STANDING COMMITTEE ON ENERGY
(2001)

(THIRTEENTH LOK SABHA)

REPORT ON
DEMANDS FOR GRANTS (2001-2002)
OF
MINISTRY OF COAL

Presented to Lok Sabha on 19.4.2001
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LOK SABHA SECRETARIAT
NEW DELHI
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INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Seventeenth Report (Thirteenth Lok Sabha) on Demands for Grants (2001-2001) relating to the Ministry of Coal.

2. The Committee took evidence of the representatives of the Ministry of Coal on 30th March 2001.

3. The Committee wish to thank the representatives of the Ministry of Coal and Directorate General of Mines and Safety (DGMS) who appeared before the Committee and placed their considered views. They also wish to thank the Ministry of Coal for furnishing the replies on the points raised by the Committee.

4. The Report was considered and adopted by the Committee at their sitting held on 12th April, 2001.

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

NEW DELHI;
APRIL 16, 2001
CHAITRA 26, 1923(SAKA)

SONTOSH MOHAN DEV,
CHAIRMAN,
STANDING COMMITTEE ON ENERGY.

PART I

REPORT

CHAPTER I

Introductory

1.1 Coal is the most important source of energy for electricity generation in India. Bulk of electricity generated (about 65.7%) is from thermal power stations, which depend upon coal as feed stock. In addition, other industries like steel, cement, fertilizers, chemicals, paper and thousands of medium and small-scale industries are dependent on coal for their process and energy requirements. In the transport sector, though direct consumption of coal by the railways is nominal 9on account of phasing out of steam locomotives, the increasing electrified traction of the Railways is dependent on coal converted to electric power. The Ministry of Coal is, therefore, engaged in developing coal resources of this country in a manner that requirements of coal of different consuming sectors are met in full and their dependence on oil/imported coal is minimised.

1.2 The Ministry of Coal is responsible for the development and exploitation of coal and lignite reserves in India. The main subjects allocated to the Ministry under the Government of India (Allocation of Business) Rules, 1961, as amended from time to time, are exploitation and development of coking coal and non-coking coal and lignite deposits in India; all matters pertaining to production, supply, distribution and prices of coal; development and operation of coal washeries; low temperature carbonization of coal and production of synthetic oil from coal; administration of Coal Mines (Conservation and Development)Act, 1974, Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, Coal Bearing Areas(Acquisition and Development) Act, 1957, Mines and Minerals (Regulation and Development)Act, 1957, the Coal Mines Provident Fund Organisation; Coal Mines Welfare Organisation; and administration of Public Sector Enterprises dealing with coal and lignite.

1.3 The Ministry of Coal has under its direct administrative control the following two Public Sector Undertakings;
(i) Coal India Ltd., and
(ii) Neyveli Lignite Corporation Ltd.

1.4 Coal India Ltd., having headquarters at Calcutta, is the holding company with seven producing subsidiaries and one planning and design subsidiary, viz:-

(i) Eastern Coalfields Limited(ECL), Sanctoria(West Bengal)
(ii) Bharat Coking Coal Limited(BCCL), Dhanbad (Jharkhand)
(iii) Central Coalfields Limited(CCL), Ranchi(Jharkhand)
(iv) Northern Coalfields Limited(NCL), Singrauli(Madhya Pradesh)
(v) Western Coalfields Limited(WCL), Nagpur (Maharashtra)
(vi) South Eastern Coalfields Limited(SECL), Bilaspur (Chattisgarh)
(vii) Mahanadi Coalfields Limited(MCL), Sambalpur(Orissa)
(viii) Central Mines Planning & Design Institute Limited (CMPDIL), Ranchi(Jharkhand)

1.5 The Ministry of Coal has also under its administrative control the Neyveli Lignite Corporation Ltd., with headquarters at Neyveli in Tamil Nadu. This company is primarily engaged in the exploitation of lignite deposits in Tamil Nadu and generation of Power from lignite based power projects.

1.6. The Singareni Collieries Company Limited incorporated as a public limited company in 1920 became a Government company in 1956 with headquarters at Kothagudem in Andhra Pradesh. The company is a joint undertaking of Government of Andhra Pradesh and Government of India. The share capital of this company is held by the Government of Andhra Pradesh and Government of India in the ratio of 51:49 respectively. This company is engaged in the exploitation of coal reserves in the State of Andhra Pradesh.

1.7 The following subordinate offices and autonomous organization are functioning under the administrative control of Ministry of Coal.

(i) Coal Controller's Organisation, with headquarters at Calcutta - a subordinate office.
(ii) Coal Mines Provident Fund Organisation, with headquarters at Dhanbad – an autonomous organization.
(iii) Commissioner of Payments Office, with headquarters at Calcutta - a subordinate office.

1.8 The Coal Controller's Organisation is a subordinate office of the Ministry of Coal, with its headquarters at Calcutta and field offices at Dhanbad, Asansol, Ranchi, Sambalpur, Bilaspur, Nagpur and Delhi.

COAL CONTROLLER'S ORGANISATION

1.9 The statutory functions performed by Coal Controller's Organisation are checking of quality of coal including settlement of complaints vis-à-vis grading and quality of coal despatches, adjudicating claims on grade; regulatory authority to grant permission for opening and reopening of seams and mines; distribution of coking as well as non-coking coal; disposal of objections received under the Coal Bearing Areas(Acquisition & Development) Act, 1957 and collection and publication of statistical information on coal and lignite in pursuance to Statistics Act, 1955.

COMMISSIONER OF PAYMENTS

1.10 There were two offices of Commissioner of Payments, one for determining compensation, etc., for nationalized coking coal mines, with headquarters at Dhanbad and another for determining compensation, etc. for nationalized non-coking coal mines with headquarters at Calcutta. As the work of Dhanbad office has been disposed of substantially, this office was wound up and the residual work has been transferred to the office of the Commissioner of Payments(non-coking)Calcutta. At present, Coal Controller is functioning as Commissioner of Payments.

COAL MINES PROVIDENT FUND ORGANISATION(CMPFO)

1.11 Coal Mines Provident Fund Organisation(CMPFO) is an autonomous body set up under the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948. CMPFO administers the Coal Mines Provident Fund Scheme, 1948, the Coal Mines Deposit Linked Insurance Scheme, 1976 and Coal Mines Pension Scheme, 1998. All these schemes have been formulated under the provisions of the Act of 1948.

1.12 The following are the provisions sought and included in the Demands for Grants in the year 2001-02 pertaining to the Ministry of Coal:-

(Rs.in crore)

	Plan		Non-Plan		Total	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
Revenue Section (Voted)	286.93	286.93	152.50	152.50	439.43	439.43
Capital Section (Voted)	365.07	365.07	25.00	--	390.07	365.07
TOTAL	652.00	652.00	177.50	152.00	829.50	804.50

PLAN OUTLAY

1.13 The Capital Plan outlay of the Ministry is substantially to meet the financial requirements of the three Public Sector Undertakings viz. Neyveli Lignite Corporation Limited, Coal India Limited and Singareni Collieries Company Limited for Plan investments in mining projects. Though the Plan outlays of the companies are now being largely financed through their internal resources or through extra budgetary resources, some budget support is also provided. The budget support as a percentage of the total Plan outlay has steadily been coming down. This budget support is provided by the Government of India either by way of loan or equity to the companies. In addition to this, provision for the Plan schemes of Research and Development, Regional Exploration, Environmental Measures and Subsidence control, Detailed Drilling, Voluntary Retirement Scheme in PSUs and Rehabilitation, Control of Fire and Subsidence in Jharia and Raniganj Coalfields are also made under Revenue Plan outlay. The Indian coal industry at present gets technical and financial co-operation from France, Germany, United Kingdom, Australia, Russia, Belarus, Czech Republic and China. Assistance is also received from multilateral agencies like World Bank. Financing from Japan EXIM Bank has been received. External credit which was earlier routed though budget is now mostly available directly from foreign agencies to the Public Sector Undertakings.

NON-PLAN OUTLAY

1.14 A substantial portion of the non-plan outlay of the Ministry of Coal is meant for schemes which are financed from the excise duty levied under the provisions of Coal Mines (Conservation and Development) Act, 1974 and can, therefore, be termed as self financing (65%). Subsidy to coal companies towards reimbursement of part expenditure for conservation and protective measures and development of roads, railways and transport infrastructure in coalfield areas are funded out of these receipts. Another major segment (17.17%) of the non-plan outlay is to meet the statutory obligations of the Government under the provisions of Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, contribution to Coal Mines Pension Scheme, 1998 and Coal amines Deposit Linked Insurance Scheme, 1976. Only 3.95% of the non-plan budget is meant for meeting the Secretariat expenditure and for the offices of Coal Controller and Commissioner of Payments, Calcutta.

1.15 The observations of the Committee of the Committee on the basis of scrutiny of Demands for Grants of the Ministry for the year 2001-02 are brought out in the succeeding chapters. The Committee approve the Demands presented by the Government subject to their Observations, Recommendations which are contained in the succeeding chapters.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS (2001-02) OF

MINISTRY OF COAL

2.1 The Ministry of Coal have presented Demands for Grants of Rs.804.50 crore for the year 2001-02 against Budget Estimates of Rs.1024.95 crore and Revised Estimates of Rs.804.93 crore for the year 2000-01. The details of Ministry's demands under revenue section and details relating to capital section with reference to public enterprises are shown in Appendix-I. The various points arising out of the scrutiny of Demands for Grants of the Ministry are discussed in the succeeding paragraphs.

A. Plan Outlay

2.2 The Central Plan Outlay for the Ministry of Coal during the year 2000-2001 was Rs.4647.81 crore. It was revised to Rs.3335.83 crore. Now, a budget provision of Rs.3977.15 crore has been proposed for the year 20001-2002.

2.3 The total Central Plan Outlay of the Ministry at BE & RE stage for the year 2000-2001 and BE for the year 2001-2002 are shown as under: -

(Rs. in crore)

Company/Scheme	2000-2001		20001-2002
	BE	RE	BE
Coal India Limited	2790.32	1767.00	2315.00
Singareni Collieries Company Limited	327.82	235.00	355.00
Neyveli Lignite Corporation	1168.45	1063.73	1020.22
S&T/Coal Controller	13.50	0.21	13.25
Regional Exploration	30.37	30.37	35.84
E.M.S.C.	13.52	10.00	13.52
Detailed Drilling	29.51	10.00	41.42
R.C.R.F.	6.69	0.50	8.04
Information Technology	0.33	0.33	0.43
Voluntary Retirement Scheme	180.00	100.00	174.43
Lumpsum Provision for	87.30	57.14	65.20*
Total	4647.81	3335.83	3977.15

* This amount is not included in the sum for the year 2001-2002 amounting Rs.3977.15 crore.

2.4. When asked about the reasons for reducing the Central Plan Outlay, the Ministry of Coal in a written reply informed the Committee that the revision in the Central Plan Outlay was primarily due to cancellation of CIL's Coal Sector Rehabilitation Project (CSRP) loan, as there was sluggishness in coal demand. The outlay was reduced by Rs.1023.32 crore. CIL felt that in order to avoid mis-match between the creation of capacity and rise in coal demand which was lower than anticipated, the phase-B procurement from CSRP loan needed to be deferred and spread over the next 3-4 years. The shortfall in expenditure in Neyveli Lignite Corporation (NLC) was due to delay in resolution of procedures in respect of Main Plant package of TPS-I, which resulted in delayed supply.

2.5. Giving details of CSRP loan, likely impact of deferment and plans drawn to mobilise resources, the Ministry of Coal stated that Coal India Limited (CIL) entered into loan agreements with World Bank (IBRD) and Japan Bank for International Cooperation (JBIC) for co-financing Coal Sector Rehabilitation Project (CSRP) on 50:50 basis to improve coal production and maintain commercial viability of 24 profitable mines of CIL. Total loans comprised US $1030 million, out of which US $522.60 million is being utilised, balance US $507.40 million remaining unutilised.

2.6 CIL itself requested World Bank and JBIC for the cancellation of the balance uncommitted part of the loan because of operational reasons. /after taking into account the softening of domestic interest rates and the greater flexibility available by recourse to domestic credit on the strength of its balance sheet, CIL was of the view that continuing the World Bank / JBIC project finance for the unutilised portion of the loan was not in its best financial interests.

