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

MINISTRY OF STEEL

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

SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
March, 2005 / Chaitra, 1927 (Saka)

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Presented to Lok Sabha on 23.3.2005
Laid in Rajya Sabha on 23.3.2005

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5.	Shri R.K.Sharma	-	Committee Officer

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 Sixth Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Third Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha) on "Demands for Grants (2004-05) of the Ministry of Steel".

2. The Third Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 25th August, 2004. Replies of the Government to all the recommendations contained in the Report were received on 17th December, 2004.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 21st March, 2005.

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

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

New Delhi;
21 March, 2005
30 Phalguna , 1926 (Saka)

ANANTH KUMAR
Chairman,
Standing Committee on Coal and Steel.

CHAPTER -I

REPORT

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Third Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel on "Demands for Grants (2004-2005) of the Ministry of Steel" which was presented to Lok Sabha on 25.8.2004.

1.2. Action Taken Notes have been received from the Government in respect of all the recommendations contained in the Report. These have been categorised as follows:-

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

Sl. Nos.1, 2, 3, 4, 5, 6, 7, 9, 10, 12, 13, 14, 16, 17, 18, 20, 21, 23, 24, 25, 28 and 29.

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

Sl. Nos.15, 22, 26 and 27.

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

Sl. Nos.8 and 19 .

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

Sl. No.11

1.3 The Committee desire that final replies in respect of the recommendations which have been categorised as interim replies by the Committee should be furnished to the Committee at the earliest.

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

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

UNDER UTILISATION OF FUNDS

Recommendation (Sl. No.2, Para No. 2.5)

1.6 The Committee had taken note of the approved plan outlay and actual expenditure made during the first two years of current Five Year Plan and expressed their concern that as against the approved outlay of Rs.1,409 crore only Rs.442.90 crore were spent during 2002-2003 and during 2003-2004 against an approved outlay of Rs.1461.30 crore only 606.40 crore had been spent. This showed only 36.51% of fund utilization during the first two years. The reasons given by the Ministry of Steel for not utilizing the budgeted amount like depressed market conditions, delay in obtaining forest/environmental clearances, acquisition of land and preparation of DPR etc. by the different wings of the Ministry and were not acceptable to the Committee. The current trend showed that the Ministry had not taken any lesson from the similar failures during the 9th Five Year Plan and the same trend was continuing during the current plan also. The Committee noted that the mid-term appraisal of 10th Five Year Plan (2002-2007) exercise was underway. The Committee had, therefore, strongly recommended that the Government should take all the possible initiatives for full utilisation of plan outlay during the remaining years of current Five Year Plan so that the projects and programmes of the PSUs did not suffer and the current turn around in the steel sector was maintained during the current year and in the remaining period of the current plan.

1.7 In their reply, the Ministry of Steel has stated that the recommendations/observations of the Hon'ble Committee have been noted. Ministry of Steel would continue with its efforts to ensure full utilisation of plan outlay during the remaining years of the current five year plan. However, it may be pointed out that the plan outlays are only indicative and its operation is subject to the availability of resources through the successive Annual Plan allocations for the 10th Plan period.

1.8 The Committee had observed dismal fund utilization reaching just 36.51% during the first two years, and, therefore, strongly recommended that the Government should take all the possible initiatives for full utilisation of plan outlay during the remaining years of current Five Year Plan so that the projects and programmes of the PSUs did not suffer and the current turnaround in the steel sector was maintained. The Ministry in its brief reply has stated that it would continue with its efforts to ensure full utilisation of the plan outlay but has pointed out that plan outlays were only indicative and its operations were subject to the availability of resources through successive Annual Plan allocations for the 10th Plan period. The Committee deprecate the routine reply of the Ministry, which is devoid of any details about the specific measures taken to ensure the utilization of the allocated funds. The Committee are also unhappy with yet another reason advanced by the Ministry to justify its failure in this regard which indicates that not only the execution but the planning in the Ministry is also replete with flaws. The Committee would like to emphasize that the current scenario in the steel sector makes it all the more imperative for the Ministry to further strengthen and consolidate the gains by proper and effective utilization of the resources.

1.9 The Committee reiterate that not only all possible initiatives for full utilization of the plan outlay during the remainder of the 10^{th} Plan should be taken but also the target therefor be specified as well. These also need to be regularly monitored so that the investments made in the steel sector give further impetus to the turnaround in the industry.

<u>ANALYSIS OF DEMANDS FOR GRANTS(2004-05)</u>

Recommendation (Sl. No.4, Para No. 3.12)

1.10 The Committee in their earlier recommendation observed that they did not find justification for the allocation of an amount of Rs.3.79 crore in the name of the office of the Development Commissioner for Iron and Steel, Kolkata when it was closed w.e.f. 23.5.2003 based upon the recommendations of the Expenditure Reforms Commission constituted by the Ministry of Finance. These functions had been transferred to the Ministry of Steel and Joint Plant Committee and they were doing it without any problem. The Committee had noted that there were 226 employees of DCI&S at the time of closure. Out of 215 staff declared surplus by Department of Personnel and Training (DoPT), special VRS had been declared in case of 8 persons and 82 persons had been redeployed/nominated by DoPT leaving 125 surplus staff, awaiting redeployment. The Ministry of Steel had made financial provisions for all 226 employees in the budget of 2004-05 and they were making payments to them without; any assignment. The Committee had, therefore, desired that the Ministry of Steel should undertake the matter with DoPT for earliest completion of the redeployment process and save the expenditure allocated for the purpose.

1.11 In their reply, the Ministry of Steel has stated that the suggestions of the Committee have been noted. Rs.3.79 crore covers the establishment cost of establishment of entire 226 employees of DCI&S, Kolkata. This provision is an estimation of the expenditure at the time of finalization of RE-2003-04 in the month of October/November, 2003. However, based on the status of redeployment, this provision has been recommended to be revised in RE 2004-05 to Rs.2.9195 crore for 125 surplus staff awaiting redeployment plus expenditure incurred on 101 surplus employees who have been nominated/redeployed/Spl. VRS/retired/died. Under the scheme of redeployment of surplus staff, employees in the surplus cell would continue to receive full salary till they are redeployed. Ministry of Steel is in constant touch with the DoPT for ensuring early redeployment of surplus staff of DCI&S.

1.12 The Committee had desired that the Ministry of Steel should take up the matter of redeployment of 125 surplus staff of the erstwhile office of the Development Commission for Iron and Steel, Kolkata with the Department of Personnel & Training (DoPT) to save the expenditure allocated for the purpose. The Ministry in its reply has stated that it is in constant touch with the DoPT for the redeployment of surplus staff but the employees in the surplus cell would continue to receive fully salary till they are redeployed. The Committee observe that the Officer of the Development Commissioner for Iron & Steel which was closed on 23 May 2003, still has 125 surplus employees to be redeployed by the Ministry/DoPT.

1.13 The Committee are astonished to find that the Ministry continues to pay full salary employees awaiting redeployment for nearly 22 months. The Committee feel that the Ministry has not pursued the matter with DoPT with any sense of urgency and seriousness thereby causing avoidable drain on the exchequer. The Committee would like the Ministry to take up the matter with DoPT at the top administrative level to ensure redeployment of the surplus staff without any further loss of time. The Committee would like to be apprised of the progress made in this regard within a period of three months.

