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STANDING COMMITTEE ON COAL AND STEEL (2013-2014)

FIFTEENTH LOK SABHA

MINISTRY OF COAL

COAL PRICING AND ISSUES RELATING TO COAL ROYALTY

FORTY-NINTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
FEBRUARY, 2014/MAGHA 1935(Saka)

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Presented to Lok Sabha on 06.02.2014

Laid in Rajya Sabha on 06.02.2014

LOK SABHA SECRETARIAT
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Shri Kalyan Banerjee **- Chairman**

Name of the Member

Lok Sabha

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3. Shri Hansraj G. Ahir
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6. Shri Abu Hasem Khan Choudhury
7. Shri Ismail Hussain
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14. Kumari Saroj Pandey
15. Shri Ramesh Rathod
16. Shri Rakesh Sachan
17. Shri Pashupati Nath Singh
18. Smt. Rajesh Nandini Singh
19. Shri Rajiv Ranjan Singh *alias* Lalan Singh
20. Shri Shibu Soren
21. Dr. G. Vivekanand

Rajya Sabha

22. Ms. Mabel Rebello
23. Dr. Dasari Narayana Rao
24. Shri Jai Prakash Narayan Singh
25. Shri Mohammed Amin#
26. Shri Ali Anwar Ansari
27. Shri R.C. Singh
28. Shri Kishore Kumar Mohanty
29. Shri Swapan Sadhan Bose
30. Vacant^
31. Vacant$

Nominated w.e.f. 23.12.2009 *vice* Shri A. Vijayaraghavan
* Nominated w.e.f. 11.01.2010
^ Shri Dhiraj Prasad Sahu ceased to be Member of the Committee w.e.f. 07.07.2010
$ Shri Nand Kumar Sai ceased to be Member of the Committee w.e.f. 29.06.2010

<u>COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2011-12)</u>

Shri Kalyan Banerjee - Chairman

Name of the Member

Lok Sabha

2. Shri Hansaraj Gangaram Ahir
3. Shri Sanjay Bhoi
4. Shri Udyanraje Bhonsle
5. Shri A.H. Khan Choudhury
6. Shri Bansa Gopal Chowdhury
7. Smt. Jyoti Dhurve
8. Adv.Ganeshrao Nagorao Dudhgaonkar
9. Shri Ismail Hussain
10. Shri Vishwa Mohan Kumar
11. Sardar Sukhdev Singh Libra
12. Shri Govind Prasad Mishra
13. Shri Deoraj Singh Patel
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15. Shri Pashupati Nath Singh
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17. Shri K. Sugumar
18. Shri Manohar Tirkey
19. Dr. G. Vivekanand
20. Shri Pakauri Lal#
21. Shri Rajiv Ranjan Singh *alias* Lalan Singh$

Rajya Sabha

22. Shri Jugul Kishore
23. Shri Dhiraj Prasad Sahu
24. Shri Nand Kumar Sai
25. Shri Jai Prakash Narayan Singh
26. Smt. Smriti Zubin Irani*
27. Shri C.M. Ramesh@
28. Shri Ali Anwar Ansari@
29. Dr. Pradeep Kumar Balmuchu%
30. Shri Dilip Kumar Tirkey%
31. Vacant

* Nominated to the Committee w.e.*f*. 17.09.2011
\# Nominated to the Committee *w.e.f*. 03.01.2012
@ Nominated to the Committee w.e.f. 04.05.2012
% Nominated to the Committee w.e.f. 15.05.2012
$ Nominated to the Committee w.e.f. 28.06.2012

COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2012-13)

Shri Kalyan Banerjee - Chairman

Name of the Member

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Sanjay Bhoi
4. Smt. Jyoti Dhurve
5. Shri Ganeshrao Nagorao Dudhgaonkar
6. Shri Sabbam Hari
7. Shri Vishwa Mohan Kumar
8. Shri Yashbant N.S. Laguri
9. Shri Pakauri Lal
10. Shri Babu Lal Marandi
11. Shri Govind Prasad Mishra
12. Shri Rajaram Pal
13. Kumari Saroj Pandey
14. Shri Gajendra Singh Rajukhedi
15. Shri K.R.G. Reddy
16. Shri K. Shivkumar *alias J*.K. Ritheesh
17. Shri Pashupati Nath Singh
18. Smt. Rajesh Nandini Singh
19. Shri Uday Pratap Singh
20. Shri O
21. Shri Bansa Gopal Choudhary*

Sabha

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* Nominated w.e.f. 13.12.2012

COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2013-14)

Shri Kalyan Banerjee - Chairman

Name of the Member

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Sanjay Bhoi
4. Shri Bansa Gopal Choudhary
5. Smt. Jyoti Dhurve
6. Shri Ganeshrao Nagorao Dudhgaonkar
7. Shri Sabbam Hari
8. Shri Vishwa Mohan Kumar
9. Shri Yashbant N.S. Laguri
10. Shri Pakauri Lal
11. Shri Babu Lal Marandi
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13. Shri Rajaram Pal
14. Kumari Saroj Pandey
15. Shri Gajendra Singh Rajukhedi
16. Shri K.R.G. Reddy
17. Shri Pashupati Nath Singh
18. Smt. Rajesh Nandini Singh
19. Shri Uday Pratap Singh
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Sabha

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30. Shri
31.

SECRETARIAT

1. Shri S. Balsekhar
2. Shri Shiv Singh
3. Shri Arvind Sharma
4. Shri Amrish Kumar

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorized by the Committee to present the Report on their behalf, present this Forty-Ninth Report (Fifteenth Lok Sabha) on "Coal Pricing and Issues relating to Coal Royalty" pertaining to the Ministry of Coal.

2. The Standing Committee on Coal and Steel(2013-14) had selected the subject for detailed examination and report to the Parliament. The Committee (2009-10) were briefed by the representatives of the Ministry of Coal and Coal Companies on 16.07.2010 and took oral evidence on 16.08.2010 and 26.08.2010. The Committee(2011-12) and (2012-13) decided to continue the examination of the subject. The Committee (2011-12) and (2012-13) took oral evidence of the representatives of the Ministry of Coal and Coal Companies on 20.01.12, 14.06.2013 and 08.07.2013 respectively.

3. The Committee wish to express their thanks to the officials of the Ministry of Coal and Coal Companies for placing before them and in furnishing material/information from time to time as desired by the Committee.

4. The Committee also wish to express their sincere thanks to their predecessor Committees for the significant contribution made by them in the examination of the subject. The Report was considered and adopted by the Committee at their sitting held on 17.12.2013.

5. The Committee place on record their profound appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-C of the Report.

NEW DELHI;
18 December, 2013
27 Agrahayana, 1935(Saka)

KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel

INTRODUCTORY

The issue of coal pricing and coal royalty have grabbed a lot of public attention of late and has become significant today, not only form economic, but social and political point of view also. The coal pricing takes social overtones because it affects a huge number of end-users, customers and stakeholders, including prime industries. The coal prices take economic overtones because of profit margin considerations of coal companies and coal supply to power companies which indirectly affects electricity tariffs also. And, it often takes political overtones because of coal royalty issue between the Centre-States regarding demand of higher royalty rates and levy of other cess by states. The issue therefore affects the fiscal federalism too.

2. The coal price fixation is a complex mechanism involving several factors, principles and parameters. In general. After deregulation of coal pricing by the Government, it is the Coal companies themselves which now fix the coal prices. In general, the coal prices are fixed based upon input cost for coal production, demand-supply equation, inflationary pressures, wage costs, market capacity to absorb the coal prices, the acceptance and rejection level of the consumers, landed cost of imported coal and financial viability of the new coal projects. But, the crucial and significant aspect is that coal pricing should strike a balance between inflation, market prices and interests of the end-consumers. In this context the end users of coal were broadly categorized into two – Consumers of coal in the regulated sector (Power Utilities, Fertilizer and Defence) and those in the non-regulated sector (Cement, Sponge iron, Paper, Rubber, Engineering industry etc.). Steel sector is also a deregulated sector but prices of washed coking coal supplied to integrated steel plant is decided based on negotiation between CIL and SAIL on import parity basis. Since the price of end products of the coal consuming industries in the non-regulated sector are driven by demand and supply scenario, prices of coal for supply to the consumers in the non-regulated sector were kept at 30% higher than the price of coal for supply to the consumer in regulated sector.

