

**PERFORMANCE AUDIT OF DUAL  
FREIGHT POLICY FOR  
TRANSPORTATION OF IRON ORE  
TRAFFIC IN INDIAN RAILWAYS**

MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

PUBLIC ACCOUNTS COMMITTEE  
(2016-17)

SIXTIETH REPORT

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SIXTEENTH LOK SABHA



LOK SABHA SECRETARIAT  
NEW DELHI

# **SIXTIETH REPORT**

## **PUBLIC ACCOUNTS COMMITTEE** **(2016-17)**

(SIXTEENTH LOK SABHA)

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MINISTRY OF RAILWAYS  
(RAILWAY BOARD)



*Presented to Lok Sabha on:*

14-12-2016

*Laid in Rajya Sabha on:*

14-12-2016

**LOK SABHA SECRETARIAT  
NEW DELHI**

December 2016/ Agrahayana 1938 (Saka)

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2016-17)**

Prof. K.V. Thomas - Chairperson

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5. Prof. Richard Hay
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
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11. Shri Abhishek Singh
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2. Shri S.C. Chaudhary - Joint Secretary
3. Shri Tirthankar Das - Additional Director
4. Shri A.K. Yadav - Deputy Secretary

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\* Elected w.e.f. 09.08.2016 vice Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016.

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2015-16)**

**Prof. K.V. Thomas                      -                      Chairperson**

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12.     Dr. Kirit Somaiya
13.     Shri Anurag Singh Thakur
14.     Shri Shivkumar Udasi
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18.     Shri Anil Madhav Dave
19.     Shri Vijay Goel
20.     Shri Bhubaneswar Kalita
21.     Shri Shantaram Naik
22.     Shri Sukhendu Sekhar Roy

## INTRODUCTION

1. I, the Chairperson, Public Accounts Committee (2016-17) having been authorised by the Committee, do present this Sixtieth Report (Sixteenth Lok Sabha) on 'Performance Audit of Dual Freight Policy for Transportation of Iron Ore Traffic in Indian Railways' based on C&AG Report No. 37 of 2014 (Performance Audit), Union Government (Railways) relating to the Ministry of Railways (Railway Board).

2. The above-mentioned Report of the Comptroller and Auditor General of India was laid on the Table of the House on 08th May, 2015.

3. The Public Accounts Committee (2015-16) took up the subject for detailed examination and report. The Committee held informal discussion with the representatives of the Ministry of Railways (Railway Board) on the subject during their study visit to Kolkata in 2015 and also took evidence of the representatives of the Ministry of Railways (Railway Board) at their sitting held on 23<sup>rd</sup> November, 2015. As the examination of the subject could not be completed due to paucity of time, the Public Accounts Committee (2016-17) re-selected the subject to continue the examination and took further evidence of the representatives of the Ministry of Railways at their sitting held on 24<sup>th</sup> June, 2016. On the basis of the oral evidence and the written replies furnished by the Ministry of Railways (Railway Board), the Draft Report was prepared and placed before the Committee for their consideration. The Committee considered and adopted this Draft Report at their sitting held on 01<sup>st</sup> December, 2016. The Minutes of the Sitzings are appended to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part- II of the Report.

5. The Committee thank their predecessor Committees for taking oral evidence and obtaining information on the subject.

6. The Committee would like to express their thanks to the representatives of the Ministry of Railways (Railway Board), CBI and SAIL for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India and the PAC Secretariat in preparation of the Report.

NEW DELHI;  
14 December, 2016  
23 Agrahayana, 1938 (Saka)

PROF. K.V. THOMAS  
Chairperson,  
Public Accounts Committee

**PART - I****I. Introductory**

'Iron ore' is an important commodity transported by the IR, both in terms of volume of traffic and also in terms of freight earnings. 'Iron ore' is transported for domestic consumption in the Country and also for non-domestic consumption like sale / export. So far as transport of 'Iron ore' for domestic consumption is concerned, IR is a major transporter, the share during 2007- 2008 to 2011-12 ranged between 57 per cent and 79 per cent. However, of the total freight earnings of IR, percentage of earnings from transportation of 'Iron ore' for both domestic as well as non-domestic consumption was 17 per cent in 2008-09, which came down to 9 per cent in 2012-13.

2. With the primary objectives of lowering the cost of transport of 'Iron ore' for domestic producers and to keep freight charges for export of Iron ore in sync with its rising international spot market prices and garner high freight revenues in the event of increase in international price of Iron ore, IR Introduced (May 2008) the Dual Freight Policy (DFP) under which, transportation of 'Iron ore' was categorized into two classes on the basis of end use viz. 'domestic consumption' and 'other than domestic consumption'. The former was assigned a lower Class4 and the latter a higher Class5. The above classes cover various types of Iron ore viz., lumps, fines, calibrated form, pellets etc. The freight difference between the two assigned classes was on an average more than three times.

3. The allotment of rakes for Iron ore transportation is governed by an allotment policy, assigning priority/preferences laid down by Railway Board and have a bearing on the implementation of the DFP. Manufacturers of Iron and Steel, Cement and Pellets are the authorized customers eligible for benefit of booking 'Iron ore' at lower domestic rate as per the Rate Circulars issued by Railway Board subject to laid down terms and conditions.

## II. Audit Review

4. The implementation of DFP for iron ore traffic was first highlighted in Audit Paragraph No. 2.5 of CAG's Audit Report No. 32 of 2011-12 (Railways) that brought out irregularities in booking of 'Iron ore' traffic at domestic rate without ensuring receipt of stipulated documents from the consignors at three loading points of Waltair Division of East Coast Railway (ECoR) for the period from 22nd May 2008 to 31st March 2011. Audit again examined implementation of DFP at 26 loading points and 10 unloading points over three Zonal Railways for the period from 22nd May 2008 to March 2012 highlighting irregularities in submission of required documents for availing benefit of domestic freight rate besides availing of domestic rates by some manufacturing units while used the iron ore for sale/export and availing of domestic rates by some manufacturing units in respect of iron ore already utilised for other than domestic purpose like sale/export. In the Action Taken Notes furnished in October 2012 and October 2014 by the Ministry of Railways (Railway Board) in this regard stated that the onus of conforming to the affirmed end use was on the consignor /consignee as Railways does not/ did not have any obvious in-built mechanism for ascertaining the end-use to which the iron ore was ultimately put after its delivery had been taken by the consignee. Further, the submission of specific documents prescribed by Railway was to establish the bona fides of the party that it was transporting the 'Iron ore' for 'domestic consumption' and if the party then exports the material, it is a clear case of fraud. In view of the significance of the issue, during the latest review Audit had covered all major loading points and unloading points of all Railway Zones in order to examine the enforcement of the rules framed for the dual freight policy and the aspect of rake allotment for iron ore traffic.

5. Audit examined records of 83 major loading points (out of 97 loading points) of seven Zonal Railways and of 180 unloading points (out of 198 unloading points) of 15 Zonal Railways. The Audit Report highlights the deficiencies in compliance with laid down rules and procedures in booking and delivery of Iron ore at domestic rate by concerned Railway officials that resulted in a financial loss of expected Goods earnings to the extent of ₹ 29236.78 crore (freight evasion of ₹ 12722.65 crore and non-



imposition of penalty to the tune of 11418.16 crore due to partial submission/non-submission of documents/submission of invalid documents besides imposable penalty of ₹ 5095.97 crore for diversion for trading the iron ore transported at domestic rate).

6. Against this backdrop, the Public Accounts Committee (2015-16) and (2016- 17) selected the subject for detailed examination and report. In the process of examination of the subject, the Committee obtained background note and detailed written replies from the Ministry of Railways (Railway Board). They also took oral evidence of the representatives of the Ministry and obtained post-evidence replies. Based on written and oral depositions by the Ministry, the Committee examined the subject in detail and discussed some important issues as enumerated in the succeeding paragraphs.

### **III. Irregular booking and delivery of 'Iron Ore' at Domestic Consumption Rate and results thereof**

7. The Dual Freight Policy (DFP) introduced in May 2008 entitled the manufacturers of Iron and Steel to avail benefit of payment of freight at domestic consumption rate subject to stipulations of the Policy. As per Rate Circulars issued by Railway Board for implementing Dual Freight Policy for Iron ore transport, for availing freight rate applicable for domestic consumption, submission of verified copies of six documents to the Station Master/Chief Goods Supervisor of loading points along with the indent for every allotment of rake was made mandatory for Iron and Steel manufacturers.

8. The Committee desired to know the details of the six documents required for availing freight rate applicable for domestic consumption. The ministry in their reply have stated as under:-

"To avail the lower rate applicable for iron ore meant for domestic consumption, a prescribed set of documents which includes Industrial Entrepreneur Memorandum (IEM) or certificate of Joint Plant Committee (Ministry of Steel) indicating the licensed capacity of plant or MOU signed between Plant and its Associate Ministry (for PSUs only), Consent for Operation (CFO) from Pollution Control Board, Factory license, Certificate of registration under Contract Labor Act, Central Excise registration certificate, Monthly Excise Return etc. are required to be submitted by the customer to designated Railway Authority to establish the bonafide of the domestic manufacture unit. Sworn affidavit from consignor/consignee regarding declaration of end-use of iron is also required to be submitted and consignee is also required to furnish stamped indemnity bond

to indemnify the railway against mis-declaration of export iron ore as domestic iron ore for non- payment of distance based charge or any other misuse of rules prescribed by Railways from time to time. For iron ore traffic booked to private sidings, one time submission of documents is necessary but in case of iron ore traffic booked to other than private sidings, the certified copy of above documents are required to be submitted for each rake independently. Consignor is also required to make an endorsement in the forwarding note declaring that the consignment is meant for domestic consumption within India."