NON-PLAN LOAN TO PUBLIC ENTERPRISES

Recommendation (Sl.Nos.8 and 10, Para Nos. 3.28 and 3.34)

1.14 The Committee were surprised to note that a huge amount of Rs.218.74 crore was pending with steel sector PSUs since last several years. It was very painful that steel sector PSUs had kept the payments pending/under dispute for such longer periods particularly under the condition when the HSCL was trying to revive with the Government's assistance. The Committee had no hesitation in saying that the Ministry of Steel had not played its desired role of facilitator and regulator. The Committee strongly recommended that the Dispute Settlement Committee of the Ministry should undertake the matter on top priority with a view to decide the matter at the earliest and direct PSUs to settle the accounts immediately. The Committee strongly recommended that the Ministry of Steel should now prepare a time bound schedule for earliest settlement of issues and the matter should not be delayed any more.

1.15 In its reply the Ministry of Steel has stated that the disputed dues have been taken up by the Dispute Settlement Committee of the Ministry and the Committee expects to settle the matters expeditiously.

1.16 The Committee had noted that HSCL was outsourcing labour of younger generation who are able to perform. The Committee did not support this approach of the company for the reasons that they were paying high salary to the regular employees without proper utilization of their services. In addition, they were spending money by engaging young contractual labour. The Committee had, therefore, desired that such regular workers of the company should not be paid for sitting idle. HSCL should identify such workers who had attained the age of 54 years and above and prepare a scheme to provide multi-skill training suitable to them with a view to utilize their service to an optimum level. The company should also analyse the expenditure being made by engaging contractual labourers and should minimize it.

1.17 In its reply, the Ministry of Steel has stated that the company will implement a dual strategy of separating idle workforce combined with multi-skill training of remaining employees to facilitate their optimum use. This will also enable the company to keep expenditure on contract labour at the minimum required level.

1.18 The Committee had recommended that the Ministry of Steel should prepare a time bound schedule for an early settlement of outstanding claims of Hindustan Steelworks Construction Ltd. (HSCL) pending with the steel sector PSUs. The Ministry has stated in its brief reply that the outstanding dues have been taken up by the Dispute Settlement Committee of the Ministry and the matters is expected to be settled expeditiously. The Committee are distressed to note from the casual reply of the Ministry of Steel that it has not made any sincere effort to sort out the long pending issue and have also not come out with a solution to settle the outstanding claims of HSCL against Steel PSUs which are pending since 1988 onwards. The Committee strongly feel that the financial health of HSCL would have been much improved had these outstanding dues been paid to it in time. The Committee desire the Ministry to frame a time-bound programme to settle the issue immediately and effectively play its role as a facilitator and a regulator.

1.19 The Committee in their earlier recommendation had desired that HSCL should provide multi-skill training to those workers who would have attained an age of 54 years and above with a view to utilise their services to an optimum level and to minimize the contractual labour. The Ministry in its reply has stated that the company will implement a dual strategy of separating idle workforce combined with multi-skill training of remaining employees to facilitate their optimum use. The Committee note that the

Ministry has not, however, indicated as to when HSCL should prepare a time-bound schedule for providing multi-skill training to employees and utilize their services in the best possible manner. The Committee hope that with the availability of multi-skill trained staff, the outsourcing of labour will be eliminated in HSCL to a large extent.

INVESTMENT IN PUBLIC SECTOR

Recommendation (Sl.No.18, Para No. 3.92)

1.20 The Committee appreciated the achievements of SAIL in the financial performance and reduction in borrowings. The Committee noted that such significant improvement in the turnover and financial performance was due to improved production and sales volume, market oriented product mix, intensive cost control measures, rationalization of manpower, reduction in borrowings supported by external factors like growth in steel demand and firming up of international and domestic prices. The Ministry had expressed their hope that buoyant demand conditions were likely to continue in 2004-2005 also on the basis of substantial investment in infrastructure and industrial projects in domestic front and stability in global demand. The company had now put thrust on debt reduction and fund management. Outstanding borrowings, as on 30.06.2004 is Rs.7728 crore and they propose to make the repayment by 2006-2007. The Committee, therefore, desired that SAIL should work as per the road map proposed with specific short-term and long-term targets to maintain the present performance and further strengthening of financial status of the company so that the sudden changes in national and international scenario might not affect them adversely.

1.21 In its reply, the Ministry has stated that SAIL has prepared a well-defined road map, Corporate Plan – 2012, which inter-alia highlights the followings:

In the short-term, the plan aims to remove bottlenecks in existing facilities such as introduction of alternative fuels, enhancement of assets productivity, enhancing consistency in operations to maintain the current level of performance.

Further, in the long-term, the plan envisages growth by enhancing the market share, along with Quality & Cost Competitiveness. In this regard, SAIL aims to produce about 20 million tonnes of Hot Metal by 2012 through value addition projects and capacity addition. Quality and Cost Competitiveness will be ensured by 100% steel making facility through BoF route and near 100% continuous casting with Secondary Metallurgy facilities. Finishing facilities are also proposed to enhance value addition in line with the market requirements and for reduction of semis. Strategic alliances including equity participation, long term tie-ups etc. in the areas of coal, power and iron ore are planned to ensure availability of critical inputs.

The plan is under different stages of implementation.

1.22 The Committee are happy to note that SAIL has prepared a well defined Corporate Plan-2012, a blue print for the company's growth in the coming years in tandem with growing market. The Committee hope that Corporate Plan – 2012 will take off smoothly and all the bottlenecks that may come in its implementation will be removed by the Ministry of Steel. The Committee desire that SAIL/Ministry of Steel should prepare a time-bound schedule for its execution and concerted efforts made to adhere to the time schedule to reap the maximum fruits of the plan. The Committee also desire the Ministry to prepare the long-term perspective plan beyond 2012 which would focus not only on long-term gains but would also chalk out the strategies to face challenges during unfavourable period in the steel sector in future.

DISINVESTMENT OF SAIL

Recommendation (Sl.No.19, Para No.393)

1.23 The Committee found that after implementation of the financial and restructuring proposed for SAIL, majority of the tasks have been completed successfully. A few tasks like downsizing of manpower are still under implementation and they are also anticipating difficulties in decision of disinvestments of SAIL units. The Committee had drawn the attention towards the announced Government policy that profit making PSUs will not be considered for disinvestments. Now, SAIL is a profit-making company in all terms and any disinvestments at this stage may create great difficulty on the path of recovery. The Committee, therefore, strongly recommended that the issue of disinvestments of SAIL units should be reconsidered in view of changed situation and final decision should be taken as per the present policy.

1.24 The Ministry in its reply has stated that SAIL will pursue its disinvestments process, as guided by the Government/policies.

1.25 The Committee had strongly recommended that the issue of disinvestment of SAIL units should be reconsidered in view of the changed situation and final decision taken as per the present policy. The Committee are not satisfied with the sketchy reply of the Government. The Committee feel that keeping in view the buoyancy now having returned to the Steel Sector, the disinvestments of SAIL and other steel PSUs is not at all desirable. Besides, the ambitious Corporate Plan, 2012 formulated by SAIL, clearly shows its progression. The Committee, therefore, would like to reiterate that SAIL and other PSUs under the Ministry of Steel should not be disinvested. It should be resorted to only if found absolutely necessary and all steps to revive any PSU have gone fruitless.

