

**TWENTY FIFTH REPORT**  
**STANDING COMMITTEE ON**  
**ENERGY**  
**(1995-96)**

**(TENTH LOK SABHA)**

**COAL LINKAGES—POLICY AND ITS IMPLEMENTATION**  
**—AN EXAMINATION**

**MINISTRY OF COAL**

*Presented to Lok Sabha on.....* 1 MAY 1995  
*Laid in Rajya Sabha on.....*



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

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ON "COAL LINKAGES—POLICY AND ITS  
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\* Not printed. One cyclostyled copy laid on the Table of each House and 5 copies placed in Parliament Library.

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ENERGY (1995-96)

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(iv)

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7. Shri Khelsai Singh
8. Shri Laxminarain Tripathi
9. Shri Bhawani Lal Verma
10. Shri Parmeshwar Kumar Agarwalla
11. Shri Rajni Ranjan Sahu

## INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf present this Twenty Fifth Report on the subject, "Coal Linkages–Policy and its implementation–An examination." The task of examining the subject, "Coal Linkages–Policy and its implementation–An examination" and preparing a report on it was entrusted to a Sub-Committee of Standing Committee on Energy (1994-95).

2. The Sub-Committee held 9 sittings in all of which 5 sittings were devoted to recording evidence of various organisations and official witnesses and 4 sittings for in-house deliberations.

3. The Committee wish to express their thanks to the following experts/organisations for placing before them the requisite material/Memorandum in connection with examination of the subject:

- (a) Federation of Indian Chambers of Commerce and Industry, New Delhi.
- (b) Associated Chamber of Commerce & Industry of India, New Delhi.
- (c) National Council for Cement and Building Materials, New Delhi.
- (d) Federation of Association of Small Industries of India, New Delhi.
- (e) Fertiliser Association of India, New Delhi.
- (f) Dr. K. Narsimhan, Director, Central Fuel Research Institute, Dhanbad (Bihar).
- (g) All India Brick & Tile Manufacturers Federation, New Delhi.
- (h) Confederation of Indian Industries, New Delhi.
- (i) Central Electricity Authority, New Delhi.
- (j) National Thermal Power Corporation Limited, New Delhi.
- (k) Cement Manufacturer's Association, New Delhi.
- (l) Steel Authority of India Limited, New Delhi.
- (m) The Ministry of Railways.
- (n) The Ministry of Steel.
- (o) The Ministry of Power.
- (p) Coal India Limited.
- (q) The Ministry of Coal.



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4. The Committee also wish to thank, in particular, the representatives of the Ministry of Coal, Coal India Limited, Central Electricity Authority, National Thermal Power Corporation Limited, Cement Manufacturers' Association, Steel Authority of India Limited and All India Brick & Tile Manufacturers' Federation who appeared before the Sub-Committee for oral evidence and placed their considered views before them.

5. The report was considered and approved by the Sub-Committee (1994-95) at their sitting held on 6th April, 1995 and adopted by the full Committee (1995-96) on 5th May, 1995.

6. The Committee place on record their appreciation for the work done by the Sub-Committee on Coal (1994-95) of the Standing Committee on Energy.

NEW DELHI;  
8 May, 1995  
18 Vaisakha, 1917 (Saka)

JASWANT SINGH,  
Chairman,  
Standing Committee on Energy.

## PART-I

### PART-A

## BACKGROUND ANALYSIS

### I. COAL LINKAGE POLICY

The Linkages of coal demand is primarily done with the objective of planning of coal supplies, keeping in view indigenous coal resources as well as the need to supply fuel of appropriate quality to the consumers and at the same time making the most economic use of the available capacity for production and transport of coal. The system of Linkages was first introduced in January 1973, initially for coal supplies to Thermal Power Stations. In the subsequent years Cement, Steel and stockyards were also covered by Linkage Committees. The linkage policy as applicable for different consuming sectors is detailed in all its related aspects in the following paragraphs.

#### Core Sector

#### **Standing Linkage Committee (Long Term) for Power & Cement Sectors**

1.2 The consumers desiring linkage for supply of coal should apply for linkage to the SLC (Long Term). The consumers should route the application through the concerned Department/Ministry to the Chairman, SLC (LT). For example, for setting up a Power Plant, the application has to be routed through the Central Electricity Authority and Ministry of Power. In case of cement unit, it has to be routed through the Ministry of Industry, Department of Industrial Development. Similarly, other sector units have to apply through the concerned department to the Chairman, SLC (LT). The SLC (LT) has the Additional Secretary in the Ministry of Coal as the Chairman. Other members of the SLC (LT) are representatives of CIL, representatives of SCCL, CMPDIL, Railways, Planning Commission, Central Electricity Authority, Ministry of Power and representative of Ministry of Industry, Department of Industrial Development (as the case may be). The Committee decides the linkages of coal for source of supply, quantum of coal and the mode of transportation.

#### **Standing Linkage Committee (Short Term) for Power & Cement Sectors**

1.3 The Additional Secretary in the Ministry of Coal, Govt. of India is the Chairman of the Committee. Representatives of Coal India limited, Central

Electricity Authority, Ministry of Power, Railways Representatives of Singareni Collieries Co. Ltd. are the members of SLC (ST) for power sector. In SLC (ST) for cement sector besides Chief of Marketing of CIL, representatives of SCCL, Railways, Ministry of Industry, Department of Industrial Development are the other members.

The Committee meets in December, March, June and September each year to review the coal supplies to Power and Cement Sectors in the quarter and finalise the linkage to consumers in Power and Cement Sectors for the next quarter. Time to time adjustment/incorporation in the quarterly linkages is done by the Chairman, SLC (ST). Minutes of the meetings are drawn and circulated to all concerned for implementation.

### **SLC (Long Term) for Iron and Steel including Pig Iron/Sponge Iron Plants**

1.4 Composition of the Linkage Committee for Pig Iron/Sponge Iron Plants has been as under:-

- (a) Secretary (Steel) ..... Chairman
- (b) Representative of Ministry of Coal
- (c) Representative of Planning Commission
- (d) Representative of Railway Board.
- (e) Representative of Power Plant.
- (f) Representative of National Mineral Development Corporation.
- (g) Addl. Secy. Dept. of Steel ... Member Secretary

### **Distribution of Coking Coal to Steel Plants**

1.5 Every year requirement of indigenous coking coal is being determined on the basis of the target of hot metal production fixed by the Ministry of Steel collectively as well as individually for every Steel Plant in the country. Requirement of coking coal is being derived proportionately and with the help of prescribed norms in relation with the hot metal production. Accordingly, Ministry of Steel advises Coal India about their total requirement of indigenous coking coal for the year. CIL then indicates to Steel Authority the total quantity of coking coal that could be supplied during the year. The ultimate distribution of coking coal is being made by the Coal Controller on month to month basis according to CIL offers for the same period. The meeting in which the distribution of coking coal is discussed is attended by the Railways, representative of Steel Plants and representatives of Coal Companies.

## **Loco and Defence**

1.6 No linkage is issued for coal requirements of Locomotives of the Indian Railways and also for Defence Establishments. Coal for Loco is released based on 'LOCO COAL PROGRAMMES' finalised by the Chief Mining Adviser, Railway Board, Dhanbad after a meeting attended by the representatives of the concerned subsidiary companies. Coal for Defence Establishments is also released based on the programmes finalised by the 'DEFENCE COAL CELL' authority of Defence.

## **Fertilizer**

1.7 Fertilizer plants are required to obtain clearance for coal supplies from the Ministry of Coal.

## **Non Core Sector Industries**

1.8 At the time of nationalisation there was no system of obtaining confirmation of CIL by any consumer with regard to coal availability and of coal specifications on which the burning equipments were to be designed by the new industries. The consumers were drawing coal supply from the sources convenient to them. In 1978, it was agreed that CIL should decide the linkages to consumers who are falling under non-core sector category keeping in view the rationalisation of wagon movement, proximity to the coal field, the design of the burning equipment and availability of coal in various coal fields. To this effect, a circular was sent to all the State Governments informing them accordingly. Since then, 'Linkage Cell' has been functioning at CIL. Later on, it was decided that such linkages should be discussed and decided by a Committee called "Non-Core sector Linkage Committee" (NCLC). This system was adopted in October, 1982 which still continues.

1.9 Non-core sector consumers approach CIL in advance for granting linkage of coal to their units, before installation of their burning equipments. The consumer have to design the same keeping in view qualitative availability of coal. However, this system had not been rigidly adhered to as a number of consumers approached CIL for granting linkages only after installation of their burning equipments. Consumers having a projected requirement upto 5000 MT of coal per month and desiring drawal of coal from CIL are required to submit linkage application, in the prescribed proforma. Based on the scrutiny of technical data, linkage is issued. Linkage issued remains valid for a period of two years by which time the consumers are expected to start drawing supplies.

1.10 Normally movement of coal by rail is encouraged, although wherever necessary, movement by road is resorted to. Consumers whose requirements are more than 500 tonnes per month and are located beyond 250 kms from the linked

sources are accorded linkage for supply by rail. However, depending on operational/loading convenience relaxations are also considered. Consumers located in the vicinity of coalfield are given coal by road irrespective of quantity.

1.11 Linkages are granted for a range of grades suiting consumer's requirement, so that desired flexibility in planning and execution of coal supplies can be maintained. In case any consumer does not draw supplies continuously for 24 consecutive months, the linkage is treated as 'snapped'. Restoration of snapped linkages is done by the concerned contact sales office.

Consumers requiring coal, more than 5000 tonnes per month are required to obtain a clearance from the Ministry of Coal before obtaining formal linkage by CIL which is granted as per the above procedure as specified for consumers requiring less than 5,000 tonnes per month. Linkages are not granted to the seasonal industries like manual brick manufacturing units.

1.12 The above procedure is not applicable in case of manufacture of special smokeless fuel (SSF) and cokery units (manufacturers of BH hard coke) for which separate norms/system exists, as follows:

*(i) Special Smokeless Fuel*

Prospective entrepreneurs desiring to set up SSF plant based on patented technology of CMPDIL, Ranchi, are required to obtain recommendation from the High Level Committee (HLC) of the concerned State and if the HLC is not functioning, from the concerned DI/DIC and formally apply to CIL-Marketing Division in specified format for issuance of Coal Clearance. CIL-Marketing, after scrutiny of the application, and on confirmation from the supplying coal company about availability of coal for the proposed plant, issues coal clearance certificates in favour of the unit. Coal linkages are granted by the subsidiary coal companies after meeting the requirements of preparation of project report and for acquiring of design packages etc., from CMPDIL-Ranchi on deposition of necessary fee to that office.

*(ii) Cokeries*

Cokeries are not granted any formal linkage. Coal allocation is made to the private cokeries on the basis of coke ovens as verified by inspection from time to time. Releases to the private cokeries are regulated in terms of decision given by the Honourable Justice Ajit Kumar Sen of Calcutta High Court on 28.02.85 and on the basis of decision dated 26.05.88 of the Division Bench of the Calcutta High Court. In terms of these decisions, coal is to be allowed to the cokeries on equitable basis.

## Working of the Policy

1.13 The Committee desired to know whether the present system of allocation of coal on quarterly basis to bulk consumer by Standing Linkages Committee is working satisfactorily. In reply the Ministry of Coal claimed in a note as under:—

“The present system of allocation of coal on quarterly basis by Standing Linkage Committee is applicable for Power and Cement sectors. This has been functioning satisfactorily, which is reflected by a very high level of demand materialisation for these major consumers. The other bulk consumers such as in Steel, Loco and Defence sectors are being covered by monthly allocation Committees which have also been functioning satisfactorily. Supplying coal companies, railways and consuming sectors are all adequately represented in these Committees. Movement programmes are drawn up after taking into consideration past performance and demand.”

1.14 Sector-wise coal demand, offtake and percentage demand satisfaction during the last three years as furnished by Ministry of Coal are as under:

(Figs. in Million Tonnes)

Sector	1993-94*			1992-93			1991-92		
	Demand	Actual	%Satn.	Demand	Actual	%Satn.	Demand	Actual	%Satn.
Steel**	36.60	32.57	89.0	35.10	32.43	92.4	33.70	32.05	95.1
Power									
(R/C)	157.10	162.48	103.42	147.10	147.04	100.00	142.00	134.66	94.80
(Midl)	(2.90)	(2.73)	(94.13)	(2.90)	(2.49)	(85.9)	(3.00)	(2.40)	(76.7)
Railways	3.60	1.93	53.60	4.00	3.19	79.80	4.70	4.42	94.00
Cement	13.10	10.43	79.11	14.10	10.89	77.20	13.10	9.97	76.10
Fertiliser	3.70	4.96	134.10	4.00	4.55	113.80	4.00	4.31	107.70
BRK/Otrs.	50.70	36.90	72.80	49.90	39.64	79.40	43.50	40.15	92.30
	(3.10)								
Colly. Con	4.00	3.83	95.75	3.90	3.95	101.30	4.00	4.11	102.80
<b>TOTAL</b>	<b>268.80</b>	<b>253.03</b>	<b>94.13</b>	<b>258.10</b>	<b>241.69</b>	<b>93.60</b>	<b>245.00</b>	<b>229.67</b>	<b>93.70</b>
	(6.00)	(2.73)	(45.50)	(5.30)	(2.49)	(47.0)	(5.00)	(2.40)	(46.0)

\* Data Provisional

\*\* Includes Imports

Figures in bracket indicate middlings.

1.15 During the course of discussion with the representatives of the Ministry of Coal the Committee enquired whether in the emerging market scenario, the present linkage policy needs to be continued. The Secretary, Ministry of Coal stated in reply:

“If the emerging market scenario has all the ingredients of market forces, it is obvious that there will be no control either on prices or on distribution. It is also assumed, under that scenario, that we should have a wholesale coal trading system and coal spot market system in position. To that extent, the role of Coal Linkage Committees would get relatively diluted.

