

14

**STANDING COMMITTEE ON
COAL AND STEEL (2010-2011)
FIFTEENTH LOK SABHA**

MINISTRY OF MINES

DEMANDS FOR GRANTS (2010-11)

**[Action Taken by the Government on the Observations/
Recommendations contained in the Fifth Report of the
Standing Committee on Coal and Steel (Fifteenth Lok Sabha)
on Demands For Grants (2010-2011) of the Ministry of Mines]**

FOURTEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI
August, 2011 / Sravana, 1933(Saka)**

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Presented to Lok Sabha on _____

Laid in Rajya Sabha on _____



**LOK SABHA SECRETARIAT
NEW DELHI
August, 2011 / Sravana, 1933(Saka)**

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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE.....	(iii)
INTRODUCTION.....	(v)
CHAPTER I Report	1
CHAPTER II Observations/Recommendations that have been accepted by the Government	15
CHAPTER III Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies.....	36
CHAPTER IV Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee.....	37
CHAPTER V Observations/Recommendations in respect of which final replies of the Government are still awaited.....	40

ANNEXURES

I.	Statement showing the actual expenditure incurred during 2007-08, 2008-09 and 2009-10.....	41
II.	Statement showing Financial Performance of GSI against the approved plan outlay during 2007-08, 2008-09 & 2009-10 i.e First three Years of XI Plan.....	42
III.	Statement showing the details of the Projected Three Years Rolling Plan 2010-11, 2011-12 & 2012-13 of GSI.....	43
IV.	Statement showing the details of Tentative scheme wise BE of Approved XIth Five Year Plan (2007-12) of Indian Bureau of Mines.....	45
V.	Minutes of the sitting of the Standing Committee on Coal and Steel (2010-11) held on 05.08.2011.....	47
VI.	Analysis of Action Taken by the Government on the Recommendations contained in the Fifth Report of the Standing Committee on Coal and Steel (Fifteenth Lok Sabha).....	49

COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2010-11)

Shri Kalyan Banerjee - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj G. Ahir
3. Shri Jaywant Gangaram Awale
4. Shri Sanjay Bhoi
5. Shri Abu Hasem Khan Choudhury
6. Shri Ismail Hussain
7. Shri Yashbant Laguri
8. Shri Narahari Mahato
9. Shri Babu Lal Marandi
10. Shri Govind Prasad Mishra
11. Kumari Saroj Pandey
12. Shri Ramesh Rathod
13. Shri Rakesh Sachan
14. Shri Adhi Sankar
15. Shri Pashupati Nath Singh
16. Smt. Rajesh Nandini Singh
17. Shri Rajiv Ranjan Singh (Lalan)
18. Sardar Sukhdev Singh Libra
19. Shri Shibu Soren
20. Dr. G. Vivekanand
21. Vacant

Rajya Sabha

22. Mohd. Amin
23. Shri Ali Anwar Ansari
24. Shri Jugul Kishore
25. Shri Kishore Kumar Mohanty
26. Dr. Dasari Narayana Rao
27. Ms. Mabel Rebello
28. Shri Dhiraj Prasad Sahu
29. Shri Nand Kumar Sai
30. Shri Jai Prakash Narayan Singh
31. Shri R.C. Singh

(iii)

SECRETARIAT

- | | | | |
|----|-------------------|---|-------------------------|
| 1. | Shri Ashok Sarin | - | Joint Secretary |
| 2. | Shri Shiv Singh | - | Director |
| 3. | Smt. Madhu Tandon | - | Sr. Committee Assistant |

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Fourteenth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Fifth Report of the Standing Committee on Coal and Steel (Fifteenth Lok Sabha) on "Demands for Grants (2010-11)" of the Ministry of Mines.

2. The Fifth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 22nd April, 2010. Replies of the Government to all the observations/recommendations contained in the Report were received on 26th July, 2010.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 05.08.2011.

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

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;
August, 2011
Sravana, 1933(Saka)

KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel

REPORT

CHAPTER I

This Report of the Standing Committee deals with Action Taken by the Government on the observations/recommendations contained in the Fifth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel on Demands for Grants (2010-11) of the Ministry of Mines which was presented to Lok Sabha on 22nd April, 2010.

2. The Action Taken Notes have been received from the Ministry of Mines in respect of all the 11 observations/recommendations contained in the Report. These have been categorised as follows:

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

Serial Nos.1, 2, 3, 4, 5, 6, 7, 8, 10 and 11

Total : 10
Chapter-II

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

Serial No. Nil

Total : 00
Chapter-III

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

Serial No.9

Total : 1
Chapter-IV

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

Serial No. Nil

Total : 00
Chapter-V

3. **The Committee desire that replies to the comments in Chapter-I of this Report should be furnished to the Committee at the earliest.**

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

Recommendation (Serial No. 1)

5. The Committee noted that for the year 2010-11, the Planning Commission had approved a total outlay of Rs.1763.17 crore for the Ministry of Mines as against Rs. 2205.74 crore proposed by the Ministry. The decreased outlay was due to curtailment of Gross Budgetary Support(GBS) by the Planning Commission from Rs. 652.57 crore proposed by the Ministry to Rs. 210 crore. It was pertinent to note that during 2009-10 an outlay of Rs. 1647.82 crore was provided to the Ministry at BE stage which was reduced to Rs. 1222.05 crore at RE stage and the actual expenditure up to December, 2009 was only Rs. 624.18 crore. The Committee were constrained to point out that National Aluminium Company Ltd. (NALCO) was able to utilize only Rs. 469 crore (up to December, 2009) against Rs. 1391 crore at BE and Rs. 950 crore at RE stage approved for the year 2009-10. Similarly, Geological Survey of India could utilize only Rs. 86.70 crore (up to December, 2009). It was also a matter of concern that PSUs and attached offices under the Ministry of Mines could not utilize the available funds during any of the last three years. It was surprising as to how the Ministry asked for higher allocation when they have not been able to utilize allotted funds during recent years. The Committee were not satisfied with the reasons advanced by the Ministry for underutilisation of funds i.e. non-availability of forest clearance, delay in procurement of equipments, delay by the State Govt. in granting leases and other clearances etc. as no serious effort had been made to address these issues. The Committee would like the Ministry to take corrective measures to resolve these perennial problems, if any, leading to under-utilisation of earmarked funds so that various schemes/programmes are completed timely.

6. Ministry in their action taken reply have stated as under:

"A statement showing the actual expenditure incurred during 2007-08, 2008-09 and 2009-10 is given at **Annexure-I**. It may be seen that the actual expenditure during 2009-10 is about 77.20% over RE 2009-10. The Ministry has taken note of suggestion of the Hon'ble Committee and is taking appropriate steps implementing corrective measures to utilize the allocated funds as estimated. The progress of expenditure as well as the related issues are monitored in the fortnightly meeting and quarterly performance review meeting in the Ministry wherein the heads of all PSUs/Organisations are persuaded to push up the work as well as the expenditure.

National Aluminium Company Ltd.(NALCO)

In case of NALCO, against approved plan outlay of Rs.1391 crore at Budget Estimate(BE) and Rs.951 crore at Revised Estimate(RE) stage for 2009-10,

the Company has actually spent Rs. 693 crore and the utilization works out to be 73% of RE.

The reasons of short fall in expenditure is mainly being delay in execution of 2nd phase expansion due to failure of some civil and structural contractors and additional time taken in securing environment clearance for Utkal-E coal project, which has since been received in December, 2009.

The position of utilisation of plan outlay during last 3 years is as under:-
(Rs. in crore)

S	Year	Plan	RE	Actual Exp	% of RE
1	2007-08	1158	1358	1368	101%
2	2008-09	1888	1701	1391	82%
3	2009-10	1391	951	693	73%
Total		4437	4010	3452	86%

The Company will make all possible effort and follow-up actions to achieve the target set in Mid term appraisal of the 11th five year plan.

Corporate Plan

The Vision and Corporate Plan of NALCO envisages NALCO to be a reputed global company in the metal and energy sector with the following major goals;

- To achieve annual turnover of Rs. 25,000 crores by 2020.
- To achieve annual production of 1.7 million tonnes aluminium and 4 million tonnes alumina by 2020.
- Transform from being only an "aluminium producer" to become a metal producer and energy provider.
- To venture into new fields of activity beyond aluminium by setting up at least 2 diversified projects by 2016.
- To target at least one 1000 MW independent power project (IPP) by 2016.

Growth Plans

The Company is to be reorganized to; NALCO Power, NALCO Metals, NALCO International.

Proposed green filed expansions include:

- A 5 million tonnes smelter with 1250 MW power plant in Indonesia in two phases at a total investment of Rs. 16,500 crores.
- A 5 million tonnes smelter with 1260 MW power plant in Western Orissa in two phases at a total investment of Rs. 16,345 crores.
- A 1.4 million tonnes alumina refinery with 4.2 million tonnes mines in Andhra Pradesh at an estimated investment of Rs. 5600 crores.
- A 1000 MW capacity IPP at a total investment of Rs. 5000 crores.

Financial Highlights:

- Total planned investment by 2020 including ongoing and brownfield expansions is Rs. 57,903 crores.

- Net Profit after Tax is estimated to reach Rs. 5441 crores by 2020 against a turnover of Rs. 25,380 crores.

As regards diversification, NALCO is exploring business prospects in metals like Copper, Uranium, etc. as well as in energy sector apart from aluminium. Following prospects are under consideration:-

- Discussions are going on with Uranium Corporation of India Ltd. to explore Uranium prospects outside India.
- The Company has signed MoU with NPCIL for production of nuclear power in JV, which will diversify its business activities from present coal based power generation.

The present status and future action plan for major projects are given hereunder:-

A. Utkal-E Coal block:

A list of recent developments, which will facilitate the project commissioning, are given herewith:-

- For the year 2009-10, against the allocated fund of Rs. 54 crore for Utkal-E coal mine, project utilization is Rs. 56.23 crores which is 104% of budget fund.
- Environmental clearance was granted on 10.12.2009 by Ministry of Environment & Forest (MoEF), Government of India.
- Mining lease (ML) application recommendation by State Government has been forwarded to Ministry of Coal, Government of India on 27.01.2010.
- The forest de-reservation proposal (FDP) is at RCCF's office since 14.11.2009. There is delay in issue of certificate from District Collector as per requirement of Tribe & Forest Dwellers Act, 2006.
- Section 6(1) of Land Acquisition Act declaration for all 5 affected villages for release of private land was completed on 08.02.2010.
- Section 7 declaration was issued by Government of Orissa on 17.05.2010.

Accordingly, the following action plan has been finalized:-

Land schedule

Activity	Schedule
Forest Clearance	30.11.2010
Land Acquisition	31.12.2010
Mining Lease	31.12.2010
Nalla Diversion	31.12.2011
Overburden Removal	30.03.2012
Commencement of Production of Coal	30.06.2012

B. 2nd Phase Expansion

The review of various projects is being conducted regularly on monthly basis at site level and at corporate level, review meetings are also conducted on weekly basis. Engineers India Ltd. as EPCM consultant has also monitored the expansion project and they conduct review regularly and submit report to the company suggesting various remedial measures.