Recommendation (Sl.No. 21, Para No.3.100)

1.26 The Committee expressed their happiness to note that Rashtriya Ispat Nigam Limited (Visakhapatnam Steel Plant) had improved their financial performance and net profit soared to Rs.1547 crore in 2003-2004 from Rs.521 crore in 2002-03. This increase in profit of 192% from the last year was supposed to be very impressive. The Committee hope that RINL would maintain this performance in future also. The Committee also welcome that the long term policy was being prepared by the company for expansion. The Committee desire that RINL should undertake the work relating to expansion on priority and start the work in this direction after getting the approval of the Government without any delay. The Committee also strongly desired that the Government should work as facilitator in the task of implementation of the prosperous expansion plan of RINL.

1.27 In its Action Taken Reply, the Ministry of Steel stated that no comprehensive proposal for any expansion so far has been received in the Ministry. As recommended by the Committee the Ministry would take appropriate action on the expansion plan of RINL.

1.28 The Committee had in their earlier Report strongly desired that the Government should work as facilitator in the task of implementation of the prosperous expansion plan of Rashtriya Ispat Nigam Limited (RINL). The Committee are, however, surprised to note that no comprehensive expansion proposal of RINL has been received in the Ministry and it has also not taken any step in this direction. This shows the lack of direction and coordination on the part of the Ministry to get the expansion of RINL expedited. The Committee are fully convinced that in view of the turnaround taking place in the steel sector in the country, the expansion of RINL becomes all the more important in the overall interest of the company. The Committee, therefore, desire that the proposal for the expansion of RINL should be expeditiously prepared and approved as a long-term policy measure. The Committee would like to be apprised in this regard.

Recommendation (Sl. No. 23, Para No. 3.110)

1.29 The Committee noted that in view of the order of Hon'ble Supreme Court permitted mining at Kudremukh upto 31st December, 2005 only, Kudremukh Iron Ore Company Limited (KIOCL) had started looking for alternative mines and on account of additional investments, the allocation has been enhanced to the extent of Rs.54 crore.

The Committee welcomed the impressive performance of the company during 2003-04 and hoped that it will continue during 2004-05 and in coming years. The Committee desired that KIOCL should undertake the work vigorously to explore the possibility to identify and develop new mines to prepare themselves for continuance of the operation of the company beyond December, 2005 on the similar pattern.

1.30 The Government in its reply has stated that the KIOCL had consulted the Attorney General of India and a senior Advocate of the Hon'ble Supreme Court on the Judgement of the Apex Court. With the legal view that the company should file a petition before the Hon'ble Supreme Court to get relief from the safety point of view, the company should be permitted to mine in the unbroken area which has about 35 million tonnes of weathered ore which will last for another 2 years.

The company had also contacted the office of the Director General of Mines Safety, who has opined that from the slope stability and safety point of view, the company should mine in the unbroken area. M/s National Institute of Rock Mechanics, Kolar Goldfields, a Govt. Research Institution, has carried out an independent study and given their views on the matter regarding continuation of the operations of Kudremukh area from safety point of view. Their findings corroborate KIOCL's view from safety and slope stability angle. They have offered that the company should be given the unbroken area.

A review petition has been filed in the Supreme Court by KIOCL on 3rd December 2003. The Hon'ble Supreme Court, after hearing the parties on 02-08-2004, has directed the Monitoring Committee to examine the prayers of KIOCL.

KIOCL has noted the recommendations of the Committee for guidance.

1.31 The Committee understand the limitations of Kudremukh Iron Ore Company Limited (KIOCL) in continuing the mining operations from the existing site in view of the Hon'ble Supreme Court's judgement. The Committee desire that the review petition filed in the Supreme Court by KIOCL should be vehemently argued in its favour and every efforts to be made to allow the company to carry on mining operations at least in unbroken areas for the maximum period. The Committee hope that the Ministry of Steel will play its proactive role in tiding over KIOCL from the present crisis and will render all the possible support to the company till it starts its mining operations in other alternative areas.

GENERAL TOPICS RELATING TO STEEL SECTOR

Recommendation (Sl. No. 25, Para No.4.11)

1.32 The Committee were surprised to note that the Empowered Committee under the Chairmanship of Secretary, Ministry of Steel had approved only 33 R&D projects since 1998 and only 17 projects had been completed so far. The Government had reduced the allocation for R&D purpose from Rs.95 crore during 2002-03 to Rs.60 crore during 2003-04 and 2004-05. During 2003-04 only an amount of Rs.13.426 crore was disbursed. The Committee were not convinced with the justification given by the Government that they were not receiving the sufficient number of R&D projects requiring high investments particularly when steel PSUs and private sector had been making good investments for that purpose. The Committee strongly criticized the neglecting approach of the Government towards such an important activity of steel sector. The committee felt that there was a lot of scope of R&D in that sector but the Government was not paying desired attention to facilitate the important and good projects, which might useful for the welfare of the steel sector. The Committee, therefore, desired that the Government should take up the matter seriously in consultation with all the public and private sector players and invite projects which could benefit the industry in improving the cost of production and efficiency.

1.33 In its Action Taken Reply, the Ministry of Steel has stated that the recommendations of the Standing Committee have been noted for appropriate action.

1.34 The Committee in their earlier recommendation had desired the Government to take up the matter seriously in consultation with all the public and private sector players for the completion of 17 R&D projects which had not been completed so far. The Committee are not satisfied with the casual reply of the Government as no action plan has been indicated by the Government for the completion of the remaining R&D projects. The Committee would like to emphasize that the Government should take up the issue seriously and prepare a time bound programme for their early completion.

Recommendation (Sl.No. 29, Para No. 4.40)

1.35 The Committee strongly criticize the lethargic approach of the Ministry of Steel in finalising the Steel Policy for the country. This policy was to be prepared essentially during the period when the steel industry was passing through very tough phase of recession. The Committee are happy to note that the steel sector has passed that phase and it has taken a positive turnaround during the past two years. Now in the changed situation there is an urgent need of a policy which can bring a stability in this sector and strengthened to fight with the national and international situations in future. The Committee, therefore, desire that Government should adhere to their promise and bring out a National Steel Policy with an objective to prepare a road map for Indian Steel industry in the context if ongoing reforms, restructuring and globalisation.

1.36 In its reply, the Ministry has stated that the draft National Steel Policy was submitted to the Cabinet Committee on Economic affairs (CCEA) in September 2004. The CCEA considered the draft National Steel Policy in its meeting held on 13.10.2004 and has given the following directions:

a. The draft NSP may be posted at the Website of Ministry of Steel to elicit public opinion .

b. A Committee of Secretaries under the Cabinet Secretary may examine the draft NSP in the first instance.

Action is in progress accordingly.

1.37 The Committee had recommended the formulation of the National Steel Policy with an objective to prepare a road map for Indian steel industry in the context of on-going reforms, restructuring and globalisation. The Ministry in its reply has stated that the National Steel Policy has been prepared and posted at the Website of the Ministry to elicit public opinion and thereafter a Committee of Secretaries headed by Cabinet Secretary may examine the draft in the first instance. The Committee desire the Ministry of Steel to provide wider publicity to the draft National Steel Policy in the print and visual media throughout the country. The Committee also desire that keeping in view the importance of the matter a time frame may be prepared for the finalisation of the National Steel Policy. The Committee would like to be apprised of the action taken in the matter.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl.No. 1, Para No. 1.7)

The Committee observe that the steel is the basic raw material for infrastructure. The consumption of steel has been identified as an indicator of economic well being of the country. It reflects growth in infrastructure and the maturity of the manufacturing industry of a nation. This industry has shown an impressive turn around during the last two years. The Committee, therefore, desire that the Government should take all initiatives to strengthen all the wings of iron and steel industry to enable them to face international competition in steel sector. The Government should ensure that all the constituents of this sector carry out their allocated duties and responsibilities with desired coordination and inter-PSUs cooperation and contribute on economic well being of the country significantly.