3. As regards coal pricing, the coal companies have switched over from Useful Heat Value(UHV) to Gross Calorific Value(GCV) with effect from 01.01.12. Accordingly, there are different grades of coal depending on their calorific value and different prices for each grade. But, there is lack of a common National Policy for Coal Prices for the coal companies. Earlier, when UHV grading system was prevalent, there were different prices for the same grade of coal across different companies. Even today, under GCV grading system, the coal prices are not fully uniform for all the coal companies of Coal India Limited. There are various other issues also, like E-auction under New Coal Distribution Policy, coal-theft and illegal mining, coal linkages, New Coal Pricing mechanism for supply of imported coal on cost-plus basis under which price burden of imported coal is passed onto the consumers and coal royalty from captive mines given to private parties which need to be properly addressed as these issues have a direct or indirect bearing on coal price determination. The freight rates also impact the coal prices. It is necessary that rail freight rates for coal transport are rationalized and other modes of transport may also be explored so as to ensure speedy and cost effective movement of coal.

4. Coal royalty is a consideration or charge for exploitation of coal, a non-renewable natural resource. The power of granting coal mining lease lies with the State Government. With the enactment of the Mines and Minerals (Regulation & Development) Act in 1957, the system of fixing the rates of royalty and its collection were redefined. In the modern times, royalty came to be known as a charge by the owner of the minerals from those who are given the concession to remove them. For fixing the rate of royalty on coal/lignite, the Ministry of Coal constitutes a study group headed by the Additional Secretary for fixing the rate of royalty on coal. The Study Group takes the views of all the stakeholders like the coal producing and consuming states and the major consumer sectors such as power, iron and steel, cement etc. The royalty rates were last revised in 2012.

5. It is pertinent to note that non-revision of royalty rates for many years has led to decline in the royalty income of the States. The Coal producing States of Jharkhand, Orissa, West Bengal, Madhya Pradesh and Chhattisgarh have repeatedly

expressed that except coal royalty the other sources of their revenue collection are inadequate and, therefore, they will have problems in financing their developmental expenditure if coal royalty rates are not revised upward. It is therefore expected from Government to bring out a clear cut policy on royalty acceptable to coal producing states which could be revised at periodical intervals.

6. The issue of levy of other cess by the states also continues to remain a cause of concern for the coal industry and a major point of dispute for fiscal administration between centre and states.

7. Today, a need is also felt to determine a methodology for calculation of royalty, chargeable on coal produced from captive mines given to private parties. The new royalty rates should be announced only after the suggestions and views from different stakeholders are taken into consideration and a balance should be maintained as far as securing the interests of the various stakeholders is concerned.

8. All earlier Commissions/Committees on Coal, namely, the Committee on Integrated Energy Policy, the Working Group of Coal for 11th Plan, the Sankar Committee on coal sector and the Tariff Commission had recommended creation of an independent Coal Regulatory Authority, which would have powers to comprehensively handle coal resource development, regulation on extraction, end use etc. including pricing and mining safety issues, within the policies formulated by the Government. Recently, taking into consideration the earlier recommendations of the Committees, the Union Cabinet in June, 2013 gave its approval to the proposal for setting up of an independent regulatory authority for the coal sector and also approved the introduction of the Coal Regulatory Authority Bill, 2013 in Parliament. The setting up of an independent regulatory body for the coal sector shall help in the regulation and conservation of coal resources and will benefit all stakeholders; that is coal companies, coal consuming industries such as power, steel, cement and coal bearing States and people, directly or indirectly associated with the coal industry. The Authority shall specify methods of testing for declaration of grades or quality of coal, monitor and enforce closure of mines,

specify principles and methodologies for price determination of raw coal and washed coal and any other by-produce generated during the process of coal washing, adjudicate upon disputes between parties and discharge other functions as the Government may entrust to it.

9. The Committee have examined the above issues in detail in subsequent chapters of the Report and made their observations and recommendations.

PART-A

COAL PRICING

CHAPTER-1

DEREGULATION OF COAL PRICING BY GOVERNMENT

The Central Government was empowered by the Colliery Control Order, 1945 to fix the grade-wise and colliery-wise prices of coal. The pricing of coal was fully deregulated after the Colliery Control Order, 2000 was notified with effect from 1st January, 2000 in supersession of the Colliery Control Order, 1945. Under the Colliery Control Order, 2000 the Central Government has no power to fix the prices of coal. Coal has also been removed from the list of essential commodities through an amendment of the Essential Commodities Act, 1955. The Coal Companies themselves fix the coal price based on input costs, installation index, market trends etc. and notify the same periodically.

1.2 According to the Ministry of Coal, the price of coal produced and sold by Coal India Limited and its subsidiary companies was under complete control of the Government till 21.03.1996. Price was decided based on normative cost as per the formula developed by the Bureau of Industrial Cost & Pricing (BICP) and notified by Ministry of coal. The process of Decontrol of Price of coal was started from 22.3.1996 and continued in phases under the provisions of the Colliery Control Order 1945. The prices of all grades of coking coal, semi coking coal and non-coking coal of grades A, B & C were decontrolled w.e.f. 22.03.1996. The price of non-coking coal of grade D was decontrolled w.e.f 12.3.1997. The prices of non-coking coal of grades E, F & G were partially decontrolled (not to be more than BICP norms) w.e.f. 12.3.1997. The process of price decontrol was finally completed on 01.01.2000 with Govt. Notification of new Colliery Control Order 2000 in supersession of CCO 1945.

1.3 The Committee were informed that in a deregulated regime, the basic objective of coal companies is to ensure generation of sufficient surplus after meeting its revenue requirement to facilitate financing fresh investments with reasonable return. The coal price is to remain within general level of inflation and is also to be guided by the market forces coupled with the need for generating internal resources to enable sustainable growth. The price of coal should also ensure that the landed cost of domestic coal at different consuming points remains competitive vis-à-vis landed cost of imported coal at the same place.

1.4 During evidence the Committee when enquired about the reasons for deregulation of the pricing of coal, the CMD, BCCL informed the Committee as under:-

> "The pricing of coal was regulated till December, 1999. It was fully regulated till January, 1996; thereafter, it was partially deregulated; and ultimately, it was fully deregulated in January, 2000. At that point of time when it was deregulated, the Indian coal in terms of prices expressed in rupees per million calorie were actually priced out in some of the coastal regions, particularly far off coastal places like Tuticorin, Gujarat or Mumbai. So, when the deregulation came, we decided to be very careful because if we do not apply restraint and responsive behaviour towards the consumers, we would lose market. Actually, 1998-99 was one of those years because the import duties prior to 1993 used to be 85 per cent and that had practically come down to about 25 to 30 per cent during 1999-2000 and the international prices of coal also had fallen. This is the reason we became priced out. At that time, we were very cautious, how to increase the prices. Normally, the whole approach has been that we did not look at pricing unless there was a major cost push factor, which we could not absorb by production increase or capacity utilization improvement or productivity improvement. As a result, in these 10 years, there have been four major price revisions. The first price revision was in February, 2001; the second price revision was in June, 2004; and third price revision was in December, 2007; and the fourth price revision was in October, 2009. Most of the time, it has been caused because of the wage revisions. We are basically employee-oriented company; and for the large number of people who work, 50 per cent of the cost is roughly wage cost. In fact, in the last 10 years, there have been two major wage revisions. The National Coal Wage Agreement 7 and the National Coal Wage Agreement 8. There has always been an interim relief first and then the final wage revision. Basically, this has been the major driver for price revisions. But I am happy to share with you that over this 10 year period, the average compound annual rate of growth, the annualized price revision has been only 4.9 per cent, which is distinctly less than the inflation during this period. I am also happy to say that coal is possibly the only core commodity, which has demonstrated this kind of a price behavior. As a result of this and also as a

result of the fact that international coal prices have firmed up quite substantially during this period, despite the fact that import duties are falling further, and now, it is actually zero in most of the cases. There is five per cent in case of cocking coal. There is all the import duty is. There is hardly any import duty. Even the kind of a protection being taken way, our coal is competitively priced at all destinations in the country. In fact, at some places we are cheaper by 45 to 60 per cent as compared to imported prices even when prices are expressed in rupees per million calorie. So, this has been the price behavior generally. Prices have never been considered to be adding to inflation. Prices have been less than inflation in all cases."

