

**GOVERNMENT OF INDIA
STEEL
LOK SABHA**

UNSTARRED QUESTION NO:792
ANSWERED ON:28.11.2005
COMMITTEE REPORT ON IRON ORE
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Will the Minister of STEEL be pleased to state:

- (a) whether the committee set-up by the Government to look into the issue of iron ore has since submitted its report;
- (b) if so, the details thereof;
- (c) whether the Government has examined the recommendations made therein; and
- (d) if so, the details thereof and action taken/proposed to be taken thereon?

Answer

MINISTER OF CHEMICALS & FERTILIZERS AND MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a)&(b): The Ministry of Steel, constituted an `Expert Group`, on 20th April 2005, for formulating guidelines for preferential grant of mining leases, for iron ore, manganese ore and chrome ore, by State Governments. The report of the `Expert Group` was submitted on 26th August 2005. The `Expert Group` has, in its report, recommended a `Scheme of Preferences` for grant of mining leases by State Governments with regard to iron ore and chrome ore. Details of the `Scheme of Preference` are given in Annexure-I.

(c)&(d): The recommendations of the `Expert Group` are under examination of the Government.

ANNEXURE 1

DETAILS OF RECOMMENDATIONS OF THE EXPERT GROUP

The recommendations of the Expert Group are limited to leases for iron ore and chrome ore and basically consists of a `the schemes of preferences` to be applied while deciding on applications for iron ore and chrome ore leases under Section 11(5) of the Mines and Minerals (Development and Regulations) Act, 1957. The features of the scheme of preferences are as under.

SCHEME OF PREFERENCES: IRON ORE:

In the scheme of preferences for iron ore `Preference A` is for allotment of mining leases, on captive basis for steel plants. Within this preference group, steel plants/projects have been given varying priorities. Conditions are prescribed for each category. The order of priority is as follows:

- Priority 1: existing integrated public sector steel plants both for existing capacities and projected expansion up to 2019-20 to meet 30 years requirements.
- Priority 2: existing fully integrated steel plants owned by widely held Indian public limited company with capacity of 2 million tonnes per annum (tpa) and above both for existing capacity and brown field expansion up to 2019-20.
- Priority 3: Greenfield plants of 2 million tpa plus capacities promoted by Indian widely held public limited company coming up in iron rich scheduled areas and brown field and green field plants (promoted by widely held Indian public limited company) of 4 million tpa capacities planned for commissioning up to 2011-12.
- Priority 4: Green field plants with minimum 10 million tpa capacities promoted by international steel companies through FDI in widely held Indian public limited company.
- Priority 5: Consortium of iron and steel producers with a combined capacity of minimum 2 million tpa .

Preference B is with regard to mining companies and, within this group, first priority is for public sector mining companies; the second for professionally managed companies with proven track record of reclamation and beneficiation for allotment of leases which contain 90 % ores of below 55 % Fe content and the third priority to go to widely held Indian public limited companies with proven mining track record but with a commitment to supply ores to domestic plants.

Some important notes and provisos attached to the scheme are :

- Steel plants must use 60 % of iron ore fines through agglomeration and concurrently mine all ores above 55 % Fe.
- All cases for grant of leases for expansion/brown field and green field projects should be given only in principle approval in the first place and actual grant of leases should be tied up with implementation of end use project.
- Preferences should not be tied to location of plant or related to boundaries of any particular state.
- Except where leases are given for Foreign Direct Investment projects, where swaps may be allowed, none of the captive allottees should undertake exports or domestic sales of ore. However, domestic sale of agglomerates and beneficiated ores can be permitted.
- Memorandums of Understanding already entered into by State Governments to be reviewed, amended or revoked as necessary to bring them in conformity with the scheme of preferences.
- Preferential scheme, after consulting the Attorney General, may be suo-motto brought before the Supreme Court so as to avoid future litigation.

SCHEME OF PREFERENCES: CHROME-ORE:

Scheme of Preferences:

- First priority: Existing charge chrome and ferro-chrome plants to meet 30 year`s requirements.
- Second priority: Brownfield expansion/green field projects (to be commissioned within 2 years) to meet 20 years needs.
- No export, by the captive allottees, of natural ore to be permitted.

The Expert Group has also recommended that the Orissa Government should throw open reserves for which OMC has no prospecting /mining plan within the next 5 years.