10

STANDING COMMITTEE ON COAL AND STEEL (2010-2011)

FIFTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS (2009-10)

[Action Taken by the Government on the Observations/Recommendations contained in the Third Report of the Standing Committee on Coal and Steel (Fifteenth Lok Sabha) on Demands For Grants (2009-2010) of the Ministry of Steel]

TENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2010/Agrahayana, 1932 (Saka)

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Presented to Lok Sabha on 7 December, 2010
Laid in Rajya Sabha on 7 December, 2010

LOK SABHA SECRETARIAT
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INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Tenth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Third Report of the Standing Committee on Coal and Steel (Fifteenth Lok Sabha) on "Demands for Grants (2009-2010)" of the Ministry of Steel.

2. The Third Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 18th October, 2009. Replies of the Government to all the observations/recommendations contained in the Report were received on 18th May, 2010.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 20th September, 2010.

4. An analysis on the Action Taken by the Government on the observations/recommendations contained in the Third Report (Fifteenth Lok Sabha) of the Committee is given at Annexure-II.

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

NEW DELHI;
23 *November*, 2010
2 *Agrahayana*, 1932 *(Saka)*

KALYAN BANERJEE,
Chairman,
Standing Committee on Coal and Steel.

CHAPTER I

REPORT

This Report of the Standing Committee on Coal and Steel deals with Action Taken by the Government on the Observations/Recommendations contained in the Third Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel (2009-10) "Demands for Grants (2009-10)" of the Ministry of Steel which was presented to Lok Sabha/laid in Rajya Sabha on 18.12.2009.

1.2 The Report contained 20 Observations/Recommendations. Action Taken Notes have been received from the Ministry of Steel in respect of all the Observations/Recommendations contained in the Report. These have been categorised as follows:—

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

Serial Nos.1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 18, 19 and 20.

Total – 17
(Chapter II)

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

Serial No.16.

Total – 01
(Chapter III)

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

Serial No. 14.

Total – 01
(Chapter IV)

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

Serial No. 17.

Total – 01
(Chapter V)

1.3 The Committee desire that replies to Observations/ Recommendations contained in Chapter – I and final reply in respect of Observation/Recommendation given in Chapter – V should be furnished to them expeditiously.

1.4 The Committee will now deal with the action taken by the Ministry on some of their Observations/Recommendations made in the Third Report.

Annual Plan outlay for 2009-10

Recommendation (Serial No. 4)

1.5 The Committee had noted that as against the total plan outlay of Rs. 13,755.66 crore including budgetary support of Rs. 33 crore, the Planning Commission approved an outlay of Rs. 13756.66 crore with budgetary support of Rs. 34 crore for the year 2009-10. The Committee had further noted that Budgetary Support (BS) was being provided to some of the financially week and loss making PSUs and Internal and Extra Budgetary Resource (I&EBR) were being raised by profit making PSUs for implementing their schemes. They had also noted that in case of Hindustan Steel Construction Ltd. (HSCL) an amount of Rs. 7 crore had been sought as Plan Budgetary Support for Capital Repair and procurement of new construction equipment and machinery. The Committee, however, were constrained to point out that no amount had been released as comprehensive Business Organisation and Financial Restructuring proposal of the Company was still under consideration of the Government. Besides, the Committee were also given to understand that HSCL was not getting adequate support from SAIL in terms of approval of their plans because of which their plans got delayed. Similarly, the Budgetary Support of 1 crore during 2008-09 for AMR schemes of BSLC, a company under the Bird Group of Companies which could not be utilized due to default by the company on past repayment of Government Loan was linked to restructuring/revival plans and was carried forward to 2009-10.

1.6 The Ministry of Steel in its Action Taken Reply have stated the following:—

> "The 2009-10 BE provision of Rs. 7.00 crore for HSCL was reduced to Rs. 3.00 crore in RE. The RE provision of Rs. 3.00 crore has been released to HSCL in March, 2010 after obtaining special dispensation from Ministry of Finance as HSCL has defaulted in repayment of Government loans and interest. The restructuring proposal of the company is under active consideration of the Government.
>
> As regards utilization of budget provision of Rs. 1.00 crore by Bird Group of Companies during 2009-10, it is stated that the company did not require the fund consequent to approval of its restructuring proposal by the Government. The restructuring of M/s Bird Group of Companies has been approved by the Government on 10.9.2009.
>
> A proposal for restructuring of HSCL was approved by the Board for Reconstruction of Public Sector Enterprises (BRPSE) on 13.5.2008. Based on the recommendations of BRPSE, this Ministry circulated a note for consideration of Cabinet Committee on Economic Affairs. However, there are some financial issues that have to be finally resolved with the Ministry of Finance, particularly regarding the waiver of outstanding loans and interest thereon. The proposal will be referred to CCEA shortly thereafter. Pending the approval of restructuring Plan loan of Rs.3.00 crores has been released to HSCL under AMR Scheme during the year 2009-10.
>
> HSCL is being associated with some of the repair and maintenance works in SAIL Plants/Units on nomination basis. However for capital projects, award of work is being done on the basis of competitive bidding and work is being awarded on the lowest price offer basis."

1.7 The Committee note that although the proposal for restructuring of Hindustan Steel Construction Ltd. (HSCL) was approved by the Board for Reconstruction of Public Sector Enterprises (BRPSE) in May, 2008, final approval of the Government of India in the matter is still awaited. The Committee deprecate the inordinate

delay in granting approval for restructuring of HSCL. The reasons advanced by the Ministry are not convincing enough. As the financial health of HSCL is in a very poor state, the Committee desire that the Government should give topmost priority in according approval to the restructuring proposal of HSCL by taking immediate necessary measures so that it can be brought back in to a sound financial health at the earliest.

Projection and Utilization of Funds

Recommendation (Serial No. 6)

1.8 The Committee had noted that in case of the National Mineral Development Corporation (NMDC) Ltd., out of Rs. 700 crore allotted to them for the year 2009-10, the actual expenditure upto July 2009 was only 85.59 crore. The Committee were unable to understand as to how NMDC would utilize their earmarked funds in the remaining period of the year. The statutory/non-statutory clearances if any for NMDC projects should have been obtained expeditiously from concerned Ministries so that they were able to utilize their allotted funds.

1.9 Similarly, in case of Bird Group of Companies, the Committee had desired that the matter regarding getting requisite approval for mining operations over the total leasehold areas be taken up with the State Government vigorously. They had also urged the Ministry to periodically review the progress of fund utilization made by PSUs in this regard and kept them apprised about the status of fund utilisation.

1.10 Since the Plan outlay proposed by most of the PSUs for the year 2009-10 had been approved by the Planning Commission without any cut and the plan outlay for the promotion of R&D on Iron and Steel sector has been given due weightage with an increase of Rs. 1 crore, the Committee had expressed hope that the funds allotted to PSUs would be fully and prudently utilized by them without surrendering or asking for additional funds.

1.11 In Action Taken Reply, the Ministry of Steel have stated that estimates for BE 2009-10 at Rs.700 crore were prepared anticipating completion of various expansion schemes and receipt of equipment ordered under Addition Modification and Replacement (AMR) schemes. However, during review, certain delays were anticipated in completion of the new schemes/receipt of equipment. Hence, suitable revision was made and the Budget Provision for 2009-10 of Rs. 700 crore was revised to Rs. 543 crore. Out of the revised estimate of Rs. 543 crore, an expenditure of Rs. 378.88 crore was made up to 31.3.10.

"The main reasons for shortfall were:—

- An amount of Rs. 200 crore was provided in BE 2009-10 towards Deposit 11B Project, since the process of procurement of Heavy Earth Moving (HEM) equipment was in progress. But as procurement of equipment was postponed to 2010-11, BE amount was scaled down from Rs.200 crore to Rs.90 crore in the RE of 2009-10.

- Due to frequent Naxalite activities, contractors of Deposit 11B project were forced to de-mobilize and mobilize equipments repeatedly. Due to this, many working days were lost. Night working could not be effectively implemented. Contractor's construction equipment was also burnt by the Naxalites. This affected the construction progress and the planned targets could not be met. The actual expenditure on 11B project during 2009-10 was Rs. 56.27 crore as against RE of Rs.90 crore. Balance expenditure is likely to materialise in 2010-11 and will be considered in RE 2010-11.

- An amount of Rs.100 crore was provided in BE 2009-10 towards 3 million tonne per annum capacity (MTPA) Steel Plant at Nagarnar. Expression of Interest (EOI) for nine packages had been released and the consultants were in the process of short listing the prospective bidders which took more time than anticipated. Further, acquisition of about 380 hectares of additional land and statutory clearance for 25.72 hectares of forest land out of the above is in process. Considering this, the plan outlay was revised from Rs.100 crore to Rs.50 crore. Actual expenditure on the project during 2009-10 was Rs. 42.26 crore.

- Rs. 80 crore was considered in the RE of 2009-10 for the acquisition of SIIL. The Company received an order dated 18th January 2010 from the Ministry of Corporate Affairs (MoCA), Government of India, sanctioning the scheme of merger of SIIL with the Company. The scheme would become effective from the date on which the certified copy of the order of MoCA is filed with the Registrar of Companies (ROC), Andhra Pradesh, India. Under the MoCA order, the order is required to be filed with the ROC within 30 days of its receipt. However, as the disinvestment process of NMDC was going on, to smoothen the process of disinvestment, NMDC through its legal counsel for the merger process, filed an application on 9th February, 2010 with the MoCA seeking grant of extension of time for filing of the order of merger with the ROC within 30 days of the completion of the allotment of the offer shares under the disinvestment process. Hence the amount of Rs. 80 crore could not be spent in 2009-10 and is likely to be spent in 2010-11 and will be considered in RE 2010-11.

- The tender enquiry issued for Crushing Plant of Kumaraswamy has been retendered due to poor response; hence the construction activities at site could not be started as planned. Actual expenditure on the project during 2009-10 was Rs.0.53 crore against the RE of Rs. 10 crore. This shall now be considered for 2010-11.

Bird Group of Companies—The Orissa Mineral Development Company Ltd. (OMDC)

The Orissa Mineral Development Company (OMDC), a Company under the Bird Group of Companies is having six mining leases in the State of Orissa. The renewal of these mining leases are at various stages of processing. The company is vigorously taking up the matter with the State Govt. to complete the formalities of Forest & Environmental clearance, which are pre-condition for renewal of mining lease, for getting the mining leases renewed at the earliest."

