41	STANDING COMMITTEE ON ENERGY (2003) THIRTEENTH LOK SABHA

MINISTRY OF COAL

DEMANDS FOR GRANTS
(2003-2004)

FORTY FIRST REPORT

LOK SABHA SECRETARIAT
NEW DELHI
March, 2003/ Chaitra, 1925 (Saka)

C O N T E N T S

COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (2003)

Shri Sontosh Mohan Dev - Chairman

MEMBERS

LOK SABHA

2. Shri Basudeb Acharia
3. Shri Prasanna Acharya
4. Shri Prakash Yashwant Ambedkar
5. Shri Vijayendra Pal Singh Badnore
6. Shri Jagmeet Singh Brar
7. Shri Lal Muni Chaubey
8. Shri Bal Krishna Chauhan
9. Shri A.B.A.Ghani Khan Choudhury
10. Shri Bikash Chowdhury
11. Shri Laxman Giluwa
12. Dr. S. Jagathrakshakan
13 Shri P.R.Khunte
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21. Shri B. Satyanarayana
22. Md. Shahabuddin
23. Shri Raghuraj Singh Shakya
24. Shri Chandra Pratap Singh
25. Shri Tilakdhari Prasad Singh
26. Shri Manoj Sinha
27. Shri Shibu Soren
28. Shri B. Venkateshwarlu
29. Prof. Ummareddy Venkateswarlu

30*. Prof. Rita Verma

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* Nominated to the Committee w.e.f. 21.2.2003 vice Shri Harpal Singh Sathi, M.P.

RAJYA SABHA

31. Shri Devdas Apte
32. Shri Santosh Bagrodia
33#. Shri S.M.Laljan Basha
34. Shri Jayanta Bhattacharya
35. Shri Dara Singh Chauhan
36. Shri Aimaduddin Ahmad Khan (Durru)
37. Shri Ajay Maroo
38. Shri B.J.Panda
39. Shri Matilal Sarkar
40. Shri Gaya Singh
41. Shri Veer Singh
42. Shri D.P.Yadav
43. Vacant
44. Vacant
45. Vacant

SECRETARIAT

1.	Shri John Joseph	- Additional Secretary
2.	Shri P.K.Bhandari	- Director
3.	Shri R.S.Kambo	- Under Secretary
4.	Shri B.D. Dhyani	- Sr. Committee Assistant

Ceased to be a Member of the Committee w.e.f. 14.3.2003 consequent upon his nomination to the Committee on External Affairs

INTRODUCTION

I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this 41st Report (Thirteenth Lok Sabha) on Demands for Grants (2003-2004) relating to the Ministry of Coal.

2. The Committee took evidence of the representatives of the Ministry of Coal on 12th March, 2003.

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

4. The Report was considered and adopted by the Committee at their sitting held on 28th March, 2003.

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;
28th March, 2003
7 Chaitra,1925 (Saka)

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Energy.

PART – I

REPORT

CHAPTER I

Introductory

India is one of the biggest coal producers in the world with an annual production of over 300 million tonnes. Coal meets about two third of India's commercial energy needs and accounts for about 70% of National Power production. More than two third of coal production is used for generating thermal power. The remaining is consumed by industries like cement, steel, fertilizers, chemical, paper, transport sector and private households. The Ministry of Coal is, therefore, engaged in developing coal resources of the country in a manner that requirements of coal of above consuming sectors are met in full and their dependence in oil / imported coal is minimised.

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

1.3 The Ministry of Coal has, under its direct administrative control, the following two Public Sector Undertakings;

(i) Coal India Ltd., and

(ii) Neyveli Lignite Corporation Ltd.

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

(i) Eastern Coalfields Limited(ECL), Sanctoria(West Bengal)

(ii) Bharat Coking Coal Limited(BCCL), Dhanbad (Jharkhand)

(iii) Central Coalfields Limited(CCL), Ranchi(Jharkhand)

(iv) Northern Coalfields Limited(NCL), Singrauli(Madhya Pradesh)

(v) Western Coalfields Limited(WCL), Nagpur (Maharashtra)

(vi) South Eastern Coalfields Limited(SECL), Bilaspur (Chattisgarh)

(vii) Mahanadi Coalfields Limited(MCL), Sambalpur(Orissa)

(viii) Central Mines Planning & Design Institute Limited (CMPDIL), Ranchi (Jharkhand)

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

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

COAL CONTROLLER'S ORGANISATION, Kolkata

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

COMMISSIONER OF PAYMENTS, Kolkata

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

COAL MINES PROVIDENT FUND ORGANISATION(CMPFO), Dhanbad

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

1.10 The following are the provisions sought and included in the Demands for Grants in the year 2003-04 pertaining to the Ministry of Coal:-

(Rupees in crore)

	Plan		Non-Plan		Total	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
Revenue section (voted)	285.90	285.90	152.00	152.00	437.90	437.90
Capital section (voted)	0.00	0.00	25.00	-	25.00	0.00
Total	**285.90**	**285.90**	**177.00**	**152.00**	**462.90**	**437.90**

PLAN OUTLAY

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

NON-PLAN OUTLAY

1.12 A substantial portion of the non-plan outlay of the Ministry of Coal is meant for schemes which are financed from the excise duty levied under the provisions of Coal Mines (Conservation and Development) Act, 1974 and can, therefore, be termed as self financing (75.62%). Subsidy to coal companies towards reimbursement of part expenditure for conservation and protective measures and development of roads, railways and transport infrastructure in coalfield areas are funded out of these receipts. Another major segment (18.57%) of the non-plan outlay is to meet the statutory obligations of the Government under the provisions of Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, contribution to Coal Mines Pension Scheme, 1998 and Coal Mines Deposit Linked Insurance Scheme, 1976. Only 5.81% of the non-plan budget is meant for meeting the Secretariat expenditure and for the offices of Coal Controller and Commissioner of Payments, Kolkata.

1.13 The Committee have examined in depth, the detailed Demands for Grants of the Ministry for the year 2003-04. The Committee approve the Demands presented by the Government, subject to their observations / recommendations which are contained in the succeeding chapters.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS (2003-04) OF

MINISTRY OF COAL

2.1 The Ministry of Coal have presented Demands for Grants of Rs.437.90 crore for the year 2003-04 against Budget Estimates of Rs.479.52 crore and Revised Estimates of Rs.329.52 crore for the year 2002-03. The details of Ministry's demands under revenue section and details relating to capital section with reference to public enterprises are shown in **Annexure-I**. The various points arising out of the scrutiny of Demands for Grants of the Ministry are discussed in the succeeding paragraphs.

A. Plan Outlay

2.2 The Central Plan Outlay for the Ministry of Coal during the year 2002-2003 was Rs.3491.47 crore. It was revised to Rs.2744.21 crore. Now, a budget provision of Rs.3321.30 crore has been proposed for the year 2003-2004.

2.3 The total Central Plan Outlay of the Ministry at BE & RE stage for the year 2002-2003 and BE for the year 2003-2004 are shown as under: -

(Rs. in crore)

Company / Scheme	**2002-2003**		**2003-3004**
	BE	**RE**	**BE**
1	2	3	4
Coal India Ltd.	2190.00	1705.52	2240.00
Singareni Collieries Co. Ltd.	405.00	227.00	340.00
Neyveli Lignite Corporation	584.95	617.60	455.40
Research and Development	7.55	9.50	22.48
Regional Exploration	49.19	44.27	56.10
Environmental Management & Subsidence Control (EMSC)	34.65	20.50	27.56
Detailed Drilling	13.92	22.53	12.52
Regulatory Framework Review Project	0.00	0.06	0.00
Voluntary Retirement Scheme	206.00	107.02	138.44
Lumpsum provision for North East Region	0.00	0.00	28.59
Coal Controller	0.21	0.21	0.21
Total	3491.47	2744.21	3321.30

2.4. The actual capital expenditure for the Ministry of Coal during 2001-2002 was Rs.57.13. The Budget Estimate (BE) for the year 2002-2003 was Rs.15.48 crore but it has now been revised to Rs.12.91 crore. Further no provision of fund exists for the year 2003-2004. It has been seen that there has been declining trend in the capital expenditure year by year. When asked about the activities undertaken by capital expenditure and reasons for reduction, the Ministry of Coal in a written reply informed the Committee that the capital expenditure during 2001-2002 and provision made in Revised Estimate (RE) 2002-2003 was meant for World Bank assisted “Coal Sector Environmental and Social Mitigation Projects (CSESMP)”. The capital outlay for the year 2002-2003 for CSESMP was reduced to Rs.12.91 crore as the closing date for the project was 30th June, 2002. Since the CSESMP was completed on 30.6.2002, no provision was made for the year 2003-2004.

2.5 When asked about the reasons for decline in Budgetary Support during 2002-2003 and 2003-2004 both at BE and RE stages, the Ministry in a note furnished to the Committee, stated as under :-

“i) During 2002-03 budgetary support has been declined due to less demand from CIL amounting to Rs.10.62 crore only under the head “Environmental Measures and Subsidence Control” on account of slow progress in some schemes;

ii) Entire provision of Rs.32.70 crore earmarked for NE Region has been transferred to Non-lapsable pool of Central Resources as CIL has no schemes for implementation in NE Region;

iii) Funds were reduced by Rs.78.38 crore for Voluntary Retirement Scheme in three subsidiaries of CIL due to non-implementation of schemes as anticipated at the time of formulation of budget estimates;

iv) Reduction of Rs.1.02 crore was made in World Bank assisted “Coal Sector Environmental and Social Mitigation Project” as the project was closed in June, 2002.

v) In 2003-04 less budgetary support has been made as compared to BE 2002-03 due to less provision to VRS as the number of employees anticipated to be retired in 2003-04 is less as compared to the number of employees anticipated to be retired in 2002-03”.

2.6 On a point of hike in the Internal and Extra Budgetary Resources (IEBR) in the year 2003-2004 especially when there has been decline in the IEBR components at the RE stage during the year 2002-2003 as compared to BE stage of the same year, the Ministry informed the Committee that IEBR have been hiked in 2003-04 as compared to 2002-03 due to more generation of internal resources by Coal India Limited and Singareni Collieries Company Limited. Coal India Limited anticipated generation of internal resources of Rs 1702.65 crore in 2003-04 as compared to internal resources of 299.70 crore anticipated to be generated in RE 2002-03. Singareni Collieries Company Limited anticipated generation of internal resources of Rs 290 crore in 2003-04 as compared to internal resources of Rs 64 crore anticipated to be generated during 2002-2003.

