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STANDING COMMITTEE ON COAL AND STEEL (2006-2007) FOURTEENTH LOK SABHA

MINISTRY OF STEEL

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

TWENTY - SECOND REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI
December, 2006 / Agrahayana, 1928(Saka)

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

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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-Second Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Seventeenth Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha) on "Demands for Grants (2006-07) of the Ministry of Steel".

2. The Seventeenth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 23rd May, 2006. Replies of the Government to all the recommendations contained in the Report were received on 6th October, 2006.

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

4. An analysis on the Action Taken by the Government on the recommendations contained in the Seventeenth Report (Fourteenth Lok Sabha) 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;
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 Seventeenth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2005-06) on “Demands for Grants (2006-07) of the Ministry of Steel” 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, 2, 5, 6, 7, 11, 12, 13 and 14.

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

Sl. Nos. 9 and 17.

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

Sl. Nos. 3, 8 and 16.

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

Sl. Nos. 4,10 and15.

1.3 The Committee desire that final replies in respect of the recommendations which have been categorised as interim replies 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 Seventeenth Report.

BUDGETARY SUPPORT TO STEEL PSUs

Recommendation (Sl. No.3, Para No. 3.10)

1.6 The Committee had noted that the Ministry proposed the annual plan outlay of Rs.3728.49 crore including Budgetary Support of Rs.82.50 crore for the year 2006-07. The Planning Commission had, however, approved an outlay of Rs.3172.30 crore with Budgetary Support of Rs.45 crore. As a sequel to reduction in approved outlay the Internal and Extra Budgetary Resources (I&EBR) allocation in respect of Kudremukh Iron Ore Company Ltd. (KIOCL) came down from Rs.335 crore to Rs.200 crore and in the case of National Minerals Development Corporation (NMDC) from Rs.387.49 crore to Rs.150.00 crore. The I&EBR allocation for Manganese Ore India Ltd. (MOIL) has been reduced from Rs.71.29 crore to Rs.48.50 crore whereas in the case of Bird Group of Companies (BGC), it stood reduced from Rs.43.25 crore to Rs.25 crore. The provision of Budgetary Support had been made for Hindustan Steelworks Construction Ltd. (HSCL), MECON Ltd. and Bharat Refractories Ltd. (BRL) as these companies were unable to generate I&EBR. In the approved outlay, however, Budgetary Support of MECON Ltd. had been reduced from Rs. 67.50 crore to Rs. 30 crore.

1.7 The Committee observed that the projection of estimates for BE 2006-07 were unrealistic and unattainable as the Ministry had failed to convince the Planning Commission to allocate the funds as projected by KIOCL, NMDC, MOIL and MECON Ltd. The Committee in their 10th report had recommended that the Ministry should make realistic estimates and allocate funds at BE stage itself instead of resorting to provision of funds at RE stage. The Committee had little doubt that reduction in allocation was going to adversely affect the performance of the PSUs.

1.8 The Committee, therefore, recommended the Ministry to approach the Planning Commission with ample justification to provide sufficient funds at revised estimates stage as per the needs of PSUs. The Committee once again emphasized that the realistic projections and allocation of sufficient funds for PSUs were essential for sustained progress of steel industry and therefore, reiterated their earlier recommendations for immediate corrective measures in this direction.

1.9 The Ministry of Steel in its reply has stated that the plan outlay for 2006-07 proposed by NMDC, KIOCL, MOIL & Bird Group had been reduced by Planning Commission, in consultation with the Ministry, since it was felt that the proposed outlays of these 4 Companies were on the higher side and not realistic taking into account the trend of past expenditure and the current status of the proposals. The 3 PSUs and Bird Group (a Government managed company) were consulted and they had agreed to the suggested reduction in their respective outlays. Since the plan outlay allocations for 2006-07 were reduced with the consent of these Companies, the reduced outlays are not expected to adversely affect their performance. However, if there are justifications for increasing the outlay for 2006-07 in respect of these Companies, the Ministry would approach Planning Commission at the RE stage for increased allocations as per the needs of the Companies.

1.10 In respect of MECON, Ministry of Steel had proposed an amount of Rs.101.00 crore (based on the revised restructuring proposal for MECON; initial proposal was for Rs.67.50 crore) as Plan budgetary support for equity investment in MECON in 2006-07. However, Planning Commission approved only Rs.30.00 crore and the release of this amount in 2006-07 is subject to the approval of MECON's restructuring proposal by the competent authority. As and when the restructuring proposal for MECON, which is presently under consideration of the Government is approved, the necessary funds required to implement the restructuring of MECON would be made available.

1.11 The Committee had noted that the Planning Commission reduced Plan outlay for BE 2006-07 in respect of Kudremukh Iron Ore Company Ltd. (KIOCL), National Mineral Development Corporation (NMDC), Manganese Ore (India) Ltd. (MOIL) and MECON Ltd. and therefore, recommended the Ministry to provide sufficient funds at revised estimates stage as per the needs of PSUs. The Ministry in its reply has stated that as the Plan outlay of the above PSUs were on higher side and unrealistic, the outlays were reduced with the consent of these companies considering the past trend of expenditure and the current status of the proposals. The Ministry has further stated that necessary funds would be provided to them at RE stage if there is justification and for MECON funds would be made available once its restructuring proposal is approved, which is under consideration of the Government.

The fact that three PSUs viz. NMDC, KIOCL, MOIL and Bird Group of Companies, a Government managed company, had agreed to reduce their respective outlays on the suggestions of the Ministry amply shows that outlays by these companies are being prepared inflated and unrealistic year after year. The Ministry also failed to keep a check on the tendency of these PSUs to prepare inflated estimates without having any schemes/programmes to implement and justifying the allocation of outlays as projected by them. The Committee are concerned that steel PSUs instead of taking fullest advantage of boom period in steel sector have failed to come out with viable schemes which ultimately led to the reduction in their outlays.

The Committee, therefore, desire the Ministry / PSUs to prepare realistic estimates and provide adequate funds as per their need, in such a way that it would consolidate their position in the coming years.

The Committee are distressed to note that restructuring proposal of MECON has been under the consideration of the Government for more than two years. The Committee in their 10th Report (Para No.3.38) had also recommended that the capital restructuring proposal of MECON should be cleared without any loss of time. The Committee strongly deprecate the limping approach of the Ministry which has deprived MECON to grow as self-propelling industry by truncating its physical and financial performance.

The Committee, therefore, recommend the Ministry to approve the restructuring proposal of MECON at once as well as provide additional funds / packages for escalations due to time-lag in approval of the proposal.

UTILISATION OF FUNDS BY RINL

Recommendation (Sl.No.6, Para No. 3.26)

1.12 The Committee noted that Rashtriya Ispat Nigam Limited (RINL) had been allocated Rs.1452 crore in BE 2006-07, an increase of 162% as compared to Rs.895.75 crore in BE 2005-06 with the provisions of Rs.901 crore to implement the expansion scheme and Rs.60 crore for acquisition of iron ore mine and coking coal mine. The Committee further note that the utilization of funds for Coke Oven Battery No.4 (Phase-II), Pulverized Coal Injection and acquisition of iron ore and coking coal mine was subject to approval and availability of mines which were extremely vital for RINL.

1.13 The Committee, therefore, desired that there should not be any procedural delay in clearing of the above schemes. The Committee also desired the Ministry to take effective steps to ensure early acquisition of iron ore and coking coal mines.

1.14 The Ministry has replied that the Coke Oven Battery No.4 and Pulverized Coal Injection Schemes earlier required Government approval. With RINL having been declared a Mini-Ratna, it is now in a position to exercise its enhanced financial powers for completing the above schemes in order to cut the procedural delays and this is expected to speed up progress. In the case of expansion scheme of RINL the first phase costing Rs. 6421 crore, which is expected to be completed by 27.10.2008, is being constantly monitored by a High Powered Committee consisting of Directors of the Board to ensure timely implementation.

1.15 RINL has applied for iron ore mining leases in the States of Orissa, Chhattisgarh and Andhra Pradesh. In case Mines are allotted, these have to be developed. RINL has been allotted Mahal Coking Coal Mining Block in Jharia Coal Fields, Jharkhand State. RINL has also submitted application for allotment of non-coking coal mines in the State of Andhra Pradesh.

1.16 RINL is also making efforts to enter into joint ventures with coal mines abroad. In this regard, the Company has received proposal from some coal companies in Australia and United States of America for joint venture participation and further activity will be taken after scrutiny and due diligence.

1.17 The Committee had noted that utilisation of funds by Rashtriya Ispat Nigam Limited (RINL) in 2006-07 was subject to approval of Schemes like Coke Oven Battery No.4 (Phase-II), Pulverised Coal Injection and availability of mines. The Committee, therefore, desired that there should not be any procedural delay in clearing of the above schemes and early acquisition of iron ore and coking coal mines. The Ministry in its reply has stated that RINL having been declared a Mini-Ratna, is now in a position to speed up progress/complete the above schemes and its expansion programme is being monitored by a High Powered Committee at the level of Directors of the Board. The Ministry has further stated that RINL has applied for iron ore mining leases in Andhra Pradesh, Orissa and Chhattisgarh and for non-coking coal mines in Andhra Pradesh and is also making efforts to enter into joint venture with coal companies abroad.

The Committee appreciate that RINL by its relentless efforts has become a Mini-Ratna company and hope that with this status, RINL would be able to implement its expansion programme well in time. The Committee consider the expansion programme of RINL extremely vital as any slippage therein would irreparably blunting its competitive edge.