Action Taken

In a deregulated and liberalised environment, the Government will play the role of facilitator for removing infrastructural and other bottlenecks and create an enabling environment for the optimum growth of the industry.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No. 2, Para No. 2.5)

The Committee have taken note of the approved plan outlay and actual expenditure made during the first two years of current Five Year Plan and express their concern that as against the approved outlay of Rs.1,409 crore only Rs.442.90 crore were spent during 2002-2003 and during 2003-2004 against an approved outlay of Rs.1461.30 crore only 606.40 crore has been spent. This shows only 36.51% of fund utilization during the first two years. The reasons given by the Ministry of Steel for not utilizing the budgeted amount like depressed market conditions, delay in obtaining forest/environmental clearances, acquisition of land and preparation of DPR etc. by the different wings of the Ministry and are not acceptable to the Committee. The current trend shows that the Ministry has not taken any lesson from the similar failures during the 9th Five Year Plan and the same trend is continuing during the current plan also. The Committee note that the mid-term appraisal of 10th Five Year Plan (2002-2007) exercise is underway. The Committee, therefore, strongly recommend that the Government should take all the possible initiatives for full utilisation of plan outlay during the remaining years of current Five Year Plan so that the projects and programmes of the

PSUs do not suffer and the current turn around in the steel sector is maintained during the current year and in the remaining period of the current plan.

Action Taken

The recommendations/observations of the Hon'ble Committee are noted. Ministry of Steel would continue with its efforts to ensure full utilisation of plan outlay during the remaining years of the current five year plan. However, it may be pointed out that the plan outlays are only indicative and its operation is subject to the availability of resources through the successive Annual Plan allocations for the 10th Plan period.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.8 and 1.9 Chapter - I of the Report)

Recommendation (Sl.No. 3, Para No. 3.6(B)

The Committee note that as against the proposed total Plan outlay of Rs. 1658.36 crore including Budgetary Support of Rs.23.00 crores, the Planning Commission has approved an outlay of Rs.1461.40 crores with a Budgetary Support of Rs.15.00 crores. The Committee find that several plan schemes of MECON Ltd., HSL and BRL are going to be affected due to lower plan Budgetary Support than the proposed and similarly many important schemes of NMDC Ltd. MOIL and KIOCL are going to suffer due to allocation of lower Internal and Extra Budgetary Resources than the proposed. All these schemes may contribute significantly in improving the performance of these undertakings. The Committee, therefore, desire that sincere efforts should be make by the Ministry of Steel for getting allocation of additional funds at the Supplementary/Revised Estimates stage with Planning Commission and Ministry of Finance as per requirement of those public sector undertakings.

Action Taken

The recommendations/observations of the Hon'ble Committee have been noted. Against the BE 2004-2005 provision of Rs.15.00 crore this Ministry has already proposed Rs.19.00 crore for the PSUs in RE 2004-2005. Ministry of Steel has proposed additional amount of Rs.4.00 crore for MECON for the purchase of equipment etc.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No. 4, Para No. 3.12)

The Committee do not find justification for the allocation of an amount of Rs.3.79 crore in the name of the office of the Development Commissioner for Iron and Steel, Kolkata when it was closed w.e..f. 23.5.2003 based upon the recommendations of the Expenditure Reforms Commission constituted by the Ministry of Finance. These functions have been transferred to the Ministry of Steel and Joint Plant Committee and they are doing it without any problem. The Committee note that there were 226 employees of DCI&S at the time of closure. Out of 215 staff declared surplus by Department of Personnel and Training (DoPT), special VRS has been declared in case of 8 persons and 82 persons have been redeployed/nominated by DoPT leaving 125 surplus staff, awaiting redeployment. The Ministry of Steel has made financial provisions for all 226 employees in the budget of 2004-05 and they are making payments to them without any assignment. The Committee, therefore, desire that the Ministry of Steel should undertake the matter with DoPT for an earliest completion of the redeployment process and save the expenditure allocated for the purpose.

Action Taken

The suggestions of the Committee have been noted. Rs.3.79 crore covers the establishment cost of establishment of entire 226 employees of DCI&S Kolkata. This provision is an estimation of the expenditure at the time of finalization of RE 2003-04 in the month of October/November, 2003. However, based on the status of redeployment, this provision has been recommended to be revised in RE 2004-05 to Rs.2.9195 crores for 125 surplus staff awaiting redeployment plus expenditure incurred on 101 surplus employees who have been nominated/redeployed/Spl. VRS/retired/died. Under the scheme of redeployment of surplus staff, employees in the surplus cell would continue to receive full salary till they are redeployed. Ministry of Steel is in constant touch with the DoPT for ensuring early redeployment of surplus staff of DCI&S.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.12 and 1.13 Chapter – I of the Report)

Recommendation (Sl.No. 5, Para No. 3.16)

The Committee appreciate the financial loan assistance being given by the Government to Hindustan Steelworks Construction Limited for payment of outstanding salaries, wages and other statutory dues to the employees of a company passing through tough phase of regular loss. The Committee, however, desire that the Ministry should ensure that the amount is utilized only for the assigned purpose and there should not be any diversion of funds, delay in payment of salary etc. to the employees of the company. The Committee also desire that the Ministry should ensure that if there is any gap in financial requirement and loan assistance being given, this should be taken up with the Ministry of Finance at RE stage to ensure the regular payment to remaining employees of the company.

Action Taken

Government of India has provided Rs.229.88 crores so far to HSCL as Non-Plan loan for payment of outstanding salaries & wages and other statutory dues to the employees of the company. The entire amount has been utilized for the assigned purpose. No diversion has been made out of the said fund.

The Non-Plan loan of Rs.71.89 crore provided during the current year i.e. 2004-05 will also be utilized for payment of outstanding salaries & wages to the employees. The company proposes to liquidate remaining liability on account of outstanding wages/salaries through its own generation of funds.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No.6, Para No. 3.21)

The Committee are happy to note that during the year 2003-04 guidelines of the Ministry of Finance to effect 10% mandatory cut on non-Plan, non-salary expenditure in respect of the administrative expenditure of the Ministry of Steel and its attached office viz. the office of Development Commissioner for Iron & Steel was adhered to by the Ministry of Steel during 2003-04. The Committee desires that Ministry should continue to undertake overall exercise to rationalize the expenditure under Revenue Section to effect the same economy during the year 2004-05 also.

Action Taken

The observation of the Committee has been noted. In RE proposal 2004-2005 more than 10% cut in non-plan has been proposed by this Ministry.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No.7, Para No. 3.26)

The Committee are happy to note that through the loan assistance from the Government, HSCL has been able to reduce liability on account of statutory dues and wages/salaries of its employees. This has helped a lot in reducing the manpower and manpower costs of the company and ultimately resulting into minimizing loss. The Committee note that the total dues at present are Rs.89.37 crores and HSCL has got Rs.71.89 crores as loan assistance from the Government for this purpose. The Committee, therefore, desire that the company should take all possible initiatives to generate funds through their own means and if they fail to do so, they should take up the matter with the Ministry of Finance at Revised Estimates stage to obtain the remaining amount for payment of salaries/wages of employees to boost the morale and avoid any possibility of litigation on this account.