For improvement in implementation of 2nd phase expansion of mines and refinery, following corrective measures are being taken up:

- A portion of civil and structural works awarded to civil construction firm was off loaded through open tender to another firm in April, 2009.
- Regular project review meetings are being held with consultants and defaulting contractors at project site.
- Financial support has been provided to Tankage contractor as it has been seen that the company needs support for working capital.
- Financial support has been provided for electricals, instrumentation agencies, etc. to whom the working fronts could not be released in time.
- Mechanical/piping erection work was off loaded to another firm on nomination basis.

From the above, it is apparent that the lower expenditure is due to delay in completion of project from targeted schedule and subsequent withholding of payment of various agencies. Steps are being taken to assess the utilization against budget, in a more realistic manner as per contractual completion. The projects are being closely monitored for achieving revised completion schedule.

C. Up-gradation of Refinery

The up gradation project of alumina refinery at an outlay of Rs.409 crore was approved by NALCO Board in 222nd meeting held in December, 2007, for completion of the project in 33 months. As of date, there is some delay from the schedule, pending the commissioning of the 2nd phase expansion.

Action Plan:

The environmental clearance from Ministry of Environment & Forest (MOEF) has been received on 11th May, 2010 and on 13th May, 2010 consent has been received from Orissa State Pollution Control Board said up-gradation project. In view of the above, it is expected that progress will now be faster, to be completed by May 2011.

D. Greenfield Project

1. Indonesia Project

Present status

The Company proposed to set up a 5 lakh tonnes per annum (LTPA) smelter with 1250 MW power plant in Indonesia in two phases at a total investment of Rs. 16,500 crores. Company signed MoU with Govt. of South Sumatra in January, 2008 to establish the smelter and power plant. However, in view of the delay in development of port at Tanjung Api-api and railway line in South Sumatra, alternative location in East Kalimantan was explored for setting up smelter and power plant. Feasibility report has been prepared for the alternate location at East Kalimantan. Approval has been obtained from Indonesian Investment Coordinating Board (BKPM) for the alternate location and revised financials. Due diligence on the proposed Joint Venture(JV) partner and its affiliate Company has been done. A project office has been opened and an officer has been posted in Jakarta to take up the pre-project activities.

Action plan

Detailed project report (DPR) will be prepared in 2010-11, thereafter; action will be initiated for formation of JV Company and investment approval. Company is envisaging to spend substantial amounts in the last two years of the 11th Five Year Plan period towards preparation of DPR and land acquisition and site development (equity portion only).

2. Andhra Refinery:

Present status

Company proposed to set up 14 LTPA alumina refinery with 42 LTPA bauxite mines in Andhra Pradesh based on the bauxite reserves of Gudem and KR Konda bauxite deposits. Pre-feasibility report for the project has been prepared. Ministry of Mines, Government of India has approved the proposal for grant of Mining Lease(ML) for Gudem and KR Konda blocks. Mining plan for Gudem-I, IV, V and KR Konda-I & II blocks are under preparation. Forest clearance has been obtained from Government of Andhra Pradesh for survey work in connection with the preparation of mining plan. MECL has been engaged to take up detailed exploration of KR Konda block-I.

Action plan

The exploration work is likely to start after obtaining forest clearance from MoEF. Company is planning to spend about Rs. 7 crore towards preparation of mining plan, EIA, detailed exploration, preparation of DPR and land demarcation activity during the remaining plan period. The progress of work at ground level is adversely affected by extremists' activities in the project area.

3. Nuclear Power Plant:

Present status

The Company has signed MOU with Nuclear Power Corporation of India (NPCIL) to develop nuclear power plant in joint venture (JV). The project location has been identified jointly for the purpose. JV agreement is likely to be signed soon.

Action plan

Since the pre-project activities for the identified project are already over, construction work is likely to start in 2nd half of 2010-11, Company envisages that substantial amounts (about Rs. 300 crore) will be spent towards equity contribution to the JV during the remaining two years of the plan period.

4. Wind Power Plant:

Present status

Company plans to set up 50 MW wind power plant in a suitable location having wind energy potential. Feasibility study has been completed. Global tender has been floated in May, 2010. Wind farm developer is likely to be selected in Jan, 2011.

Action plan

Around Rs. 250 crore is likely to be spent towards wind power project development by way of project installation and commissioning during the remaining plan period.

5. New Smelter Project

Present status

The Company planned to establish a 5 LTPA smelter with 1260 MW power plant in Jharsuguda in two phases at a total investment of Rs. 16,345 crores. State Government approved NALCO's proposal subject to certain conditions pertaining to environmental consideration, land and water availability. State Government linked sanction of the project location to the environment carrying capacity study of the region being conducted by State Pollution Control Board (SPCB), Orissa. However, the consultant carrying out the study has not recommended the Company's project on the grounds of environment sustainability.

Action plan

In view of this, Company has been exploring alternate locations for the project. Company is envisaging to spend about Rs. 13 crore towards preparation of DFR during the remaining two years of the plan period.

6. Iran Project

Present status

Company has plans to establish a 3.1 LTPA smelter with 750 MW power plant in Iran in two phases at a total investment of Rs. 9000 crores. Techno-economic feasibility report (TEFR) has been prepared. Legal and financial due diligence on the JV partner has been done. Response to the expressions of interest inviting proposals from prospective lenders to assess the possibilities of securing funds for the project was not encouraging in view of the present geo-political situation in Iran.

Action plan

Further activities would be taken up after ensuring basic level of certainty in securing funds for the project. Assuming some positive development on the geo-political front, Company envisages to spend token amount only in the remaining two years of the plan period towards preparation of DPR.

7. Aluminium Park

Present status

Company has signed MoU with IDCO for development of an Aluminium Park at Angul. Site has been selected for the project. Memorandum and Articles of Associations are under preparation.

Action plan

JV Company is likely to be registered soon. Rs. 15 crore is expected to be spent towards equity contribution during the next two years.

8. Fly Ash based Cement Grinding Unit

Present status

Company plans to facilitate establishment of a cement grinding unit in Captive Power Plant(CPP) for utilization of fly ash. The proposed plant would be in JV with a established cement manufacturer. Selection of JV partner through competitive bidding is underway.

Action plan

JV Company is likely to be formed soon. Rs. 25 crore is expected to be spent towards equity contribution during the next two years.

E. Pottangi Bauxite Mine

Present Status

The mining lease application was submitted by Company to Government of Orissa in August, 1992. Governments of Orissa vide letter dated 31.07.2004, accorded its in principle approval for mineral concession over the Pottangi deposit subject to few conditions.

Pending resolution of the issues related to spending 5% of profit before tax for peripheral development works out of total operations of the Company, the State Government of Orissa vide letter dated 17th April 2010, has asked Company to form a special purpose vehicle (SPV) for Periphery Development works with some stringent conditions before final recommendation is granted for mining lease. The various angles are being examined by the Company.

Action Plan:

The conditions stipulated by the State Government are being analysed by the Company in toto. However, a detailed action plan on the above subject can be made only after reaching a mutually agreed solution with the State Authorities of Orissa.

F. Third Phase expansion Project

The 3rd phase brownfield expansion envisaged earlier, proposed setting up a new pot line at smelter. Further, addition of two more units of capacity 250 MW each at captive power plant was envisaged for which DPR has already been prepared. The scope for addition of a new pot line under 3rd phase expansion is now being reconsidered in view of the fact that the proposal to enhance current amperage to 220 KA has been approved.

MOEF vide circular dated 15th March, 2010 has imposed temporary moratorium up to August, 2010 on new projects to be set up at any of the 43 hot spots of the country, which include Angul-Talcher area also. Based on the above Comprehensive Environment Pollution Index (CEPI), projects at Angul are not being pursued for the time being and kept in abeyance.

Action Plan :

During the next one year much progress is not expected of this project in Angul. Detailed action plan is possible to be drawn after the moratorium is withdrawn. However, plans for 5th stream in refinery are progressing well.

G. Addition Modification and replacement

The shortfall in expenditure has not affected the Company's performance.

Geological Survey of India (GSI):

During the FY 2009-10, Planning Commission allocated Rs. 160.00 crore to GSI under Plan Head. GSI against that allocation could utilize Rs. 86.70 crore till December'09 and at the end of the financial year the expenditure stood at

Rs. 120.92 crore, which works out to be 75.58 % against BE (Rs. 160.00 crore) and 87.62 % against RE (Rs. 138.00 crore).

It may be mentioned that during FY 2009-10, on the advice of Ministry of Mines, an amount to the tune of Rs. 24.34 crore Plan fund was transferred to the Non-Plan Head to accommodate the payment of pay arrears to GSI as well as IBM Employees (vide letter dt 31.12.09) to give effect to recommendation of 6th Pay Commission. Due to paucity of fund under M&E Sub-head, the payment of consultancy charges towards procurement of Research Vessel could not be accommodated in the FY 2009-10 which has been subsequently paid in FY 2010-11 (Payment to Foreign Consultant : Rs.1,28,87,862/- on 12.6.2010 and Rs.1,21,03,927/- on 14.6.2010; Total Rs.2,49,91,789/-).

Shipping Corporation of India(SCI) payment of Rs. 8.50 crore (last quarter) for maintenance of GSI vessels also could not be made due to paucity of fund under Other Charges sub head of Survey & Mapping Head, which has been subsequently made during 2010-11 (Payment to SCI for maintenance of vessels : Rs.1,50,00,000/- on 8.6.2010, Rs.3,92,60,000/- on 8.6.2010 and Rs.5,55,24,000/- on 23.6.2010; total Rs.10,97,84,000/-).

GSI has streamlined its internal procedures for monitoring of timely expenditure of plan funds, including the following steps:-

- DG, GSI chairs monthly meeting with all HoDs of GSI to take stock inter-alia of budget and expenditure
- All HoDs have been directed to hold quarterly RAC meetings to monitor expenditure
- 'Claims Module' software is being operationalised on to GSI Portal to enable online monitoring of expenditure.
- The system of Rolling Contingent Advance (RCA) is being revamped to ensure more spending in Q1, Q2 and Q3 in each year.

The Ministry is monitoring the progress closely through Quarterly Progress Report (QPR) meetings. Expenditure under M&E head is also being monitored in Quarterly Plan Project Review Committee meetings chaired by Special Secretary/Additional Secretary (Mines)."

7. The Committee had desired the Ministry of Mines to take corrective measures to resolve the perennial problems of non-availability of forest clearances, delay in procurement of equipments, delay by the State government in granting leases and other clearances etc. leading to under-utilisation of earmarked funds. The Ministry have stated that shortfall in expenditure has been mainly because of delay in execution of 2nd phase expansion due to failure of some civil and structural contractors and additional time taken in securing environment clearance for Utkal-E Coal

project of NALCO. The Committee feel that the 2nd Phase Expansion of NALCO has taken unduly long time as a result of the companies inability to address the core issues in right perspective. The Committee desire that the Ministry should take appropriate expeditious steps for completion of the scheme otherwise the Vision of Corporate Plan of NALCO of becoming a reputed global company in metal and energy sector would remain a distant dream.

Recommendation (Serial No.4)

8. The Committee have been given to understand that Geological Survey of India has been facing shortage of man-power in scientific and technical streams. Though the recruitment process is stated to have already been initiated by UPSC, it is unlikely that the post of Geologists in particular would be filled up since there is dearth of such scientific potential in the country. The Committee would like the Ministry in resort to campus placement for such posts and tie-up with technical institutions/universities in this regard. The Ministry of Human Resource Development may be requested to increase the number of seats of Geologists in Universities and technical institutions and at the same time the Geologists Stream may be introduced in other universities and technical institutions.

