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STANDING COMMITTEE ON
FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION

(1993-94)

TENTH LOK SABHA

MINISTRY OF CIVIL SUPPLIES,
CONSUMER AFFAIRS & PUBLIC
DISTRIBUTION

१-१०४

FIRST REPORT



सत्यमेव जयते

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LOK SABHA SECRETARIAT
NEW DELHI

April, 1993/Vaisakha 1915 (Saka)

FIRST REPORT
STANDING COMMITTEE ON
FOOD, CIVIL SUPPLIES AND
PUBLIC DISTRIBUTION
(1993-94)

(TENTH LOK SABHA)

MINISTRY OF CIVIL SUPPLIES, CONSUMER
AFFAIRS & PUBLIC DISTRIBUTION
(PUBLIC DISTRIBUTION SYSTEM)
— DEMANDS FOR GRANTS
(1993-94)

Presented to Lok Sabha on 30th April, 1993
Laid in Rajya Sabha on 30th April, 1993



LOK SABHA SECRETARIAT
NEW DELHI

April, 1993/Vaisakha, 1915 (Saka)

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CONTENTS

PAGE

COMPOSITION OF THE COMMITTEE	
INTRODUCTION	(v)
CHAPTER I PUBLIC DISTRIBUTION SYSTEM (AN OVERVIEW).	1
CHAPTER II DEMAND-WISE OBSERVATIONS.....	4
MINUTES OF THE SITTINGS	
(i) 16th April, 1993	7
(ii) 26th April, 1993.....	8
(iii) 28th April, 1993.....	9
(iv) 29th April, 1993	10

COMPOSITION OF THE STANDING COMMITTEE ON FOOD,
CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (1993-94)

CHAIRMAN

Prof. Ram Kapsc

MEMBERS

Lok Sabha

2. Shri B.M. Mujahid
3. Shri G. Devaraya Naik
4. Shri Naranbhai Jamlabhai Rathva
5. Shri Ram Prakash Chaudhary
6. Shri Avtar Singh Bhadana
7. Dr. (Smt.) Padma
8. Shri A. Jayamohan
9. Shri Anandagajapathi Raju Pooapaty
10. Shri Pawan Diwan
11. Shri Sunil Duft
12. Shri V. Krishna Rao
13. Shri Bijoy Krishna Handique
14. Shri Gopi Nath Gajapathi
15. Shri Naresh Kumar Baliyan
16. Shri Shyam Bihari Mishra
17. Shri D. J. Tandel
18. Shri Ramkrishna Kusmaria
19. Shri Chhotey Lal
20. Shri Pankaj Chaudhari
21. Shri Kabindra Purkayastha
22. Shri Lal Babu Rai
23. Shri Shashi Prakash
24. Shri Ram Awadh
25. Shri Syed Masudal Hossain
26. Shri Ramchandra Marotrao Ghangare
27. Shri Mancranjan Sur
28. Dr. (Smt.) K.S. Soundaram
29. Shri Chhote Singh Yadav
30. Shri Birsingh Mahato

Rajya Sabha

31. Shri Sunder Singh Bhandari
32. Smt. Mira Das
33. Shri B.V. Abdulla Koya
34. Maulana Asad Madni
35. Shri Sudhir Ranjan Majumdar
36. Shri Tara Charan Majumdar
37. Shri Moolchand Mecna
38. Shri Venod Sharma
39. Shri Jagannath Singh
40. Shri Tindivanam G. Venkatraman
41. Shri Ramendra Kumar Yadav 'Ravi'

SECRETARIAT

1. Shri G.L. Batra—*Additional Secretary*
2. Smt. Revathi Bedi—*Deputy Secretary*
3. Shri Haripal Singh—*Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Food, Civil Supplies and Public Distribution having been authorised by the Committee to submit the Report on their behalf, present this First Report on Demands for Grants on Public Distribution System of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution for the year 1993-94.