(i) **Coal India Limited (CIL)**

2.7 The Plan outlay for CIL during the year 2002-2003 was Rs.2190 crore. It was reduced to Rs.1705.52 crore at RE stage for the same year and a provision of Rs.2244 crore exists for the year 2003-2004. When the Committee enquired about the reasons for reduction in the plan outlay for the year 2002-2003 and increase in the 2003-2004, the Ministry of Coal in a written reply stated as under:-

> "The Plan outlay of CIL BE 2002-03 consist of Rs 2174.52 crore as IEBR and Rs 15.48 crore as budgetary support. These were reduced to Rs 1692.61 crore and Rs 12.91 crore respectively in RE stage. The reduction in IEBR is due to less generation of internal resources in RE stage which has occurred due to increase in amount of loan repayment, discharging of pension liability/ gratuity and less receipt of coal sale dues. The budgetary support meant for World Bank assisted "Coal Sector Environmental and Social Mitigation Project" was reduced in RE stage by Rs 1.02 crore as the closing date for the project was fixed as 30.6.2002 by the World Bank. Further, the provision of Rs 1.55 crore existed under this head for NE Region was surrendered to Non-lapsable Pool of Central Resources as CIL had no project for implementation in NE Region.
>
> In BE 2003-04 plan outlay of CIL for Rs 2240 crore consists entirely of IEBR. No budgetary support has been sought as CIL has no project to be financed out of external assistance routed through budget. The government has stopped extending budgetary support to CIL in capital outlay".

(ii) **Singareni Colliery Company Limited (SCCL)**

2.8 The total Plan outlay for SCCL was Rs.405 crore in the year 2002-2003. It was revised to Rs.227 crore and a provision of Rs.340 crore has been made for the year 2003-2004. It may be seen that there is a huge gap between the BE & RE for 2002-2003. Explaining the variation, Ministry of Coal in a note furnished to the Committee stated that the variation between BE 2002-03 and RE 2002-03 is due to less generation of internal resources in RE stage which has occurred due to release of more funds for VRS (Rs 132.64 crore in RE as compared to Rs 8.83 crore in BE) and more repayment on market borrowing (Rs 231.75 crore in RE as compared to Rs 162 crore in BE). The increase in BE 2003-04 as compared to RE 2002-03 is due to generation of more internal resources due to less payment on VRS and market borrowing.

(iii) **Neyveli Lignite Corporation (NLC)**

2.9 It has been observed from the Annual Plan outlay for NLC for the year 2002-2003 that projection of Rs.584.85 crore has been raised to Rs.617.60 crore at RE stage. But for the year 2003-2004, the Plan outlay has been reduced to Rs.455.40 crore. When asked about the above variations, the Ministry of Coal stated that the variation between budgeted amount and the Revised Estimate (RE) is mainly due to reduced external credit borrowing of Rs.17.66 crore in Budget Estimate (BE) instead of Rs.102.23 crore in (RE) stage. Whereas in BE 2002-2003, the internal resources were anticipated to be Rs.567.29 crore but reduced to Rs.515.37 crore in RE stage. Thus, the total impact resulted in a net increase in RE 2002-2003. The reduction in the total Plan outlay for the year 2003-2004 as compared to 2002-2003 is due to less generation of internal resources.

2.10 The Committee note that there is declining trend in the Central Plan Outlay of the Ministry of Coal thus affecting the ongoing and future coal and lignite projects. The Committee find that Ministry have not been able to project realistic estimates over the years. For instance, during 2002-03, the budgetary support of Rs. 327 crore, was slashed to Rs. 207 crore, at revised estimate stage, showing an over-estimation of Rs.120 crore(Rs.327-207 crore). A close scrutiny of reasons adduced by Ministry of Coal reveals that Rs. 10.62 crore was surrendered as CIL could not expend resources under Environmental Measures and Subsidence Control. Further, the entire provision of Rs. 32.70 crore earmarked for North-Eastern Region was transferred to Non-Lapsable Pool of Central resources, as CIL do not have a scheme for implementation in NE Region. Funds under VRS were reduced by Rs.78.38 crore as schemes could not be implemented, as anticipated. In this context, the Committee would like to point out that there have been major deficiencies on the part of Ministry of Coal in formulating their budgetary proposals on sound economic and commercial considerations. Not only there has been tardy progress under Environmental Measures and Subsidence Control during 2002-03, two fire control schemes – Dhanbad – Patheri Railway Lines approved way back on August, 2001, with sanctioned cost of Rs.12.02 crore were withdrawn on 20.1.2003. Similarly, two other schemes dealing with fire for protection of Adra-Gomoh Railway Lines and protection of Chatkarijore at Jeenagora/Bararee Colliery, also sanctioned in August, 2001, have been held up for want of procurement of Plant and Machinery (P&M). Thus, during 2002-03, there has been no disbursement of funds at all for these 4 schemes. The Committee do not approve of the casual action on the part of Ministry in the matter and recommend that responsibility should be fixed for this in CIL and its Subsidiaries.

2.11 The Committee do not see any rationality in surrendering entire provision of Rs. 32.70 crore, earmarked for NE Region. The Committee desire that ways and means should be found to formulate bankable schemes for the Region. As regard to surrendering of Rs.78.38 crore, under VRS, the Committee desire that Government should formulate an attractive package under VRS so that employees, are tempted to avail the benefit under this scheme. The Committee have taken note of reasons adduced for reduction of budgetary allocation during the current year. The Committee are of the view that due care and caution has not been exercised while formulating budgetary proposals. The Committee desire that Ministry of Coal should review their budgetary mechanism and overcome deficiencies noticed in the

planning and implementation of budgetary proposals. The Committee would like to be apprised of action taken by Government in this regard.

B. Demand, Production and Distribution of Coal

(i) Demand

2.12 The estimated demand for the terminal year of IX Plan period i.e, 2001-02 was 354.29 million tonnes whereas the actual production was 322.64 million tonnes. The details of sector wise demand for the terminal years of the IX Plan and X Plan are as under:

(Figures in million tonnes)

Sector	**Demand IX Plan (2001-02)**	**Demand X Plan (2006-07)**
Coking Coal		
Steel	32.21	35.32
Coke Oven	1.91	1.89
Sub-Total	34.12	37.21
Non-Coking		
Power (Utilities)	241.54(2.78)	317.14(3.74)
Cement	17.00	24.56
Power(Captive)	21.11(1.35)	28.26(1.40)
Fertiliser	3.50	4.18
Others	34.52(0.70)	46.45(0.10)
Colliery Consumption	2.50	2.50
Sub-Total	320.17(4.83)	423.59(5.24)
Total Demand	***354.29(4.83)***	***460.50(5.24)***

(Note: washery middlings are shown in brackets)

2.13 Working Group on Coal and Lignite for formulation of 10th Five Year Plan, constituted by Planning Commission has assessed country's raw coal demand in 2006-2007, the terminal year of the 10th Plan at 460.50 million tonnes. However, against the projection of 10th Plan, the demands for the year 2002-2003 and 2003-2004 assessed by the Planning Commission are given below:-

Year	Demand (million tonnes)
2002-2003	363.30 (4.925)
2003-2004	372.40 (4.29)

(ii) Production

2.14 The target for the first year of 9th Five Year Plan (1997-98) was fixed 297.45 million tonnes. The total production during the year was 295.80 million tonnes i.e. 99.45% of the targeted figures. The target for coal production during the year 1998-99 was fixed at 306.50 million tonnes. The projected target for 1998-99 was kept 2.85% higher over the year of 1997-98 and the production recorded during the same period was 292.27 million tonnes, which works out to be 95.35%. The total production target for the year 1999-2000 was 298.90 m.t. and the total production during the period was recorded at 299.97 million tonnes which works out to 100.36%. The projected figure of coal production for the year 2000-01 was fixed at 308.07 million tonnes and against this target, the total production for the year 2000-01 has been 313.64 million tonnes which works out to 101.80%. The target for the year 2001-02 was fixed at 322.73 million tonnes and against this target, the production recorded was 327.64 M.T. which works out to be 101.529% of the targeted figure.

2.15 The company-wise target and the actual production of coal during the 9th Plan period is at Annexure-II. The projected production plan of coal during 10th Plan period is also given at Annexure-III.

2.16 On a point of correct estimation of coal demand and production, the Ministry, in a note stated that the demand of coal is determined by Planning Commission in consultation with various coal consumer sectors. Detailing the financial and technical resources proposed to be mobilized during 10th Plan for meeting the demand, Ministry of Coal stated as under:-

(a) **Financial Resources**

2.17 CIL and SCCL proposes to invest an amount of Rs. 14,310 Crores and Rs. 2113 Crores respectively to meet the projected coal production of 350 million tonnes by CIL and 36.13 million tonnes by SCCL. The proposed resource mobilisation is as under:

		(Rs. crore)
	CIL	SCCL
Internal Resources	8022.85	2113.00
External Resources (Commercial Loan, Securitisation of coal sale dues, credit from IBRD/JEXIN)	6287.15	NIL

(b) **Technical Resources**:

2.18 During the X Plan period, Coal India Limited proposes to introduce the following advanced and new technologies to increase production in both underground and open cast mines:

(i) Through introduction of additional Side Discharge Loader(SDL) and Load haul Dumpers in underground mines for mechanised coal loading at the face on to mine cars / tubs or conveyors replacing manual loading. These machines are being deployed in a phased manner.

(ii) Introduction of Powered Support mechanised long wall mining in those underground mines having suitable geo mining conditions.

(iii) Special methods like cable bolting, blasting gallery etc. to be introduced for extraction of thick seams.

(iv) Continuous miner technology is to be expanded in more mines in the X Plan period.

2.19 When asked about the new coal projects / mines which will yield coal during 10^{th}, 11^{th} and 12^{th} Plan, the Ministry of Coal stated that 92 Projects have been identified to be taken up during Xth Five Year Plan Period. Out of this, 72 Projects have been planned to contribute to the tune of 79.11 Million tonne of coal during Terminal Year of Xth Plan. Balance 20 Projects are likely to contribute during XIth / XIIth Plan. Total Estimated Capital Investment for 92 Projects is Rs. 21,147.39 Crores. However, an amount of Rs.6,343.92 crore has been planned to be invested in these Projects during Xth Plan Period. Regarding Resource mobilization, IEBR exercise is made for the company as a whole every year. Resource mobilization for CIL during Xth Plan period is as under:

a) Total Capital Required :	Rs.14,310.00 Crores
b) Internal Resource Generation:	Rs.8,044.45 Crores
c) Extra Budgetary Resources:	Rs.6,271.67 Crores.

Subsidiary-wise details of these 92 Projects are given in ***Annexure -IV***.

(i) Distribution

2.20 Government of India has amended the Colliery Control Order ,1945 and the new Colliery Control Order, 2000 has been notified according to which the price and distribution of all grades of coal have been deregulated with effect from 1.1.2000.

2.21 Coal companies / Coal India Limited are allocating coking coal to steel plants for their requirement. For core sector, sale of coal is guided by linkages and allocations by the competent authorities.

2.22 For non-core sector consumers, with a view to reaching the benefit of decontrol of coal as per colliery control order, 2000, Coal India Limited (CIL) has decided to authorize its subsidiary company to formulate their own system and procedure for sale of coal to this sector. The new policy of CIL is aimed at providing a simplified, transparent and customer-friendly system and procedure. In the new policy framework the system of linkage and sponsorship for the purpose of coal supply to non-core sector is being done away with. In the emerging new policy framework for coal sale to non-core sector, stress is being given on bilateral agreement between supplying subsidiary company and consumer for well defined commitment on the part of both buyer and seller.