9. The Ministry in their reply have stated as follows:

“Presently GSI is having shortage of manpower almost in every Scientific and Technical (S&T) stream. Even in Geology Stream, which is the main scientific stream of the organization is functioning with only 46.40% filled in strength of the sanctioned strength (2500). GSI to deal with the situation, has submitted a Comprehensive Perspective Plan Proposal for Recruitment of Group “A&B” officers in all the S&T stream within a scheduled time frame. GSI has been directed to recruit geologists to the tune of 300 number per year and to fill up vacant positions in other S&T streams over a period of three years. Accordingly, GSI has initiated the process of induction in 2009 and UPSC has called for bulk recruitment from the financial year 2009-10 itself.

Following steps have been taken to fill up various posts in Geological Survey of India-

- (i) Perspective plan for recruitment in GSI envisages proposed recruitment for the main Geology stream up to the year 2012. While the number of vacancies reported for the Geologist Examination 2005 were 95, now vacancies reported for Geologist Examination 2009 has

- been increased to 300 post of Geologist (Jr.) and this level is likely to continue for the next few years till shortfall is made up.
- (ii) Instructions have been issued to GSI for elimination of delay in issuing offer of appointments to the candidates recommended by the Commission, as far as possible, the offer of appointment could be issued within three months. Induction training capacity has also been increased for fresh recruits.
 - (iii) Recruitment Rules for Geology/Geophysics/Chemistry and Engineering Group 'A' Streams are being amended on the patterns of Organized Group 'A' service which will facilitate better promotion opportunity to eligible officers.
 - (iv) Vacancy Position is being monitored in the monthly meeting by Special Secretary (Mines) and Quarterly review meeting taken by Secretary (Mines)."

10. The Committee had earlier asked the Ministry to wipe out the shortage of manpower in scientific and technical stream by taking the appropriate measures an example of shortage of staff is the fact that Geological Stream which is the main stream of the organization is functioning with 46.40% staff. According to the Ministry, the Geological Survey of India is reported to have submitted a Comprehensive Perspective Plan Proposal for Recruitment of Group A&B officers in all the S&T streams with a scheduled time frame and would like the Ministry to expedite the process of recruitment. The Committee, however, note that the reply of the Ministry is silent on the recommendation about campus placement, tie-up with technical institutions/universities and requesting HRD Ministry to increase the seats of Geologists in universities/institutions. The Committee desire the Ministry to apprise them about the action taken in this regard.

Recommendation (Serial No.9)

11. The Committee have been further informed that Utkal E-Coal Block allotted to NALCO by the Ministry of Coal in August, 2004 is re-scheduled to be commissioned by June, 2012. Similarly, the progress with regard to development of Pottangi Bauxite Mine has been delayed since the award of mining lease has got struck up at State Government level. The above two projects are vital for the progress of on-

going expansion plan for NALCO. The Committee regret to observe the time taken by the company to commission the coal block i.e. about 8 years as against normal period of about 3 to 4 years. The Committee would like the Ministry to accord top priority to these projects and take up the matter with the State Government of Orissa at the highest level lest the on-going expansion plan of the company should be further delayed.

12. The Ministry in their reply have stated as under:

“Utkal-E Coal block:-

The status of project and reason of abnormal delay for project completion are as under:

The Coal block was allotted by Ministry of Coal, Government of India on 27.08.2004. NALCO submitted the mining lease(ML) application to Government of Orissa in October, 2004. Government. of Orissa cleared ML application on 12.06.2006 and forwarded to Ministry of Coal for their prior approval to grant mining lease.

Due to land dispute raised by Tata Sponge Iron Limited (allottee of Utkal-F, located in western boundary of Utkal-E), Ministry of Coal in July, 2006 advised Company to submit a copy of approved mining plan recommended by Government of Orissa, before approval of ML. The revised/modified map along with the revised land schedule was submitted by NALCO to Collector, Angul in December, 2007.

The western side boundary map was frozen in February, 2008. The modified authenticated mining lease map along with land schedule was again submitted to Director of Mines, Government of Orissa in March, 2009. Thus the delay in implementation of Utkal-E coal mines project is primarily due to several unforeseen and unavoidable circumstances which were not in Company's control.

Besides other reasons for delay are given hereunder:

- (i) Procedural delay in getting approval from State Government for acquiring 294.86 Ha. of private land. The approval was given on 13.11.2006 against the submission of documents by the Company on 30.12.2005.
- (ii) Additional 49 Term of Reference (TOR) points which was received from MOEF, Government of India on 13.04.2007. This was a new requirement given by MOEF for getting environmental clearance. Company had to go for many extensive studies which were time consuming.
- (iii) Non finalization of R&R policy and identification of alternate site for land displaced persons.
- (iv) Delay in approval of mining plan, as Ministry of Coal insisted Company to confirm non- coal bearing nature for the area earmarked for external over burden dump-II area as per mining plan for which Company has to engage Director of Geology, Government of Orissa for carrying out drilling operation to confirm the above. Thus, the original mining plan has undergone various changes as per

the recommendations of Technical Standing Committee of Ministry of Coal, which in turn delayed the entire process of implementation.

- (v) The survey work for acquisition of land was frequently interrupted by local people for fulfillment of various demands. Company and District Administration waited for an amicable and peaceful settlement of the issues, instead of resorting to any forceful act.
- (vi) Difference of opinion between District Administration and Orissa Industrial Infrastructure Development Corporation (IDCO) officials regarding the execution of lease deed for non-forest Government land, which in turn delayed the acquisition process.
- (vii) Company's application for the mining lease deed approval is long pending with IDCO. In spite of NALCO's several follow ups, the Company has not yet received the same.
- (viii) The other issues with Government of Orissa, viz. Aluminium Park at Angul and grant for mining lease of Pottangi bauxite deposit in favour of Company have cropped up, which in turn delayed the whole process of Utkal-E coal project implementation.
- (ix) For obtaining various statutory clearances, Company has to incur some additional expenditure in many activities, which were not envisaged earlier i.e. change in coal evacuation route as suggested by MoEF, implementation of wild life conservation plan, implementation of R&R plan as per Orissa State R&R Policy and incur an expenditure of Rs. 1.0 crore per year towards CSR over the life of mines.

Pottangi Bauxite Mine:

The mining lease application was submitted by Company to Government of Orissa in August, 1992. The State Government of Orissa had conveyed its in-principle recommendation for grant of Pottangi Bauxite mines in favour of NALCO on 30.07.2004 with 5 conditions which were suitably clarified by NALCO on 27.02.2006 after several rounds of discussions. Thereafter, the Company has been pursuing with the State Government at its own level for expediting the mining lease. Separately, the Ministry of Mines has also been impressing upon the State Government from time to time for sending a proposal as expeditiously as possible for obtaining prior approval of the Central Government for allotment of Pottangi bauxite deposits in favour of NALCO, as per the following details:

Sl. No	Date	Details
1	27.04.07	Gazette Notification by Government of India Reserving Pottangi deposit in favour of NALCO for 10 years.
2	14.09.07	Letter from Secretary, Ministry of Mines to Chief Secretary, Government of Orissa to expedite forwarding of mining lease application to Government of India for prior approval.
3	10.07.08	Hon'ble Minister Mines, Government of India writes to Chief Minister, Orissa requesting grant of mining lease of Pottangi in favour of NALCO.
4	29.9.08	Secretary(Mines) writes to Chief Secretary, Orissa for

		expediting grant of Pottangi bauxite mines to NALCO.
5	21.11.08	Secretary Mines, Ministry of Mines, Government of India meet Hon'ble CM, Orissa and made a presentation on NALCO's need of Pottangi mines.
6	1.12.08	A DO letter was sent from Secretary (Mines) to Chief Secretary, Government of Orissa requesting for forwarding proposal for obtaining prior approval of Central Government for allotment of Pottangi bauxite deposits in favour of NALCO.
7.	30.6.09	DO letter was sent from Minister(Mines), Government of India to Chief Minister, Government of Orissa for expediting recommendation of State Govt. for grant of mining lease of Pottangi deposit.
8.	17.8.09	A DO letter sent from Additional Secretary (Mines) to Principal Secretary to the Chief Minister, Government of Orissa to sort out all contentious issues related to Pottangi.
9.	27.1.10	Secretary (Mines) meets Chief Secretary and other officers of State Government of Orissa and emphasizes the need for urgent lease of Pottangi deposit to NALCO for its further growth and for sustaining existing production facilities over economic life of the plants.

The State Government vide letter dated 17th April, 2010 has agreed to provide lease over Pottangi deposit subject to several conditions. The conditions are being examined and evaluated by the Company."

13. While observing the slow pace of implementation of Utkal-E Coal Block and Pottangi Bauxite Mine project, the Committee had desired the Ministry to accord top priority to these projects and take up the matter with the State Government of Orissa at the highest level for 2nd phase expansion plan. To utter surprise of the Committee, the Ministry in their action taken reply have merely tried to list out a number of problems responsible for delay of the project without indicating concrete steps needed to solve the problem. Needless to say that such half-headed actions are bound to have time and cost overrun. The Committee, therefore, would like to reiterate that the Ministry and NALCO to prepare emergency action plan to resolve the issues that are halting the completion of the project otherwise the Vision Document prepared by NALCO for becoming international giant in metal and energy sector would suffer irreparably.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS/WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No. 1)

The Committee note that for the year 2010-11, the Planning Commission has approved a total outlay of Rs.1763.17 crore for the Ministry of Mines as against Rs. 2205.74 crore proposed by the Ministry. The decreased outlay is due to curtailment of Gross Budgetary Support(GBS) by the Planning Commission from Rs. 652.57 crore proposed by the Ministry to Rs. 210 crore. It is pertinent to note that during 2009-10 an outlay of Rs. 1647.82 crore was provided to the Ministry at BE stage which was reduced to Rs. 1222.05 crore at RE stage and the actual expenditure up to December, 2009 was only Rs. 624.18 crore. The Committee are constrained to point out that National Aluminium Company Ltd. (NALCO) was able to utilize only Rs. 469 crore (up to December, 2009) against Rs. 1391 crore at BE and Rs. 950 crore at RE stage approved for the year 2009-10. Similarly, Geological Survey of India could utilize only Rs. 86.70 crore (up to December, 2009). It is also a matter of concern that PSUs and attached offices under the Ministry of Mines could not utilize the available funds during any of the last three years. It is surprising as to how the Ministry asked for higher allocation when they have not been able to utilize allotted funds during recent years. The Committee are not satisfied with the reasons advanced by the Ministry for underutilisation of funds i.e. non-availability of forest clearance, delay in procurement of equipments, delay by the State Govt. in granting leases and other clearances etc. as no serious effort has been made to address these issues. The Committee would like the Ministry to take corrective measures to resolve these perennial problems, if any, leading to under-utilisation of earmarked funds so that various schemes/programmes are completed timely.

