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STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2016-2017)

SIXTEENTH LOK SABHA

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

{Action Taken by the Government on the observations/ recommendations contained in the Tenth Report of the Committee (2015-16) on Demands for Grants (2016-17) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

THIRTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2017/ Phalguna, 1938 (Saka)

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Presented to Lok Sabha on 15.03.2017

Laid in Rajya Sabha on 15.03.2017

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2017/ Phalguna, 1938 (Saka)

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Standing Committee on Food, Consumer Affairs and Public Distribution (2016-17).

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4. Shri Babu Lal Choudhary
5. Shri Sanjay Haribhau Jadhav
6. Shri Dinesh Kashyap
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Rajya Sabha

22. Shri Shadi Lal Batra
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27. Ms. Rekha
28. Dr. K. Keshava Rao
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LOK SABHA SECRETARIAT

1.	Shri P.V.L.N. Murthy	-	Joint Secretary
2.	Shri Lovekesh Kumar Sharma	-	Director
3.	Shri Khakhai Zou	-	Additional Director
4.	Smt. Darshana Gulati Khanduja	-	Sr. Executive Assistant

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*Shri Prabhubhai Nagarbhai Vasava, M.P. (Lok Sabha) ceased to be a Member of the Standing Committee on FCA & PD w.e.f. 19th October, 2016.

#Bhagwanth Khuba, M.P. (Lok Sabha) and Shri Sukhbir Singh Jaunapuriya, M.P. (Lok Sabha) have been nominated as Members of the Standing Committee on FCA & PD w.e.f. 19th October, 2016.

@ Shri Mithun Chakraborty, MP (RS) ceased to be a member of the Committee upon his resignation from the membership of Rajya Sabha w.e.f. 28.12.2016.

INTRODUCTION

I, the Chairperson of the Standing Committee on Food, Consumer Affairs and Public Distribution (2016-17) having been authorized by the Committee to submit the Report on their behalf, present this Thirteenth Report on Action Taken by the Government on the Observations/Recommendations contained in the Tenth Report of the Committee (2015-16) on Demands for Grants (2016-17) of the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution).

2. The Tenth Report was presented to Lok Sabha and laid in Rajya Sabha on 3 May, 2016. The Government have furnished their replies indicating Action Taken on the recommendations contained in the Report on 15 July, 2016.

3. The Report was considered and adopted by the Committee at their sitting held on 9 January, 2017.

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

5. For facility of reference and convenience, the Observations/Comments of the Committee have been printed in thick type in the text of the Report.

NEW DELHI;
24 January, 2017
4 Magha, 1938 (Saka)

J.C. DIVAKAR REDDY,
Chairperson,
Standing Committee on Food,
Consumer Affairs and Public Distribution.

REPORT

CHAPTER - I

This Report of the Standing Committee on Food, Consumer Affairs and Public Distribution deals with the action taken by the Government on the Observations/Recommendations contained in the Tenth Report of the Committee (2015-16), (16th Lok Sabha) on Demands for Grants (2016-17) pertaining to the Ministry of Consumer Affairs, Food and Public Distribution (Department of Food and Public Distribution)

1.2 The Tenth Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 3rd May, 2016. It contained 12 observations/ recommendations. Action taken replies in respect of all the 12 observations/recommendations contained in the Report have been received and these have been categorized as follows:-

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

Para Nos.:- 2.10, 3.19, 3.26, 3.35, 3.43, 4.5, 4.14 and 5.7

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

Para No.:- 2.11

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

Para Nos.:- 3.9 and 4.10

(iv) Recommendations in respect of which the interim replies of the Government have been received -

Para No. :- 5.15

1.3 The Committee desire that action taken notes on the Observations/Recommendations contained in Chapter I and final replies in

respect of recommendation for which only interim reply has been given by the Government, be furnished to the Committee expeditiously.

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

A. Need for timely submission of Utilization Certificates

Recommendation (Para No. 2.10)

1.5 The Committee in their earlier report observed/recommended as follows:-

> "The Committee note that under the Plan Schemes, the BE during the Year 2015-16 was Rs. 212 crore, which was reduced to Rs.165.00 crore at RE stage and the Department could utilize Rs.156.32 crore only upto February, 2016. The Committee also observe that the Department is facing difficulties in the implementation of various schemes due to issues relating to identification and acquisition of land by State Governments, lack of initiative on the part of State/UTs for implementation of different schemes, non-receipt of utilization certificate from the State Governments etc. Besides, the North-East has special problems like difficult terrains, inclement weather, law and order problems etc. The Committee are, however, constrained to note that sharply reducing the allocated funds at RE stage and then not fully utilizing the allocations indicates amongst other things not only lack of proper planning at the initial stage on the part of Department but also inadequate monitoring. The Committee, therefore, urge the Department to improve its monitoring mechanism and regularly persuade the States/UTs to furnish Utilization Certificates well in time to avoid delays in release of subsequent instalments of funds which adversely effects not only future disbursements of allocations funds but also impact attainment of the set physical and financial targets. They further desire the Department to set timelines for submission of Utilization Certificates, release of next instalments etc. They would like to be informed of the action taken in the matter."

1.6 The Ministry in their action taken reply have stated as under:-

> "Progress under the schemes of the Department is regularly monitored through letters to State Government, meetings and conferences at various levels. States/UTs are also regularly persuaded to send Utilization Certificate for the funds released to them within time limits prescribed under GFR, so that further instalments could be released. In a

recently held conference of the Food Ministers and Secretaries of the States/UTs held on 21.05.2016, progress in Computerizations of TPDS, which is a major plan scheme of the Department was reviewed and all the States/UTs were requested to send pending UCs and claim the next instalment.."

1.7 In their original report, the Committee had not only urged the Department to improve its monitoring mechanism regarding utilization of allocated funds by the States/UTs and also direct them to furnish Utilization Certificates (UCs) in time to avoid delay in release of subsequent instalment of funds but also desired the Department to set timelines for submission of UCs, release of next instalments etc. The Department in its Action Taken Replies has simply stated that progress under the scheme is regularly monitored through letters, meetings, conferences etc. and States/UTs are persuaded to send Utilization Certificates for their earlier grants but did not mention if any action had been taken to improve its monitoring mechanism or set timelines for submission of Utilization Certificates etc. as desired by them. The Committee are not satisfied with such casual reply and, therefore, while reiterating their recommendation, the Committee would like the Department to take concrete steps to set timelines for submission of Utilization Certificates and persuade the States/UTs to furnish Utilization Certificates timely so that the allocated funds could be meaningfully utilized. They would like to be apprised of the concrete steps taken by the Department in this regard at the earliest.

B. Need for adoption of Decentralized Procurement Scheme by all States/UTs

Recommendation (Para No. 3.9)

1.8 The Committee earlier observed/recommended as under:

"The Committee note that the Decentralized Procurement (DCP) Scheme was introduced by the Government way back in the year 1997-98 to encourage local procurement to the maximum extent, thereby extending the benefit of MSP to local farmers besides enhancing efficiency of procurement and PDS. The DCP Scheme was also expected to effect savings in the form of reduction in the outgo of food subsidy. The Committee are, however, surprised to learn that so far only 13 States have adopted the DCP Scheme for Rice and 9 States for Wheat and there is no consequent reduction in the outgo on account of subsidy. On the contrary, the outgo on subsidy has been increasing every year. The Committee are not happy with the progress of DCP Scheme. However, with the reforms made in the DCP Scheme recently, the Committee hope that the Government would be able to convince the remaining States/UTs to adopt the DCP Scheme without any further loss of time. The Committee, therefore, strongly recommend that the Government should make sincere efforts on their part to convince the remaining States/UTs by holding regular meetings with Food Minister/ Secretaries of State/UT Governments so as to enable them understand about the advantages/ benefits of the DCP Scheme. Further, from the material made available to them, it is evident that though the Scheme has been in operation for about two decades, still all States are not on board for varied reasons. They, therefore, strongly desire that Government should carry out a performance evaluation of the scheme as on date in a time bound manner, preferably by an external evaluation agency. The Committee further desire that the Government should take steps to resolve various issues/difficulties faced by States/UTs to enable them to adopt DCP Scheme at the earliest."

1.9 The Ministry in their action taken reply stated:-

"Decentralized Procurement (DCP) was introduced in the Year 1997-98 with a view to increase the participation of States in implementation of the Public Distribution System. Under DCP system, the State Government/its agencies procure, store and distribute (against GOI's allocation for TPDS & OWS) rice /wheat/coarse grains within the State. The excess stocks (Rice & Wheat) procured by the State /its agencies are handed over to FCI in Central Pool. The expenditure incurred by the State Government on procurement, storage and distribution of DCP stocks are reimbursed by GOI on the laid down principles. The expenses such as MSP, arthia/society commission, administrative charges, mandi labour charges, transportation charges, custody & maintenance charges, interest charges, gunny cost, milling charges and statutory taxes are reimbursed on actual basis. The cost of excess stocks handed over to FCI is reimbursed by FCI to the State Government/agencies as per GOI cost sheets.

Since the inception of DCP mode of operation, as on date only 12 States have adopted DCP mode of operations for Rice and 08 states for Wheat, details of which are as under:

DCP mode of operations adopted by regions		
S. No.	**Rice**	**Wheat**
1	Uttarakhand	Madhya Pradesh
2	Chhattisgarh	Uttarakhand
3	Odisha	Chhattisgarh
4	Tamil Nadu	Gujarat
5	West Bengal	West Bengal
6	Kerala	Rajasthan
7	Andaman &Nicobar Island	Bihar
8	Karnataka	Punjab
9	Madhya Pradesh	
10	Andhra Pradesh	
11	Bihar	
12	Telangana	

Switching over to DCP mode of procurement depends upon the willingness of the States to accept the same. Due to the lack of adequate marketing/paddy milling/ procurement, storage and quality control infrastructure, States hold a notion not to adopt DCP mode of operation, though GOI/FCI are constantly pursuing Non-DCP States to adopt DCP mode. In the recent past few states have adopted DCP mode of operation, details of which are as under:-

- Andhra Pradesh and Telangana have completely adopted DCP mode in 2015-16 and 2014-15 respectively
- Bihar has adopted the DCP mode for both rice and wheat procurement.

- Rajasthan has extended the adoption of DCP mode of operations in Nine revenue districts i.e. Alwar, Bharatpur, Dholpur, Karauli, Jhunjhunu, Dausa, Jaipur, Sikar and Sawaimadhopur form RMS 2016-17.

