

के. के. पाठक, भा.प्र.से.
प्रधान सचिव,
खान एवं भूतत्व विभाग
बिहार सरकार
विकास भवन, पटना-800 015
दूरभाष : 0612-2215857 (का०)



सत्यमेव जयते
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DO No. / Patna, Dated

सुदेश/रोबिन्सन सिंह
G.M. (Bank/North)
G.M. (Finance)
15/11/17
15/11/17

Sub: - Regarding Seigniorage Fee.

Please refer to your Letter No. 9836 dated 06.11.2017.

2. In the said letter, you have primarily raised two issues regarding the Seigniorage Fee for schemes concerning Building Construction Department. These are: -

- As per your letter, there are various components of any scheme of Building Construction Department where no minor minerals are used. For example - electrification, water supply, interior decoration etc. These constitute roughly about 20 - 25% of the estimates.
- As per your letter, the Seigniorage Fee should be added only for the new schemes sanctioned after 01.11.2017 and not for the ongoing schemes as this will affect the Agreemented cost of the ongoing schemes

3. On the above two issues, I share your concern. However, you may recall that the existing system had many complications as under: -

- The calculations of royalty, minor mineral wise, are very complicated for the Works Department and they have, over the years continuously failed to tell the Mines Department how much royalty was deducted for sand or brick or ordinary earth or stone chips. Till today, the Mines Department is in the dark about the royalty collection, minor mineral wise.
- The system required deduction of royalty at the Executive Engineer level and then subsequent reimbursement of the same to the contractor under Form M and Form N.
- The procedure under Form M and Form N resulted in lot of corruption, delays and invited audit objection, AG objection and PAC paras, which continued for many years in the Works Department as well as Mines Department.

4. You may recall that this was discussed in a presentation (on the new Bihar Minor Mineral Rules) before all the senior officers and it was decided that, to take care of the above problems, we should introduce a flat rate system, which will provide lot of ease of calculation and rid us of corruption and audit objections.

5. Due to the above problem, we introduced a Seigniorage Fee system at a flat rate of

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दिनांक..... 15/11/17

applicable only for the Works Department with effect from 01.11.2017 and does not concern ordinary people.

6. To answer your concern at Para 2(a) above, I wish to state that, at present, the royalty received by the Mines Department from the various Works Department, on an average, is as under:-

Department	Royalty Rate (on an average)
Water Resources Department	4% of the Total Estimate
Rural Works Department	4% of the Total Estimate
Road Construction Department	3.5% of the Total Estimate
Panchayati Raj Department	3% of the Total Estimate
Building construction Department	2.5% of the Total Estimate
PHED	0.5% of the Total Estimate
Energy Department	0.5% of the Total Estimate (for Power Holding Company) 1% of the Total Estimate (for Power Grid Company Project)

7. The above calculations are as per the experience of the Mines Department over the years. You will agree that other than PHED and Energy Department (which are low budget Departments), the present Seigniorage Fee of 2% is less than the prevailing royalty rates in case of all the other Departments (some of which are big Departments like Road Construction Department and Water Resources Department). Therefore, you will agree that by charging a Seigniorage Fee of 2% at a flat rate, the Mines Department may, at the end of the day, not have any advantage or disadvantage in any form. Last year, we got a royalty of Rs. 360 crores from all the Works Departments. Under the new reformed system, we will still get the same amount approximately. The royalty collection under the new system may, slightly, go up or down by Rs. 20-30 crores, depending upon the performance of the major Departments like Water Resources Department and Road Construction Department.

8. Therefore, from the above analysis, you will agree that charging Seigniorage Fee at a flat rate of 2% on the total estimate fetches the Mines Department same amount of revenue, which we got when we charged royalty on minor minerals only, under the old system, which was complicated and had elements of corruption.

9. Coming to your other issue at Para 2(b) above, I wish to state that if we exclude the existing schemes, it would not help us migrate to the new system. This is because the new existing schemes sanctioned before 01.11.2017 would continue to linger on for many-many years and therefore, for those many years, we will have two systems of deduction of royalty side by side, complicating the system further.

10. Moreover, the new system of Seigniorage Fee would not impact the Agreemented cost of the existing schemes. This is because the royalty of existing schemes shall be subsumed in the Seigniorage Fee itself.

11. To understand it further, I propose the system of Seigniorage Fee as under: -

11.1 For new schemes sanctioned after 01.11.2017: - At the time of preparing the estimates, the Works Department makes an estimate on the basic cost of the minor minerals (excluding the royalty) and then at the end of the estimate, add 2% of the

Seigniorage Fee. This Seigniorage Fee should be deducted from each running bill of the contractor and deposited with the Mines Department.

Here, there is no need for any reimbursement to the contractor and there is no need for Form M/N and thus, this system is simple and free of corruption.

11.2 For existing schemes sanctioned before 01.11.2017 :- For the existing schemes, from the running bills submitted by the contractor after 01.11.2017, the Works Department should continue to deduct royalty (as before) and deposit it in their miscellaneous head (as before) and this need not be remitted to the Mines Department. Instead, the Works Department should deposit a flat of 2% amount of the running bill with the Mines Department.

Here also, there is no need for any reimbursement and there is no need for Form M/N and thus, the system is simple and free of corruption.

12. I hope the above explains your two concerns mentioned in the letter. I reiterate that the system of flat rate Seigniorage Fee is only introduced for the sake of simplicity of royalty calculation of the works Departments and its subsequent remittance to the Mines Department. This new system rids all the Departments of 'Form M/N problem' and the resultant corruption.

Yours Sincerely

Sd/-

K.K. Pathak

To,

Sri Chanchal Kumar, IAS
Principal Secretary
Building Construction Department, Patna

Memo No. 136 Patna/Dated 09-11-17
Copy to: Principal Secretary, Water Resources Department/Rural Works
Department/Road Construction Department/Panchayati Raj
Department/Building construction Department /PHED/Energy Department for
information.

K.K. Pathak

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