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**STANDING COMMITTEE ON  
COAL AND STEEL  
(2009-2010)**

**FIFTEENTH LOK SABHA**

**MINISTRY OF MINES**

**DEMANDS FOR GRANTS  
(2009-2010)**

**SECOND REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 2009/Agrahayana, 1931 (Saka)*



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COAL AND STEEL  
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MINISTRY OF MINES

DEMANDS FOR GRANTS  
(2009-2010)

*Presented to Lok Sabha on 18.12.2009*  
*Laid in Rajya Sabha on 18.12.2009*



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NEW DELHI

*December, 2009/Agrahayana, 1931 (Saka)*

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COMPOSITION OF THE STANDING COMMITTEE ON  
COAL AND STEEL (2009-10)

Shri Kalyan Banerjee — *Chairman*

MEMBERS

*Lok Sabha*

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

*Rajya Sabha*

22. Ms. Mabel Rebello
23. Shri Dhiraj Prasad Sahu

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# Shri Jaywant G. Awale ceased to be Member of the Committee *w.e.f.* 19.10.2009.

24. Dr. Dasari Narayana Rao
25. Shri Jai Prakash Narayan Singh
26. Shri Nand Kumar Sai
27. Shri A. Vijayaraghavan
28. Shri Ali Anwar Ansari
29. Shri R.C. Singh
30. Shri Kishore Kumar Mohanty
31. Shri Swapan Sadhan Bose

SECRETARIAT

- |                     |   |                        |
|---------------------|---|------------------------|
| 1. Shri Ashok Sarin | — | <i>Joint Secretary</i> |
| 2. Shri Shiv Singh  | — | <i>Director</i>        |
| 3. Md. Aftab Alam   | — | <i>Under Secretary</i> |

## 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 Second Report (Fifteenth Lok Sabha) on Demands for Grants (2009-10) relating to the Ministry of Mines.

2. The Demands for Grants of the Ministry of Mines were laid on the Table of the House on 07.07.2009. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Coal and Steel are required to consider the Demands for Grants of the Ministries under their jurisdiction and make Report on the same to both the Houses of Parliament. Thereafter the Demands are considered by the House in the light of the Report of the Committee. However, this year the Demands for Grants (2009-10) of Ministry of Mines were passed by Lok Sabha on 23.07.2009, prior to their consideration by the Standing Committee on Coal and Steel. Nonetheless, in pursuance of the observations made by the Chair, the Committee examined Demands for Grants (2009-10) of the Ministry of Mines and issues arising therefrom.

3. The Committee took evidence of the representatives of the Ministry of Mines on 12th November, 2009.

4. The Report was considered and adopted by the Committee at their sitting held on 14.12.2009.

5. The Committee wish to express their thanks to the officials of the Ministry of Mines for the cooperation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

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

NEW DELHI;  
14 December, 2009  

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23 Agrahayana, 1931 (Saka)

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

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# REPORT

## CHAPTER I

### **Introductory**

India's mineral resources are sufficiently rich and varied to provide country with a strong industrial base. Mineral resources in India can be categorised into two groups namely metallic minerals and non-metallic minerals. Metallic mineral resources are those, which have the properties of luster, hardness and heaviness. These metals can be melted drawn into wires and rolled into sheets. Only few of these minerals such as gold, silver and copper occur in a pure state. Metallic minerals are extracted from the earth in raw state called as mineral ore. The major metallic minerals are iron, copper, lead, mica, tin, silver and gold. There are some minerals that do not have any metal in them and are used for extraction of non-metals like sulfur, phosphorus, carbonate etc. Limestone, gypsum salts, antimony, mica are some important non-metallic minerals found in the Indian subcontinent.

1.2 The Ministry of Mines is responsible for the survey and exploration of all minerals, other than Natural gases, Petroleum and Atomic minerals; for mining and metallurgy of Non-ferrous metals like Aluminium, Copper, Zinc, Lead, Gold, Nickel, etc. and for administration of the Mines and Minerals (Development and Regulation) Act, 1957 in respect of all mines and minerals, other than Coal, Natural gas and Petroleum. List of subjects allocated to the Ministry is given below:—

1. (a) Legislation for regulation of mines and development of minerals within the territory of India, including mines and minerals underlying the ocean within the territorial waters or the continental shelf, or the Exclusive Economic Zone and other Maritime Zones of India as may be specified from time to time by or under any law made by Parliament.

- (b) Regulation of mines and development of minerals other than Coal, Lignite and Sand for stowing and any other mineral declared as prescribed substances for the purpose of the Atomic Energy Act, 1962 (33 of 1962) under the control of the Union as declared by law, including questions concerning regulation and development of minerals in various States and the matters connected therewith or incidental thereto.
2. All other metals and minerals not specifically allotted to any other Ministry/Department such as Aluminium, Zinc, Copper, Gold, Diamond, Lead and Nickel.
  3. Planning, development and control of, and assistance to, all industries dealt with by the Ministry.
  4. Geological Survey of India.
  5. Indian Bureau of Mines.
  6. Metallurgical Grade Silicon.
- 1.3 The Ministry of Mines has jurisdiction over the following two subordinate offices, namely:
- (i) Geological Survey of India, Kolkata
  - (ii) Indian Bureau of Mines, Nagpur
- 1.4 The Ministry of Mines has following four Public Sector Undertakings (PSUs) under its jurisdiction:
- (i) National Aluminium Company Ltd. (NALCO), Bhubaneswar
  - (ii) Hindustan Copper Ltd. (HCL), Kolkata
  - (iii) Minerals Exploration Corporation Ltd. (MECL), Nagpur
  - (iv) Bharat Gold Mines Ltd. (BGML), Kolar Gold Fields, Karnataka (closed since 1 March 2001).
- 1.5 The Ministry also holds minority share-holding in the two companies namely Bharat Aluminium Company Ltd. (BALCO), Korba,

Chhattisgarh and Hindustan Zinc Ltd. (HZL), Udaipur, Rajasthan which have been disinvested with the transfer of management control to strategic partners.

1.6 There are three Research Institutions, which are autonomous bodies under the Ministry, namely (i) Jawaharlal Nehru Aluminium Research, Development and Design Centre (JNARDDC), Nagpur; (ii) National Institute of Rock Mechanics (NIRM), KGF, Karnataka; and (iii) National Institute of Miners' Health, (NIMH), Nagpur.

1.7 The detailed Demands for Grants of the Ministry of Mines were presented to Lok Sabha on 07.07.2009. The Committee in the present Report have examined various issues related to implementation of various schemes/plans/programmes under the preview of the Ministry of Mines. In the context of Demands for Grants 2009-10, the detailed analysis along with observations/recommendations of the Committee on various issues have been given in the succeeding chapters of the Report.

## CHAPTER II

### STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE THIRTY SECOND REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL ON DEMANDS FOR GRANTS (2008-09) OF THE MINISTRY OF MINES

The Parliamentary Committee on Coal and Steel presented their 32nd Report (14th Lok Sabha) on Demands for Grants (2008-09) of the Ministry of Mines on 16th April, 2008. The Committee presented their 37th Report on Action Taken by the Government on the recommendations/observations contained in the 32nd Report of the Committee on Demands for Grants 2008-09 of the Ministry of Mines on 12.12.2008. Out of seven recommendations given by the Committee in their 32nd Report, six recommendations (Sl. No. 1,2,3,5, 6 and 7) were accepted by the Government, one recommendation (Sl.No. 4 had not been accepted by the Committee).

**2.2. The Minister of Mines made a statement in Parliament on the status of implementation of recommendations contained in the 32nd Report of the Committee on 23.12.2008. It is evident therefore that while six recommendations have been implemented by the Government, one recommendation relating to procurement of high cost items by Geological Survey of India (GSI) was under process. The Committee hope that the Ministry of Mines will monitor the progress made by GSI for speedy implementation of the said recommendation.**

## CHAPTER III

### ANALYSIS OF DEMANDS FOR GRANTS (2009-10) OF THE MINISTRY OF MINES

#### A. Annual Plan Outlay

The detailed Demands for Grants of the Ministry of Mines for the year 2009-10 were presented to the Lok Sabha on 07.07.2009. The Demand includes provision for Plan and Non-Plan expenditure under Revenue and Capital Sections of the Ministry proper, attached/subordinate offices and Public Sector Undertakings under the administrative control. The Plan and Non-Plan provisions made in the Ministry of Mines for the years 2008-09 and 2009-10 are as under:—

(Rs. in crores)

Major Head	BE 2008-09			RE 2008-09			BE 2009-10		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue	142.20	245.00	387.20	141.46	349.36	490.82	153.60	398.00	551.60
Capital	51.80	—	51.80	40.80	—	40.80	38.40	—	38.40
Total	194.00	245.00	439.00	182.26	349.36	531.62	192.00	398.00	590.00

3.2 The Annual Plan and Non-Plan under Capital and Revenue Sections for the year 2008-09 at BE stage was Rs. 439 crore which has been revised to Rs. 531.62 crore at RE stage and the BE has been increased to Rs. 590 crore for the year 2009-10.

3.3 The reasons for variations between BE and RE during 2008-09 and BE 2009-10 furnished by the Ministry are as follows:—

“The variation between BE and RE during the year 2008-09 under Non-Plan is due to payment of increased salary and payment of

40% arrear for implementing 6th Pay Commission. There is no major variation under Plan side, except for capital expenditure where Rs.11 crore were allocated less during RE due to less purchase of equipment by GSI.

The hike under Non-Plan side for the year 2009-10 is due to increased salary and payment of 60% arrears as 6th Pay Commission. The Plan side is more or less same as in previous year."

3.4 The details of amount proposed by the Ministry of Mines and amount actually provided by the Planning Commission for the schemes in Annual Plan separately for the last two years and for the financial year 2009-10 are given in Annexure-I. The details of actual utilisation of fund in 2007-08 and 2008-09 are as follows:—

(Rs. in crore)

Sl. No.	Name of PSUs/ Organisation	Annual Plan			Annual Plan			Annual Plan
		2007-08			2008-09			2009-10
		BE	RE	Actual	BE	RE	Actual	BE
1.	National Aluminium Co. Ltd.	1158.00	1358.00	1368.47	1888.00	1701.00	1391.28	1391.00
2.	Hindustan Copper Ltd.	50.00	78.00	28.50	60.00	60.00	59.91	40.00
3.	Mineral Exploration Corpn. Ltd.							
	- Promotional	11.00	11.00	11.00	12.00	9.00	9.00	10.00
	- Capital	8.00	8.00	4.15	8.00	8.00	5.16	10.00
4.	Geological Survey of India	123.00	157.00	118.73	160.00	147.65	132.30	160.00
5.	Indian Bureau of Mines	17.00	20.00	16.06	19.300	22.61	20.44	19.00
6.	Science & Technology	7.29	7.28	6.04	7.00	7.00	7.00	9.82
7.	Construction	6.00	5.00	5.00	6.00	3.00	3.00	8.00
	Total	1380.29	1644.28	1557.95	2160.00	1958.26	1628.09	1647.82

The Ministry has further informed that “generally, the Annual Plans are finalized after detailed discussions at different levels in Planning Commission. However, during 2007-08 no fund under head Direction and Administration head was given for GSI & IBM which was later on recouped in supplementaries. Due to pace of modernization in GSI, approval was less than proposed in all these years.”

3.5 Replying to the major heads of account which showed shortfalls in utilization of funds earmarked for expenditure during the years 2007-08 and 2008-09 along with the reasons and details of the funds surrendered, head-wise and year-wise, the Ministry has furnished the details in a statement reproduced as under:—

Major Head	2007-08				2008-09			
	BE	RE	Actual	Surrender	BE	RE	Actual	Surrender
<b>Plan</b>								
3451	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2853	87.10	124.09	105.37	19.04	128.70	127.96	125.86	5.00
4853	52.90	52.91	40.11	1.99	47.40	36.40	38.37	14.62
2552	11.49	11.49	0.00	0.00	13.50	13.50	0.00	0.00
4552	2.51	2.51	0.00	0.00	4.40	4.40	0.00	0.00
<b>Total</b>	<b>154.00</b>	<b>191.00</b>	<b>145.48</b>	<b>21.03</b>	<b>194.00</b>	<b>182.26</b>	<b>164.23</b>	<b>19.62</b>
<b>Non-Plan</b>								
3451	9.66	9.66	9.15	0.13	10.12	11.67	11.93	0.00
2853	226.04	788.87	782.08	3.51	234.88	337.69	329.52	1.76
<b>Total</b>	<b>235.70</b>	<b>798.53</b>	<b>791.23</b>	<b>3.64</b>	<b>245.00</b>	<b>349.36</b>	<b>341.45</b>	<b>1.76</b>

3.6 The Ministry has informed that in 2007-08, there was shortfall in utilization of funds under Plan in major head 2853 since no fund was allocated under Plan in Direction & Administration head as per the then instruction of the Planning Commission and major part of this

head's expenditure was met from Non-Plan side. Later the issue was taken up with Planning Commission and Ministry of Finance and resolved by providing fund in this head from next year onwards. In 2008-09, there was shortfall in major head 4853 since funds were reduced at RE stage and amount was surrendered as technical one to provide provision for additional requirement of Salaries on account of implementation of 6th Pay Commission.

### **Geological Survey of India (GSI)**

3.7 GSI is a National Organisation for Earth Sciences. Its activity areas encompasses scientific survey and research for locating minerals resources and geological studies. The budget allocation to GSI for the years 2008-09 and 2009-10 are as under:—

(Rs. in crore)

Major Head	BE 2008-09			RE 2008-09			BE 2009-10		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue	97.00	211.58	308.58	95.65	305.06	400.71	109.00	344.84	453.84
Capital	47.00	0.00	47.00	36.00	0.00	36.00	35.00	0.00	35.00
<b>Total</b>	<b>144.00</b>	<b>211.58</b>	<b>355.58</b>	<b>131.65</b>	<b>305.06</b>	<b>436.71</b>	<b>144.00</b>	<b>344.84</b>	<b>488.84</b>

3.8 When enquired about the actual expenditure for the year 2008-09 under Plan and Non-Plan and the reasons for increased provisions of funds in BE 2009-10 as compared to BE/RE 2008-09, the Ministry has informed the Committee as under:—

“During the FY 2008-09, the actual Expenditures of GSI under Plan and Non-Plan were Rs. 132.30 crore lakhs and Rs. 300.26 crore respectively.

