

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

[Action taken by the Government on the Observations/  
Recommendations of the Committee contained in  
their Sixtieth Report (16th Lok Sabha)]

**MINISTRY OF RAILWAYS  
(Railway Board)**

**PUBLIC ACCOUNTS COMMITTEE  
(2017-18)**

**EIGHTY-SIXTH REPORT**

---

**SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

# **EIGHTY SIXTH REPORT**

## **PUBLIC ACCOUNTS COMMITTEE** **(2017-18)**

**(SIXTEENTH LOK SABHA)**

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

**[Action taken by the Government on the Observations/  
Recommendations of the Committee contained in  
their Sixtieth Report (16th Lok Sabha)]**

**MINISTRY OF RAILWAYS**  
**(Railway Board)**



*Presented to Lok Sabha on:*

18/12/2017

*Laid in Rajya Sabha on:*

18/12/2017

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

December, 2017/ Agrahayana, 1939 (Saka)

## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2017-18)	(iii)
INTRODUCTION .....	(iv)
CHAPTER I      Report .....	1
CHAPTER II*    Observations/Recommendations which have been accepted by the Government .....	
CHAPTER III*   Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government .....	
CHAPTER IV*    Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration .....	
CHAPTER V*    Observations/Recommendations in respect of which the Government have furnished interim replies .....	

## APPENDICES\*

- I      Minutes of the 11<sup>th</sup> Sitting of Public Accounts Committee (2016-17) held on 23<sup>rd</sup> August, 2016.
- II     Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Fifteenth Report (Sixteenth Lok Sabha)

---

\* Not appended to the cyclostyled copy of the Report

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2017-18)**

**Shri Mallikarjun Kharge**

**Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri Sudip Bandyopadhyay
3. Shri Subhash Chandra Baheria
4. Shri Prem Singh Chandumajra
5. Shri Nishikant Dubey
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio
10. Shri Abhishek Singh
11. Prof. Ram Shanker
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

**RAJYA SABHA**

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Bhubaneswar Kalita
19. Vacant \*
20. Vacant \*\*
21. Shri Ajay Sancheti
22. Shri Bhupender Yadav

**SECRETARIAT**

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

\* Shri Shantaram Naik Ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 28 July, 2017.

\*\* Shri Sukhendu Sekhar Roy Ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 18 August, 2017.

## **INTRODUCTION**

1. I, the Chairperson, Public Accounts Committee (2017-18) having been authorised by the Committee, do present this Eighty-Sixth Report (Sixteenth Lok Sabha) on action taken by the Government on the Observations/Recommendations of the Committee contained in their Sixtieth Report (Sixteenth Lok Sabha) on 'Performance Audit of Dual Freight Policy for Transportation of Iron Ore Traffic in Indian Railways'.

2. The Sixtieth Report was presented to Lok Sabha/laid in Rajya Sabha on 14 December, 2016. Replies of the Government to the Observations/ Recommendations contained in the Report were received on 16 October, 2017. The Public Accounts Committee considered and adopted the Eighty-Sixth Report at their sitting held on 27 October, 2017. Minutes of the sittings are given at *Appendix-I*.

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

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the C&AG of India.

5. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Sixtieth Report (Sixteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;  
04 December, 2017  
13 Agraahayana, 1939 (Saka)

MALLIKARJUN KHARGE  
Chairperson  
Public Accounts Committee

## REPORT

### CHAPTER - I

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Sixtieth Report (16<sup>th</sup> Lok Sabha) 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 (Performance Audit), Union Government (Railways) relating to the Ministry of Railways (Railway Board).

2. The Sixtieth Report (16<sup>th</sup> Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 14<sup>th</sup> December, 2016, contained 07 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Railways (Railway Board) are broadly categorized as under :

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

**Para Nos. 1, 2, 3, 4, 6 and 7**

**Total: 06  
Chapter - II**

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

**Para Nos. 5**

**Total: 01  
Chapter - III**

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

**Para Nos. Nil**

**Total: Nil  
Chapter - IV**

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

**Para Nos. Nil**

**Total: Nil  
Chapter - V**

3. The detailed examination of the subject by the Committee had revealed 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. It was further observed that there was 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 undercharge of freight. There were also instances of manual intervention in allotment of rakes through Rake Allotment System although the system was computerized.