1.12 The Ministry of Steel have admitted that due to the delay in completion of new schemes/receipt of equipment, NMDC had to resort to downward revision of the Budget Provision of 2009-10 of

Rs. 700 crore to Rs. 543 crore. The Committee regret to observe that NMDC has failed to fully utilise even the revised amount of Rs. 543 crore during 2009-10. The Ministry have been repeatedly impressed upon to facilitate its PSUs overcome the constraints faced by them in implementation of the schemes/projects but no visible improvement is discernible. A case in point in this regard is the gross underutilization of fund by NMDC during 2009-10. The Committee would, therefore, like the Ministry to undertake an exercise to identify major constraints faced by NMDC in implementation of its schemes/projects and utilisation of funds to ensure timely completion of ongoing projects and fullest utilisation of allocated funds. The Committee are distressed to note that despite formalities being completed by NMDC and other Steel PSUs to get forest and environmental clearances, such clearances are not being given within reasonable time by the Ministry of Environment and Forests causing undue delay. The Committee do not appreciate such a lackadaisical approach of the Ministry of Environment and Forests. The Committee further desire that the Ministry should render all the necessary assistance to NMDC in getting the requisite Forest and Environmental clearance from the Government of Orissa.

Achievement of global benchmarks by SAIL

Recommendation (Serial No. 11)

1.13 The Committee were given to understand that in attaining the global benchmark, the thrust of modernization and expansion plan of SAIL was to adopt technology which was in addition to cost effective as also energy efficient and environmental friendly. However, still many constraints were being faced by the company such as dependence of purchased coal from domestic and overseas suppliers, higher manpower cost and adherence to a number of rules and procedures depriving SAIL to become a global leader in Steel. The Committee desired the Ministry to address these issues seriously.

1.14 The Committee were informed that SAIL had taken certain measures to reduce dependence on imported coking coal and was in the process of acquiring and developing new coal blocks and entering into strategic partnership with Coal India Ltd. and with some other companies, besides formation of an SPV for acquisition of coal assets overseas. In addition to these initiatives, the Ministry should also look for technologies that would reduce the use of coking coal in blast furnaces and also develop their R&D. In this connection, the Ministry might explore the possibility of cutting ash content in coking coal and increasing production, which would meet most of the coking coal requirement through indigenous mines, thereby cut imports and being a cheaper proposition.

1.15 The Committee had desired the Ministry to pursue their case vigorously with the Ministry of Coal to get more coal mines accordingly urge upon the government to give priority to the requirements of SAIL and consider allotting coal mines particularly in Jharkhand and West Bengal.

1.16 The Ministry of Steel in its Action Taken Reply have stated that in order to reduce dependence on purchased coking coal, both domestic as well as imported, SAIL is taking following actions:

(1) (a) "Developing captive coking coal mines at Tasra & Sitanala

(i) Tasra Coking Coal Block:

All statutory clearances have been obtained. Planned mine capacity is 4 Million Tonne Per Annum (MTPA) [Run of Mine (ROM)] to produce about 2 MTPA of clean coal. Selection of Mine Developer cum Operator (MDO) is in progress. Through tendering process, L-1 bidder has been identified and work order is to be issued shortly. In the meantime, small scale production has been started from November, 2009.

(ii) Sitanala Coking Coal Block:

Mine planned for production of 0.3 Million Tonne Per Annum (MTPA) [Run of Mine (ROM)] to produce about 0.2 Million Tonne Per Annum (MTPA) clean coal. Project report has been prepared, mine plan approved and grant of environment clearance is in advance stage.

(b) Allocation of new coking coal blocks for captive mining

In order to further augment captive coking coal production, SAIL has identified two potential coking coal blocks namely, Jhirki/Jhirki West OC & Rhone-Routpara West in Jharkhand

and requested Ministry of Steel and the Ministry of Coal for allocation of the blocks. Coal blocks are yet to be allocated to SAIL. Hon'ble Minister of Steel has requested Hon'ble Minister of State for Coal in February. 2010 to allocate these coking coal blocks to SAIL through Govt. dispensation route.

(c) Joint Venture with Tata Steel

SAIL and Tata Steel Ltd. have formed "S&T Mining Company Private Limited", a Joint Venture Company (JVC) with 50:50 equity. As a first step company has initiated the process for acquisition and development of coal assets in India. JVC has been short listed for submission of bid for revival of old/ abandoned mines of CIL. JVC is also attempting to develop Bhutgoria mine of BCCL. The company has submitted tender to Bharat Coking Coal Limited (BCCL) for construction of washery at Dugda for Non Linked Washery (NLW) coal. The company is also exploring possibility to install a standalone NLW coal washery at Malkera.

(d) SPV for acquisition of coal assets overseas

SAIL along with CIL, NTPC, RINL & NMDC has also formed International Coal Ventures Limited (ICVL), a joint venture company for acquisition of coal assets abroad. Attempts are being made by ICVL for acquisition of coal assets.

Allocation of thermal coal blocks for captive use

Presently, major requirement of thermal coal is being met by supplies from Coal India Limited. In order to ensure security of thermal coal availability, SAIL has identified six thermal coal blocks namely Tentuloi, Ghogharpalli & Extension, Bankhui (Orissa), Gand Bahera Ujheni (Uttar Pradesh), Puta Parogia and Pindrakhi (Chhattisgarh) and requested Ministry of Steel & Ministry of Coal for allocation of at least 2-3 blocks. Hon'ble Minister of Steel has requested Hon.ble Minister of State for Coal in February, 2010 to allocate these thermal coal blocks to SAIL through Govt. dispensation route.

(2) Besides taking action to acquire captive coal mines, SAIL has been pursuing with Coal India Limited (CIL) to supply higher quantities

of Indigenous Coking Coal and improve its quality. The ash content in coking coal can be reduced by CIL by improving the health of their washeries.

In addition, actions have been taken by SAIL to adopt technologies which will reduce consumption of coking coal. All Blast Furnaces of SAIL (except those planned to be phased out) are being equipped with auxiliary fuel injection system. So far, 8 Blast Furnaces are equipped with Coal Dust Injection system and 5 Blast Furnaces with Coal Tar Injection system. R&D engineers are also assisting plants in increasing CDI usage.

(3) In order to reduce the high manpower cost, SAIL has been rationalizing its manpower in the past and is likely to continue in future also. In the last 3 years, SAIL has been able to rationalize its manpower by around 17000 through judicious manpower planning, multi-skilling, redeployment, selective recruitment etc. With rationalization of manpower, several systemic changes such as cluster system of working, flexibility in deployment, automated working, adoption of best practices have been encouraged / implemented thereby leading to improved efficiency and better work culture. While the manpower has steadily been reducing, the labour productivity has increased from 150 to 226 Tonne/Man/Year (T/M/Y) in the last 5 years.

(4) In order to further reduce consumption of coking coal, SAIL is exploring possibility of technology tie-up for new technology of making iron from non coking coal like Finex and ITMK3 through Joint Venture route. The final decision on selection of technology and details of Joint Venture are subject to techno-economic viability and necessary approvals.

(5) A draft policy on “Outward Investment for acquisition of raw material assets abroad” is being undertaken under the leadership of Chairman, National Manufacturing Competitiveness Council (NMCC). The procedural hurdles hindering overseas acquisitions by PSUs are being highlighted in the NMCC forum for discussions and suitable redressal at the highest levels in Government.”

1.17 The Committee are of the view that in the context of modernisation and expansion of SAIL, it is essential that two coking coal blocks namely Jhirki/ Jhirki West OC & Rhone-Routpara West in Jharkhand are allotted to SAIL through Government dispensation for its captive use expeditiously. Similarly, out of six thermal coal blocks in Chhattisgarh identified by SAIL, atleast 2 or 3 may be allotted to them at the earliest. In this connection, the Ministry are stated to have initiated some steps. However, the Committee feel that matter needs to be taken up at the highest level with the concerned States and their concerns, if any, may be addressed appropriately and expeditiously to enable them to grant necessary Forest and Environmental clearance relating to the said coking/thermal coal blocks.

Under-utilization of allocated funds by RINL

Recommendation (Serial No. 12)

1.18 The Committee noted that RINL had been allocated Rs. 4,166 crore in BE 2008-09 which was reduced to Rs. 2,815.50 crore at RE stage. In BE 2009-10, the amount had further been reduced to Rs. 2,437 crore. The Committee were constrained to note that out of this Rs. 2,437 crore, the Company was able to utilize a meager amount of Rs. 516.24 crore till July, 2009. While in some schemes/projects, there had been a little progress, many schemes/projects such as Acquisition of iron ore, Coking coal and other mines, BF-1 Category repairs, facilities for Iron ore storage, augmentation of 220 KV power system for receiving 400 MVA power, there has been no progress at all. The corrective measures taken by the RINL to overcome these weaknesses did not seem to have bore any fruit. The Committee felt that underutilization of funds was directly affecting the implementation of important schemes and ultimately the performance of Company. The Committee had impressed upon the Ministry that RINL should utilize the full allocation made for the year 2009-10 so that schemes did not suffer due to poor utilization of funds. The Committee had urged upon the Ministry to address the weakness listed out by RINLs with a sense of seriousness and sincerity, lest the perennial underutilization of fund by the Company should be highly detrimental to the growth of production and improvement in productivity of steel sector. Committee had also urged Ministry to facilitate RINL to ensure early acquisition of iron ore, coking coal and other mines.

1.19 In Action Taken Reply, the Ministry of Steel have stated as under:—

"Necessary steps have since been taken to ensure that the expenditure for the year 2009-10 is as per the target. Although the expenditure upto July, 2009 was only Rs. 516.24 crores out of Rs. 2437 crores in the BE, the expenditure upto January, 2010 was Rs. 1850 crores, which is a substantial improvement from the levels of expenditure in July, 2009. RINL is now expected to fulfil the target for the year 2009-10. For the year 2008-09 as well, 100% target was fulfilled. The actual expenditure for the year was Rs. 2886 crores against RE of Rs. 2815 crores.