During the FY 2008-09, certain modernisation items, which were projected for acquisition, could not materialize. This was the reason for reduction from BE to RE during FY 2008-09. Increase in provision from BE/RE 2008-09 to 2009-10 is sought due to



considerable increase in cost of ship and aircraft maintenance under Survey and Mapping head apart from other normative increase in prices of POL, wages, R&D reagents etc. Heliborne survey system is expected to fructify during FY 2009-10 and procurement of research vessel is also expected to show progress.”

3.9 An outlay of Rs. 160.00 crore was provided to GSI in BE 2008-09 and reduced to Rs. 147.65 crore in RE 2008-09 and again increased to Rs. 160.00 crore in 2009-10. A proposal for additional funds to the tune of Rs. 184.30 crore has already been placed to the Ministry of Mines. However, further financial support may be required during 2009-10, in that case, Ministry may be approached at RE stage.

3.10 When asked about the reasons for reduction made in RE 2008-09 to Rs. 147.65 crore from Rs. 160.00 crore in BE 2008-09 and the actual amount spent in 2008-09 with reasons for shortfall and for not projecting the actual amount required for 2009-10 at BE itself as the proposal for additional funds already placed with the Ministry, the Ministry in a written reply has submitted as under:—

“During FY 2008-09, an amount of Rs. 132.30 crore has been utilized under Plan head which works out to 82.69 % against the total Plan Budget allocation (BE) Rs. 160.00 crore lakhs and 89.60% against RE Rs. 147.65 crore. The total operational expenditure in the period under review, covered under Survey and Mapping, Mineral Exploration, HRD and Special Investigations, Research & Development, Information Dissemination which is 87.72 % of the allocations (BE) and 88.69% against RE. Only the expenditure under the Modernization and Replacement Head, which covers expenditure on procurement of equipment, etc, has been low at 73.03% against BE and 91.79% against RE. There is low expenditure in comparison to the BE (73.03%) allotment as some of the modernisation items, which were projected for acquisition, could not materialize as these are not “off the shelf” items. This was the reason for reduction from BE to RE during FY 2008-09. But increase in provision from BE/RE 2008-09 to 2009-10 the main reason was considerable increase in Survey and Mapping head apart from other normative increase in prices like POL, wages, R&D reagents etc.”

3.11 In the FY 2009-10, GSI has been allocated Rs. 160.00 crore under Plan Budget (BE), against the outlay of Rs. 231.45 crore proposed by GSI. This is approximately at par with the BE of 2008-09 (Rs.160.00 crore). Only a token provision could be made for the new vessel in the approved BE for 2009-10 and additional funds will be requested from the Planning Commission at a later stage.

3.12 Anticipating the requirement at later stage, GSI had already projected increase in Plan outlay from Rs.16000 lakh to Rs. 18644.00 lakh for smooth execution of projected plan activities of GSI during FY 2009-10, *i.e.* a total increase of Rs.2644.00 lakh, break up of which is (a) increase from Rs. 300.00 lakh to Rs. 1000.00 lakh in salary component (under D&A) and Rs. 155.00 lakh to Rs. 200.00 lakh in FTE under Revenue Section *i.e.* the enhancement of Rs. 745.00 lakh to provide salaries for new recruits in scientific streams and for foreign tours to encourage exchange programmes and also requested for (b) increase from Rs. 3400.00 lakh to Rs. 5299.00 lakh under ME sub-head under Capital Section *i.e.* the enhancement of Rs. 1899.00 lakh for acquisition of some of the high value equipment during plan period 2009-10. Apart from this, additional budgetary support may be required at later stages depending upon the development/progress of the procurement particularly for high cost items.

**3.13 The Committee note that for the year 2009-10, the Planning Commission has approved a total outlay of Rs. 1647.82 crore for Ministry of Mines, as against the outlay of Rs. 1783.01 crore proposed by the Ministry. During 2008-09, an outlay of Rs. 2160.00 crore BE provided to the Ministry which was reduced to Rs. 1958.26 crore at RE stage and the actual expenditure was Rs. 1628.09 crore. While the expenditure under Non-Plan Head during 2008-09 has been satisfactory by and large with the implementation of 6th Pay Commission Recommendations, the Ministry had to surrender a sizeable amount under Plan Head since the procurement of certain equipments for the modernization of GSI could not materialize. They are concerned to note that in the case of National Aluminium Company Limited (NALCO) plan outlay for 2009-10 has been reduced to Rs. 1391.00 crore from Rs. 1701.00 in 2008-09. Similarly, Annual Plan of Geological Survey of India (GSI) was reduced to**

Rs. 160 crore for 2008-09 and is the same for 2009-10 against the proposal of the Ministry of Rs. 283.35 crore and Rs. 231.45 crore respectively for the said years. In respect of Indian Bureau of Mines, the fund approved for the years 2008-09 and 2009-10 was Rs. 19 crore each as against the amount of Rs. 35.66 crore and Rs. 36.35 crore proposed by the Ministry. Further, the allocation approved by the Planning Commission for construction related work was far less than the amount proposed by the Ministry during the year 2008-09 and 2009-10. From the foregoing, it is evident that the Ministry of Mines have grossly failed in proper utilisation of funds raising doubt over their capacity to plan and execute schemes/ objectives, which is unfortunate to say the least. The Committee desire that Ministry of Mines should gear up their machinery and ensure that the sanctioned outlays are utilised in a proper manner so that planned objectives are fully achieved.

#### B. XIth Plan — A Review

3.14 Planning Commission has approved total outlay of Rs. 8404.00 crore for the 11th Five Year plan (2007-12). The organisation-wise break up of approved allocation during last three years and actual expenditure upto September, 2009 is as follows:—

#### Approved XIth Five Year Plan organisation-wise

		Rs. in Crore			
Sl. No.	Organisation	2007-08	2008-09	2009-10	2007-12
1	NALCO	1368.47	1391.28	1391.00	6927.08
2	HCL	37.22	59.91	40.00	223.00
3	MECL	15.15	14.16	20.00	94.00
4	GSI	119.94	133.80	167.00	1020.00
5	IBM	16.06	20.44	20.00	90.00
6	S&T	6.76	7.78	9.82	49.92
Total		1563.60	1627.37	1647.82	8404.00

**Plan allocation during last 3 years**

Org.	2007-08				2008-09				2009-10		
	BE	RE	Actual	%	BE	RE	Actual	%	BE	Upto Sept.	
GSI	123.00	157.00	118.73	75.62	160.00	147.65	132.30	89.60	160.00	39.14	24.46
IBM	17.00	20.00	16.06	80.30	19.00	22.61	20.44	90.40	19.00	12.23	64.36
MECL (Prom)	11.00	11.00	11.00	100.00	12.00	9.00	9.00	100.00	10.00	1.52	15.20
Others	3.00	2.99	1.74	58.19	3.00	3.00	3.00	100.00	3.00	0	0
<b>Total</b>	<b>154.00</b>	<b>191.00</b>	<b>147.53</b>	<b>77.25</b>	<b>194.00</b>	<b>182.26</b>	<b>164.74</b>	<b>90.39</b>	<b>192.00</b>	<b>52.89</b>	<b>27.55</b>

Rs. in Crore

## PUBLIC SECTOR UNDERTAKINGS (PLAN)

### To be funded from Internal Resources of PSUs

Amount in Rs. Crore

Sl. No.	Name of PSU	Annual Plan 2007-2008			Annual Plan 2008-2009			Annual Plan 2009-2010	
		BE	RE	Actual	BE	RE	Actual	BE	Upto Sept.
1.	NALCO	1158.00	1358.00	1368.47 (100.77%)	1888.00	1701.00	1391.28 (81.80%)	1391.00	276.56 (19.88%)
2.	HCL	50.00	78.00	28.50 (36.54%)	60.00	60.00	59.91 (100%)	40	30.35 (75.88)
3.	MECL Capital	8.00	8.00	4.15 (51.87%)	8.00	8.00	5.16 (64.50%)	10.00	2.69 (26.90%)
Total		1216.00	1444.00	1401.12 (97.03%)	1956.00	1769.00	1456.35 (82.33%)	1441.00	309.60 (21.48%)

3.15 The Committee desired the Ministry to furnish the proposals/targets set by the Ministry of Mines for Eleventh Five Year Plan, Schemes/PSUs-wise for each PSU/Organisation and the achievements for these targets during the first two years of the Plan Period. The Ministry accordingly furnished the details to the Committee which are reproduced hereunder:—

#### National Aluminium Company Ltd. (NALCO)

(Rs. in crore)

Sl. No.	Description	Eleventh Plan target						Achievement	
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	2007-08	2008-09
1	2	3	4	5	6	7	8	9	10
1.	II-nd Phase Expansion	1,050	1,482	1,004	513	296	4,345	1,247.56	1,254.43

1	2	3	4	5	6	7	8	9	10
2. Utkal Coal		10	60	70	80	78	298	2.01	0.80
3. AMR		95	135	150	160	166	706.08	118.90	126.00
4. Debottlenecking of Alumina Plant		1	2	80	150	79	312	-	3.14
5. Green Field Smelter/Projects		1	1	8	500	500	1,010	-	3.30
6. Pottangi Bauxite Mine		1	2	43	100	110	256	-	-
7. Illrd Phase project		-	-	-	-	-	-	-	3.44
Total		1,158	1,682	1,355	1,503	1,229	6,927.08	1,368.47	1,391.11

#### Hindustan Copper Ltd. (HCL)

During the current Five Year plan, there is no scheme/project for HCL. The plan outlay is only towards R&R and this would be met from internal accruals. The detailed position is as under:

(Rs. in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Fund allocation	78	60	40	22	23	223
Amount actually spent	37.22	59.91	24.01			
			Upto July'09			

#### Mineral Exploration Corporation Ltd. (MECL)

(Rs. in crores)

Plan/Scheme	2007-08		2008-09		Total Allocation (XI Plan)
	Allocation	Utilisation	Allocation	Utilisation	
Promotional	11.00	11.00	9.00	8.69	50.00
Capital (IEBR)	8.00	4.15	8.00	5.16	44.00

### Indian Bureau of Mines

3.16 An amount of Rs. 90 crore for IBM has been approved under XI Five Year Plan. Scheme-wise Proposals (Physical Targets) set by the Ministry for the XI Five Year Plan 2007-08 to 2011-12 in respect of IBM are as follows:

(Rs. in crores)

Name of the Schemes/Project/ Programme	XI Plan Approved Outlay	2007-2008		2008-2009		2009-2010		Last 2 years of 11th Plan	
		Approved Outlay	Actual Expdr.	Approved Outlay	Actual Expdr.	Approved Outlay	Anticipated Expdr.	Balance approved Outlay	Estimated Expdr. available
1	2	3	4	5	6	7	8	9	10
<b>Sch. No. 1:</b> Inspection of Mines for Scientific & Systematic Mining, Mineral conservation & Mine environment.	25.55	5.50	7.26	6.18	8.23	6.59	10.65	7.28	19.71
<b>Sch. No. 2:</b> Mineral Beneficiation studies utilization of low grade & sub-grade ores & analysis of environmental samples.	23.50	4.35	4.61	5.02	5.97	4.99	9.00	9.14	17.22

1	2	3	4	5	6	7	8	9	10
<b>Sch. No. 3:</b> Technological upgradation & modernisation	18.00	4.91	2.90	3.08	4.43	3.13	5.90	6.88	10.55
<b>Sch. No. 4:</b> Collection processing dissemination of data on Mines & Minerals through various publications.	7.00	2.24	1.29	1.32	1.81	1.54	4.52	1.90	7.58
<b>Sch. No. 5:</b> Management of Solid Waste from Mining in India.	0.75	0.00	0.00	0.60	0.00	0.15*	0.00	-	-
<b>Sch. No. 6:</b> Computerised Online Registration of Mining Tenement System	2.25	0.00	0.00	0.50	0.00	0.30	2.05	1.45	18.98
<b>4853-Capital Expr. (Works Outlay)</b>	0.41	0.37	0.00	0.01	0.00	0.01	0.01	0.02	0.02
4853-Capital Outlay (Motor Vehicle)	0.47	0.15	0.00	0.01	0.00	0.21	0.21	0.10	0.50
4853-Capital Outlay (Mech. & Equip.)	1.42	0.78	0.00	0.38	0.00	0.18	0.18	0.08	0.50
4853-Capital Outlay (N.E.R.)	2.61	1.21	0.00	1.40	0.00	0.00	0.00	-	2.60
2552-Lumpsum Provision for NER	3.04	0.49	0.00	0.50	0.00	1.90	1.90	0.15	1.20



1	2	3	4	5	6	7	8	9	10
Token Provision for new schemes	0.00		0.00	0.00	0.00	0.00	0.00	-	-
Total	85.00	20.00	16.06	19.00	20.44	19.00	34.42	27.00	78.86
Construction (CPWD) MOUD Budget	5.00	1.00	\$	1.00	\$	1.00	1.00	2.00	2.00

\*The Project has been shelved.

It may be noted from the table that the difference in anticipated expenditure and Budget allocation in 2009-10 will be required. Also the Budgetary allocation for 2010 & 2011-12 are much more than the Budget remaining for these years out of Xith Plan Approved outlay and will have to be made up with supplementary Budget allocation.

\$ IBM has not received any expenditure figures for construction activities from the CPWD authorities.