The Committee, therefore, desire though the progress of expansion programme is being monitored at RINL level, the Ministry also monitor the progress periodically at their level and take corrective steps wherever necessary.

The Committee are, however, pained to note that despite the best efforts being made by RINL and the Ministry, the acquisition of iron ore and coking coal mines has still remained a dream for it. The Committee are apprehensive that huge investment in expansion without assured linkages of raw material on long-term basis, RINL would not be able to realise its goals. The Committee strongly believe that the role of the Ministry as a facilitator becomes all the more important keeping in view the massive expansion programme of RINL.

The Committee, therefore, recommend the Ministry to act with sense of urgency and prepare a comprehensive plan for uninterrupted supply of raw material to RINL.

ACQUISITION OF MINES BY KIOCL

Recommendation (Sl.No.8, Para No.3.34)

1.18 The Committee had noted that Kudremukh Iron Ore Company Limited (KIOCL) had been allocated Rs.200 crore in BE 2006-07 for implementation of various new schemes/ongoing schemes as against Rs.225 crore in BE 2005-06 reduced to Rs.129.66 crore in RE-2005-06. The Committee felt that unlike the previous year, KIOCL should utilize the allocated amount of Rs.200 crore to retain its financial strength in the aftermath of Hon'ble Supreme Court direction to stop mining at Kudremukh. The Committee, therefore, desired that schemes/projects relating to acquisition and development of new mines should be given highest priority and incessant efforts should be made for the sustainability of the Company.

1.19 In its Action Taken Reply, the Ministry has stated that against an outlay of Rs.200 crore for 2006-07 an amount of Rs.155 crore had been earmarked towards 'Development of Permanent Railway Siding, Construction of bulk material handling facilities for receipt of iron ore by rail' and 'other Mine Development'. As certain claimants whose land was getting affected went to Court therefore, allotment of land for development of permanent railway siding and bulk material handling facilities, could not be done. Therefore expenditure under 'Development of Permanent Railway Siding' and 'Construction of bulk material handling facilities' may not be made as earmarked in 2006-07.

1.20 KIOCL has applied for mining lease in Ramandurg, Chikkanayakanahalli iron ore deposits in Karnataka and Khandadhar in Sundergarh District of Orissa. KIOCL has also signed an Memorandum of Understanding (MoU) with Steel Authority of India Limited (SAIL) to form a joint venture company to mine iron ore at Kalta, Taldih and Barsua mines in Orissa. KIOCL is giving the highest priority for acquisition and development of new mines which will enable the company to survive in future. In case of Ramandurg, the allotment is not being made due to a High Court stay in Karnataka. Also allocation of mining leases are a long term process. Therefore, the expenditure on development of some mines as earmarked may not be made in 2006-07.

KIOCL is making all out effort to utilize the maximum funds from the allocated amount to remain sustainable.

1.21 The Committee had earlier recommended that Kudremukh Iron Ore Company Limited (KIOCL) should give topmost priority in utilizing the allocated amount of Rs.200 crore in 2006-07 for accomplishing the schemes/projects relating to acquisition and development of new mines and relentless efforts be made for the sustainability of the Company. The Ministry of Steel in its reply has stated that Rs.155 crore out of Rs.200 crore earmarked under 'Development of Permanent Railway Siding' and

‘Construction of bulk material handling facilities’ may not be utilized due to litigation in this scheme. The Ministry has further stated that KIOCL has applied for mining lease in Karnataka and Orissa, entered into joint venture with Steel Authority of India Limited (SAIL) to mine iron ore at Kalta, Taldih and Barsua mines in Orissa and it is making all out efforts to utilize the allocated amount to remain sustainable.

The Committee note with concern that aftermath of Supreme Court direction to stop mining at Kudremukh, the future programmes and acquisition of new iron ore mines of KIOCL are either hindered by litigations or pending with the State Governments for want of clearances. This has been telling heavily on the financial health of the Company. The Committee are of the view that KIOCL has already suffered due to delay in granting of mining leases to KIOCL by the State Government and failure of the Ministry to resolve the deadlock on this issue. The Committee in their 10th Report had recommended that the Ministry to take steps in consultation with the Ministry of Law to explore the possibilities of setting up of special courts for speedy disposal of steel PSUs cases pending in various courts. The reply of the Ministry thereto is yet to be received.

The Committee, therefore, desire the Ministry of Steel to take up the matter with the Government of Karnataka at the highest level to endeavour for early hearing and decision in the court cases filed against KIOCL. The Committee also desire that possibility may be explored for out of court settlement in such cases.

The Committee also note that KIOCL has been left with very limited sources of iron ore and even the Memorandum of Understanding signed by it with SAIL to form a joint venture company to mine iron ore at Kalta, Taldih and Barsua Mines in Orissa, may not sail it through the present crisis. The Committee, therefore, desire KIOCL to explore other avenues and acquire and develop new mines as well as chalk-out road map for diversification of its activities.

The Committee also desire that the Ministry should take into account all these points while making budget estimates and not block the scarce national resources due to the schemes which are not likely to materialize during the year.

PERFORMANCE OF SAIL

Recommendation (Sl.No.12, Para No. 5.11)

1.22 The Committee had noted that the year 2004-05 was an exceptional year for the steel industry with demand outstripping the supply, which resulted in higher realization for steel products. However, in the year 2005-06, the demand for steel products was sluggish resulting in lower realization. The Committee further noted that though the steel production of Steel Authority of India Limited (SAIL) units was increasing since 2004-05, the net profit had declined from Rs.6817 crore in 2004-05 to Rs.3528 crore in 2005-06. The net profit was likely to decline further in 2006-07 to Rs.3106 crore. SAIL had planned to increase profit by taking various steps like focus on marketing strategies, improvement in product mix, use of alternate fuels in blast furnaces, acquisition of overseas coking coal mines and manpower rationalisation etc. The Committee were not satisfied with the reply of the Ministry that the proposed multiple interventions and its Corporate Plan 2012 would ensure competitiveness of SAIL to withstand the cyclic nature of steel industry.

1.23 The Committee in their 10th report on the Demands for Grants (2005-06) had cautioned that increasing cost of inputs coupled with cyclic nature of steel industry would put tremendous pressure on SAIL to improve its physical performance and recommended to revamp the corporate plan to suit the long-term requirements. The Committee were distressed to note that the measures taken by SAIL have not yielded the required benefits in arresting the decline in profit in 2005-06 and 2006-07.

1.24 The Committee, therefore, re-emphasized that the corporate plan be revamped and also effective short term and long-term measures be taken to enable SAIL to maintain its pre-eminent position.

1.25 The Committee further noted that one of the reasons advanced by the Ministry of Steel about decline in sales and consequent dipping of profits of domestic steel companies was further reduction in customs duty on finished products of steel from 10% to 5%. The Committee in their 10th Report had expressed their view that duty structure introduced in Budget 2005-06 was anomalous and it should be rolled back from 10% to 15% on finished refractory. The Ministry in pursuance to the Committee's recommendation had sent proposal to the Ministry of Finance. The Committee were unhappy to note that the Ministry of Steel had not only failed to convince the Ministry of Finance but also could not take up the matter effectively to prevent further reduction in customs duty.

1.26 The Committee were apprehensive that the extant customs duty structure would further jeopardize the domestic steel industry with the possibility of spurt in import of steel. The Committee, therefore, recommended the Ministry to vigorously pursue the matter at the highest level to safeguard the domestic steel companies from the dumping of cheaper steel.

1.27 In its Action Taken Reply, the Ministry has stated that the Corporate Plan 2012 aims at making SAIL a fundamentally strong company and retaining leadership position in the Indian steel industry. This is to be attained by increasing the hot metal production to 22.5 MT from current level of 14.5 MT.

Besides, a number of schemes have been identified to reduce cost of production by reduction in energy consumption, increase BF productivity, improve the quality of steel and also enrich the product-mix.

1.28 Schemes estimated around Rs.37000 crore would be taken up to attain the targets set under Corporate Plan 2012. SAIL has already initiated measures in this regard and around Rs.6000 crore worth projects are under various stages of implementation. In addition, approval is likely to be accorded for schemes costing around Rs 20,000 crore during 2006-07.

1.29 The benefit of the schemes would start flowing in only with the completion of identified schemes. However, in the intervening period fluctuations in costs such as price of steel, cost of key input material such as coking coal etc. will have an impact on the profits of the company. Profits of SAIL which was Rs.6817 crore in 2004-05 came down to Rs.4013 crore in 2005-06 mainly on account of fall of steel prices and higher cost of coking coal.

1.30 SAIL's plan to augment high value products and increase in the proportion of finished steel, will help in improving Sales realization. However, this can happen only after the schemes related to new mills, new SMS, continuous casting facilities and secondary refining are commissioned.

1.31 SAIL has also initiated measures to improve availability of domestic coking coal in collaboration with Coal India Limited (CIL) and substituting the imported hard coal with auxiliary fuel injections. While a number of blast furnaces have been provided with auxiliary fuel injection system, the rest of the blast furnaces will be provided with this facility after augmenting the oxygen availability.

1.32 With the implementation of major projects under Corporate Plan 2012, the company will be in a stronger position to withstand fluctuations emanating in output/input market. In the intervening years, the profits of the company can only be protected by fully exploiting the potential of available assets. SAIL is already improving its physical efficiency parameters on year-to-year basis. The break through in parameters however will be consequent to capital project programmes.

1.33 However, as suggested by the Committee, the plan for growth, quality and of cost competitiveness will be further explored in SAIL to grow in line with National Steel Policy and changing business scenario. The Plan would also be revised at an appropriate time considering the progress of the existing plan, changes in the market dynamics and trend in the macro environment.

