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# STANDING COMMITTEE ON COAL AND STEEL(2006-2007)

FOURTEENTH LOK SABHA

MINISTRY OF MINES

DEMANDS FOR GRANTS  
(2006-07)

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

TWENTY- FIRST REPORT



LOK SABHA SECRETARIAT  
NEW DELHI

December, 2006 / Agrahayana, 1928 (Saka)

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(Fourteenth Lok Sabha)]

**Presented to Lok Sabha on 19.12.2006  
Laid in Rajya Sabha on 19.12.2006**



**LOK SABHA SECRETARIAT  
NEW DELHI**

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**COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2006-07)**

**Shri Ananth Kumar - Chairman**

**Members**

**Lok Sabha**

2. Shri Hansraj G. Ahir
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4. Shri Hiten Barman
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18. Shri Rewati Raman Singh
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20. Shri M.Anjan Kumar Yadav
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25. Shri Ajay Maroo
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28. Shri Jesudas Seelam
29. Shri Bashistha Narain Singh
30. Vacant
31. Vacant

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2. Shri P.K.Bhandari - 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 Twenty First Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Sixteenth Report of the Standing Committee on Coal and Steel on “Demands for Grants (2006-2007) of the Ministry of Mines”.

2. The Sixteenth Report on the Standing Committee on Coal and Steel was presented to Lok Sabha on 23<sup>rd</sup> May, 2006. Replies of the Government to all the recommendations contained in the Report were received on 21<sup>st</sup> November, 2006.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 14<sup>th</sup> December, 2006.

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

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;**  
**18 December, 2006**  
**27 Agrahayana, 1928 (Saka)**

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

# REPORT

## CHAPTER - I

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Sixteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2005-06) on "Demands for Grants (2006-07) of the Ministry of Mines" which was presented to Lok Sabha on 23.5.2006.

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, 3, 4, 5, 7, 8, 9, 12 and 13.

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

Sl. Nos.6 and 10.

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

Sl. No.2.

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

Sl. No.11.

**1.3 The Committee desire that final reply in respect of the recommendation which has been categorised as interim reply by the Committee should be furnished to the Committee at the earliest.**

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

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



## **ALLOCATION OF FUNDS**

### **Recommendation (SI.No.2, Para No.3.15)**

1.6 The Committee noted that the Budget Estimates of the Ministry of Mines for the year 2006-07 had been kept at Rs. 883.69 crore. During 2005-06, BE of Rs. 685.14 crore was reduced to Rs. 405.52 crore at RE stage but the actual expenditure would be Rs. 400.92 crore approximately. The Committee noted that there had been substantial increase in BE 2006-07 primarily due to enhanced allocation for NALCO. The Committee expected the Ministry to strive to expend the same.

1.7 The Committee also noted with concern that the Ministry had failed to utilize the approved 10<sup>th</sup> Plan outlay of Rs. 8344.50 crore, later revised to Rs. 4485.28 crore during the Mid-Term Appraisal. The Committee were extremely dissatisfied to note that the total expenditure during the first four years of the plan has remained merely to Rs. 2042.95 crore, which was less than 50 % of the revised plan outlay. The Committee strongly disapproved of the non-serious approach of the Ministry since budgetary proposals continued to be prepared in a reckless manner without any serious thought, proper scrutiny and long term vision.

1.8 The Committee, therefore, desired the Ministry to utilize funds allocated in a productive way in the interest of balanced growth and development of the mining sector by streamlining the internal financial and administrative procedures with regular monitoring. The Committee also emphasized that the budgetary proposals should be prepared on realistic basis with minimal revision at RE stage.

1.9 The Committee also desired the Ministry to undertake a study to pin point reasons for underutilization of funds and to suggest the corrective measures in this regard.

1.10 The Ministry in its reply has stated that the revision of 10<sup>th</sup> Five Year Plan outlay from Rs.8344.50 crore to Rs.4485.28 crore is mainly due to revision of 10<sup>th</sup> Five Year Plan outlay of National Aluminium Company Ltd (NALCO) from Rs.7056 crore to Rs.2864.25 crore. The less utilization of funds in the 10<sup>th</sup> Five Year Plan is mainly due to less expenditure by NALCO & GSI. The reasons of revision of plan outlay and less utilization of funds in respect of NALCO & GSI are given below:

#### **NALCO**

1.11 NALCO's Budget Estimate (2005-06) of Rs.450.07 crore was reduced to Rs. 220.09 crore at Revised stage. The major drop in capital outlay from BE

2005-06 to RE 2005-06 is in respect of 2<sup>nd</sup> phase expansion from Rs.290.28 crore to Rs.106.42 crore. The 2<sup>nd</sup> phase expansion proposal with projected capital outlay of Rs.4091.51 crore was approved by the Government of India in October, 2004. Though the 2<sup>nd</sup> phase expansion was approved in October 2004, the Company could not take up some of the commitments pertaining to their "Improvement Proposal" between NALCO and M/s. Aluminium Pechiney, France, the technology supplier because it took considerable time to get CVC's clearance for procurement of various items on single vender basis for 2<sup>nd</sup> phase expansion of NALCO for which Govt's. approval was finally conveyed to NALCO in November,2005. This was the main reason in drop of the provision for 2<sup>nd</sup> phase expansion in RE 2005-06.

1.12 There is an increase in plan outlay in BE 2006-07 from Rs. 220.09 crore to Rs.622.14 crore. The major increase is also in respect of 2<sup>nd</sup> phase expansion from Rs.106.42 crore to Rs.520.97 crore.

1.13 As far as spending is concerned, the company has exceeded the RE figure of Rs.220.09 by Rs.4.29 crore in 2005-06 and there is every likelihood that the company may meet the BE figure of Rs.622.14 crore as there is substantial progress in ordering under 2<sup>nd</sup> phase expansion project. By August'06, the ordering has surpassed Rs.2000 crore i.e. almost 50% of the approved project cost and many packages are in advanced stage for ordering during the year.

1.14 As against Plan Outlay of Rs.7056 crore for the 10<sup>th</sup> Plan, the same was revised to Rs.2864.25 crore during Mid-Term review and now assessed at Rs.1837.32 crore taking actual expenditure up to 2005-06 and BE:2006-07 into account. The reason of reduction at the stage of Mid-term review are as follows:

(A) 1<sup>st</sup> Phase Expansion: The reduction in 1<sup>st</sup> phase expansion is mainly due to substantial saving in the project cost because of following factors:-

(a) NALCO finalized various major packages at competitive bidding instead of involving only parties nominated by M/s Aluminium Pechiney, leading to large scale saving. Besides, there was substantial price reduction in various major packages in comparison to DFR provision because of global recessionary conditions,

(b) Placement of repeat order on BHEL for 8<sup>th</sup> Unit of CPP without any escalation,

(c) Saving in financing charges & margin money as Company generated enough internal resources for meeting the project cost. Only debenture of Rs.300 crore was raised for 1<sup>st</sup> phase expansion though debt equity ratio of 1:1 was envisaged.

(d) Availment of CENVAT credit on capital goods which was not considered in the project cost earlier due to uncertainty in the CENVAT credit utilization.

(B) 2nd Phase Expansion: Major reduction in Plan Outlay during Mid-Term review is mainly on account of shifting of Zero date in commencement of the project after Government approval on 26.10.2004, which was envisaged for approval at the beginning of 10<sup>th</sup> Plan earlier.

(C) Qatar Project: The project could not materialize because of lack of interest shown by the Qatar authorities in our equity participation in the project.

(D) Coal Mines: Reduction in Plan Outlay at the time of Mid-Term review due to delay in allotment of coal mine by Government of India to NALCO.

(E) Addition, Modification & Replacement: Deferment of certain Addition, Modification & Replacements Schemes for want of adequate consultancy back up and lack of dedicated work force to execute these schemes.

1.15 There is a shortfall of Rs.1026.90 crore (Rs. 2864.25 - Rs.1837.32 crore) with reference to the revised plan outlay in mid term review out of which Rs. 995.77 crore is on account of 2<sup>nd</sup> phase expansion. The project wise details for reduction in outlay from 10<sup>th</sup> Plan stage onwards is given at Annexure-I. It may please be noted that reduction in outlay from what was envisaged at 10<sup>th</sup> plan stage was beyond the control. Now that the relevant approvals have been obtained, it is expected that there will not be any more slippage on capital expenditure projected. The advice of Standing Committee is noted to the effect that budgetary proposals would be prepared on realistic basis with minimum revision at RE stage.

1.16 The Company is now fully geared up to regularly monitor capital expenditure to ensure that there is no slippage on capital expenditure projected.

