

29

**STANDING COMMITTEE ON  
COAL AND STEEL  
(2007-2008)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF MINES**

**DEMANDS FOR GRANTS  
(2007-08)**

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

**TWENTY-NINTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 2007 / Agrahayana, 1929 (Saka)*

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COAL AND STEEL  
(2007-2008)

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(2007-08)

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*Presented to Lok Sabha on 7.12.2007*

*Laid in Rajya Sabha on 7.12.2007*



LOK SABHA SECRETARIAT  
NEW DELHI

*December, 2007/Agrahayana, 1929 (Saka)*

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## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE .....	(iii)
INTRODUCTION .....	(v)
CHAPTER I Report .....	1
CHAPTER II Recommendations/Observations that have been accepted by the Government .....	15
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies .....	40
CHAPTER IV Recommendations/Observations in respect of which final replies of the Government have not been accepted by the Committee .....	41
CHAPTER V Recommendations/Observations in respect of which final replies of the Government are still awaited .....	42

### ANNEXURES

I. Vision Document for future growth of Hindustan Copper Limited (HCL) .....	43
II. Minutes of the sitting of the Standing Committee on Coal and Steel (2007-08) held on 5th December, 2007 ...	45
III. Analysis of Action Taken by the Government on the Recommendations contained in the Twenty Fourth Report of the Standing Committee on Coal and Steel (2006-07) .....	47

COMPOSITION OF THE STANDING COMMITTEE  
ON COAL AND STEEL (2007-08)

Dr. Satyanarayan Jatiya—*Chairman*

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*Lok Sabha*

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3. Shri D.K. Audikesavulu
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30. Shri Bashistha Narain Singh
31. Shri Yashwant Sinha\*

#### SECRETARIAT

- |    |                       |   |                      |
|----|-----------------------|---|----------------------|
| 1. | Shri S.K.Sharma       | - | Additional Secretary |
| 2. | Shri P.K.Bhandari     | - | Joint Secretary      |
| 3. | Shri A.K.Singh        | - | Director             |
| 4. | Shri Shiv Singh       | - | Deputy Secretary     |
| 5. | Shrimati Madhu Tandan | - | Committee Assistant  |

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\* Nominated *w.e.f.* 6.9.2007 Vice S/Shri Surendra Lath,MP and Ajay Maroo, MP.

## 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 Ninth Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Twenty Fourth Report of the Standing Committee on Coal and Steel on the "Demands for Grants (2007-08)" of the Ministry of Mines.

2. The Twenty Fourth Report of the Standing Committee on Coal and Steel was presented to Lok Sabha on 27.4.2007. Replies of the Government to all the recommendations contained in the Report were received on 7th November, 2007.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 5th December, 2007.

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

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

NEW DELHI;  
5 December, 2007  

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14 Agrahayana, 1929 (Saka)

DR. SATYANARAYAN JATIYA,  
Chairman,  
Standing Committee on Coal and Steel.

## CHAPTER I

### REPORT

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Twenty Fourth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2006-07) on "Demands for Grants (2007-08) of the Ministry of Mines" which was presented to Lok Sabha on 27.4.2007.

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

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

Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14.

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

NIL.

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

Sl. No. 16.

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

Sl. No.15.

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

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



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

**A. Procurement of New Research Vessel for Geological Survey of India(GSI)**

**Recommendation (Sl. No. 2, Para No. 3.24)**

1.6 The Committee had noted that the Plan Budget Estimates of the secretariat of the Ministry for the year 2007-08 had been kept at Rs. 389.70 crore as against Rs. 448.67 crore for the year 2006-07. The Ministry had explained that the primary reason for reduced estimates was transfer of salary and establishment expenses of GSI and IBM under Non Plan on the direction of Planning Commission. The other reasons for reduced estimates were non-commencement of promotional exploration schemes of MECL due to non-availability of forest clearance, delay in the process of procurement of various equipments by GSI and non-implementation of two new schemes of IBM due to non-availability of external aid linked with these projects.

1.7 The Committee were unhappy to note that the modernization of Geological Survey of India (GSI) had been going on for a long time but there is no significant progress as their main proposal for procurement of research vessel was not likely to fructify in 2007-08 also. Since the detailed Project Report (DPR) and Expenditure Finance Committee (EFC) Memo regarding purchase of research vessel for GSI could not be submitted in time, the Planning Commission reduced the outlay during 2006-07, though a provision of Rs.8 crore had been kept in the budget for the year 2007-08 towards the payment of consultation charges for the research vessel. The Committee in their 16th Report had desired the Ministry to take necessary measures to ensure that vessel was procured in 10th Plan itself so that exploration efforts to unearth mineral wealth in deep sea and ocean bed did not suffer any more. The Committee reiterated that the procurement of research vessel as a replacement vessel for ageing R.V. Samudra Manthan needed to be speeded-up for accelerating the exploration of mineral wealth to give desired boost to the economic development of the country. The Committee, therefore, desired the Ministry to complete all the formalities for the procurement of above vessel in a time-bound manner.

1.8 The Ministry of Mines in its reply has stated the following:

GSI:GSI had submitted an Annual Plan Budget of Rs. 187.00 crore for FY 2007-08, which was provisionally pegged at Rs. 181.00 crore

by the Planning Commission after Member-level discussions. The approved Annual budget for FY 2007-08 (BE) was, however, fixed at Rs.123.00 crore, with curtailment of Rs.35.00 crore under several establishment expenses heads such as Salary, DTE, FTE, OE(V), etc. under Plan head. No matching grant under these sub-heads was provided under Non Plan. Request for re-allocation of these establishment expenses under Plan Head has been made and the proposal is now under consideration by the MOF/Planning Commission.

There has been some reduction also in the allotted funds for modernization in the BE for FY 2007-08 from that originally proposed by GSI for FY 2007-08. Only token provision towards consultancy charges, etc. has been kept for some of the high-cost equipment (Research Vessel, Geotechnical Vessel) during FY 2007-08, as their procurement is unlikely to be completed during the current financial year due to longer time required for procurement.

The Modernization Programme is one of the most ambitious programmes of GSI and has been taken up with utmost priority during the X Plan period. Significant progress has been made in terms of procurement of low cost items (Laboratory, field and drilling). However, the procurement process in respect of some of the high cost items, such as research vessel, geotechnical vessel and heliborne survey systems, etc has progressed at a slower pace due to the intricate procedural steps (both administrative and technical) involved in such purchases. Like all other procurements, acquisition action for the Marine Research vessel was also taken up in right earnest, but considerable time was consumed to complete several essential steps, such as formulation of the work programmes and requirement of the various marine survey instruments, finalisation of specifications at expert level, interactions with the other survey organizations of both national and international levels, submission of formal proposals (DPR, EFC) to the concerned departments/ministries, replying to the queries raised by the competent authorities at various levels, etc. The progress achieved so far since receipt of 'In Principle Approval' from Planning Commission, is given below, sequentially:

- "In Principle Approval" was received for acquisition of a new research vessel for GSI as a replacement vessel of R.V. Samudra Manthan for seabed survey, exploration for non-living resources on 22.7.05.

- GSI submitted the Detailed Project Report (DPR) to MOM on 31.8.05 incorporating the necessary details.
- Expenditure Finance Committee (EFC) Memorandum submitted by GSI on 14.9.05 to Ministry of Mines.
- GSI was advised to revise the cost estimate and incorporate the comments of the Financial Advisor Planning Commission on 9.1.2006.
- GSI submitted the revised EFC Memo to MOM on 27.2.2006.
- GSI submitted para-wise replies to comments of Deptt. Of Expenditure on 27.9.2006.
- EFC Meeting was held on 10.10.2006.
- The EFC document, submitted by GSI was approved by the Ministry of Mines and as a follow up action of the EFC Meeting, held on 10.10.2006, GSI submitted three documents, viz. (a) A Cabinet Note, (b) 10 years programme and (c) Cost comparison between procurement and chartering, on 18.12.2006.
- "In Principle" permission conveyed by MOM on 14.12.2006 regarding engagement of Shipping Corporation of India as an Indian Consultant and permission to search for foreign consultant from internationally reputed institutes. The consultation rates/fee quoted by SCI is Rs.8.00 crore (to be paid as interest free advance) .
- Cabinet meeting regarding procurement of a new research vessel as replacement of the present aging research vessel 'Samudra Manthan' of GSI was held on 1.10.2007. The Cabinet has approved the procurement. GSI has been requested to take urgent follow up action in the matter.
- GSI has also been requested to confirm the consultation charges/rates furnished by SCI [Indian Consultant], as the rates pertain to financial year 2006-07.

IBM: It is a fact that the reduced Plan allocation for the financial year 2007-08 is due to implementation of the guidelines of the Planning Commission that establishment and administrative related expenditure will be transferred from Plan to Non-Plan. As a result of implementation of this policy decision, no grant pertaining to the object heads coming under establishment and administrative expenses like Salary, Wages, DTE, FTE, OE and RRT has been received for the year 2007-08. The proposed Plan Outlay of Rs.23.70

crores in respect of IBM has, therefore, been downsized to Rs. 17.00 crores in the approved Outlay. Whereas the proposed Outlay included demands for establishment and administrative expenses, no grant has been received in the sanctioned Plan Outlay under the object heads pertaining to establishment and administrative expenses. Therefore, these expenses were booked under Non-Plan. With the re-appropriation of Rs. 8.11 crore within Plan the establishment expenses will now be met within the Plan funds. Thus the revised estimates for 2007-08 in respect of IBM is Rs. 18.49 crore. This includes Rs. 2.00 crore for the project—Solid Waste Management from mining in India and Rs.1.00 crore for the project—Computerized On-line Register of Mining tenement system.

MECL: This Ministry had taken up the matter for necessary forest clearances in respect of five exploration projects of MECL with State Governments of Rajasthan, Kerala and Jharkhand. MECL is also vigorously pursuing the proposals and every effort will be done to get these forest clearances at the earliest.