1.34 As regards duty structure, in the general budget 2006-07 the customs duty on refractories as well as on the following raw material for manufacture of refractories has also been reduced to 7.5%. Ministry of Steel had recommended that duty on the entire range of materials used in the refractory industry should be brought down to a uniform level of 5%.

SNo.	Item	Tariff No.
1.	Natural Graphite powder	2504.10
2.	Aluminous Cement	2523.30
3.	Silicon Metal (99% purity)	2804.61
4.	Micro/Fumed Silica	2811.22
5.	Calcined Alumina	2818.20
6.	Brown fused Alumina	2818.20
7.	Sintered/Tabular Alumina	2818.20
8.	Fused Zirconia	2825.20
9.	Sodium Hexameta phosphate	2835.29
10.	Silicon Carbide	2849.20
11.	Boron carbide	2849.20
12.	Reactive Alumina	3802.90
13.	Phenolic Resin	3909.40
14.	Fused Silica	2811.12

1.35 In keeping with its commitments at the WTO the Government reduced the peak rates for all non-agricultural products from 20% to 15% in the General Budget 2005-06 and revised it further downwards to 12.5% in the General Budget 2006-07. Duty on all metals including alloy steel was reduced from 15% to 10% in General Budget 2005-06 and further reduced on alloy steel to 7.5% in the General Budget 2006-07. The import duty on iron ore, chrome ore and manganese ore has also been reduced from 5% to 2%.

1.36 Keeping in view the continuous erosion in the profit of Steel Authority of India Limited (SAIL) for the past three years, the Committee while examining the Demands for Grants (2006-07) had recommended the Ministry of Steel to revamp SAIL's corporate plan and take effective short-term and long-term measures to maintain its pre-eminent position.

The Ministry in its reply has stated that profits of SAIL which was Rs.6817 crore in 2004-05 came down to Rs.4013 crore in 2005-06 mainly on account of fall of steel prices and higher cost of coking coal. With the implementation of a number of schemes to reduce the cost of production and major projects under corporate plan 2012, SAIL will be in a stronger position to withstand fluctuations emanating in market. The Ministry has further stated that the corporate plan, as suggested by the Committee, would also be revised at an appropriate time considering the progress of existing plan, changes in market dynamics and trend in the macro environment.

While the Committee agree that fluctuation in costs such as price of steel, cost of key input materials such as coking coal etc. would have an impact on the profit, they are of the view that if no sincere and effective steps are taken, the profits which have seen an erosion of nearly 50 per cent in 2005-06, may go down further in the years to come. The Committee are unhappy at lackadaisical approach of the SAIL and are distressed to note that despite the Ministry having been cautioned by them in earlier recommendations, it has failed to take corrective steps to contain the decline in profits and to revamp corporate plan suitably by incorporating short-term and long-term measures to withstand the increasing cost of inputs coupled with cyclic nature of steel industry. The Committee, therefore, reiterate their recommendation that the Ministry should review and revamp SAIL's corporate plan for arresting huge decline in profits in the coming years.

The Committee note that a number of schemes have been identified to reduce cost of production by decreasing the energy consumptions, increase Blast Furnace productivity, improve the quality of steel and also enrich the product-mix. Besides, schemes relating to new mills, new SMS, continuous casting facilities and secondary refinery are required to be commissioned to improve sales realization. The Committee consider these steps quite significant for increasing production and reducing cost of production thereby increasing profits.

The Committee, therefore, desire the Ministry / SAIL to take up these schemes on priority basis for their speedy commissioning and implementation in the overall interest of the company.

The Committee also desire that before revamp of the schemes, it should also study as to how other steel producing countries of the world are meeting the challenge of cyclical nature of the industry and work out innovative schemes.

MERGER OF HSCL WITH SAIL

Recommendation (Sl.No.16, Para No.6.19)

1.37 The Committee had noted that the Committee of Secretaries had recommended for merger of Neelanchal Ispat Nigam Limited (NINL) with Steel Authority of India Limited (SAIL) and enabling actions were in progress. The Committee were of the view that the merger of steel PSUs with SAIL would bring far reaching benefits like consolidating their strength in terms of competitiveness and distribution of raw material among the steel PSUs etc.

1.38 The Committee also felt that while merging smaller companies with SAIL due considerations should be given to the economies and financial impact thereof on SAIL without ignoring the labour and social obligations entrusted to public sector undertakings in the country. The Committee, therefore, recommended that the merger of Bharat Refractories Limited (BRL) and NINL since accepted by the Government, should be expedited and completed in the time-bound manner. The Committee would like to reiterate their earlier recommendations on merger of Hindustan Steelworks Construction Limited (HSCL) with SAIL and desire that till a final decision is taken, the Ministry should endeavour to award new projects as well as work on modernization/upgradation of existing projects to HSCL in order to bail it out from financial crunch.

1.39 The Ministry of Steel in its Action Taken Reply has stated that selection of Merchant Banker for the valuation of NINL is currently going on by the Selection Committee comprising of the members at Director level from SAIL & NINL. Final decision on the merger issue of NINL with SAIL will be taken after the valuation of NINL. As regards merger of BRL with SAIL, it is submitted that the proposal has been sent to Board for Reconstruction of Public Sector Enterprises (BRPSE) for consideration.

1.40 In so far as merger of HSCL with SAIL is concerned, there is no such proposal under consideration of Government. HSCL is able to bag orders for new projects on its own merit. HSCL is approaching RINL/SAIL to secure work order in their modernization and upgradation programmes.

1.41 The Committee in their earlier report had recommended the merger of Hindustan Steelworks Construction Limited (HSCL) with Steel Authority of India Limited (SAIL) and also desired to award new projects to HSCL till a final decision is taken on the merger. The Ministry in its reply has stated that final decisions on the merger of Neelanchal Ispat Nigam Limited (NINL) will be taken after the valuation of NINL and proposal for merger of Bharat Refractories Limited (BRL) has been sent to Board for Reconstruction of Public Sector Enterprises (BRPSE) for consideration. The Ministry has further stated that there is no proposal under consideration for merger of

HSCL. As regards awarding new projects to HSCL, the Ministry has replied that HSCL has been able to bag work orders on its own merit.

The Committee appreciate that merger of BRL and NINL with SAIL is under process and therefore, desire the Ministry to pursue the matter vigorously and accomplish the task by the end of current financial year. As far as merger of HSCL is concerned, the Committee in their 13th Report had also reiterated that the Ministry might consider merger of HSCL with SAIL as it would provide an impetus to HSCL due to financial and managerial support of SAIL. The Committee express their strong displeasure that the Ministry has chosen to completely ignore their recommendation as they have not even examined the issue of merger but also failed to extend any helping hand to HSCL to secure work orders.

The Committee reiterate that mergers and the strategic acquisitions by the major companies all over the world has been resorted to consolidate their position in the International market. The Committee need not to emphasise that SAIL, a steel behemoth, should also strengthen its position in the National and International arena by way of merger and acquisition. The Committee, therefore, desire SAIL to seriously examine the issue and consider merger of HSCL with SAIL and furnish a status report thereof to the Committee within 3 months.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 1.10)

The Committee had observed that the steel industry, being a core sector, had a vital role in sustaining the pace of economic development. The Committee hoped that with the large scale modernization, huge investment in infrastructure, significant growth in the industrial sector, setting up of green-field and brown-field projects by domestic steel producers and entry of global steel producers, the Indian steel industry promises tremendous growth opportunities. The Committee were happy to note that the Government announced National Steel Policy (NSP) to create a modern and efficient steel industry of world standards.

The Committee, therefore, desired that the Government should bring proposed policy reforms as envisaged in NSP to facilitate further growth and expansion of steel sector by time bound improvement of infrastructure and effective measures to attract more investments including Foreign Direct Investments. The Committee also desired that considering the cyclical nature of steel industry, the Government should strategically prioritise the needs of Public Sector steel plants to ensure long-term and short-term profitability and sustainable growth.

Action Taken

The following strategy has been approved by the Government for the implementation of the National Steel Policy:-

(i) Ministry of Steel may identify all issues relating to infrastructure and refer them to the Planning Commission for being placed before the Committee on Infrastructure, which is headed by the Prime Minister, for decisions.

(ii) Other issues related to the implementation of NSP, requiring inter-Ministerial coordination, Ministry of Steel should whenever necessary refer such issues to the Committee of Secretaries and its recommendations should be put up for approval of the competent authority.

The Ministry is engaged in formulation of measures for attracting more investments in the steel sector which *inter-alia* include further liberalizing the External Commercial Borrowing (ECB) norms and devising fiscal incentives for the steel sector. In any case 100% Foreign Direct Investment (FDI) is allowed in the steel sector. The Ministry is also engaged in discussion with the State

Government concerned, major steel companies and associations for formulating action plan for development of infrastructure.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl. No.2, Para No. 2.1)

The Committee had hoped that the Ministry of Steel would implement the recommendations in a time bound manner which the Committee commented upon in their Thirteenth Action Taken Report. The Committee desired that the Ministry of Steel should furnish final replies to the recommendations (No.4 & 9) which were categorised as of interim nature. The Committee would like to be apprised of the Action Taken in this regard.

Action Taken

Based upon the recommendations of the Expenditure Reforms Commission (ERC) constituted by Ministry of Finance, an administrative decision was taken to close down the office of the Development Commissioner for Iron & Steel Organization (DCI&S) and its 4 regional offices located at New Delhi, Chennai, Mumbai and Kolkata w.e.f. 23.5.2003. The total strength of the organization at the time of closure of DCI&S organization was 226.