2.7 As the balance of convenience lay in agreed cancellation of the balance uncommitted facility of the World Bank and JBIC loan, CIL initiated appropriate steps for cancellation in consultation with the Ministry of Coal and the Ministry of Finance. CIL is confident of completing the projects covered by the loan from its own resources.

Reasons for cancellation for CSRP:

2.8 The views of CIL for cancellation of loan were as follows:

In CSRP, the cost of World Bank loan works out to a range of 12.6 to 13.1 per cent in rupee terms, and similarly, the cost of JBIC loan works out to be 13.6 to 14.6 per cent in rupee terms.

Over 90% of the loan facility were earmarked for procurement of equipments in two distinct phases. One phase has been largely completed, and 452 million USD have been drawn till June 2000 for procurement of equipments in that phase. The concerned subsidiaries of CIL, after due diligence, have resolved that phase B procurement needs to be deferred, and spread over the next 3-4 years, in order to avoid any mis-match between creation of capacity and rise in demand.

As the unutilised savings even after Staff Appraisal Report (SAR) envisaged procurement will be of the order of 230 million USD, and this cannot be diverted to any project other than the CSRP, there is no other option but to surrender this facility.

CIL does not foresee any difficulty in mobilising resources in competitive terms, in order to raise about Rs.1000 crore in the next 2-3 years, required to carry out the procurement as per the revised plan, in the event of the balance facility being surrendered.

With their current credit rating CIL believes that they will be able to procure loan at PLR, or even below PLR, which is in the range of 12.5 to 12.6%.

2.9 Leasing of equipments, in place of procurement by purchase, will entitle CIL/subsidiary companies to associated tax benefits.

2.10 In view of this CIL found that it was prudent to cancel the balance uncommitted facility of the CSRP loan. CIL found that cost of loan, if committed will be quite high and they are hopeful that they will be able to raise the required resource on competitive terms in the domestic market at PLR or below PLR with current credit rating. With cancellation of the uncommitted portion of loan, the estimated savings in loan annual commitment charge will be approximately US $1.30 million with the current credit rating.

2.11 CIL after considering various options available on the issue of continuation of CSRP loan of US $1030 million came to the conclusion that it will be in the interest of CIL to cancel balance CSRP loan and to avoid further payment of unnecessary commitment charges.

Effects of cancellation of CSRP Loan

2.12 CIL has reviewed the 24 high return sub-projects under CSRP. Out of these, 9 sub-projects are meant for capacity building and the remaining 15 sub-projects are meant for equipment replacement. The implementation schedule of the 9 sub-projects is as follows:-

Sl.No.	Company	Project	Date of Sanction	Date of Completion		Delayed period
				As per schedule	Anticipated	
1.	CCL	Parej East OC	Mar-93	Mar-98	Mar-2001	3 years
2.	CCL	K.D.Hesalong Expn. OC	Dec-95	Mar-2000	Mar-2000	-
3.	NCL	Nigahi Expn. OC	Jul-97	Mar-2004	Mar-2004	-
4.	NCL	Dudhichua Expn. OC	Aug-92	Mar-98	Mar-2004	6
5.	SECL	Dipka Expn. OC	Dec-96	Mar-2002	Mar-2002	-
6.	MCL	Lakhanpur OC	Jan-92	Mar-96	Mar-2000	4
7.	MCL	Bharatpur Expn. OC	Nov-90	Mar-97	Mar-98	1 year
8.	MCL	Ananta Expn. OC	Sep-91	Mar-97	Mar-97	-
9.	MCL	Samleswari OC	Aug-92	Mar-96	Mar-96	-

2.13 Five sub-projects are on schedule and in case of the other four sub-projects there has been some delay in their completion. Only Dudhichua sub-project suffers in which case CIL have stated that approval of RCE is critical as the activities of this sub-project virtually remain suspended pending approval of RCE. This also has since been issued on 26.03.2001.

2.14 Regarding remaining 15 sub-projects involving replacement of equipments, CIL have given the following reasons:-

(i) The replacement of equipment would have to be done as and when necessary keeping in mind the need for maintaining the capacity of these mines.

(ii) There is a system of annual assessment of requirement of equipment for replacement in respect of all the Open Cast mines of CIL for taking yearly procurement action. CIL have only to include requirement of these 15 mines in their annual procurement programmes.

(iii) Replacement of equipment by CIL is generally done from the internal resources of the coal companies.

2.15 As regards the schemes, which could not be completed because of the down-sizing of the budget during the year 2000-2001, the Ministry of Coal stated that the down-sizing of the CIL budget during the year 2000-2001 was primarily due to cancellation of Coal Sector Rehabilitation Project (CSRP). The details in this regard have been given below

2.16 In the case of Singareni Collieries Company Limited (SCCL), there is no project which has been affected due to downsizing of investment during 2000-2001. In the case of Neyveli Lignite Corporation (NLC), all the schemes are under different stages of implementation. All the three major projects viz. Mine-I Expansion, TPS-I and Mine-A would be completed as per the revised time schedule. No project was abandoned because of downsizing of the budget. All schemes except Mine-IA are funded through Internal Resources and loans by NLC as such there is no adverse effect.

2.17 The Plan/schemes of the Ministry of Coal on which expenditure is incurred includes Research and Development, Regional Exploration, Environmental Measures and Subsidence Control, Detailed Drilling, Voluntary Retirement Scheme in PSUs and Rehabilitation, Control of Fire and Subsidence in Jharia and Raniganj Coalfields, etc. when asked about the reasons for reduction of Central Plan outlay of the Ministry of Coal at RE stage, the Government in a note furnished the following information:-

Environmental Measures Subsidence Control (EMSC) – The reduction is due to slow progress in some schemes during the current year. The expenditure is likely to grow in the next year.

Science and Technology (S&T) – The reduction is due to delay in materialization of project.

Detailed Drilling – Due to receipt of approval of EFC & CCEA, in the latter part of the current year i.e. December, 2000, the provision was reduced from Rs.29.51 crore to Rs.10.00 crore. However, the fund will be utilised during the next year.

Rehabilitation, Control of Fire and Subsidence in Raniganj and Jharia – The scheme is under formulation.

Voluntary Retirement Scheme – VRS provision of Rs.180.00 crore in BE 2000-2001 was reduced to Rs.100.00 crore in RE 2000-2001, primarily due to the fact that the expenditure upto October, 2000 was nil. However, it was decided that once Ministry of Coal spent Rs.100.00 crore under VRS and submitted utilisation certificates, the original provision of Rs.180.00 crore would be restored. In March, 2001 the BE provision of Rs.180.00 crore has been restored.

North Eastern Region – In BE 2000-2001, Rs.87.30 crore was earmarked as lump sum provision of North East Region and Sikkim, which was 10% of the Gross Budgetary Support (GBS) of the Plan outlay of the Ministry of Coal in 2000-2001 (BE). Of this amount Rs.30.16 crore has been surrendered for transfer to the non-lapsable pool of resources for North East Region and Sikkim. The remaining amount of Rs.57.14 crore is likely to be spent in the North-Eastern Region.

Mobilisation of Internal and Extra Budgetary Resources (IEBR)

2.18 The Committee also observed that there was wide variation between the budgetary provisions and actuals in regard to Internal and Extra Budgetary Resources (IEBR) pertaining to the various Coal PSUs. The BE, RE and Actual for the year 1997-98, 1998-99, 19999-2000 and 2000-2001 (Actual upto January, 2001) and BE for 2001-2002 of three Coal PSUs namely Coal India Limited, Singareni Collieries Company Limited and Neyveli Lignite Corporation Limited are given at Appendix-II.

2.19 When asked about the variations between the projected IEBR and actual achievements and steps the Government propose to take to ensure that only realistic IEBR targets are projected, the Ministry in a note furnished to the Committee stated as follows:-

Coal India Limited

1997-98	Mobilisation of fund through EBR was reduced due to downsizing of Capital outlay
1998-99	Mainly due to reduction in offtake targets by 19.5 M.T. compared to BE resulted in reduction in internal resources

1999-00	Marginally increased mainly due to increased utilisation of IBRD loan
2000-01	Downsizing of EBR due to cancellation of CSRP loan (Stage B)

2.20 Steps have been taken to assess realistic demand of Coal for the year 2001-02. Thus it is expected that the Coal companies will be able to realise the IEBR targets during the year 2000-01 unless some major slippage occurs.

Singareni Collieries Company Limited

1997-98

2.21 Rs. 324.25 crore of IEBR was projected in BE 1997-98. IEBR in RE works out to Rs. 48.40 crore. The actual IEBR was Rs. 87.24 crore. The main variations are due to off loading of OBR in OC mines and deferment of procurement of HEMM to have a beneficial cost impact and to improve profitability position. Further, variation in the actual production when compared to RE was 5.29 L.Ts.

1998-99

2.22 Rs.230.29 crore of IEBR was projected in BE 1998-99. IEBR in RE works out to Rs. 195.95 crore. The actual IEBR for 1998-99 was Rs.122.04 crore. The main reason for variation is due to fall in production from 302.25 L.Ts to 273.26 L.Ts (29.99L.Ts).

1999-2000

2.23 Rs. 155.39 crore of IEBR was projected in BE 1999-2000 in RE works out to Rs.176.52 crore. The actual IEBR for 1999-2000 was Rs.108.17 crore. The main reason for variation is due to advance repayment of Govt. of India Loans of Rs.82.36 crore and special incentive payment to employees of Rs. 30 crore.

2000-01

2.24 Rs.263.21 crore of IEBR was projected in BE 2000-01, IEBR in RE works out to Rs.170.39 crore. An amount of Rs.93 crore towards a portion of NCWA &Executive arrears is provided in RE 2000-01.

2.25 Main reasons for shortfall in achieving the IEBR projections is preceding three years are: -

1) High operational efficiency with reference to production, productivity and HEMM utilisation projected in the IEBR workings.

2) Projections are made with preceding years' cost price structure and escalations allowed in operational cost is 3% in wages only.

3) Wage revisions were not allowed in calculation of operational cost.

4) Escalations in other inputs are not considered in IEBR calculations.

5) Price revision could not be effected half yearly covering the escalation input cost due to market constraints even after de-regulation.

Neyveli Lignite Corporation

2.26 For Neyveli Lignite Corporation (NLC) IEBR position, is at variance to the actual IEBR position. NLC's available Plan resources (IEBR + GBS) is much in excess of the Plan Outlay approved by the Planning Commission. However, as per the guidelines of Planning Commission purpose of formulation of Annual Plan, the surplus generated is deducted from the Internal Resources so that IEBR + GBS matches the Plan Outlay approved.

2.27 The Committee are sad to note the decline in the Plan outlay of Ministry of Coal during 2001-02 as compared to 2000-01, thus, affecting the ongoing and future coal/lignite projects. The Committee have been informed that the steep decline in the Central Plan outlay is on account of cancellation of World Bank aided Coal Sector Rehabilitation Projects (CSRP). Consequently, the outlay was reduced by as much as Rs. 1023.32 crore. Consequently, four projects meant for capacity building would undergo time over-runs ranging from 1 to 6 years. The contention of the Government that in the case of 15 projects involved in replacement of equipments under CSRP loan, the resource gap would be bridged through internal resources is hardly convincing. The track record of Coal India Ltd. (CIL) in regard to mobilization of Internal and Extra Budgetary Resources (IEBR) for the last three years is far from satisfactory, as there exists huge variations between the projected IEBR and the actuals. The Committee are perturbed to note that Parej East, Open Cast project of CCL, which was sanctioned during the 8th Plan could not make much headway. Now, with the cancellation of World Bank loan, it will be further delayed by a period of three years. Similar position exists in regard to Dudhichua Open Cast project of NCL, which was also sanctioned during 8th Plan and is expected to be delayed further by another six years. The Committee desire that Government should review their decision of cancellation of CSRP loan so that the projects which were to be financed through this loan could be completed within the stipulated time.

2.28 The Committee are further perturbed to note that there has been large-scale under-utilisation of funds in various projects pertaining to SECL. Some of the projects have been delayed due to non-procurement of machinery for open cast as well as under-ground projects. There has been delay in acquisition of forest land in some other projects. There are some ventilation constraints which have delayed the projects. Faulty design, non-sanction of projects and spontaneous heating are some of the other reasons assigned for delay of various projects. The projects of Neyveli Lignite Corporation have been delayed on account of delay in award of contracts, packages and supply of materials. The Committee are of the opinion that the reasons cited for the delay in projects are more of administrative nature rather than technical. It appears to the Committee that the project planning and formulation machinery in the Ministry of Coal has totally failed to take any corrective steps. The Committee desire that Government should tone up the project formulation and implementing machinery so that these projects could be completed at the earliest. At the same time, the Committee would like to emphasize that Government should reassess and prioritise the projects taking into consideration the available infrastructure and resources at their disposal.