Progress of implementation of expansion and all other schemes as mentioned in the recommendation have further been stepped up by taking several corrective measures by RINL which include deployment of additional resources, expediting design & engineering by across the table discussions, higher empowerment, providing construction equipments by plant to agencies as an additional support wherever required, off loading jobs from failing agencies, effective monitoring at various levels etc.. Orders for major packages of other schemes like Iron Ore Storage, 220 KV power station system, Blast Furnace revamping etc., either have been placed or are in various stages of finalization. Civil work, design & engineering for structural and equipment have also commenced for Iron Ore Storage system.

RINL has been making efforts since 2003 for acquisition of iron ore, coking coal and other mines and submitted mining lease applications for iron ore in the States of Orissa, Chhattisgarh, Andhra Pradesh and Rajasthan. In addition to this, RINL-VSP has requested the State Govts. of Jharkhand, Orissa and Karnataka for allocation of iron ore blocks and has also conveyed it's interest in setting up value added projects in the State through Joint Ventures with the State Mineral Development Corporations. In this regard, written requests from CMD-RINL VSP and Secretary, Ministry of Steel were sent to Chief Secretary & Chief Development Commissioner to Govt. of Orissa, Chief Secretary to Govt. of Jharkhand and Chief Secretary to Govt. of Karnataka.

Grant of lease for mines by respective State Government/Govt. of India would be of considerable help to RINL for meeting the enhanced level of its requirement. The issue is becoming more and more important for RINL from the point of view of cost of key raw materials and its securitization for consistent operation at higher level of production and productivity".

1.20 According to the Ministry of Steel the grant of lease for acquisition of iron ore, coking coal and other mines would be of considerable help to Rashtriya Ispat Nigam Ltd. (RINL) for meeting its post expansion raw material demand. However, concrete steps are required to be taken to help RINL in getting the mining leases from the concerned States. The Committee would, therefore, suggest that the Ministry of Steel should form a special task group to expedite the grant of mining leases to RINL by overcoming the procedural bottlenecks and resolving the issues/concerns of the respective State Governments relating to various statutory/non-statutory clearances.

Renewal of Mining Leases

Recommendation (Serial No. 14)

1.21 The Committee noted that financial strength of Steel PSUs beyond 2012 would mainly depend on renewal of existing mining leases pending with State Governments of Chhattisgarh, Jharkhand and Orissa. They also note that SAIL had been granted 25 mining leases of iron ore in the States of Jharkhand, Orissa and Chhattisgarh. Out of these only 5 leases are valid, 15 are under deemed extension and balance 5 are under dispute. Without valid leases, SAIL is facing difficulty for making an investment for the expansion of its existing mines. The Committee express their dissatisfaction over the delay in granting the mining leases for iron ore and allotment of coal blocks to Public Sector companies and feel that Ministry has also failed to play its role as facilitator in getting these mining leases renewed. The Committee further noted that Jharkhand Government have reportedly agreed to renew the leases of Chiria mines in favour of SAIL, the Committee desired the Ministry to constantly pursue this matter and impress upon the State Governments for granting for lease of remaining mines on priority basis.

1.22 The Ministry of Steel in their Action Taken Reply have stated *inter alia* that out of 26 iron ore mining leases in the States of Jharkhand, Orissa and Chhattisgarh, only 6 leases are valid. This includes grant of Mining Lease at Rowghat in Chhattisgarh in October, 2009.

"Status of leases is shown below:

Details	Jharkhand	Orissa	Chhattisgarh	Total
No. of leases	13	7	6	26
Valid	Nil	1	5	6
Under deemed extension	9	5	1	15
Under dispute	4	1	Nil	5

For early renewal of leases particularly in Jharkhand and Orissa, continuous effort is being made by SAIL and the Ministry of Steel.

In connection with renewal of leases for Chiria and Gua, the State Government of Jharkhand suddenly rejected some leases of Chiria and Gua mines on 15.12.04. Against the rejection order, SAIL sought relief from concerned legal forum that is Mining Tribunal and the matter has since gone into prolonged litigation in higher courts.

Vigorous efforts have been made by the Ministry of Steel with the State Government of Jharkhand at appropriate levels in the Government of India to resolve the matter amicably out of court. Ministry of Steel made special out of court efforts and played the role of a facilitator bringing the stakeholders of SAIL and Government of Jharkhand under mediation of the Prime Minister's Office. The meetings under the auspices of the PMO precipitated the decision that Jharkhand State Government would renew mining leases for reserves of about 1 billion tonne immediately and for balance reserve of 1 billion tonne SAIL & State Government will sign an MoU and State Government would release the reserves against SAIL meeting the milestones.

On request of the Ministry of Steel, a meeting was held by Secretary (Mines), GoI on 5-10-2009 which was also attended by the

Chief Secretary, Government of Jharkhand, Joint Secretary, Ministry of Steel, Controller General IBM, Director General, GSI and Chairman, SAIL. As decided in the meeting, SAIL *vide* letter dated 19.10.09, requested Chief Secretary, Government of Jharkhand to renew mining leases for 1 billion tonne of Chiria and Gua mines immediately and to initiate dialogue for renewal of the balance leases. Following the persuasions, the State Government of Jharkhand conveyed its in-principle approval on renewal for the Budhaburu lease (823.62 ha) of Chiria iron mine on 23.10.09. SAIL *vide* letter dated 18.11.09 has further requested Jharkhand Government to renew leases corresponding to 1000 million tonnes keeping all four leases of Gua and Ajitaburu of Chiria in the present form and redefining Budhaburu lease. Secretary (Steel) also held meeting with Chief Secretary, Government of Jharkhand on 17-2-2010 on the issue of renewal of mining leases including Chiria. SAIL is following up with State Government for expediting formal approval in respect of Budhaburu lease."

1.23 The Committee had desired the Ministry to constantly pursue the matter relating to renewal of leases of existing mines and impress upon the State Governments to grant renewal of leases on priority basis. However, renewal of lease of only one more mine has since been granted. Presently, leases of 15 mines are under deemed extension and renewal of 5 mines are under dispute. The Committee desire that the Ministry need to step up their efforts to convert the mines which are under deemed extension into valid leases. Further, it is not clear from the reply about the action taken by the Ministry to resolve the issues relating to grant of leases in respect of mines which are under dispute. The Committee would like the Ministry to evolve an effective mechanism in this regard and take up the matter with the concerned States for amicable settlement of the disputes between SAIL and the concerned State Governments at the earliest.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No. 1)

Since this year the Demands for Grants (2009-10) have already been passed by Parliament, the Committee's observations/recommendations as detailed in the succeeding paragraphs relate to implementation of the plans/projects of the PSUs/Organisations under its administrative control. The Ministry should ensure proper utilization of allotted funds and observations/recommendations of the Committee should be taken into consideration while implementing plans/projects.

Action Taken

The Ministry of Steel has been strengthening its monitoring and control system to monitor the utilization of funds by the PSUs and also implementation of their schemes/projects.

The utilization of plan funds has improved during 2009-10 compared to previous year. In 2008-09, the utilization of fund against BE provision was 89.37% while during 2009-10 the percentage of utilization of funds is 96.80% (Approx).

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 2)

The Steel Industry being a core sector, has a vital role in sustaining the pace of economic development. The sustained growth of steel sector is one of the vital pre-requisite for attaining the level of GDP growth envisaged in the 11th Plan. The Committee have been given to understand that India has risen to be the 5th largest crude steel producer in the world and largest producer of sponge iron. The contribution of the Indian Iron and Steel

Industry in our GDP is stated to be around 2% and its weight in India's Industrial Production (IPP) is 6.20%.

The Indian Iron and Steel industry which had been bogged down by global recession in the recent past has exhibited its inherent strength by posting a positive growth rate even at the peak of crisis period when all the major steel companies world over exhibited a negative growth. The Committee however, feel that due to expected shortfall in global demand for steel products, excess production capacity may find its way into India and consequently could emerge as an attractive market for global producers, sparking intense competition between domestic players and global players and global suppliers. The Committee, therefore, feel that to meet this challenge abound, the Government ought to give due importance to this sector and accordingly should take necessary policy initiative. The Committee would like to be apprised of the precise steps taken/proposed to be taken in this regard.

Action Taken

The World Steel Association (worldsteel) in its 'Short Range Outlook' published in October 2009 has reported that there are signs of recovery in the steel sector across the world from the beginning of the second half of 2009 and that the global steel demand in 2010 is forecast to grow by 9.2% to 1,206 million metric tonnes. According to the worldsteel Report China will rebound 19% in 2009 and 5% in 2010. Emerging economies will slow down 17% in 2009, to grow 12% in 2010. Apparent steel use in developed economies, that contracted 34% in 2009, will rebound 15% in 2010. Therefore, worldsteel forecasts that global steel demand will return to growth in 2010 but this is expected to be moderate. As before the financial crisis, the emerging economies, especially China, will be the critical factor in driving world steel demand in the near future.

Nonetheless the Government is keeping a close look at the developments in the global steel market and would take appropriate fiscal and other measures whenever necessary. In order to provide a level playing field to the steel producers and consumers, as well as to boost the steel industry in the country, the following fiscal measures already exist:

(i) Export Duty on steel items (except melting scrap) withdrawn with effect from 31.10.2008;

(ii) Duty Entitled Pass Book (DEPB) on steel items restored with effect from 14.11.2008;

(iii) Import Duty on iron and non-alloy steel items re-imposed at 5% with effect from 18.11.2008;

(iv) Countervailing duty (CVD) on Thermo Mechanically Treated (TMT) bars and structurals were reintroduced with effect from 02.01.2009; and

(v) Export Duty on iron ore has been revised *w.e.f.* 24.12.2009 to 10% on lumps and pellets and 5% on iron ore items.

Further, the Government has constituted an Inter-Ministerial Group (IMG) under the chairmanship of Secretary (Steel) to monitor and coordinate implementation issues concerning major steel investments in the country. The IMG will review and co-ordinate measures for early completion of the major steel projects and address various problems concerning:—

- Infrastructure constraints related to ports, rail, road network;
- Availability of iron ore and coal;
- Speedy environmental clearance for project sites as well as for iron ore and coal mining activities;
- Availability of land, water resources and issues concerning rehabilitation;

For the Small and Medium Enterprises (SME) units, the Government has reduced import duty on scrap and other raw materials to zero in order to make available quality inputs at competitive prices through the import route. It is also in dialogue with different States regarding quality and tariff of electrical energy to these secondary units.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl., dated 18th May, 2010]

Recommendation (Serial No. 3)

Based on the Statement made by the Minister under rule 73A of Directions by the Speaker and the Action Taken Note furnished by the

Ministry on the observations/recommendations/contained in the thirty eighth Action Taken Report. The Committee while taking note of the action taken by the Ministry on some of its recommendations, desire that the Ministry of Steel should monitor the progress of work in respect of recommendations no. 1.11, 3.18, and 3.38 so as to ensure their early implementation.