Action Taken

The liabilities of the company towards outstanding salaries & wages and other statutory dues have come down to Rs.88.36 crores as on 1.8.2004. Government has provided a non-plan loan of Rs.71.89 crore during the current year i.e. 2004-05 for payment of outstanding salaries & wages of employees of HSCL.

The company proposes to take all possible steps to generate funds from its business operation to bridge the gap between the actual fund requirement and the loan assistance granted by the Government.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No.9, Para No. 3.33)

The Committee are happy to note that the HSCL have separated 11047 employees since implementation of restructuring package and manpower has been brought to the level of 2207 employees. They have a target of bringing the number of employees to the level of 1000. The Committee find that reduction in number of employees has contributed significantly and company has moved on the path of recovery after the implementation of revival package. The Committee, therefore, desire that the Ministry of Steel would facilitate HSCL by providing required assistance so that there is no hurdle in the path of recovery.

Action Taken

Rationalization of manpower after implementation of 'Restructuring Package' in July, 1999 has made the business operations of the company more efficient and cost effective. Further optimization of manpower has been planned to take the company to an irrevocable path of revival. The employees strength as on 1.9.2004 is 2197. This number is targeted to be brought down to 1000 by 2005-06.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (SL.No.10, Para No.3.34)

The Committee note that HSCL is outsourcing labour of younger generation who are able to perform. The Committee do not support this approach of the company for the reasons that they are paying high salary to the regular employees without proper utilization of their services. In addition, they are spending money by engaging young contractual labour. The Committee, therefore, desire that such regular workers of the company should not be paid for sitting idle. HSCL should identify such workers who have attained an age of 54 years and above and prepare a scheme to provide multi-skill training suitable to them with a view to utilize their services to an optimum level. The company should also analyse the expenditure being made by engaging contractual labourers and should minimize it.

Action Taken

The company will implement a dual strategy of separating idle workforce combined with multi-skill training of remaining employees to facilitate their optimum use. This will also enable the company to keep expenditure on contract labour at the minimum required level.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Paras 1.18 and 1.19 Chapter – I of the Report)

Recommendation (SL.No.12, Para No.3.44)

The Committee note that BSLC, KDCL and SSL are in the process of considering the revised restructuring proposals. The Committee, therefore, desire that these proposals should be finalized immediately and the Ministry of Steel should consider these proposals seriously on receipt so that these undertakings may be able to come out of red like OMDC.

Action Taken

The comments of the Committee have been noted and revised restructuring proposal is being expedited.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (SL.No.13, Para No.3.51)

The Committee hope and this effort had helped the company in coming out of bad financial conditions and desire that they must take all initiatives to bring this reduction to the optimum level of 1000 by 2005-06 so that the health of the company may improve further. The Committee expect that this step may provide a strong base for success of revival package of the company. The Committee note that HSCL had proposed Rs.6.60 crores subsidy for waiver of guarantee in the Revised Estimates of 2003-04 and Budget Estimates of 2004-05. But in both cases they have got outlay of Rs.0.92 crores each time. The Committee, therefore, desire that the Ministry should pursue vigorously to obtain the required subsidy for waiver of guarantee at Revised Estimates stage.

Action Taken

The Ministry has already projected this requirement in the RE of 2004-05 and has taken this up appropriately with Ministry of Finance during pre-budget discussions of RE proposals, 2004-05.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (SL.No.14, Para No.3.61)

The Committee are very happy to note that Bharat Refractories Limited has made a turnaround and earned a net profit of Rs.1.79 crores without considering interest on Government loan of Rs.55 crores during 2003-04. When during 2002-03 company incurred a net loss of Rs.74.50 crores. The recovery is impressive and they have overcome the main hurdles in the way of physical and financial performance particularly the excessive manpower. The Government subsidies have helped a lot in the turnaround of the company. The Committee strongly recommend that the Ministry of Steel should undertake the matter seriously with the Ministry of finance to review the high rates of interest on Government loans, particularly for the companies who are suffering losses for a long period and are recovering with the help of these loans. The Committee also recommend that the Ministry should make adequate arrangements for timely and proper implementation of revival package so that BRL may be able to get more strength in recovery process.

Action Taken

Ministry of Steel has taken up the matter of reduction of interest rate with Ministry of Finance and the matter is being pursued with them.

Ministry of Steel has been regularly reviewing the progress with regard to implementation of revival package by BRL as also of the overall physical and financial performance of the company.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (SL.No.16, Para No.3.72)

The Committee are very happy to note that after a consistent negative gross margin since 1998-99, MECON has earned gross margin of Rs.25.85 crores during 2003-04. In this positive turnaround of the company, there is a significant contribution of vigorous implementation of VRS in the company. Due to this approach, now there is no surplus manpower in the company. At this point of time there is a need to maintain the same type of performance in future. The Committee, therefore, desire that MECON should now focus on cost reduction through outsourcing and adopt austerity measures and timely implementation of restructuring plan based on recommendation of consultants appointed by them. The Committee also desire that MECON should also pay specific attention in diversified services like power, environmental engineering, roads and highways, oil and gas pipelines, information technology, defence projects, etc. in addition to their traditional expertise in providing engineering and consultancy services for establishment of steel plants in the country. The Committee hope that the substantial jobs contracted during the year 2003-04 would also contribute significantly in improving the financial performance of the company.

Action Taken

Based on the recommendations of the external consultant, MECON Ltd. has already undertaken several measures as part of the restructuring initiative. These are :-

i) Strategic Business Units, with a sectoral focus, have been formed. Each SBU is being headed by a Director.

ii) Closure of Hyderabad office, scaling down of Kolkata and Chennai offices where business volumes are low.

iii) Reduction of manpower to 1561 through VRS.

iv) Sub-contracting of low-end designing jobs and other non-core activities so as to contain operational costs.

The company continues to show substantially improved performance on all fronts. The engineering and consultancy business secured by the company during the first six months of the current financial year is Rs.101 crores as against the annual MoU target of Rs.90 crores for 2004-05. The company is also showing improved performance as far as financial parameters are concerned.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (SL.No.17, Para No.3.78)

The Committee find that SAIL had lowered the target of investments during 2003-04 from Rs.600 crores to Rs.425 crores and actual amount spent through Internal and Extra Budgetary resources was Rs.454.32 crores only. This was done due to reprioritization of schemes. Similarly, during the year 2004-05, this target has been kept at Rs.650 crores. The Committee have analyzed the plant/unit-wise allocation and find that most of the schemes are essential for the concerned plants. The Committee, therefore, desire that the Government should ensure that there is no downward revision in the targets and all the schemes are completed in time with the help of Internal and Extra Budgetary Resources allocated foe specific purpose. The Committee would appreciate if there is better internal resources availability during 2004-2005 and more and more schemes for upgradation/modernization are undertaken during this period.

Action Taken

The revised estimate for 2004-05 for Planned Capital Expenditure has been worked out and is being maintained at the original level of Rs.650 crores. Hence, there is no downward revision compared to BE 2004-05.

