

Standing Committee Report Summary

Freight Subsidy Policy

- The Standing Committee on Chemicals and Fertilizers (Chair: Mr. Anand Rao Adsul) submitted a report on the 'Freight Subsidy Policy' on December 19, 2017. The Uniform Freight Policy was released in April 2008. Under the Policy, freight subsidy is provided to fertiliser manufacturers to ensure timely and easy availability of fertilisers to all parts of the country. Reimbursement is based on rates notified by the Department of Fertilisers. Key observations and recommendations made by the Committee include:
 - **Delay in notification:** The Committee observed that while the subsidy policy was notified in 2008, the per kilometre rate was not released on time. It observed that the rates for the years 2007-08, 2008-09, and 2009-10 were notified in March 2014. Similarly, rates for the years 2014-15, and 2015-16 were notified in September 2017. This implies that freight rates are applicable retrospectively and hence, accumulated over the years. The Committee noted that this increased the burden of under recoveries of fertiliser companies.
 - **Freight rates:** Under the Uniform Freight Subsidy Policy, freight rates are notified in four slabs as shown in Table 1. The Committee stated that the old rates should be allowed to continue instead of slab-wise rates.

Table 1: Slab-wise rates 2015-16 (direct by road)

Distance slab (km)	Per tonne per kilometre rate (Rs)
0-100	4.25
101-250	2.71
251-350	2.02
351-500	1.82

Sources: Report No. 41, Standing Committee of Chemicals and Fertilizers, December 2017; PRS.

- It noted that the slab-wise freight rate regime was not effective and efficient. The Committee recommended that the central government should review and revisit all aspects of the new Uniform Freight Subsidy Policy, and come out with a policy which is scientific and economical.
- **Integrated Fertiliser Management System (IFMS):** The IFMS was launched to process subsidy claims apart from monitoring the fertiliser movement, and managing fertiliser supplies. The Committee observed that the IFMS allows generation of claims only in a sequential manner.

This implies that if claims of a month are pending, the claims for the following months cannot be generated. Further, the Committee recommended that existing software should be redesigned to ensure smooth and timely payment of subsidy.

- **Process of feeding data:** The Committee noted that the fertiliser companies have to feed data retrospectively (month-wise) since 2008 to claim subsidy. It stated that the process of feeding data of previous years is cumbersome and tedious. Considering the delay in notifying rates, it recommended that rates should be notified before the beginning of the crop seasons.
- **Freight budget:** In Union budget 2017-18, Rs 3,000 crore were allocated for freight subsidy. Of this, Rs 2,980 crore was used to make payments for the period between 2015 and January, 2017. For the purpose of subsidy claims from February, 2017 onwards, an additional requirement of Rs 3,700 crore was proposed in the revised estimates of 2017-18. The Committee recommended that the central government should provide funds to clear subsidy claims pending from February 2017 and freight bills to be paid from 2008.
- **Time taken for disbursement:** Payment of claims should be completed within 60 days of the receipt of claims. The Committee observed that the Ministry took, on average, six months to reimburse claims. It stated that this affects the profitability of fertiliser companies. The Committee recommended that the Ministry should strictly adhere to the limit of 60 days period for reimbursement of claims. Further, it recommended that fertiliser companies should be paid interest for the delayed period beyond 60 days.
- **Availability of rakes:** The Committee noted that rake points are used for unloading fertilisers from railways and transporting to districts and blocks. State governments can request the Ministry of Chemicals and Fertilisers to create rake points. The Ministry of Chemicals and Fertilisers in turn takes up the matter with Ministry of Railways. The Committee noted that 45 requests were pending with the Ministry of Chemicals and Fertilisers. In addition, the Committee stated that the 880 rail rake points available currently are inadequate given the large size of the country. Therefore, it recommended that opening new rake points should be given utmost priority.

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