to the total subsidy should also be raised substantially.

Reply of the Government

The suggestion made by the Parliamentary Standing Committee of the Ministry has been examined. Excluding the APL population from the TPDS would adversely affect the population in several major States as well as the North Eastern States, where the APL off-take is sizable.

This Department is in full agreement with the view that the subsidies should be targeted sharply for the poor and the truly needy. In this direction the quantum of subsidy for BPL (including AAY) as well as the percentage out of the total food subsidy has increased significantly from Rs 6203.79 crores in 2001-02 constituting 35.46 % of the total food subsidy, to Rs 16648.28 crores in 2004-05 which represents 64.66 % of total food subsidy. The year-wise figures from 2001-02 to 2004-05 are given below:

(figures in Rs crores)

Year	BPL (including AAY)		Total Subsidy
	Quantum of subsidy	% age of total Subsidy	
2001-02	6203.79	35.46%	17494
2002-03	8921.71	36.90%	24176
2003-04	13111.27	52.11%	25160
2004-05	16648.28	64.66%	25746

Ministry of Consumer Affairs, Food & Public Distribution Department of Food and Public Distribution) F.No. 156(8)/2005-Py-I Dated 13.7.2005)

Comments of the Committee:

(Please see para No.1.17 of Chapter I of the Report)

Recommendation (Serial No. 7 Paragraph 2.98)

The Committee were informed that the Railways supply general purpose wagons for loading of foodgrains, cement, fertilizer and other general goods. They do not earmark specific rakes for loading of foodgrains. The Government had further stated that the foodgrains are loaded in covered wagons by the FCI and Railways generally supply water tight wagons and wagons fit for loading and FCI accepts only dry, clean and water tight wagons from Railways for loading foodgrains. The Committee did not accept this contention of the Government. In this context, the Committee drew the attention of the Government, towards the report submitted by Area Officer of the Department of Food and Public Distribution who visited Nagaland in 2004-05 to review PDS and reported that there was an imperative need to have such wagons which are of desired categories so that there is no scope to tamper with the stocks i.e. these should be without holes in the doors/floor; leak-proof; and free from the dust of coal and cement, fertilizers etc., before these are loaded with the foodgrains/sugar. The Committee had, therefore, reasons to believe that there had been laxity on the part of the Department of Food and Public Distribution, FCI and Railways Authorities in accepting and supplying wagons which were not fit to transport foodgrains. The Committee, therefore, took a strong view of lack of coordination between FCI and Railways Authorities in the matter and desired that under no circumstance wagons which are used for transportation of cement, fertilizer etc. be used for transportation of foodgrains. The Committee recommended that Government should take up the matter with the Ministry of Railways for providing special wagons instead of general purpose ones for the transportation of foodgrains so that the quality of foodgrains remains intact till it reaches its final destination.

Reply of the Government

It is submitted that there has not been any laxity on the part of the FCI / Department of Food & Public Distribution in the acceptance of railway wagons which are not fit for transporting foodgrains. While it may be true that sometimes, due to emergent circumstances / acute shortages etc., when no other alternatives are available, even if some uncleaned wagons/rakes are supplied by the Railways for FCI, it is always ensured that such unclean wagons / rakes are first cleaned up by FCI before loading of the foodgrains. The matter was taken up by this Department with the Ministry of Railways as recommended by the esteemed Committee in its report.

The Railways, whose view point in the matter was sought, have stated that presently, the Indian Railways are transporting foodgrains in 'general service covered wagons', which are also utilized for loading of other bagged commodities like fertilizer, cement, etc. The loading of foodgrains is predominantly done from the main producing/procuring States of the Northern Region to the various consuming States throughout the Country. After getting unloaded, these emptied wagons are to be back-loaded with other available commodities for optimum utilization of the precious transportation resource. Such loading is unavoidable, because efforts of the Indian Railways is to utilize their rolling stock in a most efficient manner, so that loading/movement of all essential commodities like foodgrains, fertilizer, etc. is ensured in a cost effective manner and there is no under- utilization of the precious transportation capacity. If some of the 'general service covered railway rakes' are confined to loading only foodgrains, it will result in the wastage of capacity and will increase the empty run of these rakes which will be counter-productive. All efforts are however being made by the Railways to see that the wagons supplied for loading of foodgrains are in loadable condition. A pilot project has already been initiated by the Ministry of Food / FCI towards the development and utilization of a special type of 'bottom discharge wagons' for bulk handling and transportation of foodgrains.