## **GSI**

1.17 The Planning Commission approved the budget allocation for GSI for Xth Five Year Plan period 2002-2007 at Rs. 1000 crore with a split of Rs. 800 crore under Domestic Budget Support(DBS) and Rs.200 as Aid Through Budget(ATB) ( Rs. 110 crore as ATB support for Research Vessel and Rs.90 crore for low cost items like Laboratory Instruments, etc).

## Expenditure incurred by GSI during Xth Plan

(Rs. in crore)

Period (2002-03, to 2005-06)	Allotment (BE)	Revised Estimate	Actual Expenditure against the allotment	Percentage utilization w.r.t.BE	Percentage utilization w.r.t. RE
1	2	3	4	5	6
Operational	317.85	287.45	254.44	80.05%	88.50%
Modernisation*	335.15	212.92	184.24	54.93%	86.53%
Total	653.00	500.37	438.68	67.18%	87.66%

\*includes Sub-heads, IT (OAE) Motor Vehicle, Minor Works, Clothing & tentages, OAE,NER(Capital) etc.

1.18 The actual plan expenditure during the first four financial years i.e. FYs 2002-03, 2003-04, 2004-05 & 2005-06 of X Plan is Rs.438.68 crore (Operational \_ Rs. 254.44 crore and Modernisation – Rs.184.24 crore), which is about 67.18% of the budget allocation of BE of Rs.653.00 crore (Operational – 317.85 crore and Modernisation – Rs.335.15 crore) The operational expenditure stand at Rs. 254.44 crore against the allocation Rs.317.85 crore i.e. almost 80.05 %, which is quite reasonable considering the depleted manpower situation (-50 %) in GSI. In modernization programme, the expenditure stood at Rs.184.24 crore i.e. almost 55% of the allotment Rs.335.42 crore. This is because so far as modernization programme is concerned, only low cost items viz. laboratory, field, IT equipment, drill rigs and accessories have only materialized . In many cases the laboratory and drilling items were not considered for procurement due to lack of manpower. None of the high cost items has so far materialized during the first four years of the X Plan period due to high lead times for acquisition of these items and administrative reasons.

1.19 There has been no major gap between the BE and the RE during these four years attesting to the soundness of the basis for the plan projections. These variations between BE and RE range from 11 to 15 % except for the years 2002-03 and 2003-04. During 2002-03, a bulk reduction of outlay from Rs.168.5 crore (BE) to Rs.90 crore had to be done at RE stage on account of reassessment of the expenditure under modernisation head.

1.20 The expenditure on motor vehicle was substantially hampered due to time-to-time ban on procurement of additional and replacement vehicles.

1.21 Most of the Plan projections formulated are based on the available manpower and planned induction during the plan period for achieving the targets of the Plan. There has been a steady depletion in personnel strength as GSI is operating at around 50 % of sanctioned strength. This has had an adverse effect in terms of achievement of both financial and physical targets, both in operation

and modernization. Ministry in this direction has taken steps to speed up process of recruitment of scientific personnel to desired level.

1.22 In order to streamline the system in GSI and to expedite the implementation of the Plan Schemes, a Project Proposal Review Committee (PPRC) was constituted to monitor the project proposal of GSI and to remove the bottlenecks in procurement and funds utilization.

1.23 **The Committee had earlier recommended to the Ministry of Mines to undertake a study to pin-point reasons for under-utilization of funds and to suggest the corrective measures in this regard as the expenditure by the Ministry during the first four years of 10<sup>th</sup> Five Year Plan has remained less than 50% of the revised plan outlay. The Ministry in its reply has stated that the revision of 10<sup>th</sup> Five Year Plan outlay from Rs.8344.50 crore to Rs.4485.28 crore was mainly due to revision of 10<sup>th</sup> Plan outlay of National Aluminium Company Ltd. (NALCO) from Rs.7056 crore to Rs.2864.25 crore but actual expenditure was expected to be Rs.1837.32 crore only. The less utilisation of funds was mainly due to less expenditure by NALCO and GSI.**

**The Committee are extremely dismayed to note that NALCO would be able to utilize only Rs.1837.32 crore during 10<sup>th</sup> Plan as against the revised outlay of Rs.2864.25 crore showing a shortfall of Rs.1026.90 crore. The Committee are convinced that the reasons listed by the Ministry for lesser utilisation of funds viz. delay in the approval of 2<sup>nd</sup> phase expansion, delay in allotment of coal mines, non-implementation of Addition, Modification and Replacement (AMR) schemes, etc were due to inept handling of the vital issues by the Ministry. The Committee strongly feel that the Ministry has utterly faltered in its duty as a facilitator by not expediting the NALCO 2<sup>nd</sup> phase expansion and early allotment of coal mine to it.**

**The Committee also feel that NALCO failed to implement the AMR schemes for want of adequate consultancy back up and lack of dedicated work force to execute these schemes. The Committee believe that implementation of AMR schemes are sine-qua-non for the progress and sustenance of any organisation and failure of NALCO to take up such schemes clearly demonstrates its non-serious attitude particularly when 2<sup>nd</sup> phase expansion is underway.**

**The Committee, therefore, would like to reiterate their earlier recommendation to undertake in-depth study to pin-point reasons for under-utilisation of funds and to suggest corrective measures in this regard so as to ensure that such a situation does not reoccur during the 11<sup>th</sup> Five Year Plan. The Committee also desire the Ministry to apprise them**

**about the reasons for non-implementation of AMR schemes by NALCO and its implications on the performance of the company.**

## **NALCO**

### **Recommendation (Sl.No.8, Para No.5.25)**

1.24 The Committee noted that NALCO had been allotted “ Utkal-E’ coal block for its 9<sup>th</sup> to 12<sup>th</sup> units of CPP on 27.8.2004 by the Ministry of Coal. The production of coal therefrom, was scheduled to commence from September, 2008. The Geological Report had been received by NALCO from CMPDI on 20.4.2005 and its application for mining lease was at present under consideration of the Orissa Government. The Committee were extremely unhappy to note that even after the lapse of nearly two years, NALCO was yet to obtain the mining lease from the Government of Orissa. The Committee while examining the Demands for Grants (2005-06) had desired the Ministry to activate the above project at the earliest and obtain the necessary clearance from the different authorities. The Committee are anguished to note the lack luster approach on the part on NALCO and feel that considerable time had been lost by the company even for completion the preliminary formalities since the coal block was allotted in August 2004. The Committee, therefore, desired the Ministry to play a decisive role in overcoming the problems being faced by NALCO prior to commencement of the production of coal from the Utkal-E Coal block.

### **Utkal-E Block**

1.25 The Ministry in its reply has stated that it may be noted that Utkal-E Coal block is a green field project and will require at least 3-4 years for completion of the project. The geological report was received in April’05 and all activities such as Mining Plan etc could commence only after receipt of geological report.

1.26 Project activities can start only on receipt of mining lease, land acquisition, environmental clearance and investment decision. Most of these activities are in sequence and are taken up on finalization of Mine Plan & Detailed Project Report (DPR).

1.27 In last two years from the date of allotment of the coal block, NALCO has taken various steps such as environmental studies, preparation of mining plan, application for mining lease and land acquisition etc. Most of these activities are in sequence. All these activities are taken up on finalization of Mine Plan & Detailed Project Report (DPR). The receipt of Geological report is only start of the preparation of Mining Plan & DPR.

1.28 The present status of various activities for Utkal-E Coal block is given below: -

**Mining lease:-** The Collector, Angul has recommended NALCO’s application for Mining lease to the Director of Mines, Govt of Orissa. The Director of Mines has

recommended the same to Department of Steel & Mines, Govt. of Orissa vide letter no. M-IV(R)-5/04/12838/DM dated 24.10.2005. The proposal for Mining Lease has been forwarded to Ministry of Coal, Govt. of India vide letter-dated 12.06.06 by the Department of Steel & Mines of Govt. of Orissa.

**Socio-economic, Flora/Fauna and Socio-economic Study:** - Final reports of three studies have been received from M/s SS Environics and comments have been sent.

**Biological monitoring and Green belt design:** - Order for Biological monitoring and Green belt design have been placed on M/s OUAT. The matter of delay in submission of reports on Biological monitoring and Green Belt design was taken up with Vice Chancellor, OUAT and with his intervention the final report on Green Belt Design has been submitted by M/s OUAT on 29.05.06. It is expected that the report for biological monitoring will be submitted shortly.

**Mining Plan:** - The Mine Plan has been approved by Ministry of Coal vide letter dated 31.07.2006.

**EIA/EMP Report:** - M/s CMPDI, Bhubaneswar has been appointed for preparation of EIA/EMP reports for the Utkal-E coal block. M/s CMPDI, Bhubaneswar has submitted the EIA/EMP report and the Executive Summary for submission of application for Public hearing. The EIA/EMP report has been modified by CMPDI based on comments by NALCO.