2.23 Ministry of Coal in a written reply stated that since it is the policy of the Government to give priority in coal distribution to core sector, Standing Linkage Committees are continuing to operate in the Ministry of Coal. These Committees are more of a coordinating mechanism to provide a common platform to all concerned agencies to participate to work out mutually acceptable linkages on quarterly basis. On a point of the Committee that Standing Linkage Committee have failed to meet the requirement of coal of core sector, Ministry of Coal stated as under:-

> "The coal linkages for power utilities are decided in the Standing Linkage Committee (Short-Term) with the participation of representatives of power utilities, supplying coal companies, Railways and concerned Ministries. Such linkages are decided with due consideration of quantitative/qualitative requirement/demand of power utilities, availability of coal and logistics of Railway transport. Whenever any affected consumers in the core sector bring to the notice of the Linkage Committee any short supply of coal or transportation constraints, immediate remedial measures are undertaken with due approval of Chairman, Standing Linkage Committee and such short comings are corrected. It is also a fact that so far no public sector power utility had to shut down for any length of time for want of coal, after making payment for coal supplies".

2.24 Further regarding the policy of meeting the demand of non-core sector, the Ministry stated that in pursuance to the decision taken by CIL Board in its meeting held on 6.6.2001, it was decided that sale of coal to non-core sector through the system of linkage / sponsorship was to be done away with. However, the Ministry has formulated the new coal sales policy for non-core sector in January, 2003. Coal is offered for sale under Open Sales Schemes(OSS) of different grades falling in non-coking coal category varying from 'B' to 'F' whenever surplus availability exists after meeting the demand of core sector and regular non-core sector consumers. Booking is accepted on first-come-first-served-basis as provided in the OSS with a stipulation for pro-rata allocation on the opening day of booking whenever booking is more than the offered quantity, with the due approval of competent authority for smooth operation and to avoid any law and order problem. In case of booking on the first is less than the offered quantity, booking is accepted subsequently on first-come-first-served-basis.

2.25 The demand and supply to non core sector in the preceding three years in respect of CIL are as under:

(Figures in million tonnes)

Year	Demand	Despatches	Off take
1999-2000	43.19	38.52	43.13
2000-2001	44.10	38.09	42.25
2001-2002	46.32	37.84	41.93

2.26 When the Committee pointed out that there is no systematic retail outlets for small domestic consumers and as a result they are compelled to steal coal, the Ministry informed as under:-

> "Coal market scenario has been changing at a fast pace during the last few years. The main features of such change are gradual removal of control, deregulation of coal price and distribution. Coal India Limited on the recommendations of Indian Institute of Management (IIM), Kolkata for complete shift from present system of marketing and distribution for non-core sector have worked out a scheme to meet

the entire demand through dealer network covering various consumption centres. CIL started a modified scheme for Trade Channel Network (TCN) as an interim measures to test the acceptability and response of the consumers at large by operating such outfits at a few selected major / strategic consumption. Under TCN scheme individual consumers, who require coal for domestic use and are not covered under both core and non-core categories, can have coal from these nine authorised operators scattered across the country. There is no such scheme under distribution policy of CIL for any category of individual consumers, nor there is any specific or special quota for supply of coal to such category".

2.27 During evidence, the Committee observed that the linkage Committees have not served the purpose. It has rather promoted corruption only. Fictitious companies have been formed to corner coal. When asked to explain, the Ministry of Coal stated that:-

"It is necessary to provide some background to understand the issues in perspective. In the wake of unprecendented floods during September – October in the year 1978 which adversely affected production in Bengal – Bihar Coalfields, a major coal crisis developed and a necessity was felt to address the need for meeting the demands of identified coal based consumers located in various State all over the country. As a part of marketing strategy for nationalized coal sector the system of linkage for non core sector consumers was introduced by Coal India Limited with a view to rationalizing coal demand vis-à-vis availability keeping in view the technical parameters of burning, equipment of the consumers and quality of coal available from nearest source. The exercise was in terms of determining the source, grade / size and mode of transport. The data regarding quantitative demand was also obtained from the consumers in the requisite data sheet but the same was only for the purpose of knowing an indicative demand since quantity of supply depended primarily on the basis of sponsorship issued by different sponsoring authorities and availability of coal. Consumers drawing coal prior to introduction of non-core sector linkage by CIL were categorised as traditionally linked consumers and were allowed to draw coal from respective subsidiary companies of CIL based on past trend and were treated at part with linked consumers in the post 1978 period. System of linkage later on became a subject for consideration and approved by a formally constituted Committee at CIL level called NCLC (Non Core Linkage Committee) in the year 1982. The Committee was later reconstituted by the then Chairman, CIL as a part of process of simplification of procedure for distribution of coal.

Coal was supply to non-core sector consumers having valid linkage issued by CIL through non-core sector linkage Committee and annual sponsorship issued by respective State of designated sponsoring authorities depending on their type of industry. Since coal is supplied against sponsorship, the responsibility of identifying the consumers regarding existence, status of the operation, consumption, etc., vests with the State Governments or designated sponsoring authority issuing sponsorship of coal. As per norms followed by CIL, as and when any complaint was received in respect of misuse of coal, non-existence of the unit, the same was brought to the notice of concerned sponsoring authority with a request of verify and send the necessary feedback. It is further informed that till such time as no feedback was received, coal supply continued.

However, the non-core linkage Committee of CIL had ceased to exist after the issuance of Colliery Control Order, 2000 which de-regulated coal supply to non-core sector. Subsequently the system of OSS was strengthened and new coal sale policy for non-core sector was also announced to take care of coal supply. SLC, Short Term and Long Term, does not deal with the non-core.

Government also ordered a verification of all non-core sector linkages. As a result 4491 valid linked consumers were verified and in 739 cases, the supplies were discontinued as their genuineness was not established (Status as on 31.1.2003)".

2.28 The Ministry of Coal further stated as under:-

"As on 1.2.2003 number of consumers whose linkage was snapped / supply discontinued works out to 3253 units of which 2211 unit snapped and 1042 units discontinued and the quantity involved is around 12 million tonnes.

Linkage was a process through which consumers were identified by name, location of the unit, office address, details of SSI registration or registration of the unit. Based on the above information, together with technical data submitted by the consumers in their data sheet, linkage was considered and granted. However, various complaints were received of abuse of the system subsequently. The issue of coal supply to non-core sector consumers also camp up for review by Ministry of Coal and Parliamentary Consultative Committee. As decided by the Ministry, Subsidiary Companies requested State Government and other sponsoring authorities and also engaged internal vigilance teams to verify the existence, working status and consumption of the linked consumers. By a letter dated 9.10.2001. Hon'ble Minister of Coal and Mines had also requested Chief Ministers of all the States to arrange such verifications in a time bound manner. Following this directive, units were verified by different agencies and based on the inspection, supply of coal to the units who had adverse reports, were suspended".

2.29 The Committee find that during the terminal year i.e. 2001-2002 of 9th Plan as against the demand of 354.29 million tonnes of coal, only 322.6 million tonnes was produced in the country leaving a gap of 32 million tonnes between demand and supply. Similarly, during the terminal year i.e. 2006-2007 of 10th Plan, as against the demand of 460 million tonnes, Coal India Ltd. have a capacity to produce only 405 million tonnes. There will be a gap of 55 million tonnes which have to be bridged through imports. The Committee further find that CIL's share of coal production by the end of 11th Plan is around 445 million tonnes. In order to maintain at least the same level of production for next 30 years to satisfy consumers around 275 blocks with total coal reserve of 38 billion tonnes have been retained by CIL. The Committee have further noted that as many as 92 projects have been identified by the Government which would be taken up during the 10th Plan period and beyond. Out of these, 72 projects have been planned to contribute to the tune of 79.11 million tonnes of coal during 10th Plan and the balance are likely to be slipped into the subsequent Plan. The total estimated capital cost of 92 projects is Rs. 21,147.39 crore. An amount of Rs. 6,343.92 crore has been planned to be invested in these projects during 10th Plan. The Committee have appraised projects planned by different coal subsidiaries and are of the view that coal subsidiaries like BCCL and ECL which are deficient to the tune of Rs. 3,675.21 and 1,413.79 crore respectively, would not be able to fund the new mines. CCL also have a meagre amount of Rs. 569 crore and it is apprehended that CCL may also not be able to mobilize resources for 8 new projects. NCL, WCL, SCCL and MCL who have 7, 23, 15 and 19 new mines respectively may not be able to generate adequate capital for the purpose. It is also brought to the notice of the Committee that Government have now planned to reassess their requirements since the present 275 mining blocks seem to be insufficient for meeting requirement of coal sector for another 30 years. The Government have, therefore, decided to retain additional 46 mining blocks. The Committee without going into the merit of the contention of the Government, would like to state that CIL, taking into consideration their capacity to mobilise resources both financial and technical, should undertake mining of identified coal blocks and rest should be assigned to the public/private sector for the development without any restriction of captive end users. The Committee feel that whenever a Public Sector Undertaking and State Governments ask for any coal block, they should be allotted the blocks immediately.

2.30 The Committee find that the system of linkage for non-core sector consumers was introduced by CIL with a view to rationalize coal demand vis-à-vis availability. The Committee find that the system was misused with impunity. The number of consumers where linkage was snapped / supply discontinued works out to 3253 units, of which 2211 units snapped and 1042 units discontinued. This involves a quantity of around 12 million tonnes. The Committee find that a very little has been done by Ministry of Coal in streamlining the procedure except passing on the onus on State Governments to act in the matter. The Committee acknowledges that coal is supplied against sponsorship but the responsibility of identifying the consumers regarding existence, status of operation, consumption, etc. should not solely rest with State Government/designated sponsoring authority in issuing

sponsorship of coal but also with the CIL and its subsidiaries. The Committee are of the view that CIL cannot simply wash up their hands from misdeed of various consumers who took undue advantage of system failures. The Committee desire the Ministry of Coal/CIL should verify the existence, working status and consumption of linkage consumers and may in the process engage the vigilance team for the purpose.

2.31 The Committee find that the requirement of coal of small consumers requiring less than 10 tonnes of coal is being met through open sale scheme and under trade channel network schemes. The Committee are sad to know that there are only 9 centres (Kolkata-1, Cuttak-2, Kalyan-2, Mughalsarai-1, Gaziabad-1, Kota-1) from which small consumers can source their coal requirement. The Committee are not in agreement with the view of the Government that each subsidiary company except NCL has a number of locations from which coal is offered to small seasonal consumers under BRK against sponsorship, trade channel network and open sale scheme and as much as 3-4 lakh tonnes of coal is sold through these locations. The Committee desire that Government should apprise the Committee about the locations in each subsidiary, quantities so sold in each of them during the last 3 years. The Committee recommend that more locations be identified under the scheme so that maximum number of districts in the country are covered under the scheme.

C. Project Planning and Implementation

(i) Planning

2.32 History of coal mining in India goes back to 18th century when coal was first mined in the Raniganj Coalfields in West Bengal. However, coal production during pre-independence and after independence was very slow. It was not adequate to meet the growing demand of coal for generation of power and other industrial purposes. The oil crises of early seventies spurred the Government into taking a hard look at the coal sector. Reconizing the importance of coal, a primary source of energy, Government nationalised the coal industry in phases in 1972 and 1973. The primary goal of nationalization was to ensure scientific approach / planning to exploration and exploitation of country's coal deposits with due attention to safety, conservation and environmental aspects and also accelerating the production level through substantial investments.

