

81

**STANDING COMMITTEE ON FINANCE
(2013-14)**

FIFTEENTH LOK SABHA

**MINISTRY OF FINANCE
(Department of Economic Affairs)**

*[Action taken by the Government on the recommendations contained in
Sixth Report of the Standing Committee on Finance on 'Inflation and Price Rise']*

EIGHTY FIRST REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2013/ Agrahayana, 1935 (Saka)

EIGHTY FIRST REPORT

STANDING COMMITTEE ON FINANCE
(2013-2014)

(FIFTEENTH LOK SABHA)

MINISTRY OF FINANCE
(Department of Economic Affairs)

***[Action taken by the Government on the recommendations contained in
Sixth Report of the Standing Committee on Finance on 'Inflation and Price Rise']***

Presented to Lok Sabha on 09 December, 2013

Laid in Rajya Sabha on 09 December, 2013



LOK SABHA SECRETARIAT
NEW DELHI

December, 2013/ Agrahayana, 1935 (Saka)

CONTENTS

| | PAGE |
|--|-------|
| COMPOSITION OF THE COMMITTEE..... | (iii) |
| INTRODUCTION | (iv) |
| CHAPTER I Report | |
| *CHAPTER II Recommendations/observations which have been accepted by the Government | |
| *CHAPTER III Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies | |
| *CHAPTER IV Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee | |
| *CHAPTER V Recommendations/observations in respect of which final reply of the Government is still awaited | |

ANNEXURE

Minutes of the sitting of the Committee held on 29 November, 2013.....

APPENDIX

Analysis of Action Taken by the Government on the recommendations
Contained in the Sixth Report of the Standing Committee on Finance on
'Inflation and Price Rise'.....

* Not appended in the cyclostyled copy

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2013-14)

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Shri Suwendu Adhikari
3. Dr. Baliram
4. Shri Sudip Bandyopadhyay
5. Shri Udayanraje Bhonsle
6. Shri Gurudas Dasgupta
7. Shri Nishikant Dubey
8. Shri Rahul Gandhi
9. Shri Deepender Singh Hooda
10. Shri Chandrakant Khaire
11. Shri Bhartruhari Mahtab
12. Dr. Chinta Mohan
13. Shri Sanjay Brijkishorlal Nirupam
14. Shri Prem Das Rai
15. Shri S.S. Ramasubbu
16. Adv. A. Sampath
17. Shri Thakur Anurag Singh
18. Shri Subodh Kant Sahai*
19. Dr. M. Thambidurai
20. Shri Shivkumar Udasi
21. Shri Dharmendra Yadav

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Rajeev Chandrasekhar
24. Smt. Renuka Chowdhury
25. Shri Piyush Goyal
26. Shri Satish Chandra Misra
27. Dr. Mahendra Prasad
28. Shri Ravi Shankar Prasad
29. Shri P. Rajeeve
30. Shri Praveen Rashtupal
31. Dr. Yogendra P. Trivedi

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Additional Director

* Nominated as Member of the Standing Committee on Finance w.e.f 16th September, 2013

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorised by the Committee, present this Eighty First Report on action taken by Government on the recommendations contained in the Sixth Report of the Committee on 'Inflation and Price Rise'.

2. The Sixth Report was presented to Lok Sabha/laid in Rajya Sabha on 17 December, 2009. Updated replies indicating action taken on all the recommendations contained in the Report were furnished by the Government on 15 February, 2013.

3. The Committee considered and adopted this report at their sitting held on 29 November, 2013.

4. An analysis of action taken by Government on the recommendations contained in the Sixth Report of the Committee is given in the Appendix.

5. For facility of reference, observations/recommendations of the Committee have been printed in thick type in the body of the Report.

New Delhi;
29 November, 2013
08 Agrahayana, 1935 (Saka)

YASHWANT SINHA
Chairman,
Standing Committee on Finance

CHAPTER I

REPORT

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their Sixth Report (Fifteenth Lok Sabha) of the Standing Committee on Finance on the subject 'Inflation and Price Rise', which was presented to Lok Sabha on 17 December, 2009 and simultaneously laid in Rajya Sabha on the same day.