**Detailed Project Report:** - M/s CMPDI, Bhubaneswar has been appointed for preparation of Detailed Project Report for the Utkal-E Coal Block. The Draft DPR is being revised considering the changes in the Mine plan based on comments of technical appraisal committee of Ministry of Coal. The revised draft report is expected shortly.

**Land acquisition:** - The proposal for land acquisition for Utkal – E coal block has been recommended by M/s to M/s IDCO for going ahead with the land acquisition activities. Necessary documents as desired by M/s. IDCO have been submitted on 30.11.05. NALCO has also deposited Rs.1.66 Crore to M/s IDCO towards their Administrative Charges and the Establishment Charges of the land acquisition officer. M/s IDCO have submitted the necessary documents for acquisition of Govt. lands to district authorities on 21st March'06. Similarly, the proposal for acquisition of private land has been submitted to Department of Steel & Mines, Govt. of Orissa for giving the necessary permission to go ahead on 27th March'06. The same is being pursued.

**1.29 Since the coal production from Utkal-E Coal Block allotted to NALCO by the Ministry of Coal on 27.8.2004 could not be commenced for want of clearances required from various agencies, the Committee had desired the Ministry to play a decisive role in overcoming the problems being faced by**

**NALCO in this regard. The Ministry in its reply has stated that various steps such as environmental studies, preparation of mining plans, application for mining lease and land application have been taken. The proposal for mining lease has been forwarded to Ministry of Coal by the Government of Orissa on 12.6.2006. The Committee, however, note that the proposals on Detailed Project Report, Environmental Impact Assessment/Environmental Management Plan (EIA/EMP) Report and land acquisition are still in the preliminary stage.**

**The Committee are unhappy at the waste of considerable time since the Utkal-E coal block was allotted to NALCO more than two years ago for which the various clearances are yet to be obtained. The Committee are dismayed to observe that delay in the commissioning of the coal block which is very critical for the 9<sup>th</sup> and 12<sup>th</sup> units of CPP of NALCO would adversely affect the power supply of NALCO and its over all productivity and profitability. The Committee, therefore, desire the Ministry to take up the matter with other agencies including Ministry of Coal and accord highest priority for the early implementation of the project.**

**The Committee feel that allotment of coal block to NALCO without actually physical availability of land where mining is to be done does not carry any meaning. Then there are a number of clearances which are to be sought to start mining. All this exercise is likely to take five to seven years before NALCO can start actual mining. The Committee feel that to base future expansion plans of NALCO on the coal from this mine is totally unrealistic for the present. The Committee would like the Ministry of Mines to take up with the Ministry of Coal to make the process of obtaining clearances less cumbersome and time consuming.**

## **HCL**

### **Recommendation (Sl.No.11, Para No.6.13)**

1.30 The Committee noted that the financial restructuring proposal as submitted by HCL was deliberated and it was decided that the same should be formulated based on the detailed 'Corporate Plan'. The basic objective of restructuring was to transform HCL into a vibrant and self- sustaining company with an adequate share of copper business in the domestic market after taking into account of various important issues and current international scenario on copper as well as future trend. M/s A.T. Kearney Ltd. has been entrusted with the job of formulation of a detailed 'Corporate Plan' in December, 2005. Based on their findings, financial restructuring proposal of the company was to be drawn and submitted to the BRPSE for consideration. The Committee felt that once the 'Corporate Plan' of HCL was approved and implemented, the HCL will have a turn-around and become a profit making company. The Committee, therefore, recommended that the financial restructuring proposal based on its 'Corporate Plan' should be approved without any further loss of time for increased productivity and sustainable operations of HCL.



1.31 The Ministry in its reply has stated that the restructuring proposal of HCL has been sent to Board for Reconstruction of Public Sector Enterprises(BRPSE).

**1.32 The Committee had recommended that the restructuring proposal of Hindustan Copper Ltd. (HCL) based on its Corporate Plan should be approved without any further loss of time for its increased productivity and sustainable operations. The Committee note that the restructuring proposal of HCL has finally been sent to Board for Reconstruction of Public Sector Enterprises (BRPSE). The Committee feel that keeping in view the appreciable performance of the company for the past three years, the restructuring proposal becomes all the more imperative for further improvement in the performance of HCL. The Committee, therefore, would like to re-emphasise that the restructuring proposal of HCL should be expedited and mechanism put in place for its early implementation to give boost to the company which has managed turn around with devotion and dedication of its workforce.**

## **MECL**

### **Recommendation (SI.No.13, Para No.7.11)**

1.33 The Committee noted that allocation of outlay for Mineral Exploration Corporation Ltd. (MECL) for promotional exploration had been hiked from Rs. 11.00 crore at RE 2005-06 to Rs.17.00 crore at BE 2006-07 to facilitate simultaneous exploration in more number of mineral areas. The Committee also noted that MECL would be completing the six on-going projects during 2006-07 and would take up eight new projects only after the approval of SCPP. Two projects namely Dholamala copper, Rajasthan and Muruda Gold, Kerala were likely to be taken up during 11<sup>th</sup> Plan period subject to availability of forest clearance. The Committee felt that it was high time for MECL to realize its goals to complete the above projects as early as possible. The Committee, however, observed that some of the projects could not be commenced for want of forest clearance and without the approval of SCPP. The Committee, therefore, desired the Ministry of Mines to play a role of catalyst and ensure timely forest clearance for the Dholamala copper and Muruda Gold projects. The Committee further desired the Ministry to facilitate early approval of SCPP for the proposed new projects.

1.34 The Ministry in its reply has stated that presently, six mineral exploration projects of MECL are in progress. Out of these, physical work has been completed in 4 projects namely, Dona Temple, Sipum, Sawar Bajtha and Ramachandrapahar and drilling at 2 projects i.e. Kolari-Bhanri and Latio-ka-Khera is in progress, SCPP in its meeting held on 8.6.2006, have given its approval to 8 new projects and the resources are being identified/mobilized and the work in these is likely to commence shortly. MECL anticipate to utilize the entire allocation of Rs.17.00 crores during 2006-07. The proposal for forest clearance of Muruda Gold, Kerala and Dholamala Copper, Rajasthan at the

sanctioned cost of Rs.177.09 lakhs and Rs.130.94 lakhs respectively have been forwarded to Ministry of Environment & Forests by the respective State Governments. Once the forest clearance is available, MECL shall take up these projects.

**1.35 The Committee appreciate that Standing Committee on Promotional Projects (SCPP) has given its approval to 8 new projects of Mineral Exploration Company Ltd. (MECL) and work on these projects will commence shortly. Six on-going mineral exploration projects are in progress and out of these, physical work in four projects has been completed. The Committee note that the proposal for forest clearance of Muruda Gold, Kerala and Dholamala Copper, Rajasthan has been forwarded to the Ministry of Environment and Forests by the respective State Governments for approval.**

**The Committee, therefore, reiterate that the Ministry of Mines should make all out efforts to facilitate early forest clearance of above two significant projects by taking up the matter with the Ministry of Environment and Forests at the highest level. The Committee also desire that adequate funds may be made available to MECL for accomplishing the new projects.**

## CHAPTER II

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

#### **Recommendation (Sl.No.1, Para No.2.2)**

The Committee hope that the Ministry of Mines will implement the recommendations in a time bound manner which the Committee commented upon their Action Taken Report. The Committee desire that the Ministry of Mines should furnish final replies to the recommendations (No.12) which was categorized as of interim nature. The Committee would like to be apprised of the action taken in this regard.

#### **Action Taken**

##### **On recommendation No.4 (Para 2.17 of Ninth Report)**

As regards Committee's recommendation that Ministry of Mines should take all possible measures to procure major equipments in a time-bound manner, the status of three major procurement proposals of GSI are as detailed below:-

1. Procurement of Ocean-going replacement vessel for aging Research Vessel Samudra Manthan at a cost of Rs.448 crore-

Expenditure Finance Committee approved the procurement of ocean going vessel on 10<sup>th</sup> October, 2006. Approved minutes circulated. GSI has been requested to prepare Cabinet note for circulation. The same is awaited.

2. Procurement of Geo-technical Research Vessel with shallow water drilling capacity-

Ministry of Mines submitted the Detailed Project Proposal and Expenditure Finance Committee Memo, prepared by GSI, for kind consideration and approval of Planning Commission, D/o Ocean Development and D/o Expenditure. D/o Ocean Development and D/o Expenditure have sent their comments on the EFC Memo. Clarifications from GSI on the comments on DOD have been received and sent to DOD. Clarifications on the comments of D/o Expenditure are awaited.