- Punjab has partially adopted DCP mode to the extent of its requirement.

To encourage the remaining procuring non DCP states to adopt DCP mode of operations, a workshop was held in the Ministry on 16th February 2016 which was attended by the representatives of Non-DCP States like Haryana, Rajasthan, Punjab, Maharashtra, Uttar Pradesh wherein the benefits of DCP mode of operation were highlighted and various issues and problems faced by the regions was deliberated to arrive at a solution.

Maharashtra during the aforementioned meeting had informed their readiness for adoption of DCP mode of operation from KMS 2016-17.

During the conference of Ministers and Secretaries of Consumer Affairs, Food and Public Distribution of States/UTs held on 21.05.2016 at Vigyan Bhawan, New Delhi under the chairpersonship of Hon'ble Union Minister of CA, F&PD, States/UTs were also requested to adopt DCP mode, who have not adopted it till date."

1.10 Not being satisfied with the progress of Decentralized Procurement Scheme (DCP) that was introduced in 1997-98 for extending the benefit of MSP to local farmers besides enhancing the efficiency of procurement and PDS, the Committee in their original report has, inter-alia, desired the Government to carry out performance evaluation of the scheme in a time bound manner. In their Action Taken Reply, the Government informed the Committee that so far only 12 States have adopted Decentralized Procurement Scheme (DCP) mode of operation for rice and 8 States for wheat and to encourage remaining non-DCP States, a workshop was held which was attended by representatives of non-DCP States wherein the benefits of DCP mode of operation were highlighted and various issues and problems faced by the regions was deliberated to arrive at a solution. They, however, find that Government's reply is totally silent on the aspect of the action taken by the Department to carry out a performance evaluation of the working of the scheme so far by an external evaluation agency in a time bound manner. They caution the Department not to furnish incomplete replies to their recommendations in future. While taking note of the steps taken by the Government, the Committee are concerned with the rising food subsidy bill due to implementation of the National Food Security Act, 2013 and had therefore, desired that the Department should consider to conduct a performance evaluation of the DCP Scheme and make sincere efforts to convince the remaining States/UTs about the advantages of adopting DCP Scheme which would greatly enhance the efficiency of the PDS operations in the country besides preventing outgo of precious food subsidy. They would like to be apprised of the action taken on this aspect at the earliest.

C. Need to simplify the procedural formalities for settlement of Hill Transport Subsidy bills.

Recommendation (Para No. 3.26)

1.11 The Committee recommended as follows:-

"The Committee note that the Hill Transport Subsidy (HTS) is applicable in the States/UTs of Himachal Pradesh, Jammu & Kashmir, Andaman & Nicobar Islands, Sikkim, Lakshadweep besides the six North-Eastern States (excluding Assam) which are predominantly hilly with little or no railways and poor road communications. The Committee are surprised to see from the Statement showing pending claims that poor States like Meghalaya and Manipur have not made a single claim since the year 2006 under the scheme, while other States like Nagaland, Arunachal Pradesh, Jammu & Kashmir also have not made any claim since the year 2013-14, the States of Mizoram and Tripura have preferred bills for Rs. 11.12 lakh each and Lakshadweep has claimed for Rs. 12.59 lakhs only. Thus, only two States viz. Himachal Pradesh and Sikkim appears to have regular claims under the scheme with pending bills of Rs. 702.53 lakhs and Rs. 69.87 lakhs respectively. The Committee are, therefore, of the opinion that most of the States/UTs are either unaware of the scheme or the conditions and procedure for availing the scheme benefits which appear too cumbersome to comply with. The Committee, therefore, recommends that the procedure for settlement of claims be simplified for the beneficiary States/UTs to avail the scheme and also liquidate the outstanding amount of Rs. 796.11 lakhs only to the States of Tripura, Himachal Pradesh, Sikkim and Lakshadweep at the earliest. Further steps should also be taken to make the states aware of the benefits of the scheme especially to those states who have not preferred any claims so far, besides ascertain the reasons for reluctance, if any, of such States to prefer claims on this account. The Committee further note that this scheme is in operations (since 1975) for more than four decades. This coupled with the fact that the scheme is not very popular amongst the beneficiary States calls for a thorough review and evaluation. They, therefore, desire that an independent evaluation of the scheme be made in a time bound manner to find out if the intended benefits have accrued or not. They would like to be apprised of the steps taken in this direction."

1.12 The Ministry in their action taken note stated:-

"This Department has requested FCI to evaluate the existing procedure of claiming and reimbursement of HTS bills and suggest the possible changes in the HTS claims settlement practice including digitization/online settlement options to make it simplified for the sake of hassle free settlement of claims. In respect of pending claims of HTS reimbursement raised by State Governments, this Department has requested FCI, HQ to direct the Regional Offices to coordinate with the States so that pending bills could be paid at the earliest and benefit to the end users could be ensured.

The concerned State Governments have also been requested to claim the pending bills with appropriate documentation and to coordinate with FCI, bringing in useful suggestions for further simplification of HTS claim process."

1.13 The Committee in their earlier report considered that most of the beneficiary States/UTs of the Hill Transport Subsidy Scheme (HTS) were either not aware of the benefits or the procedure is too cumbersome. They had accordingly recommended simplification of the procedure and also desired that an independent evaluation of the scheme be made in a time bound manner. The Government in their Action Taken Reply merely stated that the Department has requested FCI to evaluate the existing procedure of claiming and reimbursement of Hill Transport Subsidy bills and suggest the possible changes in the procedure and the concerned State Governments have also been requested to claim the pending bills with appropriate documentation. However, the reply does not indicate whether any action has actually been taken either to liquidate the outstanding bills, to simplify the procedure for claims or evaluation of the scheme. The Committee are, therefore, not happy with the manner in which the Government furnished an incomplete reply to their instant recommendation. While deprecating this practice of furnishing incomplete replies, they desire that the actual steps taken to liquidate pending bills, simplify the procedures for claiming the benefits under the scheme and creating proper awareness about the scheme amongst the beneficiary States be furnished to them within a month of presentation of this Report. They further desire the Department to earnestly implement their recommendation about the evaluation of the entire scheme in a specified time frame and not just the procedure for claiming and reimbursement of HTS bills of the States. They desire to be apprised of the action taken in the matter.

D. Need to expedite Computerization of Targeted Public Distribution System (TPDS)

Recommendation (Para No. 3.43)

1.14 The Committee earlier recommended as follows:-

" The Committee note that for modernization of TPDS, the Department is implementing a plan scheme on End-to-End Computerization of TPDS operations on cost sharing basis at the ratio of 90:10 in respect of NE States and 50:50 basis with other States/UTs. The Committee further note that the scheme has been declared as a Mission Mode Project by the Government and most of the States/UTs have more or less completed the work of ration card digitization, transparency portal, Online Grievance Redressal and Toll Free Helpline numbers. The Committee, however, regret to note that only 21 of the States/UTs have computerized Online Allocation while 12 States have Computerized Supply Chain Management of TPDS operations. The Committee strongly feel that these are very essential for the effective implementation of the TPDS in the country. While appreciating the steps taken by the Government, the Committee forcefully urge the Department to continuously and persistently follow up with the States/UT Governments and persuade them to accelerate the pace of all works relating to End-to-End Computerization of TPDS in the country in the larger interest of preventing leakages/diversion of foodgrains meant for the vulnerable sections of the society. They further feel that the Department ought to make time bound plan for the remaining States/UTS to complete the Computerization process in this scheme."

1.15 The Ministry in their action taken reply stated as noted below:-

"The Department is making vigorous efforts to accelerate the pace of computerization in States/UTs. In addition to meetings and VCs held with the Officers of State/UT Governments, a conference of Food Ministers and Secretaries of the State Governments was also held under the Chairmanship of Hon'ble Minister for CA, F&PD on 21.05.2016 wherein progress made by various States was reviewed and it was emphasized that all key activities under computerisation scheme should be completed at the earliest. So far 25 States/UTs have computerised Online Allocation and 14 states have Computerised Supply Chain Management of TPDS operations. About 57% Ration Cards have been seeded with Aadhar numbers. Further out of 5.32 lakh FPSs across the country, about 1.22 lakh FPSs have already been automated and 3 lakh FPSs would be automated by March, 2017."

1.16 The Committee in their original report expressed concern about the slow progress of the work relating to Computerization of PDS operations despite best efforts made by the Government and that so far 25 States/UTs have computerized Online Allocation, 14 States have Computerized Supply Chain Management of TPDS operations, about 57% Ration Cards have been seeded with Aadhaar numbers and 3 lakh FPSs would be automated by March, 2017 but did not mention any steps taken either to accelerate the pace of work or a time bound plan for completion of the computerization of PDS operations beyond March, 2017 as by then there will still be about 1.10 lakh FPS to be automated. Since computerization of PDS operations is very essential to improve overall efficiency and functioning of TPDS, the Committee again expect the Department to initiate concrete steps for expeditious completion of computerization of the PDS in the country so that leakages and diversion of foodgrains meant for poor people is prevented to the maximum extent possible. They, therefore, desire the Department to chalk out specified timeline for full completion of the automation/computerization of PDS operations in the country as already five years are about to lapse from the start of the scheme and as admitted by the Department about 25% FPSs would still remain out of the ambit of automation/computerization as at the end of March, 2017. They further desire to be apprised of the action plan chalked out in this regard.

E. Need to expedite payment of dues and liabilities of FCI

(Recommendation Para No. 4.5)

1.17 The Committee in their earlier report observed/ recommended as follows:-

"The Committee note with concern that an amount of Rs. 3152.87 crores is outstanding for payment to FCI by various Ministries/States/Agencies on account of foodgrains supplied to them under various welfare schemes. Out of this, the amount outstanding against Ministry of Rural Development is Rs. 2452.96 crore & that of the Ministry of Human Resource Development is Rs. 475.31 crore. The Committee are not convinced with the reasons cited by the Government with regard to the problem of outstanding dues of the Ministry of Rural Development as non-availability of the bills for which advice of Chief Controller of Accounts (CCA) has been received by the Department and FCI will be advised to take necessary action for early settlement. To take care of regular dues of FCI towards MDM Scheme, a revolving fund of Rs.400 crore has been maintained by Ministry of HRD. The Government is also silent as to the reasons for outstanding dues in respect of the other Ministries/State Governments/Agencies. The Committee, therefore, strongly recommend that the Department/FCI should make earnest efforts to identify the bottlenecks in realisation of dues and recover in a time bound manner the outstanding dues from all the Ministries/State Governments/Agencies at the earliest. They would like to be apprised of the action taken in the matter."