Nevertheless, we are unable to visualise the total abandonment of the Coal Linkage Committee in the near future since the system establishes clear connection of a customer with one or a group of mines located in different places, taking into account the type of coal, the quantity and the railway transportation-needs. Other factors also will play a role. To the extent that the current drive of coal companies for having coal supply based on legally enforceable agreements, established with power stations becomes feasible; the need for coal linkages through Coal Linkage Committee may not be felt. Alternatives, therefore, coal supplies against legally enforceable contracts, bilaterally negotiated and agreed to with penalties and bonus clauses between the coal suppliers and the customers; development of wholesale trade in the open market and also development of what is called spot market where apart from the wholesalers, producers also join. It may be appreciated that the coal linkage apart from providing assured sources of coal supply to the customer from a particular mine is being resorted to for organising methodical movement of railway wagons. Unless a clear indication is provided, the Railways with their limitations cannot make optimal use of their rolling stock, nor can they help in ensuring optimal supply to customers. Even if the linkage system is withdrawn the Railways will have to resort to their statutory Preferential Traffic Schedule.”

Asked what was the system in U.K., Australia and the other coal producing countries in regard to coal linkage, the Ministry of Coal stated in a post evidence reply,

“As far as we are aware there is no control system either in U.K. or in Australia. They are operating completely within the market forces. Australia is substantially exporting its coal.”

## II. LINKAGE TO POWER SECTOR

Regarding long term coal linkages for new coal based power plants, Central Electricity Authority stated in a Memorandum furnished to the Sub-Committee that it has been the experience that in some cases the original linkages had to be shifted to alternate sources due to non-development of linked mines. Remedial measures had, therefore to be sought to mitigate such shortcomings in ensuring alternate fuel supply as shifting of linkage affected the project commissioning and its performance due to change in the coal parameters for which the power plant was designed.

2.2 Asked whether it was not possible to foresee availability of coal before agreeing to linkages in order to avoid subsequent transfer to other fields and consequent problems to the consumers; Coal India Ltd. stated in a written reply that long term coal linkages to new consumers are given only after considering the total coal demand on a coalfield *vis-a-vis* likely availability over a span of time. CIL however stated that mismatches between demand/linkages and production arise because of the following reasons:—

- (a) The likely production availability is assessed considering existing mines, ongoing projects and new proposed projects. Delay in implementation of ongoing projects and delay in or non-approval of proposed new projects will result in lower production availability *vis-a-vis* the original forecast.
- (b) The demand/linkages of consumers are based on normative requirements. If the performance of the consumers is or was better, the coal requirements increase, resulting in mismatches *vis-a-vis* availability.
- (c) At times, a new consumer proposed to be located at or near the pithead in a coalfield requires coal linkage. Due to the location, such consumer will have to get coal supplies from the same coalfield. This would result in reduced coal availability for other distant consumers originally linked to such coalfield.
- (d) Exhaustion of coal reserves in some coalfields also forces change of coal linkages granted much earlier.
- (e) A delay in development of coal transport arrangements, including additions of rail links, sometimes necessitate review of coal linkages.



According to CIL during the last 3 years there have been only five such cases of transfer of long term linkage.

The Ministry of Coal has stated in this connection as under:—

“By and large there is no change from the linkage determined by the Long-term Linkage Committee of the Ministry. At times changes become inevitable because of either transport logistics or delay in projects. Such instances are very few and these are taken care of on quarterly basis by the Short-term Linkage Committee where coal companies, power stations, railways, CEA, etc., participate.”

2.3 With regard to short term coal linkage to power stations CEA stated that one of the difficulties experienced was non-acceptance of coal demand in full as projected by the CEA at the time of fixing generation targets although projections of CEA have reportedly been very close to actuals in the past. The position of demand projected by CEA, demand accepted by the Ministry of Coal, reported despatches and actual supply for the past five years as furnished by CEA is given in the following table:—

	Coal figures in Million Tonnes				
	1989-90	1990-91	1991-92	1992-93	1993-94
a. Demand projected by CEA.	123.50	143.15	146.00	153.00	160.00
b. Demand accepted by MOC.	121.00	131.00	137.00	150.00	160.00*
c. Reported despatch	—	118.77	136.88	149.25	165.21
d. Actual Receipt	110.70	114.70	130.07	142.62	158.18
e. Shortage	—	4.07	6.81	6.63	7.02
f. Generation loss for want of coal (BU)	3.4	8.988	10.335	4.44	2.2

\* The initial projection was 167 MT and when it was not being agreed, generation targets were reduced and revised demand of 160 MT was projected.

2.4 Asked what were the reasons for not meeting the coal demand of power sector in full. CIL informed the Committee in a written reply that figures indicated by CEA were All India Figures. CIL claimed that materialisation against the sectoral demand of Power Sector on Coal India Ltd. (as approved by the Planning Commission) had been more than 100% during each of the last 3 years and that loss

of power generation cannot be attributed to coal companies. CIL in this connection furnished the following figures:—

(Figures in million tonnes)

Year	Raw Coal			Middlings			Total		
	Dem- and	Off- take	% Satis- faction	Dem- and	Off- take	% Satis- faction	Dem- and	Off- take	% Satis- faction
1993-94	140.22	144.39	102.97	2.65	2.90	100.40	142.87	147.29	103.09
1992-93	124.17	131.46	105.87	2.65	2.48	94.00	126.82	133.94	105.61
1991-92	111.87	120.60	107.80	2.43	2.33	98.70	114.30	122.93	107.55

2.5 According to CIL during, 1993-94 despatches exceeded even the CEA's demand and the power houses had built up highest coal stock upto 9.07 million tonnes during October 93 which had slid down to a level of 6.90 million tonnes as on 1.4.94. Coal supplies to Power Sector could have been better and stock further improved but for infrastructural bottlenecks at power stations in handling and release of wagons in time. At times, coal supplies is also restricted for non-payment of freight to Railways and on power plants refusal to accept or restrict supplies for which the responsibility is to be borne by concerned power stations.

Explaining the position in this regard, the Ministry of Coal stated in a written reply as follows:—

“The demand for coal in various sectors is assessed on the basis of aggregation of demand data in the concerned sector. At the macro level, these are added together and sector-wise demand is arrived at. In case of demand projections by CEA, they aggregate data of different power stations in the country and indicate a total demand for the year. They never share data pertaining to each power station as a result of which it becomes very difficult to appreciate on our side the basis of their calculations. CEA also takes into account improvement in PLF before they aggregate their demand data. On the other hand, this exercise is also conducted by CIL and other coal companies who try to ascertain the coal requirement of different power stations in their own way and also keep in view the past performance. As fuel suppliers, it would be appreciated that Coal India has direct access to each power station. When the aggregate figures of CEA and CIL are compared there are likely to be differences. Both these data are furnished to the Planning Commission where extensive discussions take place and a finally agreed figure of demand for the year concerned is arrived at, keeping in view the generation target, improvement in PLF and other parameters fixed by the Planning Commission. The figure indicated and accepted by the Ministry of Coal is in fact a figure arrived at by the Planning Commission.

There are a few significant points with regard to the supplies related to demand and in case of shortages, the consequences on both the power stations and the coal companies. The first important point in this regard is that all the power stations are required to built up their stocks in each case for at least 15 days' consumption. This is observed more in violation than in compliance. But for a few power stations, it has been found that they do not seem focused on this aspect. This requirement is also for pit head stations. This is based on the fact that there can be many unforeseen difficulties arising in ensuring supplies like heavy monsoon, railway bottlenecks, disruption in coal production due to strikes, bandhs, etc. Despite all this, every week there is a close monitoring of supplies in the Cabinet Secretariat. In this monitoring, the Ministries of Coal, Power, Industry, Railways, etc. are associated along with coal producers, CEA and major consumers like NTPC. The problems arising out of any mismatch are thrashed out.

The other significant point to be borne in mind is that the annual demand which is later broken into quarterly and monthly demands, does not take into account the payment capabilities of different power stations. There are many occasions when coal supplies have to be controlled in case payments are not being received by the coal companies, as also non-payment of freight to the railways. This position of stoppage of supplies of coal to the power stations is out of compulsion because today the outstanding dues of power stations stands at Rs. 3,400 crores which needs to be brought under control. Even the undisputed amount of Rs. 1,800 crores is not being paid by the power stations, nor are power stations abiding by the decisions taken in consultation with them by the Committee of Secretaries in March, 1994 for opening letters of credit to adjust the current dues as well as the past arrears.

In this context, it would also be relevant to point out that whereas CEA projected demand of 160 million tonnes and showing a receipt of 158.1 million tonnes during 1993-94, the power stations had refused to take extra supplies in the months of January, February and March, 1994. Further more, if we look at the figure of electricity generation during 1993-94, the data will indicate that power stations generated 214.73 billion units as against the previous year's achievement of 192.55 billion units. The growth rate is of the order of about 11%. They have not only achieved their generation target but also increased their coal stocks by 8.3 lakh tonnes in 1993-94 and 19.47 lakh tonnes in 1992-93."

2.6 Asked what remedial measures are proposed to ensure required supply of coal to the power sector, the Ministry of Coal stated that the remedial methods

could be that power stations should enter into legally enforceable contracts with the coal companies to ensure adequate supply and immediate payment.

2.7 According to National Thermal Power Corporation adequate quantity of coal is not received during summer and rainy seasons and it is only from the month of September or October onwards the coal supply improves to the agreed linkage quantity. The Ministry of Coal had also admitted that seasonal variations in production affects availability of coal to the consumers. Enquired whether this problem was ever considered by the Ministry with a view to finding a solution, the Ministry of Coal claimed in a written reply that "it is not correct that NTPC does not receive adequate quantity of coal during summer and monsoon months. Except Kahalgaon and Farakka STPS, who are not lifting the linked quantity of coal on their own because of less consumption, other power houses have generally been receiving coal more than their requirement as assessed by CEA. Quarter-wise supply position *vis-a-vis* requirement for the years 1993-94 and 1994-95 (upto December, 94) in respect of major captive power stations of NTPC as furnished by the Ministry of Coal is as follows:-

(Qty in '000 Tonnes)

Power Station		1993-94					1994-95			
		Q-I	Q-II	Q-III	Q-IV	Total 1993-94	Q-I	Q-II	Q-III	Total 1994-95
Singrauli	R	2000	1840	2000	2160	8000	2187.5	2012.5	2187.5	6387.5
	S	1982.9	2151.9	2376.1	2459.3	8970.2	1850	2217	2524	6599
Rihand	R	927.5	853.3	925.5	1001.7	3710	1072.5	986.7	1072.5	3131.7
	S	1072.1	996.3	1134.2	1302.8	4505.4	983	865	1201	3049
Korbha	R	2157.50	1985	2157.50	2330	8630	2572.50	2366.7	2572.50	7511.7
	S	2933.1	3003	2930	3128	12094.1	2678	2635	3273	8566
Vindhyachal	R	975	897	975	1053	3900	1280	1177.6	1280	3737.6
	S	1244.50	1440.7	1489.3	1288.4	5462	1139	1227	1513	3879
Ramagundam	R	2063.50	1897.50	2062.50	2227.5	8250	2357.5	2168.9	2357.5	6883.9
	S	2334	1799	2406	2721	9260	1929	1663	2206	5798
Total (NTPC) excluding Farakka & Kahal gaon	R	8122.5	7472.8	8122.22	8772.23	2490.00	9470	8712.4	9470	27652.4
	S	9566.66	9390.09	10335.6	10899.5	40192.50	8587	8607	10717	27917.0

R – Requirement, S – Supply

Contrary to Ministry's claim it is, however, observed from the above table that there was indeed shortfall in supply to most of the plants of NTPC in the first and second quarter of 1994-95. The supply was also less than requirement with respect to Singrauli in the first quarter of 1993-94 and with respect to Ramagundam in the second quarter of 1993-94.

2.8 The Federation of Indian Chamber of Commerce & Industry stated that one of the constraints in implementation of coal linkages is the difficulty in movement of coal as per agreed linkages by Railways and pleaded that movement of coal by Railways to private sector power plants should be treated at par with public sector power stations. According to FICCI, the problem of stock piling is mainly due to problems in transportation, particularly non-availability of railway wagons. Enquired about the present arrangement with regard to movement of coal to power plants both public and private sector, the Ministry of Coal stated in a written reply:—

“In a tripartite meeting with the Federation of Indian Chambers of Commerce & Industry (FICCI) held on 14.9.1992, FICCI had requested that a common priority should be given in supply of coal for the captive power plants in the private sector and power utilities in the public sector. In the above meeting, this request of FICCI was accepted and since then both the public and private sector enjoy the same priority in rail movement of coal. The coal linkage for power stations, both in private and public sector, are also finalised in the quarterly inter-Ministerial SLC meetings.”

2.9 Enquired whether CIL made any assessment of gradewise requirement of coal, the Chairman, CIL stated during evidence:—

“We do not have detailed assessment of grade-wise requirements of consumers. We have sector-wise assessment of coal requirements. The grade-wise assessment will really help us a lot as on the basis of such assessments, we can enter into commercial agreements. These agreements can be both short-term agreements as well as long-term agreements incorporating the committed requirements of a certain quantity of coal, quality of coal required and other issues like payment terms, etc.”

### **Quality of Coal**

2.10 In their Memoranda furnished to the Sub-Committee, various industries have pleaded that the coal companies/suppliers should ensure proper grade and quality of coal for smooth running of industries and that there is a feeling that this problem is not receiving due attention.

Claiming that on the matter of quality, CIL has done its job in so far as power sector is concerned, the Chairman, CIL stated in evidence:—

“The data made available to us by the CEA itself indicates that their load factor has improved from 53.8 percent in 1990-91 to 61 percent last year in 1993-94. It is a major improvement. Secondly, their specific consumption of coal per kilowatt has been steady despite the fact that they have reduced the oil support considerably which was 7.69 to 5.06 milli litre per kw. If they are growing at the rate of 11 per cent in terms of generation, their plant load factor has improved by eight percent in three years. I think, by and large, so far as power sector is concerned, we have done our job.”

