

**GOVERNMENT OF ORISSA
DEPARTMENT OF STEEL & MINES**

No. 1417/SM, Bhubaneswar the 22-2-2011
AUD-SM-30/10

From

Shri Manoj Ahuja, IAS
Commissioner-cum-Secretary to Govt.

To

The Director of Mines, Orissa
Bhubaneswar

Sub: **Assessment of royalty in respect of Iron Ore on ad-valorem basis.**

Sir,

Consequent upon revision of rate of royalty on Iron Ore with effect from 13.08.2009, it has become extremely important to ascertain the actual Pit Mouth Value (PMV) prices at different mines so that Government does not stand to lose any amount towards royalty on account of under reporting. It is understood that, although the PMV price published by IBM in the monthly statistics is taken as the base for the purpose of calculation of royalty, IBM, mostly, relies upon the PMV prices reported by the different lessees in the monthly statutory return in Form-F1 under rule 45 (1)(a)(i) of MCDR, 1988. Further, due to delay in submission of the aforesaid return, correctness of the PMV prices are rarely ascertained by the DDMs/MOs before publication of the same.

While verifying the monthly returns in Form-F1 submitted by some of the lessees for the month of September, 2010, wide variations in prices for identical type and grade of iron ore in the same region are noticed. Further, for ex-mines sales, royalty, cost of loading and transport etc are found to have been deducted from sale value which is incorrect. In a number of cases details of deductions used for computation of PMV are not furnished in F1 forms, when the point of sale is different from the mine head. Again, in respect of export of Iron Ore Fines, the PMV prices declared by some of the lessees are found to have been much less when compared with the FoB price of customs minus cost towards stevedore, plot rent, wharfage, cost of transport from source to Paradeep Port etc. Such wide variations in PMV prices appear to have been the result of adoption of incorrect procedure by the lessees and hence it is necessary that the F1 forms submitted by the lessee should reflect the correct PMV.

In view of many such anomalies in the PMV prices reported by the lessees in the monthly return in Form-F1 and delay in submission of the same, the actual prices are not being reflected by IBM in the monthly statistics. This is causing loss of revenue to the State.

Therefore, it is felt necessary that, the following measures should be adopted while taking up verification of returns filed by lessee.

- (i) All the lessees should submit monthly returns in Form-F1 under rule 45(1)(a)(i) of MCDR, 1988 within the prescribed time limit (before the 15th of every month in respect of preceding month) without fail. Transit permit for defaulting lessees should be restricted. The forms should be filed up in a manner providing correct and complete information. Non-submission of returns or submission of wrong information would attract the provisions of Rule 58 of MCDR, 1988.
- (ii) PMV prices declared therein by all the lessees should be verified and any conspicuous anomaly should be called for clarification immediately.
- (iii) Clear cut boundary between captive and non-captive consumers should be maintained. The PMV prices of leases operating under the garb of captive consumption should not be accepted and this should be intimated to the State Government and IBM.
- (iv) In cases where the prices are substantially lower than the market price, action could also be resorted to as per provision of rule 27(1)(m) of MC Rules, 1960 read with clause 21(a) of Part VII of the lease covenant for the pre-emption of the raised mineral by the State Government on payment of the price shown by the lessee in the return filed by him as this will meet the criterion of fair market price. The pre-emption can be made by paying the price shown by the lessee for the mineral disposed immediately before the verification of the records wherever the DDM/MO has reason to believe that the ore disposed has been under priced. Before pre-emption as aforesaid is directed, it is necessary to give notice in writing and reasonable opportunity of being heard to the lessee. The Deputy Director of Mines or the Mining Officer in charge of the circle is authorised to issue such notice under rule 27(1)(m) of the rules of 1960 in writing to the lessees indulging in under pricing of the mineral and or under pricing of pit's mouth value giving him sixty days time to explain

as to why mineral shall not be pre-empted by the State Government as per the said provisions and the conditions of the lease covenant and on completion of the notice period commend the case along with the reply of the lessee, if any and his views to Government through the Director of Mines for final decision.

- (v) The verification report of PMV prices should be sent to the Director of Mines every month with recommendation for follow up action.

The following documents may be verified for ascertaining correctness of PMV prices.

- a) FOB price from customs
- b) Stevedors, Plot rent, wharfage etc. from concerned Port Authorities
- c) FOR price from R.R.Copies / Railways
- d) Cost of loading, un-loading and transport from the concerned lessees / local truck owners association (Regd) / loading contractors / LEO / RTA etc.
- e) Copy of sale invoices (type and grade wise)
- f) Copy of buyer / importer's agreement

To start with, the returns in Form-F1 from all the lessees should be obtained and verification report for January, 2011 be sent so as to reach the Directorate of Mines, Orissa, Bhubaneswar by February, 28th and by 15th of the following month for the subsequent months hence.


Yours faithfully

Sd/-

Commissioner-cum-Secretary to Govt.

Memo No. 1418 /SM, Dated 22.2.2011

Copy forwarded to the Collector, Keonjhar/Sundargarh/Mayurbhanj/ Deputy Director of Mines, Joda, Koira, Jajpur Road/Mining Officers, Keonjhar, Baripada / Regional Director, IBM, Bhubaneswar for information necessary action.


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