As on date out of 226 surplus staff, 151 have been separated leaving a balance of 75 surplus staff to be redeployed. Out of these 75 surplus staff, Directorate of Personnel and Training (DoP&T) has further issued redeployment orders in respect of 57 surplus staff and they will be relieved after receipt of offer of appointment from the accepting Departments/Offices. The remaining 18 surplus staff are also likely to be redeployed in the near future.

The progress of redeployment of surplus staff is being continuously monitored in the Ministry of Steel.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl. No. 5, Para No. 3.23)

The Committee had noted that the steel sector PSUs generated I&EBR for implementation of their various capital schemes. In the year 2006-07 SAIL, RINL, NMDC and KIOCL had been allocated Rs.1275 crore, Rs.1452 crore, Rs.150 crore and Rs.200 crore respectively from their I&EBR. The Committee observed that for implementation of Schemes and other investments in PSUs, generation of sufficient I&EBR and utilization of the same was equally essential. The Committee, however, noted the discouraging trend that the steel PSUs had not only failed to utilize the I&EBR as reflected in BE but also faltered in expending even the reduced amount earmarked at RE stage. The extent of reduction at RE stage in the year 2005-06 in respect of SAIL, RINL, NMDC and KIOCL was 21%, 71.50%, 32.29% and 42.38% respectively. The Committee were perturbed to note that in the year 2005-06, RINL and KIOCL had failed to utilize nearly 85% of their reduced allocation with SAIL and NMDC surrendering nearly 30% and 45% of their allocated funds. The Committee were extremely unhappy that though the Monitoring Committee headed by the Additional Secretary and Financial Advisor (Steel) had been reviewing the progress of fund utilization on bi-monthly basis, the PSUs were unable to overcome the obstacles in utilizing the allocated funds year after year.

While examining allocation and utilization of I&EBR by SAIL in the year 2005-06, the Committee noted that the Ministry had reduced the allocation of Rs. 1030 crore provided in BE to Rs. 815 crore in RE based on the progress of ongoing schemes and new proposals. The Committee were surprised to observe that SAIL had so far spent only Rs. 129.33 crore out of the allocated amount of Rs. 1165.01 crore constituting barely 11.13 per cent on the schemes scheduled to be completed before 31st March, 2007. The Committee considered the contention of the Ministry that no schemes got affected even after 21% reduction in allocation, entirely untenable and were of the view that there was not even the remotest possibility that SAIL would be able to utilize balance amount without further rescheduling of the targets.

The Committee felt that not only the Ministry floundered in reviewing the progress of various schemes but the monitoring mechanism of SAIL also failed to perform its functions effectively resulting in under utilization of funds year after year. The Committee also desired the Ministry to review the progress of utilization of funds at regular intervals and ensure speedy implementation of schemes and full utilization of funds.

Action Taken

For monitoring of the projects, Ministry of Steel regularly takes review meeting under the chairmanship of Secretary (Steel) every three months where the status of the implementation of Projects (Rs. 20 crore & above) are discussed and targets are set. The constraints and the time overruns are discussed and necessary steps are suggested for better implementation. In addition to this Additional Secretary & Financial Adviser of the Ministry also reviews I&EBR implementation periodically. Besides this in SAIL at the Corporate level, the Board Sub-committee comprising of two independent Directors, Director (Technical) and Managing Directors of Plants/Units has been constituted to review the major projects (Rs. 100 crore & above) on a quarterly basis.

The monitoring mechanism to review I&EBR in SAIL has been further strengthened. In addition to the monitoring of the projects on a day to day basis by the respective Project Managers, the Plant Project Heads (ED/GM In-charge) will review the projects on regular basis and the Plant Level Standing Committee comprising of ED (Projects)/Heads of Projects, ED (Works) and ED (F&A)/Head of Finance shall review the projects on a monthly basis. The Plant level Standing Committee will submit its action plan to Managing Directors/Chief Executives of the Plants for remedial actions, if any, to ensure that projects are completed in time as per schedule. Managing Directors/Chief Executives of the Plants will review projects every month for timely actions to complete projects within schedule. In sum the I&EBR monitoring mechanism has been strengthened to ensure speedy implementation of the schemes.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl. No. 6, Para No. 3.26)

The Committee had noted that Rashtriya Ispat Nigam Limited (RINL) had been allocated Rs.1452 crore in BE 2006-07, an increase of 162% as compared to Rs.895.75 crore in BE 2005-06 with the provisions of Rs.901 crore to implement the expansion scheme and Rs.60 crore for acquisition of iron ore mine and coking coal mine. The Committee further noted that the utilization of funds for Coke Oven Battery No.4 (Phase-II), Pulverized Coal Injection and acquisition of iron ore and coking coal mine was subject to approval and availability of mines which were extremely vital for RINL.

The Committee, therefore, desired that there should not be any procedural delay in clearing of the above schemes. The Committee also desired the Ministry to take effective steps to ensure early acquisition of iron ore and coking coal mines.

Action Taken

The Coke Oven Battery No.4 and Pulverized Coal Injection Schemes earlier required Government approval. With RINL having been declared a Mini-ratna, it is now in a position to exercise its enhanced financial powers for completing the above schemes in order to cut the procedural delays and this is expected to speed up progress. In the case of expansion scheme of RINL the first phase costing Rs. 6421 crore, which is expected to be completed by 27.10.2008, is being constantly monitored by a High Powered Committee consisting of Directors of the Board to ensure timely implementation.

RINL has applied for iron ore mining leases in the States of Orissa, Chhattisgarh and Andhra Pradesh. In case Mines are allotted, these have to be developed. RINL has been allotted Mahal Coking Coal Mining Block in Jharia Coal Fields, Jharkand State. RINL has also submitted application for allotment of non-coking coal mines in the State of Andhra Pradesh.

RINL is also making efforts to enter into joint ventures with coal mines abroad. In this regard, the Company has received proposal from some coal companies in Australia and United States of America for joint venture participation and further activity will be taken after scrutiny and due diligence.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Comments of the Committee

(Please See Para No. 1.17 Chapter – I of the Report)

Recommendation (Sl.No. 7, Para No. 3.31)

The Committee had found that in the year 2005-06, the allocation of funds to National Mineral Development Corporation (NMDC) had been drastically reduced from Rs.220.25 crore in BE to Rs.149.14 crore in RE with marginal increase to Rs.150 crore in BE 2006-07. The Committee observed that setting up of NMDC Iron and Steel Plant (NISP) envisaged in 9th Five Year Plan got spilled over to 10th Five Year Plan was yet to be commissioned due to non-availability of Romelt Technology. Another major project of NMDC *viz*. Ultra Pure Ferric Oxide (UPFO) plant at Visakhapatnam had ceased operation since April 2004 for want of market tie up. Further, the investment schemes *viz*. Rajasthan Lignite Scheme, Coal Project and Arki Limestone Project envisaged in Tenth Plan outlay involving Rs.401 crore had remained on paper. The Committee were extremely concerned at the performance of NMDC as not even a single scheme initiated by them in 10th Five Year Plan had been completed. The Committee were convinced that NMDC had taken up these schemes in an extremely casual manner without proper planning and feasibility studies.

The Committee, therefore, desired the Ministry to review the pending and proposed schemes of NMDC to ensure that only viable schemes were taken up after a detailed groundwork to avoid wasteful expenditure.

Action Taken

Ministry reviews the pending schemes of NMDC from time to time. Proposed schemes are also gone in details at the time of clearance.

The Committee’s suggestion for ensuring that only viable schemes are taken up after detailed groundwork to avoid wasteful expenditure has been noted by the Ministry.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl.No.11, Para No.5.3)

The Committee had noted that Steel Authority of India Ltd. (SAIL) as a whole achieved the full capacity utilization in the year 2005-06 showing satisfactory improvement over the year 2004-05. The Committee were, however, distressed to find that except Bhilai Steel Plant rest of the units have failed to utilize either their capacity or achieve their target. In the case of Hot Metal production for the year 2006-07, whereas Bhilai Steel Plant had anticipated production of 4900 tonnes against the capacity of 4080 tonnes, Rourkela Steel Plant's production would be barely 1650 tonnes against the capacity of 2000 tonnes. As regards the production of crude steel and saleable steel, whereas Bhilai Steel Plant would be producing at 120% of the capacity, both the Bokaro Steel Plant and Rourkela Steel Plant would be operating between 80%-90% of their capacity. The Committee were constrained to observe that on the one hand Bhilai Steel Plant's performance had been exceedingly well, the other units had been barely utilizing their capacity with Bokaro Steel Plant and Rourkela Steel Plant lagging behind. The Committee desired SAIL to undertake a detailed Performance Audit of the SAIL units to pinpoint the weak links in their entire production process and take corrective steps before the next financial year.

The Committee were unhappy to note that the targets had been fixed below the capacity by SAIL and most of its units except Bhilai Steel Plant. As reflected in the production plan 2005-06, the target production of both Hot Metal and Crude Steel was below the installed capacity for the SAIL units though in respect of Saleable Steel, the target at 11356 tonnes was marginally higher than the installed capacity of 11074 tonnes. The Committee were anguished to note the laidback approach of SAIL in the present era of fierce and aggressive competitive environment, particularly when the global steel industry was booming.

The Committee deprecated that the detailed production plan for 2006-07 was yet to be worked out and the provisional plan based on optimistic scenario has fixed the target just marginally higher than the installed capacity. The Committee were not happy at this lackadaisical approach of SAIL and felt that if Bhilai Steel Plant could exceed the capacity utilisation, the other SAIL units could perform equally well.

