37

STANDING COMMITTEE ON ENERGY (2003)

THIRTEENTH LOK SABHA

DEPARTMENT OF COAL

DEMANDS FOR GRANTS (2002-2003)

[Action Taken by the Government on the Recommendations contained in the Thirtieth Report of the Standing Committee on Energy (Thirteenth Lok Sabha)]

THIRTY-SEVENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

February, 2003/Magha, 1924 (Saka)

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*Nominated to the Committee w.e.f. 24.1.2003.

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3. Shri Basudeb Acharia
4. Shri Prakash Yashwant Ambedkar
5. Shri Vijayendra Pal Singh Badnore
6. Shri Santosh Bagrodia

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this 37th Report on the Action Taken by the Government on the recommendations contained in the 30th Report of the Standing Committee on Energy on Demands for Grants (2002-03) of the Department of Coal.

2. The Thirtieth Report of the Standing Committee on Energy was presented to Lok Sabha on 23rd April, 2002. Replies of the Government to all the recommendations contained in the Report were received on 30th October, 2002.

3. The Sub-Committee on Action Taken Reports as well as Standing Committee on Energy considered and adopted this Report at their sitting held on 14th February, 2003.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Thirtieth report of the Committee is given at Annexure-III.

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; SONTOSH MOHAN DEV,
14 *February*, 2003 *Chairman,*
25 *Magha*, 1924 *(Saka)* *Standing Committee on Energy.*

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by the Government on the recommendations contained in the Thirtieth Report (Thirteenth Lok Sabha) of the Standing Committee on Energy on "Demands for Grants (2002-2003) of the Department of Coal which was presented to Lok Sabha on 23rd April, 2002.

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

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

Sl. Nos. 1, 2, 3, 4, 8, 9, 13, 14, 15, 17, 18, 19, 20, 21, 22, 26, 28 and 29

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

Sl. Nos. 6, 7, 10, 11 and 25

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

Sl. Nos. 5, 16, 23 and 27

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

Sl. Nos. 12, 24 and 30

3. The Committee desire that final reply in respect of the recommendation for which only interim reply have been given by the Government should be furnished to the Committee at the earliest.

4. The Committee also desire that utmost importance should be given to the implementation of recommendations accepted by the Government. In case, where it is not possible for the Government to implement the recommendations in letter and spirit for any reasons,

the matter should be reported to the Committee in time with reasons for non-implementation.

5. The Committee will now deal with the Action Taken by the Government on some of their Recommendations/Observations.

A. Need for Realistic Outlays

Recommendation (Sl. No. 1, Para No. 2.17)

6. Expressing their deep concern over decline in Central Plan outlay of Department of Coal over the years, the Committee had desired that the planning process should be made more realistic so that resources/ funds were expended prudently. The Committee had also recommended that the Government nominees on the Board of Directors in coal subsidiaries, including SCCL, should play a proactive role in the project-planning, formulation and at implementation stages, so as to ensure that the budgetary allocations were projected on a realistic basis and utilised more meaningfully.

7. In their reply, the Government have stated that in consultation with the Planning Commission and other end users (such as power, steel, cement, sectors etc.), the Government would take all due steps to make the Annual Plan as realistic as possible. The Government nominees on the Board of Directors in coal companies and Neyveli Lignite Corporation have been duly advised to play a proactive role in project planning, formulation and other implementation stages to ensure that the budgetary allocations are made on realistic basis.

8. The Committee have taken note of under-utilisation of funds by the Department of Coal. The Government have stated that they will in consultation with the Planning Commission would take all steps to make the Annual Plan as realistic as possible. The Government nominees on the Board of Directors in Coal Companies and Neyveli Lignite Corporation have also been advised to play a proactive role in project planning, formulation and at implementation stages to ensure that the budgetary allocations are made on realistic basis. The Committee find that this reply of the Government is mere of routine nature and does not suggest concrete measures proposed to ensure realistic Annual Plan. The Committee feel that first, there is a need to identify the factors which usually lead to under-utilisation of funds and then take specific action to remove

those hindrances. But, it appears that such an exercise has not been done. The Committee would like to emphasise that there is a need to review the whole gamut of project planning, formulation and implementation strategies so that budgetary resources are allocated on realistic basis and used prudently. The Committee would like to be apprised of the action taken by the Government in this regard.

B. Implementation of Fuel Supply Agreement

Recommendation (Sl. No. 4, Para No. 3.17)

9. The Committee had observed that there was a tendency on the part of consuming sectors to project inflated demands, as they were not accountable for the final take-off. The attention of the Department of Coal was drawn towards Fuel Supply Agreement (FSA) between CIL and NTPC, whereunder penalty and bonus clauses existed to ensure better off-take. Such agreements were based on the principle of firm commitment for mutual performance, hearing liabilities for the failures. The Committee had recommended that the Government should devise a similar mechanism for ensuring transparency and accountability in projecting realistic estimates.

10. The Government in their reply have stated that the coal companies, namely, CIL and SCCL have entered into Fuel Supply Agreements (FSAs) with most of the consumers, with penalty and bonus clauses to ensure better offtake and firm up commitment for mutual performance, which in turn ensure transparency and accountability in projecting realistic estimates. However many State-owned power utilities are unwilling to enter into FSAs on account of their own internal financial problems and coal companies are enforcing "cash and carry" system wherever feasible. Agreement based on the principle of firm commitment for mutual performance, bearing liabilities for the failures have been evolved and are being executed for other coal consuming segments also like Independent Power Producers, Captive Power Plants, Cement Plants, Sponge Iron units and non-core Sectors.

11. The Committee found that the Coal Companies were entering into Fuel Supply Agreements (FSAs) with most of the consumers, with penalty and bonus clauses to ensure better offtake and firm up commitment for mutual performance, which not only ensure transparency but also accountability in projecting realistic estimates.

However, the Committee are concerned to note that State-owned power utilities are unwilling to enter into FSAs on account of their own internal financial problems and coal companies are able to enforce 'cash and carry' system wherever possible. But the coal companies insist on execution of FSAs with other sectors like Independent Power Producers, Captive Power Plants, Cement Plants, Sponge Iron units and non-core sector. The Committee do not find any rationality, whatsoever, in treating Government-owned companies on different pedestal. In the era of economic liberalisation, there is no ground for preferable treatment for any sector at the cost of other. The Committee would like to reiterate their earlier recommendation and desire that the Government should devise a mechanism with in-built penalty and bonus clauses for ensuring better off take, thereby ensuring transparency and accountability in projecting realistic estimates. The Committee also desire that such a mechanism should not differentiate between State-owned and other private managed coal companies. The Committee would like to await the outcome thereof.

C. Perspective Planning by CIL

Recommendation (Sl. No. 5, Para No. 3.18)

12. Taking a serious view of fluctuating 8th and 9th Plan targets, the Committee had recommended that the planning Commission should reassess the demand projections of coal during 10th and 11th Plans based on a realistic estimation and also taking into consideration the past experience and views of the Department of Coal in the matter, so that correct estimates could be made of investment required to meet the future needs of coal. This would also give an idea to the Department of the extent to which private investment may be needed. The Committee had also desired that CIL should formulate the perspective plans for these periods, so that the demand, financial requirement, mobilisation of resources and investment decision, etc. could be firmed upto. The Committee had found that CIL had reserved some coal blocks for their future use. The Committee had also desired that based on investment available and likely to be made available, CIL should earmark coal blocks with them and the rest of the coal blocks where CIL/Department of Coal was not in position to invest, should be given to private entrepreneurs for development.

13. To formulate realistic estimates of coal demand, Government have stated that the recommendation of the Standing Committee on Energy has been duly brought to the knowledge of the Planning Commission. Further, the Department of Coal will take all necessary steps including discussions with the Planning Commission and other users such as power, steel, cement, and iron sectors to arrive at the estimates as realistically as possible. As regards the need for CIL to formulate the perspective plans, it may be noted that CIL has already engaged a consultant to formulate its perspective plans. As regards coal mining blocks of CIL, it may be seen that an exercise was carried out in 1996-97 to identify mining blocks that would be retained by CIL to sustain a production level of 375 million tonnes for further 30 years, *i.e.* 2036-37. As per that exercise, 275 mining blocks were to be retained by the CIL. Subsequently (July, 2000), it was decided to update the requirement of blocks considering production level of 350 million tonnes for 2006-07 (10th Plan) together with additional linkage of 132.84 million tonnes given by Standing Linkage Committee (Long-Term). CMPDIL assessed the requirement and concluded 275 mining are insufficient to meet the requirement of 383 million tonnes (350+133) for next 30 years and proposed for retention of additional 46 blocks by CIL to bridge the gap. The production of CIL is now projected to touch 445 million tonnes by 2011-12 (11th Plan). In view of the changed circumstances, the entire requirement for retention of blocks by CIL is being re-examined.

14. The Committee find that as per assessment made by the Government in 1996-97, 275 mining blocks were to be retained by the Coal India Limited (CIL) for sustaining a production level of 375 MT for another 30 years i.e. up to 2036-37. Subsequently, in July, 2000 the requirement was again re-assessed and it was concluded that 275 mining blocks were insufficient to meet the requirement of coal which would be of the order of 483 MT for next 30 year. It was, therefore, decided to retain additional 46 mining blocks by CIL to bridge the gap. Now, the production of CIL's unit has been projected to touch 445 MT by 2011-12 (11th Plan). As a result the entire requirement for retention of coal blocks by CIL is being re-examined. The Committee are at loss to understand that on one hand CIL has neither capacity nor resources to fund these over-ambitious plan nor they are inclined to hand over such identified blocks to private entrepreneurs for its development. It seems that CIL is taking undue advantage of its monopolistic structure. The Committee, in this connection, would like to emphasise that when private sector have been allowed to invest in other sectors of economy, there is no justification to deny them for investment in

the coal sector. The Committee reiterate their earlier recommendation and desire that CIL should identify and reserve coal blocks for their future use taking into consideration the capacity to mobilise resources for the purpose based on their past performance. The rest of the coal blocks where CIL is not able to invest should be given to private entrepreneurs without any fail.

The Committee note that there is growing tendency on the part of CIL to abandon open cast mines. The Committee, therefore, desire that CIL should ensure that open cast mines are not abandoned. At the same time, the Committee desire that filling-up of over-burden should come under the purview of Mines Regulations so that ecology and environmental concerns are taken care of. The Committee further find that CIL is investing in open cast mining only and leaving underground mining to fend for itself. The Committee desire that there is also a need to make investment in underground mines. The Committee find that latest techniques of rock-engineering has not been made use of while carrying out inspection of a coal mines. The Committee desire that DGMS should utilise such a technology both for open cast and underground mining operations.

D. Under-Utilisation of Heavy Earth Moving Machine (HEMM)

Recommendation (Sl. No. 12, Para No. 6.8)

15. Expressing their concern over the performance of major equipments used in open cast and underground mining operations both in terms of availability and utilization in almost all of the subsidiaries of CIL and SCCL, the Committee had recommended that a detailed mine-wise exercise should be undertaken to assess the reasons for idling and under-utilisation of machinery and equipments with a view to fix responsibility for idling and under-utilisation of machines and equipments. The Committee had also desired that an action plan be formulated with clear-cut demarcations of accountability and responsibility at each sage of the hierarchy, for improving the fleet utilisation and availability. The Committee had desired that CIL should constitute a Committee to look into the question of diversion of equipments and machinery lying idle from one subsidiary to another, so as to improve fleet utilisation.

16. In their reply, the Department of Coal have *inter alia* stated that the mine-wise study to assess the reasons for low utilization of HEMM has been done. Various measures such as, infra-structural facilities like Mobile van, Diesel bowser, Canteen van, Crane, Welding

machine, High pressure washing pumps etc., advance planning for procurement of spares, improvement in communication system, surprise check by Industrial Engineering department during back shift, advance planning for major repair/overhauling, review of performance report regularly in the monthly coordination meeting at subsidiary HQ, equipment under breakdown for more than 3 months are being monitored from HQ level regularly, constant follow-up with State Government for availability of land etc. have been taken by the Government. A Committee to look into the question of diversion of idle equipment & machinery from one subsidiary to another is being constituted.

17. Further, the requirement of HEMM/other equipments are judiciously being examined at the level of CIL to regulate the quantum of procurement. Diversion of equipment from one subsidiary to another, though arduous, is also being considered along with re-adjustment within the subsidiary to minimize mismatch.

18. Taking serious view of the unutilized equipments and machinery both for underground and open-cast operations, the Committee had recommended mine-wise study to assess the reasons for low utilization of HEMM. The Committee find that the Government have not drawn any action plan with clear cut demarcation of accountability and responsibility at different stages of hierarchy for improving the fleet utilization and availability. The Committee find that the Government have set up a Committee to look into the question of diversion of idle equipments and machinery from one subsidiary to another. The Committee would await the outcome of this report.

E. Leasing of equipment by Coal Companies

Recommendation (Sl. No. 13, Para No. 6.9)

19. The Committee had taken note of the inability of CIL and its subsidiaries in expanding their existing equipments and machinery for want of adequate resources. In this context, the Committee had desired that CIL should examine the necessity of undertaking wet or dry leasing of equipments and machinery, without incurring heavy investment.

20. In their reply, the Government have stated that CIL is exploring the possibility for dry or wet leasing of equipments wherever possible

and accordingly some new projects have also been identified. A Core Group has been formed headed by Chief General Manager (WBP), CIL for this purpose.

21. The Committee are happy to note that CIL is exploring the possibility for dry or wet leasing of equipments and some new projects have also been identified for the purpose. A core group has also been formed in this regard. The Committee are of the view that CIL and its subsidiaries will be able to expand their fleet of equipments sand machinery which they are not otherwise able to do in absence of adequate resources. The Committee would like that the matter be gone into detail and action be taken on the matter expeditiously.

F. Safety of Coal Mines

Recommendation (Sl. No. 14, Para No. 7.25)

22. The Committee expressed their deep concern over the inability of the Coal India Limited (CIL) to utilise its budgetary allocation on safety related activities. The Committee had emphasised that bureaucratic delays should not be a cause for under-achievement in safety related activities. The Committee while recommending that the Government should take a proactive role so as to expend the budgetary allocation also had desired that the Government should strengthen their safety apparatus in coal mines.