Action Taken

A statement showing the actual expenditure incurred during 2007-08, 2008-09 and 2009-10 is given at **Annexure-I**. It may be seen that the actual expenditure during 2009-10 is about 77.20% over RE 2009-10. The Ministry has taken note of suggestion of the Hon'ble Committee and is taking appropriate steps implementing corrective measures to utilize the allocated funds as estimated. The progress of expenditure as well as the related issues are monitored in the fortnightly meeting and quarterly performance review meeting in the Ministry wherein the heads of all PSUs/Organisations are persuaded to push up the work as well as the expenditure.

National Aluminium Company Ltd.(NALCO)

In case of NALCO, against approved plan outlay of Rs.1391 crore at Budget Estimate(BE) and Rs.951 crore at Revised Estimate(RE) stage for 2009-10, the Company has actually spent Rs. 693 crore and the utilization works out to be 73% of RE.

The reasons of short fall in expenditure is mainly being delay in execution of 2nd phase expansion due to failure of some civil and structural contractors and additional time taken in securing environment clearance for Utkal-E coal project, which has since been received in December, 2009.

The position of utilisation of plan outlay during last 3 years is as under:-

(Rs. in crore)

S	Year	Plan	RE	Actual Exp	% of RE
1	2007-08	1158	1358	1368	101%
2	2008-09	1888	1701	1391	82%
3	2009-10	1391	951	693	73%
Total		4437	4010	3452	86%

The Company will make all possible effort and follow-up actions to achieve the target set in Mid term appraisal of the 11th five year plan.

Corporate Plan

The Vision and Corporate Plan of NALCO envisages NALCO to be a reputed global company in the metal and energy sector with the following major goals;

- To achieve annual turnover of Rs. 25,000 crores by 2020.
- To achieve annual production of 1.7 million tonnes aluminium and 4 million tonnes alumina by 2020.
- Transform from being only an "aluminium producer" to become a metal producer and energy provider.
- To venture into new fields of activity beyond aluminium by setting up at least 2 diversified projects by 2016.
- To target at least one 1000 MW independent power project (IPP) by 2016.

Growth Plans

The Company is to be reorganized to; NALCO Power, NALCO Metals, NALCO International.

Proposed green filed expansions include:

- A 5 million tonnes smelter with 1250 MW power plant in Indonesia in two phases at a total investment of Rs. 16,500 crores.
- A 5 million tonnes smelter with 1260 MW power plant in Western Orissa in two phases at a total investment of Rs. 16,345 crores.
- A 1.4 million tonnes alumina refinery with 4.2 million tonnes mines in Andhra Pradesh at an estimated investment of Rs. 5600 crores.
- A 1000 MW capacity IPP at a total investment of Rs. 5000 crores.

Financial Highlights:

- Total planned investment by 2020 including ongoing and brownfield expansions is Rs. 57,903 crores.
- Net Profit after Tax is estimated to reach Rs. 5441 crores by 2020 against a turnover of Rs. 25,380 crores.

As regards diversification, NALCO is exploring business prospects in metals like Copper, Uranium, etc. as well as in energy sector apart from aluminium. Following prospects are under consideration:-

- Discussions are going on with Uranium Corporation of India Ltd. to explore Uranium prospects outside India.

- The Company has signed MoU with NPCIL for production of nuclear power in JV, which will diversify its business activities from present coal based power generation.

The present status and future action plan for major projects are given hereunder:-

A. Utkal-E Coal block:

A list of recent developments, which will facilitate the project commissioning, are given herewith:-

- For the year 2009-10, against the allocated fund of Rs. 54 crore for Utkal-E coal mine, project utilization is Rs. 56.23 crores which is 104% of budget fund.
- Environmental clearance was granted on 10.12.2009 by Ministry of Environment & Forest (MoEF), Government of India.
- Mining lease (ML) application recommendation by State Government has been forwarded to Ministry of Coal, Government of India on 27.01.2010.
- The forest de-reservation proposal (FDP) is at RCCF's office since 14.11.2009. There is delay in issue of certificate from District Collector as per requirement of Tribe & Forest Dwellers Act, 2006.
- Section 6(1) of Land Acquisition Act declaration for all 5 affected villages for release of private land was completed on 08.02.2010.
- Section 7 declaration was issued by Government of Orissa on 17.05.2010.

Accordingly, the following action plan has been finalized:-

Land schedule

Activity	Schedule
Forest Clearance	30.11.2010
Land Acquisition	31.12.2010
Mining Lease	31.12.2010
Nalla Diversion	31.12.2011
Overburden Removal	30.03.2012
Commencement of Production of Coal	30.06.2012

B. 2nd Phase Expansion

The review of various projects is being conducted regularly on monthly basis at site level and at corporate level, review meetings are also conducted on weekly basis. Engineers India Ltd. as EPCM consultant has also monitored the expansion project and they conduct review regularly and submit report to the company suggesting various remedial measures.

For improvement in implementation of 2nd phase expansion of mines and refinery, following corrective measures are being taken up:

- A portion of civil and structural works awarded to civil construction firm was off loaded through open tender to another firm in April, 2009.
- Regular project review meetings are being held with consultants and defaulting contractors at project site.
- Financial support has been provided to Tankage contractor as it has been seen that the company needs support for working capital.

- Financial support has been provided for electricals, instrumentation agencies, etc. to whom the working fronts could not be released in time.
- Mechanical/piping erection work was off loaded to another firm on nomination basis.

From the above, it is apparent that the lower expenditure is due to delay in completion of project from targeted schedule and subsequent withholding of payment of various agencies. Steps are being taken to assess the utilization against budget, in a more realistic manner as per contractual completion. The projects are being closely monitored for achieving revised completion schedule.

C. Up-gradation of Refinery

The up gradation project of alumina refinery at an outlay of Rs.409 crore was approved by NALCO Board in 222nd meeting held in December, 2007, for completion of the project in 33 months. As of date, there is some delay from the schedule, pending the commissioning of the 2nd phase expansion.

Action Plan:

The environmental clearance from Ministry of Environment & Forest (MOEF) has been received on 11th May, 2010 and on 13th May, 2010 consent has been received from Orissa State Pollution Control Board said up-gradation project. In view of the above, it is expected that progress will now be faster, to be completed by May 2011.

D. Greenfield Project

13.Indonesia Project

Present status

The Company proposed to set up a 5 lakh tonnes per annum (LTPA) smelter with 1250 MW power plant in Indonesia in two phases at a total investment of Rs. 16,500 crores. Company signed MoU with Govt. of South Sumatra in January, 2008 to establish the smelter and power plant. However, in view of the delay in development of port at Tanjung Api-api and railway line in South Sumatra, alternative location in East Kalimantan was explored for setting up smelter and power plant. Feasibility report has been prepared for the alternate location at East Kalimantan. Approval has been obtained from Indonesian Investment Coordinating Board (BKPM) for the alternate location and revised financials. Due diligence on the proposed Joint Venture(JV) partner and its affiliate Company has been done. A project office has been opened and an officer has been posted in Jakarta to take up the pre-project activities.

Action plan

Detailed project report (DPR) will be prepared in 2010-11, thereafter; action will be initiated for formation of JV Company and investment approval. Company is envisaging to spend substantial amounts in the last two years of the 11th Five Year Plan period towards preparation of DPR and land acquisition and site development (equity portion only).

14.Andhra Refinery:

Present status

Company proposed to set up 14 LTPA alumina refinery with 42 LTPA bauxite mines in Andhra Pradesh based on the bauxite reserves of Gudem and KR Konda bauxite deposits. Pre-feasibility report for the project has been prepared. Ministry of Mines,

Government of India has approved the proposal for grant of Mining Lease (ML) for Gudem and KR Konda blocks. Mining plan for Gudem-I, IV, V and KR Konda-I & II blocks are under preparation. Forest clearance has been obtained from Government of Andhra Pradesh for survey work in connection with the preparation of mining plan. MECL has been engaged to take up detailed exploration of KR Konda block-I.

Action plan

The exploration work is likely to start after obtaining forest clearance from MoEF. Company is planning to spend about Rs. 7 crore towards preparation of mining plan, EIA, detailed exploration, preparation of DPR and land demarcation activity during the remaining plan period. The progress of work at ground level is adversely affected by extremists' activities in the project area.

15. Nuclear Power Plant:

Present status

The Company has signed MOU with Nuclear Power Corporation of India (NPCIL) to develop nuclear power plant in joint venture (JV). The project location has been identified jointly for the purpose. JV agreement is likely to be signed soon.

Action plan

Since the pre-project activities for the identified project are already over, construction work is likely to start in 2nd half of 2010-11, Company envisages that substantial amounts (about Rs. 300 crore) will be spent towards equity contribution to the JV during the remaining two years of the plan period.

16. Wind Power Plant:

Present status

Company plans to set up 50 MW wind power plant in a suitable location having wind energy potential. Feasibility study has been completed. Global tender has been floated in May, 2010. Wind farm developer is likely to be selected in Jan, 2011.

Action plan

Around Rs. 250 crore is likely to be spent towards wind power project development by way of project installation and commissioning during the remaining plan period.

17. New Smelter Project

Present status

The Company planned to establish a 5 LTPA smelter with 1260 MW power plant in Jharsuguda in two phases at a total investment of Rs. 16,345 crores. State Government approved NALCO's proposal subject to certain conditions pertaining to environmental consideration, land and water availability. State Government linked sanction of the project location to the environment carrying capacity study of the region being conducted by State Pollution Control Board (SPCB), Orissa. However, the consultant carrying out the study has not recommended the Company's project on the grounds of environment sustainability.

Action plan

In view of this, Company has been exploring alternate locations for the project. Company is envisaging to spend about Rs. 13 crore towards preparation of DFR during the remaining two years of the plan period.

18. Iran Project

Present status

Company has plans to establish a 3.1 LTPA smelter with 750 MW power plant in Iran in two phases at a total investment of Rs. 9000 crores. Techno-economic feasibility report (TEFR) has been prepared. Legal and financial due diligence on the JV partner has been done. Response to the expressions of interest inviting proposals from prospective lenders to assess the possibilities of securing funds for the project was not encouraging in view of the present geo-political situation in Iran.

Action plan

Further activities would be taken up after ensuring basic level of certainty in securing funds for the project. Assuming some positive development on the geo-political front, Company envisages to spend token amount only in the remaining two years of the plan period towards preparation of DPR.

9. Aluminium Park

Present status

Company has signed MoU with IDCO for development of an Aluminium Park at Angul. Site has been selected for the project. Memorandum and Articles of Associations are under preparation.

Action plan

JV Company is likely to be registered soon. Rs. 15 crore is expected to be spent towards equity contribution during the next two years.

10. Fly Ash based Cement Grinding Unit

Present status

Company plans to facilitate establishment of a cement grinding unit in Captive Power Plant(CPP) for utilization of fly ash. The proposed plant would be in JV with a established cement manufacturer. Selection of JV partner through competitive bidding is underway.

Action plan

JV Company is likely to be formed soon. Rs. 25 crore is expected to be spent towards equity contribution during the next two years.

E. Pottangi Bauxite Mine

Present Status

The mining lease application was submitted by Company to Government of Orissa in August, 1992. Governments of Orissa vide letter dated 31.07.2004, accorded its in principle approval for mineral concession over the Pottangi deposit subject to few conditions.