3. Procurement of Heliborne Sensors-

GSI has placed order for procurement of Helicopter from M/s. HAL during December, 2005. Order for supply of essential spares and

accessories have also been placed during October, 2006. The procurement of geo-physical sensors to be fitted on-board the helicopter is being procured.

As regards Committees comment on shortage of staff in GSI, the Government is conscious of the need to have full complement of staff in GSI and is taking all steps to ensure that there is no shortage of staff at different levels. In this regard, the Ministry of Mines has obtained the approval of the Cabinet for exemption of DR Posts in scientific and technical disciplines in GSI from the purview of the DoP&T order dated 16/5/2001 [which stipulates abolition of 2/3<sup>rd</sup> DR Posts in all Government Departments]. Accordingly action has already been initiated to fill up all DR and DPC vacancies in GSI. Proposals for filling up 489 DR posts and 149 DPC posts have been already sent to UPSC. They are being constantly reminded for completing the recruitment/promotion process expeditiously.

#### **On recommendation No.7 (Para 3.13 of Ninth Report)**

Ministry of Mines is taking pro-active steps to prevent illegal mining. The Ministry of Mines has devised a three-pronged action strategy to effectively curb illegal mining which is as follows:

- (i) Constitution of Task Forces/Flying Squads at both State and District levels for taking effective action against illegal mining. The Task Force at the State level is headed by the Secretary, Department of Mining & Geology of the State Governments and includes State Police Department, State Transport Department, State Forest Department, Indian Bureau of Mines and State Pollution Control Board.

At the District Level the Task Force is headed by the District Collector and comprises of Superintendent of Police, Deputy Collector (Revenue & Mining), District Mining Officer, District Forest Officer and officials from concerned districts of State Pollution Control Board and Transport Department.

The Task Forces/Flying Squads are assigned the job of collecting information of the cases of illegal mining, taking action to curb such illegal activities and ensuring coordination among various agencies so that effective action is ensured against illegal mining.

18 States have so far constituted Task Force.

- (ii) Framing of rules by the State Governments under section 23C of Mines & Minerals (Development & Regulation) Act, 1957 to enable them to provide for inspection, checking & search of minerals at the place of excavation, storage and during transit. It also provides for establishment of check-post and weigh bridges.

12 States have framed rules under Section 23-C of the MMDR Act, 1957.

- (iii) Regular monitoring by the Central Government of instances of illegal mining, action taken by the State Governments against such activities and other steps taken by State Governments to curb illegal mining with the Secretaries of State Governments in the review meeting held for the purpose. State Governments have been asked to furnish quarterly returns in the prescribed proforma on instances of illegal mining and action taken by State Governments thereof to Indian Bureau of Mines, which are reviewed by the Central Government.

2. Enforcement of Environment Protection Act (EPA) and Forest Conservation Act (FCA) is the responsibility of Ministry of Environment & Forest. Separate approval as required under the EPA & FCA is mandatory before commencement of mining operations. Ministry of Environment & Forest has its own separate machinery to look into any violation of the provisions of EPA & FCA.

3. As a result of regular monitoring by the Central Government in the last four quarters ending June, 2006, State Governments have detected 29382 cases of illegal mining of major/minor minerals involving an area of 11057. 96 Hect. 1047 FIRs have been lodged. 4961 numbers of court cases have been filed, out of which 3817 cases have been decided and a total of Rs.25.94 crore have been realized as fine.

#### **On recommendation No.12(Para 5.16 of Ninth Report)**

The revival/restructuring proposal of HCL was sent to DPE for consideration by the BRPSE by this Ministry on 13/17<sup>th</sup> October, 2006. In the said proposal HCL has sought cash plan support of only Rs.30 crore which has already been approved by the Government for the financial year 2006-07. The company has, however, sought non-cash support of Rs.637.26 crore. Amongst other thing, the company has mainly proposed restructuring of capital through reduction of face value of equity shares from Rs.10/- to Rs.5/- amounting to Rs.382.21 crore and writing off of preferential share of Rs.180.73 crore to set off an accumulated loss basically to clean the balance sheet of the company. The company has also sought for restoration of superannuation age to 60 years.

#### **On recommendation No.16 (Para 6.31 of Ninth Report)**

The proposal for financial restructuring of MECL was considered and approved by the Government in its meeting held on 27.7.2006. The approval includes (i) Financial Restructuring and (ii) wage revision in MECL. Necessary Government orders to the above effect have been communicated to MECL on 8.8.2006.

[M/o of Mines O.M.No.5(2)-IF dt. 21 November, 2006]

### **Recommendation (Sl.No.3, Para No.3.16)**

The Committee note that the Planning Commission has drastically downsized the outlay in respect of Geological Survey of India (GSI) from Rs. 307.10 crore proposed by the Ministry of Mines to Rs. 165.50 crore. GSI had proposed the plan outlay of Rs. 307.10 crore during 2006-07 which included Rs.134.40 crore towards the part payment of Blue Water Research Vessel as a replacement for R.V. Samudra Manthan. The Committee also note that the Planning Commission after examining the status of procurement process of the Blue Water Research Vessel had allocated only a token provision during 2006-07 for hiring of consultant for the same. The reviewed EFC Memo with necessary modifications suggested by the Planning Commission has been submitted by GSI to the Ministry of Mines for approval.

The Committee are deeply concerned to note the inordinate delay in preparation and submission of Detailed Project Report (DPR) and EFC Memo regarding purchase of Research Vessel had made the Planning Commission to believe that the above vessel is unlikely to be procured during 2006-07 resulting in reduction in the proposed outlay. The Committee feel that the laxity on the part of GSI has put the modernization programme of the organisation on the back seat. The Committee are apprehensive how the modernization of GSI, which was one of the major thrusts of 10<sup>th</sup> Plan period, could be achieved given the procurement status of the vessel. The Committee, therefore, desire the Ministry to take necessary measures to ensure that the vessel is procured in 10<sup>th</sup> Plan periods itself and approach the Planning Commission and the Ministry of Finance for additional funds at RE stage.

### **Action Taken**

The Modernisation Programme of GSI is one of the major thrust areas of the X Five Year Plan and the Ministry of Mines and GSI have taken this programme in the right spirit from the beginning itself. In principle approval for acquisition of a new research vessel for seabed survey, exploration of non – living resources for GSI as a replacement vessel of R.V. Samudra Manthan was accorded by Planning Commission on 19<sup>th</sup> July, 05. During the Plan discussions in the month of November 2005, Ministry of Mines proposed Rs.307.10 crore as the total outlay of GSI, which included Rs.204.65 crore for Modernisation and Replacement. Out of this Rs.134.40 crore pertaining to part payment of vessel and rest for other modernization activities. Thus, Ministry of Mines never put modernization of GSI on the backseat. Ministry of Mines and GSI were anticipating that by the end of July 2007, they will be able to process the case and make part payment for the research vessel. However, during discussions in the Planning Commission it emerged that it is a specialised research vessel and with Planning Commission's experience with similar exercise with Department of Ocean Development's vessel its procurement needed more time and would involve several steps which consist of appointment of Indian and foreign

consultants and global bidding, etc. and thus Ministry of Mines will not be able to make part payment during the financial year 2006-07. Hence, Planning Commission provided only Rs.8.00 crore as a token provision towards consultancy charges for the research vessel. In the EFC Memo sent to Planning Commission on 7.12.2005. GSI had projected that the procurement of vessel may be completed in Xth Plan period but could spill over by a year and few months after Xth Plan period. However, in the revised/modified EFC Memo sent to Planning Commission on 30.3.06, the target date for completion of project has been indicated as February 2009. After approval of EFC, a series of work programme with Indian and Foreign consultants to negotiate relevant contracts would be undertaken by January 2007. After placement of orders, the vessel construction may take two years with the delivery of vessel likely by end of February 2009. EFC meeting for the research vessel was held under chairmanship of Finance Secretary, Ministry of Finance on 10<sup>th</sup> October, 2006. Approved minutes have been circulated. Draft Cabinet Note is under preparation at GSI.

Besides ocean going deep-water research vessel, under modernization programme, order has been placed for procurement of Helicopter from M/s HAL for heliborne geophysical survey system. Process for procurement of four geophysical sensors is on. EFC Memo for shallow water Geotechnical vessel has been circulated for comments. The modernization items are mostly imported items and are not "off the shelf items". The instruments are unique in nature and are generally manufactured according to the need or specifications enumerated by the department, which are generally finalized after threadbare discussions among the experts before inviting tenders. As a consequence, it is not feasible to complete many purchase procedures within the stipulated time.