1.5 When the Committee asked the Ministry of Coal about their statutory power for having control over the Coal companies, the Ministry submitted the following reply:

"For their operational day to day management, the coal companies are free to work on their own as per rules and regulations and their Memorandum of Association. As far as certain policy directions are concerned, there are occasions when the Government of India can give them either Presidential directives or specific directions or guidelines which is approved by the Government of India. Under the guidelines of the DPE, there is a clause about acceptance of Presidential Directives which all the Government companies have incorporated in their Memorandum of Association and so has the CIL done. It is in accordance with that the Government of India can give them the Presidential Directives. Under the Companies Act, every company which has incorporated this is bound to have a Memorandum of Association and there are certain guidelines about incorporating certain provisions."

CHAPTER-II

FACTORS AND PRINCIPLES FOR DETERMINING COAL PRICES

The Ministry of Coal/CIL in a presentation before the Committee have submitted the objective of coal pricing as follows:-

a) In a deregulated regime, the basic objective of CIL is to supply coal at a reasonable price covering the fixed and variable cost including concurrent and future investments required for sustained operations.

b) The coal price to remain within general level of inflation and also to be guided by the market forces coupled with the need for generating internal resources to enable sustainable growth.

c) To ensure that the landed cost of domestic coal at different consuming points remains competitive vis-à-vis landed cost of imported coal at the same place.

d) Integrated Energy Policy(IEP) provides for selling high quality coal at a 15% discount on the import parity price.

2.2 The Ministry of Coal have informed the Committee that as under the Colliery Control Order, 2000 the Central Government has no power, to fix the prices of coal, Coal companies are fixing the price of coal by themselves. The Committee were apprised of the followings factors that are taken into consideration while fixing the coal price are as under:-

i) "General increase in price of commodities in the market leading to increase in the cost of input in the production of coal as reflected in WPI and AICPI.
ii) Demand and supply scenario
ii) Capacity of the company to absorb the increase in cost.
iii) Landed cost of imported coal.
iv) Impact of revision in wages of non-executive employees and revision in pay of executives as per Govt. guidelines as and when such revision takes place.
v) Requirement of additional resources mobilization for fresh investments in new projects to augment coal production to achieve planned production target.
vi) Need for capital investment in new projects and modernization of existing mines to augment coal production to bridge the demand supply gap."

2.3 According to Ministry of Coal, any upward revision in the coal price to bring it closer to the market price will have some inflationary pressure on the national economy. Therefore, coal pricing has to strike a balance between two conflicting interests. In this context, the end users of coal were broadly categorized into two – Consumers of coal in the regulated sector (Power Utilities, Fertilizer and Defence) and those in the non-regulated sector (Cement, Sponge iron, Paper, Rubber, Engineering industry etc.). Steel sector is also a deregulated sector but prices of washed coking coal supplied to integrated steel plant is decided based on negotiation between CIL and SAIL on import parity basis.

2.4 The Committee were informed that the issue of striking a balance between conflicting interest of the Coal Companies and end users was kept in view while revising the notified price with effect from 27.02.2011, in which the concept of dual pricing has been introduced; one for consumers in the regulated sector (i.e. Power Utilities (including IPPs), fertilizer and Defence) and another for consumers in the non-regulated sector (i.e. sectors other than Power (Utilities (including IPPs), fertilizer and defence). Since the price of end products of the coal consuming industries in the non-regulated sector are driven by demand and supply scenario, prices of coal for supply to the consumers in the non-regulated sector were kept at 30% higher than the price of coal for supply to the consumer in regulated sector. Further prices of Grade A and Grade B of coal were fixed on import parity basis for supply to all the coal consuming sectors. Also the prices of coal produced by Mahanadi Coalfields Ltd. (MCL) for grades other than A & B were brought to the level of prices of equivalent grades of coal produced by Korba and Raigarh field of South Eastern Coalfields Ltd. (SECL).

2.5 After introduction of New Coal Distribution Policy (NCDP) during October, 2007, Ministry of Coal issued guidelines for supply of Coal on Cost plus basis. Under the cost plus agreement the price of coal to be supplied shall cover cost of production and reasonable return on investment and from such sources which otherwise would have been non-viable at CIL notified price. The price is fixed at 85% capacity utilisation at a return not less than 12% Internal Rate of Return(IRR).

2.6 During evidence, when enquired about fixing of prices of coal, the CMD, BCCL informed the Committee as under:-

> "The Coal India Board fixes the prices. Every time what happens is that if there is a cost push factor, which cannot be taken into account, which cannot be absorbed through efficiency improvement, like we entered into National Coal Wage Agreement which had a very big impact. The overall impact of that has to be seen like what is the impact of the wage revision and how much I can absorb through efficiency improvement. Rest I have to pass it on to the consumer by way of price increase. The price of coal has been increased only because of the wage revision."

2.7 On being asked about the basis upon which the Ministry of Coal /Coal PSU's have fixed up the coal prices last time and the formula for that, the CMD BCCL stated:

> "The overall impact of that has to be seen like what is the impact of the wage revision and how much I can absorb through efficiency improvement. Rest I have to pass it on to the consumer by way of price increase. If there is any major increase, let us say, in the coal prices, leading to stores cost or other cost, it is actually cost driven. Whatever we cannot absorb, that has been the thing. That is why, the average period has been two-and-a-half years. The average period of price revision has been two-and-a-half years. We never did it annually. We did it as less frequently as possible."

2.8 On being asked, as to why 'the requirement of fund for investment in upcoming projects and modernization of existing mines for augmentation of production…' is added as a factor in the coal price fixation, the Ministry of Coal submitted before the Committee as under-

> " ..today our most common grade price is Rs.700. Now, when we have to decide investment in a new project, very logically the Government of India rules are that unless 12 per cent return on investment is there, we cannot really invest. So, there can be some extreme cases where the cost of production in some of the projects is more than Rs.700. Therefore, we have to keep that also in mind, otherwise the project will not be viable."

2.9 To a specific query that after coal blocks been given to the private parties, how the Ministry of Coal/Coal PSUs determine the coal price, the Ministry of Coal has informed the Committee that for the coal blocks given for captive use , private parties are not free to sell that coal in the open market. That is, for their own consumption and CIL prices are taken into consideration for the purpose of calculation for royalty and other things on that.

2.10 Regarding measures taken/proposed to be taken to bring down the cost of production of coal and lignite so as to moderate the coal prices, the Ministry of Coal has informed the Committee as under :-

> "The cost control is primarily done through the budgetary control system. Cost analysis is done and different cost statements showing therein variance analysis are prepared on regular basis. These are submitted to different forums of CIL and subsidiary companies for taking necessary action by the management for cost reduction and cost control.
>
> About 81% of the total cost of production is fixed in nature and the balance 19% is variable. Controllable items are mainly the costs incurred on account of over time, under loading/over loading, demurrage and power.
>
> Cost of production of coal increases mainly because of increase in (a) Dearness Allowance (linked with AICPI), (b) pay revision of executives and Wage Board employees (through Wage Agreement), (c) POL rates and (d) Wholesale Price Index (WPI). Cost also increases for adverse variation in ratio of Coal and Overburden. Practically CIL has no control over these factors for adverse variance. However, CIL is trying to control the cost by increasing production and productivity by rationalizing machine utilization and deployment of manpower."