**1.9 The Committee had expressed their concern over inordinate delay in procurement of research vessel, a key component of ongoing modernization programme of Geological Survey of India (GSI). The Committee had, therefore, recommended that the Ministry should complete all the formalities for the procurement of vessel in a time bound manner. The Ministry in its reply has stated that the procurement process in respect of some of the high cost items, such as research vessel, geo-technical vessel and heliborne survey systems etc. has progressed at a slower pace due to the intricate procedural steps involved in such purchases. The Ministry has further stated that Cabinet at the meeting held on 1.10.2007 has approved the procurement of vessel and GSI has been requested to take urgent follow up action in the matter. The Committee feel that the procedural wranglings involved in the procurement of research vessel and heliborne survey system has already put the modernization programme of GSI behind schedule and any further delay in the matter would adversely affect the functioning of the organization. The Committee, therefore, desire that since the proposal has been cleared by the Cabinet, the GSI should procure research vessel and heliborne survey system in a time bound manner to avoid further cost and time over-run. The Committee also desire the Ministry to closely monitor the modernisation programme of GSI.**

The Committee also note that in BE 2007-08 only Rs. 8 crore has been allotted to GSI towards the payment of consultation charges for research vessel. The Committee, therefore, recommend the Ministry to approach the Ministry of Finance to allocate additional funds to GSI to meet the expenditure.

#### **B. Utilization of Surplus Staff in GSI**

##### **Recommendation (Sl. No. 3, Para No. 3.25)**

1.10 The Committee had noted that 2176 group C and D employees of GSI had been identified as surplus by the Expenditure Reforms Commission. During the course of examination of the Demands for Grants (2005-06), the Committee were informed that there was a shortage of manpower in GSI. The Committee in their 9th Report had, therefore, desired that shortage of staff in GSI should be met immediately to obviate the adverse affects on its functioning. The Ministry in its action taken reply had stated that the Government is conscious of the need to a full compliment of staff in GSI and was taking all steps to ensure that there was no shortage of staff at different levels. Now the Ministry had come out with a statement that these were 2176 surplus employees in GSI. The Committee were unable to understand as to how shortage of staff in GSI had turned into surplus of 2176 persons in two years. The Committee strongly disapprove the attitude of the Ministry which provided them with contradictory information. The Committee hardly needed to emphasize that adequate manpower was imperative for accomplishing the ongoing and new projects by GSI and also for its modernization programme. The Committee, therefore, recommended that as far as possible the surplus staff in GSI should be utilized in the various wings/units after imparting them appropriate training and upgrading their skills.

1.11 The Ministry of Mines in its reply has stated that it would like to clarify that there exists an acute shortage of personnel in Scientific and Technical streams (Group A & B) in GSI. It may be mentioned that the Ministry of Mines had constituted an Expert Committee to go into the staff requirement as well as to suggest a revised Charter of Functions for GSI. The Committee had recommended a revised strength of 3820 for Group A&B Scientific & Technical Officers, against which there are 1969 incumbents at present. The shortage of these officers has been highlighted in successive Five-Year Plan documents, and other fora from time to time. Necessary measures are being taken vigorously to induct Scientific & Technical officers, and it is expected that a substantial number of officers will be in position in

near future. In this regard a perspective plan for the recruitment of Group A & B Officers in GSI is also being formulated, which will expedite recruitment of officers in GSI in the coming years.

1.12 As regards the staff being surplus in GSI, it may be mentioned that while the Expert Committee recommended increase in Group A & B S & T posts, it recommended reduction in Group C & D staff, *viz.* from 13155 to 7600. In view of increase in the number of Group A & B S & T and reduction in Group C & D Posts, the ratio between Group A & B S&T personnel to the Group C & D has drastically changed from 1: 4.4 to 1:2. As a consequence, 2176 posts of various Group C and D streams were identified as surplus.

1.13 Keeping in view the need for retention of staff, a proposal with the approval of Hon'ble MOM was forwarded to the M/o Finance seeking their approval for permanent retention of 1301 Group C & D staff alongwith retention of 646 staff till the natural depletion of the present incumbent. The M/o Finance has agreed for retention of 646 staff till the natural depletion of the incumbents. It is proposed to seek retention of the remaining 1301 Group C & D staff on the same lines as 646 staff agreed by the M/o Finance earlier. The GSI has been asked to furnish certain relevant information in this regard, after which a proposal will be referred to the M/o Finance.

1.14 In order to improve career prospects of the GSI officers, the Ministry of Mines moved a proposal for introduction of the Flexible Complementing Scheme (FCS) for scientific and technical streams in GSI, which envisages time-scale promotions to them. Accordingly, a proposal was referred to the Department of Personnel and Training (DOPT). The DOPT accorded its approval in principle to the proposal in July, 2006. The drafts RRs based on the principle of the (FCS) were referred to the DOPT for approval. However, the DOPT has returned the RRs saying that the extension of the FCS to new Ministries is being reviewed, and asked us to wait. The matter has been taken up with the DOPT again at Secretary's level for expediting decision in this regard. This scheme will be very useful as the vacancies at junior scale are filled *en masse*.

**1.15 Since there were 2176 surplus staff in the Geological Survey of India (GSI), the Committee had recommended that as far as possible the surplus staff should be utilized in the various wings/ units after imparting them appropriate training and upgrading their skills. Now the Ministry in its reply has stated that there is shortage of personnel in scientific and technical streams (Group A&B) in**

GSI. The Ministry has further stated that it had constituted an Expert Committee to go into the staff requirement as well as to suggest a revised charter of functions for GSI. The Expert Committee recommended a revised strength of 3820 for Group A & B Scientific and Technical Officers, against which there are 1969 incumbents at present. The Committee note that while Expert Committee recommended increase in Group A&B posts, it recommended reduction in Group C&D staff, from 13155 to 7600. The Committee have been informed that the Ministry of Mines in order to improve career prospects of GSI officers moved a proposal to the Department of Personnel and Training (DOPT) for introduction of the Flexible Complementing Scheme (FCS) for scientific and technical streams in GSI, which envisages time scale promotions to them. The DOPT accorded its approval in principle to the proposal in July, 2006 but when draft recruitment rules based on FCS were referred to DOPT for approval, they returned the proposal saying that extension of FCS to new Ministries is being reviewed and asked the Ministry to wait.

The Committee while appreciate that the Expert Committee has recommended an increased strength of 3820 for group A&B scientific and technical officers against 1969, they are extremely anguished to note the decrease in staff of Group C&D from 13155 to 7600 which accounts for more than 42.2%. The Committee are of the strong view that the proposed of FCS to improve the career prospects of officers will not only boost up their moral but reduce the attrition rate apart from attracting more talents in GSI.

The Committee, therefore, desire the Ministry to vigorously pursue the FCS scheme with DOPT and to ensure that the services of the surplus staff are best utilized to the maximum level after providing them with proper orientation in various units of GSI.

#### C. Utilization of 11th Plan Outlay

##### Recommendation (Sl. No. 7, Para No. 5.25)

1.16 The National Aluminium Company Ltd. (NALCO) is Asia's largest integrated aluminium complex, encompassing bauxite mining, alumina refining, aluminium smelting and casting, power generation, rail and port facilities. NALCO had emerged to be a star performer and now a 'Nav-Ratna' company engaged in production and export of alumina and aluminium and more significantly, in propelling self sustained growth. The NALCO had planned to invest Rs.1158 crores

during 2007-08 for accomplishing various projects and some of the schemes included in second phase expansion. The Committee hoped that it would justify the Government's faith in the company by achieving set target in a time bound manner.

1.17 The Committee had been informed that first phase expansion of National Aluminium Company Ltd.(NALCO), covering Mines and Refinery, Smelter and Power Plant and 8th unit of CPP, Special Grade Alumina/Zeolite Plants and Rolled Product Unit, was completed during 10th Five Year Plan. It was further stated that the equity participation in Qatar Project involving an outlay of Rs.1573 crores could not be taken up during 10th Plan since the authorities in Qatar were not interested in pursuing with this project. Further, the Utkal coal mine project involving an outlay of Rs. 210 crores during 10th Plan period became partially operational because the approval for the same could materialize only in 2004. Thus a number of projects slated for completion during 10th Plan could not come up and 10th Plan outlay was reduced from Rs. 7056 crores to Rs. 2864.25 crores and it has utilized only Rs. 1840.27 crores.

1.18 The Committee were concerned to note that NALCO has yet not firmed up the new projects and programmes to be taken up during the 11th Plan, though the company had identified a few schemes for debottlenecking of Alumina Plant, Pottangi Bauxite Mine and setting up of Smelter Plant in Middle-Cost. The Committee believed that such a lackadaisical attitude on the part of NALCO did not augur well at a time when its second phase expansion programme was in full swing. The Committee, therefore, desired that NALCO should clearly come out with viable schemes for implementation with in a time frame during 11th Plan in order to sharpen its competitive edge in the international market. The Committee desired that NALCO should make all out efforts to fully utilize the 11th Plan outlay of Rs.9454 crores which it has projected.

1.19 The Ministry of Mines in its reply has stated that during year 2007-08, the company has projected capital outlay of Rs. 1158 crores to be spent on various ongoing & new projects including 2nd phase expansion. There is every likelihood of availing the full plan outlay set for the year 2007-08 as company has a very good internal system to monitor physical as well as financial progress of various plan schemes backed by renowned engineering consultants namely, M/s M N Dastur & Company, EIL, MECON particularly for 2nd phase expansion. The Company has focused on timely completion of 2nd phase expansion project during 11th plan, together with other smaller



schemes approved and initiated. The main reason for delay in progress of Pottangi Bauxite mine and Utkal-E block coal mine has been long time being taken in awarding mining leases by State Government of Orissa. The matter for both mining leases is being vigorously pursued by the Company and by Ministry of Mines together.

1.20 For taking a focused line for new major projects for growth, consultants are being engaged for advising on strategic planning. Considering all these factors, the proposed outlay for 11th plan has been revised to Rs.6,926 crores.

1.21 The Committee had desired that National Aluminium Company Ltd. (NALCO) should clearly come out with viable schemes for implementation within a time frame during 11th Plan and should make all out efforts to fully utilize the 11th Plan outlay of Rs.9454 crores. The Ministry has informed the Committee that NALCO has projected capital outlay of Rs.1158 crores during 2007-08 to be spent on various ongoing and new projects including 2nd phase expansion. It has further been stated that proposed outlay for 11th Plan has been revised to Rs. 6926 crores but the Ministry has not furnished any cogent reason for such revision except that mining leases are pending with the State Government of Orissa.