9. Further, when asked to explain the purpose served by each of the requisite six documents, the Ministry in their reply stated that while the sole objective was to keep traders out of the purview of the domestic tariff rate, the exact purpose served by the each of the stipulated documents towards the end of sole objective was presented in the following tabular form :-

S.No.	Documents	Purpose	Periodicity
1	Industrial entrepreneur Memorandum (IEM) or certificate of Joint Plant Committee (Ministry of Steel) indicating the licensed capacity of plant or MOU signed between Plant and its Associate Ministry(for PSUs only)	for recognizing a domestic manufacturing unit	One time for traffic booked to private sidings and for booking of each rake if booked to other than private siding
2	Consent for Operation (CFO) from Pollution Control Board for the current financial year; or a copy of the application addressed to the concerned PCB for renewal of CFO for the current year duly acknowledged by the PCB together with a CFO for any of the preceding years not more than three years old,	for establishing its status as a running unit	
3	Factory license for the current financial year; or a copy of the application addressed to the Inspector of Factories of the concerned State Government duly acknowledged by the addressee together with a copy of the factory license for any of the preceding years not more than three years old,	for establishing its status as a running unit	

4	Certificate of registration under Contract Labor Act or an affidavit under oath, certifying that this registration is not legally required to be done by the unit under the provisions of Contract Labor Act	for establishing its status as a running manufacturing unit	
5	Central Excise registration certificate	for establishing its status as a domestic manufacturing unit	
6	Monthly Excise Return pertaining to the previous month or a certificate from excise department mentioning non-commencement of production	for establishing their status as a running unit and also for confirming that the iron ore is put to use for manufacturing.	quarterly basis
7	As regards the end - use of the iron ore, both the "consignor and the consignee" were required to submit: Sworn affidavits	to the effect that the goods are meant for domestic consumption in declared manufacturing unit within India and will not be exported out under any circumstances. The company undertakes to advise the concerned railway authority in case such iron ore is intended to be used wholly or partially for export purposes	One time for traffic booked to private sidings and for booking of each rake if booked to other than private siding
8	Indemnity Note by consignee	indemnifying Railways against mis-declaration.	One time for traffic booked to private sidings and for booking of each rake if booked to other than private siding

10. Since penalty is only a deterrent after benefit has already been derived by the consignees, non-submission/ partial submission of documents, submission of false /inaccurate, misleading documents while availing freight meant for domestic consumption of Iron ore was to draw the following penalty:

- Failure to submit any of the prescribed excise-related documents by the one timers would result in disqualification from eligibility of the onetime submission of documents. In such case the manufacturer will be required to submit all documents at the time of registration of each indent at loading points in order to avail freight rate for domestic consumption.
- Partial submission /non-submission of documents or submission of inaccurate, false and misleading Indemnity Note will result in charging freight at Class 180 plus Distance Based Charge (consisting of lump sum amount plus a percentage (as per distance slab) of Basic Freight Rate as per slab against the charging freight at Class 180 only (as applicable for domestic consumption purpose) and recovery of undercharge will be made.
- As per provisions of DFP if it is detected at any stage that the endorsement mentioned in the Forwarding Note and/or Affidavits were false, inaccurate or misleading, a penalty for mis-declaration would be imposed at the rate of four times of the freight chargeable. Such consignors and consignees would be blacklisted for a period of three years.

11. However, Audit test-checked 90766 RR for non-submission, partial submission and invalid submission of required documents and its findings are as under:

- (i) Railway Authorities allowed booking of 2079 rakes over four Zonal Railways (SER, ECoR, SWR and SECR), in respect of 225 consignees, charging freight at domestic rate even though none of the prescribed documents were submitted by these consignees. The said acceptance of indents without obtaining prescribed documents and booking rakes at domestic rates by Chief Goods Supervisor/Chief Goods Clerk/ Sr. DCM, led to freight evasion of ₹ 957.76 crore

during the period from May 2008 to September 2013 in terms of Railway Board's Rate Circular.

- (ii) In respect of 218 consignees, charging of freight at domestic consumption rate was allowed by Railway authorities while booking 5083 rakes over five Zonal Railways (SER, ECoR, SWR, WCR and WR) even though submission of documents by these consignees was partial and led to freight evasion of 2309.06 crore during the period from May 2008 to September 2013.
- (iii) the documents submitted by 49 consignees (either booking Iron ore to their own Sidings or other than their own Sidings) over four Zonal Railways (SER, ECoR, SWR and WCR) had deficiencies. The deficiencies in the documents included cases such as Monthly Excise Returns submitted for earlier period than that required, Consent of Operation (CFO) not cleared as the case is subjudice, consignee name manually corrected etc. Audit observed that railway booked 190 rakes on the basis of these documents and allowed transportation at domestic consumption rate, which resulted in freight evasion of ₹ 108.42 crore.

12. In view of serious lapses in implementation of DFP the Committee asked the Railways as to whether any pre-emptive measures were in place to prevent such misuse of the policy. The Ministry in their reply have stated as follows:-

"In any policy where there is dual pricing, there are possibilities that someone could misuse the provisions. Therefore, the said documents including affidavits etc. were prescribed to prevent the same. Further, provisions of penalties were also built in the policy. As per these instructions, if at any stage, it is detected that the endorsement on forwarding note and/or the affidavit furnished was false, inaccurate or misleading, penalty for mis-declaration shall be imposed as per extant instructions. In addition such consignors will be blacklisted for a period of three years for transport of iron ore from any terminal of Indian Railways and Railways may also take recourse to further legal action. The railway staff checked the documents before giving the domestic rate."

13. In response to the query of the Committee as to who detected the fraud being committed under dual freight policy, the representatives of the Railways, submitted as under:

"It is pertinent to mention that Vigilance of South Eastern Railway had first detected the case of mis-declaration where customer transported the iron ore at domestic rate after submitting all the relevant document but later exported the iron ore instead of consuming in their domestic manufacturing unit. This was not the case where extant guidelines were not implemented correctly but here customer committed fraud and thus evaded the freight. As this case involved multiple aspects like evasion of custom and excise duties, the case was handed over to CBI through Central Vigilance Commission, Monitoring and checks were intensified and a number of cases were detected. Demand and show cause notices were issued against delinquent customers."

14. However, during the evidence tendered before the Committee the representatives of CBI made the following divergent submission to the claim of the Railways:

"In CBI, the number of cases we have registered is only 17. The grant is very large. These cases have been registered on the basis of our own source information. Normally what happens is that the agency which suffers the losses should become a complainant in the criminal case. Then it is easier for us to prove that wrongful loss."

15. Keeping in view various shortcomings on part of the Railway administration, as highlighted by audit, the Committee enquired about whether checks were prescribed, to be exercised by the Zonal Railways/ Divisions / field units for ensuring that requisite documents were submitted by consignors and consignee before booking and delivery of rakes. The Railways in their reply have stated that:-

"It is a fact that in some cases, the some of the prescribed documents have not been collected by the designated authority while booking the iron ore traffic. But these are not the cases of freight evasion. In these cases, prescribed procedures have not been followed and thus there have been procedural lapse on the part of the Railway staff. The responsible staffs have been taken up under D & A Rules.

For remaining cases where scrutiny of records revealed that the iron ore booked at domestic rate was not consumed but exported, demand cum show cause notices were served on the delinquent customers. They have challenged Railway's demand notices and went to court. At present 23 cases are pending in Supreme Court where the amount of penal freight involved is Rs.6730 cr.

On Eastern Railway, debit were raised in case of four firms for Rs. 24,69,023, Rs.85,17,487, Rs. 21,96,340 and Rs.59,51,723 respectively but only Rs 24,69,023 has actually been recovered and other three firms went to Court of Law. On South Eastern Railway, during 2008-13, total 414 inspections were conducted at the iron ore loading/unloading points and 75 nos. of irregularities were detected and debit

to the tune of Rs.31.90 crores realized. On South Western Railway, an amount of Rs.1,21,84,565 had been collected from M/s Chougale & Co for the consignment booked during May/June 2008 for non-submission of required documents. On East Coast Railway, penalty amount of Rs. 51.80 cr from KIOCL and Rs. 13.11 cr. from Essar Steel has been recovered."

16. The Ministry informed the Committee *vide* written replies that the total amount involved in the demand-cum-show cause notices issued to various delinquent customers is ₹6912.25. Out of the said amount only ₹141.09 crore have been recovered so far as the parties have challenged the demand-cum-show cause notices and the validity of dual pricing of Iron Ore in different High Courts, which have since been transferred to the Supreme Court of India and were scheduled for hearing on 29.06.2016 and 13.07.2016 as per last available information provided by the Railways.

17. However, during the evidence, the representatives of CBI had claimed that the cases of fraud that they could compute and prove sufficiently and charge-sheeted in the court to the tune of ₹305.60 crore only, which was the fraudulent aspect. In the remaining aspect, they found that there was a systematic failure with the Railways in exercising effective monitoring and implementation of guidelines regarding submission of documents and imposition of subsequent penalty for non-submission or partial submission.

18. The Committee enquired about the action taken against the concerned Railway officials for lapses in scrutiny and monitoring of the requisite documents. The Ministry in their written deposition submitted as follows:-

"Following an investigation by the Vigilance Department of South Eastern Railway, the matter was handed over to the CBI for further investigation by the Ministry of Railways after consulting Central vigilance commission. This was done as several non-railway departments and individuals were suspected to be involved in freight evasion. As per information made available by CBI/ACB/Kolkata so far to SER Vigilance regarding CBI enquiry in the freight evasion scam, out of 18 cases registered by CBI/ACB/Kolkata, CBI has filed charge sheets in 10 cases, 03 cases have been closed and 05 cases are under investigation. Out of 10 cases where charge sheets have been filed, information has been share by CBI with Zonal railways vigilance in 9 cases so far. Further, information regarding 2 other freight evasion cases where investigation was conducted by CBI/ACB/Ranchi has also been forwarded to zonal vigilance/SER. Out of these 2 cases, CBI/ACB/Ranchi has filed charge sheet in 1 case and other case is being submitted by them for

closure. As per advice of CBI, action has already been initiated against 64 Railway officials under Disciplinary and Appeal Rules.