Pending resolution of the issues related to spending 5% of profit before tax for peripheral development works out of total operations of the Company, the State

Government of Orissa vide letter dated 17th April 2010, has asked Company to form a special purpose vehicle (SPV) for Periphery Development works with some stringent conditions before final recommendation is granted for mining lease. The various angles are being examined by the Company.

Action Plan:

The conditions stipulated by the State Government are being analysed by the Company in toto. However, a detailed action plan on the above subject can be made only after reaching a mutually agreed solution with the State Authorities of Orissa.

F. Third Phase expansion Project

The 3rd phase brownfield expansion envisaged earlier, proposed setting up a new pot line at smelter. Further, addition of two more units of capacity 250 MW each at captive power plant was envisaged for which DPR has already been prepared. The scope for addition of a new pot line under 3rd phase expansion is now being reconsidered in view of the fact that the proposal to enhance current amperage to 220 KA has been approved.

MOEF vide circular dated 15th March, 2010 has imposed temporary moratorium up to August, 2010 on new projects to be set up at any of the 43 hot spots of the country, which include Angul-Talcher area also. Based on the above Comprehensive Environment Pollution Index (CEPI), projects at Angul are not being pursued for the time being and kept in abeyance.

Action Plan :

During the next one year much progress is not expected of this project in Angul. Detailed action plan is possible to be drawn after the moratorium is withdrawn. However, plans for 5th stream in refinery are progressing well.

G. Addition Modification and replacement

The shortfall in expenditure has not affected the Company's performance.

Geological Survey of India (GSI):

During the FY 2009-10, Planning Commission allocated Rs. 160.00 crore to GSI under Plan Head. GSI against that allocation could utilize Rs. 86.70 crore till December'09 and at the end of the financial year the expenditure stood at Rs. 120.92 crore, which works out to be 75.58 % against BE (Rs. 160.00 crore) and 87.62 % against RE (Rs. 138.00 crore).

It may be mentioned that during FY 2009-10, on the advice of Ministry of Mines, an amount to the tune of Rs. 24.34 crore Plan fund was transferred to the Non-Plan Head to accommodate the payment of pay arrears to GSI as well as IBM Employees (vide letter dt 31.12.09) to give effect to recommendation of 6th Pay Commission.

Due to paucity of fund under M&E Sub-head, the payment of consultancy charges towards procurement of Research Vessel could not be accommodated in the FY 2009-10 which has been subsequently paid in FY 2010-11 (Payment to Foreign Consultant : Rs.1,28,87,862/- on 12.6.2010 and Rs.1,21,03,927/- on 14.6.2010; Total Rs.2,49,91,789/-).

Shipping Corporation of India(SCI) payment of Rs. 8.50 crore (last quarter) for maintenance of GSI vessels also could not be made due to paucity of fund under Other Charges sub head of Survey & Mapping Head, which has been subsequently made during 2010-11 (Payment to SCI for maintenance of vessels :

Rs.1,50,00,000/- on 8.6.2010, Rs.3,92,60,000/- on 8.6.2010 and Rs.5,55,24,000/- on 23.6.2010; total Rs.10,97,84,000/-).

GSI has streamlined its internal procedures for monitoring of timely expenditure of plan funds, including the following steps:-

- DG, GSI chairs monthly meeting with all HoDs of GSI to take stock inter-alia of budget and expenditure
- All HoDs have been directed to hold quarterly RAC meetings to monitor expenditure
- 'Claims Module' software is being operationalised on to GSI Portal to enable online monitoring of expenditure.
- The system of Rolling Contingent Advance (RCA) is being revamped to ensure more spending in Q1, Q2 and Q3 in each year.

The Ministry is monitoring the progress closely through Quarterly Progress Report (QPR) meetings. Expenditure under M&E head is also being monitored in Quarterly Plan Project Review Committee meetings chaired by Special Secretary/Additional Secretary (Mines).

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Comments of the Committee

(Please see para 7 of Chapter I of the Report)

Recommendation (Serial No. 2)

The Committee note that out of total outlay of Rs. 8404 crore approved for the XIth Five Year Plan for Ministry of Mines, the actual expenditure during 2007-08, 2008-09 and 2009-10 (up to December, 2009) was Rs. 1557.95 crore, Rs. 1626.84 crore and Rs. 624.18 crore respectively. Thus, during first three years of the Plan, the Ministry could utilize only 45% of the allotted funds. The Committee have serious apprehensions whether the 55% of the XIth Plan outlay could be utilized by the Ministry and PSUs under its administrative control during the remaining two years of the plan. The Committee would like the Ministry to analyse the reasons for under-utilisation of funds with a view to take remedial measures for optimum utilisation of allotted funds which would give impetus to the timely implementation of projects/schemes.

Action Taken

The Ministry out of total outlay of Rs.8404.00 crore approved for the XIth Five Year Plan the actual expenditure during 2007-08, 2008-09 and 2009-10 have been Rs.1557.95 crore, Rs.1626.84 crore and Rs.943.41 crore respectively aggregating to Rs.4128.20 crore for three years. Thus the utilization of XIth Five Year Plan Outlay is tune of 49.12%. This Ministry is making well concerted efforts to utilize the maximum possible percentage of the outlay in the remaining two years. However, the reasons for underutilization PSUs/organizations wise of the Ministry and measures taken for utilization of funds during the remaining two years of the plan period is given below:

National Aluminium Company Ltd.(NALCO):

The utilization of plan fund in first 3 years against original approved plan outlay to NALCO (Rs. 6927.08 crores) and revised outlay in Mid term appraisal (Rs. 5931 crore) of the of the 11th five year plan is about 50% and 58% respectively. The

lapses were mainly for reasons beyond the control of the Company such as Naxal attack, delay in grant of license and approvals, etc.

The Company is hopeful to achieve the revised target set in Mid term appraisal. NALCO prepared a detailed action plan for major projects for early completion of project and adherence of the approved plan outlay. The project wise detailed action may please be seen against the Action Taken given to the Recommendation No. 1 above.

Hindustan Copper Ltd.(HCL):

HCL had a Replacement & Renewal (R&R) budget of Rs. 78 crore during 2007-08. Though the entire amount was committed during 2007-08, actual expenditure was Rs 37.22 crore due to long delivery of equipment etc. The actual expenditure during 2008-09 was Rs. 59.91 crore. R&R budget for the year 2009-10 was Rs 40 crore in the BE stage. During presentation of RE 2009-10 (Plan and Non- Plan) and BE 2010-11 (Non-Plan) , R&R budget for RE 2009-10 was increased to Rs 80.78 crore to take care of the amount unspent during 2007-08. This amount was fully spent.

HCL has spent plan fund of Rs. 177.58 crore out of Rs. 178 crore (an achievement of 99.80%) earmarked for replacement & renewals (R&R) activities for the first three years of the XI Plan. For the year 2010-11, HCL has set up higher target on R&R spending at Rs. 150.35 crore to take care of additional mine development and renewal of old equipment. Proper mechanism has been put in place to ensure full utilization of the entire amount during 2010-11.

Mineral Exploration Corporation Ltd.(MECL):

Target set by Ministry of Mines during the XIth Five Year Plan were Rs. 50.00 crores for promotional activities and Rs. 44.00 crores (Internal and Extra Budgetary Resources (IEBR)) for capital expenditure of MECL. During the 1st three years of XI th Five Year Plan , the company has utilized Rs. 25.65 crores for promotional activities and Rs. 19.31 crores towards capital expenditure which are about 51% in case of promotional budget and 44% towards capital expenditure. The year wise break-up is as given below:

Particulars for the Year 2007-08, 2008-09 & 2009-10	Capital		Promotional
	BS	IEBR	
2007-08 Outlay			
BE	-	8.00	11.00
RE	-	8.00	11.00
Actual	-	4.15	11.00
2008-09 Outlay			
BE	-	8.00	12.00
RE	-	8.00	9.00
Actual	-	5.16	9.00
2009-10 Outlay			
BE	-	10.00	10.00
RE	-	10.00	10.00*
Actual (Provisional)	-	10.00	5.65
Total Utilisation		19.31	25.65

* Re-appropriated as Rs.5.65 Crores
From the above it may be seen that during the year 2007-08, 2008-09 and 2009-10, MECL has utilized the outlay fully for promotional exploration. The outlay for capital expenditure (IEBR) for the year 2007-08 and 2008-09 was not utilized fully due to non-availability of specialized plant and equipments needed for exploration, off the shelf. However, during the year 2009-10 the outlay of Rs.10.00 crores was fully utilized. During the year 2010-11, the outlay for promotional exploration programme and capital expenditure (IEBR) has been Rs.7.00 crores and Rs.8.00 crores, respectively. It is expected that MECL will utilize both the outlay fully.

Geological Survey of India(GSI) :

The reply of GSI indicated in Recommendation Paragraph No. 3.

Indian Bureau of Mines (IBM):

Indian Bureau of Mines (IBM) was allotted only Rs.90.00 crore [Rs.85.00 crore for Plan Scheme + Rs.5.00 crore for construction (MOUD budget)] for the XI Five Year Plan. As against, the actual expenditure during the first three years i.e. 2007-08 to 2009-10 is Rs. 62.94 crores (Rs.16.14 crore in 2007-08 + Rs.20.80 crore in 2008-09 + Rs.26.00 crore in 2009-10) Thus, during first three years of the plan, IBM has already utilized 74% of the allotted funds for Plan Schemes.

Science & Technology Programme:

Financial Year 2007-08: The Plan Funds released for S&T Schemes during the financial year 2007-08 were to the tune of Rs.1.83 crore against the provision of Rs.3 crore. The reason for less utilization of funds was mainly due to the non release of Rs.52 lakhs to National Institute of Rock Mechanics (NIRM) an autonomous institution under the Ministry as they were having huge development fund at their disposal and non-release of Rs.25 lakhs to IISc, Bangalore as the project was completed and no further funds were required. Further some scientific organizations did not apply for release of funds due to one reason or the other.

Financial year 2008-09: The funds released during the financial year 2008-09 were equal to the approved provision of the plan funds i.e. Rs.3 crore.

Financial Year 2009-10: The Plan Funds for S&T Schemes during the financial year 2009-10 were to the tune of Rs.1.63 crore against the provision of Rs.3 crore. The reason for less utilization of funds during the financial year 2009-10 were as follows

- (1) The proposal to release funds amounting to Rs.23 lakhs for the Project 'Management of Bauxite Residue (Red Mud) could not mature during the year pending clarification on ownership of project intellectual property.
- (2) An amount of Rs.34.75 lakhs for the three different Projects was held up as these came under 15% ceiling in the last month of the Financial year i.e. March, 2010.
- (3) 4 Scientific Organisation did not submit the Utilization Certificate for their previous grant and did not apply for release of installments during the year.

For 2010-11 monitoring mechanism have been strengthened. The S&T scheme is also being revised in consultation with Planning Commission to fine tune it to sectoral requirements, particularly those arising from the National Mineral Policy 2008.

