5

STANDING COMMITTEE ON COAL AND STEEL (2004-2005)
FOURTEENTH LOK SABHA

MINISTRY OF MINES

DEMANDS FOR GRANTS
(2004-2005)

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

FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
December, 2004 / Pausa, 1926 (Saka)

FIFTH REPORT

STANDING COMMITTEE
ON COAL AND STEEL
(2004-2005)

(FOURTEENTH LOK SABHA)

MINISTRY OF MINES

DEMANDS FOR GRANTS
(2004-2005)

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

Presented to Lok Sabha on 23.12. 2004
Laid in Rajya Sabha on 23.12. 2004

LOK SABHA SECRETARIAT
NEW DELHI
December, 2004 / Pausa, 1926 (Saka)

CC&S No. 5

Price : Rs.18.00

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eleventh Edition) and Printed by Jainco Art India, New Delhi-11005.

CONTENTS

ANNEXURES

COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL (2004-05)

Shri Ananth Kumar - Chairman

Members

Lok Sabha

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

Rajya Sabha

22. Shri Devdas Apte
23. Shri Ramadhar Kashyap
24. Capt. Jai Narayan Prasad Nishad
25. Shri Vidya Sagar Nishad
26. Shri B.J.Panda
27. Shri Jibon Roy
28. Shri G.K.Vasan

SECRETARIAT

1. Shri John Joseph - Additional Secretary
2. Shri N.K.Sapra - Joint Secretary
3. Shri A.K.Singh - Director
4. Shri Shiv Singh - Under Secretary
5. Smt. Madhu Tandon - Committee Assistant

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 Fifth Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Second Report of the Standing Committee on Coal and Steel on "Demands for Grants (2004-2005) of the Ministry of Mines".

2. The Second Report on the Standing Committee on Coal and Steel was presented to Lok Sabha on 25th August, 2004. Replies of the Government to all the recommendations contained in the Report were received on 6th December, 2004.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 22nd December, 2004.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Second 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;	ANANTH KUMAR
22 December, 2004	Chairman,
1 Pausa , 1926 (Saka)	Standing Committee on Coal and Steel.

New Delhi;	ANANTH KUMAR
December, 2004	Chairman,
Pausa , 1922 (Saka)	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 Second Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel on "Demands for Grants (2004-2005) of the Ministry of Mines" which was presented to Lok Sabha on 25.8.2004.

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, 6, 7, 8, 9, 10, 11, 12, 14, 15, 17, 22, 23, 24 and 25.

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

Sl.Nos.13 and 18.

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

SI. Nos. 19, 20 and 21.

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

Sl.Nos.5 and 16.

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

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

A. Plan Outlay

Recommendation (Sl.No.1, Para No.2.14)

NALCO

1.5 The Committee had observed that the financial achievements of National Aluminium Co. Ltd and Geological Survey of India (GSI) were not upto the mark. On the other hand, Hindustan Copper Ltd.(HCL) has expended the funds much more than the allocations. In the year 2002-2003, the BE for NALCO was kept at Rs.900.00 crore but the actual was Rs.608.69 crore. In 2003-2004, against the BE of Rs.650.00 crore, the actual remained as low as Rs.229.85 crore. Now a provision of Rs.310.00 crore has been made for the year 2004-2005. The Budget Estimate of Geological Survey of India for 2003-04 was Rs.176.00 crore but they could utilize only Rs.113.38 crore. As regards Hindustan Copper Ltd., a provision for Rs.25.00 crore were made at BE 2002-03 stage but actually Rs.85.00 crore were expended. In the year 2003-2004, the Budget Estimates were reduced to Rs.20.00 crore but actually Rs.113.84 crore, i.e., Rs.93.84 crore more were spent. Thus there does not appear to be any financial prudence in the Ministry as far as Budget utilization is concerned. The Ministry should take immediate corrective steps.

1.6 The Government have in their reply stated that the financial achievement of the Company over the last 3 years 2001-02 to 2003-04 as reflected at para 4.13 of the report of the Standing Committee on Coal and Steel on Demands for Grants 2004-05 of the Department of Mines has been quite good.

1.7 The break up of approved outlay of Rs.900 crore and actual expenditure of Rs.608.69 crore in 2002-03, the break up of approved outlay of Rs.650 core and actual expenditure of Rs.229.85 crore in 2003-04 and break up of provision of Rs.310 crore in 2004-05 is given in Annexure-A. From the Annexure, it may be observed that the shortfall in the capital expenditure compared to the approved outlay is mostly in respect of 1st phase expansion project, Mines & Refinery (M&R) Expansion Project, Smelter & Power Plant (S&P) Expansion Project including 7th unit of CPP and 8th unit of CPP, deferral in the provision for new schemes and in schemes aimed at maximizing benefits (Addition, Modification & Replacements). In the M&R expansion project under the 1st phase expansion projects, there has been a saving of around Rs.300 crore.

1.8 The M&R expansion, S&P expansion including 7th Unit of CPP and 8th Unit of CPP were approved in December 1996, February 1998 and February 2001 respectively and were commissioned in phases, the latest commissioning of balance 120 pots being in October 2004. In course of the implementation of different projects the savings were concretized as the projects progressed towards completion. It may please be appreciated that all these projects were implemented when there was a recessionary condition both within the country and abroad. In the competitive bidding process, there was a major saving with reference to the budgetary quotations. Due to better internal resource generation there was a substantial savings in financial charges. At the time of DFR preparation due to uncertainty in cenvat credit utilization the project cost did not take into account this credit, which was availed during the execution of the project. The major imports of equipment for expansion of Refinery and Smelter Plant is in Euro. During the import of equipments, the euro weakened vis-à-vis USD and in turn with reference to Indian Rupee necessitating lesser payment in terms of Indian Rupees.

GSI

1.9 As regard corrective steps/action taken for funds utilization, it may be stated that a Project Proposal Review Committee has been set up under the Chairmanship of Additional Secretary (Mines) for monthly review of progress of expenditure in Geological Survey of India procurement action etc.

HCL

1.10 In 2002-03, Plan fund of Rs.25.00 crore in Budget allocation was for replacement and renewal of plants and machineries. But later in RE stage Rs.60 crore in addition to R&R fund of Rs. 25.00 crore was allocated in order to provide cash support to the company and also to keep net worth positive.

1.11 In 2003-04 plan fund of Rs.20.00 crore in Budget allocation was for replacement and renewal of plants and machineries. Supplementary grant of Rs.93.84 crore was provided in the form of equity to liquidate past liabilities on account of overdue Bonds & Debentures, to clear statutory dues and to keep net worth positive.

Recommendation (Sl.No.4, Para No.2.17)

1.12 The Committee were unhappy to note that while on the one hand there has been reduction in Plan outlay, on the other hand the utilization of funds by PSUs like NALCO and subordinate organizations like GSI had not been satisfactory. In the year 2002-03, the BE for NALCO was kept at Rs.900.00 crore but the actual utilisation was Rs.608.69 crore. In the year 2003-04 against the allocated BE of Rs.650.00 crore only Rs.229.85 crore were utilized by the organization. The Committee felt that the Department of Mines should have undertaken realistic calculation of the needs of PSUs and organizations under its administrative jurisdiction and accordingly projected its plan outlay. The Committee also observed that the National Aluminium Co. Ltd. failed to utilize the allocated amount for critical ongoing schemes and for new schemes during the first two years of Tenth Plan. There was a general slackness in utilization of funds allocated to the organizations & PSUs and the Committee desired the necessary corrective action be taken by the Government to ensure that funds allocated be expended as targeted.

