

**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS
AND PUBLIC DISTRIBUTION (2004-05)**

FOURTEENTH LOK SABHA

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

DEMANDS FOR GRANTS (2004-2005)

SECOND REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

**Presented to Lok Sabha on 25.8.2004
Laid in Rajya Sabha on 25.8.2004**

August, 2004/Sravana, 1926 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS
AND PUBLIC DISTRIBUTION - 2004-2005**

Shri Devendra Prasad Yadav - Chairman **MEMBERS**

LOK SABHA

2. Shri A.P. Abdullakutty
3. Shri Suresh Angadi
4. Shri Ranen Barman
5. Shri Alakesh Dass
6. Shri Tukaram Gadakh
7. Shri Govinda
8. Shri Abdul Mannan Hossain
9. Shri Baliram Kashyap
10. Shri Avinash Rai Khanna
11. Shri Parsuram Majhi
12. Shri Zora Singh Mann
13. Shri K.P. Naidu
14. Shri Hari Kewal Prasad
15. Smt. Daggubati Purandareswari
16. Shri Ajit Kumar Singh
17. Shri Chandrabhan Singh
18. Shri Ramakant Yadav
19. Shri Harish.Nagpal
20. Shri Atma Singh Gill

RAJYA SABHA

21. Shri T.S. Bajwa
22. Shri Palden Tsering Gyamtso
23. Shri Narayan Singh Kesri
24. Shri Lalitbhai Mehta
25. Smt. Bimba Raikar
26. Shri Thanga Tamil Selvan
27. Shri Vikram Verma
28. Shri Vijay Singh Yadav

SECRETARIAT

1. Shri P.D.T. Achary	-	Additional Secretary
2. Dr. (Smt.) Paramjit Kaur Sandhu	-	Joint Secretary
3. Shri R.S. Kambo	-	Deputy Secretary
4. Shri Jagdish Prasad	-	Assistant Director
5. Shri R.K. Bhatnagar	-	Committee Officer

INTRODUCTION

I, the Chairman of the Standing committee on Food, Consumer Affairs and Public Distribution (2004-05), having been authorised by the Committee to submit the Report on their behalf present this Second Report on Demands for Grants (2004-2005) relating to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs).

2. The Committee examined/scrutinized the detailed Demands for Grants (2004-2005) of the Ministry which were laid on the Table of the House on 20 July, 2004.

3. The Committee took evidence of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) on 11th August, 2004.

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

5. The Report was considered and adopted by the Committee at their sitting held on 23rd August, 2004.

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

NEW DELHI;
24, August, 2004
2, Bhadrapada 1926 (saka)

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

CHAPTER-I

INTRODUCTORY

The Department of Consumer Affairs is entrusted with the functions of monitoring of prices and availability of essential commodities, control of futures trading and matters relating to regulation of Weights and Measures, Standardization and Quality Control, Consumer Protection and Integrated Management of prices. In the field of Cooperation, the Ministry is responsible for Consumer Co-operative Schemes only.

1.2 A separate Department of Consumer Affairs was created in the Central Government in the year 1997 to act as the nodal Department to exclusively focus on protecting the rights of consumers and promote standards of goods and services.

1.3 The Department has also the following attached and subordinate offices entrusted with the responsibility of implementation of policies laid down by the Government of India.:-

- (1) Weights and Measures Division;
- (2) Forward Markets Commission; and
- (3) National Test House.

1.4 The Department has administrative responsibility of the following Organisations functioning under the administrative control of the Ministry:-

- (1) Bureau of Indian Standards (BIS);
- (2) National Consumer Disputes Redressal Commission (NCDRC);
- (3) National Co-operative Consumers' Federation (NCCF); and
- (4) Super Bazar, New Delhi.

1.5 The Minister for Consumer Affairs, Food and Public Distribution laid on the Table of the' Lok Sabha, the detailed Demands for Grants (2004-2005) relating to the Department of Consumer Affairs on 20 July, 2004. The detailed Demands for Grants for the Department of Consumer Affairs shows a budgetary provision of Rs. 44.30 crore. This includes Rs. 18.25 crore for plan activities and another Rs. 26.05 crore, for non-plan programme and Scheme.

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

1.7. The Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) have furnished the following statement showing the Budget Estimate (BE), Revised Estimate (RE) and Actual Expenditure (AE) during the financial years 2002-2003, 2003-2004 and Budget Estimate 2004-2005:-

Plan Schemes

Non-plan Schemes

(Rs. in crores)

SL No.	Scheme	2002-2003			2003-2004			2004-2005
		BE	RE	AE	BE	RE	AE	BE
1.	Consumer Protection	3.40	3.10	2.85	3.10	3.10	3.10	3.25
2.	National Test House	3.95	2.50	2.45	3.80	3.80	3.39	5.73
3	Consumer Disputes Redressal Agencies	0.50	0.13	0.02	0.50	0.50	0.00	5.40
4	BIS	0.30	0.30	0.30	0.00	0.00	0.00	0.00
5	Contribution to QCI	0.15	0.15	0.15	0.15	0.15	0.15	0.15
6	Weights and Measures	0.81	0.71	0.72	1.02	1.02	0.87	1.06
7	Regulation of Markets	0.15	0.05	0.06	0.25	0.25	0.21	0.25
8	Information Technology (Office)	0.25	0.25	0.29	0.25	0.25	0.26	0.35
9	Lumpsum provision for scheme in North -Eastern Region	0.64	0.31	0.30	0.60	0.60	0.39	2.06
	Total	10.15	7.50	7.14	9.67	9.67	8.37	18.25

(Rs. in crores)

SL No	Scheme	2002-2003			2003-2004			2004-2005
		BE	RE	AE	BE	RE	AE	BE
1	Secretariat	5.57	6.40	6.33	6.58	7.23	7.10	7.03
2	Forward Markets Commission (FMC)	2.57	1.91	1.82	2.11	1.96	1.67	2.01
3	Weights and Measures	1.33	1.24	1.24	1.42	1.50	1.31	1.45
4	Consumer Protection Unit	0.13	0.13	0.11	0.13	0.13	0.12	0.14
5	National Consumer Dispute Redressal Commission	0.95	1.02	0.99	1.44	1.56	1.34	1.65
6	National Test House	10.80	10.24	9.45	10.95	10.97	9.89	11.17
7	Contribution to International Organization of Legal Metrology	0.13	0.13	0.11	0.13	0.13	0.14	0.14
8	National Agricultural Cooperative Marketing Federation of India	25.00	30.58	30.12	2.00	2.00	1.59	2.00
9	Project under Consumer Welfare Fund	5.00	4.00	3.53	5.00	5.00	4.00	6.50
10	Deducted Fund	-5.00	-4.00	-3.53	-5.00	-5.00	-4.00	-6.50
11	Loans to Super Bazar	6.00	23.68	38.68	0.00	7.50	7.50	0.46
	Total	52.48	75.33	88.85	24.76	32.98	3066	26.05

1.8 During the year 2003-2004 out of plan allocation of Rs. 9.67 crore an amount of Rs. 8.37 crore i.e. 86.5% was utilized by the Ministry. The main reasons for poor utilization of plan funds are (i) disturbance created by local people in Guwahati for construction of Regional Reference Standards Laboratories (RRSL), Guwahati (ii) Non approval of the scheme of construction of building of National Consumer Disputes Redressal Commission (NCDRC), New Delhi by the Planning Commission.