The Committee, therefore, emphasized that in the current scenario with stiff competition from private sector steel players and current volatile international market, SAIL should set higher targets and strive to scale new heights.

Action Taken

As desired by the Standing Committee on Coal and Steel, a Committee has been constituted in SAIL to undertake a detailed performance audit of SAIL plants, to pinpoint the weak links in the production process and take corrective steps.

The Committee will also study the production targets fixed for the plants vis-à-vis capacity and potential and suggest / examine steps to achieve higher level of performance.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl.No.12, Para No. 5.11)

The Committee had noted that the year 2004-05 was an exceptional year for the steel industry with demand outstripping the supply, which resulted in higher realization for steel products. However, in the year 2005-06, the demand for steel products was sluggish resulting in lower realization. The Committee further note that though the production of Steel Authority of India Limited (SAIL) units was increasing since 2004-05, the net profit had declined from Rs.6817 crore in 2004-05 to Rs.3528 crore in 2005-06. The net profit was likely to decline further in 2006-07 to Rs.3106 crore. SAIL had planned to increase profit by taking various steps like focus on marketing strategies, improvement in product, use of alternate fuels in blast furnaces, acquisition of overseas coking coal mines and manpower rationalisation etc. The Committee were not satisfied with the reply of the Ministry that the proposed multiple interventions and its Corporate Plan 2012 would ensure competitiveness of SAIL to withstand the cyclic nature of steel industry.

The Committee in their 10th report on the Demands for Grants (2005-06) had cautioned that increasing cost of inputs coupled with cyclic nature of steel industry would put tremendous pressure on SAIL to improve its physical performance and recommended to revamp the corporate plan to suit the long-term requirements. The Committee were distressed to note that the measures taken by SAIL had not yielded the required benefits in arresting the decline in profit in 2005-06 and 2006-07.

The Committee, therefore, re-emphasized that the corporate plan be revamped and also effective short term and long-term measures be taken to enable SAIL to maintain its pre-eminent position.

The Committee further noted that one of the reasons advanced by the Ministry of Steel about decline in sales and consequent dipping of profits of domestic steel companies was further reduction in customs duty on finished products of steel from 10% to 5%. The Committee in their 10th Report had expressed their view that duty structure introduced in Budget 2005-06 was anomalous and it should be rolled back from 10% to 15% on finished refractory. The Ministry in pursuance to the Committee's recommendation had sent proposal to the Ministry of Finance. The Committee were unhappy to note that the Ministry of Steel had not only failed to convince the Ministry of Finance but also could not take up the matter effectively to prevent further reduction in customs duty.

The Committee were apprehensive that the extant customs duty structure would further jeopardize the domestic steel industry with the possibility of spurt in import of steel. The Committee, therefore, recommended the Ministry to vigorously pursue the matter at the highest level to safeguard the domestic steel companies from the dumping of cheaper steel.

Action Taken

The Corporate Plan 2012 aims at making SAIL a fundamentally strong company and retaining leadership position in the Indian steel industry. This is to be attained by increasing the hot metal production to 22.5 MT from current level of 14.5 MT. Besides, a number of schemes have been identified to reduce cost of production by reduction in energy consumption, increase BF productivity, improve the quality of steel and also enrich the product-mix.

Schemes estimated around Rs.37000 crore would be taken up to attain the targets set under Corporate Plan 2012. SAIL has already initiated measures in this regard and around Rs.6000 crore worth projects are under various stages of implementation. In addition, approval is likely to be accorded for schemes costing around Rs. 20,000 crore during 2006-07.

The benefit of the schemes would start flowing in only with the completion of identified schemes. However, in the intervening period fluctuations in costs such as price of steel, cost of key input material such as coking coal etc. will have an impact on the profits of the company. Profits of SAIL which was Rs.6817 crore in 2004-05 came down to Rs.4013 crore in 2005-06 mainly on account of fall of steel prices and higher cost of coking coal.

SAIL's plan to augment high value products and increase in the proportion of finished steel will help in improving Sales realization. However, this can happen only after the schemes related to new mills, new SMS, continuous casting facilities and secondary refining are commissioned.

SAIL has also initiated measures to improve availability of domestic coking coal in collaboration with Coal India Limited (CIL) and substituting the imported hard coal with auxiliary fuel injections. While a number of blast furnaces have been provided with auxiliary fuel injection system, the rest of the blast furnaces will be provided with his facility after augmenting the oxygen availability.

With the implementation of major projects under Corporate Plan 2012, the company will be in a stronger position to with stand fluctuations emanating in output/input market. In the intervening years, the profits of the company can only be protected by fully exploiting the potential of available assets. SAIL is already improving its physical efficiency parameters on year-to-year basis. The break through in parameters however will be consequent to capital project programmes.

However, as suggested by the Committee, the plan for growth, quality and of cost competitiveness will be further explored in SAIL to grow in line with National Steel Policy and changing business scenario. The Plan would also be revised at an appropriate time considering the progress of the existing plan, changes in the market dynamics and trend in the macro environment.

As regards duty structure, in the general budget 2006-07 the customs duty on refractories as well as on the following raw material for manufacture of refractories has also been reduced to 7.5%. Ministry of Steel had recommended that duty on the entire range of materials used in the refractory industry should be brought down to a uniform level of 5%.

SNo.	Item	Tariff No.
1.	Natural Graphite powder	2504.10
2.	Aluminous Cement	2523.30
3.	Silicon Metal (99% purity)	2804.61
4.	Micro/Fumed Silica	2811.22
5.	Calcined Alumina	2818.20
6.	Brown fused Alumina	2818.20
7.	Sintered/Tabular Alumina	2818.20
8.	Fused Zirconia	2825.20
9.	Sodium Hexameta phosphate	2835.29
10.	Silicon Carbide	2849.20
11.	Boron carbide	2849.20
12.	Reactive Alumina	3802.90
13.	Phenolic Resin	3909.40
14.	Fused Silica	2811.12

In keeping with its commitments at the WTO the Government reduced the peak rates for all non-agricultural products from 20% to 15% in the General Budget 2005-06 and revised it further downwards to 12.5% in the General Budget 2006-07. Duty on all metals including alloy steel was reduced from 15% to 10% in General Budget 2005-06 and further reduced on alloy steel to 7.5% in the General Budget 2006-07. The import duty on iron ore, chrome ore and manganese ore has also been reduced from 5% to 2%.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Comments of the Committee

(Please See Para No. 1.36 Chapter – I of the Report)

Recommendation (Sl.No.13, Para No. 5.15)

The Committee had noted that Rashtriya Ispat Nigam Ltd. (RINL) had installed capacity to produce 3 million tons per annum of liquid steel and is operating at production levels of about 4.1 million tonnes (mt) hot metal, 3.5 mt of liquid steel and 3.1 mt of saleable steel, representing capacity utilization levels of 119%, 117% and 119% respectively. Though RINL had fulfilled the Memorandum of Understanding target by more than 100%, the production target set for the year 2005-06 and 2006-07 was marginally higher than the preceding years. The Committee further noted that the profit of RINL was expected to decline from Rs.2008.09 crore in 2004-05 to Rs.1032.74 crore in 2005-06 and Rs.592.00 crore in 2006-07. The Committee also noted that the operating cost of the RINL had increased from Rs.5507.07 crore in 2004-05 to Rs.6710.10 crore in 2005-06 and Rs.7646.56 crore in 2006-07. The Ministry had advanced the reasons such as sluggishness in market, higher price of iron ore and coking coal for increasing operating cost and declining profits. The Ministry had further stated that RINL was planning to augment profits by improving the techno-economic factors, implement cost control measures, improve productivity and acquisition of iron ore and coal mines.

The Committee were of the view that had RINL acted with foresight and taken the essential measures *viz*. increasing sale of value-added products, expanding customer base and future contract with consumers, it could have stemmed the steep decline in profit in 2005-06 and 2006-07. The Committee, therefore, recommended that RINL should devise long term strategic plan keeping in mind the uncertainty of steel industry and take efforts pro-actively to contain the operating cost and ensure consistency in profits.

Action Taken

The major increase in operating expenditure for the year 2005-06 as compared to 2004-05 was due to increase in major raw material prices like imported coking coal and iron ore. Due to increase in prices of imported Coking Coal the Company had to incur additional expenditure of about Rs.577 crore. Unilateral increase of Iron Ore prices by M/s National Mineral Development Corporation accounted for an increase in expenditure of about Rs.389 crore. Thus, these two raw materials alone brought down the operating profit by about Rs. 966 crore.

The Company was subjected to Minimum Alternative Tax(MAT) in the year 2004-05 @ 7.84% due to carry forward losses of earlier years. In the year 2005-06, the Company wiped out the entire carry forward losses in advance and turned into a net positive Company. Thus the Company had to pay regular Income Tax @ 33.66% in the year 2005-06 as against MAT of 2004-05. This has resulted in increase in Income Tax component by Rs.388 crore.

The initiatives taken for improving performance in the future years are as follows:

1. It is proposed to improve the production of Hot Metal to 4.25 Mt and Saleable Steel to 3.315 Mt in 2006-07 against 4.153 Mt and 3.237 Mt respectively achieved during the year 2005-06.
2. Production of value added steel to be increased to 1.2 Mt in 2006-07 from the level of 0.8 Mt in 2005-06.
3. Increase of sales to end users and project customers by 10% and increasing customer base by 5% for original equipment manufacturers.
4. Adding value to the end products through Service Centres for supplying customized products to the customers.
5. Maintaining strategic presence in Export market for export of Iron & Steel products.
6. Dynamic decision-making on domestic and export sales for optimizing sales and revenue.
7. Enlisting more authorized dealers to reach actual users including rural areas.
8. Appointment of Consignment Agents in Middle East, Sri Lanka etc., to take advantage of increasing market potential through exports.
9. To match export of steel from VSP with Cumulative Annual Growth Rate (CAGR) of over 13% projected for exports in the National Steel Policy.
10. To produce 60% of production based on customers orders.