4. The Action Taken Notes furnished by the Ministry of Railways in respect of all the Observations/Recommendations of the Committee have been reproduced in the relevant chapters of this Report. The Committee will now deal with the action taken by the Government on some of their Observations/Recommendations made in their Sixtieth Report, which need reiteration or merit comments.

#### **FIRST DETECTION OF CASES OF FRAUD**

##### **(Recommendation No.4)**

5. The Committee were 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 had claimed that they had registered cases, in total 17, on the basis of their own sourced information and no complaint had 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 had desired 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 were surprised that even though there were large scale irregularities the CBI investigated very few cases involving only Rs. 305.60 crore whereas the loss suffered by exchequer was Rs. 29,236.78 crore as Audit scrutiny revealed. The Committee therefore, had desired the CBI to go deeper into the matter and enquire into other similar cases.

6. The Ministry of Railways in their Action Taken Notes have stated as under:-

"Following the detection of large scale freight evasion in iron ore transported by a Kolkata based company in 2011, demand cum show-cause notice were served by South Eastern Railway (SER). The first ever demand cum show-cause notice was served against the said company for alleged freight evasion on 16.08.2011. The said company moved to Hon'ble Calcutta High Court challenging not only the claim made by SER but also the basic policy of iron ore transportation itself. The detection so made by Vigilance Department of SER was then sent to Central Vigilance Commission (CVC) through Railway Board as per extant procedure. The case was then entrusted to Central Bureau of Investigation (CBI) by CVC for examining criminal aspect of the case, possibility of large scale conspiracy and involvement of other government department etc.

Pursuant to the Railway Vigilance Department report sent to CVC and consequent to the directions of CVC, CBI registered their first case on 30.12.2011 against M/s Rashmi Cement Ltd vide RC.No.-0102011A0035. In the meantime, Comptroller and Auditor General of India (CAG) had been conducting their independent audit on the phenomenon of freight evasion and filed their intermittent report to Railways on freight evasion on iron ore transportation. They first filed their report to East Coast Railway (ECoR) on 15<sup>th</sup> May 2012. A table giving the time lines for events is given below:

Detection of freight evasion in transportation of iron ore by Railway Vigilance Department. Submission of report to Railway Board	Jul-2011
Order of CVC to CBI for detail investigation	Sep-2011
Filing of first FIR by CBI against M/s Rashmi Metaliks Ltd	Jan-2012
C&AG filed their last report on freight evasion in transportation of iron ore in all affected Railway Zones for the period 2008 to 2013	8 May 2015



Thus it can be seen from the above that although the first case of freight evasion of iron ore transportation was detected by Railway Vigilance Department themselves, the CBI on direction of CVC and CAG had been investigating and taking action under their statutory authority independently thereafter. However, the Railway Administration have been extending all possible assistance and cooperation as and when sought for by CBI to facilitate their investigation."

7. The Committee are shocked to observe that the Ministry of Railways were unable to prevent large scale irregularities and rampant corruption under the Dual Freight Policy (DFP) during the period 2007-08 to 2011-12. The irregularities in implementation of DFP for iron ore traffic was first highlighted in Audit Para No. 2.5 of C&AG's Audit Report No. 32 of 2011-12 (Railways). The report brought out irregularities in booking of iron ore traffic at domestic rate without ensuring receipts of stipulated documents from the consignors at three loading points of Waltair Division of East Coast Railways (ECoR) for the period from 22 May 2008 to 31 March 2011. Audit again examined Implementation of DFP at 26 loading points and 10 unloading points over three Zonal Railways for the period from 22 May 2008 to March 2012 and highlighted irregularities in submission of required documents for availing benefits of domestic freight rate beside availing of domestic rates by some manufacturing units while exporting/selling of iron ore. The manufacturing units availed domestic rates in respect of iron ore already utilised for other than domestic purposes like sale/export. In the Action Taken Notes submitted in October 2012 and October 2014, the Ministry of Railways stated that onus of conforming to the affirmed end use was on the consignor/consignee and admitted that they do not /did not had any inbuilt mechanism for ascertaining the end use. Now the Ministry In its Action Taken Notes against the Sixtieth Report (2016) of PAC stated that the Vigilance Wing of South Eastern Railway had first detected the case of mis-declaration by a customer who transported 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 the CVC handed over the case to CBI.