2.11 The Ministry of Coal have apprised the Committee that Energy Coordination Committee (ECC) decided that the Planning Commission in consultation with Ministry of Coal and Ministry of Power, would prepare a transition path in order to operationalize the coal pricing mechanism . A Committee was constituted under the chairmanship of Principal Advisor (Energy), Planning Commission to suggest the modalities in this regard. The Expert Committee of the Planning Commission on Integrated Energy Policy has made the following observations :-

> "Decontrolling price in a monopolistic situation is adversely affecting the interest of consumers. In the absence of a coal market with competing supplies, there is a need to develop a transparent mechanism for pricing domestic coal. Currently there is no competition in the coal sector and the public sector monopoly continues. No regulatory framework is available and in such a situation grievance redressal for consumers, particularly, in regard to price/quality disputes, is difficult. To raise the commercial performance of the industry to meet international standards and to sustain the projected growth of energy sector, it is important to address these issues……."

2.12 The Integrated Energy Policy Committee has suggested a number of options to deal with lacunae in the present policies in the coal sector. The main recommendations of the Committee are policies requiring legislative amendments so that coal blocks can be offered to potential entrepreneurs through competitive bidding, growth of infrastructure for movement of coal to load centers to be aligned with the growth of coal industry, dress and prepare coal to reduce cost of transport as Indian coal contains lot of ash. and formation of an independent coal regulator to regulate upstream allotment and exploitation of available coal, to approve coal price revisions, ensure supply of coal to the power sector under long-term Fuel Supply and Transport Agreements (FSTAs), facilitate the development of formulae/indices for resetting coal prices under long term FSTAs, monitoring e-auctions, ensure the price discovery through e-auctions is free of distortions, regulate trading margins, develop a mechanism for adequate quantities of coal imports under long-term contracts to bridge the gap between supply and demand and finally create the environment for a competitive coal market to operate etc.

2.13 The Committee were informed that the primary objective of Coal India Limited (CIL) and its subsidiaries is to secure the requirement of coal for the fast growing power and other sectors by taking effective measures to evolve a long term production strategy, which would ensure proper planning of mines, investments in opening coal fields ahead of the need for additional coal production. The extent of under pricing of domestic coal, as notified by CIL, could be measured from the premium fetched over and above the notified price of coal offered under e-auction by different subsidiary companies of CIL. In fact e-auction of coal is fetching a substantial premium over the notified price and was giving a clear indication that market could still absorb a price higher than the notified price.

2.14 Asked about determining coal price in a competitive market, the Ministry of Coal has informed the Committee that it is not possible as long as the number of suppliers are limited and as long as for the largest coal consuming sector, i.e. power, coal cost is passed through and fully compensated in determining electricity tariff. However, since other users of coal are numerous and consume substantial quantities of coal, a strategy for competitive price discovery is possible. In this regard, the Expert Committee on Integrated Energy Policy had recommended as under:-

(i) High quality coking and non-coking coals which are exportable may be sold at export parity prices as determined by import price at the nearest port minus 15%. This practice is currently being adopted satisfactory for supply of good quality coking coal to the steel industry.

(ii) 20% of the total coal produced should be sold through e-auctions. For e-auctions to be successful, CIL should, directly or otherwise, ensure availability of coal and offer it for sale to meet the total demand. Quantities to be sold through e-auction from different mines must be determined annually with a monthly mine-wise schedule to be independently monitored and enforced by a coal regulator.

(iii) Remaining coal should be sold under long-term Fuel Supply and Transport Agreements (FSTAs). Regulated utilities should be allowed upto 100% of their certified requirements through FSTAs . Other bulk consumers may be allowed partial FSTAs based on coal availability. Any shortfalls in requirements not covered by FSTAs should be met through e-auction supplies or imports.

(iv) Pithead price of coal under FSTAs should be revised annually by a coal regulator on a basis that inter-alia take into account prices obtained through e-auction, FOB price of imported coal (both adjusted for quality) and domestic production cost, inclusive of return based on efficiency standards.

(v) Replace the practice of grading coal under wide bands of the empirically determined UHV by the international practice of grading coal based on GCV. This is expected to encourage efficient use of coal and promote use of washed coal. Coal prices should be made fully variable based on Gross Calorific Value (GCV) and other quality parameters.

2.15 According to the Ministry of Coal, the issue of pricing of coal was also discussed in a meeting at the Prime Minister's Office and after deliberations it was decided that 'the matter might be referred to the Tariff Commission to recommend the price of coal for the power sector and to suggest modalities for pricing of coal for other sector'. The Tariff Commission took up the study on 02/08/2005 and submitted its report. A copy of its report was sent to Planning Commission.

2.16 The main recommendations of the Tariff Commission, with regard to issue of pricing of coal are as under:

(a) "The fair price of a commodity is determined by the operation of market forces under conditions of perfect or near perfect competition. However, under conditions of monopoly or monopolistic competition, the market determined prices do not tend to be always fair. Under these conditions the operation of market forces alone is not expected to lead to the determination of a fair price of coal for the consumers. The market conditions prevailing in the coal sector provide a typical case where public intervention in pricing policy can be justified.

(b). The import parity provides an alternative basis for fixing the price of coal. This, as the Expert Committee on Road Map for Coal Sector Reforms (Shanker Committee) has observed, could increase dependence on imported coal, as many Indian consumers may prefer imported coal. This may aggravate India's energy security concerns.

(c). Power plays an extremely important role in the process of socio-economic transformation of a country as also towards enriching the quality of life of the people. The supply of power at reasonable and affordable prices is, therefore, a desirable objective. As the coal based power plants produce about 66 per cent of the total power generated, the supply of coal at a reasonable price will have a salutary effect on the price of power to keep it at a reasonable level.

(d) Similarly, fertilizer sector is important from the point of ensuring adequate production of food-grains and other crops for ensuring food security. Realizing this aspect the Government of India has been subsidizing the supply of fertilizer to the agriculture sector. With a view to reduce the cost of production of fertilizer which will also have an indirect impact on the subsidy burden, it is desirable that this sector is also supplied coal at a reasonable price.

(e) Considering the position explained in para three and four above, the Commission is of the view that the price of coal for the power and fertilizer sectors should be determined cost-plus basis and reviewed periodically.

(f) As regards the price of coal for other important sectors of the economy, viz. cement and steel, the Commission is of the view that these being infrastructure sectors, any increase in prices of end products of these sectors is likely to result in inflationary pressures in the economy. Hence, it is desirable that prices of cement and steel are maintained at reasonable levels.

(g) In order to improve the financial and operational management of Coal India Limited as a whole it is recommended that the Ministry of Coal may examine the feasibility of merger of various subsidiary companies of Coal India Limited.

The Planning Commission have not supported the recommendations of the Tariff Commission."

2.17 When asked about the main reasons for non-acceptance of recommendations of the Tariff Commission by the Planning Commission and how Government proposes to put in place a mechanism for fixation of coal price, the Ministry of Coal in a written reply stated as under:-

"(i) Single price structure for coal recommended by Tariff Commission has been arrived by studying cost of production from sampled mines. Effect of any change in share of production from underground mine, stripping ratio in opencast mines, degree of mechanization, number of small/medium/ large capacity opencast mines, impact of outsourcing and other unforeseen circumstances have not been accommodated in the pricing system.

(ii) The merger of different subsidiaries companies would have to take many other important considerations into account. At the same time no compensatory arrangement has been suggested for SCCL.

(iii) The uniform delivered price is much higher than the notified price and varies widely for different load centers across the country due to associated cost of rail freight. The recommended pricing system has not taken into account this aspect.