2.11 The Sub-Committee was informed by Central Electricity Authority that coal available for thermal power generation is basically E&F grade and at time even ‘G’ grade non-coking containing ash as high as 40-45%. This factor leads to environmental problems involving emission of suspended particulate matter (SPM) and disposal and involving the related problem of acquisition of land. Further, the fuel transportation cost increases due to idle freight on transportation of ash for the load centre power station. In order to reduce the above problem beneficiated coal could be supplied to thermal power plants located at a distant location as a matter of policy.

2.12 In a memorandum furnished to the Sub-Committee, Confederation of Indian Industries stated that since quality of coal is closely linked to not only effective materialisation of linkage but also effective utilisation of coal, the collieries must put up crushing facilities, cross belt magnets, magnetic pulleys etc., so that the wagons are unloaded without resorting to removal of boulders and Coal Mills can function effectively without damage to feeder belts. In this connection, CII suggested that installation of washeries at the colliery itself would be advantageous not only to the suppliers but to the power station also.

Emphasising that solution to the problem of quality lies in beneficiation, the Chairman, CIL stated in evidence:—

“With regard to the quality, it will not be possible to supply the coal of consistent quality to the consumer. Off and on we have taken several steps right from beginning. Ultimately the solution is beneficiation of coal which will ensure that the coal going to the consumer is consistent in quality. With this problem in view we have really taken up this issue as one of the priority areas. I am happy to inform you that in regard to the washing of a major quantity of non-coking coal, we have been able to tie up. This is our first effort. There were a number of teething troubles like delay in finalising the negotiations, issue of tender, evaluation etc. In the first lot, we have made washing arrangement for roughly about 18 to 20 million tonne of non-coking coal. In the second lot, we will have additional quantity and gradually our intention is to go in for more and

more washing and make the consumers agree to pay for whatever reasonable washing charges for the supply of beneficiated non-coking coal.”

2.13 Asked what steps are being taken to ensure supply of required quality of coal to various consumers/industries, CIL stated in a written reply that various steps have already been taken such as:—

- proper planning of coal faces in both underground mines as well as open cast mines,
- segregation of shale/stone at coal faces and also at sidings,
- sizing/crushing of coal and elimination of stone boulder at the time of sizing/crushing,
- revision of grade of coal on the basis of extensive sampling/analysis.
- posting of quality control officer/siding incharges in each colliery to supervise proper loading of quality coal for the consumers,
- regular sampling/analysis at all loading points through public analyst to monitor the quality of coal,
- sampling/analysis of coal by external third party agencies like CCO/MECL,
- regular interaction with consumer forum/bodies to ascertain their difficulties/requirements and taking remedial steps on the basis of such interactions with the consumers/industries,
- CIL is also encouraging the consumers to establish beneficiation plants for beneficiation of non-coking coal on “Build-Own-Operate” basis.

2.14 On the question of quality of coal, Ministry of Coal stated in a written reply as under:—

“It is admitted that ensuring, on a constant basis, proper grade and quality of raw coal for smooth running of industries runs into difficulty due to varying coal characteristics in the same mine, between seam to seam, within the region as also in different regions. Mainly, it will relate to the ash percentage and associated non-coaly matter. Therefore, it has to be stressed that quality control on raw coal is difficult and we have to seek answers elsewhere. As it happens in other advanced countries and leading coal producing countries like Australia, South Africa, etc., coal has to be beneficiated or washed through various means, to bring it to a uniform level of quality before the customer is supplied the same. In the process

of beneficiating or washing, not only is the ash reduced but other non-coaly elements are removed.

The policy of the Ministry of Coal, therefore, is to promote supply of washed non-coking coal specially to the long distance consumers so that they have the benefit of a uniform quality. It is important that customer also accepts this policy. So far we have faced considerable mental resistance on the part of the consumers to agree to receive washed coal primarily on account of higher cost. In order to educate the customer further, demonstrations were carried out in Nandan Washery where non-coking coal was washed and used in Satpura Power Station of MPEB. The data generated by this demonstration revealed that there was significant improvement in the PLF, plant availability, fall in oil consumption to the extent of near zero and substantial saving in cost of generation. Other benefits which would be available by beneficiating coal would be savings in transport cost, reduced ash content, reduced wear and tear of ash handling equipment, etc. These are additional benefits derived by power stations. It may be observed that a more rational and cost effective basis would be to supply beneficiated coal to the customers and that customers on their part should also encourage this.

Once the coal is beneficiated the quality is determined by its heat value which depends on ash content and moisture. The standard grading and pricing system which is applicable to the run-of-mine coal has very little relevance to washed coal. The price of washed coal is not determined statutorily and has to be negotiated between the suppliers and the consumers. The high ash content coals were brought into the ambit of grading system to promote conservation of resources through utilisation of such coals. In the case of steel plants washing of coal is being done from the beginning to bring down the ash content to around 17-18% which is the technological requirement of the blast furnace for which a separate pricing mechanism is already in existence."

2.15 On the question of supply of lower grade of coal to consumers, the Chairman, CIL stated during evidence:—

"With regard to the grade of coal supplied, the grade declaration is done on seam sampling. When we send the coal for sampling all bands are not taken into account. That means seam sampling does not take into account all the intermittent stone band in the coal seam at the time the grades are declared. We had mechanical excavation of coal that contaminates the coal as it comes out of the mine. There are gaps between grades declared and seam sampling and the grades loaded or supplied from stocks. In case of power houses, we are paid on the basis of analysis results. Now in



analysis results some kind of disputes do arise. There is no dispute on the fact that we are paid on the basis of analysis as it is an accepted principle.”

### **Joint Sampling**

2.16 In a note furnished to the Sub-Committee, the Ministry of Coal stated that coal companies are responsible for supply of correct quality and quantity of coal at the pit heads. This is also the point where the property in coal is transferred to the consumers or their transport agents. The quality and quantity of coal supplies have to be verified by the consumer at the point where he or his agent takes possession and any discrepancy regarding weight and quality should be sorted out on that basis. The legal responsibility of the supplier ceases as soon as the property in goods is transferred to the consumer. This is also the position under the Sales of Goods Act. Sampling of coal for power stations is being done at the loading end before despatch.

2.17 Asked about the reaction of consumers with regard to the decision of checking of coal at loading point, the Ministry stated in a note that the State Electricity Boards, have not yet accepted this method of sampling. Uttar Pradesh State Electricity Board (UPSEB) had filed a writ petition before the Hon'ble Allahabad High Court demanding sampling of coal and not of weight at thermal power station end. The Court while disposing the said writ petition passed an order for the constitution of high level committee at the Secretary level. Since the decision about sampling of coal at the loading point was already taken by a Committee of Secretaries prior to passing of the order of the Hon'ble High Court, Coal India Ltd. (CIL) has filed an application for modification/vacation of the said order before the Hon'ble High Court.

2.18 The Ministry of Coal stated in a note that the Government has taken a decision that an independent third party inspection agency for quality assurance in coal should be established, preferably through the Coal Controller's Organisation of a self-financing basis.

2.19 NTPC informed the Sub-Committee in a written reply that in the absence of final resolution of the issue regarding joint sampling various commercial aspects remain unresolved. The Coal companies are reportedly claiming the outstandings which are based on the analysis done of the coal samples collected unilaterally by coal companies or by Coal Controller's Organisation.

Various organisations pleaded in their memoranda submitted to the Sub-Committee that joint-sampling of coal should be carried out at the receiving end.

2.20 Explaining the present position regarding joint sampling, the Chairman, CIL stated during evidence on 13.1.1995:—

“Right from 1991 the Committee of Secretaries has been dealing with this matter and it had decided that the right venue for sampling of coal is the

loading point. Earlier it was done at power house... Initially we had attempted to make the power house, through CEA, agree to come to the loading end and participate in joint sampling. That did not materialise. Then the Committee of Secretaries decided that a third party should do the sampling at loading end and the results will be binding on both the parties, that is, the consumer as well as the supplier. The Coal Controller was considered to be the third party in this particular case and Controller organised sampling. In June-July, 1992, BCCL, ECL and CCL was taken for sampling at loading point. Again we provided infrastructure support to the Coal Controller Organisation in other coal companies and this arrangement was made in 1993. Now this arrangement is continuing. But even then, disputes are still mounting up, in the sense, it appears that this arrangement is not fully acceptable to the power houses... I understand the cabinet note on this matter is going from the Ministry of Coal. On that matter, we will have to wait for a clear cut arrangement."

Regarding the issue of joint sampling, the Coal Secretary, stated during evidence:—

"I am very clear on this issue. This is a matter between the producer and the consumer. My transaction is complete at the loading point. I have nothing to do at the unloading point. If I have to do something at the unloading end, then I may have to charge Rs. 200 per tonne more."

2.21 In a post evidence reply, the Ministry of Coal further stated in this connection:—

"Once coal is supplied under a legally enforceable contract there will be adequate protection available to the consumer against supply of inferior quality or delay in supply. Coal supply contract would provide for necessary penalty and bonus clauses to deal with such situations."

### **Dispute Resolution Mechanism**

2.22 A decision to set up a convincingly transparent but speedy dispute resolution mechanism with all round acceptability by setting up single member umpires on a regional basis was taken in the meeting of Committee of Secretaries held on the 17th March, 1994. The umpires were to take up *inter-alia* all disputes of each of the SEB's dues to CIL that might remain unresolved after initial mutual discussions between the two parties. Asked about the position regarding appointment of umpires, the Coal Secretary stated during evidence:

"We were one of the sponsors of the Committee of Secretaries. The decision to appoint the umpires was taken in March, 1994, because we wanted a way out for the dues. The umpires were nominated and we got

the names from the Ministry of Power and the Cabinet Secretary. They gave us the names stating that these could be the umpires on the regional basis. We wrote to four of them. Two of them have turned down the proposal. They said that they had got too much pressure. Two of them have not yet replied. We are approaching now another two to take it up. We will expedite the action.”

### Auto Samplers

2.23 The Ministry of Power informed the Sub-Committee in a note that auto-samplers at different loading points were either not installed or were installed but not working. Due to their non-availability, sampling was not being done properly and hence the coal quality assessed did not reflect actual coal quality supplied to power stations.

The details of loading points and provision of auto-samplers as furnished by CIL is as below:—

Total number of loading points	—	195
No. of points not having auto sampler	—	189
No. of points where the auto samplers are out of order	—	4

2.24 Enquired how in the absence of “auto samplers” CIL could effectively undertake joint sampling at loading points, the CIL stated in a written reply as under:—

“Auto Samplers’ can not be used for sampling of coal when coal is loaded into wagons manually or by pay loader. Auto Samplers have been installed in the pit head power houses with ‘Rapid Loading System’. Auto samplers have been fitted at such Rapid Loading Systems at Gevra, Kusmunda, Rajmahal, Dudhichua, Jayant and Bharatpur. So far no automatic sampling equipment for mechanised collection of coal sample from loaded wagon is available. In the 34th meeting of the Coal Conservation and Development Advisory Committee (CCDA) a decision was taken for development of an indigenous device for drawing samples from loaded wagons, coal heaps etc., and it was decided by the Committee to entrust the task of developing of mechanised sample collection and preparation units (preferably truck mounted) to CMRS in consultation with Coal Controller. CMRS was directed to submit a formal proposal for this purpose. In the 35th meeting of CCDA it was observed that no tangible progress has been made in R&D work in respect of development of equipment for the collection of representative coal sample from

wagons and the proposal was dropped. It was further directed that CMRS may in consultation with CMPDIL explore the possibility of developing such automatic sampler and there has been no further progress in this regard so far.”

2.25 The Secretary, Ministry of Coal during evidence stated in this connection as under:—

“We tried auto sampler machine and I must say that it requires a lot of replacement and renovation. We are unable to identify a suitable auto sampler, which can do the job quickly. We have not given up our efforts in this regard. I had personally talked to the French people and also to various other people. I am having bilateral discussions also on this issue. The French people are also trying to explore as to whether it could be possible.”

### **Weighment and short receipt**

2.26 Regarding short receipt of coal, FICCI in its memorandum submitted to the Sub-Committee stated that often the actual weight of the wagons is not done but the estimated quantity is charged on-the-basis of the level of loading. Even when consumers are present at the time of loading it has been observed that collieries show indifference to consumers’ grievances regarding bad loading. Specific rules in the Rail Act that consumers willing to have reweightments of their wagons at destinations are provided with the facility, only remain in paper and no consumer is able to make use of this facility.

2.27 Regarding the problem of weigh-bridges, the Chairman, CIL stated during evidence:—

“To solve the problem of maintaining these electronic weigh-bridges we have struck a maintenance contract with the manufactures of these weigh-bridges so that at any point of time any wagon loaded is weighed correctly by these weigh bridges. ...there is need to maintain these weigh-bridges properly because if we purchase them and they do not function, obviously we will not be able to ascertain the correct quantity which is loaded with the result there will always be disputes. The exact weight of the wagon will be given by weigh-bridges in a printed form and that will be accepted by the power houses for the purpose of making payments, certainly this is one area where we have to improve.”

2.28 Due to wrong recording of the mechanical weigh-bridges at the collieries, there are reportedly a large number of cases of short receipt of coal by the power houses. Enquired about the number of such cases since the introduction of sampling at loading points and the position regarding installation of electronic

weigh-bridges at collieries, CIL informed the Committee in a written reply as under:—

“Weighment of despatches from CIL to power houses are recorded on Electronic Weigh Bridges. All the weigh-bridges for weighment of wagons at the colliery/sidings are equipped with electronic printout system. Therefore, the question of any short receipt of coal by the power house due to any wrong recording of the mechanical weigh-bridge at colliery does not arise. Incidentally it may be pointed here that accuracy of weighment by mechanical weigh-bridges is in no way less than that of any electronic weigh-bridge.”

2.29 CIL further stated that short receipt of coal at destination, if any, is mainly on account of pilferage enroute. 111 electronic wagon weigh-bridges are already installed and functioning at the colliery/sidings. 22 electronic weigh-bridges are at different stage of installation.