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Recommendation (Serial No. 3)

The Committee have been given to understand that the likely utilization of funds by the GSI during the first three years of the plan is reported to be Rs. 420.74 crore and the balance outlay of Rs. 599.26 crore would be available for the last two years of the plan. The Ministry have further informed the Committee that GSI is in urgent need of some specific sophisticated equipments like new ocean going research vessel, new Geo-technical vessel with shallow drilling capacity, new fixed Wing Aircraft for AMSE Wing, GSI and procurement of Laboratory and IT equipment. The reviewed evaluation of plan has been pegged at Rs. 1430.86 crore which exceeds the approved outlay by Rs. 410.86 crore for which the Ministry is stated to have approached the Planning Commission. The Committee in their earlier reports have been recommending GSI to expedite its modernisation programme so as to make it a premier scientific organization at par with such organizations in the world. Keeping in view the pace of its modernisation programme so far, the Ministry need to step up their efforts for appropriate and timely procurement of new equipments. The Committee would like the Ministry of Mines to extend all possible help to GSI in this regard and if necessary, by providing the requisite additional funds.

Action Taken

The Planning Commission has approved a Plan outlay of Rs. 1020.00 crore for GSI for taking up the XI Plan activities against the proposed outlay of Rs. 1442.00 crore.

During the first three years (FYs 2007-08, 2008-09 & 2009-10) of the XI Plan, GSI has so far utilized the total Plan fund, Rs.371.95 crore against the Plan allocations of Rs.443.00 crore at BE and Rs. 442.65 crore at RE stages, which works out to be 83.96% and 84.03% respectively of the achievement as indicated in **Annexure II**. Thus, GSI during the first three years could utilise only 36.47% against the total XI Plan Outlay, Rs.1020 crore and the balance Rs. 648.05 crore i.e. 63.53% of the Plan fund is still available for utilization for the last two years (FY 2010-11 & FY 2011-12) of the XI Plan.

The reasons for shortfall Scheme-wise and Year-wise are as follows -

		2007-08	2008-09	2009-10
	Schemes			
	General reasons	There was an acute shortage of Domestic Travel Expenditure (DTE) fund in the first half of the F.Y. 2007-08, for which shortfall resulted in some of the field-based targets including drilling.	State and national level general elections during the prime time of the field seasons has put an impact in achieving the envisaged targets in field activities.	Nil
1	Survey & Mapping	Airborne Survey : Multisensor Survey had to start late due to non-	During the first two years of XI Plan, R.V. Samudra Manthan (Research vessel) was mainly engaged in	No shortfalls occur in SGM, STM, GCM, GPM. Shortfall has

		<p>availability of spare parts till the first week of January 2008</p> <p>Marine Survey:</p> <p>(a) The research vessel R.V. Samudra Manthan had been sent to Colombo for dry-docking, major repair, installation of multi-beam echo-sounder system during the later part of year.</p> <p>(b) Shallow Seismic Recorder went out of order during the cruise SD 216 – resulted in shortfall.</p> <p>(c) Side Scan Sonar studies were also hampered due to malfunctioning of instrument in some of the TW cruises.</p>	<p>parametric studies within and beyond EEZ. Apart from this the research vessel was also sent to Colombo for dry docking, major repairing and installation of Reson deep water multi-beam system.</p>	<p>taken place in Multi-sensor Aerial Surveys due to late availability of aircraft (aircraft was available in the month of February'10 onwards).</p>
2	Mineral Exp.	<p>Drilling: Shortfall due to law and order problem in the states of Jharkhand, Orissa, Karnataka and forest clearance problems in Jharkhand, Chattishgarh and Karnataka.</p>	<p>Initially specific drilling unit was not available and later on law and order problem cropped out.</p>	<p>Drilling & LSM: Shortfall in drilling due to repairing of essential drilling components and shortage of drilling personnel. As a result shortfall occurred in Rajasthan (Sirohi and Danwa districts – gold and base metal investigations), Himachal Pradesh (Solan & Sirmaur districts – base metal investigations) , Gujarat (Limestone investigations)</p>
3	R&D&	Antarctica	Nil	Nil

	Other Expl.	expedition launched in November '07. Mapping could not be taken up due to logistics and inclement weather. However, other research projects were continued in Antarctica.		
4	Modernisation & Replacement	Modernisation of GSI in terms of acquisition of equipments is one of the major thrust areas of XI Plan, where GSI faced major bottleneck in terms of its acquisition and eventually the impact has on the fund utilisation. Processing of procurement of modernisation items is a crucial part as most of the items are not "Off the shelf items", manufactured mostly by the foreign companies and lead time for such items is 18 to 24 months. In case purchase order is placed in a particular year, a letter of credit has to be opened in a designated Bank (UCO Bank in case of GSI), and funds equal to the letter of credit get blocked in that year and in subsequent years till delivery is effected and letter of credit is invoked by suppliers. This creates avoidable blockage of funds in cases of high value items procured from foreign suppliers.		

In the past GSI was formulating its procurement plans annually. On the advice of the Ministry of Mines, GSI is now formulating Three Years Rolling Plans and the progress is monitored in PPRC meeting held quarterly and chaired by Spl. Secretary (Mines). As a result the Plan Expenditure is monitored regularly and is likely to be stepped up. The details of the Three Years Rolling Plan are given in **Annexure III**.

Presently GSI is having acute shortage of manpower almost in every Scientific and Technical (S&T) stream, particularly so in Group 'A & B' officers cadre and the vacancies in certain cases are in the order of 39.5% to 61.30% which is adversely impacting the activities of GSI. Even Geology Stream, which is the main scientific stream of the organisation has only 46.40% filled in strength against the sanctioned strength of 2500. GSI has submitted a Comprehensive

Proposal for Recruitment of Group "A & B" officers in all the S&T streams within a scheduled time frame. In this proposal it was also specified for recruitment of officers in bulk wherever the vacancies are large, so that the optimum strength is achieved within desirable period. The Government has already accepted the proposal and also directed GSI for recruitment to the tune of 300 geologists per year and filling up of vacant positions in other S&T streams over a period of three years. Accordingly, GSI has initiated the process of induction in 2009 and UPSC has called for bulk recruitment during the current financial year 2009-10. About 175 Geologists have already joined the department and another batch of about 275 Geoscientists are likely to join in October'2010.

The Planning Commission and Ministry of Mines have expressed their readiness to provide required fund for GSI's pursuits specially for the modernisation activity to raise the standard of GSI to International level and have accordingly directed GSI to prepare rolling plan for the remaining two years FY 2010-11 & FY 2011-12. Ministry

of Mines is also closely coordinating with GSI in all respects, so that the work programme of GSI does not suffer. Keeping in view the needs of its modernisation programme based on the recommendation of the High Power Committee and a Modernization Committee, GSI has already stepped up efforts for procurement of new equipments and the Ministry is closely monitoring the progress through the quarterly Plan Project Review Committee (PPRC) process.

Rolling (Procurement) Plans for Remaining Two Years of XI Plan for acquiring the High Cost and Low Cost Modernisation Equipment

- (i) During the FY 2010-11, the Planning Commission has approved Rs.162 crore as Plan Outlay for GSI against the proposed Rs. 511.30 crore. Moreover, out of Rs.162 crore, only Rs.34.00 crore (excluding NER) has been allocated under Machinery and Equipment (M&E) Head against the proposed Rs. 333.00 crore towards Modernisation Programme of GSI (The Break up of Rs.333.00 crore is shown in the foot note below the table). Last year also Rs. 34.00 crore was made available to GSI against which the actual expenditure was about Rs. 31.70 crore. The break up of proposed and approved outlay for FY 2010-11 is given below:

PROPOSED & APPROVED PLAN BUDGET FOR GSI DURING FY 2010-11

(Rs. in crore)

SCHEMES	Outlay [as proposed]	Approved Outlays		
		GSI (excluding NER)	GSI(NER)	Total
SURVEY & MAPPING	75.83	61.59	5.02	66.61
MINERAL EXPLORATION	28.13	20.32	1.67	21.99
SPL. INVESTIGATION	5.98	2.82	3.56	6.38
R & D AND ANTARCTICA	12.17	6.08	0.72	6.80
INF. DISSEMINATION	37.96	12.88	1.83	14.71
HRD	6.77	3.31	0.00	3.31
MODERNISATION & REPL.	344.50*	38.80**	3.40	42.20
TOTAL	511.34	145.80	16.20	162.00

* Break up of Proposed outlay under Modernization and Replacement Scheme: [(1) Construction for Blue Water Vessel – 237 crore; (2) Construction for Geotechnical Vessel- Rs. 33 crore; (3) Installation charges for geophysical sensors of Heliborne Survey System – Rs. 10 crore; (4) Laboratory, Field and Drilling equipment – Rs. 50 crore (5) Hardware for Geomorphological Mapping Rs. 3 crore = Rs. 333 crore] ; (6) Other heads under Mod & Rep Scheme : Motor Vehicle, Minor Works, Supply & Material, Clothing Tentages, NER Capital – Rs. 11.50 crore = Total Rs. 344.50 [i.e. Modernization items under M& E head Rs. 333 crore + Other heads under Mod & Rep Scheme - Rs. 11.50 crore]

** Break up of Approved outlay under Modernization and Replacement Scheme: Rs. 34 crore under M&E head + Other heads under Mod & Rep Scheme : Motor Vehicle, Minor Works, Supply & Material, Clothing Tentages – Rs. 4.80 crore]

- (ii) The sanctioned amount (Rs.34.00 crore) under M&E head is not sufficient to meet the requirement as per the committed expenditure projected below for

the current financial year (FY 2010-11). The M&E head fund is exclusively being utilised for procurement of modernization items. However, this Rs. 34 crore will be consumed to take up the following expenditure during FY 2010-11.

- (a) Rs. 16.00 crore (90%) for Heliborne Geophysical Sensors to be paid in June'10;
 - (b) Rs. 1.60 crore (10%) for Heliborne Geophysical Sensors to be paid in Dec'10
 - (c) Rs. 7.00 crore – For onboard fitting of Heliborne Geophysical Sensors to be paid in September/ October,10 and
 - (d) Remaining ~ Rs.10.00 crore will be utilized for payment of consultancy charge for procurement of vessels.
- (iii) Deep Sea Research Vessel: First installment payment of Rs.45 crore (i.e. 10% of total cost of vessel Rs.448 crore) to shipyard for construction of Research Vessel would be made from the existing budget by transferring / surrendering an equal amount of Plan fund from Revenue to Capital with the approval of the Parliament. The re-appropriated fund will be taken care at RE stage, as per the Ministry directives.
- (iv) There are several low cost laboratory and drilling equipments as well as high cost equipments in various advanced stages of procurement. In case of shortage of fund under M&E head, there will be a substantial impact to meet the projected target set for XI Five Plan. Hence, apart from the existing budget of Rs. 34.00 crore under M&E head, additional fund under M&E head will be required at RE Stage during FY 2010-11.

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Recommendation (Serial No. 4)

The Committee have been given to understand that Geological Survey of India has been facing shortage of man-power in scientific and technical streams. Though the recruitment process is stated to have already been initiated by UPSC, it is unlikely that the post of Geologists in particular would be filled up since there is dearth of such scientific potential in the country. The Committee would like the Ministry in resort to campus placement for such posts and tie-up with technical institutions/universities in this regard. The Ministry of Human Resource Development may be requested to increase the number of seats of Geologists in Universities and technical institutions and at the same time the Geologists Stream may be introduced in other universities and technical institutions.