2. The Report contained 16 recommendations. Action taken notes have been received from the Government in respect of all the recommendations contained in the Report. These have been categorised as follows:

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

Recommendation Nos. 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 15 and 16

(Total: 12)
(Chapter II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

Nil

(Total : Nil)
(Chapter III)

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

Recommendation Nos. 1, 2, 5 and 14

(Total: 4)
(Chapter IV)

- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:

Nil

(Total : Nil)
(Chapter V)

3. The Committee desire that the replies of the observations contained in Chapter I be furnished to them expeditiously.

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

A. Trend of Inflation

Recommendation (Serial No 1) Paragraph No: 10.19

5. It was a matter of great concern for the Committee that annual inflation for food items, namely cereals, wheat, rice, sugar, pulses and vegetables etc. had soared to 19.05 percent in the week ended November 28, 2009, the highest in more than a decade. Retail prices of certain items like sugar, pulses and potatoes had steeply increased by 50 to 100 percent within a short period of six months. Prices of other essential food items like milk, egg, onions and even seasonal vegetables also considerably increased in tandem during that period. In that context, when one looked at the historic trend of prices and inflation in general, the Wholesale Price Index (WPI) measured inflation rate hovered around 4 to 6 percent during the years 2004-05 to 2007-08, while in the year 2008-09, it increased upto 8.41 percent. However, the Consumer Price Index (CPI) measured inflation, which almost corresponded to the market situation, showed a constantly increasing trend from 2004-05 to 2008-09 with a marginal decrease in the year 2007-08. In fact, the CPIs for both industrial workers and rural labourers shot up to 9.10 percent and 10.19 percent respectively during the year 2008-09. When we considered the commodity-wise weighted contribution in WPI inflation, the contribution of food items was as high as 135.6 percent during this year as compared to the previous year. Most notable was the steep rise registered in the prices of wheat, pulses and sugar, with sugar showing highest gain in prices. The Committee were alarmed that the prices of primary articles including food items more than doubled during the last one year. Most households in the country would be aware of the situation without the statistical confirmation. The Committee were constrained to point out that the statistical position enunciated above could only reflect one side of the depressing story of steady increase in the prices of essential commodities and food articles over a period of time. The other side, which portrays the reality was the brunt borne by the common man, particularly the impoverished, as they find their real incomes shrinking by the day. What was more alarming about that situation was the impact that rising food prices would eventually have on the prices of manufactured articles, leading to a vicious inflationary spiral in the economy.

The Ministry of Finance (Department of Economic Affairs), which was responsible for formulating price policies and management of inflation at macro level, had obviously failed to intervene timely and squarely address that burning issue with due seriousness. In such a dismal scenario, the Committee could not but urge the Government to overcome its inertia and come to grip with the reality of unabated rise in the prices of essential commodities. The Committee would, therefore, strongly recommend that a comprehensive food pricing and management policy be formulated not only to provide much needed relief to the common man but also as an antidote for the growing economic imbalance in the country.

6. In their action taken reply the Ministry of Finance (Department of Economic Affairs) have submitted as follows:

“Hon’ble Finance Minister in the budget speech 2010-11 has summarized the inflation situation as follows:

“A major concern during the second half of 2009-10 has been the emergence of double digit food inflation. There was a momentum in food prices since the flare-up of global commodity prices preceding the financial crisis in 2008, but it was expected that the agriculture season beginning June 2009 would help in moderating the food inflation. However, the erratic monsoons and drought like conditions in large parts of the country reinforced the supply side bottlenecks in some of the essential commodities. This set in motion inflationary expectations. Since December 2009, there have been indications of these high food prices, together with the gradual hardening of the fuel product prices, getting transmitted to other non-food items as well. The inflation data for January seems to have confirmed this trend.”

“Government is acutely conscious of this situation and has set in motion steps, in consultation with the State Chief Ministers, which should bring down the inflation in the next few months and ensure that there is better management of food security in the country.”