19. Audit had also found that Steel Authority of India Limited (SAIL), a Public Sector Undertaking having its own captive mines as well sidings for loading and unloading of iron ore did not submit any documents in respect of 1184 RRs and submitted partial documents in respect of 7773 RRs at loading points and 1256 RRs at unloading points. This attracted higher freight rate which the Railway Administration fail to realised, leading to under charge of freight to the tune of ₹ 4838.80 crore. In respect of two RRs, an amount of ₹ 5.45 crore was also chargeable towards penalty due to submission of deficient Affidavit.

20. The Committee during the oral evidence questioned the representatives of the SAIL regarding the critical findings of the audit. The representatives of SAIL made the following deposition before the Committee:

"SAIL has captive iron ore mines. Whatever iron ore we are producing entirely we are consuming in the plants. Because of the willful default by not submitting the documents SAIL did not gain anything because the entire iron ore whatever has been produced in the mines was consumed and there were dual policy for export as well as domestic consumption. The entire iron ore is being consumed only in the plants. I do agree that there was a mistake on the part of SAIL as documents were not submitted. I apologize for that and I would like to report back on that particular front, but there was no financial gain because we have never exported these iron ore. Therefore, the advantage or loss to the Railways cannot be accounted because we never exported iron ore, and 100 per cent iron ore that we produced in the country is consumed by the plant. Since we are the bulk consumer of iron ore, therefore, documents are required to be submitted ones and then every quarter the resubmission / rechecking of documents are required and we have done it. I think that whatever losses has been reported, it appears that there were some deficiencies in under-loading in the wagons. This loss occurred because of that. However, let me clarify that the Railways charge for the full wagon load. Suppose a wagon has a carrying capacity of 65 tonnes, and SAIL has loaded only 60 tonnes or 62 tonnes, even then the Railways charge the full amount. Even on the lower amount of charges also, SAIL suffers and the Railways do not suffer. Therefore, this amount of ₹ 4,838 crores, I fail to understand how it has appeared."

#### IV. Utilization of Iron Ore Not Consumed Domestically

21. As stipulated in the Rate Circulars domestic rate is applicable for iron ore used for production of Iron and Steel etc. at the specified manufacturing units. As such any unauthorised diversion of it or unauthorized removal from the manufacturing units



detected subsequently by railway administration would have attracted penalty. This is because the booking is done at domestic rate on the basis of the endorsement given in the Forwarding Note and the assurance given in the Affidavit that the iron ore transported is meant for use at the manufacturing unit.

22. Audit test checked revealed the following shortcomings:

- The quantity shown as received in Excise Returns by the consignees was less than the quantity transported by rail by 71.22 lakh MT in case of 61 Iron and Steel Manufacturing Units. This was an indicator that the quantities booked and transported at freight rate applicable for domestic consumption was diverted for third party trading/export.
- Out of 61 consignees, audit revealed that 48 consignees had failed to submit prescribed documents - Monthly Excise Returns (7669 RRs) and two legal documents viz. Indemnity Note (7918 RRs) and Affidavit (7988 RRs) while booking 8480 rakes. Though these 48 consignees failed to submit required documents, they were allowed to transport Iron ore at domestic consumption rates by concerned Railway Administration. Consignee wise details are given in Statement C.

23. In view of aforesaid divergences in the end use of iron ore transported, the Committee enquired about the steps taken by the Railway Administration to develop an in-built mechanism for ascertaining and verifying the end use of the iron ore transported at domestic consumption rate. The Ministry in their reply have submitted as follows:

"Scrutiny of Excise documents revealing quantity of steel/pellets manufactured against available iron ore stocks on hand and receipts during month have led to detection of irregularities prompting further investigations. Different departments such as Ports, central excise and customs, mining etc. are being consulted to ascertain and verify the end use. Through concerted efforts of Railway Administration in association of above organizations, several cases of freight evasion were unearthed."

24. It was also enquired whether a system has been put in place for capturing data of iron ore shown as receipt in the Excise Returns of the Iron and Steel manufacturing

companies and compare the same with loading data from CRIS, so as to detect cases of diversion. The Railways in their reply have submitted as follows:

"The excise returns reflect total receipt of iron ore by the manufacturing units but, do not reflect separately quantum received by road and rail. While there is a possibility for electronic data interchange between CBEC and Railways pertaining to opening stocks of iron ore at units, quantum of iron ore receipts, goods manufactured and closing balance, unfortunately on account of the present Excise Returns not reflecting quantum received by different modes (Rail, Road etc.), it has not been possible to accurately assess the diversion. The matter of electronic data interchange has already been brought to the notice of CBEC who have expressed their inability to give information with regard to quantities received by different modes as this is not being captured in the present excise format."

25. On being asked to specify the action been taken to recover the losses and penalty amount, the Ministry in their written reply have stated as follows:

"The cases where scrutiny of records revealed that the iron ore booked at domestic rate was not consumed but exported, demand cum show cause notices were served on the delinquent customers. They have challenged Railway's demand notices and went to court. At present 23 cases are pending in Supreme Court where the amount of penal freight involved is ₹ 6730 cr.

On Eastern Railway, debit were raised in case of four firms for ₹ 24,69,023, ₹ 85,17,487, ₹ 21,96,340 and ₹ 59,51,723 respectively but only ₹ 24,69,023 has actually been recovered and other three firms went to Court of Law. On South Eastern Railway, during 2008-13, total 414 inspections were conducted at the iron ore loading/unloading points and 75 nos. of irregularities were detected and debit to the tune of ₹ 31.90 crore realized. On South Western Railway, an amount of ₹ 1,21,84,565 had been collected from M/s Chougale & Co for the consignment booked during May/June 2008 for non-submission of required documents. On East Coast Railway, penalty amount of ₹ 51.80 cr from KIOCL and ₹ 13.11 cr. from Essar Steel has been recovered."

26. Audit scrutiny found that although Railway Board in July 2008 accepted a limit of 25 per cent for the generation of iron ore fines, out of total quantity of Iron Ore booked and transported by Rail at freight charged at domestic consumption rate to compensate for fines generation in the process of crushing iron ore lump for getting the specified size for use in furnace, Railway Board did not consider these suggestions while framing the Rate Circular 36 of May 2009 and did not lay down any ceiling for residual/ left over quantity of iron ore fines. Further, this significant clause allowing the left over /residual

iron ore fines for export out of the iron ore carried at domestic rate without any limit having financial repercussion was added to the Rate Circular without referring the issue to appropriate technical authority. As a result the following discrepancies occurred:

- (i) 43 consignees in 15 Zonal Railways removed 38.16 lakhs MT of 'Iron ore' from the factory premises out of the quantities booked and transported at domestic consumption rate by rail alone. Of these 43 consignees, 23 consignees, removed 8.79 lakh MT of 'Iron ore', in excess of 25 per cent of receipt by rail. The percentage of removal was 90 to 100 per cent in case of three consignees in some years.
- (ii) Further, the manufacturing units having Pellet or Sinter Plants are able to use the generated fines in the blast furnace by converting the fines into pellet/sinter. As such, removal of iron ore fines should not have been allowed to them. However, it was not stipulated in the Rate Circular.
- (iii) Removal of lump and fines from the factory premises could have been checked by assigning separate commodity codes for iron ore fines and iron ore lumps respectively. A separate commodity code was, however, prescribed (July 2013) belatedly for lump and fines. But the same was not implemented fully.
- (iv) In FOIS data, unique identification code for each consignor is also essential for deriving correct information of bookings of Iron ore made by each consignee, which was not done.

27. On being asked to put forth the findings of the Railways in this regard, the Ministry of Railways in their reply have stated that:

"The iron ore policy notified vide Rates Circular No.36 of 2009 provides for dispatch of left over stock of residual iron ore fines for export only. The outward movement of residual iron ore fines from such units will be charged at Class 180 plus distance based charge. In respect of removal of iron ore without use at the unit for domestic manufacturing of iron and steel and/or excessive removal coming to light during scrutiny of Excise Returns, allotment of rakes to such customers are withheld till such time as an investigation is concluded."

28. In view of instances of removal of 'Iron Ore' by the consignees in excess of 25 per cent receipt by the Railways, as stated above, the Railways were asked whether the limit of 25% has since been revised. The Railways in their written reply have stated as under:

"The provision for 25% additional allocations was introduced on 02.07.2008 with a view to compensate for generation of fines during the crushing process and this was subject to verification of crushing arrangement and processes inside the plant of customer's unit. This provision was introduced prior to the introduction of dual freight policy for iron ore w.e.f. 01.06.2009. This provision has, however, not been brought into play and utilized for the purposes of additional allocation of rakes in actual practice. Some quantity of iron ore fines does get generated in normal course of transportation and handling of iron ore lumps and on being rendered unusable at units not having sintering/pelletizing plants, such residual fines can accumulate to sizeable volume over a period of time. Since the determination of such arising of residual fines does not fall within the domain competence of Railways, inputs of undertakings like MEKON and SAIL was duly obtained and on receipt of their advice, a norm of 10% is being used as the guiding principle for conducting checks against diversion of iron ore away from the stated end-use for domestic manufacturing of iron and steel."