Cost Reduction Initiatives

1. Optimization of the blend composition of Imported Coking Coal , Imported Coking Coal Soft and Medium Coking Coal at Coke Ovens.
2. Maintaining gross coke yield at coke ovens and improve yields of ammonium sulphate, crude tar and crude benzol.
3. Improvement of yields of tar distillation and benzol distillation.
4. Reduction in consumption of iron ore fines by improving usage of metallurgical wastes.
5. Reduction in consumption of flux at Sinter Plant by improving usage of LD slag.
6. Optimize usage of coke dust at Sinter Plant.
7. Reduction in carbon rate at Blast Furnace.
8. Improvements in average converter life, average ladle life and average tundish life.
9. Optimizing the input mix (hot metal/steel scrap/pig iron) at Steel Melting Shop.
10. Reduction in defectives generation.
11. Reduction in consumption heat & power at Coke Oven, Sinter Plant, Blast Furnace, Steel Melting Shop, Mills, Air Separation Plant (ASP) and Turbo Power Plant.
12. Reduction in maximum demand and gross import of power.

13. Maximizing the recovery of by-product gaseous fuels viz., Coke Oven gas, Blast Furnace gas and LD gas.
14. Replacing coal tar fuel with Coke Oven gas at Calcine Refractory Material Plant (CRMP).
15. Maximize the recycling of waste materials – benzol muck and tar sludge.
16. Conservation of water.
17. Improving power generation from Gas Expansion Turbine Sets (GETS) by reducing BF gas network pressure.
18. Increasing LD Gas yield by commissioning of 4th stream.
19. To improve production, productivity and effect cost reduction several Additions Modifications and Rectification schemes are planned.
20. Entrepreneurial Resource Package to be introduced for Marketing and Finance for providing better services to customers and making on line Management Information System available.

Raw Material Security

1. Mahal Coal Block is being explored for commercial exploitation to partly replace Imported Coking Coal.
2. Efforts for acquiring Coal Mines abroad is continuing and process of appointment of Consultants is on to evaluate the offers received.
3. Efforts are also on to acquire Iron Ore Mines.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl.No.14, Para No.5.3)

The Committee in their 10th report on the Demand of Grants (2005-06) had deprecated the utter lack of concern for R&D in the Ministry of Steel as no allocation was made for the same in the year 2005-06 and miniscule expenditure of Rs. 22.22 crore was incurred till then in 10th plan period as against the allocated fund of Rs. 750 crore later reduced to Rs. 300 crore. The committee had, therefore, emphasized the indispensability to invigorate the R&D in steel sector. The Committee noted that in pursuance of their recommendation, the Ministry constituted a Task Force to review the existing institutional infrastructure, identify the gaps, identify the present/future needs of the industry and to suggest a blue print for setting up an Advanced Research Centre for Iron & Steel for innovative and path breaking technology to utilize domestically available resources. The Task Force recommended creation of a virtual center namely Steel Research and Development Mission (SRDM), a registered society, comprising of eminent scientists/technologists/professionals, leading industrialists and one representative from the Ministry of Steel and Ministry of Science and Technology.

The Committee hoped that the creation of Steel Research and Development Mission (SRDM) is a step in the right direction to address the various issues starting at steel industry. The Committee desired that concerted efforts should be made to enable the SRDM to complete the task assigned to it in a time bound manner in order to achieve and sustain technological excellence.

The Committee also noted that some pending research proposals awaiting clearances were at various stages of examination. The Committee was deeply anguished to note that in the year 2005-06 a paltry sum of Rs. 29 lakh has been released from the SDF for the approved projects.

The Committee, therefore, reiterated that the processes and procedures involved in the clearance of the proposals needs to be simplified for speedy and efficient disposal. The Committee also desired that in order to have technology that suits the domestic steel sector with the available domestic inputs, network of R&D might be expanded with active participation of interested foreign research and academic institutions.

Action Taken

The suggestions have been noted and corrective actions are being taken.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

CHAPTER III

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

Recommendation (Sl. No. 9, Para No. 4.7)

The Committee had observed that an outlay of Rs.11044 crore (I&EBR of Rs.10979 crore and Budgetary Support of Rs.65 crore) provided in 10th Five Year Plan of the Ministry of Steel with the aim of achieving the major thrust areas *viz.* improving the profitability of the Steel PSUs and facilitating the domestic steel sector to overcome the problems faced by it at the beginning of the Plan period. In the Mid-term Appraisal, the Plan outlay was scaled down by 24% from Rs.11044 crore to Rs.8476.88 crore (I&EBR of Rs.8411.68 and Budgetary Support of Rs.65 crore). The reasons advanced by the Ministry for reduction were depressed market condition and adverse financial position upto 2002-2003, reprioritization and deferment of schemes, lesser expenditure on Research and Development, delay in execution of certain schemes of National Mineral Development Corporation (NMDC) and Kudremukh Iron Ore Company Ltd (KIOCL).

The Committee were constrained to note that the total expenditure during the first four years of the 10th Plan was Rs.2847.89 crore which came to merely 34% of approved outlay. Two major PSUs viz. SAIL and RINL could spent 53.79% and 21.33% only of their revised plan outlay. The Committee were anguished that in the terminal year of the 10th Five Year Plan, the Ministry still had an unspent balance of Rs.5628.99 crore. The Committee were deeply concerned about the possible impact of failure of the Ministry to expend the allocated amount on modernization and expansion plans of the steel PSUs.

The Committee, therefore, desired the Ministry to speed up the implementation of schemes to ensure maximum utilization of funds in 2006-07 and to focus on achieving the targets fixed in 10th Five Year Plan. The Committee also desired the Ministry to identify the constraints that had been responsible for lesser utilization of funds during 10th Five Year Plan and prepare a strategy to address the same while formulating and implementing the 11th Five Year Plan.

Action Taken

As desired by the Committee, all efforts are being made by the Ministry to speed up the implementation of schemes to ensure maximum utilization of funds in 2006-07. Towards this end, the utilization of Plan outlays by the PSUs is already being reviewed by the Ministry in the quarterly review meetings with the PSUs.

The lesser utilization of funds during the first four years of the 10th Five Year Plan is primarily due to the low expenditure incurred on Plan schemes &

projects by five PSUs viz. SAIL, NMDC, RINL, KIOCL and MOIL, each of whose 10th Plan approved outlay was more than Rs.100.00 crore. The constraints/reasons for low utilization of the approved outlay in respect of these five PSUs is given in the table below:

Name of PSU	**First Four Years of 10th Five Year Plan (2002-03 to 2005-06)**		**Constraints/ Reasons for low utilization of Plan Outlay vis-à-vis Approved Outlay**
	Approved Outlay *(Rs. in crore)*	**Actual Expenditure** *(Rs. in crore)*	
1	2	3	4
1. SAIL	2780.00	2022.98 (73%)*	Delay in design & engineering, in equipment supply by contractors, in firming up the cost of schemes/projects and in civil & structural work relating to various schemes & projects of SAIL.
2. NMDC	1550.75	346.21 (22%)*	Delay/ Non-availability of forest, environmental and statutory clearances for schemes/ projects and delay in the finalization of alternate technology for NMDC Iron & Steel Plant.
3. RINL	1478.00	283.89 (19%)*	Delay by Original Equipment Manufacturers (OEM) and suppliers affecting implementation of AMR schemes; delay in approval from the Government for COB-4 and capacity expansion schemes resulting in envisaged plan expenditure not taking place and non-allotment of Iron Ore and Coking coal mines due to state policies of allotment of mines only on the basis of value addition within the States.
4. KIOCL	442.00	61.62 (14%)*	As per Hon'ble Supreme Court's directive, mining had to be stopped at Kudremukh by the end of Dec., 2005, which adversely affected the Plan schemes of KIOCL resulting in reduced expenditure on Plan schemes. Utilisation of Plan funds has also suffered due to dispute over land allotted to the company, lack of mining lease with the company for Other Mine Development scheme and delay in formation of joint venture.
5. MOIL	113.46	64.25 (57%)*	MOIL was slated for disinvestment and the process was under active consideration during the years 2002-03 & 2003-04. Consequently, investment decision/action on major Plan schemes/ projects envisaged in the 10th Plan of the company could not be taken.

* *Figure in bracket indicates the actual expenditure as a percentage of approved outlay.*

To address the issue of low utilization of Plan outlays during the 10th Plan and to ensure maximum utilization of funds in the 11th Five Year Plan, the following approach is proposed to be adopted by the Ministry of Steel:

(i) While formulating the 11th Plan, all efforts will be made to ensure that the projections of Plan outlay of the PSUs are on a realistic basis, keeping in view the trend of previous expenditure, stage of implementation, availability of statutory clearances, etc. of the schemes/ projects of the PSUs proposed to be included in the 11th Plan.

(ii) During the implementation of the 11th Plan, rigorous monitoring will be done to ensure that funds are utilized for the schemes/projects for which they have been earmarked. As mentioned earlier, a monitoring mechanism has already been put in place in the Ministry under which quarterly review meetings with the PSUs on utilization of Plan outlays is being taken by AS&FA (Steel).