(ii) Implementation

2.33 In accordance with the Government decision and under the revised delegation of powers approved by CIL Board on 29.12.1997, coal projects costing upto Rs.100 crore can be sanctioned by the Board of Directors of CIL and coal projects costing upto Rs.50 crore can be sanctioned by the Board of Directors of NCL, WCL, SECL and MCL, subject to the condition that the project should be included in the approved Five Year / Annual Plans and outlays provided for and if the required funds can be found from the internal resources of the company and the expenditure is incurred on schemes included in the capital budget approved by the Government. The Board of Directors of ECL, BCCL, CCL and CMPDIL can however, sanction projects upto Rs.12 crore only. SCCL and NLC Boards can sanction projects upto Rs.50 crore and Rs.100 crore respectively. Projects costing over Rs.100 crore are sanctioned by the Government of India.

2.34 Projects costing Rs. 100.00 crore and more are being regularly monitored through monthly flash reports by the Ministry of Coal and the Department of Programme Implementation. Other projects costing Rs. 20.00 crore and above are also monitored in the Ministry of Coal on the basis of Quarterly Project Monitoring Reports received from the Public Sector Undertakings. The individual projects are reviewed on the basis of these reports and exception reports, covering the steps required to ensure speedy implementation of the projects. Action areas are highlighted and brought to the notice of concerned agencies, including State Governments, wherever required. Particular emphasis is laid on expeditious completion of projects, cutting down delays and cost overruns. During such reviews, projects requiring formulation and approval for revised cost estimates are also identified and coal companies are advised to prepare revised cost estimates for seeking approval of the Government. Revised cost estimates are analysed from the point of view of time and cost overrun, keeping in view the guidelines issued by the Ministry of Finance from time to time.

2.35 Company-wise and project-wise details of on-going projects costing Rs. 100.00 crore and above being implemented by CIL, SCCL and NLC as on 30th November, 2002 are given below:-

Name of the Company	**No. of Projects costing Rs.100 crore and above**	**Total Capacity (million tonnes)**	**Sanctioned cost (Rs in crore)**
CIL	6	26.51	3961.47
NLC (Mines) (Power)	 2 1	 7.00 2x2100 MW	 2691.19 1420.27
Total	**Mines 8** **Power 1**	**33.51 M.T.** **2x210 MW**	**Rs. 6652.66 crore** **Rs. 1420.27 crore**

2.36 In a written reply about the major deficiencies noticed in the project formulation and implementation stages and the steps taken to overcome them, Ministry of Coal stated as under:-

"Major difficulties noticed and Steps taken to improve Project Formulation and Implementation:

a) **Land Acquisition and Rehabilitation**: Various problems are often encountered during physical possession of land due to following reasons:

(i) Delay in submission of updated Records of Rights (ROR) / legal documents, while following various procedural steps, for obtaining clearance / approval for possession of land belonging to Private Parties or from Govt. under various land acquisition Acts.

(ii) Private Land Owners often raises undue claim for employment to dependant and cost for land / compensation to be paid which ultimately causes delay or even compels the company for abandoning such ownership proposals.

However, in order to overcome such problems certain concrete steps are taken as below:

(i) For acquisition of forest land constant interaction with the Ministry of Environment and Forestry (MoEF) and State Governments, is maintained for timely release of forest land. Land acquisition proceedings are expedited by constant follow-up with land acquisition officials of State Govt. Regular meeting with State Authorities viz. Land Revenue Commissioner, LR Secretary and Chief Secretary are held to sort out the acute problems.

(ii) To initiate actions for advance acquisition of land, forestry & environmental clearances, Advance Action Proposals are now taken up. Monetary incentives are now being offered in lieu of plots as per modified R&R policy of CIL for expeditious acquisition of tenancy land.

(iii) A joint Task Force has been constituted with the State Government participation for dealing with land acquisition problems in the State of Jharkhand at the instance of Ministry of Coal.

b) **Equipment Supply and Turnkey Execution**: Regular follow up with the representatives of the Public Sector Mining Equipment manufacturers through measures like :

- Posting of coal company officials at the works for expediting the supplies

- Frequent Director / CMD level discussions

- Regular Review Meeting at Secretary level where representatives of concerned Ministries/ Departments are also present.

- Steps are also taken to ensure proper quality and timely delivery of equipment from private sectors.

c) **Geo-mining Constraints**:- Detailed explorations are now taken up before opening of projects for collection and interpretation of geological data and associated features. Sophisticated geological and geo-physical exploration techniques are adopted for forecasting of geo-mining conditions.

This has resulted in more precise prediction and in taking better decision related to selection of working area and mining technology during project formulation stage".

3.37 The Committee are perturbed to note that the project such as Jharia phase-I is being foreclosed after incurring an expenditure of Rs.363.69 crore for the reasons that the project suffered from heating problem in one of its panels, coupled with shortage of fund for replacement of outlived Powered Support Long Wall (PSLW) and other development equipment and higher support density requirement in R-VI seam. Another project viz. Satgram was delayed that too after incurring Rs.109.07 crore as land could not be acquired for longwall mining as villages / land loosers demand benefits beyond the norms of the company. J.K. Nagar and Kalidaspur & Poolkee Ballihari projects are being foreclosed due to geological disturbances after incurring expenditure heavily. The Committee note that most of these difficulties in timely commissioning of coal projects are such which should have been none to the coal company before starting the projects and adequate steps should have been taken to remove these difficulties. The Committee desire that the techno-economic viability of the abandoned projects be examined and steps be taken by the Government to restart these projects. The Committee are of the view that the projects are not being managed on sound professional lines. The Committee, therefore, recommend that Government should tone up the project management in a bid to complete the on-going projects expeditiously. The Committee also desire that in-depth analysis of the reasons for delays, project-wise be gone-into and responsibilities for slippages, be fixed. The argument put forward by the Government that they keep track of the progress of coal projects costing Rs.100 crore on a monthly basis and all projects costing for Rs.20 crore on a quarterly basis does not appear to be serving any purpose since there is a continuous delay in implementation of the coal projects. The Committee are of the opinion that as major chunk of country's resources are involved in coal projects, it becomes all the more important to fix the responsibility for delays in planning and implementation of these projects. The Committee would like the Government to impress upon the State Governments to ensure timely acquisition of land so that projects are not hampered. The Committee also recommend that there should be a close liaison and coordination with various State Government agencies for expeditious

implementation of the projects. It would be better if the coal companies seek all necessary clearances for the projects and also take action to acquire the land well in advance of starting any project.

D. <u>Research and Development (R&D)</u>

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

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

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

"During the 9th Plan period, a total 48 projects have been completed by various agencies.

Status of coal S&T projects in the 9th Plan and 10th Plan period are as follows:-

i)	Projects on-going as on 1.4.2002 (spill over projects from 9th Plan)	- 42
ii)	Projects approved during the 10th Plan till (30.11.2002)	- 10
iii)	Projects completed in 10th Plan till (30.11.2002)	- Nil
iv)	Projects terminated in 10th Plan till (30.11.2002)	- Nil
v)	Projects on-going as on 30.11.2002	- 52
vi)	Projects in final stage of completion	- 19

2.41 Year-wise disbursement of funds under coal S&T grant of the Ministry of Coal for R&D activities during 9th Plan is as under:-

(Rs. in crore)

Sl.No.	Year	BE	RE	Disbursement
1.	1997-1998	9.87	9.38	4.56
2.	1998-1999	33.39	10.74	5.49
3.	1999-2000	20.52	7.38	4.34
4.	2000-2001	13.25	5.60	4.92
5.	2001-2002	11.70	1.50	9.06
6.	**Total**	**88.73**	**34.60**	**28.37**

2.42 When asked about the proposal for setting a dedicated R&D fund with the help of Department of Science and Technology for the coal sector where the Central Government could be requested to contribute, Ministry of Coal stated that:-

> "After nationalization of coal industry in two phases in 1971 and 1973 the Ministry of Coal initiated the Coal Science and Technology plan in 1975 exclusively for funding R&D activities in coal and lignite sectors. This plan is administered by the Standing Scientific Research Committee an apex body attached to the Ministry of Coal for funding research projects. To facilitate funding and to co-ordinate R&D work in the coal sector the Ministry is assisted by central Mine Planning & Design Institute (CMPDIL), a subsidiary of Coal India Ltd, the latter has also set up an R&D Board for funding research and trials. In view of these dedicated mechanisms any other exclusive fund for R&D activities is not presently envisaged. Assistance from department of Science & Technology is being taken, whenever required, for funding specific projects depending on scope and requirement".

2.43 The Committee are extremely unhappy to note that there has been sharp reduction in the R&D allocations and the utilization has been very poor during 9th Five year Plan except the terminal year i.e. 2001-2002 when the utilization of funds was much more than the allocation. During the first four years of 9th Plan i.e. 1997-1998 to 2000-2001, there has been only about 50% utilization of the allocated funds. The Committee are also distressed to note that the R&D projects which do have a direct impact on the growth of coal industry has been a neglected area. The Committee find that whereas the budget allocations for R&D activities is very low as compared to the total turnover of the coal industry, yet the amount has not been utilized properly and fully during the 9th Plan. The Committee find that inspite of well defined and broad based composition of Standing Scientific Research Committee to coordinate R&D coal projects and R&D board functioning at the level of CIL headquarters, there is dearth of quality R&D projects. Strangely, such Committees / Boards are headed by non-Scientific Officials. Inspite of poor quality of Indian coal, only eight R&D projects have been commercialized since 1975, when the present system came into being. The Committee feel that the coal company have to themselves identify the areas of their concern which need immediate attention.

Those areas can be taken up for further R&D for which the Ministry Science and Technology, etc. can also be consulted.

E. <u>Revival of sick Subsidiaries of Coal India Limited (CIL)</u>

2.44 Out of 8 subsidiaries, 3 subsidiaries viz. Eastern Coalfields Limited (ECL), Bharat Coking Coal Limited (BCCL) and Central Coalfields Limited (CCL) are loss making companies of Coal India Limited. These 3 companies have already been referred to BIFR. While ECL has already been declared sick, the references of BCCL and CCL are under consideration of BIFR/AAIFR. The State Bank of India has been appointed as Operating Agency for ECL to prepare the rehabilitation scheme. The Operating Agency has prepared the revival scheme of ECL and circulated the same to all concerned parties in July, 2002 as directed by BIFR. The draft rehabilitation scheme submitted by the Operating Agency was considered by ECL Board and CIL Board in August, 2002. The CIL Board endorsed in principle revival strategy of ECL as documented by the Operating Agency. Also in view of the decision of the Group of Ministers (GOM) constituted to look into the problems of coal industry, to ask the coal companies to prepare viable package for revival in a sustainable manner, these companies have been asked to furnish their revival package. The same is yet to be received in respect of BCCL and CCL. The revival plan of BCCL and CCL is under formulation. The financial performance of these coal companies during the last three years is as under:-

Company **Profit (+)/Loss (-)**	2001-02	2000-01	1999-2000
Eastern Coalfields Limited	-277.64	-917.19	-78.23
Bharat Coking Coal Limited	-755.00	-1276.70	-692.32
Central Coalfields Limited	-108.32	-792.91	-121.24

2.45 In a pre-evidence written reply, Ministry of Coal stated that there is no proposal to disinvest or privatise the coal companies especially the loss making.