23. The Government in their reply have stated that the utilisation of the Safety Budget under capital head is sometimes delayed as many safety items have to be procured from abroad through global tender since items are not manufactured indigenously. Moreover, many safety items have to have Directorate General Mines Safety (DGMS) approval and conform to Bureau of Indian Standard (BIS) specifications. Sometimes DGMS grants provisional approval for certain safety items for some period. Such procurement action through global tender is time taking and sometimes the DGMS approval lapses and the procurement action gets delayed. As such utilisation of the capital budget for Safety & Rescue suffers due to above constraints. Facility for ventilation is provided in every underground mine.

24. The Committee note that utilisation of the Safety Budget at times get delayed as many safety items had to be imported from abroad through global tendering since these items are not

manufactured indigenously. Many safety items are required to have Directorate General Mines Safety (DGMS) approval and conform to Bureau of Indian Standard (BIS) specifications. At times, DGMS approval for certain safety items take some period. Such procurement action through global tendering takes time and sometimes the DGMS approval lapses and the procurement action gets delayed. The Committee are of the view that all these actions point towards lackadaisical and casual approach of the Department of Coal towards a very important aspect of mining i.e. 'safety'. Unless and until the workers are insured of safety, it would be difficult for any organisation to enthuse the work force to yield maximum productivity. This will also have a major psychological impact on other co-workers. The Committee do not approve of such an action on the part of the Department of Coal and desire that the Government should review the procurement procedure on safety related equipments and machinery. Under no circumstances, bureaucratic delay should hamper the procurement of these gadgets. At the same time, the Committee also stress that the Government should take a pro-active role so as to expand safety related budgetary allocation and strengthen the safety apparatus in coal mines.

G. Steps to curb illegal Mining

Recommendation (Sl. No. 15, Para No. 7.26)

25. The Committee had noted that in spite of various statutory provisions requiring compliance with safety measures, on a mine being closed, illegal mining activities were on the rise. At times, despite mining lease vested in CIL, the land was encroached upon. A number of times, these illegal mining activities had led to big mining accidents for which it becomes difficult to fix responsibility. The Committee had recommended that CIL and their subsidiaries should step up their enforcement machinery to curb such illegal activities. The Committee had desired to be apprised of cases of illegal mining activities and follow-up action taken in such cases. The Committee had observed that a close supervision of closed/abandoned mine was not undertaken. The Committee had recommended that in the interest of safety, such supervision should be initiated even in cases, where the land belongs to someone else, but the mining lease vested with CIL.

26. In their reply, the Government have stated that the following steps are being taken by CIL and its subsidiaries to curb the illegal mining:

(a) Intelligence collection.

(b) Dozing off and filling up illegal mining sites wherever possible.

(c) Erection of fencing/walls in abandoned/disused workings, drowning of old abandoned workings.

(d) Round the clock patrolling by own security personnel/CISF, surprise checks/raids of illegal mining sites.

(e) Cases of illegal mining are reported to District Administration.

(f) Whenever illegal mined coal and implements of illegal mining are seized during the course of raids, the same are handed over to the police and FIRs are lodged.

(g) Close liaison is kept with District and State Authority seeking their help & co-operation in curbing illegal mining.

27. A District Level Joint Monitoring Committee had already been constituted in West Bengal by the Governor *vide* Gazette Notification No. 1056-M/CI/D dated 24/12/98. The issue has been discussed by Minister of Coal & Mines with Chief Minister of West Bengal on 5/11/2001.

28. As illegal mining activities are carried out stealthily and clandestinely, it is not possible to assess exactly the No. of illegal mining sites, quantity pilfered, etc. However, as a result of surprise check/routine patrolling, illegal mining cases have been noticed which have been reported to the local police station in the form of FIRs. The details for the year 2001-02 (Provisional) are as under:

Company	State	No. of cases	No. of FIRs	No. of Arrests	Coal seized (Tonnes)
1	2	3	4	5	6
ECL	W.B.	742	138	80	5653
	Jharkhand	4	3	—	26

1	2	3	4	5	6
BCCL	W.B.	—	—	—	—
	Jharkhand	6	6	9	10.75
CCL	Jharkhand	61	61	7	437.3
WCL	MP	4	4	6	79
	Maharashtra	—	—	—	—
SECL	MP	1	1	—	—
	Chhattisgarh	2	2	2	—
NEC	Assam	1	1	—	—

29. The Committee have noted the illegal mining activities in various parts of the coal belt areas. As per the information furnished by the Government, there were as many as 742 cases of illegal mining reported in ECL in West Bengal and 4 in the Jharkhand. Similarly, BCCL and CCL had 6 and 61 cases respectively of illegal mining in the State of Jharkhand, WCL and SCCL had reported 4 and 2 cases respectively of illegal mining in Madhya Pradesh. Chhattisgarh had also reported 2 cases of illegal mining. This shows that illegal mining is rampant in the coal producing States and there has been little efforts on the part of the District and State Authorities in curbing this nefarious activity. The Committee would, therefore, recommend that the Department of Coal should prevail upon the coal bearing States to devise a mechanism for curbing this practice. The Committee would like to be apprised of the action taken by the Government in this regard.

H. Regular Inspection of Mines by DGMS

Recommendation (Sl. No. 16, Para No. 7.27)

30. The Committee had observed that DGMS, for want of adequate staff and field officers, had been unable to perform their statutory functions properly. The statutory Safety Audit required to be conducted every year, had not been undertaken for years together. Only those mines, which were potentially dangerous were subjected to inspection. The Committee were at a loss to understand the inability of undertaking mining inspection, which was so vital for a mining

operation. The Committee had, therefore, desired that need-based manpower to DGMS should be provided and at least one general inspection in a year be conducted, as required under the statute. For undertaking safety related functions, the Committee had recommended that the Mines Act, 1952, if needed, be suitably amended.

31. In their reply, the Government have *inter alia* stated that the complete general inspection of all coal mines are not possible every year with the existing strength of DGMS. However, these are completed every 3-4 years and every mine or part of it is inspected. DGMS undertake regular inspections of mines with more stress on hazardous mines based on risk analysis.

32. On the proposal for amendment of the Mines Act, 1952, the Committee have been informed that it is under consideration of the Ministry of Labour. In that proposal it has been suggested to include accredited Mining Auditor to undertake audit, consistent with the provisions of the Act and of the regulations, rules, by-laws and of any orders made thereunder, of safety, health and welfare measures in a mine or group of mines, and also conduct inquiry into an accident, if so desired by the owner or agent as the case may be, on their behalf. In the amendment it is being made mandatory on the part of management to get their mines audited by the mining auditors accredited by the Board of Accreditations. The service of ex-employees of DGMS may be utilised as mining Auditors.

33. The Committee take strong objection of not undertaking statutory inspection of all the mines in the country. The Committee do not concur with the views of the Government that "the complete general inspection of all coal mines are not possible every year with the existing strength of DGMS. However, these are completed every 3-4 years and every mine or part of it is inspected. DGMS undertake regular inspections of mines with more stress on hazardous mines based on risk analysis". It is in this context, the Committee would like to recommend that the Government should amend the Mines Act, 1952 providing for auditing of mines by Mine Auditors accredited to the Board of Accreditations. At the same time, the Committee would also stress that the proposed Cadre Review Scheme should be implemented without any further delay. The Committee are of the view that unless mines are inspected and certified as 'safe' no mining of coal should be undertaken. The Committee would like to be apprised of the action taken by the Government in this regard.

I. Implementation of Captive Mining Policy

Recommendation (Sl. No. 19, Para No. 8.7)

34. The Committee were unhappy at the reported deviations of the guidelines/policies in regard to captive mining by some of the entrepreneurs and recommended that all the captive mining blocks should be monitored closely. In the event of any deviation like unauthorised sale of coal for non-captive purpose, the matter should be investigated and appropriate action be taken thereon.

35. The Department of Coal in their reply have stated that captive mining blocks are allotted to public/private parties for specified end-users. The allottes are invariably required to develop the captive mining block in synchronization with the end-user plant. Thus, coal mined from the blocks allotted is meant for exclusive use in the captive plant for which the block has been allotted. Reported sale of coal from the block allotted without the captive plant having been set up is violative of law. As and when any instance of reported sale of coal in violation of law is brought to the notice of the Department of Coal, the matter is enquired into and appropriate action taken. For instance, for reported sale of coal by M/s. Central Collieries Company Limited from the captive mining block allotted for captive power generation, without the captive power plant having come up, was enquired into. At present, the entire matter relating to allegation of sale of coal, etc. or violation of the condition of exclusive use of coal in the power plant of the company, stands referred to the Revisional Authority in the Department of Coal for adjudication and passing of necessary orders.

36. The Committee have noted that there has been deviation of the policies/guidelines in regard to captive mining by some entrepreneurs. In this regard, an enquiry is being conducted by the Government for reported sale of coal by M/s. Central Colliery Company Limited which is alleged to have used captive mining block allotted for captive power generation, without the power plant having come up. The Committee also find that such incidents are enquired only when these are brought to the notice of the Department of Coal. It is in this context, the Committee would recommend that the Department of Coal should *suo moto* monitor the position closely and any violation of guidelines/policies in regard to captive mining be dealt with in accordance with the law.

J. Quality of R&D Projects in Coal Sector

Recommendation (Sl. No. 21, Para No. 10.8)

37. The Committee had taken note of status of Coal S&T Projects during the 9th Plan and had come to an irresistible conclusion that the pace of such projects was rather slow. There were as many as 45 ongoing projects and 30 projects would spill over to 10th Plan. The Committee were also constrained to note that the budgetary allocation for R&D and S&T projects remained unutilised for years. There were also huge mismatch between budgetary allocation at initial stage, revised estimate stage and also at actual utilization stage. In the opinion of the Committee, there was lack of concerted efforts on the part of the Department of Coal to ensure timely completion of the projects. The Committee had desired that the Government should review the process of planning, programming, budgeting and implementation of research projects, so that R&D/S&T projects were completed as per their schedule and become instruments to improve productivity. The Committee had also desired that the Government should play a proactive role in the application of funding of R&D works in different areas of coal industry. The Committee had found that R&D/S&T was not a thrust area of the Department of Coal and did not receive the attention, which it otherwise was entitled to.

38. In their reply, the Department of Coal have stated that during the IX plan period, a total of 56 coal S&T projects were approved and 48 projects were completed. During 2002-2003 upto May, 02 a total of four coal S&T projects have been approved. While it is true that pace of few coal S&T projects are slow, quite a large number of projects are progressing as per schedule. Coal S&T projects are sanctioned for a particular duration and depending upon the date of sanction and duration of the projects these may spill over to next plan period. Sheer number of spill over projects to next plan period does not indicate anything about effectiveness of R&D programme of other wise. Budgetary allocation for R&D and S&T projects remained unutilised for years mainly due to lack of quality projects and steps have been taken so that quality projects are received. Regular interactions are being held with academic & research institution for the same. Sufficient fund is available under coal S&T programme but expenditure is not upto the desirable level due to shortage of quality projects.

39. The Committee are distress to find that the budgetary allocation for R&D and S&T coal projects remained un-utilised for years together due to lack of quality projects in spite of repeated recommendations by the Committee to utilise the same. The Committee do not agree with the contention of the Government that quality projects are not coming up for funding. In fact, it is the

duty of the Department of Coal to identify the fields which need research for better mining and improve quality and quantity of coal instead of other people coming to the Department with research projects to get the funds. The Committee, therefore, recommend that immediate steps should be taken by the Department to identify such projects and Committee should be informed of the progress within 6 months.

K. Rationalisation of Freight

Recommendation (Sl. No. 23, Para No. 12.4)

40. The Committee had found that the share of rail transport, in carrying national cargo was 40% and remaining 60% was hauled by road. Further, 54% of all coal was transported by Rail and the contribution of Road, Merry Go Round (MGR), was 18% and 22%, respectively. Indian Railways earned more than 48% of their freight revenue from transportation of coal. Sadly, the Railways had resorted to cross-subsidisation of passenger fares and freight on other commodities, at the cost of Indian coal, thereby rendering domestic coal uncompetitive *vis-a-vis* imported coal. The Committee did not approve of cross-subsidsation of freight at the cost of Indian coal. The Committee while sharing the concern of Secretary (Coal) in pitching the freight of coal, very high, had recommended that the Government should rationalise the coal freight so as to ensure that all the commodities hauled by Indian Railways were subjected to uniform freight rates, irrespective of the distance and classification. At the same time, the committee had desired that the Government should consider the alternative economic means of transportation of coal, including the option of "coal slurry pipeline technology", in vogue in USA, for the transportation of coal. However, 'R&D', efforts were required to be pursued vigorously, for successful application of this proven technology within the country. The Committee had desired to be apprised of the action taken by the Government in this regard.

41. In their reply, the Department of Coal have stated that during 2001-02, the share of Rail in total dispatches of coal and coal products by CIL was 60% as against the share of Road, MGR & Belt/Rope which was 11.5%, 23.7% and 4.8% respectively. CIL has sought rationalization of freight charges by railways to enable coal sector to be competitive and cost effective through various forums and CIL advocates higher telescope benefit for higher distance slabs.

42. According to the Department of Coal, Railway budget for 2002-03 have considered marginal reduction of coal freight for distances in the range of 771 and 1375 kms. For distance slabs 1-770 kms. and 1376 kms. and above, there have been freight hikes at nominal levels.

43. The telescopic benefit for long-distance users of coal has reduced over the years, while the benefit has eroded marginally for smaller distance of 500 kms. (1.37 in 2002-03 as against 1.66 in 1983-84), for larger distance of 1500 kms, the reduction in telescopic benefit is steep (1.47 in 2002-03 as against 2.10 in 1983-84).

Telescopic Effect (T.E.) in Coal Freight

(freight based on per KM freight for 1st 100 kms. Slab)

Distance (kms.)	Freight as on 1.4.1983 (CL-95 Rs./Te)	TE	Freight as on 1.4.2002 (CL-130 Rs./Te)	TE
100	29.80	—	108.40	—
300	60.60	1.48	251.40	1.29
500	89.70	1.66	394.40	1.37
700	116.50	1.79	537.40	1.41
1000	156.70	1.90	751.90	1.44
1200	179.10	2.00	894.90	1.45
1500	212.70	2.10	1109.40	1.47
2000	257.40	2.32	1375.90	1.58

44. Compared to cost of coal per tonne, the Rail freight per tonne of coal is still high. At present, in the landed cost of thermal grade Indian Coal (Grade 'F' ROM Coal from Talcher Coalfield) at consumer end, Rail freight constitutes 70% at 500 kms. as against 45% at 500 kms. and 19% at 100 kms.