1.9 Regarding disturbance created by local people for construction of RRSL, Guwahati, the Ministry have stated in a written reply that the problem had been sorted out with assistance of local police and construction work has been in progress. This is another episode in the chain of events which cause one delay after another. The project was conceived in 1998-99. First the site was identified, then it was found to be inundated by water. Subsequently, an alternative site was identified. In May 2000, there was High Court stay order. Civil work could only begin during the last part of 2002-2003. Thereafter the locals raised the voice of opposition against movement of trucks. Asked about the steps taken by the Department to get the matter sorted out, the Committee has been informed by the Department in a written reply that the following steps were taken by the Department: -

- (i) A letter was written by the Department to the District Commissioner, Kamrup District to provide police protection.
- (ii) A meeting was convened by the Additional Secretary, Deptt. of Consumer Affairs wherein Chief Engineer, CPWD, Eastern Region was also present.
- (iii) A letter was written by Secretary CA to Chief Secretary, Govt. of Assam to provide all help for the early completion of the project as well as to Secretary, Ministry of Urban Development to expedite the work.

1.10 Finally the matter was resolved amicably with slight change in the design of the building to avoid earth removal. The work re-started in February 2004.

1.11 As regards construction work of NCDRC, New Delhi, the Committee was informed in a written note that the building is to be constructed by the Ministry of Urban Development and Poverty Alleviation (UD&PA). As the Ministry of UD&PA had not got approval of the Scheme from Planning Commission, the construction work could not start. In reply to another question, the Ministry have stated in their post evidence reply that Planning Commission has since given their conditional in-principle approval within the budget available for the construction of the building of the National Commission on 4th August, 2004.

1.12 The Committee find that the Actual Expenditure of Plan Schemes of the Department of Consumer Affairs during the years 2002-03 and 2003-04 was Rs.7.14 and 8.37 crores respectively. As such the utilization of Plan expenditure of the Department of Consumer Affairs which was 95% during the year 2002-03 dropped to 86.5% in the year 2003-04. The under-utilization of funds is stated to be on the grounds of non-approval of construction of building of the National Consumer Disputes Redressal Commission (NCDRC) by the Planning Commission, delay in construction of National Test House at Jaipur and stoppage of work for the construction of Building of Regional Reference Standards Laboratory, Guwahati. In the opinion of the Committee, the reasons cited by the Department point towards the administrative slackness on the part of the Department of Consumer Affairs. The Committee have now been informed that the problems confronting the construction of buildings have been resolved amicably. The Committee further find that the allocation for the year 2004-05 has been stepped up to Rs.18.25 crores. The Committee strongly recommend that concrete and result oriented steps should be taken by the Government to ensure that the higher allocated funds during the financial year 2004-05 are fully utilized. For this, the projects and various activities proposed to be undertaken during the year should be closely monitored at the highest level in each quarter so that there is no slippage in the targets set forth for the purpose.

CHAPTER- II

CONSUMER PROTECTION

Major Head -3456

The Consumer movement is a socio-economic movement which seeks to protect the rights of the consumers in relation to the goods purchased and services availed. Government have accorded high priority to the programme of consumer protection. As a nodal Department, the Department of Consumer Affairs has initiated a number of steps to promote a responsible and responsive consumer movement in the country. Such measures include the use of mass media for promoting consumer awareness and encouraging consumer's involvement through voluntary consumer organizations. The main objectives of the consumer protection programme are:

- (i) To create suitable administrative and legal mechanisms which would be within easy reach of consumers;
- (ii) To involve and motivate various sections of society such as consumer organisations, women and youth to participate in the programme.
- (iii) To assist, encourage and provide financial assistance to voluntary consumer organisations to keep up various consumer protection activities; and
- (iv) To generate awareness among consumers about their rights and responsibility, motivate them to assert their rights and not to compromise on quality and standards of goods and services and seek redressal in consumer courts, wherever required.

2.2 The Budget Estimates (BE), Revised Estimates (RE) and Actual Expenditure incurred during 2002-2003 and 2003-2004 and BE for 2004-2005 are given below:-

(Rs. in crores)				
Year	Plan/Non-plan	BE	RE	Actual Expenditure
2002-2003	Plan	3.40	3.10	2.85
	Non-plan	0.13	0.13	0.11
	Total	3.53	3.23	2.96
2003-2004	Plan	3.10	3.10	3.10
	Non-plan	0.13	0.13	0.12
	Total	3.23	3.23	3.22
2004-2005	Plan	3.25	-	-
	Non-plan	0.14	-	-
	Total	3.39	-	-

2.3 During the 10th Five Year Plan, the Planning Commission has approved Rs. 15.50 crores only for "Consumer Protection ie. Rs. 3.10 core annually. This is found to be too meager. Consequent upon the decision taken in the 50th National Development Council (NDC) meeting held on 21.12.2002, consumer protection was identified by the Planning Commission as thrust area. Department of Consumer Affairs submitted a National Action plan for the same involving an amount of Rs. 312 crore. Details of Action Plan as drawn by the Department is given below:

I. Consumer Protection:

(Rs in crores)

SI.	Item	1 Oth Plan allocation Rs. in crores.	10th Plan allocation proposed. Rs. in crores.
1.	Consumer protection	15.50	200.00
2.	One-time grant for new consumer forums.	—	19.20
3.	One-time-grant for old consumer forums (additional to earlier grant)	—	30.90
4.	One-time-grant for UTs which could not be drawn	—	1.62
5.	Computarisation of consumer forums.	—	27.39
	Total:	15.50	279.11

II. National Consumer Disputes Redressal Commission (NCDRC).

SI.	Item	10th Plan allocation Rs. in crores.	10th Plan allocation proposed. Rs. in crores.
1	Construction of National Commission office accommodation at 1NA Complex.	4.00	11.00

III. Weights & Measures:

SI.	Item	1 Oth Plan allocation Rs. in crores.	10th Plan allocation proposed. Rs. in crores.
1.	Purchase of Weights & Measures standards for Central Govt. laboratories.	7.70	7.70
2.	Purchase of Weights & Measures standards for State Govts. / UT Admns. Laboratories.		14.00
	Total:	7.70	21.70
	Grand Total (I+II+III)	27.20	311.81

2.4 However, the Planning Commission rather desired that Annual Plan for 2004-2005 may be suitably revised as per requirement. Accordingly Annual Plan for Consumer Protection for the year 2004-2005 was revised from Rs. 3.20 crore to Rs. 147.30 crore. details of action plan for the year 2004-2005, as subsequently drawn up by the Departments given as under:-

(Rs. in crores)

SI.	Item	10th Plan allocation	Allocation in Plan 2004-2005	Enhanced allocation for 2004-05
1.	Consumer protection/ consumer Awareness	15.50	3.80	68.19
2.	One-time grant for new consumer forums.			19.20
4.	One-time-grant for UTs which could not be drawn			1.62
3.	One-time-grant for old consumer forums (additional to earlier grant)			30.90
5.	Computarisation of consumer forums.	—		27.39
	Total:	15.50	3.80	147.30

2.5 The Committee was informed in a written note that in the event of non-materialization of request of Consumer Affairs for enhancement of budgetary allocation for Consumer Protection Schemes, the Department will limit its expenditure upto the allocation for the year 2004-2005. Asked whether the Department of Consumer Affairs has taken up the matter with the Planning Commission afresh, the Department have informed in a post evidence reply furnished to the Committee that revision of the Annual Plan for Consumer Protection for the year 2004-2005 to Rs. 147.30 crores did not mean that the proposed enhancement of Rs.312 crores for the 10th plan has been reduced as such. It is possible to get the proposed amount within the remaining period of the 10th Plan. The formal approval for the year 2004-2005 is, however, still awaited. (a)

Consumer Courts and Fora

2.6 The Consumer Protection Act, 1986 is a unique piece of legislation as it provides a three tier quasi judicial consumer disputes redressal machinery at the National, State and District levels. The Act is intended to provide simple, speedy and inexpensive redressal of grievances of consumers.