### **New Scheme: Computerized Online Register of Mining Tenements System.**

The objective of the Scheme is to develop an online National Mineral Information System by linking Central and State organizations engaged in administration of mineral resources in the country. By combining all organizations engaged in administration of mineral resources in stages, it is planned to carry out various administrative functions online so that time taken in present system may be curtailed significantly. Further the system will also be geared up to provide access to various online information which is required for planning at national level and taking decisions on investment by both Government and private organisations. The purpose is to create single window information source on mineral resources in the country, which is presently scattered in the hands of State DMGs, Geological Survey of India, Indian Bureau of Mines, etc. and to make the information available to the Ministry of Mines and other State and Central Government organizations, Members of Parliament, Members of Legislative Assemblies and other identified institutes, etc. The idea is to develop a system that is identical to those already adopted by developed countries so as to have a common platform and keep pace with the international practices in the field of mineral resource development in India as well. The scheme will be implemented in 11 mineral rich States *viz.* Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Jharkhand, Karnataka, Maharashtra, Madhya Pradesh, Orissa, Rajasthan and Tamil Nadu. Two pilot projects in Durg and Bellary districts are being taken up to start with.

### **Geological Survey of India**

3.17 GSI had proposed a Plan Outlay of Rs. 1442.00 crore for its entire XI Plan activities. However, The Planning Commission has approved a Plan outlay of Rs. 1020.00 crore for GSI for taking up the XI Plan

activities. Scheme-wise financial achievements in first two years and projected targets for last three years are given below:

	2007-08	2008-09	2007-08	2008-09	2007-08 & 2008-09	2007-08 & 2008-09	2007-08 & 2008-09
	Approv- ed Outlay	Approv- ed Outlay	Actual Expendr.	Actual Expendr.	Total Approv- ed Outlay in First two yrs	Total Actual Exendr. in First two yrs	Per- centage (%) of achievement in first two yrs
1. Survey & Mapping	38.87	49.96	33.49	47.05	88.83	80.54	90.67
2. Mineral Exploration	23.28	23.44	19.32	20.36	46.72	39.68	84.93
3. Special Investi- gation	6.14	5.22	5.18	4.21	11.36	9.39	82.66
4. R & D & Other Exploration	7.22	7.74	4.88	6.11	14.96	10.99	73.46
5. Inform. Dissemination	19.39	14.90	12.40	12.14	34.29	24.54	71.57
6. HRD	3.44	2.79	2.87	2.41	6.23	5.28	84.75
7. Modern. & Replacement	58.66	43.60	40.59	40.02	102.26	80.61	78.83
<b>Total</b>	<b>157.00</b>	<b>147.65</b>	<b>118.73</b>	<b>132.30</b>	<b>304.65</b>	<b>251.03</b>	<b>82.40</b>

3.18 During the FY 2007-08, Rs. 118.73 crore was spent under Plan budget against the allotment Rs.157.00 crore, which works out to be around 75.62 % utilisation of funds. Expenditure under most of the Operational heads range between 63.95% and 86.16%. Expenditure under Modernisation and Replacement Scheme is about 69.20%. The reasons for shortfall in expenditure under all the operational schemes (Survey and Mapping, Mineral Exploration, Spl. Investigation, Information Dissemination and HRD) were as follows:—

- (a) Against the outlay of Rs. 4.69 crore under IT (OAE) for NER, only Rs. 0.04 crore could be spent.

- (b) Due to late allotment of funds under D&A, Rs. 3.36 crore under DTE remained unspent as pending bills could not be cleared.
- (c) Expenditure of Rs. 2.29 crore under Plan Salary head could not be made due to late allotment of funds at RE stage.
- (d) Under the Scheme Modernisation & Replacement, funds earmarked for some high cost equipment such as Heliborne Geophysical Sensors could not be spent within the FY 2007-08.

3.19 During FY 2008-09, an amount of Rs. 132.30 crore has been utilized under Plan head which works out to 82.69% against the total Plan Budget allocation (BE) Rs. 160.00 crore and 89.60% against RE Rs. 147.65 crore. The total operational expenditure in the period under review, covered under Survey and Mapping, Mineral Exploration, HRD and Special Investigations, Research & Development, Information Dissemination is 87.72% of the allocations (BE) and 88.69% against RE.

3.20 Expenditure under the Modernization and Replacement Head, which covers expenditure on procurement of equipment, etc, has been low at 73.03 % against BE and 91.79% against RE.

3.21 On being asked to evaluate the contribution of GSI and outcome thereof for the last 2 years, the Ministry of Mines stated as under:—

“The Government had constituted a High Powered Committee (HPC) under the Chairmanship of Additional Secretary, Ministry of Mines. The HPC has submitted its Report to the Ministry of Mines on 31.03.2009. The Report has been accepted ‘in-principle’ by the Ministry and implementation has started. The Report gives a ‘Vision’ for the future working of GSI.”

### **Modernization of GSI**

3.22 The modernization of GSI was the main thrust area of 10<sup>th</sup> Five Year Plan. However, it was brought to the notice of the Committee

that Research Vessel and Heliborne Survey System could not be purchased during 10th Five Year Plan. It has also been brought to the notice of the Committee that there is an acute shortage of manpower in GSI.

3.23 When asked about the current status of procurement of Research Vessel and Heliborne Survey System and the modernization programme of GSI and expenditure incurred so far in each year as against the allocation and amount proposed for the year 2009-10, the Ministry of Mines submitted as under:

#### **Research Vessel**

The research vessel costing about Rs. 448 crore is proposed to be constructed and fitted with state-of-the-art equipment for deep-sea geoscientific research. The procurement is done through a 2 Stage Consultancy process. The first consultant is the Shipping Corporation of India [SCI] who will help the second [international] consultant who will finalise the shipyard and the integration of the equipment with the ship-structure. The part regarding appointment of the second consultant is under process. RFP has been issued and responses evaluated. Appointment of Consultant is likely by September, 2009. This Consultant will help identify the shipyard for the construction.

#### **Heliborne Survey System**

- (1) The Heliborne survey system is being procured at a cost of Rs. 52 crore including geophysical sensors at a cost of Rs. 20 crore. The geophysical sensors [Gravity, Magnetic, Time-domain EM and Hyperspectral] for the helicopter are being procured from M/s Pico Envirotec Inc., Canada. Purchase order has been placed in March, 2009 and L/C has been opened. The sensors are expected to be installed on the helicopter by December 2009. M/s Pico Envirotec Inc., Canada is imparting training to GSI officers on the sensors at its site at Toronto, Canada from 1<sup>st</sup> August 2009.

- (2) Procurement of Helicopter: A helicopter for the Heliborne survey system has been purchased at a cost of Rs. 32 crores. Dhruv Helicopter bearing Registration number VT-HAU (DS 65) was handed over by HAL to AMSE Wing of GSI Bangalore on 31.03.2009. AMSE wing DDG & HOD requested M/s HAL to keep the helicopter under safe custody and to maintain the helicopter till such time the installation of geophysical sensors, equipment etc. are completed.

3.24 Asked further as to whether GSI has recruited the required manpower and reasons therefor and whether the manpower has affected the working of GSI, the Ministry has given the position regarding the S&T strength which is reproduced as under:—

Grade	Sanctioned				Filled-up			
	Geo- logy	Geo- physics	Chemis- try	Engineer- ing	Geo- logy	Geo- physics	Chemis- try	Enginee- ring
JTS	1304	237	234	38	276	96	70	17
STS	751	118	61	32	570	48	29	24
JAG	314	48	30	13	304	39	30	9
SG	-	26	14	7	-	13	5	3
SAG	30	4	3	3	22	4	2	3
HG	2	-	-	-	2	-	-	-
Total	2401	433	342	93	1174	200	136	56
Grand Total		3269				1566		

3.25 The work of GSI has been affected since much of the basic field-work is required to be done by geologists, geophysicists and drilling engineers. Similarly geochemical mapping work is affected since laboratory work to be done by Chemistry Stream has been adversely

impacted. The following steps are being taken to make good the shortfall—

- (i) Reporting of vacancies to UPSC has been increased. The Ministry has drawn up a perspective plan for recruitment in Group 'A' S&T posts, according to which it is now proposed to report 300 vacancies in a year for Geologists. Similar action is being taken in respect of other S&T streams. It is expected that GSI will achieve the desired level of its S&T strength by the year 2012.
- (ii) GSI is being persuaded to try and outsource some of its activities and also to take persons through contract employment for specific work.
- (iii) Workload is being rationalized in GSI to tide over this period of shortfall.

3.26 During the course of oral evidence, the Secretary, Ministry of Mines submitted that bulk of the expenditure of Geological Survey of India is on modernization and replacement. The Committee were also informed that the poor performance of GSI is because of the difficulties in procurement of equipment that they needed. It was further informed to the Committee that in case of Scientific and Technical Manpower in 2005-06, the in-take of the Ministry of Mines was 75 person per year. Now, they have reached the level of 300 persons per year and thus they hope to fill up about 1500 vacancies by the year 2015. Thereafter, there will be absolutely no question of manpower difficulties.

**3.27 The Committee note that out of the total outlay of Rs. 8404 crore approved for the 11th Five Year Plan for Ministry of Mines, the actual utilisation of fund during 2007-08 and 2008-09 was Rs. 1548.65 crore and 1621.09 crore respectively. Thus, during first two years of the Plan the Ministry could utilize only 38% of the allocated fund. Even at the end of the 2nd quarter of 2009-10 only about 22% of the approved allocation of current year has been utilised. While the fund utilisation by National Aluminium**

**Company Limited (NALCO) in the first year of 11th Plan i.e. 2007-08 was satisfactory, they have failed to utilize the allotted funds during 2008-09. Similarly, out of Rs. 1391 crore allotted for the year 2009-10, NALCO has utilised only about 20% of the fund at the end of the 2nd quarter. They further note that utilisation of funds by Geological Survey of India was far from satisfactory during the year 2008-09. During the first two years of XI Plan, the actual expenditure by Geological Survey of India (GSI) was merely about 25% of the XI Plan outlay and out of allocated Rs. 160.00 crore for the year 2009-10, they could utilise only 24.46% in the first two quarter. The actual utilization of funds should have been more than 40% by this time. The Committee deprecate the under utilisation of allotted fund both by NALCO and GSI. They desire that the precise reasons in this regard need to be identified with a view to taking corrective measures for full utilisation of Plan funds for various schemes/projects during the remaining years of the 11th Plan.**

**3.28 The Committee observe that anticipated expenditure during the year 2009-10 in respect of some of the schemes of Indian Bureau of Mines viz. Inspection of Mines for Scientific and Systematic Mining, Mineral Conservation and Mines Environment, Mineral Beneficiation studies — utilization of low grade and sub-grade ores and analysis of environmental samples and Collection, Processing, Dissemination of data on Mines and Minerals through various publications is not keeping pace with the expenditure of previous two years. Indian Bureau of Mines has embarked upon an ambitious new project viz. Computerized Online Register of Mining Tenements System which would create a single window information sources on mineral resources in the country to make the information available to all concerned. The project which was to be taken up in the very first year of the XI Plan and completed under a time bound programme could not be initiated even in first two years of Plan. The Committee deprecate the fact that no expenditure was incurred in respect of this project during the first two years of the XI Plan. This is nothing but regrettable. The Committee, therefore,**



**desire that this project may be accorded top priority and proactive steps taken to ensure its expeditious completion.**

**3.29 The Committee note that the modernisation of GSI was the main thrust area of 10th Five Year Plan. The Committee are, however, distressed to note that Research Vessel and Heliborne Survey System could not be purchased during 10th Plan as a result of which the modernisation programme of GSI has suffered a serious set-back. The Committee in 24th Report had also expressed their dissatisfaction over the performance of GSI during the 10th Plan. The Committee in their 32nd Report had urged upon the Ministry to facilitate GSI for procurement of Research Vessel and Heliborne Survey System without any further delay. Although, a helicopter for the Heliborne Survey System has been purchased, the sensors are yet to be installed in order to make system functional. The Committee desire that installation of the sensors may be made functional on priority basis. The Committee find it intriguing that the proposal of GSI for procurement of other equipments such as Blue water Research Vessel, Geotechnical vessel with shallow water drilling capability, Fixed Wing Aircraft or Geophysical Surveys and Coastal Geotechnical Vessel is still in the nascent stage even in the midst of 11th Five Year Plan. The Committee are inclined to conclude that advance planning and proper execution for this programme has not been given the attention that it deserved. The Committee strongly recommend that the Ministry needs to swing into action and to facilitate GSI in procurement of these equipments without any further delay.**

**3.30 The Committee note that a High Powered Committee under the Chairmanship of Additional Secretary, Ministry of Mines was set up to thoroughly review the functioning of Geological Survey of India, has since submitted its Report and the same has been accepted in principle by the Ministry. The Committee desire that implementations of the major recommendations of the High Powered Committee particularly those relating to modernisation of**

**GSI should be accorded top priority and precise action taken in this regard be intimated to them.**

**3.31 The Committee have been informed that shortage of staff in GSI is the major obstacle which has affected its working. According to the Ministry there is a shortage of about 1500 Scientific and Technical personnel and various S&T vacant posts are likely to be filled up over a period of 5 years. The Committee recommend that immediate steps should be taken by the Ministry of Mines to fill up the vacancies without compromising the quality as needed within a period of 3 years. The Committee are shocked with the performance of GSI. They are astonished to find that one of the reasons for poor performance of GSI is stated to be delay in procurement of equipments. The Committee recommend that the Ministry of Mines/GSI need to take effective and expeditious steps for procurement of equipments.**

## CHAPTER IV

### INVESTMENT IN PUBLIC SECTOR UNDERTAKINGS

#### (i) NATIONAL ALUMINIUM COMPANY LTD.(NALCO)

The National Aluminium Company Limited (NALCO), an integrated multi-locational Aluminium complex, was incorporated on 7th January, 1981 to implement the Bauxite, Alumina and Aluminium Project in the backward tribal areas in Orissa, in the Public Sector. The outlay is being met from Internal and Extra Budgetary Resources (IEBR). The outlay allotted for the years 2008-09 and 2009-10 is given below:—

(Rs. in crore)

Head of Div.	BE-2008-09			RE 2008-09			BE 2009-10		
	BS	IEBR	Total	BS	IEBR	Total	BS	IEBR	Total
12853	-	1888.00	1888.00	-	1701.00	1701.00	-	1391.00	1391.00

The total plan outlay for NALCO for the year 2008-09 was Rs. 1888.00 crore in BE 2008-09 which has been revised to Rs. 1701.00 crore in RE 2008-09. It has been further reduced to Rs. 1391.00 crore for the year 2009-10.