Action Taken

Merger of Bharat Refractories Ltd. (BRL) with Steel Authority of India Ltd. (SAIL)

Bharat Refractories Limited (BRL) has been finally merged with Steel Authority of India Ltd. (SAIL) with effect from 1.04.2007 by an Order of Ministry of Company Affairs (MCA) dated 28.7.2009. The Order of MCA was filed by SAIL with the Registrar of Companies on 27.8.2009. Thus, the process of amalgamation of BRL with SAIL has completed and BRL stands dissolved on and from the appointed date *i.e.* 1.4.2007 without winding up. BRL has been renamed as "SAIL Refractory Unit (SRU)". The financial restructuring of BRL, as a part of merger conditionalities, has also been completed in the process of amalgamation. The Net-worth of BRL turned positive after its merger with SAIL. Therefore, BRL has since come out of the purview of Board for Industrial and Financial Reconstruction.

Restructuring of Bird Group of Companies

The Restructuring proposal of Bird Group of Companies has been approved by the Cabinet in its meeting held on 10.09.2009. The restructuring proposal envisaged converting Companies under Bird Group namely EIL, OMDC and BSLC into Government Companies/ Public Sector Undertakings and vesting their management control to Rashtriya Ispat Nigam Ltd. (RINL) in a holding cum subsidiary structure in order to make these companies viable and sustainable. The commercially unviable companies under the Bird Group namely KDCL and SSL would be wound up and their employees would be adjusted in other sister companies under the Group or would be offered VRS. The Principal amount of Government loan in respect of BSLC would be converted into equity of the Company and the outstanding amount of interest thereon would be waived off. The outstanding amount of Government loan and outstanding interest thereon in respect of KDCL and SSL would be waived off. Necessary action to implement the decision of the Cabinet has already been initiated.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 4)

The Committee note that as against the total plan outlay of Rs. 13,755.66 crore including budgetary support of Rs. 33 crore, the Planning Commission has approved an outlay of Rs. 13756.66 crore with budgetary support of Rs. 34 crore for the year 2009-10. The Committee further note that Budgetary Support (BS) is being provided to some of the financially week and loss making PSUs and Internal and Extra Budgetary Resource (I&EBR) are being raised by profit making PSUs for implementing their schemes. They also note that in case of Hindustan Steel Construction Ltd. (HSCL) an amount of Rs. 7 crore has been sought as Plan Budgetary Support for Capital Repair and procurement of new construction equipment and machinery. The Committee however, are constrained to point out that no amount has been released so far as comprehensive Business Organisation and Financial Restructuring proposal of the Company is still under consideration of the Government. Besides, the Committee has also been given to understand that HSCL is not getting adequate support from SAIL in terms of approval of their plans because of which their plans get delayed. Similarly, the Budgetary Support of Rs. 1.00 crore during 2008-09 for AMR schemes of BSLC, a company under the Bird Group of Companies which could not be utilized due to default by the company on past repayment of Government Loan was linked to restructuring/revival plans and was carried forward to 2009-10.

Action Taken

The 2009-10 BE provision of Rs. 7.00 crore for HSCL was reduced to Rs. 3.00 crore in RE. The RE provision of Rs. 3.00 crore has been released to HSCL in March, 2010 after obtaining special dispensation from Ministry of Finance as HSCL has defaulted in re-payment of Govt. loans and interest. The restructuring proposal of the company is under active consideration of the Government.

As regards utilization of budget provision of Rs. 1.00 crore by Bird Group of Companies during 2009-10, it is stated that the company did not require the fund consequent to approval of its restructuring proposal by the Govt. The restructuring of M/s Bird Group of Companies has been approved by the Govt. on 10.9.2009.

A proposal for restructuring of HSCL was approved by the Board for Reconstruction of Public Sector Enterprises (BRPSE) on 13.5.2008. Based on the recommendations of BRPSE, this Ministry circulated a note for consideration of Cabinet Committee on Economic Affairs. However, there are some financial issues that have to be finally resolved with the Ministry of Finance, particularly regarding the waiver of outstanding loans and interest thereon. The proposal will be referred to CCEA shortly thereafter. Pending the approval of restructuring Plan loan of Rs.3.00 crores has been released to HSCL under AMR Scheme during the year 2009-10.

HSCL is being associated with some of the repair and maintenance works in SAIL Plants/Units on nomination basis. However for capital projects, award of work is being done on the basis of competitive bidding and work is being awarded on the lowest price offer basis.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Comments of the Committee

(Please *see* para 1.7 of Chapter-I of the Report)

Recommendation (Serial No. 5)

In this connection, the Committee would like to point out in their 25th Report (14th Lok Sabha) the Ministry was asked for early approval of restructuring of HSCL. The fact that the restructuring proposal has still not been approved is regrettable. Similarly, the restructuring proposal of Bird Group of Companies functioning directly under the Ministry of Steel has not been approved and allocation of fund to the company is linked with this proposal. The very survival of these sick companies has put a question mark in the absence of budgetary support which is linked with their restructuring proposal. The Committee deprecate non-allocation of funds to these already sick units. The Committee therefore urge upon the Government to approve the restructuring proposals of these Companies without any loss of time and adequate funds be provided to them.

Action Taken

Restructuring Proposal of HSCL

A proposal for restructuring of HSCL was approved by the Board for Reconstruction of Public Sector Enterprises (BRPSE) on 13.5.2008. Based on the recommendations of BRPSE, this Ministry circulated a note for consideration of Cabinet Committee on Economic Affairs. However, there are some financial issues that have to be finally resolved with the Ministry of Finance, particularly regarding the waiver of outstanding loans and interest thereon. The proposal will be referred to CCEA shortly thereafter. Pending the approval of restructuring, Plan loan of Rs.3.00 crore has been released to HSCL under AMR Scheme during the year 2009-10.

Restructuring Proposal of Bird Group of Companies

The Restructuring proposal of Bird Group of Companies has been approved by the Cabinet in its meeting held on 10.09.2009. The restructuring proposal envisaged converting Companies under Bird Group namely EIL, OMDC and BSLC into Government Companies/ Public Sector Undertakings and vesting their management control to Rashtriya Ispat Nigam Ltd. (RINL) in a holding cum subsidiary structure in order to make these companies viable and sustainable. The commercially unviable companies under the Bird Group namely KDCL and SSL would be wound up and their employees would be adjusted in other sister companies under the Group or would be offered VRS. The Principal amount of Government loan in respect of BSLC would be converted into equity of the Company and the outstanding amount of interest thereon would be waived off. The outstanding amount of Government loan and outstanding interest thereon in respect of KDCL and SSL would be waived off. Necessary action to implement the decision of the Cabinet has already been initiated.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 6)

The Committee note that in case of the National Mineral Development Corporation (NMDC) Ltd., out of Rs. 700 crore allotted to them for the year 2009-10, the actual expenditure upto July 2009 is only 85.59 crore. The Committee are unable to understand as to how NMDC will utilize their earmarked funds in the remaining period of the year. The statutory/non-statutory clearances if any for NMDC projects should be obtained expeditiously from concerned Ministries so that they are able to utilize their allotted funds.

Similarly, in case of Bird Group of Companies, the Committee desire that the matter regarding getting requisite approval for mining operations over the total leasehold areas be taken up with the State Government vigorously. They also urge the Ministry to periodically review the progress of fund utilization made by PSUs in this regard and keep them apprised about the status of fund utilisation.

Since the Plan outlay proposed by most of the PSUs for the year 2009-10 has been approved by the Planning Commission without any cut and the plan outlay for the promotion of R&D on Iron and Steel sector has been given due weightage with an increase of Rs. 1 crore, the Committee hope that the funds allotted to PSUs will be fully and prudently utilized by them without surrendering or asking for additional funds.

Action Taken

NMDC Ltd.

Estimates for BE 2009-10 at Rs.700 crore were prepared anticipating completion of various expansion schemes and receipt of equipment ordered under Addition Modification and Replacement (AMR) schemes. However, during review, certain delays were anticipated in completion of the new schemes/receipt of equipment. Hence, suitable revision was made and the Budget Provision for 2009-10 of Rs.700 Crore was revised to Rs.543 crore. Out of the revised estimate of Rs. 543 crore, an expenditure of Rs.378.88 crore was made up to 31.3.2010.

The main reasons for shortfall are:-

- An amount of Rs.200 crore was provided in BE 2009-10 towards Deposit 11B Project, since the process of procurement of Heavy Earth Moving (HEM) equipment was in progress. But as procurement of equipment was postponed to 2010-11, BE amount was scaled down from Rs.200 crore to Rs.90 crore in the RE of 2009-10.

- Due to frequent Naxalite activities, contractors of Deposit 11B project were forced to de-mobilize and mobilize equipments repeatedly. Due to this, many working days were lost. Night working could not be effectively implemented. Contractor's construction equipment was also burnt by the Naxalites. This affected the construction progress and the planned targets could not be met. The actual expenditure on 11 B project during 2009-10 was Rs. 56.27 crore as against RE of Rs.90 crore. Balance expenditure is likely to materialise in 2010-11 and will be considered in RE 2010-11.

- An amount of Rs.100 crore was provided in BE 2009-10 towards 3 million tonne per annum capacity (MTPA) Steel Plant at Nagarnar. Expression of Interest (EOI) for nine packages had been released and the consultants were in the process of short listing the prospective bidders which took more time than anticipated. Further, acquisition of about 380 hectares of additional land and statutory clearance for 25.72 hectares of forest land out of the above is in process. Considering this, the plan outlay was revised from Rs.100 crore to Rs.50 crore. Actual expenditure on the project during 2009-10 was Rs. 42.26 crore.