1.18 The Ministry in their action taken reply to have stated as under:-

"The distribution of food grains under various welfare schemes of Ministry is a continuous process and the dues arriving out of this distribution are reimbursed regularly as per the frequency of the bills preferred by FCI from time to time against various Ministries.

In so far as dues of FCI with MoHRD for allocation of foodgrains under MDM scheme are concerned, it is submitted that after introduction of de-centralized payment system as well as regular monitoring by MoHRD, FCI and Department of Food & PD, most of the dues have been cleared. As on 31.03.2016, dues of Rs.368.41 crore was outstanding against MoHRD. Further, with the approval of Ministry of Finance, the corpus fund has been increased from existing Rs.300 crore to Rs.400

crore, which has resolved the problem to a large extent and the issue has been regularly pursued with the MoHRD at an appropriate level. Also, it is submitted that the dues under MDM Scheme is gross outstanding without deducting the corpus fund.

The problem of outstanding dues with respect to Ministry of Rural Development has arisen due to non-availability of the bills for which advice of CCA has been received by the Department. The matter has been examined in detail and FCI is being advised to take necessary action for early settlement of outstanding dues."

1.19 The Committee noted in their earlier Report that an amount of Rs. 3152.87 crores was outstanding for payment to FCI by various Ministries/States/Agencies. The Committee accordingly had recommended the Department/FCI to make earnest efforts to identify the bottlenecks in realization of dues and recover the outstanding dues from all the Ministries/State Governments/Agencies in a time bound manner. In their Action Taken Reply, the Government stated that most of the dues have been cleared and as on 31.03.2016, dues of Rs. 368.41 crore was outstanding against Ministry of Human Resource Development. It is also stated that Corpus Fund has been increased from existing Rs. 300 crore to Rs. 400 crore which has resolved the problem to a larger extent. The dues under MDM scheme is gross outstanding without deducting the Corpus Fund. However, the Committee would again urge the Department to expeditiously advise the FCI, if not done, to take necessary corrective action to liquidate the outstanding dues in respect of Ministry of Human Resource Development in the light of the advice of Chief Controller of Accounts (CCA). They are of the opinion that timely liquidation of dues would go a long way in improving the overall efficacy of any scheme being implemented by the Department. They, would like to be apprised of the action taken in the matter.

F. Need to reduce Establishment Cost of FCI

Recommendation (Para No. 4.10)

1.20 The Committee in their earlier report recommended as:

"The Committee are surprised to note that the net expenditure including Establishment Cost of FCI is reimbursed by the Government in the form of food subsidy. It is observed that the total establishment cost of FCI has increased by 20.98% from Rs. 2265.60 crore in the year 2013-14 to Rs. 2763.20 crore in the year 2015-16. The Committee are of the firm opinion that meeting the total Establishment Cost of FCI out of food subsidy is erroneous and inappropriate. Ideally the establishment cost should be entirely borne by FCI from out of its internal resources and not by Government from out of its budget allocations since the Corporation is supposed to function as a commercial entity and not a departmental organisation. The Committee, therefore, urge the Department to look into in this issue afresh and advise FCI to devise other means to recoup its establishment costs from the next financial year."

1.21 The Ministry in their action taken reply stated as under:

"The Food Corporation of India is incorporated under the Food Corporation's Act, 1964. The FC Act provides for establishment of Food Corporation (both at State and Central level) for the purpose of trading in food grains and other food stuffs and for matters connected therewith and incidental therewith.

At present, the Food Corporation of India is not involved in any commercial activities. Primary function of FCI, at present is implementation of Government of India Food Policy which includes procurement of food grains at Minimum Support Price (MSP), storage, movement and distribution of food grains, as per the Government of India policy including NFSA. The Government of India decides the MSP of food grains, and the issue price under different schemes. Similarly, the quantity of food grains allocated to different States /UTs is also decided by Government of India, each year. Further, the quantity of buffer stocks to be maintained is also decided by the Government of India. Total cost of FCI reduced by the sale realisation is claimed as food subsidy.

Since FCI is not into any commercial activities, the cost of establishment of FCI which is a part of it's total cost is borne by Government of India as food subsidy. FCI is the implementing agency of

Government of India, thus, the cost of the establishment is a part of the food subsidy. Even if, FCI enters into commercial activities, the total Establishment Cost incurred by FCI, would have been apportioned between the commercial activities and the central operations, as per the Government of India Circular dated 25th April, 1980 SI. No.8 (g) (Copy enclosed at **Annexure – III**).

At present, FCI is doing only Central Operation, therefore, 100% of the establishment cost of FCI is allocated to Central Operation and charged to food subsidy.

As regards, increase in Establishment Cost of FCI from Rs.2265.60 crore in 2013-14 to Rs.2763.20crore in the Year 2015-16, the reply submitted earlier may please be referred. (Copy enclosed at **Annexure – IV**)."

1.22 Expressing concern over constantly rising Food Subsidy Bill, the Committee in their original report has desired the Department to strive to reduce Establishment Cost of FCI which is a part of its total cost to be borne by Government of India from the amount sanctioned as food subsidy. In their Action Taken Reply, the Government informed the Committee that FCI is the implementing agency of Government of India and the cost of the establishment is met from the amount sanctioned as food subsidy. The Committee are not satisfied with the reasoning furnished by the Government. The position taken by the Department is not in consonance with the intent with which they had earlier desired that the establishment cost of FCI need to be pruned. The reply is also silent on the aspect of the efforts made by the Department to direct FCI to find ways and means to reduce the establishment costs which in turn in their considered opinion would have ultimately lessened the subsidy burden of the Government on this account. Assuming that cost of the establishment is a part of food subsidy, even then the Committee feel that the Department should make concerted efforts to reduce the establishment cost so as to ensure that the benefits of food subsidy reach the ultimate beneficiary. They would like to be informed of the action taken in the matter.

G. Need to increase sugar production in the country.

Recommendation (Para No.5.7)

1.23 The Committee in their earlier report recommended as:

> "The Committee are happy to note that though sugarcane production is cyclic in nature, the country has been producing sugar more than the domestic requirement since the year 2010-11 onwards. The Committee are, however, concerned to note that the area under sugarcane cultivation has been decreasing every year since the year 2011-12 except in the year 2014-15 where a marginal increase has been shown. The Committee would, therefore, urge the Department to take every possible measures to encourage the sugarcane farmers so that the country would continue to remain one of the largest producers of sugar in the world. The Committee further note that to make sugar available in PDS, the States/UTs are required to procure sugar from the open market through a transparent system. To ease the financial burden of the States/UTs, the Government has decided to release advance subsidy to all States/UTs who approach them. The States/UTs have also been given the liberty to either absorb the additional cost, if any, on account of handling transportation and dealers' commission or pass it on to the consumers by including it in the Retail Issue Price. Further, the new system of open market procurement by States/UTs, and seeking reimbursement from the Department has been adopted by 30 States/UTs. The Committee desire that the Government should encourage the remaining States/UTs to adopt the new system of open market procurement and also take every possible step to increase sugar production in the country."

1.24 The Ministry in their action taken reply stated as under:

> "Though till 2009-10, the production of sugar has been cyclic in nature but during the last 5 sugar seasons i.e. 2010-11 to 2014-15, it has been more than the domestic requirement. During the current sugar season 2015-16(October-September), the production of sugar has been estimated to be about 252 Lakh tons which is less as compared to last sugar season's production of 284.63 Lakh tons. The decline in sugar production during 2015-16 is due to less rainfall leading to draught like situation in sugar producing States viz. Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu and Uttar Pradesh. This caused less sugarcane production and its availability to sugar mills for crushing in the States of

Maharashtra, Karnataka and Uttar Pradesh. With the carry over stock of 90 lakh tons and estimated production of about 252 lakh tons, the total availability of sugar would be more than the estimated domestic demand of about 256 Lakh tons. As such, there is no shortage of sugar in the country.

Presently six States/UTs (Assam, Bihar, Orissa, Arunachal Pradesh, Dadra & Nagar Haveli and Daman & Diu) are not participating in the sugar subsidy scheme. These States/UTs have been requested to participate in the scheme for distribution of sugar through Public Distribution System (PDS)."

1.25 In their original report, the Committee had expressed concern about the declining area under sugarcane cultivation over the years and urged the Department to take every possible measure to encourage the sugarcane farmers and the remaining States/UTs to adopt the new system of open market procurement and also take every possible step to increase sugarcane production in the country so that the country continue to remain one of the largest producers of sugar in the world. The Department in their Action Taken Replies stated that the decline in sugarcane production during the year 2015-16 was due to less rainfall leading to draught like situation in sugar producing States, causing less sugarcane production and availability to sugar mills for crushing. However, the total availability of sugar would be more than the estimated domestic demand of about 256 lakh tons. It further stated that six States/UTs (Assam, Bihar, Orissa, Arunachal Pradesh, Dadra & Nagar Haveli and Daman & Diu) are not participating in the sugar subsidy scheme. The Committee would again urge the Department to make earnest efforts to encourage sugarcane farmers to take all possible steps to increase sugar production in the country and also sensitize/convince these six States/UTs to participate in the sugar subsidy scheme for distribution of sugar through Public Distribution System.

H. Need to reduce cane price arrear.

Recommendation (Para No.5.15)

1.26 The Committee in their earlier report recommended as:

"The Committee note that the Sugarcane (Control) Order, 1966 stipulates payment of cane price arrears within 14 days of supply, failing which interest at the rate of 15% per annum on the amount due for the delayed period beyond 14 days is payable. The Committee are, however, constrained to note that a total amount of Rs. 16026.01 crore is outstanding for payment to the farmers as on 29.02.2016. This amount includes arrears of Rs. 879.62 crore for the year 2013-14 and earlier years and Rs. 1378.25 crores for the year 2014-15. The Committee are, constrained to note that the Government has not been able to enforce the provisions of Sugarcane (Control) Order, 1966 though the primary responsibility to enforce the provision rests with the State Governments/UT Administrations. The Committee are, however, happy to note that the Government has notified a scheme to provide soft loan to the sugar mills to facilitate clearance of cane price arrears. The Committee further note that the Government has decided to make 5% mandatory ethanol blending with petrol across the country and left the oil marketing companies to decide procurement price of ethanol with the suppliers of ethanol to generate revenue for sugar mills to enable them pay the cane price arrears. The Committee further observe that the Government has lifted the barrier of 5% blending of ethanol and raised it to 10% blending now. The Committee, therefore, urge the Government to strongly prevail upon the State Governments/UT Administrations in enforcing the provisions of the Sugarcane (Control) Order, 1966 and also strictly monitor the performance of sugar mills in making early payment of cane price to the farmers. The Committee also desire that they should be apprised of the results in respect of the improved position of clearance of arrears by sugar mills after revision of the blending of ethanol to 10% with petrol thereby facilitating payment of the arrears to cane growers."