Acute shortage of manpower [GSI operating at around 50% of sanctioned strength] has forced GSI to proceed at slower pace. The procurement machinery had to consider this factor while prioritizing the capital equipment for its optimal utilization. Ministry in this direction has taken steps to speedup process of recruitment of scientific personnel to desired level. The Plan Proposal Review Committee of the Ministry of Mines has closely monitored the major bottlenecks in modernization programme. Suitable steps are being taken to remove the bottlenecks.

[M/o Mines O.M.No.5(2)2006-IF dt.21 November, 2006]

#### **Recommendation (SI.No.4, Para No.4.11)**

The Committee note that IBM has generated Rs.122.60 lakhs during 2005-06 ( upto Feb.,2006) through consultancy services. The Committee also note that IBM has planned to take up 5 to 7 consultancy services and generate a revenue of Rs.1 crore through promotional activities during 2006-07. The Committee desire that IBM should make all out efforts to bag more and more

projects under consultancy services in order to exceed the target to enable it to become financially sound.

### **Action Taken**

During the 13th meeting of the IBM Advisory Board held on 4th September, 2002, it was decided that IBM, being a regulatory authority, should not fix any target for revenue generation. IBM will continue to generate revenue during the course of its functional activities, so as to meet the demands of the industry.

IBM has generated revenue of Rs.131.27 lakhs during 2005-06 mainly through Ore Dressing Investigations, Technical Consultancy, Mining Research Projects, sale of Inventory, Mining Lease Directory, Statistical data and IBM Publications and Training Programmes for Industry. However, the observation of the Committee has been noted for future compliance and all efforts will be made to achieve the targets during 2006-07 through consultancy services.

[M/o Mines O.M.No.5(2)2006-IF dt.21 November, 2006]

### **Recommendation (Sl.No.5, Para No.4.12)**

The Committee further note that two projects namely, computerised Online Register of Mining Tenement System at an estimated cost of Rs.20.00 crore and Management of Solid Waste from Mining in India, at estimated cost of Rs.14.12 crore were initially planned to executed by Aid Through Budget ( ATB) and were referred to the Planning Commission for "in principle" approval. However, the Planning Commission has advised that these projects may be taken up in the 11<sup>th</sup> Five Year Plan. The Committee observe that both the above projects are very significant as they proposed to provide information on mineral resources in the country and management and regulation of Mine Waste. The Committee desire IBM to start preparatory work on the implementation of these projects and obtain necessary clearances, if any, required. The Committee also desire that these projects may be taken up in right earnest in the very first year of the 11<sup>th</sup> Plan and the completion schedule therefore is strictly adhered.

### **Action Taken**

Out of Rs. 24.00 crore earmarked for the year 2006-07 in the Budget, an amount of Rs. 3.00 crore and Rs.2.0 crore, respectively, has been kept in the Annual Plan 2006-07 for (i) Computerized On-Line Register of Mining Tenements System as sub-schemes under Scheme No. 4, i.e. Collection, Processing, Dissemination of Data on Mines & Minerals through various Publications; and (ii) Management of Solid Waste from Mining in India under sub-scheme No.3 i.e. Technological Upgradation and Modernization, respectively. IBM has proposed to utilize Rs.5.00 crore in connection with



preparatory work to be carried out in respect of these two projects. But the Planning Commission has suggested that these two projects may be taken up in the Eleventh Five Year Plan beginning 2007-08.

Besides, in a Quarterly Performance Review (QPR) Meeting of IBM held on 15.6.2006, Secretary(Mines) observed that while BRGM's system may have many useful features, new systems which may have come into being in USA, Canada, Australia etc. should also be studied and if necessary, IBM official may visit Canada and Australia and see the systems prevalent there. Secretary (Mines), on his visit to Canada, had seen the system in operation there and found it quite informative and useful. The BRGM system should be compared with the Canadian and Western Australian systems and useful features should be incorporated in the system developed by IBM.

[M/o Mines O.M.No.5(2)2006-IF dt.21 November, 2006]

#### **Recommendation (SI.No.7, Para No.5.24)**

The Committee note that the second phase expansion proposal of NALCO for its Bauxite Mines, Alumina Refinery Smelter and Captive Power Plant (CPP) with a project capital outlay of Rs.4091.51 crore was approved by the Government in October 2004 to be completed in 50 months. While NALCO has taken a slew of measure for the implementation of the 2<sup>nd</sup> phase expansion programme, it has engaged M/s Dastur company, an independent agency for Time and Cost Monitoring (TCM) on monthly basis and cost monitoring on quarterly basis. The Committee note with satisfaction that the second phase expansion proposal of NALCO is progressing as per schedule. However, considering the significance of the expansion proposal and the huge investment involved therein, the Committee recommend that the Ministry should strictly monitor the progress of the expansion plan at their level to ensure that the milestones of the projects are reached as per schedule.

#### **Action Taken**

Implementation of the 2<sup>nd</sup> phase expansion of NALCO is monitored by the administrative Ministry on regular basis. The progress was found to be satisfactory by and large.

[M/o Mines O.M.No.5(2)2006-IF dt.21 November, 2006]

#### **Recommendation (SI.No.8, Para No.5.25)**

The Committee also note that NALCO has been allotted 'Utkal-E' coal block for its 9<sup>th</sup> to 12<sup>th</sup> units of CPP on 27.8.2004 by the Ministry of Coal. The production of coal therefrom, is scheduled to commence from September, 2008. The Geological Report has been received by NALCO from CMPDI on 20.4.2005

and its application for mining lease is at present under consideration of the Orissa Government. The Committee are extremely unhappy to note that even after the lapse of nearly two years, NALCO is yet to obtain the mining lease from the Government of Orissa. The Committee while examining the Demands for Grants (2005-06) had desired the Ministry to activate the above project at the earliest and obtain the necessary clearance from the different authorities. The Committee are anguished to note the lack luster approach on the part on NALCO and feel that considerable time has been lost by the company even for completion the preliminary formalities since the coal block was allotted in August 2004. The Committee, therefore, desire the Ministry to play a decisive role in overcoming the problems being faced by NALCO prior to commencement of the production of coal from the Utkal-E Coal block.

### **Action Taken**

#### **Utkal-E Block**

1. It may be noted that Utkal-E Coal block is a green field project and will require at least 3-4 years for completion of the project. The geological report was received in April'05 and all activities such as Mining Plan etc. could commence only after receipt of geological report.
2. Project activities can start only on receipt of mining lease, land acquisition, environmental clearance and investment decision. Most of these activities are in sequence and are taken up on finalization of Mine Plan & Detailed Project Report (DPR).
3. In last two years from the date of allotment of the coal block, NALCO has taken various steps such as environmental studies, preparation of mining plan, application for mining lease and land acquisition etc. Most of these activities are in sequence. All these activities are taken up on finalization of Mine Plan & Detailed Project Report (DPR). The receipt of Geological report is only start of the preparation of Mining Plan & DPR.
4. The present status of various activities for Utkal-E Coal block is given below: -

**Mining lease:-** The Collector, Angul has recommended NALCO's application for Mining lease to the Director of Mines, Govt. of Orissa. The Director of Mines has recommended the same to Department of Steel & Mines, Govt. of Orissa vide letter no. M-IV(R)-5/04/12838/DM dated 24.10.2005. The proposal for Mining Lease has been forwarded to Ministry of Coal, Govt. of India vide letter-dated 12.06.06 by the Department of Steel & Mines of Govt. of Orissa.

**Socio-economic, Flora/Fauna and Socio-economic Study:** - Final reports of three studies have been received from M/s. SS Environics and comments have been sent.

**Biological monitoring and Green belt design:** - Order for Biological monitoring and Green belt design have been placed on M/s. OUAT. The matter of delay in submission of reports on Biological monitoring and Green Belt design was taken up with Vice Chancellor, OUAT and with his intervention the final report on Green Belt Design has been submitted by M/s. OUAT on 29.05.06. It is expected that the report for biological monitoring will be submitted shortly.

**Mining Plan:** - The Mine Plan has been approved by Ministry of Coal vide letter dated 31.07.2006.

**EIA/EMP Report:** - M/s. CMPDI, Bhubaneswar has been appointed for preparation of EIA/EMP reports for the Utkal-E coal block. M/s. CMPDI, Bhubaneswar has submitted the EIA/EMP report and the Executive Summary for submission of application for Public hearing. The EIA/EMP report has been modified by CMPDI based on comments by NALCO.

**Detailed Project Report:** - M/s CMPDI, Bhubaneswar has been appointed for preparation of Detailed Project Report for the Utkal-E Coal Block. The Draft DPR is being revised considering the changes in the Mine plan based on comments of technical appraisal committee of Ministry of coal. The revised draft report is expected shortly.