Action Taken

Presently GSI is having shortage of manpower almost in every Scientific and Technical (S&T) stream. Even in Geology Stream, which is the main scientific stream of the organization is functioning with only 46.40% filled in strength of the sanctioned strength (2500). GSI to deal with the situation, has submitted a Comprehensive Perspective Plan Proposal for Recruitment of Group "A&B" officers in all the S&T stream within a scheduled time frame. GSI has been directed to recruit geologists to the tune of 300 number per year and to fill up vacant positions in other

S&T streams over a period of three years. Accordingly, GSI has initiated the process of induction in 2009 and UPSC has called for bulk recruitment from the financial year 2009-10 itself.

Following steps have been taken to fill up various posts in Geological Survey of India-

- (i) Perspective plan for recruitment in GSI envisages proposed recruitment for the main Geology stream up to the year 2012. While the number of vacancies reported for the Geologist Examination 2005 were 95, now vacancies reported for Geologist Examination 2009 has been increased to 300 post of Geologist (Jr.) and this level is likely to continue for the next few years till shortfall is made up.
- (ii) Instructions have been issued to GSI for elimination of delay in issuing offer of appointments to the candidates recommended by the Commission, as far as possible, the offer of appointment could be issued within three months. Induction training capacity has also been increased for fresh recruits.
- (iv) Recruitment Rules for Geology/Geophysics/Chemistry and Engineering Group 'A' Streams are being amended on the patterns of Organized Group 'A' service which will facilitate better promotion opportunity to eligible officers.
- (iv) Vacancy Position is being monitored in the monthly meeting by Special Secretary (Mines) and Quarterly review meeting taken by Secretary (Mines).

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Comments of the Committee

(Please see para 10 of Chapter I of the Report)

Recommendation (Serial No. 5)

The Committee note that against the approved outlay of Rs. 90 crore for the XIth Plan for Indian Bureau of Mines (IBM) the likely expenditure during the first three years of the plan is reported to be Rs. 57.50 crore which leaves a balance of Rs. 32.50 crore to be available for the remaining two years of the XIth plan which according to the Ministry will be insufficient. The Committee desire that the Ministry of Mines make a Mid Term Appraisal of the funds required by IBM and if their ongoing schemes are essential, the Planning Commission/Ministry of Mines should be approached with sufficient justifications.

Action Taken

During the first three years of the plan IBM has already utilized Rs.62.94 crores which is 74% of the allotted funds for Plan Schemes. During the Mid-Term appraisal of XI Plan held in the year 2009-10, IBM had proposed requirement of funds of Rs.154.47 crore [Rs.149.47 crore for Plan Scheme + Rs.5.00 crores for construction (MOUD budget)]for the XI Plan, which includes requirement of Rs.128.44 crores for ongoing Schemes and of Rs. 21.03 crore for the new scheme No. 6 i.e. "Computerized Online Register Mining Tenement System".

The allotment for the current financial year 2010-11 is Rs. 28.01 crores [Rs.28.00 crore for Plan Scheme.+ Rs.0.01 crore for construction (Ministry of Urban

Development budget)]. The anticipated outlay for 2011-12 is Rs.58.53 crores for Plan Schemes excluding MOUD Budget.
Thus anticipated XI Plan Expenditure excluding MOUD Budget in respect of IBM is Rs.149.47 crores as per details given in **Annexure-IV**.

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Recommendation (Serial No. 6)

According to the Ministry, the XIth Plan outlay of NALCO was approved at Rs. 6927.08 crore which was to be met through Internal and Extra Budgetary Resources (I&EBR). The outlay was mainly for second phase expansion at a cost of Rs. 4345 crore, Greenfield projects at a cost of Rs. 1010 crore and the remaining outlay was meant for replacement and renewal and other continuing scheme of the Company. The Committee have been informed that the plan outlay of NALCO has been revised to Rs. 5931.38 crore at the Mid-Term Appraisal mainly due to less expenditure in the second phase expansion programme. The NALCO has stated that as a result of Naxalite attack, many project contractors suspended their work abruptly in view of the change security environment. The Committee has further been informed that the second phase expansion could not be progressed as some of their projects i.e. Utkal E-Coal block, Pottangi Bauxite Mine were held up for want of various statutory clearances. The Committee would like the Ministry to prepare an action plan for NALCO so that the physical and financial targets set for it by the Planning Commission at the Mid-Term Appraisal are achieved.

Action Taken

The utilization of plan fund in first 3 years against original approved plan outlay to NALCO (Rs. 6927.08 crores) and revised outlay in Mid-term appraisal (Rs. 5931 crores) of the of the 11th five year plan is about 50% and 58% respectively. The Company has prepared a detailed action plan for major projects for early completion of project and adherence of the approved plan outlay. The project wise detailed action may please be seen against the Action Taken given to the Recommendation No. 1 above.

The Ministry critically examines the physical and financial performance of the Company including status of ongoing/new projects in the performance review meetings held on regular basis, every quarter. Further, in view of under utilization of Government funds, the progress of expenditure is also being closely monitored in fortnightly review meetings chaired by Secretary(Mines) for taking remedial actions for bringing the Company on course for achieving the targets set by the Planning Commission.

The MOU targets for NALCO as per Department of Public Enterprises (DPE) guidelines is as under;

MoU targets for the year 2010-11

Sl.No.	Product	Unit	MoU Target 2010-2011
A	Production		
1.	Bauxite	MT	49,80,000
2.	Alumina Hydrate	MT	16,45,000
3.	Aluminium Cast Metal	MT	4,35,000
B	Finance		
1.	Gross Sales Turnover	Rs. Crs.	6300.00

2.	Gross Margin	Rs. Crs.	2150.00
3.	Net Profit Before Tax	Rs Crs.	1680.00
4.	Net Profit After Tax	Rs. Crs.	1111.00

These targets are regularly reviewed in the Quarterly Performance Reviews (QPR).

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Recommendation (Serial No. 7)

The Committee note that XIth Plan outlay of Hindustan Copper Limited (HCL) and Mineral Exploration Corporation Limited (MECL) was approved at Rs. 223 crore and Rs. 94 crore respectively. While the expenditure by HCL would be funded through their internal resources, MECL would be given budgetary support of Rs. 50 crore for promotional grant and Rs. 44 crore to be generated through their internal resources. The Committee would like the Ministry to impress upon these PSUs to continuously monitor their ongoing schemes/projects so that the entire funds could be utilized during the plan.

Action Taken

Hindustan Copper Ltd.(HCL)

During 11th five year plan period, HCL does not have any project/scheme requiring Government approval. The approved budget is towards R&R Budget provisions which are to be met out of internal accruals. HCL has spent Rs 177.58 crore during the first three years of the XI Plan (2007-08 to 2009-10) out of the revised allocation of Rs 178 crore. For execution of the R&R Budget during the balance period, suitable monitoring mechanism is in place to ensure full utilization of fund and Ministry has also started monitoring the utilization of funds on regular basis.

Mineral Exploration Corporation Ltd.(MECL)

Ministry is regularly monitoring the ongoing schemes/projects of MECL to achieve the yearly physico-financial targets. For the year 2010-11, a total of 8.68 crores, value of work for promotional exploration programme is available with MECL. This include 4.58 crores for ongoing schemes (Wari for Copper, Dhol-ki-Patti for Rock Phosphate and Tongnub for limestone) and Rs.4.10 crores for already approved schemes(Rupa for Dolomite and Nimi for limestone). Further, during the year 2010-11, MECL has formulated six proposals and put up the same to the Technical Sub-Committee of Standing Committee on Promotional Projects (SCPP) held on 16th and 17th April 2010. The Technical Sub Committee after detailed deliberation, approved following four proposals as per detailed given below :

S.No	Name	Mineral	Location	Exploration input	Estimated cost(Rs.cr)
1.	Tikhi Extn. South block	Lead-Zinc	Ajmer, Rajasthan	Drilling:3470 m Trenching:100 cum.	2.77
2.	Potash Investigation Jaitpur sub Basin	Potash	Bikaner, Rajasthan	Drilling: 3570 m	4.45
3.	Rajabasa Block	High MgO Flux Rock	Sundergrah Orissa	Drilling: 770 m	1.12
4.	Mawlang-Ishamati block	Limestone	East Khasi Hills district, Meghalya	Drilling:1630 m	4.50

Now, these schemes at an estimated cost of Rs. 12.84 crores will be put up to SCPP for their final approval. In view of above, MECL is confident to utilize the outlay fully during the year 2010-11 for promotional exploration as well as for capital expenditure (IEBR).

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Recommendation (Serial No. 8)

As regard the major reasons for the shortfall in the expenditure by NALCO during 2009-10 is reported to be delay in commissioning of the plant under second phase expansion project. The other reasons for reduction in expenditure was delay in finalisation in orders for Addition, Modification and Replacement (AMR) works. Since these projects have direct bearing on the physical and financial performance of the company, the Committee desire the Ministry / NALCO to draw-up a time schedule for their early completion and the problems affecting their implementation should be identified and corrective action taken.

Action Taken

As far as Addition, Modification and Replacement (AMR) works are concerned, which are executed on the existing operating plants, the delay in finalisation of orders will not affect the physical and financial performances of the Company, as the plant related work is well taken on top priority basis without hampering the performance of the plants. Moreover, looking back to past records and performance, the Company has all along achieved the rated capacity of production of the existing plants. Accordingly, the target has been set for the coming years.

As far as 2nd phase expansion project is concerned, the company is making concerned efforts for completion of alumina refinery by January, 2011 and 10th unit of Captive Power Plant by July, 2010. The project wise detailed action may please be seen against the Action Taken given to the Recommendation No. 1 above.

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Recommendation (Serial No. 10)

The Committee note that the Mineral Exploration Corporation Limited (MECL), a premier exploratory agency in the country has been mandated to carry out exploration activities under promotional programme funded by the Government of India and contractual programme on behalf of other agencies including Public Sector, private sector and State Governments. The Committee are constrained to note that certain exploration projects such as Ghatkuri Iron-ore (East) in Jharkhand, Timiran Mata Gold in Rajasthan, Maruda Gold in Kerala, Dholomala Copper in Rajasthan and Rupa Dolomite in Arunachal Pradesh have been delayed for want of forest clearances. The Committee desire the Ministry to take up this matter with above State Governments at the highest level for facilitating early forest clearances.

Action Taken

Out of the total exploration projects of MECL pending for want of forest clearance, viz. i) iron ore at Ghatkuri East in Jharkhand, (ii) copper at Dholamala, Rajasthan,

(iii) gold at Maruda in Kerala (iv) Bhukia & Timran Mata in Rajasthan and (v) Rupa, West Kameng distt., Arunachal Pradesh, forest entry permission for detailed exploration of dolomite at Rupa, Arunachal Pradesh has been received recently. MECL will mobilize the resources and commence the work after completion of necessary formalities. This Ministry has taken up the matter for necessary forest clearances in respect of the remaining projects with the concerned Forest Deptt.

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Recommendation (Serial No. 11)

The Committee have been given to understand that HCL has prepared a blueprint for expansion of mine production from the current level of 3.15 MT per annum to 12.0 MT per annum in the next five to seven years which comprises expansion of Khetri and Kolihan mines, development of underground mine at MCP, reopening of closed mines (Rakha & Kendadih) & development of Chapri-Sidheswar mine at ICC. The Committee further note that MoU rating achieved by HCL from 2003-04 to 2007-08 was 'very good'. However, this rating has been 'fair' during 2008-09 which implies that the performance of the company during the year has not been satisfactory. To keep the performance of the HCL at the desired level, the Committee would like the company to finalise expansion plans immediately and get it implemented at the earliest for which the Ministry may extend all necessary possible assistance to them.