The schemes are funded primarily from internal resources of the Company.

During the 10th Five Year Plan, essential schemes for Upgradation/modernisation worth Rs.842 crores have already been sanctioned and schemes with anticipated cost of Rs.1255 crores have been approved "in-principle" by SAIL Board.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (SL.No.18, Para No.3.92)

The Committee appreciate the achievements of SAIL in the financial performance and reduction in borrowings. The Committee note that such significant improvement in the turnover and financial performance was due to improved production and sales volume, market oriented product mix, intensive cost control measures, rationalization of manpower, reduction in borrowings supposed by external factors like growth in steel demand and firming up of international and domestic prices. The Ministry has expressed their hope that buoyant demand conditions are likely to continue in 2004-2005 also on the basis of substantial investment in infrastructure and industrial projects in domestic front and stability in global demand. The company has now put thrust on debt reduction and fund management. Outstanding borrowings, as on 30.062004 is Rs.7728 crores and they propose to make the repayment by 2006-2007. The Committee, therefore, desire that SAIL should work as per the road map proposed with specific short term and long term targets to maintain the present performance and further strengthening of financial status of the company so that the sudden changes in national and international scenario may not affect them adversely.

Action Taken

SAIL has prepared a well-defined road map, Corporate Plan – 2012, which inter-alia highlights the followings:

In the short-term, the plan aims to remove bottlenecks in existing facilities such as introduction of alternative fuels, enhancement of assets productivity, enhancing consistency in operations to maintain the current level of performance.

Further, in the long-term, the plan envisages growth by enhancing the market share, along with Quality & Cost Competitiveness. In this regard, SAIL aims to produce about 20 million tonnes of Hot Metal by 2012 through value addition projects and capacity addition. Quality and Cost Competitiveness will be ensured by 100% steel making facility through BoF route and near 100% continuous casting with Secondary

Metallurgy facilities. Finishing facilities are also proposed to enhance value addition in line with the market requirements and for reduction of semis. Strategic alliances including equity participation, long term tie-ups etc. in the areas of coal, power and iron ore are planned to ensure availability of critical inputs.

The plan is under different stages of implementation.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.22 Chapter – I of the Report)

Recommendation (SL.No.20, Para No.3.97)

The Committee are surprised to note that RINL has spent Rs.24.28 crores only as against the Budget Estimates of Rs.227 crores and Revised Estimates of Rs.99 crores. The Committee do not favour this type of under utilization of funds because this directly affects the implementation of important schemes and ultimately the performance of the company. The Committee note that for the year 2004-05, there is an allocation of Rs.300 crores. The Committee strongly recommend that the Government should ensure that RINL utilized the full allocation made for the year 2004-05 so that the schemes for which the allocations have been made do not suffer due to poor utilizations of funds.

Action Taken

The recommendations of the Committee have been noted for compliance. It has been decided to monitor the utilization of the allocated funds to VSP on various schemes on periodic basis and monitor the progress made by the company thereon. The company has been separately advised to furnish monthly reports on the utilization of these funds.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (SL.No.21, Para No.3.100)

The Committee express their happiness to note that Rashtriya Ispat Nigam Limited (Vipakhapatnam Steel Plant) has improved their financial performance and net profit soared to Rs.1547 crores in 2003-2004 from Rs.521 crores in 2002-03. This increase in profit of 192% from the last year is supposed to be very impressive. The Committee hope that RINL would maintain this performance in future also. The Committee also welcome that the long term policy being prepared by the company for expansion. The Committee desire that RINL should undertake the work relating to expansion on priority and start the work in this direction after getting the approval of the Government without any delay. The Committee also strongly desire that the Government should work as facilitator in the task of implementation of the prosperous expansion plan of RINL.

Action Taken

No comprehensive proposal for any expansion so far has been received in the Ministry. As recommended by the Committee the Ministry would take appropriate action on the expansion plan of RINL.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.28 Chapter – I of the Report)

Recommendation (SL.No.23, Para No.3.110)

The Committee note that in view of order of Hon'ble Supreme Court has permitted mining at Kudremukh upto 31st December, 2005 only, KIOCL has started looking for alternative mines and on account of additional investments, the allocation has been enhanced to the extent of Rs.54 crore. The Committee welcome the impressive performance of the company during 2003-04 and hope that it will continue during 2004-05 and in coming years. The Committee desire that KIOCL should undertake the work vigorously to explore the possibility to identify and develop new mines to prepare themselves for continuance of the operation of the company beyond December, 2005 on the similar pattern.

Action Taken

Kudremukh Iron Ore Company Limited (KIOCL) had consulted the Attorney General of India and a senior Advocate of the Hon'ble Supreme court on the Judgement of the Apex Court. With the legal view that the company should file a petition before the Hon'ble Supreme Court to get relief from the safety point of view, the company should be permitted to mine in the unbroken area which has about 35 million tonnes of weathered ore which will last for another 2 years.

The company had also contacted the office of the Director General of Mines Safety, who has opined that from the slope stability and safety point of view, the company should mine in the unbroken area. M/s National Institute of Rock Mechanics, Kolar Goldfields, a Govt. Research Institution, has carried out an independent study and given their views on the matter regarding continuation of the operations of Kudremukh area from safety point of view. Their findings corroborate KIOCL's view from safety and slope stability angle. They have offered that the company should be given the unbroken area.

A review petition has been filed in the Supreme Court by KIOCL on 3rd December 2003. The Hon'ble Supreme Court, after hearing the parties on 02-08-2004, has directed the Monitoring Committee to examine the prayers of KIOCL.

KIOCL has noted the recommendations of the Committee for guidance.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.31 Chapter – I of the Report)

Recommendation (SL.No.24, Para No.3.118)

The Committee note that during the year 2003-04, the Bird Group raised Rs.16.78 crores through IEBR as against the non-plan BE of 1.50 crores during 2003-04. On the other side, the Plan budgetary support was only Rs.1 crore which was not found adequate for AMR schemes. The Committee also note that for the year 2004-05, an amount of Rs.7.23 crores have been proposed to be appropriated for the AMR schemes. The Committee expect that this budgetary support should be utilized appropriately so that through replacement/modifications of old plant machinery, the company may be able to obtain better operational efficiency.

Action Taken

Comments of the Committee have been noted. AMR schemes funds are being utilized for replacement / modification of old plant and machinery of the company.

Recommendation (SL.No.25, Para No. 4.11)

The Committee are surprised to note that the Empowered Committee under the Chairmanship of Secretary, Ministry of Steel have approved only 33 R&D projects since 1998 and only 17 projects have been completed so far. The Government have reduced the allocation for R&D purpose from Rs.95 crores during 2002-03 to Rs.60 crores during 2003-04 and 2004-05. During 2003-04 only an amount of Rs.13.426 crores was disbursed. The Committee are not convinced with the justification given by the Government that they are not receiving the sufficient number of R&D projects requiring high investments particularly when steel PSUs and private sector has been making good investments for this purpose. The Committee strongly criticized the neglecting approach of the Government towards such an important activity of steel sector. The Committee feel that there is a lot of scope of R&D in this sector but the Government is not paying desired attention to facilitate the important and good projects, which may useful for the welfare of the steel sector. The Committee, therefore, desire that the Government should take up the matter seriously in consultation with all the public and private sector players and invite projects which can benefit the industry in improving the cost of production and efficiency.