2.30 On the question of short receipt, the Chairman, CIL stated during evidence:—

“With regard to the point about short receipt, there is a gap between the quantity we record as weight at the loading end and what the consumers record at the receiving end. In fact, the power houses are most vocal about it. There has been a gap between the two. Sometime back, according to our information and knowledge there was a study made by an independent body with regard to enroute shortage of coal and that study indicated that about six percent loss of coal takes place enroute because of pilferage and other reasons.”

2.31 The Committee desired to know the number of cases of theft/pilferage subsidiary-wise for the last 3 years; the Ministry of Coal has furnished the following information:—

Company	1991-92		1992-93		1993-94	
	No. of cases	Amount in Rs. lakhs	No. of cases	Amount in Rs. lakhs	No. of cases	Amount in Rs. lakhs
ECL	1684	61.84	2175	101.92	1461	98.97
BCCL	117	22.60	139	31.88	94	34.98
CCL	50	6.29	36	8.68	61	15.60
NCL	—	—	—	—	1	0.52
WCL	79	2.93	34	3.04	16	1.21
SECL	277	0.87	178	0.30	209	0.05
MCL	18	N.A.	15	N.A.	20	N.A.

2.32 In view of huge pilferages, enquired about the possibility of escorting coal from collieries to the destination point; the Ministry of Coal stated in a written reply as under:—

“As per the present statutory coal price notification, coal is sold to consumer on F.O.R. colliery basis and the consumer is supposed to take delivery of coal under his own supervision of loading and weighment, at the loading point itself. The Railways are the carriers on behalf of the consumer. The responsibility of the colliery ceases once coal is loaded into the container of the carrier receiving coal on behalf of the purchaser. The consumers are free to escort the coal from collieries to the destination point in consultation with their transport agency/Railways.”

2.33 Regarding pilferage of coal, the Ministry of Coal informed the Committee in a written reply that theft or pilferage of coal from the wagons between the loading siding and destination could not be ruled out and that supplying colliery is in no way responsible for such pilferages. The Ministry, however indicated the following preventive steps taken by coal companies to stop pilferage of coal:—

- (i) Surprise checks in cooperation with local police
- (ii) Round the clock patrolling
- (iii) Covering of perimeter walls with barbed wire and fencing around coal stock depots.
- (iv) Proper lighting arrangement and improvement in communication network by providing walkie-talkie short and long range radio sets.
- (v) Installation of watch towers, providing sirens etc.
- (vi) Surprise raids in Coal areas in cooperation with zonal police.
- (vii) Arranging meetings with Dist. Police/Dist. Administration to review crime/theft and subsequent actions to prevent theft.
- (viii) Review meetings with Security Officials and Implementation of their suggestions to prevent thefts/pilferages.

### **Coal Consumer Councils**

2.34 Regional coal consumers councils and National Coal Consumers Council have been set up during 1992 in terms of guidelines from Ministry of Coal. The objective of setting up of these councils is to ensure that grievances of coal consumers are looked into properly within a reasonable time frame. Each coal producing subsidiary of CIL is treated as one unit for receiving and disposing complaints. The disposal of all complaints received in a company is overseen by

a Regional Coal Consumer Council (RC). In case the complaint does not receive a reply within a month or if he is not satisfied with the reply, he can send a complaint to the National Coal Consumer Council (NC). Besides monitoring complaints, National Council and Regional Councils also deliberate on the following:—

- (i) Coal requirements
- (ii) Supply of Coal
- (iii) Quality of Coal
- (iv) Commercial matters
- (v) Any other item specially permitted by the Chairman of the Council

2.35 The Regional Councils have been constituted for each coal producing company including SCCL. CIL has constituted the National Council at Calcutta and another Regional Council for North-eastern Coalfields with Hqrs. at Guwahati.

2.36 The number of statutory complaints received from consumers by the Coal Controller is stated to be 147 in 1992-93 and 86 in 1993-94. During 1992-93 complaints received from 37 consumers. While 6 BCCL and 2 SECL mines were downgraded, action against others were found untenable on verification. Proposal for down grading 3 BCCL mines (SAIL complaint) temporarily stalled with decision to draw three samples in quick success.

2.37 During 1993-94, 15 complaints received against 86 collieries and excepting Gujarat Electricity Board all belong to private consumers. While 3 complaints could not be entertained because of non-submission of required fee, three collieries (CCL-1, ECL-2) have been downgraded and proposal has been sent for another 3 collieries for downgrading in South-Eastern Coalfield Limited, others are under investigation.

Regarding, consumer councils, the Coal Secretary stated during evidence:—

“Unfortunately, the complaints coming to the Consumer Council, are not much and as a result of that the Consumer Councils have not yet acquired the teeth that is needed.”

### **Dedicated coal mines**

2.38 The Central Electricity Authority stated in a Memorandum submitted to the Sub-Committee that recently, Ministry of Coal has started asking the proponents of private power projects to provide funds for the development of dedicated coal mines. In many cases, Ministry of Coal is insisting on commitment of funds from the State Electricity Boards and Central Agencies like NTPC also. As the

power sector is already facing a severe resource crunch, arranging further funds for coal mine development may make the position further difficult. However, no clear cut policy has so far been laid for raising such funds from the power project authorities.

2.39 Enquired whether there are no guidelines in regard to the above matter, CIL stated in a written reply that as regards funding of linked coal projects of CIL by power generating companies the following practices are usually followed:—

- (i) In case linkage is given from a producing mine or from on-going project which has already been taken up, CIL does not ask for funding of such mine/project.
- (ii) In case linkage is given from such projects where funding has been tied up either from internal resources or by external agency *e.g.* (World Bank, Bilateral projects etc.) CIL does not ask for funding of such mine projects.
- (iii) Where linkage is given from a new coal project or expansion of existing project which is to be developed for meeting the requirement of power generating company, for which sources of funding has not been tied up, funding by power generating company has been sought. The investment requirement usually covers major equipment and mine development cost. The fund is sought in the form of a loan spread over the gestation period of the project which is usually 3 to 4 years. Discussions are in progress with some of the power generating companies from whom such funding in the form of loan has been sought. However, so far no firm tie-up has been made.

2.40 The Ministry of Coal stated in this connection in a written reply that till 7th Plan period over 90% of the plan outlay of CIL was funded by budgetary support from the Government. With the change in policy that PSU's must stand on their own the budgetary support has come down to less than 10% of the annual plan outlay. At the same time power sector has been opened to private investors/developers resulting in step increase in demand of coal for power sector. In order to meet the coal requirement of new power plants the following alternatives are being offered:—

- (a) Where ever CIL can make coal available from their projects, linkages are being given and power plants are being advised to enter into legally enforceable coal supply contracts covering quantity, quality, timeliness of supply and price etc.
- (b) Alternatively, under the amended Coal Mines Nationalisation Act captive coal blocks are being offered which can be developed by the power company.



- (c) Some power companies who are not prepared to develop their own captive mines are being asked by CIL to advance capital funds so that CIL can develop coal mine for them and repayment of such advance could be done (along with interest) in form of coal. Power company and coal company are to negotiate the terms and conditions of such advance.

2.41 Central Electricity Authority also stated that for private sector power projects, the Ministry of Coal is insisting upon coal prices on cost-plus basis. This is reportedly contrary to the existing price policy for coal and involves different cost at different projects. Explaining the reasons for cost-plus pricing, the CIL stated in a written reply as under:—

“(i) In case long term coal supply agreement where CIL has to provide specific guarantees, extra provision is made to take care of such guarantees. (ii) Where site specific coal projects are to be developed to meet the requirement of power generating companies and in case such coal projects are non-viable, the linked consumer is asked to pay on cost plus basis as they get the advantage of reduced transportation cost.”

### III. ALLOCATION TO STEEL INDUSTRY

The integrated steel plants in India are designed for operating with coking coals having 17% ash. Therefore, any higher ash content of coking coal as fed to the coke ovens in the steel plants will decrease the productivity of the blast furnace and result in lower production of steel. The higher ash content will also result in higher coking coal requirement.

3.2 In a Memorandum furnished to the Sub-Committee, the Steel Authority of India (SAIL) stated that it is importing low ash coking coal to bridge the quantitative as well as qualitative gap between SAIL's requirement and availability from indigenous sources. It is observed from the information furnished by SAIL that over the years total indigenous coking coal supply to SAIL has declined from 12.48 MT in 1983-84 to 10.33 MT in 1993-94 and imports on the other hand has gone up from a negligible 0.44 MT in 1983-84 to 4.75 MT in 1993-94.

3.3 The details regarding indigenous supply and import of coking coal for steel industry during the last three years as stated by the Ministry of Steel is given below:—

Organisation	1991-92			1992-93			1993-94		
	Indig-enous	Impor-ted	Total	Indig-enous	Impor-ted	Total	Indig-enous	Impor-ted	Total
SAIL Steel Plants	10.7	3.5	14.2	10.8	3.8	14.6	10.5	4.5	15.0
VSP	0.516	0.989	1.505	0.696	1.658	2.354	0.980	1.894	2.874
TISCO	Only a negligible quantity of 9021 tonnes of coking coal was received by TISCO in 1993-94 from CCL.								

3.4 Asked about SAIL's requirement of coking coal for the year 1995-96, the Chairman, SAIL stated during evidence held on 12.1.1995:—

“The requirement of Coking Coal for Steel Authority of India Limited for 1995-96 is about 16 million tonnes. We have still not got the indication as to how much will be supplied by Coal India Limited and that will be clear only in the inter-Ministerial meeting that will take place in early February.”

3.5 According to Ministry of Coal, the hot metal production from integrated steel plants in 1996-97 is projected at 20.10 mt. Based on blending coal ash levels of 17.0% for SAIL Steel Plants, 14.85% for Visakhapatnam Steel Plant and 13.50% for TISCO, the total coking coal requirement of the integrated steel plants amount

to 23.06 mt. The indigenous availability of washed and direct feed coking coal in 1996-97 is estimated to be 17.06 mt. As a result 6 mt. of low ash coking coal will have to be imported to meet the deficit and maintain the quality.

3.6 In the Memorandum submitted to the Sub-Committee, SAIL has stated that Indian coals, beside having high ash and poor coking properties, also have high inerts and low rank. Over the period the quality of raw coal to washeries has deteriorated. Presently, the ash content of raw coal to washeries is in the range of 30 to 35% Ash against the earlier level of 22-25% Ash.

3.7 Admitting that CIL is not able to meet the full requirement of coking coal in terms of quantity and also in terms of ash requirement of steel plants, the Chairman, Coal India explained during evidence the reasons as well as the steps proposed as follows:-

“The reason mainly is that the production from coking coal mines, particularly of prime coking coal, in BCCL has not increased to the extent we thought it necessary. A number of mines which were earlier supplying coal to the washeries have been delinked and, to that extent, the availability of coal for washeries has declined. The other area we have been looking into is the possibility or the feasibility of washing of low volatile coking coal which is available in Jharia Coal field. This is an area which has received attention for quite sometime. At present, we have identified three washeries for washing of low grade coal, Golukdih, Rajapur and Keshalpur. In Golukdih, the proposal is to have washery under Science & Technology project to be financed by Government and in the other two, we have identified for going in for tendering under Build-Own-Operate Programme. We have planned to use low volatile coal in these two washeries and increase availability of washed coal for the steel plants.”

3.8 In a written reply furnished to the Sub-Committee, CIL stated that it can augment supply of coking coal to SAIL substantially through beneficiation and supply of low volatile coking coal (LVCC) which has been found to be of eminently suitable quality. CIL has already identified 3 such washeries of around 1 MT throughput capacity each. The pre-requisite for this would, however, be that SAIL should come forward to reimburse fully the higher cost of washed coal which would accrue due to significantly lower yield from LVCC coals.

3.9 Due to gradual increase in ash content of clean coal, a Technical Group was constituted by Govt. of India, Ministry of Energy, Deptt. of Coal, vide Office Memorandum No. 43011/17/85-CRC dated 23.8.85 to prepare crash programme and suggest other steps to be taken to ensure supply of washed prime coking coal of 17+ .05% ash content to steel plants. The Technical Working Group headed by Dr. V.A. Altekar, Ex. Director, NML submitted its report to Govt. in October, 1986

after detailed discussion and deliberations with various agencies both in prime and medium coking coal sectors. The report was approved by the Govt. and it instructed the coal industry to implement the recommendations.

3.10 The Standing Committee on Energy (1994-95) in their 10th Report on "Modernisation and Growth of Coal Industry - A Critique" had noted that the delay in modernisation of coking coal washeries recommended by Dr. Altekar Committee far back in 1986 was responsible for shortage of coking coal. The Committee observed that modernisation of washeries as recommended by Dr. Altekar Committee was expected to be completed by March, 1995. The Committee had recommended that a task force should be formed to complete the modernisation of washeries in the light of the Altekar Committee Report and modernisation of washeries should be completed by 1995.

3.11 Enquired about the present position regarding completion of the work, the Chairman, CIL stated during evidence:-

"The time schedule is March, 1995. As the progress stands now, excepting three washeries all will be completed between March and June, 1995. In three cases in respect of Dugda I & II and Sudamdih, the deshaling plant is to be supplied by MAMC. We apprehend that it will be further delayed. The Completion of these schemes as per Altekar Committee Report will be beyond June 1995 and possibly early 1996."

3.12 In this connection, Ministry of Coal stated in a written reply that all the short term measures in respect of all washeries have been completed. The various long term measures are expected to be completed by the end of the current year. After modernisation work of these washeries is completed it is expected that qualitative demand of the steel plants (17+<sub>0.5%</sub> ash coal) will be met.

3.13 The Ministry of Coal further stated that both CIL and SAIL are jointly making efforts to invite/motivate private sector investment in setting up of new coking coal washeries particularly based on low volatile coking coal. This is in addition to private sector offer already received for a coking coal washery in Dhori in CCL. In addition, one coking washery based on low volatile medium coking coal is being set up at Golakdih in BCCL.