This Standing Committee like other Standing Parliamentary Committees on various Ministries of the Government of India was constituted on 8 April, 1993. The functions of the Standing Committee as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha are:

1. (a) to consider the Demands for Grants of the concerned Ministries/ Departments and make a report on the same to the House. The report shall not suggest anything of the nature of cut motions;
- (b) to examine such Bills pertaining to the concerned Ministries/ Departments as are referred to the Committee by the Chairman, Rajya Sabha or the Speaker, as the case may be, and make report thereon;
- (c) to consider annual reports of Ministries/Departments and make reports thereon;
- (d) to consider national basic long term policy documents presented to the Houses, if referred to the Committee by the Chairman, Rajya Sabha or the Speaker, as the case may be, and make reports thereon.

2. The Standing Committees shall not consider the matters of day-to-day administration of the concerned Ministries/Departments.

3. Owing to paucity of time, the Committee has confined itself towards examining only the Demands of Grants on Public Distribution System of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution.

4. The Committee wish to express their grateful thanks to the Hon'ble Speaker, Shri Shivraj V. Patil for ushering in a new era in the Parliamentary democracy by introducing the system of Departmentally related Standing Committees and thus making the functioning of the executive more transparent and accountable to Parliament.

5. The Committee took evidence of the representatives of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution on 28th April, 1993. The Committee wish to express their thanks to the Officers of the Ministry of Civil Supplies, Consumer Affairs & Public Distribution for placing before the Committee the material and information which Committee desired in connection with the examination of Demands for Grants of the Ministry for 1993-94 and for giving evidence before the Committee.

6. The Committee considered and adopted the report at their sitting held on 29 April, 1993.

RAM KAPSE,
Chairman,

*Standing Committee on Food,
Civil Supplies and Public Distribution.*

NEW DELHI;
30 April, 1993

10 Vaisakha, 1915 (Saka)

CHAPTER I

PUBLIC DISTRIBUTION SYSTEM (AN OVERVIEW)

Public Distribution System (PDS) is a scheme under which the Government organises the procurement of some basic essential commodities such as wheat, rice, sugar, oil, kerosene etc., and arranges for its distribution through a network of fair price shops at controlled prices.

The Central Government has assumed responsibility for due procurement and supply of six essential commodities viz. wheat, rice, levy sugar, imported edible oil, kerosene and soft coke to the States and Union Territories. These commodities are made available at central issue prices which are determined by the Central Government. The State Governments can add additional items of mass consumption under the PDS in the respective States, depending upon local requirements.

There are four lakh Fair Price Shops operating under the PDS system. Although the system has been in operation for the last so many decades, yet no systematic National Policy has been evolved so far and 18 million tonnes of foodgrains are being supplied through this system, meeting only 12—15% of the total requirements. At present Rs. 3000 crores are being given as subsidy to FCI for purchase and distribution of foodgrains. Asked whether the government would meet the requirement of at least 40—50% of the population, the Ministry has stated that it is not possible to meet this requirement, as more food subsidy would be required. As the country is passing through financial crunch it would not be possible to provide the additional funds.

The funds provided under the PDS system are also not adequate. As against the total outlay of Rs. 13.92 crores asked for by the Ministry of Civil Supplies, the Planning Commission provided Rs. 11 crores.

Another point which has been agitating the minds is the non-existence of the system in hilly, remote, farflung and desert areas of the country. A beginning has been made, however, belated it may be to cater these areas through mobile fair price shops. 659 vans have already been sanctioned for this purpose. 510 vans sanctioned under the earlier system of 25% subsidy and 75% loan and 149 vans have been sanctioned under the revised criteria of 50% subsidy and 50% loan. The net requirement of vans required for the purpose have not been worked out and the present number of vans appear to be inadequate to meet the requirements.