- Rs. 80 crore was considered in the RE of 2009-10 for the acquisition of SIIL. The Company received an order dated 18th January 2010 from the Ministry of Corporate Affairs (MoCA), Government of India, sanctioning the scheme of merger of SIIL with the Company. The scheme would become effective from the date on which the certified copy of the order of MoCA is filed with the Registrar of Companies (ROC), Andhra Pradesh, India. Under the MoCA order, the order is required to be filed with the ROC within 30 days of its receipt. However, as the disinvestment process of NMDC was going on, to smoothen the process of disinvestment, NMDC through its legal counsel for the merger process, filed an application on 9th February, 2010 with the MoCA seeking grant of extension of time for filing of the order of merger with the ROC within 30 days of the completion of the allotment of the offer shares under the disinvestment process. Hence the amount of Rs. 80 crore could not be spent in 2009-10 and is likely to be spent in 2010-11 and will be considered in RE 2010-11.

- The tender enquiry issued for Crushing Plant of Kumaraswamy has been retendered due to poor response; hence the construction activities at site could not be started as planned. Actual expenditure on the project during 2009-10 was Rs.0.53 crore against the RE of Rs. 10 crore. This shall now be considered for 2010-11.

Bird Group of Companies-The Orissa Mineral Development Company Ltd. (OMDC)

The Orissa Mineral Development Company (OMDC), a Company under the Bird Group of Companies is having six mining leases in the State of Orissa. The renewal of these mining leases are at various stages of processing. The company is vigorously taking up the matter with the State Govt. to complete the formalities of Forest & Environmental clearance, which are pre-condition for renewal of mining lease, for getting the mining leases renewed at the earliest.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Comments of the Committee

(Please *see* para 1.12 of Chapter-I of the Report)

Recommendation (Serial No. 7)

The Committee regret to observe that out of total outlay of Rs. 45607.08 crore approved by the Planning Commission for the 11th Plan, the expenditure made during the first two years was only Rs. 12356.89 crores. While during the year 2007-08 they could spend only Rs. 3831.03 (61.75%) of the allotted fund, the expenditure during 2008-09 was Rs. 6203.00 crores. The Committee feel that either the estimates prepared for SAIL and RINL were inflated or they have failed to utilize the allotted fund during the first two years in the plan. The reasons cited are mainly administrative in nature and could have been dealt with by the Ministry by way of improvement in their system and speedy disposal of things. The precise reasons for under utilization of funds may be identified and suitable remedial measures need to be taken so that not only all the funds are timely utilized and various projects/programmes of these PSUs are completed without any delay.

Action Taken

Steel Authority of India Ltd. (SAIL)

The funds against the projects are allocated depending upon projected progress and schedule for completion of identified milestones. In the initial period of modernization & expansion plan of SAIL, the provision had been kept primarily for expenditure on enabling works and initial milestone payments. Accordingly, during 2007-08, the outlay was reviewed and revised to Rs.2007 crore as against original budget of Rs.2641 crore. Against this, the actual expenditure was Rs.2181 crore. In 2008-09, the expenditure was envisaged to be increased with the progress of works like design engineering, civil & structural works, supply & erection jobs etc. and hence higher outlay of Rs.4674 crore was kept. Against this outlay, SAIL has incurred an expenditure of Rs.5233 crores. Thus the actual expenditure of Rs.7414 crores has exceeded the budgeted outlay of Rs.7348 crores for the years 2007-08 & 2008-09 taken together.

Similarly, in the year 2009-10 the budget outlay of Rs.10,356 crores was kept against which an expenditure of Rs.10,606 crores (Provisional) has been incurred.

SAIL has made various efforts like regular monitoring and review of expenditure *vis-s-vis* target at Plant and Corporate level to achieve the budgeted outlay. The financial progress is also being reviewed by Additional Secretary & Financial Advisor on quarterly basis.

Rashtriya Ispat Nigam Ltd. (RINL)

The budget estimates for the major expansion and modernization projects are prepared based on the schedules given by the consultants and various other agencies. Before the actual start of the work, the major steps required to be taken include finalization of tenders, floating the global tenders, evaluation of technical bids and award of job. For the major jobs there is a monopolistic suppliers market. Invariably, the initial time schedules anticipated by the company do not match with the actual time taken in finalization of the suppliers, because sometimes adequate numbers of parties do not respond or after submitting their tenders the negotiations take some extra time. Consequently, there is an initial delay in the start of the work.

In the case of RINL, the shortfall with respect to original budget during initial years e.g., 2007-08 & 08-09 was mainly due to delay in placement of orders (*i.e.*, entering into large contracts) due to inadequate and delayed response of bidders to global tenders arising out of the then prevailing buoyant global market, bidders asking for changes in contract terms/ asking for longer time for execution than stipulated etc. The progress of expenditure is now reaching steady state and is expected to be in line with the expected schedule of completion of various packages.

Progress of implementation of expansion and all other schemes have been stepped up as desired by the Committee and as is warranted in the last/ finishing stages of the mega projects, by taking several measures which include deployment of additional resources, expediting design & engineering by across the table discussions, higher empowerment, providing construction equipments by the company to the agencies as an additional support wherever possible & required, off loading jobs from some of the failing agencies, effective monitoring at various levels etc. With this, RINL has already spent about Rs.1850 Cr. during the year till Jan'10 and is expected to fulfil 100% target for the year 2009-10 as desired by the Standing Committee during the last meeting. For the year 2008-09 as well, 100% target was fulfilled by achieving expenditure of Rs.2886 Cr. against RE of Rs.2815.5 Cr.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 8)

The Committee note the annual outlay of the SAIL has been increased in BE 2009-10 to Rs. 10356 crore from BE/RE of Rs 4674 crore in 2008-09 based on projected progress of various schemes/projects. However, the Ministry have stated that the expenditure of SAIL in the first quarter of 2009-10 has been only Rs. 2469 crores. Going by the past experience, the Committee apprehend that in the past PSUs have been unable to overcome the obstacles in utilizing the allotted funds and hope that plan expenditure of Rs. 10,356 crore would be fully utilized by SAIL. The Committee therefore desire the Government to ensure that there is no downward revision in the target and all the programmes/schemes contemplated in two phases are completed in time bound manner with the help of I &EBR allotted for specific purpose. To ensure full utilization of allotted funds, Committee would like the Ministry to periodically review the utilization of funds and remove procedural bottlenecks, if any. The Committee would like to be apprised of steps taken in this regard.

Action Taken

SAIL has incurred an expenditure of Rs.10606 crore (provisional) against the budgeted target of Rs. 10356 crore during the year 2009-10, based on the actual progress of various capital projects including modernization and expansion projects under implementation at five integrated steel plants and one special steel plant. The actual expenditure has exceeded the budgeted target during 2009-10. For achieving this, various efforts like regular monitoring and review of expenditure *vis-a-vis* target have been made in SAIL as well as by the Ministry of Steel.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 9)

The Committee understand that SAIL has decided to delay its expansion Plan by 2 years due to the global economic downturn and a weaker than expected pick up in domestic demand. The explanation offered by Chairman, SAIL during the course of evidence for not completing the expansion plan by 2010 is not only unsatisfactory but rather alibi. The Committee do not approve such a decision of SAIL. In fact, SAIL has failed to keep the commitment by them to the extent that the modernization would be completed by 2010. The Committee would like to be satisfied whether it was prudent on the part of SAIL to defer expansion of 2 years or expansion programme could have been carried out in phases. Since the steel sector worldwide is coming out of recession and demand for steel is gradually picking up, the SAIL can pursue the expansion plan vigorously. The difficulties/problems/constraints being experienced should be effectively tackled by taking appropriate measures so that expansion and modernization plan of SAIL could be implemented at the earliest to avoid cost and time overrun.

The Committee appreciate that SAIL propose to carry out plantation work in all the steel plants like Vishakhapatnam Steel Plant. Since Alloy Steel Plant is serving many strategic sectors in the country, especially, naval warships which are pending, the first effort of SAIL should be to make it profitable and to move ahead with the modernization.

Action Taken

- The planning for Modernisation & Expansion of SAIL was initiated in 2003 under its Corporate Plan–2012 which envisaged increase in capacity in a phased manner by the year 2012.
- In view of global resurgence of the steel industry and indications of accelerated growth in domestic demand, the growth and investment targets were revised upwards in 2006-07. Further, it was decided to implement different packages in a plant together and compress the timelines to year 2010 as against year 2012 envisaged earlier.
- Due to buoyant steel market and seller's market condition, order placement for some of the major critical technological packages took longer time as quoted prices were much higher than the estimates. In July 2008, due to the following difficulties/problems/constraints faced during the Modernisation & Expansion was reviewed by SAIL to optimize the investment.
    - Inadequate response against various tenders; consequently, time limit for submission of tenders had to be extended in many cases on the request of bidders.

- Deviations in offers *vis-à-vis* tender terms and conditions including the desired delivery schedules for completing the projects; Bidders seeking extension in time limit for submitting clarifications and submitting incomplete clarifications/maintaining deviations, leading to several rounds of techno-commercial discussions

- In many cases, price bids submitted by bidders were higher than Consultant's estimates. For some of the packages, SAIL had to go for retender or engage in several rounds of negotiations on account of higher prices.

- Further due to global meltdown since October' 2008, SAIL Board felt that there was a need to review the expansion plan of SAIL including financing pattern. After consultations with the consultants and due deliberation (Feb-June. 2009), it was proposed that the production build-up be achieved in two phases.

- As per present progress, installation of facilities at SSP are likely to be completed by June' 2010 and that of ISP by June' 2011. For BSP, DSP, RSP and BSL, Modernisation and Expansion is likely to be completed progressively by 2012-13.

Various measures to closely monitor each and every activity of the project, both at micro and macro levels have been put in place in SAIL. The projects are being monitored on day-to-day basis by the respective Project Managers of the Plants and the Project Heads through latest on-line project monitoring system. Further, the expansion plan is also being monitored by:

- Plant Level Standing Committee comprising of Head of Projects, Head of Works and Head of Finance on a monthly basis. This Plant Level Standing Committee submits its action plan to the Managing Director/ Chief Executive of the Plant for remedial actions, if any, to be taken to ensure that the projects are completed in time. Managing Director/ Chief Executive of the Plant reviews the projects for timely action to complete the projects on schedule.

- A Board Sub Committee (BSC) comprising Independent Directors, Government nominee Director, Functional Directors and Managing Directors has been constituted for review of the progress of Modernisation and Expansion plan on regular basis.