29. The Railway Board have further argued that as mixed rakes consisting of both iron ore lump and fines could be loaded from the mines and there was no difference in rates for lumps and fines, it was not possible to strictly monitor loading of lumps and fines. As regards Audit's suggestion that pellet and sinter plants should not be allowed to remove fines, the Railways have stated that the issue was contested by the parties as there are defective pellets, leave aside fines which were also recognized form in excise returns and which cannot be used in blast furnace in certain cases. As a transporter, Railways prescribed the rates for transportation of different commodities. Restriction if any, were levied only in public interest and operational exigencies. Therefore restricting a particular traffic for particular kind of industry did not seem to be in order. The onus of the correctness of declaration of end use was on the customer. Further, as stated by them, the Railways did not/does not have any obvious in-built mechanism for ascertaining the end-use to which the iron ore was ultimately put after its delivery had been taken by the consignee at the designated destination station.

30. However, the audit had contested both the views pointing that if Railways had identified manufacturer by giving unique identification code to all consignees who were not in a position to use iron ore fines due to absence of Pelletisation Plant /Sinter Plant but were indenting rakes for carrying iron ore fines, this could have been the first step towards verification of end use of iron ore transported at domestic rate. Also the documents prescribed by the Railways such as ERs contained information viz. manufacturing capacity, quantity of iron ore received, used and removed from manufacturing units; essential to establish the applicability or otherwise of lower rate of freight for domestic producers. Moreover, as such, removal of Iron ore from manufacturing units beyond permissible limit of 25 per cent was prima facie irregular and it would have been appropriate for Railways to impose penalty for irregular removal (beyond permissible limit) of 'Iron ore'.

#### **V. Allocation and Allotment of Rakes for Iron ore Transport**

31. Since there is a shortage of rakes vis-à-vis demand, it is required that rake allocation and allotment is done judiciously and in a manner that unscrupulous consignees are not able to misuse them, in the context of movement of iron ore. For the purpose of allotment of rakes, the customers have been divided in four categories:

a) Central Board of Trade (CBT) Category – This Category covers customers like Integrated Steel Plants with a production capacity of one Million Tonne Hot Metal (Molten pig iron) and having their own private siding. For CBT Category, Railways are required to make all efforts to fulfil the programmed allotments of rake.

b) Wagon Investment Scheme (WIS) category – This category covers customers who have joined the Wagon Investment Scheme. Railways are required to make all efforts to load all the mandatory number of rakes which are contractually agreed upon.

c) Priority C – Priority C category covers those consignees which have the Plant with Steel producing capacity of 0.50 million tonne i.e. requiring five rakes of 'Iron ore' per month. Railways are required to make all efforts to fulfil the programmed allotments of rakes. While assessing rake requirement, the quantity of 'Iron ore' used for production at the manufacturing unit in the previous three months as mentioned in Excise Returns (ERs) excluding the immediate preceding month of the quarter under consideration is kept in view besides meetings held with the

customers. The quarterly assessed requirement is communicated to the concerned Authorities of the Zonal Railway, so as to allot rakes accordingly.

d) Priority D – This category covers all other manufacturers who do not fall under any of the above mentioned three categories. The production by the customers belonging to this category would be less than 0.50 million tonne and requirement of wagon rakes, less than five per month. In this category, the customers are not covered under 'Programmed Traffic' and hence, no assessment is done for them. Thus, neither any rakes are specifically allocated in advance to them nor any prior assurance given. Their requirement is met after meeting the requirement of other three categories. The consumers are assigned preference/priority in that order.

32. Audit scrutiny has revealed that the following deficiencies in the system:

- Although the allotment of rakes to Priority D customers was considerable in size, there was no check of use of 'Iron ore' by the consignees for the production of Iron and Steel at their manufacturing units before allocations/allotments of rakes.
- Though Priority C customers got assured allocation of rakes consignees showed an increasing preference to be categorized under Priority D rather than under Priority C. In SER, ten consignees got themselves delisted from Priority C and joined Priority D customers during March 2013 to March 2014. It is indicative of the fact that for a customer it was easy to get adequate rakes under Priority D without proving the use of 'Iron ore' at manufacturing units.
- From November 2010 onwards Railway Board allowed Priority C customers to place indents under Priority D subject to submission of requisite documents. This practice of accepting indents under both categories from same customers was fraught with risk as a customer who is not able to get rakes allotted under Priority C on the basis of data for use of 'Iron ore' can place indents under Priority D and get rakes allotted under that category, where there is no check of quantity of 'Iron ore' used.
- Allocation of rakes is done on the basis of the consumption of previous quarter by various customers. However, a test-check of allocation allotment of rakes revealed that customers were allotted rakes in excess of actual requirement

based on the quantum of consumption during the previous quarter. All the consignees were found removing large quantities of iron ore from their manufacturing units which could have been sold /exported. Three companies had also short reported to Excise Authorities the iron ore quantity booked at domestic rate by rail which could have also been sold/exported.

33. In view of misuse of Priority D category of rake allotment the Railways were asked the rationale for non-assessment of requirement before allotment of rakes to Priority D customers. The Railways in their reply have stated as under:

"All allotment of iron ore rakes both for Priority 'C' as well as Priority 'D' is made through the computerized Rake Allotment System (RAS). However, for the purpose of making allocation programme for rakes, only requirement of CBT and other Priority 'C' customers having production of 0.5 million tonne per annum or a minimum requirement of 5 rakes per month based on Excise certified peak production in the previous quarter are taken up by the office of Director, Rail Movement, Kolkata. Accordingly, rake allocation programme is generated through RAS for the entire month in the beginning of month itself. The iron ore traffic for domestic manufacturers having requirement of less than 5 rakes per month and exports come under the purview of Priority 'D' allocation. The materialization of allotment of this category being very less as compared to CBT and other Priority 'C' customers did not warrant separate advance allocation. The inclusion of even small customers who would be eligible only under Priority 'D' is under consideration for programming like Priority 'C'. At present submission of mandated documents including excise returns at the time of placement of indents by Priority 'D' customers is followed as per policy circular Rates Circular No.36 of 2009."

34. Audit findings, however, revealed that at loading points, after the receipt of indent for allotment of rakes, the allotment is made manually, except in Chakradharpur (CKP) and Khurda Road (KUR) Division of SER and ECoR, where allotment is made through computerised Rake Allotment System (RAS) on the basis of rakes allocated by EDRM, Kolkata, or concerned Sr. DCM, based on indent received, availability of rakes, and priorities and satisfaction level prescribed for each category of customer and the ODR policy prescribed by Railway Board besides loading capacity, unloading capacity and route capacity.

35. Moreover, the allocation and allotment of rakes in respect of consignees of Category CBT and Priority C customers in Chakradharpur and Khurda Road Divisions of SER and ECoR were also being made through manual intervention in RAS bypassing the inbuilt logic set in the RAS. It was observed from the data provided by CRIS that out of 66745 allotments made during the period from 1 April 2011 to 19 May 2014, 13060 (19.57 per cent) allotment were made through manual intervention in RAS (Chakradharpur Division-21 per cent and Khurda Road Division 6.45 per cent). This reflected that there exists a risk of extending undue benefits to select customers bypassing all in-built checks in RAS such as Customer Rake Requirement, route capacity, priority, loading capacity of originating station, unloading capacity of destination station etc.

36. In view of side stepping of the system of computerized Rake Allotment System by the Railways, the Committee probed the status of implementation of computerized Rake Allotment System in Indian Railways. The Railways in their written replies stated as under:

"Computerized Rake Allotment system (RAS) was introduced w.e.f. 03.01.2011 over South Eastern Railway (Chakradharpur Division) and from April 2011 over East Coast Railway (Khurda Division) which are the two major iron ore loading Divisions on Indian Railways. The two Railways account for more than 83% of the total iron ore loading on Indian Railways. Out of the remaining 17%, SEC Railway accounts for 6% which is entirely CBT loading for SAIL Bhilai Plant from their captive mines in Dalli Rajhara. The balance 11% loading is from SWR (10%), SR (0.5%) and WCR (0.5%) which is required to be covered under RAS."

37. During the evidence of the Committee, on being asked about the action taken by the CBI in the matter, the representatives of CBI submitted as follows:

"..... From 2011 to 2014, CBI registered 17 number of regular cases, that is, FIRs have been registered and investigated; out of which, charge-sheets have been filed against the accused persons in 12 cases. In one case, that is, Rashmi Metaliks, which you are referring to, we are ready with the charge-sheet. It is pending for the sanction for prosecution from the Railways. As soon as we receive it, we will file the charge-sheet. So, practically, 13 cases have been charge-sheeted. Four cases have been closed for want of prosecutable evidence. There were 14 preliminary inquiries registered in the year 2013-14 and all of them were closed for want of converting them into a regular case. At the end of the investigation of these cases, we have recommended departmental



action against 154 public servants of Railways to the Railways case-wise. They will be taking action at their end. So far as one employee, who was critical to the allotment of rakes in the DRM Office, Kolkata, of the rank of Office Superintendent, we have registered a case of disproportionate assets; 180 per cent more than his lawful income and it is presently under investigation. We have filed the charge-sheet....."

#### **VI. Internal Controls for effective implementation of Policy, Monitoring and Reporting**

38. Audit had observed that the internal control for implementation of DFP had intrinsic deficiencies and some of the provisions were not incorporated /not enforced made with due diligence. The deficiencies noticed are as follows:

1) Railway Board had prescribed six documents for submission at the time of registration of each indent. Neither, the purpose and significance of their submission was made clear nor any guidelines were issued to make use of the eight mandatory documents including Affidavit and Forwarding Note submitted by the customers for verification of the end use of the Iron Ore.

2) There were no instructions of the Railway Board to compare the quantum of Iron ore transported by Rail, with the monthly/yearly consumption of Iron ore for domestic use, as reflected in the Excise Returns (ERs).

3) There was no advice to watch the removal of iron ore from manufacturing unit with the help of ERs. Railway Administration needs to lay down periodicity of inspections by Commercial Inspectors while drawing and approving Inspection Programme/ Schedule to facilitate complete coverage of all loading/unloading points in a given time frame.