1.13 The Government in their Action Taken Reply have stated that it is a fact that the utilization of funds was less than the approved outlay of the Company in the years 2002-03 and 2003-04 in the first two years of Tenth Plan. The adhoc plan outlay of Rs.100 crore for 2nd phase expansion was postponed from BE 2003-04 to BE 2004-05 for want of Government approval. The plan outlay and utilization of funds on 1st phase expansion was gradually reduced from year to year taking a realistic view on the progress of the project, the cumulative commitments made and the actual expenditure incurred. The utilization of lesser funds than the approved outlay did not in any way affect the progress of the 1st phase expansion as the Company was all along comfortably placed in providing necessary funds. Apart from substantial savings in the first phase of expansion, there was improvement in internal resource generation leading to external borrowing of only Rs.300 crore to finance 1st phase expansion. All the major expansions could be completed mostly on time except for 120 pots in the Smelter Plant expansion, which was linked to commissioning of 8th Unit of CPP. The saving in the project cost was the main reason for the reduction in actual expenditure compared to the plan outlay, which is now helping the Company in terms of lesser depreciation and lower cost of production, which is comparable to the pre expansion cost of production.

Comments of the Committee

1.14 The Committee were unhappy to note that while on the one hand there had been reduction in Plan outlay, on the other hand, there was substantial under-utilization of funds by NALCO and the Geological Survey of India (GSI). The Committee had felt that the budgetary planning in the Ministry lacked financial prudence and therefore, desired immediate corrective steps.

1.15 The Committee are not satisfied with the reasons advanced by the Ministry to justify under-utilization of the approved outlay, particularly by NALCO. The Committee note that though the utilization of lesser funds did not in any way affect the progress of first phase of this expansion plan, as the company was all along comfortably placed in providing necessary funds, it sadly reflects on the budgetary planning and non-application of prudence in finalizing the Budget Estimates by NALCO and the Ministry. The Committee particularly concerned that there was lack of foresight and anticipation of the changing scenario on the part of Ministry which resulted in the non-utilization of Budgetary allocations which could have been allocated for other plans/schemes.

1.16 The Committee expect the Ministry of Mines and NALCO to further fine-tune planning and Budgetary mechanism to ensure realistic Budgetary Estimates and their optimal utilization in future, particularly for various projects and programmes in the second phase of the NALCO's expansion.

Recommendation (Sl.No.5, Para No.2.18)

VRS package for Bharat Gold Mines Ltd.

1.17 The Committee were pained to note that grants-in-aid of Rs.79.59 crore were provided to Bharat Gold Mines Ltd. During 2003-04 for VRS packages could not be utilized and had to be surrendered, as Cabinet could not give its approval to the proposals of granting VRS package in time. The Committee had expressed serious concern over the inordinate delay on the part of the Government in taking decision and desired to be apprised of the action taken in this regard.

1.18 The Government in their action taken reply have stated that an amount of Rs.83.01 crore had made in the BE 2003-04 as grants-in-aid for VRS package in Bharat Gold Mines Ltd. (BGML). It was expected that this amount would be fully utilized in 2003-04 as a proposal for implementation of 6.11.2001 VRS package in BGML, was under consideration of the

Government in pursuance of the recommendations of High Court of Karnataka. A Cabinet Note in this regard had been submitted on 27.2.2004. However, due to declaration of General Elections, the said Cabinet Note could not be considered by the Cabinet. The Cabinet Secretariat returned Cabinet Note on 17.5.2004 requesting that the Cabinet Note may be brought before the Cabinet after formation of new Government and after obtaining fresh approval of Minister-in-charge and fresh inter-Ministerial consultations. In view of this, the budgetary provision made in BE 2003-04 as grants-in-aid for STBP in BGML could not be utilized in 2003-04 and an amount of Rs.79.59 crore has to be surrendered. The Cabinet considered the proposal, and referred it to the Committee of Secretaries for detailed examination.

Committees of the Committee

1.19 The Committee had expressed their serious concern over the inordinate delay in granting a VRs package for Bharat Gold Mines Ltd. (BGML). The Committee have now been informed that the proposal has again been referred to the Committee of Secretaries for detailed examination.

1.20 The Committee are indeed very unhappy that the Ministry has yet to take a final view on the implementation of VRS package though the Government accorded permission for the closure of BGML in March, 2001. The Committee are of the view that the interest of employee should be protected at all costs and therefore, desire that VRS proposal should be approved within a month time.

Recommendation (Sl.No.6, Para No.3.8)

Expert Committee Report on GSI

1.21 The Committee appreciated the role played by GSI in pre and post-independent India as premier national scientific survey and research organisation. The Committee note that in view of the changing environment, the role and functions of Geological Survey of India (GSI) vis-a-vis other organizations, the role of GSI needs to be examined. To make the role of GSI more relevant in the light of development in the field of earth sciences, etc., the Committee recommended that the Report of the Expert Committee may be implemented by the Department of Mines at the earliest. The Committee desired that they may be apprised of the action taken on the findings of the Expert Committee.

1.22 In their reply the Government have stated that the following actions on implementation of the accepted part of the recommendations of the Expert Committee have been initiated. The charter of GSI has been revised and notified in the Gazette. The programmes have been classified into the hierarchy of Projects-Programmes-Mission and actions have been initiated to implement the programmes in project mode. The existing structure of the Regional offices and Wings have been retained. As a first step for attaining excellence in R&D efforts, three programmes under the recently created scope of taking up additional research projects have been included in the Annual Programme of GSI in 2004-2005. Actions have been planned to strengthen the GSITI and expand its activities. For setting up of a commercial wing a proposal is under consideration of the DOM. For developing strong management information system, small modules has been created and circulated to the Regions and Wings for establishing the database in the personnel information domain and in the case of annual programmes this is already in practice; to streamline the procedure of personnel management of Group A, B, C, D proposals have already been submitted to the DOM. The majority of the Regions and Wings will be covered under LAN by the end of this financial year and WAN will be taken up in the next phase. Time-frame for modernization of GSI through 10th plan has been indicated to DOM. The infrastructure support needed for optimum utilization of specific sophisticated instruments has been identified and necessary action has been initiated to implement the same. The programme of the training institute has been suitably tailored to meet the customized need of the department as well as scientists from outside organisations involved in the field of earth sciences.

Comments of the Committee

1.23 The Committee had recommended that the Report of the Expert Committee on the role and functions of Geological Survey of India (GSI) might be implemented at the earliest. The Committee note that the Government have accepted only some of the recommendations of the Expert Committee and taken necessary action for their implementation. The Committee while appreciating the steps taken by the Government to make GSI more responsive to the scientific and societal needs thus making it more transparent, would like to be apprised of the progress in the implementation of accepted recommendation and the status of the remaining recommendations of the Expert Committee.

Recommendation (Sl.No.16, Para 4.20)

Commissioning of a study to evaluate the working of NALCO

1.24 The Committee noted that the Government had in 2001 approved the open market sale of 30% of Government equity in NALCO, bringing down Government equity to 26%/ Thereafter, the Committee noted that the disinvestments status of NALCO was being reviewed. The Committee desired that they would like to be apprised of the present status of disinvestments of NALCO which was reported to be temporarily put on hold. The Committee also recommend that the Government should give a fresh and serious look to the disinvestments decision of NALCO keeping in mind the various factors that NALCO had emerged as a star performer in production and export in ore and had been conferred Mini Ratna status. The Committee also recommended that the Government should commission a study to evaluate the working of NALCO.