4.2 The reasons for reduced allocation in RE 2008-09 and in BE 2009-10 as compared to BE 2008-09 are furnished below:—

The RE, BE & Actuals details for 2008-09 and 2009-10 is as under:—

(Rs. in Crores)

Sl. No.	Schemes	2008-09			BE 2009-10
		BE*	RE	Actual	
1	2	3	4	5	6
1.	Schemes aimed at maximizing Benefits (AMRs)	241	175	126	300

1	2	3	4	5	6
2.	II-Phase Expansion	1,600	1,500	1,254	952
3.	Coal Mines - UTKAL-E	30	14	1	54
4.	Green field project	3	4	3	63
5.	Upgradation of Alumina plant	5	3	3	6
6.	Pottangi/Gandhamardan Mines	4	-	-	1
7.	IIIrd-Phase Expansion	5	5	3	15
Total		1,888	1,701	1,391*	1,391

\* Rounded off figures

Major reduction made in 2008-09 is under three expenditure heads, IInd Phase expansion, AMR and Coal Mines and the reasons for the same are:—

**IInd phase expansion** – The second phase expansion activity was at the peak stage during the year BE 2008-09 and as per project schedule. Accordingly, a higher projection was made in comparison to 2009-10. The downward revision was made due to delay in commissioning of the plants, mainly in alumina and power. Moreover, no new project has been envisaged in the year 2009-10. Hence the expenditure projected is scaled down to the achievable level.

**AMRs** – The downward revision was made due to delay in finalisation of major packages and release of payments.

**Pottangi Mines** – As regards, Pottangi bauxite deposit, Ministry of Mines *vide* Gazette Notification dated 27th April, 2007 have reserved the same in favour of NALCO. However, NALCO's application for mining lease is pending with Govt. of Orissa.

**Coal mines** – (UTKAL-E coal block) – delay in land acquisition and environment and other statutory clearances.

4.3 When asked about the details of all on-going schemes/projects of NALCO with the status of implementation and reasons for delay, the Ministry has submitted as under:

**1. 2nd Phase Expansion Of Integrated Complex**

NALCO's proposal for 2nd Phase Expansion was approved by Govt. of India *vide* letter dated 26.10.2004 for total capital outlay of Rs 4091.51 crore with project completion duration of 50 months *i.e.* 25.12.2008. The project cost has now been revised to Rs. 4403 crores, against which, sum of Rs. 2502 crore has been spent in the years 2007-08 and 2008-09. Total expenditure upto July, 2009 is Rs. 3340 crores. As per latest progress of the works, package cost and the obligations for payments, the likely expenditure for remaining three years of plan period, would be around Rs. 1200 crore. Thus expenditure during the 11th plan would be of the order of Rs. 3,702 crore only.

**Present status**

The 1st smelting pot commissioning started in Dec'08 and 50% of the Smelter Expansion Project has already been commissioned by March, 09. As of July'09 further 40 pots have been commissioned. Balance 80 pots are likely to be commissioned by Sept-09.

In the Captive Power plant, out of 02 units envisaged, Unit-IX synchronization with oil support achieved in June'09 and the unit is likely to be commissioned with coal in Aug'09. The Xth Unit is likely to be commissioned by Nov'09. In case of Alumina Refinery, the project is likely to be commissioned by Dec'09.

In the initial phases of project implementation, the constraints were as follows:

- Late appointment of AP for supply of Basic Engg. package for Improvement proposal in Alumina Refinery and Smelter (a delay of 5 months).

- Due to saturated market conditions, the response to various tenders and request for quotations by suppliers was very poor and the bid due dates were extended on many occasions.
- During implementation, the constraints were as follows:
- Poor performance of working agencies and late delivery of equipments has severely affected in achieving the milestones as per schedule.
- Naxalite attack in NALCO Mines in April'09 has a major impact due to fear psychosis amongst supervisors, engineers, labourers & contractors and has contributed to the delay in project completion/commissioning at Mines and Refinery complex.

## **2. Utkal-E Coal Block**

NALCO has been allotted Utkal-E coal block in the Talcher coalfield area by Ministry of Coal *vide* letter dated 27.08.2004. The mineable coal is estimated at 68.67 million tonnes with corresponding overburden of 204.65 million cubic meters. The overall stripping ratio works out to 2.98 cum/t. Mine life works out to 37 years at the target capacity of 2.0 MTPY with build-up and tapering of production in initial and closing years of mining activity.

Considering that the mining operation is to be taken up departmentally, the project cost was estimated at about Rs. 307.66 crore in the 11th Five Year Plan.

### **Reasons for delay**

However, due to various constraints and delays like acquiring land, approval of Mining Lease and Mine Plan, rerouting of railway corridor, forest and environmental clearance, finalizing the site for Rehabilitation colony with the consent of displaced persons of the villagers of Utkal-E Coal Block, etc., the completion of the project has been

delayed and can be ascertained after acquisition of land in NALCO's favour.

### **Present status**

Various activities for environmental clearance, diversion of forest land, approval of mining lease and land acquisition are underway and the details are given as under:

### **Land acquisition**

- 729.48Ha of land has been envisaged in Detailed Feasibility Report (DFR) which consists of private land, non-forest revenue land and forest land. Out of 475 acres of Govt. non forest land, District Administration has sanctioned 125.95 Acres to Company. For the balance land, agency of Govt. of Orissa is scrutinizing the documents as per revised mining plan. Against the recommended area of 142.57 Ha by Industrial Development Corporation of Orissa (IDCO), lease deed for 43.72 Ha of Govt. land was executed between Collector, Angul & IDCO on 8th August, 2008.
- Survey work in villages of mining lease(ML) area U/s 6(1) of Land Acquisition Act, by district authorities started on 24.11.2008. The survey was completed in the village Kasola & Gopinathpur on 23.02.2009. 6(1) notification was published for the villages Nandichod, Gopinathpur Jungle, Kundajhari Jungle and Kosala on 30.05.2009 and 6(1) survey work in Nandalisahi of Korara village started on 13.07.2009.

### **Environmental/Forest clearance**

- The State Pollution Control Board Orissa *vide* letter dated 15.01.2009 has conveyed its consent for production of coal of 20 Lakh MT /year over mine lease hold area. Company made a presentation to Expert Advisory Committee (EAC) of Ministry of Environment & Forests

(MOEF), GoI, New Delhi on 27.11.08 for grant of Environmental Clearance. All the points raised by them were complied and sent to MOEF, GoI *vide* letter dated 03.03.2009 for grant of Environmental Clearance. Environmental clearance from MOEF, GoI is expected in Aug, 2009.

- Under the provisions of Forest conservation Act, 1980, NALCO submitted the proposal for diversion of 228.14 Ha (revised) of forestland to Principal Chief Conservator of Forest Orissa on 29.01.2007. Scrutinisation process is continuing at DFO's office, Angul. On 21.07.2009 DFO, Angul informed that, 329.70Ha degraded forest land in Phuljhari R.F has been identified for compensatory afforestation as required for forest clearance.

#### **Mining lease**

- Revised mining lease application was submitted in August, 08 and approval of Govt. of Orissa is expected by Sept., 2009. Director of Mines forwarded the mining lease (ML) application of Utkal-E Coal Block to Department of Steel and Mines, Orissa, on 19.05.2009. Additional Secretary to Government, Department of Steel and Mines, Orissa, Bhubaneswar has asked some queries which are under scrutiny at Director of Mines, Bhubaneswar.

### **3. Additions, Modifications and Replacements**

The original project was commissioned in 1985-86 / 1986-87 which is around 22 years old. With the aging of the plant, to maintain the capacity at the rated level, additional capital expenditure on additions, modifications and replacements are required. Accordingly, it was projected to spend Rs. 706 crore in the 11th plan on this account. As against the same, sum of Rs. 245 crore has been spent in the years 2007-08 and 2008-09.



#### **4. Upgradation of Alumina Plant**

In early 2004, Aluminium Pechiney (AP) have proposed for incorporation of various improvements/changes in the 2nd Phase expansion of Alumina Refinery, so that the capacity of the 4th stream can go upto 7.00 lakhs TPY instead of 5.25 lakhs TPY based on existing technology. Implementation of Improvement Proposal will also lead to installation of a 5th stream in the Alumina Refinery, giving an ultimate plant capacity of 29.75 lakhs TPY.

NALCO decided to implement the Improvement Proposal in two phases. Accordingly, in the 1st phase the capacity of 4th stream would be 5.25 lakhs TPY which can subsequently expanded upto 7.00 lakhs TPY.

Accordingly, the proposal for augmentation of the capacity of 4th stream to 7.00 lakhs TPY was approved at the cost of Rs. 409 crores. It has been projected to spend Rs. 312 crores in the 11th plan.

##### **Present status**

Engineering Procurement Construction Management(EPCM) Consultant have been engaged for the project and the mechanical completion schedule is March, 2011. Packaging philosophy in project has been finalized. Tendering and ordering activities for major packages are underway.

#### **5. Greenfield Smelter Project Overseas**

As a part of Company's endeavour for diversification and value addition and to maximize the profitability, the company had engaged EIL to explore a greenfield smelter project in the energy rich Middle East Region so as to take advantage of cheap gas to reduce the energy cost of smelter plant and effective utilization of surplus alumina of 1.2 million available after 2nd phase expansion. The project could not materialize because of lack of interest shown by the Middle East authorities. The company has explored alternative locations mainly in Indonesia, South Africa, Iran,

etc. in abroad and also in Western Orissa. The location in Indonesia and Iran for greenfield expansions are under active consideration.

## **6. Pottangi Mines**

The Panchpatmali bauxite deposit will last for about 30 years after 2nd phase expansion of bauxite mines. The capacity of mines after 2nd phase expansion will become 6.3 million tonnes per year (MTPY). Considering the upgradation of the 4th stream capacity to 7.00 lakhs TPY and installing a 5th stream in future, the mines capacity will become 8.925 MTPY and the life will come down to about 21 years at the end of the next year.

Keeping this in view, NALCO has earlier applied for Mining lease over Pottangi bauxite deposit, which had been agreed by Government of Orissa in principle. It had been planned to develop this mine gradually in the (11th & 12th Five Year Plan) at an estimated investment of about Rs. 400 crore. It was projected to spend Rs. 256 crore in the 11th plan. In view of the delay in obtaining Pottangi mining lease, it is anticipated that the company may not be able to spend the entire projected plan outlay.

### **Present status**

The application for forwarding of recommendation for allotment of mining lease in favour of Company to Ministry of Mines, Govt. of India, is pending with Govt. of Orissa. The matter is being pursued with the Government of Orissa regularly.

## **7. 3rd Phase Expansion**

After completion of the IInd phase of expansion of the capacities at existing locations in 2008-09, it has been planned to start the IIIrd phase of expansion from the year 2009-10, with a view to make optimum use of resources available at the existing locations mainly, the land and the mineral reserves. It is estimated that a sum of Rs. 165 crore may

be spent for this project during the plan period which was not envisaged at time plan preparation.

**Present status**

Rio Tinto Alcan has been engaged for laboratory test for ascertaining the suitability of the bauxite for medium pressure digestion technology or other advanced technology for the proposed new stream of refinery. The laboratory test reports are expected from Rio Tinto in August, 2009.

M/s. TCE Consulting Engineers Limited(TCE) have been engaged as consultants for preparation of DPR for two more units of power plant. The draft DPR for two Units have already been submitted. TCE consultancy has proposed installation of 2 more units of capacity 250 MW each.

In the meanwhile, pre-feasibility report for 5th potline of Smelter having capacity 1.8 lakh MTPA based on latest technology of RTA (AP-37) is under preparation, in the Company.”

4.4 When enquired about the physical and financial targets set out during each of the last two years and achievements thereof along with reasons for shortfall, the Ministry in written reply has stated as under:—

**1. Physical target**

Production	UOM	Physical targets and achievement (in Metric Tonnes)			
		2007-08		2008-09	
		Target	Actual	Target	Actual
Bauxite	MT	48,00,000	46,84,684	49,25,000	47,00,027
Alumina Hydrate	MT	15,75,000	15,75,500	16,20,000	15,76,500
Power (MU)	MU	5,864	5,609	5,726	5541
Metal	MT	3,48,241	3,60,457	3,59,000	3,61,262

**(i) Bauxite**

The company has achieved targeted production for all the major products, except the few for which the reasons are furnished as under:—

- During the year 2007-08, due to major breakdown at the cable belt carrying the bauxite from mines the transportation of bauxite was short by 1.16 lakh tonnes.
- During 2008-09, the bauxite target of 49.25 lakh tonnes was inclusive of the additional output of 1.25 lakh tonnes from IInd phase expansion. The target of IInd phase expansion could not be achieved due to overall shifting of the commissioning of the IInd phase expansion from plan year 2008-09 to 2009-10. The marginal fall of production of bauxite 1.0 lakh tonne from the existing capacity is due to the planned overhaul of the Cable belt at the Mines.

**(ii) Alumina Hydrate**

- During 2008-09, the alumina hydrate target of 16.20 lakhs was inclusive of the additional output of 0.45 lakh tonne from IInd phase expansion. The target of IInd phase expansion could not be achieved due to overall shifting of the commissioning of the IInd phase expansion to Sep.-09.

**(iii) Power**

- The company witnessed acute shortage of supply of coal by MCL to feed its CPP during the year 2007-08 and 2008-09. Despite feeding CPP by procuring coal from other sources such as e-procurement of coal and importing sources, the shortage persisted. It has a direct bearing on the production and resulted in shortfall of 5% to 4% respectively from target production during the above two years.

