

‘DEFINE UNFAIR TRADE PRACTICE FOR E-COM’

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector
incl. MSMEs and PSUs

Within limits: Norms are needed to fix delivery charges with a cap on the same during peak hours, the panel says. S.S. Kumar

A parliamentary panel has recommended that the government should offer a more clear-cut definition of what constitutes ‘unfair’ trade practice as well as spell out a practical legal remedy to tackle the issue, warning that there was a risk that predatory pricing by e-commerce firms may result in competition being wiped out and prove detrimental to consumers in the long run.

The panel, headed by Partap Singh Bajwa, in its report on ‘The Consumer Protection (E-Commerce) Rules, 2020’ tabled in Parliament on Wednesday, has also recommended fixing a cap on delivery charges levied by e-commerce firms, as well as providing for penal provisions for violation of rules related to misinformation.

The committee noted that while e-commerce enterprises offer many benefits, the development of the segment has rendered consumers vulnerable to new forms of unfair trade practices, violation of privacy and issues of unattended grievances.

“Predatory pricing as a short-term strategy, adopted by some of the market giants with deep pockets to sustain short-term losses and reduce the prices of their products below the average variable costs may lead to wiping out competition from the market and could be detrimental to the consumers in the long run,” the committee said.

‘Difficult to prove’

It, however, added that from a legal standpoint it was very hard to substantiate allegations of predatory pricing, since the impact of such practice on the competition in the market would be very difficult to prove.

“The Committee, therefore, recommends that there should be a more clear-cut definition of what constitutes Unfair Trade Practice and practical legal remedy to tackle such circumventing practices by e-commerce entities specifically multinational companies and kirana small vendors.” The panel also suggested that the Ministry of Consumer Affairs, Food and Public Distribution should issue broad guidelines for the fixation of delivery charges charged by the marketplace entities along with a cap on the highest limits of the delivery charges in peak hours of service.

“The Ministry should clearly distinguish in the rules itself the cases of misinformation, no information and the information which is otherwise correct but creates a false impression and provide for penal provision for each case in the rules itself,” it said.

The Ministry should also clearly define ‘drip pricing’— wherein the final cost of the product goes up due to additional charges, and provide for protecting consumers against this by including penal provisions for violation.

END

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