Non-functional District Fora

2.7 The Department has furnished the following statement showing non-functional District Fora:

Sl. No.	States	No. of District Fora	Functional	Non- functional	As On
1	Andhra Pradesh	25	25	0	31.12.2003
2	A & N Islands	2	1	1	31.12.2002
3	Arunachal Pradesh	13	13	0	31.12.2003
4	Assam	23	23	0	31.12.2003
5	Bihar	37	32	5	30.6.2004
6	Chandigarh	2	2	0	30.6.2004
7	Chhattisgarh	16	16	0	30.6.2004
8	D & N Haveli/Daman & Diu	2	2	0	31.12.2003
9	Delhi	9	9	0	31.12.2003
10	Goa	2	2	0	30.6.2004
11	Gujrat	19	17	2	31.12.2003
12	Haryana	19	19	0	31.12.2003
13	Himachal Pradesh	12	12	0	31.12.2003
14	Jammu & Kashmir	2	2	0	31.12.2003
15	Jharkhand	22	18	4	31.12.2003
16	Karnataka	28	28	0	31.3.2004
17	Kerala	14	13	1	31.12.2003
18	Lakshadweep	1	1	0	31.12.2003
19	Madhya Pradesh	45	38	7	30.6.2004
20	Maharashtra	34	34	0	31.3.2004
21	Manipur	8	8	0	30.6.2000
22	Meghalaya	7	7	0	31.12.2001
23	Mizoram	8	8	0	31.12.2003
24	Nagaland	8	8	0	20.11.2001
25	Orissa	31	31	0	31.3.2004
26	Pondicherry	1	1	0	31.3.2004
27	Punjab	17	17	0	30.6.2004
28	Rajasthan	33	33	0	31.12.2003
29	Sikkim	4	4	0	30.6.2004
30	Tamilnadu	30	30	0	31.12.2003
31	Tripura	3	3	0	31.12.2003
32	Uttar Pradesh	70	37	33	30.6.2004
33	Uttaranchal	13	13	0	31.12.2003
34	West Bengal	20	20	0	31.12.2003
	TOTAL	580	527	53	

2.8 The Committee have noted that last year a total 36 District Fora remained non-functional. This has increased to 53 this year. Clarifying the position the Ministry have stated in a written reply furnished to the Committee :-

"The main reason for non-functioning of District Fora is the delay in filling the vacant posts of the consumer forums. With a view to ensure that the forums functions even in the absence of the president, two provisions have been made in the recent amendment to the Consumer Protection Act. , viz., (i) provision for senior most Member to preside over the Consumer Forums in the absence of President for any reason and (ii) sitting Judge of the High Court to preside over the Selection Committee for selection of President and Members of State Commission and the District Fora, when State Commission President is absent or unable to act as President of Selection Committee for any reason. States have been requested to take timely advanced action to fill the vacant posts and also to maintain a ready panel for immediate appointments. However, this time a new type of problem has been reported by the Govt. of U.P. where alone 33 fora are reported to be non-functional. They have informed that the names of suitable persons against vacancies in the posts of 30 Presidents, 33 male Members and 40 lady Members caused till 31.03.2004, were recommended by the Selection Committee's unanimous resolution dated 10.01.2004 to the State Government. The State Government by its order dated 01.03.2004 has not accepted the recommendations of the Selection Committee. The Committee immediately expressed its reservation about the aforesaid decision and requested the State Government to issue notification for appointing the recommended persons. These kinds of controversies have also been noticed in the case of Punjab and Haryana".

Presence of Legal Practitioners in Consumer Courts

2.9 The practice of engaging lawyers in Consumer Courts has set controversy over a period of time. It has been stated that the attendant characteristics like adjournment and delay go against the intention of Consumer Protection Act. When asked whether it is possible to ban the practice of engaging lawyers in Consumer Courts, the Ministry have stated in a written note furnished to the Committee that the Consumer Protection (Amendment) Bill, 2001 which was originally introduced in the Rajya Sabha in April, 2001 contained a proposal to restrict the appearance of lawyers. Subsequently this was withdrawn in 2002 since the legal fraternity represented strongly against the proposed amendment and it was apprehended that going ahead with such a proposal may provoke agitation amongst the lawyers.

2.10 The Committee inquired about the possibility of establishing a code of conduct to be followed by the members of the consumer courts which will ensure that presence of lawyers in consumer courts don't necessarily disturb the real intention of the Consumer Protection Act, the Ministry have informed in a written note furnished to the Committee:

"Any person duly authorized by either party can represent their interests. Hence, if a lawyer appears as an authorized agent of either party, it cannot be banned. The National Commission will be requested to consider possible safeguards through their regulations or otherwise. It may be added here that the general criticism attached with lawyers to delay the cases in seeking frequent adjournment has already been taken care of by the provisions of section 13(3A) in the recent Amendment Act."

2.11 Section 13 (3A) of the Act stipulates that cases in consumer courts should be disposed of as far as possible within 90 days from the date of receipt of notice by the opposite party and, if laboratory test is needed, within 150 days. It may be mentioned here that in their final reply to the 22nd report of the Committee (13th Lok Sabha), the Ministry have informed that the percentage of cases disposed of within stipulated time is 6.8 in State Commissions and 2.1 in District Fora. Asked to comment on such a slow rate of disposal of cases, the Ministry have stated in their post evidence reply furnished to the Committee that the Central Government and National Commission are stepping up their efforts to set up more benches and additional District Fora wherever required and that the position is expected to improve.

Introduction of Court Fee

2.12 The newly amended Consumer Protection (Amendment) Act, 2002 has come into force w.e.f. 15.3.2004. In accordance with the provisions of the Act, consumers are required to pay court fee for filing complaints in the District Fora

2.13 The Ministry justified the introduction of court fee by saying that this will discourage frivolous, vexatious and inflated complaints at the time of filing stage itself. This has been done so that the valuable time of the consumer forums is not lost in processing/ adjudicating such complaints. Asked whether it would be possible to make special arrangements regarding fees to take care of cases involving lesser amounts, the Ministry have stated in a written reply that they will request National Commission to consider the issue.

(b) Publicity Measures.