1.25 The Government in their reply have stated that the subsequent to the statement of the Prime Minister at Bhubaneswar on 15 July 2003, the disinvestments of NALCO has not been pursued. The policy of the Government as stated in the National Common Minimum Programme is that "it is pledged to devolve full managerial and commercial autonomy to successful profit-making companies operating in a competitive environment. Generally profit making companies will not be privatized". The recommendation of the Committee to commission a study to evaluate the working of NALCO is being considered.

Comments of the Committee

1.26 The Committee had recommended the Government to give a fresh look to the disinvestments decision of NALCO as well as to commission a study to evaluate its working. The Committee note that in pursuance of the policy of the Government as enunciated in the National Common Minimum Programme that "generally profit making company will not be privatized". The Committee have also been informed that the Government have yet to take a final decision on commissioning a study to evaluate the working of NALCO. The study is crucial in view of the recent decision of the Government for a massive second phase expansion plan of the NALCO and also the fact that it has the potential to emerge as one of the giant companies in the world market.

Recommendation (Sl.No.19, Para No.5.17)

Disinvestment of HCL

1.27 The Committee noted that HCL has been incurring heavy losses in its operation. During 1999-2000, it had incurred net loss of Rs.147.70 crore. During 2001-2002 the Company again incurred net loss of Rs.184.04 crore. The financial performance of and the accumulated losses of HCL were as high as 1171 crore. The Secretary, Department of Mines while conceding that heavy losses incurred had however stated during evidence that from December, 2003, the Company had turned around and at least have saved its cash loss with a marginal saving and was repaying part of its liabilities. From December 2003, they had avoided cash losses and have done well. The Committee, therefore, recommended that all out efforts should be made by the Ministry to make HCL financially viable by providing financial restructuring package. The Committee recommended that the question of disinvestment of HCL should be re-examined and it might be resorted to if absolutely unavoidable.

1.28 The Government in their reply have stated that the issue of disinvestment of HCL may be examined once the new policy on disinvestment is finalised by the Government and as and when there is a reference from the Department of Disinvestment. For financial restructuring package, a proposal has been received from HCL and is under process in the Ministry of Mines.

Comments of the Committee

1.29 The Committee recall its earlier recommendation that the disinvestments of Hindustan Copper Ltd. (HCL) should be re-examined and express their dissatisfaction with the reply of the Government in this regard. They would like to reiterate their earlier recommendation

1.30 The Committee note that a proposal for financial restructuring package has been received from HCL and is under process in the Ministry of Mines. The Committee, therefore, recommend that the Ministry of Finance/Planning Commission should be approached for getting an expeditious clearance of the restructuring package of HCL.

Recommendations on (Sl.No.20, Para No. 6.16)

MECL

1.31 The Committee observed that MECL which was set up in 1972 was engaged in undertaking detailed systematic mineral exploration in the country. The Committee were, however, perturbed to note that as far as the achievement in exploration, mining was concerned, the actual performance of MECL had fallen far short of the target. While the target for mining in 2003-04 was 5000 m, the actual mining was only 3357 m. In the context of sales, while the target was Rs.6,436 lakhs, only Rs.6089 lakhs sales was achieved. The Committee recommended that all out efforts should be made by MECL for improving their physical and financial performance, laying emphasis on rationalisation of manpower to improve performance in core activities and in the field of diversification. The Committee recommended that the financial restructuring and implementation of VRS proposal of MECL should be approved and implemented without any further loss of time in order to enable the company to achieve the physical targets, targets of optimal manpower and to earn profits.

1.32 The Government in their reply have stated that a draft Cabinet Note for a provision of Rs.70 crore as grant for implementation of VRS in MECL to reduce the manpower strength of the company to the level of 1,200 along with financial restructuring (waiver of interest, penal interest outstanding against the accumulated losses, transfer of outstanding loan to capital reserves etc., has been circulated to the concerned Ministries/Deptts for their comments after the approval of the then Minister-in-Charge. Deptt. of Disinvestment (DoDI) in their comments have stated that Cabinet Committee on Disinvestment (CCD) has approved on 10.7.2003, that restructuring of MECL would be done in consultation of Advisers and prospective bidders and would be submitted to CCD for approval. They have also mentioned in their comments that EOIs have been invited by 27.2.2004 and the nature of restructuring would be formed in consultation with the Qualified Interested Parties (QIPs) and the advisers. Hence DoDI has suggested that any proposal for restructuring is to be linked to disinvestment of the company and, therefore, it would be advisable to consult the qualified bidders before the proposals are finally put up to CCEA. With the approval of the then MCM , it was decided to pursue the Cabinet Note after a clear picture emerges after discussion with the Qualified Interested Parties (QIPs). The Deptt. of Disinvestment has been reminded in the matter.

Recommendation (Sl.No.21, Para No.6.17)

1.33 The Committee were please note that MECL had recently got major work orders in the field of consultancy services even from TISCO, STERLITES, SMC, GEC, AMD, ONGC, Singareni Collieries etc. The Committee desired that MECL should make adequate efforts to obtain substantial orders from not only traditional clients like coal companies but also from newer companies in order to generate more internal resources. The Committee further recommended that the Company's proposal to purchase drill for Coal Bed Methane Exploration should be approved at the earliest so that it can take a lead in a new field and augment its resources, the Government should also take immediate steps to modernize MECL so that it can withstand competition from other companies.

1.34 In the Action Taken Reply, the Government has stated that the proposal for the purchase of Drill for Coal Bed Methane (CBM) exploration and production by MECL at a cost of Rs.23.75 crore had been submitted to IF Division of this Deptt. for taking up the matter with the Planning Commission.

1.35 Further, the Government had already taken a decision to disinvest its 100% equity in MECL in favour of a strategic buyer with transfer of management control. Further action for disinvestments is being processed in the Deptt. of Disinvestment. Perhaps, it would not be appropriate for the Deptt. of Mines going for its modernization programme at this stage.

Comments of the Committee

1.36 The Committee understand that a decision to disinvest 100 per cent equity in MECL in favour of a strategic buyer with transfer of management control had already been taken by the Government. However, the Committee note that there has been a policy change in regard to the disinvestment of all the public sector undertakings and henceforth the policy of disinvestment would have to be decided on a case-to-case basis. The Committee recommend that a decision to disinvest MECL should be taken only if it is absolutely necessary. However, in the meantime VRS proposal to reduce the manpower strength of the Company should be approved to improve its financial position. The Committee would like to be apprised in the matter at the earliest.

1.37 The Committee are astonished to find that on the one hand the Government have decided to disinvest 100 per cent equity in MECL in favour of a strategic buyer with transfer of management control, on the other hand the Government are pursuing the proposal for the purchase of the drill for Coal Bed Methane exploration and production at a cost of Rs.23.75 the Committee would like the proposal to be suitably reviewed and avoid wasteful expenditure.

Recommendations (Sl.No.25, Para No.8.9)

Science and Technology (S&T)

1.38 The Committee noted that the S&T programme of the Department of Mines cover vast number of disciplines such as Geology, Exploration, Mining and Environment, Bleaching, Beneficiation, Rock Mechanics, Ground Control and Non-Ferrous Metallurgy. The Committee were also pleased to note that during the X Five Year Plan emphasis will be given on multi-disciplinary, multi-organisational projects catering to national requirements. The Committee were, however, unhappy to note that while in the revised estimates 2003-04 an outlay for S&T programmes has been retained at Rs.8.05 crore, the funds utilise during 2003-04 was Rs.405.67 lakh (Rs.4.06 crore). The Committee recommended that the Department should take adequate steps to fully utilise the funds sanctioned for S&T programmes as these programmes have wide and varied objectives which have national ramifications. The Committee noted that six new projects have been approved for Rs.772.17 lakh (Rs.7.7. crore) and desire that these should be completed in a time bound manner with optimal utilisation of the sanctioned funds. The Committee also desired that the Department should strive to procure more and more S&T projects from other Departments/Organisations which will help to augment the internal resources of the Department.