2.46 When asked about the major factors responsible for losses, the Ministry informed as under:-

"(i) These companies inherited most of the oldest coal mines of the country as a result of the Nationalisation process during 1971-73.

(ii) The coal reserves are in very deep seams with the result that the geo-mining conditions in such seams are extremely difficult and having a very large share of old underground mines. Most of these underground mines are not amenable to any improvement in productivity.

(iii) Despite the fact that in many of such underground mines the reserves are nearing exhaustion, the coal companies are compelled to keep such mines open on account of trade union pressures.

iv) Because of difficult geo-mining conditions and surplus manpower not only the cost of production in these mines is very high but also their productivity measured in terms of OMS (Operation per Man Shift) has been traditionally the lowest among all the CIL subsidiaries.

v) They have not been able to get desired output from a few large mines on account of adverse geo-mining conditions and problems of land acquisition and resettlement of land oustees.

vi) Surplus Manpower

vii) Reduced demand for coking coal due to competition from imported coking coal".

2.47 They further informed that in a bid to improve the financial position of CIL and its loss making subsidiaries, payment of outstanding interest on non-plan loan of Rs.432.04 crore was allowed to continue as such in the books of CIL upto 1998-99.

2.48 The companies have initiated steps to improve their financial health which mainly include reduction of manpower through VRS, increase in production and productivity resort to measures to cut down cost of production and maximise utilization of man and machinery. CCL has shown improvements and has posted profits for the third quarter of 2002-2003.

2.49 The Committee are distressed to note that despite a number of measures taken to improve the financial position of the loss making companies, these companies continue to incur losses. The Committee is surprised to see that during the 9th Plan, the three loss making subsidiaries viz. ECL, BCCL and CCL incurred losses to the tune of Rs.7502.18 crore in which the share of loss incurred by ECL is Rs.2937.42, BCCL Rs.3307.27 and CCL is Rs.1257.49.

2.50 However, the Committee are glad to know that as a result of steps taken by the CIL and one of its loss making subsidiaries, namely; CCL, to improve the latters financial position, it has shown improvements and posted profits for the third quarter of 2002-2003. The Committee desire that all efforts should be made to improve the financial position of all the loss making companies. The CIL and the subsidiaries should not hesitate in seeking the help of the private sector also who have thorough knowledge and experience in the coal field. The Committee is not averse to the downsizing of the manpower through VRS, but it should be done only if the manpower is actually in excess. It should not be done merely for reducing the losses / financial burden of the subsidiary.

F. Conservation and Development of Infrastructure

2.51 Under section 6 of the Coal Mines (Conservation and Development) Act, 1974, Excise duty (commonly termed as stowing Excise Duty or SED) is levied on the coal companies against coal despatched at rates, not exceeding Rs.10 per tonne or as may be fixed from time to time by notification. The current rate of such Excise Duty is Rs.4.25 per tonne of coking coal and Rs.3.50 per tonne of non-coking coal. The Coal Controller collects the Excise Duty.

2.52 In each financial year, SED so collected is disbursed by the Central Government to different coal companies for undertaking stowing, protective works and infrastructure development jobs. For the purpose of determining the procedure for the disbursement of the SED proceeds, the Central Government constituted "Coal Conservation and Development Advisory Committee (CCDAC)". The Committee also advises the Government regarding the formulation and implementation of National Policy in relation to the conservation, development and scientific utilization of coal seams of the country apart from recommending class and grade of coal, rates of SED, disbursement of SED proceeds to different coal companies, etc.

2.53 In respect of a point regarding misappropriation of funds meant for sand stowing and protective works, development of transportation, etc., in the Coalfields, the Ministry of Coal stated that no misappropriation of funds has been reported to the CCDAC till date.

2.54 The cases of irregularities in sand stowing, coal transportation and coal sale where departmental enquries are being conducted by the Vigilance Department of CIL and its subsidiaries are as under:-

ECL	BCCL	CCL	WCL	SECL	MCL	NCL	CMPDI	CIL HQ.
6	15	6	-	1-	-	-	-	-

2.55 So far as funds are concerned, Rs.72.90 crore were projected for conservation and safety in coal mines for the year 2002-2003 but it has been reduced to Rs.60.96 crore at RE stage. A provision of Rs.64.00 crore has been made for the year 2003-2004. For the development of transportation infrastructure in coalfields areas, a provision of Rs.40 crore was made for 2002-2003 but reduced to Rs.25.05 crore at RE stage, and a provision of Rs.50.94 has been made for the year 2003-2004.

2.56 The Committee find that the funds earmarked for conservation works including stowing and development of transport infrastructure in coalfields areas are reduced at RE stage. Even the reduced funds are not utilised properly and in full resulting in non-achieving the physical targets. The Committee feel that although the Government have released funds for conversation works in coal fields areas, the actual implementation of schemes and utililzation of funds is not monitored properly and sanctioned schemes for protective and infrastructure works are delayed in the coal mines areas. The Committee desire that the Government should ensure that all the schemes approved by CCDA Committee be timely completed and funds earmarked for the schemes released and utilized properly and in full.

2.57 The Committee are surprised to see the cases of irregularities which are only in the three loss making subsidiaries and constrained to believe that the irregularities and corruptions in these companies are the prime factors for losses for the last so many years. In BCCL, there are maximum number of 15 cases of irregularities and this is the subsidiary incurring the maximum losses. The Committee, therefore, strongly recommend that the cases should be disposed of expeditiously and all guilty persons should be punished severely. The Committee desire that a detailed note in this regard be sent to them indicating the date of irregularities came to notice, nature of irregularities, person(s) involved, status of the case(s), etc.

2.58 The Committee also note that not much progress has been made towards development of infrastructure facilities like road and railways in coal mine areas. The Committee desire that a time bound programme should be drawn out subsidiary-wise and the Committee be informed of the same within three months.

G. Private Sector Participation in Coal Sector

2.59 Under the Coal Mines (Nationalisation) Act,1973, coal mining was exclusively reserved for the public sector. By an amendment to the Act in 1976, two exceptions to this policy were introduced **viz.** (i) captive mining by private companies engaged in production of iron and steel and; (ii) sub-lease for coal mining to private parties in isolated small pockets not amenable to economic development and not requiring rail transport, were allowed. Considering the need to augment power generation and to create additional capacity during the VIII Plan period, the Government decided to allow private participation in the Power Sector. The Coal Mines (Nationalisation) Act,1973 was amended **w.e.f.** 9.6.1993 to allow private sector participation in coal mining for generation of power, for washing of coal obtained from a mine or for other end uses to be notified by Government from time to time in addition to the existing provision for the production of iron and steel. Mining of Coal for production of cement has also been permitted by the Government **vide** notification dated 15.3.96.

2.60 Coal India Limited and Singareni Collieries Company Limited have identified number of coal mining blocks for allocation to private / public sector for captive mining.

2.61 The following are the guidelines adopted for allocation of blocks to the public / private sector for captive mining :-

(i) An application for mining of a coal block for quantity less than 1 mtpa in opencast mining and less than 250,000 tonnes per annum in underground mining would not be entertained so as to ensure economic / scientific mining of Indian coal.
(ii) Preferably blocks in green field areas where basic infrastructure like road, rail links, etc. is yet to be developed should be given to the public/ private sector. The

areas where CIL has already invested in creating such infrastructure for opening new mines should not be handed over to the private sector, except on reimbursement of costs.

(iii) The blocks offered to private sector should be at reasonable distance from existing 'mines and projects of CIL in order to avoid operational problems.

(iv) Blocks already identified for development by CIL where adequate funding is on hand or in sight should not be offered to the private sector.

(v) Public/private sector should be asked to bear full cost of exploration in these blocks which may be offered.

(vi) For identifying blocks, the requirements of coal for about 30 years would be considered.

(vii) The other requirements are :-

(a) approval of mining plan as required under the Mines and Minerals (Regulation and Development) Act,1957.

(b) inspection for an appropriate enforcement of conservation measures by the Coal Controller under the Coal Mines (Conservation and Development)Act, 1974 with a view to ensuring scientific mining.

(c) enforcement of safety regulations by the Directorate General of Mines Safety.

2.62 A Screening Committee under the Chairmanship of Additional Secretary (Coal) comprising of representatives from Ministry of Railways, Ministry of Power, Concerned State Governments, Ministry of Steel, Department of Industrial Policy & Promotion (Ministry of Industry), Coal Controller, Coal India Ltd., CMD's of concerned subsidiary companies of CIL, CMD, NLC as members has been set up in the Ministry for screening the proposals received for captive mining.

2.63 When asked as to whether all the entrepreneurs have started using these mines, the Ministry of Coal in a written reply stated as under:-

> "Out of the 27 coal blocks allotted to public / private sector parties for captive mining, mining has started in four blocks only (list enclosed in Annexure – IV). Completion of procedural formalities like obtaining of mining lease from the State Government and forestry / environmental clearance from Ministry of Environment and Forests (MoEF) and complying with other statutory requirements takes long time in development of the coal mine blocks allotted to the parties. Some end-use plants have been delayed and as a result the captive mining has also necessarily been delayed".

2.64 Regarding violations of terms and conditions of captive mining, the Ministry in a written reply informed that:-

> "On receipt of reports of sale of coal by M/s. Central Collieries Company Limited from the coal mining block (Takli-Jena-Bellora-Southern part) allotted to them for supply of coal to their power plant, without the power plant having been set up, enquiry was got conducted by the Ministry of Coal through Western Coalfields Ltd. and Coal Controller's Organisations. On examination of the information received from them, a show-cause notice was served by the Ministry of Coal on M/s. Central Collieries Company Ltd. to explain their alleged action. The reply received from the party was not found satisfactory. As such Ministry of Coal on 13.7.2001 wrote to Secretary, Trade, Commerce and Mining Department, Government of Maharashtra recommending cancellation of coal mining lease granted to M/s. Central Collieries Company Ltd. in respect of Takli-Jena-Bellora block (Southern Part) and also requested for cancellation of the lease under intimation to this Ministry. Presently the matter is under examination by a Revisional Authority set up in the Ministry of Coal".

2.65 As regards periodicity of the Screening Committee to meet, the Ministry informed that it was once in a month as per order of 14th July, 1992, but as per order dated 10.1.2000, periodicity has not been mentioned at which the meeting should be held. Since 1999, the Screening Committee met on the following dates:-

- (a) 18/19.6.1999
- (b) 6.3.2000
- (c) 31.5.2001 and
- (d) 28.11.2001

2.66 The Ministry of Coal further stated that after the last meeting of the Screening Committee held on 28.11.2001, 26 fresh applications, duly recommended by the administrative Ministries have been received, which will be considered by the Screening Committee as and when it meets next.