The Committee are surprised to note that NALCO has reduced its 11th Plan outlay from Rs. 9454 crores to Rs. 6926 crores in the first year itself of the Plan. The Committee believe that NALCO had either prepared inflated outlay for the 11th Plan or failed to take up the new schemes for implementation to justify the allocation of the outlay. It is beyond the comprehension of the Committee how the outlay has been reduced in the first year of the plan which is normally done at the time of mid-term appraisal. The Committee are apprehensive about the timely completion of 2nd phase expansion of NALCO given the position of fund utilization and tardy progress in the implementation of projects/schemes. The Committee, therefore, desire the Ministry to take corrective measures to ensure that 11th Plan outlay is fully utilized so that expansion of NALCO is completed well in time. The Committee also desire the Ministry to apprise them the reasons for reduction of 11th Plan Outlay.

#### **D. Allotment of Utkal E-Coal Block**

##### **Recommendation (Sl. No. 8, Para No. 5.26)**

1.22 The Committee had noted that NALCO was facing problem of various clearances in operation of bauxite mines like Pottangi and

Kodingamali and coal mine at Utkal-E. If these clearances were delayed NALCO might not be able to utilize the allocations made for these projects. All these cases were pending for various clearances/agreements with the Government of Orissa. The Committee desired that the Ministry of Mines must settle these issues with the Government of Orissa at the earliest on mutually agreed terms, otherwise the Committee felt the second phase expansion would be adversely affected as the work on these projects was painfully slow.

1.23 In Action Taken Reply the Ministry of Mines has informed the Committee as follows:

UTKAL-E COAL BLOCK:

Mining Lease Application	:	Applied
Mining Plan	:	Completed
Detailed Project Report	:	Completed
Land Acquisition	:	In progress

\*Mining lease:-

The award of Mining lease for Utkal-E Coal block is yet to be recommended by Govt. of Orissa to Ministry of Coal.

\*Forest Clearance:—

NALCO has submitted the proposal for diversion of 234.745 hectares of forestland on 29.01.2007. The proposal has been forwarded to the Divisional Forest Officer (DFO), Angul *vide* letter-dated 15.02.2007. Based on the recommendation of the DFO, proposal will be forwarded by PCCF, Orissa to Ministry of Environment & Forest for clearance. The matter is being taken up with Forests Deptt. of Orissa Govt.

\*Acquisition of Land:—

Application for allocation of Private and forestland has been submitted. Part allotment of non forest Govt. Land has been received. Allotment of balance land is being expedited.

POTTANGI BAUXITE DEPOSIT, DISTRICT – KORAPUT

The in-principle recommendation was given by Government of Orissa on 30.07.2004 with 5 conditions which were suitably clarified by NALCO on 27.02.2006 after several rounds of discussions. The issue of payment of arrear water rate/tax to State Government was linked

with this case and NALCO had to deposit *an adhoc* amount of Rs. 10 crore without prejudice to pending writ petition in Orissa High Court. The Chief Secretary, Government of Orissa convened a meeting on 06.02.2007 to resolve the issue but the proceeding of the meeting is yet to be circulated for further action.

In the meantime, Ministry of Mines, Government of India has reserved this deposit for 10 years in favour of NALCO through Gazettee of India publication dtd.27.04.2007. The mining lease application pending with Collector, Koraput since 1992 shall be revised based on physical survey of the deposit by NALCO.

#### KODINGAMALI BAUXITE DEPOSIT, DISTRICT KORAPUT

The Mining lease application of NALCO is pending with Collector, District Koraput since 1992. The in-principle grant of lease for Pottangi deposit vide letter dtd. 30.07.2004 of State Govt. has stipulated a condition that NALCO shall not make any claim on Kodingamali Bauxite Deposit since the Pottangi Bauxite Deposit was being granted in NALCO's favour. Thus the final decision is pending with Government of Orissa for further activities.

**1.24 The Committee had desired the Ministry of Mines to settle the issues of allotment of Utkal-E coal block and bauxite deposits like Pottangi and Kodingamali pending with State Government of Orissa for a long time as these were essential for the ongoing expansion programme of National Aluminium Company Ltd. (NALCO). Regarding mining lease application of NALCO for Kodingamali bauxite deposit, the Committee has been informed that the matter is pending with collector, Koraput District since 1992. While granting of lease for Pottangi deposit to NALCO, the State Government has stipulated a condition that NALCO shall not make any claim on Kodingamali bauxite deposit since the Pottangi bauxite was being granted and the final decision is pending with the State Government. The Committee are surprised at the inaction on the part of the State Government and its failure to take decision in the matter for nearly 12 years. The Committee also express their displeasure at the lackadaisical attitude of Ministry of Mines and their inability to put proper justification for early allotment of the above mines to NALCO. The Committee feel that grant of mining lease is need of the hour for smoothful implementation of ongoing expansion programme and any further delay would adversely affect the growth and development of NALCO. The Committee, therefore, desire the Ministry to take up the issue at the highest level with the**

**State Government of Orissa and ensure early allotment of not only Utkal E-coal block but also Kodingamali bauxite mine deposit to NALCO.**

**E. To amend the National Mineral Policy and MMDR Act**

**Recommendation (Sl. No. 16, Para No. 8.8)**

1.25 The Committee found that no preference was being given to any PSU for the grant of mineral concession unless the area was reserved for exploitation by PSUs. The Committee in their 17th Report had desired that National Mineral policy(NMP) and Mines and Minerals (Development and Regulation) Act (MMDR) Act should be suitably amended in order to give due preference to the Steel PSUs in grant/renewal of mining lease. The Committee observed that Hoda Committee had not come up with a categorical recommendation for reservation to PSUs in the grant/renewal of mining leases and they were apprehensive to find that empowering the State Government in deciding the deserving applicant, in case of more than one applicant, the genuine concern of the companies particularly PSUs may not get attention of the State Government.

1.26 The Committee felt that since the PSUs were vehicle of economic growth and discharging social responsibilities in greater way they deserved priority in the grant of mineral concessions. The Committee, therefore, reiterated their earlier recommendation that NMP and MMDR Act should be suitably amended to give priority to the PSUs in grant/renewal of mining lease.

1.27 The Ministry of Mines in its Action Taken Reply has submitted that the MMDR Act, 1957, adequately provides that the Central Government may in consultation with the State Government, reserve any area not already held under any prospecting licence or mining lease, for undertaking prospecting or mining operations through a Government company or corporation owned or controlled by it and where it proposes to do so, it shall, by notification in official Gazette, specify the boundaries of such area and the mineral or minerals in respect of which such area will be reserved.

**1.28 The Committee had recommended specifically that National Mineral Policy(NMP) and Mines and Minerals Development and Regulation (MMDR) Act, 1957 should be suitably amended to give priority to the PSUs in grant/renewal of mining lease since they are considered to be vehicles of economic growth. Although the Ministry in its reply has stated that MMDR Act, 1957 has adequate provision**

that the Central Government in consultation with State Government may allot mining lease but it has not come out with categorical reply for giving preferential grant/renewal of mining lease. The Committee strongly deprecate that the Ministry is still harping on the existing provisions in the MMDR, Act for allotment of mining leases to PSUs which have proved to be ineffective as most of the PSUs are still struggling for grant/renewal of mining leases.

The Committee, therefore, reiterate their recommendation that the Ministry should bring necessary amendments immediately in NMP and MMDR Act to give priority to the PSUs in grant/renewal of mining lease. The Committee would like to be apprised of the action taken by the Ministry in this regard.

## CHAPTER II

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

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

The Committee hope that the Ministry of Mines will implement the recommendations in a time bound manner which the Committee commented upon in their 21st Action Taken Report. The Committee desire that the Ministry of Mines should furnish final replies to the recommendation (No. 11) which was categorized as of interim nature. The Committee would like to be apprised of the action taken in this regard.

#### **Action Taken**

##### **Recommendation (No. 2 of Para 3.15 of 16th Report)**

So far as NALCO is concerned, the actual expenditure of Rs.224.38 crores exceeded the RE: 2005-06 provision of Rs.220.09 crores marginally. There has been substantial increase in BE: 2006-07 on account of ongoing 2nd phase expansion, and the Company had spent Rs. 649.77 crores against its RE: 2006-07 figure of Rs. 625.09 crores.

The 10th Five Year Plan was prepared in the year 2001-02 with an anticipation that the proposed projects *i.e.* 2nd phase expansion, Qatar projects, coal mines will start as per the proposed schedule and 1st phase expansion will be completed within the approved project cost.

In November, 2002, Deptt. of Expenditure informed that they did not support the proposal of 2nd Phase Expansion of NALCO in view of the then proposed disinvestments of NALCO. Accordingly, the matter was processed in Deptt. of Mines and it was decided in March,2003 not to pursue the proposal till issues regarding disinvestments were resolved. When the proposal was re-mooted, various clearances were also required for consideration of the proposal, and after obtaining the same, approval was accorded by the Government in October, 2004. After approval of the project, getting CVC's clearances for procurement of various items on single vendor basis was another reason for delay in starting the works on 2nd Phase Expansion.

For allotment of Utkal-E Coal Block, initially, Department of Coal suggested to form a JV as NALCO's requirement was 6 million tonnes per annum (MTPA) whereas Department of Coal was of the view that at least 10 MTPA should be the requirement for captive coal block allotment. NALCO tried to form JV which could not materialise. Later on, the proposal was being opposed by Coal India Ltd. and Mahanadi Coalfields Ltd. (MCL) in the Screening Committee on the grounds of disposal of ash, backfilling of de-coaled mines, investment made by MCL for developing new dedicated mines, etc. Department of Mines took up these issues at higher levels regularly by writing DO letters and having discussions/meetings at Joint Secretary / Secretary level. Ultimately, due to such efforts, the coal block could be provisionally allotted in August, 2004.

In addition, there was substantial savings in the 1st phase expansion project, resulting in revision of plan figure during mid-term appraisal and also resulting in less spending during the plan period.

There was less expenditure due to above mentioned reasons.

The activities of 2nd phase expansion has taken off with momentum. There is every-likelihood that the project will be completed within the scheduled time.