2.14 The BE and R^and AE (2003-2004) and BE(2004-2005) are as under:

	BE (2003-2004)	RE (2003-2004)	AE (2003-2004)	BE (2004-2005)
Plan	2.77	2.77	2.79	2.77
Non-plan	—	—	—	
Total	2.77	2.77	2.79	

2.15 It may be seen from the above that allocation for 2004-2005 is less than what the Department actually utilized in 2003-2004.

2.16 The Ministry have informed the Committee that for generation of awareness about rights of consumer they have taken the following measures :-

- (i) Organisation of conventions, seminars, workshops, camps and publicity campaigns etc in urban and rural areas, through State governments involving all concerned including the voluntary consumer organisations
- (ii) Use of print media such as newspapers etc:
- (iii) Use of DAVP, Directorate of Publicity, electronic media Doordarshan, All India Radio, use of satellite channels private radio broadcasters
- (iv) Printing of literature, posters, pamphlets, folders etc in all regional languages and their distribution at free of cost.
- (v) Preparation and telecasting and broadcasting audio video programmes on consumer awareness.
- (vi) Publication of magazine, (vii) Organisation of essay, poster and slogan competition through state/UTs. (viii) Participation in exhibitions, book fairs
- (vii) Observance National consumer day and World Consumer Rights Day
- (viii) Imparting training to Members of Consumer courts.
- (xi) Organising meeting of Central Consumer Protection Councils /Presidents of National/State Commission to deliberate on various consumer related issues.
- (xii) Giving awards to consumer organisations/youth and women etc
- (xiii) Initiating Consumer Clubs in Schools/colleges.

2.17 Regarding the manner in which awareness of consumers' right is brought to the rural masses, the Ministry in a written reply furnished to the Committee, have stated that in order to reach out to the Consumers in rural areas, they resorted mainly to electronic media like radio and television .Besides, the Department has proposed to distribute printed literature through Anganwadi workers. The Department is also actively considering the introduction of Video on Wheels in rural areas to reach out to rural population in an effective manner.

2.18 Asked whether the Department of Consumer Affairs has plans to educate consumers on the procedure of getting Justice from Consumer Courts, the Department have informed in their post evidence reply furnished to the Committee that a request has already been made to the State / UTs, National Commission and State Commission / District Fora to educate Consumers by displaying guidelines / procedure of getting justice from consumer courts in bold letters in both English and regional language at various prominent places outside as well as inside the premises.

(c) Consumer Welfare Fund (CWF).

2.19 Apart from the publicity measures directly undertaken by the Department of Consumer Affairs awareness about consumers' rights is spread through Non-Government Organizations (NGOs) Voluntary Consumer Organization (VCOs). This is done by releasing funds from the Consumer Welfare Fund (CWF) to the eligible NGOs/COs for promoting and protecting the welfare of consumers, generating consumer awareness and strengthening the consumer movement in the country particularly in rural areas. CWF is a non- plan scheme being operated by the Department of Consumer Affairs. The money which is not refunded to manufacturers is credited to the fund. So far, a sum of Rs. 76 crore has been credited to the fund. The Standing Finance Committee constituted under the CWF Rules has cleared 780 proposals till 31st March, 2004 involving a financial assistance of Rs. 12.65 crores.

2.20 The Budget Estimate⁵(BE), Revised Estimate⁶(RE) and Actual Expenditure during 2001-2002, 2002-2003, 2003-2004 and Budget Estimage for 2004-2004 are as under:-

(Rs. in crore)

Year	BE	RE	Actual Expenditure
2001-2002	5.00	3.70	1.04
2002-2003	5.00	4.00	3.53
2003-2004	5.00	5.00	4.19
2004-2005	6.50	-	-

2.21 In accordance with the decision taken in the 50th National Development Council meeting held on 21.12.2002, the Consumer Protection has been identified as a thrust area and the Department of Consumer Affairs assigned a role to evolve a "National Action Plan For Consumer Awareness And Redressal and Enforcement of Consumer Protection Act 1986". In pursuance to this direction, the Department of Consumer Affairs prepared a National Action Plan and sought Rs.279.11 crore for consumer protection i.e., Rs. 200 crores for publicity programme Rs.79.11 crores to strengthen Consumer Forums in the States including computer network, Rs.11 crores for construction of building for National Commission and another Rs.21.71 crores for strengthening the State Laboratories of the Weight and Measures during the Tenth Plan period and also revised Annual Plan 2004-05 to Rs.158.30 crores for initiating/formulating the meaningful and workable schemes for generating consumer awareness and strengthening the Consumer Protection Activities nationwide. The Committee are constraint to note that a meager budget of Rs.3.10 crore has been provided per annum in the Tenth Plan for consumer protection which is not only inadequate to undertake any meaningful and sustained programme at National level but also frustrates the National Action Plan programme undertaken for the purpose. The Committee are of the view that unless higher and adequate budgetary support is provided to the Department of Consumer Affairs by the Planning Commission, the consumer movement in the country would remain a distant dream and the consumers would continue to be exploited as before with no one to fall upon. The Committee, therefore, recommend that Planning Commission should reconsider their decision of reducing the budgetary allocation for the Tenth Plan and step up the allocation in accordance with the wishes of this Standing Committee.

2.22 The Committee find that the Consumer Protection Act, 1986 was enacted to provide inexpensive and quicker redressal of consumers' complaints. As per the provision of the Act, the cases would be required to be decided within a period of 90 to 150 days. Sadly, the freedom given to Legal Practitioners to appear in Consumer Courts have contributed considerable delays in deciding the cases. At times, the Legal Practitioners replicate the nitty-gritty of the Courts leading to delays. The Committee have been informed that with the recent amendment carried out in the Act, underwhich time limit has been prescribed for various stages in the disposal of the complaints, restriction on adjournments that may be granted, coupled with awarding of cost, would them lead to speedier disposal of complaints.

2.23 The Committee are also of the view that introduction of small Court fee goes against the spirit of inexpensive justice to the consumer. In this connection, the Committee recommend that Court fee should not be charged for cases having a pecuniary limit of Rs. 1 to 20,000. All cases above this pecuniary limit be subjected to court fee as contemplated in the 2002 amendment carried out in the Consumer Protection Act, 1986.

2.24 The Committee are concerned to note the ever increasing number of non-functional District Fora. Last year, the number of District Fora which were 36, have swelled to 53 this year. The Committee find that cases in a consumer redressal agency set up at National/State//District levels are to be disposed of within a period of 90 days and 150 days, where laboratory test is to be undertaken. However, the cases have not been decided within the stipulated time period,

as many of the Consumer Fora remained non-functional. It has been brought to the notice of the Committee that the main reasons for non-functional Fora, is the delay in filling up the vacant post*. With a view to streamlining the system, so that the Fora function even in the absence of the President, two important provisions have been incorporated in the recent amendment made to the Consumer Act 1986. i.e.: (i) Provision for senior most members to preside over the Consumer Forum in the absence of President for any reason; and (ii) Sitting Judge of the High Court to preside over the Selection Committee for selection of President and Members of the State Commission and District Fora, when State Commission President is absent for any reason. The Committee hope and trust that the recent amendments, would go a long way, in clearing the Consumer Court cases.