(iv) Dependence on imported non-coking coal is likely to increase in future. The recommended price structure has not considered the impact of price of imported coal on regulated utilities or competing utilities consuming domestic and imported coal.

v) The recommended price structure has little or no incentive for economizing cost of production. Operational inefficiencies can be easily camouflaged by the management of those coal mines which incur higher cost of production due to geo-technical reasons and profit margin in low-cost mines would get eroded due to complacency.

vi) The recommendations of the Tariff Commission are consumer-centric and are likely to reduce generation internal resource of the company. In addition to commissioning of new projects and augmentation of existing production capacities of its mines, Coal India Ltd. has initiated action for acquiring coal properties abroad. This would put pressure on the resources. Interest of the producers needs to be accommodated in the pricing system.

vii) The recommended pricing system based on cost plus approach is not in line with the Planning Commission's approach of market driven pricing system where it is advocated that only a competitive free market can do an efficient job of price determination.

iii) The Planning Commission has presented a strategy for competitive price discovery before the Energy Coordination Committee and the same has been recommended by the Committee for implementation."

E-auction of Coal

2.18 During evidence, the Committee raised serious concerns over the issues of e-auction of coal despite coal shortage in the country for domestic industries and manipulation of e-auction system by big traders and influential parties thus depriving genuine end-users from participating in it. The queries were also addressed as regards rampant coal theft, coal linkages and diversion of coal from end-users, all these affecting in some way or other the coal pricing issue directly or indirectly. In reply, the Ministry of Coal submitted as under:-

".. there is a demand, but, unfortunately, we are not able to meet even the demand for the existing linkage holders itself. Though, we should be giving more linkage if coal is available, but our current level of growth of coal is not permitting us to give any more additional linkage to anybody. This is our limitation. It is a fact that we do sometimes get complaints of misuse of coal by the end-users. But kindly appreciate that we have a limitation because the coal users are all over the country whereas we are located only in the coal producing areas. Sometimes, it is also difficult for us to go and monitor on a continuous basis. Whenever there are complaints, we take action. We appreciate your point. Basically, there are two irregularities, which we have to keep vigilance on. One is the theft of coal, and the second is coal being diverted from end-users....

As far as theft of coal is concerned, it is basically the responsibility of the State enforcement authorities because once the coal leaves the mine area, then the coalfield managers do not have control over that coal, and within the coalfield area we are setting up a very integrated GPRS / RFID CCTV mechanism. We are going to start it in Central Coalfields very shortly. By December, we intend to operationalize it, and in other coalfields also it is progressing in different stages. We take note of it, and this is a priority area both for the Coal India as well as for the Ministry and we are working on it.

....As far as end-user is concerned, basically, the problem is with the small-scale sector. In the major users, we are able to keep some mechanism. Therefore, we are in touch with the State authorities because the State authorities are the nodal distribution agencies. So, this joint responsibility has been given to the coalfield managers as well as the State enforcement authorities to ensure that there is end-use verification, and whenever irregularity is found, action, as per law, is being taken."

CHAPTER-III

REVISION OF COAL PRICES

During the period of de-regulation since 01.01.2000, General Revision in Coal Price had taken place on 7 occasions:

Dates	**% increase**	**WPI movement w.r.t. pervious revision**
01-02-2001	(8.5%)	13.68%
16.06.2004	(16.2%)	12.67%
12.12.2007	(10.0%)	22.32%
16.10.2009	(11.0%)	12.25%
27.02.2011	(12.0%)	13.01%
01.01.2012	switch over from UHV to GCV system	
28.05.2013	price revision GCV based	

3.2 From the above it is observed that an annualized rise of coal price is 4.64% as against the average inflation rate of 5.89% during this period from 01.01.2000 to 01.01.2012. As regards the periodicity of increase in coal price, the Committee have been informed by Ministry of Coal/CIL that there is no fixed periodicity and the coal price is increased when such increase is an absolute necessity to offset the impact of increase in input cost.

Highlights of Price Revision w.e.f. 27.02.2011

3.3 The salient features of price revision applicable w.e.f. 27.02.2011 as furnished by Ministry of Coal in a written reply to the Committee are as under:

a) "Concept of dual pricing introduced:- One for consumers in the regulated sector [i.e. power utilities (including IPP), fertilizer and defence] and another for consumers in the non-regulated sector [i.e. sectors other than power utilities (including IPP), fertilizer and defence].

b) 30% increase in coal price across all the grades of coal other than Grade A&B in respect of all the subsidiary companies of CIL applicable for supply to the consumers in the deregulated sector i.e. other than power utilities (including IPPs), fertilizers and defence.

c) No increase in price of coal for power utilities (including IPPs), fertilizers and defence except for Grade A&B.

d) Notified prices of Grade A& B coal produced by all the coal companies of CIL including NEC fixed in line with the recommendation of the Integrated Energy Policy of Government of India which provides:

"High quality coking and non-coking coal which is exportable should be sold at export parity prices as determined by import price at the nearest port minus 15%."

e) Prices for Grade A&B coal for non-long flame fixed at 10% discount on prices of Grade A&B for other than non-long flame applicable to both the sectors.

f) The prices of coal produced by MCL for grades other than A&B reset at the level of prices of equivalent grades of coal produced by Korba and Raigarh field of SECL."

3.4 The prices of coal for supply to the consumers in the non-regulated sector were kept 30% higher than the price of coal for supply to the consumer in regulate sector. When asked as if it is not discriminatory against the non-regulated sector to keep the price of coal 30% higher for this sector, the Ministry of Coal submitted before the Committee as under:-

"While the end prices in case of Power and Fertilizer sectors fall within the purview of the respective regulators, the prices of the end products in other sectors are determined by the market forces. It is in this context that the e-auction prices and the international prices of coal become relevant. The average e-auction prices of coal in the year 2012-13 have been about 50% higher than the notified prices and the international prices have been even higher. In such a scenario, prices charged for the non-regulated sectors cannot be compared with the notified prices of coal being charged from the regulated sector."

3.5 During the conversion from UHV to GCV w.e.f. 01.01.2012 the new prices were determined on the basis of weighted average price of erstwhile UHV grade applicable across the subsidiaries keeping the overall revenue of CIL revenue neutral to the extent possible and the difference between the prices applicable for regulated and non-regulated sectors were increased to 35%.

3.5 CIL accordingly notified the prices of non-coking coal based on GCV vide its price notification dated 31.12.2011 applicable w.e.f. 01.01.2012. 7 grades of non-coking coal under UHV classified into 17 grades under GCV. The top end of the GCV range taken at 7000 kCal/Kg and the bottom end at 2200 kCal/Kg. The GCV band width for the purpose of pricing considered to be 300 kCal/Kg meaning that the price will remain same within a particular bandwidth.

Highlights of Recent Price Revision w.e.f. 28.05.2013.

3.6 The salient features of the GCV based recent price revision applicable w.e.f. 28.05.2013 as furnished by Ministry of Coal in a written reply to the Committee are as under:-

i. "The prices of the higher grades of non-coking coal i.e. GCV band G1, G2 and G5 are kept same for all the Subsidiary Companies including NEC as it is applicable under the price notification dated 31.01.2012 applicable w.e.f. 01.01.2012.

ii. The prices of the non-coking coal i.e. GCV band G3 and G4 have been decreased by 12%.

iii. The prices of the non-coking coal i.e. GCV band G6 to G17 have been increased by 10%.

iv. For WCL an 10% add-on over and above the prices applicable for both regulated and non-regulated sector for GCV bands of G6 to G17.

v. The prices applicable for consumers in the non-regulated sector for G6 to G17 grades of non-coking coals are increased by 35% over and above the price applicable for regulated sector as in vogue.

vi. An additional price of Rs. 300.00 extra per tonne over and above the notified price in respect of the coal produced from Rajmahal mine of Eastern coalfields Limited.

vii. The price of NLW coal of BCCL applicable for consumers in the regulated sector is increased by 10%. For non-regulated sector the price has been increased by 30% over the price applicable for regulated sector as in vogue.

viii. The rebate of 5% for supply to NLW coal to power houses other than CPPs as applicable at present to be continued.

ix. For G6 to G17 grades of WCL – 10% add-on over and above the prices applicable for both regulated and non-regulated sector."