The Action Taken Notes of the Railways submitted in October, 2012 and October 2014 and the present one submitted in July 2017 are mutually inconsistent. In their ATN in October 2012 and October 2014 they had stated that the onus of conforming to the affirmed end use was on the consignor/consignee. Now in the present ATN of 2017 they stated that it is the Railways which had first detect the fraud. The Committee are unable to understand the different stands of the Ministry of Railways where at one stage they absolve their responsibility for the irregularity and at the other stage they take the credit of finding out the irregularity for the first time.

The Committee note that even though the financial loss of expected Goods earnings is to the tune of Rs. 29,236.78 crore the CBI is investigating very few cases involving only Rs. 305.06 crore. It reflects that large number of cases involving almost Rs. 29,000 crore is yet to be investigated and culprits at large are yet to be brought to book. The Committee, therefore, desire the CBI to investigate all the remaining cases of Irregularities/corruption in implementation of DFP and also its formulation and ensure that guilty officials are brought to book at the earliest.

#### **AMBIGUITIES IN RAILWAY GUIDELINES** (Recommendation No.5)

8. 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 Plant 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 was 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 leftover/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 had 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 had observed 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'. The Committee had expressed their displeasure over the ambiguity regarding percentage of removal of leftover/residual iron ore fines which was created by the Railways whereby there were no clear instructions as to the limit of 25% or 10% even though instructions regarding both were in place. The Committee felt that the Railways should have clearly specified the limit in RC 36/2009 which primarily dealt with charging and booking procedure. Further, the Committee were 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 had, therefore, recommended that the Railways should have developed some mechanism which could have helped identify manufacturers 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 Committee had further desired 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 had also desired that instructions 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, felt would create essential checks on the possible misuse of the extant provisions of rules of procedure.

9. The Ministry of Railways in their Action Taken Notes have stated as under:-

"The issue of ambiguity that has been raised is with regard to distinctly different policies that are being talked about here. One is the RC36/2009 covering the procedure for booking of iron ore, and the other is policy with regard to allocation of rakes which was based on certain entitlement norms. Talking more specifically on the latter issue pertaining to generation of residual fines, in course of crushing of lump ore for creating calibrated size ore for feeding furnaces, many industries had represented in the past that due to lack of sintering/pellet plant facility, they were unable to put into use such residual fines for steel making at their end. These customers were seeking additional compensatory rake allocation to meet the basic requirement for manufacturing steel up to the desired levels or rated capacity of the units. It was keeping in view this requirement, that a norm of 25% additional allocation was formulated by the office of Director, Rail Movement, Kolkata which was of course subject to verification of the crushing arrangement and processes inside the plant premises of the consignees. As has been correctly pointed out this was never implemented. As regards the norm of 10%, this was a guideline for the use in the office of Dir/RM Kolkata for the purpose of arriving at permissible extent to which fines could get generated out of handling of iron ore lumps. It is pertinent to mention that manufacturing units do not necessarily receive entire quantity of iron ore by rail and also there are situation of different grade of iron ore being sourced by customers from different mines. A conversion factor of 1.7 times as given by the JPC, under the Ministry of Steel, is utilized for arriving at the consumption of iron ore or end use based on production figures reflected in excise returns. Actual consumption is also reflected in excise returns and at times removal of iron ore from the premises are also indicated in excise returns. It is only in these cases, it becomes imperative for the Dir./RM's office to ascertain that under no circumstances any unusually large quantity of iron ore is removed from the premises which could otherwise lead to doubts that such iron ore being removed is being diverted for exports. A basic arithmetical calculation of production of steel (as reflected in excise return) multiplied by conversion factor of 1.7 is carried out and tallied with the consumption (as reflected in excise return). If the conversion ratio happens to be higher than 1.7, and there are indications in the excise return regarding removal of iron ore then, this calculation becomes pertinent after taking into account receipts by Rail. Only in the cases of large scale removal, where it is apparent that this quantum is disproportionately high even after taking into account possible road receipts out of the total receipts and where the residual fines generation is beyond the permissible norms of 10% and also where the conversion ratio is higher than the prescribed norms of 1.7 would there be any arising of possible doubts about