2.25

It has been brought to the notice of the Committee that out of 53 non-Functional Consumer Fora, 33 were in the State of Uttar Pradesh. The unanimous recommendation of the State Selection Committee, forwarding the names of suitable persons against vacancies, were turned down by the State Government. The State Selection Committee expressed their reservations and requested State Government to issue notification for appointing recommended persons. The Committee find that such unhealthy trends have also been noticed in the case of Punjab & Haryana where the State Governments have turned down the recommendations made by the State's Selection Committee. The Committee take a serious note of such incidents and recommend that in the interest of Consumer Protection, the States should honour the recommendations made by the Selection Committee for appointment of Presidents and other Members of the

Forums, the Committee hope and trust that Department of Consumer Affairs will bring to the notice of State Governments the views expressed by the Committee in this regard. The Committee also desire that Department Of Consumer Affairs should monitor the vacancy position in various Consumer Fora in the various States/UTs closely and impress upon the States/UTs to fill the same at the earliest.

2.26

The Committee find that the publicity campaign launched by the Department of Consumer Affairs has not yielded the desired results, especially in the rural and other inaccessible areas, where exploitation of consumers is on the higher side. Although, a budget provision of Rs.2.77 crores has been proposed in the year 2004-05, this seems to be inadequate, considering the difficult task which the Department has to undertake. Further, educating more than 100 crore people on various subjects of consumer interest which are being dealt with under different Ministries/Departments is no doubt a gigantic task and the same cannot be undertaken as a sustained national programme, unless Planning Commission approves a substantial Budget. Even the Department of Consumer Affairs have proposed an allocation of Rs.200 crores during Tenth Plan for generating and strengthening consumer awareness in the country. The Committee have taken note of various steps taken by the Department to generate awareness about rights of consumers. The Committee are of the view that such rights cannot be fructified unless adequate budgetary support is provided to the Department. The Committee further recommend that the budgetary allocation for publicity measure should be enhanced considerably for protecting the rights of consumers.

CHAPTER – III

CONSUMER COOPERATIVES

The Consumer Cooperatives are playing an important role in providing essential and other commodities to the public at reasonable prices. As a National policy, consumer cooperatives have been developed as self-reliant grass-root democratic institutions owned, managed and controlled by their members for the protection of interests of consumers. The presence of consumer cooperatives help in strengthening the distributive network of essential commodities, stabilising the price line, protecting against artificial scarcity of goods by private traders, overcharging of prices, supply of substandard goods, etc. Consumer Cooperatives have received a good deal of support from the Govt. as they help check malpractices in times of crises arising from shortages by making goods available and thereby checking undue rise in their prices.

(i) The Cooperative Store Ltd. (Super Bazar, New Delhi)

3.2 The Cooperative Store, New Delhi, popularly known as "Super Bazar" was registered in 1966 under the Bombay Cooperative Societies Act, 1925 (as that Act was applicable in Delhi in the absence of Delhi Cooperative Societies) as extended to Union Territory of Delhi (under Registration No. 284 (s) dated 25.6.66). Its primary objective was wholesale and retail distribution and sale of consumer goods and essential commodities within the entire Union Territory of Delhi. During January 1996, it has been registered under Multi State Cooperative Societies Act, 1985.

3.3 The BE, RE and Actual Expenditure on loans to Super Bazar (Non-plan Scheme) during 2002-2003, 2003-2004 and BE for 2004-05 is as under:-

Year	Budget Estimate	Revised Estimate	Actual Expenditure	(Rs. in crore)
2002-2003	6.00	23.68	38.68	
2003-2004	00	7.50	7.50	
2004-2005	0.46	-	-	

3.4 Additional funds of Rs. 15.00 crore were allocated in third Supplementary Grant for payment of loan to Super Bazar for payment of retrenchment Compensation to the employees of the Super Bazar following winding up of the Super Bazar in compliance with the decision of Union Cabinet.

3.5 Asked whether Rs. 46 lakhs allocated for 2004-05 is sufficient to clear all the liabilities of Super Bazar, the Department of Consumer Affairs in a note furnished to the Committee said that an amount of Rs. 46 lakhs has been sought for making the payment of outstanding dues of Agro Cooperative Marketing Ltd. due to a decree passed by the Central Registrar of Cooperative Societies in their favour. The main liability of the Government pertain to the payment of terminal benefits to the outgoing employees in accordance with the Cabinet decision.

3.6 The Committee have been further informed that after deduction of asset value of Rs. 75 lakhs, the liabilities of Super Bazar as on date are as under-

1.	Suppliers dues	:	Rs. 26.32 crores
2.	Government loan before liquidation	:	Rs. 32.36 crores
3.	Government loan after liquidation	:	Rs. 29.68 crores
4.	Loan required for retrenchment of employees:	Rs. 21.70 crores	
5.	Misc. liabilities(Electricity, water charges, maintenance etc.)	:	Rs. 03.50 crores
		:	Rs. 113.56 crores

3.7 Asked about the manner the Government propose to clear the liability of Rs. 113.56 crores of the Super Bazar, the Department stated that as per the provisions of MSCS Act 1984, the whole of the assets of society, in respect of which an order for winding up has been made, shall vest in the Liquidator and the Liquidator shall have power to realize such assets by sale or otherwise to pay claims against the Multi-State Cooperative Society according to their respective priorities, if any, in full or ratably as the assets of the society may permit and the surplus, if any, remaining after payment of the claims being applied in payment of the interest. The Government have no obligation to pay the dues of suppliers and others. The

miscellaneous liabilities will be retired from the asset value of Super Bazar subject to provision of the Act. The amount of Rs.29.68 crores was released to Super Bazar for making payment of arrears of the salary upto 15th May, 2003 and the terminal benefits of all outgoing employees of Super Bazar in accordance with the Cabinet decision dated 16-10-2001.

3.8 As per the audited accounts of Super Bazar the performance of the Store, during the last five years was as under:

	<i>Rs. In lakhs</i>				
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>	<i>2000-01</i>	<i>2001-02</i>
1. Sales	12680.31	12527.27	8161.35	3663.5	2084.50
2. Gross Profit	1066.80	1094.60	740.13	338.6	152.63
3. Other income	264.02	253.15	213.92	191.39	122.11
4. Net Profit(+)Loss(-)	(-) 321.32	(-) 706.79	1372.52	(-) 1571.94	(-) 1720.65
5. Acct. Profit(+)Loss(-)	(-) 206.98	(-) 934.89	2299.92	(-) 3871.85	(-) 5592.50

3.9 From 1971-72 till 1995-96 Super Bazar continued to make profits. It had started incurring losses from 1996-97 and in the subsequent years losses continued to mount up with reducing turnover. The accumulated loss reached the level of Rs. 56 crore as on 31.3.2002. Central RCS initiated suo-moto inquiry on Super Bazar and recorded various irregularities committed by different functionaries of the Super Bazar and suggested, inter-alia, revival of the Super Bazar. But the Ministry of Finance did not agree to provide further assistance for the development of Super Bazar, Delhi. After examining, at length, all the possibilities for its revival and return to profitability, the Board of Directors concluded that there was no possibility of running the Super Bazar without substantial assistance from the government and the proposal for winding up of Super Bazar was left as the only course of action.