The company has an internal system to monitor physical & financial progress of various plan schemes. Regular review is being undertaken at the plant level as well as at corporate level on monthly basis. For 2nd phase expansion project, the company has taken the help of renowned engineering consultant, M/s M N Dastur, for both time & cost monitoring purpose. A status report on actual progress versus various milestones set for each segment of the projects are being submitted to Ministry of Programme Implementation, Government of India. Review is also being conducted in Quarterly Progress Review (QPR) meeting at the Ministry level. For 2nd phase expansion, a status report on actual report versus target/ milestones is being submitted to every Board Meeting.

The Government has impressed upon NALCO management to ensure that realistic requirements should be projected for expenditure under Plan. Regular reviews will be conducted to see that NALCO is following the instructions.

At Government level also, regular assessment and monitoring will be done to ensure that realistic plan provisions are made and then to ensure to achieve the targets of the expenditure.

However, the Company has noted the advice of the Standing Committee to the effect that the budgetary proposals would be prepared on realistic basis.

**Recommendation (No. 11 of Para 6.13 of 16th Report)**

The Cabinet in its meeting held on 26.07.2007 and has partly approved the restructuring proposal in respect of Hindustan Copper Ltd., which includes the following

- (i) Conversion of non-plan govt. loan amounting to Rs. 50.00 crore in to equity.( Rs. 25 crore each released in 2005-2006 and 2006-2007)
- (ii) Waiver of 7.5% non-cumulative redeemable preference share amounting to Rs. 180.73 crore and its adjustment against accumulated losses.
- (iii) Restructuring of capital through reduction of face value of equity share from Rs. 10 to Rs. 5 amounting to Rs. 382.21 crore and its adjustment against accumulated losses.
- (iv) Restoration of superannuation age to 60 years to preserve skills and provide a breathing time to the organization of formulation of proper succession plan.
- (v) Creation of post of Director (Mining) to drive the growth agenda in the mining domain.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

**Recommendation (Sl. No.1 Para No. 3.23)**

The Committee note that for the year 2007-08, the Planning Commission has approved an amount of Rs. 1380.29 crores for the Ministry of Mines and its PSUs as against their proposed outlay of Rs. 2027.34 crores. Though there has been a reduction of Rs. 645.05 crores in the Annual Plan outlay, the Ministry is quite confident that sufficient funds have been allocated for the ongoing projects. The Committee are perplexed to find that though the outlays proposed by the Ministry and its PSUs are being approved with major reduction, it is intriguing that they are complacent with reduced allocation. The Committee strongly deprecate the inherent flaws in the budgetary planning in the Ministry whereby year after year the inflated outlays are proposed which are drastically downsized by the Planning Commission. The Committee have little doubt that these reductions would have adverse impact on ongoing as well as new projects. The Committee, therefore,



desire the Ministry and its PSUs to prepare realistic estimates which stand the scrutiny of the Planning Commission/Ministry of Finance and thereby obviate a major post allocation exercise or managing the various projects/schemes with reduced allocations.

#### **Action Taken**

NALCO:

It is a fact that there has been a reduction of Plan outlay for the year 2007-08 at the Planning Commission level. As against NALCO's budget proposals of Rs. 1633.02 crores, the approval was reduced by Rs. 475.02 crores comprising of Rs. 351 crores for 2nd phase expansion, Rs. 50 crores for Utkal E-Coal Mines, Rs. 4 crore for Greenfield Smelter project and Rs. 70.02 crores on account of Additions, Modifications & Replacements.

As all the approved projects are funded through internal sources only, the Company is confident that there would be no adverse impact due to reduction. However, as suggested by the Committee, the company will take sufficient care in preparing realistic budget estimates.

MECL:

During 2007-08, the total value of promotional work envisaged to be carried out on the ongoing schemes as well as on new schemes works out to around Rs. 16 crores. Keeping in view the performance of promotional projects in the recent past and the value of the work to be carried out in the approved schemes, 11 crores for 2007-08 (BE) only has been proposed by this Ministry for MECL. After review of performances in these projects, additional allocation will be requested at RE stage.

IBM:

The proposed Plan Outlay in respect of IBM for the financial year 2007-08 was Rs. 23.70 crores and as against this amount Rs. 17.00 crores was sanctioned as Plan Outlay for IBM. The proposed Plan Outlay for 2007-08 included estimates for establishment and administrative expenses like Salary, Wages, DTE, FTE, OE and RRT. However, in the sanctioned Plan Outlay, no grant has been received under these object heads relating to establishment and administrative expenses. This is due to the guidelines of the Planning Commission for transfer of salary and establishment expenses from Plan to Non-Plan. It is, therefore, evident that the downsizing of the proposed Plan

Outlay of IBM from Rs. 23.70 crores to Rs. 17.00 crores is a result of the policy decision of the Planning Commission where by no allocation for Salary and Establishment expenses has been made in the Plan side for the year 2007-08 unlike the previous years. In this view of the matter, the Budget Estimates prepared by IBM is realistic.

Establishment and Administrative expenses earlier included in the 'Object Head Plan' for implementation of continuing schemes, were transferred to Object Head 'Non-Plan' as per the guidelines of Planning Commission. It is resulted in major reduction of Plan Outlay from Rs. 23.70 crores to Rs. 17.00 crores. IBM expressed its difficulty in operation of continuing schemes without receiving funds for Establishment & Administrative Expenditure. In case of continuing schemes where establishment expenditure are integral part of the scheme, in that case it would continue to be provided under Plan. Accordingly the earlier revised estimate was reviewed and Plan Outlay for 2007-08 to the tune of Rs. 23.70 crores was again proposed.

[Ministry of Mines O.M. No. 5(1)/2006-IF dated 7.11.2007]

**Recommendation (Sl. No. 2 Para No. 3.24)**

The Committee further note that the Plan Budget Estimates of the secretariat of the Ministry for the year 2007-08 has been kept at Rs. 389.70 crore as against Rs. 448.67 crore for the year 2006-07. The Ministry has explained that the primary reason for reduced estimates was transfer of salary and establishment expenses of GSI and IBM under Non-Plan on the direction of Planning Commission. The other reasons for reduced estimates were non-commencement of promotional exploration schemes of MECL due to non-availability of forest clearance, delay in the process of procurement of various equipments by GSI and non-implementation of two new schemes of IBM due to non-availability of external aid linked with these projects.

The Committee are unhappy to note that the modernization of Geological Survey of India (GSI) has been going on for a long time but there is no significant progress as their main proposal for procurement of research vessel is not likely to fructify in 2007-08 also. Since the detailed Project Report (DPR) and Expenditure Finance Committee (EFC) Memo regarding purchase of research vessel for GSI could not be submitted in time, the Planning Commission reduced the outlay during 2006-07, though a provision of Rs. 8 crore has been kept in the budget for the year 2007-08 towards the payment of consultation charges for the research vessel. The Committee in their 16th Report

had desired the Ministry to take necessary measures to ensure that vessel is procured in 10th Plan itself so that exploration efforts to unearth mineral wealth in deep sea and ocean bed do not suffer any more. The Committee reiterate that the procurement of research vessel as a replacement vessel for ageing R.V. Samudra Manthan needs to be speeded-up for accelerating the exploration of mineral wealth to give desired boost to the economic development of the country. The Committee, therefore, desire the Ministry to complete all the formalities for the procurement of above vessel in a time-bound manner.

### **Action Taken**

GSI:

GSI had submitted an Annual Plan Budget of Rs. 187.00 crore for FY 2007-08, which was provisionally pegged at Rs. 181.00 crore by the Planning Commission after Member-level discussions. The approved Annual budget for FY 2007-08 (BE) was, however, fixed at Rs. 123.00 crore, with curtailment of Rs. 35.00 crore under several establishment expenses heads such as Salary, DTE, FTE, OE(V), etc. under Plan head. No matching grant under these sub-heads was provided under Non-Plan. Request for re-allocation of these establishment expenses under Plan Head has been made and the proposal is now under consideration by the MOF/Planning Commission.

There has been some reduction also in the allotted funds for modernization in the BE for FY 2007-08 from that originally proposed by GSI for FY 2007-08. Only token provision towards consultancy charges, etc. has been kept for some of the high-cost equipment (Research Vessel, Geotechnical Vessel) during FY 2007-08, as their procurement is unlikely to be completed during the current financial year due to longer time required for procurement.

The Modernization Programme is one of the most ambitious programmes of GSI and has been taken up with utmost priority during the 10th Plan period. Significant progress has been made in terms of procurement of low cost items (Laboratory, field and drilling). However, the procurement process in respect of some of the high cost items, such as research vessel, geotechnical vessel and heliborne survey systems, etc. has progressed at a slower pace due to the intricate procedural steps (both administrative and technical) involved in such purchases. Like all other procurements, acquisition action for the Marine Research vessel was also taken up in right earnest, but considerable time was consumed to complete several essential steps, such as

formulation of the work programmes and requirement of the various marine survey instruments, finalisation of specifications at expert level, interactions with the other survey organizations of both national and international levels, submission of formal proposals (DPR, EFC) to the concerned departments/ministries, replying to the queries raised by the competent authorities at various levels, etc. The progress achieved so far since receipt of 'In Principle Approval' from Planning Commission, is given below, sequentially:

- "In Principle Approval" was received for acquisition of a new research vessel for GSI as a replacement vessel of R.V. Samudra Manthan for sea bed survey, exploration for non-living resources on 22.7.05.
- GSI submitted the Detailed Project Report (DPR) to MOM on 31.8.05 incorporating the necessary details.
- Expenditure Finance Committee (EFC) Memorandum submitted by GSI on 14.9.05 to Ministry of Mines.
- GSI was advised to revise the cost estimate and incorporate the comments of the Financial Advisor Planning Commission on 9.1.2006.
- GSI submitted the revised EFC Memo to MOM on 27.2.2006.
- GSI submitted para-wise replies to comments of Deptt. of Expenditure on 27.9.2006.
- EFC Meeting was held on 10.10.2006.
- The EFC document, submitted by GSI was approved by the Ministry of Mines and as a follow up action of the EFC Meeting, held on 10.10.2006, GSI submitted three documents, viz. (a) A Cabinet Note, (b) 10 years programme, and (c) Cost comparison between procurement and chartering, on 18.12.2006.
- "In Principle" permission conveyed by MOM on 14.12.2006 regarding engagement of Shipping Corporation of India as an Indian Consultant and permission to search for foreign consultant from internationally reputed institutes. The consultation rates/fee quoted by SCI is Rs. 8.00 crore (to be paid as interest free advance) .
- Cabinet meeting regarding procurement of a new research vessel as replacement of the present aging research vessel 'Samudra Manthan' of GSI was held on 1.10.2007. The Cabinet has approved the procurement. GSI has been requested to take urgent follow up action in the matter.