As stated in the budget speech, a Conference of Chief Ministers was organized on 6th February, 2010 at New Delhi to discuss issues relating to prices of essential commodities. The Conference was attended by Hon’ble Prime Minister, Finance Minister, Minister for Consumer Affairs, Food & Public Distribution, members of the Cabinet Committee on Prices besides Chief Ministers/Food Ministers of States and Union Territories. After detailed deliberations, the Conference recommended

constitution of a Standing Core Group of Chief Ministers and concerned Central Ministers to deliberate and recommend measures to:

- (i) increase agricultural production and productivity (including long term policies for sustained agricultural growth) ;
- (ii) reduce the gap between farm gate prices and retail prices;
- (iii) better implementation of and amendment to Essential Commodities Act;
- (iv) ensure better and effective delivery of essential commodities to the vulnerable section of society;
- (v) augmentation of warehousing and storage capacity (including cold chain); and
- (vi) issues relating to inputs viz. seeds/fertilizers etc.

The Government of India has constituted the Core Group on 15th March, 2010. Department of Agriculture and Cooperation has been designated as the nodal Department to service the Core Group. The "Core Group of Central Ministers and State Chief Ministers on Prices of Essential Commodities" in their meeting held on April 4th, 2010 under the Chairmanship of the Prime Minister constituted three Working Groups as follows : (i) Working Group on Agriculture Production (ii) Working Group on Consumer Affairs (iii) Working Group on Food & Public Distribution. Working Group on Agriculture Production presented their report in December 2010. It proposes, inter alia, measures to improve yields, expand winter rice cultivation in Eastern India, electric power availability, water control, improved farming system, new varieties and hybrid seeds, seed replacement rate, fertilizer use, agri-business, private sector investment, marketing, insurance and other related areas. Working Group on Consumer Affairs presented its report in March 2011. It recommends measures, inter alia, to improve competition in Agriculture Produce Markets and Reforms on APMCs, develop single unified agricultural market, reduce market barriers, improve seller information, better extensive services, improve infrastructure, such as irrigation technology and storage, improve spot and futures market, integrate ware housing and cold chain facilities, more agro-processing, extend priority credit and others.

7. The Ministry have further submitted that the Government has taken several measures to check inflation in food items, which include:

1. Reduced import duties to zero-for wheat, onion, pulses, crude palmolein and to 7.5 per cent for refined vegetable & hydrogenated oils.
2. Duty-free import of white/raw sugar was extended up to June 30, 2012; presently the import duty has been kept at 10 per cent.
3. Ban on export of onion was imposed for short period of time whenever required. Exports of Onion were calibrated through the mechanism of Minimum Export Prices (MEP).

4. Suspended Futures trading in rice, urad, tur, guar gum and guar seed.
5. Banned export of edible oils (except coconut oil and forest based oil) and edible oils in blended consumer packs upto 5 kg with a capacity of 20,000 tons per annum and pulses (except Kabuli chana and organic pulses and lentils up to a maximum of 10,000 tonnes per annum).
6. Imposed stock limits from time to time in the case of select essential commodities such as pulses, edible oil, and edible oilseeds and in respect of paddy and rice upto 30.11.2013.

Further, on the recommendation of the Prime Minister, an Inter Ministerial Group (IMG), chaired by the Chief Economic Adviser, Ministry of Finance, was constituted on 2 February 2011, to review the overall inflation situation with particular reference to primary food articles. Based upon deliberations in its meetings, the IMG has recommended two important policy changes that can have multiplier effect and large benefits to manage inflation: reforms in the APMC Acts and foreign direct investment (FDI) in multi-brand retail. The IMG recommended that the APMC Act be revisited and secondly, the IMG recommended that leveraging FDI in multi-brand retail could be one of the means available for addressing issues relating to high rates of food inflation, low prices realized by Indian farmers, developing a 'farm-to-fork' retail supply system, and addressing the investment gaps related to post harvest infrastructure for agricultural produce.

As a result of these measures, the food inflation (weight 24.31 per cent) has declined from a peak of 20.22 per cent recorded in February 2010 to 1.45 per cent in January 2012 before rising further to 10.39 per cent in December 2012”.