45. The Comments of the Ministry of Railways as regards to recommendation of the Committee on freights are as under:—

"It is to advise that the increase in freight rates for coal during the last five years period was lower than the increase in freight rates for other commodities such as Iron ore, Salt, Food grains etc. The increase in freight rates of Coal at its average lead of 597 kilometers during last 5 years as compared with increase in freight rates for other major-commodities hauled by—Indian Railways on the same lead is as under:—

Commodity	%age Increase in freight rates (1997-98 to 2002-03)
1	2
Cement	6%
HSD	8%

1	2
Coal	9%
Iron Ore	12%
Food grains	17%
Chemical Manures (Div. C)	88%
Edible Salt	132%

Since Coal constitutes 46.5% of Railways' total freight traffic and 44.83% of Railways' freight earnings (2001-02 RE); it is not possible for the Railways to reduce the freight rates of this important commodity so as to maintain the viability of the Railways. Further, the freight rates are based on the distance of transportation and the classification of the commodity, it would not be possible to have all the commodities at uniform rates."

46. In this context, the Ministry of Railways have also advised that uniform freight for all destinations can be provided only through a special funding mechanism by the concerned Ministry, which would compensate the Railways for the freight lost. Such a scheme was in existence for Steel traffic before de-regulation of Steel Industry.

47. The Committee are not convinced with the reasoning adduced by the Ministry of Railways in regard to rationalisation of tariff for hauling coal. Taking into consideration that the coal constitutes 46% of railways freight traffic and 44.83% of railways freight earnings come from transportation of coal, the Committee feel that there is a need to rationalise coal freight. The Committee had observed that the telescopic benefit for long distance users of coal has reduced over the years, while the benefit has eroded marginally for smaller distance of 500 kms. (1.37 in 2002-03 as against 1.66 in 1983-84), for larger distance of 1500 kms, the reduction in telescopic benefit is steep (1.47 in 2002-03 as against 2.10 in 1983-84). The Committee further find that compared to cost of coal per tonne, rail freight per tonne of coal is still higher. At present, the landed cost of thermal grade Indian Coal (Grade 'F' ROM Coal from Talcher Coalfield) at consumer end, Rail freight constitutes 70% at 500 kms. as against 45% at 500 kms. and 19% at 100 kms. On the one hand, the Department of Coal is proposing rationalisation of coal freight so as to compete with the imported coal, the Railway is opposing the move on the other hand. It is in this context, the Committee desire that the matter may be taken with the Cabinet Committee of

Economic Affairs so that an amicable solution to this problem may be arrived at. The Committee would like to be apprised of the action taken by the Government in this matter.

L. Amalgamation of Coal Subsidiaries

Recommendation (Sl. No. 27, Para No. 13.9)

48. The Committee were constrained to observe that the Government did not favour the amalgamation of all the coal subsidiaries. The Committee had desired the Government to be apprised them of the reasons, which weighed against merger of coal subsidiaries. The Committee were of the considered view that for the sake of improving the financial health of the coal sector and savings to accrue, amalgamation is a prerequisite. The Committee had been informed that CIL had commissioned a study by KPMG on the merger option for coal subsidiaries. The Committee were in agreement with the recommendations of KPMG report, which had unanimously recommended the merger of all the coal subsidiaries. The Committee had desired that the Government should reconsider their decision taking into consideration the report by KPMG and apprised them of the outcome thereof.

49. In their reply, the Department of Coal have stated that a proposal for amalgamation of all subsidiary companies was deliberated by a Group of Ministers headed by the Finance Minister on 22.10.2001. Consequent upon such deliberations, the Government have not favoured merging of the subsidiaries of CIL into one company, keeping in view the larger interest of efficiency, productivity and competition.

50. The Committee are not convinced with the views of the Government that the Government did not favour merging of all the subsidiaries of the Coal India Limited into one company keeping in view larger interest of efficiency, productivity and competition. Taking into consideration the threat from imported coal, there is a need to rejuvenate the coal industry. It is in this context, the Committee still feel that amalgamation is pre-requisite to improve the financial health of coal sector as it will help in saving taxes. Although, the Committee would like to know the reasons for non-implementation of KPMG Report, the Committee stress that the Government should reconsider their decision and merge all the subsidiaries of the Coal India Limited into one company.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 2.17)

The Committee are sad to note the unabated decline in Central Plan outlay of Department of Coal over the years. The Central Plan outlay of the Department which was Rs. 4647.81 crore, during 2000-01 at Budget Estimate stage, got reduced to Rs. 3335.83 crore. During the year 2001-02, the Plan outlay was Rs. 3937.15 crore, which was reduced to Rs. 3127.69 crore, at revised estimate stage. Now, for the year 2002-03, the Plan outlay has been pegged at Rs. 3491.47 crore, showing a declining trend, when compared to the projections and actuals noticed, since 1999. The reasons attributed for downsizing the Plan outlay of CIL, during 2000-01, such as sluggishness in coal demand by power sector, non-receipt from securitisation of SEBs dues, are hardly convincing. In the opinion of the Committee, these factors *i.e.* recession in power sector and outstanding dues, are not such, which the Department could not anticipate earlier. The reasons attributed for SCCL and NLC like non-procurement of equipment/machinery, deferring of some OCP due to delay in acquisition of forest land, delay in design support system and provision for depreciation on account of delay in commissioning of TPS-I project, etc. in some of the projects clearly show administrative slackness in execution of various projects on the part of the Department. The Committee have observed that whereas on one hand, the major coal/lignite projects are languishing for want of adequate funds, and on the other hand the scare resources, made available are not being expended prudently and judiciously. Constantly there has been substantial downsizing of plan outlay and the utilisation of such funds is far from satisfactory. The Committee, nevertheless, have come to an irresistible conclusion of faulty planning and execution machinery, in the Department of Coal, and other end-use Ministries. The Committee, therefore desired that the planning process should be made more realistic so that resources/funds are expended prudently. In this contest, the Committee recommend that the Government nominees on the Board of Directors in coal subsidiaries, including SCCL, should play a proactive role in the project-planning, formulation and implementation stages, so as to ensure that the budgetary allocations are projected on a realistic basis and utilised more meaningfully.

Reply of the Government

The Department of Coal, in the consultation with the Planning Commission and other end users (such as power, steel, cement etc. sectors) would take all due steps to make the Annual Plans as realistic as possible. The Government nominees on the Board of Directors in coal companies and Neyveli Lignite Corporation have been duly advised to play a proactive role in the project panning, formulation and implementation stages to ensure that the budgetary allocations are made on a realistic basis.

[Department of Coal O.M. No. 20011/1/2002-IF-Vol. III, Dated 23 October, 2002]

Comments of the Committee

(Please *see* Para 8 of Chapter I of the Report)

Recommendation (Sl. No. 2, Para No. 2.18)

The Committee have also observed that the projection of IEBR for various subsidiaries have been arrived at without taking into consideration the ground realities. Even in cases where a subsidiary failed to achieve even the reduced revised estimates targets for the next years have been placed at much higher level. This has resulted, in non-materialisation of targets, for all the Coal PSUs. In some cases one of the reasons stated for non-realisation of IEBR targets is the meeting of some unexpected expenditure like payment of wage arrears, etc. The Committee are not clear as to why such an expenditure, if met from the internal resources of the organization can from part of IEBR targets. The Committee desire that the Department should go into this aspect and do so if it is not against some rules/regulations of the Government budgeting. The Committee have time and again cautioned the Government to project a realistic and achievable IEBR targets, but to no avail. This practice of overpitching at BE stage then pruning down of such targets at RE stage and finally non-realisation of targets of even RE, have been in vogue, in the Department of Coal, since long. The Committee would like to reiterate their earlier recommendation on the subject and urge the Government to project only the realistic and achievable targets which will enable the planning mechanism to play a meaningful role in the economic development.

Reply of the Government

As per the rules of accounting, the internal resources form part of the Internal and Extra Budgetary Resources (IEBR) of the company. Since the expenditure like payment of wage arrears, etc. are met from the retained profits, the IEBR of the company automatically gets reduced. As mentioned in reply to recommendation serial No. 1 (para 2.17) the Government nominees on the Board of Directors of the coal PSUs and NLC have been duly advised to pay a proactive role to ensure that the budgetary allocation are made on a realistic basis.

[Department of Coal O.M. No. 20011/1/2002-IF-Vol. III,
Dated 23 October, 2002]

Recommendation (Sl. No. 3, Para No. 3.16)

The Committee have noted that coal demand projection exercise conducted for every Plan period by the Planning Commission for finalizing the demand for coal during that Plan. For this, different Working Groups from the concerned Ministries have come out with their estimates which are analysed and finalized by the Planning Commission after due consultation with the consumer and producers. Sadly, the experience of coal demand projections has revealed the there exist a substantial gap between projected demand and actual materialisation of demand in every Plan period. Materialization had varied from 85% to 90% of the projection, and as such the demand had always been projected on the higher side. Such a situation has persisted despite extensive mid-term reviews and adjustment undertaken from time-to-time. In the opinion of the Committee, the low level of demand materialisation is due to the methodology of forecasting of demand which is based on aggregation/end user method. The Committee, concur with the view of Secretary (Coal) that the projections by the Ministry of Power have been far higher than what has actually materialised. The Committee, therefore, recommend that the Ministry of Coal should prevail upon the Planning Commission to project realistic estimates based on the past experience so as to ensure materialization of projection and fructification of investment. The Committee also desire that the Department of Coal should check &

cross check the projections of end-users before making an investment decisions, etc. In the opinion of the Committee, this will facilitate the Ministry of Coal to plan their policies and programmes in meeting the demand.

Reply of the Government

The demand for coal is the derived demand. It is based on the joint assessment, made by the Department of Coal and the Planning Commission, after incorporating the requirement of various consumers/ sectors like power, cement, iron, steel etc. After assessment of the demand, the availability of coal from domestic sources is assessed. The Department has noted the recommendations of the Standing Committee of Energy for compliance in projecting the coal demand as realistically as possible. The advice of the Standing Committee of Energy has also been communicated to the Planning Commission.

[Department of Coal O.M. No. 20011/1/2002-IF-Vol. III, Dated 23 October, 2002]

Recommendation (Sl. No. 4, Para No. 3.17)

The Committee have observed that there is a tendency on the part of consuming sectors to project inflated demands, as they are not accountable for the final take-off. It is in this context that Committee would draw the attention of the Department of Coal towards Fuel Supply Agreement (FSA) between CIL and NTPC, whereunder penalty and bonus clauses exist which ensure better off-take. Such agreements were based on the principle of firm commitment for mutual performance, bearing liabilities for the failures. The Committee, therefore, recommend that the Government should devise a similar mechanism for ensuring transparency and accountability in projecting realistic estimates.

Reply of the Government

The coal companies namely CIL and SCCL have entered into Fuel Supply Agreements (FSAs) with most of the consumers, with penalty and bonus clauses to ensure better offtake and firm up commitment for mutual performance, which in turn ensure transparency and accountability in projecting realistic estimates. However many State owned power utilities are unwilling to enter into FSAs on account of their own internal financial problems and coal companies are enforcing "Cash and Carry" system wherever feasible.

Agreement based on the principle of firm commitment for mutual performance, bearing liabilities for the failures have been evolved and are being executed for other coal consuming segments also like Independent Power Producers Captive Power Plants, Cement Plants, Sponge Iron units and Non-core Sector.

[Department of Coal O.M. No. 20011/1/2002-IF-Vol. III, Dated 23 October, 2002]

Comments of the Committee

(Please *see* Para 11 of Chapter I of the Report).

Recommendation (Sl. No. 8, Para No. 4.21)

The Committee note that in pursuance of economic liberalization of the coal sector, Government have earmarked certain blocks for use for captive or private mining. However, the choice of the entrepreneur to invest in a block suitable for this purpose is limited, for want of adequate technology and techniques in the exploration of the deposits. This gap has been sought to be filled up by the detailed exploration of non-CIL blocks—by CMPDI, MECL and State Governments to give the private entrepreneur, a choice for exploiting block, for their own requirement. The Committee welcome this gesture of the Government and recommend that the detailed exploration in non-CIL blocks should continue on a long-term basis, so that a shelf of Detailed Geological Reports (DGR) is available to an entrepreneur, to choose from. However, Government should realize the expenditure incurred on undertaking detailed exploration in non-CIL blocks, from the private entrepreneur, on cost basis.

Reply of the Government

Sub-Group-II on Coal and Lignite Exploration for Formulation of 10th Plan have recommended the scheme of Detailed Exploration Non-CIL blocks to be continued in 10th Plan. It has been proposed to conduct Detailed Exploration in 18 Non-CIL blocks by exploratory drilling of 2.13 lakh metres at an estimated cost of Rs. 70.66 crores. With the proposed Detailed Exploration in non-CIL blocks during 10th Plan, about 3.65 Bt. of coal reserves will be brought under 'Proved' category of which about 2.65 Bt. opencastable potential, 0.70 Bt. underground potential and remaining 0.30 Bt. mixed opencast and underground potential.

It is proposed to allocate such blocks, where exploration will be completed and GRs prepared, to private parties interested in developing their captive mining blocks. It is perceived that when Non-CIL blocks are allotted to the private entrepreneurs for mining, cost of exploration and GR will be recovered from them.

[Department of Coal O.M. No. 20011/1/2002-IF-Vol. III, Dated 23 October, 2002]

Recommendation (Sl. No. 9, Para No. 4.22)

The Committee have noted that only 37.3% of coal reserve is under 'proved' category and remaining 46.7% and 16% are under 'indicated' and 'inferred' category, respectively. Of these, 63% occurs at depth of 0-300 mts., 24% between 300 and 600 mts. and 13% between 600 and 1200 mts. In the opinion of the Committee, the current pace of detailed exploration of about 2 lakh mts./annum, which upgrade 2-3 billion tones of coal resources from indicated/inferred to 'proved' category, will not be sufficient to meet the future demand of coal. The Committee, therefore, recommend that Government should step up their pace of detailed exploration with adequate Budgetary resources, both for CIL and non-CIL blocks, so as to bolster their inventory of 'proved' category of coal resources. In view of low availability of superior grade (A, B, C) of coal resources and depleting resources in existing mines, it becomes all the more essential to step up exploration efforts on proving superior grade coal resources within a depth of 300 mts. This will not only provide replacement of exhausting mines in future but also ensure gainful deployment of manpower in these mines. The Committee would like to be apprised of the action taken by the Government in this regard.

