

# 12

## STANDING COMMITTEE ON COAL AND STEEL (2005-2006)

### FOURTEENTH LOK SABHA

**MINISTRY OF MINES**

**DEMANDS FOR GRANTS  
(2005-2006)**

[Action Taken by the Government on the Recommendations contained in the Ninth Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha)]

**TWELFTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI  
December, 2005 / Agrahayana, 1927 (Saka)**

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**COAL AND STEEL**  
**(2005-2006)**  
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Presented to Lok Sabha on 22.12.2005  
Laid in Rajya Sabha on 22.12.2005



**LOK SABHA SECRETARIAT**  
**NEW DELHI**  
**December, 2005 / Agrahayana, 1927 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE ON  
COAL AND STEEL (2005-06)**

Shri Ananth Kumar - Chairman

**Members**

Lok Sabha

2. Shri Prasanna Acharya
3. Shri Hansraj G. Ahir
4. Shri Harishchandra Chavan
5. Shri Chandra Sekhar Dubey
6. Shri Chandrakant Khaire
7. Shri Sunil Khan
8. Shri Faggan Singh Kulaste
9. Shri Nitish Kumar
10. Shri Vikrambhai Arjanbhai Maadam
11. Shri Bhubneshwar Prasad Mehta
12. Shri Hemlal Murmu
13. Shri Anirudh Prasad Alias Sadhu Yadav
14. Shri Dalpat Singh Paraste
15. Shri E. Ponnuswamy
16. Shri Tarachand Sahu
17. Smt. Karuna Shukla
18. Shri Prabhunath Singh
19. Shri Rewati Raman Singh
20. Shri Ramsevak Singh (Babuji)
21. Shri M.Anjan Kumar Yadav

**Rajya Sabha**

22. Shri Devdas Apte
23. Shri Ramadhar Kashyap
24. Capt. Jai Narayan Prasad Nishad

25. Shri Vidya Sagar Nishad
26. Shri B.J.Panda
27. Shri G.K.Vasan
28. Dr. Swami Sakshi Ji Maharaj

### **SECRETARIAT**

- |    |                  |   |                   |
|----|------------------|---|-------------------|
| 1. | Shri John Joseph | - | Secretary         |
| 2. | Shri A.K.Singh   | - | Joint Secretary   |
| 3. | Shri A.K.Singh   | - | Director          |
| 4. | Shri Shiv Singh  | - | Under Secretary   |
| 5. | Shri R.K.Sharma  | - | Committee Officer |

## INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Twelfth Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Ninth Report of the Standing Committee on Coal and Steel on “Demands for Grants (2005-2006) of the Ministry of Mines”.

2. The Ninth Report on the Standing Committee on Coal and Steel was presented to Lok Sabha on 26<sup>th</sup> April, 2005. Replies of the Government to all the recommendations contained in the Report were received on 20<sup>th</sup> September, 2005.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 21<sup>st</sup> December, 2005.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Ninth Report of the Committee is given at Annexure-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;  
21 December, 2005  
30 Agrahayana, 1927 (Saka)

ANANTH KUMAR,  
Chairman,  
Standing Committee on Coal and Steel.

## CHAPTER -I

### REPORT

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Ninth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel on “Demands for Grants (2005-2006) of the Ministry of Mines” which was presented to Lok Sabha on 26.4.2005.

1.2. Action Taken Notes have been received from the Government in respect of all the recommendations contained in the Report. These have been categorised as follows:

- (i) Recommendations/Observations that have been accepted by the Government:

Sl. Nos.1, 2, 3, 5, 6, 9, 11, 13, 14,15, 17 and 18.

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government’s replies:

Sl.Nos.8 and 10.

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee :

Sl. Nos. 4, 7 and 16.

- (iv) Recommendations/Observations in respect of which final reply of the Government were still awaited :

Sl. No.12.

**1.3 The Committee desire that utmost importance should be given to the implementation of the recommendations accepted by the Government. In case, where it is not possible for the Government to implement the recommendations in letter and spirit for any reasons, the matter should be reported to the Committee in time with reasons for non-implementation.**

1.4. The Committee will now deal with the Action Taken by the Government on some of their recommendations/observations made in the Ninth Report.



## **Plan Outlay**

### **Recommendation (SI.No.4 Para No.2.17)**

#### **Geological Survey of India (GSI)**

1.5 The Committee were constrained to note that the modernization programme of Geological Survey of India (GSI) conceived during the early phase of the X<sup>th</sup> Plan, had not made steady progress due to non-availability of specialized equipment and shortage of staff. The Committee further noted that the proposals for acquisition of high cost equipment for offshore Marine Surveys Airborne Geophysical Surveys was yet to be cleared by the Planning Commission/Ministry of Finance. The Committee recommended that the Ministry should take all possible measures to procure above equipment in a time bound manner lest the modernization process of GSI should get further delayed. The Committee also desired that shortage of staff in GSI should be met immediately to obviate any adverse affect on its functioning.

1.6 The Government have in their reply stated that the Modernisation programme of GSI is also constantly monitored by the Project Proposal Review Committee [PPRC]. The Committee has taken so far 7 meetings. The Committee, in order to systematize the procurement process and to hasten the utilisation of plan fund (under Modernisation Programme) has suggested appropriate corrective measures like constituting an agency responsible for GSI's Heli-borne Survey System and its onboard equipments and inviting representatives from HAL and DGCA for detailed discussions on its safety aspects, nomination of Sh.Gopal Mandal, Stores Officer as Nodal Enforcement Officer (Procurement) to enforce prompt delivery of equipments, constitution of a Modernization Review Committee of DDG level officers to work out the modernization plan over and above the requirement of laboratories of GSI, etc.

1.7 As regards the procurement of Ocean going research vessel for GSI, Planning Commission had advised this Ministry to submit the proposal in Detailed Project Report (DPR) format. The DPR has been received from GSI and is under consideration in the Ministry.

1.8 As regards the procurement of Heliborne Survey System for GSI, Planning Commission considered the proposal and advised that the clarifications asked for by Planning Commission may be incorporated in EFC memo of GSI and a copy of which be sent to project Appraisal and Monitoring Division (PAMD) of Planning Commission. GSI vide Ministry's letter dated 18.5.2005 has been requested to take urgent necessary action in the matter as per advise of Planning Commission and furnish the revised DPR (EFC) to this Ministry for onward submission to Planning Commission.

1.9 As regards the procurement of Geotechnical vessel for GSI, on the advice of Planning Commission DPR in respect of Geotechnical vessel, is under preparation in GSI.

#### **Comments of the Committee**

**1.10 The Committee, while recommending to the Ministry of Mines to take all possible measures to procure various equipments for the modernization of Geological Survey of India (GSI), had also desired that shortage of staff in GSI should be met immediately. The Ministry in its reply has stated that Detailed Project Report (DPR) for the procurement of ocean going research vessel has been received in the Ministry and was under consideration. Regarding procurement of Heliborne Survey System the Ministry has asked GSI to furnish revised DPR for onward submission to Planning Commission. So far as the procurement of Geotechnical Vessel was concerned, DPR was under preparation by GSI. The Committee are dismayed to find the utter lack of urgency on the part of the Ministry for procurement of critical equipments. The Committee are concerned that the process of modernization of GSI and its performance would suffer irreparably if the procurement process of equipments which have already been badly delayed are not procured in time. The Committee are of the view that if no time schedule is adhered to in this regard, the modernization programme may spill over to 11<sup>th</sup> Plan since in about a year or so 10<sup>th</sup> Plan would come to an end. The Committee, therefore, desire the Ministry to submit the Detailed Project Report (DPR) in respect about equipments to Planning Commission without any further loss of time and try to compress the time required in the entire process.**

The Committee are surprised that the Ministry has ignored the recommendation regarding meeting the shortages of the staff in GSI. The Committee deprecate this approach of the Ministry and feel that in the absence of optimum strength the performance of GSI is destined to deteriorate. The Committee would like to reiterate their earlier recommendation and desire that the shortage of staff in GSI is urgently met to enable to effectively discharge its statutory obligations.