However, since the PSUs enjoy autonomy in the formulation and implementation of Plan schemes & projects, they are better situated to identify and address the constraints in the formulation and implementation of their scheme/projects, and thereby in the utilization of funds. Simplification of procedures to cut short delays in the procurement of goods and services, improvement in the process of awarding project related work, early finalization of technology tie-ups, timely preparation of feasibility studies etc. would contribute to speedy implementation of schemes and, therefore, to better utilization of funds. Therefore, the PSUs would be required to streamline their system and processes to supplement the efforts of the Ministry to ensure maximum utilization of Plan outlays during the 11th Plan.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl.No.17, Para No. 6.24)

The Committee had noted that Global Steel demand in 2006 might register a growth rate of 4.5%. The domestic steel industry was also expected to achieve higher growth rate as the domestic economy started to register higher growth rates. As against unfair competition from imports, the domestic steel industry would be protected by taking various steps like Anti-dumping, anti-subsidy and safeguard actions. As far as raw material particularly escalating demand of Coking Coal was concerned, the steel industry would face tremendous pressure owing to expanding steel sector. The Committee also noted that with the announcement of National Steel Policy to achieve indigenous production of 110 Million Tonnes (MT) per annum by 2019-20 from the 2004-05 level of 38 MT, Government was gearing up its mechanism to address all the issues which may hamper the growth and development of the steel industry.

The Committee noted that the steel players were willing to invest in domestic steel industry and set up production capacity of more than 200 MT by 2019-20 as admitted by the Secretary during the course of oral evidence but the cumbersome procedures and inordinate delay in various clearances *viz*. forest/environment clearance, grant/renewal of mining lease hampered not only the growth of steel industry but also economy of the country.

The Committee were constrained to observe that while NSP had pegged the total steel production at 110 MT by 2019-20, the investment proposals had already been in the pipeline for more than 200 MT. The Committee were optimistic that the investment scenario of the country was capable of attracting more investment and the capacity for production of steel might well exceed 200 MT per annum. The Committee were not sure whether NSP envisaged the provision of required infrastructure and related facilities.

The Committee, therefore, desired the Ministry to address all the issues including adjustment in NSP, related to domestic steel industry with serious commitment and create investor-friendly environment in order to harness the potential for achieving more than 200 MT production of steel per annum by 2019-20.

Action Taken

The production target of 110 MT by 2019-20 has been based on modest projection keeping in mind the cyclicity in the steel market. While it is a fact that intentions have been expressed by entrepreneurs for setting up large steel capacities both in the brownfield and the greenfield modes, most of the optimism is based on the present buoyancy of the steel market. The Government would continue to assess the growth prospect of the steel sector and would be taking appropriate steps for facilitating creation of required infrastructure and related facilities.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

CHAPTER IV

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

Recommendation (Sl. No.3, Para No. 3.10)

The Committee had noted that the Ministry proposed the annual plan outlay of Rs.3728.49 crore including Budgetary Support of Rs.82.50 crore for the year 2006-07. The Planning Commission had, however, approved an outlay of Rs.3172.30 crore with Budgetary Support of Rs.45 crore. As a sequel to reduction in approved outlay the Internal and Extra Budgetary Resources (I&EBR) allocation in respect of Kudremukh Iron Ore Company Ltd. (KIOCL) came down from Rs.335 crore to Rs.200 crore and in the case of National Minerals Development Corporation (NMDC) from Rs.387.49 crore to Rs.150.00 crore. The I&EBR allocation for Manganese Ore India Ltd. (MOIL) had been reduced from Rs.71.29 crore to Rs.48.50 crore whereas in the case of Bird Group of Companies (BGC), it stood reduced from Rs.43.25 crore to Rs.25 crore. The provision of Budgetary Support had been made for Hindustan Steelworks Construction Ltd. (HSCL), MECON Ltd. and Bharat Refractories Ltd. (BRL) as these companies were unable to generate I&EBR. In the approved outlay, however, Budgetary Support of MECON Ltd. had been reduced from Rs. 67.50 crore to Rs. 30 crore.

The Committee observed that the projection of estimates for BE 2006-07 were unrealistic and unattainable as the Ministry had failed to convince the Planning Commission to allocate the funds as projected by KIOCL, NMDC, MOIL and MECON Ltd. The Committee in their 10th report had recommended that the Ministry should make realistic estimates and allocate funds at BE stage itself instead of resorting to provision of funds at RE stage. The Committee had little doubt that reduction in allocation was going to adversely affect the performance of the PSUs.

The Committee, therefore, recommended the Ministry to approach the Planning Commission with ample justification to provide sufficient funds at revised estimates stage as per the needs of PSUs. The Committee once again emphasized that the realistic projections and allocation of sufficient funds for PSUs are essential for sustained progress of steel industry and therefore, reiterated their earlier recommendations for immediate corrective measures in this direction.

Action Taken

The plan outlay for 2006-07 proposed by NMDC, KIOCL, MOIL & Bird Group had been reduced by Planning Commission, in consultation with Ministry of Steel, since it was felt that the proposed outlays of these 4 Companies were on the higher side and not realistic taking into account the trend of past expenditure and the current status of the proposals. The 3 PSUs and Bird Group (a Govt. managed company) were consulted and they had agreed to the suggested reduction in their respective outlays. Since the plan outlay allocations for 2006-07 were reduced with the consent of these Companies, the reduced outlays are not expected to adversely affect their performance. However, if there are justifications for increasing the outlay for 2006-07 in respect of these Companies, the Ministry would approach Planning Commission at the RE stage for increased allocations as per the needs of the Companies.

In respect of MECON, Ministry of Steel had proposed an amount of Rs.101.00 crore (based on the revised restructuring proposal for MECON; initial proposal was for Rs.67.50 crore) as Plan budgetary support for equity investment in MECON in 2006-07. However, Planning Commission approved only Rs.30.00 crore and the release of this amount in 2006-07 is subject to the approval of MECON's restructuring proposal by the competent authority. As and when the restructuring proposal for MECON, which is presently under consideration of the Government is approved, the necessary funds required to implement the restructuring of MECON would be made available.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Comments of the Committee

(Please See Para No. 1.11 Chapter – I of the Report)

Recommendation (Sl.No.8, Para No.3.34)

The Committee had noted that Kudremukh Iron Ore Company Limited (KIOCL) had been allocated Rs.200 crore in BE 2006-07 for implementation of various new schemes/ongoing schemes as against Rs.225 crore in BE 2005-06 reduced to Rs.129.66 crore in RE-2005-06. The Committee felt that unlike the previous year, KIOCL should utilize the allocated amount of Rs.200 crore to retain its financial strengthen in the aftermath of Hon'ble Supreme Court direction to stop mining at Kudremukh. The Committee, therefore, desired that schemes/projects relating to acquisition for development of new mines should be given highest priority and incessant efforts should be made for the sustainability of the Company.

Action Taken

Against an outlay of Rs.200 crore for 2006-07 an amount of Rs.155 crore had been earmarked towards 'Development of Permanent Railway Siding' 'Construction of bulk material handling facilities for receipt of iron ore by rail' and 'other Mine Development'. As certain claimants whose land was getting affected, went to Court therefore, allotment of land for development of permanent railway siding and bulk material handling facilities, could not be done. Therefore expenditure under 'Development of Permanent Railway Siding' and 'Construction of bulk material handling facilities' may not be made as earmarked in 2006-07.

KIOCL has applied for mining lease in Ramandurg (Karnataka), Chikkanayakanahalli iron ore deposits in Karnataka and Khandadhar in Sundergarh District of Orissa. The company has also signed an MOU with Steel Authority of India Limited to form a joint venture company to mine iron ore at Kalta, Taldih and Barsua mines in Orissa. Kudremukh Iron ore Company Limited is giving the highest priority for acquisition and development of new mines which will enable the company to survive in future. In case of Ramandurg, the allotment is not being made due to a High Court stay in Karnataka. Also allocation of mining leases are a long-term process. Therefore, the expenditure on development of some mines as earmarked may not be made in 2006-07.

KIOCL is making all out effort to utilize the maximum funds from the allocated amount to remain sustainable.

Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Comments of the Committee

(Please See Para No. 1.21 Chapter – I of the Report)

Recommendation (Sl.No.16, Para No.6.19)

The Committee noted that the Committee of Secretaries recommended for merger of Neelanchal Ispat Nigam Limited (NINL) with Steel Authority of India Limited (SAIL) and enabling actions were in progress. The Committee were of the view that the merger of steel PSUs with SAIL would bring far reaching benefits like consolidating their strength in terms of competitiveness and distribution of raw material among the steel PSUs.

The Committee also felt that while merging smaller companies with SAIL due considerations should be given to the economies and financial impact thereof on SAIL without ignoring the labour and social obligations entrusted to public sector undertakings in the country. The Committee, therefore, recommended that the merger of BRL and NINL since accepted by the Government, should be expedited and completed in the time-bound manner. The Committee would like to reiterate their earlier recommendations on merger of

HSCL with SAIL and desire that till a final decision is taken, the Ministry should endeavour to award new projects as well as work on modernization/upgradation of existing projects to HSCL in order to bail it out from financial crunch.

Action Taken

Selection of Merchant Banker for the valuation of NINL is currently going on by the Selection Committee comprising of the members at Director level from SAIL & NINL. Final decision on the merger issue of NINL with SAIL will be taken after the valuation of NINL. As regards merger of BRL with SAIL, it is submitted that the proposal has been sent to Board for Reconstruction of Public Sector Enterprises (BRPSE) for consideration.