Reply of the Government

(i) Pace of Exploration

Of the total coal reserves of 234.11 Bt. as on 1.1.2002 in the country, 87.32 Bt. (37.3%) are in the 'Proved' category, 109.38Bt(46.7%) in 'Indicated' category and 37.41 Bt. (15.98%) are in 'Inferred' category.

Of the total coal reserves of 145.44 Bt. excluding Jharia coalfield, fall in the depth range of 0-300 mts., of which 65.91 Bt. (45.3%) are in 'Proved' category and the remaining 79.53 Bt. are in 'Indicated' and 'Inferred' categories. Exploration efforts are required to bring reserves in indicated/inferred categories to proved category in the depth range of 0-300 m, considering economics of mining and priority of the blocks.

The budgetary support for Detailed Exploration in CIL blocks is provided by the subsidiary companies of CIL and by SCCL for SCCL areas. Detailed Exploration in Non-CIL blocks is supported by the Government.

The selection of blocks for taking up Detailed Exploration is done in consultation with the coal producing companies considering the requirement of production in the coming years. Blocks so selected should be economically viable for mining. All such blocks, which are not economically viable in view of present day technology, have lower order of priority for exploration. The Detailed Exploration efforts, therefore, are primarily targeted for economically viable blocks having coal reserves in the depth range of 0-300 mts.

As per the assessment, by the Sub-Group-II on Coal and Lignite Exploration for Formulation of 10th Plan, the exploration for meeting the requirement of 10th Plan production has been completed with an extra production potential created to take care of the production needs of 11th Plan. The Detailed Exploration undertaken in CIL areas during 9th Plan will not only meet the 9th Plan production requirement fully but will also enable additional production capacity for succeeding areas. The production demand on CIL for the 12th Plan period is not yet firmed up. However, the Detailed Exploration in CIL areas during 10th Plan will meet the production requirement of 12th Plan.

The current pace of Regional and Detailed Exploration for coal is satisfactory and it can be accelerated only if a sudden jump in production of coal is envisaged in 10th/12th and subsequent Plan periods than currently projected.

(ii) Exploration for Superior Grade Coal

In view of the low availability of superior grade coal resource sand depleting resources in the existing mines having superior grade coal reserves, Regional/Promotional Exploration efforts during 10th Plan are targeted to establish superior grade coal resources in Raniganj, Jharia, East Bokaro, South Karanpura, Wardha Valley, Pench Valley, Sonhat, Hasdo-Arand, Tatapani-Ramkola, Korba, Sohagpur, Singrauli, Talcher, IB Valley and Godavari Valley coalfields.

Detailed Exploration for establishing superior grade coal reserves during 10th Plan is targeted in Raniganj, West Bokaro, Ramgarh, South Karanpura, Wardha Valley, Umrer, Bander, Pench-Kanhan, Korba, Bisrampur, Sohagpur, Lakhanpur and Sendurgarh coalfields.

[Department of Coal O.M. No. 20011/1/2002-IF-Vol. III, Dated 23 October, 2002]

Recommendation (Sl. No. 13, Para No. 6.9)

The Committee have taken note of the inability of CIL and its subsidiaries in expanding their existing equipments and machineries for want of adequate resources. In this context, the Committee would like CIL to examine the necessity of undertaking wet or dry leasing of equipments and machinery, without incurring heavy investment. The Committee would like to be apprised of the action taken thereof.

Reply of the Government

CIL is exploring the possibility for dry or wet leasing of equipment wherever possible and accordingly some new projects have also been identified. A Core Group has been formed headed by Chief General Manager (WBP), CIL for this purpose.

[Department of Coal O.M. No. 20011/1/2002-IF-Vol. III, Dated 23 October, 2002]

Comments of the Committee

(Please *see* Para 21 of Chapter I of the Report).

Recommendation (Sl. No. 14, Para No. 7.25)

The Committee are constrained to note that the Coal India Limited (CIL) has been unable to utilize its budgetary allocation on safety related activities. For instance, as against the budgetary allocation of Rs. 353.42 crore during 2000-01 the expenditure was only Rs. 292.20 crore. Strangely, the main reason attributed for non-utilization of budgetary allocation was the inability to import the safety related equipments as they were not approved by DGMS, being not conforming to BIS standards. The Committee do not approve of such a sordid action on the part of the department of Coal especially, in the matter of safety. The Committee would like to emphasize that bureaucratic delays should not be a cause for under-achievement in safety related activities. The Committee while recommending that the Government should take a proactive role so as to expend the budgetary allocation also desire that the Government should strengthen their safety apparatus in coal mines. The Committee find that lack of ventilation facility is one of the grave and potential source for a mine accident in underground mine. The Committee recommend that in the interest of Safety, proper care should be taken to ensure this facility.

Reply of the Government (Department of Coal)

(i) The utilization of the Safety Budget under the capital head is sometimes delayed as many safety items have to be procured from abroad through global tender since items are not manufactured indigenously. Moreover, many safety items have to have DGMS's approval and conforms to BIS specification. Sometimes DGMS grants provisional approval for certain safety items for some period. Such procurement action through global tender is time taking and sometimes the DGMS approval lapses and the procurement action gets delayed. As such utilization of the capital budget for Safety & Rescue suffers due to above constraints.

(ii) Facility for ventilation is provided in every underground mine.

[Department of Coal, O.M. No. 20011/1/2002-IF/Vol. III, dated 23.10.2002]

Reply of the Government (Ministry of Labour)

It is not correct that the main reason for non-utilization of budgetary allocation to Coal Indian Ltd. was on account of the fact that the safety related equipments to be imported were not approved by the DGMS. DGMS has been authorized under different provisions of Coal Mines Regulations, 1957 to grant approval for the safety equipments. The Coal India Ltd. has to obtain the approval of DGMS for FLP/intrinsically safe equipment, power, cable, power support, different types of hydraulic hoses and hydraulic oil etc. for use in mines. DGMS has laid down definite policy for the approval of imported equipments for mines. The imported equipments are required to be tested at Indian Laboratory/Test House as per prevailing BIS Standard, and if such BIS Standard is not available for certain equipment, the same is tested as per the standard of the country of origin for DGMS approval. The DGMS ensures speedy approval of the equipments provided the test report and relevant documents are submitted correctly.

During the course of inspection by the officers of DGMS, deficiency in ventilation have been noticed on a number of occasions and suitable action including pointing out contravention(s), issue of improvement notice etc. are taken.

[Ministry of Labour O.M. No. H-11013/5/2002-ISH-II dated 8.8.2002]

Comments of the Committee

(Please *see* Para 24 of Chapter I of the Report.)

Recommendation (Sl. No. 15, Para No. 7.26)

The Committee have noted that in spite of various statutory provisions requiring compliance with safety measures, on a mine being closed, illegal mining activities, were on the rise. At times, despite mining lease vesting in CIL, the land was encroached upon. A number of times, these illegal mining activities had led to big mining accidents for which it becomes difficult to fix responsibility. The Committee had recommend that CIL and their subsidiaries should step up their enforcement machinery to curb such illegal activities. The Committee would like be apprised of cases of illegal mining activities and follow-up action taken in such cases. The Committee have observed that a close supervision of closed/abandoned mine is not undertaken. The Committee recommend that in the interest of safety, such supervision should be initiated even in cases, where the land belongs to someone else, but the mining lease vested with CIL. The Committee also desire that CIL should constitute a Committee to examine the re-engineering of the suspended/closed mines. The mines which are techno-economically viable should be reactivated.

Reply of the Government

(i) The following steps are being taken by CIL and its subsidiaries to curb the illegal mining:

— Intelligence collection

— Dozing off and filling up illegal mining sites wherever possible

— Erection of fencing/walls in abandoned/disused workings, drowning of old abandoned workings.

— Round the clock patrolling by own security personnel/CISF, surprise checks/raids of illegal mining sites.

— Cases of illegal mining are reported to district Administration.

— Whenever illegal mined coal and implements of illegal mining are seized during the course of raids, the same are handed over to the police and FIRs are lodged.

— Close liaison is kept with District and State Authority seeking their help & co-operation in curbing illegal mining.

(ii) A District Level Joint Monitoring Committee had already been constituted in West Bengal by the Governor *vide* Gazette Notification No. 1056-M/CI/D dated 24/12/98. The issue has been discussed by Minister of Coal & Mines with Chief Minister of West Bengal on 5/11/2001.

(iii) As illegal mining activities are carried out stealthily and clandestinely, it is not possible to assess exactly the No. of illegal mining sites, quantity pilfered, etc. However, as a result of surprise check/routine patrolling, illegal mining cases have been noticed which have been reported to the local police station in the form of FIRs. The details for the year 2001-02 (Provisional) are as under:

Company	State	No. of cases	No. of FIRs	No. of Arrests	Coal seized (Tonnes)
ECL	W.B.	742	138	80	5653
	Jharkhand	4	3	—	26
BCCL	W.B.				
	Jharkhand	6	6	9	10.75
CCL	Jharkhand	61	61	7	437.3
WCL	MP	4	4	6	79
	Maharashtra	—	—	—	—
SECL	MP	1	1	—	—
	Chhattisgarh	2	2	2	—
NEC	Assam	1	1	—	—

(iv) Major reasons for closure of mines in CIL are:

— Exhaustion of mineable reserves

— Safety consideration

— Fire/Inundation

— Techno-economic unviability

It is not possible to re-open the closed mines at present due to above said reasons.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Comments of the Committee

(Please *see* Para 29 of Chapter I of the Report)

Recommendation (Sl. No. 17, Para No. 7.28)

The Committee have observed that presently there is no Act in the country to regulate the mine closure plan and its implementation. Under the present practice, the closure operation is undertaken, at the end of project cycle. The operation is generally a failure on account of lack of funds, technical expertise and poor implementation of planning system. The primary aim of mine closure plan is to ensure that decommissioning of mine and associated rehabilitation are successfully achieved. However, this is seldom met. The Committee, therefore, recommend that comprehensive rules and regulations of mine closure plan should immediately be laid down by DGMS if this not already done.

Reply of the Government (Department of Coal)

Mines Act, 1952 and the subordinate legislations framed there under are dealing with safety, health and welfare of persons employed in mines. Before a mine is closed/abandoned, mine plans and sections showing some particular details are required to be submitted by management of DGMS. On scrutinizing such plans and sections management is asked to do such protective work either on surface or underground as required for the purpose of safety.

The matters of rehabilitation do not come under the purview of the Mines Act, 1952.

[Department of Coal O.M. No. 23011/1/2002-IF/Vol. III dated 23.10.2002]

Reply of the Government (Ministry of Labour)

The Mines Act, 1952 and the subordinate legislations framed there under are dealing with safety, health and welfare of persons employed in mines. Before a mine is closed/abandoned, mine plans and sections (showing some particular details) are required to be submitted by management to DGMS. On scrutinizing such plans and sections management is asked to do such protective work either on surface or underground as required for the purpose of safety.

The matters of rehabilitation do not come under the purview of the Mines Act, 1952.

[Ministry of Labour O.M. No. H-11013/5/2002-ISH-II
Dated 8.8.2002]

Recommendation (Sl. No. 18, Para No. 8.6)

The Committee find that 121 coal mining blocks/sub-blocks under the jurisdiction of CIL and another 7 SCCL's blocks have been identified for mining for specified end use. However, only 27 blocks at present stand allotted to various parties and of them only 3 have commenced production. The Committee do not approve of the inordinate delay in the development of the coal mine blocks allotted to various parties. The Committee desire that the Government should ensure that all the entrepreneurs commence production in terms of the rules/status framed for the purpose. The Committee recommend that the Government should not grant extension of time; as a matter of routine. The Committee, at the same time, recommend that the government should review the allotment of 27 blocks afresh by an enlarged and upgraded Screening Committee under the Chairmanship of Secretary, Coal. The allotment of blocks to recalcitrant parties should be canceled forthwith. The Committee also consider on merits the allocation of the remaining blocks to the prospective entrepreneurs.

Reply of the Government

The Screening Committee on whose recommendation coal blocks are allotted for specified end uses, periodically reviews the status of development of coal block allotted as also of setting up of the associated captive plant. Whenever the delay in development of the coal block is found to be for genuine reasons, extension of time is granted to complete such formalities as the intention of the Govt. is to help the parties to develop the block as also the associated captive plant expeditiously and in synchronization with each other. In cases where lack of interest is evident, Screening Committee does not refrain from recommending cancellation of the block. In the past six coal blocks allotted to various parties had been cancelled. Such an action taken by the Govt. on the recommendation of the Screening Committee after due review is a clear signal that coal blocks allotted for specified end use cannot be chosen to be retained by the parties for an indefinite period without valid grounds and can be summarily cancelled by the Govt.

[Department of Coal O.M. No. 23011/1/2002-IF/Vol. III dated 23.10.2002].

Recommendation (Sl. No. 19, Para No. 8.7)

The Committee are unhappy at the reported deviations of the guidelines/policies in regard to captive mining by some of the entrepreneurs and recommend that all the captive mining blocks should be monitored closely. In the event of any deviation like unauthorized sale of coal for non-captive purpose, the matter should be investigated and appropriate action be taken thereon.

Reply of the Government

Captive mining blocks are allotted to public/private parties for specified end-uses. The allottees are invariably required to develop the captive mining block in synchronization with the end-use plant. Thus, coal mined from the blocks allotted is meant for exclusive use in the captive plant for which the block has been allotted. Reported sale of coal from the block allotted without the captive plant having been set up is violative of law. As and when any instance of reported sale of coal in violation of law is brought to the notice of the Department of Coal, the matter is enquired into and appropriate action taken. For instance, for reported sale of coal by M/s. Central Collieries Company Limited from the captive mining block allotted for captive power generation, without the captive power plant having come up, was inquired into. At present the entire matter relating to allegation of sale of coal etc. or violation of the condition of exclusive use of coal in the power plant of the company, stands referred to the Regional Authority functioning in the Department of Coal for adjudication and passing of necessary orders.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Comments of the Committee

(Please *see* Para 36 of Chapter I of the Report).