3.14 The Ministry of Coal stated in a note furnished to the Sub-Committee that to meet the quality and quantity requirement of coking coal of the steel sector, the following steps are being taken:-

- (i) All the existing washeries are being modified in terms of the recommendations made by the Altekar Committee so as to ensure that the washed coal from the existing washeries will have an ash level of 17+<sub>0.5%</sub>. It is expected that the modification of washeries will be completed by March, 1995.

- (ii) Patherdih washery in BCCL and Kathara Washery in CCL are being modernised to restore their original raw coal input capacity and also ensure production of washed coal with 17+<sub>-0.5%</sub> ash. The modernisation of these washeries is expected to be completed by April '98 and March '96 respectively.
- (iii) Two new coking coal washeries at Madhuband in BCCL and Kedla in CCL are under construction and are expected to be completed by 1995-96. The commissioning of these washeries will increase the availability of coking coal to steel plants.
- (iv) An experimental washery at Golukdih in BCCL is being considered to be taken up under S&T funding for washing low volatile medium coking coal in steel plants.
- (v) In view of the resource constraints faced by CIL, following washeries in coking coal sector have been offered for construction by private entrepreneurs on 'build-own-operate' basis:—
  - (a) Parej Washery
  - (b) Tikak Washery
  - (c) Dhori Washery

3.15 SAIL in a memorandum submitted to the Sub-Committee had stated that to meet the full requirement of Indian Steel Industry both qualitatively and quantitatively, SAIL/CIL may start joint venture projects with foreign help within India or abroad. Explaining this point, the Chairman, SAIL stated during evidence:—

“We would suggest the following strategies to meet our future requirements. We would take as much quantity that the Coal India can give. If there is shortage and we expect there to be a shortage—then new coking coal mines have to be developed. SAIL would be willing to have these mines developed on SAIL's own investment, if those mines are transferred to us. We have made a request through the Department of Steel to Coal Ministry to transfer to SAIL two coal mines, Parvatpur and certain area in Hazaribagh, where we have said that we would be able to develop these mines to meet part of our coking coal requirement in future. These two are the best strategies in our opinion. SAIL would be able to develop those mines on its own or through joint ventures and whatever balance quantity remains, for that we will have no option but to import. But we would like to reduce the quantum of imports as much as possible because it is not possible physically, with the infrastructure available, to import more than five to six million tonnes of coking coal. It is, therefore,

necessary that the indigenous production of coking coal increases and investment takes place for development of new mines which are at present not being developed by Coal India.”

3.16 Asked what CIL has done to start joint venture projects with SAIL, the Chairman, CIL stated during evidence as below:—

“We had a meeting between the Coal India and the Steel Authority on this particular subject to find out whether there can be a joint venture for exploiting the coking coal reserve as also the action that can be taken to augment the production of coking coal. In this meeting, it was decided that Coal India will examine and come out with the proposal of whichever blocks can be given to SAIL for their mining, which blocks can be done under the joint venture and what the Coal India will do. We have had a very detailed discussion with the involvement of the CMPDIL and we identified a number of blocks. Ultimately at the first stage, we have decided that two blocks could be offered to SAIL for their captive mining which has got huge reserves of coking coal. The west block of Ramgarh can be taken up for joint venture between SAIL and the Coal India. There also we have got huge reserves. In Parvatpur, block mining will be taken up by Coal India itself for opening a major underground mine with foreign assistance, if necessary. It will require a lot of investment. We have identified this one block for augmentation of coal.”

The witness further added:—

“The idea now is to have the Chinese collaboration for Longwal mining, today we have a project report for 0.6 million tonnes. The idea is to produce three million tonnes of coal from that block. For that purpose, we have already sought Chinese proposal for the mining.”

3.17 Pointing out that total reserves in the block of coking coal are more than 1000 MT, the Sub-Committee enquired how long will it take to develop it at the rate of 0.6 MT. In reply the Chairman, CIL stated:—

“We are not happy with this. BCCL has made a project report for that. Our idea is to have ten to twelve thousand tonnes per day. That is why, we have asked Chinese to give us a proposal for Longwal project.”

3.18 Regarding joint venture projects with SAIL in a written reply CIL stated that a meeting was held between Chairman, CIL and Chairman, SAIL on 1.12.94 to discuss this aspect. Arising out of this, the Apex Committee has decided as under:

- (i) Sitanalla and Mahal Blocks in BCCL would be offered to SAIL as captive blocks.

- (ii) Ramgarh block in CCL would be worked under joint-venture between SAIL and CIL; and
- (iii) Parbatpur block under BCCL would be worked by CIL with Chinese collaboration.”

3.19 In a Memorandum furnished to the Committee SAIL made the following proposals to meet coal requirement for power and blowing stations and captive power plants:—

- (a) C/D grade coal requirement of power and Blowing stations (projected at 2.3 Million Tonnes for 1996-97) be considered part the process of steel making.
- (b) Assist SAIL in developing new sites through joint ventures wherever the requirement of Power and Blowing Stations may not be met from existing, ongoing or approved schemes.
- (c) Keep shale and extraneous matter in coal supplies of new CPP's (Projected 3.45 Million Tonnes during 1996-97) at the minimum possible levels.
- (d) Provide de-shaling facilities at those sources where shale is beyond tolerable limits. SAIL can consider part financing of such schemes.

3.20 Asked about CIL's reaction to these proposals, CIL furnished a point-wise reply as follows:

- (a) CIL is in agreement with the suggestion that requirement of coal for Coal Dust injection should be considered part of the process of Steel making.
- (b) CIL has over 18500 tonnes reserves of low ash non-coking coal which, with or without beneficiation, can be utilised for Coal Dust injection in the Steel Plants. SAIL will have to reimburse the extra cost of beneficiation. Alternatively, suitable sites can be taken up under joint venture.
- (c) CIL has already taken action through installation of feeder breakers and coal handling plants to eliminate stores and oversize coal in coal supply to CPPs.
- (d) Part financing by SAIL for installation of de-shaling facilities at those mines having problem of excessive admixture of shale in the coal, is welcome.

#### IV. LINKAGE TO CEMENT, LOCO AND FERTILIZER INDUSTRY

Linkage to cement industry is determined by the same Standing Linkage Committee which determines linkage to power sector. Cement sector mostly uses B, C & D grades of coal. However, for power generation it also uses D, E & F grades of coal. The Standing Linkage Committee (short-term) meets every quarter each year to review the coal supplies and finalises the linkage to consumers for cement sectors in the next quarter. Time to time adjustment incorporation in the quarterly linkages is done by the Chairman, SLC(ST). No linkage is issued for coal requirements of Locomotives of the Indian Railways and also for Defence Establishments. Coal for Loco is released based on 'LOCOCOAL PROGRAMMES' finalised by the Chief Mining Adviser, Railway Board, Dhanbad. Railways mostly take A, B & C grades of coal for their consumption. Coal for Defence Establishments is also released based on the programmes finalised by the 'DEFENCE COAL CELL' authority of Defence. In so far fertilizer plants are concerned they are required to obtain clearance for coal supplies from the Ministry of Coal. Fertilizer plants mostly require B, C & D grade coal.

4.2 The overall demand of coal as assessed by the Planning Commission for Railways, Cement and Fertilizer sectors for the year 1993-94 and actual materialisation of demand of these sectors as furnished by the Ministry of Coal is given below:-

(in million tonnes)

Sector	Demand	Actual Supplies	Percentage Materialisation
Railways	3.60	1.93	53.61
Cement	13.10	10.43	79.61
Fertilizers	3.70	4.96	134.05

4.3 It may be observed from above that actual materialisation of coal supplies is low in respect of Railways and cement sector. There has been 100% demand fulfilment for the fertilizer sector. The low materialisation of demand for Railways is stated to be due to the fast phasing out of steam engines. The Ministry of Coal



stated in a note that there has been consistent demand slippage in the cement sector owing to recession in cement industry which was reflected by the reduced order booked by them against the SLC linkages, large cancellation of rail orders as well as their inability to lift adequately by road.

4.4 About the reasons for low materialisation of demand by cement industry, a representative of Cement Manufacturers' Association stated during evidence:—

“The main reason why cement plants sometimes get only 25 per cent or 30 per cent of the linkages is because of the low priority given to the cement plants. The movement of coal is governed by the Railways priority... Unfortunately, cement industry is fourth or fifth in the priority of the Railways. The first comes power plants; the second comes steel plants and the third railways movement of coal and then comes the cement industry. If cement is equated with power or steel, then we will not find the materialisation of linkages going down to 25 per cent. We will be somewhere near 70 to 80 per cent and most of the problems of the cement industry will be solved.”

4.5 Enquired whether CIL could give industry-wise information regarding quantity of coal not lifted after establishing linkage, CIL stated in a written reply as under:—

“Non-lifting of coal against linkages is only relevant to Cement Sector where cement units are required to submit programmes after ensuring commercial formalities. In many cases it has been found that programmes as per quarterly linkages have not been submitted by the Cement Plants. During 1993-94 the extent of non-submission of programmes by Cement Plants involved 2.885 million tonnes. These defaulting cement plants were reminded every quarter during deliberations of SLC (short term) for filing their programmes as per their monthly linkages for each quarter.”

4.6 In a memorandum furnished to the Sub-Committee, CMA stated that besides the requirement of coal for cement manufacture, the cement industry also requires coal for operating its captive power plants (CPP). The coal based CPP have a capacity of 169.55 MW out of a total captive generating capacity of 740.92 MW as on 31.3.94 (rest being based on diesel fuel). The coal requirement for CPP is also allotted/linked by the SLC. Regarding demand satisfaction of coal based captive power plants of cement industries, a representative of CMA informed the Committee during evidence:—

“But for cement plants (CPP) the actual supply is only 55 per cent, and because of this, sometimes, power plants have to be shut down. So, at least, in case of the captive power plants, we will have to be equated with the national thermal power plants because we are doing service to the

nation by generating power and to that extent the load on the country is less. So, if we get 100 per cent supply, then we can ensure better power generation and to that extent our dependence on the grid will be lower.”

4.7 The Cement Manufacturers’ Association pleaded in its Memorandum that the quality of coal linked to the cement plants should be as per the specified parameters indicated in the project report. The Bureau of Indian Standard Specification (BIS) has reportedly prescribed the following coal quality for the cement industry:—

Moisture	Not more than 8%
V.M.	Not less than 24%
Ash	For dry process 27% max. For wet process 24% max.

This is stated to be equivalent to grade C, D and even better.

4.8 According to CMA in actual practice it has been observed that the ash percentage varies generally from 27% to 40%. In some rakes the ash percentage is even higher. Thus the quality of coal is not only inferior, but also non-uniform. The high ash and variation in ash percentage is stated to have many deleterious/harmful effects, more important being:—

- (a) Dilution effect of ash calling for use of higher grade limestone with resultant cost and availability problem. Further, this leads to inefficient utilisation of limited limestone deposits in the country.
- (b) Inconsistent clinker quality.
- (c) Higher energy consumption.
- (d) Lower production and productivity of cement plants
- (e) Difficulty in maintaining proper quality of cement etc.

4.9 The quantity and grade of coal despatched to cement plants from Coal India Limited during 1992-93, 1993-94 as furnished by the Ministry of Coal are detailed below:—

(Figures in million tonnes)

YEAR	A	B	C	D	E	F	TOTAL Non- Coking	W.N.H.	OVER ALL
1992-93	0.27	1.90	3.37	2.32	0.22	0.16	8.24	0.29	8.53
1993-94	0.88	2.53	3.03	1.64	0.10	0.02	7.70	0.11	7.81

4.10 Regarding grade of coal supplied to Cement Industry, the Secretary-General, CMA stated during evidence that the cement industry is supposed to get C and D grade coal, but normally they are getting E or F grade coal and sometimes even 'A' grade coal. He also stated that about 20-30 per cent of coal that is being supplied to cement industry is below the quality standards.

4.11 To a query whether any complaints were made to the Coal Controller about quality of coal, a representative of CMA stated:—

“This power was conferred on Coal Controller in 1986 or so. Around that time, we had made a number of complaints as per the format prescribed. Only one out of 20 odd complaints was looked into. And in that particular case, the collieries' grade was down graded. But after three months, Coal India again revised the grade upwards.”

4.12 Enquired whether the matters regarding quality of coal are not taken with the SLC, a representative of CMA stated during evidence:—

“Sir, as far as the quality is concerned, there is an agreement between Cement Manufacturers' Association and Coal India Limited for joint sampling analysis of coal. This agreement is in practice since 1981. The coal is supplied to cement industries after joint sampling analysis and on this basis the actual grade of the coal is determined. So, that part of the problem is taken care of by the agreement. But still some time some extraneous matter may be loaded like shale and stone. The colliery which is giving quality coal consistently starts giving inferior coal. This point we are discussing in the quarterly meetings.”

In this connection, another representative of CMA added:—

“The Long-term Linkage Committee fixes the quota even before the plant is installed. When the plant starts they meeting Standing Linkage

Committee and the Committee fixes the quota and also fixes the coal-field from where the coal will be supplied. But after linkages it may not be necessary that same coalfield will supply the coal which was fixed earlier as they may not be in a position to supply the full quota. The example is that most of the cement plants are located in the States like Gujarat, Madhya Pradesh and Rajasthan. These plants are generally getting coal from South Eastern Coalfields Limited. The availability of coal at the moment is less in that coalfield. Therefore, the Short-term Linkage Committee which meets quarterly give some quota to compensate that shortage from BCCL, CCL and MCL. The coal of these coalfields is of inferior quality as compared to the requirement of cement plants. The originally linked coalfield is not able to supply the full quota. So, that is how we get the inferior quality coal.”

4.13 CMA pointed out in its Memorandum that in future more and more inferior quality coal reserves would be encountered as such beneficiation of coal would be the only permanent solution to the vexing problem. The Secretary-General, CMA stated in this connection during evidence:—

“There are definite advantages in India at least for washing the coal and reducing the ash content. The ideal ash content would be 25-30 per cent. But, unfortunately, cement plants are still not permitted to have captive mines. The best thing is that a Group of Companies have captive mining and from there it can set up a washery”.