8. The Committee in its original report had strongly recommended that a comprehensive food pricing and management policy be formulated by the Government to provide relief to the common man and foster economic growth with price stability in the Country. The Government on its part constituted a core group of Central Ministers and State Chief Ministers on Prices of Essential commodities. The Core Group further constituted three Working Groups on Agriculture Production, Consumer Affairs and Food & Public Distribution. The Working Group on Agricultural Production has suggested measures to improve yields, expand winter rice cultivation in Eastern India, private sector investment, etc. The Working Group on Consumer Affairs has recommended measures to improve Competition in Agriculture Produce Market and reform on APMCs, developing a single

unified agricultural market, improve infrastructure such as irrigation technology and storage, improve Spot and Futures market, integrate warehousing and cold chain facilities, extend priority credit, etc.

9. The Committee are constrained to observe that the measures initiated thus far fall short of a comprehensive food pricing and management policy as recommended by the Committee, even as food inflation as reflected by the CPI continues to be in double-digit, which is further worsened by lingering “inflationary expectation”. The existing system of food management which is run through a mechanism of Minimum Support Price for procurement of food grains and distribution through Public Distribution System (PDS) is beset with corruption and full of leakages. It has therefore failed to provide relief to the common man from the unabated rise in the prices of essential commodities. The Committee would thus reiterate that the Government should formulate a comprehensive food management and pricing policy in coordination with States so that food inflation is effectively checked and price stability becomes a reality.

B. Wholesale and Retail Price Indices

Recommendation (Serial No 2)

Paragraph No: 10.20

10. A significant issue related to the subject under examination was the relevance of indices as a barometer of the retail price situation, particularly that of essential food items. As inflation in the country was measured by the Wholesale Price Index (WPI) with wider coverage but only 15 percent weightage for food, that could not truly reflect the increases in food prices. The Consumer Price Index (CPI) with 46 percent to 69 percent weightage for food was thus a better indicator of food prices. The country thus witnessed a phase recently, when inflation rate was reported negative, even as prices in the market, particularly those of essential food articles including fruits and vegetables, were soaring unchecked. Even the CPIs with a higher weightage of food articles could not faithfully reflect the actual price situation in the retail market. The Committee, therefore, believed that considering the momentum in the food prices, time was

now ripe for a focused index exclusively for essential food items like rice, wheat, cereals, pulses, sugar, edible oils, vegetables etc., which could accurately reflect the prevailing price situation in these commodities. Such a realistic index, which may be termed as 'Food Price Index (FPI)', would also be more useful in the formulation of government policies and in the management of food economy of the country.

11. In their action taken reply the Ministry of Finance (Department of Economic Affairs) have submitted as follows:

“The Department of Industrial Policy and Promotion (DIPP) compiles and releases Wholesale Price Index (WPI) with 2004-05 as the base year. DIPP has been disseminating detailed information on inflation month over month, build up from March and year-on-year basis for all 676 items in the WPI basket with breakdown for three major groups viz. Primary Articles (Weight 20.12%), Fuel & Power (Weight 14.91%) and Manufactured Products (Weight 64.97%). DIPP in their monthly release of WPI data also indicates inflation in food articles in Primary group (weight 14.34%) and food products (weight 9.97%) in the Manufactured Group. The monthly WPI data, being regularly released by DIPP, with a composite food index (weight of 24.31%) captures a wide range of food items.

One of the groups of the CPI (Rural/Urban/Combined) series, which is released by the Central Statistics Office with effect from January 2011, is Food, beverages and tobacco. This group has a weight (percentage share in the total expenditure) of 59.31% in CPI (Rural), 37.15% in CPI (Urban) and 49.71% in CPI (Combined). Group wise indices at State/ UT and also at all India levels are released every month.

Under CPI-IW (released by Labour Bureau), the indices at disaggregated level are already available for six major groups and Food is one of them. The Food index which reflects the movement in prices of food items exclusively is being used in the formulation of government policies and in the management of food economy as desired by the Committee.”

