

# Rlys removes dual freight rate for iron ore transport

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Indian Railways has abolished the dual freight rate policy for transportation of iron ore to boost freight traffic volumes. This is also in response to a long-standing demand from industry for uniform rates.

Currently, transportation of iron ore meant for exports attracts a freight rate that is ₹300 per tonne higher than the rate for domestic use in steel and cement industries. The dual freight rate policy had fuelled diversion of the ore meant for domestic use to exports.

“The dual freight policy applicable for transportation of iron ore and iron ore pellets is discontinued. All types of iron ore and iron ore pellets, whether meant for domestic consumption for manufacture of iron & steel as well as cement or meant for other than domestic consumption, will now be charged at Class-165 (trainload),” the rail ministry said in a circular.

The new freight rates came into effect on Tuesday and will remain in force till March 31, 2017. The move is part of the larger reform measures unveiled by the rail ministry to increase freight volumes. The Comptroller and Auditor General of India had, in May 2015, observed that the government lost ₹29,000 crore over five years as a result of the dual freight rate policy, unearthing the iron ore freight scam.

“After the change in policy, there will be a new and uniform freight rate for iron ore transport. The new rate will be equal to the existing freight rate for iron ore transport for domestic use,” said rail ministry’s member-traffic Mohammed Jamshed, without sharing the exact rates before and after the policy change.

India produced 135 million tonnes (mt) iron ore in 2015-16,



## WEIGHED BY LOSSES

**₹29,000 crore**

CAG observation in May 2015 of government losses incurred due to dual freight rate policy over five years, unearthing the iron ore freight scam

**135 mn tonnes**

Iron ore produced by India in 2015-16, compared to 129 mt in 2014-15

compared to 129 mt in 2014-15. Production has started picking up after years of decline on the back of allegations of large-scale illegal mining in principal producing states leading to a ban on mining. The ban was partially lifted in Goa by the Supreme Court in 2014.

Thanks to a major slump in demand amid supply glut in major producing nations, the global iron ore prices have crashed to a third of their value a year ago. The price slump had added to the woes of the industry, already grappling with high freight rates for exports.

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