## 2. Financial target

(Rs. in crore)

Sl. No.	Name of the Scheme/ programme	Plan outlay 07-08	Actual 07-08	Plan outlay 08-09	Actual 08-09
1.	Addition & modification replacements	125	119	241	126
2.	2nd Phase Expansion	1,000	1,248	1,600	1,254
3.	Utkal E Coal	30	2	30	1
4.	Green Field Projects and other expansion plans	1	-	3	3
5.	Upgradation of Alumina Plant	1	-	5	3
6.	Pottangi Bauxite Mine	1	-	4	-
7.	IIIrd Phase Expansion	0	0	5	3
Total		1,158	1,368*	1,888	1,391*

\*Rounded off figures

As it can be observed, the company has spent more than plan outlay during the year 2007-08. However, for 2008-09 the expenditure could be achieved upto 74% only of the plan, due to the following reasons:

1. Shifting of the commissioning of the IInd phase project to Sep-09 instead of the originally planned Dec-08. Due to the shifting, majority of the payments, mainly those related to the commissioning as well as post commissioning were postponed by one year.
2. Due to delay in finalization of major packages in Additions, Modifications & Replacements (AMR), several packages related to major replacements was finalized late and the phasing of payments related to them are accordingly delayed beyond the plan year."

4.5 To a query regarding the reasons for increasing the revised amount from Rs. 4091.51 crore to Rs. 4403.00 crore for IInd Phase expansion programme and when the programme is expected to be completed and whether there would be further time and cost overrun, the Ministry in its reply has stated as under:—

“The approved project cost of 2nd phase expansion at Rs. 4092 crore was based on July, 2003 price level. The revised estimated cost of the project at Rs. 4403 crore is based on November, 2008 price level. It may please be noted that, the revision is mostly due to price escalation (due to increase in WPI), increase in statutory levies, and exchange rate variations besides minor change in scope.

The commissioning of 2nd phase expansion has started since October, 2008 with boiler light up of unit – IX of CPP and the unit was synchronized with grid in June, 2009. The unit will start commercial production from August, 2009. Similarly, the unit – X is likely to be commissioned in November, 2009. Further, the 1st pot of smelter was started in December, 2008. As of 15th August, 2009, 160 pots out of total 240 pots of smelter have been taken into service. It is expected that all the pots will be commissioned by September, 2009.”

4.6 As regards mines & refinery expansion, the overall progress as of July, 2009 is 93%. The commissioning is expected to be over by December, 2009. The recent Naxalite attack at mines unit in April, 2009 has affected the commissioning schedule partly. Efforts have been made to arrest the delay.

4.7 Asked to state as to how much expenditure has been incurred for 2nd phase expansion programme so far, the Ministry in their written reply furnished the following:—

As of July, 2009, the Company has incurred expenditure of Rs. 3,340 crore. In addition to this, there would be saving as compared to provisions, of around Rs 200 crore on account of interest, margin money and major portion of contingency money provided in project cost.

**Year-wise expenditure is provided here under:**

(Rs. in crores)

Sl. No.	Name of the Scheme/ Project/ Programme	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 Upto Jul-09	Total
1.	Refinery	-	38.55	201.25	377.09	408.43	51.32	1,076.64
2.	Smelter	3.39	30.64	179.35	471.90	563.17	52.23	1,300.68
3.	CPP	-	60.68	187.01	398.57	282.83	33.63	962.72
Total for expansion		3.39	129.87	567.61	1,247.56	1,254.43	137.18	3,340.04

4.8 When the Committee desired to be apprised about the latest progress made in the implementation of second phase expansion programme, the Ministry in their written reply furnished as under:—

**Overall Physical Progress:**

(in %)

Sl. No.	Project Segment	Cumulative Upto July' 09	
		Schedule	Actual
1.	Mines & Alumina	100	93.0
2.	Smelter	100	97.4
3.	CPP	100	94.1

4.9 When asked whether NALCO is facing any constraints in implementing the expansion programme, the Ministry in their written reply has stated that in the initial phases of project implementation, the constraints were as follows:

- Late appointment of AP (the technology supplier) for supply of basic engineering package for improvement proposal in alumina refinery and smelter (a delay of 5 months).

- Due to saturated market conditions, the response to various tenders and request for quotations by suppliers was very poor during 2006 to 2008 and the bid due dates were extended on many occasions.

During implementation, the constraints were as follows:

- Poor performance of working agencies and late delivery of equipments has severely affected in achieving the milestones as per schedule.
- Naxalite attack in NALCO mines in April, 2009 has a major impact due to fear psychosis amongst supervisors, engineers, labourers & contractors and has contributed to the delay in project completion/ commissioning at mines and refinery complex.

For the ongoing 2nd phase expansion, the following recovery plan has been chalked out to arrest any further delay:

- Formation of NALCO / EIL / MECON task force.
- Vigorous expediting on delivery of EQPT / materials.
- 2-shift work at construction sites.
- Air lifting of critical components.
- Visits to manufacturer's workshop for expediting critical items.
- Frequent site visits by consultant's specialist.
- Close monitoring / chase up of items in transit.
- Review & follow up of critical packages to ensure timely completion.
- Measures for instilling confidence in contract labour after naxal attack in April 09".

4.10 When asked whether any new and emerging global technology is being adopted for the expansion programme, the Ministry in their written reply submitted as under:—

"The AP-18 technology of erstwhile Aluminium Pechiney, France



(now RTA) with some improvement proposal (High Dense Phase System) is being implemented for aluminium smelter.

The existing Atmospheric Pressure Digestion Technology with some technological upgradation developed by M/s Aluminium Pechiney (like High Rate Decanter/Deep Cone Washer) is being implemented in alumina refinery plant.

For captive power plant, BHEL is the main supplier for boiler and turbines.”

4.11 The Ministry in its action taken statement dated 13.07.2009 has informed that the Ministry of Mines has been impressing upon the State Government from time to time for allotment of Pottangi bauxite deposits in favour of NALCO. However, the issue remains pending with State Government. Despite the efforts taken by the Ministry of Mines, the clearance is yet to be received.

4.12 When asked as to how the Ministry of Mines is going to address this issue seriously as non-availability of mines is affecting the performance of NALCO, the Ministry has submitted as under:—

“The Ministry of Mines has been making earnest efforts in getting the recommendation of the State Government of Orissa for mining lease in respect of Pottangi bauxite deposits. The then Secretary (Mines) had met Chief Secretary as well as Chief Minister, Government of Orissa in November, 2008 and requested the State Government for expediting the matter. Subsequently, Minister (Mines) had also taken up the matter with Chief Minister of Orissa *vide* his D.O. letter dated 30.6.2009. Thereafter, Secretary (Mines) also wrote to Chief Secretary, Government of Orissa on 28.7.2009 to expedite decision of the State Government on the issue. Regular follow up is being done for getting the requisite recommendation as early as possible.”

4.13 When asked as to what alternate action has been taken by NALCO to secure bauxite raw material, the Ministry has stated that “the present bauxite stock at Panchpatmali will cater to NALCO’s requirement till year 2027. With Pottangi deposit, the bauxite requirement can be met upto 2037 with the expansions envisaged. Besides, NALCO have applied to State Government for ML over Gandhamardan bauxite

deposit. In the meanwhile, Govt. of AP has recommended the mining lease proposal at Gudem & KR Konda having deposit of 80 million tonnes in favour of NALCO to Govt. of India for a green field alumina refinery in the State.”

### **Greenfield Projects**

4.14 A sum of Rs. 63.00 crore has been provided for the year 2009-10 to set up Greenfield projects in India and overseas.

4.15 Responding to a query of the Committee about the allocated amount for each of the Greenfield Project and utilization with reasons for shortfall and the sufficiency of funds earmarked for the year 2009-10 and the current status of the above projects, the Ministry has furnished the following information:—

(Rs. in crores)		
Sl. No.	Project	Amount
1.	Aluminium Park	10.00
2.	Andhra Mines & Refinery	2.00
3.	Calcined lime Project	0.50
4.	CT Pitch	2.00
5.	Indonesia -Smelter and CPP	17.00
6.	IPP in India	0.70
7.	Iran – Smelter and CPP	2.00
8.	Jharsuguda, Smelter & CPP	21.38
9.	Prospective Mines	5.00
10.	Speciality Alumina	2.00
11.	Wind Farm	0.30
<b>Total</b>		<b>63.00*</b>

\*Rounded off figures.

The funds earmarked in 2009-10 for the above projects are sufficient to meet the expenditure.

## **Greenfield Projects:**

### **(A) Overseas**

#### **i. Indonesia**

The company is planning to set up 5 lakh TPY smelter plant and 1250MW coal based power plant in Indonesia in Joint Venture with majority ownership of NALCO.

#### **Present status**

MOU between NALCO and Govt. of South Sumatra was signed on 11th Jan'08. M.N. Dastur & Co., the consultants have submitted feasibility report in Oct, 08. Investment proposal under the name 'NALCO INTERNATIONAL' has been duly approved by the Indonesian Investment Coordination Board (BKPM) on 25.09.2008. Legally non-binding MoU signed with Rak Minerals & Metals Investments(RMMI) in Dec'08 for 24% stake in smelter and power plant. RMMI has proposal to build port and railway line in South Sumatra in next 3 years. Geological and Geo-electrical drilling in coal reserve of "PT Nusantra" is completed and core borehole drilling is expected shortly. Alternate location is under evaluation.

#### **Budget allocation**

A sum of Rs.17 crores has been provided in the BE 2009-10.

#### **Reasons for shortfall**

Delay in development of infrastructural facilities such as port, railways and river navigation by Govt. of Indonesia.

#### **ii. Iran**

The company is planning to set up 1.55 lakh TPY Smelter in first phase and another pot line of same capacity together

with gas based power plant in second phase in Iran, under JV with Kerman Development Organisation(KDO) Group.

**Present status**

ALPHA, Iran (in which KDO as the major partner) has been allotted land in Ahmedabad in Kerman province suitable for a 3.1 lakh TPY smelter plant. Power is likely to be available at low cost for first phase. MOU with KDO was signed on 31st March 08. Detailed Feasibility Report as well as due diligence reports prepared by consultant are available. Discussions are continuing with KDO for compliance to the issues raised in the due diligence report.

**Budget allocation**

A sum of Rs.2 crores has been provided in the BE of 2009-10.

**Reasons for shortfall**

Progress on the project has been slow due to the prevalent global financial situation and continued sanctions against Iran. Progress has also been affected due to KDO not accepting the need for renewal of certain agreements with and permissions from the Govt. of Iran bodies.

**(B) Domestic**

**I. Smelter and Power plant near Jharsuguda (Orissa)**

The company is planning to set up 5 lakh TPY smelter plant and 1260 MW coal based power plant near Jharsuguda.

**Present status**

Pre-feasibility report received from EIL and site location identified near Brajaraj Nagar. State Govt. has approved company's proposal with certain conditions. Water allotment is awaited from State Govt. Preparation of DPR would be taken up after finalization of project location.

Application for long term coal linkage for 7.5 MTPY coal has been submitted to Ministry of Coal in December, 2007. On receipt of allotment of water from State Government, this application for linkage would be considered by Ministry of Coal. DPR and environment impact study would be carried out in 2009-10. The procurement of land is also expected to start in 2009-10.

#### **Budget allocation**

A sum of Rs.21.38 crore has been provided in BE 2009-10.

#### **Reasons for shortfall**

State Govt. is carrying out the environmental impact study of the area on the basis of which location of the project would be finalized. State Govt. is yet to allot water for the project and hence the delay.

## **II. Mine and refinery in Andhra Pradesh**

The company is planning to start bauxite mining in Andhra Pradesh to explore 42 lakh TPY of bauxite and to set up alumina refinery of 14 lakhs TPY.

#### **Present status**

Mining lease applications for Gudem and KR Konda deposits was submitted in November, 2007. Draft MOU has been sent to Govt. of AP and Andhra Pradesh Mineral Development Corporation (APMDC). Final investment decision would be taken after detailed exploration. Mineral Exploration Corporation of India (MECL) has been retained for detailed exploration and formal work order has been placed. Clearance for exploratory drilling of KR Konda-I by MECL is under consideration of PCCF, Govt. of AP. Govt. of AP has recommended the ML application of Gudem and KR Konda blocks to MoM, GoI for prior approval of GoI under sections-5 & 6 of M.M. (D&R) Act, 1957 in the first week of July, 2009. PFR for the project has been submitted by the consultant.

### **Budget allocation**

To meet expenditure on detailed drilling, and other studies, a sum of Rs.2 crore has been provided in BE 2009-10.

### **Reasons for shortfall**

Delay in obtaining forest clearance from Govt. of AP to start exploratory drilling of KR Konda-I.

## **III. Wind Farm**

The Company is planning to set up Wind Farm in high wind potential states with a capacity of 50 MW.

### **Present Status**

Power Engineering Consultants have been appointed for preparation Detailed Feasibility Report (DFR). Final report has been submitted by the consultant.

### **Budget allocation**

A sum of Rs.0.30 crore has been provided in BE 2009-10.

## **IV. Upstream & Downstream Projects:**

### **(i) Aluminium park**

Board has approved setting up an Aluminium Park at Angul in JV with IDCO (state Govt. PSU) at a capital cost of Rs.75 crore subject to certain conditions. The Aluminium Park is mainly meant for ancillary and down stream units of CT pitch, aluminium fluoride, aluminium casting, alloys and extrusion, aluminium conductor, aluminium slugs and circles.

### **Budget allocation**

A sum of Rs.10 crore has been provided in BE 2009-10, for contribution in the JV.

### **Reasons for shortfall**

MOU is yet to be finalized by IDCO.

**(ii) Aluminium Alloy manufacturing plant**

The company exploring possibility of setting up of an Aluminium Alloy manufacturing plant utilizing scrap aluminium route as it is significantly less energy intensive.

**Present Status**

A consultant has been appointed to prepare the Techno-Economic Feasibility Report (TEFR) for the project. Draft report submitted by the consultant is under study.

**Budget allocation**

Considering the progress made, a sum of Rs. 0.3 crores has been proposed in BE 2009-10.