At Alloy Steels Plant, Durgapur, SAIL has already implemented several schemes which include installation of Refining Converter (Argon Oxygen Decarburisation), Replacement of Electric Arc Furnace, Procurement of 25 MVA Transformer, Oxygen Plant on Build-Own-Operate (BOO) Basis etc. Further, installation of one Ladle Furnace is under consideration for implementation. It may be mentioned that capital investments are being made at ASP continuously depending on the requirement/viability of schemes.

Tree plantation of about 2.1 lakhs have been done during 2009-10 at various SAIL Steel Plants, Mines and township with a cumulative plantation of 175 lakhs till date. Afforestation programme are being followed in all SAIL plants/ mines. During the year 2010-11, SAIL has planned for plantation of about 1.9 lakhs of saplings.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 10)

The Committee note with satisfaction that with a view to meet increased customer demand for tailor made steel products near the consumption point, particularly in a State where no steel plant is located and where steel consumption is low, SAIL have proposed to set up Steel Processing Units (SPUs). Some places have already been identified and in some places this is under implementation. While the Committee hope by this initiative of the Ministry would increase the domestic demand and steel consumption in the country, they desire that the scheme should be accorded priority and completed under a time bound programme. The Committee also desire that efforts should be made in future to cover other potential areas also in the country with low steel consumption under this scheme so that all sections of society in far flung areas are also benefitted from the scheme.

Action Taken

Setting-up of Steel Processing Units

SAIL Board had accorded 'in-principle' approval for setting-up of 10 SPUs at various states as given under:

- Bettiah, Mahnar and Gaya in Bihar

- Hoshangabad, Ujjain and Gwalior in Madhya Pradesh
- Guwahati in Assam and Lakhimpur in Uttar Pradesh
- Srinagar in Jammu and Kashmir and Kangra in Himachal Pradesh

The work for setting-up the SPU at Bettiah is in progress and the unit is likely to be completed by September, 2010.

Land for the 10 SPUs has been acquired. Chief Project Manager for each SPU has been designated and tendering activities are in progress.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 11)

The Committee have been given to understand that in attaining the global benchmark, the thrust of modernization and expansion plan of SAIL is to adopt technology which is in addition to cost effective is also energy efficient and environmental friendly. However, still many constraints are being faced by the company such as dependence of purchased coal from domestic and overseas suppliers, higher manpower cost and adherence to a number of rules and procedures depriving SAIL to become a global leader in Steel. The Committee would like the Ministry to address these issues seriously.

The Committee have been informed that SAIL have taken certain measures to reduce dependence on imported coking coal and is in the process of acquiring and developing new coal blocks and entering into strategic partnership with Coal India Ltd. and with some other companies, besides formation of an SPV for acquisition of coal assets overseas. In addition to these initiatives, the Ministry should also look for technologies that would reduce the use of coking coal in blast furnaces and also develop their R and D. In this connection, the Ministry may explore the possibility of cutting ash content in coking coal and increasing production, which would meet most of the coking coal requirement through indigenous mines, thereby cut imports and being a cheaper proposition.

The Committee would like the Ministry to pursue their case vigorously with the Ministry of Coal to get more coal mines accordingly urge upon the government to give priority to the requirements of SAIL and consider allotting coal mines particularly in Jharkhand and West Bengal.

Action Taken

(1) In order to reduce dependence on purchased coking coal, both domestic as well as imported, SAIL is taking following actions :

(a) Developing captive coking coal mines at Tasra and Sitanala

(i) Tasra Coking Coal Block:

All statutory clearances have been obtained. Planned mine capacity is 4 Million Tonne Per Annum (MTPA) [Run of Mine (ROM)] to produce about 2 MTPA of clean coal. Selection of Mine Developer cum Operator (MDO) is in progress. Through tendering process, L-1 bidder has been identified and work order is to be issued shortly. In the meantime, small scale production has been started from November.2009.

(ii) Sitanala Coking Coal Block:

Mine planned for production of 0.3 Million Tonne Per Annum (MTPA) [Run of Mine (ROM)] to produce about 0.2 Million Tonne Per Annum (MTPA) clean coal. Project report has been prepared, mine plan approved and grant of environment clearance is in advance stage.

(c) Allocation of new coking coal blocks for captive mining

In order to further augment captive coking coal production, SAIL has identified two potential coking coal blocks namely, Jhirki/ Jhirki West OC and Rhone-Routpara West in Jharkhand and requested Ministry of Steel and the Ministry of Coal for allocation of the blocks. Coal blocks are yet to be allocated to SAIL. Hon'ble Minister of Steel has requested Hon'ble Minister of State for Coal in February, 2010 to allocate these coking coal blocks to SAIL through Government dispensation route.

(c) Joint Venture with Tata Steel

SAIL and Tata Steel Ltd. have formed "S and T Mining Company Private Limited", a Joint Venture Company (JVC) with 50:50 equity. As a first step company has initiated the process for acquisition and development of coal assets in India. JVC has been short listed for submission of bid for revival of old/ abandoned mines of CIL. JVC is also attempting to develop Bhutgoria mine of BCCL. The company has submitted tender to Bharat Coking Coal Limited (BCCL) for construction of washery at Dugda for Non Linked Washery (NLW) coal. The company is also exploring possibility to install a stand alone NLW coal washery at Malkera.

(d) SPV for acquisition of coal assets overseas

SAIL along with CIL, NTPC, RINL and NMDC has also formed International Coal Ventures Limited (ICVL), a joint venture company for acquisition of coal assets abroad. Attempts are being made by ICVL for acquisition of coal assets.

Allocation of thermal coal blocks for captive use

Presently, major requirement of thermal coal is being met by supplies from Coal India Limited. In order to ensure security of thermal coal availability, SAIL has identified six thermal coal blocks namely Tentuloi, Ghogharpalli and Extension, Bankhui (Orissa), Gand Bahera Ujheni (Uttar Pradesh), Puta Parogia and Pindrakhi (Chhattisgarh) and requested Ministry of Steel and Ministry of Coal for allocation of at least 2-3 blocks. Hon'ble Minister of Steel has requested Hon'ble Minister of State for Coal in February'2010 to allocate these thermal coal blocks to SAIL through Govt. dispensation route.

(2) Besides taking action to acquire captive coal mines, SAIL has been persuing with Coal India Limited (CIL) to supply higher quantities of Indigenous Coking Coal and improve its quality. The ash content in coking coal can be reduced by CIL by improving the health of their washeries.

In addition, actions have been taken by SAIL to adopt technologies which will reduce consumption of coking coal. All Blast Furnaces of SAIL (except those planned to be phased out) are being equipped with auxiliary fuel injection system. So far, 8 Blast Furnaces are equipped with Coal Dust Injection system and 5 Blast Furnaces with Coal Tar Injection system. R and D engineers are also assisting plants in increasing CDI usage.

(3) In order to reduce the high manpower cost, SAIL has been rationalizing its manpower in the past and is likely to continue in future also. In the last 3 years, SAIL has been able to rationalize its manpower by around 17000 through judicious manpower planning, multi-skilling, redeployment, selective recruitment etc. With rationalization of manpower, several systemic changes such as cluster system of working, flexibility in deployment, automated working, adoption of best practices have been encouraged / implemented thereby leading to improved efficiency and better work culture.

While the manpower has steadily been reducing, the labour productivity has increased from 150 to 226 Tonne/Man/Year (T/M/Y) in the last 5 years.

(4) In order to further reduce consumption of coking coal, SAIL is exploring possibility of technology tie-up for new technology of making iron from non coking coal like Finex and ITMK3 through Joint Venture route. The final decision on selection of technology and details of Joint Venture are subject to techno-economic viability and necessary approvals.

(5) A draft policy on "Outward Investment for acquisition of raw material assets abroad" is being undertaken under the leadership of Chairman, National Manufacturing Competitiveness Council (NMCC). The procedural hurdles hindering overseas acquisitions by PSUs are being highlighted in the NMCC forum for discussions and suitable redressal at the highest levels in Government.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Comments of the Committee

(Please *see* para 1.17 of Chapter-I of the Report)

Recommendation (Serial No. 12)

The Committee note that RINL has been allocated Rs. 4,166 crore in BE 2008-09 which was reduced to Rs. 2,815.50 crore at RE stage. In BE 2009-10, the amount has further been reduced to Rs. 2,437 crore. The Committee are constrained to note that out of this Rs. 2,437 crore, the Company was able to utilize a meager amount of Rs. 516.24 crore till July, 2009. While in some schemes/projects, there has been a little progress, many schemes/projects such as Acquisition of iron ore, Coking coal and other mines, BF-1 Category repairs, facilities for iron ore storage, augmentation of 220 KV power system for receiving 400 MVA power, there has been no progress at all. The corrective measures taken by the RINL to overcome these weaknesses do not seem to have bore any fruit. The Committee feel that underutilization of funds is directly affecting the implementation of important schemes and ultimately the performance of Company. The Committee impress upon the Ministry that RINL should utilize the full allocation made for the year 2009-10 so that schemes do not suffer due to poor utilization of funds. The Committee urge upon the Ministry to address the weakness listed out by RINLs with a sense of seriousness and sincerity, lest the perennial underutilization of fund by the Company should be highly detrimental to the growth of production and improvement in productivity of steel sector. Committee also urge Ministry to facilitate RINL to ensure early acquisition of iron ore, coking coal and other mines.

Action Taken

Necessary steps have since been taken to ensure that the expenditure for the year 2009-10 is as per the target. Although the expenditure upto July, 2009 was only Rs. 516.24 crores out of Rs. 2437 crores in the BE, the expenditure upto January, 2010 was Rs. 1850 crores, which is a substantial improvement from the levels of expenditure in July, 2009. RINL is now expected to fulfil the target for the year 2009-10. For the year 2008-09 as well, 100% target was fulfilled. The actual expenditure for the year was Rs. 2886 crores against RE of Rs. 2815 crores.

Progress of implementation of expansion and all other schemes as mentioned in the recommendation have further been stepped up by taking several corrective measures by RINL which include deployment of additional resources, expediting design and engineering by across the table discussions, higher empowerment, providing construction equipments by plant to agencies as an additional support wherever required, off loading jobs from failing agencies, effective monitoring at various levels etc. Orders for major packages of other schemes like Iron Ore Storage, 220 KV power station system, Blast Furnace revamping etc., either have been placed or are in various stages of finalization. Civil work, design and engineering for structural and equipment have also commenced for Iron Ore Storage system.