B. Environmental Measures & Subsidence Control

2.29 Environmental upgradation and associated mitigational measures for pollution control are ongoing processes. Preparation and approval of Environmental Management Plans (EMP) are a pre-requisite for sanction of a coal mining project by Government. Accordingly, implementation of Environmental Control Measures, as laid down in the EMPs, are taken up simultaneously for implementation of the project.

2.30 Major thrust areas in Environmental Management during the IXth Plan period have been the following: -

(i) Control of subsidence in the old, abandoned water- logged workings in Raniganj coalfield.
(ii) Control of mine fires and subsidence in Jharia Coalfield.
(iii) Reclamation of mined out areas, in older coalfields, like Raniganj, Jharia, Bokaro, Karanpura, etc.

2.31 The problem of subsidence in the old, abandoned and waterlogged workings has arisen due to unscientific mining, carried out under shallow cover in the past and is mainly confined to the Raniganj coalfield of West Bengal.

2.32 For this problem of Raniganj Coalfield, an Apex Monitoring Committee consisting of representatives of coal company, District Administration, Director – General of Mines Safety, Central Mining Research Institute and peoples' representatives (MPs, MLs), etc. was constituted by CIL in 1990. The Committee was to examine 49 reported unstable localities of Raniganj coalfield. This Committee had opined that 38 localities are unsafe. Out of these 38 localities, stabilisation work in the abandoned water- logged workings has been taken up at 8 localities and the work is in progress.

2.33 Occurrence of fires in coal mines is due to the phenomenon of spontaneous combustion, which is inherent in Indian coals. The first occurrence of coalfield fire in Jharia was reported in 1916. At the time of nationalisation of coking coal mines in 1972 there were reportedly 70 active fire sites spread over an area of about 17 sq. km. Out of these, 10 fires have been extinguished so far. Further work is in progress.

2.34 For dealing with the problem of subsidence and fire in Raniganj and Jharia coalfields in a comprehensive manner, a Committee was constituted by Government of India in December, 1996 with Secretary (Coal), as Chairman and representatives of Planning Commission. Ministry of Labour, Government of West Bengal, Government of Bihar, Director–General of Mines Safety, CIL, CMPDI, BCCL and ECL as members. The Committee submitted its report in December, 1997. The recommendations of the Committee have been accepted by the Government. Accordingly, Master Plans for rehabilitation of unstable and fire affected areas have been drawn for Raniganj and Jharia Coalfields. In first stage, two schemes, one each in BCCL and ECL command areas with estimated costs of Rs.33.88 crore and Rs.32.52 crore respectively for BCCL and ECL have been sanctioned. The schemes are under implementation by BCCL and ECL.

2.35 In the older coalfields, like Raniganj, Jharia, Bokaro and Karanpura; mined out areas, both open cast and underground mines, were abandoned without any reclamation especially during the pre-nationalisation period. To reclaim these degraded areas, reclamation schemes have been prepared in the command areas of ECL, BCCL and CCL. Three sanctioned schemes in these coalfields are under implementation.

2.36 The actual disbursement during the year 1999-2000 has been Rs.5.07 crore. BE & RE figures for the year 2000-01 is Rs.13.52 crore and Rs. 11.63 crore, respectively. The proposed BE for 01-02 is Rs. 12.17 crore.

2.37 In pursuance of the 10th Report of the Standing Committee on Energy (12th Lok Sabha), Central Government introduced a scheme called 'Rehabilitation, Control of Fire at Jharia & Raniganj Coalfields'. The objective of this scheme was to control fire in Jharia and Raniganj coal fields. Rs. 6.69 crore was earmarked in the year 2000-01. It was downsized to 50 lakhs at Revised Estimates stage. Now for the year 2001-02 it has been projected at Rs. 7.24 crore. When asked the reasons for down-sizing the budgetary allocation at RE stage, the Ministry of Coal stated that a new head under "Rehabilitation and Control of Fire and Subsidence (RCFS)" has been started. The BE 2000-01 was prepared in September/October, 1999. The following five schemes were being processed by BCCL at that time.

S.No	Name of the Scheme	Estimated Capital Outlay (Rs in crore)
1.	Stabilisation below Katras Town at Salanpur Colliery	3.64
2.	Stabilisation of Chatkari Jore for	1.87

	fire and subsidence control at Kujama Colliery	
3.	Dealing with fire for protection of Dhanbad-Patherdih Railway line at Bararee Colliery	4.95
4.	Dealing with fire for protection of Adra-Gomoh Railway line at Block-II OCP and Phularitanr Colliery	5.24
5.	Stabilisation below Bata More of Jharia Town	0.30
	Total:-	16.00

2.38 In anticipation of approval during 2000-01, Rs. 6.69 crore was provided in BE 2000-01 for starting the above projects. However, at the RE stage during October/November,2000, it was seen that the processing had got delayed and the sanction was anticipated only during the year 2001-02. Therefore, RE was revised to a token of Rs.50 lakh only.

2.39 Asked about the reasons for not utilising the earmarked amount in the year 2000-01, the Ministry of Coal stated that in the BE 2000-01, inter-alia, Rs.5.50 crore was provided for a major scheme titled "shifting of people from most endangered areas of BCCL and ECL". In the sanction letter for this scheme, release of funds was subject to certain conditions and the Ministry of Coal was to give the clearance for further release of funds after satisfying the willingness of people to shift. Due to delay in the constitution of a sub-committee by Govt. of Bihar for shifting of non-BCCL people from most endangered areas of BCCL and lack of active co-operation from Government of West Bengal for rehabilitation of four unstable locations in ECL, this amount of Rs. 5.5 crores could not be utilised.

2.40 Further due to delay in procurement of P&M and its installation and subsequent delay in start of stowing work, the provision of Rs. 1.5 crores made at the beginning of the year for stabililsation of inaccessible waterlogged voids at five places in ECL could not also be utilised. Apart from these two major projects non availability of fire areas has affected restoration of abandoned coal mines in ECL thus resulting in lower expenditure".

2.41 Supplementing further, a representatives of Ministry of Coal during evidence stated:

> "…There was a separate scheme EMSC for fire and Rs. 37.00 crore is estimated subsidence environment measure control. An expenditure of approximately during the Ninth Plan and Rs. 15.00 crore were spent under Eighth Plan. Now we want to work on it under a new scheme. There is a severe problem of fire in Jharia and Raniganj and its name is rehabilitated and control of fire at Jharia and Raniganj. There is no scarcity of fund. Though it is a new scheme hence there could not be any expenditure this year. Four projects worth Rs. 16.00 crore are under pipeline for the next year and we hope that these schemes will commence properly in the next years. Secondly, when we work under environment and subsidence control, we have to face same problem. Unless the other coal companies do not support it equally, it is very difficult for the State Government to solve this problem. Two big schemes worth Rs. 32.00-33.00 crore have been sanctioned for Jharia and Dhanbad. Out of which Rs. one crore have been spend till now and Rs. 5.00-6.00 crore are to be spent this year. Now, Government of Bihar have constituted a Committee by issuing notification. A new notification is required because Jharkand is a new State. Thereafter that we can hope something and can make some progress therein."

2.42 The Committee are sad to note the pace at which different schemes on Environmental Measures and

Subsidence Control are being implemented at present have resulted in the under-utilisation of the earmarked budget amount. There were as many 16 schemes sanctioned under Subsidence Control out of which only 6 have been completed and the rest are said to be under various stages of implementation. The position of schemes under 'Environmental Measures' and 'Social Mitigation' are not better. A new head was started in the year 1999-2000 under 'Rehabilitation Control of Fire and Subsidence' whereunder fire schemes involving a capital outlay of Rs.16.00 crore has been proposed. The scheme got delayed and as against a provision of Rs. 6.89 crore during the year 2000-01, a token amount of Rs. 50 lakh was provided in the RE. The Committee are unhappy to note that even 30 years after nationalisation of mines in 1972, 60 out of 70 fires are still raging in Jharia coalfields and the Government is not able to utilise even the budgeted amount revealing the utter lack of urgency in the matter. The Committee take serious note of the delay in the implementation of various schemes on control of Fire, Environment Measures, Subsidence and Social Mitigation. In the opinion of the Committee, there have been serious deficiencies in the planning and formulation of such schemes. The Committee desires that Government should review the schemes without any further delay, prioritise and implement them without harping on lack of resources.

2.43 The Committee feel that there is a need to have a re-look on the entire matter of Fire and Subsidence Control and Environment Management Plans in all the subsidiaries of the CIL. There is also a problem of reclamation of abandoned coal mines in ECL and other coal mines. At present, different schemes are being implemented like Environmental Management Measures & Management Plan for Jharia Coalfields and scheme under the head Environmental Measures and Subsidence Control. Scheme on Social Mitigation has also to be implemented. The Committee desire that a separate Authority in CIL should be formed to take care of Fire Subsidence Control problems and the work relating to Environment Management Plans in all the existing and abandoned coal mines of CIL and its subsidiaries. This Authority should also take special care of Resettlement and Rehabilitation (R&R) of project affected tribal families so that these people do not take recourse to agitational means when their land is acquired for mining purpose.

C. Conservation and Development of Infrastructure in Coal Mines

2.44. Under the Coal Mines (Conservation & Development) Act, 1974 an excise duty of Rs. 3.50 per tonne in non-coking coal despatches and Rs. 4.25 per tonne on coking coal despatches is levied for supporting activities of coal companies for conservation efforts, stowing operations for safety of coal mines, protective works, development on transport, infrastructure in colliery, etc. The Coal Conservation Development Advisory (CCDA) Committee carries out periodic assessments of the actual expenditure incurred by coal companies on sand stowing and protective works. This Committee makes necessary recommendations to the Government for grant of assistance for stowing and protective works. Subsidy is also given for the development of transport, infrastructure in coal mining areas by the coal companies

2.45 During the financial year, 1999-2000, a sum of Rs. 48.04 crore was disbursed to the coal companies for stowing, protective works and Research & Development works etc. For the year 2000-01, the provision had been made at Rs. 55.00 crore and revised to Rs. 65.00 crore. Under the existence guidelines, the Government may reimburse up to 75% of the cost of protective works in coal mines, while the balance cost has to be borne by the concerned coal companies. The Government also reimburses a maximum of 60% of the cost of stowing while the balance cost is met by the concerned coal companies. In the case of stowing no targets are fixed for the purpose.

2.46. Construction of roads and bridges is the responsibility of the State Government. However, the roads connecting the points of production, processing and despatch of coal, which are beneficial to coal industry may also be constructed/ maintained by the coal companies. The roads required for transportation of sand, steel, machinery, etc. relating to mining activity may also be constructed by coal companies. The CCDA Committee approves the construction of such roads as per the present policy.

2.47 The Government bears a maximum of 50% of the cost of construction of roads in coal fields areas. The balance expenditure is met either by the concerned State Governments or the coal company sponsoring such road construction. However, to consider the request of CIL to provide 100% assistance for the on-going roads in ECL, BCCL, CCL & NEC which were sanctioned at 50% assistance since the loss making coal companies i.e. ECL, BCCL, CCL & NEC are unable to provide the matching fund of 50% cost for construction of on-going roads, the Committee recommended to the Government to grant, as a one time dispensation, 100% assistance for the roads construction undertaken by ECL, BCCL, CCL and NEC that were approved by CCDA Committee during 1994-95 to 1998-99 at 50% assistance. In future roads to be constructed by the above coal companies will be sanctioned only for 50% assistance after assurance from the coal companies of availability of 50% fund from the coal companies.