**V. Other Miscellaneous project**

For business growth, to scout for new mines and studies, a lumpsum provision of Rs.0.5 crores has been made.”

**4.16 NALCO is stated to be facing constraints in implementation of 2<sup>nd</sup> phase of expansion due to late appointment of the technical supplier for supply of basic engineering, package for improvement in Alumina Refinery & Smelter, poor performance of working agencies, late delivery of equipments and naxalite menace. The Committee are of the view that reasons furnished by the Ministry/ NALCO for delay in implementation of 2<sup>nd</sup> phase expansion are not unforeseen and unavoidable. NALCO have failed to take pre-emptive action to remove such constraints which have adversely affected the expansion plan which clearly shows lack of farsightedness on their part. The Committee, therefore, desire that necessary measures atleast now may be taken to remove these bottlenecks.**

**4.17 The Committee note that NALCO has been facing problems of land acquisition and various clearances from different authorities for developing of Pottangi bauxite mine and Utkal coal Block even after lapse of 5 years of allotment. The Committee in their 24th Report had urged upon the Ministry of Mines for speedy**

**disposal of such clearance. The Committee are constrained to observe that no significant progress has been made in this regard. Early development of above projects is significant in view of the ongoing expansion plan of the company. The Ministry of Mines, should therefore, take up this matter at highest level with the Government of Orissa so as to ensure the timely completion of the projects. The Committee, also desire that in order to solve issues related to land acquisition, NALCO should come up with attractive compensation packages and proper implementation of R&R policy so that grievances of project affected persons are addressed.**

**4.18 The Committee note that NALCO have proposed 3<sup>rd</sup> phase expansion project from the year 2009-10 with a view to make optimum use of resources. However, given the pace of progress of 2<sup>nd</sup> phase expansion programme, the Committee are doubtful about the success and time bound completion of 3<sup>rd</sup> phase expansion programme unless the problems/constraints being experienced by NALCO for the ongoing expansion plan are tackled expeditiously in right perspective.**

**4.19 The Committee have been given to understand that NALCO have earmarked Rs. 63.00 crore for 2009-10 to set up Greenfield projects in India and overseas. The NALCO has been initiating joint ventures projects in countries like Indonesia, Iran, South Africa and Saudi Arabia. The setting up of green field projects by NALCO in India and abroad is stated to be a step in right direction for diversification and profitability. However, according to NALCO delay in development of infrastructure such as port, railways and river navigation and availability of power in the respective countries, its overseas projects have been hampered. The Committee would like the Ministry to take up these issues with concerned authorities and respective countries on behalf of NALCO.**

**(ii) MINERAL EXPLORATION CORPORATION LTD. (MECL)**

4.20 MECL is the premier exploration agency in the country and carry out its 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 on agreed terms and conditions.



4.21 The financial outlay for MECL for the year 2008-09 was Rs. 12.00 crore in BE reduced at RE stage to Rs. 9.00 crore. A provision of Rs. 10.00 crore has been made for the year 2009-10.

4.22 Replying to a query regarding the reasons for reduction made in RE 2008-09, the Ministry has stated that “during 2008-09, a provision of Rs. 12 crores was made in the Ministry Plan Budget for MECL for promotional projects. This amount is released to MECL as grant after sanction of individual projects. During the course of this year, sufficient projects were not received for consideration/sanction by the Ministry of Mines. The reasons generally cited were:—

- (i) Most of the freehold areas having potential for detailed exploration have already been applied for by private companies.
- (ii) The mineral bearing areas are located in forests or in many cases, in difficult areas from the point of view of law and order, insurgency, etc. Due to such limitations, the budget outlay of Rs.12 crores was scaled down to Rs. 9 crores in the Revised Estimates.

For the year 2009-10, a provision of Rs. 10 crores has been sanctioned in the Ministry’s Budget for promotional projects of MECL. It is expected that by diversifying into new areas like platinum group of elements (PGE) concentrating on scarce minerals like rock phosphate and potash and also by taking up projects in the North-East, this amount of Rs. 10 crores will be fully utilized during 2009-10.”

4.23 When the Committee enquired about the amount spent for the year 2008-09 and the reasons for underutilization, the Ministry has stated as under:

“The total amount spent on promotional exploration by MECL during 2008-09 is Rs. 8.69 crore. The less utilization is on account of non commencement of scheme for dolomite at Rupa in Arunachal Pradesh for want of forest clearance and delayed commencement of Jiajuri glass sand project in Assam on account of delayed forest entry permission. In addition, the detailed exploration on already approved schemes namely ; Ghatkuri East,

Jharkhand, Timranmata Gold and Dholamala Copper, Rajasthan and Maruda Gold, Kerala could not be commenced due to want of forest clearance. The forest clearance is also being obtained for the area falling within the forest at Bhukia (East), Rajasthan, where the exploration is suspended. These schemes were approved in different SCPP and are still pending for want of forest permission since long. This Ministry has taken up the matter for necessary forest clearances in respect of these exploration projects of MECL with the concerned State Govt./ Forest Department. MECL is also vigorously pursuing the proposals and every effort will be done to get these forest clearances at the earliest."

4.24 When asked about the sufficiency of fund earmarked for the year 2009-10 for promotional activities and the new schemes to be taken up during the year 2009-10 owing to the increased allocation, the Ministry has submitted that a sum of Rs. 10 crores has been earmarked for MECL for 2009-10 which is expected to be utilized and in case of additional requirement, it will be considered for additional allocation at RE stage.

4.25 The Ministry has further stated that the exploration on approved schemes for iron ore at Ghatkuri East, Jharkhand, for gold at Timran Mata, Rajasthan and Maruda, Kerala and for copper at Dholamala, Rajasthan could not commence for want of forest clearance. MECL has applied to the respective State Government for forest clearances. The desired additional details have also been provided. This Ministry also followed up the matter and requested the concerned State Governments to expedite the same and accordingly the matter was speeded up and presently the matter is pending with MoEF. MECL is pursuing the matter with respective offices of MoEF for grant of forest permission. This Ministry has also taken up the matter for necessary forest clearances in respect of these exploration projects of MECL with the concerned Forest Deptt.

4.26 When asked about projects sanctioned during 2008-09 and 2009-10 have been completed and how many projects could not be completed which were scheduled to be commissioned, the Ministry has furnished the details of project *vis-à-vis* their status as under:

Sl. No.	Name of project	Mineral	Date of sanction	Status
<b>2008-09</b>				
1.	Rewara Rajasthan	Lead-Zinc	18th SCPP 4-7-08	Physical work completed GR in progress
2.	Parasi Ph-II Jharkhand	Gold	19th SCPP 10-9-08	Physical work completed GR in progress
3.	Ganeshpura Rajasthan	Lead-zinc	19th SCPP 10-9-08	Physical work completed GR in progress
4.	Jiajuri Ph-II Assam	Glass sand	19th SCPP 10-9-08	Physical work in progress
5.	Bajta North Rajasthan	Copper & Gold	19th SCPP 10-9-08	Physical work completed GR in progress
6.	Rupa Arunachal Pradesh	Dolomite	19th SCPP 10-9-08	Work could not commence for want of forest clearance.
7.	Wari Rajasthan	Copper	20th SCPP 16-1-09	Commenced during 2009-10
8.	Dhol-ki-Patti Rajasthan	Rock phosphate	20th SCPP 16-1-09	Commenced during 2009-10
<b>2009-10</b>				
9.	Western part of Tongnub south east sub block Meghalaya	Limestone	21st SCPP 4-8-09	Under process

**4.27 The Mineral Exploration Corporation Ltd. (MECL) is the sole agency for exploration promoted work for coal, lignite and metallic/non-metallic minerals on behalf and funded by Government of**

**India and also undertake contractual work on behalf of other agencies including Public Sector, Private Sector and State Governments. According to the Ministry, inordinate delay in obtaining forest clearances in respect of project viz., Jiajuri, Ghatkuri East, Timaran Mata, Maruda, Dholamala etc. has not only been affecting physical and financial performance of MECL but also depriving it from becoming self sustaining company. In case of some projects, insurgency and other law and order problems are affecting the performance of the company. Forest clearances in respect of above mentioned projects are still pending despite the recommendations of the Committee in their earlier Reports that the Ministry of Mines should expedite obtaining of forest clearance. Obviously the Ministry has not given due consideration to their earlier recommendations. The Committee, therefore, reiterate that Ministry of Mines should take up the matter with respective State Governments and Ministry of Environment and Forests for the expeditious grant of forest clearances for the above mentioned projects to ensure their timely completion. As regards law and order problem, the Committee urge upon the Ministry of Mines/MECL to approach the concerned State police authorities to ensure safe working environment. The Committee would like to be informed of the action taken in the matter.**

**(iii) HINDUSTAN COPPER LTD. (HCL)**

4.28 The Hindustan Copper Ltd. (HCL) a Government of India enterprise and the nation's only producer of primary copper from indigenous resources was incorporated in the Public Sector on 9th November, 1967. It was conferred Mini-Ratna category-I status in July, 2008. The major activities of HCL are exploration, mining, beneficiation, smelting, refining and casting of finished copper metal into saleable products. HCL produces primary copper in the form of cathode/wire rod. Apart from copper, HCL also produces various by-products like Anode Slime and Sulphuric acid.

4.29 The Company has been provided a plan outlay of Rs. 40.00 crore in 2009-10 for Replacement and Renewal (R&R) of equipments which has to be entirely funded out of own internal resource generation.

4.30 When asked about the sufficiency of fund earmarked for the year 2009-10 for R&R schemes, the Ministry replied as under:—

“The demands from the units for R&R funds for the year 2009-10 are much higher than the budgeted provision of Rs. 40.00 crore. However, in view of the present financial crunch, allocation of higher amount would be difficult. After ascertaining the minimum requirements of funds and the availability of the same, the actual R&R requirement 2009-10 would be projected in the RE 2009-10.”

4.31 As regards the physical and financial targets during the last two years and achievement thereon together with reasons for variations, the information furnished by the Ministry is reproduced as under:—

**(a) Physical Performance:**

“The actual production of metal-in-concentrate (MIC) and Copper Cathode *vis-à-vis* targets set during the years 2007-08 and 2008-09 are as under:

Particulars	Unit	2007-08		2008-09	
		Target	Actual	Target	Actual
Metal in Concentrate	Tonne	31000	31378	37200	27589
Copper Cathode	Tonne	40000	44734	45000	30035
CC ROD	Tonne	37800	58223	54000	51777

HCL exceeded the set targets during the year 2007-08. During 2008-09, MIC target was not achieved as ore of proper grade and tonnage was not available at Malanjkhand Copper Project (MCP) as per planned rock matrix. As MCP unit contributes more than 62% of MIC production, lower production of ore at MCP (both tonnage and grade) affected MIC production.

During the third quarter of 08-09, there was drastic fall in LME price of copper. Along with the unfavourable treatment

and refining charges (TC & RC) of imported concentrate, importation of concentrate for running the Khetri smelter was not viable. Hence HCL took a decision to close the Khetri smelter and only run the smelter at its Ghatsila unit and sale of surplus concentrate. As Khetri smelter was closed from 8.12.2008, cathode production was lower than the target.

**(b) Financial Performance:**

The actual financial performance *vis-à-vis* targets set during the years 2007-08 and 2008-09 (Estimated) are given hereunder:

Particulars	Unit	2007-08		2008-09 (Estimated)	
		Target	Actual	Target	Actual
Turnover	Rs. crore	1316.99	1839.79	1491	1354.60
Gross Margin	Rs. crore	232.72	392.90	275	36.33
Net Profit before Tax	Rs. crore	187.89	302.50	234.81	5.54

The downfall in financial performance for the year 2008-09 over 2007-08 and 2008-09 targets is mainly due to the drop in LME price of copper during 08-09 (US\$ 5864) compared to (US\$ 7584) 07-08 along with lower production of MIC in 08-09. The company has put up a target of MIC and Cathode production at 35,000 MT and 18,500 MT respectively in the draft MOU 2009-10 as against 37,200 MT of MIC and 45,000 Cathode production targets for 2008-09.

4.32 When enquired about the impact of lowering of production target in 2009-10, due to temporary shutdown of KCC smelter, on its financial performance, the Ministry has informed the Committee that –

“During 2009-10, the target of MIC and cathode production was fixed at 35000 MT and 18500 MT respectively. With LME of US\$ 3800 and exchange rate of US\$= Rs. 48, the projected profit is Rs. 11.66 crore before tax.

In case of 35000 MT MIC production and 45000 MT cathode production with KCC smelter in operation, (with same LME and exchange rate as above), the financial performance works out to a loss of Rs 41.34 crore. The adverse impact is mainly due to import of concentrate (to make up the additional concentrate feed requirement over the production of 35000 MT own concentrate) for producing 45000 MT of cathode.”

4.33 As regards the details of the installed capacity of units of HCL and their actual utilization during the last two years and the steps taken to improve the same, the Ministry has submitted as under:—

Unit	Capacity / annum
MCP	Ore Production 20 Lakh MT
KCC	Ore Production 10 Lakh MT
KCC	Copper Cathode 31000 MT
ICC	Copper Cathode 18500 MT
TCP	Copper Wirerod 60000 MT

**Actual Achievement:**

Particulars	2007-08		2008-09	
	Production	% Utilisation	Production	% Utilisation
MCP – Ore (Lakh MT)	21.93	110	16.04	80
KCC – Ore (Lakh MT)	10.03	100	10.51	105
KCC – Cathode (MT)	27886	90	21758	70
ICC – Cathode (MT)	16848	102*	8277	45
TCP – Wirerod (MT)	58223	97	51777	86

\*ICC capacity from 16500 MT per annum cathode has been increased to 18500 MT per annum from second half of 2008-09.

**Reasons for low utilization of the installed capacity:**

MCP capacity utilization was low during 2008-09 due to non-availability of ore in required tonnage and grade as per rock matrix. Cathode production at KCC was low in 2007-08 due to shutdown/repair works at the smelter. In 2008-09, Khetri smelter was under temporary closure from 08/12/2008 on economic consideration which affected cathode production. During 2008-09, ICC smelter was under shutdown for technological upgradation which reduced capacity utilization. Capacity utilization at TCP is dependent on the availability of raw material, i.e., Cathode (both from internal production and from outside for tolling).