12. While the emphasis of the Committee's recommendation has been on the creation of a focused Food Price Index, which could accurately reflect the prevailing retail price situation in essential food items like rice, wheat, cereals, pulses, sugar, edible oils, vegetables etc., the Government through its action taken notes have merely chosen to inform about the existing price indices and the weight of different food articles/products in these

indices. It is obvious from the action taken note that the Government have chosen to be evasive in regard to the pointed suggestion made by the Committee for formulation of dedicated food index, which would be useful in formulation of government policies and management of food economy of the Country. The Committee would therefore reiterate their earlier recommendation on the need for developing a Food Price Index, which would truly reflect the price movement in the market of essential food articles including fruits and vegetables.

C. Rationalisation of Price Indices

Recommendation (Serial No 5) Paragraph No: 10.23

13. At present, there were multiple agencies involved in the collection, compilation and release of various indices. While the Consumer Price Indices (CPIs) for Industrial Workers, Agricultural Labourers and Rural Labourers were compiled and released by the Labour Bureau in the Ministry of Labour, the fourth index, namely CPI for Urban Non-Manual Employees (CPI-UNME) was compiled and released by the Central Statistical Organisation (CSO) in the Ministry of Statistics and Programme Implementation. The Wholesale Price Index (WPI), on the other hand, was compiled by the office of Economic Adviser in the Ministry of Commerce and Industry. With a view to rationalizing the compilation and release of the various indices, the Committee recommended that the Government should consider entrusting the job of coordinating and releasing of indices to a single nodal agency, preferably the Ministry of Statistics and Programme Implementation, which already had the professional expertise required for this purpose.

14. In their action taken reply the Ministry of Finance (Department of Economic Affairs) have submitted as follows:

“In India the price index data collection has evolved to meet the requirements of specific sections of the population. Historically, Wholesale Price Index (WPI) data is collected, compiled and released by Office of Economic Adviser, Ministry of Commerce & Industry. Consumer Price Indices (CPIs) for Industrial Workers, Agricultural Labourers and Rural Labourers are compiled and released by Labour Bureau, Ministry

of Labour & Employment and CPI for Urban Non-Manual Employees (CPI-UNME) was compiled and released by Central Statistics Office, Ministry of Statistics & Programme Implementation. However, CPI-UNME was discontinued from January 2011. These organizations have developed necessary expertise in their respective fields and requisite systems are in place to ensure the correctness and reliability of price data being collected by these agencies.

However, in the light of the recommendations of the National Statistical Commission to develop all-India consumer price indices for rural and urban areas and at national level, the Ministry of Statistics and Programme Implementation, Central Statistics Office, was tasked to formulate a national Consumer Price Index (CPI), and CPI for urban and CPI for rural areas as a prelude to formulating a national CPI. Ministry of Statistics and Programme Implementation, Central Statistics Office has already introduced a new series of Consumer Price Indices (CPI) on base 2010=100 for all-India and States/UTs separately for rural, urban and combined with effect from January, 2011. CPI (Urban) covers 310 towns while CPI (Rural) covers 1181 villages in the country. The weighting diagrams for the new CPI series have been derived on the basis of average monthly consumer expenditure of an urban/rural household obtained from the NSS 61st round Consumer Expenditure Survey data (2004-05).”

15. The Committee note from the action taken reply of the Government that three different Ministries are engaged in compiling five different types of Price Indices. There are four sectional CPIs and one WPI. The Committee note that the sectional CPIs do not take into account changes in the prices of goods and services consumed by the entire rural/urban population. The Committee feel that there is disconnect between the brunt borne by the common man on account of steady increase in the prices of essential commodities and food articles over a period of time and the price levels indicated by the different price indices as released by multiple agencies of the Government. The Committee would therefore reiterate that the existing multiple price indices should be rationalized and released by a single nodal agency, which has professional expertise required for this purpose, preferably the Ministry of Statistics and Programme Implementation, so that a consolidated and a realistic picture of the economy is reflected.