The Department has not fully accepted the views of the Railways and have requested them to ensure that only clean and loadable wagons/rakes are supplied by them to the FCI for loading of foodgrains at all times. The FCI has also been issued instructions to ensure that only wagons in clean and loadable conditions are accepted by the FCI.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 15-2/2005-Movt.I Dated 7.6.2005)

Comments of the Committee:

(Please see para no. 1.20 of Chapter -I of the Report)

Recommendation (Serial No. 9 Paragraph 2.100)

The Committee expressed their unhappiness over the observation that Vigilance Committees have not been constituted in all the States. Even in a few States where constituted, these are not functioning at all the levels. In Chattisgarh, Manipur and Chandigarh, these Committees exist only at the Fair Price Shops level. The Committee, therefore, recommended that the Union Government should take up the matter with the concerned State Governments. The Committee further desired that all State Governments be informed that Vigilance Committees are to be constituted at all levels as per the Model Citizens' Charter for TPDS. The Committee also recommended that local MLAs and MPs should also be associated with these Committees.

The Committee expressed deep concern over the Government's inaction/inability to improve the functioning of the Area Officers in spite of the assurance given by the Government. The Committee, therefore, recommended that the services of Officers of Subordinate Offices and the officers in the Department at the level of Under Secretary and above be pressed into service to review and monitor the working of PDS in a given State. Taking into consideration, the vast network of FPS running into more than 4.7 lakhs, each officer should visit at least 10% of FPS in a revenue district. They should also visit Stock Agents and FCI Depots. Care should be taken to visit FPS in rural/Tribal Areas, Jhuggi-Jhopri Cluster etc. Further the periodicity of visit should be once in a quarter, instead of six months. The Committee would like to be apprised of the action taken by the Government in this regard.

Reply of the Government

As regards setting up of Vigilance Committees at FPS, Block/Mondal/Taluk/District level, the Model Citizens' Charter on TPDS issued in 1977, stipulates constitution of Vigilance Committees by the States/UTs concerned at Panchayat, Block, District and the State/UT level drawing members from the Government, Social Organizations and the local bodies to periodically review the functioning of the Scheme/Fair Price Shops under the PDS. However, the State/UT have again been requested to re-constitute Vigilance Committees at all levels vide do letter dated 18.7.2005.

Regarding Area Officer Scheme, it may be stated that the present panel of Area Officers was circulated in April, 2005 wherein DS/Director level officers of this Department has been taken. Out of them some of the Officer has visited their respective States/UTs and some have planned to visit the State/UT allotted to him/her. This Department is examining to consider to designate Under Secretaries as Area Office under the Area Officer Scheme on PDS on completion of visits of the present Area Officers. In regard to visit of FPS in rural/Tribal Areas, Juggi-Jhopri Cluster etc by the Area Officer, the same will be advised to them accordingly. The entry of Officers from the Subordinate Offices of this Department is concerned, as most of the Subordinate Offices are located far from the Ministry and also they have the lack of PDS knowledge, so it would not be feasible to designate as Area Officer out of them. As regards visit of at least 10% FPS of revenue district by an officer in one visit considering the numbers involved, it may not be practical.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 9-3/2000-PDII Dated 2.8.2005)

Comments of the Committee:

(Please see para No. 1.23 of Chapter I of the Report)

Recommendation (Serial No. 13 Paragraph 3.65)

Expressing deep concern over the 'proxy labour system' prevalent in Food Corporation of India which is causing a drain on the National Exchequer the Committee <u>inter-alia</u> had recommended the following measures for ending proxy system :-

i) Each and every worker should 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 provisions of Income Tax Act.

iv) Signing of daily work out put slip by each labour at the end of the day and countersigned by the Mondal/Sardar/Shed Incharge.