2.67 The last meeting was held on 28.11.2001. In fact, in 2001, two meetings were held. However, in the year 2001 an issue was raised as to whether or not the allotment of captive mining blocks for sponge iron plants was in conformity with the provisions of Coal Mines (Nationalization) Act, 1973. This issue was referred to Ministry of Steel for clarification. On receipt of Ministry of Steel's reply dated 20.12.2001, this matter was referred to Ministry of Law & Justice, Department of Legal Affairs on 3.1.2002 for legal opinion. Ministry of Law & Justice communicated the opinion of Attorney General of India on the issue, on 3.6.2002, which was in the affirmative. When this was settled, another issue that was raised was pertaining to "Washing" as an end use by itself. This matter was also referred to Ministry of Law for legal opinion. The Law Ministry sought the opinion of the Attorney General (A.G). The Learned A.G. has opined that "Washing" is a permissible end use. The matter is under consideration of this Ministry. Since these issues were under examination in the Ministry, no meeting of the Screening Committee could be held in the year 2002.

2.68 Regarding NGOs participation in coal sector, Ministry stated as under:-

> "NGOs were associated with resettlement / rehabilitation schemes under coal sector Environmental and Social Mitigation Project (CSESMP) in 25 project mines in five subsidiaries (CCL, WCL, SECL, MCL & NCL) during the project implementation period 1996 to 2002. 10 facilitating NGOs were engaged in 25 project mines of SCESMP in five subsidiaries to work shoulder to shoulder with the Coal India official for implementation of mitigation measures of the social issues. NGOs were engaged to help the R&D officials of the subsidiaries in formulating and implementing the Resettlement Action Plans (RAPs) and Indigenous People Development Plans (IPDPs) and thereby ensuring that the Coal India policy on Resettlement & Rehabilitation was carried out effectively. They were engaged also for carrying out the initial survey for generation of base line data and subsequently updating and verification of the same".

2.69 The Committee are happy to note that the Government have allowed the State Governments through their undertakings to undertake coal mining anywhere in the country through open/underground methods without the earlier restrictions of working a small and isolated non-coking deposits. As a result, the undertakings of State Government of West Bengal, Jharkhand, Maharashtra and Chhattisgarh have been permitted to undertake coal mining. The State undertakings of West Bengal have been allowed to mine 5 mining blocks whereas the undertakings of Jharkhand 9 blocks, Maharashtra 16 blocks, Chhattisgarh 1 block. The Committee hope and trust that these liberalized policy will permit the State Governments to mine the coal for their non-captive purposes also.

2.70 The Committee note that the Government had identified 128 blocks for captive mining and allotted 27 to public/private sector. As on date, only 4 have started the end use and rest have not taken suitable action to make the end use. It is heartening to note that some of the blocks were allotted way back as August, 1993. The Committee are not at all convinced with the reply of the Government that the completion of procedural formalities like obtaining of mining lease from State Government and forestry/environmental clearances from Ministry of Forest & Environment and complying with other statutory requirements takes longtime in the development of coal mine blocks offered to the private parties. It is further stated that some end use plans have been delayed and as a result the captive mining has also been necessarily delayed. The Committee while acknowledging some delay in according approvals, do not approve of delay as much as 10 years, in the process. The Committee are of the view that such private entrepreneurs are deliberately delaying the use of such captive blocks in the light of Coal Mines (Nationalisation) Amendment Bill which permits private sector participation in coal sector without any restriction. The Committee recommend that all private parties should start mining of captive blocks within a period of 3 months failing which the coal blocks

should be cancelled without any further notice. At the same time, the Committee desire that all the pending proposals before the Screening Committee for allotment of captive blocks be cleared expeditiously without waiting for the out come of the Coal Mines(Nationalisation) Amendment Bill. The Committee do not approve of not conducting the meetings of the Screening Committees which allocate coal blocks for captive mining regularly. The Committee find that the Government is to conduct Screening Committee meeting once in month as per the stipulation of July, 1992. Strangely this has been withdrawn in the subsequent orders issued by the Government in 1993 and June, 2000. The Committee now find that the Government have not prescribed any periodicity of such meetings. The Committee are at a loss to understand that no meeting would be conducted during 2002 and 2003 on the grounds that some clarifications were required to be clarified from the Law Ministry. In this context, the Committee would like to point out that meetings to Screening Committee should have been conducted regularly. During 2002, no meeting could be conducted, as certain legal/technical clarifications, posed by an entrepreneur, were awaited. The Committee do not approve of this action on the part of Ministry, who has allowed, one entrepreneur, to dysfunction, the whole system. The Committee would like to enphasise that it would have been prudent on the part of Ministry of Coal, to go ahead with the well laid down procedure and accorded permission to mine coal captively subject to the condition of outcome of such legal/technical clarification. The Committee desire that in future such meetings should be conducted regularly and without fail.

H. <u>Safety in Coal Mines</u>

2.71 Coal India Limited consistent with three goal of nationalisation of coal mines Coal India is committed to improvement of the safety scenario in its mining operations which is reflected in the mission of CIL. With this in view CIL has formulated a safety policy. This is implemented through a structured Internal Safety Organisation (ISO) in each subsidiary company as well as at CIL level.

2.72 Explaining the Safety system in coal mines, the Ministry in a note submitted to the Committee stated that safety system in coal mines is managed by the Internal Safety Organisation at company and at CIL level. Coal India Safety Board meets twice every year to review and formalise policy decisions on safety related issues in Coal India. While ED(S&R), CIL under the guidance of D(T)/CIL over views the corporate function of safety management system of the coal mines at company level, ISO with ED(S&R) at its head, looks after and guides the safety related activities at the area/mine level under the functional direction of D(T)/CMD of the company. Area level management comprising a number of mines / units belonging to the area, is looked after by Area Safety Officer under the direction and guidance of Area GM. ISO as a whole functions as an advisory unit. Line management function of implementation of the safety related activities are looked after by Manager/Sub-Area Manager/GM etc. of the mines with the assistance of other staff officers functioning at their respective levels. Manager is assisted by Assistant Collieries Manager, Under Managers, Safety Officer, Overman and Mining Sirdar for safety matters. At the mine level workers' safety representative designated as workman inspector carries out inspection at periodic intervals and advises the management on all safety-related activities. Co-ordination with DGMS by Internal Safety Organisation is done as and where necessary, right from mine/unit/area level to the corporate HQ level. Tripartite meetings are held at colliery, area, subsidiary, CIL level having representation of management, union representatives and DGMS officials.

2.73 Funds for safety budget of CIL are arranged primarily from internal resources of CIL, under capital and revenue. The details of capital and Revenue Budget for safety and rescue in CIL is given below:-

(Rs. in crore)

	Safety & Rescue budget for Coal India Limited		Utilisation of Safety and Rescue budget of CIL	
	Capital	Revenue	Capital	Revenue
1999-2000	78.31	266.07	37.30	253.97
2000-2001	47.82	305.60	29.54	262.66
2001-2002	69.02	411.11	40.21	428.01
2002-2003	76.99	415.57	--	--

2.74 The utilisation of the safety budget under the head capital is sometimes delayed as many safety items have to be procured from abroad through global tender as such items are not manufactured indigenously. Moreover, many safety items have to DGMS approval and confirm to BIS Specification. Sometimes, DGMS grants provisional approval for certain safety items for a certain period. Such procurement action through global tender is time taking and sometimes DGMS approval lapses and procurement action gets delayed. As such utilisation of capital budget for safety and rescue suffers due to the above constraints.

2.75 As regards SCCL, funds allocated for Safety related activities are fully utilized and the details during IX Plan period are furnished below:

(Rs. in crore)

Year	Funds allocated for safety (Revenue+Capital)	Actual expenditure on safety (Revenue+Capital)
1997-98	132.27	132.27
1998-99	140.97	140.97
1999-2000	148.69	148.69
2000-01	163.89	163.89
2001-02	175.51	175.51

2.76 The capital and revenue budget for safety are worked out every year based on the review of safety status of the mines. In CIL a capital budget of around 70 to 75 crores and a revenue budget of around Rs. 400 crores are kept in every financial year. In SCCL, Rs. 191.50 crores has been allocated for safety during 2003-04 combining capital and revenue expenditure.

2.77 When asked about the idea of 'Zero Accident Potential', the Ministry stated in a written reply as under:-

> "Coal India Limited (CIL) and its subsidiary companies have initiated the following measures to improve the standard of safety further in the coal mines of CIL subsidiaries.
>
> i) CIL has established a structured multi-disciplinary Internal Safety Organisation (ISO) for monitoring safety status of mines, both at subsidiary level and at CIL (HQ).
>
> ii) Regular Safety Audits of mines on Roof Management, Gas Management, Inundation, Fire and Health of work persons by experienced mining/electrical/mechanical engineers and implementation of the recommendations of the same.
>
> iii) Design of system of support of roof in the development workings in underground mines by scientific support systems based on Rock Mass Rating (RMR) studies.
>
> iv) Greater use of quick-setting cement/resin capsules grouted roof bolts for support in development workings in underground mines.
>
> v) Phased replacement of timber support by steel support.
>
> vi) Reduced exposure of workers to mining hazards by mechanization of loading operations by increasing use of SDLs and LHDs in belowground mine. Powered Support longwall system of mining, Continuous Miner Technology etc., are also being adopted in suitable areas
>
> vii) Regular monitoring of mine environment by handheld gas detectors/alarms and flame safety lamps for detecting inflammable and noxious gases. Besides computerized continuous mine environmental telemonitoring system are in operation in eight mines and eight additional nos. of such systems have been procured and are under installation.
>
> viii) Before every monsoon the danger of inundation from both surface and underground sources of water are examined in every mine and inundation prone mines are identified and accordingly an action plan for preventive measures against the same is prepared and implemented".

2.78 Further to reduce the accidents, tele-communication system has been established in all the underground mines. Thrust on training and retraining of workmen, supervisors to increase safety awareness of the workmen. Video films as are V.T.modules are under preparation by coal companies on topics allotted to them for rendering training to workman at VTC. Already some video films / CDs have been prepared.

2.79 Explaining the adequacy of safety related equipments and gadgets to take care of any eventualities, the Ministry of Coal informed that the following special safety related equipments are maintained in CIL:-

(i) One Large Dia Boring machine has been purchased which is capable of drilling 600 mm dia hole approx. upto a depth of 250 meters to rescue trapped miners. The machine is kept in readiness at Sitarampur Rescue Station of ECL.

(ii) Two Mobile Winders were procured by CIL. One is under repair and lying at BCCL and the other is ready for use and kept at ECL.

(iii) Communication system from underground to surface and surface to Headquarter and mine Rescue Stations have been improved so that communication about any eventualities can be promptly transmitted.

(iv) The underground workers of Deg.II and Deg.III and fiery mines have been provided, while on duty, with filter self-rescuer. So far we have procured 1,11,000 FSRs and 50,000 FSRs are under procurement action, which will cover Deg.I mines also. Action for providing Chemical type self-rescuer in Degree-III mines are under process.