1. The Government in their reply have stated that the outlay of Rs.8.05 crore (Budget Support Rs.4.50 crore) was retained in R.E. 2003-04. Hence the Department of Mines was to provide financial assistance of Rs.4.50 crore and the balance Rs.3.55 crore were to be generated as Internal and Extra Budgetary Resource by three research Institutions viz. National Institute of Rock Mechanic, Jawaharlal Nehru Aluminum Research Development Centre and National Institute of Miner's Health. Against these targets Department of Mines released an assistance of Rs.4.06 crore (90%) . NIRM, JNARDDC and NIRM generated Rs.3.05 crore (86%) as Internal and Extra Budgetary Resources.

2. The Department of Mines has approved six next projects at a cost of Rs.7.72 crore. However; the DOM's contribution is limited to only Rs.1.51 (crore). Balance Rs.6.21 crore is being contributed by an International funding agency, Deptt. of Steel, Deptt. of Science & Technology, Government of India, Govt. of Nagaland, private Industry and National Aluminium Company (PSU).

3. The Deptt. will endeavor to complete six new projects in time and strive to procure more projects from other Deptt. /Organisations.

Comments of the Committee

1.39 The Committee note that the Ministry of Mines have approved six new projects at a cost of Rs.7.72 crore. However, the Ministry of Mines contribution is limited to only Rs. 1.51 crore and a balance Rs.6.21 crore is being contributed by an International Funding Agency, Ministry of Steel, Department of Science & Technology, Government of India, Government of Nagaland, private Industry and NACO. The Committee desire that Ministry of Mines should make sincere efforts to ensure that the balance amount of Rs.6.21 crore to be contributed by different departments/agency is made available to these research institutes under the Ministry for undertaking these S&T projects. The Committee would like to be apprised of the action taken by the Government in this regard in a time-bound manner.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl.No. 1, Para No. 2.14)

It has been observed from the above table that the financial achievements of National Aluminium Co. Ltd and Geological Survey of India (GSI) have not been upto the mark On the other hand, Hindustan Copper Ltd. (HCL) has expended the funds much more than the allocations. In the year 2002-2003, the BE for NALCO was kept at Rs.900.00 crore but the actual was Rs.608.69 crore. In 2003-2004, against the BE of Rs. 650.00 crore the actual remained as low as Rs.229.85 crore. Now a provision of Rs.310.00 crore has been made for the year 2004-2005. The Budget Estimate of Geological Survey of India for 2003-04 was Rs.176.00 crore but they could utilize only Rs.113.38 crore. As regards Hindustan Copper Ltd., a provision for Rs.25.00 crore were made at BE 2002-03 stage but actually Rs.85.00 crore were expended. In the year 2003-2004, the Budget Estimates, were reduced to Rs.20.00 crore but actually Rs.113.84 crore i.e., Rs. 93.84 crore more were spent. Thus there does not appear to be any financial prudence in the Ministry as far as Budget utilization is concerned. The Ministry should take immediate corrective steps.

Action Taken

NALCO

The financial achievement of the Company over last 3 years 2001-02 to 2003-04 as reflected at para 4.13 of the report of the Standing Committee on Coal and Steel on Demands for Grants 2004-05 of the Department of Mines has been quite good.

The break up of approved outlay of Rs.900 crore and actual expenditure of Rs.608.69 crore in 2002-03, the break up of approved outlay of Rs.650 crore and actual expenditure of Rs.229.85 crore in 2003-04 and break up of provision of Rs.310 crore in 2004-05 is given in Annexure-A. From the Annexure, it may be observed that the shortfall in the capital expenditure compared to the approved outlay is mostly in respect of 1st phase expansion project, Mines & Refinery (M&R) Expansion Project, Smelter & Power Plant (S&P) Expansion Project including 7th unit of CPP and 8th unit of CPP, deferral in the provision for new schemes and in schemes aimed at maximizing benefits (Addition, Modification & Replacements). In the M&R expansion project under the 1st phase expansion projects, there has been a saving of around Rs.300 crore.

The M&R expansion, S&P expansion including 7th Unit of CPP and 8th Unit of CPP were approved in December 1996, February 1998 and February 2001 respectively and were commissioned in phases, the latest commissioning of balance 120 pots being in October 2004. In course of the implementation of different projects the savings were concretized as the projects progressed towards completion. It may please be appreciated that all these projects were implemented when there was a recessionary condition both within the country and abroad. In the competitive bidding process, there was a major saving with reference to the budgetary quotations. Due to better internal resource generation there was a substantial savings in financial charges. At the time of DFR preparation due to uncertainty in cenvat credit utilization the project cost did not take into account this credit, which was availed during the execution of the project. The major imports of equipment for expansion of Refinery and Smelter Plant is in Euro. During the import of equipments, the euro weakened *vis-a-vis* USD and in turn with reference to Indian Rupee necessitating lesser payment in terms of Indian Rupees.

GSI

As regard corrective steps/action taken for funds utilization, it may be stated that a Project Proposal Review Committee has been set up under the Chairmanship of Additional Secretary (Mines) for monthly review of progress of expenditure in Geological Survey of India procurement action etc.

HCL

In 2002-03, Plan fund of Rs.25.00 crore in Budget allocation was for replacement and renewal of plants and machineries. But later in RE stage Rs.60 crore in addition to R&R fund of Rs.25.00 crore was allocated in order to provide cash support to the company and also to keep net worth positive.

In 2003-04 plan fund of Rs.20.00 crore in Budget allocation was for replacement and renewal of plants and machineries. Supplementary grant of Rs. 93.84 crore was provided in the form of equity to liquidate past liabilities on account of overdue Bonds & Debentures, to clear statutory dues and to keep net worth positive.

Comments of the Committee

(Please *see* Paras 1.14, 1.15 & 1.16 of the Chapter I of the Repor:t)

Recommendation (Sl.No. 2, Para No. 2.15)

The Committee are constrained to note that the total Plan outlay for the mining sector (Department of Mines) during 2003-2004 was Rs.633.74 comprising Rs.228.50 crore (Plan) and Rs.405.24 crore (NonPlan) was reused to Rs.500.00 crore at RE stage comprising of Rs.190.00 crore (Plan) and Rs.310.00 crore (Non-Plan). The Committee are further dismayed to note that the reduction of plan outlay at BE stage has continued and the BE for 2004-2005 has been kept at Rs.549.00 crore. The further concern is the fact that there has been downsizing of Plan expenditure from Rs.228.50 crote (Plan) in BE 2003-04 to Rs.190.00 crore (Plan).

Recommendation (Sl.No. 3, Para No. 2.16)

The Committee understands the financial constraints of Government of India. However, keeping in mind the importance of the Mining Industry, it is desirable that for optimal utilization of the resources the Ministry of Mines be given sufficient funds. Therefore, the Committee recommend that the Ministry of Mines would take up the matter at RE stage with Planning Commission and the Ministry of Finance for more allocation of plan outlay as per requirement.