The Committee were apprised that the past cases of proxy labour were under investigation by CBI. The Committee further took note of the deposition by Secretary (Department of Food & Public Distribution) at its sitting held on 11th August, 2004 wherein he assured the Committee that if the above mentioned steps were taken the problem of proxy labour could be solved to a large extent. However, the FCI authorities did not honour the commitment and assurance given to the Committee for eliminating proxy labour and informed that the above four suggestions had been sent to ZMs and SRMs of FCI and thereafter a decision would be taken by the Board of Directors. In the mean-time, FCI took steps such as entry of labour into godowns and depots only by showing authorized identity cards, payment of wages by cheque, with due consent and cooperation of Labour Unions and seeking cooperation of Banks for opening of bank accounts of labourers.

During the evidence, the representative of FCI had expressed his inability to implement the suggestions of the Committee on the plea that there were a number of practical problems. Such as difficulties in obtaining signatures, as more than two hours would be wasted in the exercise, the labourers were illiterate, the banks were situated at distance and there was opposition from Trade Unions in regard to payment of wages through cheques, mechanical gates could not be installed at all the places where labourers were engaged. The Committee are however not satisfied with such arguments. The Committee took a serious note that the suggestions of the Committee to prevent proxy labour in the FCI, have not been taken up seriously. The Committee were at a loss to understand as to why the Government is finding it diffficult to introduce a simple system of marking of attendance by the labours. The implementation of suggestion does not require any major investment in the form of infrastructure, time or energy. The Committee noted that no where in the world an employers signs the attendance roll on behalf of the employees except in FCI. This was not acceptable to the Committee and they would like to be apprised of the reasons therefore. The Committee were of the view that by not taking any meaningful action to curb proxy labour, FCI was trying to institutionalize the system. The Committee, therefore, recommended that the system of proxy labour must be abolished by regulating the attendance system so that no further drain is caused on the exchequer. It has come to the notice of the Committee that labours at godowns/FSD are not engaged as per the norms laid down for the purpose. The Committee recommended that norms stipulated for the workers in the godowns/depots be strictly adhered to.

Reply of the Government

The ATR on the recommendations of the Parliamentary Standing Committee on this subject is furnished as under:-

	Name of Item	Regions where implemented
I.	Attendance by putting Signature or thumb impression.	Karnataka, Kerala, Tamil Nadu (only in Tuticorin) Rajasthan, Himachal Pradesh.
II.	Mechanical Entry Device	Karnataka (partly)
III.	Payment through cheque	Orissa, Delhi, Haryana, Rajasthan,Dimapur (N&M), Uttranchal, Himachal Pradesh, Karnataka & Tamil Nadu (partly).
IV.	Signing of work slips by Handling Labour, Sardar, Mondal etc.	Kerala, Rajasthan & Gujarat.

The FCI is making sincere efforts to ensure implementation of these recommendations in the remaining Regions.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 11013/2/2005-FC-3 Dated 30.6.2005

Comments of the Committee:

(Please see para no. 1.32 of Chapter I of the Report)

CHAPTER -V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH THE REPLIES OF THEGOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 8 Paragraph 2.99)

The Committee noted with concern that the Public Distribution System was not able to meet the objective for which it was introduced providing subsidized foodgrains to the beneficiaries. Under this system, the Fair Price Shop (FPS owners play a very important role, in fact they are the link between the Government and the beneficiaries. But it had been observed that instead of providing foodgrains to the beneficiaries, they divert the foodgrains to the open market and thus sell the subsidized foodgrains at higher prices. The foodgrains are diverted with the sole purpose of earning profit. The Committee felt that the main reason for this diversion was that the Commission given to FPS owners is very less, hence they are forced to adopt illegal means of increasing their income. The commission given to FPS owners has been fixed by the State Governments and varies across the States. In this context, the Committee desired that in order to make the Fair Price Shops economically viable, there was a need to step up the commission admissible to FPS and the Committee recommended that the commission of FPS owners should be made uniform throughout the country. Further, Fair Price Shops be allowed to market LPG/Kerosene Oil and permitted to be used as STD booths.