**Steps taken to improve capacity utilization:**

Company has taken various steps to increase the capacity utilization of both its mines and plants. Mining has been considered as the key area. A reputed overseas mining consultant was appointed for advising ways to increase the production from the existing mines as well as for opening of new mines. Short terms recommendations of the consultant for increasing mine production have been implemented. Company has also introduced 24x7 day working in all the mines to increase production. To augment the strength of the existing mining equipment, high capacity loading and hauling equipment have been provided through contractual agency to increase production from Kolihan mine at its Khetri unit.

Long term development contracts for 42,000 metre development at the mines of Khetri and Kolihan have been issued and the contractors have mobilized at site. For increasing the life of open cast mine at MCP as well for increasing the production capacity of the MCP mine from present 2 million tonnes to 3 million tonnes, appointment of contractual agency for excavation of 320 lakh cubic metre over five years , is under finalization.

HCL has completed technological upgradation of its ICC smelter for improvement of operating efficiency/capacity utilization.



Similar action for its KCC smelter is under planning stage to have technological upgradation along with higher campaign life of the smelter to increase capacity utilization. However in view of the present financial condition, the scheme has been deferred.”

4.34 When asked as to whether HCL is facing any problem regarding availability of raw material? If so, the remedial measure proposed in this regard, the Ministry stated as under:—

“Copper concentrate is the raw material for production of Copper Cathode. Presently around 70% of the requirement is sourced from HCL’s own mines and the balance is imported. The availability and the price of the concentrate depend on the international demand-supply position and other market dynamics. HCL’s procurement plan gets affected due to shortage of concentrate in the market and/or the high price of concentrate.

Company has initiated various measures to increase its own mine production (both from the existing mines and from new mines which are being planned) so that self-sufficiency is achieved for feeding its smelters. Along with higher capacity utilization of the smelter, it would improve the bottom line also due to much lower cost of own concentrate.

Presently, company’s smelter at KCC has been stopped from 08/12/2008 on economic consideration along with stoppage of import of concentrate. The balance production of own concentrate is being sold in the market after meeting the requirements of the operating smelter at ICC, Ghatshila.”

4.35 Responding to a query regarding the details of feasibility of re-opening some of the closed mines of HCL and the present status thereof, the Ministry has furnished the following information:—

“HCL had to close all the mines in the eastern sector (ICC) due to economic reasons. The mine at Surda was, however, kept in an operating condition. This mine has been revived during 2007-08 with the help of an international mining company. Production

of concentrate has started. During 2008-09, Surda mine produced 2692 MT of MIC (Metal-in-concentrate).

HCL has applied for fresh leases for the remaining closed mines. Further actions regarding opening of the mines will be initiated on receipt of leases for which company is following up the concerned State Government authorities.

Lease clearance of Kendadih and Rakha Mines from State Government of Jharkhand is in final stage. Global tender for restarting of operation at Kendadih mine has been issued on 10<sup>th</sup> July '09 which shall be opened on 24<sup>th</sup> August 2009."

**4.36 The Committee note that Hindustan Copper Limited (HCL) was able to post a profit of Rs. 246.46 crore in the year 2007-08 as a result of various proactive steps taken earlier to improve the performance. However, the financial performance of the company during 2008-09 has been miserable. The reasons adduced by the Ministry for such poor show are stated to be fall in LME price and reduction in metal in concentrate output due to low grade of Malanjkhand Copper Project. Consequently, operation in some of the mines had to be closed. The company is reported to have taken various measures including appointment of oversea mining consultant for advising to increase the production from the existing mines as well as for opening of new mines. The Committee however, feel such steps if taken earlier would not have affected the performance of the Company in the year 2008-09 so badly. Incidentally HCL faired very poorly in the year 2008 when it was conferred Mini Ratna Category-I status. The Committee hope that with the fresh measures now being taken by HCL, the performance of the company will improve.**

**4.37 The Committee hardly need to emphasise that availability of sufficient raw material is imperative for HCL for its sustenance and would therefore desire the Ministry to facilitate the early allotment of fresh mining leases to HCL pending with State Governments by removing all the procedural bottlenecks. The Committee would**

**also like the Ministry/HCL to prepare an action plan to reopen the closed mines.**

**4.38 Though a provision of Rs. 40 crore has been made for replacement and renewal of existing plant and machinery for maximum utilization and for planning enhanced production in future, the requirement of HCL for R&R funds for the year 2009-10 is reported to be much higher than the present allocation. The Committee, desire that Ministry should consider the request for additional funds at RE stage based on sufficient justification given by HCL.**

**(iv) Illegal Mining**

4.39 During the course of oral evidence, when the Committee enquired about the growing menace of illegal mining which is continuing unabated, the Secretary, Ministry of Mines responded that illegal mining is going on in the country particularly in Orissa, Bellary in Karnataka, Jharkhand and Chhattisgarh. The Committee were further informed that the Ministry of Mines took up the issue with the Law Department. The Ministry of Law, however, informed the Ministry of Mines that the Constitution does not allow them to enter into prerogative of the State. It was brought to the notice of the Committee that as per the Constitution, the mineral wealth except coal and atomic minerals belongs to the State. As such the national Government prepares the policy frame work in which mineral sector is to be regulated and the State has the responsibility of administration of minerals. The Committee were further assured that Ministry of Mines is bringing out a comprehensive Bill in which they are proposing many things which will help to curb illegal mining. The Committee were also informed that in the proposed legislation, the discretionary powers of the State Governments have been completely reduced. When the Committee opined that a body under the Central Government may be created which would address the complaints relating to illegal mining and have power to adjudicate and to give appropriate directions to all concerned including State Government, the Committee were informed that the Ministry of Mines has proposed the creation of a

Central Tribunal with quasi judicial powers which will not only recognize illegal mining but in the event of violation of the Act, *suo motu* take cognizance.

4.40 When the Committee drew the attention of the Ministry towards the lack of proper development of the mining areas and the problems faced by the local people and since the issues relating to development of the people is not taken care of by the Central Government and the State Governments, the Naxal and Maoist movements are growing , the Committee were apprised that in the proposed legislation they have provided for sustainability development framework which will take care of the environment and the re-infusion of income to local people, to local area and to the peripheral area. This will also bring relief and rehabilitation of people affected by mining.

**4.41 The Committee are shocked to find that rampant illegal mining is taking place in various States. The Central Government is helpless to prevent such illegal mining in view of the constitutional provision that law and order is a State subject. The Committee hardly need to emphasise that illegal mining has become curse of our country. They recommend that all the State Governments should be impressed upon to take effective steps for preventing such illegal mining and if necessary by creating a Special Task Force. The Committee further recommend that in the proposed comprehensive legislation presently under the consideration of Central Government, adequate measures should be provided to plug all the loopholes for curbing the illegal mining. The Committee also recommend that a Quasi Judicial Body should be created which would be empowered to adjudicate any complaint in respect of illegal mining and pass necessary direction to Central and State Governments for preventing such illegal mining. The Committee, however, feel that State Governments should be consulted and their views given due consideration before finalizing the proposed Act.**

**4.42 The Committee also find that relief and rehabilitation of people of mining areas and development of mining region are the**

**major areas where the concerned agencies have been found wanting. The Committee have been given to understand that naxalites are wreaking havoc in the mine bearing areas particularly in the States of Orissa, Jharkhand and West Bengal. The Committee are of the opinion that the main reasons for growth of naxalite movement in mine bearing areas is the lack of developmental work and failure of the concerned agencies to pay required attention towards welfare oriented schemes such as education, health care, infrastructure etc. The Committee, therefore, recommend that provisions relating to welfare measures of the Project Affected Persons, their relief and rehabilitation and all round development of the mining regions may be suitably incorporated in the proposed legislation.**

NEW DELHI;  
14 December, 2009  

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23 Agrahayana, 1931 (Saka)

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

STATEMENT OF OBSERVATIONS/RECOMMENDATIONS OF  
THE STANDING COMMITTEE ON COAL AND STEEL  
CONTAINED IN THE REPORT

Sl. No.	Reference Para no. of the Report	Observations/Recommendations
1	2	3
1.	2.2	The Minister of Mines made a statement in Parliament on the status of implementation of recommendations contained in the 32nd Report of the Committee on 23.12.2008. It is evident therefore that while six recommendations have been implemented by the Government, one recommendation relating to procurement of high cost items by Geological Survey of India (GSI) was under process. The Committee hope that the Ministry of Mines will monitor the progress made by GSI for speedy implementation of the said recommendation.
2.	3.13	The Committee note that for the year 2009-10, the Planning Commission has approved a total outlay of Rs. 1647.82 crore for Ministry of Mines, as against the outlay of Rs. 1783.01 crores proposed by the Ministry. During 2008-09, an outlay of Rs. 2160.00 crore BE provided to the Ministry which was reduced to Rs. 1958.26 crore at RE stage and the actual expenditure was Rs. 1628.09 crore. While the expenditure under Non-Plan Head during 2008-09 has been satisfactory by and large with the implementation of 6th Pay Commission Recommendations, the Ministry had to surrender a sizeable amount under Plan Head since the procurement of certain equipments for the modernization of GSI could not materialize. They are concerned

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to note that in the case of National Aluminium Company Limited (NALCO) plan outlay for 2009-10 has been reduced to Rs. 1391.00 crore from Rs. 1701.00 in 2008-09. Similarly, Annual Plan of Geological Survey of India (GSI) was reduced to Rs. 160 crore for 2008-09 and is the same for 2009-10 against the proposal of the Ministry of Rs. 283.35 crore and Rs. 231.45 crore respectively for the said years. In respect of Indian Bureau of Mines, the fund approved for the years 2008-09 and 2009-10 was Rs. 19 crore each as against the amount of Rs. 35.66 crore and Rs. 36.35 crore proposed by the Ministry. Further, the allocation approved by the Planning Commission for Construction related work was far less than the amount proposed by the Ministry during the years 2008-09 and 2009-10. From the foregoing, it is evident that the Ministry of Mines have grossly failed in proper utilisation of funds raising doubt over their capacity to plan and execute schemes/ objectives, which is unfortunate to say the least. The Committee desire that Ministry of Mines should gear up their machinery and ensure that the sanctioned outlays are utilised in a proper manner so that planned objectives are fully achieved.

3.27

The Committee note that out of the total outlay of Rs. 8404 crore approved for the 11th Five Year Plan for Ministry of Mines, the actual utilisation of fund during 2007-08 and 2008-09 was Rs. 1548.65 crore and Rs. 1621.09 crore respectively. Thus, during first two years of the Plan the Ministry could utilize only 38% of the

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allocated fund. Even at the end of the 2nd quarter of 2009-10 only about 22% of the approved allocation of current year has been utilised. While the fund utilisation by National Aluminium Company Limited (NALCO) in the first year of 11th Plan *i.e.* 2007-08 was satisfactory, they have failed to utilize the allotted funds during 2008-09. Similarly, out of Rs. 1391 crore allotted for the year 2009-10, NALCO has utilised only about 20% of the fund at the end of the 2nd quarter. They further note that utilisation of funds by Geological Survey of India was far from satisfactory during the year 2008-09. During the first two years of XI Plan, the actual expenditure by Geological Survey of India (GSI) was merely about 25% of the XI Plan outlay and out of allocated Rs. 160.00 crore for the year 2009-10, they could utilise only 24.46% in the first two quarter. The actual utilization of funds should have been more than 40% by this time. The Committee deprecate the under utilisation of allotted fund both by NALCO and GSI. They desire that the precise reasons in this regard need to be identified with a view to taking corrective measures for full utilisation of Plan funds for various schemes/projects during the remaining years of the 11th Plan.

3.28

The Committee observe that anticipated expenditure during the year 2009-10 in respect of some of the schemes of Indian Bureau of Mines *viz.* inspection of Mines for Scientific and Systematic Mining, Mineral Conservation and Mines Environment, Mineral Beneficiation

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studies—utilization of low grade and sub-grade ores and analysis of environmental samples and Collection, Processing, Dissemination of data on Mines and Minerals through various publications is not keeping pace with the expenditure of previous two years. Indian Bureau of Mines has embarked upon an ambitious new project *viz.* Computerized Online Register of Mining Tenements System which would create a single window information sources on mineral resources in the country to make the information available to all concerned. The project which was to be taken up in the very first year of the XI Plan and completed under a time bound programme could not be initiated even in first two years of Plan. The Committee deprecate the fact that no expenditure was incurred in respect of this project during the first two years of the XI Plan. This is nothing but regrettable. The Committee, therefore, desire that this project may be accorded top priority and proactive steps taken to ensure its expeditious completion.

3.29

The Committee note that the modernisation of GSI was the main thrust area of 10th Five Year Plan. The Committee are, however, distressed to note that Research Vessel and Heliborne Survey System could not be purchased during 10th Plan as a result of which the modernisation programme of GSI has suffered a serious set-back. The Committee in 24th Report had also expressed their dissatisfaction over the performance of GSI during the 10th Plan. The Committee in their 32nd Report had urged

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upon the Ministry to facilitate GSI for procurement of Research Vessel and Heliborne Survey System without any further delay. Although, a helicopter for the Heliborne Survey System has been purchased, the sensors are yet to be installed in order to make system functional. The Committee desire that installation of the sensors may be made functional on priority basis. The Committee find it intriguing that the proposal of GSI for procurement of other equipments such as Blue Water Research Vessel, Geotechnical vessel with shallow water drilling capability, Fixed Wing Aircraft or Geophysical Surveys and Coastal Geotechnical Vessel is still in the nascent stage even in the midst of 11th Five Year Plan. The Committee are inclined to conclude that advance planning and proper execution for this programme has not been given the attention that it deserved. The Committee strongly recommend that the Ministry needs to swing into action and to facilitate GSI in procurement of these equipments without any further delay.