#### **Recommendation (SI.No.5, Para No.3.11)**

#### **Indian Bureau of Mines (IBM)**

1.11 The Committee noted that the Indian Bureau of Mines (IBM) performs regulatory functions, under the Mines and Minerals (Development and Regulation) Act, 1957, Environmental Protection Act, 1986 and Rules made thereunder. IBM also undertakes scientific, techno-economic, research-oriented studies in various aspects of Mining geological studies, Ore beneficiation and environmental studies besides providing technical consultancy services to the mining industry. For undertaking the above activities, an outlay of Rs.103 crore

was approved for the X<sup>th</sup> Plan. However, the actual expenditure incurred during the first three years of the plan had been Rs. 50.18 crore. The Committee were extremely surprised to note that though an amount of Rs.44.89 crore was earmarked for new schemes during the plan, not even a single rupee had been spent thereon so far. The Committee, therefore, could not but conclude that IBM/Ministry of Mines had made mockery of budgetary proposals by including in the X<sup>th</sup> Plan ill conceived and infructuous schemes/projects which remained on paper only entailing no expenditure at all even after lapse of first three years of the Plan. The Committee, therefore, desired the Ministry to look into the matter and fix responsibility as to how such schemes/projects were included in the first instance or why no funds could be spent thereon. In case these schemes were not likely to fruitify in the coming two years, the Ministry should consider utilizing these funds on other schemes.

1.12 The Ministry vide its letter No. 2(3)/2001-IF dated 3.6.2002 had conveyed the allocation of Rs.103 crore for 10<sup>th</sup> Plan of IBM as follows:

1.	Gross Budgetary Support (GBS)	Rs.103.00 crore
	i.e. (i) Net Budgetary support (NBS)	Rs.53.00 crore
	(ii) Aid Through Budget	Rs.50.00 crore
	Total=	<b>Rs.103.00 crore</b>
2.	Construction activities (Under M/o Urban Development)	Rs. 3.00 crore
The distribution of the above funds for various schemes and programmes is detailed below:		
1.	For four existing schemes	52.50 crore
2.	Works outlay	00.50 crore
	Total =	53.00 (NBS)
IBM –BRGM (Aid through Budget)		
i)	IBM-BRGM TMIS project (Balance payment form 9 <sup>th</sup> plan )	0.6683
ii)	IBM- BRGM Supply of Laboratory equipment to IBM.	4.4375
iii)	Token Provision for New Schemes under BRGM	44.8942
	Total =	50.00
Grand Total of 10 <sup>th</sup> Plan outlay:		103.00 crore

A Provision of Rs.44.8942 crore have been kept for new scheme under BRGM. In the 10<sup>th</sup> Plan document of IBM, following new schemes were proposed under BRGM (Grant-in-Aid) and submitted to Ministry for approval.

### **IBM- BRGM (Grant-in-Aid Programme)**

The following 4 new schemes under IBM- BRGM were proposed.

- 1) Management of Solid Waste from Mining in India .
- 2) Supply of Laboratory Equipment to IBM.
- 3) Capacity Building at State Level for Mineral Development and Environmental Management (renamed as – setting of Computerized. On Line Register of Mining Tenements System).
- 4) Development of UNFC for Mineral Resources Management in India.

Out of the above 4 schemes, the following 2 schemes were sanctioned during the 10<sup>th</sup> Plan periods and have been completed and implemented successfully.

- 1) Supply of Laboratory Equipment to IBM.  
Total amount spent 5.72 crore.
- 2) Development of UNFC for Mineral Resources Management in India.

No expenditure was incurred under this project. With the guidance of BRGM experts only a software for conversion of UNFC system from Mineral Resources Mineral System have been developed. BRGM has not charged any cost.

The actual expenditure incurred during first 3 years of the 10<sup>th</sup> plan in respect of general schemes and BRGM projects were given below:

	General Schemes	BRGM (Projects)	Total(Rs. Crore)
2002-03	14.10	1.68	15.78
2003-04	14.67	1.50	16.17
2004-05	14.72	3.21	17.93
<b>Total</b>	<b>43.49</b>	<b>6.39</b>	<b>49.88</b>

1.13 From the above it may kindly be noted that Rs.49.88 crore have been spent during the first 3 years of 10<sup>th</sup> plan which includes an expenditure of Rs.6.39 crore towards BRGM Projects.

1.14 In the 10<sup>th</sup> Plan a provision of Rs.50 crore was kept for BRGM schemes under grant in aid. From the above amount, Rs.6.39 (Rs.0.67 crore towards balance payment of TIMS Projects and Rs.5.72 crore for supply of laboratory equipment to IBM) crore have been spent leaving a balance of Rs.43.61 crore as against the provision of Rs.44.89 crore for new schemes as stated earlier.

The other two BRGM projects proposals which were under consideration of the Ministry were:

1. Project on computerised on Line Register on Tenements Systems. The total cost of the projects is Rs.17.50 crore.
2. Projects on Management of Solid Waste from Mining in India.

Total cost of the project is Rs. 30.00 crore.

The total cost of both the projects – 47.50 crore

The requirement of funds for these projects for the rest of the two years of 10<sup>th</sup> plan i.e. 2005-06 and 2006-07 is as follows:

	2005-06	2006-07
Project :1	1.00	12.84
Project:2	15.00	15.00
Total	16.00	27.84
<b>Total</b>		<b>43.84</b>

Balance of Rs. 3.66 crore will spill over to 11<sup>th</sup> Plan.

1.15 The above mentioned projects were discussed in 18<sup>th</sup> meeting of Indo-French Working Group on Mineral Exploration and Development of the Indo-French Joint Committee and Technical Cooperation held on 8-9 November, 2004. BRGM has asked for revised concept document on the project before finalising the project proposal. The revised concept has been submitted by IBM but BRGM has still not finalized the projects. Since both the projects were planned to be served by Aid through Budget, no funds have been allotted during the year 2005-06.

#### **Comments of the Committee**

**1.16 Since the Indian Bureau of Mines (IBM) had not incurred any expenditure on new projects envisaged in Xth Plan against the allocated budget of Rs.44.89 crore, the Committee had desired the Ministry to look into the matter and fix responsibility as to why such schemes/projects were included in the first instance and why no fund could be spent thereon. The Committee had also desired the Ministry to utilize the fund on other**

schemes in case new projects were not likely to fructify in the coming two years. The Ministry in its reply has stated that out of four new schemes proposed under Bureau De-Research Geologique Mineral (BRGM) in the Xth Plan, the two schemes viz. supply of laboratory equipments to IBM and development of United Nation Framework on Classification (UNFC) for mineral resources in India have been completed and an expenditure of Rs.5.72 crore has been incurred thereon. The two other schemes viz. Project on Computerized on line Register on Tenements Systems and Project on Management of Solid Waste from Mining in India at a total cost of Rs.47.50 crore are awaiting the Ministry's approval as revised concept document submitted by IBM is yet to be finalized by BRGM. The Ministry expects to spent nearly Rs.47.50 crore during remaining period of 10<sup>th</sup> Plan. The Committee express their displeasure at the state of planning in Ministry and IBM whereby in total disregard of financial principles, the Ministry would spend about 95% of their funds earmarked for new projects in the last one and half year of 10<sup>th</sup> Plan. The Committee, therefore, desire the Ministry to expedite these projects for their early completion.