A representative of CMA further stated:—

“Recently, the Government of India received the grant from the World Bank to make a study whether it is economical or feasible to set up Washeries in India for the Cement Industry. A Committee was set up. CMPDIL, BHEL and the Tata Energy Research Institute were there in the Committee. They have recommended that five washeries can be set up. That was also examined by us. We feel strongly that all these five washeries can be set up in a phased manner. The bigger Washery can be set up in SECL immediately. For the cement plants situated in the Bilaspur/Raipur sector, there is no source of coal available. Similarly, the other washeries can be set up in phases. If this can be done immediately, if Coal India allows it, then we can set up the washery immediately.”

4.14 When it was pointed out that private investor can set up a Washery on his own, the witness stated:—

“As per the CIL’s current plan, one who washes the coal has to return it to Coal India for sale/distribution.”

4.15 A representative of CMA during evidence suggested following short term measures:—

“When coal was available in plenty, so much industrialisation was not there. At that time, some consumers who really did not need high grade coal were also linked to that grade of coal and traditionally they have been getting that type of coal. Now, it has to be reviewed whether they can be delinked and high grade coal can be diverted to other needy plants. The quantity may be less but it can be delinked and high grade coal can be diverted to other needy plants. The quantity may be less but it can go a long way to improve the present quality to some extent.

The other point in this short term measure is about inspection by independent teams and committees. Now, it is always claimed by coal companies that they are taking adequate steps at the loading end to improve the quality by employing shale pickers or other means.

But there is no institutional system to see as to what exactly is happening at the loading end. If the customer says something it is just a complaint. But if there is some institutional arrangement, may be a committee consisting of consumer representative, like Coal India representatives, they can make a surprise visit to a field. If they give some report that this is what actually is happening, it may create some sort of a psychological effect. Some improvement may come about if we have some prominent organisation.”

4.16 Enquired about shortages in transit, the Secretary-General, CMA stated:—

“There is definite shortage particularly in Box ‘N’ wagons. In every Box ‘N’ wagon there is shortage. The capacity of these Box ‘N’ wagons are such that they cannot carry the quantity which is decided by the railways at chargeable rate. We keep on talking about this point but the railways have their fixed norms. There is a shortage of 8-10 per cent.”

A representative of CMA further added:—

“The boxes and the wagons which have been introduced over the last ten years, their length has been reduced and the height increased and the carrying capacity is 57 to 58 MTs. But when you are loading B grade or C grade coal, it cannot take 57 to 58 MTs. It can take 51-52 MTs at the maximum. So, there is no way in which you can load the wagon upto its capacity.”<sup>5</sup>

4.17 Enquired whether the matter was taken up with the Railways, a representative of CMA stated:—

“We have been requesting the railways to fix the realistic carrying capacity but that has not been done.”

4.18 The Ministry of Railways in a note submitted to the Sub-Committee suggested that quality parameters of coal produced and as accepted by consumers should not vary widely from quarter to quarter as it affects unloading at the terminals and consequently movement of coal, disturbing the linkages.

## V. LINKAGES TO NON-CORE SECTOR

The system of linkages to the consumers who are falling under non-core sector category was adopted in 1982 keeping in view the rationalisation of wagon movement, proximity to the coalfields, design of the burning equipment and availability of coal in various coalfields. Consumers having a projected requirement upto 5000 mt. of coal per month are issued linkage and it remain valid for a period of 2 years.

5.2 The Ministry of Coal informed the Committee that there has been 100% demand fulfilment for the fertilizer sector during the last three years. The demand materialisation for BRK/other industries have, however, been lower than their projected demand. These sectors receive relatively low priority in movement of coal by rail as per the Preferential Traffic Schedule of Railways. The share of growth in rail despatches does not always result in increased movement for this sector. However, there has been large cancellation of orders by this sector during the past years. Lifting of coal by road has also not shown an upward trend due to reason of higher cost of road transportation as well as general recession.

5.3 In a memorandum submitted to the Sub-Committee, the All India Brick & Tile Manufacturers Federation stated that it represents 60,000 small scale Brick & Tile Manufacturing units spread all over the country. Pointing out that coal is the basic raw material for brick production which accounts for 60% to 70% of the cost of bricks, the Federation stated that there is no definite policy of the Ministry of Coal for allotment of coal to this industry.

5.4 Asked about the reasons for not giving linkage to Brick Kiln industry. CIL stated in a written reply as under:

“CIL is providing coal demand linkages for all permanently established industries including Mechanised Brick Kiln & Fly-ash brick kiln units. However, seasonal brick kiln units are not given permanent linkages since their coal demand is changing from season to season depending on the permit issued by State Govt. and royalty paid to the State Govt. for earth excavation annually. These units are also not having a permanent infrastructure and their location have to change periodically. Therefore due to the temporary seasonal nature of these industries the permanent linkage is not granted to them. However, regular coal supplies in accordance with the State sponsorship is allowed, since the system of sponsorship has the flexibility to accommodate the variable requirement of

such seasonal industry without much problems as the local authority who are in direct contact with these consuming industries, accord these sponsorships.”

5.5 In this connection, the Ministry of Coal has stated in a written reply that Government has since December, 1992 allowed supply of coal to brick kilns through their sponsored associations/co-operative societies subject to the condition that the names of actual users to whom the coal would be supplied and the quantities they would receive, is certified by the State sponsoring authorities. The above schemes has also been extended to the associations of other users.

5.6 Sponsorship for Brick-kilns is issued by the Authorities nominated/identified under the 'Preferential Traffic Schedule (PTS) of the Railways. Enquired about the guidelines for sponsorship, the CIL stated in a post evidence reply that the present guidelines provide for sponsorship to be issued in the following manner:-

- (a) Directly in favour of Brick-kilns.
- (b) In favour of the State Govt. Nodal Agencies.
- (c) In favour of Nominated Agencies of State Govt.
- (d) In favour of Association/Samities of the Brick-kilns.

5.7 The option to decide how and whom to issue the Sponsorship is with the State Sponsoring Authorities. However, the only requirement is that coal is not resold and for that purpose, a list of Actual Users including the quantity to be supplied to each of them, is required from the Sponsoring Authority in case of Sponsorship issued for 'B', 'C' & 'D' categories as above.

5.8 The Ministry of Coal had stated that Coal of D, E, F & G grades are used in Brick Kilns. According to the All India Brick & Tile Manufacturers Federation, the industry's demand is for 25 mt, out of which 50% of 'B' and 'C' grades and 50% of 'D' grade coal. The Federation also stated that the Central Fuel Research Unit, Dhanbad had opined that high volatic, long flame non-coking coal available in Raniganj and South Karampura coal fields may be suitable for brick burning. Explaining the position in this regard, the Ministry of Coal stated in a written reply as under:

**“The brick manufacturers are demanding for supply for higher grade coal. Their demand is mainly on the basis of a guide issued by the Bureau of Indian Standards in 1991 for the manufacture of hand-made common burnt/clay building bricks where it is stipulated that “bituminous slack coal grade I should preferably be used for firing bricks.”**



With regard to the Standard prescribed by Bureau of Indian Standards in 1991, it is noted that in the year 1991 there was no grade like grade I coal. It appears that while revising the Standards by the Bureau of Indian Standards, the availability position and the prevalent system of grading of coal was overlooked.

The two Technical Committees appointed by Coal India Ltd. (CIL) and Singareni Collieries Company Ltd. (SCCL) have recommended for supply of only E&F grades of coal for brick manufacturing. Moreover, from the practical point of view it is important to note that SCCL has been supplying only 'F' grade coal to the Brick units in the Southern parts of the country to the full satisfaction of the industry. The industry in South has over a 100 units drawing over 1.5 lakh tonnes of coal per year from SCCL.

Superior grade of coal is always a preferred fuel for any coal consuming industry. But in view of the limited availability of the superior grade coal in the country, brick manufacturers are normally linked to grade D-F slack coals. In this regard, the Central Mine Planning and Design Institute (CMPDIL), Ranchi, has opined that there is no technical compulsion for using superior grade coal except in the case of Hoffmann's kilns which are normally linked to grade C coal.

A study was also carried out by CFRI in this matter. According to CFRI, the specification of coal for brick industry could be as follows:

Ash percentage	upto 40%
Volatile matter	over 20%
Fixed carbon (with appropriate calorific value)	over 40%

The grade of coal as per CFRI should be F & G.

The National Council for Cement and Building Materials have also opined that since the bricks are fired at a temperature of 900-1000 C for a prolonged period, coal conforming to Grade 'D' and 'E' having a useful heat value (UHV) range of 4200-4900 or 3360-4200 KCal/Kg respectively can adequately meet the requirements of brick manufacture. They are also of the opinion that 'D' and 'E' grade coal can avoid possible over-burning of the bricks and lower the thermal loss."

5.9 Federation of Associations of Small Industries of India, New Delhi stated in its Memorandum submitted to the Sub-Committee that at present no special attention is being given to the consumers of continuous process industries like Glass, Refractors, Potteries etc. In case, some cuts are imposed, they are imposed

uniformly on all the industries without giving any consideration to the continuous process industries. It has also been brought to the notice of the Sub-Committee that Small Industries are facing difficulties because the colliery once offered are frequently changed.

5.10 Asked how frequently and to what extent cuts have been imposed in the past three years for supply of coal to non-core industry, CIL stated in a written reply as follows:

“The consumers are provided linkage by CIL and sponsorship by respective sponsoring authorities on the concerned company/field. Consumers are not linked for regular supplies to any particular collieries but are supplied coal of linked grade and size from the specified company/field as per the linkage and sponsorships. No cuts on rail programmes have been applied in companies other than ECL and WCL, where the cut had to be applied in respect of the Heat Intensive Industries opting to take coal only from sources of their choice, however they had the option to procure balance coal of identical quality from other available sources in the same field/company. In WCL, where the availability of superior grade coal required by the industries is limited, prorata cuts have been applied for ensuring equitable distribution. In ECL, due to seasonal variation in production, the availability for road sale varies from month to month and accordingly adjustment for the level of acceptance of demand are made. However, whenever availability improves additional coal is released to the industries.”

5.11 The Ministry of Coal added in their written reply that all these industries are also allowed to draw supplies, on top most priority, under actual user category of the Liberalised Sale Scheme.

### **Liberalised Sales Scheme**

5.12 In April, 1985, Coal India had introduced a scheme under which anyone could purchase upto 500 tonnes of coal from certain collieries/stockyards. The response to this scheme was limited. With a view to making coal freely available to small scale industries and other consumers, the Liberalised Sales Scheme was reactivated and made more effective from September, 1990. The upper limit of quantity of coal that could be lifted by any consumer at a time was also increased to 1,000 tonnes.

5.13 Coal India launched a special drive “Liberalised Sale Scheme II”, in February, 1992, to reduce their pithead stocks, which had been accumulating near the collieries over the last few years. The stocks were offered for sale without restrictions but subject to a minimum of 10,000 tonnes. However, priority was

given to special consumers, like manufacturers of Cement, Paper, Textile, Glass, Lime, small industries, Brick Kilns etc.

5.14 With a view to improve availability of coal to larger sections of buyers particularly the small sector consumers and to encourage self-employment, the Liberalised Sales Scheme was revised in July 1993. The main features of the Scheme include the following:—

- Coal of only such sources which are likely to be in surplus after meeting the demand of linked consumers or holding more than 3 month's production/despatch in stocks quality for being identified under 'LSS'.
- The Colliery/Sources and the quantity to be sold under the scheme as proposed by the Subsidiary Companies are approved by the Government (Ministry of Coal) in terms of the provisions in the Colliery Control Order.
- Buyers of 'LSS' coal have been categorised and accorded priority status in the same order for the purpose of allotment and supply of coal.

Category-Priority-I	Actual Users.
Category-Priority-II	Mini Traders.
Category-Priority-III	Wholesale Traders.
Category-Priority-IV	General.

5.15 Asked what grades of coal and what quantity are sold to traders under Liberalised Sales Scheme, the CIL stated in a written reply that only those sources are declared under LSS which have more than three months production/despatches in their stocks and are duly approved by Ministry of Coal for the grade and quantities. Coal of all grades and sizes are offered under the scheme, subject to their fulfilling the above criteria. The grade of coal and the quantity of coal put on sale under LSS as per the approval of MOC during 1994-95 and Gradewise and categorywise despatch of coal under L.S.S. (R) by Road during 1994-95 (upto Dec. 94) are stated to be as under:

(Figs. in '000 Tonnes)

Grade	Qty. on Sale	Actual User	Mini-Trader	Whole Sale Trader	Other Buyers	Total
A	240	28.0	24.0	—	73.0	125.0
B*	495	54.4	62.4	14.0	180.0	310.8
C	1508	9.7	6.4	47.5	80.2	143.8

Grade	Qty. on Sale	Actual User	Mini-Trader	Whole Sale Trader	Other Buyers	Total
D	1956.5	9.5	47.2	92.2	213.7	362.6
E	615	11.2	9.7	11.9	49.7	82.5
F	1670	19.8	—	197.5	774.5	991.8
NLWII	132	2.0	—	—	—	2.0
NLWIII	2729	5.5	76.0	74.0	77.8	233.3
NLWIV	1430	13.2	69.3	127.0	319.1	528.6
NEC & H. Coke	1145	—	—	—	17.0	17.0
Total	12175	153.3	295.0	564.1	1785.0	2797.4

\* Includes coal mines of Dankuni Coal Complex which is of Grade "B" Slack equivalent.