- GSI has also been requested to confirm the consultation charges/rates furnished by SCI (Indian Consultant), as the rates pertain to financial year 2006-07.

IBM:

It is a fact that the reduced Plan allocation for the financial year 2007-08 is due to implementation of the guidelines of the Planning Commission that establishment and administrative related expenditure will be transferred from Plan to Non-Plan. As a result of implementation of this policy decision, no grant pertaining to the object heads coming under establishment and administrative expenses like Salary, Wages, DTE, FTE, OE and RRT has been received for the year 2007-08. The proposed Plan Outlay of Rs. 23.70 crores in respect of IBM has, therefore, been downsized to Rs. 17.00 crores in the approved Outlay. Whereas the proposed Outlay included demands for establishment and administrative expenses, no grant has been received in the sanctioned Plan Outlay under the object heads pertaining to establishment and administrative expenses. Therefore, these expenses were booked under Non-Plan. With the re-appropriation of Rs. 8.11 crore within Plan the establishment expenses will now be met within the Plan funds. Thus the revised estimates for 2007-08 in respect of IBM is Rs. 18.49 crore. This includes Rs. 2.00 crore for the project—Solid Waste Management from mining in India and Rs. 1.00 crore for the project—Computerized On-line Register of Mining tenement system.

MECL:

This Ministry had taken up the matter for necessary forest clearances in respect of five exploration projects of MECL with State Governments of Rajasthan, Kerala and Jharkhand. MECL is also vigorously pursuing the proposals and every effort will be done to get these forest clearances at the earliest.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

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

(Please see Para 1.9 of Chapter-I of the Report)

#### **Recommendation (Sl. No. 3, Para No. 3.25)**

The Committee note that 2176 group C and D employees of GSI have been identified as surplus by the Expenditure Reforms Commission. During the course of examination of the Demands for

Grants (2005-06), the Committee were informed that there was a shortage of manpower in GSI. The Committee in their 9th Report had, therefore, desired that shortage of staff in GSI should be met immediately to obviate the adverse affects on its functioning. The Ministry in its action taken reply had stated that the Government is conscious of the need to a full compliment of staff in GSI and is taking all steps to ensure that there is no shortage of staff at different levels. Now the Ministry has come out with a statement that there are 2176 surplus employees in GSI. The Committee are unable to understand as to how shortage of staff in GSI has turned into surplus of 2176 persons in two years. The Committee strongly disapprove the attitude of the Ministry which provided them with contradictory information. The Committee hardly need to emphasize that adequate manpower is imperative for accomplishing the ongoing and new projects by GSI and also for its modernization programme. The Committee, therefore, recommend that as far as possible the surplus staff in GSI should be utilized in the various wings/units after imparting them appropriate training and upgrading their skills.

#### **Action Taken**

The Ministry would like to clarify that there exists an acute shortage of personnel in Scientific and Technical streams (Group A & B) in GSI. It may be mentioned that the Ministry of Mines had constituted an Expert Committee to go into the staff requirement as well as to suggest a revised Charter of Functions for GSI. The Committee had recommended a revised strength of 3820 for Group A&B Scientific & Technical Officers, against which there are 1969 incumbents at present. The shortage of these officers has been highlighted in successive Five-Year Plan documents, and other fora from time to time. Necessary measures are being taken vigorously to induct Scientific & Technical officers, and it is expected that a substantial number of officers will be in position in near future. In this regard a perspective plan for the recruitment of Group A&B Officers in GSI is also being formulated, which will expedite recruitment of officers in GSI in the coming years.

As regards the staff being surplus in GSI, it may be mentioned that while the Expert Committee recommended increase in Group A & B S&T posts, it recommended reduction in Group C&D staff, *viz.* from 13155 to 7600. In view of increase in the number of Group A&BS&T and reduction in Group C&D Posts, the ratio between Group A&B S&T personnel to the Group C&D has drastically changed from 1: 4.4 to 1:2. As a consequence, 2176 posts of various Group C and D streams were identified as surplus.

Keeping in view the need for retention of staff, a proposal with the approval of Hon'ble MOM was forwarded to the M/o Finance seeking their approval for permanent retention of 1301 Group C&D staff alongwith retention of 646 staff till the natural depletion of the present incumbent. The M/o Finance has agreed for retention of 646 staff till the natural depletion of the incumbents. It is proposed to seek retention of the remaining 1301 Group C&D staff on the same lines as 646 staff agreed by the M/o Finance earlier. The GSI has been asked to furnish certain relevant information in this regard, after which a proposal will be referred to the M/o Finance.

In order to improve career prospects of the GSI officers, the Ministry of Mines moved a proposal for introduction of the Flexible Complementing Scheme (FCS) for scientific and technical steams in GSI, which envisages time-scale promotions to them. Accordingly, a proposal was referred to the Department of Personnel and Training (DOPT). The DOPT accorded its approval in principle to the proposal in July, 2006. The drafts RRs based on the principle of the (FCS) were referred to the DOPT for approval. However, the DOPT has returned the RRs saying that the extension of the FCS to new Ministries is being reviewed, and asked us to wait. The matter has been taken up with the DOPT again at Secretary's level for expediting decision in this regard. This scheme will be very useful as the vacancies at junior scale are filled *en masse*.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

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

(Please *see* Para 1.15 of Chapter-I of the Report)

#### **Recommendation (Sl. No. 4, Para No. 4.3)**

The Committee are distressed to note that the performance of GSI during 10th Plan has not shown any significant improvement. Except in the year 2002-03 during which it has completed a total of 404 activity in survey & mapping, mineral exploration, specialized investigation, etc. and thereafter no perceptible improvement has been noticed. The Committee are pained to note that despite rapid advancement and modernization of mineral exploration technology in the world, the GSI is still persisting with obsolete and inefficient technology. Needless to say that GSI being a premier organization for earth sciences, the Committee desire that it should set example by accelerating its activities in the field of scientific survey and research for locating mineral resources and geological studies during 11th Plan.

### **Action Taken**

Geological Survey of India is the principal provider of geo-scientific information and knowledge-based services to the government, industry and general public. GSI is engaged in various geological studies, including mineral exploration, multi-elemental geochemical mapping of the country, aerogeophysical multi-sensor surveys and ground geophysical mapping of prioritized areas to locate undiscovered and / or deep-seated/concealed prospects/deposits. GSI carries out preliminary assessment of economic minerals in seabed surveys in Territorial Waters and EEZ. In addition to mineral prognostication, the organization has been systematically updating its geoscientific database in digital format to provide reliable and relevant information on mineral and other natural resources to the public and private sector entrepreneurs to sustain investment in mineral sector. GSI also carries out various special investigations under different themes to provide services to various government/PSU organizations and also generates value added products to cater to the needs of the society. The various themes covered under Special Investigations are Engineering Geological Studies; Landslide Hazard Studies; Shallow Subsurface Geology; Earthquake Geology and Seismology; Environmental Geology; Glaciological Studies; Geothermal Studies.

In all these endeavours, GSI is equipped with state-of-the-art equipment to cater to its needs. Sophisticated analytical instruments provide ultra-precise chemical analysis for the geochemical mapping programmes, which will help in locating new mineral deposits. Under the modernization programme, GSI is systematically upgrading its data generation capabilities to international standards. A heliborne geophysical survey system, now under procurement, will usher in a new era of high-end technology in its equipment arsenal and significantly enhance GSI's capabilities for locating deep-seated hidden mineral deposits. A new Research Vessel, Geotechnical Vessel, for undertaking Marine surveys is also being procured. Newer and technologically advanced models of drilling rigs are being introduced to give a cutting edge to the organization's exploration programmes. More such equipments are planned to be inducted during the XI Plan. GSI has a modern Training Institute which, besides providing professional training for the new recruits, also arranges for periodic exposure of scientists to the latest scientific developments to refresh and update their knowledge as they progress in the organization, shouldering higher responsibilities. With rapid advancement in science and technology and concomitant diversification and modernization of activities in geological surveys and exploration, GSI's scientific



workforce is equipped appropriately for acquisition and application of innovative techniques/methods/concepts for earth resource evaluation and management. With this, GSI will be fully capable, both in terms of equipment and knowledge-base, to cater to all its future programme needs.

During successive Five Year Plan periods, GSI has been relentlessly occupied in this geoscientific endeavour without toning down its activity over the years in spite of its steadily declining manpower and machinery resources (drilling rigs etc.). Since mid-sixth plan, there has been no addition of S&T professionals in GSI and in addition, there has been reduction in sanctioned strength due to executive decisions/orders. The sanctioned strength of personnel has come down from 16,302 (at the end of IX plan) to 11,420 whereas activities and responsibilities have increased. GSI is at present functioning with < 50% of its sanctioned strength of S&T personnel (Gr. A & B). Notwithstanding the steady decline in the available scientific personnel, GSI has endeavoured to maintain the tempo of its exploration and geoscientific activities. The following table enumerates the above facts i.e. the number of investigations taken up by GSI in different geoscientific fields during the X Plan period has been maintained to a large extent:

Year	No. of Investigations taken up in Survey & Mapping, Mineral Exploration, R&D, Spl. Investigations and Dissemination		No of Geoscientists	Using Drilling Rigs/Auger
	(excluding Marine cruises)	(including Marine cruises)		
2002-03	404 (excluding 22 cruises)	426	1630	105
2003-04	373 (excluding 20 cruises)	393	1515	101
2004-05	381 (excluding 22 cruises)	403	1474	92
2005-06	392 (excluding 23 cruises)	415	1356	99
2006-07	400 (excluding 22 cruises)	422	1306	89

Significant achievements in Mineral Exploration during the X Plan:

GSI has intensified its exploration efforts for various metallic and non-metallic minerals, manganese ore, rare minerals, limestone, clay, diamond and many others during the X Plan period. The significant

achievements in mineral exploration activities during this period are summarized below:

Sl.No.	Ore/Mineral	Augmentation of Mineral resources during the X Plan (Sept. '06)
1.	Coal	14.168 billion tonnes
2.	Lignite	1249 million tonnes
3.	Gold ore	42.49 million tonnes
4.	Copper	8.20 million tonnes
5.	Lead-Zinc	0.80 million tonnes
6.	Iron Ore	37.42 million tonnes
7.	Manganese ore	14.38 million tonnes
8.	Bauxite	5.704 million tonnes
9.	Limestone	1883.53 million tonnes
10.	Cesium bearing pegmatite	0.03 million tonnes
11.	Clay	5.83 million tonnes
12.	PGE Ore	0.294 million tonnes
13.	Dimension stone	1.09 million cu. m of black, 6.60 million cu. m of white and 15.34 million cu. m of green varieties
14.	Diamond	Several diamond pipes discovered/identified in different parts of Andhra Pradesh and many isolated exposures of KCR detected within a tectonic corridor in Chhattisgarh.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

**Recommendation (Sl. No. 5, Para No. 4.4)**

The Committee note that exploration of minerals presently being carried out mainly by Geological Survey of India (GSI) and Mineral Exploration Corporation Limited (MECL) is likely to gain momentum during 11th Plan period since the Ministry is expecting more investments from multinational and domestic private companies in

mineral exploration and exploitation. The Committee desire that both the organizations should fix their plan and annual targets and implement them in a time-bound manner. The Committee should be informed of the action taken in the matter.