1.27 The Ministry in their action taken reply stated as under:

"Due to the efforts of the Government, as on 19.05.2016, cane price arrears of 2015-16 have been reduced to Rs. 10,699.07 crores, Rs. 748.47 crores for 2014-15 and Rs. 576.16 crores for 2013-14 & Rs. 270.28 crores from 2012-13 & earlier seasons. The Central Government is continuously taking up the matter with respective State Governments/Union Territory Administrations for clearance of cane price arrears."

1.28 In their original report, the Committee noted that the Government were unable to enforce the provisions of Sugarcane (Control) Order, 1966 which was clearly evident from the huge amount of cane price arrear outstanding for payment to the farmers i.e. Rs. 16026.01 crore as on 29.02.2016. They had, therefore, urged the Government to strongly prevail upon the State Governments/UT Administrations in enforcing the provisions of the said order. The Department in their Action Taken Reply have stated that due to the efforts of the Government, cane price arrears of 2015-16 have been reduced to Rs. 10,699.07 crores and they are continuously taking up the matter with respective State Government/UT Administration for clearance of cane price arrear. The Committee, however, find that still the sugarcane arrears at the end of 2015-16 at Rs. 10,699.07 crores is a huge backlog and they desire that this be reduced to an arrear only in respect of one or two seasons at the most. They, therefore, reiterate that these arrears need to be reduced significantly and all possible measures need to be taken to bring this down. They also find that no mention has been made of the improvements in clearance of arrears by sugar mills as a result of the impact of raising blending of ethanol from 5% to 10%. They would also like to be informed of the steps taken by the Department to prevail upon the State Government/UT Administration for clearance of cane price arrear.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 2.10)

2.1 The Committee note that under the Plan Schemes, the BE during the Year 2015-16 was Rs. 212 crore, which was reduced to Rs.165.00 crore at RE stage and the Department could utilize Rs.156.32 crore only upto February, 2016. The Committee also observe that the Department is facing difficulties in the implementation of various schemes due to issues relating to identification and acquisition of land by State Governments, lack of initiative on the part of State/UTs for implementation of different schemes, non-receipt of utilization certificate from the State Governments etc. Besides, the North-East has special problems like difficult terrains, inclement weather, law and order problems etc. The Committee are, however, constrained to note that sharply reducing the allocated funds at RE stage and then not fully utilizing the allocations indicates amongst other things not only lack of proper planning at the initial stage on the part of Department but also inadequate monitoring. The Committee, therefore, urge the Department to improve its monitoring mechanism and regularly persuade the States/UTs to furnish Utilization Certificates well in time to avoid delays in release of subsequent instalments of funds which adversely effects not only future disbursements of allocations funds but also impact attainment of the set physical and financial targets. They further desire the Department to set timelines for submission of Utilization Certificates, release of next instalments etc. They would like to be informed of the action taken in the matter.

Reply of the Government

2.2 Progress under the schemes of the Department is regularly monitored through letters to State Government, meetings and conferences at various levels. States/UTs are also regularly persuaded to send Utilization Certificate for the funds released to them within time limits prescribed under GFR, so that further instalments could be released. In a recently held conference of the Food Ministers and Secretaries of the States/UTs held on 21.05.2016, progress in Computerizations of TPDS, which is a major plan scheme of the Department was reviewed and all the States/UTs were requested to send pending UCs and claim the next instalment.

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Comments of the Committee

(Please see Para No.1.7 of Chapter -I of the Report)

Recommendation (Para No. 3.9)

2.3 The Committee note that the Decentralized Procurement (DCP) Scheme was introduced by the Government way back in the year 1997-98 to encourage local procurement to the maximum extent, thereby extending the benefit of MSP to local farmers besides enhancing efficiency of procurement and PDS. The DCP Scheme was also expected to effect savings in the form of reduction in the outgo of food subsidy. The Committee are, however, surprised to learn that so far only 13 States have adopted the DCP Scheme for Rice and 9 States for Wheat and there is no consequent reduction in the outgo on account of subsidy. On the contrary, the outgo on subsidy has been increasing every year. The Committee are not happy with the progress of DCP Scheme. However, with the reforms made in the DCP Scheme recently, the Committee hope that the Government would be able to convince the remaining States/UTs to adopt the DCP Scheme without any further loss of time. The Committee, therefore, strongly recommend that the Government should make sincere efforts on their part to convince the remaining States/UTs by holding regular meetings with Food Minister/ Secretaries of State/UT Governments so as to enable them understand about the advantages/ benefits of the DCP Scheme. Further, from the material made available to them, it is evident that though the Scheme has been in operation for about two decades, still all States are not on board for varied reasons. They, therefore, strongly desire that Government should carry out a performance evaluation of the scheme as on date in a time bound manner, preferably by an external evaluation agency. The Committee further desire that the Government should take steps to resolve various issues/difficulties faced by States/UTs to enable them to adopt DCP Scheme at the earliest.

Reply of the Government

2.4 Decentralized Procurement (DCP) was introduced in the Year 1997-98 with a view to increase the participation of States in implementation of the Public Distribution System. Under DCP system, the State Government/its agencies procure, store and distribute (against GOI's allocation for TPDS & OWS) rice /wheat/coarse grains within the State. The excess stocks (Rice & Wheat) procured by the State /its agencies are handed over to FCI in Central Pool. The expenditure incurred by the State Government on procurement, storage and distribution of DCP stocks are reimbursed by GOI on the laid down principles.

The expenses such as MSP, arthia/society commission, administrative charges, mandi labour charges, transportation charges, custody & maintenance charges, interest charges, gunny cost, milling charges and statutory taxes are reimbursed on actual basis. The cost of excess stocks handed over to FCI is reimbursed by FCI to the State Government/agencies as per GOI cost sheets.

Since the inception of DCP mode of operation, as on date only 12 States have adopted DCP mode of operations for Rice and 08 states for Wheat, details of which are as under:

DCP mode of operations adopted by regions		
S. No	**Rice**	**Wheat**
1	Uttarakhand	Madhya Pradesh
2	Chhattisgarh	Uttarakhand
3	Odisha	Chhattisgarh
4	Tamil Nadu	Gujarat
5	West Bengal	West Bengal
6	Kerala	Rajasthan
7	Andaman &Nicobar Island	Bihar
8	Karnataka	Punjab
9	Madhya Pradesh	
10	Andhra Pradesh	
11	Bihar	
12	Telangana	

Switching over to DCP mode of procurement depends upon the willingness of the States to accept the same. Due to the lack of adequate marketing/paddy milling/ procurement, storage and quality control infrastructure, States hold a notion not to adopt DCP mode of operation, though GOI/FCI are constantly pursuing Non-DCP States to adopt DCP mode. In the recent past few states have adopted DCP mode of operation, details of which are as under:-

- Andhra Pradesh and Telangana have completely adopted DCP mode in 2015-16 and 2014-15 respectively
- Bihar has adopted the DCP mode for both rice and wheat procurement.
- Rajasthan has extended the adoption of DCP mode of operations in Nine revenue districts i.e. Alwar, Bharatpur, Dholpur, Karauli,

Jhunjhunu, Dausa, Jaipur, Sikar and Sawaimadhopur form RMS 2016-17.

- Punjab has partially adopted DCP mode to the extent of its requirement.

To encourage the remaining procuring non DCP states to adopt DCP mode of operations, a workshop was held in the Ministry on 16th February 2016 which was attended by the representatives of Non-DCP States like Haryana, Rajasthan, Punjab, Maharashtra, Uttar Pradesh wherein the benefits of DCP mode of operation were highlighted and various issues and problems faced by the regions was deliberated to arrive at a solution.

Maharashtra during the aforementioned meeting had informed their readiness for adoption of DCP mode of operation from KMS 2016-17.

During the conference of Ministers and Secretaries of Consumer Affairs, Food and Public Distribution of States/UTs held on 21.05.2016 at Vigyan Bhawan, New Delhi under the chairpersonship of Hon'ble Union Minister of CA, F&PD, States/UTs were also requested to adopt DCP mode, who have not adopted it till date.

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Comments of the Committee

(Please see Para No.1.10 of Chapter -I of the Report)

Recommendation (Para No. 3.19)

2.5 The Committee are highly concerned to note that though several measures have reportedly been taken to contain the food subsidy, yet there has been steep rise in the amount of food subsidy released to FCI and States. The Committee further note that during the year 2015-16 (upto 27.01.2016), an amount of Rs. 107075.85 crore has been released for distribution of subsidized foodgrains and maintenance of buffer stocks. This amount may further increase due to implementation of National Food Security Act in all 30 States/UTs. While appreciating the efforts made by the Government to contain rising food subsidy such as encouraging Decentralized Procurement, improving operational efficiency of FCI etc, the Committee are constrained to say that a lot more needs to be done in this regard. They are furthermore concerned to note that though the Government have not sought expert opinion in food management, however, CACP in its Price Policy Reports suggests certain measures from time to time. Also recently the High Level Committee headed by Shri Shanta Kumar had made certain recommendations with regard to bringing cost efficiency in FCI operations. The Committee, therefore, desire that the Department to take all necessary steps to operationalise the recommendations/suggestions of the High Level Committee. The Committee, furthermore, desire the Department to make vigorous efforts to explore new avenues/possibilities of containing food subsidy in a time bound manner without compromising on the regular supply and making available foodgrains to the targetted poor sections of the society. They would like to be apprised of the steps taken in this direction.

Reply of the Government

2.6 Food subsidy is provided in the budget of the Department of Food and Public Distribution to meet the difference between economic cost of foodgrains and their sales realization at Central Issue Prices fixed for TPDS and other welfare schemes. In addition, the Central Government also procures foodgrains for meeting the requirements of buffer stock. Hence, part of the food subsidy also goes towards meeting the carrying cost of buffer stock.