39. It was also pointed out by the audit that Railway Administration needs to lay down periodicity of inspections by Commercial Inspectors while drawing and approving Inspection Programme/ Schedule to facilitate complete coverage of all loading/unloading points in a given time frame. Norms laid down for inspection by TIAs in which all transactions including the iron ore traffic were to be covered were not strictly

followed and where inspections were undertaken, issues regarding iron ore traffic were highlighted only in few cases.

40. In this context the Ministry were asked whether norms of inspections to be carried out by Commercial Inspectors were laid down by all Zonal Railways and the mechanism being put in place to monitor the results of inspections carried out by Commercial Inspectors and Travelling Inspectors of Accounts (TIAs) with any follow up action taken thereon. The Ministry in their reply have stated as follows:

"It may be mentioned that Railway Administration are independent functional units as recognized by Railways Act of 1989. Railway Board prescribes broad policy guidelines which need to be adhered by Zonal Railways by duly adapting to their local conditions. The power to make the conditions stringent or to provide exception has been duly recognized in the codes of procedure for Railway working. Therefore, to judge all Zonal Railways with one parameter of inspection schedule will not be logical. In Railway working the Commercial Inspectors and TIAs are assigned sections and they are responsible for working of all stations falling in those sections on day to day basis."

41. Further, the Ministry during the oral evidences informed the Committee about the action taken by them to remove the deficiencies in their system of checks and balances pointed by the audit and stated as under:-

"The Railways have made a major breakthrough is the manner in which it deal with the Mines Department of the State Government. In early 2011, for the iron ore we had devised a methodology where each forwarding note was being validated by the Mines Department of the concerned State Government. In the manual form it has been existing since then. The validation which is now being done by the Mines Department does not only indicate the total quantity of iron ore which they have allowed to be moved from a mine to a particular site. They also indicate the final destination. It also carries a stamp that this iron ore is meant for export or is it meant for domestic consumption. Today it is a process in which the consignor takes the forwarding note to the Mines Department and gets it validated and then submits it to us. In no case, are the Railways allowing any allotment of any rake which is not backed by a duly validated forwarding note. Railways have gone a step forward in this and have come up with a seamless software which is called IMMS, which is basically the Integrated Mines and Minerals Software where the final testing has been done."

42. In response to the query of the Committee about the details of the Integrated Mines and Minerals Software, as devised by the Indian Railways, the Ministry in their reply have stated that:

"The IMMS software is proprietary software of the Mines Department of the State Government of Odisha. Linkages have been established between the i3MS server with that of FOIS server of Indian Railways whereby, the documents issued by Mines Department viz. Transit Permits and RR issued by Indian Railways are shared over the servers and can be seen and cross checked by both sides. This not only eliminates cumbersome documents being exchanged physically with the possibility of forging but also speeds up and cuts down unnecessary red-tapism in terms of obtaining stamps on very large number of documents which are otherwise necessary to ascertain authenticity. The integration between IMMS and FOIS has been achieved in the iron ore loading sidings of Odisha. Similar development of software for the other states is being undertaken by the Ministry of Mines and as and when they are ready suitable interfaces with FOIS will be established."

43. Audit findings further revealed that no special training programme for Commercial Inspectors/ Chief Goods Supervisors/ Goods Clerks was conducted to familiarize them with the instructions/ procedure to be followed while booking of Iron Ore traffic as prescribed by the Railway Board through various circulars; further Chief Commercial Manager/ SER, in January 2014, requested the Principal, ZRTI, SINI to incorporate a subject on the required checks on documents submitted for booking of Iron Ore Traffic etc. in the training programme for Commercial Clerks (Booking, Parcel and Goods) which was not done till January 2015 and appropriate training programmes were not conducted either for regular work relating to Traffic (Commercial) at loading / unloading points or specifically for new policy guidelines issued in respect of Iron Ore freight traffic. As a result, concerned staff failed to exercise adequate checks and admitted invalid documents/ declaration/ affidavit for availing domestic rate and also could not detect cases involving large scale removal of iron ore from manufacturing units and short reporting of iron ore carried by Rail at domestic rate.

44. In view of Audit findings, the Committee desired to know the reasons for lapses in the training of the concerned railway staff and the status of various training measure proposed to be undertaken or already underway in the Railway to equip the staff with

requisite knowledge in scrutinizing the documents/declarations/affidavits and detecting cases of removal of iron ore from manufacturing units or identifying cases of short reporting of iron ore carried by Rail at domestic rate. The Committee were informed as under:-

"The Zonal Railway Training Institutes (ZRTIs) are responsible for training of the staff of different Zonal Railways in the Commercial and Operational rules for carriage of goods. The rules for booking of goods by rail are common for all except for need of documentation in cases of dangerous goods, livestock and iron-ore etc. Since iron-ore constitutes only 10% of the total loading over IR, a separate course for iron-ore booking does not seem logical and it is taught as part of general curriculum as the same amount of caution is needed for booking of all goods for transportation by rail. However, course modules on Iron ore transported was added in ZRTI Commercial syllabus for Commercial Clerks on SER."

45. Further, for improving the system of monitoring and control, Vigilance Department of SER gave the following suggestions to the Operating and Commercial departments in October 2012: (i) To allot each transporter in FOIS a unique identifier and capture Excise Registration number of the consignee as a second unique identifier, so as to enable Railways to use the data as and when required or when asked for by other authorities. (ii) Collecting details of principal inputs such as iron ore lumps or iron ore fines and their utilization in manufacturing activity through Monthly Excise Return ER 6. (iii) To explore possibility of sharing electronic database of ER 6/ER 4 with Central Excise Department. (iv) Periodical comparison of cumulative loading figures from FOIS with 'certified' plant capacity. (v) Submission of ER 6 along with ER 1 by the consignees. (vi) Ensure genuineness, legality and enforceability of loading documents. (vii) Keep watch on heavy loaders especially who are loading iron ore fines, because only a few iron and steel manufacturers have the capacity to make sinter or pellets out of iron ore fines. (viii) Introduction of new commodity code for iron ore fines and align FOIS with the national system followed by Mining, Central Excise, and Customs Departments. (ix) To get Iron Ore Utilization Certificate (IOUC) from Central Excise Department to watch the use of iron ore by consignees for domestic purpose.

46. In view of the aforesaid suggestions, the Railways were asked to explain whether the feasibility of implementation of these suggestions were assessed by Railway Board and any decision taken in this regard. The Ministry in their reply have stated as under:

"The suggestion of vigilance regarding system improvement has been reviewed and has been incorporated partly. Separate commodity code for Lumps and fines have been assigned. It may be mentioned that unique code exists in FOIS for consignor consignee and commodity. The consignor and consignee code are linked to place of loading in case of private siding for proper identification that is required for day to day operations. Changing the logic and making the consignor and consignee code uniform is not in the interest of railway working. It may be mentioned that a customize report can be generated by FOIS as per the parameters prescribed by railway board or concerned zonal railways. Therefore, the system is equipped with required checks and balances. The remaining suggestions are under consideration in reference to overall review of dual freight policy of iron ore in view drastic drop in international iron ore price to \$50 per ton and a slump in demand of iron ore for export. After detailed deliberation, Dual freight policy for iron ore has been discontinued w.e.f. 10.05.2016. Now all types of iron ore / iron ore pellets, whether for domestic consumption or otherwise (iron ore for export etc.), will be charged at Class-165. The guidelines contained in Rates Circular No.36/2009 and corrigendum/addendum thereto stands superseded."

47. Moreover, the Division bench of Kolkata High Court dated 24 Dec 2014 in the case between SER and Rashmi Metaliks Limited opined that no mechanism has been formulated to ascertain the ultimate end use of iron ore after delivery. The Division bench directed that at the time of booking of each consignment, the Railway Administration will realize freight rate at class 180 along with DBC and will ultimately decide the actual freight payable by the consignor/consignee on being satisfied about the actual end use of the iron ore. For recording such satisfaction about end use of the iron ore the railway authority may take inspection at the factory's site for ascertaining the actual end use of such iron ore by the consignees. The above modality would be applicable henceforth so far as the appellant (Rashmi Metaliks Limited) is concerned. The judgement further stated that if the consignee submitted a false, incorrect and misleading declaration on Affidavit under Para 3 of the Rate Circular about the end use of iron ore consignment, then the consignee will be liable to pay freight at class 180 along with DBC as well as penalty. As regards imposing penalty by way of blacklisting

the judgment opined that if at all, it can only be exercised after the adjudication of the dispute in the pending suit is concluded before the Civil Court.

48. In view of aforesaid opinion of the court of law, the Railways were asked to explain what measures were taken by the Railway to implement aforesaid decision of Kolkata High Court. The Ministry informed as under:

"Railway administration has started charging all iron ore traffic booked by Rashmi Metaliks at export rate pending verification of end use. The modalities for verification and grant of refund are under deliberation."

49. After weighing on the decision of the high court, the Committee enquired from the Ministry if it were a better idea to charge, in the first instance, higher rates as applicable to transport of iron ore for export and then re-appropriating for the amount utilised domestically in view of failure of stipulated checks and balances of submission of requisite documents implemented by the Railways. The representatives of the Railway Board during the evidence *inter-alia* stated as under:-

"This would have resulted in significant refund of amounts that the Railways would have deposited on behalf of various transporters who were taking their domestic iron ore and would have paid higher amounts and later on their refund mechanism..... The position would have been a very complicated one in the sense that domestic consumption requirement was substantially low than the export. In the beginning during the year 2007-08, export was 53 million tonnes and domestic was 83 million tonnes. Even at that time it was 70 per cent more. Subsequently the figures came sliding down. Today the figure is that export is only two million tonnes and domestic is 115 million tonnes. So, this suggestion would have made the work perhaps go up and if the bulk of the consumption is for domestic purpose, charging them higher price initially and then funding them, then bulk of the transporters perhaps then would have been in a very difficult position."

