

**GOVERNMENT OF INDIA
COAL AND MINES
LOK SABHA**

UNSTARRED QUESTION NO:1286
ANSWERED ON:23.07.2002
ROYALTY RATES OF COAL
PRASANNA ACHARYA

Will the Minister of COAL AND MINES be pleased to state:

- (a) since when the royalty on coal has not been revised and the reasons therefor;
- (b) whether the Government purpose to revise coal royalty with retrospective effects;
- (c) if so, the details in this regard;
- (d) if not, the reasons therefor;
- (e) the loss, incurred by the coal bearing States in view of the normal rise of royalty on coal till the last revision due to non revision of royalty on coal, State-wise;
- (f) whether the Central Government propose to compensate these States as per therecommendation of the 11th Financial Commission; and
- (g) if so, the details thereof ?

Answer

MINISTER OF STATE FOR COAL AND MINES (SHRI RAVI SHANKAR PRASAD)

(a) : The royalty rates on coal were last revised on 11.10.1994. Section 9(3) of the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) empowers the Central Government to enhance or reduce the royalty rate in respect of any mineral by notification in the Official Gazette. However, it provides that the Central Government shall not enhance the rate of royalty more than once during any period of three years. The next enhancement could only be done after 10.10.1997. In 1997, it was decided not to enhance the royalty rates because inter alia the major coal consuming sectors such as steel, cement and power were passing through a recessionary phase. It was felt that any increase in royalty on coal at that stage would deepen the crisis for the power, steel and for the whole economy.

(b) to (d) : No, Sir. Realisation of arrears of royalty dues from the consumers arising out of royalty revision with retrospective effect will be difficult for coal already sold. In such event, the retrospective royalty payment may create a liability for the coal companies who are required to pay such royalty to the State Governments irrespective of the fact that they may not be able to realise such dues from the consumers. Many coal companies may turn further sick in such an event.

(e) : No periodicity for mandatory revision of royalty on coal has been fixed. Royalty on coal is payable to the State Governments at the rate fixed by the Central Government and royalty due is being paid to the concerned coal producing states regularly and, as such, there is no loss to any State Government on this account.

(f) & (g) : Do not arise in view of the answer given to part (e) of the question above.