2.48 Development of Transportation in Coalfields: -

B.E : 60.00 crore
R.E : 50.00 crore

(Rs.in lakh)

Coal Companies	Physical Target 2000-2001	Achievement 2000-2001
(1)	**(2)**	**(3)**
E.C.L	1000.00	1098.00
B.C.C.L	700.00	700.00
C.C.L	1500.00	1300.00
W.C.L	100.00	-
S.E.C.L	100.00	94.94
N.C.L	-	-
M.C.L	300.00	965.44
N.E.C	0.00	0.00
TISCO	12.00	20.70
IISCO	0.00	0.00
S.C.C.L	182.00	273.87
J.S.P.L(JINDAL)	106.00	131.50
RAIL INFRASTRUCTURE	1000.00	15.35
Total	**5000.00**	**4599.80**

2.49. When asked about the expenditure incurred on sand stowing and the protective works and verification of expenditure, if any, The Ministry in a note stated:-

Year 2000-01 (Rs. in lakh)

Coal Companies	**Assistance give to Stowing**	**Assistance give to Protective Work**
E.C.L	1523.41	86.54
B.C.C.L	939.87	236.39
C.C.L	129..65	91.08
W.C.L	1248.56	45.20 -
M.C.L	92.02	128.62
N.C.E	---	10.61 -
TATA	323.69	44.64

IISCO	164.60	----
S.C.C.L	820.06	8.10
Sub Total	5241.86	651.18

Ropeway:-

ECL	:
BCCL	:518.96

Grand Total 5760.80

2.50 The CCDA Committee under the Ministry of Coal has recommended sanction of Rs.5760.80 towards Stowing and Protective Works total Rs. 64.12 crore during the year 2000-01. Physical verification is being carried out by respective coal companies. Sample checks are carried out by Officers on Special Duty functioning under the Coal Controller.

2.50A When asked whether acutal expenditure incurred on sand stowing was assessed in the past. If so, has any difference between claim of coal companies and actual expenditure , Ministry of Coal informed that the actual expenditure incurred by the Coal Mines for stowing in pursuance of recommendation of CCDA Committee is being assessed by OSD posted at different Coalfields. During the year 1998-99 , OSD teams checked 33% of the stowing mines and submitted their reports. It is observed from the report that actual sand stowing done by Coal Companies is much less than the quantities proposed by the Coal Companies for the year and approved by CCDA Committee. As decided by CCDA Committee direction was issued to all CMDs of Coal Companies to take proper steps to utilise the fund of stowing during the particular year for the project for which it was granted. In case there is any change in the programme Coal Controller should be informed immediately so that unutilised fund may be gainfully used elsewhere. The details of difference between approved BE of Coal Companies and actual expenditure on sand stowing is given below:-

Coal Co.	Approved B.E. for stowing for 1999-2000	Actual quantity of stowing done by Coal Companies for 1999-2000	% of work done
ECL	37,19,269	29,74,418	80%
BCCL	22,00,000	15,96,317	72%
CCL	4,80,000	3,77,669	78%
WCL	25,94,340	18,67,897	72%
MCL	1,26,600	1,03,546	82%
TISCO	3,98,000	3,22,481	75%
IISCO	2,95,000	1,88,548	64%
SCCL	13,99,000	10,61,051	76%

Physical stowing is less than budgeted stowing due to shortfall in coal production, which results in shortfall in stowing requirement.

During inspection of BCCL's claim five cases of repetition of claim were detected towards sand stowing during the year 1998-99. CCDA Committee directed BCCL to take stern action against erring employees and till then suspended payment of all claims for stowing of BCCL for the year 1998-99. The matter was brought to the notice of CMD, BCCL for clarification. CMD BCCL's clarification was examined by CCDAC and accepted. To prevent malpractices the Committee recommended that the Office of the Coal Controller should be strengthened in order to carry out independent checking and verification of sand stowing and other claims of coal companies.

2.51 The funds earmarked for road development infrastructure work in the different subsidiaries could not be utilized fully because of

1. Non-availability of land in time
2. Non-availability of forest clearance in due time and objection to asphalting of roads.
3. Objection from local youths-particularly of Peoples War Group and activists of Maoist movement.
4. Reduction in assistance from 100% till 98-99 to 50% thereafter.

2.52 To ameliorate the situation, CCDAC has approved one time sanction of 100% subsidy to a number of existing road projects of ECL, BCCL & CCL which have acute fund crunch.

2.53 The reason for reducing the Budget provision for the year 2001-2002 in transport infrastructure is that the coal companies could not spend the fund already sanctioned to them by CCDAC. The targets fixed for its subsidiaries are at Appendix-

Development of Rail Infrastructure

2.54. Amount disbursed on the Rail Infrastructure since 1998 – 1999:

	(Rs. in lakh)	
1998 – 1999	300.00	NEC for Tirap & Tikak Railway Line
1999 – 2000	Nil	--
2000 – 2001	15.35	CCL for Tori-Shivpur Line in North Karanpura Coalfield
2001- 2002	900.00	Proposed for Tori-Shivpur Line

2.55 Commenting upon underutilisation of funds for development of Rail infrastructure, MoC stated that they had identified two railway lines which are to be created in the IX Five Year Plan and funded from CCDA funds. These lines are: Belpahar-Chaturdhara in IB Valley coalfield, MCL and Tori-Shivpur in North Karanpura Coalfields, CCL. Tori-Shivpur was to be taken up first. This being a new concept, there have been divergent views between various Ministries regarding the mode of implementation of this scheme. Ultimately, in January, 2000, it was decided that Tori-Shivpur line is to be treated as Plan scheme of the Ministry of Railways which will need the approval of expanded Railway Board/CCEA with funding by Ministry of Coal under CCDA. While the project is being sanctioned through the Ministry of Railways, they desired to initiate the survey work for which an amount of LRs.15.35 lakh has been released on their demand. It is expected that this scheme will go on fast track as soon as approval of Expanded Railway Board and CCEA is sought by Ministry of Railways.

2.56 In pursuance of social objectives of Public Sector Undertaking, Coal PSUs undertake developmental works such as development/construction of roads and bridges, school, colleges, hospitals, community

centres, restoration of ecology, peripheral and other works of community development. Coal Conservation and Development Advisory Committee is entrusted with the conservation efforts of Coal Companies, by undertaking stowing operation for safety of coal mines, protective works and development of transport infrastructure in Coalfield areas. The Committee have noted that in spite of liberal financial assistance for sand stowing, protective works for development of roads in Coalfields, much remains to be done. The Standing Committee during their visit to Coal bearing Areas of ECL, BCCL, and MCL during January 2001 gained first hand experience of the conditions of roads, protective and stowing works and was not satisfied. The information available for other coal subsidiaries in this regard is also not so promising. There are a number of roads in Coalfields, which are yet to be completed in spite of 50 to 100% assistance provided for the works. In spite of 161 mines closed down due to various reasons, stowing and protective works have not been completed in a number of cases. The Environmental Management Plans have also not been completed fully. Although OSDs have been posted to monitor stowing and protective works, the position has not undergone any sea-change. Malpractices have been brought to the notice of the Committee in regard to reimbursement of claims for sand stowing and protective works. The Committee desire that cases of reimbursement of claims for sand stowing and protective work, construction of roads, etc. in coalfields should be probed by an independent body. The Committee are sad to note that as against provision of 10 crore for development of Rail infrastructure, only Rs. 15 lakh could be expended. The three Railway lines identified for completion in IX Plan i.e. Tori Shivpur in CCL, Belpahar-Chaturdhara in MCL and Gerva-Pendra Road in Korba Coalfields, are yet to be finalized. The Committee recommend these railways projects should be taken up at the earliest. The Committee would like to be apprised of the details of development of Road/Railways, Sand Stowing and Protective Works, in each of the coal Subsidiaries, for the last 3 years, indicating the targets fixed, actual achievements and reasons for slippage, in each of the projects. At the same time, the Committee also desire that Government should review the working of CCDA, so as to make it more responsive.

2.57. The Committee have also observed under-utilisation of the Budgeted funds, for community and peripheral development by various Coal Subsidiaries. The Committee would like to be apprised of funds sanctioned, actual utilization, and the reasons for slippage, for different activities by coal subsidiaries, during the last three years. The Committee would like to emphasize that Government should take corrective actions for utilisation of such funds.

D. Research & Development Projects

2.58 The R&D activities in coal sector are administered through an apex body namely Standing Scientific Research Committee (SSRC) with Secretary (Coal) as its Chairman. The other members of this apex body include Chairman of CIL, CMDs of CMPDIL, SCCL and NLC, Directors of concerned CSIR laboratories representatives of Department of S&T, Planning Commission and educational institutions, amongst others. The main functions of SSRC are to plan, programme, budget and oversee the implementations of research projects and seek application of the findings of the R&D work done. For in- house R&D work of CIL, an R&D Board headed by Chairman, CIL is also functioning.

2.59 The SSRC is being assisted by four Standing Sub-Committees, each dealing with one of the four major areas of research viz (i) Production, Productivity & Safety (ii) Coal Beneficiation (iii) Coal Utilisation (iv) Environment & Ecology.

2.60. CMPDIL acts as the Nodal Agency for co-ordination of research activities in the coal sector, which involves identification of thrust areas for research activities, identification of agencies which can take up the research work in the identified fileds, processing the proposals for Government approval, monitoring the progress of implementation of the projects, preparation of budget estimates, disbursement of funds etc.

2.61 During the first three years of IXth Plan period, 31 projects have been completed by various agencies.

2.62 Status of Coal S&T Projects in the IXth Plan Period is as follows:-

(i)	Projects on-going as on 1.4.97	-42
(ii)	Projects approved during the Ist three years of IXth Plan Period	-31
(iii)	Projects completed during the Ist three years of IXth Plan period	-31
(iv)	Projects terminated during the Ist three years of IXth Plan period	-03
(v)	Projects on-going as on 1.4.2000	-39
(vi)	Projects approved during 2000-01 (30.11.2000)	-10
(vii)	Projects completed during 2000-01 (30.11.2000)	-02
(viii)	Projects terminated during 2000-01(30.11.2000)	-01
(ix)	On-going projects as on 2000-01 (30.11.2000)	-46
	Actual disbursement during 1999-2000	- Rs. 2.74 crore

2.63. Details of budgetary allocations and disbursement of funds for S&T projects since 1997-98; in the current year and proposed for 2001-02 is given below:

(Rs. in crore)

Sl. No.	Year	BE	RE	Disbursement	Remarks
1.	1997-98	9.87	9.38	4.56	
2.	1998-99	33.39	10.74	5.49	
3.	1999-2000	20.52	7.38	4.34	
4.	2000-01	13.25	5.60	3.56	Till Feb. 2001
5.	2001-02	11.70	-	-	

2.64. When asked for variation between Budget Estimates and Actuals and reasons for not projecting realistic targets, MoC stated that budget estimate is made depending upon the progress of the on-going projects and new project expected to be sanctioned by SSRC and the provision indicated by project proponents. Slow progress of the on-going Coal S&T Project and delay in sanction/award of work of new projects results in low disbursement and variation in BE, RE and actual disbursement. In the IXth Plan period slow progress of few high cost coal S&T projects is mainly responsible for the variation in BE, RE and actual disbursement. However, care is taken to make the provision on a realistic basis and in most of the cases variation is minimal. But due to slow progress of only few numbers of high cost coal S&T project variation has taken place in BE,. RE & actual disbursement. As such there is no physical target fixed for new S&T projects during the IXth Plan. New Project proposals in the identified thrust areas are invited from the implementing agencies and are sanctioned by SSRC. A budget of Rs.13.25 crore was made for the year 2000-01 for R&D activities in the Coal Sector. A provision of Rs. 11.70 crore has been kept for 2001-02.

2.65. Asked about the reasons for not utilising the earmarked amount during 2000-01 and the reasons which led to downsizing the allocation, MoC informed that a budget provision of Rs. 13.25 rore was earmarked for 2000-01 for Coal S&T Programme funded by Ministry of Coal, which was subsequently revised to Rs. 5.60 crore in the RE stage, mainly due to non-utlisation of fund in respect of Coal S&T Project " Installation of washery for beneficiation of low volatile coking coal for steel plants use through installation of a 1 mt/annum demonstration plant at Golukdih Area-CP/33, for which budget provision of Rs. 7.07 crore was kept.

2.66 During the year 2000-01 a sum of Rs. 3.56 crore(approx) has been disbursed till Feb. 2001 but no fund was sought from Ministry of Coal due to the fact that an amount of Rs. 6.00 crore advanced earlier to ECL in respect of Coal S&T project " Introduction of shortwall mining in Borachak seam (R-VIII) of Chinakuri No. III Mine, Sodepur Area, ECL" –MT/99 could not be utilized by ECL due to termination of the project on the ground of Technical problem.