3.30

The Committee note that a High Powered Committee under the Chairmanship of Additional Secretary, Ministry of Mines was set up to thoroughly review the functioning of Geological Survey of India, has since submitted its Report and the same has been accepted in principle by the Ministry. The Committee desire that implementations of the major recommendations of the High Powered Committee particularly those relating to modernisation of GSI should be accorded top

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priority and precise action taken in this regard be intimated to them.

3.31 The Committee have been informed that shortage of staff in GSI is the major obstacle which has affected its working. According to the Ministry there is a shortage of about 1500 Scientific and Technical personnel and various S&T vacant posts are likely to be filled up over a period of 5 years. The Committee recommend that immediate steps should be taken by the Ministry of Mines to fill up the vacancies without compromising the quality as needed within a period of 3 years. The Committee are shocked with the performance of GSI. They are astonished to find that one of the reasons for poor performance of GSI is stated to be delay in procurement of equipments. The Committee recommend that the Ministry of Mines/GSI need to take effective and expeditious steps for procurement of equipments.

4.16 NALCO is stated to be facing constraints in implementation of 2nd phase of expansion due to late appointment of the technical supplier for supply of basic engineering, package for improvement in Alumina Refinery & Smelter, poor performance of working agencies, late delivery of equipments and naxalite menace. The Committee are of the view that reasons furnished by the Ministry/NALCO for delay in implementation of 2nd phase expansion are not unforeseen and unavoidable. NALCO have failed to take pre-emptive action to remove such constraints which have adversely affected the expansion plan which clearly shows lack of

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farsightedness on their part. The Committee, therefore, desire that necessary measures atleast now may be taken to remove these bottlenecks.

4.17

The Committee note that NALCO has been facing problems of land acquisition and various clearances from different authorities for developing of Pottangi bauxite mine and Utkal coal Block even after lapse of 5 years of allotment. The Committee in their 24th Report had urged upon the Ministry of Mines for speedy disposal of such clearance. The Committee are constrained to observe that no significant progress has been made in this regard. Early development of above projects is significant in view of the ongoing expansion plan of the company. The Ministry of Mines, should therefore, take up this matter at highest level with the Government of Orissa so as to ensure the timely completion of the projects. The Committee, also desire that in order to solve issues related to land acquisition, NALCO should come up with attractive compensation packages and proper implementation of R&R policy so that grievances of project affected persons are addressed.

4.18

The Committee note that NALCO have proposed 3rd phase expansion project from the year 2009-10 with a view to make optimum use of resources. However, given the pace of progress of 2nd phase expansion programme, the Committee are doubtful about the success and time bound completion of 3rd phase expansion programme unless the problems/ constraints being experienced by NALCO for

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the ongoing expansion plan are tackled expeditiously in right perspective.

4.19 The Committee have been given to understand that NALCO have earmarked Rs. 63.00 crore for 2009-10 to set up Greenfield projects in India and overseas. The NALCO has been initiating joint ventures projects in countries like Indonesia, Iran, South Africa and Saudi Arabia. The setting up of greenfield projects by NALCO in India and abroad is stated to be a step in right direction for diversification and profitability. However, according to NALCO delay in development of infrastructure such as port, railways and river navigation and availability of power in the respective countries, its overseas projects have been hampered. The Committee would like the Ministry to take up these issues with concerned authorities and respective countries on behalf of NALCO.

4.27 The Mineral Exploration Corporation Ltd. (MECL) is the sole agency for exploration promoted work for coal, lignite and metallic/non-metallic minerals on behalf and funded by Government of India and also undertake contractual work on behalf of other agencies including Public Sector, Private Sector and State Governments. According to the Ministry, inordinate delay in obtaining forest clearances in respect of project *viz.*, Jiajuri, Ghatkuri East, Timaran Mata, Maruda, Dholamala etc. has not only been affecting physical and financial performance of MECL but also depriving it from becoming self sustaining company. In case of some projects, insurgency and other law

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and order problems are affecting the performance of the company. Forest clearances in respect of above mentioned projects are still pending despite the recommendations of the Committee in their earlier Reports that the Ministry of Mines should expedite obtaining of forest clearance. Obviously the Ministry has not given due consideration to their earlier recommendations. The Committee, therefore, reiterate that Ministry of Mines should take up the matter with respective State Governments and Ministry of Environment and Forests for the expeditious grant of forest clearances for the above mentioned projects to ensure their timely completion. As regards law and order problem, the Committee urge upon the Ministry of Mines/MECL to approach the concerned State police authorities to ensure safe working environment. The Committee would like to be informed of the action taken in the matter.

4.36

The Committee note that Hindustan Copper Limited (HCL) was able to post a profit of Rs. 246.46 crore in the year 2007-08 as a result of various proactive steps taken earlier to improve the performance. However, the financial performance of the company during 2008-09 has been miserable. The reasons adduced by the Ministry for such poor show are stated to be fall in LME price and reduction in metal in concentrate output due to low grade of Malanjkhand Copper Project. Consequently, operation in some of the mines had to be closed. The company is reported to have taken various measures including appointment of oversea mining consultant for advising to

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increase the production from the existing mines as well as for opening of new mines. The Committee however, feel such steps if taken earlier would not have affected the performance of the Company in the year 2008-09 so badly. Incidentally HCL faired very poorly in the year 2008 when it was conferred Mini Ratna Category – I status. The Committee hope that with the fresh measures now being taken by HCL, the performance of the company will improve.

4.37 The Committee hardly need to emphasise that availability of sufficient raw material is imperative for HCL for its sustenance and would therefore desire the Ministry to facilitate the early allotment of fresh mining leases to HCL pending with State Governments by removing all the procedural bottlenecks. The Committee would also like the Ministry/HCL to prepare an action plan to reopen the closed mines.

4.38 Though a provision of Rs. 40 crore has been made for replacement and renewal of existing plant and machinery for maximum utilization and for planning enhanced production in future, the requirement of HCL for R&R funds for the year 2009-10 is reported to be much higher than the present allocation. The Committee, desire that Ministry should consider the request for additional funds at RE stage based on sufficient justification given by HCL.

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helpless to prevent such illegal mining in view of the constitutional provision that law and order is a State subject. The Committee hardly need to emphasise that illegal mining has become curse of our country. They recommend that all the State Governments should be impressed upon to take effective steps for preventing such illegal mining and if necessary by creating a Special Task Force. The Committee further recommend that in the proposed comprehensive legislation presently under the consideration of Central Government, adequate measures should be provided to plug all the loopholes for curbing the illegal mining. The Committee also recommend that a Quasi Judicial Body should be created which would be empowered to adjudicate any complaint in respect of illegal mining and pass necessary direction to Central and State Governments for preventing such illegal mining. The Committee, however, feel that State Governments should be consulted and their views given due consideration before finalizing the proposed Act.

4.42 The Committee also find that relief and rehabilitation of people of mining areas and development of mining region are the major areas where the concerned agencies have been found wanting. The Committee have been given to understand that that naxalites are wreaking havoc in the mine bearing areas particularly in the States of Orissa, Jharkhand and West Bengal. The Committee are of the opinion that the main reasons for growth of

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naxalite movement in mine bearing areas is the lack of developmental work and failure of the concerned agencies to pay required attention towards welfare oriented schemes such as education, health care, infrastructure etc. The Committee, therefore, recommend that provisions relating to welfare measures of the Project Affected Persons, their relief and rehabilitation and all round development of the mining regions may be suitably incorporated in the proposed legislation.

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## MINISTRY OF MINES

STATEMENT SHOWING AMOUNT PROPOSED AND APPROVED FROM ANNUAL PLAN 2006-07 TO 2009-10  
(Rs. in Crore)

	2006-07		2007-08		2008-09		2009-10	
	Proposed	Approved	Proposed	Approved	Proposed	Approved	Proposed	Approved
1. National Aluminium Co. Ltd.	622.14	622.14	1633.02	1158.00	1888.00	1888.00	1391.00	1391.00
2. Hindustan Copper Ltd.	42.50	30.00	50.00	50.00	43.00	60.00	40.00	40.00
3. Mineral Exploration Corpn. Ltd.								
- Promotional	23.50	17.00	18.00	11.00	15.00	12.00	10.00	10.00
- Capital	8.00	8.00	8.00	8.00	8.00	8.00	10.00	10.00
4. Geological Survey of India	307.10	165.50	187.00	123.00	283.35	160.00	231.45	160.00
5. Indian Bureau of Mines	34.21	24.00	23.70	17.00	35.66	19.00	36.35	19.00
6. Science & Technology	7.90	8.05	20.07	7.29	9.63	7.00	10.85	9.82
7. Construction	10.29	8.25	86.00	5.00	45.00	5.00	52.31	7.00
(a) GSI	0.74	0.75	1.55	1.00	1.00	1.00	1.05	1.00
(b) IBM								
Total	1056.38	883.69	2027.34	1380.29	2328.64	2160.00	1783.01	1647.82

ANNEXURE II

MINUTES OF THE SITTING OF THE STANDING COMMITTEE  
ON COAL AND STEEL HELD ON 12th NOVEMBER, 2009 IN  
COMMITTEE ROOM 'C', PARLIAMENT HOUSE  
ANNEXE, NEW DELHI

The Committee sat from 1400 hours to 1630 hours.

PRESENT

Shri Kalyan Banerjee — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Hansraj G. Ahir
3. Shri Sanjay Bhoi
4. Shri Ismail Hussain
5. Shri Chandrakant B. Khaire
6. Sardar Sukhdev Singh Libra
7. Shri Ramesh Radhod
8. Shri Rakesh Sachan
9. Shri Pashupati Nath Singh
10. Dr. G. Vivekanand

*Rajya Sabha*

11. Ms. Mabel Rebello
12. Shri Dhiraj Prasad Sahu
13. Shri Jai Prakash Narayan Singh
14. Shri Nand Kumar Sai
15. Shri Ali Anwar Ansari
16. Shri R.C. Singh
17. Shri Kishore Kumar Mohanty

SECRETARIAT

1. Shri Shiv Singh — *Director*
2. Shri Y.M. Kandpal — *Additional Director*
3. Md. Aftab Alam — *Under Secretary*

WITNESSES

**Ministry of Mines and PSUs**

1. Smt. Santha Sheela Nair, Secretary
  2. Shri S. Vijay Kumar, Additional Secretary
  3. Smt. Ajita Bajpai Pande, Joint Secretary
  4. Shri V.K. Thakral, Joint Secretary
  5. Shri Sanjiv Mittal, Joint Secretary & Financial Advisor
  6. Shri Suresh Kishnani, Director
  7. Dr. A. Ayyasami, Director (T)
  8. Shri N.K. Dutta, Director General, GSI
  9. Dr. Balram Chattpadhyaya, Dy. D.G., GSI
  10. Shri C.S. Gundewar, Controller General, IBM
  11. Shri A.K. Srivastava, CMD, NALCO
  12. Shri B.L. Bagra, Director (Finance) NALCO
  13. Shri Shakeel Ahmed, CMD, HCL
  14. Dr. A.K. Lomas, CMD, MECL
  15. Shri C.P. Gupta, Director (Finance), MECL
2. At the outset, the Chairman, welcomed the Secretary and other representatives of the Ministry of Mines and Public Sector Undertakings to the sitting of Committee. The Chairman mentioned that the sitting of the Committee has been convened to take oral evidence of the representatives of the Ministry of Mines on Demands for Grants (2009-10).
3. Thereafter, the Secretary, Ministry of Mines briefed the Committee regarding functioning of the Ministry and Public Sector

Undertakings (PSUs) under its jurisdiction followed by the visual presentation on Demands for Grants (2009-10). The issues discussed during the sitting broadly related to illegal mining, implementation of National Mineral Policy, allocation of funds during 2009-10, distribution of mines to private sector, existing policy of allotment of mines, royalty rates of minerals, various welfare schemes for the people affected by mining, need for bringing amendment in MMDR Act, delay in development of Utkal E-Coal Block and disinvestment of PSUs etc.

4. A verbatim record of the proceedings has been kept.

*The Committee then adjourned.*

ANNEXURE III

MINUTES OF THE SITTING OF THE STANDING COMMITTEE  
ON COAL AND STEEL (2009-10) HELD ON 14.12.2009 IN  
COMMITTEE ROOM 'E' PARLIAMENT HOUSE  
ANNEXE, NEW DELHI

The Committee sat from 1500 hours to 1530 hours.

PRESENT

Shri Kalyan Banerjee — *Chairman*

MEMBERS

2. Shri Sanjay Bhoi
3. Shri Ismail Hussain
4. Shri Chandrakant B. Khaire
5. Sardar Sukhdev Singh Libra
6. Shri Govind Prasad Mishra
7. Shri Rakesh Sachan
8. Shri Pashupathi Nath Singh
9. Smt. Rajesh Nandini Singh
10. Dr. G. Vivekanand
11. Ms. Mabel Rebello
12. Shri Jai Prakash Narain Singh
13. Shri Nand Kumar Sai
14. Shri R.C. Singh
15. Shri Kishore Kumar Mohanty

SECRETARIAT

- |                     |   |                         |
|---------------------|---|-------------------------|
| 1. Shri Ashok Sarin | — | <i>Joint Secretary</i>  |
| 2. Shri Shiv Singh  | — | <i>Director</i>         |
| 3. Smt. Sunita      | — | <i>Deputy Secretary</i> |
| 4. Md. Aftab Alam   | — | <i>Under Secretary</i>  |

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

3. The Committee then considered and adopted the following draft Report subject to some minor modifications:—

(i) \*\*                      \*\*                      \*\*                      \*\*                      \*\*

(ii) 2nd Report (15th Lok Sabha) on Demands for Grants (2009-10) of the Ministry of Mines.

(iii) \*\*                      \*\*                      \*\*                      \*\*                      \*\*

4. The Committee authorized the Chairman to finalize the Report after making consequential changes arising out of factual verifications by the concerned Ministry or otherwise and to present this Report to both the Houses of Parliament.

*The Committee then adjourned.*

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\*\*Do not pertain to this Report.