#### **Action Taken**

GSI:

Exploration efforts up to the end of the X Plan has significantly augmented its mineral resources and India is now ranked 2nd in production of chromite and barite, 3rd in coal & lignite, 4th in Iron ore and kyanite, 6th in bauxite, 8th in manganese and mica (sheets) and 9th in magnesite. These developments have moved India to a position among the top dozen countries in the field of mineral resources and production. Introduction of high-end technologies and higher investments in this sector is expected to lead to further improvement in the situation. However, there remains a substantial gap in supply and demand for several mineral commodities, necessitating import for these items. While India is comfortable placed with regards to the resource position of mineral like iron-ore, metallurgical grade bauxite, manganese ore, limestone & dolomite (excluding low silica grade), etc., deficiency continues in large number of minerals like fertilizer minerals, diamond, nickel, copper, gold, Platinum Group Metal and rare metals, etc. Furthermore, with the near exhaustion of exposed ore bodies, the need for locating hidden deposits based on such conceptual exploration techniques had been recognized earlier and has been included as a thrust area in the XI Plan. In addition to mounting intensive search for such minerals in which the country is deficient, exploration efforts are planned to be continued towards augmentation of the existing resources in respect of those minerals which play a key-role in sustaining industrial growth, or have high potential for export or attractive investment from the private sector.

In course of surveys carried out over its long history, Geological Survey of India has identified a number of domains with favourable geological signatures in order to prospect for mineral resources through exploration. Commodity-wise identification and demarcation of these domains have now been made and have been summarized in the different mineral belt maps. Although many mineral discoveries are currently being exploited, there are still substantial areas within the potential geological domains which need systematic exploration for a proper assessment of their potential for different mineral commodities. A major part of the exploration activities during the XI Plan period

will be concentrated in these known mineral belts. GSI will intensify its exploration efforts for various metallic and non-metallic minerals, manganese ore, rare minerals, limestone, clay diamond and many others. Further, efforts would be made at identifying new areas with favourable signatures on the basis of improved geological understanding. This will be aided by heliborne multi-sensor airborne survey systems which are proposed to be procured in the XI Plan. GSI has formulated well defined action Plan for its exploration activities during the XI Plan, to be implemented through successive Annual Plans.

MECL:

Ministry of Mines has approved the pricing policy for sale of geological reports of the potential mineral prospects explored under promotional programmes by MECL. MECL will be having a shelf of reports for perusal of the prospective buyers/investors. MECL has envisaged an annual growth of around 10% in its promotional exploration programme. Keeping the proposed annual growth and the performance of promotional projects in the recent past, an allocation of outlay for Rs. 83.00 crore have been provided for the 11th Plan period. MECL has also made an assessment of Rs. 44.00 crore for replacement of old plant and machineries, in phased manner, during the 11th Plan period. Due to replacement of old machines, the down time is expected to reduce with improvement in productivity, thereby enabling MECL to provide cost effective mineral exploration services as per the need of the client. To monitor the targets, review of promotional projects is being done in quarterly performance review meetings and technical evaluation of the schemes is taken up by the Technical Sub Committee of SCPP.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

**Recommendation (Sl. No. 6, Para No. 4.5)**

The Committee note that while GSI is carrying out surveys for all minerals with focus on regional surveys involving preliminary part of exploration, the private companies are actively involved in detailed exploration and mining of high value minerals like gold, diamond, base metals, etc. where preliminary geological information is available. The Committee feel that considering the investments required on the large scale work involved in exploration activities, the participation of private sector would accelerate the rate of exploration and benefit the growth of mining sector and economy of the country. The Committee, are, however, of the strong view that since the present day mineral

prospecting is undertaken with special emphasis on deficient mineral and ore of high value minerals, GSI should redefine its approach in tune with the emerging markets and strengthen its presence in the exploration sector.

The Committee, therefore, recommend that GSI should accord high priority to precious minerals and ores and expanding its areas of activities from reconnaissance, prospecting and preliminary exploration to include detailed exploration as well. The Committee also desire the Ministry to intensify exploration efforts for additional resources in known areas, in potential region, unexplored, inaccessible territories and ocean beds with special thrust on north-east and other remote areas. The Committee also recommend that GSI should strive to attain global benchmark in all spheres in order to increase its contribution to the economic health of the country. The Committee also recommend the Ministry to allocate adequate funds to GSI to upgrade their capabilities through modernization of equipments and acquiring of state-of-the-art technology and expertise through training in all related fields of mineral exploration.

#### **Action Taken**

GSI carries out mineral exploration right from its discovery to preliminary exploratory work of P-I, P-II and E-I & E-II categories on regional scale, in areas where mineral occurrences have been located from preliminary surveys, in accordance with its mandated charter of functions. Exploratory agencies like MECL carry out detailed exploration in potential areas identified by GSI through regional exploration. Further detailed work, as required for investment decisions and final exploitation is normally undertaken by the exploiting agencies (Public and private sectors). GSI has carried out detailed exploration on demand from specific agencies. GSI undertakes detailed exploration projects on commercial/sponsorship terms on demand. Further taking up of detail exploration may be considered at a later date when the human resource position improves, for which all out efforts have been initiated by the Ministry of Mines. The increasing investment by the private sector in the mineral industry has justifiably led to intensification of exploration efforts, especially for those minerals which have the potential to attract private investment. GSI has focused its exploration activities accordingly.

The principal thrust of GSI in the mineral exploration remains on noble metals, precious stone, base metal, coal and lignite. Keeping in view the market driven demand, appraisal is carried out for ferrous

and non-ferrous (bauxite), fertilizer, strategic, refractory and high-tech minerals. In addition, to the mineral prognostication, the organization is systematically updating the data base in digital format to provide reliable and relevant information on mineral and other natural resources to the public and private sector entrepreneurs to sustain investment in mineral sector.

GSI has already given emphasis on search of deficient and high value minerals. During the X Plan period exploration thrust for deficient and high value minerals got momentum and the same tempo has been proposed to be continued during the XI Plan period also. The field season programme for 2006-07 reflects the thrust of GSI for deficient and high value minerals. Leaving aside coal and lignite exploration, out of 92 mineral investigation items, programmes on basemetals, gold, diamond, strategic minerals and platinum group of elements are 21, 27, 8, 3 and 8 respectively which amounts to 23%, 29%, 8%, 3%, 8% totaling 71% of the total exploration items.

GSI has also accorded special priority to exploration programmes in the Northeastern region. During the Field Season 2006-07, GSI is carrying out two mineral investigations for PGE & Nickel and limestone in Meghalaya. Other mineral exploration programmes proposed to be taken up during the XI Plan in NER include basemetals, gold, REE, RM and other minerals like clay, etc. Further programmes will be taken up subject to improvement of the ground condition and human resource position.

During XI Plan period GSI has planned to accord highest priority for precious and deficient minerals with areas of activities from reconnaissance to prospecting and preliminary exploration. Exploration activities will be intensified in known areas, unexplored and inaccessible territories and in the territorial water and with special thrust on north-east.

The GSI will continue to plan its vital role in the mineral sector for search and evaluation of mineral resources on regional scale by increasingly adopting modern concepts and techniques. Airborne survey through helicopter will be introduced and low altitude survey is expected to provide data which can effectively act as "first stop shop" for all the prospective investors. Training of the GSI personnel to hone their technical skill and utilize the modern technical facilities being acquired has been planned to ensure maximum output in terms of earth science database.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

### **Recommendation (Sl. No. 7, Para No. 5.25)**

The National Aluminium Company Ltd. (NALCO) is Asia's largest integrated aluminium complex, encompassing bauxite mining, alumina refining, aluminium smelting and casting, power generation, rail and port facilities. NALCO has emerged to be a star performer and now a 'Nav-Ratna' company engaged in production and export of alumina and aluminium and more significantly, in propelling self sustained growth. The NALCO has planned to invest Rs.1158 crores during 2007-08 for accomplishing various projects and some of the schemes included in second phase expansion. The Committee hope that it would justify the Government's faith in the company by achieving set target in a time bound manner.

The Committee have been informed that first phase expansion of National Aluminium Company Ltd.(NALCO), covering Mines and Refinery, Smelter and Power Plant and 8th unit of CPP, Special Grade Alumina/Zeolite Plants and Rolled Product Unit, was completed during 10th Five Year Plan. It was further stated that the equity participation in Qatar Project involving an outlay of Rs.1573 crores could not be taken up during 10th Plan since the authorities in Qatar were not interested in pursuing with this project. Further, the Utkal coal mine project involving an outlay of Rs. 210 crores during 10th Plan period became partially operational because the approval for the same could materialize only in 2004. Thus a number of projects slated for completion during 10th Plan could not come up and 10th Plan outlay was reduced from Rs.7056 crores to Rs.2864.25 crores and it has utilized only Rs.1840.27 crores.