5.16 In a memorandum, submitted to the Sub-Committee, Federation of Indian Chambers of Commerce & Industry suggested that to streamline the coal movement by road, there should be separate collieries for truck and railway loading so that the consumer is sure of the quality and quantity supplied and any loss of weight can then be attributed to the carrier. Therefore, the practice of separately earmarking the railway linked and road linked collieries should continue to be strengthened. Further, there have been reports of corruption and mal-practices in regard to coal supplies by road. It has been suggested to the Committee that the system of road sales should be streamlined as indicated below:

- (i) Coal mines for road supplies should be earmarked and should be separate from those who supply by rail.
- (ii) As in the case of rail, linkage of road linked consumers should be decided and they should file monthly requirement programmes upto the extent of their sponsored quota with respective Colliery/area each month.
- (iii) Placement of daily trucks should be in a serial order and daily loading limit of each customer should be fixed as a certain percentage of his total monthly need.
- (iv) As in the case of rail, regular consumers and their accredited agents should be able to provide B.G. cover against their regular monthly order with payment within 3 days as per Bill.
- (v) Monitoring and control of total availability, total order and performance of each order should done by an officer at the Headquarters designated for the purpose (as EDRM does for Rail movement).

- (vi) Rail consumers should have option on quarterly basis to take coal by road if rail supplies are developing arrears or becoming economically unviable due to high freight or transit shortages.”

5.17 All buyers other than the category - I i.e., actual users can be termed as “Traders”. It may be observed that actual users are drawing only 5.5% of the total sale under LSS inspite of being given top most priority.

5.18 Though it is the policy of the Ministry of Coal to give preference to the actual consumers in the matter of allocation of coal, the All India Brick & Tile Manufacturers Federation pointed out that in practice malpractices are being encouraged by releasing higher grades of coal to the traders under Liberalised Sales Scheme. This necessitated actual consumers to buy higher grades of coal at a very high premium. Enquired whether the Ministry undertook any review of the LSS, particularly with regard to its misuse. Ministry of Coal stated in a written reply as follows:

“As per the policy even some coal of higher grades which may have accumulated in different collieries is offered under LSS. Only the sources which have more than three months production in their stocks were to be placed under LSS. Coals of all grades and sizes are offered under the scheme subject to their fulfilling the above criteria. However, in CCL some of the collieries which did not fulfil this criteria were also offered under LSS. An enquiry was ordered to examine this issue. The enquiry is still under progress.

An amendment to the Colliery Control Order was issued on 25.8.1993 as a result of which the sources of coal to be placed under LSS was required to be approved by the Ministry of Coal. Also as per this amendment, the LSS scheme was required to be approved by the Ministry.

A revised LSS scheme was approved by the Ministry on 15.7.1993. The main features of the revised scheme are as follows:

- Source to be identified for LSS should generally hold coal stocks equivalent to more than 3 months’ production/despatch. The declaration of a source under LSS should in no way affect either rail loading or supplies to linked/sponsored consumers.
- The following priority was laid down for supplies under LSS:
 

1st priority	:	Actual user
2nd priority	:	Mini trader
3rd priority	:	Wholesale trader
4th priority	:	General

- A monthly cycle is to be followed for order booking. The quantity offered for sale during any month is to be strictly on loadability of the colliery/source during the month. Wide publicity is to be given including publication in newspapers.
- At the end of the month, in case there are any carry forward orders, the same shall be supplied coal first during the following month. The availability for the following month shall be reduced to that extent.

It is felt that in case these instructions are followed scrupulously, it shall go a long way in removing the problems of consumers in getting coal under this scheme."

5.19 To a query as to how CIL ensured that traders do not misuse the Liberalised Sales Scheme and effect sales in black market CIL stated in a written reply as follows:

"Under the Colliery Control Order and as per the LSS approved by the Government, all coal customers excepting category-I i.e. actual users are permitted to resale coal. For such resale of coal by them, no price restriction has been imposed. Therefore, the question of misuse of coal by the trader buying it from LSS does not arise."

5.20 Under LSS Coal companies are required to notify the Colliery/Source, the size, grade and quantity of coal to be sold from each of the sources in a month based on loadability for the month at least one month in advance. Interested Buyers of the 4 (four) identified Categories are required to submit their applications accompanied by part or full coal value as notified by the Coal Company within 15th day of the month. Allotment list is displayed by the 20th day of the month and balance coal value if any deposited by 25th day to commence the lifting of coal. Allotments are given in full or on prorata basis depending on availability after meeting orders of higher category. If after meeting the orders of all categories, coal is still available the order booking remains open. The same procedure is applicable for order-booking by Rail under the Scheme.

5.21 When the Sub-Committee pointed out that L.S.S. is not properly notified and the scheme is closed within a week or even two days, the Secretary, Ministry of Coal stated during evidence,

"That is something wrong on the part of our coal companies. We will look to it that LSS is properly notified. There is a priority of coal user; there is a priority of mini traders and the next priority that of the wholesale trading scheme and after that of anybody else. If a particular colliery has opened for only three days, this is not, in my opinion, a very desirable thing. We will certainly look into it."

## VI. DEVELOPMENT OF CAPTIVE MINES

Consequent upon the amendment of the Coal Mines (Nationalisation) Act, 1973 on 9.6.93 coal mining blocks are being identified for captive development by power generating companies and companies engaged in the manufacture of iron & steel. In this context the proposals for development of captive mining blocks are considered by a Screening Committee set up in the Ministry of Coal for screening such proposals and for identification of suitable coal mining blocks. This Committee functions under the Chairmanship of Additional Secretary (Coal). The other members of the Committee are Joint Secretary & Financial Adviser, Ministry of Coal Adviser (Projects) in Ministry of Coal, CMDs of the coal companies, representative of CIL, representative of State Governments, Ministry of Railways, Ministry of Power, Ministry of Steel and Coal Controller.

6.2 Explaining the legal position with regard to allotment of coal mining blocks to private parties. CIL indicated that Sub-Section 3 of Section 3 of Coal Mines Nationalisation Act, 1973 (as per latest amendment of 1993) provides as under:

- (a) no person other than—
  - (i) The Central Government or a Government Company or a Corporation owned, managed or controlled by the Central Government, or
  - (ii) a person to whom a Sub-lease, referred to in the provision to clause (c), has been granted by any such Government company or corporation, or
  - (iii) a company engaged in—
    - (1) the production of iron and steel,
    - (2) generation of power,
    - (3) washing of coal obtained from a mine, or
    - (4) such other end use as the Central Government may be, by notification, specify shall carry on coal mining operation, in India, in any form;
- (b) excepting the mining lease granted before such commencement in favour of the Government company or corporation, referred to in clause (a), and any sub-lease granted by any such Government company or corporation, all other mining leases and sub-leases in force immediately before such

commencement shall, in so far as they relate to the winning or mining of coal, stand terminated;

- (c) no lease for winning or mining coal shall be granted in favour of any person other than the Government company or corporation, referred to in clause (a).

Provided that the Government company or corporation to whom lease for winning or mining coal has been granted may grant a sub-lease to any person in any area on such terms and conditions as may be specified in the Instrument granting the sub-lease, if the Government company or corporation is satisfied that:

- (i) the reserves of coal in the area are in isolated small pockets or are not sufficient for scientific and economical development in a co-ordinated and integrated manner, and
- (ii) the coal produced by the sub-lease will not be required to be transferred by rail.

In view of the above, the Government company has the right to grant sub-lease to any person for mining coal of such areas as provided herein above and to such persons who are entitled to carry on coal mining operation as provided in sub-clause (a) (iii) above.

6.3 Initially 40 mine blocks were identified and approved by CIL Board for offering for captive mining purpose. The details of these blocks are given below:

Company	No. of Blocks	Total Area (Sq. Km)	Geological Reserve (Million Tonnes)
ECL	7	60	4080
CCL	9	175	3759
NCL	1	7	242
WCL	10	61	989
SECL	4	73	1200
MCL	9	61	2807
<b>Total</b>	<b>40</b>	<b>437</b>	<b>13077</b>

– Information of 40 blocks identified for Capitive Mining:

- (i) Grows regional reserves (Approximate) 13077 Million Tonnes.



(ii) Estimated Extractable Reserves - 6500 Million Tonnes.

(iii) Production potentiality - 150 MT per year.

6.4 As per reference from Ministry of Coal, additional blocks over and above 40 blocks mentioned above, have reportedly been identified and approved by CIL Board for offering for captive mining. These are:

- (i) Wardha Coalfield — 3 Nos. (Reserve - 134 Million Tonnes)
- (ii) Mand Raigarh Coalfield — 1 block (Reserve - 500 Million Tonnes)
- (iii) Salanpur Coalfield — 1 block (Reserve about 100 Million Tonnes to be demarcated.)

6.5 Asked about the present position in regard to the number of applications received and blocks allotted so far, the Ministry of Coal furnished the following information:—

	No. of Companies/ State Electricity Board/Corporations from whom appli- cations received.	Companies whose applications have been considered by the Screening Committee	No. of Companies for whom blocks identified.
Power Sector	20	16	11
Iron & Steel Sector	11	10	3

6.6 Asked what was the normal time taken from the date of receipt of application for allotting blocks to Companies/SEBs, the Ministry of Coal informed the Committee in a written reply that the Screening Committee set up in the Ministry of Coal is discussing the various proposals and identifying suitable blocks according to the guidelines adopted which can be developed by the Companies, State Electricity Boards etc. This also involves prior examination of the proposals by CIL/Coal Companies, Ministry of Power etc. so that a consolidated view can be taken by the Committee. Often these proposals after initial consideration require to be discussed on more than one occasion by the Committee for the purpose of review and confirmation as well. No time schedule has been fixed for

this purpose keeping in view the nature of exercise involved but at the same time every effort is being made to ensure that the applications are attended to early and also discussed by the Committee. From the date of amendment of Coal Mines Nationalisation Act, 1993, *i.e.* with effect from 9.6.93, six meetings of the Committee have been held in most of the cases the time taken for dealing with the applications (where blocks have been identified) has generally ranged from 1 to 3 months.

6.7 Explaining the difficulties experienced with regard to obtaining allocation of captive mines (for thermal plants) and receiving exploration details, it was stated in a Memorandum of INDAL Ltd. forwarded by Confederation of Indian Industry as under:

- As per the present procedure coal blocks are allocated by the screening committee under the leadership of Ministry of Coal. The criteria adopted for allocation is not clear. Distance from the consumption counter appears to be the only guideline. No choice is available to the prospective mine in this regard.
- After the allocation is announced receiving exploration details is not only time consuming but also involves contacting too many agencies *viz.* Coal India, Central Mine Planning & Development Institute (CMPDI), Subsidiary Coal-Fields, Exploration Agencies (State Directorate, GSI, MECL) etc. In many cases the data is not available and often data is incomplete. This would involve motivating the exploration agencies to complete the study and pass on the data to CMPDI or the Coal India subsidiary as the case may be. This naturally leads to delay.
- The basis for payment for acquiring the exploratory data is not clear. A lump sum amount is demanded without details.
- Acquiring Mining Lease: The procedure for acquiring the lease has not undergone any change and involves too many agencies – Collector, State Directorate, Ministry of Mines, Ministry of Environment & Forests, IBM etc. The flow of paper is cumbersome.
- The issue of rehabilitation of displaced persons is left to be handled by the leasor with no mandatory assistance from the agencies.

6.8 In a Memorandum submitted through CIL, INDAL Ltd. suggested establishment of a single window agency for providing exploration details and simplification of procedure for awarding mining lease.

6.9 According to CEA, development of captive mines\* by power project proponents have the following drawbacks:

- (a) There is no fixed policy/guidelines for offering captive mining blocks to power project proponents.
- (b) The power project proponents do not have easy access to the geological data for the mine offered and it is difficult for them to judge the suitability of a mine in the absence of same.
- (c) The necessary mining expertise needed may not be possessed by the power project proponents.
- (d) It is also not clear who would as a matter of policy, vet and sanction the feasibility report of captive mine development.

6.10 In view of the above CEA suggested the policy guidelines must be laid down clearly bringing out the criteria for offering captive mine blocks, access to geological data, method of mining, etc. and vetting of feasibility report of mine development/fixing coal price etc.

6.11 Enquired whether the matters raised by CEA received the attention of the Ministry of Coal, the Ministry stated in a written reply that the following are the guidelines adopted for allocation of blocks to the private sector for coal mining for power generation:

- (i) Preferably blocks in green field areas where basic infrastructure like road, rail links etc. is yet to be developed should be given to the private sector. The areas where CIL has already invested in creating such infrastructure for opening new mines should not be handed over to the private sector, except on reimbursement of costs.
- (ii) The blocks offered to private sector should be at reasonable distance from existing mines and projects of CIL in order to avoid operational problems.
- (iii) Blocks already identified for development by CIL where adequate funding is on hand or in sight should not be offered to the private sector.
- (iv) Private sector should be asked to bear full cost of exploration in these blocks which may be offered.
- (v) For identifying blocks the requirement of coal for about 30 years would be considered.

Further the policy *inter alia* includes:—

- approval of mining plan as required under the Mines and Minerals (Regulation and Development) Act, 1957.
- inspection and appropriate enforcement of Conservation and Development Act, 1974 with a view to ensuring scientific mining.

- enforcement of safety regulations by the Directorate General of Mine Safety.

6.12 With regard to the question of access to geological data for the mine offered, CIL stated as follows:

“Initially 40 mine blocks were identified and approved by CIL Board for offering for captive mining purpose. Broad geological information such as reserve, quality of coal thickness, area etc. were indicated in the list of blocks submitted to the Ministry of Coal. These details are considered during allocation of blocks for captive mining purpose.

Out of 40 blocks detailed geological exploration has been carried out by CMPDIL in case of 32 blocks. Detailed geological reports are handed over to the respective power generating companies after allotment of mine blocks against payment of recoverable exploration cost. For the balance 8 blocks, where regional exploration has been carried out by GSI, such details are available with GSI. Thus power project proponent can acquire required geological data as and when captive mine blocks are offered to them.”

6.13 CEA had pointed out that the necessary mining expertise needed may not be possessed by the power projects proponents. When his attention was drawn to this point, the Chairman, CIL stated during evidence:

“The expertise with regard to mining will be developed by the persons who are taking these blocks. We also feel that if the Central Electricity Authority needs help from CMPDIL or Coal India with regard to examining the feasibility of the reports prepared by them, to my mind that expertise can be made available, but the request has to come from the CEA. Obviously again the proper charges or cost is to be paid by them.”