The subsidy is provided to FCI, which is the main instrument of the Government of India for procurement and distribution of wheat and rice under TPDS and other welfare schemes and for maintaining the buffer stock of foodgrains as a measure of food security. This apart, fifteen States/UTs, namely Andhra Pradesh, Telangana, Bihar, Madhya Pradesh, Chhattisgarh, West Bengal, Uttarakhand, Tamil Nadu, Andaman & Nicobar, Orissa, Gujarat, Karnataka Kerala, Punjab and Rajasthan have joined the DCP Scheme mode for which they have undertaken the responsibility of not only procuring foodgrains from within the State but also distributing the same to the targeted population under TPDS and other welfare schemes. Under this scheme of Decentralized Procurement, State specific economic cost is determined by the Government of India and the difference between the economic cost so fixed and the Central Issue Prices is passed on to the State as food subsidy.

Government of India has been encouraging States to adopt decentralized mode of procurement called DCP Scheme. To encourage States to adopt DCP mode of procurement, FCI conducted State wise seminars and workshops for concerned State authorities to familiarize them about process of DCP operations, accounting procedures and procedures for making subsidy claims.

Since 2004-05, the Minimum Support Price (MSP) of wheat has increased from Rs.630 per quintal to Rs.1450 per quintal in RMS 2015-16. Similarly, MSP of rice has increased from Rs.560 per quintal to Rs.1410 per quintal in KMS 2015-16. However, the Central Issue Price (CIP) of wheat and rice for AAY, BPL and APL families has not been revised since 2002. The issue price under the National Food Security Act, 2013 (NFSA) are at par with the CIP of wheat and rice for AAY i.e. Rs.2/kg for wheat and Rs.3/kg for rice. As a result, the gap between Economic Cost and CIPs has been increasing and food subsidy incurred by the Government has risen substantially. The low CIP of foodgrains under NFSA as well as large number of people covered under the Act has substantially increased the Food subsidy requirement. Here, it is also submitted that since statutory taxes are levied by the State Government as a percentage of MSP, any increase in the MSP also results in proportionate increase in the resultant outgo of Food subsidy on account of statutory taxes, levies etc. Similarly, due to inflation and other factors, rate of storage charges, transportation charges, cost of gunny etc. also keep increasing year-by-year, which also contribute to an increase in the outgo on Food subsidy.

This Department is fully aware about the need for containing the increase in food subsidy and is making regular efforts in this regard. The Government has taken several measures to contain the food subsidy, which include:

- Encouraging decentralized procurement and distribution of foodgrains.
- Issue of bonds by the FCI at lower coupon rates, backed by Government guarantee.
- Improving the operational efficiency of the FCI.
- Negotiating with the banks of the consortium of food credit to reduce the rate of interest on cash credit.
- Bringing in overall cost-effectiveness in the operation of FCI.
- Bringing down the level of surplus food grains stock through more liquidation under Open Market Sale Scheme and optimization of procurement through increasing market competitiveness.

As such, all the possible steps are being taken to manage the expenditure on food subsidy while ensuring food security for the targeted beneficiaries.

Further, High Level Committee (HLC) has made several recommendations and the action taken by the Department on them is at **Annexure-I**.

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Recommendation (Para No. 3.26)

2.7 The Committee note that the Hill Transport Subsidy (HTS) is applicable in the States/UTs of Himachal Pradesh, Jammu & Kashmir, Andaman & Nicobar Islands, Sikkim, Lakshadweep besides the six North-Eastern States (excluding Assam) which are predominantly hilly with little or no railways and poor road communications. The Committee are surprised to see from the Statement showing pending claims that poor States like Meghalaya and Manipur have not made a single claim since the year 2006 under the scheme, while other States like Nagaland, Arunachal Pradesh, Jammu & Kashmir also have not made any claim since the year 2013-14, the States of Mizoram and Tripura have preferred bills for Rs. 11.12 lakh each and Lakshadweep has claimed for Rs. 12.59 lakhs only. Thus, only two States viz. Himachal Pradesh and Sikkim appears to have regular claims under the scheme with pending bills of Rs. 702.53 lakhs and Rs. 69.87 lakhs respectively. The Committee are, therefore, of the opinion that most of the States/UTs are either unaware of the scheme or the conditions and procedure for availing the scheme benefits which appear too cumbersome to comply with. The Committee, therefore, recommends that the procedure for settlement of claims be simplified for the beneficiary States/UTs to avail the scheme and also liquidate the outstanding amount of Rs. 796.11 lakhs only to the States of Tripura, Himachal Pradesh, Sikkim and Lakshadweep at the earliest. Further steps should also be taken to make the states aware of the benefits of the scheme especially to those states who have not preferred any claims so far, besides ascertain the reasons for reluctance, if any, of such States to prefer claims on this account. The Committee further note that this scheme is in operations (since 1975) for more than four decades. This coupled with the fact that the scheme is not very popular amongst the beneficiary States calls for a thorough review and evaluation. They, therefore, desire that an independent evaluation of the scheme be made in a time bound manner to find out if the intended benefits have accrued or not. They would like to be apprised of the steps taken in this direction.

Reply of the Government

2.8 This Department has requested FCI to evaluate the existing procedure of claiming and reimbursement of HTS bills and suggest the possible changes in the HTS claims settlement practice including digitization/online settlement options to make it simplified for the sake of hassle free settlement of claims. In respect of pending claims of HTS reimbursement raised by State Governments, this Department has requested FCI, HQ to direct the Regional Offices to coordinate with the States so that pending bills could be paid at the earliest and benefit to the end users could be ensured.

The concerned State Governments have also been requested to claim the pending bills with appropriate documentation and to coordinate with FCI, bringing in useful suggestions for further simplification of HTS claim process.

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Comments of the Committee

(Please see Para No.1.13 of Chapter -I of the Report)

Recommendation (Para No. 3.35)

2.9 The Committee note that the Public Distribution System (PDS) is operational under the joint responsibility of the Central and the State Governments. The operational responsibility including allocation within the State, identification of families below poverty line, issue of ration cards and supervision of the functioning of Fair Price Shop (FPS) rest with the State Governments. The Committee are of the view that with the implementation of the National Food Security Act, 2013 by the States/UTs, the need for strengthening the functioning of PDS becomes all the more necessary. The Committee observe that for the effective implementation of PDS, the Government is implementing a plan scheme of 'End-to-End Computerization of TPDS operations' and several steps are taken to sensitize States/UTs to accelerate the pace of computerization. The Committee also note that a Nine Point Action Plan for curbing leakages/diversion of foodgrains under TPDS was evolved way back in the year 2006 in consultation with the State/UT Governments. While appreciating the efforts made by the Government for strengthening PDS, the Committee are, however, compelled to point out that a lot more needs to be done to strengthen the PDS operations in the country. This is all the more visible from the information furnished by the Department in respect of action taken by States/UTs during the period January, 2013 to December, 2015 under PDS Control Orders where except for few States like Goa, Gujarat, Karnataka and Kerala most of the 35 States/UTs have not furnished the information which speaks volumes of the monitoring apparatus in respect of PDS/TPDS. The Committee, therefore, desire that the Department should continuously and vigorously monitor and persuade the State/UT Governments to strictly implement the provisions of the PDS Control Order, National Food Security Act, 2013 and the Nine Point Action Plan to curb leakages/diversion of foodgrains and the results/outcome thereof be apprised to the Committee.

Action taken by the Government

2.10 The collection of the information from States/UTs is a continuous process and this Department has been continuously monitoring and persuading all State/ UT Governments to implement the provisions of PDS Control Orders and Nine Point Action Plan. As a result thereof statements are regularly updated after receiving information from States/UTs and reminders are issued time to time. Last reminder on the issue of 'Nine Point action Plan' and 'Action taken by the State/UT Governments under relevant clauses of PDS/TPDS Control Orders' were issued to States/UTs on 24.05.2016. (**Copy enclosed at Annexure II**)

As regards to implementation of National Food Security Act (NFSA), 2013 the Government of India has been actively pursuing with all the States/UTs for early implementation of the Act through meetings with Food Ministers and Food Secretaries of States/UTs, video conferencing and letters. This has yielded results and 33 States/UTs are now implementing NFSA, including some large populous States. The remaining 3 States are likely to implement NFSA in the next 2-3 months.

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Recommendation (Para No. 3.43)

2.11 The Committee note that for modernization of TPDS, the Department is implementing a plan scheme on End-to-End Computerization of TPDS operations on cost sharing basis at the ratio of 90:10 in respect of NE States and 50:50 basis with other States/UTs. The Committee further note that the scheme has been declared as a Mission Mode Project by the Government and most of the States/UTs have more or less completed the work of ration card digitization, transparency portal, Online Grievance Redressal and Toll Free Helpline numbers. The Committee, however, regret to note that only 21 of the States/UTs have computerized Online Allocation while 12 States have Computerized Supply Chain Management of TPDS operations. The Committee strongly feel that these are very essential for the effective implementation of the TPDS in the country. While appreciating the steps taken by the Government, the Committee forcefully urge the Department to continuously and persistently follow up with the States/UT Governments and persuade them to accelerate the pace of all works relating to End-to-End Computerization of TPDS in the country in the larger interest of preventing leakages/diversion of foodgrains meant for the vulnerable sections of the society. They further feel that the Department ought to make time bound plan for the remaining States/UTS to complete the Computerization process in this scheme.

Reply of the Government

2.12 The Department is making vigorous efforts to accelerate the pace of computerization in States/UTs. In addition to meetings and VCs held with the Officers of State/UT Governments, a conference of Food Ministers and Secretaries of the State Governments was also held under the Chairmanship of Hon'ble Minister for CA, F&PD on 21.05.2016 wherein progress made by various States was reviewed and it was emphasized that all key activities under computerisation scheme should be completed at the earliest. So far 25 States/UTs have computerised Online Allocation and 14 states have Computerised Supply Chain Management of TPDS operations. About 57% Ration Cards have been seeded with Aadhar numbers. Further out of 5.32 lakh FPSs across the country, about 1.22 lakh FPSs have already been automated and 3 lakh FPSs would be automated by March, 2017.