Action Taken for 2.15 and 2.16

During the year 2003-2004 the total allocation of the Department of Mines in B.E. was Rs.633.74 crore comprising Rs.228.50 crore for (Plan) and Rs.405.24 crore (Non-Plan). At RE. stage the total allocation was reduced to Rs.500.00 crore comprising Rs.190.00 crores (Plan) and

Rs.310.00 crores (Non-Plan). However a sum of Rs.93.84 crore was obtained for HCL as equity through the last batch of Supplementary Demands for Grants. Therefore, the revised allocation for this Department comes to Rs.593.84 crore. A reduction of Rs.38.50 crore was made in the plan provisions meant for GSI and its budget was reduced from Rs.176.00 crores to Rs. 137.50 crore. This was mainly on account of stoppage of BRGM aid and cuts of Ministry of Finance. The Department takes notes of recommendations of Hon'ble Parliamentary Standing Committee and will take appropriate steps for increase allocation as per requirement in future.

Recommendation (Sl.No. 4, Para No. 2.17)

NALCO

The Committee are also unhappy to note that while on the one hand there has been reduction in Plan outlay, on the other hand the utilization of funds by PSUs like NALCO and subordinate organizations like GSI have not been satisfactory. In the year 2002-03, the BE for NALCO was kept at Rs.900.00 crore but the actual utilisation was Rs.608.69 crore. In the year 2003-04 against the allocated BE of Rs.650.00 crore only Rs. 229.85 crore were utilized by the organization. The Committee feel that the Department of Mines should have undertaken realistic calculation of the needs of PSUs and organizations under its administrative jurisdiction and accordingly projected its plan outlay. The Committee also observed that the National Aluminium Co. Ltd. failed to utilize the allocated amount for critical ongoing schemes and for new schemes during the first two years of Tenth Plan. There is a general slackness in utilization of funds allocated to the organizations & PSUs and the Committee desire the necessary corrective action be taken by the Government to ensure that funds allocated be expended as targeted.

Action Taken

It is a fact that the utilization of funds was less than the approved outlay of the Company in the years 2002-03 and 2003-04 in the first two years of tenth plan. The adhoc plan outlay of Rs.100 crore for 2nd phase expansion was postponed from BE 2003-04 to BE 2004-05 for want of Government approval. The Plan outlay and utilization of funds on 1st phase expansion was gradually reduced from year to year taking a realistic view on the progress of the project, the cumulative commitments made and the actual expenditure incurred. The utilization of lesser funds than the approved outlay did not in any way affect the progress of the 1st phase expansion as the Company was all along comfortably placed in providing necessary funds. Apart from substantial savings in the first phase of expansion, there was improvement in internal resource generation leading to external borrowing of only Rs.300 crore to finance 1st phase expansion. All the major expansions could be completed mostly on time except for 120 pots in the Smelter Plant expansion, which was linked to commissioning of 8th Unit of CPP. The saving in the project cost was the main reason for the reduction in actual expenditure compared to the plan outlay, which is now helping the Company in terms of lesser depreciation and lower cost of production, which is comparable to the pre expansion cost of production.

Comments of the Committee

(Please *see* Paras 1.14, 1.15 & 1.16 of the Chapter 1 of the Report)

Recommendation (Sl.No. 6, Para No. 3.8)

Geological Survey of India

The Committee appreciate the role played by GSI in pre and post independent India as premier national scientific survey and research organisation. The Committee note that in view of the changing environment, the role and functions of Geological Survey of India (GSI) *vis-a-vis* other organizations, the role of GSI needs to be examined. To make the role of GSI more relevant in the light of development in the field of earth sciences, etc. the Committee recommended that the Report of the Expert Committee may be implemented by the Department of Mines at the earliest. The Committee may be apprised of the action taken on the findings of the Expert Committee.

Action Taken

The following actions on implementation of the accepted part of the recommendations of the Expert Committee have been initiated. The charter of GSI has been revised and notified in the Gazette. The programmes have been classified into the hierarchy of Projects-Programmes-Mission and actions have been initiated to implement the programmes in project made. The existing structure of the Regional offices and Wings have been retained. As a first step for attaining excellence in R&D efforts, three programmes under the recently created scope of taking up additional research projects have been included in the Annual Programme of GSI in 2004-2005 actions have been planned to strengthen the GSITI and expand its activities. For setting up of a commercial wing a proposal is under consideration of the DOM. For developing strong management information system, small modules has been created and circulated to the Regions and wings for establishing the database in the personnel information domain and in the case of annual programmes this is already in practice; to streamline the procedure of personnel management of Group A, B, C, D proposals have already been submitted to the DOM. The majority of the Regions and Wings will be covered under LAN by the end of this financial year and WAN will be taken up in the next phase. Time frame for modernization of GSI through 10th plan has been indicated to DOM. The infrastructure support needed for optimum utilization of specific sophisticated instruments has been identified and necessary action has been initiated to implement the same. The programme of the training institute has been suitably tailored to meet the customized need of the department as well as scientists from outside organisations involved in the field of earth sciences.

Comments of the Committee

(Please *see* Para 1.23 of the Chapter I of the Report)

Recommendation (S1.No. 7, Para No. 3.9)

GSI

The Committee are constrained to note that achievement/physical performance of GSI during the IXth Plan period (1997-2000) have fallen far short of the actual targets in various fields such as systemic Geological Mapping, Thematic Mapping, Aerial Survey, Drilling, Training, Research etc. The reasons advanced by Geological Survey of India (GSI) for the shortfall, such as local law and order problems, shortage of professional manpower, old and outdated equipment etc., are also not convincing and the Ministry failed to take corrective steps in time. The Committee, therefore, cannot but deplore the Department's casual approach to achieve the targets laid and desire that necessary steps should be taken to achieve all the targets in right earnest. Replacement of old and outdated equipments should be carried out on war footing and other steps like filling up of vacancies of professional manpower should be taken up to ensure the achievement of the targets laid for 10th Plan Period.

Action Taken

All out effort in right earnest are being taken to achieve the targets are projected in the 10th plan document. 60% of the old rigs deployed for drilling have been replaced, sophisticated instruments have been procured for the laboratories which includes ICP-MS, ICP-AES, XRF, EPMA etc. (capable of high precision and law detection in analyzing individual minerals). Proposal for procurement of helicopter borne geophysical survey system is under examination/consideration of Department of Mines.

Recommendation (S1.No. 8, 9, 10, Para No., 3.10, 3.22, 3.23)

GSI

The details of the plan outlays and expenditure furnished by the Department during the IXth Plan and first two years of the Xth Plan for GSI also show that the actual expenditure has fallen short of the approved outlay for the whole of IXth Plan. Also, during 2003-2004, only Rs.113.38 crore were spent against the approved outlay of Rs.176.00 crore. The Secretary, Department of Mines himself conceded during evidence that there has been sluggishness on the part of GSI in utilisation of funds. The Committee, thus, taking note of the dismal performance of GSI in utilization of funds feel that funds are no longer a constraint in the task for completion of the projects. The Committee, therefore, desire that GSI should take proactive steps to ensure the optimal utilization of the sanctioned funds. The Committee also agree with the views of the Secretary that GSI has to show anticipation in terms of laying down specifications and in global tendering in anticipation of the financial provisions.

The Committee are dismayed to note that the funds allocated for modernisation and replacement in different fields of GSI have not been fully utilised. In 2002-2003, out of BE of Rs.80.19 crore, only Rs.11.33 crore have been utilized. Also during 2003-204, against the budgetary allocation of Rs.76.44 crore, only Rs.31.40 have been expended. The Committee are of the opinion that under-utilization of allocated funds is one of the reasons for downsizing of plan outlay for modernisation. The details of the budget proposals made for the purpose for the last three years and during the year 2004-2005 show that there has been a reduction in budgetary outlay from Rs.71.43 in 2002-2003 to Rs.67.25 crore in 2003-2004 and to Rs.32.54 crore in 2004-2005. This clearly shows the tardy progress made in the implementation programme of modernisation of GSI. The Committee recommend that the pace of GSI needs to be accelerated.