6.14 CIL stated in a post evidence reply in this connection that it is upto the power project proponents to develop required organisation for development of captive mining blocks. Services of CMPDIL may be available if required in respect of exploration, planning and design against payments.

6.15 CEA had stated that it was not clear who would as matter of policy, vet and sanction the feasibility report of captive mine development and further stated that it may not be possible for CEA to undertake this job as CEA does not have requisite expertise in mining field. Commenting on this point, CIL stated in a written reply as follows:

“CEA will have to find solution to this problem. However, CEA can seek help of CMPDIL on payment of necessary charges.”

## PART B

### CONCLUSIONS AND RECOMMENDATIONS OF THE COMMITTEE

1. The linkages of coal demand was introduced with the objective, among other things, of planning of coal supplies, keeping in view indigenous coal resources as well as the need to supply fuel of appropriate quality to the consumers. The Committee's examination of coal linkages reveals that the objective of supplying appropriate quality is yet to be realised. There has been also deficiency in supplies particularly of coking coal. These are dealt with in subsequent paragraphs. Some of the steps taken by the Government of late also have the effect of diluting the system of coal linkages. The Committee in this connection note the current drive by coal companies for having coal supplies based on legally enforceable contracts, liberalisation of imports and the measures announced for captive development of coal mining by consuming industries and development of dedicated coal mines by coal companies. It is obvious that to the extent these measures are implemented, the need for coal linkages through coal linkage committees may not be felt. The Committee are surprised that inspite of such far reaching measures no critical review of the existing system of linkages appears to have been undertaken by the Government to consider its relevance and the need for its continuance in the emerging market economy. The Committee would await the result of such a review of the system by the Government.

2. According to the Central Electricity Authority, one of the difficulties experienced in the existing system of linkages is non-acceptance of coal demand in full as projected by it. The Committee in this connection find that the extent of generation loss attributed by CEA to coal shortage is vastly disproportionate in respect of the years 1989-90 and 1990-91 as compared to that of 1992-93 and 1993-94. The Committee hope that CEA will clarify the position in this regard. The National Thermal Power Corporation held that adequate quantity of coal is not received during summer and rainy seasons. The Ministry of Coal has, however, argued that CEA never shares data pertaining to each power station and that power stations refused to take extra supplies during January-March, 1994. The Ministry also refuted NTPC's contention that there is inadequate supply during certain months. Contrary to Ministry's claim, the Committee find from the figures furnished by the Ministry itself that there was indeed shortfall in coal supply to most of the

plants of NTPC in the first and second quarter of 1994-95. The Committee, therefore, urge that the matter should be examined to see what best can be done to meet the full requirement of consumers and ensure smooth and uninterrupted supply of coal throughout the year.

3. Quality of coal is closely linked to effective materialisation of linkages. Various organisations have pleaded that the coal companies should ensure proper grade and quality of coal for smooth running of industries. There is a feeling that this problem is not receiving due attention. According to the Cement Manufacturers' Association, the high ash and variation in ash percentage has many deleterious/harmful effects on the industry. The Ministry of Coal has stressed that quality control on raw coal is difficult and that coal has to be beneficiated or washed to bring it to a uniform level of quality. The Committee do not agree with this view. In the opinion of the Committee, the quality of raw coal can be improved by removing extraneous material such as stones, shales, bands, metallic products etc. by adopting appropriate mining methods. The Committee also emphasise that for extracting quality coal, there is a need for expeditious exploitation of coal reserves through underground mining. The Chairman, CIL has informed that washing arrangement has been made for roughly about 18 to 20 million tonnes of non-coking coal and the plan is to go in for more and more washing. The Committee would like to know whether it would be desirable and feasible to beneficiate the entire supply of non-coking coal and if so, how the economic would work out to a small consumer.

4. The Committee observe that assessment of grade-wise requirements of consumers is not done by CIL/Government though such an exercise will admittedly help in entering into commercial agreements with consumers. The Committee wonder why then no initiative has been taken by CIL to assess grade-wise requirements of consumers. The Committee stress that an exercise for this purpose shall be conducted every year and continued as long as supply of raw coal is made.

5. In 1991, CIL switched over the venue of coal sampling from users' end to loading point at pit-heads. The Committee note the plea of various organisations that joint sampling of coal should be carried out at the receiving end as in the past. The Ministry of Coal has taken a stand that coal companies are responsible for supply of correct quality and quantity of coal at the pit-heads and that the legal responsibility of the supplier ceases as soon as the property in goods is transferred to the consumer. The Committee feel that it should be possible for CIL to carry conviction with the bulk consumers and impress upon them the rationale for shifting the venue of joint sampling to

loading points. Disputes are reportedly mounting up regarding outstanding based on analysis done of coal samples collected unilaterally by coal companies. The Committee observe that it was decided in March, 1994 to establish a dispute resolution mechanism by setting up single member umpires on a regional basis. A proposal for appointment of four umpires has reportedly been pending with the Government. The Committee emphasise that action to appoint umpires should be expedited.

6. It was brought to the notice of the Committee that auto-samplers have been installed only in six out of 195 loading points. There is an apprehension that due to non-availability of auto-samplers, sampling is not being done properly and the coal quality assessed does not reflect actual coal quality supplied to power stations. It has been stated that auto-samplers have been installed only in the pit-head power houses with 'Rapid Loading System'. The Committee have been informed that no automatic sampling equipment for mechanised collection of coal sample from loaded wagon is available. Regrettably, no progress has been made in R&D work in regard to development of suitable equipment for this purpose. The Committee suggest that concerted R&D efforts should be directed towards development of appropriate equipment on a time bound programme. Alternatively, the question of import of technology in this regard should be considered.

7. There have been complaints of short receipt of coal by the consumers. It was conceded by the Chairman, Coal India Ltd. that there is a gap between the quantity recorded at the loading point and what consumers record at the receiving end and attributed this gap to pilferage and other reasons. During 1993-94 alone, there have been over 1800 cases of theft/pilferage involving an amount of around Rs. 1.50 crore. The Committee do not appreciate the Coal Ministry's attempt to disown its responsibility in solving this problem. The Committee require that the problem in all its aspects should be gone into by the Coal Ministry alongwith Railways and a viable mechanism evolved to curb theft/pilferage of coal in transit. There have been complaints about short receipts of coal by the power houses due to wrong recording of the mechanical weighbridges at the collieries. The CIL has informed that 111 electronic wagon weighbridges have already been installed and 22 are at different stages of installation. The Committee require that it should be ensured that facilities for correct weighments are installed at all loading points on a time bound programme. The Committee would like to be apprised of the position in this regard.

8. One of the problems confronted at the loading point is stated to be that often the actual weight of the wagons is not done but the estimated quantity is charged on the basis of the level of loading. Even when consumers are

present at the time of loading, collieries reportedly show indifference to consumers' grievances. The Committee in this connection observe that the number of complaints received by coal consumers was just 147 during 1992-93 and 86 in 1993-94. Admittedly, complaints coming to consumer councils are not much and as a result the councils have not yet acquired the teeth that is needed. The Committee stress that there is a need to strengthen the consumer councils and make them effective so that consumers will be encouraged to approach the consumer councils for redressal of their grievances.

9. The Steel plants are designed to operate with coking coals having 17% ash. The Committee have been informed that over the period the quality of raw coking coal to washeries has deteriorated. Presently, the ash content of raw coal is stated to be in the range of 30 to 35% ash against the earlier level of 22-25%. The higher ash content results in higher coking coal requirement. In order to augment supply of coking coal substantially through beneficiation, CIL has reportedly taken various steps including modernisation of existing washeries, construction of new washeries at Madhubani and Kedla and identification of three washeries for private sector investment. It should be ensured that these measures are implemented and results achieved on a time bound programme.

10. The Committee note with dismay that the gap between the demand and indigenous availability of coking coal has been widening over the years owing to gradual decline in production. The indigenous supply of coking coal to the Steel Authority of India Ltd. (SAIL) is observed to have fallen from 12.48 MT in 1983-84 to 10.33 MT in 1993-94. Imports on the other hand is expected to go up to 6 MT in 1996-97 from a negligible level of 0.44 MT in 1983-84. The fall in indigenous supply is attributed to non-materialisation of anticipated increase in production and delinking of certain mines. Though the Committee have not gone into details, the failure of Coal India in this context is glaring. It is only now concrete steps are proposed to be taken to augment indigenous supply of coking coal. It has reportedly been decided to offer two blocks to SAIL for captive development, to take up one block as joint venture between SAIL and CIL and yet another block to be worked by CIL with Chinese collaboration. The Committee require that development of these blocks should be undertaken expeditiously keeping in view the need to meet steel industry's coking coal requirements.

11. The Standing Committee on Energy (1994-95) in their 10th Report on "Modernisation and Growth of Coal Industry – A Critique" had noted the delay in modernisation of coking coal washeries recommended by Altekhar Committee far back in 1986. The modernisation work was expected to be completed by March, 1995. The Committee have now been informed that



completion of schemes in Dugda I and II and Sudamdih will be beyond June, 1995 and possibly early 1996 due to delay in supply of deshaling plant by MAMC. The Committee regret to note the protracted delay in completing the modernisation work in these washeries. The Committee would like the Ministry of Coal to ensure that there is no further delay in completing the modernisation schemes by regular monitoring and periodical review.

12. The Committee's attention has been drawn by the Cement Manufacturers' Association (CMA) to the point that only 55% of the coal demand of captive power plants (CPP) of the industry is supplied. Obviously, to the extent coal is short supplied generation of power is deprived. The industry's coal based CPP's are stated to have a capacity of 170 MW. The Committee fail to understand why the Standing Linkage Committee has not addressed this issue. The Committee trust that cement industry's coal demand for captive power plants will be looked into with the seriousness it deserves and arrangements made for meeting their full requirement. Another issue raised by the CMA is regarding captive development of mines by the cement industry. It is not clear what is Government's thinking on this matter. The Committee would like the Government to examine this issue keeping in view the need to augment coal production and the outcome reported to the Committee.

13. There have been complaints about malpractices under the LSS. Though the scheme accords top priority to actual users for the purpose of allotment and supply of coal, actual users have drawn only 5.5% of the total sale, during 1994-95 (upto Dec. 94). The reason for this apparent lack of interest of actual users is not far to seek. According to All India Brick & Tile Manufacturers' Federation, higher grades of coal are sold to traders by resorting to irregular practices. The higher grades of coal so cornered is sold to actual consumers at a very high premium. There have also been reported instances of malpractices by curtailing notifying period and closing the scheme after a very brief period. The Ministry of Coal has admitted that in CCL some of the collieries which did not fulfill the laid down criteria were also offered under LSS. An enquiry has reportedly been ordered to examine this issue. The Committee desire that the enquiry should be completed soon and action taken against delinquent officers. It appears that no attempt has been made to study why off-take of coal under LSS by actual users has been too low. The Committee feel that such a study will be of interest and an eye opener. The Committee further suggest that the sponsorship issued by State Government should receive priority in supply of coal.

14. The Committee observe that 16% of coal movement takes place by 'road'. There have been reports of corruption and malpractices in regard to

coal supplies by road. It has been suggested to the Committee that the system of road sales should be streamlined as indicated below :-

- (i) Coal mines for road supplies should be earmarked and should be separate from those supply by rail.
- (ii) As in the case of rail, linkage of road linked consumer should be decided and they should file monthly requirement programmes upto the extent of their sponsored quota with respective colliery/area each month.
- (iii) Placement of daily trucks should be in a serial order and daily loading limit of each customer should be fixed as a certain percentage of his total monthly need.
- (iv) As in the case of rail, regular consumers and their accredited agents should be able to provide B. G. cover against their regular monthly order with payment within 3 days as per bill.
- (v) Monitoring and control of total availability, total order and performance of each order should be done by an officer at the Headquarters designated for the purpose (as EDRM does for Rail movement).
- (vi) Rail consumers should have option on quarterly basis to take coal by road if rail supplies are developing arrears or becoming economical-ly unviable due to high freight or transit shortages.

The Committee recommend that the above suggestions in all its details should be examined and if found appropriate action should be taken to implement them at the earliest.

15. According to the All India Brick & Tile Manufacturers' Federation, 50% of the industry's coal demand is for 'B' and 'C' grades and 50% for 'D' grade coal. The Ministry has stated that brick manufacturers are normally linked to grade D-F slack coals. The Committee in this connection observe that opinion varies with regard to suitable grade for brick manufacturing. While the grade of coal as per Centrel Fuel Research Institute should be F&G, two Technical Committees appointed by CIL and SCCL have reportedly recommended E&F grades of coal. The National Council for Cement and Building Materials, however, has suggested 'D' and 'E' grade of coal. Considering the differences of opinion with regard to suitable grade of coal for brick manufacturers, the Committee recommend that the matter should be looked into afresh and a scientific study conducted to remove misgivings, if any.

16. Doubts have been rased in some quarters with regard to constitutional and legal validity of allotment of captive mining blocks to private parties. The Committee recommend that these issues should be examined in depth by undertaking thorough scrutiny of all relevant Acts [Mines and Minerals (Regulation and Development) Act, Coal Nationalisation Act, Mineral Concession Rules, etc.] including constitutional provisions and the position should be clarified to allay the doubts.

17. With regard to captive development 45 blocks have so far been identified and approved by CIL Board for offering for captive mining purpose. Out of this, 11 companies in power sector and 3 in Iron & Steel sector have been identified for allotment of blocks. Difficulties experienced in this regard by prospective developers have been brought to the notice of the Committee. These include absence of guidelines for allotment of blocks, difficulties in acquiring exploratory data, acquiring mining lease, etc. The Committee stress that these matters need to be looked into seriously. The Committee suggest that the guidelines adopted for allocation of blocks should be notified and procedure for awarding of mining lease simplified. The Committee also feel that there is a need for establishment of single window for providing exploration details to the allottees of captive mining blocks.

NEW DELHI;  
8 May, 1995  

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18 Vaisakha, 1917 (Saka)

JASWANT SINGH,  
Chairman,  
Standing Committee on Energy.