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Comments of the Committee

(Please see Para No. 1.16 of Chapter -I of the Report)

Recommendation (Para No. 4.5)

2.13 The Committee note with concern that an amount of Rs. 3152.87 crores is outstanding for payment to FCI by various Ministries/States/Agencies on account of foodgrains supplied to them under various welfare schemes. Out of this, the amount outstanding against Ministry of Rural Development is Rs. 2452.96 crore & that of the Ministry of Human Resource Development is Rs. 475.31 crore. The Committee are not convinced with the reasons cited by the Government with regard to the problem of outstanding dues of the Ministry of Rural Development as non-availability of the bills for which advice of Chief Controller of Accounts (CCA) has been received by the Department and FCI will be advised to take necessary action for early settlement. To take care of regular dues of FCI towards MDM Scheme, a revolving fund of Rs.400 crore has been maintained by Ministry of HRD. The Government is also silent as to the reasons for outstanding dues in respect of the other Ministries/State Governments/Agencies. The Committee, therefore, strongly recommend that the Department/FCI should make earnest efforts to identify the bottlenecks in realisation of dues and recover in a time bound manner the outstanding dues from all the Ministries/State Governments/Agencies at the earliest. They would like to be apprised of the action taken in the matter.

Reply of the Government

2.14 The distribution of food grains under various welfare schemes of Ministry is a continuous process and the dues arriving out of this distribution are reimbursed regularly as per the frequency of the bills preferred by FCI from time to time against various Ministries.

In so far as dues of FCI with MoHRD for allocation of foodgrains under MDM scheme are concerned, it is submitted that after introduction of de-centralized payment system as well as regular monitoring by MoHRD, FCI and Department of Food & PD, most of the dues have been cleared. As on 31.03.2016, dues of Rs.368.41 crore was outstanding against MoHRD. Further, with the approval of Ministry of Finance, the corpus fund has been increased from existing Rs.300 crore to Rs.400 crore, which has resolved the problem to a large extent and the issue has been regularly pursued with the MoHRD at an appropriate level. Also, it is submitted that the dues under MDM Scheme is gross outstanding without deducting the corpus fund.

The problem of outstanding dues with respect to Ministry of Rural Development has arisen due to non-availability of the bills for which advice of CCA has been received by the Department. The matter has been examined in detail and FCI is being advised to take necessary action for early settlement of outstanding dues.

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Comments of the Committee

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

Recommendation (Para No. 4.14)

2.15 The Committee are constrained to note that owned/covered storage capacity has been consistently underutilized during the last four years as compared to hired storage capacity. While on the one hand, owned storage capacity has been utilized to the extent of 79% in 2012-13, 66% in 2013-14, 58% in 2014-15 and 66% in 2015-16 respectively on the other the capacity utilization of Hired storage is hovering between 80-90% during the same period. They further note that FCI has been incurring heavy expenditure on hiring of godowns amounting to Rs. 1470.01 crore in 2012-13, Rs. 2026.61 crore in 2013-14 and Rs. 2227.66 crore in 2014-15 respectively. This speaks volumes of the lackadaisical way in which FCI is conducting its storage operations. The Committee cannot but conclude that had the FCI ensured better capacity utilization of its owned storage capacity, a substantial amount of public money could have been saved and better utilized towards meeting the establishment costs as discussed previously thereby lessening subsidy outlay to some extent. The Committee, therefore, desire the Department/FCI to first ensure that owned storage capacity are utilized to the hilt before resorting to hiring storage capacity. They expect the Department to take effective steps so that positive outcomes are reflected in subsequent budgets.

Reply of the Government

2.16 Considering the operational difficulties under which FCI has to operate, Bureau of Industrial Costs and Pricing (BICP) has prescribed the storage capacity utilisation norm of the godowns to be 75 %. However, for better utilisation of the storage capacity and considering higher stock levels, capacity utilisation norm of 80 % has been considered optimum.

The utilization of owned storage capacity remains low due to various reasons such as inoperative capacity. Capacity remains inoperative due to reasons such as:-

a) **Non-utilization of FCI's owned silos**: FCI has its own silos in various parts of the country constructed in 1960s and 1970s. These are mostly RCC bins and have become non-operative over the years. 21,000 MT silo at Mayapuri (Delhi), 1,04,000 MT silos at Borivalli (Maharashtra), 84,000 MT silos at Manmad (Maharashtra), 72,000 MT silos at Chandari (Kanpur), 32,000 MT silos at Gaya (Bihar) and 20,000 MT silos at Khurja (UP).

b) **Land acquired by Railways/State Governments:** Railways and State Governments have acquired land in FCI godowns in many places for various projects such as Railway corridors, highways and Public Sector Units.

c) **Labour disputes/Court cases**: Some of the depots are not being operated due to dispute/Court cases with labour such as a capacity of 85,000 MT at FSD , Roza and 19,000 MT at Khurja in UP is not being utilized due to labour dispute. Some of the depots are not being utilized to their full capacity due to low strength of Departmental labour such as FSD, Sribijiyanagar (13,160 MT) in Rajasthan.

d) **Depots coming in the heart of the city**: Some of the depots such as FSD, Digaghat (22,310 MT) in Bihar is not being utilized because it has come in the heart of the cities and movement of stocks is not possible.

e) **Under Repair/Maintenance**: Some of the capacities remain under repair. Maintenance of Railway siding in the siding depots also render these depots inoperative for some time.

f) **Zero PV**: Zero PV was started in the year 2013 in FCI to check variations in the stock in depots. Depots are selected taking into consideration various operational parameters like consistent abnormal storage/transit losses/shortages detected during regular PV or by Squads etc. on quarterly basis to arrive at the actual stock holding and resultant loss. The process involves stopping of induction of the stocks and liquidation of the stocks in overriding priority by making the stock level 'Zero' in the selected depots. Zero PV has been completed in approximately 400 depots owned/managed by FCI.

g) **Renting out of FCI's Owned capacity**: FCI is renting out its owned capacity wherever it cannot be used for storage of buffer stock. A capacity of 54,000 MT in MP, 833 MT in Uttarakhand and 7500 MT in UP has been rented out to State Govt. Further, more capacities are being rented out in the states such as Andhra Pradesh,
Odisha etc. which have switched over to DCP mode.

FCI's owned operative capacity is utilized to the maximum extent possible before hiring capacities and the hired capacities are de-hired when not required. However, capacity hired under guarantee scheme cannot be de-hired during the guarantee period.

Capacity constructed under PEG Scheme is hired by FCI for a guaranteed period of 10 years in case of Private investors and 9 years in case of CWC/SWCs/Other State agencies. Thus, maximum utilization of capacity hired under PEG scheme is necessary in which rental/operational cost is also lower than owned capacity. However, other hired capacities have been de-hired by FCI. The details of storage capacity with FCI during the last four years are as below:-

Fig. in Lakh MT

As on	FCI Owned	Hired under PEG Scheme	Hired other than PEG	Total
31.03.2013	156.33	31.07	189.95	377.35

As on	FCI Owned	Hired under PEG Scheme	Hired other than PEG	Total
31.03.2014	156.41	59.45	153.04	368.90
31.03.2015	153.18	85.67	117.78	356.63
31.03.2016	154.07	98.21	105.61	357.89

It may be seen that capacity hired under PEG has increased by 67.14 LMT and hired capacity other than PEG has been de-hired by 84.34 LMT.

Non – utilization of CAP capacity: Around 17 to 18% of FCI's owned capacity is in the form of CAP. This CAP capacity is not being utilized in the consuming regions of East, West and South Zones. Owned CAP in procuring regions of Punjab and Haryana is only utilized during procurement season and stocks are liquidated on priority. As per the recommendations of HLC of Sh. Shanta Kumar, CAP storage is to be discouraged and phased out gradually. Average utilization of owned CAP during the year 2015-16 is only 8%. Therefore, overall utilization of owned capacity becomes low.

As far as the lower utilization of owned capacity as compared to the hired capacity is concerned it may please be noted that this is a rather natural phenomenon due to the following reasons:

- The Storage Capacity is hired only when there is absolute necessity of the same which becomes all the more reason for it to be fully/more utilized.

- The owned capacity once constructed at a particular place/location cannot be shifted if the same is required at a different location due to changed procurement pattern or change in off take of foodgrains on account of consumer preference etc. whereas the hired capacity can be de hired and re-hired as per the requirement making its utilization more than the owned capacity.

- Owned capacities are created at certain remote/hill areas also keeping in view the regional requirements where private parties do not come forward to offer hired capacity. Higher utilization of capacity in such places is not possible due to various factors such as difficult terrain, improper infrastructure, climatic conditions, limitation of railways/other transportation facilities etc. Examples of the same are NE Zone, Himachal Pradesh, and J&K etc.

- Many a times hired capacity is taken on AUB (Actual Utilization Basis) where the capacity hired is shown equal to stock stored there in making the capacity utilization 100% thereby increasing the overall capacity utilization of hired capacity as compared to owned capacity.

- Some part of the owned capacity remains under repair and maintenance resulting in overall less utilization as compared to hired capacity because the hired capacity is taken only when it is fully storage worthy.

- Often it is not cost effective to undertake long distance transportation and double handling of food grains just to ensure utilization of FCI vacant space at far off places in place of hiring the fresh storage space at the place where it is required because of proximity to the procurement or consumption centres.

- CAP capacity is used only for storage of wheat, many a times this becomes the reason for low utilization of CAP capacity as compared to covered capacity which can be used for all the commodities.

FCI tries to ensure optimum utilization of its existing capacity. Adequate checks and balances are in place in the form of Internal Audit and CAG audit so as to ensure proper utilization of available capacity whether owned or hired and to ensure that no infructuous expenditure is made on account of rental charges by hiring the godowns unnecessarily. Monitoring and review of capacity utilization is also carried out by Regional Offices/ Zonal Offices/FCI HQs. to ensure optimum utilization of storage capacity and to minimize the cost of storage.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/5/2016-AC Dated the 4th July, 2016]

Recommendation (Para No. 5.7)

2.17 The Committee are happy to note that though sugarcane production is cyclic in nature, the country has been producing sugar more than the domestic requirement since the year 2010-11 onwards. The Committee are, however, concerned to note that the area under sugarcane cultivation has been decreasing every year since the year 2011-12 except in the year 2014-15 where a marginal increase has been shown. The Committee would, therefore, urge the Department to take every possible measures to encourage the sugarcane farmers so that the country would continue to remain one of the largest producers of sugar in the world. The Committee further note that to make sugar available in PDS, the States/UTs are required to procure sugar from the open market through a transparent system. To ease the financial burden of the States/UTs, the Government has decided to release advance subsidy to all States/UTs who approach them. The States/UTs have also been given the liberty to either absorb the additional cost, if any, on account of handling transportation and dealers' commission or pass it on to the consumers by including it in the Retail Issue Price. Further, the new system of open market procurement by States/UTs, and seeking reimbursement from the Department has been adopted by 30 States/UTs. The Committee desire that the Government should encourage the remaining States/UTs to adopt the new system of open market procurement and also take every possible step to increase sugar production in the country.