Action Taken

HCL's MOU rating during the year 2008-09: MoU rating achieved by HCL from 2003-04 to 2007-08 was 'very good'. However, during 2008-09 this rating has been 'fair' as performance of HCL was seriously affected during the year 2008-09 on following counts:-

- a) Fall in LME copper price - Against the targeted MoU LME average of US\$ 6250, the actual LME average was US\$ 5864. As a result, price realization was seriously affected. This reduced financial performance to "poor" rating. 50% weightage in MOU is on financial parameters in which LME copper price plays dominant role.
- b) Lower ore production - Malanjkhand Copper Project (MCP) is the main production mine of HCL producing more than 60% of mine output. During 2008-09 ore production at MCP was much lower than target as ore was not available (both in tonnage and grade) as per planned rock matrix. Lower production of ore with reduced copper grade affected Metal-in-Concentrate (MIC) production.
- c) Lower Cathode production - During the third quarter of 2008-09, there was a drastic fall in LME copper price. Alongwith unfavourable Treatment & Refining Charge (TC/RC) of concentrate, made running of KCC smelter with imported concentrate unviable. KCC smelter was stopped from 08.12.2008 on economic consideration. Although the step had favourable impact on financial performance, it impacted physical performance adversely. This reduced cathode output.
- d) Increase in Staff Cost - Another factor that adversely impacted the financial performance during 2008-09 was higher salary & wage cost due

to arrear salary payment and DA merger which was not factored in the financial projections at the time of signing of MoU 2008-09.

The above developments had adverse effect on the physical and financial performance of HCL and consequently the MoU rating was "fair" compared to "very good" rating of earlier years.

Mine Expansion Plans: HCL has mine expansion scheme for increasing the production capacity of its mines from the present production level of 3.15 million MT per annum to around 12.0 million MT per annum in the next five to seven years. The identified schemes are -

- Expansion of Khetri and Kolihan mines
 - Existing production level - 1.0 million MT per annum.
 - Expanded capacity 3.10 million MT per annum by the year 2019
 - Fund requirement Rs 480 crore
- Development of underground mine at Malanjkhand Copper Project (MCP)
 - Existing production level - 1.8 million MT
 - Expanded capacity 5 million MT.
 - Fund requirement Rs 2580 crore
 - The full mine capacity is expected to be achieved by the year 2019.
- Reopening of closed mines (Rakha and Kendaih) and development of Chapri-Sidheswar mine at Indian Copper Complex (ICC).
 - Existing production level - 0.35 million MT per annum.
 - Expanded capacity - 3.90 million MT per annum to be reached by the year 2019.
 - Fund requirement - Rs 1530 crore

The Company has finalized the Detailed Project Report (DPR) of underground mine at Malanjkhand Copper Project & it is expected to start soon.

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

CHAPTER III

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

-NIL-

CHAPTER IV

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

Recommendations (Serial No. 9)

The Committee have been further informed that Utkal E-Coal Block allotted to NALCO by the Ministry of Coal in August, 2004 is re-scheduled to be commissioned by June, 2012. Similarly, the progress with regard to development of Pottangi Bauxite Mine has been delayed since the award of mining lease has got struck up at State Government level. The above two projects are vital for the progress of on-going expansion plan for NALCO. The Committee regret to observe the time taken by the company to commission the coal block i.e. about 8 years as against normal period of about 3 to 4 years. The Committee would like the Ministry to accord top priority to these projects and take up the matter with the State Government of Orissa at the highest level lest the on-going expansion plan of the company should be further delayed.

Action Taken

Utkal-E Coal block:-

The status of project and reason of abnormal delay for project completion are as under:

The Coal block was allotted by Ministry of Coal, Government of India on 27.08.2004. NALCO submitted the mining lease(ML) application to Government of Orissa in October, 2004. Government of Orissa cleared ML application on 12.06.2006 and forwarded to Ministry of Coal for their prior approval to grant mining lease.

Due to land dispute raised by Tata Sponge Iron Limited (allottee of Utkal-F, located in western boundary of Utkal-E), Ministry of Coal in July, 2006 advised Company to submit a copy of approved mining plan recommended by Government of Orissa, before approval of ML. The revised/modified map along with the revised land schedule was submitted by NALCO to Collector, Angul in December, 2007.

The western side boundary map was frozen in February, 2008. The modified authenticated mining lease map along with land schedule was again submitted to Director of Mines, Government of Orissa in March, 2009. Thus the delay in implementation of Utkal-E coal mines project is primarily due to several unforeseen and unavoidable circumstances which were not in Company's control.

Besides other reasons for delay are given hereunder:

- (x) Procedural delay in getting approval from State Government for acquiring 294.86 Ha. of private land. The approval was given on 13.11.2006 against the submission of documents by the Company on 30.12.2005.
- (xi) Additional 49 Term of Reference (TOR) points which was received from MOEF, Government of India on 13.04.2007. This was a new requirement given by MOEF for getting environmental clearance. Company had to go for many extensive studies which were time consuming.
- (xii) Non finalization of R&R policy and identification of alternate site for land displaced persons.
- (xiii) Delay in approval of mining plan, as Ministry of Coal insisted Company to confirm non-coal bearing nature for the area earmarked for external over burden dump-II area as per mining plan for which Company has to engage

Director of Geology, Government of Orissa for carrying out drilling operation to confirm the above. Thus, the original mining plan has undergone various changes as per the recommendations of Technical Standing Committee of Ministry of Coal, which in turn delayed the entire process of implementation.

- (xiv) The survey work for acquisition of land was frequently interrupted by local people for fulfillment of various demands. Company and District Administration waited for an amicable and peaceful settlement of the issues, instead of resorting to any forceful act.
- (xv) Difference of opinion between District Administration and Orissa Industrial Infrastructure Development Corporation (IDCO) officials regarding the execution of lease deed for non-forest Government land, which in turn delayed the acquisition process.
- (xvi) Company's application for the mining lease deed approval is long pending with IDCO. In spite of NALCO's several follow ups, the Company has not yet received the same.
- (xvii) The other issues with Government of Orissa, viz. Aluminium Park at Angul and grant for mining lease of Pottangi bauxite deposit in favour of Company have cropped up, which in turn delayed the whole process of Utkal-E coal project implementation.
- (xviii) For obtaining various statutory clearances, Company has to incur some additional expenditure in many activities, which were not envisaged earlier i.e. change in coal evacuation route as suggested by MoEF, implementation of wild life conservation plan, implementation of R&R plan as per Orissa State R&R Policy and incur an expenditure of Rs. 1.0 crore per year towards CSR over the life of mines.

Pottangi Bauxite Mine:

The mining lease application was submitted by Company to Government of Orissa in August, 1992. The State Government of Orissa had conveyed its in-principle recommendation for grant of Pottangi Bauxite mines in favour of NALCO on 30.07.2004 with 5 conditions which were suitably clarified by NALCO on 27.02.2006 after several rounds of discussions. Thereafter, the Company has been pursuing with the State Government at its own level for expediting the mining lease. Separately, the Ministry of Mines has also been impressing upon the State Government from time to time for sending a proposal as expeditiously as possible for obtaining prior approval of the Central Government for allotment of Pottangi bauxite deposits in favour of NALCO, as per the following details:

Sl.No.	Date	Details
1	27.04.07	Gazette Notification by Government of India Reserving Pottangi deposit in favour of NALCO for 10 years.
2	14.09.07	Letter from Secretary, Ministry of Mines to Chief Secretary, Government of Orissa to expedite forwarding of mining lease application to Government of India for prior approval.
3	10.07.08	Hon'ble Minister Mines, Government of India writes to Chief Minister, Orissa requesting grant of mining lease of Pottangi in favour of NALCO.
4	29.9.08	Secretary(Mines) writes to Chief Secretary, Orissa for expediting grant of Pottangi bauxite mines to NALCO.
5	21.11.08	Secretary Mines, Ministry of Mines, Government of India meet

		Hon'ble CM, Orissa and made a presentation on NALCO's need of Pottangi mines.
6	1.12.08	A DO letter was sent from Secretary (Mines) to Chief Secretary, Government of Orissa requesting for forwarding proposal for obtaining prior approval of Central Government for allotment of Pottangi bauxite deposits in favour of NALCO.
7.	30.6.09	DO letter was sent from Minister(Mines), Government of India to Chief Minister, Government of Orissa for expediting recommendation of State Govt. for grant of mining lease of Pottangi deposit.
8.	17.8.09	A DO letter sent from Additional Secretary (Mines) to Principal Secretary to the Chief Minister, Government of Orissa to sort out all contentious issues related to Pottangi.
9.	27.1.10	Secretary (Mines) meets Chief Secretary and other officers of State Government of Orissa and emphasizes the need for urgent lease of Pottangi deposit to NALCO for its further growth and for sustaining existing production facilities over economic life of the plants.

The State Government vide letter dated 17th April, 2010 has agreed to provide lease over Pottangi deposit subject to several conditions. The conditions are being examined and evaluated by the Company.

[Ministry of Mines O.M.No.5(1)/2010-IF dated 26th July, 2010]

Comments of the Committee

(Please see Para no. 13 of Chapter-I of the Report)

CHAPTER V

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

-NIL-

**NEW DELHI;
August, 2011
Sravana, 1933 (Saka)**

**KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel**

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND
STEEL (2010-11) HELD ON 05.08.2011 IN COMMITTEE ROOM B,
PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee sat from 1500 hrs. to 1515 hrs.

PRESENT

Shri Kalyan Banerjee- **Chairman**

MEMBERS

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Sanjay Bhoi
4. Shri Ismail Hussain
5. Shri Yashbant N.S. Laguri
6. Shri Govind Prasad Mishra
7. Shri Rakesh Sachan
8. Sardar Sukhdev Singh Libra

RAJYA SABHA

9. Shri Kishore Kumar Mohanty
10. Shri Nand Kumar Sai
11. Shri R.C. Singh

SECRETARIAT

1. Shri Shiv Singh - Director
2. Md. Aftab Alam - Deputy Secretary

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

3. The Committee thereafter took up for consideration the following Draft Action Taken Reports:-

- (i) ** ** ** **
- (ii) Action Taken Report on observations/recommendations contained in the 5th Report on Demands for Grants (2010-11) of the Ministry of Mines
- (iii) ** ** **

4. The Committee adopted the draft reports without any changes/modifications and authorized the Chairman to present these Reports to both the Houses of Parliament.

The Committee then adjourned.

**Do not pertain to this Report.

ANNEXURE- VI
(Vide Para IV of Introduction)

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

I.	Total No. of Recommendations made	11
II.	Recommendations that have been accepted by the Government <i>(vide recommendation at S1. Nos. 1,2,3,4,5,6,7,8,10 and 11)</i>	10
	Percentage of total	90.90%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies	00
	Percentage of total	Nil
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee <i>(vide recommendation at S1. No.9)</i>	1
	Percentage of total	9.09%
V.	Recommendations in respect of which final replies of the Government are still awaited	00
	Percentage of total	Nil