#### **Recommendation (Sl.No.7, Para No.3.13)**

#### **Illegal Mining**

1.17 The Committee were dismayed to note that the alarming increase in the cases of illegal mining in different States resulting in immense loss to the National Exchequer. The Committee felt that IBM could not absolve itself of the responsibility entrusted to it under MMDR Act and therefore strongly recommend the IBM/Ministry to pull up the concerned agencies for their failure to stop illegal mining. The Committee also desired that the Ministry should take pro-active steps by exercising full vigil and responsibility in terms of location, detection and prosecution to control and prevent such illegal mining.

1.18 The Government in their reply stated that the nature of magnitude of the problem of illegal mining activity varies from State to State and States being owners of minerals in the lands under their jurisdiction and responsible for collection and retention of royalty from minerals, the full powers have been delegated to the State Government to form their own rules for curbing illegal mining as it makes possible for each State Government to address the problem of illegal mining in their State by suitably listing out the target were as depending upon the strength of its law and order machinery and revenue implications for the State.

1.19 The issue of further delegation of powers to IBM to effectively control illegal mining was discussed in the meeting of the State Governments on 17.1.2005 under the Chairmanship of Secretary (Mines). The State Governments were unanimous that further delegation of powers to IBM would lead to

duplication of authority and would lead to lack of co-ordination with the State Governments.

1.20 However, IBM is being asked to be more vigilant in their inspection to check illegal mining activities being carried out and bring such cases to the notice of State Government while carrying out the responsibility entrusted to them under the Act and Rules there under. As and when the cases of illegal mining were brought/come to the notice of the Ministry/IBM, the matter is immediately taken up with the concerned State Government to check and curb the illegal mining. At the same time State Governments were being asked to complete framing of the rules as per the powers given to them under MMDR Act, 1957 and to intensify their monitoring activity to strictly control any illegal mining.

### **Comments of the Committee**

**1.21 Keeping in view the rampant illegal mining taking place with impunity in various States, the Committee had recommended to the Ministry to take pro-active steps by exercising full vigil and responsibility in terms of location, detection and prosecution to control and prevent illegal mining and pull up the concerned agencies for their failure to stop illegal mining. The Ministry has stated that the nature and magnitude of the problem of illegal mining activities vary from State to State. Being owner of minerals in the land under their jurisdiction and responsible for collection and retention of royalty from minerals, the State Governments have been delegated the full powers to frame their rules for curbing illegal mining. The Committee are not convinced with the reply of the Ministry and strongly feel that Ministry of Mines and IBM cannot absolve themselves of their responsibilities by taking refuge to the plea of delegating full powers to State Governments. The Committee need not emphasise that under the Mines and Minerals Development and Regulation Act, 1957, the Union Government and State Governments have been assigned distinct responsibilities, and therefore, the attempt of Ministry/IBM to put entire blame for illegal mining on State Governments is unacceptable. The Committee, therefore, desire the Ministry/IBM to gear up and activate their machinery and in coordination with the State Government to take concrete measures to detect and prevent illegal mining instead of depending on State Governments in this regard. The Committee also recommend that the Ministry may set up Monitoring Machinery at appropriate levels involving representatives of Ministry of Mines, IBM, Ministry of Environment and Forests and State Governments, etc. to effectively prevent the menace of illegal mining.**

## **Recommendation (Sl.No.9, Para No.4.21)**

### **NALCO**

1.22 The Committee were informed that X<sup>th</sup> Plan outlay of Rs.7,056.00 crore for NALCO had been revised to Rs.2865.25 crore in the Mid Term Appraisal due to reduced allocation in respect of 2<sup>nd</sup> phase expansion, Qatar project, Coal Mines and AMR, etc . The Committee expect that the Qatar project, a prestigious one for NALCO would materialize since the Qatar authorities were showing some positive interest and desired that the Ministry of Mines should further pursue the matter with Qatar Authorities.

1.23 The Ministry in their reply have stated that the X<sup>th</sup> Plan outlay of Rs.7,056.00 crore for NALCO has been revised to Rs.2864.25 crore.

1.24 So far as the year 2004-05 is concerned, the BE outlay of Rs.310 crore was reduced to Rs.172 crore. The major drop in the capital outlay was in respect of 2<sup>nd</sup> phase expansion and captive coal mines allotted wherein the outlay has been reduced from Rs.100 crore in BE level to Rs.11 crore in RE level. The drop in outlay in respect of these schemes was because of the delay in Government approval to the projects. While Government approval to 2<sup>nd</sup> phase expansion was received in October, 2004, the provisional allotment of Utkal E Coal Mines to the Company was received in August, 2004.

1.25 However, hardly any expenditure has been incurred on the proposed 2<sup>nd</sup> phase expansion and coal mine. The pre-project activities for 2<sup>nd</sup> phase expansion of integrated Aluminium Complex has commenced. The consultancy contract for integrated Mines, Alumina and Aluminium project has been awarded to M/s.EIL on 29.3.2005. Similarly the contracts for CPP 9<sup>th</sup> and 10<sup>th</sup> unit and SGP of Alumina Refinery have been awarded in favour of MECON in the last week of March, 2005. The pre-qualification bids in respect of Bauxite Mines, Alumina and Smelter Segments of 2<sup>nd</sup> phase expansion have already been received and vendor list partly finalised. Some of the project activities like site grading and other enabling works have started. Few of MRs and technical specifications have been finalized.

1.26 As far as Qatar Project is concerned, originally an outlay of Rs.1573.00 crore was planned for X<sup>th</sup> Plan, which was revised to Rs.10.00 crore in Mid Term Appraisal, as local party in Qatar could not finalise the financing arrangements. However, Company is exploring possibilities of joint venture in Middle East.

### **Comments of the Committee**

**1.27 The Committee had noted that the Utkal coal block was allocated to NALCO to cater to its captive power plant and, therefore, recommended that the same should be activated at the earliest and all necessary clearances from different authorities should be obtained. The Committee had also recommended that the Monitoring mechanism be set up to ensure that all the schemes under the 2<sup>nd</sup> phase expansion plan are completed within the time schedule without any time and cost overrun.**



**The Committee are surprised to find that Ministry has not replied to the above recommendations and, therefore, extremely unhappy at this approach of the Ministry whereby its has chosen to ignore very significant recommendations for setting up monitoring mechanism in NALCO. The Committee reiterate their earlier recommendations and would like to be apprised of the action taken in this regard within three months.**

**Recommendation (SI.Nos.15, 16 &17, Para Nos.6.30, 6.31 & 6.32)**

**Mineral Exploration Corporation Limited (MECL)**

1.28 The Committee noted an Expert Committee was constituted by the Government in June, 1995 to arrest the declining trend in the physico-financial performance of the Mineral Exploration Corporation Limited (MECL). The recommendations made by the Expert Committee were considered by a Review Committee chaired by the Secretary, Ministry of Mines. Most of the recommendations of the Review Committee except financial restructuring of the Company had since been implemented. As a result of various measures, the productivity of the Company had improved. However, the financial performance of the Company has not shown the improvement. The Committee note that a revised proposal for financial restructuring of MECL was under consideration in the Ministry of Mines.

1.29 The Committee were extremely concerned that in spite of various policy measures taken by the Government, the physico- financial performance of MECL had not shown any improvement. The Committee felt that financial restructuring package is an essential component for the progress of a company and were unhappy to find that the proposal is still hanging fire even after the lapse of nearly eight years thereby causing not only recurring losses worth crore of rupees but had also derailed a promising Company. The Committee, therefore, recommend that the revised financial restructuring proposal in this regard. MECL presently under consideration in the Ministry of Mines should be approved without further loss of time. The Committee would like to be apprised of the action taken

1.30 The Committee had observed that the physical performance of MECL was affected due to several constraints like the stoppage of exploration of coal and lignite on behalf of Ministry of Coal for want of environment forest clearance the delay in commencement of promotional projects for want of financial sanction and non-materialization of Coal Bed Methane work on behalf of ONGC. The Committee recommended that a Steering Committee might be constituted in the Ministry for holding wide ranging discussions with the concerned Ministry/State Government for getting expeditious clearance from different agencies. The Committee also desired that MECL should strive to obtain more and more job orders from PSUs and private organizations to achieve higher turnover.