Action Taken

The recommendations of the Standing Committee have been noted for appropriate action.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.34 Chapter - I of the Report)

Recommendation (Sl.No.28, Para No. 4.36)

The Committee have been apprised of the opinion of the Disinvestment Commission on the various steel PSUs status of disinvestment process undertaken by the Department of Disinvestment on the basis of Disinvestments Commission. The Committee have noted significant change in the view of the Government pronouncement that profit making PSUs would not be disinvested. The Committee have a view that India has marched ahead with its economic reforms and disinvestment being constituent of these reforms. At this point of time, policy makers should evaluate the policy of disinvestment by having a close examination and observation of the PSUs in their post divested phase and accordingly decide the future of course of action. The Committee observe the performance of steel sector PSUs and find that the companies like SAIL, MOIL, MSTC, FSNL and RINL have made a positive turnaround and they have again moved on a path of very good recovery. Under these circumstances, there is a need to reconsider the disinvestment proposals of steel sector.

Action Taken

Disinvestment of various PSUs etc. comes under the purview of Ministry of Finance, Department of Disinvestment. In view of this, the recommendations of the Standing Committee on Coal & Steel in this regard have been conveyed to Ministry of Finance, Department of Disinvestment for their further necessary action.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No.29, Para No.4.40)

The Committee strongly criticize the lethargic approach of the Ministry of Steel in finalising the Steel Policy for the country. This policy was to be prepared essentially during the period when the steel industry was passing through very tough phase of recession. The Committee are happy to note that the steel sector has passed that phase and it has taken a positive turnaround during the past two year. Now in the changed situation there is an urgent need of a policy which can bring a stability in this sector and strengthened to fight with the national and international situations in future. The Committee, therefore, desire that Government should adhere to their promise and bring out a National Steel Policy with an objective to prepare a road map for Indian Steel industry in the context if ongoing reforms, restructuring and globalisation.

Action Taken

The draft National Steel Policy was submitted to the Cabinet Committee on Economic affairs (CCEA) in September 2004. The CCEA considered the draft National Steel Policy in its meeting held on 13.10.2004 and has given the following directions:

(a) The draft NSP may be posted at the Website of Ministry of Steel to elicit public opinion.

(b) A Committee of Secretaries under the Cabinet Secretary may examine the draft NSP in the first instance.

Action is in progress accordingly.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.37 Chapter – I of the Report)

CHAPTER III

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

Recommendation (Sl.No.15, Para No.3.68)

The Committee note that Steel Authority of India Limited (SAIL) have made an appreciable turnaround during 2003-2004 by making a profit of Rs.2512 crore. The Committee, however, find that as against the target of downsizing the manpower to the level of 1 lakh at present 130,854 employees are there in SAIL. The company is facing difficulty in achieving the target since now there is lukewarm response due to better performance of the company, falling rate of interest on savings and bleak job opportunities for VR optees. The Committee hope that SAIL would be able to adhere to its time frame as set in the MoU signed with the Ministry of rationalization of manpower. The Committee also observe that as against the subsidy requirement of 54.65 crore as interest subsidy to SAIL for loans raised from banks for implementation of VRS only 18.60 crore has been allocated in budget estimates. The Committee, therefore, desire that the matter should be taken up seriously with the Ministry of Finance at the Revised Estimates stage so that the work relating to downsizing of manpower may not suffer due to paucity of funds.

Action Taken

As per the Memorandum of Understanding entered into by Steel Authority of India Ltd. (SAIL) with Government of India, the manpower of one lakh was to be achieved through voluntary retirement and divestment of some of the units in addition to the separation of manpower on account of natural attrition.

The manpower of SAIL which was 176147 as on 31st March, 1998 has come down to a level of 130306 as on 31.8.04, thereby achieving a reduction of 45841 inspite of absorption of 5000 manpower of Visvesvaraya Iron & Steel Plant on its merger with SAIL in the year 1999. Till date since signing of MoU, SAIL has operated five editions of VR Schemes through which 14324 number of employees have separated. Around 7639 were expected to separate through divestment of some of the units viz. Power Plants, Rourkela Fertilizer Plant, Salem Steel Plant, Alloy Steels Plant and VISP which did not materialise except separation of about 450 employees in the Power Plants. The rationalization of manpower through divestment is expected to be rather limited.

Further, the response to the VRS has been lukewarm because of :

(i) Improvement in financial performance of SAIL,
(ii) Decreasing interest rate on savings, and
(iii) Bleak job opportunities

VRS is therefore, not a viable option for manpower reduction anymore. Meanwhile, the financial position of SAIL has improved and the interest subsidy support provided by the Government may not be a necessity anymore. SAIL proposes to reach a strength of 1,20,000 by September, 2005 and use the manpower over and above the present level of requirement by providing multi-skill training and utilizing them for their future requirement against enhanced capacity projected under the Corporate Plan 2012.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No.22, Para No.3.107)

The Committee note that as against the allocation of Rs.481.55 crores at Budget stage, the allocation was revised to Rs.212.43 crores and actual expenditure was Rs.65.05 crores only during 2003-04. The Committee are surprised to note that as against, the allocation 150 crores for new schemes not a single penny was spent during the whole year. Similarly, in continuing schemes also only 31.30 crores were spent against the allocation of 252.74 crores. The Committee strongly disapprove this type of under utilization of funds allocated for investments and direct that they should adopt more practical approach at the budget stage in allocation of funds and later on at implementation stage also so that this type of under utilization of fund may not take place during 2004-05. The Ministry should also ensure that the company may adhere to the projected estimates strictly so that the implementation of schemes do not suffer more.

Action Taken

NMDC faced various constraints which prevented full utilization of the funds available, namely:

(i) Delay in issue of environmental/forest clearances for setting up iron ore projects in Bailadila and Donimalai regions by concerned State Governments.

(ii) Technology provider of Romelt Shop in respect of NISP has not come up with a reasonable cost which resulted in NMDC looking for alternate technology.

(iii) The political instability in Madagaskar led to suspension of the investigation works for Gold deposits.

(iv) The investigation works at Namibia/Tanzania were suspended pending detailed analysis of the initial results which are not very encouraging.

The recommendations of the Committee have been noted for future guidance.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No.26, Para No.4.20)

The Committee note that our per capita steel consumption in only 29 Kg. which is perhaps the lowest in the world. The consumption in developed nations is about 400 Kg. with a world average of 150 Kg. The Committee also note that the apparent consumption of Finished Steel crossed 30 million tonnes in 2003-04 and there was a growth of 5.2% over the year 2002-03. The Committee also note that the Government have a target of enhancing the use to 65 million tonnes by 2011 and 100 million tonnes by 2020. The Committee, however, find that there is a wide scope for triggering the domestic demand. The Committee find that the Ministry of Steel has to pay a role catalyst in triggering demand and as facilitator for removing supply side constraints. The Committee are not satisfied with the present growth trend of steel consumption which was 21.3 million tonnes in 1995-96 and during 2003-04 it has reached to 30 million tonnes only. The Committee find that the target set to enhance the consumption to 65 million tonnes by 2011 requires many assertive efforts on all fronts. The Committee, therefore, desire that the Ministry of Steel should prepare a time bound programme along-with year-wise targets to tap the tremendous domestic market. They must play a role of effective facilitator in resolving the supply side constraints like raw material, iron ore, coal wagon availability, etc. The Committee express their hope that these targets would be achieved because the steel industry is doing well during these years when several loss making steel sector companies have made a positive turnaround. Moreover, the Government have promised a lot of investments in infrastructure in coming years and there is upward trend in international market also.