2.67. A sum of Rs. 5.87 crore has been refunded by ECL in 2000-01 which was sufficient for disbursement for Coal S&T Project for 2000-01 as the RE provision was only Rs. 5.60 crore.

2.68 BE provision for 2001-02 is Rs. 11.70 crore. BE provision is assessed depending upon the numbers of new projects envisaged and progress of on-going Coal S&T Projects. Due to slow progress of some high cost ongoing coal S&T projects, it is expected that a BE provision of Rs. 11.70 crore will be sufficient for Coal S&T Programme.

2.69 The Committee are unhappy to note the gradual reduction in Budgetary allocation for S&T/R&D projects since 1998-99 and under-utilisation of such funds throughout the four years of 9th Plan. As against Budgetary allocation of Rs. 9.87 crore during 1997-98, for S&T projects, only Rs. 4.56 crore could be expanded. Similarly, as against Budgetary allocations of Rs. 33.39 and Rs. 20.52 crore during the years 1998-99 and 1999-2000, only Rs. 5.49 and 4.34 crore respectively, could be utilised. The under-utlisation of funds over the years was due to slow progress of some ongoing projects and to termination of one project on technical grounds. These grounds are indicative of lack of concerted efforts on the part of the Ministry of Coal to ensure timely completion of these projects. In the opinion of the Committee, R&D and S&T projects are very vital for survival of any sector in this highly competitive world and the same is true in the case of Coal sector. In the absence of such an option, this becomes a limiting factor. The Committee desire that the reasons for slow progress of the ongoing S&T/R&D coal projects be gone into and corrective steps taken thereon. The Committee are also concerned to note the delay in sanction of Coal S&T projects. In the opinion of the Committee, there is urgent need to review the whole gamut of formulation & sanction/approval of S&T projects, so that delay could be minimised. There is also a need to review the constitution and working of Standing Scientific Research Committee (SSRC) and its Sub-Committees so as to make them result-oriented which can successfully implement the research programmes in Coal sector. The Committee, therefore, recommend that this should be reviewed and they be apprised of the outcome, within 3 months of the presentation of this Report.

E. Coal Exploration

2.70 The total coal reserves of the country as estimated by Geological Survey of India, as on 1.1.2001 up to 1200 m. depth are 213.90 billion tonne. The category-wise and depth-wise break-up of reserves is as follows:-

Depth (m)	Proved (mt)	Indicated (mt)	Inferred (mt)	Total (mt)
0-300	63215.70	54333.40	17,898.38	135,447.48
300-600	5,818.72	26,306.07	17,176.47	49,301.26
0-600 (For Jharia only)	13,710.33	502.09b	0	14,212.42
600-1200	1,669.18	9,100.26	4,174.91	14,944.35
Total	84,413.93	90,241.82	39,249.76	213,905.51
% of Total	39.4	42.2	18.4	100

2.71 The above table indicates that only 39.4% reserves fall under 'Proved' category and remaining 60.6% are in 'Indicated' and 'Inferred' categories. Therefore, adequate efforts are required to enhance the pace of Detailed Exploration to upgrade the reserves in 'Indicated' category to Proved category.

2.72 About 63% of reserves in our country fall within the depth of 0-300 m. where presently mining activities are concentrated either by open cast or underground method. In the case of underground mines, coal with Grade A, B & C can be worked economically upto 300 m. depth. The Underground mines up to 300 m. depth and beyond are not economical for Grade D, E, F & G coal. Due to economic reasons mining of coal beyond 300 m. depth is presently not feasible.

2.73 However, some of the underground mines have already being mined beyond 300 Mts. depth (even up to more than 600 Mts).

2.74 Before taking up exploration for coal by drilling, the area is geologically mapped with the help of aerial photo interpretation and remote sensing techniques. The potential coal bearing area is identified for conducting exploration which is carried out in two stages. In the first stage Regional Exploration is conducted in a large block of 30-40 Sq. Km. by drilling widely spaced boreholes (1 Km. apart).

2.75 The potential blocks of 5-10 Sq. Km. are identified as a result of Regional Drilling and taken up for Detailed Drilling so as to formulate Detailed Geological Report which forms the basis for formulation of Mining Project Report. In Detailed Exploration the boreholes are drilled at closer intervals involving 8 to 10 boreholes per sq. km. in case of blocks with underground potential and about 15 to 20 boreholes per sq. km. in case of opencast mining blocks. However, depending upon the complexity of the deposit, the density of boreholes in a block is increased.

2.76 The detailed exploration by drilling is also supplemented by geophysical logging, other geophysical surveys, sampling/chemical analysis and coal petro-graphic studies, geo-engineering studies, hydro-geological studies, computer modelling, etc.

2.77 Exploration of coal reserves in the country is carried out in two stages. In the first stage, Geological Survey of India (GSI) undertakes regional exploration for locating the potential coal bearing areas on a continuing basis. In order to supplement the efforts of the GSI for Regional Exploration, services of GSI and Mineral Exploration Corporation Limited (MECL) have been engaged for carrying out Promotional Regional Exploration in various parts of the country. The Inter-Departmental Steering Committee in its meeting held on 2.9.1999 decided to induct Central Mine Planning & Design Institute Limited(CMPDIL) as a third agency to undertake promotional exploration with effect from 1999-2000 onwards.

2.78 A separate provision is made by the Ministry of Coal under the Plan scheme "Regional Exploration" for coal and lignite sectors. The Sub-Committee on Coal and Lignite (Group VIII of Central Geological Programming Board) with representatives of GSI, CMPDIL, Singareni Collieries Company Limited (SCCL), Neyveli Lignite Corporation Limited (NLC), etc. programmes, coordinates and reviews the exploration work conducted under Promotional Exploration Programme. CMPDIL acts as the Nodal Agency for disbursement of funds to the exploration agencies.

2.79 In the second stage, detailed exploration is carried out in the potential blocks identified on the basis of Regional Exploration in consultance with Coal Companies. The fund requirement is met from the capital budget of coal companies. The detailed exploration programme is executed by CMPDIL and Singareni Collieries Company Limited directly as well as through MECL, State Governments and private parties for the formulation of Geological Reports, mine feasibility studies and detailed project reports. The reports are used for exploitation of coal reserves for meeting the demand for coal. Priorities of various blocks taken up for detailed exploration are decided taking into account the demand of consumers and their location, availability of infrastructure for coal evacuation, techno-economics of the mine project, coal quality and problems associated with land acquisition, forest clearance and rehabilitation, etc.

Budgetary Allocation & Expenditure Incurred on Regional (Promotional Exploration)

2.80 The details of budgetary allocation in terms of BE, RE and funds released by MOC for Promotional Exploration in the last three years and in the current year are given as under:-

(Rs. in crore)

Year	BE	RE	Opening Balance	Released by MOC	Total	Utilised
1997-98	20.0	23.05	6.91	20.95	27.86	15.70
1998-99	24.58	24.58	12.16	20.0	32.16	29.12
1999-2000	32.56	32.56	3.04	37.14	40.18	17.42
2000-01	30.37	30.37	22.76	23.37*	46.13*	46.08

* Position as on 13.3.2001. Requisition of Rs. 7.0 crore has been sent to MOC.

2.81 The Ministry of Coal provides the funds to CMPDIL as per annual budgetary allocation and CMPDILL disburses the funds to agencies engaged in Promotional Exploration work, viz. GSI, MECL and CMPDIL. The budgetary allocations by the Ministry are not made agencywise. The agencywise annual programme of work is decided by the Sub-Committee on Coal & Lignite (Group VIII of Central Geological Programming Board), within the budget allocation. The disbursement of funds to the various agencies, namely GSI, MECL & CMPDIL is done on the basis of drilling for the work done as per programme and rates for various items of work.

Promotional Exploration - Physical Targets & Achievements

2.82 The agency-wise targets and achievement in respect of Promotional Drilling work carried out in the last three years and in the current year are given as under:-

(In metres)

Agency	Sector	1997-98		1998-99		1999-2000		2000-01	
		Target	Achiev.	Target	Achiev.	Target	Achiev.	Target	Expected Achiev.
MECL	Coal	44,600	44,154	65,000	79,576	75,100	103,270	12,700	16,029
	Lig.	47,000	33,224	55,000	52,843	47,000	65,427	43,700	43,700
	Total	91,600	77,378	120,000	132,419	122,100	168,697	56,400	59,729
GSI	Coal	21,000	16,404	19,100	13,937	16,500	14,547	12,600	12,600
	Lig.	9,000	2,336	7,700	2,602	5,500	4,972	2,750	3,316
	Total	30,000	18,740	26,800	16,539	22,000	19,519	15,350	15,916
CMPDIL	Coal	-	-	-	-	10,000	7,487	15,000	13,000
Overall	Coal	65,600	60,558	84,100	93,513	101,600	125,304	40,300	41,629
	Lig.	56,000	35,560	62,700	55,445	52,500	70,399	46,450	47,016
Total		121,600	96,117	146,800	148,958	154,100	195,703	86,750	88,645

2.83 During 1999-2000 MECL conducted excess drilling of 46,597 m. over the target which was adjusted in the allocations for 2000-01, thus leading to lower targets for the year 2000-01.

2.84 The Promotional Exploration Programme for 1999-2000 and 2000-01 are given in the table below:-

(Drilling in metes)

Command Area	**1999-2000 Actual**	**2000-01 B.E**	**2001-02 R.E**	**2001-02 B.E**
CIL	96,730	55,750	32,200	60,000

SCCL	28,574	17,200	8,100	20,000
NLC	70,399	80,550	46,450	75,000
TOTAL	1,95,703	1,53,500	1,33,350	1,55,000
Total expenditure Released by MoC on Promotional exploration (Rs. Crore)	24.58	32.56	32.56	30.37

* Rs. 4.58 crore released by MOC on 31.3.99 were accounted for in 1999-2000 as the fund was received at CMPDIL on 6.4.1999

** Includes 46.600 m of excess drilling done by MECL in 1999-2000 in advance, from the budget of 2000-01. A sum of Rs. 3.22 crore has been provided in RE 2000-01 for payment of 5% service tax for the period July, 1997 to March, 2000. A sum of Rs. 1.13 crore has also been provided for service tax for 2000-01. Since the provision of service tax was not envisaged at BE stage, the quantum of drilling has reduced at RE stage.

Efforts made to expedite Regional Exploration :

2.85 Earlier Promotional Exploration was conducted by GSI and MECL only. During VIII Plan, the Promotional Drilling targets could not be achieved by these agencies. To ensure the achievement of drilling targets during IX Plan, Inter Departmental Standing Committee approved the induction of CMPDILL as a Third agency for Promotional Exploration work during 1999-2000. During 1st four years of IX Plan, a total drilling of 4.41 lakh m. is likely to be conducted against the target of 4.23 lakh meters leading to an achievement of 104%.

2.86 When asked whether the fund allocation is sufficient for carrying out Promotional Exploration, the Ministry of Coal stated that expenditure Finance Committee in its meeting held on 7.2.2000 approved proposal for Promotional Exploration for a total expenditure of Rs. 147 crore for the IX Plan. This includes a balance of Rs. 6.91crore available with CMPDIL as on 1.4.1997 from the fund released during VIIIth Plan and fund allocation of Rs. 140 crore during IX Plan. The drilling meterage was revised to 7.01 lakh m, considering the actual expenditure, supervision charges by CMPDIL and service tax and adjusted within the total amount of Rs. 147 crore. The allocation of fund for the drilling envisaged is sufficient.

2.87 Commenting upon the role of CMPDIL, Ministry of Coal stated that during the course of Detailed Exploration in CIL and Non-CIL blocks and Promotional Exploration, geological mapping in the exploration blocks is carried out as part of the Exploration Programme. The geological maps of the blocks are constantly updated as and when the data are generated through drilling, geophysical surveys and also incorporating the data of working mines, wherever applicable. CMPDIL conducts Promotional Exploration in CIL command areas, limited to 10% of the total annual drilling programme. Apart from this, CMPDIL conducts technical supervision of promotional exploration work carried out by MECL in coal and lignite areas for which CMPDIL is reimbursed charges to the extent of 2% of total value of work by MECL. CMPDIL is also the nodal agency for disbursement of funds to the agencies engaged in exploration work, formulation of annual budget and review of Promotional Exploration Programme in CIL command areas.