Recommendation (Sl. No. 20, Para No. 9.10)

The Committee find that 30 schemes were approved under Environmental Measure and Subsidence Control' since their inception during 1996-97. There were as many as 10 schemes for environmental measures, 18 for subsidence control and another 2 under social mitigation. Sadly, only two schemes under environmental measures and 11-under subsidence control have been completed leaving 17 schemes, which are yet to be completed. As against approved cost of Rs. 124.47 crore only a sum of Rs. 41.74 crore has been disbursed for running these schemes. There have also been wide variations between revised estimates and utilization of budgetary allocation, since 1999-2000 for these schemes. The Committee are concerned to note the slow pace of progress of these schemes and that there have been severe deficiencies in the planning and formulation of such schemes They desire that the Government should review all the ongoing schemes, priorities them and implement them expeditiously. The Committee would like to be apprised of the reasons of mismatch between RE and utilization of funds allotted for these schemes. The Committee have been informed that there has been large-scale under-utilization of the earmarked budget for undertaking subsidence work in Jharia and Raniganj coalfields. The Committee would like to be apprised of the reasons and corrective action to be taken thereon. The Committee desire that the Government should view the fire and subsidence issues a national problem and take remedial actions on war-footing. The Committee are concerned to observe that some villages have been declared as unsafe in Raniganj and Jharia coalfields. However, no action has been taken for the rehabilitation of villages. The Committee desire that immediate steps should be taken for the rehabilitation of such villages.

Reply of the Government

(i) The fund allocation for the EMSC schemes has started from the last financial year of the VIII Plan i.e. from 1996-97. The details of the fund allocation as per R.E. for the year and fund utilization is given as under:

(Fig. in Rs. Crores)

Sl.No.	Item	VII Plan	IX Plan		Total
		1996-97	1997-98 to 2000-01	2001	
1.	Fund allocated (as per RE)	5	36.63	11.30(4.06 for EMSC and 7.24 for RCFS)	52.93
2.	Fund utilisation	5	25.15	12.55	42.70

From the above utilization figures, it will be seen that against allotment of Rs. 52.93 crores from 1996-97 till the year 2001-02, Rs. 42.70 crores have been utilized till March, 2002. This works out to utilization percentage of approximately 80.67%.

(ii) Two demonstration schemes for shifting of people from most endangered areas have been taken up under Social Mitigation—one at BCCL & other at ECL. Scheme for BCCL envisaged shifting of 4600 houses (1500BCCL & 3100 Non-BCCL) as against 1500 BCCL houses, construction for 344 houses have been taken up, 80 house shave been completed and balance 264 houses are under different stages of construction. For construction of houses for Non-BCCL personnel, State Govt. is taking necessary actions. This scheme has been revised and revised proposal will be approved shortly.

Scheme for ECL envisaged rehabilitation of four villages viz. Samdi, Harispur, Kenda and Refugee Basti. However, rehabilitation is yet to take off due to differential attitudes of villagers. High Level Committee meeting was held in March, 2002 and Committee has requested District Officials to take necessary steps for early rehabilitation.

[Department of Coal O.M. No. 23011/1/2002-IF/Vol. III dated 23.10.2002]

Recommendation (Sl. No. 21, Para No. 10.8)

The Committee had taken note of status of Coal S&T Projects during the 9th Plan and had come to an irresistible conclusion that the pace of such projects is rather slow. There are as many as 45 ongoing projects and 30 projects may spill over to 10th Plan. The Committee are also constrained to note that the budgetary allocation for R&D and S&T projects remained unutilised for years. There were also huge mismatches between budgetary allocation at initial stage, revised estimate stage and also at actual utilization stage. The budgetary allocation of Rs. 11.70 crore during 2001-02 was drastically reduced to Rs. 0.17 crore since the R&D project could not commence on account of high quotation received for the purpose. In the opinion of the Committee, there is lack of concerted efforts on the part of the Department of Coal to ensure timely completion of the projects. The Committee desire that the Government should review the process of planning, programming, budgeting and implementation of research projects, so that R&D/S&T projects are completed as per their schedule and become instruments to improve productivity. The Committee also desired that the Government should play a proactive role in the application of funding of R&D works in different areas of coal industry. This may improve the production, productivity, beneficiation and utilization of coal. The Committee, therefore, desire that such works should be undertaken on a large scale so that the fruit of R&D/S&T projects are enjoyed across the country. The Committee find that R&D/S&T is not a thrust area of the Department of Coal and does not receive the attention, which it otherwise is entitled to. The Committee further note the inadequacy of budgetary allocation for R&D/S&T projects. The Committee are of the considered view the R&D plays a pivotal and vital role in the development and prosperity of the coal sector. The Committee, therefore, recommend that the Government should step up their investment on R&D projects and at least 1% of the total outlay of the Department of Coal should be earmarked for this sector.

Reply of the Government

During the IX Plan period a total of 56 coal S&T projects were approved and 48 projects were completed. Year-wise project approved and completed are shown below:

Sl.No.	Year	Projects approved	Projects completed
1.	1997-98	08	11
2.	1998-99	04	05
3.	1999-2000	19	15
4.	2000-2001	13	11
5.	2001-2002	12	06
	Total	56	48

During 2002-03 upto May, 02 a total of four coal S&T projects have been approved.

While it is true that pace of few coal S&T projects are slow, quite a large number of projects are progressing as per schedule.

Coal S&T projects are sanctioned for a particular duration and depending upon the date of sanction and duration of the projects these may spill over to next plan period. Sheer number of spill over projects to next plan period does not indicate anything about effectiveness of R&D programme or otherwise.

Budgetary allocation for R&D and S&T projects remained unutilised for years mainly due to lack of quality projects and steps have been taken so that quality projects are received. Regular interactions are being held with academic & research institution for the same.

A BE provision of Rs. 11.70 crores was made for 01-02 for coal S&T programme which was subsequently reduced to Rs. 0.17 crores at RE stage as the Project titled "beneficiation of low volatile medium coking coal through establishment of washery at Golukdih" could not be started due to high quotation received against the tender for establishment of washery necessitating revision of the cost of the project.

Since sufficient fund was available mainly due to refund from terminated coal S&T project "Introduction of Shortfall mining in Borachak seam of Chinakuri mine No. III of ECL" this fund was utilized during 01-02 against coal S&T programme and fresh fund was not requisitioned from Ministry of Coal. Fund available due to refund from other projects was utilized.

The total disbursement during 01-02 was Rs. 8.20 crores which is more than the RE provision of 01-02 of S&T programme of Ministry of Coal.

Sufficient fund is available under coal S&T programme but expenditure is not upto the desirable level due to shortage of quality projects.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Comments of the Committee

(Please *see* Para 39 of Chapter I of the Report)

Recommendation (Sl. No. 22, Para No. 11.10)

The Committee are concerned to note that the outstanding dues of Coal PSUs amounts to more than Rs. 10,000 crore. The Committee are of the firm view that such outstanding have deleterious impact on the bottom-lines of coal subsidiaries and will constrain the development of coal and lignite sectors. It is in this context that the Committee welcome the acceptance of Ahluwalia Committee Report on onetime settlement of outstanding dues by the Government. Almost, all the defaulting States have agreed in principle for securitisation of dues, except the Governments of Bihar and Madhya Pradesh who have expressed their reservation for want of apportionment of assets and liabilities between them ad the newly carved States of Jharkhand and Chattisgarh. The Committee hope and trust that approtionment of assets and liabilities between the parent States and the newly formed States would be resolved soon and amicably. The Committee would also like to point out that the outstanding dues once liquidated should be appropriated exclusively for the development of coal and lignite projects which have been languishing for years together on account of funds consultant and not for meeting contingencies on account of any administrative wage revision or payment of arrears or like matter. The Committee desire that the Government should ensure that coal subsidiaries are run on commercial lines and on the principle of 'cash and carry' basis. The Government should also ensure that in future none of the utilities default on account of any payment.

Action Taken Report

The coal sale outstanding dues of CIL during the year 01-02 have been reduced to the extent of Rs. 307 crores (Rs. 6845 crores as on 1.4.01 and Rs. 6538 crores as on 31.03.02). Considering the high coal sale outstanding dues of power sector (Rs. 5912 crores as on 31.3.02), Govt. has introduced a scheme for securitisation of coal sale dues of SEBs under State Govts. under which the State Govt.s shall issue bonds guaranteed by RBI for the coal sale dues of SEBs for the period upto 30.9.01.

On reconciliation, CIL subsidiaries have recently recommended securitisation of principal coal sale dues of Rs. 1704.77 crores. In addition CIL subsidiaries have also earmarked Rs. 260.21 crores for securitisation being the 40% of the admitted interest on such principal dues admitted by SEBs.

The Fuel Supply Agreements presently in operation with the SEBs expire on 31st May, 2002. CIL is association with Central Electricity Authority has made a model fuel supply agreement to be made operative during the period commencing from 1.06.2002 and onwards it has been ensured in the above FSA, that the payments terms are in the commercial lines and is based on the principle of "Cash and Carry" basis.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Recommendation (Sl. No. 26, Para No. 13.8)

The Committee have observed that theft and pilferage of coal and illegal mining activities are depriving the subsidiaries of a huge resources, especially in ECL & BCCL. In the opinion of the Committee, the prevalent corruption needs to be nipped in the bud. In this context, the Committee recommended that the Management of coal subsidiaries and local administration should make joint efforts to check the malpractice prevailing in the industry. The Committee would like to be apprised of the outcome thereof.

Reply of the Government

Illegal mining activities are carried out clandestinely. Illegal mining activities take place mostly from abandoned/closed/disused mines or from outcrop region while theft of coal takes place from coal depots, wagons/sidings etc.

In order to curb the menace, coal companies keep close liaison with local administration/district authority seeking their help and cooperation. Joint raids are also conducted. The issue of illegal mining and theft of coal was discussed by Minister of Coal and Mines with Chief Minister of West Bengal on 5.11.2001. In BCCL also, meetings with District authorities are being held regularly.

Coal Companies are also taking the following steps to curb illegal mining and theft/pilferage of coal as given below:

(i) Collection of intelligence reports about illegal coal depots and illegal movement of coal and informing district authorities of the same for taking preventive action.

(ii) Round the clock patrolling by own security force and Central Industrial Security Force.

(iii) Installation of check-posts at vulnerable points to check transport documents.

(iv) Construction of watch-towers and providing lighting arrangements around the coal stacking area.

(v) Erection of barbed-wire/wall fencing around pithead depots, static security manning including deployment of armed guards during the night hours.

(vi) Escorting of loaded rakes upto railway weighbridges by armed guards and joint patrolling with Railway Protection Force (RPF) in the long railways tracks which are prone to wagon looting.

(vii) Sealing of illegal mining spots.

(viii) Stringent action against transport vehicles caught in the act of theft or pilferage.

(ix) Engagement of lady security guards for preventing women and children indulging in theft/pilferage of coal, strengthening of the security discipline by reassessing the requirement of security personnel, horizontal movement of executives with aptitude for security work and inducting qualified security personnel at junior, middle and senior levels.

(x) Training of existing security personnel, refresher training of CISF personnel and basic training to new recruits in security discipline for strengthening the security set up.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Recommendation (Sl. No. 28, Para No. 14.7)

The Committee note that in spite of incurring an expenditure of Rs. 43.09 crore on Barsingsar Lignite-cum-Power project (2 x 120 MW) it is still under negotiations. The Committee would like to recall that the project was sanctioned in April, 1991 at an estimated cost of Rs. 828.04 crore. But, due to fund constraint the project could not proceed further. As a result, it was handed over to private developers by the Government of Rajasthan. The Committee note that even the private developers failed to start the project in spite of allotment of land by Rajasthan Government. It is understood that the Government of Rajasthan has now canceled the contract with private developers. The Committee, further, note that the Department of Coal and Neyveli Lignite Corporation (NLC) is keen to develop the project themselves. Accordingly, Rs. 1.75 crore has been provided as Plan outlay for preparation of Feasibility Report and other advance actions. A sum of Rs. 65.00 crore has been provided for in the budget estimates 2002-03 for Plan outlay towards Mine and Thermal Power Station at Barsingsar in Rajasthan. The Committee are constrained to note that all the statutory clearances accorded to NLC earlier will have to be obtained afresh. The Committee desire that budgetary allocation for preparation of Feasibility Report and Plan outlay towards mine and thermal power plant should be gainfully utilised and not downsized at RE stage. Accordingly, adequate steps should be taken in time in this regard. The Committee also recommend that the project should be executed expeditiously and statutory clearances and other issues like Power Purchase Agreement (PPA) should be entered into expeditiously.

Reply of the Government

A tripartite Memorandum of Understanding (MOU) to develop a lignite based Thermal Power Station of 250 MW (2 x 125 MW) capacity linked to a proposed lignite mine of 2.1 million Tonnes per annum capacity at Barsingsar in Bikaner District of Rjasthan between Government of Rajasthan, Ministry of Coal & Mines (Deptt. of Coal) and Neyveli Lignite Corporation Limited (NLC) has been signed. The

Feasibility Reports for both the projects duly approved by Board of Directors of Neyveli Lignite Corporation Limited (NLC) were considered by the Government in an Inter-Ministerial Group meeting held in July, 2002. NLC is in the process of obtaining statutory clearances from various appraising agencies and has also been taking action for preparation of Power Purchase Agreement.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Recommendation (Sl. No. 29, Para No. 14.8)

The Committee have also noted that NLC proposed to take up Chennai Petroleum Corporation refinery residue based power project at Chennai. A sum of Rs. 21.00 crore has already been provided for the project. The Committee desire that NLC should take up this and other pending projects at the earliest. The Committee have observed that the authorised capital of NLC is Rs. 2000 crore and paid up capital is Rs. 1677.71 crore. The company is making profits and reserves and surplus as on 31.3.2001 stands at Rs. 3291.59 crore. Taking into consideration the sound financial position of the company, the Committee hope that the project should be completed as per schedule and recommend that NLC should also ensure all necessary clearances, etc. for the project to avoid cost and time overruns. The Committee have observed that Govt. have disinvested to the tune of Rs. 108 crore in favour of Financial Institutions, mutual funds and employees. The Committee recommend that in case of any further disinvestment, it should be in favour of employees so that additional resources generated could be utilised for future projects.

Reply of the Government

Expression of Intentions (EoI) between Chennai Petroleum Corporation Limited (CPCL) and NLC has been signed. Action is also in hand by NLC for upgrading the detailed Feasibility Report (DFR). After finalisation of DFR and fixing of VIS-TAR (the main feed stock to the power plant) price, the detailed proposal will be placed before the NLC Board for consideration. Subsequent to the Board approval, NLC will further proceed for obtaining necessary clearances.