50. The Railway have contended in their written replies that they have benefited from Dual Freight Policy and made the following submission to the Committee in this regard:

"Indian Railways have significantly gained from the Dual Freight Policy which can be seen from the Table below:

### Volume and earning from iron ore for export

Year	Tonnage (in mill. Tonne)	Lead (in KM)	NTKM (in mill. Ton-km)	Earnings at export rate (in Rs. Cr)	Earnings, if booked at domestic rates (in Rs. Cr.)	Variation (in Rs. Cr.)
(1)	(2)	(3)	(4)	(5)	(6)	7=(5-6)
2008-09	45.75	479	21914.25	5398.08	2720.29	2677.79
2009-10	43.64	572	24962.08	4452.75	3355.45	1097.30
2010-11	25.67	616	15812.72	5071.09	2088.48	2982.61
2011-12	9.67	654	6324.18	2585.41	856.40	1729.01
2012-13	5.46	575	3139.50	1300.19	526.35	773.84
2013-14	6.56	408	2676.48	1192.63	490.72	701.91
2014-15	2.48	549	1361.52	669.09	263.02	406.07
Total	139.23	541	76190.73	20669.24	10300.71	10368.54

Had the Indian Railway charged the export iron ore traffic at the freight rate applicable to domestic iron ore traffic, Railways would have lost approx. Rs. 10,368 crore since 2008-09 on this account, in other words, during 2008-09 to 2014-15, we have additionally earned about Rs.10,368 crore on account of dual freight policy for iron ore traffic.

Domestic manufacturers of iron and steel have been benefitted from this policy as they have been able to enjoy the lower freight on submission of requisite documents as per prescribed guidelines. As freight are lower for them, the cost of manufacturing of iron and steel have certainly become lower."

## PART II

## OBSERVATIONS AND RECOMMENDATIONS

DEFICIENCIES IN INTERNAL CONTROL IN IMPLEMENTATION OF DUAL FREIGHT POLICY

1. The Dual Freight Policy (DFP) which was introduced in May 2008 entitled the manufacturers of Iron and Steel to avail benefit of payment of freight at domestic consumption rate subject to stipulations of the Policy. Subsequently manufacturers of Iron ore pellets and Cement were also included in that category in July 2008 and June 2009 respectively. However, freight for transport of Iron ore pellets for export as well as Iron ore moved for pelletisation for export was to be charged at rate other than domestic consumption rate. The primary objectives of the DFP were to lower the cost of transport of Iron ore for domestic producers and to keep freight charges for export of iron ore in sync with its rising international spot market prices and garner high freight revenues in the event of increase in international price of Iron ore. The DFP in effect led to freight difference between the above two classes, which was on an average more than three times and hence left the policy vulnerable to exploitation by the exporters of iron ore to book freight at lower rates prescribed for domestic consumption by camouflaging their end use by either non-submission of documents or submission of false/inaccurate documents. The failure of Railways to ensure submission of complete and valid documents by Iron & Steel manufacturing consignees during the period May 2008 to September 2013 resulted in freight evasion of ₹ 7883.85 crore. The Committee observe that there were deficiencies in internal control mechanism of the Railways which failed to ensure veracity, legality and enforceability of the documents submitted to claim concessional tariff rates. They feel that the then Railway authorities should have ensured strict compliance of the laid down provisions and enforcement of initial scrutiny and check, at all the stages right from assessment of requirement of rakes, allotment of rakes, acceptance of indents to loading and unloading, whose implementations were found lacking. The Committee, therefore, desire the Railways to inform the Committee about the steps taken to ensure effective control and monitoring of



implementation of Freight policy of Indian Railways. Since CBI is investigating into several cases of DFP, the Committee desire that CBI should also investigate the entire gamut of circumstances leading to formulation of DFP which proved to be mine of corruption.

#### LOSSES SUFFERED BY THE RAILWAYS

2. The Committee note that the deficiencies in Compliance with the laid down rules and procedure in booking and delivery of Iron Ore at domestic rate by concerned Railway officials resulted in financial loss to the tune of ₹ 29,236.78 crores. This includes freight evasion of ₹ 12,722.65 crore, non-imposition of penalty to the tune of ₹ 11418.16 crore due to partial submission/ non-submission/ submission of invalid documents, besides imposable penalty of ₹ 5095.97 crore for diversion of trading the iron ore transported at domestic rate. The Committee do not find rationale as to how a policy which was introduced to enable the Railways to accentuate its freight revenue has pushed the Railways to sustain losses. The Committee have come to understand that lack of enforcement of the institutional framework of the Dual Freight Policy, its monitoring and implementation and laxity of the then Railway administration have eventually led to freight evasion, non-levy of penalties for willful non-compliance and under charge of freight. The Committee, therefore, are of the opinion that the Ministry should have ensured strict compliance of laid down provisions and enforcement of initial scrutiny and check at all stages right from assessment of requirement of rules, allotment of rakes, acceptance of indents to loading and unloading. The Committee at this stage not only caution the Ministry to be careful in future with regard to implementation of any policy and also urge upon the Ministry to fix responsibility on the officials who dealt with the implementation of the policy at that point of time and were responsible for the losses incurred by the Railways.

### RECOVERY MADE BY THE RAILWAYS

3. Recovery of dues is yet another important aspect which needs to be analysed. The Committee note that although the demand-cum-show cause notices issued to various delinquent customers amounted to ₹ 6912.25 crore, only ₹141.09 crore has been recovered so far. However, CBI had claimed that the cases of fraud that they could compute and prove sufficiently and charge-sheeted in the court was to the tune of Rs. 305.60 crore, which was the fraudulent aspect. In their own admission, the CBI further stated that in the remaining cases, there was a systemic failure with the railways in exercising effective monitoring and implementation of guidelines. The Committee are perplexed to note this anomaly and desire the Ministry to update the Committee with regard to exact amount recovered so far and status of the cases which were pending court decisions. They also desire the Ministry to clarify their viewpoint with regard to the claim made by CBI with regard to cases of fraud so that the Committee can take a decision in this regard without any further delay. The Committee would also like to be apprised of the status of the case and action being taken by the Railways for recovery of full amount in an expeditious manner.

### FIRST DETECTION OF CASES OF FRAUD

4. The Committee are perturbed to note that while the representatives of the Railways have claimed that Vigilance of South Eastern Railway had first detected the case of mis-declaration by a customer who transported the iron ore at domestic rate after submitting all the relevant documents but later exported the iron ore instead of consuming in their domestic manufacturing units and then handed those cases over to CBI whereas the representatives of CBI have claimed that they have registered cases, in total 17, on the basis of their own sourced information and no complaint has been filed by the Railways in this regard. The divergent views expressed by the Railways and the CBI points towards some cases of fraud yet to be exposed. Moreover, since the fraud took place in the domain of the Railways, it was prima facie responsibility of the Railways to have detected the fraud following its failure to prevent the same. Thus, the Committee

strongly desire that the Railways may justify their statement with documentary proofs of the matter being referred to the CBI upon its detection in a timely manner and may also apprise the Committee of the exact course of action as it happened and the stage at which the CBI was involved and the extent to which they were cooperated with. The Committee are surprised that whereas there was large scale irregularities the CBI investigated very few cases involving only ₹305.60 crore whereas the loss suffered by exchequer was ₹29,236.78 crore as Audit scrutiny revealed. The Committee therefore, desire the CBI to go deeper into the matter and enquire into other similar cases.

#### AMBIGUITIES IN RAILWAY GUIDELINES

5. As per clause 8 of Rate Circular No.36 of 2009, the manufacturing units were allowed to remove left over/residual iron ore fines for export out of the iron ore carried at domestic rate in the Plant premises. However, it was required to be done only after verification of the crushing arrangements and process inside the Plants premises of the consignees and there was a limit of 25 per cent of aggregated quantity as per provisions already in place prior to the introduction of dual freight policy of iron ore w.e.f. 01.06.2009. However, it has been admitted by the Railways that this provision was not brought into play and utilized for the purposes of additional allocation of rakes in actual practice. Rather, they had prescribed a norm of 10% as the guiding principle for conducting checks against diversion of iron ore away from the stated end-use for domestic manufacturing of iron and steel based on inputs of undertakings like MEKON and SAIL who were considered by the Railways as domain experts and circulated the instruction *vide* letter for guidance to the ED/RM office for allotment of rakes rather than incorporating the same in RC 36/2009 which primarily dealt with charging and booking procedure. Irrespective of the limit of 10% or 25% for removal of left over/residual iron ore fines for export out of the iron ore carried at domestic rate in the Plant premises, the actual removal by 23 consignees of iron ore transported by rail at domestic rate from their Plant premises for sale or export was in excess of 25 per cent with aggregated quantity of 8.79 lakh MT and it went up to 100 per cent in certain cases. Railway Board has

argued that as mixed rakes consisting of both iron ore lump and fines could be loaded from the mines and there was no difference in rates for lumps and fines, it was not possible to strictly monitor loading of lumps and fines. The Committee observe that removal of Iron Ore from manufacturing unit beyond permissible limit was prima facie irregular and it would have been appropriate for Railways to impose penalty for irregular removal of 'Iron Ore'. However, the Committee express their displeasure over the ambiguity regarding percentage of removal of leftover/residual iron ore fines which was created by the Railways whereby they were not clear instructions as to the limit of 25% or 10% since instructions regarding both were in place. The Committee feel that the Railways should have clearly specified the limit in RC 36/2009 which primarily dealt with charging and booking procedure. Further, the Committee have been informed that the Railways did not have any in-built mechanism for ascertaining the end-use to which the iron ore was ultimately put after its delivery had been taken by the consignee at the designated destination station. The Committee, therefore, recommend that the Railways should have developed some mechanism which could have helped identify manufacturer by giving unique identification code to all consignees who are not in a position to use iron ore fines due to absence of Pelletisation Plant /Sinter Plant but were indenting rakes for carrying iron ore fines, as a step towards verification of end use of iron ore transported at domestic rate and avoid misuse of provision for illegally exporting iron ore booked at domestic consumption freight rates. The further desire that while laying down Rate circulars, Railway Board should frame detailed guidelines for Zonal Railways laying down clearly the procedure to be followed to ensure complete check of essential documentation establishing the nature of use of iron ore transported by Rail. In this regard, the Committee also desire that instruction for companies between iron ore transported and monthly/yearly consumption for domestic use with the aid of Excise Returns should also be issued and insisted upon. This, the Committee feel will create essential checks on the possible misuse of the extant provisions of rules of procedure.