2.88 CMPDIL conducts Detailed Exploration in CIL blocks, keeping in view the requirement of exploration of the respective Coal Companies. The exploration is largely conducted departmentally by CMPDIL and on contract through MECL & State Governments in a limited manner. CMPDIL has also taken up Detailed Exploration in Non-CIL blocks, funded by Ministry of Coal. The performance of CMPDIL and its contractual agencies against the drilling targets in the last 3 years and in the current year is given below :

(In Lakh metres)

Agency	97-88		98-99		99-2000		2000-01		Projection 2001-02
	Target	Achiev.	Target	Achiev.	Target	Achiev.	Target	Expected	

								Achiev.	
CMPDI	1.70	1.85	1.92	1.97	1.92	1.97	1.92	1.95	1.92
Others	1.0	0.90	0.74	0.81	0.15	0.19	0.59	0.59	0.79
Total	2.70	2.75	2.66	2.78	2.07	2.16	2.51	2.54	2.71

Detailed Drilling

2.89 The detailed drilling in CIL, SCCL and NLC in terms of meterage and corresponding figures of expenditure for detailed exploration are given at Appendix-III (A) :-

Detailed Drilling in Non-CIL Blocks - Physical Targets and Achievement

2.90 The physical targets and achievements, agency-wise, in respect of Detailed Drilling by CMPDIL and MECL in Non-CIL blocks, funded by MOC during the last three years alongwith programme for 2001-02 are given below :

(In metre)

Agency	Sector	1997-98		1998-99		1999-2000		2000-01		2001-02
		Target	Achiev.	Target	Achiev.	Target	Achiev.	Target	ExpectedAchiev.	Target
CMPDIL	Non-CIL	-	-	19,000	19,237	-	2,960	30,000	27,000	86,000
MECL	Non-CIL	-	-	18,500	18,425	-	10,219	50,750	40,500	63,000
Total	Non-CIL	-	-	37,500	37,662	-	13,179	80,750	67,500	1,49,000

2.91 Detailed Drilling in Non-CIL blocks commenced in 1998-99. The scheme initially was not approved and targets for 1999-2000 were not set although MECL and CMPDIL drilled 13,179 m. during 99-2000 in anticipation of the approval of the scheme by the Govt. EFC in its meeting held on 30.9.2000 approved the proposal for Detailed Drilling of 2.67 lakh m. in Non-CIL blocks during IX Plan at an estimated cost of Rs. 73.18 crore. Since, drilling of 13,179 m. was already conducted in 1999-2000, the same was included in the target for 2000-01.

Budgetary Allocations for Detailed Drilling in Non-CIL Blocks

2.92 As mentioned above, the scheme for Detailed Drilling in Non-CIL Blocks has been approved for Rs. 73.18 crore. The phasing of expenditure is as under:

Year	1998-99 Actual	1999-2000 Actual	2000-01 RE	2001-02 BE	Total
Fund (Rs. Crores)	4.0	5.38	10.00*	37.27**	56.65***

* Rs. 22.38 crore was suggested as RE Provision for the year 2000-01 which was finally restricted to Rs.10.00 crore only. CMPDIL can spend the full amount of Rs.22.38 crore in 2000-01 and have requested for an additional fund of Rs.12.38 crore.

** Against the Ministry's proposal of Rs.41.42 crore in BE 2001-02, Planning Commission has approved Rs.37.27 crore for non North Eastern region.

*** According to CMPDIL, the total allocation of Rs.73.18 crore for IXth Plan can be utilised within the IXth Plan.

Since the total amount on Detailed Drilling in Non-CIL blocks works out to Rs.56.65 crore in the IXth Plan against the sanctioned amount of Rs.73.18 crore, the balance amount of Rs.16.53 crore would have to be provided at RE stage to make a total provision of Rs.53.80 crore for the year 2001-02.

2.93 During 1998-99 Standing Finance Committee, Chaired by Secretary (Coal), approved fund of Rs. 9.38 crore for Detailed Drilling of 37,500 m. in Non-CIL Blocks. While the drilling of 37,662 m. was completed by CMPDIL and MECL during 1998-99, fund of Rs. 4.0 crore was released in 1998-99 and Rs. 5.38 crore in 1999-2000. The total outlay of Rs. 73.18 crore has been sanctioned as one time grant and is sufficient for conducting Detailed Drilling of 2.67 lakh meters which will establish reserves of about 3.50 Bt. in 'Proved' category.

2.94 The provisions for Detailed Drilling in CIL and Non-CIL blocks to be conducted by CMPDIL, departmentally and by other agencies on contract during 2000-01 and 2001-02 are as under:-

(In Metre)

Agency	Blocks	2000-01	2001-02
CMPDIL	CIL	1,49,000	91,500
	Non-CIL	30,000	86,000
	Total	1,79,000	1,77,500
MECL	CIL	Nil	6,000
	Non-CIL	50,750	63,000
	Total	50,750	69,000
State Govt.	CIL	8,500	10,000
Total	CIL	1,57,500	107,500
	Non-CIL	80,750	149,000
	Total	2,38,250	256,500

CMPDIL, in addition to the above, also conducts Promotional Drilling as approved by Inter Departmental Standing Committee. CMPDIL has a programme of conducting 13,000 m. of Promotional Drilling in 2000-01and 14,500 m. in 2001-02.

2.95 The budgetary provisions for Detailed Drilling in non-CIL blocks for 2000-01 and 2001-02 is given as under:

(Rs. in crore)

RE* 2000-01	BE 2001-02
10.00	37.27

* At RE stage additional provision will be attempted to complete the allocation of Rs. 73.18 crore for IX Plan.

2.96 The Committee have noted that nearly 60% of total coal resources constituting 213.00 billion tonnes are under indicated and inferred categories awaiting detailed exploration. Considering the enormous task ahead, steep decline in overall drilling productivity in spite of detailed exploration undertaken by various agencies over the years, is a matter of serious concern. The Committee have further noted that there is a continuous decline in the Promotional Exploration Programme undertaken by CIL, SCCL and NLC since 1999-2000. As against actuals of 1,95,703 meters drilled in the year 1999-2000, promotional exploration has declined to 1,55,000 during the year 2001-02. Not only this, there is decline in the budgetary provision for coal PSUs for detailed exploration. For instance, as against actual for 1999-2000 of Rs. 53.19 crore for CIL, it has slipped to Rs. 27.15 crore during the year 2001-02. The budgetary provision in SCCL and NLC is almost static. CMPDIL and State Governments of Madhya Pradesh and Orissa have achieved only 69%,

51% and 28% respectively of annual targets for drilling. The Committee recommend that the Government should make an effort to convert 'indicative' and 'inferred' categories of coal units into 'proved category' expeditiously. The Committee would like to be apprised of the reasons for the decline in the budgetary provision of coal PSUs and steps taken to mobilise additional resources so that the planned drilling work do not suffer. The failure on the part of CPMDIL to meet annual targets is a matter of serious concern. The Committee would like to be apprised of the reasons therefor and recommend that CMPDIL should be strengthened so that it meets the envisaged targets. The Committee hope that the Government would soon take steps to induce the industry to modernise their exploration techniques and equipments to improve productivity, on the lines of large coal producing countries.

2.97 The Committee have further noted continuous decline in utilisation of budgeted amount for promotional exploration. Similarly, there is a mismatch between the targets and actual achievements of promotional drilling work carried out by MECL and GSI since 1997-98. The Committee would like to be apprised of the reasons for this decline and recommend that Government should take corrective action, including infusion of additional resources to strengthen MECL and GSI so as to improve production and the productivity.

2.98 The Committee have noted that no perspective plan for coal exploration has been drawn. The Committee desire that such a plan should be drawn immediately in the interest of coal sector as a whole.

2.99 The mechanisation in underground mines is admittedly still a long-way to catch up with the global level. CIL produces only 34% of its under-ground production through mechanisation as against 100% in other coal producing countries. The Committee recommend that a blue-print be drawn to achieve the desired level of under-ground modernisation/mechanisation with the equipments and technology found successful and economically viable. The Committee have further noted an imbalance between opencast and underground mining. A judicious planning of coal production envisages a proper balance between exploitation of underground and open cast reserves. The Committee have been informed that out of proved coal reserves, about 56% are extractable by underground mining and only 44% by opencast mining. The Committee recommend that taking the long-term perspective in view, the production programme of open cast and underground mining should be rescheduled to achieve an optimum mix in the successive Plan periods.

F. Distribution of Coal

2.100 Distribution of coal was earlier controlled statutorily under the Colliery Control Order, 1945. The Colliery Control Order, 1945 has been superseded by a new order called Colliery Control Order, 2000 with effect from 1.1.2000. Price and distribution of all grades of coal has been de-regulated since 1.1.2000. For consumers in the core sectors of power, steel and cement Standing Linkage Committees have been constituted which accord linkages to such consumers after taking into account availability of coal, transport infrastructure and requirement of the consuming units. Based upon the linkages accorded by the Standing Linkage Committee (Long-Term) a quarterly allocation is ordered by the Standing Linkage Committee (Short-Term).

2.101 Coal Companies / CIL are allocating coking coal to Steel plants for their requirements.

2.102. For non-core sectors consumers, non-coking coal nd NLW coal are accorded by the Non-Core Linkage Committees of CIL/ SCCL respectively. These are done taking into account the availability of coal, the location of the units, already committed quantities of coal from the given coalfield and the availability of transport. Based upon such linkages, actual allocation of coal is made based upon the sponsorship authorised annually by concerned State

Government to the concerned party.

2.103 For distribution of coal to the core sector (Power and Cement sector) there is a Standing Linkage Committee functioning in the Ministry of Coal. Coal supply to non-core sector is done by Non Core Linkage Committee functioning in CIL.

Standing Linkage Committee(Short-term) for power and cement

2.104 This committee is chaired by Additional Secretary (Coal) and has members from Ministry of Power, Central Electricity Authority, Power Utilities, Railways, Coal companies, Department of Industrial Policy and Promotion, Cement Manufacturers' Association, etc. Linkages of coal to thermal power stations are granted by the Standing Linkage Committee on quarterly basis as per recommendation made by the Central Electricity Authority(CEA). Factors for deciding the linkages are power generation programme, availability of coal and the rail transport as well as feasibility of movement by other modes.

2.105 Linkages of coal to cement plants are also sanctioned by the Standing Linkage Committee (Short-term) on quarterly basis. Department of Industrial Policy and Promotion recommends cement plant wise linkages on the basis of feed back they receive from the Cement Manufacturers Association.

Linkage committee for non-core Sector

2.106 For non core sector consumers, linkages are granted by Non-core Sector Linkage Committee (NCLC) comprising of Chief General Manager, General Manager(Sales & Marketing) of CIL and subsidiaries under the aegis of Coal India Limited which meets periodically at apex level. The basic instrument of grant of linkage to non-core sector industrial units is registration certificate issued by concerned State/Central authorities. The eligible applications are placed before NCLC. The NCLC while examining such application considers various factors including coal availability, rationality of movement, grade, size and projected coal requirement. Coal is allocated to non-core sector consumers after meeting the requirement of core sector consumers.

2.107 Presently consumers in Non-core sector are getting coal supplies through the system of linkage or sponsorship. The consumers covered under the system are various type of Industries including SSI Units requiring coal for consumption throughout the year.

2.108 Seasonal consumers like BRK (brick kilns) are not covered under the system of linkage of CIL and they are supplied coal against respective State Govt.'s sponsorships. Coal is also made available to the Non-core sector consumers without the conditions of linkage and sponsorship through Open Sales Scheme and also through the Trade Channel Scheme.

2.109 Linkage is considered for a new consumer or additional linkage for an existing consumer against applications supported by required documents. Taking into consideration the demand in terms of both quality, quantity and availability of coal from sources of Coal companies and transport logistic, linkage is considered through the forum of NCLC(Non-Core Sector Linkage Committee). Such linkages are considered primarily based on details furnished by the consumer like Registration Certificate obtained from the appropriate authority of the State Govt. and also other relevant documents as per extant policy. There is no provision for pre linkage inspection. However, certain categories of consumers like Hard Coke and Soft Coke Manufacturing Units are inspected before granting final linkage.

2.110 Besides linkage, coal consumer is also required to obtain sponsorship from the State Govt. or from the Central Sponsoring Authority , as the case may be for getting coal supplies from the coal companies.