1.31 The Ministry in their reply have stated that the fresh proposal for financial

restructuring (waiver of interest, penal interest outstanding, against the accumulated losses, transfer of outstanding loan to Grants-in-Aid, conversion of Non-Plan loans in to grant etc., and for a provision of Rs.70 crore as grant for implementation of Voluntary Retirement Scheme in Mineral Exploration Corporation Ltd (MECL) for separation of 1081 surplus employees to bring the manpower strength of the company to the level of 1200, in the prescribed format as per guidelines instructions of DPE, was sent to DPE on 18.7.2005 for consideration by BRPSE. DPE has asked some information/ material which has already been sent to them on 9.8.2005. The proposal at present is under consideration of DPE/ BRPSE.

1.32 The Ministry further stated that MECL is continuing its exploration programmes with the available plant and machineries which were by and large more than 15 years old and requires continuous maintenance and frequent repairs resulting in loss of production and productivity. In spite of this, as a result of cost control measures, optimum utilisation of available resources, the performance of MECL has gradually improved in the recent past and has been remarkable during 2004-05. The salient features of the achievements were given below:

- The MoU targets for physico-financial parameters have exceeded.
- The drilling achievement has been 1,73,144m against target of 1,65,000m and for mining 7,525m against the target of 6,000m.
- The gross revenue of the Company has been Rs.7364 lakhs as against target of Rs.6600 lakhs. It is highest since inception.
- The gross margin has been in positive throughout year and it stood at Rs.1794 lakhs as against the target of Rs.1304 lakhs, which is also the highest since inception of the Company.
- The Company achieved a net profit of Rs.244 lakhs during 2004-05 after a gap of 14 years.

1.33 For gainful utilisation of the available resources and increase in turn over, efforts were being continued to obtain more and more jobs from PSUs as well as private organisations. During the year 2003-04 and 2004-05 MECL has received orders for contractual work for over Rs.40 crore during each years. It has added a number of new clients namely M/s. Hindustan Zinc Ltd-Sterlite, BALCO Sterlite, Sindhurg Mining Corporation (P) Ltd., South West Mining Ltd., Sulakshini Mines & Minerals Ltd., HGML, IRCON, etc. Amongst these the geo-technical investigation on behalf of IRCON is being carried out at Banihal – Quazigund section of Kashmir Rail Project at J&K.

1.34 The physical-financial performance of MECL is expected to improve further once the financial restructuring which is under consideration at Government level is approved and implemented. As it shall be able to meet its requirement of replacement of the old equipment and induction of state-of-art technology commensurate with the requirement of the Industries from its internal resources.

1.35 As regards Committee's recommendations for constituting the Steering Committee for getting expeditious clearance from different agencies, it may be stated that as soon as SCPP approves the promotional projects, on receipt of projects proposals from MECL immediately action is taken and the administrative approval/financial sanctions were issued within a period of one & half month. The meetings with the MoC were generally held from time to time for providing work of exploration of Coal & Lignite to MECL. Further, on perusal of the above salient features of the achievements of the company during the year 2004-05 it would be observed that the Company's physico-financial parameters have exceeded the MoU targets. The gross margin has been in positive throughout year and it stood at Rs.1794 lakhs as against Rs.1253 lakhs during 2003-04, a record achievement in net profit of Rs.244 lakhs during 2004-05 was after a gap of 14 years. Further, during the first three years of Xth Plan period *i.e.* 2002-03 to 2004-05, a sum of Rs.24.77 crore representing around 92% have been utilised by the Company leaving the balance of only 8% of the estimates which is ignorable. Moreover, MECL is the member of Sub-Committee of I, II, III & VIII of CGPB [Sub-Committee Group-I Metallic Minerals, Sub-Committee Group-II Industrial Minerals, Sub-Committee Group-III Energy Minerals, Sub-Committee Group-VIII Geological Resources of North Eastern Region]. These Sub-Committees consists of representatives from State Governments, Central Departments/Ministries, GSI/IBM PSUs of Government offices and State Government offices. The functions of these Sub-Committee were to review the work done so far relating to the exploration of Mines in the country, to go into programme of Central agencies as well as State Departments and GSI *etc.* Keeping this position in view, it is felt that there is no need of constituting the Steering Committee as recommended by the Committee.

## Comments of the Committee

**1.36 The Committee had recommended that the revised financial restructuring proposal of Mineral Exploration Corporation Ltd.(MECL) which had been awaiting Government approval for a long time should be approved without any further loss of time.**

**The Ministry in their reply has informed that the revised proposal has not been cleared so far. They have also stated that the physical-financial proposal of MECL is expected to improve further once the financial restructuring which is under consideration at Government level is approved and implemented. The Committee are deeply anguished to note that the revised financial structuring proposal of MECL pending with the Ministry of Mines/Government of India for more than a year has still not been cleared so far. The Committee strongly feel that the above proposal if not approved and implemented well in time besides having cost and time overrun implications is likely to have a cascading effect on the economic health of MECL. The Committee cannot but deprecate the attitude of the Ministry towards PSUs under its administrative control in not fully exercising its responsibilities for bringing ailing PSUs like MECL to the path of recovery. The Committee, therefore, desire the Ministry to approve the financial restructuring proposal of MECL immediately.**

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Recommendation (SI.No.1, Para No.2.14)**

The Committee note that the annual plan outlay for the year 2004-05 for mining sector was Rs.549.00 crore which was reduced to Rs.497.77 crore at RE stage. However, the actual utilization has been Rs.440.58 crore. The Committee were constrained to observe the declining trend in the annual plan outlays of the Ministry of Mines both under plan and non-plan for the last five years as well as failure of the Ministry of Mines to utilize even the outlay approved at the RE stages. The Committee find that despite their earlier recommendation for the corrective steps for preparing realistic budgetary proposals, no improvement is discernible in the functioning of the Ministry. The budgetary proposals continue to reflect a casual approach and were either inflated or unrealistic. The Committee, therefore, recommend that budgetary division of the Ministry be further strengthened and sensitized to ensure realistic budgetary estimates and a monitoring mechanism put in place to closely oversee utilization of funds.

#### **Action Taken**

##### **Plan Outlay**

The Budget proposals were finalized after detailed discussion and deliberations in Planning Commission and the Ministry of Finance at various levels. The Ministry takes note of the Valuable advice of the Hon'ble Committee and would sensetize the budget division to put up a realistic budget proposal and would keep a watch on utilizations of funds.

#### **Recommendation (SI.No.2, Para No.2.15)**

The Committee further note that utilization of funds by most of the PSUs under the Ministry of Mines has been far from satisfactory during 2004-05 except in the case of Hindustan Copper Limited, which was allocated a small budget of Rs.40.00 crore for replacement and renewals. The reasons adduced by the Ministry for less utilization of funds have been of routine nature and not at all convincing. One of the major reasons being attributed for less utilization of funds has been the delayed Government approval for various schemes. The Committee fails to comprehend as to why the funds were continuously being earmarked during successive annual plan when the Government approval was not forthcoming in time. The Committee strongly feel that major thrust areas of X<sup>th</sup> Plan, viz. expansion of NALCO and modernization of GSI will suffer irreparable setback due to imprudent under-utilization of funds.