Reply of the Government

The commission to the Fair Price Dealers for distribution of foodgrains under TPDS are given by the concerned State Governments. The Central Government has not fixed any commission for the purpose. In the recently held meeting with the members of All India Fair Price Shop Dealers' Federation, one of the demands was for uniform commission for FPS dealer. Since this concern with the State Government, this Department has asked for comments from the State Governments in this regard. A decision in this regard is to be taken with the consent of the State Governments.

For increasing the viability of Fair Price Shops, this Department has already requested the Ministry of Petroleum & Natural Gas and Department of Telecommunication for giving preference to the FPSs in the LPG/Kerosene dealership and STD booth respectively.

Department of Telecommunication has intimated that no separate instructions are felt necessary as the PCOs are allotted liberally to all eligible applicants of 18 years and above age. The PCO policy issued by the Department of Telecommunication has already been sent to the State Governments for taking necessary action.

Response from M/o Petroleum & Natural Gas on allotment of Fair Price Shops as LPG/Kerosene dealers is awaited. The above recommendation of the Standing committee to allow the FPSs to deal in LPG/Kerosene may also be sent to the M/o P&NG for taking necessary action at the earliest.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 9(3)/2004-PD-I 19.5.2005)

Recommendation (Serial No. 18 Paragraph 4.32)

The Committee observed that at present the Warehouse Receipt was not recognized under Negotiable Instrument Act and as such a farmer is deprived of obtaining loan/credit from the Nationalized Banks. However, the Warehouse Receipt is treated as collateral security for grant of loan to farmers by Commercial Banks against the agricultural goods stored in the warehouses. The Committee had been informed that the Government was considering to introduce a legislation on Negotiable Warehouse Receipt system in the country. The Committee desired that the said legislation be expedited, in the interest of the farmers.

Reply of the Government

A draft Warehouse Development and Regulation Bill has been finalized by the Core Group constituted by the Department of food and Public Distribution. A draft Bill has been circulated to concerned Departments/Ministries for obtaining their considered views in the matter. On receipt of the comments from concerned Departments/Ministries, these would be examined and incorporated in the Cabinet Note and after obtaining the approval, the BILL will be placed before the Parliament.

Ministry of Consumer Affairs, Food & Public Distribution (Department of Food and Public Distribution) F.No. 1-2/2005-SG Dated 13.6.2005

NEW DELHI
December , 2005.
Agrahayana , 1927 (Saka)

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

APPENDIX -I

MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFARIS AND PUBLIC DISTRIBUTION HELD ON TUESDAY, THE 20TH DECEMBER, 2005.

The Committee sat from 1600 hrs. to 1645 hrs. in Room No. 115 A, (Chairman's Chamber), Parliament House Annexe, New Delhi

PRESENT

Shri Devendra Prasad Yadav - Chairman

LOK SABHA

2. Shri A.P.Abdullakutty
3. Shri Suresh Angadi
4. Shri Ranen Barman
5. Shri Avinash Rai Khanna
6. Shri Parshuram Majhi
7. Shri Harikewal Prasad
8. Smt. Daggubati Purandeswari

RAJYA SABHA

9. Shri Santosh Bagrodia
10. Shri Vijay Singh Yadav

SECRETARIAT

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

At the outset Hon'ble Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the Draft Report on Action Taken by the Government on recommendations/observations contained in the Sixth Report (14th Lok sabha) of the Standing Committee on Food, Consumer Affairs and Public Distribution on Demands for Grants (2005-06) relating to Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution) and adopted the same with minor amendments.

The Committee authorized the Chairman to finalise the Draft Report in the light of consequential changes and present the same to Parliament on their behalf in the ongoing winter session of Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Introduction of the Report)

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

(i) Total Number of Recommendations 28

(ii) Recommendations/observations which have been accepted by the Government:
Recommendation Nos. 1,2,3,6, 10, 11,12,15,19,20,21,22,23, 24, 25, 26, 27 and 28
Total 18
Percentage 64%

(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies:
Recommendation Nos. 14,16 and 17
Total 03
Percentage 11%

(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:
Recommendation Nos. 4,5,7,9 and 13
Total 5
Percentage 18%

(v) Recommendations/observations in respect of which replies of the Government are still awaited.
Recommendation No. 8 and 18

Total 2
Percentage 7%