The Committee observe that as informed by the Department, there are vast areas for modernisation as geochemical, mapping, specialised thematic studies, environmental appraisal, natural hazard mitigation, etc.

Action Taken

3.10, 3.22 & 3.23 A Committee under the Chairmanship of Additional Secretary (Mines) has been constituted by the Secretary (Mines) to monitor the implementation of the modernization programme of the GSI and to suggest the corrective steps needed for optimum utilization of the allocated Plan fund.

Recommendation (S1.No. 11, Para No. 3.24)

GSI

The Committee feel that the process of further modernization of GSI should not suffer for want of sufficient funds. The Committee, therefore, recommend that the Department of Mines should not only take adequate steps for optimum utilisation of sanctioned funds but also make available adequate funds in the Revised Estimates for the year 2004-05.

Action Taken

The fund allocation as per BE *vis-a-vis* the amount spent and status of the procurement proposal are being examined to estimate requirement of additional fund at the RE stage of 2004-05.

Recommendation (Sl.No. 12, Para No. 3.27)

The Committee are happy to note the progress made in mineral exploration especially in Eastern Region, Southern Region, Central Region and Western Region. The Committee are, however, dismayed to note the negligible progress made in mineral exploration in North East Region and Northern Region. The Committee strongly recommend that the Geological Survey of India should enhance the pace of mineral investigation and achieve the targets set for the purpose in a time bound manner.

Action Taken

Geological prospectivity is the main factor, which control the exploration activities of any region. The problem specific field in the earth science domain of the Northeast region and the Northern region are primarily related to natural hazards involving land slides and earthquakes which are being given due priority for these two regions. A number of geotechnical investigations are also being attended in these two regions. In terms of hydel power generation, communication links etc., which are specific of hilly terrains. The due share of mineral investigations also are being carried out in the peninsular parts of these regions. Necessary assistance and guidance is also being provided to the State Directorate of Geology and Mining in the field of mineral exploration.

Recommendation (Sl.No. 14, Para No. 4.18)

NALCO

However, despite the commendable performance of NALCO since its inception, the Committee are perturbed to note the decrease in plan outlay at the RE stage and the huge gap between the BE and RE for the year 2003-04. The budget plan outlay of Rs.650 crore for the year 2003-2004 was revised to Rs.325 crore in RE 2003-2004. The BE for 2004-2005 has been further reduced to Rs.310 crore. A sum of Rs.300 crore were projected in BE 2003-04 against Smelter and CPP (7th Unit) expansion. However, this was revised to Rs.139.16 crore in RE 2003-04. This clearly shows that the Ministry has not been projecting realistic budgetary proposals. Again, a provision of Rs.100 crore was kept under BE 2003-04 in anticipation of Government approval of proposed 2nd phase expansion. Since the final approval of the project was delayed, the BE provision was not retained in RE 2003-04 and has been shifted to BE 2004-05.

Action Taken

The decrease in plan outlay at the RE stage from Rs.650 crore to Rs.325 crore and provision of Rs.310 crore for BE 2004-05 reflected the reality as the Company progressed towards completion of the expansion projects. Unlike in the previous years, barring an expected commitment of Rs.17.75 crore for CPP 8th unit, there was no more commitment to be made in respect of Mines and Refinery (M&R) expansion and Smelter and CPP 7th unit (S&P) expansion. Thus while projecting RE 2003-04 and BE 2004-05, the Company was nearer towards the completion cost and savings on the projects were more concretized than in the previous year. While preparing RE 2003-04 and BE

2004-05, a total saving of Rs.575.76 crore was projected compared to a saving of Rs.368.93 crore at the time of preparation of BE 2003-04. The major drop in the outlay in respect of Smelter & CPP 7th unit from Rs.300 crore to Rs.139.16 crore was due to utilization of cenvat credit of about Rs.88 crore, which was not reflected at BE 2003-04. Because of the delay in approval to the 2nd phase expansion, there was no alternative than to drop it under RE 2003-04 stage and shift to BE 2004-05.

Recommendation (SI.No. 15, Para No. 4.19)

Since the delayed approval of any project could lead to serious time and cost overrun implications, the Committee strongly feel that the Government should accord its approval to the proposed projects well in time for the overall interest of the economy of the country.

Action Taken

The Public Investment Board (PIB) has already recommended in its meeting held on 6th February, 2004 the investment on 2nd phase expansion proposal. The environmental clearance for all the segments has since been obtained. The proposal has received the approval of Cabinet Committee on Economic Affairs (CCEA). The CCEA meeting was held on 13.10.2004 and the minutes of the meeting have been received.

Recommendation (SI.No. 17, Para No. 4.21)

The Committee note that the company is now looking forward to an early clearance of its Rs.4000 crore expansion project. It has been indicated that the expansion project may get the final nod of the cabinet by July, 2004. The second phase expansion project of NALCO is now awaiting environmental clearance before being sent to the cabinet for final approval. The project was earlier cleared by the Public Investment Board. The Committee desire that the Department of Mines should pursue the matter for expeditious environmental clearance of the second phase expansion programme and its early implementation in a time bound manner.

Action Taken

The environmental clearance for 2nd phase expansion has since been obtained for all the segments. The proposal has received the approval of Cabinet Committee on Economic Affairs (CCEA). The CCEA meeting was held on 13.10.2004 and the minutes of the meeting have been received.

Recommendation (SI.No. 22,23,24, Para No. 7.5, 7.6, 7.7)

BGML

The Committee note that BGML which was incorporated as a PSU in 1972 has been consistently making losses since its inception due to various reasons such as depletion of reserves, deep level of mining, high cost of inputs & surplus manpower. BGML was referred to Board for Industrial and Financial Reconstruction (BIFR) in 1992 who passed order for winding up of BGML.

The Committee observe that two packages were announced for the workers as a result of liquidation of BGML. One was the STBP package in February, 2002 where the monetary relief was less. Another package was announced on 6th November which had enhanced *ex gratia,* compensation, etc. The Department have informed that the latest High Court judgement has strongly favoured the 6th November package for the workers. The Committee are of the view that after the closure of BGML, the interests of employees should be protected in all respects. Therefore, the Committee also recommend the Government to consider and implement the 6th November package for the employees of BGML.

The Committee also note that the last valuation that was done of BGML as far as its lands and assets were concerned was for Rs.112 crore. In addition, there are huge tailing dumps and there is a considerable belief in international community that there is still a lot of gold in these tailings. The value of that gold on 1997 valuation was Rs.1200 crore. The Committee, therefore, desire that immediate steps should be taken to recover gold from the tailing and by disposal/sale/utilisation of assets of the company which will help in mitigating to a large extent the liabilities of the company. These steps may be taken concurrently with the winding up process if there is no legal bar in it. The Committee may be informed of the action taken in the matter.

Action Taken

The actionable points in the above mentioned recommendations of the Committee are as follows.

(i) Government to consider and implement the 6th November, 2001 VRS package in respect of the employees of BGML.

(ii) Immediate steps should be taken to recover gold from the tailings and for disposal/sale/utilization of the assets of BGML, which will help in mitigating to a large extent the liabilities of the company.