### **Action Taken**

The Ministry has earmarked funds with an optimistic anticipation of materlization of oncoming implementation of projects/schemes. The Ministry would endeavor to the best to utilise the funds to the maximum possible extent in the major thrust areas of X<sup>th</sup> Plan with the remaining period of the Five Year Plan 2002-2007.

### **Recommendation (SI.No.3, Para No.2.16)**

As regards the X<sup>th</sup> Plan, the Committee find even a more dismal scenario as the utilization of funds during first three years of the plan dips to merely 20.03 per cent of the approved outlay of Rs. 8,344.50 crore. This is a sad reflection on the functioning of Ministry of Mines and PSUs under its administrative control. The Committee further note that with the enforcement of the Fiscal Responsibility and Budget Management (FRBM) Act, the expenditure is required to be monitored by the Ministry on quarterly basis ensuring that every organization spends 67% or more of the Budget in the First three quarters and of 33% of the budget during the last quarter of the year. The under- utilization of funds by the Ministry and PSUs during the first three years of the X<sup>th</sup> Plan negates the spirit of the FRBM Act. The Committee feel deeply concerned at the failure of the Ministry to effectively play its role of facilitator and coordinator and feel that a mid-term appraisal stage of the X<sup>th</sup> Plan, the funds which remained unutilized should have been earmarked for other approved schemes/projects.

### **Action Taken**

The Ministry has taken note of the reasoning of the Hon'ble Committee and would make all possible efforts to play the role of facilitator and coordinator in overall utilizations of funds of the Tenth Five Year Plan outlay. As regards, the enforcement of the Fiscal Responsibility and Budget Management (FRBM Act) the expenditure is regularly being monitored by the Ministry through monthly return and quarterly meeting held with the PSUs, & Subordinate offices. All out efforts were being made to utilise the allocated fund within the Frame work of FRBM Act.

### **Recommendation (SI.No.5, Para No.3.11)**

The Committee note that the Indian Bureau of Mines (IBM) performs regulatory functions, under the Mines and Minerals (Development and Regulation) Act, 1957, Environmental Protection Act, 1986 and Rules made thereunder. IBM also undertakes scientific, techno-economic, research-oriented studies in various aspects of Mining geological studies, Ore beneficiation and environmental studies besides providing technical consultancy services to the mining industry. For undertaking the above activities, an outlay of Rs.103 crore was approved for the X<sup>th</sup> Plan. However, the actual expenditure incurred during the first three years of the plan has been Rs.50.18 crore. The Committee were

extremely surprised to note that though an amount of Rs.44.89 crore was earmarked for new schemes during the plan, not even a singly rupee has been spent thereon so far. The Committee, therefore, cannot but conclude that IBM/Ministry of Mines have made mockery of budgetary proposals by including in the X<sup>th</sup> Plan ill conceived and infructuous schemes/ projects which remained on paper only entailing no expenditure at all even after lapse of first three years of the Plan. The Committee, therefore, desired the Ministry to look into the matter and fix responsibility as to how such schemes/ projects were included in the first instance or why no funds could be spent thereon. In case these schemes were not likely to fruitify in the coming two years, the Ministry should consider utilizing these funds on other schemes.

### **Action Taken**

#### **Indian Bureau of Mines (IBM)**

The Ministry vide its letter No.2(3)/2001-IF dated 3.6.2002 had conveyed the allocation of Rs.103 crore for 10<sup>th</sup> Plan of IBM as follows:

- |    |  |                 |
|----|--|-----------------|
| 1. | Gross Budgetary Support (GBS)                            | Rs.103.00 crore |
|    | i.e. (i) Net Budgetary support (NBS)                     | Rs. 53.00 crore |
|    | (ii) Aid Through Budget                                  | Rs. 50.00 crore |
|    | Total=   | Rs.103.00 crore |
| 2. | Construction activities<br>(Under M/o Urban Development) | Rs. 3.00 crore  |

The distribution of the above funds for various schemes and programmes is detailed below:

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1.	For four existing schemes	52.50 crore
2.	Works outlay	00.50 crore
	Total =	53.00 (NBS)

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#### IBM –BRGM (Aid through Budget)

- |      |   |         |
|------|---|---------|
| i)   | IBM-BRGM TMIS project<br>(Balance payment form 9 <sup>th</sup> plan ) | 0.6683  |
| ii)  | IBM- BRGM Supply of<br>Laboratory equipment to IBM.                   | 4.4375  |
| iii) | Token Provision for New<br>Schemes under BRGM                         | 44.8942 |
|      | Total =   | 50.00   |
- 

Grand Total of 10 <sup>th</sup> Plan outlay:	103.00 crore
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A Provision of Rs. 44.8942 crore have been kept for new scheme under BRGM. In the 10<sup>th</sup> Plan document of IBM, following new schemes were proposed under BRGM (Grant -in -Aid) and submitted to Ministry for approval.

### **IBM- BRGM (Grant-in-Aid Programme)**

The following 4 new schemes under IBM- BRGM were proposed.

- 1) Management of Solid Waste from Mining in India.
- 2) Supply of Laboratory Equipment to IBM.
- 3) Capacity Building at State Level for Mineral Development and Environmental Management (renamed as – setting of Computerized on Line Register of Mining Tenements System).
- 4) Development of UNFC for Mineral Resources management in India.

Out of the above 4 schemes, the following 2 schemes were sanctioned during the 10<sup>th</sup> Plan periods and have been completed and implemented successfully.

- 1) Supply of Laboratory Equipment to IBM.

Total amount spent 5.72 crore.

- 2) Development of UNFC for Mineral Resources Management in India.

No expenditure was incurred under this project. With the guidance of BRGM experts only a software for conversion of UNFC system from Mineral Resources Mineral System have been developed. BRGM has not charged any cost.

The actual expenditure incurred during first 3 years of the 10<sup>th</sup> plan in respect of general schemes and BRGM projects were given below.

	General Schemes	BRGM (Projects)	Total (Rs. Crore)
2002-03	14.10	1.68	15.78
2003-04	14.67	1.50	16.17
2004-05	14.72	3.21	17.93
<b>Total</b>	<b>43.49</b>	<b>6.39</b>	<b>49.88</b>



From the above it may kindly be noted that Rs.49.88 crore have been spent during the first 3 years of 10<sup>th</sup> plan which includes an expenditure of Rs.6.39 crore towards BRGM Projects.

In the 10<sup>th</sup> Plan a provision of Rs.50 crore was kept for BRGM schemes under grant in aid. From the above amount, Rs.6.39 (Rs.0.67 crore towards balance payment of TIMS Projects and Rs.5.72 crore for supply of laboratory equipment to IBM) have been spent leaving a balance of Rs.43.61 crore as against the provision of Rs.44.89 crore for new schemes as stated earlier.

The other two BRGM projects proposals which were under consideration of the Ministry were:

1. Project on computerised on Line Register on Tenements Systems. The total cost of the projects is Rs.17.50 crore.
2. Projects on Management of Solid Waste from Mining in India.

Total cost of the project is Rs.30.00 crore.

The total cost of both the projects – Rs.47.50 crore

The requirement of funds for these projects for the rest of the two years of 10<sup>th</sup> plan i.e. 2005-06 and 2006-07 is as follows:

	2005-06	2006-07
Project :1	1.00	12.84
Project:2	15.00	15.00
Total	16.00	27.84
	Total	43.84

Balance of Rs. 3.66 crore will spill over to 11<sup>th</sup> Plan.

The above mentioned projects were discussed in 18<sup>th</sup> meeting of Indo-French Working Group on Mineral Exploration and Development of the Indo-French Joint Committee and Technical Cooperation held on 8-9 November, 2004. BRGM has asked for revised concept document on the project before finalising the project proposal. The revised concept has been submitted by IBM but BRGM has still not finalized the projects. Since both the projects were planned to be served by Aid through Budget, no funds have been allotted during the year 2005-06.