The Committee are concerned to note that NALCO has yet not firmed up the new projects and programmes to be taken up during the 11th Plan, though the company has identified a few schemes for debottlenecking of Alumina Plant, Pottangi Bauxite Mine and setting up of Smelter Plant in Middle-Cost. The Committee believe that such a lackadaisical attitude on the part of NALCO does not augur well at a time when its second phase expansion programme is in full swing. The Committee, therefore, desire that NALCO should clearly come out with viable schemes for implementation with in a time frame during 11th Plan in order to sharpen its competitive edge in the international market. The Committee desire that NALCO should make all out efforts to fully utilize the 11th Plan outlay of Rs.9454 crores which it has projected.

### **Action Taken**

During year 2007-08, the company has projected capital outlay of Rs.1158 crores to be spent on various ongoing & new projects including

2nd phase expansion. There is every likelihood of availing the full plan outlay set for the year 2007-08 as company has a very good internal system to monitor physical as well as financial progress of various plan schemes backed by renowned engineering consultants namely, M/s M N Dastur & Company, EIL, MECON particularly for 2nd phase expansion

The Company has focused on timely completion of 2nd phase expansion project during 11th plan, together with other smaller schemes approved and initiated. The main reason for delay in progress of Pottangi Bauxite mine and Utkal-E block coal mine has been long time being taken in awarding mining leases by State Government of Orissa. The matter for both mining leases is being vigorously pursued by the Company and by Ministry of Mines together.

For taking a focused line for new major projects for growth, consultants are being engaged for advising on strategic planning. Considering all these factors, the proposed outlay for 11th plan has been revised to Rs.6,926 crores.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

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

(please *see* Para 1.21 of Chapter-I of the Report)

#### **Recommendation (Sl. No. 8 Para No.5.26)**

The Committee note that NALCO is facing problem of various clearances in operation of bauxite mines like Pottangi and Kodingamali and coal mine at Utkal-E. If these clearances are delayed NALCO may not be able to utilize the allocations made for these projects. All these cases are pending for various clearances/agreements with the Government of Orissa. The Committee desire that the Ministry of Mines must settle these issues with the Government of Orissa at the earliest on mutually agreed terms, otherwise the Committee feel the second phase expansion would be adversely affected as the work on these projects is painfully slow.

#### **Action Taken**

UTKAL-E COAL BLOCK:

Mining Lease Application	:	Applied
Mining Plan	:	Completed
Detailed Project Report	:	Completed
Land Acquisition	:	In progress



\*Mining lease:—

The award of Mining lease for Utkal-E Coal block is yet to be recommended by Govt. of Orissa to Ministry of Coal.

\*Forest Clearance:—

NALCO has submitted the proposal for diversion of 234.745 hectares of forestland on 29.01.2007. The proposal has been forwarded to the Divisional Forest Officer (DFO), Angul *vide* letter-dated 15.02.2007. Based on the recommendation of the DFO, proposal will be forwarded by PCCF, Orissa to Ministry of Environment & Forest for clearance. The matter is being taken up with Forests Deptt. of Orissa Govt.

\*Acquisition of Land:—

Application for allocation of Private and forestland has been submitted. Part allotment of non forest Govt. Land has been received. Allotment of balance land is being expedited.

#### POTTANGI BAUXITE DEPOSIT, DISTRICT – KORAPUT

The in-principle recommendation was given by Government of Orissa on 30.07.2004 with 5 conditions which were suitably clarified by NALCO on 27.02.2006 after several rounds of discussions. The issue of payment of arrear water rate/tax to State Government was linked with this case and NALCO had to deposit an adhoc amount of Rs.10 Crore without prejudice to pending writ petition in Orissa High Court. The Chief Secretary, Government of Orissa convened a meeting on 06.02.2007 to resolve the issue but the proceeding of the meeting is yet to be circulated for further action.

In the meantime, Ministry of Mines, Government of India has reserved this deposit for 10 years in favour of NALCO through Gazette of India publication dtd.27.04.2007. The mining lease application pending with Collector, Koraput since 1992 shall be revised based on physical survey of the deposit by NALCO.

#### KODINGAMALI BAUXITE DEPOSIT, DISTRICT KORAPUT

The Mining lease application of NALCO is pending with Collector, District Koraput since 1992. The in-principle grant of lease for Pottangi deposit *vide* letter dtd. 30.07.2004 of State Govt. has stipulated a condition that NALCO shall not make any claim on Kodingamali Bauxite Deposit since the Pottangi Bauxite Deposit was being granted

in NALCO's favour. Thus the final decision is pending with Government of Orissa for further activities.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

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

(Please see para 1.24 of Chapter-I of the Report)

#### **Recommendation (Sl. No. 9, Para No.5.27)**

The Committee have been informed that NALCO has proposed to set up a green field smelter project in middle-east region. The Committee view setting up of green field smelter plant abroad a step in the right direction for diversification and value addition by NALCO. The Committee desire NALCO to take serious and effective measures for setting up smelter project in Middle-East, learning from their failure to set up a similar project in Qatar. Keeping in view the massive acquisition and merger by private aluminium company world over, the Committee also desire NALCO to seriously consider the proposals for acquisition/merger of viable aluminium companies in India and abroad to consolidate its position in the world market.

#### **Action Taken**

NALCO is exploring possibilities to set up Refinery and Aluminium Smelter at various places in India and abroad.

In India, NALCO is in process of engaging consultant for preparing pre-feasibility report to set up Plant in Orissa/Chhattisgarh.

As regards efforts abroad, NALCO has sent a draft MOU to Indian Embassy in Jakarta, Indonesia for forwarding it to Indonesian authority for coal deposits. The in-house pre-feasibility report indicates, project to be viable there. Details of the proposal are being worked out.

Parallely, NALCO has also been approaching some of the Gulf countries with the proposal to set up Smelter there, based on gas supplies.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

#### **Recommendation (Sl. No. 10, Para No.6.13)**

The Committee note that the Mineral Exploration Corporation (MECL) had taken up 36 mineral exploration programmes during the

10th Plan period under the promotional scheme on behalf of the Ministry of Mines. Out of these 36 projects, 26 projects has since been completed and the remaining 10 projects are in progress and will spill over to 11th Plan. Keeping in view, the increased private participation in the mineral exploration activities, the Committee are of the strong view that MECL being the sole Government agency in the field of detailed exploration has to strive hard to remain competitive. The Committee, therefore, feel that the performance of MECL during the 10th Plan particularly its failure to complete as many as one third of the mineral exploration projects taken up by it, does not commensurate with its brand image. The Committee, therefore, desire that MECL should make all out efforts to achieve the targets during 11th Plan for mineral exploration to improve its image as a performer. The Committee are unhappy to note that MECL could not spend its budget during the year 2006-07 and the same was reduced from Rs. 25 crores to Rs. 22 crores at RE stage. The committee desire that all out efforts be made to utilize the budgetary outlays during the year 2007-08. The Committee also desire that the projects that spilled over to 11th Plan should be completed during 2007-08 itself.

#### **Action Taken**

During the Xth Plan period, exploration on 36 schemes/projects was taken up by MECL. Out of these, exploration on 26 schemes/projects were completed and exploration in the remaining 10 schemes was taken up during 2006-07, and is being continued as per the approved time schedule and would be over during 2007-08 except one project where exploration has been abandoned due to adverse law and order situation. MECL would make all out efforts to achieve the targets for promotional exploration during XIth plan period.

For the year 2006-07, the allocation for promotional exploration programme by MECL which was subsequently revised to Rs. 14 crores has been fully utilised. During 2006-07, performance of promotional exploration by MECL has been affected due to want of forest clearance and also due to law and order situation in the area.

For the year 2007-08, an outlay of Rs. 11 crores has been proposed for promotional exploration by MECL and Rs. 8 crores IEBR for capital expenditure. MECL has already drawn action plan for full utilization of the budgetary allocations, both for promotional exploration and capital expenditure. Further, the exploration schemes spilled over to XIth plan would also be completed during 2007-08.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

#### **Recommendation (Sl. No. 11 Para No.6.14)**

The Committee note that MECL could not commence promotional exploration in respect of five projects *viz.*, Ghatkuri East, Timaran Mata, Maruda, Dholamala and Intervening Block (between Ramachandrapahar & Bayanbil) for want of forest clearance and law and order situation in the area. As a result of this, the outlay of Rs.17 crores during the year 2006-07 for promotional exploration, reduced to Rs.14 crores at RE stage was subsequently pegged at Rs.11 crore at BE stage during the year 2007-08. The Committee feel that unless forest clearance is obtained for executing the above schemes even the reduced fund earmarked for this purpose during 2007-08 would not be utilized. The Committee are of the view that this has not only retarded the financial performance of the company but became a stumbling block in the mineral exploration activities of the company. The Committee, therefore, recommend the Ministry to take up the matter with the Ministry of Environment and Forests at the highest level for expediting the forest clearances for the above projects so as to ensure their timely completion.

#### **Action Taken**

As submitted in ATN of para 3.24, this Ministry has taken up the matter of necessary forest clearances with respective State Governments of Rajasthan, Kerala and Jharkhand. Government of India has also constituted a Committee to review the guidelines for norms for survey and investigation in forest areas. The first meeting of the said Committee was held on 3-4-2007 and it is felt that the guidelines for exploration may be revised to facilitate mineral exploration in forest areas.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

#### **Recommendation (Sl. No. 12, Para No. 6.15)**

The Committee are unhappy to note that MECL spent only Rs. 19 crores on modernization and desire that it should draw up a time bound programme to take up modernization and technological upgradation for which sufficient funds should be made available. The Committee should be informed of the action taken in the matter.

#### **Action Taken**

MECL has drawn up plan for modernization and technological upgradation and the old plant and machinery are proposed to be replaced with high tech high capacity drill/equipment for improvement

in performance as well as productivity. For this purpose, an outlay of Rs.44 crores (IEBR) is proposed for capital expenditure during the XIth Plan.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

**Recommendation (Sl. No. 13, Para No. 7.16)**

The Committee note that the Hindustan Copper Ltd. (HCL), a Government of India enterprise is engaged in exploration and exploitation of copper deposits, including smelting and refining. The Committee further note that HCL, which was running losses till 2003-04, has started posting profits since 2004-05 which reached Rs. 265.14 crore approximately (till December,2006) during the year 2006-07. The financial support of Rs. 40 crore was altogether withdrawn in the year 2005-06. The Committee are happy to note that HCL has not only shown improvement in its performance but also generated enough financial resources to meet the expenditure on its project/schemes. The Committee feel that since HCL has turnaround and started making profits, a comprehensive road map for all-round growth of the company becomes imperative. The Committee, therefore, recommend the Ministry to prepare a 'Vision Document' for a sustainable growth of HCL for the next 20 years.