RINL has been making efforts since 2003 for acquisition of iron ore, coking coal and other mines and submitted mining lease applications for iron ore in the States of Orissa, Chhattisgarh, Andhra Pradesh and Rajasthan. In addition to this, RINL-VSP has requested the State Govts. of Jharkhand, Orissa and Karnataka for allocation of iron ore blocks and has also conveyed its interest in setting up value added projects in the State through Joint Ventures with the State Mineral Development Corporations. In this regard, written requests from CMD-RINL VSP and Secretary, Ministry of Steel were sent to Chief Secretary & Chief Development Commissioner to Govt. of Orissa, Chief Secretary to Govt. of Jharkhand and Chief Secretary to Govt. of Karnataka.

Grant of lease for mines by respective State Government/Government of India would be of considerable help to RINL for meeting the enhanced level of its requirement. The issue is becoming more and more important for RINL from the point of view of cost of key raw materials and its securitization for consistent operation at higher level of production and productivity.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Comments of the Committee

(Please *see* para 1.20 of Chapter-I of the Report)

Recommendation (Serial No. 13)

The Committee note that the availability of critical inputs e.g. iron ore and coking coal are key determinants for attaining country's steel production target. The Government have admitted that iron ore resources of the country should be conserved for the use of domestic steel industry and have taken recourse of certain fiscal initiatives. However, no firm decision appears to have been taken to protect the interests of domestic steel industry. The Committee would like to draw the attention of the Ministry to their earlier recommendation for banning on export of iron ore in phases and encouragement of value addition of iron ore rather than export in order to not only protect the interests of domestic steel industry. They therefore, reiterate their earlier recommendation that export of iron ore should be gradually stopped altogether and encourage value addition of iron ore rather than export.

Action Taken

Ministry of Steel has been continuously highlighting the need to discourage export of iron ore from the country, so that iron ore resources of the country may be conserved for long term utilization of the domestic steel industries. As a result of continuous efforts of Ministry of Steel, the Government decided that iron ore resources of the country should be conserved for the use of domestic steel industry. It was also decided that although conservation of iron ore resources of the country is of paramount importance, the same may not be achieved by banning or capping the export of iron ore, but by taking recourse to appropriate fiscal measures. At present, 5% *ad-valorem* export duty is levied on iron ore fines, whereas 10% *ad-valorem* export duty is levied on iron ore, other than fines. Ministry of Steel from time to time has taken up with Ministry of Finance for imposing an appropriate export duty on iron ore.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 15)

The Committee observe that for production of steel, SAIL needs more coal block in the State of Jharkhand and West Bengal. The Committee recommend that the Ministry of Steel should take up the matter with the Ministry of Coal for considering the prayer of SAIL for allotment of coal blocks for increase of production. The Committee desire that SAIL should get priority in the case of allotment of coal blocks in the State of West Bengal and Jharkhand being a Public Sector Undertaking for meeting the steel production target prescribed by the Ministry if such coal blocks have not been allotted to CIL.

Action Taken

As mentioned in the Action Taken Replies for para 5.17 above, continuous effort by SAIL and the Ministry of Steel is being made for allocation of coking coal and thermal coal blocks to SAIL. In this regard, SAIL has already identified two coking coal blocks namely, Jhirki/ Jhirki West OC and Rhone-Routpara (Jharkhand) West and six thermal coal blocks namely, Tentuloi, Ghogharpalli & Extension, Bankhui (Orissa), Gand Bahera Ujheni (Uttar Pradesh), Puta Parogia and Pindrakhi (Chhattisgarh) and requested for allocation of blocks has been made. Hon.ble Minister of Steel has also requested Hon.ble Minister of State for Coal in February, 2010 to allocate coal blocks to SAIL through Govt. dispensation route.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 18)

The Committee note that the prices of steel in the country are determined by the domestic and international market forces and the cost of essential raw materials. They also note that the Government has taken certain fiscal measures for sustained growth in the steel sector resultantly the steel industry in India has remained least affected by the global financial meltdown and the growth in production and consumption of finished steel has also continued in the first quarter of current year. According to the Ministry there has been a price stability on domestic steel market because of these initiatives. The Committee however, reiterate their earlier recommendation that the Ministry of Steel should take a lead and Steel PSUs should not only maintain price line but also pass on the benefits of lower cost of production to consumers. The Committee hold the view that in order to boost the consumption of steel in rural and semi-urban areas, the affordability of the product is essential. They feel that one of the major reasons for our low per capita steel consumption is the lack of focus on vast rural sectors. An endeavour should be made by the Ministry for steel to be acceptable, in preference to other replacements, as affordable and cost effective. The Committee desire Industry to focus on improving distribution in the remote and rural areas and an intensity oriented growth in addition to volume of growth.

The Committee have also been given to understand that to study on the assessment of steel demand in rural India, it is expected that the Joint Plant Committee will soon engage a competent agency to carry out study. The Committee may be apprised of its findings and action initiated thereon by the Ministry.

Action Taken

Ministry of Steel is getting a survey carried out through Joint Plant Committee to assess the demand for steel in rural areas. The objective of the survey is to assess trends in consumption pattern of different items of steel in the Indian rural market. The survey would also capture the steel demand arising from investment going into infrastructure development through projects like Bharat Nirman, etc. focused exclusively on development of rural India.

A Technical Committee, headed by a Joint Secretary of Ministry of Steel and comprising of members from industry and industry associations has been constituted to monitor the survey. IMRB International, a pioneer in market research, has been selected by the Technical Committee to conduct the field and analytical work of the survey. The survey would be based on stratified sampling of the rural population, taking into consideration the following:

- All the 35 States and union territories separately
- 300 districts (based on percentage of rural population)
- 1500 villages (based on percentage of rural population)

- At least 15-20 households and all institutions like gram panchayats in each village
- A total of 4500 manufacturers and 8000 retailers (based on output/turnover) at the rural level.

Data, for analysis purpose, for the survey would be collected for the three years *viz.*, 2006-07, 2007-08 and 2008-09 and assessment of rural steel demand would be for the periods 2011-12, 2016-17, and 2019-20. A pilot survey has already been conducted covering one district from each of the four zones (north, south, east, and west) in the country. The districts identified were Nadia in West Bengal (east), Rae Bareilly in Uttar Pradesh (north), Ahmednagar in Maharashtra (west) and Vellore in Tamil Nadu (south).

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl., dated 18th May, 2010]

Recommendation (Serial No. 19)

The Committee note that a new R&D scheme for promotion of R&D in the Iron and Steel sector has been included in the 11th Plan with an outlay of 118 crores with an objective to evolve a mechanism to promote and accelerate R&D for development of innovative and appropriate technologies for cost effective production of quality steel in an environmental friendly manner. However, the Committee are surprised to find that the amount of Rs. 18.50 crore provided in BE 2008-09 for this scheme, could not be utilized. According to the Secretary of the Ministry of Steel, it is a matter of concern that out of 59 R&D projects costing Rs. 408 crore approved by the Empowered Committees under the chairmanship of Secretary of Steel so far Rs. 13 crore has been disbursed and only 26 R&D projects completed. It clearly indicate the lack of concern by the Ministry of Steel for the research and development work. The Committee feel that Research and Development programmes are investments futuristic and underutilization of meagre allocation would certainly effect the productivity and efficiency of the Steel industry. The Committee feel that to meet with increasing competition in Steel sector both nationally and internationally, R&D focus needs to be increased, as technological upgradation in the steel sector has become unavoidable in order to make better and cheaper steel for all sections of society. The Committee would like the Ministry of Steel to step up the request thrust to R&D sector in 11th Plan.

Action Taken

1.0. Ministry of Steel operating the following two schemes for promotion of R&D in Iron and Steel Sector:

(i) Financial assistance from Steel Development Fund (SDF) under the mechanism of Empowered Committee (EC).

(ii) Financial assistance from Government Budgetary Support (GBS) during the 11th Five Year Plan Period.

2.0. The EC under the Chairmanship of Secretary (Steel) has met 20 times and approved 64 R&D projects costing Rs. 422 crore with SDF assistance of Rs.178 crore. So far Ministry of Steel has released Rs.120 crore from Steel development Fund (SDF). Out of 64 R&D projects, 31 projects have been completed yielding benefits to the industries, 9 projects have been stopped after mid term review and 24 projects are in progress.

3.0. The expert panel for scrutinizing the R&D proposals under GBS has shortlisted 8 R&D project proposals in three research areas approved by the Expenditure Finance Committee (EFC). The 1st meeting of Project Approval and Monitoring Committee (PAMC), set up by the EFC for approval/monitoring of such R&D projects, was held on 11.02.2010 wherein 4 R&D projects have been approved. Ministry of Steel has released Rs.4.14 crore in respect of the 4 R&D projects on 30.3.2010.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

Recommendation (Serial No. 20)

The Committee note that the National Steel Policy 2005 sets out the Government's vision for future of Steel industry and one of the major objectives of the Policy is to augment the demand and consumption of the Steel in the Country by conscious promotion of Steel usage. The Committee feel that to attain the goals envisaged in the National Steel Policy, the promotion of steel usage is imperative. The per capita consumption of steel in India is little in comparison to China and USA due to lack of infrastructure, namely, buildings, bridges, ports etc. as compared to other countries. The Institute for Steel Development and Growth must take effective steps in this regard. Publicity of utility of steel must be increased by all sectors. All steel producers must span out to be semi-urban and rural areas and open more and more centre.

Action Taken

The recommendation of the Committee has been noted and INSDAG has been directed to prepare a roadmap for implementing the recommendation of the Committee. Further, all the major and main steel producers also have been apprised of the recommendation of the Committee to span out in semi urban and rural areas and open more and more centres.

While second phase of National Steel Promotion Campaign is yet to start, INSDAG had initiated several initiative (in the form of projects) to increase steel consumption in India. Some of the important activities of INSDAG are listed below:

- All India Council for Technical Education (AICTE) has been requested to include the latest methodology for steel design based on IS: 800-2007 in the under-graduate level of engineering courses. In turn, AICTE has requested all Universities/Colleges to incorporate the same in the curriculum. Many premier Institutions such as IIT Madras, IISC-Bangalore, Anna University have already revised the syllabus suitably. Many other colleges are also updating their syllabus and teaching.

- INSDAG is organizing about 15 training programmes for both professionals and faculties of engineering colleges every year. This facilitates updating the knowledge of the teachers, designers and user in connection with steel usage. They gain confidence and are inclined to recommend use of steel as the material of construction.