Special dispensation to WCL and ECL

3.7 The Ministry of Coal provided the following information:-

a) An additional price of Rs. 300.00 extra per tonne over and above the notified price in respect of the coal produced from Rajmahal mine of Eastern Coalfields Ltd. as the prices of higher grades of non-coking coal are being reduced and the lower grades which are very low priced as compared to the international market.
   - During migration from UHV to GCV based grading and pricing system for non-coking coal w.e.f. 01.01.2012, the price of Rajmahal coal was slotted at a lower price range to about 26% less than the then prevailing price on UHV based system. Such downward pricing had an adverse impact on the operational bottom-line of the project.

b) 10% add-on over and above the prices applicable for both regulated and non-regulated sector for GCV bands of G6 to G17 Grades of WCL.

   - All other charges as are being presently levied over and above the Notified Basic Price shall remain continue to be levied.

Impact of Price Revision on Consuming Sectors

3.8 The Ministry of Coal provided the following information:-

Impact in relation to imported coal price

- At proposed price the discount of higher grades of non-coking coal i.e. GCV 6500, on imported coal price will be to the extent of 14% for Raniganj field and 21% in case of other subsidiaries.

Overall impact on Revenue

- The overall average increase for CIL in the coal price of non-coking coal including Rajmahal coal and BCCL NLW coal based on the above proposal shall be around 4.77%.

Sector-wise Impact

3.9 The Ministry of Coal has informed the Committee as follows:-

i) Power Sector:

Impact of revision in coal price for non-coking coal (for regulated sector) on power sector shall have an impact on power generation to the extent of around 4 paisa per unit of KWH.

ii) Cement Sector:

Impact works out to around Rs. 53 per tonne or less than around Rs. 0.45 per bag for 50 kg.

iii) WPI:

The weightage for coal in WPI is 2.09419 (base: 2004-05 series). 4.77 increase in coal prices of CIL shall have direct impact on inflation to the extent of 0.08% only.

3.10 On being asked about the existence of any national policy to sell coal at same rate by different subsidiaries of CIL, the Ministry of Coal/CIL during evidence submitted as under-

> "…before 01.01.2011 there was different price for different companies. After that the prices have been made common to all. Additional price was done for WCL and Rajmahal. The price of the given grade of coal is same for all companies except two-Rajmahal and WCL. Earlier in UHV system, it was different for different subsidiaries. Now, we have all maintained this…"

3.11 There have been complaints from the industry after changing the pricing and grading system specifically with regard to the quality of coal that the ash content of the coal procured is so high that more coal has to be used to produce the same amount of energy thereby impacting the output. The Committee, during evidence, asked the Ministry of Coal about the reasons for changing pricing and grading system of coal from UHV to GCV system and increasing the price of one grade of coal while decreasing that of other. The Ministry, in response, submitted as under-

> "…Our situation is different. Internationally, by and large, there is only one grade of coal. What they sell in the international market has 6,000 kilo calories energy capacity whereas in India we have a range from as low as 2,000 kilo calories. So, our coal is not comparable to the international coal. For our lowest grade coal, 2,200 kilo calories, our notified price today, after the increase of ten per cent, is Rs. 400 per tonne. All taxes including at the pit head lever, it would come to Rs. 650. But this coal in energy terms is around one-third of the international quality. Therefore, even if you equate in the energy sense, our lower grade coal is roughly 60 per cent cheaper than the international price. In the case of high grade coal earlier we pegged it to the international prices. When the international prices have come down, the price of our high grade coal had to be reduced. Otherwise, there were no takers. So, we reduced the price of the high grade coal accordingly by 12 per cent. Since there was a loss of certain amount of money the Board's decision was it should maintain neutrality as far as possible. So, Rs. 5,000 to Rs. 6000 crore loss was there due to reduction in the price of high grade coal and we have increased the price of the lower grade coal. Even at the current level of increased price, it is still around 15 per cent cheaper than the international prices. So, our coal is spread over 17 grades. But internationally you have just one or two grades, which are very high grade coal."

CHAPTER-IV

COAL PRICING FROM UHV TO GCV GRADING SYSTEM

In the early stages of post-independence industrialization i.e. in sixties and in early seventies, most of the coal burning equipments used in the Country were of imported origin, designed for use of low ash coal. Use of high ash indigenous coal in such equipments resulted in loss of heat and loss of un-burnt coal with ash etc. Due to easy availability of low ash coal and low price of oil, consumers were not inclined to use high ash coal. However, fast depletion of low ash coal necessitated the Government to promote use of high ash coal as a long-term strategy to ensure energy security of the Country, for which suitable price compensation mechanism was required to be developed. The Committee were informed that the concept of 'Useful Heat Value' (UHV), unique in India was accordingly conceived by Central Fuel Research Institute (CFRI - presently known as CIMFR). On the basis of various UHV ranges, non-coking coal was graded.

4.2 Over the years there has been considerable improvement in the coal combustion technologies. Chain-grate/stocker boilers are now mostly replaced by pulverized coal injection system in fluidized Bed Boiler, extending the scope for use of high ash and low GCV coal. Whereas, as per the empirical formula for UHV, a coal containing 55% ash plus moisture is to be considered as ungraded and coal containing ash plus moisture percentage of 65% and above would be of negative heat value, now technology is available for gainful use of such coal. Currently, there are number of proposals in the pipeline to install power generating units, using solid fuels including washery rejects of ash content of more than 66%.

4.3 As regards the UHV based grading and pricing, the Committee were informed that the price for same grades of coal in different subsidiaries of CIL and even within the same subsidiary used to be different whereas under GCV based system uniform price has been kept across all the subsidiary coal companies except WCL and the prices are fixed in such a way so that there is minimum over-all impact on the revenue generated from sale of coal for CIL as a whole as compared to UHV system.

4.4 In the early nineties, Bureau of Industrial Costs & Pricing (BICP) invited several organizations and experts to consider the normative grading of coal. In their presentation and conclusion, BICP stressed that the Gross Calorific Value (GCV) be obtained as the parameter for coal grading. Internationally, all coals are classified and marketed on the basis of GCV. In reality the GCV of coal is the composite variable of the coal rank and coaly matter and has its inherent value of its own, which can be experimentally determined. Analytically, GCV is computed from the heat value released by coaly matter present in coal and therefore, can be ascertained for all varieties of coal, irrespective of high ash and high moisture or low ash and low moisture. On the contrary, UHV is computed by applying penalties on Ash & Moisture on to the Heat Value of the coaly matter and cannot be determined analytically. Even, Power Utilities analyzed the coal for its GCV to evaluate the performance of the Boiler. Conversion to GCV system would provide a uniform platform to ascertain the coal quality and boiler efficiency at power stations and therefore, would improve the accountability parameters. It is noteworthy to mention that in general Indian coal contains moisture of about 7% at the higher side, which as per international standard is not considered as high moisture coal.

4.5 The Committee were informed that the Ministry of Coal, vide letter ref. no. 22021/1/2008-CRC-II dated 18th Oct. 2011, intimated the decision of the Govt. of India to coal companies to switch over from the existing Useful Heat Value (UHV) based grading and pricing system to Gross Calorific Value (GCV) based classifications of non-coking coal. It was therefore imperative that CIL changed over to the GCV based coal pricing in place of the earlier followed UHV based coal pricing for different grades of non-coking coal. Such change-over in the pricing structure had to take effect concurrently with the Gazette notification issued by the Govt. of India for switching over from the existing UHV based grading and pricing system to GCV based classifications of non-coking coal to be effective on and from 01st January 2012.

4.6 CIL accordingly notified the prices of Non-coking coal based on GCV w.e.f. 01.01.2012. While notifying the prices, the top end of the GCV range has been taken at 7000 kCal/Kg and the bottom end at 2200 kCal/kg. The GCV band width for the purpose of pricing has been considered to be 300 Kcal/Kg, meaning that the price will remain same within a particular bandwidth.