As regards further disinvestment in favour of employees, the recommendation of the Committee will be taken into consideration in case of any further disinvestment.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

CHAPTER III

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

Recommendation (Sl. No. 6, Para No. 4.19)

The Committee have noted that the aerial exploration over the years have revealed that there exist Coalfield Basin area to the tune of 49,600 Sq. Km. The potential coal bearing Basin area is around 22,428 Sq. Km. But so far only 10,2000 Sq. Km. have been covered by Regional/Promotional Exploration and another 4,853 Sq. Km. through Detailed Exploration, leaving a huge area a yet to be explored. The Committee, recommend that Government should formulate a strategy/action plan, to explore the remaining potential area and provide adequate Budgetary support, for the purpose. The Committee would like the Government to apprise them of the action plan and means to achieve the same. The Committee note that the best grade of coal is available in Jharia and Raniganj Coalfields. Unfortunately, sufficient exploration is not being undertaken specially in ECL/BCCL areas. The Committee recommend that sufficient exploration should be undertaken and adequate budgetary support be provided for the purpose.

Reply of the Government

(i) Exploration Coverage

The programme of Regional/Promotional and Detailed Exploration for Coal and Lignite is formulated for every plan-period by the concerned Sub-Group of the Main Working Group on Coal and Lignite. The Sub-Group identifies potential coal and lignite bearing areas, assess the requirement of exploratory drilling and other exploration surveys and suggest adequate budgetary support for the plan-period, keeping in view the requirement of Regional/Detailed Exploration commensurate with the programme of production of coal and lignite in the current and subsequent plan-periods and the likelihood of locating economically mineable coal deposits.

Sub-Group-II on Coal and Lignite Exploration and Coal Bed Methane for formulation of X Plan (2002-07) have assessed and formulated the programme of exploration during X Plan as given at Annexure-I. It is proposed to cover an area of about 2348 sq. km. by Regional/Promotional Exploration in coal and about 5155 sq. km. in lignite. Exploratory drilling of about 5.13 lakh mts. in coal and 2.92 lakh mts. in lignite has been proposed to be conducted under Regional/ Promotional Exploration programmes during X Plan.

It is also proposed to cover an area of about 869 sq. km. under the programme of Detailed Exploration of coal in CIL, Non-CIL and SCCL areas by conducting about 11.93 lakh mts. of exploratory drilling under this programme. Similarly, about 3.69 lakh mts. of exploratory drilling has been proposed in lignite areas under Detailed Exploration programme.

In addition to the above, about 3.05 lakh mts. of drilling has been envisaged under the programme of Development Exploration in CIL, SCCL, NLC and other areas.

(ii) Exploration in Raniganj Coal field

Jharia and Raniganj coalfields contain superior quality cooking and non-cooking coals. As per the National Coal Inventory by GSI, as on 1.1.02, Raniganj Coalfields has 24.53 Bt. of reserves of which 13.34 Bt. (54%) occur in 0-300 m depth range, 7.57 (Bt. (31%) in 300-600 m depth and the remaining 3.62 Bt. (15%) in 600-1200 m depth range. Of the 13.34 Bt. reserve occurring in 0-300 m depth, 1060 Bt. (79%) are in 'Proved' category. It shows that fairly large coverage by Detailed exploration has been given to the coal reserves occurring in the economically mineable depth range. While Regional/Promotional Exploration can target areas having reserves beyond 300m/600m depth. Detailed Exploration efforts in these depth horizons are primarily guided by the economics of the deposit and production requirement of the coal company.

During X Plan, in Raniganj coalfield, exploratory drilling of 15,500 mts. has been proposed in an area of about 80 sq. km. under Regional exploration programme and 92,500 mts. of exploratory drilling under Detailed Exploration programme covering an area of about 70 sq. km. Detailed Exploration in Raniganj coalfield is likely to bring about 1.1 Bt. of superior grade coal reserves under 'Proved' category.

(iii) Exploration in Jharia Coalfield

As per the Inventory of Geological of Indian Coal, complied by Geological Survey of India, as on 1.1.02, Jharia coalfield has the total reserves of 19.43 Bt. of which reserves of 14.22 Bt. occur within the depth range of 0-600 mts. of this 13.72 Bt. (96%) are in 'Proved' category and 0.50 Bt. in 'Indicated category'. The detailed Exploration is required to bring only about 4% of the reserves, within 600 m depth in 'Indicated' category of 'Provided' category. Thus, high degree of exploration coverage exists for deposits occurring in 0-600 m depth range in Jharia coalfield. Of the total reserves of 19.43 Bt., 5.21 Bt. fall in the depth range of 600-1200 m of which 1.36 Bt. (26%) are in 'Proved' category. The remaining 3.85 Bt. of reserves in the 'Indicated' category in the depth range of 600-1200 Mts. are required to be brought under 'Proved' category which can be done considering the economics of mining at higher depth and priority of such areas keeping in view the long term demand of coal.

[Department of Coal, O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

ANNEXURE I

PROGRAMME OF COAL AND LIGNITE EXPLORATION IN X PLAN

Exploration Stage	Agency		Proposed Area Coverage (sq. km.)	Tentative Drills Deployment (No.)	Projected Drilling in X Plan (in lakh m)	Projected Reserves ment in X Plan (Mt)
Preliminary	GSI			No requirement of drilling and no reserves to be esbalished as per nature of work		
Regional	GSI	Coal	1,354	17	1.83	4,901
		Lignite	1,600	4	0.21	NA
Promotional	GSI,	Coal	994	47	3.30	6,676
	CMPDI & MECL	Lignite	3,555	18	2.71	NA
Total		Coal	2,348	64	5.13	11,577
Regional+Promotional		Lignite	5,155	22	2.92	NA
Detailed (Coal)	CMPDI	CIL Area	553	27	5.90	9,010
	States Govts.	CIL Area	36	4	0.24	150
	SCCL	SCCL Area	116	20	2.70	1,015
	State Govts.	Own Area	NA	25	0.96	307
	Non-CIL		164	26	2.13	3,580
Total Detailed (Coal)			869	102	11.93	14,062
Detailed (Lignite)	NLC	Tamilnadu	—	1	0.35	
	GIPCL	Gujarat	—	NA	2.14	NA
	DMG (Raj)	Rajasthan	—	NA	1.20	
Total Detailed (Lignite)	3 States		—	—	3.69	
Development	CIL Area		—	17	1.05	
	SCCL Area		—	10	1.00	
	NLC Area		—	3	0.78	
	Other Area		—	—	0.22	
	Total Developmental		—	—	3.05	

Recommendation (Sl. No. 7, Para No. 4.20)

The Committee have observed that by virtue of Regional Exploration the 'indicated' and 'inferred' reserves are estimated. The detailed Exploration, lead to unearthing of 'proved' category of coal reserves. However, there is no designated agency to make use of new data generated, after the detailed exploration. The Committee, recommend that consequent on completion of detailed exploration, coal/lignite PSUs should extend geological support to working mines and undertake this activity with in-house resources.

Reply of the Government

(i) Exploration for coal is primarily carried out in three stages namely Regional/Promotional, Detailed and Development exploration. The Regional/Promotional exploration helps in identifying potential blocks which can be taken up for Detailed Exploration. CMPDI, subsidiary companies of CIL, SCCL and other agencies engaged in exploitation of coal and lignite, use the information generated by Regional/Promotional Exploration in selecting promising blocks for conducting Detailed Exploration is funded by the coal and lignite producing companies.

The Geological reports generated as a result of Detailed Exploration are used by PSU for formulation of project reports for new miners/projects, required for meeting the coal and lignite demand in the country.

CMPDI and MECL during IX Plan have undertaken Detailed Exploration in Non-CIL blocks, which are not retained by the coal companies for production. During X Plan also programme of Detailed Exploration in Non-CIL blocks has been submitted to the Department of Coal, Ministry of Coal & Mines. It is proposed that all the Non-CIL blocks should be brought under Detailed Exploration, sot hat a shelf of GRs is available to the investors, who will have a choice in selection of the blocks. Moreover, the Detailed Exploration in advance, will reduce the gestation period for the private parties to develop their mines for production.

(ii) Development Exploration has a focus on continuous updation of the resource model brought out by Detailed Exploration in the light of newer data available on mining so as to obviate stoppage of mine production. This activity is undertaken with in-house resources by CIL companies (with or without the help of CMPDI), TISCO, SCCL etc.

[Department of Coal, O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Recommendation (Sl. No. 10, Para No. 5.16)

The Committee have noted with concern the cost and time overruns of on-going mining projects of CIL and SCCL. Of the total 79 projects in CIL, 34 projects have been delayed on one pretext or the other. Similarly, out of 25 on-going projects in SCCL, the delayed projects number as many as 10. The Committee have taken note of the existence of the elaborate monitoring and appraisal system of projects, at different levels, ranging from project level to PMO, for the expeditious implementation of the projects. Sadly, in spite of the large number of agencies monitoring the progress at formulation and implementation stages, the projects have been delayed considerably. In the opinion of the Committee, acquisition of land and problems associated with the clearances from Environment and Forest Departments and their aftermath, constitute the biggest stumbling blocks, in the execution of coal projects. Taking into consideration that 'Land' is a State subject, the Committee recommend that Department of Coal should actively involve the State Authorities in the management of land so that the project are formulated and implemented expeditiously. Joint Venture or any other instrumentality having financial stakes in such projects can be one of the options for actively involving the State. Steps should be taken to simplify the procedure for obtaining clearance from Environment and Forests Ministry. The Committee find that in the absence of any National Policy on R&R, there has been large scale cost and time overruns. Pending finalization on National R&R Policy, the Committee recommend uniform R&R Policy for all the coal PSUs be chalked out. There should be compulsory employment for tribal land losers. At the same time, the Committee recommend that Government should further review and tone up their project planning and formulation machinery. The Committee feel that the Government should make a clear cut decision in case of any new project as to whether to have it or not. And if they decide to have a new project then clearances from the Ministry of Environment and Forests and other agencies should be ensured by them before hand so that there are no cost and time overruns. The Committee would also like to emphasize that Government should reassess and prioritize the on-going/pending projects, talking into consideration the infrastructure and resources available at their disposal. Pending completion of the on-going projects, CIL especially subsidiaries incurring heavy losses, should avoid undertaking new projects. The Committee would also like to recommend that Government should consider shelving of these projects which have become techno-economically unviable.

Reply of the Government

Projects are now taken up for implementation only after detailed examination of the availability of land, state of preparedness and assured flow of funds. There is a two tier system for appraisal and sanction of projects. Advance Action proposals (AAP) is implemented for getting possession of land. EMP clearance and arranging essential infrastructural facilities etc. before sanction of the project report. These actions are being taken to cut down delays in project implementation.

On-going projects are reviewed and re-assessed to prioritize taking into consideration the infrastructure and resource available during annual plan exercise carried out every year in addition to the regular monitoring and corrective actions taken. In the year 1994 a study was made to cut delays in implementation of projects on specific recommendations of Group of Ministers. Implementation of on-going projects was also reviewed as per guidelines of MOC in respect of non-viable projects during 1996. Necessary action for withdrawal/ shelving was initiated in the light of said instructions/guidelines.

The project officials, for expeditious acquisition of land, are having regular interactions with the State authorities. In this context this is to mention that a high level joint task force under the chairmanship of Chief Secretary, Government of Jharkhand has been constituted for setting land acquisition and rehabilitation issues. Periodical meeting is done with the Ministry of Environment & Forests to expedite forestry and environmental clearances.

Rehabilitation is carried out and employment is offered as per the resettlement and Rehabilitation Policy of Coal India. The displaced family receives the replacement cost of his homestead and the structure on it. In addition alternate house site measuring 100 Square Meter per family and a sifting allowance to cover the full cost of transporting his belongings to the relocation site are offered. There is provision for payment of one time site infrastructural development grant of

Rs. 50,000 who will opt for it instead of additional alternate house site and transporting cost.

Employment is considered in exceptional circumstances only to fill vacancies subject to the land losers meeting the eligibility criteria and further subject to approval of the Board of Directors of the company. Employment is offered as per the norms announced by the concerned State Government. In case there are no norms of the State Government one employment for every 2 acres of irrigated land or 3 acres of non-irrigated land is offered. In case it is not possible to offer employment, there is provision of payment of monetary compensation in lieu of employment.

[Department of Coal, O.M. No. 20011/1/2002-IF/Vol. III dated 23.10.2002]

Recommendation (Sl. No. 11, Para No. 5.17)

The Committee do not approve the action of the Government in diverting funds from the investment on projects for meeting the age revision arrears. The Committee are of the considered view that on one hand projects have been languishing for want of funds and on the other hand scare resources are proposed to be diverted for meeting wage revision arrears. Although the wage and arrears should be paid, it should not be by diverting funds from projects investment. The Committee, therefore, stress that other ways and mean should be found out for payment arrears.

Reply of the Government

The major reasons for non implementation of IEBR have been indicated in the comments under recommendation No. 2 (Paragraph No. 2.18). The comments of the Committee are noted for future.

[Department of Coal, O.M. No. 20011/1/2002-IF/Vol. III dated 14.11.2002]

Recommendation (Sl. No. 25 Para No. 13.7)

The Committee have been informed that some of the coal subsidiaries, specially ECL, have desired one time financial assistance for the purchase of equipments for want of which production has been hampered. The Committee desire that in the interest if improving productivity, Government should consider their request favorably, subject to the condition that these machines and equipments attain the prescribed availability and utilization norms, as fixed by CMPDIL. The Committee are, however, constrained to note that some of the machines and equipments, specially winders and coal cutting machines used in underground mining are lying idle in ECL. The Committee would like to be apprised of the resons therefore and the production and revenue loss, as a result of idling of these machines. The Committee would like ECL to take necessary steps for gainful utilization of these machines and apprised them of the outcome. The Committee also recommend that the marketing of Coal needs to be improved systematically. The present system of coal linkages enable a fictitious company to purchase coal from CIL at a cheaper rate and sell it to the actual consumers at a higher rate. The Committee therefore, recommend that coal subsidiaries should be permitted to sell coal directly to the consumers which will benefit the subsidiaries and improve their financial health.

Reply of the Government

Coal India Limited (CIL)

The issue of grant of any financial assistance to ECL comes within the purview of the revival package which is under process with the Operating Agency appointed by the BIFR. Most of the steam winders of ECL have outlived their life but still being used and could not be replaced due to financial crunch. Some of them are lying idle because of closure of units. Most of the mines in ECL are adopting the system blasting off the solid in place of pre-cut by coal cutting machines. Most of the coal cutting machines have outlived their life and are beyond economic repairs. It is to be noted that both steam winders & coal cutting machines are now obsolete and are not being manufacture in the country.