D. Intervention Policy

Recommendation (Serial No 14)

Paragraph No: 10.32

16. With a view to augmenting availability of essential commodities like rice, wheat, pulses and sugar, the Government had imposed restricted ban on export of these commodities. Furthermore, import duties of many commodities had been either lowered or kept at zero. Public Sector Undertakings were allowed to import pulses against part-reimbursement of losses and service charges upto 31st March, 2010. Import of raw sugar under Open General License (OGL) at zero duty by sugar mills has been extended upto 31 March, 2010. Import of raw sugar has also been opened to private trade upto 31st March, 2010 for being processed by domestic factories on job basis. Public Sector agencies like MMTC, STC and NAFED were allowed to import 1 million tonnes of white sugar duty free under OGL upto 30th November, 2009. Duty free import of white/refined sugar under OGL has also been opened to other Central/State Government agencies as also to private trade. The Committee are, however, astonished to find that the public sector agencies, required to import upto 1 million tonnes of white/refined sugar by 1st August, 2009 under OGL at zero duty, could not fulfill their mandate. Although STC was allowed to import 2.50 lakh tonnes of sugar at zero duty *vide* Customs Notification dated 17th April, 2009, till end-July, 2009, they could import only 28,700 MT of sugar. It was understood that NAFED, another public sector agency could not import any of the mandated quantity of sugar. Even after the period of zero-duty import was extended *vide* Customs Notification dated 31st July, 2009, when the Scheme was opened to private trade, the public sector agencies could carry out imports (till 9 November, 2009) only upto 1,99,000 MT of white/refined sugar, far below the mandated quantity of 1 million MT, which should have been imported by 31st July, 2009. The Committee were dismayed to note that established public sector agencies with much expertise and vast experience in international trade failed to fulfill their mandate with regard to import of sugar, particularly at a time when there was a bottle-neck in domestic sugar supplies and the retail prices had started rising sharply. This inability to import on the part of the public sector agencies was also suggestive of

the abject failure of the Government's market intervention policies to meet demand-supply gaps in essential commodities. The reason adduced by Department of Commerce that parity between international and domestic prices did not give enough incentive to import for the market could only further strengthen the case that the market intervention by government agencies was weak, inappropriate and delayed. During this time, a buffer stock could have been easily built by way of imports to meet rising domestic demand. The Committee, therefore, strongly believed that even if some loss had to be incurred by these agencies, the Government should have undertaken to bear this loss by way of a subsidy, so that the soaring sugar prices in the domestic market could have been promptly checked. Bridging the price gap through subsidization as a possible policy measure was also endorsed by the Secretary, Department of Food & Public Distribution during her deposition before the Committee. However, the Ministry of Consumer Affairs, Food and Public Distribution, which was the nodal Ministry to take this crucial decision and issue necessary instructions to the concerned agencies, clearly failed to do their duty, thereby allowing sugar prices to continue rising. The Committee, while taking a serious view of the culpability of the nodal Ministry and concerned agencies in this matter, recommended an independent enquiry, covering the whole gamut of the issue and the decisions taken or not taken regarding the failure in carrying out import of sugar within the stipulated period. The Committee should be apprised of the findings of the enquiry within a period of one month.

17. In their action taken reply the Ministry of Finance (Department of Economic Affairs) have submitted as follows:

“Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution has submitted that providing subsidy on import of sugar to lower domestic prices may discourage sugar mill/merchant-export/exporter to contract import of sugar. Sugar subsidies are also factored in almost invariably in export price by exporting countries and may neutralize the benefits that may accrue to domestic consumers. Further, Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution is of the view that since the decision of the Central Agencies /National Agricultural Marketing Federation of India Limited (NAFED) not to import sugar was based on their commercial consideration, there is no need to make separate enquiry in the matter.”