A Cabinet Note has been finalized which inter-alia includes a proposal for implementation of 6.11.2001 VRS package in respect of BGML employees. In the said Cabinet Note it is also proposed that in consultation with the Government of Karnataka a scheme will be presented to the High Court of Karnataka, where the winding up/liquidation proceedings are pending, for disposal of land and properties of BGML, which inter-alia must provide, after discharge of liabilities, for issue of a global tender for ascertaining the true value of gold to be extracted from the tailing dumps, as also, potential extraction of gold from BGML premises. The Cabinet has referred the matter to the Committee of Secretaries.

Recommendation (S1.No. 25, Para No. 8.9)

The Committee note that the S&T programme of the Department of Mines cover vast number of disciplines such as Geology, Exploration, Mining and Environment, Bleaching, Beneficiation, Rock Mechanics, Ground Control and Non-Ferrous Metallurgy. The Committee are also please to note that during the X Five Year Plan emphasis will be given on multi-disciplinary, multi-organisational projects catering to national requirements. The Committee are, however, unhappy to note that while in the revised estimates 2003-04 an outlay for S&T programmes has been retained at Rs.8.05 crore, the funds utilise during 2003-04 was Rs. 405.67 lakh (Rs.4.06 crore). The Committee recommend that the Department should take adequate steps to fully utilise the funds sanctioned for S&T programmes as these programmes have wide and varied objectives which have national ramifications. The Committee note that six new projects have been approved for Rs.772.17 lakh (Rs.7.7 crore) and desire that these should be completed in a time bound manner with optimal utilisation of sanctioned funds. The Committee also desire that the Department should strive to procure more and more S&T projects from other Departments/Organisations which will help to augment the internal resources of the Department.

Action Taken

1. The outlay of Rs.8.05 crore (Budget Support Rs.4.50 crore) was retained in RE. 2003-04. Hence the Department of Mines was to provide financial assistance of Rs.4.50 crore. Balance Rs. 3.55 crore were to be generated as Internal and Extra Budgetary Resource by three research Institutions *viz.* National Institute of Rock Mechanic, Jawaharlal Nehru Aluminium Research Development Centre and National Institute of Miner's Health. Against these targets Department of Mines released assistance of Rs.4.06 crore (90%). NIRM, JNARDDC and NIRM generated Rs.3.05 crore (86%) as Internal and Extra Budgetary Resources.

2. The Department of Mines has approved six next projects at a cost of Rs.7.72 crore. However, the DOM's contribution is limited to only Rs.1.51 (crore). Balance Rs.6.21 crore is being contributed by an International funding agency, Deptt. of Steel, Deptt. of Science & Technology, Government of India, Govt. of Nagaland, private Industry and National Aluminium Company (PSU).

3. The Deptt. will endeavour to complete six new projects in time and strive to procure more projects from other Deptt./Organisations.

Comments of the Committee

(Please *see* Para 1.39 of the Chapter I of the Report)

CHAPTER III

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

Recommendation (S1.No. 13, Para No. 4.17)

The Committee note that the National Aluminium Company Ltd. (NALCO) which was incorporated on 7th January, 1981 is Asia's largest integrated aluminium complex. The company was commissioned during 1985-87 and has emerged as a star performer in production and export of alumina and aluminium. The Committee also observe that NALCO has been conferred Mini Ratna and Star Trading House status by Government of India. The Committee appreciate the achievements of NALCO both in regard to physical and financial performance and hope that the company will continue to keep the pace of performance in the years to come.

Action Taken

The Department expresses its thanks for appreciations given by the Hon'ble Committee and will strive continuously to keep the pace of performance in the years to come.

Recommendation (S1.No. 18, Para No. 5.16)

HCL

The Committee note that there has been a continuous decline in the physical and financial achievements of the company during the last three years and the company was incurring heavy losses. This has happened due to factors like intense competition, steep decline in international prices and increase in the cost of infrastructure like power and also because of the surplus manpower. To overcome the question of surplus manpower, the company is implementing a scheme of Voluntary Retirement Scheme (VRS). The Committee observe that a grant of Rs.120.00 crore was made to HCL in BE 2003-2004 as Non-Plan expenditure. As this was not utilised in that year and was utilised during 2003-2004. The Revised Estimates was therefore, reduced to Rs.25 crore for 2003-2004. In BE 2004-2005, Rs.60 crore have been granted to HCL as Non-Plan expenditure for separation of manpower through VRS.

<u>Action Taken Note</u>

This is factual position, it needs no comments.

CHAPTER IV

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

Recommendation (S1.No. 19, Para No. 5.17)

HCL

The Committee note that HCL has been incurring heavy losses in its operation. During 1999-2000, it incurred net loss of Rs.147.70 crore. During 2001-2002 the company again incurred net loss of Rs.184.04 crore. The financial performance of and the accumulated losses of HCL were as high as 1171 crore. The Secretary, Department of Mines while conceding that heavy losses incurred have however stated during evidence that from December, 2003, the company has turned around and at least saved its cash loss with a marginal saving and is repaying part of its liabilities. From December, 2003, they have avoided cash losses and have done well. The Committee, therefore, recommend that all out efforts should be made by the Ministry to make HCL financially viable by providing financial restructuring package. The Committee recommend that the question of disinvestment of HCL should be reexamined and it may be resorted to if absolutely unavoidable.

Action Taken Note

The issue of disinvestment of HCL may be examined once the new policy on disinvestment is finalised by the Government and as and when there is a reference from Department of Disinvestment. For financial restructuring package, a proposal has been received from HCL and is under process in the Ministry of Mines.

Comments of the Committee

(Please *see* Paras 1.29 & 1.30 of the Chapter I of the Report)

Recommendation (S1.No. 20, Para No. 6.16)

MECL

The Committee observed that MECL which was set up in 1972 is engaged in undertaking detailed systematic mineral exploration in the country. The Committee are, however, perturbed to note that as far as the achievement in exploration, mining are concerned, the actual performance of MECL has fallen far short of the target. While the target for mining in 2003-04 was 5000 m, the actual mining was only 3357 m. In the context of sales, while the target was Rs.6,436 lakhs, only Rs.6089 lakhs sales was achieved. The Committee recommended that all out efforts should be made by MECL for improving their physical and financial performance, laying emphasis on rationalisation of manpower to improve performance in core activities and in the field of diversification. The Committee recommend that the financial restructuring and implementation of VRS proposal of MECL should be approved and implemented without any further loss of time in order to enable the company to achieve the physical targets, targets of optimal manpower and to earn profits.

Action Taken Note

A draft Cabinet note for a provision of Rs.70 crore as grant for implementation of VRS in MECL to reduce the manpower strength of the company to the level of 1,200, along with financial restructuring (waiver of interest, penal interest outstanding against the accumulated losses, transfer of outstanding loan to capital reserves etc., has been circulated to the concerned Ministries/Deptts for their comments after the approval of the then Minister-in-Charge, Deptt. of Disinvestment (DOD) in their comments have stated that Cabinet Committee on Disinvestment (CCD) has approved on 10.7.2003, that restructuring of MECL would be done in consultation of Advisers and prospective bidders and would be submitted to CCD for approval. They have also mentioned in their comments that EOIs have been invited by 27.2.2004 and the nature of restructuring would be formed in consultation with the Qualified Interested Parties (QIPs) and the advisers. Hence DoDI has suggested that any proposal for restructuring is to be linked to disinvestment of the company and, therefore, it would be advisable to consult the qualified bidders before the proposals are finally put up to CCEA. With the approval of the then MCM, it was decided to pursue the Cabinet Note after a clear picture emerges after discussion with the Qualified Interested Parties (QIPs). The Deptt. of Disinvestment has been reminded in the matter.