2.111 In a totally deregulated scenario a need has been felt that the system for sale of coal to the non-core sector consumers is required to be simplified and made more customer friendly. Accordingly, CIL is actively considering to formulate a new policy for sale of coal to the Non-Core Sector Consumers including the seasonal consumer through the system of coal supply agreement to be entered on year to year basis, having provisions for quantity and schedule of order booking and delivery throughout the year as per contractual term. This should enable Non-Core Sector Consumers to plan their purchase of coal, matching with the availability and assurance of supplies by the Coal Companies. The system would also help the customer to avoid involvement of agencies other than the seller.

2.112 CIL at present is having a Trade Channel Network at different locations in various States under which the Trade Channel Operators at various centres are being given coal through contractual obligation to cater to the needs of consumers in and around the locations for which they have been appointed.

2.113 Explaining the difficulties faced by small consumers and steps proposed to solve those problems, the Ministry of Coal in a Post-Evidence Reply, stated:-

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> "The problems of small consumers inter-alia include timely delivery of coal, assured quality as per the declared grade, assured quantity as per the value deposited by them, complex procurement procedure (such as sponsorships), and lack of sale service facilities in the CIL's regional sale network.
>
> Consequent upon total deregulation of coal with effect from January, 2000, Coal India has been working on a new system for sale of coal to non-core sector consumers, based on bilateral agreements, with commitment of quantity and delivery on the part of both buyer and seller, to be signed between coal company and customers. The basic objective is to make the system customer friendly and transparent.
>
> With a view to working out the new system, to the best satisfaction of customers, an all India Market Survey is being conducted by CIL through Indian Statistical Institute (ISI), Calcutta. Based on the findings, the system and policy will further be enriched".

2.114. With a view to make coal freely available to small scale industries and other consumers, who do not have linkages, CIL has introduced Open Sales Scheme(OSS). Anybody can draw coal supplies from these schemes without valid sponsorship and/or linkages. All coals purchased under these schemes can be resold at a price to be charges by purchased at his own discretion.

2.115 The Committee note that the Coal India Ltd. and its Subsidiaries have totally ignored the interests of small and non-core sector consumers. The Committee are sad to note that the Non-core sector consumers find difficulties in obtaining linkage or sponsorships. Small Scale Industries, Seasonal Consumers like BRK brick kilns, also do not get adequate supply of Coal, for their use. Consequently they have to depend for Coal supply only on black market. The domestic consumer, specially in rural areas, face similar hardships to source the fuel supply. The domestic consumer resorts to cutting of trees (leading to deforestation) to source wood as fuel for their use.

2.116 The Committee desire that system of linkage to non-core sector and seasonal consumers should be re-looked at, so as to facilitate the availability of Coal to all the consumers. The proposed system of Coal supply agreements with such consumers should be tried out after it has been agreed to by trade associations, etc. of small consumers as the procedure of agreements by its very nature appears to be cumbersome. For the present Coal India Ltd. should strengthen its 'Trade Channel Net Work" so that small consumers can have their supply on 'Cash & Carry' basis.

2.117 The Committee also note that the consumers having coal linkage are not assured of price and quality of coal as per the Fuel Supply Agreement. The Committee further note that coal PSUs usually flout the said agreement with impunity because of their monopolistic entity. The Committee desire that Coal PSUs should scrupulously implement Fuel Supply Agreement, especially price and quality of coal. The Committee hope and trust that there would be no such complaint in future in this regard?

G. Shortages/Over Reporting of Coal

2.118 It was brought to the notice of the Committee that the incidence of shortage and over-reporting of coal is on the rise. When the Committee desired such instances and the procedure for regularising such shortage/over-reporting, the Ministry of Coal stated:-

> "The coal stock shortage represents the quantity of coal by which the book stock exceeds the measured stock or actual coal stock. The Coal India Limited (CIL) has adopted the following policy for coal stock shortages:-

(i) Where the difference between the book stock and measured stock is within (+/-) 5% of book stock, the shortage or surplus is ignored as this is regarded as survey error. In such cases, the book stock is taken as the closing stock.

(ii) Where the difference between the book stock and measured stock is more than (+/-) 5% of book stock, the measured stock is taken as the closing stock and the difference is treated as stock shortage/surplus."

2.119 For all stock shortages beyond 5% of book stock and in excess of 1,000 metric tonnes, shortages are investigated into by a departmentally constituted committee and write-off action and book adjustment is taken/made in accordance with the recommendations of the committee, only after approval by the Company Board. If the shortage is more than 10,000 tonnes in a colliery and 50,000 tonnes in a company, the case is sent to CIL with the recommendations of the Company Board for a decision by the CIL Board. CIL has intimated to the Ministry of Coal that during the last five years of 1995-96, 1996-97, 1997-98, 1998-99 and 1999-2000 the following cases of coal stock shortages beyond the permissible limit of 5% of book stock have been detected in Eastern Coalfields Limited (ECL), Bharat Coking Coal Limited (BCCL) and Central Coalfields Limited (CCL) as per the annual measurement conducted by the coal inventory team of CIL Hqrs:-

Year	Subsidiary Company of CIL	No. of collieries having coal stock shortage	Quantum of coal stock shortage in metric tonnes	Value of Coal (Rs. in lakhs)
1995-96	ECL	6	53679	282.00
	BCCL	2	287882	1557.67
	CCL	4	92453	378.28
1996-97	ECL	21	314563	1652.53
	BCCL	7	485973	2629.50
	CCL	1	5288	21.51
1997-98	ECL	6	36460	191.54
	BCCL	8	403480	2086.41
1998-99	ECL			
	BCCL	12	934395	5055.82
	CCL			
1999-2000	ECL	7	96381	506.33
	BCCL	8	212388	1149.19

2.120 The value of coal has been calculated on the basis of unit value of coal as considered in audited accounts for the year 1999-2000 by the respective companies. In the cases of coal stock shortage beyond the permissible limit of 5% of book stock and more than 1,000 metric tonnes, disciplinary action was initiated as per the established norms. CIL has given the status of the disciplinary action for the coal stock shortage in 1995-96, 1996-97, 1997-98, 1998-99 and 1999-2000 as per details given in Appendix-IV.

2.121 When the Committee enquired about the status of follow up action taken on the R.N. Mishra Committee Report which inquired into the matter, it was stated:

"Three Committees were set up by the Ministry of Coal under the Chairmanship of Shri R.N. Mishra, a seni executive of Coal India Limited (CIL). The information about these three Committees is given below: -

(i) **R N Mishra Committee on BCCL:** The Committee was **set up on 27.7.92** to investigate into the sto shortages in Bharat Coking Coal Limited (BCCL) during the period from 1986-87 to 1992-93. It submitted report on 24.12.93 to the Ministry of Coal. Acceptance of the major recommendations of the **report** by t Ministry of Coal was conveyed to CIL on **22.4.94**.

(ii) **R N Mishra Committee on CCL:** The Committee was set up on 7.10.94 to investigate into the low despatch coal in Central Coalfields Limited (CCL) in 1994. It submitted its report on 5.1.96 to the Ministry of Coa Acceptance of the major recommendations of the report by the Ministry of Coal was conveyed to CIL on 3.6.96

(iii) **R N Mishra Committee on ECL:** The Committee was set up on 19.5.93 to investigate into the stock shortag in Eastern Coalfields Limited (ECL) during the period 1992-93. It submitted its report on 31.1.97 to the Minist of Coal. Acceptance of the major recommendations of the report by the Ministry of Coal was conveyed to C on 2.1.98."

2.122 The R N Mishra Committee on BCCL stock shortages recommended certain measures for systems improveme to prevent further irregularities in coal stock shortages. Such recommendations were in the nature of preventive vigilanc The statement of the recommendations and the latest status of implementation of the recommendations is given Appendix-V.

1.123. The R N Mishra Committee reports were investigation reports. The investigation reports are examined by th concerned vigilance departments for arriving at a conclusion as to whether disciplinary proceedings are to be initiated c not against the officers indicted. The disciplinary proceedings are quasi-judicial proceedings. Based on the conclusion c the disciplinary proceedings, the disciplinary authority takes a decision on imposition of penalty or exoneration.

1.124. These three Committees had recommended initiation of disciplinary proceedings against individual coal executives for coal stock shortages and over reporting of production. The status of action taken as on 1.12.2000 in the disciplinary proceedings initiated keeping in view the recommendations of these three committees is as under: -

	R N Mishra Committee related to BCCL	RN Mishra Committee related to CCL	RN Mishra Committee related to ECL
Number of cases in which Penalties were imposed.	94	145	75
Number of cases in which the coal executives expired/retired before initiation of disciplinary proceedings.	14	39	19
Number of cases in which no irregularity warranting disciplinary proceedings could be found.	-	26	-

Number of cases in which disciplinary proceedings were dropped after issue of chargesheets.	28	2	103
Number of cases in which Chargesheeted executives were Exonerated.	122	30	39
A. Number of cases in which disciplinary cases are still pending.	2	9	4
Total Number of cases taken up scrutiny on the basis of the recommendations of the Committee.	260	251	240

2.125. The Committee have observed that coal stock shortages beyond 5% of book stock and in excess of 1,000 Mt., are investigated into by a departmentally constituted committee and write-off action and book adjustment is taken/made in accordance with the recommendations of the Committee, only after the approval by the Company Board. Where the shortage is more than 10,000 tonnes in a colliery and 50,000 tonnes in a company, the case is sent to CIL with the recommendations of the Company Board for a decision by the CIL Board. From the information furnished by the Government, the Committee have noted that the phenomenon of shortages is more prevalent in three subsidiaries, viz. ECL, BCCL and CCL. During the period from 1995-96 to 1999-2000, shortages have been of the order of more than 90,000Mt., valuing more than Rs. 50 crore. The cumulative shortages during this period is 29,22,942Mt., valuing Rs. 155.10 crore. The Committee note with concern the plundering of resources of three Subsidiaries, two of which (ECL and BCCL) are incurring heavy losses and referred to BIFR. The Committee are surprised to find that in spite of these cases having been examined by R.N.Mishra Committees on BCCL(1992), CCL(1994) and ECL(1993), the cases of shortages are rising unabated. Even the outcome of disciplinary proceedings initiated in the aftermath of Mishra Committee's Reports, is far from satisfactory. In the opinion of the Committee, the ceiling of 5%(+/-) of book sock and excess of 1,000Mt. shortages, are too liberal and give leverage to unscrupulous elements to resort to corrupt practices. The Committee would like to be apprised of the rationale of fixing such a ceiling. The Committee also recommend that the Government should consider reviewing this ceiling downward preferably to a level of 1-2%(+/-) of book stock or 200 metric tonnes of shortages. At the same time, the Committee recommend that fool proof methods/system should be devised to reduce and finally eliminate the incidence of shortages. The Committee also desire that inquiries into such cases should be finalised within a fixed time schedule of 6 to 8 months so that effective follow up action is taken against the guilty at the earliest. Exemplary punishment should be meted out to those found indulging in the mal-practices.

H. Coal Washeries

2.126 The Coking Coal to be supplied to the steel plants is required to be washed to ensure better and uniform quality of Coal. Similarly, Coal is also beneficiated for use in thermal plants.

2.127 When asked about the details of washeries set up, the investment made thereunder, the Ministry of Coal informed that CIL & its subsidiary companies have set the following washeries:-

Sl.No	Name of washery	Investment made (In Crores)	Capacity Utilisation(%)	Rate of return

1.	Sudamdih, BCCL.	23.75	53.63	NIL
2.	Moonidih, BCCL	26.31	62.56	35.59
3.	Mohuda, BCCL	11.04	57.78	33.05
4.	Barora, BCCL	6.22	75.48	90.75
5.	Lodna, BCCL	3.30	72.50	31.79
6.	Madhuband, BCCL	194.00	12.12	NIL
7.	Rajrappa, CCL	75.16	68.83	NIL
8.	Kedla, CCL	146.54	34.73	NIL
9.	Piparwar, CCL	316.93	96.50	23.41
10.	Nandan, WCL	30.85	51.58	-
11.	Bina, NCL	21.93	17.81	-

2.128 BCCL inherited 4 washeries from HSL and CCL inherited 4 washeries from NCDC. CIL operates 19 washeries out of which 14 coking coal washeries are supplying washed coal to Steel Plants and 5 Non-coking coal washeries are supplying washed coal to thermal power plants. CIL has not received any commitment from power sector for bearing cost of washed coal. Moreover, CIL has got resource crunch to set up its own washeries. But it is providing all possible assistance to the entrepreneurs and consumers to set up the washeries on B-O-O scheme. CIL has also initiated contracts to set up three washeries namely, Kalinga, Ananta-Bharatpur and Dipka under B-O-O scheme for supply of washed coal to the thermal power stations. But the contracts cannot be finalised in absence of the coal supply agreement with the consumers. CIL has also floated tenders to set up washeries under B-O-O scheme at K.D. Hesalong, CCL and Samleswari, MCL for supply of washed coal to thermal power stations.