Reply of the Government

2.18 Though till 2009-10, the production of sugar has been cyclic in nature but during the last 5 sugar seasons i.e. 2010-11 to 2014-15, it has been more than the domestic requirement. During the current sugar season 2015-16(October-September), the production of sugar has been estimated to be about 252 Lakh tons which is less as compared to last sugar season's production of 284.63 Lakh tons. The decline in sugar production during 2015-16 is due to less rainfall leading to draught like situation in sugar producing States viz. Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu and Uttar Pradesh. This caused less sugarcane production and its availability to sugar mills for crushing in the States of Maharashtra, Karnataka and Uttar Pradesh. With the carry over stock of 90 lakh tons and estimated production of about 252 lakh tons, the total availability of sugar would be more than the estimated domestic demand of about 256 Lakh tons. As such, there is no shortage of sugar in the country.

Presently six States/UTs (Assam, Bihar, Orissa, Arunachal Pradesh, Dadra & Nagar Haveli and Daman & Diu) are not participating in the sugar subsidy scheme. These States/UTs have been requested to participate in the scheme for distribution of sugar through Public Distribution System (PDS).

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/5/2016-AC Dated the 4th July, 2016]

Comments of the Committee

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

CHAPTER III

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

Recommendation (Para No. 2.11)

3.1 Regarding Non-plan Schemes, the BE of 2015-16 was Rs. 136325.55 crore and the same was revised upwards to Rs. 162084.41 crore at RE stage but the Actual Expenditure was Rs. 135180.40 crore only upto 14 March, 2016. The Committee are pained to observe that while the allocated funds were sharply revised upwards at RE stage, the AE was even less than the initial allocation at BE stage. This clearly indicates that Department is either unable to project their budget requirement in a realistic manner or they are projecting their budget proposals without giving due consideration. The Committee further note that the Department has been allocated BE of Rs. 152554.11 crore for the Year 2016-17. This includes Rs. 2000.00 crore under Transfer to Sugar Development Fund against Actual Expenditure of Rs.750.00 crore only last year, Rs. 2500.00 crore under Central Assistance to States/UTs for meeting expenditure on intra-State movement, handling of foodgrains and FPS dealers margin under National Food Security Act against Nil expenditure last year, Rs. 200.00 crore against AE of Rs. 59.35 crore only last year under Loans to Sugar Factories for Bagasse based Co-generation Power Projects, Rs. 125.00 crore against AE of Rs. 20.88 crore only last year under Loans for production of anhydrous alcohol or ethanol from alcohol. The Committee strongly deprecate this anomalous situation arising out of a seemingly unplanned method of projecting outlays vis-a-vis actual expenditure as could be seen from the above narrative. They further desire the Department to take all necessary steps to ensure that the allocated funds are utilized fully for the purposes allocated so that various schemes/programmes of the Department get implemented during the financial year and such a situation as is available now does not recur.

Reply of the Government

3.2 The Committee noted that for Non-Plan Schemes during 2015-16, against BE 2015-16 of Rs.136325.55 crore and RE 2015-16 of Rs.162084.41 crore, the Actual Expenditure was Rs.135180.40 crore up to 14.03.2016. In this connection, it is clarified that against RE of Rs.162084.41 crore for Non Plan, the Actual Expenditure incurred of Rs.161922.12 crore (i.e.99.90% of the RE) before closing of Financial Year 2015-16. An expenditure of Rs.135180.40 crore was booked upto 14.03.2016 and balance of Rs.26741.72 crore was released from 15.03.2016 to 31.03.2016. The heavy expenditure of Rs.26741.72 crore booked during 15th to 31st of March, 2016 was due to Supplementary Grants (3rd Batch) of Rs.15151.30 crore (including saving of Rs.31.40 crore which required approval of Parliament through Token Supplementary for its re-appropriation) received on 26.03.2016 and Food Subsidy of Rs.10000 crores released to FCI.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/5/2016-AC Dated the 4th July, 2016]

CHAPTER IV

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

Recommendation (Para No. 4.10)

4.1 The Committee are surprised to note that the net expenditure including Establishment Cost of FCI is reimbursed by the Government in the form of food subsidy. It is observed that the total establishment cost of FCI has increased by 20.98% from Rs. 2265.60 crore in the year 2013-14 to Rs. 2763.20 crore in the year 2015-16. The Committee are of the firm opinion that meeting the total Establishment Cost of FCI out of food subsidy is erroneous and inappropriate. Ideally the establishment cost should be entirely borne by FCI from out of its internal resources and not by Government from out of its budget allocations since the Corporation is supposed to function as a commercial entity and not a departmental organisation. The Committee, therefore, urge the Department to look into in this issue afresh and advise FCI to devise other means to recoup its establishment costs from the next financial year.

Reply of the Government

4.2 The Food Corporation of India is incorporated under the Food Corporation's Act, 1964. The FC Act provides for establishment of Food Corporation (both at State and Central level) for the purpose of trading in food grains and other food stuffs and for matters connected therewith and incidental therewith.

At present, the Food Corporation of India is not involved in any commercial activities. Primary function of FCI, at present is implementation of Government of India Food Policy which includes procurement of food grains at Minimum Support Price (MSP), storage, movement and distribution of food grains, as per the Government of India policy including NFSA. The Government of India decides the MSP of food grains, and the issue price under different schemes. Similarly, the quantity of food grains allocated to different States /UTs is also decided by Government of India, each year. Further, the quantity of buffer stocks to be maintained is also decided by the Government of India. Total cost of FCI reduced by the sale realisation is claimed as food subsidy.

Since FCI is not into any commercial activities, the cost of establishment of FCI which is a part of it's total cost is borne by Government of India as food subsidy. FCI is the implementing agency of Government of India, thus, the cost of the establishment is a part of the food subsidy. Even if, FCI enters into commercial activities, the total Establishment Cost incurred by FCI, would have been apportioned between the commercial activities and the central operations, as per the Government of India Circular dated 25th April, 1980 Sl. No.8 (g) (Copy enclosed at **Annexure – III**).

At present, FCI is doing only Central Operation, therefore, 100% of the establishment cost of FCI is allocated to Central Operation and charged to food subsidy.

As regards, increase in Establishment Cost of FCI from Rs.2265.60 crore in 2013-14 to Rs.2763.20crore in the Year 2015-16, the reply submitted earlier may please be referred. (Copy enclosed at **Annexure – IV**).

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/5/2016-AC Dated the 4th July, 2016]

Comments of the Committee

(Please see Para No.1.22 of Chapter -I of the Report)

CHAPTER V

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

Recommendation (Para No. 5.15)

5.1 The Committee note that the Sugarcane (Control) Order, 1966 stipulates payment of cane price arrears within 14 days of supply, failing which interest at the rate of 15% per annum on the amount due for the delayed period beyond 14 days is payable. The Committee are, however, constrained to note that a total amount of Rs. 16026.01 crore is outstanding for payment to the farmers as on 29.02.2016. This amount includes arrears of Rs. 879.62 crore for the year 2013-14 and earlier years and Rs. 1378.25 crores for the year 2014-15. The Committee are, constrained to note that the Government has not been able to enforce the provisions of Sugarcane (Control) Order, 1966 though the primary responsibility to enforce the provision rests with the State Governments/UT Administrations. The Committee are, however, happy to note that the Government has notified a scheme to provide soft loan to the sugar mills to facilitate clearance of cane price arrears. The Committee further note that the Government has decided to make 5% mandatory ethanol blending with petrol across the country and left the oil marketing companies to decide procurement price of ethanol with the suppliers of ethanol to generate revenue for sugar mills to enable them pay the cane price arrears. The Committee further observe that the Government has lifted the barrier of 5% blending of ethanol and raised it to 10% blending now. The Committee, therefore, urge the Government to strongly prevail upon the State Governments/UT Administrations in enforcing the provisions of the Sugarcane (Control) Order, 1966 and also strictly monitor the performance of sugar mills in making early payment of cane price to the farmers. The Committee also desire that they should be apprised of the results in respect of the improved position of clearance of arrears by sugar mills after revision of the blending of ethanol to 10% with petrol thereby facilitating payment of the arrears to cane growers.

Reply of the Government

5.2 Due to the efforts of the Government, as on 19.05.2016, cane price arrears of 2015-16 have been reduced to Rs. 10,699.07 crores, Rs. 748.47 crores for 2014-15 and Rs. 576.16 crores for 2013-14 & Rs. 270.28 crores from 2012-13 & earlier seasons. The Central Government is continuously taking up the matter with respective State Governments/Union Territory Administrations for clearance of cane price arrears.

[Ministry of Consumer Affairs, Food & Public Distribution
(Department of Food & Public Distribution)
O.M. No.G-20017/5/2016-AC Dated the 4th July, 2016]

Comments of the Committee

(Please see Para No.1.28 of Chapter -I of the Report)

NEW DELHI;
9 January, 2017
19 Pausha 1938 (Saka)

J.C. DIVAKAR REDDY,
Chairperson,
Standing Committee on Food,
Consumer Affairs and Public Distribution.

Annexure II

Most Immediate

F.No. 9/10/2004-PD II/Vol.VI
Government of India
Ministry of Consumer Affairs, Food and Public Distribution
Department of Food and Public Distribution

Krishi Bhavan, New Delhi
Dated, the May, 2016

To

The Secretary,
Food & Civil Supplies Department,
All State Governments/UT Administrations

Sub: Details regarding action taken by the State/UT Governments under relevant clauses of the PDS & TPDS Control Orders.

Dear,

Please refer to this Ministry's letter of even number on various dates including last letter dated 05.04.2016 from Director (PD) and D.O. reminder dated 21.05.2014 from Joint Secretary (BP, PD) requesting for the details regarding action taken under clauses 8 & 9 of the PDS (Control) Order, 2001.