The other important task which the Committee would like to address are the system of monitoring and malpractices prevalent in the PDS system. In

so far as the system of monitoring is concerned apart from periodical meetings of the Ministry with the State Governments officials, which was held only once during the last three months, there is no other apparatus, through which the Central Government can monitor the working of the system. Regarding malpractices and corruption, the picture is not very encouraging, despite the promulgation of Essential Commodities Act and Consumer Protection Act. It has not been possible to check the malpractices and corruption in this system. The Committee in this regard would like to refer to para 5.21 of the Annual Report of the Ministry for the year 1992-93 which reads as follows:—

“The results of enforcement measures taken by States/UTs under the Essential Commodities Act as reported up to 31.12.1992 are as indicated below:—

(i) No. of raids made	122054
(ii) No. of persons arrested	4639
(iii) No. of persons prosecuted	5418
(iv) No. of persons convicted	268
(v) Value of foods confiscated Rs. 1890.82 lakhs”	

It is clear from the Annual Report that existing Act is by and large in favour of traders. One of the reasons is perhaps the public is not aware of their rights under these legislation. There has been no publicity, informing the public of their rights in this regard.

Recommendations

1.7 It is a matter of grave concern to the Committee that even though the PDS has been in operation for last so many decades, yet no systematic national policy has been evolved. The Committee recommend, that a national sound policy on PDS be evolved expeditiously.

1.8 The Committee is unhappy to note the PDS is meeting requirements of only 12.15% of the individual foodgrains requirement as such there is no motivation for the people to draw only a fraction of their requirement. The Committee feels that atleast 25% of the family requirement may be met even though it may involve doling out more money as subsidy.

1.9 The Committee is of the opinion that the money allocated for the PDS system is totally inadequate, and recommend that more funds may be allotted for the purpose.

1.10 The Committee are happy to note that a beginning has been made for reaching the PDS system to people in farflung, remote and hilly areas through mobile vans. It is of the opinion that 659 vans already sanctioned for this purpose are not sufficient. A survey may be undertaken to know the exact requirements of vans and vans provided accordingly. The Committee is of the view that the existing policy needs to be reviewed.

1.11 The Committee regret to note that no system of monitoring has been evolved nor any effective action being taken to prevent corruption and malpractices in the PDS system. The Committee recommend that

these questions may be carefully gone into by the Ministry to evolve a sound and effective monitoring system and for vigorously checking the malpractices and corruption prevalent. The Committee no doubt is aware that these matters are in the jurisdiction of State Governments but at the same time, when the central government is giving funds, they cannot escape the responsibility for the shortcomings. The Committee also feel that the public is not aware of their rights under the Essential Commodities and Consumer Protection Act. The Committee, therefore, recommend that due publicity may be given in this regard, as in the opinion of the Committee if the public is aware of their rights, much of the malpractices in the PDS could be checked. The Ministry should be the sole agency for monitoring of PDS and ensuring publicity of consumers' rights.

1.12 The Vigilance Committee exist in some form or other at different levels. The Committee is of the opinion that whatever Committees were in existence, there is a need to revamp the vigilance. The Committee feels that proper functioning of these Committees would effectively check malpractices. Proper representation should be given to youth and ladies.

1.13 The Committee also recommend that a proper monitoring agency should be evolved for ensuring adequate stock of essential commodities at Fair Price Shops throughout the country.

CHAPTER II
DETAIL DEMANDS FOR GRANTS
MAJOR HEAD '3601'

Sub-Head 3601 F-1(2)(1)—Subsidy for construction of Godowns

2.1 The provision for subsidy in Budget Estimates (1993-94) for the construction of Godowns by Civil Supplies Corporations in North Eastern Region is 2.36 crores under plan expenditure. The budget estimate of 1992-93 was Rs. 46 lakhs, which was increased to 3.96 crores in the revised estimates, an increase of approximately 900%. The subsidy component for the construction of godowns has been increased from 25% to 50%. The pattern of assistance earlier was 25% subsidy and 75% loan. Under the revamped PDS, the scheme has been extended to cover all the areas identified for the revamped PDS.