4.7 Based on the study carried out by CFRI (presently named as CIMFR) in the year 2003 for finding a correlation between UHV and GCV, it is seen that 2200 GCV corresponds to around 100 UHV. With the improvement in the coal burning technology nowadays, low UHV coals are gainfully utilized for generating heat/steam and demand for such coal is building up. The idea behind reducing the band width to 300 Kcal/Kg is to incentivize the improvement in supply quality, resulting in better quality of coal to the consumer and commensurate realization for the coal company.

4.8 Pursuant to the Government of India Gazette notification dated 30.12.2011 for switch over from the existing Useful Heat Value based on grading and pricing of non-coking coal to fully variable Gross Calorific Value based system w.e.f. 01.01.2012, CIL revised the price of non-coking coal on 31.01.2012 to be effective retrospectively from 01.01.2012 and made applicable uniformly across all the subsidiary companies of CIL including NEC except, Western Coalfields Ltd. (WCL) for which an add-on of 10% has been kept over and above the price mentioned for GCV bands not exceeding 5800 Kcal/Kg and below.

4.9 While working out the GCV based coal prices, unload port price of imported coal from Indonesia has been considered as the benchmark price and the basic pithead ROM coal price has been derived accordingly, after providing discount ranging from **25% to 77%** for consumers in the Power utilities (including IPPs), Fertilizer and Defence sector and from **25% to 62%** for consumers in other sectors (i.e., sectors other than Power utilities (including IPPs), Fertilizer and Defence.

4.10 The ROM (Run of Mine) pithead price for various GCV bandwidths (each of 300 GCV) are made applicable uniformly across all the subsidiary companies of CIL including NEC except, ECL for which an add-on of 6% has been kept over and above the price applicable for other subsidiary companies of CIL including NEC.

The prices of non coking coal based on GCV applicable w.e.f.01.01.2012 is given as under:-

<u>GCV Bands</u> (Kcal/Kg)	**Pithead Run of mine price for Non-Coking coal**	
	Power Utilities (including IPPs), Fertilizer & Defence sector (Rs./Te)	Sectors other than Power Utilities (including IPPs), Fertilizer & Defence (Rs./Te)
Exceeding 7000	*	*
Exceeding 6700 and not exceeding 7000	4870	4870
Exceeding 6400 and not exceeding 6700	4420	4420
Exceeding 6100 and not exceeding 6400	3970	3970
Exceeding 5800 and not exceeding 6100	2800	2800
Exceeding 5500 and not exceeding 5800	1450	1960
Exceeding 5200 and not exceeding 5500	1270	1720
Exceeding 4900 and not exceeding 5200	1140	1540
Exceeding 4600 and not exceeding 4900	880	1180
Exceeding 4300 and not exceeding 4600	780	1050
Exceeding 4000 and not exceeding 4300	640	870
Exceeding 3700 and not exceeding 4000	600	810
Exceeding 3400 and not exceeding 3700	550	740
Exceeding 3100 and not exceeding 3400	500	680
Exceeding 2800 and not exceeding 3100	460	620
Exceeding 2500 and not exceeding 2800	410	550
Exceeding 2200 and not exceeding 2500	360	490

*For GCV exceeding 7000 Kcal/Kg, the price shall be increase by Rs. 150/- per tonne over and above the price applicable for GCV band exceeding 6700 but not exceeding 7000 Kcal/kg, for increase in GCV by every 100 Kcal/kg or part thereof.

For WCL, there shall be a 10% add on over and above the price mentioned above for GCV bands not exceeding 5800 Kcal/kg and below.

Pit head ROM price of non coking coal applicable for all coal producing subsidiary companies applicable w.e.f. 28.05.2013 is given as under:-

GCV Bands (Kcal/Kg)	**Pithead Run of mine price for Non-Coking coal**	
	Power Utilities (including IPPs), Fertilizer & Defence sector (Rs./Te)	Sectors other than Power Utilities (including IPPs), Fertilizer & Defence (Rs./Te)
Exceeding 7000	*	*
Exceeding 6700 and not exceeding 7000	4870	4870
Exceeding 6400 and not exceeding 6700	3890	3890
Exceeding 6100 and not exceeding 6400	3490	3490
Exceeding 5800 and not exceeding 6100	2800	2800
Exceeding 5500 and not exceeding 5800	1600	2150
Exceeding 5200 and not exceeding 5500	1400	1890
Exceeding 4900 and not exceeding 5200	1250	1690
Exceeding 4600 and not exceeding 4900	970	1310
Exceeding 4300 and not exceeding 4600	860	1160
Exceeding 4000 and not exceeding 4300	700	950
Exceeding 3700 and not exceeding 4000	660	890
Exceeding 3400 and not exceeding 3700	610	820
Exceeding 3100 and not exceeding 3400	550	740
Exceeding 2800 and not exceeding 3100	510	680

Exceeding 2500 and not exceeding 2800	450	610
Exceeding 2200 and not exceeding 2500	400	540

Ministry of Coal # for WCL, an add on price of 10% for G6 to G17 Grades.

4.11 When asked about details and significant features of GCV based system, the Ministry of Coal furnished the following information to the Committee:-

i) "In order to ensure switch-over to GCV based pricing results in price rationalization for non-coking coal across all the coal companies of CIL, an exercise was carried out to fix the coal price along the GCV scale in such a way so that there is minimum over-all impact on the revenue generated from sale of coal for each of the coal companies and for CIL as a whole.

ii) In the GCV based classification the entire range of coal grades produced by CIL are classified into 17 number of bands of 300 Kcal/kg between the minimum of 2200 Kcal /Kg to 7000 Kcal/kg and beyond. Earlier, in the UHV based grading and pricing, the price for same grades of coal in different subsidiaries of CIL and even within the same subsidiary used to be different due to various considerations like market demand of coal from particular sources, some inherent special characteristics of coal like long-flame and non-long-flame etc. In the GCV based pricing the challenge was to determine a uniform price for all such types of coal and yet endeavouring for overall revenue neutrality Subsidiaries as far as practicable.

iii) In the above GCV based pricing exercise, the prices of different grades of non-coking coal imported from Indonesia, were considered as reference for the import parity price of the equivalent domestic non coking coal at the pit head and after appropriate discounting, the prices for each of the seventeen bands were determined.

iv) The most important feature of the exercise was to offer overall revenue neutral price structure as far as possible, keeping in mind that major part of the lower grades of coal are being consumed by power sector. Therefore, the discounting pattern in respect to benchmark Indonesian price was more on lower grades in comparison to the higher grades of coal. The coal prices so arrived were notified by CIL vide price notification dated 31.12.2012 to be applicable w.e.f 01.01.2012.

v) After introduction of the above mentioned new set of prices on GCV basis, resentments were expressed at various fora. Major coal consuming segments represented to the Government alleging sharp increase in price for certain GCV bands.

vi) On perusal of the data sent by the subsidiary coal companies, prima facie, it was observed that the initial estimate of revenue by CIL was less due to the reason that the GCV bands notified by the Coal Companies were in higher bands in comparison to the projections made by CIL on the basis of the conversion formulae of CIMFR.

vii) Secretary (Coal), MOC vide his letter No:38011/1/2012-CA-11 dated 25.1.12 addressed to Chairman, CIL informed that many complaints were received from MPs, Secretaries of user ministries and various consumers' associations pertaining to the unreasonable price increase by CIL consequent to the migration from UHV based grading to GCV based coal grading. In the light of the meetings held with MOC and also in the Standing Committee of Coal and Steel on 20.01.12 CIL was advised to review/revise the above referred price notification latest by 31st January 2012.

viii) In view of such observations, the GCV based pricing were reworked endeavouring for overall revenue neutrality for CIL as a whole only instead of overall neutrality of each of the subsidiaries as followed earlier as far as practicable. This time the pricing was done on the basis of weighted average price of each erstwhile grade of coal under UHV system. The earlier Price notification dated 31.12.2011 was cancelled and the new set of prices based on the revised method became applicable vide price notification dated 31.01.2012 applicable retrospectively w.e.f. 01.01.2012.

ix) On review of GCV based pricing of coal after 3 months, it was seen that though CIL succeeded to a great extent in its endeavour for overall revenue neutrality for CIL as a whole, WCL was incurring loss beyond the acceptable level. As such the price for WCL was revised on 20.06.2012 to make the WCL revenue neutral. In such price revision for WCL the price was increased by around 20% over and above the price applicable for other subsidiaries for GCV bands not exceeding 5800 Kcal/Kg and below."