### FAULTY RAKE ALLOTMENT SYSTEM

6. The Committee find that allotment of rakes for Iron ore transportation is governed by an allotment policy, assigning priority/preferences laid down by Railway Board and have a bearing on the implementation of the DFP. The policy was designed to give priority to the domestic manufacturers of iron and steel in allotment of rakes for transporting iron ore to plants. However, it was observed that the allotment of rakes was considerable in size to last priority customer, i.e. Priority D, in respect of whom there was no check of use of 'Iron ore' by the consignees for the production of Iron and Steel at their manufacturing units before allocations/allotments of rakes. Although Priority C customers got assured allocation of rakes, consignees showed an increasing preference to be categorized under Priority D rather than under Priority C. The Committee are surprised to note that in SER, ten consignees even got themselves delisted from Priority C and joined Priority D customers during March 2013 to March 2014. The Committee understand that consignees do this because for a customer it was easy to get adequate rakes under Priority D without proving the use of 'Iron ore' at manufacturing units. This shows that the whole system of rake allotment was pliable to the diversion of iron ore for export purposes after availing benefit of lower freight charged for domestic consumption purposes. Moreover, there were instances of manual intervention in allotment through Rake Allotment System although the allotment was computerized, irrespective of the category without complying with the parameters in the system. The Committee also observe that the Railways had prescribed easy booking conditions under category D which made securing rakes under such category easier than that of other categories. Therefore, the Committee is of the opinion that the Railways should have devised the conditions for allotment of rakes under category D in such a way that it would have discouraged the consignees from booking rakes under Category D in preference over other categories thereby hiding their end usage of iron ore booked under Railways for transport. The Committee are of the firm view that the system of rake allotment in Railways is not transparent and prone to corrupt practices. The

Committee, therefore, desire the Railways to review the system of rake allotment and come out with a new policy with a mechanism to develop transparent system within a period of three months to prevent recurrence of such eventualities in future. They also desire the Railway Board to conduct an enquiry to ascertain whether any nexus existed between the Railway officials and the consignees and fix responsibility, if any, on the officials found to be guilty. Action taken in this regard may be informed to this Committee.

#### DEFICIENCIES IN INTERNAL CONTROL MECHANISM

7. A number of shortcomings have been found in internal controls, checks and balances of the Railways which had severely hampered the effective implementation of the DFP. The officials responsible for checking the requisite documents were not adequately trained to ensure complete compliance with the submission of all documents. As a result they failed to exercise an effective check while performing duties leading to admission of invalid documents/declaration/affidavit for availing domestic rate, non detection of cases of large scale removal of iron ore from manufacturing units and short reporting of iron ore carried by Rail at domestic rate. This was pointed out by the Audit where some of the consignees were cited as examples. The Committee also note that in the Court case between SER and one of the consignees i.e. Rashmi Metaliks Limited, the Division Bench of the Kolkata High Court directed that at the time of booking of each consignment, the Railway Administration will realise freight rate at class 180 along with DBC and will ultimately decide the actual freight payable by the consignor/consignee on being satisfied about the actual end use of the iron ore. The Committee note that Railway administration has started charging all iron ore traffic booked by Rashmi Metaliks as per the court direction, yet the Committee desire the Railway Administration to conduct an enquiry into the end use by Rashmi Metaliks during the entire period and identify the guilty officials within a period of three months and inform the Committee accordingly. The Committee also desire the Railways to furnish all relevant details to CBI without any delay for further investigation into the matter. Moreover another tool of monitoring and control in the form of Appreciation Notes was found lacking as neither any specific format was fixed by the Railway

Board for its submission nor its purpose was clearly spelt out to sensitize/familiarise the concerned officials regarding its importance. Although the system of physical inspection of booking terminals was in place the same was not implemented as Inspections by Commercial Inspectors and Travelling Inspectors of Account were either never carried out or were inadequate as per guidelines. The Committee feel that if the Railway Board would have undertaken periodic inspections by Commercial Inspectors, such an eventuality would have been easily averted and the discrepancy would have been detected early. They, therefore, recommend that periodicity of inspection by Commercial inspectors should be laid down to facilitate complete coverage of all loading/unloading points in a given time frame. They further desire that the field level officials should also be trained for effective implementation of the policy. Action taken in this regard may be intimated to this Committee.

NEW DELHI;  
14 December, 2016  
23 Agrahayana, 1938 (Saka)

PROF. K.V. THOMAS  
Chairperson,  
Public Accounts Committee

**MINUTES OF THE FOURTEENTH SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE (2015-16) HELD ON 23<sup>rd</sup> NOVEMBER,  
2015.**

The Committee sat on Monday the 23<sup>rd</sup> November, 2015 from 1500 hrs. to 1630 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

**PRESENT**

Prof. K. V. Thomas

- Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri Nishikant Dubey
3. Shri Bhartruhari Mahtab
4. Shri Janardan Singh Sigriwal
5. Dr. Kirit Somaiya

**RAJYA SABHA**

6. Shri Satyavrat Chaturvedi
7. Shri Bhubaneswar Kalita
8. Shri Shantaram Naik
9. Shri Sukhendu Sekhar Roy

**LOK SABHA SECRETARIAT**

1. Shri A. K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Shri Tirthankar Das - Additional Director

**REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND  
AUDITOR GENERAL OF INDIA**

1. Shri P. Mukherjee - Additional Charge DAI (DCR)
2. Shri B. R. Mondal - Principal Director (Railway Board)
3. Shri Manish Kumar - Principal Director (PAC)

**REPRESENTATIVES OF THE MINISTRY OF RAILWAYS**

1. Shri Kundan Sinha - Member (T)
2. Shri S. C. Jethi - Additional Member (Comm.)



2. At the outset, the Chairperson, PAC welcomed the Members of the Public Accounts Committee (2015-16), representatives of the office of the C&AG of India and the Ministry of Railway (Railway Board) to the sitting of the Public Accounts Committee convened to take oral evidence of the representatives of the Ministry of Railways (Railway Board) on the subject "Dual Freight Policy for Transportation of Iron Ore Traffic in Indian Railways" based on the C&AG Report No. 14 of 2015.

3. Thereafter, the Chairperson, PAC gave a brief introduction of the subject, inter-alia, the major Audit findings outlined below:-

- Scrutiny by Audit reveals that the quantity shown as received in the ERs by the 61 consignees was less than the quantity transported by rail by 71.22 lakh MT, which indicates that the quantities booked and transported at domestic rate were directed for third party trading. This quantity was not eligible for the domestic rate and hence involves a penalty of Rs. 5,095.97 crore. Of these 61 consignees, 48 consignees failed to submit prescribed documents while booking the rakes.
- Non-submission/partial submission/submission of invalid documents in respect of Steel Authority of India (SAIL) resulted in under charging of freight to the tune of Rs. 4,838.80 crore.
- Permission was granted by Railways Administration for delivery at the unloading points of the consignments, despite non-submission/partial submission/submission of invalid documents, which resulted in freight evasion of Rs. 4508.61 crore.
- Invalid documents for availing the benefit to charge freight at domestic consumption rate was submitted by 49 consignees. The booking of 190 rakes resulted in freight evasion of Rs. 108.42 crore.

Thereafter, referring to the detailed review undertaken by the Audit which has revealed critical gap and lack of enforcement of the institutional framework of the dual freight policy, the Chairperson stated that the Railways have failed to exercise an effective check while performing duties.

4. Thereafter, the representatives of Railway Board briefed the Committee about the genesis of the problem and how Railways detected the same. The representatives of the Railway Board also stated that they have taken various steps in this regard *inter-alia* mentioning about the ongoing CBI enquiry in the matter and also about introduction of a software called Integrated Mines and Minerals Software (IMMS) to capture the TAN and TIN and all other relevant details of the consignors and consignees.

5. Then, the members of the Committee asked questions. The representatives of Railways responded to some of the questions. The witnesses promised that the reply to questions which were not readily available will be send in writing to the PAC Secretariat later. The Chairman also directed the representatives of the Railway Board to give in writing the replies to all the queries raised by the Members within two weeks' time.

6. The Committee also desired that since the matter pertains to various Ports and involve the Excise and Custom officials, a meeting may be held with the Port authorities as well as the CBEC to ascertain their views in connection with examination of the subject "Dual Freight Policy for Transportation of Iron Ore Traffic in Indian Railways".

*The witnesses, then, withdrew.*

A copy of the verbatim proceedings has been kept on record.

The Committee, then, adjourned.

**MINUTES OF THE FOURTH SITTING OF THE PUBLIC ACCOUNTS  
COMMITTEE (2016-17) HELD ON 24<sup>th</sup> June, 2016.**

The Committee sat on Friday, the 24<sup>th</sup> June, 2016 from 1430 hrs to 1700 hrs in  
Committee Room No. 'G-074', Parliament Library Building, New Delhi.