2.2 The Committee is concerned to note that the funds allotted for the revamped PDS, are inadequate and not commensurate with the magnitude of the task involved and recommend that more funds should be allotted.

MAJOR HEAD '3601'

Sub-Head F-(1)(2)(1)—Subsidy for retail outlets

2.3 Subsidy for retail outlets in remote and tribal areas, a provision for 2.95 crores is made under plan expenditure. The budget estimates of 1992-93 was Rs. 1.43 crores. The Committee finds that it was increased by more than 100% in the revised estimates to Rs. 2.93 crores. This outlay relates to the assistance for purchase of mobile vans to serve as Fair Price Shops. The assistance pattern for the purchase of mobile vans to be operated as FPS outlets was liberalised from 25% subsidy to 50% subsidy in August, 1992. The rate allowed per van was also raised from Rs. 2.5 lakhs to Rs. 4.00 lakhs, considering the rise in cost of vans. The Committee welcomes the suggestion to introduce door step delivery (from godowns to fair price shops) under the revamped PDS. During the year 1992-93 Rs. 5.96 crores were sanctioned to States/UTs for purchase of mobile vans as against budget provisions of Rs. 6 crores. This comprises Rs. 5.84 crores for loan and subsidy for States and Rs. 12 crores for U.T.'s. The Committee have found certain anomalies in the plan scheme 'Financial Scheme for the purpose of vans'. In the year 1990-91, there is a decrease in allocation to Rs. 1.6 crores from Rs. 1.90 crores in the previous year. In 1991-92, while the budget estimates has increased to Rs. 2.4 crores. There has been a significant decrease in the amount sanctioned. The Committee recommends that complete and proper utilisation of the funds sanctioned be done.

MAJOR HEAD '3601'

Sub-Head 3601 F-1(3)—Assistance to Consumer Cooperatives

2.4 Under the scheme assistance to consumer cooperative in urban

areas, the actual expenditure in 1991-92 is Rs. 30 lakhs. The Committee finds that the scheme has been discontinued as no budget provisions have been made in 1992-93 and 1993-94. The Committee finds no justification for the discontinuation of the scheme. The reply furnished by the Ministry explains that the scheme has now been transferred to the State Sector. The reasons for the transfer have not been provided. The Committee is concerned to note the increasing trend of transferring centrally sponsored schemes to the States.

MAJOR HEAD '3456'

Sub-Head 3456 D-3(4)(1)—Voluntary Retirement Scheme

2.5 Under this head a provision of Rs. 14 crores for the voluntary retirement schemes in Public Sector Units specifically Hindustan Vegetable Oil Corporation has been made. The Committee is concerned to note that such a large outlay has been provided under this head. This seems to be a proportionately large outlay compared to the plan expenditure for 1993-94. The Committee finds departure, in this case has been made for the other prevalent schemes. Persons having rendered less than 10 years of service or less than 40 years of age, have also been covered. This has resulted in a larger expenditure. The Committee recommends, that steps to rejuvenate HVOC, should be made, and the allocation for the Voluntary Retirement Scheme, should be in proportion to the other productive plan expenditure.

MAJOR HEAD '3456'

Sub-Head 3456 D.(3)(1)—Scheme relating to Intelligence, Enforcement and Manpower training for Public Distribution System.

2.6 Under this head the outlay for the programme was Rs. 25 lakhs in 1992-93. The plan performance indicated only the expenditure on training that is Rs. 5.4 lakhs. The Budget Estimate for 1993-94 is Rs. 20 lakhs. The Committee finds that no reasons have been given for the underutilisation of the funds asked for in 1992-93. In this context the Committee is concerned to note that a higher outlay of Rs. 20 lakhs has been asked, compared to the actual plan expenditure of the previous years. The Committee recommends that adequate thrust to monitoring, and vigilance be given, so as to streamline the functioning of the public distribution system. A better coordination to make available the essential commodities through PDS outlets is also recommended.