3.10 The Ministry have informed that the Central Registrar of Cooperative Societies (CRCS) was approached by the Department of Consumer Affairs and after following due procedures, issued order for winding up of Super Bazar on 5.7.2002 under sub-section (2) of Section 77 of Multi State Cooperative Societies Act (MSCS Act), 1984 and appointed ¹Official Liquidator (OL) to complete the proceedings. The Liquidator assumed his office on 25th July, 2002 and issued orders for retrenchment of the employees which was challenged in the Delhi High Court and after a period of three years of the hearing, the judgment was

Bazar Employees. 3.11 The number of cases pending in different courts are as under:-

1.	High Court of Delhi	:	33
2.	District Courts and other statutory authorities	:	39
3.	Labour Courts	:	27

3.12 The break-up of the above cases are given below:-

SI No.	Name of the Courts	Total No. of Cases	Service matters employees	Suppliers cases	Other issues
1	Delhi High Court	33	31	2	Nil
2	Labour Court	27	27	Nil	Nil
3	District Courts And other statutory authorities	39	4	20	15

3.13 When asked about the efforts made by the Government for quick disposal of court cases, the Committee was informed that under the provision 117 of MSCS Act 2002, there are some constraints / bar of jurisdiction of courts saying that while a multi-State cooperative society is being wound up, no suit or other legal proceedings relating to the business of such society shall be proceeded with or instituted against the liquidator or against the society or any member thereof, except by leave of the Central Registrar and subject to such terms and conditions as he may impose. Accordingly an application was filed in all these pending suits and writ petitions. In some cases, the Court has recognized and accepted the request of Super Bazar while in other cases, it is still under consideration.

3.14 When asked about the present position the Committee was informed that as reported by the official Liquidator Super Bazar as on date 33 cases are pending in Delhi High Court out of which 2 cases are filed by the suppliers M/s Ismail Begh Vs Super Bazar and M/s Md. Imran Vs Super Bazar. These two Civil suits were filed by two suppliers before liquidation since the Super Bazar could not release their dues against the supply of steel trunks during Assembly Elections of 1993. In fact, the Super Bazar received a part payment from the Government of NCT of Delhi which was subsequently released to these two suppliers. Further, an amount of Rs.35 lakhs, is to be paid after receiving the

funds from Government of NCT of Delhi. The court cases filed by these two suppliers are to be listed for final hearing on 6th September, 2004. The remaining

31 cases filed by the employees of Super Bazar in Delhi High Court pertain to service matters such as promotion / claim of gratuity / overtime etc. pending prior to the winding-up of Super Bazar.

3.15 Out of 39 cases in District Court and other statutory authorities 20 cases are filed by suppliers for recovery of their dues and the 19 cases are old cases filed by the employees.

3.16 The Department in post evidence reply has informed the Committee that as and when the questions are listed before the courts, the application under Section 117 of MSCS Act, 2002 has been filed which prohibits the legal proceedings against the Societies running under liquidation.

P.F. and Pension Forms

3.17 Adding further, the Ministry have informed that out of total employees, only 700 employees of the Super Bazar opted for Voluntary Separation Scheme (VSS) out of which 695 employees have been paid their terminal benefits. Their Provident Fund and Pension Forms has been provided to the Provident Fund Organization and it has been ascertained from the employees Provident Fund Organization that most of the employees have withdrawn their Provident Fund contribution as per the norms Provident Funds Organisation. As on date 102 employees are still on the payroll of Super Bazar. The Department of Consumer Affairs have informed in a written reply that the services of these employees are utilized for liquidation of the completion proceedings.

3.18 The Committee find that the liability of Super Bazar after deducting the value of assets as on date is 113.56 crore, of which certain dues are of suppliers, Government loan before liquidation and after liquidation and loan required for retrenchment of employees. The Committee further find that 700 employees of Super Bazar have opted for Voluntary Separation Schemes and another 102 employees are still on the payroll of Super Bazar whose services are being utilised for liquidation of the completion proceedings. The Committee desire that Government should impress upon the official liquidator to complete the proceedings at the earliest so that the pending liabilities of Super Bazar could be liquidated. The Committee also desire that the remaining 102 employees of Super Bazar should be either persuaded to opt for Voluntary Retirement Scheme or gainfully employed after giving them some training in some other Department of the Government.

CHAPTER -IV **BUREAU OF INDIAN STANDARD (BIS)**

The Bureau of Indian Standards, the National Standards Body of India became functional as a statutory body under the Bureau of Indian Standards Act, 1986 with effect from 1 April, 1987 taking over staff, assets and liabilities of Indian Standards Institution established in 1947. The Bureau is successfully promoting and nurturing the standardization movement in the country. During 2003-2004, BIS has made all-round progress in its key activities relating to standardization and certification (Product and Management Systems Certification).

4.2 BIS has been operating product certification scheme for more than four decades. During 2003-2004, 2681 new licenses covering 50 new products were granted bringing the number of operative licenses to 17798.

Indian Standards for bottled water

4.3 There are two Indian Standards for bottled water, i.e., IS 14543 for packaged drinking water and IS 13428 for packaged natural mineral water. These standards were brought under compulsory certification of BIS in March 2001.

4.4 The Committee have been informed that Ms Satwant Reddy Committee recommended that test methods should be specified for bottled water standards on pesticides residues. Accordingly test methods for pesticides residues have been specified in the Indian Standards IS 14543 " Packaged drinking water" Asked whether the newly specified test method has been implemented in the laboratories owned and recognized by BIS, the Department in a post evidence reply have stated:

" The newly specified test methods as per amendment No.6 to IS 14543:1998 for detection of Pesticide residues as per the new limits in Packaged drinking water is effective from 1 January 2004. BIS Central Laboratory is fully equipped to carry out the new test methods specified in the standard for packaged drinking water (except for one pesticide residue). The BIS Laboratory at Western Region, Mumbai is also equipped for testing of most of the pesticide residues (25 Nos). BIS has recognised eight outside laboratories out of which five are fully equipped to test detection of pesticides residues in Packaged drinking water as per the newly specified test method and the remaining three labs are also equipped for testing of Pesticides residues (except for two pesticides)".

4.5 As regards test method for Indian Standard IS13428 packaged natural

mineral water, the Ministry stated in the post evidence reply that recommendation has been given to the Ministry of Health and Family Welfare and that notification from them in this regard is awaited.

Enforcement Activity

4.6 In its endeavour to sustain the popularity of its Standard mark, BIS has strengthened enforcement activities. The following steps have been taken to strengthen the enforcement activities:

- i) An enforcement officer in each region and a Nodal Officer (Enforcement) in each BO has been appointed for dealing with enforcement cases.
- ii) A new proactive approach has been adopted with stress on detection of cases for misuse of Standard Mark and targets assigned to each region. Enforcement activity has been activated considerably. 206 raids have been carried out by BIS during 2003-2004 against only 12 and 30 raids during 2002-2003 and 2001-2002 respectively.

4.7 Asked about the number of persons convicted, the Ministry stated in their post evidence reply that out of 206 raids, in one case the accused pleaded guilty and that he was convicted and fined Rs. 6000.00. Besides in 9 other old pending cases convictions have been obtained 55 cases out of 206 are under trial.