18. Noting with serious concern the consequences of the failure of the public sector agencies to import sugar within the stipulated period, the Committee had recommended an independent enquiry covering the whole gamut of issues. The Ministry in their action taken note have simply stated that since the decision of the Central agencies not to import sugar was based on their commercial consideration, “there is no need to make separate enquiry in the matter”. The action taken note has further stated that any subsidization of sugar import by the Central Government would discourage the sugar mills/merchants to contract import of sugar. However, the Ministry seems to have conveniently ignored the fact that the decision not to import sugar by central/public sector agencies at a crucial juncture eventually led to a demand-supply mismatch of sugar in the market. This further accentuated the shortage of sugar in the domestic market, leading to spiraling of price. The Committee thus reiterate their view point that the Government failed to curb inflation and inflationary expectations in the economy on account of lack of appropriate intervention in the market. The Committee would like to point out further that the PSUs also did little on their part to stabilize the price situation in the domestic market even during critical junctures.

19. The Committee would therefore reiterate their recommendation for a through enquiry into this matter so that those responsible for allowing sugar prices to spiral during the period in question and traders to make windfall gains are identified and brought to book. In this context, the Committee would also urge the government to remain alert and foresee possibilities of shortages and supply constraints developing in the market and formulate their response with alacrity so that the consumer does not have to bear the brunt of price-spiral every time.

New Delhi;
29 November, 2013
08 Agrahayana, 1935 (Saka)

YASHWANT SINHA
Chairman,
Standing Committee on Finance.

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2013-14)

The Committee sat on Friday, the 29th November, 2013 from 1100 hrs to 1330 hrs.

PRESENT

Shri Yashwant Sinha – **Chairman**

MEMBERS

LOK SABHA

2. Shri Gurudas Dasgupta
3. Shri Nishikant Dubey
4. Shri Chandrakant Khaire
5. Shri Bhartruhari Mahtab
6. Shri Sanjay Brijkishorlal Nirupam
7. Shri S.S. Ramasubbu
8. Adv. A. Sampath
9. Shri Subodh Kant Sahai
10. Dr. M. Thambidurai
11. Shri Shivkumar Udasi

RAJYA SABHA

12. Smt. Renuka Chowdhury
13. Shri Piyush Goyal
14. Dr. Mahendra Prasad
15. Shri Praveen Rashtrapal

SECRETARIAT

1. Shri A.K. Singh – Joint Secretary
2. Shri Ramkumar Suryanarayanan – Additional Director
3. Shri Sanjay Sethi – Deputy Secretary
4. Shri Kulmohan Singh Arora – Under Secretary

Part I

(1100 hrs. to 1235 hrs.)

WITNESSES

2. XX XX XX XX
- XX XX XX XX

The witnesses then withdrew.

Part II
(1240 hrs. to 1320 hrs.)

WITNESSES

3. XX XX XX XX
 XX XX XX XX

The witnesses then withdrew.

A verbatim record of the proceedings was kept.

Part III
(1320 hrs. to 1330 hrs.)

4. The Committee, thereafter, took up the following draft Reports for consideration and adoption :-

- (i) Draft Report on action taken by the Government on recommendations contained in 79th Report (14th Lok Sabha) on 'Counterfeit Currency Notes in Circulation';
- (ii) Draft Report on action taken by the Government on recommendations contained in 6th Report (15th Lok Sabha) on 'Inflation and Price Rise'; and
- (iii) Draft Report on action taken by the Government on recommendations contained in 71st Report (15th Lok Sabha) on Demands for Grants (2013-14) of the Ministry of Corporate Affairs.

5. The Committee adopted the above draft reports without any modifications. The Committee authorised the Chairman to present these Reports to Parliament.

6. The Committee decided to hold their next sitting on 5th December, 2013 subject to other exigencies.

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SIXTH REPORT OF THE STANDING COMMITTEE ON FINANCE (FIFTEENTH LOK SABHA) ON 'INFLATION AND PRICE RISE'

| | Total | % of Total |
|--|-------|------------|
| (i) Total number of Recommendations | 16 | |
| (ii) Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 15 and 16) | 12 | 75.00 |
| (iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies | NIL | 0.00 |
| (iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 1, 2, 5 and 14) | 04 | 25.00 |
| (v) Recommendation/observation in respect of which final reply of the Government is still awaited | NIL | 0.00 |