In so far as merger of HSCL with SAIL is concerned, there is no such proposal under consideration of Government. HSCL is able to bag orders for new projects on its own merit. HSCL is approaching RINL/SAIL to secure work order in their modernization and upgradation programmes.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Comments of the Committee

(Please See Para No. 1.41 Chapter – I of the Report)

CHAPTER V

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

Recommendation (Sl.No.4, Para No.3.16)

The Committee were constrained to note that despite their earlier recommendations made in the 10th Report on Demands for Grants (2005-06), the Ministry is yet to clear the restructuring proposal of MECON Ltd.

The Committee felt that inordinate delay in clearing of the proposal had already resulted in substantial reduction in budgetary support to this ailing undertaking by Planning Commission and any further delay would seriously impair the performance of MECON Ltd. The Committee, therefore, reiterated that the restructuring proposal of MECON Ltd. should be cleared at once so that the budget earmarked for the purpose could be spent and the funds reduced by the Planning Commission could be sought at RE stage.

Action Taken

The Ministry has circulated Draft Cabinet Note to the concerned Ministries/Departments of Government of India for their comments. After receipt of their comments the matter will be taken up at the Cabinet in due course.

[Ministry of Steel O.M.No.H-110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl.No.10, Para No.4.9)

The Committee had found that despite the budgetary support amounting to Rs.51 crore to HSCL, MECON Ltd. and BRL in 10th Five Year Plan period, these PSUs had still not been able to generate I&EBR. The Committee noted that the Ministry had sent a comprehensive proposal to the Board for Reconstruction of Public Sector Enterprises (BRPSE) based on the diagnostic study conducted by a consultant on future viability of HSCL. A report on Business Plan-cum-Viability study of BRL was also under consideration of the Ministry.

The Committee, therefore, desired the Ministry to revamp/restructure HSCL and BRL in the light of the studies conducted in this regard and prepare a road map to make them profitable.

Action Taken

Due to accumulated losses HSCL, MECON Ltd. and BRL have not been able to generate I&EBR.

In case of HSCL, the Ministry has already submitted a comprehensive proposal to the BRPSE seeking its recommendations. On receipt of recommendations from BRPSE further action will be taken up accordingly.

As regards BRL, it is submitted that a comprehensive proposal, based on the Business Plan-cum-Viability Study prepared by MECON Ltd. has been prepared and will be placed before the BRPSE shortly for its recommendations.

It is also submitted that physical and financial performance of HSCL, BRL and MECON Ltd. has improved during 2005-06 over 2004-05.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

Recommendation (Sl.No.15, Para No.6.17)

The Committee had noted that availability of critical inputs such as iron ore, coking and non-coking coal in required quantity and quality determines the fate of the steel companies. The Committee also noted that the financial strength of SAIL beyond 2012 would mainly depends on renewal of existing mining leases at Chiria and Rowghat pending with State Government of Chhattisgarh, Jharkhand and Orissa for more than a decade. Further, RINL did not have adequate linkages of raw material for the next 20 years and NMDC's expansion programme had been hanging fire for many years due to inordinate delay in approval/clearances of Kumarswamy, Bailadilla and Ramandurg mining leases. The NMDC too was heading towards crisis as renewal of three leases which meets 80% of its requirement were pending with Orissa Government and KIOCL which was craving for iron ore mines to continue its pellet operation was also caught in the web of pending renewal of mining leases.

The Committee had earlier recommended that a High Powered Committee might be constituted for speedy renewal of mining leases including Chiria and Rowghat for SAIL and Bellary-Hospet for KIOCL and expediting various clearances required from other Ministries and the State Governments. The Committee noted that although the Project Coordination Group under the Chairmanship of the Minister of Steel had been functioning since October 2004, no visible improvement had been noticed in the system.

The Committee felt that the Ministry had failed to play its role of facilitator since most of the steel PSUs were facing the problem of availability of raw material in the absence of clearances required for mining lease/renewal of mining lease. The Committee, therefore, desired the Ministry to address the issue with utmost seriousness and bail out the steel PSUs by expediting the clearance of the mining leases.

The Committee further noted that regarding grant of preference to the steel PSUs in the award of mining lease, an Expert Group constituted by the Ministry of Steel *inter-alia* recommended that existing steel plants in the Public Sector should be given higher priority. The Ministry had referred the recommendations of the Expert Group and Dang Committee report on export, procedure/renewal of leases, etc. along with its views to a High level Committee constituted in Planning Commission for a comprehensive review of the National Mineral Policy and MMDR Act.

The Committee desired that National Mineral Policy and MMDR Act should be suitably amended in order to give preference to the steel PSUs in grant/renewal of mining lease and time-bound approval of forest/environment clearances.

Action Taken

The existing requirement of iron ore for SAIL Steel Plants is being met from its captive sources located in the States of Jharkhand, Orissa and Chhattisgarh. Beyond 2011-12, the increased requirement of iron ore is planned to be met from captive mines of SAIL. To meet this requirement SAIL has planned for development of new mines including Rowghat and Chiria and expansion of some of the mines. Rowghat would supply iron ore to Bhilai Steel Plant (BSP) and Chiria to Bokaro Steel Plant (BSL), Durgapur Steel Plant (DSP), Rourkela Steel Plant (RSP) & IISCO Steel Plant (ISP). Development of these mines by 2011-12 is critical for ensuring uninterrupted supply of raw material inputs. Therefore renewal of mining leases of Chiria and grant of mining lease of Rowghat are of critical importance for SAIL.

The Government of Jharkhand had earlier in December, 2004, cancelled three out of ten Iron Ore leases at Chiria and Gua in West Singhbhom district of Jharkhand, against which SAIL approached the Mines Tribunal, which gave its order in favour of SAIL. These issues are presently pending in the Ranchi High Court. In spite of efforts made by SAIL & Ministry of Steel, renewal of leases has been getting delayed on account of the stand taken by the State Government. The issue of renewal of mining leases of Chiria were taken up by Hon'ble Steel Minister with Chief Minister, Jharkhand and Secretary, Steel with Chief Secretary, Jharkhand in various meetings. Intense efforts are underway to resolve these iron ore mining lease issues amicably.

Deposit 'F' of Rowghat in Kanker District consists of seven sub-blocks namely Raodongri, Block-A, Tarhur, Anjrel, Koragaon, Kharkagaon & Tarkrel. The Ministry of Mines vide Gazette Notification dated 3.12.2004 had reserved only six sub-blocks namely Block-A, Tarhur, Anjrel, Koragaon, Kharkagaon & Tarkrel of 'F' block deposit of Rowghat excluding Raodongri, over an area of 1702.70 hectares for 10 years in favour of Steel Authority of India Limited (SAIL).

Later on Ministry of Steel had requested the Ministry of Mines to reserve the entire 'Deposit-F' in favour of SAIL which has been agreed to, and a Gazette Notification dated 20th July, 2006 was issued by Ministry of Mines reserving an area of 2028.797 hectares (including Raodongri) for undertaking prospecting or mining operations through SAIL for ten years. However the latitude & longitude shown in the notification was not in line with the latitude & longitude of Deposit-F. Now Ministry of Mines has issued the required corrigendum on 8th September, 2006. SAIL will now request Government of Chhattisgarh for a consent letter consisting of lease boundary details for an area of 2028.797 hectares and expedite further action in this regard.

Issues related to mining lease / forest clearance are to be discussed in the Project Coordination Group, as and when raised by the Steel PSUs.

A committee under Joint Secretary (Steel) has been constituted to monitor the expansion programme of NMDC. Representatives from Ministry of Mines, Ministry of Environment and Forests, State Government of Chhattisgarh, State Government of Orissa, State Government of Karnataka are the members of this committee. Till now two meetings of the committee have been convened. Ministry of Steel has taken up the issues of mining lease/environment/forest clearance of different PSUs with the concerned State Governments/Ministry of Mines/Ministry of Environment & Forests.

The High Level Committee constituted in Planning Commission under the Chairmanship of Shri Anwarul Hoda Member (Planning Commission) for a comprehensive review of the National Mineral Policy and MMDR Act has submitted its report to the Government.

Further action on the recommendation contained in the Hoda Committee Report for suitably amending National Mineral Policy and Mines and Minerals (Development & Regulation) Act, 1957 in order to give preference to the Steel PSUs in grant/ renewal of the mining leases and time bound approval of environmental / forest clearances are to be taken by Ministry of Mines. The matter is being pursued with them.

[Ministry of Steel O.M.No.110014(3)/2006 Parl., dated 6.10.2006]

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

ANANTH KUMAR
Chairman
Standing Committee on Coal and Steel.

ANNEXURE-I

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 14TH 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) ** ** ** ** **
(iii) Action Taken by the Government on the recommendations contained in the Seventeenth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel(2005-06) on "Demands for Grants (2006-07)" of the Ministry of Steel.

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.

** Does not pertain to this Report.

***ANNEXURE* II**

(Vide Para IV of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTEENTH REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL (2005-06)

I.	Total No. of Recommendations made	17
II.	Recommendations/Observations which have been accepted by the Government:	
	(*vide* recommendation at Sl. Nos. 1, 2, 5, 6, 7, 11, 12, 13 and 14)	9
	Percentage of total	52.94%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: *(vide R*ecommendation at Sl. Nos. 9 and 17)	2
	Percentage of total	11.76%
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: (*vide* Recommendation at Sl.Nos. 3, 8 and 16)	3
	Percentage of total	17.64%
V.	Recommendations/Observations in respect of which final replies of the Government are still awaited: *(vide R*ecommendation at Sl.Nos. 4, 10 and 15)	3
	Percentage of total	17.64%