Personnel Strength

4.8 In order to increase the strength of technical personnel of BIS, the Department of Personnel and Training was approached by Department of Consumer Affairs. Accordingly approval of the Government for filling of 37 posts of scientists B was obtained.

4.9 In accordance with the permission granted by Government for recruitment against 37 posts, 23 candidates have been selected for appointment to Group 'A' Scientific Cadre by the Selection Committee in April, 2004. The Standing Staff Committee (SSC) of BIS has accorded approval for filling up of vacancies arising after 1.4.2003. Action in this regard has already been initiated. 4.10 Asked about the latest position the Department of Consumer Affairs further informed the Committee in their post evidence reply that out of 23 selected candidates 11 candidates have joined BIS in the month of July, 2004.

4.11 The Committee find that in pursuance to Inquiry Committee on Pesticides Residues on Bottled Water, test method for pesticides residue* to meet the new limits were specified in the Indian Standard IS 14543 packaged drinking water (other than packaged natural mineral water) after due notification by the Ministry of Health. The new limits of pesticides residue for packaged mineral water (IS 13428) has been recommended to the Ministry of Health and Family Welfare. The certification of packaged drinking water (IS 14543) and packaged natural mineral water (IS 13428) are under mandatory BIS certification. Surprisingly, the notifications on new limits of pesticides for packaged natural mineral water and packaged drinking water by the Ministry of Health, which is the Regulatory Authority are still awaited. Taking into consideration, the health point of view, the Committee recommend that Ministry of Health and Family Welfare be impressed upon to issue the notification at the earliest, so as to protect the health of the consumers.

4.12 The Committee find that the Search and Seizures carried out for the misuse of ISI mark is far from satisfactory. During the year 2001-02 only 30 Search and Seizures were conducted. The figures for the years 2002-03 and 2003-04 are 12 and 206, respectively. The Committee find that the conviction rate of such Search and Seizures is also not satisfactory- For instance, out of 206 raids conducted during the year 2003-04, 56 prosecution proceedings were filed and only in one case the accused pleaded guilty and convicted, other 55 cases are under-trial. In this context, the Committee desire that enforcement Department of BIS should be activated and adequate number of officers appointed in the regions and branch offices of BIS so as to prevent the misuse of ISI mark. There is also a need to step up market surveys, visits to exhibitions, interaction with industry and trade associations,

feed back from BIS licencees and other sources. This will go a long way in protecting the interest of the consumers.

4.13 The Committee find that a large number of technical posts are lying vacant in BIS. The Committee recommend that sincere efforts should be made to fill up all the posts lying vacant at the earliest.

CHAPTER -V **FORWARD MARKETS COMMISSION**

The Forward Markets Commission is a statutory body set up under the Forward Contracts (Regulation) Act, 1952. The Commission functions under the administrative control of the Ministry of Consumer Affairs, Food and Public Distribution; Department of Consumer Affairs, Government of India. Under the Act, the Commission has following functions:-

- (i) to advise the Central Government in respect of recognition or withdrawal of recognition of any association and other matters arising out of the administration of the Act.
- (ii) to keep forward markets under observation and to take appropriate action in relation to them.
- (iii) to collect and publish information regarding trading conditions in respect of goods to which any of the provisions of the Act is made applicable including information regarding supply, demand and prices and to submit to Central Government periodical reports on the operation of this Act and on the working of the forward markets relating to such goods;
- (iv) to make recommendations to improve the organization and working of forward markets.
- (v) to undertake inspection of the accounts of recognized associations and / or any members thereof.
- (vi) To perform other duties prescribed by the Central Government.

5.2 The Commission, thus is a statutory authority entrusted with regulatory functions under the Act. The Commission, at present comprises 4 Members, one of whom is its chairman. It has its headquarters at Mumbai and a Regional Office at Calcutta. The sanctioned strength of the office comprises 42 officers and 94 staff members, one post of Director (Enforcement) has been revived and 3 posts (2 of Computer and 1 of Hamal) has been surrendered. The Commission

has 3 functional wings under the set-up to carry out various tasks as detailed below:

- (i) The Commodity Division Concerns itself with the regulation of forward trading in commodities.
- (ii) The Enforcement Division Assists the police authorities in the States and Union Territories in enforcing the provisions of the Act, conducts training course, scrutinizes documents seized by the police during the course of raids and renders help to the prosecution with its officers appearing as expert witness in different Courts of Law in the country.
- (iii) The Administration Division Deals with the personnel and staff matters of the Commission.

5.3 The Budget Estimates (BE) Revised Estimates (RE) and Actual Expenditures (AE) during 2002-2003, 2003-2004 and BE for 2004-2005 are:-

(Rs. in crore)				
Year	Non-plan/ Plan	BE	RE	Actual Expenditure
2002-2003	Non-plan	2.57	1.91	1.82
	Plan	0.15	0.06	0.06
	Total	2.72	1.97	1.88
2003-2004	Non-plan	2.11	1.93	1.69
	Plan	0.25	0.25	2.23
	Total	2.36	2.18	3.92
2004-2005	Plan	2.01		
	Non-plan	0.25		
	Total	2.26		

5.4 The Committee was informed that The Government of India removed prohibition on futures trading in all commodities w.e.f. 1.4.2004. In a related Development, the Forward Markets Commission (FMC) had commissioned a study through Indian Institute of Management, Lucknow. Some of the main recommendations are summarized below:-

- * To amend the Forward Contracts (Regulation) Act, 1952 and provide a broader outlook so as to give new direction and emphasis on self regulation of Exchanges.
- * Strengthening of the Forward Markets Commission before any further liberalization of the Commodity Sector.
- * Transforming the Commission into an independent and a statutory body possessing autonomy in discharging its functions.
- * Restructuring of the Enforcement Division.
- * Setting up of self regulatory organizations like National Association of Commodity Exchanges on lines of National Futures Association of USA.

5.5 In accordance with the recommendation for strengthening FMC, proposal to create additional 50 posts is currently under the consideration of the Government. Asked about the weaknesses of the present set up of enforcement Division of FMC, the Government have stated in a written note furnished to the Committee that in the absence of increased strength in terms of personnel and financial autonomy the FMC is facing considerable limitations in regulating as well as playing the developmental role in the liberalised futures markets.

5.6 Adding further the Government stated in their post evidence reply that they have moved a proposal for strengthening the FMC in terms of creating additional posts. This is not favourably being looked by the Government from the expenditure angle. However, efforts are being made to get the proposal cleared.

5.7 The Committee has been informed that 3 trading exchanges have been demutualised by segregating trading right* and ownership right. The three trading exchanges already demutualised are National Multi Commodity.; Exchange^ Ahmedabad, National Commodity and Derivative^ Exchange Mumbai and Multi Commodity Exchange , Mumbai. All the exchanges have on-line trading. Aggregate daily value of trading in these exchanges is in the vicinity of Rs. 600 -700 crores. Also the process of demutualisation is going on in National Board of Trade, Indore and India Pepper and Spice Trade Association, Kochi.Besides trading is going on in other exchanges spread across the country.