**PRESENT**

**Prof. K. V. Thomas**

**Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri Prem Singh Chandumajra
3. Prof. Richard Hay
4. Shri Gajanan Chandrakant Kirtikar
5. Shri Bhartuhari Mahtab
6. Smt. Riti Pattnak
7. Shri Neelhu Rio
8. Shri Janardan Singh Sigriwal
9. Dr. Kirit Somaiya
10. Shri Anurag Singh Thakur
11. Dr. P. Venugopal

**RAJYA SABHA**

12. Shri Vijay Goel
13. Shri Bhubaneswar Kalita
14. Shri Shantaram Naik
15. Shri Sukhendu Sekhar Roy
16. Shri Ajay Sancheti

**LOK SABHA SECRETARIAT**

- |                      |                        |
|----------------------|------------------------|
| 1. Shri A. K. Singh  | - Additional Secretary |
| 2. Shri T. Jayakumar | - Director             |
| 3. Shri A.K. Yadav   | - Deputy Secretary     |

**REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR  
GENERAL OF INDIA**

- |                             |   |
|-----------------------------|---|
| 1. Mr. Prasenjeet Mukherjee | - Dy. CAG (Commercial) - cum - Chairman,<br>Audit Board |
| 2. Ms. Pooja Sing Mondal    | - Principal Director (Railway Audit Board)              |

3. Mr. Manish Kumar - Principal Director (PAC).

**REPRESENTATIVES OF THE MINISTRY OF RAILWAYS**

1. Shri A.K. Mittal - Chairman, Railway Board
2. Shri Mohd. Jamshed - Member (Traffic)

**REPRESENTATIVES OF THE STEEL AUTHORITY OF INDIA LTD.**

1. Shri P.K. Singh - Chairman, SAIL
2. Shri Kalyan Maity - Director (Raw Materials and Logistics)
3. Shri Raman - ED I/c (Oprns)
4. Shri J C Nathani - GM (Oprns)

**REPRESENTATIVES OF THE CENTRAL BUREAU OF INVESTIGATION**

1. Shri Rakesh Asthana - Additional Director, CBI, New Delhi
2. Shri Naveen Kumar Singh - D/G, HOB, ACB, Kolkata

2. At the outset, the Chairperson, PAC welcomed the members of the Public Accounts Committee (2016-17), representatives of the Office of the C&AG of India, Ministry of Railways (Railway Board), Central Bureau of Investigation (CBI) and Steel Authority of India Limited (SAIL) to the sitting of the Committee convened to take oral evidence of the representatives of the Ministry of Railways (Railway Board), CBI and SAIL on the subject 'Dual Freight Policy for Transportation of Iron Ore Traffic in Indian Railways' based on C&AG Report No. 14 of 2015.

3. Thereafter, the Chairperson, PAC gave a brief introduction of the subject, *inter-alia*, mentioning the major Audit findings as outlined below:-

- Audit has scrutinized 90,766 railway receipts at the loading points and 1,20,088 receipts at unloading points out of which irregularities were noticed in 12,425 cases at loading points and 15,889 cases at unloading points, involving a freight evasion of ₹ 7,883.85 crores and a penalty of ₹ 11,412.72 crores.
- 71.22 lakh MT iron ore in case of 61 iron and steel manufacturing units which was booked and transported at domestic consumption at freight rate have been diverted for third party trading/export.
- There were no instructions of the Railway Board to compare the quantum of iron ore transported by the Railways with the monthly-yearly consumption of iron ore for domestic use as reflected in the ERs.

- Even though Railway Board was well-aware of the lapses in implementation of the policy, it has not issued any detailed guidelines to arrest the weaknesses brought out. The Railway Board has conveniently abdicated its responsibilities by stating in their reply dated 8<sup>th</sup> January 2015 that the issue was referred to Zonal Railways and since a large number of documents were to be collected and evaluated, it would take time.
- The monitoring mechanism laid down in the form of appreciation (evaluation) reports did not provide for suggestions for improvement in the policy.
- The staff deployed at various points to ensure compliance of documentary proof and other pre-requisites were not adequately familiarized with the importance of the safeguard mechanism, as a result, they failed to exercise an effective check while performing the duties, leading to admission of invalid documents - declaration - affidavit - for availing tariff at domestic rate.
- As per the audit report, out of 61 consignees examined, 48 were found to have failed to submit proper documents, however, only 8 parties were served notice.

While highlighting the fact that 23 cases related to freight evasion in case of transportation of iron ore by rail are pending in various High Courts of Calcutta, Cuttack, Karnataka and Ranchi, which involves an amount of Rs.6,912.25 crores, and are being sought to be transferred to Supreme Court under transfer petition for speedier justice, the Chairperson desired that the Chairman, Railway Board may bestow his personal attention and make all-out efforts to protect the exchequer and ensure recovery of the total amount, if necessary, engaging learned Attorney General, after consultation with the Ministry of Law and Justice.

4. Thereafter, the representatives of the Ministry of Railways (Railway Board) briefed the Committee about the justification for implementation of the policy, losses incurred by the Railways due to submission of incomplete documents which also led to evasion of payment of higher freight rates applicable to the iron ore meant for exports. They have also briefed on how the lapses were first detected by the vigilance department of the South Eastern Railways and later on after consultation with CVC the cases were transferred to CBI.

5. Then the members sought clarification from the representatives of the Railway on (i) lack of adequate internal control mechanism; (2) need for investigation of all cases in a time-bound manner; a systematic failure and corruption in Railways etc. The representatives of SAIL while briefing the Committee accepted that there were lapses on the part of SAIL in non submission of requisite documents for transporting iron ore for domestic consumption by the steel plant; however, stated that the SAIL had neither gained from such lapses nor did it cause losses to the Railways, on account of evasion of payment of higher tariff rates which were applicable to exports, as it had consumed all the iron ore domestically.

6. Subsequently, the representatives of CBI briefed the Committee about the investigation conducted by them in the matter wherein they had *suo moto* registered FIR in 17 regular cases and filed charge-sheet in 13 of the said cases. Further, they had recommended departmental action against 145 employees of the Railways. They had further submitted that fraudulent losses on account of said 13 cases amounted to Rs. 305.60 crores and the remaining amount of losses was attributed to failure within Railways to secure submission of documents, non-levy of penalties and non collection of levied penalties etc.

7. Chairman, Railway Board replied that action has been taken against 62 officials of railways and under which 6 under major penalty, 41 under minor penalty, 15 under administrative action and one case still under process. He further apprised the Committee that around ₹ 7000 crore was recovered from the evaders of freight policy.

8. The Chairperson, thanked the representatives of Ministry of Railways, Central Bureau of Investigation (CBI) and Steel Authority of India Limited (SAIL) for appearing before the Committee and for furnishing information in connection with the examination of the subject and also thanked the representatives of the office of C&AG of India for providing assistance to the Committee in this regard. He also directed that other information, which was not readily available with them, may be furnished in writing to the Committee at the earliest.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

***The Committee then adjourned.***

**MINUTES OF THE NINETEENTH SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE (2016-17) HELD ON 01<sup>st</sup> DECEMBER, 2016.**

The Committee sat from 1015 hrs. to 1055 hrs. on 01<sup>st</sup> December, 2016 in  
Room No. "51", Parliament House, New Delhi.

**PRESENT**

Prof. K. V. Thomas

Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri Nishikant Dubey
3. Shri Gajanan Kirtikar
4. Shri Bhartruhari Mahtab
5. Shri Janardan Singh Sigrwal
6. Dr. Kirit Somaiya
7. Dr. P. Venugopal
8. Smt. Riti Pathak
9. Shri Neiphiu Rio
10. Shri Anurag Singh Thakur
11. Shri Shivkumar C. Udasi

**RAJYA SABHA**

12. Shri Bhupender Yadav
13. Shri Shantaram Naik
14. Shri Sukhendu Sekhar Roy
15. Shri Ajay Sancheti

**LOK SABHA SECRETARIAT**

- |                          |                        |
|--------------------------|------------------------|
| 1. Shri A. K. Singh      | - Additional Secretary |
| 2. Shri S.C. Chaudhary   | - Joint Secretary      |
| 3. Shri T. Jayakumar     | - Director             |
| 4. Shri Tirthankar Das   | - Additional Director  |
| 5. Smt. Bharti S. Tuteja | - Deputy Secretary     |
| 6. Shri A.K. Yadav       | - Deputy Secretary     |

**REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

1. Shri Nand Kishore - Deputy C&AG (DCR)
2. Shri Mukesh P. Singh - Director General of Audit
3. Shri Manish Kumar - Principal Director of Audit (PAC)
4. Ms. Pooja Singh Mandol - Principal Director (Railways)

2. At the outset, the Chairperson, PAC welcomed the Members to the Sitting of the Committee. Thereafter, the Committee took up the following draft Reports for consideration:

- (i) Draft report on 'Performance Audit of Dual Freight Policy for Transportation of Iron Ore Traffic in Indian Railways' based on C&AG Report No.14 of 2015; and
- (ii) Draft report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirtieth Report (Sixteenth Lok Sabha) on "Global Estate Management by the Ministry of External Affairs".

3. The Chairperson invited suggestions of the Members on the above mentioned draft Reports. After discussing the draft Reports, the Committee adopted both the Reports with some changes/modifications.

4. The Committee authorized the Chairperson to finalize these Reports in the light of verbal discussion and consequential changes arising out of the suggestions by the Members factual verification by the Audit and present the same to Parliament.

The officials of the C&AG then withdrew.

5. It was also decided that Committee will undertake on the spot study visit to Kolkata, Hyderabad/Visakhapatnam and Chennai from 18 to 21 January, 2016.

6. The Committee also selected a new subject namely, 'Review of Monetary Policy' in view of the recent developments and decided to take evidence of the Governor, RBI and representatives of the Ministry of Finance (Department of Economic Affairs and Department of Financial Services) in January, 2017.

**The Committee then adjourned.**