diversion for export and freight evasion. Dir/R.M in all such cases of noticeable discrepancies has withheld allocation of rakes. While the guidelines have been utilized as a assisting tool for checks against possible diversion, the fact that units source iron ore also by road and conversion ratio could be higher if Fe content is lower in the iron ore are reasons that such assessment can never be absolutely perfect. To deem that all cases of removal of surplus fines should have been subjected to levy of penal charges for not being booked at export tariff rates in the first place, is something which makes it an impractical and difficult proposition to enforce in all cases for the reasons elaborated above.

By and large the Railways have information regarding the processing technology at different manufacturing units whether they use only lump ore, only fines or both. IR already has unique identity of customers which can be mapped with use of iron ore type to eliminate exceptional cases of wrong use as suggested by the committee."

10. The Committee note that the Dual Freight Policy for transportation of iron ore has since been withdrawn and the differential between export and domestic iron ore freight rates has been removed. The Committee recommends the Ministry of Railways to exercise extra vigilance, ensure thorough scrutiny of documents and conduct surprise inspections on consignees' premises whenever such dual freight policies are implemented. Even though the objective of the Railways in formulating such policies are to achieve revenue growth, the Committee feel that the Railways have to take pre-emptive actions by anticipating the possibility of freight evasions by the consignees to obtain maximum profit. The Committee note that various guidelines were issued by the Railways to prevent manipulative actions of consignees. However, in view of various deficiencies in implementation of such guidelines being pointed out by the audit, the Railways need to review/evaluate its general freight policy and prevent loopholes and lacunae therein and rectify the same in a time bound manner.

#### **FAULTY RAKE ALLOTMENT SYSTEM** (Recommendation No.6)

11. The Committee found that allotment of rakes for Iron ore transportation is governed by an allotment policy, assigning priority/preferences laid down by Railway Board and had 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 were 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 understood that consignees did 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 had also observed 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 were 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 were of the firm view that the system of rake allotment in Railways is not transparent and prone to corrupt practices. The Committee had, therefore, desired 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 had also desired 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 were to be informed to this Committee.

12. The Ministry of Railways in their Action Taken Notes have stated as under:-

"The materialization of allotment under 'D' priority is lower as compared to the higher 'C' priority indents under the transparent rake allotment system (RAS) which has got a very sound algorithm for computerized allotment generation. Excise returns which are insisted on as mandatory documents at the time of placing indents at stations are proof of the fact that iron ore is received and put into end use at these units. It is pertinent also to mention that each demand is accompanied by form 'L' and form 'I' issued by the Department of Mines of the State Government wherein the end use is certified. Also before accepting indents for iron ore for domestic use, a number of other documents like consent to operate, IEM (Industrial entrepreneurial memorandum) etc. were collected from the party as mandated in RC-36 of 2009. These documents were collected and verified to ascertain that iron ore was meant for domestic use.

Categorization of demand under priority 'C' and 'D' is necessitated out of the following situation:-

- (i) Allocation are normally made to priority 'C' customers based on peak production in the previous quarter excluding the immediate preceding month. It may so happen that due to fluctuation in the production as against capacity due to various reasons like maintenance, shut downs, dislocation, units like to source additional quantum under priority 'D'.
- (ii) There are issues with regard to poor Fe content in some cases where customers are required to source more iron ore of higher grade under priority 'D' to compensate short fall in production. However, in these cases, checks are undertaken by the office of Dir/R.M to ensure adherence to conversion norm of 1.7.
- (iii) Standalone pellet plants are entitled to source iron ore only under priority 'D'. There are some steel manufacturing units which have their own pellet plants in side where they convert iron ore fines (brought in under priority 'C') for conversion into pellets for self-consumption for making steel. Excess quantity of pellets as per capacity if required for sale purposes, is required to be brought in under priority 'D' at par with standalone pellet manufacturers.