(v) Rescue Services have been improvised with state of the art equipment and modern training galleries provided for initial and refresher training.

2.80 Regarding identification of potential dangerous areas, the Ministry informed that Directorate General of Mines Safety (DGMS) identifies accident prone mines every year through a statistical exercise based on the accident statistics for the previous 5 years of each and every coal mine. A list of such mines is circulated to each coal mining company. On receipt of the list of accident prone mines by the companies of CIL, specific measures are taken at each accident prone mine based on analysis of the accident occurred therein. DGMS officials made inspections of the mines from time to time and point out deficiencies. Action is taken to remove these deficiencies.

2.81 When asked about the accidents occurred during 2000-2001, 2001-2002 and 2000-2003, persons died and injured in accidents, the Ministry furnished the following information:-

> "Accident statistics for coal PSUs namely, Coal India Limited and Singareni Collieries Company Limited are maintained in calendar years in conformity with the practice of DGMS. The company-wise accident statistics for the years 2000-01, 2001-02 & 2002-03(upto 8th March,2003) are given below:-

Company	Fatal Accidents	Fatalities	Serious Accidents	Injuries

	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03	2000-01	2001-02	2002-03
CIL	75	67	51	122	72	58	571	488	275	604	518	295
SCCL	25	27	12	31	31	17	94	97	82	101	108	86

There are various causes for accidents roof /side fall accidents constitutes about 40% of all fatal accidents below ground. At surface and opencast workings, accidents due to trucks and dumpers constitutes about 40% of all fatal accidents. These accidents are mainly due to human failure".

2.82 The Committee are perturbed to note that CIL have on more than one occasion have failed to utilize the safety and rescue related budget. The contention of the Government that utilization of safety budget is sometimes delayed as many safety items have to be procured from abroad through global tender as these are not manufactured indigenously and many safety items are required to obtain DGMS approval and confirm to BIS specifications are far from satisfactory. The Committee are of the view that bureaucratic delays and other formalities should not come in the way of utilizing the safety related budget of CIL. The Committee are alarmed to note that where as CIL and its subsidiaries have failed to utilize their budgetary allocation for the purpose, SCCL a joint venture of Government of India and Government of Andhra Pradesh have been able to utilize their budgeted amount fully. In the view of the Committee, when SCCL can expend their safety related budget fully, there is no rationality on the part of CIL in not utilizing the said budget. The Committee, therefore, desire that the Government should review the formalities and other procedures in the system to ensure that the entire safety related budget is expended prudently.

2.83 The Committee also desire that all safety related equipments, gadgets should enable all readiness to take care of any eventuality. For this CIL should ensure a mechanism that such equipment and gadgets are in working condition.

2.84 The Committee have noted that although number of fatal accidents are showing the declining trend from 223 in the year 1951-60 to 140 in 1991-2000, there is still a scope to attain zero accident rate in coal mining. It has been brought to the notice of the Committee by some of the trade unions during their study tours to the various coal fields that the average accident in the coal mines sector is showing a decline trend on account of under reporting of such cases. There are instances where accidents occurred have been shown occurring on contract labour employed by the contractors and not of CIL and its subsidiaries. The Committee have reasons to believe the contention of various trade unions in this regard and desire that an independent probe may be conducted in the matter. At the same time, the Committee desire that CIL should initiate measures to improve the safety standards in coal mines and, if need be new technology be introduced both in machinery and materials for the purpose.

2.85 The Committee find that there has been significant improvement in the safety standards and there is no doubt that rate of accidents have come down. Mining safety goes hand-in-hand with efficient systems of mining and practice of safe mining methods. Due attention is, therefore, to be paid to identify the various issues relating to mine safety. Application of modern mining technology both in underground and open cast mining takes care of the mine safety to a great extent. At the same time, parameters of safety still need long-felt, large scale improvement. It is in this context, the Committee recommend that need based and adequate surveyors be engaged and maps of mines / working updated from time to time.

I. Coal Washeries

2.86 The Committee have been informed that the percentage of high ash coal, particularly E.F. and G grades of coal is approximately 49% of the total coal reserves and major part of these grades of coal is used in thermal power plants, with a telling effect on the performance of the plants and disposal of ash at the plant heads. Price-wise too, it becomes disadvantageous specially due to railway tariff over long distances. Of late, the consumers located in coastal States find it cheaper to import coal from abroad than to purchase coal domestically.

2.87 The Notification dated 19.9.1997 issued by the Ministry of Environment and Forest (MoEF) makes it mandatory for thermal power plants located 1000 kms. From pithead and also those located in urban areas / sensitive areas, to use beneficiated coal with ash content not exceeding 34% from 1st June, 2001. As such, there is an urgent need to create the required capacities for beneficiating non-coking coal to comply with the MoEF notification, which would require capital investment of about Rs.3000 crore at a specific investment of Rs.25 to 30 crore per million tonne. Therefore, in view of CIL's policy of not commissioning any washery of its own other than on BOO or BOOT basis and the long gestation period of 36 to 48 months required for building washeries, there is an urgent need for finalization of the agreements with the consumers so that these washing / beneficiated capacities can be created well in time.

2.88 Ministry of Coal in a pre-evidence written reply stated that 19 coal washeries have been set up in Coal India Limited (CIL) for beneficiation of coking and non-coking / coal. Out of these 19 washeries, 6 are for beneficiation of non-coking coal and the rest of 13 washeries are for washing coking coal. The number of washeries, their capacity and utilization of the same is as under:-

Sl.No.	Washery	Capacity (Mty)	Capacity utilisation (%)		
			99-00	00-01	01-02
1.	Dugda-II, BCCL	2.00	52.95	44.05	32.74
2.	Bhujudih,BCCL	1.70	80.24	71.59	58.32
3.	Patherdih,BCCL	1.60	39.94	34.88	23.98
4.	Lodna, BCCL	0.48	72.50	50.83	35.88
5.	Sudamdih,BCCL	1.60	53.63	49.94	41.11
6.	Barora, BCCL	0.42	75.48	51.43	49.79
7.	Moonidih,BCCL	1.60	62.56	49.06	46.81
8.	Mahuda, BCCL	0.63	57.78	53.49	50.68

9.	Madhuband,BCCL	2.50	18.18	1.36	27.26
10.	Kithara, CCL	3.00	38.45	45.41	44.76
11.	Sawang, CCL	0.75	94.48	104.43	88.11
12.	Rajrappa, CCL	3.00	68.82	68.83	53.00
13.	Kedla, CCL	2.60	33.13	33.92	28.48
14.	Nandan, WCL	1.20	51.55	47.86	42.54
15.	Kargali, CCL	2.72	36.81	34.84	28.35
16.	Gidi, CCL	2.50	42.75	41.22	32.34
17.	Piparwar, CCL	6.50	96.58	86.72	88.63
18.	Bina ,NCL	4.50	18.50	18.90	19.70
19.	Dugda –I, BCCL	1.00	72.80	67.3	54.02

2.89 Regarding investment required for renovating, modernizing and improving the capacity utilization, the Ministry stated that the following investments are required:-

i) Washeries of BCCL - 110.00 crore (approximately)

ii) Washeries of CCL - 65.00 crore (approximately)

The subsidiary companies of CIL cannot, at present, invest for renovating and modernizing for improving the capacity utilization of the existing washeries because of their financial constraints. At the same time, it is fact that the present washeries of CIL are not sufficient to meet the anticipated growth in demand of washed non-coking coal. The CIL is not contemplating to set up more washeries on its own because of funds constraints. Coal washeries are to be set up either through "Built Own Operate (BOO)" basis or by the consumers after entering into an agreement.

2.90 CIL has taken action to set up the following coal washeries under BOO scheme for supply of washed coal to thermal power stations:-

	Capacity(Mty)
(i) Kalinga MCL	8.0
(ii) Ananta Bharatpur, MCL	5.2
(iii) Dipka, SECL	6.0

	19.2

2.91 Formal agreement to set up the above washeries are yet to be signed and negotiations with the consumers are in progress.

2.92 In addition, the consumers requiring washed coal are encouraged to select a private entrepreneur to set up washery at pit head adopting proper technology. In such cases coal companies will work as facilitator and provide land , electricity, and water at cost subject to availability. Two washeries have already been set up by private entrepreneurs on these lines with an aggregate capacity of 5.0 Mty which will be expanded to 10 Mty for which permissions have already been granted.

2.93 The Government of India (vide notification of MoEF) has made it mandatory to use coal of ash content not exceeding 34% in any thermal power plant (TPP) located beyond 1000 Kms. from pithead or located in urban area or sensitive area or critically polluted area. To satisfy this stipulation, coal supply matrix for TPPs coming under purview of MoEF's notification has been drawn up and is under operation. However, this is an interim arrangement. In the long run coal has to be beneficiated to meet the MoEF stipulation.

2.94 In addition, the following measures are adopted by CIL at the pit level to reduce ash content of mined coal:

* Adherence to envisaged mining sequence during extraction of coal seams.

* Application of selective mining techniques including deployment of Surface Miners for removal of dirt bands.

* Picking of extraneous materials in Coal Handling Plants.

2.95 The Committee note that the Indian coal both coking and non-coking are generally inferior with high ash content and difficult cleaning characteristics. The coking properties of Indian coking coal are relatively poorer as compared to the coking coal of major coal producing companies. The general characteristics of Indian non-coking coal includes, low sulpher content, high ash fusion temperature, low iron content in ash and low chlorine content. The Committee further note that 19 coal washeries have been set up in CIL for beneficiation of coking and non-coking coal(coking coal –13, non-coking coal 6). The Committee are alarmed to note that whereas 9 washeries have been set up for beneficiation of coal, their average capacity utilization is less than 40% as against required norm of 85%. There has been under utilization of capacity due to shortage of raw-coking coal of appropriate quality and ageing. Further, most of these washeries do not get coal of superior quality to yield clean coal. Over the years, the ash content in raw coal has gone up as high as 39% due to depletion of good quality coking coal reserves. Most washeries have outlived their life and there are frequent breakdown due to ageing of plants. As much as Rs. 175 crore is required to renovate and modernize and improve the capacity utilization of the existing washeries. Taking into consideration that CIL does not have adequate resources to invest for renovation, modernization and improve the capacity utilization of the washeries, the Committee recommend that private sector participation should be permitted in this field. Such washeries can be set up under Built-Own-Operate and Built-Own-Lease-Transfer and any other appropriate model. The Committee, at the same time, desire that the bulk consumers of coal specially power, steel and cement sector should be encouraged to set up coal washeries for their use.

J. Coal Sale Dues

2.96 It has been stated in the Performance Budget (2002-2003) of the Ministry of Coal that CIL is required to meet coal needs of all consumers including power, steel, cement, fertilizer and others. While coal is released to some sectors against advance payments, the bulk consumers like power and steel are taking coal on credit. Due to the poor financial position of SEBs and SPCs, an amount of Rs.6538 crore was outstanding as coal sale dues as on 31.3.2002.