Action Taken

The Government is working towards a proposed target of enhancing steel production to 65 million tonnes by 2011 and over 100 million tonnes by 2020. There is no doubt that there is a wide scope for increasing domestic demand particularly in the rural areas. In fact, one of the essential components of the proposed National Steel Policy is to institute measures for promoting domestic demand in the rural areas. A separate organisation jointly promoted by the industry and the Government i.e. Institute for Steel Development and Growth (INSDAG) has been set up to bring awareness of the usage of steel and promote consumption through steel specific designs for various uses. Greater stress is also being laid on R&D for innovative application of steel to boost the demand. The Ministry of Steel will be playing a role of facilitator and catalyst for removing supply side constraints.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Recommendation (Sl.No.27, Para No.4.31)

The Committee observe that steel prices have started increasing from the beginning of 2002 primarily due to increase in global demand for steel. Since then, the prices have been growing continuously and during 3 years of time span the prices have almost doubled. Very surprisingly, despite various steps taken by the Government, these steps have not controlled the domestic prices of steel. These steps have affected the imported steel prices but not the domestic prices at all. The committee do not agree with the justification given by the Ministry that the national price have been increasing in tandem with the international steel prices are different that those prevailing in the country. The Committee, therefore, desire that the Government should make a detailed study of factors responsible for continuous price increase of steel items and also analyse the impact of various duty exemptions being given from time to time to contain the steel prices. The Committee have also an apprehension that there may be cartelisation of private sector steel companies in enhancing the prices continuously for profiteering. The Government should seriously consider this while taking measure to contain prices. The Committee also desire that the Government should take up the matter with private as well as public sector undertakings of steel sector and play a positive role of facilitator in stabilising steel prices in the country and if necessary, they should also consider to establish specific type of regulatory mechanism to control steel prices in future.

Action Taken

The Economic Research Unit (ERU) under the Joint Plant Committee under the Ministry of Steel has been entrusted with the task of making a detailed study of factors responsible for continuous price increase of steel items and also analyse the impact of various duty exemptions being given from time to time to contain the steel prices. After the latest round of reduction in import duties in August 2004 and other policy initiatives taken by the Government the steel prices have generally remained stable. In view of the stability in prices an independent regulatory body at this stage is not felt necessary. The price situation is being monitored regularly and Government may intervene if necessary.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

CHAPTER IV

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

Recommendation (SL.No.8, Para No.3.28)

The Committee are surprised to note that a huge amount of Rs.218.74 crore is pending with steel sector PSUs since last several years. It is very painful that steel sector PSUs have kept the payments pending/under dispute for such longer periods particularly under the condition when the HSCL is trying to revive with Government's assistance. The Committee have no hesitation in saying that the Ministry of Steel has not played its desired role of facilitator and regulator. The Committee strongly recommend that the Dispute Settlement Committee of the Ministry should undertake the matter on top priority with a view to decide the matter at the earliest and direct PSUs to settle the accounts immediately. The Committee strongly recommend that the Ministry of Steel should now prepare a time bound schedule for an earliest settlement of issues and the matter should not be delayed any more.

Action Taken

Disputed dues have been taken up by the Dispute Settlement Committee of the Ministry and the Committee expects to settle the matters expeditiously.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please See Para 1.18 and 1.19 Chapter – I of the Report)

Recommendation (Sl.No.19, Para No.3.93)

The Committee find that after implementation of the financial and restructuring proposed for SAIL, majority of the tasks have been completed successfully. A few tasks like downsizing of manpower are still under implementation and they are also anticipating difficulties in decision of disinvestments of SAIL units. The Committee would like to draw the attention towards the announced Government policy that profit making PSUs will not be considered for disinvestments. Now, SAIL is a profit-making company in all terms and any disinvestments at this stage may create great difficulty on the path of recovery. The Committee, therefore, strongly recommend that the issue of disinvestments of SAIL units should be reconsidered in view of changed situation and final decision should be taken as per the present policy.

Action Taken

SAIL will pursue its divestment process, as guided by Government decisions/policies.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

Comments of the Committee

(Please see Para 1.25 Chapter-I of the Report)

CHAPTER V

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

Recommendation (Sl.No.11, Para No.3.40)

The Committee note that for survival of BSLC and SSL, further rationalisation of manpower is essential and for this purpose they require grant because they are not in a position to pay interest on Plan loan. The Committee, therefore, desire that Ministry of Steel should take up the matter with Ministry of Finance so that the company may get financial assistance in the form of Grants required for the implementation of VRS in these companies.

Action Taken

The recommendation of the Committee for Grant for implementing VRS in BSLC and SSL is being considered for incorporation in the restructuring proposal of these companies.

[Ministry of Steel O.M.No.110014(8)/2004 Parl., dated 17.12.2004]

New Delhi;
21 March, 2005
30 Phalguna , 1926 (Saka)

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

ANNEXURE I

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2004-05) HELD ON 21ST MARCH, 2005 IN COMMITTEE ROOM 'D', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1700 hrs. to 1815 hrs.

PRESENT

Shri Ananth Kumar-In the Chair

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Harishchandra Chavan
4. Shri Bikash Chowdhury
5. Shri Chandra Sekhar Dubey
6. Shri Faggan Singh Kulaste
7. Shri Vikrambhai Arjanbhai Madam
8. Shri Dalpat Singh Paraste
9. Shri E. Ponnuswamy
10. Smt. Karuna Shukla
11. Shri Ramsewak Singh (Babuji)
12. Shri Devdas Apte
13. Shri Ramadhar Kashyap
14. Capt. Jai Narayan Prasad Nishad
15. Shri Vidya Sagar Nishad
16. Shri G.K. Vasan

SECRETARIAT

1. Shri A.K. Singh - *Director*
2. Shri Shiv Singh - *Under Secretary*

2. At the outset, Chairman, welcomed the Members to the sitting of the Committee. Thereafter, the Committee considered and adopted the following Draft Reports:

(i) Action Taken Report on the recommendations contained in the Third Report of the Standing Committee on Coal and Steel (2004-05) on Demands for Grants (2004-05) of the Ministry of Steel; and

(ii) Action Taken Report on the recommendations contained in the Forty-Seventh Report of the Standing Committee on

Energy (2004) on the subject “Safety in Coal Mines”.

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

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

The Committee then adjourned.

ANNEXURE II
(*Vide* Para IV of Introduction)

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

I.	Total No. of Recommendations made	29
II.	Recommendations/Observations which have been accepted by the Government:	22
	(*vide* recommendation at S1. Nos. 1, 2, 3, 4, 5, 6, 7, 9, 10, 12, 13, 14, 16, 17, 18, 20, 21, 23, 24, 25, 28 and 29)	
	Percentage of total	75.86%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: (*vide R*ecommendation at S1. Nos. 15, 22, 26 and 27)	4
	Percentage of total	13.79%
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: (*vide R*ecommendation at S1.Nos. 8 and 9)	2
	Percentage of total	6.89%
V.	Recommendations/Observations in respect of which final replies of the Government are still awaited: (*vide R*ecommendation at S1.No.11)	1
	Percentage of total	3.44%