Sale of coal in CIL materializes through its coal producing subsidiaries and North Eastern Coalfields which is directly under CIL. As per the nature of use of coal, the consumers are classified either core sector or non-core sector consumers. Following categories of consumers are classified as core sector consumers:-

(a) Power including captive power plants

(b) Cement plants

(c) Steel including sponge & pig iron manufacturers

(d) Fertilizer

(e) Defence

(f) Loco

Other sectors which are not included in above mentioned categories are categorized as non-core sector consumers.

Despatch of coal to core sector consumers is guided by long term linkage accorded by Standing Linkage Committee (SLC-Long term), an Inter-Ministerial body. For power and cement sectors, Standing Linkage Committee (SLC-short term) grant monthly linkage on quarterly basis considering availability of coal in different coal producing companies, transport logistic available with Railways and other, agencies, stock availability in the plants and production programme of respective plants. Similarly, for steel plants, monthly allocation is made by CIL taking into consideration all the factors concerning availability, production programme of steel sector and available transport logistic. For sponge and pit iron, quarterly allocation is made by CIL to finalize monthly dispatch plan based on long term linkage jointly framed by Ministry of Steel and Ministry of Coal. In case of fertilizer, Ministry of Chemicals & Fertilizer sponsors yearly requirement for each plant on the basis of long term linkage. On the basis of linkage, thus accorded, coal producing subsidiaries of CIL then ensure sale of coal to core sector.

In case of non-core sector consumers, CIL Board, in its meeting held in June, 2001 decided that system of linkage and sponsorship is to be done away with. Subsidiary companies have been empowered to formulate systems and procedures for sale of coal to non-core sector consumers. Formulation of new sale policy for non-core sector consumers by the subsidiaries is in the final stage. Status of all the non-core sector consumers to whom linkage was granted by CIL is being verified by concerned State Government/subsidiaries and around 89.6% of such consumerws has already been verified. The process is on to complete verification of the remaining consumers. Once the verification of all the existing linked non-core sector consumers is complete and a new sale policy is put to place, subsidiaries will be fully equipped for sale of coal to all non-core sector consumers.

Singareni Colieries Company Limited (SCCL)

SCCL is selling coal directly to actual consumers as per the recommendations of Standing Linkage Committee to small consumers as per advice of Andhra Pradesh State Industries Department.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III
Dated 23.10.2002]

CHAPTER IV

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

Recommendation (Sl. No. 5, Para No. 3.18)

The Committee have noted that the targets—both financial and physical—fixed during 8th and 9th Plan periods could not be materialised. Now the projections for 10th Plan are also going in the same direction. The Committee are unhappy to find that before the Working Group Report on demand projection in 10th Plan could be finalised, the Ministry of Power have already scaled down their projections of thermal capacity addition, during 10th Plan, from 29000 MW to 19000 MW. The Committee apprehend and concurs with the views of Secretary, Coal that taking into consideration the past experience, the themal capacity addition during 10th Plan may not exceed 12000 MW. The Committee are of the view that the Government have not learnt any lessons from the past failure in not realising the targeted production. The Committee, therefore, recommend that the Planning Commission should reassess the demand projection of coal during 10th Plan based on a realistic estimation and also taking into consideration the past experience and views of the Department of Coal in the matter, so that correct estimates can be made of investment needed to meet the future needs of coal. This would also give an idea to the Department of the extent to which private investment may be needed. The Committee also desire that CIL should formulate the perspective plans for these periods so that the demand, financial requirement, mobilisation of resources and investment decision, etc. can firm up. The Committee find that CIL had reserved some coal blocks for their future use. The Committee desire that the based on investment available and likely to be made available, CIL should earmark coal blocks with them. The rest of the coal blocks where CIL/Deptt. of Coal is not in position to invest, should be given in private entrepreneurs for development.

Reply of the Government (Department of Coal)

The recommendation of the Standing Committee on Energy to formulate realistic estimates has been duly brought to the knowledge of the Planning Commission. The Department of Coal will take all necessary steps including discussions with the Planning Commission and other users such as power, steel, cement and iron sectors to arrive at the estimates as realistically as possible. As regards the need for CIL to formulate the perspective plans, it may be noted that CIL has already engaged a consultant to formulate its perspective/corporate plan. As regards coal mining blocks of CIL, it may be seen that an exercise was carried out in 1996-97 to identify mining blocks that would be retained by CIL to sustain a production level of 375 million tonnes for further 30 years, *i.e.* 2036-37. As per that exercise, 275 mining blocks were to be retained by CIL. Subsequently (July, 2000), it was decided to update the requirement of blocks considering production level of 350 million tonnes for 2006-07 (Xth Plan) together with additional linkage of 132.84 million tonnes given by Standing Linkage Committee (Long Term). CMPDIL assessed the requirement and concluded that 275 blocks are insufficient to meet the requirement of 483 million tonnes (350 + 133) for next 30 years and proposed for retention of additional 46 blocks by CIL to bridge the gap. The production of CIL is now projected to touch 445 million tonnes by 2011-12 (XIth Plan). In view of the changed circumstances, the entire requirement for retention of blocks by CIL is being re-examined.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol.III
Dated 23.10.2002]

Reply of the Planning Commission

"The demand projections for coal and the resulting investment needs are essentially driven by the overall economic growth approved by the National Development Council (NDC) for the country as a whole during the relevant Plan period. The overall growth rate mandated by the NDC translates into specific growth rates for the coal consuming sectors that, in turn, determine Planning Commission's estimates for investments in the coal sector and the production levels required to meet the projected demand. If the overall growth rate assumption given by the NDC is not realised, the same cascades down the line to lower achievements across all sub-sectors of the economy.

It may be mentioned here that an overall capacity addition of 41,110 MW (exclusive of capacity addition from renewable sources of energy) during the Tenth Plan is now proposed against the Working Group on Power's proposed capacity addition of 46,939 MW. The now proposed overall capacity addition of 41,110 MW comprises 25,417 MW of thermal capacity including 18,308 MW of coal-based capacity against the Working Group's proposed thermal capacity addition 28,328 MW including 20,104 MW of coal-based capacity."

[Planning Commission O.M. No. M-12026/13/2002-Coal Dated 3.9.2002]

Comments of the Committee

(Please *see* Para 14 of Chapter-I of the Report)

Recommendation (Sl. No. 16, Para. No. 7.27)

The Committee have observed that DGMS, for want of adequate staff and field officers, have been unable to perform their statutory functions properly. The Statutory Safety Audit requirement to be conducted evey year has not been undertaken for years together. Only those mines, which are potentially dangerous, are subjected to inspection. The Committee are at a loss to understand the inability of undertaking mining inspection, which is so vital for a mining operations. The Committee, therefore, desire that need-based manpower to DGMS should be provided and at least one general inspection in a year conducted, as required under the status. It is in this context, that this Committee had earlier recommended that surplus staff of CIL or its subsidiaries may be placed at the disposal of DGMS. They may be paid by the coal companies, but should be mandated to report to DGMS directly. The Committee desire that Government should accept their advice in this regard. The Committee also suggest that to meet the shortage of the staff, the services of ex-employees of DGMS and alike bodies should be utilized on contract/piecemeal basis for undertaking safety related functions. The Mines Act, 1952, if need be sutable amended.

Reply of the Government (Department of Coal)

The complete General inspection of all coal mines are not possible every year with the existing strength of DGMS, however these are completed every 3-4 years and every mine or part of it is inspected. DGMS undertake regular inspections of mines with more stress on hazardous mines based on risk analysis.

A proposal for amendment of the Mines Act, 1952 is under consideration of the Ministry of Labour. In that proposal it has been suggested to include accredited Mining Auditor to undertake audit, consistent with the provisions of the Act and of the regulations, rules, by-laws and of any orders made thereunder, of safety, health and welfare measures in a mine or group of mines, and also conduct inquiry into an accident, if so desired by the owner or agent as the case may be, on their behalf. In the amendment it is being made mandatory on the part of management to get their mines audited by the mining auditors accredited by the Board of Accreditations. The services of ex-employee of DGMS may be utilized as mining Auditors.

As regard Committee recommendation on surplus staff of CIL it is mentioned that Inspectors of Mines/Dy. Director of Mines Safety are selected by UPSC. Certain basic qualifications (e.g. dergree in engineering, eleven years experience in large underground mine, holder of First Class Mine Manager's Certificate of competency) are required for such selection. Ministry of Labour have no objection to the selection of these officers through UPSC subject to their meeting the eligibility criteria.

Proposals to strengthen the enforcement agency of DGMS under the Non-Plan scheme as well as their Cadre Review Scheme are under active consideration of the Ministry of Labour.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol.III
Dated 23.10.2002]

Reply of the Government (Ministry of Labour)

The complete General inspection of all coal mines are not possible every year with the existing strength of DGMS, however these are completed every 3-4 years and every mine or part of it is inspected. DGMS undertake regular inspections of mines with more stress on hazardous mines based on risk analysis.

A proposal for amendment of the Mines Act, 1952 is under consideration of the Ministry. In that proposal it has been suggested to include accredited Mining Auditor to undertake audit, in consistent with the provisions of the Act and of the regulations, rules, bye-laws and of any orders made there under, of safety, health and welfare measures in a mine or group of mines, and also conduct inquiry into an accident, if so desired by the owner or agent as the case may be, on their behalf. In the amendment it is being made mandatory on the part of management to get their mines audited by the mining auditors accredited by the Board of Accreditations. The services of ex-employee of DGMS may be utilized as Mining Auditors.

As regard Committee recommendation on surplus staff of CIL it is mentioned that Inspectors of Mines/Dy. Director of Mines Safety are selected by UPSC. Certain basic qualifications (e.g. degree in engineering, eleven years experience in large underground mine, holder of First Class Mine Manager's Certificate of Competency) are required for such selection. Ministry of Labour have no objection to the selection of these officers through U.P.S.C. subject to their meeting the eligibility criteria.

Proposals to strengthen the enforcement agency of DGMS under the Non-Plan scheme as well as their Cadre Review Scheme are under active consideration of the Ministry.

[Ministry of Labour O.M. No.H-11013/5/2002-ISH-II
Dated 8.8.2002]

(Please *see* Para 33 of Chapter-I of the Report)

Recommendation (Sl. No. 23, Para No. 12.4)

The Committee find that the share of rail transport, in carrying national cargo is 40% and remaining 60% is hauled by road. Further, 54% of all coal is transported by Rail and the contribution of Road, Merry Go Round (MGR) is 18% and 22%, respectively. Indian Railways earned more than 48% of their freight revenue from transportation of coal. Sadly, the Railways have resorted to cross subsidization of passenger fares and freight on other commodities, at the cost of Indian coal, thereby rendering domestic coal uncompetitive *vis-a-vis* imported coal. The Committee do not approve of cross-subsidization of freight at the cost of Indian coal. The Committee while sharing the concern of Secretary (Coal) in pitching the freight of coal, very high, recommend that the Government should rationalize the coal freight so as to ensure that all the commodities hauled by Indian Railways are subjected to uniform freight rates, irrespective of the distance and classification. At the same time, the Committee desire that the Government should consider the alternative economic means of transportation of coal, including the option of "coal slurry pipeline technology", in vogue in USA, for the transportation of coal. However, R&D, efforts are required to be pursued vigorously, for successful application of this proven technology within the country. The Committee would like to be apprised of the action taken by the Government in this regard.

Reply of the Government

During 2001-02, the share of Rail in total dispatches of coal and coal products by CIL was 60% as against the share of Road, MGR & Belt/Rope which was 11.5%, 23.7% and 4.8% respectively.

CIL has sought rationalization of freight charges by Railways to enable coal sector to be competitive and cost effective through various forums and CIL advocates higher telescope benefit for higher distance slabs.

In the Railway budget for 2002-03, Railways have considered marginal reduction of coal freight for distances in the range of 771-1375 Kms. For distance slabs 1-770 Kms. and 1376 Kms. & above, there have been freight hikes at nominal levels.

The telescopic benefit for long-distance users of coal has reduced over the years, while the benefit has eroded marginally for smaller distance of 500 Kms. (1.37 in 2002-03 as against 1.66 in 1983-84), for larger distance of 1500 Kms., the reduction in telescopic benefit is steep (1.47 in 2002-03 as against 2.10 in 1983-84).

Telescopic Effect (T.E) in Coal freight

(Freight based on per KM freight for 1st 100 kms. Slab)

Distance (Kms.)	Freight as on 1.4.1983 (CL-95) (Rs/Te)	TE	Freight as on 1.4.2002 (CL-130) (Rs/Te)	TE
100	29.80		108.40	
300	60.60	1.48	251.40	1.29
500	89.70	1.66	394.40	1.37
700	116.50	1.79	537.40	1.41
1000	156.70	1.90	751.90	1.44
1200	179.10	2.00	894.90	1.45
1500	212.70	2.10	1109.40	1.47
2000	257.40	2.32	1375.90	1.58

Compared to cost of coal per tonne, the Rail freight per tonne of coal is still high. At present, in the landed cost of thermal grade

Indian Coal (Grade 'F' ROM Coal from Talcher Coalfield) at consumer end, Rail freight constitutes 70% at 500 Kms as against 45% at 500 Kms and 19% at 100 Kms.

Regarding transport of coal by method of slurry in pipeline, the first S&T project for slurry transport of coal was undertaken by CMPDIL/BCCL during December 1976—December, 1978. Thereafter, a Detailed Project Report for demonstration of coal slurry pipeline from Majri OCP to Chandrapur Thermal Power Station was prepared by M/s. Engineers India Limited in the year 1992. Estimated cost of this pilot demonstration project of New Majri was approximately Rs. 340 crores.

As per Engineers India Ltd's 1992 estimates given in the detailed project report for demonstration of coal slurry pipe lines, the capital cost (at 1982 price level) of slurry transport from North Karanpura Coalfield in Bihar to 14 TPS located in the States of Delhi, Haryana and Punjab (length 2024 Kms, Dia. 40"-10") was a high as Rs. 2773 crores. Similarly, the estimated cost of pipeline transport from IB Valley to 7 TPS in Gujarat State (length 1870 Kms, Dia. 34"-12") was as high as Rs. 2354 crores (at 1982 price level). Thus, any project of coal slurry transportation requires very high initial investment.

Coal slurry transportation for short distance is also highly cost prohibitive as per EIL report. The capital cost of transportation for 32 Kms. works out to be Rs. 340 crores (approx.) resulting into slurry transportation cost of Rs. 273 per tonne as against then prevailing rail transport cost of Rs. 72 per tonne (at 1992 cost level).