**Action Taken**

'Vision document' for a sustainable growth of HCL for the next 20 years has been approved to the Ministry. A copy of the Vision Document for future Growth of HCL as in **Annexure-I**.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

**Recommendation (Sl. No. 14, Para No. 7.17)**

The Committee note that a provision of Rs. 50 crores has been made for the year 2007-2008 for HCL for carrying out replacement/ renewal of various equipments for the next five years to be generated through internal resources of the company. The Committee further note that a financial restructuring proposal of the company has been pending with the Ministry for a long time which has not only affected the overall performance of the company but has deprived it from becoming a self sustaining company. The Committee in their 16th Report had recommended that the financial restructuring proposal of the company based on the detailed Corporate Plan should be approved without any further loss of time. The Committee are unhappy to note

that the proposal is still kept pending which required immediate action. Such delays in fact lead to avoidable deterioration in the performance of HCL. The Committee take a serious view of the matter and desire that the financial restructuring of the company be done in a time-bound manner. The Committee should be kept informed of the action taken in the matter.

#### **Action Taken**

The Cabinet in its meeting held on 26.07.2007 and has partly approved the restructuring proposal in respect of Hindustan Copper Ltd, which includes the following :

- (i) Conversion of non-plan govt. loan amounting to Rs. 50.00 crore into equity.( Rs.25 crore each released in 2005-2006 and 2006-2007)
- (ii) Waiver of 7.5% non-cumulative redeemable preference share amounting to Rs. 180.73 crore and its adjustment against accumulated losses.
- (iii) Restructuring of capital through reduction of face value of equity share from Rs. 10/- to Rs. 5/- amounting to Rs. 382.21 crore and its adjustment against accumulated losses.
- (iv) Restoration of superannuation age to 60 years to preserve skills and provide a breathing time to the organization of formulation of proper succession plan.
- (v) Creation of post of Director (Mining) to drive the growth agenda in the mining domain.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

**CHAPTER III**

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

-NIL-

## CHAPTER IV

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

#### **Recommendation (Sl. No. 16, Para No. 8.8)**

The Committee find that no preference is being given to any PSU for the grant of mineral concession unless the area is reserved for exploitation by PSUs. The Committee in their 17th Report had desired that National Mineral policy and MMDR Act should be suitably amended in order to give due preference to the Steel PSUs in grant/renewal of mining lease. The Committee observe that Hoda Committee has not come up with a categorical recommendation for reservation to PSUs in the grant/renewal of mining leases and they are apprehensive to find that empowering the State Government in deciding the deserving applicant, in case of more than One applicant, the genuine concern of the companies particularly PSUs may not get attention of the State Government.

The Committee feel that since the PSUs are vehicle of economic growth and discharging social responsibilities in greater way they deserve priority in the grant of mineral concessions. The Committee, therefore, reiterate their earlier recommendation that National Mineral Policy and MMDR Act should be suitably amended to give priority to the PSUs in grant/renewal of mining lease .

#### **Reply of the Government**

The MMDR Act, 1957, adequately provides that the Central Government may in consultation with the State Government, reserve any area not already held under any prospecting licence or mining lease, for undertaking prospecting or mining operations through a Government company or corporation owned or controlled by it and where it proposes to do so, it shall, by notification in official Gazette, specify the boundaries of such area and the mineral or minerals in respect of which such area will be reserved.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

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

(Please see Para 1.28 of Chapter-I of the Report)



## CHAPTER V

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

#### **Recommendation (Sl. No. 15, Para No. 8.7)**

The Committee note that the present National Mineral Policy was enunciated in 1993 after which a lot of changes in the mining sector have taken place. Recognizing the need to further improve the investment climate for mining sector in the country, the Planning commission set up a high level Committee under the chairmanship of Shri Anwarul Hoda to review the National Mineral Policy and recommend possible amendments to the Mines and Minerals (Development & Regulation) Act (MMDR). The Hoda Committee has recommended, *inter-alia*, that the State Government may grant the mining lease to a value added who is willing to set up the downstream industry within the territorial limits of the State and in case of more than one applicant the State Government may grant the mining lease to the most deserving applicant. The Hoda Committee has also recommended that the PSUs be treated at par with private sector companies in the grant of mineral concessions and the reservation provisions for PSUs for exploration and mining should be modified so as to limit the scope of such reservations to specified purposes such as to meet the requirement of small and medium enterprises for raw material. The Ministry has informed the Committee that these issues have been taken up in the National Mineral Policy 2007 which is under consideration of the Group of Ministers. The Committee desire that the new policy should be finalised at the earliest in consultation with State Governments so that it can lead to optimal exploitation of the resources.

#### **Action Taken**

A Group of Ministers under the Chairmanship of Shri Shivraj V. Patil, Hon'ble Home Minister has given its approval for placing the draft National Mineral Policy, 2007 before the Cabinet.

[Ministry of Mines O.M. No. 5(1)/2006-IF, dated 7.11.2007]

NEW DELHI;  
5 December, 2007  
14 Agrahayana, 1929 (Saka)

DR. SATYANARAYAN JATIYA,  
Chairman,  
Standing Committee on Coal and Steel.

VISION DOCUMENT FOR FUTURE GROWTH OF  
HINDUSTAN COPPER LIMITED (HCL)

**Present Status and Prospects**

HCL in 2006-07 for the third consecutive year registered net profits after having previously incurred continuous losses for more than 8 years. This turnaround is not only based on the upward movement of world prices of copper but also on certain fundamental initiatives taken by the Company to reduce costs and improve operational efficiencies. The process of turnaround is however, distinct from the growth process that the company has planned to step into. The present business and economic environment is highly favorable for the metals industry, particularly copper besides other non-ferrous metals. This presents a window of opportunity for HCL to shed its past burden and focus on growth and development.

**Approach**

Formation of growth strategy requires detailed analysis and identification of the thrust areas followed by meticulous planning and execution through support from all stakeholders. It will be based on creating technology, suitable infrastructure, efficient use of resources, an effective R&D and a rolling business plan. Forging of suitable business alliances and strategic partnerships will also be necessary to leverage resources & technologies.

**Analysis**

HCL have intensively analyzed its strengths, weakness, opportunities and threats. The biggest strength that HCL possesses is its positioning in the value chain—it enjoys a unique and monopoly position in respect of mining of copper in India. The other producers of refined copper in the country have no mining operations in India—their smelters rely entirely on supplies of imported raw material, *i.e.* copper concentrate. HCL's competitive edge, therefore lies in harnessing and exploiting country's copper mineral resources. From a national perspective also, there is need to augment indigenous availability towards achieving self sufficiency in this non-ferrous mineral

particularly because of its potential to not only exploit country's known mineral reserves and resources out also to prospect for additional cooper deposits and open up new mines all of which confirms the future growth path of mining that HCL needs to adopt.

#### **Growth Strategy and Strategic Plans ( 2007-15)**

Having identified mining as the potential thrust area for Company's growth, a long term strategic plan until the year 2015 has been drawn up which broadly addresses the following goals and objectives:

1. Enhancing mining output through optimizing operations at existing mines, opening of new mines as well as reopening of closed mines.
2. Discovering and acquiring new copper deposits non-ferrous metals in India and abroad, for commercial exploitation.
3. Forging strategic alliances with world-class mining companies through joint ventures and/or other mutually agreed business models.
4. Restructuring business activities and human resources to improve accountability and efficiency which accelerating value enhancement.
5. introducing adequate IT interventions in business process, such as ERP, e-procurement, e-banking, etc.
6. Institutionalizing concerns for environment preservations, energy conservation workers' safety, community development and steadfast attention to customer satisfaction.
7. Formulating appropriate risk management strategies to specifically address volatility of commodity prices and currency exchange rates.
8. Implementing good corporate governance and an enlightened corporate culture.

Beyond 2015, HCL will consolidate its presence across globally and all non-ferrous metal category.

ANNEXURE II

MINUTES OF THE THIRD SITTING OF THE STANDING  
COMMITTEE ON COAL AND STEEL (2007-08) HELD ON  
5TH DECEMBER 2007 IN COMMITTEE ROOM 'E',  
PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1530 hrs. to 1600 hrs.

PRESENT

Dr. Satyanarayan Jatiya—*Chairman*

*Members*

2. Shri Hansraj G. Ahir
3. Shri Hiten Barman
4. Shri Bansagopal Choudhury
5. Shri Chandra Shekhar Dubey
6. Shri Chandrakant B. Khaire
7. Dr. Rameshwar Oraon
8. Shri Dalpat Singh Paraste
9. Smt. Ranjeet Ranjan
10. Smt. Karuna Shukla
11. Shri Ali Anwar
12. Shri Swapan Sadhan Bose
13. Shri Jai Narain Prasad Nishad
14. Shri B.J. Panda
15. Shri Bashistha Narain Singh

SECRETARIAT

1. Shri Ashok Sarin — *Joint Secretary*
2. Shri Shiv Singh — *Deputy Secretary*

2. At the outset, Chairman, welcomed the Members to the sitting of the Committee. Thereafter, the Committee considered and adopted the following Draft Reports:

- |       |   |    |    |    |
|-------|---|----|----|----|
| (i)   | **  | ** | ** | ** |
| (ii)  | Action Taken by the Government on the recommendations contained in the Twenty-fourth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2006-07) on "Demands for Grants (2007-08)" of the Ministry of Mines |    |    |    |
| (iii) | **  | ** | ** | ** |

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

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

*The Committee then adjourned.*

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\*\*Does not pertain to this Report.

ANNEXURE III

(Vide Para IV of Introduction)

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

I.	Total No. of Recommendations made	16
II.	Recommendations that have been accepted by the Government: ( <i>vide</i> recommendations at Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14)	14
	Percentage of total	87.5%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies:	Nil
	Nil	
	Percentage of total	Nil
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee: ( <i>vide</i> recommendations at Sl. No. 16)	1
	Percentage of total	6.25%
V.	Recommendations in respect of which final replies of the Government are still awaited: ( <i>vide</i> recommendation at Sl. No. 15)	1
	Percentage of total	6.25%