**Land acquisition:** - The proposal for land acquisition for Utkal – E coal block has been recommended by M/s. to M/s. IDCO for going ahead with the land acquisition activities. Necessary documents as desired by M/s. IDCO have been submitted on 30.11.05. NALCO has also deposited Rs.1.66 Crores to M/s. IDCO towards their Administrative Charges and the Establishment Charges of the land acquisition officer. M/s. IDCO have submitted the necessary documents for acquisition of Govt. lands to district authorities on 21st March'06. Similarly, the proposal for acquisition of private land has been submitted to Department of Steel & Mines, Govt. of Orissa for giving the necessary permission to go ahead on 27th March'06. The same is being pursued.

[M/o Mines O.M.No.5(2)2006-IF dt.21 November, 2006]

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

(Please see Para 1.29 of Chapter I of the Report)

#### **Recommendation (Sl.No.9, Para No.5.26)**

The Committee further note that the Ministry of Mines is exploring the possibility of third phase expansion of NALCO with regard to its bauxite mining, alumina refinery and aluminum smelter. A team of officials visited UAE and Oman in April 2005 and held discussions with the Governments of these countries and report submitted by them is under consideration. NALCO has

engaged M/s. Engineers India Ltd. to prepare a pre-feasibility report so that a decision could be taken on putting up an aluminium smelter in a third country. The Committee consider setting-up of smelter plant overseas a significant step in the expanding and diversifying activities of NALCO. The Committee, therefore, desire the Ministry to take necessary measure for setting up of a smelter plant overseas. The Committee further desire that necessary groundwork for exploring the possibilities of third phase expansion of NALCO may be accelerated without putting stress on the ongoing 2<sup>nd</sup> phase expansion.

### **Action Taken**

#### **Setting up Smelter abroad:**

NALCO has appointed M/s. Engineers India Limited for preparation of a Pre Feasibility Report (PFR) for setting up a Aluminium Smelter along with required facilities in the Middle East Region. Report was submitted by EIL in March'06.

In the Pre Feasibility Report EIL has selected the following three probable sites for the Aluminium Smelter and other facilities: -

- Ras Laffan, QATAR
- Fujairah, UAE
- Salalah,OMAN

In the PFR, M/s. EIL has concluded that Establishing an aluminum smelter in Middle East Region is marginally attractive and the financial viability can be further improved if attractive deal can be struck with the local Governments for assured long-term supply of Gas at competitive rates, Land lease rates, Rebates and Concessions, Lower interest rates for term loan, etc.

Accordingly NALCO is taking up the matter with authorities of the three countries for proceeding further in the project by way of signing an MOU and discussions on the long-term supply of Gas at competitive rates, Land lease rates, Rebates and Concessions, Lower interest rates for term loan, etc.

[M/o Mines O.M.No.5(2)2006-IF dt.21 November, 2006]

### **Recommendation (Sl.No.12, Para No.7.10)**

The Committee note that the comprehensive proposal of financial restructuring of MECL was circulated among the concerned Ministries/ Departments for their comments based on the recommendation of BRPSE. The Committee further note that the revised draft cabinet note based on the comments/views of the Ministries/Departments is under submission. The Committee are constrained to observe that the failure of the Government to

approve the financial restructuring proposal of MECL has deprived the company to reap the benefits of capital restructuring plan. The Committee in their 9<sup>th</sup> Report on Demands for Grants (2005-06) also has recommended that the financial restructuring proposal of MECL should be approved without any further loss of time. The Committee feel that keeping in view the vital role being played by MECL is carrying out mineral exploration in the country, it becomes the utmost responsibility of the Ministry to strengthen it by way of financial restructuring. The Committee, therefore, would like to reiterate that the financial restructuring proposal of MECL pending with Government should be cleared as early as possible. The Committee would like to be apprised in this regard.

### **Action Taken**

The Government has approved for financial restructuring of MECL on 27.7.2006. The approval includes (i) Financial Restructuring and (ii) wage revision in MECL. Necessary Government orders to the above effect have since been communicated to MECL on 8.8.2006.

[M/o Mines O.M.No.5(2)2006-IF dt.21 November, 2006]

### **Recommendation (Sl.No.13, Para No.7.11)**

The Committee note that allocation of outlay for Mineral Exploration Corporation Ltd. ( MECL) for promotional exploration has been hiked from Rs. 11.00 crore at RE 2005-06 to Rs.17.00 crore at BE 2006-07 to facilitate simultaneous exploration in more number of mineral areas. The Committee also note that MECL will be completing the six on-going projects during 2006-07 and will take up eight new projects only after the approval of SCPP. Two projects namely Dholamala copper, Rajasthan and Muruda Gold, Kerala are likely to be taken up during 11<sup>th</sup> Plan period subject to availability of forest clearance. The Committee feel that it is high time for MECL to realize its goals to complete the above projects as early as possible. The Committee, however, observe that some of the projects cannot be commenced for want of forest clearance and without the approval of SCPP. The Committee, therefore, desire the Ministry of Mines to play a role of catalyst and ensure timely forest clearance for the Dholamala copper and Muruda gold projects. The Committee further desire the Ministry to facilitate early approval of SCPP for the proposed new projects.

### **Action Taken**

Presently, six mineral exploration projects of MECL are in progress. Out of these, physical work has been completed in 4 projects namely, Dona Temple, Sipum, Sawar Bajtha and Ramachandrapahar and drilling at 2 projects i.e. Kolari-Bhanri and Latio-ka-Khera is in progress, SCPP in its meeting held on 8.6.2006, have given its approval to 8 new projects and the resources are being identified/mobilized and the work in these is likely to commence shortly. MECL

anticipate to utilize the entire allocation of Rs.17.00 crores during 2006-07. The proposal for forest clearance of Muruda Gold, Kerala and Dholamala Copper, Rajasthan at the sanctioned cost of Rs.177.09 lakhs and Rs.130.94 lakhs respectively have been forwarded to Ministry of Environment & Forest by the respective State Governments. Once the forest clearance is available, MECL shall take up these projects.

[Ministry of Mines O.M.No.5(2)2006-IF dt. 21 November, 2006]

**Comments of the Committee**

(Please see para 1.35 of Chapter I of the Report)

## **CHAPTER III**

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

#### **Recommendation (Sl.No.6, Para No.4.13)**

The Committee note that in the year 2004-05, IBM had inspected 2593 mines against the target of 2450 mines in pursuance of MCD Rules 1988 for approval of mining plans, schemes and mine closure plans. The Committee are, therefore, surprised to note that comparatively lower targets of 2300 and 2500 inspections for year 2005-06 and 2006-07 respectively were set-up by IBM. The Committee stress that the prime cause of massive illegal mining all over the country is delays in approval of mining plans/schemes apart from mine closure plans. The role of IBM assumes significance as it is entrusted with responsibilities which involve inspections of prospective and likely to be closed mines. The Committee, therefore, desire IBM to set a reasonably higher target every year in this regard so that more and more plans/schemes are inspected and approved and all the mines where mining operations have ceased are closed with proper mine closure plan to prevent illegal mining.

#### **Action Taken**

During the year 2005-06, there was a low target of 2300 inspections in IBM. This was due to the fact that Mining Engineers and Mining Geologists of mines control and Conservation of Minerals Division were engaged in the updation of National Mineral Inventory Data Sheet in respect of private lease holds in fields, in addition to their regular duties such as according approval for Mining Plans etc. Therefore no individuals targets for inspections were given to the officers. Updation of National Mineral Inventory is done once in five years, which is one of the important functions entrusted to IBM vide its Charter of Functions. As a result, only 43 Mining Engineers and 31 Mining Geologists were available for inspections in 2005-06 which resulted in the lower target.

The targets are fixed based on Annual Program of IBM for a particular year. The target for the year 2006-07 has been fixed at 2500 as 41 Mining Engineers and 27 Mining Geologists are available for the inspections. Moreover, the updation of National Mineral Inventory will be done in the office. Against the target of 2500, IBM has done inspections totaling to 1090 upto August,2006

IBM carries out inspection in connection with approval of Mining Plan and Schemes of mining as and when received on priority basis, and disposes the same within the statutory limit of 90 days as per the provisions of MCR, 1960 and MCDR, 1988. Therefore, IBM cannot set any target for approval of Mining Plan and Schemes of Mining as the activity is initiated by the lessee and not by IBM.

Likewise, the Priority is also accorded to the disposal of Final Mine Closure Plan (FMCP) submitted to IBM. Inspections are carried out immediately for disposal of the same and it is ensured that the lessee submits a proposal for reclamation, rehabilitation and protective measures as approved and implementing the same so that the mined out area does not pose a threat to the environment and there is no scope for illegal mining activities from the closed mine sites.