General Observations

2.7 The Committee is of the opinion that for the godown scheme under revamped PDS, when the storage capacity to be created is 3.24 lakh tonnes, the allocation made is too meagre assuming that the fund requirement, for the VIIIth Plan period would be Rs. 32 crores in the proportion of 50% subsidy taking per tonne cost of construction at Rs. 1000. The Committee recommends proper distribution of resources so that adequate storage capacity is created. The current demand for grants have not provided for the requisite thrust for the ongoing schemes in the North East and other parts of the country.

2.8 The Committee have observed that the outlay for schemes for retail outlets in remote and tribal areas does not reflect upon the requirements of the revamped PDS. The current demands have a provision for Rs. 5.90 crores in spite of the fact that more areas are to be covered, in comparison, to the expenditure incurred in 1992-93 which was Rs. 5.96 crores.

2.9 The Committee note that the total requirements under the godowns, vans and intelligence, enforcement and manpower training schemes for 1993-94 are Rs. 6 crores, Rs. 3.5 crores and Rs. 0.20 crores respectively. This is a minimum estimate keeping in view the requirements for the VIIIth Five Year Plan. The Committee finds that the outlay is above the figures of approved outlay (Rs. 1 crore for godowns, Rs. 3 crores for vans) with regard to the two main PDS schemes. In this context the Committee recommends that more resources be allocated to these schemes. Reduction of the Non-Plan expenditure, especially the Secretariat expenses, which have shown tremendous increase, (keeping the years 1988-89 as a base year), could yield more funds for the above plan schemes. The expenses were Rs. 1.10 crores in 1988-89, Rs. 1.89 crores in 1992-93 Rs. 1.96 crores have been provided for 1993-94, in the demands for grants.

NEW DELHI;

30 April, 1993

10 Vaisakha, 1915 (Saka)

RAM KAPSE,

Chairman,

Standing Committee on

Food, Civil Supplies

and Public Distribution.

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES
AND PUBLIC DISTRIBUTION

MINUTES

FIRST SITTING (16.4.1993)

The Committee sat from 14.00 hrs. to 15.00 hrs.

PRESENT

Prof. Ram Kapse—*Chairman*

MEMBERS

Lok Sabha

2. Shri A. Jayamohan
3. Shri Bijoy Krishna Handique
4. Shri Gopi Nath Gajapathi
5. Shri Lal Babu Rai

Rajya Sabha

6. Shrimati Mira Das
7. Shri B. V. Abdulla Koya
8. Shri Tindivanam G. Venkatraman

SECRETARIAT

Shri Haripal Singh—*Under Secretary*

At the outset, the Chairman felicitated the Members on their nomination to the Committee and welcomed them to the First Sitting of the Committee.

The Committee decided that due to paucity of time, it should examine the Demands for Grants relating to the 'Public Distribution System's and present a report thereon to the Parliament. Most of the Members of the Committee expressed their views on the condition of the Public Distribution System in the Country.

The Committee decided to meet on 26th April, 1993, to discuss the Demands for Grants relating to the Public Distribution System, and to take official evidence of the representatives of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution on 28th April, 1993.

The Committee then adjourned.

**STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES
AND PUBLIC DISTRIBUTION**

MINUTES

SECOND SITTING (26.4.1993)

The Committee sat from 15.00 hrs. to 16.00 hrs.