#### **Comments of the Committee**

(Please see Para 1.16 of Chapter I of the Report)

## **Indian Bureau of Mines (IBM)**

### **Recommendation (SI.No.6, Para No.3.12)**

The Committee note that the IBM has been providing technical consultancy services to the mining industry at prescribed charges and on promotional basis. The Committee further note that the target for consultancy services assignments for the year 2005-06 has been kept at quite low, *i.e.*, 7 to 8 whereas the number of assignments during 2003-04 and 2004-05 were much more. The Committee desired that IBM should make all out efforts to provide more and more technical consultancy services in order to generate more funds.

### **Action Taken**

The decision of the Committee have been noted and all efforts will be made to provide more and more technical consultancy service in order to generate more funds.

### **Recommendation (SI.No.9, Para No.4.21)**

## **National Aluminium Company limited (NALCO)**

The Committee have been informed that X<sup>th</sup> Plan outlay of Rs.7,056.00 crore for NALCO has been revised to Rs.2865.25 crore in the Mid Term Appraisal due to reduced allocation in respect of 2<sup>nd</sup> phase expansion, Qatar project, Coal Mines and AMR, *etc.* The Committee expect that the Qatar project, a prestigious one for NALCO would materialize since the Qatar Authorities were showing some positive interest and desired that the Ministry of Mines should further pursue the matter with Qatar Authorities.

### **Action Taken**

The 10<sup>th</sup> Plan outlay of Rs.7,056.00 crore for NALCO has been revised to Rs.2864.25 crore (Committee has inadvertently indicated as Rs.2865.25 crore).

So far as the year 2004-05 is concerned, the BE outlay of Rs.310 crore was reduced to Rs.172 crore. The major drop in the capital outlay was in respect of 2<sup>nd</sup> phase expansion and captive coal mines allotted wherein the outlay has been reduced from Rs.100 crore in BE level to Rs.11 crore in RE level. The drop in outlay in respect of these schemes was because of the delay in Government approval to the projects. While Government approval to 2<sup>nd</sup> phase expansion was received in October, 2004, the provisional allotment of Utkal E Coal Mines to the Company was received in August, 2004.

However, hardly any expenditure has been incurred on the proposed 2<sup>nd</sup> phase expansion and coal mine. The pre project activities for 2<sup>nd</sup> phase expansion of integrated Aluminium Complex has commenced. The consultancy contract for integrated Mines, Alumina and Aluminium project has been awarded to M/s.EIL on 29.3.2005. Similarly the contracts for CPP 9<sup>th</sup> and 10<sup>th</sup> unit and

SGP of Alumina Refinery have been awarded in favour of MECON in the last week of March, 2005. The pre-qualification bids in respect Bauxite Mines, Alumina and Smelter Segments of 2<sup>nd</sup> phase expansion have already been received and vendor list partly finalised. Some of the project activities like site grading and other enabling works have started. Few of MRs and technical specifications have been finalized.

As far as Qatar Project is concerned, originally an outlay of Rs.1573.00 crore was planned for X<sup>th</sup> Plan, which was revised to Rs.10.00 crore in Mid Term Appraisal, as local party in Qatar could not finalise the financing arrangements. However, Company is exploring possibilities of joint venture in Middle East.

### **Comments of the Committee**

(Please see Paras 1.27 of Chapter I of the Report)

### **Recommendation (Sl.No.11, Para No.4.23)**

The Committee further desired that monitoring mechanism be set up to ensure that all the schemes under the 2<sup>nd</sup> phase expansion were completed within the time schedule without any time and cost overrun.

### **Action Taken**

The detailed Project Schedule for implementation of 2<sup>nd</sup> phase expansion has been finalised. NALCO Board has constituted a Project Monitoring Committee comprising of Chairman-cum-Managing Director, Director (Finance), Director (Projects & Technical) and Director (Production) to regularly monitor project implementation.

### **Recommendation (Sl.No.13, Para No.5.17)**

#### **Hindustan Copper Limited (HCL)**

The Committee note that a Budget provision of only Rs.40 crore was made for the Hindustan Copper Limited in RE 2004-05. The same outlay has been proposed in BE 2005-06 for replacement/ renewals of critical equipments to ensure optimum utilization of the available resources to facilitate implementation of production plan for the year 2005-06.

### **Action Taken**

An amount of Rs.40.00 crore was allocated under Replacement & Renewal in Financial Year 2004-05 and the Company has been able to utilize the same during the financial year. In BE 2005-06, a provision of Rs.40.00 crore has been made for Replacement & Renewals of critical equipment to ensure optimum utilization of the available resources and to facilitate implementation of production plan for the year 2005-06. The Company has already identified the various

equipment, which were to be covered under this R&R Scheme and advised all the units to initiate necessary action for implementation of the plan. All necessary efforts will be made to ensure that the amount so allocated is utilized during 2005-06.

#### **Recommendation (Sl.No.14, Para No.5.18)**

The Committee feel that higher allocation for HCL has become imperative in view of the operation of the Company having started from the Khetri Mines and also import of 40 % of copper concentrates for full capacity utilization. The Committee, therefore, recommend that the Ministry of Mines should take up the matter with the Ministry of Finance/ Planning Commission for higher allocation of HCL at RE stage.

#### **Action Taken**

During 2005-06 allocation has been made under the Head Replacement & Renewal (R&R) of the plant and machinery to the extent of Rs.40.00 crore. The said amount has been arrived at after due scrutiny and taking into account the unavoidable expenditure to be made towards R&R during the financial year. To sustain the mining output from the existing Mines including Khetri Mine of the HCL, Company has planned to invest around Rs.80.00 crore on Mine Development and allied activities in Financial Year 2005-06 which remained neglected in earlier years due to fund constraint. HCL also have planned to achieve production target of 40,000 T of copper during 2005-06 by operating both the Smelter at Indian Copper Complex (ICC) and Khetri Copper Complex (KCC). Company can produce about 31000 MT of metal in concentrate from the operating Mines. The balance quantity is, therefore, to be imported to bridge the gap. Ministry have noted down the suggestions made by the Standing Committee and the same would be taken care of at RE stage.

#### **Recommendation (Sl.No.15, Para No.6.30)**

The Committee note that an expert Committee was constituted by the Government in June 1995 to arrest the declining trend in the physico-financial performance of the Mineral Exploration Corporation Limited (MECL). The recommendations made by the Expert Committee were considered by a Review Committee chaired by the Secretary, Ministry of Mines. Most of the recommendations of the Review Committee except financial restructuring of the Company have since been implemented. As a result of various measures, the productivity of the Company has improved. However, the financial performance of the Company has not shown the improvement. The Committee note that a revised proposal for financial restructuring of MECL is under consideration in the Ministry of Mines.

### **Recommendation (Sl.No.17, Para No.6.32)**

The Committee observe that the physical performance of MECL was affected due to several constraints like the stoppage of exploration of coal and lignite on behalf of Ministry of Coal for want of environment forest clearance the delay in commencement of promotional projects for want of financial sanction and non-materialization of Coal Bed Methane work on behalf of ONGC. The Committee recommend that a Steering Committee may be constituted in the Ministry of holding wide ranging discussions with the concerned Ministry/State Government for getting expeditious clearance from different agencies. The Committee also desired that MECL should strive to obtain more and more job orders from PSUs and private organizations to achieve higher turnover.