2. As you are aware, clauses 8 & 9 of the Order stipulate the procedure for monitoring of Fair Price Shops and penalties for contravention of the provisions of the said Order. Besides, Clause 10 of TPDS (C) Order, 2015 also requires all State/UT Governments to furnish the information in prescribed proforma in respect of Number of inspections, Number of raids conducted, Number of persons arrested/prosecuted/convicted and Number of FPS Licenses suspended/Cancelled/Show cause notices issued/FIR lodged. Hence, the information provided by you would highlight the steps taken in your State/UT towards checking of leakages, increasing the efficiency of TPDS, etc. The information is also relied upon for various purposes including reply to Parliament Questions, preparing brief before visits by State Chief Ministers, Food Ministers, etc.

3. The updated information has not been received from many State/UT Governments such as Maharashtra, Manipur J&K, Chhattisgarh, Punjab etc. in the prescribed proforma as per PDS (C) Order, 2001 and TPDS (C) Order, 2015. As you were also made aware in this Department's last letter dated 05.04.2016 that the same matter has been adversely reviewed by the Standing Committee on Ministry of Consumer Affairs, Food and Public Distribution during the discussion held at Parliament House in connection with the Demand for Grants (2016-17), and the reasons for the

State/UT Governments not furnishing information has been sought by the Standing Committee at the earliest.

4. I shall, therefore, be grateful if you could personally look into matter and arrange for providing the said information within a week and also kindly update the above information in Online Formats for the year ending March, 2016 within a week of receiving this letter.

Yours sincerely,

Enclosure: as above

(Bhaskar Bandyopadhyay)
Deputy Secretary (BP)

PROFORMA

PROFORMA FOR SENDING QUARTERLY REPORT ON ACTION TAKEN UNDER RELEVANT CLAUSES OF THE PDS/TPDS (CONTROL) ORDERS.

REPORT FOR THE QUARTER ENDING (MARCH/JUNE/SEPTEMBER/DECEMBER): ……………………

NO. OF INSPECTIONS	NO. OF RAIDS CONDUCTED	NO. OF PERSONS ARRESTED/ PROSECUTED/ CONVICTED	NO. OF FPS LICENSES SUSPENDED/ CANCELLED/ SHOW CAUSE NOTICES ISSUED/FIR LODGED	TYPE & VALUE OF GOODS SEIZED

Most Immediate

F.No. 9-7/2006-PD-II (Vol.III)
Government of India
Ministry of Consumer Affair, Food and Public Distribution
Department of Food and Public Distribution

Krishi Bhavan, New Delhi
Dated the May, 2016

To

The Secretary,
Food, Civil Supplies & Consumer Affair Department,
States/UT Governments of Arunachal Pradesh, Assam, Goa, Gujarat, Haryana, J&K, Jharkhand, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Telangana, Tripura, Uttarakhand, A&N Islands, Chandigarh, Dadar & Nagar Haveli, Daman & Diu and Puducherry.

Subject: Implementation of Nine Point Action Plan.

Sir/Madam,

I am directed to say that inspite of repeated reminders from time to time the complete Nine Point Action Plan implementation report has not been received so far from most of the State/UT Governments. A list of pending issues in respect of Implementation of Nine Point Action Plan is enclosed herewith for your information and necessary action.

2. It is therefore requested that the implementation report in respect of your State/UT Government may please be sent to this Department at the earliest.

Yours faithfully,

Encl: as above.

(Jagdish Gogia)
Under Secretary to the Government of India

Statement indicating the various issues pending is respect of Implementation of Nine Point Action Plan.

(as on 24.05.2016)

Sl. No.	Name of the State	Pending Issues
1.	Arunachal Pradesh	1. Timely availability of foodgrains at FPS
2.	Assam	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny 2. Door step delivery of foodgrains
3.	Goa	1. Involvement of PRI members 2. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny 3. Door step delivery of foodgrains
4.	Gujarat	1. Door step delivery of foodgrains 2. Steps taken towards Computerization of TPDS operations
5.	Haryana	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny
6.	J&K	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny
7.	Jharkhand	1. Involvement of PRI members 2. Display of BPL/AAY list on the FPS 3. Timely availability of foodgrains at FPS 4. Training of members of FPS level Vigilance Committee
8.	Madhya Pradesh	1. Training of members of FPS level Vigilance Committee
9.	Maharashtra	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny
10.	Manipur	1. Review of BPL/AAY list 2. Ensure leakage free distribution of foodgrains by taking action against guilty 3. Involvement of PRI members 4. Display of BPL/AAY list on the FPS 5. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny 6. Timely availability of foodgrains at FPS
11.	Meghalaya	1. Involvement of PRI members 2. Door step delivery of foodgrains
12.	Mizoram	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny
13.	Nagaland	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny 2. Training of members of FPS level Vigilance Committee
14.	Sikkim	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny
15.	Telangana	1. Review of BPL/AAY list 2. Ensure leakage free distribution of foodgrains by taking action against guilty

		3. Involvement of PRI members 4. Display of BPL/AAY list on the FPS 5. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny 6. Timely availability of foodgrains at FPS 7. Training of members of FPS level Vigilance Committee 8. Steps taken towards Computerisation of TPDS operations
16.	Tripura	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny
17.	Uttarakhand	1. Training of members of FPS level Vigilance Committee
18.	A&N island	1. Display of BPL/AAY list on the FPS 2. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny 3. Training of members of FPS level Vigilance Committee
19.	Chandigarh	1. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny
20.	Dadar & Nagar Haveli	1. Door step delivery of foodgrains 2. Training of members of FPS level Vigilance Committee
21.	Daman & Diu	1. Review of BPL/AAY list 2. Ensure leakage free distribution of foodgrains by taking action against guilty 3. Involvement of PRI members 4. Distt. & FPS wise allocation of foodgrains put on website as public scrutiny 5. Door step delivery of foodgrains 6. Training of members of FPS level Vigilance Committee
22.	Puducherry	1. Involvement of PRI members 2. Training of members of FPS level Vigilance Committee

Annexure IV

Reasons for increase in Establishment Cost in 2015-16 (RE) as compared to 2013-14

(Rs. In Crore)

Particulars	2015-16 (RE)	2013-14	Increase	% Increase
Establishment Cost	2763	2266	497	21.93%

Reasons for increase

1. The increase in 2015-16 (RE) is roughly 22% over a period of 2 years which is in line with normal inflationary trend of 10% which includes annual increments, increase In DA etc.
2. The amount for 2015-16 (RE) is only an estimate and the actual expenditure can be conveyed only after annual accounts for 2015-16 are closed.
3. Increase in Establishments Cost is mainly due to:
   - (i) Proposed recruitment of 4689 employees in 2015-16 for part of the year;
   - (ii) Normal increment of 3% along with other allowances and increase in DA about @ 10% p.a
   - (iii)
4. Increase in Other Administrative Cost is mainly due to the following reasons:
   - (i) There was Misc. Income of Rs. 62 crores in 2013-14 which had reduced the expenditure whereas the income expected in 2015-16 (RE) is only Rs. 16 crores. Thus, as compared to 2013-14, the expenditure of 2015-16 (RE) is higher by Rs. 45 crores.
   - (ii) Depreciation in 2013-14 was Rs. 24 crores which has to be taken at Rs. 45 crores in 2015-16 (RE). This increase in depreciation is due to change in depreciation rates under Companies Act.
   - (iii) The expenses on recruitment of 4689 employees in 2015-16 (RE), considered at Rs. 28 crores as against Rs 0.61 crores in 2013-14, is also responsible for rise in establishment cost.
   - (iv) The expenses on computerization are expected to be Rs. 33 crores in 2015-16 (RE) against Rs 7.5 crores in 2013-14, leading to an increase of Rs. 25.50 crores which is mainly due to computerization of depot online, up gradation of LAN/WAN.
   - (v) An amount of Rs. 8 crores is budgeted for Research & Development activities of the corporation. However, the expenditure is negligible in 2013-14.

APPENDIX I

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2016-17) HELD ON MONDAY, 9 JANUARY, 2017

The Committee sat from 1100 hrs. to 1145 hrs. in Committee Room No. '53', First Floor, Parliament House, New Delhi.

PRESENT

Shri J.C. Divakar Reddy - Chairperson

Members

Lok Sabha

2. Shri Babu Lal Choudhary
3. Shri Sanjay Haribhau Jadhav
4. Shri Dinesh Kashyap
5. Shri Dharmendra Kumar
6. Shri Ravinder Kushawaha
7. Smt. Sakuntala Laguri
8. Dr. Swami Sakshiji Maharaj
9. Shri Sunil Kumar Mondal
10. Shri Ram Chander Paswan
11. Shri Bhola Singh
12. Shri Nandi Yellaiah

Rajya Sabha

13. Shri Shadi Lal Batra
14. Shri Vinay Katiyar

SECRETARIAT

1. Shri P.V.L.N. Murthy - Joint Secretary

2. At the start of the meeting, only three members were present. The Chairperson decided to wait for the members. After few minutes, other members started coming. After completion of the quorum, Hon'ble Chairperson welcomed the Members to the sitting of the Committee convened for consideration and adoption of the Draft Reports on Action Taken by the Government on the observations/recommendations contained in the 10th and 11th Reports of the Committee on Demands for Grants (2016-17) of the Ministry of Consumer Affairs, Food and Public Distribution pertaining to the (i) Department of Food and Public Distribution, and (ii) Department of Consumer Affairs.

3. Thereafter the Committee took up for consideration the Draft Reports. After due deliberations, the Committee unanimously adopted the said two Action Taken Reports without any amendment/modification.

4. The Committee then authorized the Chairperson to finalize the aforesaid Draft Reports and present the same to Parliament in the ensuing Budget Session of Parliament.

The Committee then adjourned.

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APPENDIX II

(*Vide* Para No. 4 of Introduction of the Report)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TENTH REPORT OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION (2015-16)

(SIXTEENTH LOK SABHA)

(i) Total number of Recommendations: 12

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

Para Nos. .:- 2.10, 3.19, 3.26, 3.35, 3.43, 4.5, 4.14 and 5.7.

(Chapter – II, Total - 8)

Percentage : 66.67%

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

Para No. 2.11

(Chapter – III, Total - 1)

Percentage : 8.33%

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

Para Nos. 3.9 and 4.10

(Chapter – IV, Total -2)

Percentage : 16.66%

(v) Observations/Recommendations in respect of which the interim replies of the Government have been received.

Para No.:- 5.15

(Chapter – V, Total - 1)

Percentage : 8.33%