[M/o Mines O.M. No.5(2)2006-IF dt.21 November, 2006]

### **Recommendation (Sl.No.10, Para No.6.12)**

The Committee note that Hindustan Copper Limited (HCL) was allocated Rs. 40.00 crore during 2005-06 for Replacement and Renewal (R&R) of its plants and equipments. The Committee further note that HCL in pursuance to the approval of Rs.40.00 crore at BE stage had gone ahead and ensured commitment of about 67 per cent of the total fund by December, 2005 for replacement of the equipments, which were beyond economical repair. The Committee are anguished to note that the Ministry withdrew the entire sanctioned amount of Rs.40.00 core at RE stage leaving the HCL with no option but to retract its steps for replacement and renewal and cope-up with high cost of its operations. The Committee further note that a plan outlay of Rs.30.00 crore has been provided to HCL for R&R activities in BE 2006-07.

The Committee are convinced that the withdrawal of entire amount allocated for R&R during 2005-06 has adversely affected the performance of company which is already struggling hard to come out of the financial crunch. Further, allocation of Rs.30.00 crore only for R&R activities during 2006-07 would be insufficient to accomplish the task given the condition of equipments and machineries. The Committee deprecate the attitude of the Ministry of Mines and its utter failure to strengthen HCL by not forcefully pleading its case with the Ministry of Finance for allocating adequate funds and for not withdrawing the entire allocations meant for R&R activities during 2005-06. The Committee, therefore, desire the Ministry of approach the Ministry of Finance with sufficient justification for allocation for required additional funds to HCL at RE stage.

### **Action Taken**

Ministry of Mines had taken up the case with Ministry of Finance. Secretary (Mines) in his D.O. dated 12.12.2005 addressed to Secretary(Expenditure) apprised the position about the difficulties faced by HCL in case of withdrawal of funds allocated at BE stage and recommended to retain the allotted plan provision of Rs.40.00 crore for the year 2005-06. This matter was again raised by Hon'ble Minister of Mines vide letter dated 16-01-2006 with Hon'ble Finance Minister.

[M/o Mines O.M. No.5(2)2006-IF dt.21 November, 2006]



## **CHAPTER IV**

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

### **Recommendation (Sl.No. 2 Para No.3.15)**

The Committee note that the Budget Estimates of the Ministry of Mines for the year 2006-07 have been kept at Rs. 883.69 crore. During 2005-06, BE of Rs. 685.14 crore was reduced to Rs.405.52 crore at RE stage but the actual expenditure would be Rs.400.92 crore approximately. The Committee note that there has been substantial increase in BE 2006-07 primarily due to enhanced allocation for NALCO. The Committee expect the Ministry to strive to expend the same.

The Committee also note with concern that the Ministry has failed to utilize the approved 10th Plan outlay of Rs. 8344.50 crore, later revised to Rs.4485.28 crore during the Mid-Term Appraisal. The Committee are extremely dissatisfied to note that the total expenditure during the first four years of the plan has remained merely to Rs.2042.95 crore, which is less than 50 % of the revised plan outlay. The Committee strongly disapprove of the non-serious approach of the Ministry since budgetary proposals continued to be prepared in a reckless manner without any serious thought, proper scrutiny and long term vision.

The Committee, therefore, desire the Ministry to utilize funds allocated in a productive way in the interest of balanced growth and development of the mining sector by streamlining the internal financial and administrative procedures with regular monitoring. The Committee also emphasize that the budgetary proposals should be prepared on realistic basis with minimal revision at RE stage.

The Committee also desire the Ministry to undertake a study to pin point reasons for underutilization of funds and to suggest the corrective measures in this regard.

### **Action Taken**

The revision of 10th Five Year Plan outlay from Rs.8344.50 crores to Rs.4485.28 crore is mainly due to revision of 10th Five Year Plan outlay of National Aluminium Company Ltd (NALCO) from Rs.7056 crores to Rs.2864.25 crores. The less utilization of funds in the 10th Five Year Plan is mainly due to less expenditure by NALCO & GSI. The reasons of revision of Plan outlay and less utilization of funds in respect of NALCO & GSI are given below:

## NALCO

NALCO's Budget Estimate (2005-06) of Rs.450.07 crores was reduced to Rs.220.09 crores at Revised stage. The major drop in capital outlay from BE 2005-06 to RE 2005-06 is in respect of 2nd phase expansion from Rs.290.28 crores to Rs.106.42 crores. The 2nd phase expansion proposal with projected capital outlay of Rs.4091.51 crores was approved by the Government of India in October, 2004. Though the 2nd phase expansion was approved in October 2004, the Company could not take up some of the commitments pertaining to their "Improvement Proposal" between NALCO and M/s. Aluminium Pechiney, France, the technology supplier because it took considerable time to get CVC's clearance for procurement of various items on single vender basis for 2nd phase expansion of NALCO for which Govt's. approval was finally conveyed to NALCO in November, 2005. This was the main reason in drop of the provision for 2nd phase expansion in RE 2005-06.

There is an increase in plan outlay in BE 2006-07 from Rs.220.09 crores to Rs.622.14 crores. The major increase is also in respect of 2nd phase expansion from Rs.106.42 crores to Rs 520.97 crores.

As far as spending is concerned, the company has exceeded the RE figure of Rs 220.09 crore by Rs.4.29 crore in 2005-06 and there is every likelihood that the company may meet the BE figure of Rs.622.14 crores as there is substantial progress in ordering under 2nd phase expansion project. By August'06, the ordering has surpassed Rs.2000 crores i.e. almost 50% of the approved project cost and many packages are in advanced stage for ordering during the year.

As against Plan Outlay of Rs.7056 crores for the 10th Plan, the same was revised to Rs.2864.25 crores during Mid-Term review and now assessed at Rs.1837.32 crores taking actual expenditure up to 2005-06 and BE 2006-07 into account. The reason of reduction at the stage of Mid-term review are as follows:

(A) 1st Phase Expansion: The reduction in 1st phase expansion is mainly due to substantial saving in the project cost because of following factors:-

(a) NALCO finalized various major packages at competitive bidding instead of involving only parties nominated by M/s. Aluminium Pechiney, leading to large scale saving. Besides, there was substantial price reduction in various major packages in comparison to DFR provision because of global recessionary conditions,

(b) Placement of repeat order on BHEL for 8th Unit of CPP without any escalation,

(c) Saving in financing charges & margin money as Company generated enough internal resources for meeting the project cost. Only debenture of Rs.300 crore was raised for 1st phase expansion though debt equity ratio of 1:1 was envisaged.

(d) Availment of CENVAT credit on capital goods which was not considered in the project cost earlier due to uncertainty in the CENVAT credit utilization.

(B) 2nd Phase Expansion: Major reduction in Plan Outlay during Mid-Term review is mainly on account of shifting of Zero date in commencement of the project after Government approval on 26.10.2004, which was envisaged for approval at the beginning of 10th Plan earlier.

(C) Qatar Project: The project could not materialize because of lack of interest shown by the Qatar authorities in our equity participation in the project.

(D) Coal Mines: Reduction in Plan Outlay at the time of Mid-Term review due to delay in allotment of coal mine by Government of India to NALCO.

(E) Addition, Modification & Replacement: Deferment of certain Addition, Modification & Replacements Schemes for want of adequate consultancy back up and lack of dedicated work force to execute these schemes.

There is a shortfall of Rs.1026.90 crores (Rs.2864.25 - Rs.1837.32 crores) with reference to the revised plan outlay in mid term review out of which Rs. 995.77 crores is on account of 2nd phase expansion. The project wise details for reduction in outlay from 10th Plan stage onwards is given at Annexure-I. It may please be noted that reduction in outlay from what was envisaged at 10th plan stage was beyond the control. Now that the relevant approvals have been obtained, it is expected that there will not be any more slippage on capital expenditure projected. The advice of Standing Committee is noted to the effect that budgetary proposals would be prepared on realistic basis with minimum revision at RE stage.

The Company is now fully geared up to regularly monitor capital expenditure to ensure that there is no slippage on capital expenditure projected.

## **GSI**

The Planning Commission approved the budget allocation for GSI for Xth Five Year Plan period 2002-2007 at Rs.1000 crore with a split of Rs. 800 crore under Domestic Budget Support(DBS) and Rs.200 as Aid Through Budget(ATB) (Rs.110 crore as ATB support for Research Vessel and Rs.90 crore for low cost items like Laboratory Instruments, etc).