Comments of the Committee

(Please *see* Paras 1.36 & 1.37 of the Chapter I of the Report)

Recommendation (Sl.No. 21, Para No. 6.17)

MECL

The Committee are pleased to note that MECL has recently got major work orders in the field of consultancy services even from TISCO, STERLITE, SMC, GEC, AMD, ONGC, Singareni Collieries etc. The Committee desire that MECL should make adequate efforts to obtain substantial orders from not only traditional clients like coal companies but also from newer companies in order to generate more internal resources. The Committee further recommend that the Company's proposal to purchase drill for Coal Bed Methane Exploration should be approved at the earliest so that it can take a lead in a new field and augment its resources, the Government should also take immediate steps to modernise MECL so that it can withstand competition from other companies.

Action Taken Note

The proposal for the purchase of Drill for Coal Bed Methane (CBM) exploration and production by MECL at a cost of Rs.23.75 crore had been submitted to IF Division of this Deptt. for taking up the matter with the Planning Commission.

Further, the Government had already taken a decision to disinvest its 100% equity in MECL in favour of a strategic buyer with transfer of management control. Further action for disinvestment being processed in Deptt. of Disinvestment. Perhaps, it would not be appropriate for the Deptt. of Mines going for its modernization programme at this stage.

Comments of the Committee

(Please *see* Paras 1.36 & 1.37 of the Chapter I of the Report)

CHAPTER V

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

Recommendation (Sl.No. 5, Para No. 2.18)

BGML

The Committee are pained to note that grants-in-aid of Rs.79.59 crore provided to Bharat Gold Mines Ltd. during 2003-04 for VRS packages could not be utilized and had to be surrendered, as Cabinet could not give its approval to the proposal of granting VRS package in time. The Committee express serious concern over the inordinate delay on the part of the Government in taking a timely decision. The Committee would like to be apprised of the action taken in this regard.

Action Taken Note

An amount of Rs. 83.01 crore had made in the BE 2003-04 as grants-in-aid for VRS package in Bharat Gold Mines Ltd. (BGML). It was expected that this amount would be fully utilized in 2003-04 as a proposal for implementation of 6.11.2001. VRS package in BGML, was under consideration of the Government in pursuance of the recommendations of High Court of Karnataka. A Cabinet Note in this regard had been submitted on 27.2.2004. However, due to declaration of General Elections, the said Cabinet Note could not be considered by the Cabinet. The Cabinet Secretariat returned the Cabinet Note on 17.5.2004 requesting that the Cabinet Note may be brought before the Cabinet after formation of new Government and after obtaining fresh approval of Minister-in-charge and fresh inter-Ministerial consultations. In view of this, the budgetary provision made in BE 2003-04 as grants-in-aid for STBP in BGML could not be utilized in 2003-04 and an amount of Rs.79.59 crore has to be surrendered.

The Cabinet considered the proposal, and referred it to the Committee Secretaries for detailed examination.

Comments of the Committee

(Please *see* Paras 1.19 & 1.20 of the Chapter I of the Report)

Recommendation (Sl.No. 16, Para No. 4.20)

NALCO

The Committee note that the Government had in 2001 approved for open market sale of 30% of Government equity in NALCO, bringing down Government equity to 26%. Thereafter, the Committee note that the disinvestments status of NALCO was being reviewed. The Committee would like to be apprised of the present status of disinvestments of NALCO which is reported to be temporarily put on hold. The Committee also recommend that the Government should give a fresh and serious look to the disinvestment decision of NALCO keeping in mind the various factors that NALCO has emerged as a star performer in production and export in ore and has been conferred Mini Ratna status. The Committee also recommend that the Government should commission a study to evaluate the working of NALCO.

Action Taken Note

Subsequent to the statement of the Prime Minister at Bhubaneswar on 15 July 2003, the disinvestment of NALCO has not been pursued. The policy of the Government as stated in the National Common Minimum Programme is that "it is pledged to devolve full managerial and commercial autonomy to successful profit-making companies operating in a competitive environment. Generally profit making companies will not be privatized". The recommendation of the Committee to commission a study to evaluate the working of NALCO is being considered.

Comments of the Committee

(Please *see* Para 1.26 of the Chapter I of the Report)

NEW DELHI;
22 *December*, 2004
1 *Pausa*, 1926 *(Saka)*

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

ANNEXURE I

NATIONAL ALUMINIUM COMPANY LIMITED
APPROVED PLAN OUTLAYS AND EXPENDITURE DURING FIRST THREE YEARS OF TENTH PLAN (FROM 2002-03 TO 2004-05)

Sl.No.	Name of the Scheme/ Project/Programme	2002-03		2003-04		2004-05
		Approved Outlay	Actual Expr.	Approved Outlay	Actual Expr.	Approved Outlay
A.	Critical/Ongoing Schemes:					
1.	Mines & Refinery	126.02	49.85	40.00	14.47	8.88
2.	Smelter & Power Plant	502.72	391.65	300.00	101.87	63.82
3.	VIII Unit of CPP	180.04	99.38	145.00	91.56	50.87
4.	Special Grade Alumina/Zeolite	6.22	2.92	-	4.03	-
5.	Rolled Products Units	34.00	34.35	-	3.74	11.43
	Total	849.00	578.15	485.00	215.67	135.00
B.	Schemes aimed at maximizing Benefits (AMRs)	51.00	30.54	65.00	14.18	75.00
C.	New Schemes:					
1.	Alumina 4th stream	-	-	20.00	-	20.00
2.	Aluminium 4th Pot Line	-	-	50.00	-	40.00
3.	CPP (2x120 MW)	-	-	30.00	-	30.00
4.	Equity Participation in Qatar Project	-	-	-	-	10.00
5.	Coal Mines (One Block)	-	-	100.00	-	100.00
Total (C)		900.00	608.69	650.00	229.85	310.00

ANNEXURE II

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2004-05) HELD ON 22 DECEMBER 2004 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1000 hrs. to 1100 hrs.

PRESENT

Shri Ananth *Kumar-In the Chair*

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Bikash Chowdhury
4. Shri Chandrakant Khaire
5. Shri Faggan Singh Kulaste
6. Shri Vikrambhai Arjanbhai Madam
7. Shri E. Ponnuswamy
8. Smt. Karuna Shukla
9. Shri M. Anjan Kumar Yadav
10. Shri B.J. Panda
11. Shri G.K. Vasan

SECRETARIAT

1. Shri John Joseph - *Additional Secretary*
2. Shri N.K. Sapra - *Joint Secretary*
3. Shri A.K. Singh - *Director*
4. Shri Shiv Singh - *Under 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) Action Taken Report on the recommendations contained in the 1st Report (14th Lok Sabha) on Demands for Grants (2004-05) of the Ministry of Coal.

(ii) Action Taken Report on the recommendations contained in the 2nd Report (14th Lok Sabha) on Demands for Grants (2004-05) of the Ministry of Mines.

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

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

The Committee then adjourned.

ANNEXURE III
(*Vide* Para IV of Introduction)

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

I. Total No. of Recommendations made
25

II. Recommendations that have been accepted by the Government
(*vide* recommendation at S1. Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12,
18
14, 15, 17, 22, 23, 24 and 25)

Percentage of total
72%

III. Recommendations which the Committee do not desire to pursue in view of the Government's replies
2
(*vide* recommendation at S1. Nos. 13 and 18)

Percentage of total
8%

IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee
3
(*vide* recommendation at S1.Nos. 19, 20 and 21)

Percentage of total
12%

V. Recommendations in respect of which final replies of the Government are still awaited
2
(*vide* recommendation at S1.Nos. 5 and 16)

Percentage of total
8%