### **Action Taken**

MECL is continuing its exploration programmes with the available plant and machineries which were by and large more than 15 years old and requires continuous maintenance and frequent repairs resulting in loss of production and productivity. In spite of this, as a result of cost control measures, optimum utilisation of available resources, the performance of MECL has gradually improved in the recent past and has been remarkable during 2004-05. The salient features of the achievements were given below:

- The MoU targets for physico-financial parameters have exceeded.
- The drilling achievement has been 1,73,144m against target of 1,65,000m.
- The gross revenue of the Company has been Rs.7364 lakhs as against target of Rs. 6600 lakhs. It is highest since inception.
- The gross margin has been in positive throughout year and it stood at Rs.1794 lakhs as against the target of Rs.1304 lakhs, which is also the highest since inception of the Company.
- The Company achieved a net profit of Rs.244 lakhs during 2004-05 after a gap of 14 years.

For gainful utilisation of the available resources and increase in turn over, efforts were being continued to obtain more and more jobs from PSUs as well as private organisations. During the year 2003-04 and 2004-05 MECL has received orders for contractual work for over Rs.40 crore during each year. It has added a number of new clients namely M/s. Hindustan Zinc Ltd- Sterlite, BALCO

Sterlite, Sindhudurg Mining Corporation (P) Ltd , South West Mining Ltd, Sulakshini Mines & Minerals Ltd, HGML, IRCON, etc. Amongst these the geo-technical investigation on behalf of IRCON is being carried out at Banihal – Quazigund section of Kashmir Rail Project at J&K.

The physico-financial performance of MECL is expected to improve further once the financial restructuring which is under consideration at Government level is approved and implemented. As it shall be able to meet its requirement of replacement of the old equipment and induction of state-of-art technology commensurate with the requirement of the Industries from its internal resources.

As regards Committee's recommendations for constituting the Steering Committee for getting expeditious clearance from different agencies, it may be stated that as soon as SCPP approves the promotional projects, on receipt of projects proposals from MECL immediately action is taken and the administrative approval/financial sanctions were issued within a period of one & half month. The meetings with the Ministry of Coal were generally held from time to time for providing work of exploration of Coal & Lignite to MECL. Further, on perusal of the above salient features of the achievements of the company during the year 2004-05 it would be observed that the Company's physico-financial parameters have exceeded the MoU targets. The gross margin has been in positive throughout year and it stood at Rs.1794 lakhs as against Rs.1253 lakhs during 2003-04, a record achievement in net profit of Rs.244 lakhs during 2004-05 was after a gap of 14 years. Further, during the first three years of Xth Plan period i.e. 2002-03 to 2004-05, a sum of Rs.24.77 crore representing around 92% have been utilised by the Company leaving the balance of only 8% of the estimates which is ignorable. Moreover, MECL is the member of Sub-Committee of I, II, III & VIII of CGPB [Sub-Committee Group-I Metallic Minerals, Sub-Committee Group-II Industrial Minerals, Sub-Committee Group-III Energy Minerals, Sub-Committee Group-VIII Geological Resources of North Eastern Region]. These Sub-Committees consists of representatives from State Governments, Central Departments/Ministries, GSI/IBM PSUs of Government offices and State Government offices. The functions of these Sub-Committee were to review the work done so far relating to the exploration of Mines in the country, to go into programme of central agencies as well as State Departments and GSI etc. Keeping this position in view, it is felt that there is no need of constituting the Steering Committee as recommended by the Committee.

### **Comments of the Committee**

(Please see Para 1.36 of Chapter I of the Report)

## **Recommendation (Sl.No.18, Para No.7.12)**

### **Science & Technology (S&T)**

The Committee note that Science & Technology (S&T) programme of the Ministry of Mines covers the discipline of Geology, Exploration, Mining and Exploration, Mining and Environment Bleaching, Beneficiation, Rock Mechanics and Ground Control and Non-Ferrous metallurgy. Since the initiation of the S&T programme in 1978, 120 projects have been completed and 36 were in progress. On a perusal of statement of the status of ongoing S&T projects, the Committee note that out of 36 ongoing S&T projects, though four projects have since been completed but their completion reports were far from completion. The Committee were unhappy at the snail's pace progress of S&T project and recommend that the Standing Scientific Advisory Committee which approves these projects should also ensure that these projects were completed on schedule. The Committee would like to emphasize that S&T programmes were the basis of modernization and progressiveness of any industry and, therefore, desired that the Ministry should accord utmost importance to the allocation of funds adequate and timely completion of such projects as to gainfully reap the benefits accruing from their findings.

### **Action Taken**

S&T projects of Ministry of Mines were approved by the Standing Scientific Advisory Group (SSAG) after considering the cost and time required for implementation & completion of the projects . These aspects were discussed and approved by experts in the field.

To monitor the progress of each major project, a Project Monitoring Committee is constituted under the Chairmanship of an eminent expert and with representation of funding Ministries/Departments implementing organization, industry & experts in the field as members.

It is now proposed that SSAG meeting will be held every six months. Monitoring reports of each projects will be reviewed in SSAG to overcome difficulties faced in implementation of projects and ensure their timely completion.

As the projects were mainly for the development of indigenous technology or introduction of newer technology, these get delayed by difficulties in import of equipment, unforeseen design problems, resistance from the local public and environment clearance.

## **CHAPTER III**

### **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

#### **Recommendations (Sl.No.8, Para No.4.20)**

##### **National Aluminium Company limited (NALCO)**

The Committee were happy to note that National Aluminium Company Limited (NALCO) has become a 'Zero Debt company' after repaying all loan including entire foreign currency loan. The Committee further note that NALCO is Asia's largest integrated aluminium complex and has emerged as a star performer in production and export of alumina and aluminium and more significantly is propelling self-sustained growth. The Committee also note that the 1<sup>st</sup> phase of expansion of production capacity at an investment of Rs. 4,200 crore has been completed in February 2004 with saving of Rs.610 crore. The 2<sup>nd</sup> phase expansion of capacity encompassing all the production segments has been approved by the Government in October 2004 at a project outlay of Rs.4,091.50 crore to be completed in 50 months.

#### **Action Taken**

As the Committee observed on the given facts, there were no comments to offer.

#### **Recommendation (Sl.No.10, Para No.4.22)**

The Committee were happy to note that the coal block Utkal has been allotted to NALCO in August 2004 to cater to the need of its Captive Power Plant. The Committee desired that it should be activated at the earliest and all the necessary clearances from different authorities should be obtained.

#### **Action Taken**

NALCO has been allotted UTKAL-E Coal Block for its Captive Power Plant on 27.8.2004. Application for Mining Lease has been submitted to the Collector, Angul on 12.10.2004. Report from Tahsildar on revenue angle, DDM on mining angle and DFO on forest angle have been received by Collector, Angul by May 2005. The exploration work of its Coal Block has been completed by M/s CMPDI, Ranchi and Geological Report was received by NALCO in April, 2005. Order has been placed on by M/s CMPDI, Ranchi for preparation of Mining Plan, Detailed Project Report (DPR) and EIA/EMP. Specialized agencies have been appointed for study of socio-economic aspects, floral/fauna, land use/land cover, biological monitoring and green belt design. These studies were essential for



getting NOC from State Pollution Control Board and Environment Clearance from MoEF. The works were in progress. Orders has been placed on M/s RITES (under Ministry of Railways) for a detailed study regarding various alternative methods of transportation of coal from the Mines to the CPP. The work is in progress. Discussions were on with IPICOL/IDCO (Govt. of Orissa undertakings) for assignment of land acquisition work. Application has been filed at Tahsildar office, Chandipada to get certified copies of Record of Rights (ROR) as required by IDCO for land acquisition. The TEFr required by IPCOL/IDCO is under preparation.

## **CHAPTER IV**

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

### **Recommendation (SI.No.4, Para No.2.17)**

#### **Geological Survey of India (GSI)**

The Committee were constrained to note that the modernization programme of Geological Survey of India (GSI) conceived during the early phase of the X<sup>th</sup> Plan, has not made steady progress due to non-availability of specialized equipment and shortage of staff. The Committee further note that the proposals for acquisition of high cost equipment for offshore Marine Surveys Airborne Geophysical Surveys were yet to be cleared by the Planning Commission/Ministry of Finance. The Committee recommend that the Ministry should take all possible measure to procure above equipment in a time bound manner lest the modernization process of GSI should get further delayed. The Committee also desired that shortage of staff in GSI should be met immediately to obviate any adverse affect on its functioning.