With a dip in demand for export of iron ore, iron ore export loading during the FY 2013-14, 2014-15 and 2015-16 came down significantly. Therefore getting delisted from the list of priority 'C' customers to priority 'D' for the purpose of export does not seem likely. Loading of rakes under priority 'C' over the years when DFP was in force does not exhibit any pattern to substantiate the argument that there was large scale migration from priority 'C' to priority 'D'.

About manual allotment of rakes, it may be informed that there are very rare instances of the same in case of other than CBT indents and in each case, if

found necessary due to extenuating circumstances, is done with the consent of the competent authority. In case of the CBT customers manual allotment is done only to ensure maximization of loading opportunity, particularly to prevent idling of special type rolling stock dedicated for large integrated steel plants, and final loading is always within the limit of the program quantity of the CBT customers.

The completely computerized Rake Allotment System (RAS) is not only transparent but also very robust. Its coverage is close to 90% of all iron ore loading locations on IR and 100% proliferation will be possible with integration issues with respective mines department software modules of certain State Governments. Up gradation of RAS is a constantly evolving process and its coverage will be expanded in the future. A new iron ore policy for the purpose of programming and allocation is under evolution and can be turned out within the time frame of 3 months as stipulated by the Hon'ble committee."

13. The Committee note that the Railways in their reply have stated that the materialization of allotment under priority 'D' is lower as compared to the priority 'C' indents under the transparent Rake Allotment System (RAS). The audit in their report have specifically highlighted cases to the contrary especially at two major loading points i.e. Chakradharpur (CKP) Division of SER (from January 2011) and Khurda Road (KUR) Division of ECoR (from May 2011) where the percentage of rakes allotted to the priority 'D' customers was 24 per cent to 33 per cent in case of CKP and 63 per cent to 83 per cent in case of KUR of total number of rakes allotted. The Committee observe that the Audit study pertains to the period from 22<sup>nd</sup> May 2008 to 30<sup>th</sup> September 2013 and cases relating to Rake allotment were covered up to 19<sup>th</sup> May 2014. Thus the fact that the Railways have quoted FY 2013-14, 2014-15 and 2015-16 for refuting the claim of delistings from priority 'C' customers to Priority 'D' proves their explanation untenable. It is a matter of serious concern that manual entries being made by the Terminal Management System (TMS) users regarding timings of registration of indents for rake allotment which is to be automatically captured by the RAS from TMS of Freight Operation Information System (FOIS). Such manual entries give enough scope for manipulations on allocation of rakes under the concept of Oldest Day of Regulation (ODR), which is applied to Priority 'D' customers, under which allotment is done on the basis of seniority of the indent. The Committee seek the reason as to why ten consignees in SER got themselves delisted from Priority 'C' and joined Priority 'D' customers



during March 2013 to March 2014. The Committee feel that transparency of RAS could be claimed by the Ministry only if it is operated in a transparent bonafide manner. In view of audit findings of cases of circumventions of RAS through manual interventions in the timings of registration of rake indents in RAS, the Committee have serious apprehensions about the ability of the Railways to operate RAS in a transparent, effective and tamperproof manner. The Committee, therefore, urge the Railways to strengthen and streamline the Rake Allotment System (RAS) and apprise them about the same. The Committee desire the Indian Railways to establish a full fledged computerised Rake Allotment System with complete coverage of all iron ore loading locations integrate with software modules of Mines Departments of concerned State Governments within 3 months. The Committee reiterate that the Ministry of Railways take all required measures to frame and implement a new iron ore policy with in a period of three months.

NEW DELHI;  
04 December, 2017  
13 Agraahayana, 1939 (Saka)

MALLIKARJUN KHARGE  
Chairperson  
Public Accounts Committee