

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:3458

ANSWERED ON:20.03.2001

COST ESCALATION OF COAL PROJECTS

BALIRAM;NARESH KUMAR PUGLIA;SHYAMA SINGH;SULTAN SALAHUDDIN OWASI

Will the Minister of COAL be pleased to state:

- (a) whether a large number of coal projects including the expansion of NLC are facing cost overruns;
- (b) if so, the details thereof and the reasons therefor, project-wise and the amount involved therein;
- (c) whether the Government have taken or propose to take any steps to complete such projects without any cost escalation; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE FOR COAL (SHRI SYED SHAHNAWAZ HUSSAIN)

(a) & (b) : Three projects of Coal India Limited and two projects of Neyveli Lignite Corporation costing Rs.20 crores and above are facing cost overruns. Details are given below:-

Sl. No.	Name of project	Sanctioned cost (Rs.Crs.)	Anticipated cost (Rs.Crs.)	Cost overruns (Rs.Crs.)	Reasons for cost overruns
1.	Khottadih UG+OC (ECL)	267.52	378.51	110.99	Cost overrun occurred mainly due to variation of exchange rate of rupee with French Franc, in Khottadih UG.
2.	Parej East OC (CCL)	116.19	162.88	46.69	Cost overrun occurred due to time overrun resulted due to delay in finalisation of World Bank loan and rehabilitation of project affected families as well as changing HEMM configuration in view of recommendation by World Bank.
3.	Dudhichua Expn.OC (NCL)	868.93	1281.39	412.46	Cost overrun occurred due to time overrun, resulted due to delay in finalisation of World Bank loan.
4.	Mine-I Expn. (NLC)	1336.93	1652.22	315.29	Cost overrun occurred due to normal escalation and exchange rate variations.
5.	Mine-I A (NLC)	1032.81	1107.93	75.12	Cost overrun occurred due to increase in interest during construction due to time overrun.

(c) & (d): Cost escalation has already occurred in the five projects mentioned in reply to (a) & (b) above. To arrest any further cost and time overruns, following steps have been taken / are being taken:-

- i) It has been decided to Foreclose Khottadih UG+OC project. Foreclosure Report is under approval by the Govt.
- ii) Revised Project Report in respect of Parej East OCP incorporating change of scope has been prepared and is under approval by the Govt.
- iii) Revised Cost Estimate with an estimated capital of Rs.1281.39 crore in respect of Dudhichua OCP is in process of approval by the Govt. All possible steps like taking advance action for preparation of NIT, raising of indents for balance equipment, tendering etc. have been taken, so that immediate action can be initiated as soon as the RCE is approved.
- iv) Besides above, the projects costing Rs. 100 crores and above are being reviewed on quarterly basis by an inter-ministerial committee headed by Secretary (Coal) and having members from Planning Commission, Department of Expenditure, Ministry of Statistics & Programme Implementation and Ministry of Environment & Forests.
- v) Coal companies have been directed to monitor implementation of coal projects regularly and rigorously. In the coal companies, a three-tier structure for monitoring the projects, i.e. at colliery level, area level and headquarter level is in existence.
- vi) Based on the results of the above reviews, appropriate directions are sent by the Government (Ministry of Coal) to the coal companies for taking timely remedial action to overcome the shortcomings.
- vii) Close monitoring is being exercised for achieving physical as well as financial targets.