- INSDAG has been providing consultancy services for steel intensive projects in both government and non-government sectors. These consultancies are generally non-remunerative in nature but help in propagating innovative design of steel structures. INSDAG use these as opportunities to motivate users to go for steel intensive structures.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

CHAPTER III

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

Recommendation (Serial No. 16)

Taking note of the manifold increase in the requirement of the raw material to meet the future demands and massive capacity expansion plans, there is a necessity to look for alternate reserves in forests without disturbing the environment and to monitor a balance between the environment and development of steel sector. They therefore, desire that possibilities of inclined mining in an environment friendly manner may be explored to tap the mineral reserves in forests and urge the government to accord a serious thought to this proposal and want Ministry also to pursue this matter with the concerned Ministry. The Committee also urge the Government to make a survey in the North-Eastern States of the country to explore the possibilities of getting iron ore and Mineral.

Action Taken

Government of India has approved the National Mineral Policy, 2008. The NMP provides for scientific mining and enforcement of mining plans for adoption of proper mining methods to ensure optimum utilisation of minerals. The NMP also envisages for taking a comprehensive view to facilitate the choice or order of land use keeping in view the needs of development as well as needs of protecting the forests, environment and ecology. Both aspects have to be properly coordinated to facilitate and ensure a sustainable development of mineral resources in harmony with environment.

As regards survey in the North-Eastern States of the Country to explore the possibilities of getting iron ore and Mineral, it is mentioned that Ministry of Mines is the nodal Ministry dealing with mineral resource survey and exploration. Geological Survey of India, a premier organisation of earth science survey and research under Ministry of Mines undertakes survey of the country for identifying resources of minerals, which *inter-alia* include iron ore. Further, the reconnaissance permit and prospecting licences for iron ore and other minerals are awarded by the concerned State Governments to the applicants. As such, Ministry of Steel has no role in this regard.

[Ministry of Steel, O.M. No.H-11014(6)/2009-Parl.,
dated 18th May, 2010]

CHAPTER IV

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

Recommendation (Serial No. 14)

The Committee further note that financial strength of Steel PSUs beyond 2012 would mainly depend on renewal of existing mining leases pending with state governments of Chhattisgarh, Jharkhand and Orissa. They also note that SAIL had been granted 25 mining leases of iron ore in the States of Jharkhand, Orissa and Chattisgarh. Out of these only 5 leases are valid, 15 are under deemed extension and balance 5 are under dispute. Without valid leases, SAIL is facing difficulty for making an investment for the expansion of its existing mines. The Committee express their dissatisfaction over the delay in granting the mining leases for iron ore and allotment of coal blocks to Public Sector companies and feel that Ministry has also failed to play its role as facilitator in getting these mining leases renewed. The Committee further note that Jharkhand Government have reportedly agreed to renew the leases of Chiria mines in favour of SAIL, the Committee desire that Ministry to constantly pursue this matter and impress upon the State Governments for granting for lease of remaining mines on priority basis.

Action Taken

Out of 26 iron ore mining leases in the states of Jharkhand, Orissa and Chhattisgarh, only 6 leases are valid. This includes grant of Mining Lease at Rowghat in Chhattisgarh in October, 2009. Status of leases is shown below:

Details	Jharkhand	Orissa	Chhattisgarh	Total
No. of leases	13	7	6	26
Valid	Nil	1	5	6
Under deemed extension	9	5	1	15
Under dispute	4	1	Nil	5

For early renewal of leases particularly in Jharkhand and Orissa, continuous effort is being made by SAIL and the Ministry of Steel.

In connection with renewal of leases for Chiria and Gua, the State Government of Jharkhand suddenly rejected some leases of Chiria and Gua mines on 15.12.04. Against the rejection Order, SAIL sought relief from concerned legal forum that is Mining Tribunal and the matter has since gone into prolonged litigation in higher Courts.

Vigorous efforts have been made by the Ministry of Steel with the State Government of Jharkhand at appropriate levels in the Government of India to resolve the matter amicably out of court. Ministry of Steel made special out of Court efforts and played the role of a facilitator bringing the stakeholders of SAIL and Government of Jharkhand under mediation of the Prime Minister's Office. The meetings under the auspices of the PMO precipitated the decision that Jharkhand State Government would renew mining leases for reserves of about 1 billion tonne immediately and for balance reserve of 1 billion tonne SAIL & State Government will sign an MOU and State Government would release the reserves against SAIL meeting the milestones.

On request of the Ministry of Steel, a meeting was held by Secretary (Mines), GoI on 5-10-2009 which was also attended by the Chief Secretary, Government of Jharkhand, Joint Secretary, Ministry of Steel, Controller General IBM, Director General, GSI and Chairman, SAIL as decided in the meeting, SAIL *vide* letter dated 19.10.09, requested Chief Secretary, Government of Jharkhand to renew mining leases for 1 billion tonne of Chiria and Gua mines immediately and to initiate dialogue for renewal of the balance leases. Following the persuasions, the State Government of Jharkhand conveyed its in-principle approval on renewal for the Budhaburu lease (823.62 ha) of Chiria iron mine on 23.10.09. SAIL *vide* letter dated 18.11.09 has further requested Jharkhand Government to renew leases corresponding to 1000 million tonnes keeping all four leases of Gua and Ajitaburu of Chiria in the present form and redefining Budhaburu lease. Secretary (Steel) also held meeting with Chief Secretary, Govt. of Jharkhand on 17-2-2010 on the issue of renewal of mining leases including Chiria. SAIL is following up with State Government for expediting formal approval in respect of Budhaburu lease.

As mentioned in the Action Taken Replies for para 5.17 above, continuous effort by SAIL and Ministry of Steel is also being made, for getting allocation of coking coal and thermal coal blocks to SAIL. In this regard, Hon'ble Minister of Steel has requested Hon'ble Minister of State for Coal in February'2010 to allocate coal blocks to SAIL through Govt. dispensation route.

[Ministry of Steel O.M. No.H-11014(6)/2009-Parl.
dated 18th May, 2010]

Comments of the Committee

(Please *see* para 1.23 of Chapter-I of the Report)

CHAPTER V

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

Recommendation (Serial No. 17)

The Committee note that the Orissa Government have since decided not to allot Khandadhar Iron Ore deposit in Sundergarh District to KIOCL on which drilling/exploratory work cost has already been borne by the Company and instead recommended to allot the mining lease in favour of M/s POSCO. Against this, KIOCL is reported to have filed revised petition before the Mining Tribunal under the Ministry of Mines. The Committee consider the allotment of this mining lease to KIOCL very essential as this would help the company to overcome its crisis. It is pertinent to note that Supreme Court has imposed a complete ban on mining activities at Kudremukh. The Committee would like the Ministry to forcefully plead the case on behalf of KIOCL before the Mining Tribunal for the allotment of above Mining Lease. They also expect that the Ministry would protect the interest of the Company by impressing upon the Orissa Government for allotment of above mine to KIOCL.

Action Taken

The matter has been taken up by Ministry of Steel with Ministry of Mines bringing out the grounds which would merit allotment of the Khandadhar Iron Ore Deposit to KIOCL Ltd. Central Mines Tribunal had fixed the hearing on 23.2.2010. KIOCL submitted the arguments before the Mines Tribunal against the order of the State Government of Orissa recommending the name of M/s POSCO for grant of prospecting license in Khandadhar Iron Ore deposit. KIOCL submitted that it had carried out the prospecting operation to the extent of 10.5 square kilometers, out of 54.1 square kilometers of Khandadhar Iron Ore deposit in Sundergarh District and KIOCL had also paid more than Rs.1 crore to the Directorate of Geology, Govt. of Orissa for the exploratory drilling works. Further it was also brought to the notice of the Mines Tribunal that KIOCL has requisite experience, expertise manpower and investment capacity. It was also submitted that KIOCL's application for prospecting license is much earlier to the application of M/s. POSCO and thus is a strong ground for claiming preferential right under Section 11(1) of the Mines and Mineral (Development and Regulation) Act, 1957. The verdict of the Mines Tribunal is awaited.

[Ministry of Steel, O.M. No. H-11014(6)/2009-Parl.,
dated 18th May, 2010]

NEW DELHI;
20 *September*, 2010
29 *Bhadrapada*, 1932 *(Saka)*

KALYAN BANERJEE,
Chairman,
Standing Committee on Coal and Steel.

ANNEXURE I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 20TH SEPTEMBER, 2010 IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1400 hours to 1500 hours.

PRESENT

Shri Kalyan Banerjee — *Chairman*

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Ismail Hussain
4. Shri Yashbant Laguri
5. Shri Govind Prasad Mishra
6. Shri Ramesh Rathod
7. Shri Rakesh Sachan
8. Shri Pashupati Nath Singh
9. Shri Rajiv Ranjan Singh (Lalan)
10. Sardar Sukhdev Singh Libra
11. Dr. G. Vivekanand
12. Shri Mohd. Amin
13. Shri Ali Anwar Ansari
14. Ms. Mabel Rebello
15. Shri Dhiraj Prasad Sahu
16. Shri Jai Prakash Narayan Singh

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Smt. Sunita — *Deputy Secretary*
3. Md. Aftab Alam — *Under Secretary*

At the outset, the Chairman welcomed the Members to the first sitting of the Committee.

2. ** ** ** **

3. The Committee, thereafter, adopted the draft Action Taken Report on Action Taken by the Ministry of Steel on the recommendations contained in the 3rd Report of the Standing Committee on Coal and Steel viz. “Demands for Grants (2009-10)”, Ministry of Steel.

4. The Committee authorised the Chairman to finalize 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.

5. ** ** ** **

6. ** ** ** **

The Committee then adjourned.

**Do not pertain to this Report.

ANNEXURE II

(*Vide* Para IV of Introduction)

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

I.	Total No. of Recommendations made	20
II.	Recommendations that have been accepted by the Government (*vide* recommendation at S1.Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 18, 19 and 20)	17
	Percentage of total	85%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (*vide* recommendation at S1.No. 16)	01
	Percentage of total	5%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (*vide* recommendation at Sl.No. 14.)	01
	Percentage of total	5%
V.	Recommendations in respect of which final replies of the Government are still awaited (*vide* recommendation at Sl.No. 17)	01
	Percentage of total	5%

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