2.97 The total coal sale dues during the last three years i.e. 2000-2001, 2001-2002 and 2002-2003 (upto 28.2.2003) are as under:-

(Rs. in crore)

As on 31.3.2001	As on 31.3.2002	As on 28.2.2003
6845.30	6538.00	6485.42

2.98 The statement below reflects the status of sector-wise coal sale dues both disputed and undisputed as on 28.2.2003:-

(Rs. in crore)

Sector	**Undisputed**	**Disputed**	**Total**
Power	4355.52	1651.35	6006.87
Steel	100.70	426.36	527.06
Others	-80.75	32.24	-48.51
Total	**4375.47**	**2109.95**	**6485.42**

2.99 The steps taken by the Ministry of Coal / CIL to recover the outstanding dues from the bulk consumers especially SEBs, as stated in a written reply, are as under:-

(i) Coal India Limited (CIL) has been advised to supply coal to power utilities only against advance payment or letter of credit (Cash and Carry)

ii) Coal India Limited and its subsidiary coal companies have been persistently following up with the consumers in diverse sectors for settlement of dues.

iii) Recovery of dues by way of adjustment against power bills is also being done in respect of certain power utilities.

iv) Umpires have been appointed for resolving the disputed dues between the coal companies and SEBs.

v) Deductions from Central Plan Assistance -- Government has also decided to deduct the outstanding dues of Coal India Ltd. as on 31.12.1996 through the mechanism of cuts from the Central Plan Assistance to the State Governments, subject to certain ceilings.

vi) Securitisation of outstanding dues – On the recommendation of the Expert Group headed by Dr. M.S Ahluwalia, the Government has finalised a scheme to cover the outstanding dues from SEBs to the central PSUs in the coal, power and other sectors through the process of securitisation of old outstanding dues.

vii) In respect of current dues, CIL is operating the cash and carry system.

2.**100 The Committee are perturbed to note the considerable increase in the dues from power sector despite the reported steps taken and desire the Ministry of Coal to explain the reasons for this. The Committee would also like to know the steps taken by the Government for the new schemes by which these outstanding dues would be guaranteed to enable the coal companies to realise bonds, etc. The Committee also note with concern that a huge amount of Rs.2109.95 crore is under disputed category. The Committee recommend that as a first step, the Ministry should ensure that maximum amount from this category is transferred to undisputed category and recovered immediately. Efforts should also be made to check such disputes by joint samplings at both the loading and unloading points.**

K. <u>Utilisation of Equipments and Machineries in Coal Companies</u>

2.101 In the coal mining, equipments and machines play a vital role. With the proper utilization of the mining equipments, the mining activities can be increased tremendously both in terms of quality and quantity. The machines used for extraction of coal in opencast mines of Coal India Limited (CIL) are mainly as under:-

i) Dragline
ii) Shovel
iii) Dumper
iv) Dozer
v) Drill

2.102 In underground mining, the following major equipments / machinery are used:-

(i)	Winder	(ii)	Haulage
(iii)	Roadheader	(iv)	Longwall Faces
(v)	Side Discharge Loader	(vi)	Load Hall Dumper
(vii)	Main Pump	(viii)	Main Ventilation Fan
(ix)	Belt Conveyor	(x)	Transwitch Units

2.103 The details of availability and actual utilization of major HEMM machines and equipments in opencast and underground mines and their comparison with norms fixed for the purpose by CMPDIL are given in **Annexure V:-**

2.104 When asked about the steps taken to improve the utilization of these machines, the Ministry of Coal in a written note state that:-

(i) Infra-structural facilities like Mobile van, Diesel Bowzer, Canteen van, Crane, Welding machine, High pressure Washing Pump etc. are provided as auxiliary support to the equipment.

(ii) Advance planning for procurement of spares and its judicious management for reduction of time taken in repair /overhaul /rehabilitation

(iii) Replacement plan has been made to reduce the no. of out aged equipment in phases.

(iv) Float Bank is being set up at regional workshops to reduce down time of equipment.

(v) Improved workshop facilities to reduce repair time.

(vi) Construction of proper Haulroad

(vii) Steps have been taken to improve communication facilities in big projects.

(viii) Special efforts are made to make machines more reliable by timely maintenance. Condition based monitoring is practised in major projects to reduce downtime of equipment.

(ix) Surprise checks by Industrial Engg. Department during the back shifts have improved timely start of shifts and hence better utilization.

(x) Advance planning of major repair / rehabilitation of HEMM is done followed by close monitoring for re-commissioning of the same.

(xi) Special emphasis has been laid on blasting for better fragmentation resulting in low down time of equipment.

(xii) Providing optimum working area to Shovels for enhancing productivity.

(xiii) Shifting of time office very near to work site in big projects.

(xiv) Allotment of equipment in advance to operators on a fortnightly /monthly basis.

(xv) Staggering of shift duty timing of Dozer operators to make advance operating shovel face and dump yard preparation.

(xvi) Improving cleanliness and condition of operator cabins of all machines.

(xvii) Ensure that hour meters provided on all HEMM are working.

(xviii) Discussing performance report in respect of utilization regularly in the monthly CGM/GM Coordination meeting at Subsidiary Headquarter. Equipment under breakdown for more than 3 months is being monitored regularly from HQ level.

(xix) Publicity and propaganda in respect of best achiever in each mine on weekly basis for better motivation. Observing "Engineers Day Fortnight" in order to have a competition on various activities i.e. maintenance and operation.

(xx) Organizing workshop at the level of sub area Manager and Staff Officer (Excavation) for deliberation on improvement in capacity utilization of equipment.

(xxi) Non-availability of mining land is being solved through constant follow up with concerned Government officials.

2.105 The Committee are dismayed to note the poor utilization of major mining machineries and equipments both in open cast and underground mining during 2001-02 and 2002-03. The Committee have noted that both the availability and utilization of equipments in none of the coal subsidiaries matches CMPDIL norms which are also liberal to a large extent. In this context, the Committee would like to stress that CMPDIL should review their norms in the light of prevailing world standards. The Committee have taken note of reasons adduced by Ministry of Coal for not utilizing the machines and equipments such as difficult geo-mining conditions, depletion of reserves, ageing, land acquisition problem, infrastructure constraint, climatic conditions and non availability of spares. The Committee are not at all convinced with such reasoning on the grounds that these factors were taken into consideration while formulating such liberal norms by CMPDIL. The Committee do not approve at all the under utilization of machineries and equipment at macro level. In this context, the Committee would like to be apprised of the utilization of such machineries at micro level i.e. in each mine level during the last three years subsidiary-wise. At the same time, the Committee recommend that Government should undertake wet and dry leasing of equipments which will not entail any additional resources on part of CIL. The Committee also recommend that major machineries and equipments should be transferred from one subsidiary to another so as to obtain optimal utilization of these machineries. In this context, the Committee would like to emphasise that idling of machines and equipments should be avoided at any cost. The Committee would like to be apprised of the action taken by the Government in this regard.

L. Opencast and Underground Coal Mining

2.106 Currently mining is done predominantly by Opencast methods to exploit the proven reserves of coal situated within a depth of 300 metres. The emphasis on Opencast (OC) mining in the country's coal development programme will continue, despite the acknowledged need for a judicious mix of Opencast and Underground (UG) mining. This is because planners and the industry management have found that Opencast mining has facilitated faster increase in coal production and insured better returns on investments since nationalisation of coal mines in the early seventies.

2.107 At the same time, India has huge untapped potential for Underground mining with extractable reserves upto a depth of 600 meter. Coal at the deeper seams is of much better quality than of the upper seams extracted by Opencast method.

2.108 Explaining the production and ratio thereof between Underground and Opencast during 9th Plan period, the Ministry of Coal furnished the figures year-wise as under:-

(In million tonnes)

Year	Opencast (OC)	Underground (UG)	Total	Ratio between UG & OC
1997-98	231.375	69.028	300.403	1:3.35
1998-99	228.747	67.761	296.508	1:3.37
1999-2000	237.276	66.827	304.103	1:3.55
2000-01	247.628	66.068	313.696	1:3.74
2001-02	262.971	64.816	327.787	1:4.05

2.109 The following is the target for the 10th Plan with break-up of Underground and Opencast:-

(In million tonnes)

Tenth Five Year Plan Period	Target (CIL)		Target (SCCL)		Target * (Others)	Target
	OC	UG	OC	UG	Total	Total
2002-03	236.27	50.03	18.94	13.56	17.20	335.80
2003-04	246.96	51.54	18.55	14.95	18.05	350.05
2004-05	254.30	58.70	19.48	16.30	17.22	366.00
2005-06	269.65	59.85	19.54	16.50	18.46	384.00
2006-07	289.35	60.65	19.37	16.76	18.87	405.00

2.110 The Ministry further stated that Coal India is introducing mechanisation in phased manner replacing the manual system to increase production and productivity in their underground mines. Manual coal loading in many mines have been mechanized with deployment of side discharge loaders and load haul dumpers. Mechanized powered support long wall has also been introduced in mines having suitable geo-mining conditions. Certain special methods like blasting gallery, cable bolting etc. with mechanized loading have also been introduced for extraction of thick seam. Continuous miner technology has recently been introduced. Roof bolts are being used extensively in underground mines of CIL replacing the timber supports. Coal India Limited also has plans to extend such mechanisation in more mines in future in a phased manner.

2.111 The Committee observe that the rising prices is a significant factor in the increasing profitability of CIL but it makes the domestic coal uncompetitive. CIL cannot continue to bank on this and needs to stress on improving productivity. This holds good especially for the case of underground mines, which employ as much as 75% (approx.) of the total labour force but account for only about 27.5% of total production. Productivity in the case of underground mines has stagnated and even in the case of opencast mines, productivity has not increased at a fast enough rate. In fact, during 1997-98, there had been a marginal decline in productivity in opencast mines. As against 231.375 million tonnes in 1997-98 in opencast, the productivity went down to 228.747 million tonnes during 1998-99. Thereafter, during the remaining years of 9th Plan, there had been a marginal increase. So far as underground mines are concerned, during the 9th Plan, there had been a consistent decline in the productivity. During the first year of 9th Plan i.e. 1997-98, the productivity in underground mines was 69.028 million tonnes but the productivity declined year after year and during the terminal year i.e. 2001-2002 of Ninth Plan, it decreased upto 64.816 million tonnes. The Committee, therefore, desire that the ratio between the Underground and Opencast mining has to be improved and given due attention. Currently opencast mines account for about 75% of total production with the rest being accounted for by the underground mines. This trend is fast depleting the reserves amenable for opencast mining and neglecting the development of Underground mines where large precious and quality potential exists for meeting the future demand. Therefore, immediate action needs to be initiated for developing underground mines given their long gestation periods. Along with this, the productivity as measured needs to be improved in both Opencast as well as Underground but especially in case of the latter as productivity in underground mining has stagnated. In the opinion of the Committee, the snail pace at which mechanization of underground mining is taking place has to be stepped up. In this context, the Committee recommend that additional resources be employed for underground mining so as to convert the present imbalance between Underground and Opencast mining.

NEW DELHI;
28th March, 2003
7 Chaitra, 1925(Saka)

SONTOSH MOHAN DEV,
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Standing Committee on Energy.