2.129 Detailing the conversion of non-coking coal washeries into coking coal washeries and vice-versa, the profit earned, production and despatches before and after conversion in each case, the Ministry of Coal stated that subsidiary companies of CIL have converted few coking coal washeries into non-coking coal washeries and vice-versa. Their details are as under:-

CCL - i) Gidi Washery of CCL was commissioned in 1970 for supply of washed non-coking coal to Railways. When Railways backed out from their commitment, this washery was converted to wash coking coal in 1973 for supply to Steel Plants. Again, this washery has been converted to wash non-coking coal in 1998 for supply of washed coal to thermal power stations.

ii) Kargali washery of CCL has been converted to wash non-coking coal in 1999 for supply of washed coal to thermal power stations.

2.130 BCCL - Dugda-I washery's middling upgradation part was converted to wash non-coking coal with minor modification in 1999. The reason for conversion of the washeries are given below:-

i) Dugda-I washery was commissioned in 1961. The normal life of a coal washery is about 30 years. After thorough inspection by various committees including CMPDIL, MECON and BCCL team, this washery was declared unsafe as the existing structures of the plant are beyond renovation/replacement and revamping. Accordingly, a decision was taken to close this washery w.e.f. October '96 from safety point of view. However, with the increase in demand for non-coking washed coal for thermal power stations, the middling upgradation part of Dugda-I washery was utilised with minor modification for washing non-coking coal and this part of the washery is in operation for washing non-coking coal on trial basis.

ii) With the depletion of good quality upper seam coal the quality of raw coal feed to the washeries have deteriorated as well as the total availability of raw coal to the washeries has become inadequate. Due to shortage of raw coking coal and growing demand for non coking coal having ash content of around 34% for thermal power plants, Dugda-I, Kargali and Gidi Washeries have been converted to non-coking coal washeries.

Production before and after conversion:

Washery	Before conversion: Year	Production	After conversion: Year	Production	Remarks
Dugda-I	1995-96	4.76 L.Te.	1999-00	4.36 L.Te.	Closed from 1996-1998 due to safety reason.
Kargali	1998-99	6.92 L.Te.	June'99-May'00	7.91 L.Te.	Started washing non-coking coal from June'99
Gidi	1997-98	6.2 L.Te.	June'98-May'99.	5.28 L.Te.	Started washing non-coking coal from June'98

2.131 The Committee was informed that no perspective plans have been drawn to modernize the washeries. In a Post-Evidence Reply(PER), Ministry of Coal clarified that Perspective plan for 10th five-year plan and beyond is under preparation. However, capacity utilization of the existing coking coal washeries is not expected to improve significantly due to depletion of good quality coking coal and ageing of the washeries. Large investment may be called for revamping/new installations for modernization. Such investment cannot be committed until backup support in terms of financing/remunerative price is made available by the consumers.

2.132 When asked what follow-up action has been taken on the recommendation of Altekar Committee's Report on Modernisation of Washeries, the Ministry of Coal stated that Altekar Committee had recommended modification for washeries for improvement in washed coal parameters. The Action taken with regard to short-term and long-term measures are given below:-

"Short-term:

All the short-term measures such as replacement of Jigs, stabilisation of KOMAG Jig & floatation, instrumentation system for HM cyclones etc. were completed.

Long-term:

It is mainly to provide Deshalling plants in the existing washeries, Floatation Plant at Bhojudih washery of BCCL, modernisation of Patherdih washery, modification scheme of Kathara washery, replacement of Jigs at Gidi Washery and installation of automation and instrumentation system.

Deshalling plants at Bhojudih and Kargali washeries have been commissioned. However, for Sudamdih, Dugda-I & Dugda-II washeries, the job was awarded to M/s.MAMC and due to poor progress the contract with MAMC was terminated. Retendering was done for Sudamdih washery and tenders are under finalisation. For Dugda-II, action is being taken for retendering. For Dugda-I, no further action has been taken as this washery was closed due to safety reason and a part of this washery is being utilised for washing non-coking coal.

Floatation plant for Bhojudih washery has been completed and will be commissioned shortly. Modification scheme of Kathara washery has been completed in phases."

2.133. Modernisation of Patherdih washery was delayed due to uncertainties prevailing in the erstwhile USSR. Subsequently, Russian experts indicated that technology and equipment provided by them is outdated and obsolete. The scheme for modernisation based on USSR/Russian technology as recommended by Altekar Committee has been dropped.

2.134 Automatic Ash-analysers have been installed at Bhojudih, Patherdih,Dugda-I, Dugda-II, Swang, Kathara, Kargali and Gidi washeries for better control of process parameter. PLC based automation system at Swang washery of CCL and instrumentation system at Dugda-I, Barora,Patherdih of BCCL have also been completed in phases.

2.135 Delay in implementation of the recommendation is mainly due to fund crunch and poor execution by the contractors.

2.136 When asked about the amount earmarked and spent for modernization of washeries during 9th Plan, the Ministry of Coal stated that as per available information the capital outlay vis-à-vis expenditure incurred upto 2000-01(within 9th Plan period i.e. 1997-98 to 2001-02) is as follows:-

Period	Capital Outlay (Rs. in crores)	Expenditure incurred (Rs. in crores)
1997-98 to 2001-02	32.42	14.88(prov.)

2.137 Expenditure had to be regulated considerably in view of severe cash crunch being faced by BCCL & CCL.

2.138 As per MoEF's order of Sept' 1997, power plants located over 1000 Km from the supply sources and those located in urban and environmentally sensitive areas shall have to use coal with ash content of less than 34% w.e.f June '2001. When asked what follow up action Ministry of Coal have taken on the stipulation of MOEF and what is the result achieved so far, Ministry of Coal stated that although, the responsibility to use the stipulated quality of coal as per the notification, was with power Stations, Ministry of Coal had taken initiative and approached Ministry of Power as well as Chief Secretaries of the concerned States in 1999 to take urgent necessary action in compliance of MoEF's notification. Subsequent to these efforts of Ministry of Coal, Ministry of Power had convened a meeting on 14.7.1999 with SEBs , NTPC, CEA and Ministry of Coal to discuss the issue relating to use of coal with ash content not exceeding 34% in the time frame given in the MoEF's notification of September 1997. A Committee under the Chairmanship of Member (Thermal) CEA with representative of power utilities, Ministry of Coal, Coal India and Railways was constituted on 26.7.1999 to look into the ways and means of meeting the stipulation contained in the notification so as to ensure the supply of required quality of coal by 1.6.2001. The Committee finalised the report on 21.2.2000 recommending a time frame for meeting the provisions of the notification. The Committee had assessed that the total requirement of coal in the 9th Plan for the power plants coming under the purview of MoEF's notification would be 87.14 Mt. The Committee had submitted its final report on 2.3.2000.

2.139 A Joint Apex Committee with members from Coal and Power Sectors was formed to consider the various aspects relating to monitoring/implementing the stipulation contained in the notification of MoEF including issues regarding setting up of washeries.

2.140 The Report suggested that blending of coal could be resisted to in the short-term perspective, but ultimately washing of coal will be the answer in the long-term perspective.

2.141 The Joint Apex Committee is in the process of finalisation of its report. To look into the long term objective of setting up of washeries and blending of coal with reference to stipulation contained in the notification of MoEF on the use of coal with ash content not exceeding 34% in thermal power stations, a Committee under the chairmanship of Addl. Secretary Coal has also been set up. Chairman, CIL, CMDs of all concerned coal companies, Director

(Technical), CIL ,Advisor (Project), MoC, Joint Secretary(Thermal), Ministry of Power, Member(Thermal)CEA and Director (Operations),NTPC are the members on this Committee. This Committee will facilitate setting up of washeries.

2.142 In PER, Ministry of Coal furnished that following further steps are being taken:-

I) It is a well-known fact that Indian coal in general is of poor quality. For improving marketability of such coal efforts are made to produce better quality coal by proper planning of benches in O.C. mines, by designing suitable blasting pattern to obviate the mixing of coal with O.B., by selective mining of coal through conventional mode, as well as use of Surface Miners, by picking of stones from coal at the face, at the CHP/siding, at the wagon etc. However, for improved quality on a consistent basis coal beneficiation may provide the best answer.

II) Any effort for value addition of non-coking coal also needs to be adequately compensated by the power sector, the major consumer for such coal. Unless CIL receives remunerative price for such value-added coal, there is no incentive for the coal companies to take up washing. A High Power Committee Chaired by Additional Secretary(Coal) has been set up for facilitating setting up of washeries in long term perspective.

III) Due to financial crunch, CIL is unable to set up washeries. However, they are prepared to facilitate setting up of washeries by users. Coal Company will provide land on lease, water and power on charges wherever available.

2.143 When asked what prevented the Government to exercise power vested under Rule 5(1) of Coal Mines (Conservation and Development) Rule 1975, whereunder MoC can direct CIL for washing of thermal coal, the Committee was informed that "CIL has taken necessary steps to set up non-coking coal washeries under Build-Own-Operate scheme for supply of washed coal mainly to thermal power stations at the following locations:

(a) Kalinga, MCL - 8.0 MTY.
(b) Ananta-Bharatpur, MCL - 5.2 MTY
(c) Dipka, SECL - 6.0 MTY

2.144 It may be appreciated that the technology for washing non-coking coal in India is already established and the consumers are now well aware of the benefits derived from such use. What is really creating problem is the reluctance on the part of the consumers (mainly SEBs) to accept remunerative price of washed non-coking coal. Thus the coal supply agreements to supply washed coal could not be finalised and as such the agreements to set up washeries could not be signed although the draft agreements with washeries operator to set up washeries have already been initialed".

2.145 The Committee have noted with concern, the under-utilisation of capacities, in some of the Washeries. For instance, Madhuband Washeries, set up with an investment of Rs. 194 crore, the % utilisation was only 12, during 1998-99 and 1999-2000. Bina Washery, having capital investment of Rs. 21.93 crore, had just 17.81% capacity utilisation. Pathoridih, Kathara, Kedla, Dugda I and Gidi are some of the Washeries, with less than 40% capacity utilisation. The Committee desire that Government should assess the reasons and take corrective steps thereon. The Committee are also pained to observe that the implementation of recommendations of Altekar Committee Report on Modernisation of Washeries(1986) has been delayed considerably on account of poor execution by the contractors and funds constraints. The Committee desire that Government should not only take proactive role in stepping up the capacity

utilisation of the existing Washeries, but also provide one time financial assistance for undertaking modernisation works in them. The Committee also feel that the Government should invoke penalty clause, for the failure on the part of contractors in the execution of the works, in time.

2.146 The Committee have observed a lukewarm response by the entrepreneurs and consumers towards setting up of non-coking Washeries. The Committee desire that Coal India Ltd. and its subsidiaries should explore the possibility of forming Joint Venture Companies with the National Thermal Power Corporation and the Power Utilities in the State and Private Sector, so that adequate capital investment can flow for the setting up of new non-coking washeries. This is all the more required, in the wake of Ministry of Environment & Forests (MoEF) stipulation which bars transportation of Coal with more than 34% ash content, beyond 1000 kms from the source of supply. The Committee are of the opinion that since the stipulation of Ministry of Environment and Forest is in pursuance of Government's declared policy of Clean Technology and environment benign programme, Ministry of Coal should explore the possibilities of sourcing funds from other bilateral & multilateral funding agencies.

2.147 The Committee are anguished to note the indifferent attitude of Government and their agencies, especially the Ministry of Coal and the Ministry of Power, in not taking adequate steps on war footing, on the stipulation of Ministry of Environment and Forest dated September, 1997 which prohibits the use of Coal with more than 34% ash content, located beyond 1000 kms from the source of supply. The Committee feel that the Government have done pretty little to improve the working of washeries except for setting up a number of Committees. The Committee desire that a long-term plan be drawn up with a fixed time schedule to implement the stipulation of Ministry of Forest and Environment. This plan should cover the modernisation of existing washeries, their full utilisation and then setting up of new washeries whenever needed.