## Expenditure incurred by GSI during Xth Plan

(Rs. in crore)

Period (2002-03, to 2005-06)	Allotment (BE)	Revised Estimate	Actual Expenditure against the allotment	Percentage utilization w.r.t.BE	Percentage utilization w.r.t. RE
1	2	3	4	5	6
Operational	317.85	287.45	254.44	80.05%	88.50%
Modernisation*	335.15	212.92	184.24	54.93%	86.53%
Total	653.00	500.37	438.68	67.18%	87.66%

\*includes Sub-heads, IT (OAE) Motor Vehicle, Minor Works, Clothing & tentages, OAE,NER(Capital) etc.

The actual plan expenditure during the first four financial years i.e. FYs 2002-03, 2003-04, 2004-05 & 2005-06 of X Plan is Rs.438.68 crore (Operational Rs.254.44 crore and Modernisation Rs.184.24 crore), which is about 67.18% of the budget allocation of BE of Rs.653.00 crore (Operational 317.85 crore and Modernisation Rs.335.15 crore). The operational expenditure stand at Rs. 254.44 crore against the allocation Rs.317.85 crore i.e. almost 80.05 %, which is quite reasonable considering the depleted manpower situation (-50 %) in GSI. In modernization programme, the expenditure stood at Rs.184.24 crore i.e. almost 55% of the allotment Rs.335.42 crore. This is because so far as modernization programme is concerned, only low cost items viz. laboratory, field, IT equipment, drill rigs and accessories have only materialized . In many cases the laboratory and drilling items were not considered for procurement due to lack of manpower. None of the high cost items has so far materialized during the first four years of the X Plan period due to high lead times for acquisition of these items and administrative reasons.

There has been no major gap between the BE and the RE during these four years attesting to the soundness of the basis for the plan projections. These variations between BE and RE range from 11 to 15 % except for the years 2002-03 and 2003-04. During 2002-03, a bulk reduction of outlay from Rs.168.5 crore (BE) to Rs.90 crore had to be done at RE stage on account of reassessment of the expenditure under modernisation head.

The expenditure on motor vehicle was substantially hampered due to time-to-time ban on procurement of additional and replacement vehicles.

Most of the Plan projections formulated are based on the available manpower and planned induction during the plan period for achieving the targets of the Plan. There has been a steady depletion in personnel strength as GSI is operating at around 50 % of sanctioned strength. This has had an adverse effect in terms of achievement of both financial and physical targets, both in operation and modernization . Ministry in this direction has taken steps to speed up process of recruitment of scientific personnel to desired level.

In order to streamline the system in GSI and to expedite the implementation of the Plan Schemes, a Project Proposal Review Committee (PPRC) was constituted to monitor the project proposal of GSI and to remove the bottlenecks in procurement and funds utilization.

[M/o Mines O.M. No.5(2)2006-IF dt.21 November, 2006]

**Comments of the Committee**

(Please see Para No.1.23 of Chapter I of the Report)

## **CHAPTER V**

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

#### **Recommendation (Sl.No.11, Para No.6.13)**

The Committee also note that the financial restructuring proposal as submitted by HCL was deliberated and it was decided that the same should be formulated based on the detailed 'Corporate Plan'. The basic objective of restructuring is to transform HCL into a vibrant and self- sustaining company with an adequate share of copper business in the domestic market after taking into account of various important issues and current international scenario on copper as well as future trend. M/s. A.T. Kearney Ltd. has been entrusted with the job of formulation of a detailed 'Corporate Plan' in December, 2005. Based on their findings, financial restructuring proposal of the company would be drawn and submitted to the BRPSE for consideration. The Committee feel that once the 'Corporate Plan' of HCL is approved and implemented, the HCL will have a turn-around and become a profit making company. The Committee, therefore, recommend that the financial restructuring proposal based on its 'Corporate Plan' should be approved without any further loss of time for increased productivity and sustainable operations of HCL.

#### **Action Taken**

The restructuring proposal of HCL has been sent to Board for Reconstruction of Public Sector Enterprises(BRPSE).

[M/o Mines O.M. No.5(2)2006-IF dt.21 November, 2006]

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

(Please see Para 1.32 of Chapter I of the Report)

**New Delhi;**  
**18 December, 2006**  
**27 Agrahayana, 1928 (Saka)**

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

## ANNEXURE-I

**NATIONAL ALUMINIUM COMPANY LIMITED**  
**SCHEME-WISE DETAILS OF XTH PLAN OUTLAYS AND EXPENDITURE**

Sl.No.	Name of the Scheme/ Project/ Programme	Total 10th Plan Outlay	MID TERM Review 10th Plan	2002-03 Actual Exp.	2003-04 Actual Exp.	2004-05 Actual Exp.	2005-06 RE	2006-07 BE	Total of sl No 5 to 9	Difference
1	2	3	4	5	6	7	8	9	10	11
<b>A</b>	Critical/ Ongoing Schemes									
1	Mines & Refinery	126.02	88.50	49.85	14.47	4.35	0.37		69.04	19.46
2	Smelter & Power Plant	697.06	584.79	391.65	101.87	56.84	19.12		569.48	15.31
3	VIII Unit of CPP	384.40	242.75	99.38	91.56	30.29	9.34		230.57	12.18
4	Special Grade Alumina/ Zeolite	6.22	13.21	2.92	4.03	2.68	1.49		11.12	2.09
5	Rolled Products Unit	34.00	65.00	34.35	3.74	2.87	1.95		42.91	22.09
	Sub total of (A) :	1,247.70	994.25	578.15	215.67	97.03	32.27	-	923.12	71.13
B	Schemes aimed at maximizing Benefits (AMRs)	402.30	195.00	30.54	14.18	51.84	59.78	95.00	251.34	(56.34)
C	New Schemes									
1	II-Phase Expansion	3,623.00	1,650.00			3.39	129.87	520.97	654.23	995.77
2	Equity Participation in Quatar Project	1,573.00	10.00			-		1.00	1.00	9.00
3	Coal Mines (One Block)	210.00	15.00			-	2.46	5.17	7.63	7.37
	<b>Sub Total (C)</b>	<b>5,406.00</b>	<b>1,675.00</b>	-	-	<b>3.39</b>	<b>132.33</b>	<b>527.14</b>	<b>662.86</b>	<b>1,012.14</b>
	<b>Total :(A+B+C)</b>	<b>7,056.00</b>	<b>2,864.25</b>	<b>608.69</b>	<b>229.85</b>	<b>152.26</b>	<b>224.38</b>	<b>622.14</b>	<b>1,837.32</b>	<b>1,026.93</b>





## ANNEXURE-II

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 14<sup>TH</sup> DECEMBER 2006 IN COMMITTEE ROOM 'A', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1700 hrs. to 1730 hrs.

### PRESENT

Smt. Karuna Shukla - In the Chair

### MEMBERS

2. Shri Hansraj G. Ahir
3. Shri D.K. Audikesavulu
4. Shri Chandra Shekhar Dubey
5. Shri Faggan Singh Kulaste
6. Shri Dalpat Singh Paraste
7. Smt. Ranjeet Ranjan
8. Shri Rewati Raman Singh
9. Shri Ramadhar Kashyap
10. Shri Surendra Lath
11. Shri Ajay Maroo
12. Shri Swapan Sadhan Bose
13. Shri Jesudas Seelam
14. Shri Bashistha Narain Singh

### SECRETARIAT

1. Shri P.K. Bhandari - *Joint Secretary*
2. Shri A.K. Singh - *Director*
3. Shri Shiv Singh - *Under Secretary*

2. Since the Chairman could not attend the meeting, the Members of the Committee requested Smt. Karuna Shukla to preside over the meeting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. At the outset, Chairperson, welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the following draft Reports on Demands for Grants(2006-07) of the Ministries of Coal, Mines and Steel:-

(i) \*\*                      \*\*                      \*\*                      \*\*                      \*\*  
(ii) Action Taken by the Government on the recommendations contained in the Sixteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2005-06) on “Demands for Grants (2006-07)” of the Ministry of Mines.

(iii) \*\*                      \*\*                      \*\*                      \*\*                      \*\*

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

5. 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.***

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\*\* Does not pertain to this Report.

**ANNEXURE- III**  
(Vide Para IV of Introduction)

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

I.	Total No. of Recommendations made	13
II.	Recommendations that have been accepted by the Government (vide recommendation at Sl. Nos. 1, 3, 4, 5, 7, 8, 9, 12 and 13)	9
	Percentage of total	69.23%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (vide recommendation at Sl. Nos. 6 and 10)	2
	Percentage of total	15.38%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendation at Sl. No.2)	1
	Percentage of total	7.69%
V.	Recommendations in respect of which final replies of the Government are still awaited  (vide recommendation at Sl.No.11)	1
	Percentage of total	7.69%