#### **Action Taken**

The modernisation programme of GSI is also constantly monitored by the Project Proposal Review Committee [PPRC]. The Committee has taken so far 7 meetings. The Committee, in order to systematize the procurement process and to hasten the utilisation of plan fund (under Modernisation Programme) has suggested appropriate corrective measures like constituting an agency responsible for GSI's Heli-borne Survey System and its onboard equipments and inviting representatives from HAL and DGCA for detailed discussions on its safety aspects, nomination of Sh.Gopal Mandal, Stores Officer as Nodal Enforcement Officer (Procurement) to enforce prompt delivery of equipments, constitution of a Modernization Review Committee of DDG level officers to work out the modernization plan over and above the requirement of laboratories of GSI, etc.

As regards the procurement of Ocean going research vessel for GSI, Planning Commission had advised this Ministry to submit the proposal in Detailed Project Report (DPR) format. The DPR has been received from GSI and is under consideration in the Ministry.

As regards the procurement of Heliborne Survey System for GSI, Planning Commission considered the proposal and advised that the clarifications asked for by Planning Commission may be incorporated in EFC memo of GSI and a copy of which be sent to project Appraisal and Monitoring Division (PAMD) of Planning Commission. GSI vide Ministry's letter dated 18.5.2005 has been requested to

take urgent necessary action in the matter as per advise of Planning Commission and furnish the revised DPR (EFC) to this Ministry for onward submission to Planning Commission.

As regards the procurement of Geotechnical vessel for GSI, on the advice of Planning Commission DPR in respect of Geotechnical vessel, is under preparation in GSI.

### **Comments of the Committee**

(Please see Paras 1.10 of Chapter I of the Report)

### **Recommendation (SI.No.7, Para No.3.13)**

The Committee were dismayed to note that the alarming increase in the cases of illegal mining in different States resulting in immense loss to the National Exchequer. The Committee feels that IBM could not absolve itself of the responsibility entrusted to it under MMDR Act and therefore strongly recommend the IBM/Ministry to pull up the concerned agencies for their failure to stop illegal mining. The Committee also desired that the Ministry should take pro-active steps by exercising full vigil and responsibility in terms of location, detection and prosecution to control and prevent such illegal mining.

### **Action Taken**

#### **Illegal Mining**

The nature of magnitude of the problem of illegal mining activity varies from State to State and States being owners of minerals in the lands under their jurisdiction and responsible for collection and retention of royalty from minerals, the full powers have been delegated to the State Government to form their own rules for curbing illegal mining as it makes possible for each State Government. to address the problem of illegal mining in their State by suitably listing out the target were as depending upon the strength of its law and order machinery and revenue implications for the state.

The issue of further delegation of powers to IBM to effectively control illegal mining was discussed in the meeting of the State Governments on 17.1.2005 under the Chairmanship of Secretary (Mines). The State Governments were unanimous that further delegation of powers to IBM would lead to duplication of authority and would lead to lack of co-ordination with the State Governments.

However, IBM is being asked to be more vigilant in their inspection to check illegal mining activities being carried out and bring such cases to the notice of State Government while carrying out the responsibility entrusted to them under the Act and Rules there Under. As and when the cases of illegal

mining were brought/ come to the notice of the Ministry/IBM, the matter is immediately taken up with the concerned State Government to check and curb the illegal mining. At the same time State Governments were being asked to complete framing of the rules as per the powers given to them under MMDR Act, 1957 and to intensify their monitoring activity to strictly control any illegal mining.

### **Comments of the Committee**

(Please see Para 1.21 of Chapter I of the Report)

### **Recommendation (Sl.No.16, Para No.6.31)**

#### **Mineral Exploration Corporation Limited (MECL)**

The Committee were extremely concerned that in spite of various policy measures taken by the Government, the physico- financial performance of MECL has not shown any improvement. The Committee feel that financial restructuring package is an essential component for the progress of a company and were unhappy to find that the proposal is still hanging fire even after the lapse of nearly eight years thereby causing not only recurring losses worth crore of rupees but has also derailed a promising Company. The Committee, therefore, recommend that the revised financial restructuring proposal of MECL presently under consideration in the Ministry of Mines should be approved without further loss of time. The Committee would like to be apprised of the action taken in this regard.

### **Action Taken**

The fresh proposal for financial restructuring (waiver of interest, penal interest outstanding, against the accumulated losses, transfer of outstanding loan to Grants-in-aid, conversion of Non-plan in to grant etc., and for a provision of Rs.70 crore as grant for implementation of Voluntary Retirement Scheme in mineral Exploration Corporation Ltd. (MECL) for separation of 1081 surplus employees to bring the manpower strength of the company to the level of 1200, in the prescribed format as per guidelines instructions of DPE, was sent to DPE on 18.7.2005 for consideration by BRPSE. DPE has asked some information/material which has already been sent to them on 9.8.2005. The proposal at present is under consideration of DPE/ BRPSE.

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT WERE STILL AWAITED

#### **Recommendation (Sl.No.12, Para No.5.16)**

##### **Hindustan Copper Limited (HCL)**

The Committee note that the Government had decided to disinvest its entire share holdings in HCL (98.95%) to an interested buyer. Financial bids had been initiated by the then Ministry of Disinvestments but the same was kept in abeyance in view of the litigation pending in the court against the disinvestments of HCL. The Committee also note that HCL has returned on a path of recovery and has earned a net profit of Rs.38.08 crore (Up to December 2004.) The Committee strongly feel that disinvestments proposal of HCL should be put on hold since the company has taken a turn around from 2004 onwards and there has been marked improvement in the MoU rating of the Company during the last three years. The Committee also reiterate their recommendation contained in Fifth Report (Fourteenth Lok Sabha) and would like that the financial restructuring package pending with the Government should be approved immediately. The Committee hope that with the implementation of financial restructuring proposal and required allocation for replacement of critical equipments, the Company would start earning much higher profits.

#### **Action Taken**

The proposal for Financial Restructuring of HCL duly recast by HCL as per the format circulated by DPE and further instructions issued by DPE *vide* their O.M. dated 13.6.2005, is under process. Additional information has been asked from HCL to process the proposal further.

New Delhi;  
21 December, 2005  
30 Agrahayana, 1927(Saka)

ANANTH KUMAR,  
Chairman,  
Standing Committee on Coal and Steel.



3. The Committee adopted the aforesaid Draft Reports with minor additions/deletions/amendments.

4. The Committee authorised the Chairman to finalise these Reports after making consequential change arising out of factual verification by the concerned Ministries and to present the same to both the Houses of Parliament.

***The Committee then adjourned.***

ANNEXURE II  
(Vide Para IV of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE  
RECOMMENDATIONS CONTAINED IN THE NINTH REPORT OF  
THE STANDING COMMITTEE ON COAL AND STEEL

I.	Total No. of Recommendations made	18
II.	Recommendations/Observations which have been accepted by the Government: (vide recommendation at S1. Nos. 1, 2, 3, 5, 6, 9, 11, 13, 14, 15, 17 and 18)	12
	Percentage of total	66.66%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: (vide Recommendation at S1. Nos. 8 and 10)	2
	Percentage of total	11.11%
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: (vide Recommendation at S1.Nos.4, 7 and 16)	3
	Percentage of total	16.67%
V.	Recommendations/Observations in respect of which final replies of the Government are still awaited: (vide Recommendation at S1.No.12)	1
	Percentage of total	5.56%

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