PRESENT

Prof. Ram Kapsc—*Chairman*

MEMBERS

Lok Sabha

2. Shri B. M. Mujahid
3. Shri G. Devaraya Naik
4. Shri Pawan Diwan
5. Shri Gopi Nath Gajapathi
6. Shri Naresh Kumar Baliyan
7. Shri Shyam Bihari Mishra
8. Shri Kabindra Purkayastha
9. Shri Ram Chandra Marotrao Ghangare
10. Shri Manoranjan Sur
11. Dr. (Smt.) K. S. Soundaram

Rajya Sabha

12. Shri Sunder Singh Bhandari
13. Shri B. V. Abdulla Koya
14. Shri Tara Charan Majumdar
15. Shri Moolchand Meena

SECRETARIAT

Shri Haripal Singh—*Under Secretary*

At the outset, the Chairman informed the Members that in the last Sitting of the Committee held on 16th April, 1993, it was decided to present report only on the Demands for Grants of the Public Distribution System. He also stated that the Committee Secretariat had prepared a list of points for official evidence which may be considered. The Committee then took up for official evidence which may be considered. The Committee then took up for consideration, the list of points, and approved the same after making some changes.

The Committee also decided to take evidence of the representatives of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution on 28th April, 1993.

The Committee then adjourned.

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES
AND PUBLIC DISTRIBUTION

MINUTES

THIRD SITTING (28.4.1993)

The Committee sat from 0900 hrs. to 10.45 hrs.

PRESENT

Prof. Ram Kapsc—*Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri Pawan Diwan
4. Shri Bijoy Krishna Handique
5. Shri Naresh Kumar Baliyan
6. Shri Shyam Bihari Mishra
7. Shri Kabindra Purkayastha
8. Shri Lal Babu Rai
9. Shri Syed Masudal Hussain
10. Shri Ram Chandra Marotrao Ghangare
11. Shri Manoranjan Sur
12. Dr. (Smt.) K. S. Soundaram

Rajya Sabha

13. Shri Sunder Singh Bhandari
14. Shri B. V. Abdulla Koya
15. Shri Tara Charan Majumdar

SECRETARIAT

1. Smt. Revathi Bcdi—*Deputy Secretary*
2. Sh. Haripal Singh—*Under Secretary*

REPRESENTATIVES OF THE MINISTRY OF CIVIL SUPPLIES, CONSUMER
AFFAIRS AND PUBLIC DISTRIBUTION

1. Shri N. S. Chaudhary—*Secretary*
2. Shri M. Seetharam—*AS & FA*
3. Shri Rajiv Srivastava—*Joint Secretary*
4. Shri B. N. Bahadur—*Joint Secretary*

The Committee discussed with the representatives of the Ministry of Civil Supplies, Consumer Affairs and Public Distribution, the various points arising out of the List of Points, and their replies by the Ministry.

The Committee decided to meet again on Thursday, the 29th April, 1993, at 9.30 hrs. to consider the adoption of the Draft Report.

The Committee then adjourned.

STANDING COMMITTEE ON FOOD, CIVIL SUPPLIES
AND PUBLIC DISTRIBUTION

MINUTES

FOURTH SITTING (29.4.1993)

The Committee sat from 0900 hrs. to 10.45 hrs.

PRESENT

Prof. Ram Kapsc—*Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Padma
3. Shri Pawan Diwan
4. Shri Bijoy Krishna Handique
5. Shri Naressh Kumar Baliyan
6. Shri Shyam Bihari Mishra
7. Shri D. J. Tandel
8. Shri Syed Masudal Hussain
9. Shri Ram Chandra Marotrao Ghangare
10. Dr. (Smt.) K. S. Soundaram

Rajya Sabha

11. Shri B. V. Abdulla Koya
12. Shri Sudhir Ranjan Majumdar
13. Shri Jagannath Singh
14. Shri Ramendra Kumar Yadav 'Ravi'

SECRETARIAT

1. Smt. Revathi Bedi—*Deputy Secretary*
2. Shri Haripal Singh—*Under Secretary*

The Committee considered and adopted the Draft First Report on the Public Distribution System'—Demands for Grants (1993-94) on Ministry of Civil Supplies, Consumer Affairs and Public Distribution with certain modifications and authorised the Chairman to finalise the Report and present the same to Parliament.

. The Committee decided that the Report may be presented to Lok Sabha on Friday, the 30th April, 1993.

The Committee then adjourned