The pipeline transportation may be cheaper than rail for throughouts of over 10 million tonnes per year, and for distances over 800 Kms. in flat terrain. For short distances, pipeline transport may be economical only in difficult terrain. However, short distance difficult terrain transport requirement of coal from CIL pithead to power station does not exist.

In view of above, coal slurry transportation, although technically feasible, is not being considered in CIL.

The recommendation of the Committee was referred to Ministry of Railways who have informed as under:—

"The Committee's recommendation is in two parts. In the *first* part of the recommendation, it is mentioned that Railways have resorted to cross subsidisation of passenger fares and freight on other commodities, at the cost of Indian coal, thereby rendering domestic coal uncompetitive *vis-a-vis* imported coal. It has been recommended that the Government should rationalise coal freight so as to ensure that all the commodities hauled by Indian Railways are subjected to uniform freight rates, irrespective of the distance and classification.

It is to advise that the increase in freight rates for coal during the last five years period was lower than the increase in freight rates for other commodities such as Iron ore, Salt, Foodgrains etc. The increase in freight rates of Coal at its average lead of 597 kilometres during last 5 years as compared with increase in freight rates for other major-commodities hauled by-Indian Railways on the same lead is as under:—

Commodity	% age Increase in freight rates (1997-98 to 2002-03)
Cement	6%
HSD	8%
Coal	9%
Iron Ore	12%
Foodgrains	17%
Chemical Manures (Div.C)	88%
Edible Salt	132%

Since Coal constitutes 46.5% of Railways' total freight traffic and 44.83% of Railways' freight earnings (2001-02 RE); it is not possible for the Railways to reduce the freight rates of this important commodity so as to maintain the viability of the Railways. Further, the freight rates are based on, the distance of transportation and the classification of the commodity, it would not be possible to have all the commodities at uniform rates.

In this context, it is to advise that uniform freight for all destinations can be provided only through a special funding mechanism by the concerned Ministry, which would compensate the Railways for the freight lost. Such a scheme was in existence for Steel traffic before de-regulation of Steel Industry.

Second part of the recommendation is regarding alternative economic means of transportation of coal including the option of coal slurry pipe line technology in vogue in USA. The Ministry of Railways strongly object to this part of the recommendation as the Central Government have already made huge investments in Government Railways to create adequate infrastructure to meet the demand for transportation of coal. Installation of coal slurry pipe line mode for the movement of coal would be an avoidable wastage in Government investment as adequate rail-transport facility already exists in the country."

[Department of Coal O.M. No. 20011/1/2002-IF/Vol III
Dated 23.10.2002]

Comments of the Committee

(Please *see* Para 47 of Chapter I of the Report)

Recommendation (Sl. No. 27, Para No. 13.9)

The Committee are constrained to observe that the Government did not favour that amalgamation of all the coal subsidiaries. The Committee would like the Government to apprise them of the reasons, which weighed against merger coal subsidiaries. The Committee are of the considered view that for the sake of improving the financial health of the coal sector and savings to accrue amalgamation is a pre-requisite. The Committee are in agreement with the recommendations of KPMG report, which had unanimously recommended the merger of all the coal subsidiaries. The Committee desire that the Government should reconsider their decision taking into consideration the report by KPMG and appraise them of the outcome thereof.

Reply of the Government

A proposal for amalgamation of all subsidiary companies of Coal India Limited (CIL) into one company was deliberated by a Group of Ministers headed by the Finance Minister on 22.11.2001. Consequent upon such deliberations, the Government have not favoured merging of the subsidiaries of CIL into one company, keeping in view the larger interest of efficiency, productivity and competition.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol III
Dated 23.10.2002]

Comments of the Committee

(Please *see* Para 50 of Chapter I of the Report)

CHAPTER V

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

Recommendation (Sl. No. 12, Para No. 6.8)

The Committee are concerned to note the performance of major equipments used in opencast and underground mining operations both in terms of availability and utilization in almost all the subsidiaries of CIL and SCCL. The Committee are further unhappy to observe the yawning gap between the liberal norms fixed by CMPDIL for the utilization of equipments and their actual utilization, in each year of the 9th Plan period for CIL and its subsidiaries. For instance as against norms of 58% in respect of Electric Rope Shovel, the average utilization was 36% and ECL/CCL showing utilization in the range of 28-32%. The utilization of Hydraulic Shovel was in the range of 34% as against the norms of 61%. Similarly, Dumper recorded fleet utilization of 20% against norms of 50%. The utilization of Drills and Dozers were also far from satisfactory. Some of the reasons attributed for idling and under-utilization of equipments and machinaries, such as non-availability of spares in time, lack of adequate workshops for repair and maintenance, difficult mining conditions, non-availability of skilled operators and maintenance personnel, etc. are hardly convincing and do not justify such a sordid state of affairs. The Committee would also like to be apprised of the loss to the exchequer—both in terms of decline in production and productivity caused due to idling and under-utilization of equipments and machineries. The Committee are of the considered view that the under-utilisation of equipments and machines both for underground and open-cast operations not only impede the productivity (OMS) but also the profitability of CIL and its subsidiaries. On one hand, subsidiaries like ECL, BCCL and CCL are reeling under heavy losses and on the other hand the productivity of men and machinery is showing a declining trend on account of gross under utilization of equipments and machinery. The Committee recommend that a detailed mine-wise exercise should undertaken to assess the reasons for idling and under-utilization of machinery and equipments with a view of fixing responsibility for idling and under-utilization of machines and equipments. The Committee also desire that an action plan should be formulated with clear-cut demarcations of accountability and responsibility at each stage of the hierarchy, for improving the fleet utilization and availability. In this context, the Committee desire that CIL should constitute a Committee to look into the question of diversion of equipments and machinery, lying idle from one subsidiary to another, so as to improve the fleet utilization. The Committee would like to be apprised of the action taken thereon Pending improvement in the utilization and avialability of equipments and machines, no further new equipments and machinery be purchased either within the country or imported from abroad. Resources thus saved should be appropriated for improving fleet utilization.

Reply of the Government

(i) Mine-wise study to assess the reasons for low utilization of HEMM has been done.

(ii) Various measures have been taken by the subsidiaries to improve utilization of equipment which are detailed below:

- infra-structural facilities like Mobile van, Diesel bowser, Canteen van, Crane, Welding machine, High pressure washing pumps etc. are provided as auxiliary support to the equipment.
- Advance planning for procurement of spares and its judicious management for reduction of time taken in repair/ overhaul/rehabilitation.
- Replacement plan to reduce out-aged equipment in phases.
- Float bank being set up at regional workshops to reduce down time of equipment
- Improved workshop facilities
- Construction of proper haul roads in OC mines
- Improvement in communication system; OITDS being tried in Jayant opencast project
- Condition based monitoring being practised in major projects
- Surprise check by Industrial Engineering department during back shifts
- Advance planning for major repair/overhauling

- Special emphasis for improvement in blasting for better fragmentation in OC mines
- Shifting of time office very near to work site
- Allotment of equipment in advance to operators on a fortnightly/monthly basis
- Staggering of shift duty of Dozer operators
- Review of performance report regularly in the monthly Coordination meeting at subsidiary HQ; equipment under breakdown for more than 3 months are being monitored from HQ level regularly
- Organizing workshop for deliberation on improvement in capacity utilization
- Constant follow-up with State Govt. for availability of land

(iii) A Committee to took into the question of diversion of idle equipment & machinery from one subsidiary to another is being constituted.

(iv) The requirement of HEMM/other major equipment are judiciously being examined at the level of CIL to regulate the quantum of procurement. Diversion of equipment from one subsidy to another, though arduous, is also being considered along with re-adjustment within the subsidiary to minimize mismatch.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol III
Dated 30.10.2002]

Comments of the Committee

(Please *see* Para 18 of Chapter I of the Report)

Recommendation (Sl. No. 24, Para No. 13.6)

The Committee are constrained to note the huge loss being incurred by BCCL, ECL and CCL. The Board of Directors of these coal subsidiaries have already considered the revival package and transmitted it to the Coal India Limited. The Committee desire that the Government should consult the Trade Unions of these subsidiaries before finalisation of the revival so that these subsidiaries can make a turn around at the earliest. The Committee desire that they may be apprised of the outcome.

Reply of the Government

While preparing the Revival Plans, the three loss making subsidiaries i.e. ECL, BCCL & CCL held discussions with their Trade Unions. These revival plans have also been discussed in the Apex Joint Consultative Committee meeting at CIL (HQ).

Revival Strategies of ECL, as evolved by the Operating Agency, has been considered by CIL Board at its meeting held on 20.8.2002. CIL felt it appropriate to endorse, in principle, the above strategy of ECL to the Government with recommendation to consider the same. Revival Plans of BCCL & CCL are awaiting CIL Board approval.

Operating Agency for ECL in a joint meeting with all concerned parties including Trade Unions has discussed the revival strategies of ECL on 8.10.2002.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol. III Dated 23.10.2002]

Recommendation (Sl. No. 30, Para No. 14.9)

The Committee further note that NLC was incurring heavy losses on account of fertilizers, briquetting and carbonisation plants. Now a study commissioned by ICICI have concluded that both the projects are commercially unviable and the plants be hived off and disposed of to a third party or may also consider the closure of the plants. The Committee have noted that NLC Board of Directors have approved the proposal for closure of briquetting and carbonisation plant. The Committee welcome the action taken on the part of NLC and recommend that the fertilizer plant should also be closed down as it is drying up the scarce resources of NLC.

Reply of the Government

The recommendation of the Committee to close down the fertiliser plant at Neyveli is under consideration of the NLC management.

[Department of Coal O.M. No. 20011/1/2002-IF/Vol III Dated 23.10.2002]

NEW DELHI;
14 *February*, 2003
25 *Magha*, 1924 *(Saka)*

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Energy.

ANNEXURE-I

MINUTES OF THE FIRST SITTING OF THE SUB-COMMITTEE 'F' ON ACTION TAKEN REPORTS OF THE STANDING COMMITTEE ON ENERGY (2003) HELD ON 14TH FEBRUARY, 2003 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 15.00 hrs. to 15.30 hrs.

PRESENT

Shri Sontosh Mohan Dev — *Chairman*

2. Shri Tilakdhari Prasad Singh — *Convenor*

MEMBERS

3. Shri Vijayendra Pal Singh Badnore

4. Shri Santosh Bagrodia

SECRETARIAT

1. Shri P.K. Bhandari — *Director*

2. Shri R.S. Kambo — *Under Secretary*

2. At the outset, the Chairman, Standing Committee on Energy welcomed the Members to the first sitting of the Sub-Committee 'F' on Action Taken Reports.

3. The Sub-Committee then took up for consideration the following draft Reports:—

(i) Action Taken Report on the recommendations contained in the 25th Report (13th Lok Sabha) on the subject "Nuclear Power Generation—Targets and Achievements."

(ii) Action Taken Report on the recommendations contained in the 26th Report (13th Lok Sabha) on the subject "Small Hydro Power Programme—An Evaluation."

(iii) Action Taken Report on the recommendations contained in the 27th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Department of Atomic Energy.

(iv) Action Taken Report on the recommendations contained in the 28th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Ministry of Non-Conventional Energy Sources.

(v) Action Taken Report on the recommendations contained in the 29th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Ministry of Power.

(vi) Action Taken Report on the recommendations contained in the 30th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Department of Coal.

4. The Sub-Committee adopted the aforesaid draft Reports with minor additions/deletions/amendments.

The Sub-Committee then adjourned.

ANNEXURE II

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON ENERGY (2003) HELD ON 14TH FEBRUARY, 2003 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 16.00 hrs. to 17.00 hrs.

PRESENT

Shri Sontosh Mohan Dev — *Chairman*

MEMBERS

2. Shri Vijayendra Pal Singh Badnore
3. Shri Lal Muni Chaubey
4. Shri Bikash Chowdhury
5. Shri Ali Mohmad Naik
6. Shri Harpal Singh Sathi
7. Shri Tilakdhari Prasad Singh
8. Shri Manoj Sinha
9. Shri B. Venkateshwarlu
10. Shri Devdas Apte
11. Shri Santosh Bagrodia
12. Shri Jayanta Bhattacharya
13. Shri Dara Singh Chauhan
14. Shri Ajay Maroo
15. Shri B.J. Panda
16. Shri Gaya Singh

SECRETARIAT

1. Shri P.K. Bhandari — *Director*
2. Shri R.S. Kambo — *Under Secretary*

2. At the outset, the Chairman, Standing Committee on Energy welcomed the Members to the sitting of the Committee.

3. The Committee then took up the following draft Reports, as adopted by the Sub-Committee 'F' on Action Taken Reports, for consideration:—

(i) Action Taken Report on the recommendations contained in the 25th Report (13th Lok Sabha) on the subject "Nuclear Power Generation—Targets and Achievements".

(ii) Action Taken Report on the recommendations contained in the 26th Report (13th Lok Sabha) on the subject "Small Hydro Power Programme—An Evaluation".

(iii) Action Taken Report on the recommendations contained in the 27th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Department of Atomic Energy.

(iv) Action Taken Report on the recommendations contained in the 28th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Ministry of Non-Conventional Energy Sources.

(v) Action Taken Report on the recommendations contained in the 29th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Ministry of Power.

(vi) Action Taken Report on the recommendations contained in the 30th Report (13th Lok Sabha) on Demands for Grants (2002-03) of the Department of Coal.

4. The Committee adopted the aforesaid draft Reports with minor additions/deletions/amendments.

5. The Committee also authorized the Chairman to finalise the above-mentioned Reports after making consequential changes arising out of factual verification by the concerned Ministries/Departments and to present the same to the Houses of Parliament.

The Committee then adjourned.

ANNEXURE III

(*Vide* Para 4 of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTIETH REPORT OF THE STANDING COMMITTEE ON ENERGY (THIRTEENTH LOK SABHA)

I.	Total No. of Recommendations made	30
II.	Recommendations that have been accepted by the Government (*Vide* recommendations at Sl. Nos. 1, 2, 3, 4, 8, 9 ,13, 14, 15, 17, 18, 19, 20, 21, 22, 26, 28 and 29)	18
	Percentage of total	60%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (*Vide* recommendations at Sl. Nos. 6, 7, 10, 11 and 25)	5
	Percentage of total	16.67%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (*Vide* recommendations at Sl. Nos. 5, 16, 23 and 27)	4
	Percentage of total	13.33%
V.	Recommendations in respect of which final replies of the Government are still awaited (*Vide* recommendations at Sl. Nos. 12, 24 and 30)	3
	Percentage of total	10%