Asked about the benefits of such huge volume of trading to the farmers, the representatives of the Ministry stated during the course of evidence:-

"One basic objective of the futures trading is that it would stabilize the prices. Secondly benefit is that it would improve the liquidity position in the agriculture sector. Suppose, any cotton farmer takes a future with the thinking that within three months rate would rise. So, he enters into a forward contract. Then stocks his cotton product in a warehouse. There are several steps which are under consideration of the Government. If the receipt of that warehouse is tradable, then immediately any bank, any financial institution can give credit against that receipt itself so that when the liquidity increase the farmers returns also improves. Secondly, it would automatically give an incentive and create an environment for agro-processing. If we can do the management of the price fluctuation and risk management for the farmers and consumers, naturally it will rise to more and more agro processing in the country which will again benefit the farmers".

5.8 The Committee are happy to note that futures trading is permitted and legalized in certain commodities notified by the Govt. with effect from 1st April, 2003. Now the commodity exchange} can trade in futures of any commodity. It will not only benefit the farmers by preventing distress sale of agriculture produce but also help stabilizing the prices of commodity in a market. Further it will also improve liquidity position in agriculture sector thereby benefiting farmers to a large extent. The Committee find that the farmers and growers may not directly participate in the futures market. They benefit through the price signals emitted by futurers markets. The futures markets lead to the reduction in the amplitude of seasonal price variation and help the farmer in realising somewhat better price at the time of harvest. This helps the farmer in planning cultivation in advance as well as to determine the kind of crop which he would prefer to raise by taking advantage of the advance information of the price and probably supply and demand of various commodities in advance. By providing the manufacturers and the bulk consumers, a mechanism for price risk, the futures market induces them to pay higher price to the producers, as the need to pass on price risk to farmers is obviated. The manufacturers are able to hedge their requirement of the raw material and also to hedge their finished products . This results in greater competition in the market and ensures viability of the manufacturing units.

5.9 The Committee are of the view that consequent upon lifting of prohibition on future trading in all commodities and conversion of mutualised exchanges into de-mutualised ones, there is an urgent need to strengthen the Forward Markets Commission. The Committee find that the proposal to create

50 additional posts in the Forward Markets Commission is pending. The Committee desire that the proposal be approved at the earliest. At the same time the Committee desire that the process of de-mutualisation in the various trading exchanges be done in a transparent manner. The Committee find that the average trading volume in the three de-mutualised exchanges from Rs.600 to 700 crores per day. Besides trading is carried out in other trading exchanges also. Most of the items traded in futures are agro commodities. A better handling and dissemination of information emerging from such trading have the potential to change the face of Indian Agriculture. The Committee, therefore, recommend that the price signal of agricultural products emitted by activities of futures trading in the exchanges be dovetailed to the best advantage of Indian farmers.

NEW DELHI;
24 August, 2004
2 Bhadrapada 1926 (saka)

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

**MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE
ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD
ON WEDNESDAY, THE 11TH AUGUST, 2004.**

The Committee sat from 15.30 hours to 17.30 hours.

Present

Shri Devendra Prasad Yadav - Chairman

**MEMBERS
LOK SABHA**

2. Shri A.P. Abdulkutty *
3. Shri Alakesh Dass
4. Shri Tukaram Gadakh
5. Shri Avinash Rai Khanna
6. Shri Chandrabhan Singh
7. Shri Harish Nagpal

RAJYA SABHA

8. Shri Lalitbhai Mehta
9. Smt. Bimba Raikar
10. Shri Vijay Singh Yadav

SECRETARIAT

1. Shri R.S. Kambo - Deputy Secretary
2. Shri Jagdish Prasad - Assistant Director

Representatives of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs)

1. Shri L. Mansingh	Secretary
2. Shri D.N. Padhi	AS&FA
3. Smt. Satwant Reddy	Additional Secretary
4. Smt. Jayashree Gupta	Joint Secretary
5. Shri Nirmal Singh	Director General (BIS)
6. Shri Kewal Ram	Chairman (FMC)
7. Shri N.C. Chatterjee	Director General (NTH)
8. Shri P. Venkatesan	. - Director (CPU)

2. At the outset, the Chairman welcomed the Secretary and other officials of the Department of Consumer Affairs and apprised them of Direction 58 of the Directions by the Speaker.

3. The Committee then took evidence of the representatives of the Department of Consumer Affairs in connection with the examination of Demands for Grants (2004-2005).

4. The following important points were discussed by the Committee :

- i) Plan and Non-plan utilization of funds by the Department
- ii) Non-functional Consumer Forums
- iii) Inadequate budgetary support for consumer protection movement in the country during the Tenth Plan
- iv) Consumer Cooperatives
- v) Enforcement of ISI Standards by Bureau of Indian Standards
- vi) Future Trading in Commodities

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

The Committee then adjourned.

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON
FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON
MONDAY, THE 23RD AUGUST, 2004.**

The Committee sat from 15.30 to 17.30 hours in Committee Room No. 139, Parliament House Annexe, New Delhi.

Present

Shri Devendra Prasad Yadav - Chairman

**MEMBERS
LOK SABHA**

2. Shri Ranen Barman
3. Shri Alakesh Dass
4. Shri Avinash Rai Khanna
5. Shri Hari Kewal Prasad
6. Shri Ajit Kumar Singh

RAJYA SABHA

7. Shri Palden Tsering Gyamtso
8. Shri Narayan Singh Kesri
9. Shri Lalitbhai Mehta
10. Shri Vijay Singh Yadav

SECRETARIAT

1. Shri P.D.T. Achary	-	Additional Secretary
2. Dr. (Smt.) Paramjit Kaur Sandhu	-	Joint Secretary
3. Shri R.S. Kambo	-	Deputy Secretary
4. Shri Jagdish Prasad	-	Assistant Director

2. At the outset, the Hon'ble Chairman welcomed the Members of the Committee. The Committee then took up Draft First Report on Demands for Grants (2004-2005) relating to Department of Food and Public Distribution for consideration and adopted the same with the following modifications/amendments.

Page No.	Para No.	Line	Modification/Amendments
47	2.72	1&2 (from bottom)	For- "identification of BPL families should be completed at the earliest in the defaulting States without any further loss of time." Read- "identification of BPL families should be completed within 6 months in the defaulting States."
48	2.73	6 (from bottom)	For- "it gets diverted in the black market" Read- "which is due to the issue price of foodgrains being almost equal to that of in the market it is marked for open sale"
48	2.73	1 (from bottom)	For- "black-marketing" Read- "diversion"
53	2.79		Delete para No. 2.78
70	3.36	2 (from bottom)	After the words "system in vogue" Add- "The Committee desire that the finding of this Committee be completed within a period of six months"

3. One of the Member (Shri Lalitbhai Mehta) took objection to para 2.77 of the First Report of the Committee and desired that he would re-draft the para **for** the consideration of the Chairman, Standing Committee on Food, Consumer Affairs and Public Distribution. The Committee authorized the Chairman to amend Para 2.77 taking into consideration the suggestions of Shri Mehta and thereafter finalise the Report.

4. The Committee then took up Draft Second Report on Demands for Grants (2004-2005) relating to Department of Consumer Affairs for consideration and adopted the same without any amendment.

5. The Committee also authorized the Chairman to make consequential changes arising out of factual verification of the reports by the Departments of Food and Public Distribution and Department of Consumer Affairs of the Ministry and finalise the Reports. And thereafter, present/lay the same in both the Houses of Parliament.