4.12 On being asked as to what extent revenue neutrality has been maintained for Coal India Limited (CIL) as a whole, under the new system(GCV), the Ministry of Coal in a written reply informed the Committee as under:

"The price revision applicable w.e.f. 01.01.2012 was primarily for conversion from UHV to GCV based system of grading and pricing of coal. Therefore, under the new system it was kept revenue neutral to the extent possible for CIL as a whole. Further, under the UHV system of grading and pricing, the prices for a particular grade were different for different subsidiary coal companies of CIL and under the GCV regime w.e.f. 01.01.2012 a uniform price were kept for a particular GCV band across all the subsidiary coal companies of CIL. It was seen that about 4% overall revenue impact was there for this change of pricing system."

4.13 The Committee was keenly interested to know whether the switch over to the GCV based system has any cost related impact on the consumers including the common man and when a specific query was addressed to Ministry of Coal in this regard, the Ministry of Coal replied as under:-

"Since the price revision applicable w.e.f. 01.01.2012 was for conversion of price from UHV based system to GCV based system, it had been kept revenue neutral to the extent possible for CIL as a whole and thus it hardly has any remarkable impact on the consumers including the common man".

CHAPTER-V

NEW COAL PRICING POLICY – SUPPLY OF IMPORTED COAL ON COST PLUS BASIS

The Cabinet Committee on Economic Affairs (CCEA) has recently approved the following mechanism for supply of coal to power producers:

> "Coal India Limited (CIL) to sign Fuel Supply Agreements (FSA) for a total capacity of 78000 MW including cases of tapering linage, which are likely to be commissioned by 31.3.2015. To meet its balance FSA obligations, CIL may import coal and supply the same to the willing Thermal Power Plants (TPPS) on cost plus basis. TPPS may also import coal themselves. Ministry of Coal to issue suitable instructions. Higher cost of imported coal to be considered for pass through as per modalities suggested by CERC. Ministry of Coal to issue suitable orders supplementing the New Coal Distribution Policy."

5.2 When asked as if the decision of CCEA was in favour of Power Companies securing the interest of enhancing power production in the country but meting out injustice and burden upon the end-users/ consumers, the Ministry of Coal in a written reply informed the Committee as under:-

> "The decision of CCEA for proposed import of coal and supplying the same to the identified power plants on the cost plus basis was made for bridging the gap between requirement and availability of coal, for meeting the FSA commitments of CIL and not improve the overall power generation capacity to meet the power deficit in the country. Since the imported component of coal is very small therefore it would not impact largely on the cost of power generation, which is to be borne by the consumers."

5.3 On being enquired about the other alternatives/ options which were considered on coal price pooling mechanism before final decision of CCEA in this regard, the Ministry of Coal informed the Committee as under:-

> "The following alternative/options were considered on coal price pooling mechanism before final decision of CCEA:-
>
> (i) Pooling for pre 2009 and post 2009 plants

(ii) Pooling only for post 2009 plants

(iii) Pooling for all plants excluding pre 2009 State plants but including pre 2009 NTPC and DVC plants and IPPs.

(iv) Supply of imported coal on cost plus basis will be allowed as a pass through in respect of post 2009 plants."

5.4 When asked if the Government has approved the mechanism to allow power companies pass on the burden of expensive imported coal to electricity consumers, thus paving way for higher electricity tariffs in near future and whether the decision of CCEA has ignored the interests of the consumers, Ministry of Coal apprised the Committee as under:-

> "Import of coal to bridge the gap between requirement and availability in inevitable. In order to maximize availability of coal for power sector, dispatch plan for sectors other than power is kept static at the level of 2012-13 for the entire XII Plan period. Further diversion would in turn have cascading effect on the power demand as well as economic growth of the Country. Unlike the pooling price mechanism, where the state DISCOMs have n o option but to incur burden of higher price of coal across the board, the present decision of CCEA would enable individual State/DISCOMs to take the decision in respect of use of imported coal in light of the demand of power in their region/area of operations and therefore, it should have better acceptability."

5.5 The Committee had some apprehensions regarding the CCEA move, being reflective of powerful pressure lobby of big private power companies who were the main beneficiaries of the decision. When a specific query was put in this context, the following reply was submitted by the Ministry of Coal:-

> "The decision of CCEA for proposed import of coal and supplying the same to the identified power plants on the cost plus basis include both State PSUs and Private power companies in an equal proportion. The supply of imported coal on cost plus basis will be allowed as a pass through and therefore it would not result any benefits to the power companies at all, however it would improve the overall power generation capacity to meet the power deficit in the country."

5.6 Under the proposed pass-through mechanism, the entire additional cost of import would be passed on the consumers as against the averaging of prices of imported and domestic coal under the earlier planned price-pooling mechanism. The government had buried a proposal to pool prices of imported and domestic coal to make the fuel affordable to new power plants, owing to sharp opposition to the scheme. The government is mulling import of the fuel as coal India Limited (CIL) will supply 65 percent of the requirement from domestic sources and another 15 percent can be provided from overseas market. The Ministry of Coal, when asked about the reasons behind rejection/ non-consideration of the proposal for averaging of prices of imported and domestic coal which were planned earlier under price pool mechanism, informed the Committee in a written reply as follows:-

> "The main reasons behind rejection/non-consideration of the proposal for averaging the price of imported and domestic coal which were planned earlier under price pool mechanism, are as under:-
>
> i) Reservations were being expressed by some State Governments primarily on the ground that their existing State Utilities would be over burdened with high fuel cost to benefit private players which have come up post 31.3.2009. In the meeting taken by CEA in November, 2012 only 5 power utilities agreed to price pooling whereas 10 were opposed to it. Even Central PSUs like DVC and NTPC had expressed their reservations.
>
> ii) More than 90% of the power plants commissioned prior to 31.3.2009 belong to the public sector and the total coal supply to these plants was 98%. In respect of power plants commissioned after 31.3. 2009, the share of public and private sector is almost equal. Reservations have been expressed with regard to the apprehensions or possibilities of undue benefit being passed on to the private sector through the price pooling mechanism.
>
> iii) There could be logistic constraints while acting upon the pooling mechanism.
>
> iv) Due to technological constraints in blending in coal of old State utilities, it might not be possible to further substitute domestic coal with imported coal for them.
>
> v) Some old State Utilities might not be able to bear the burden of price increase because of pooling owing to their poor financial health. There was already huge outstanding dues payable by State Utilities to the coal companies."

CHAPTER-VI

COAL REGULATORY AUTHORITY

The Ministry of Coal has apprised the Committee that all earlier Commissions/Committees, namely, the Committee on Integrated Energy Policy, the Working Group of Coal for 11th Plan, the Sankar Committee on coal sector and the Tariff Commission had recommended creation of an independent Coal Regulatory Authority, which would have powers to comprehensively handle coal resource development, regulation on extraction, end use etc. including pricing and mining safety issues, within the policies formulated by the Government.

6.2 According to Ministry of Coal, the Union Cabinet in June, 2013 gave its approval to the proposal for setting up of an independent regulatory authority for the coal sector and also approved the introduction of the Coal Regulatory Authority Bill, 2013 in Parliament aiming to help in the regulation and conservation of coal resources and to benefit all stakeholders; that is coal companies, coal consuming industries such as power, steel, cement and coal bearing States and people, directly or indirectly associated with the coal industry. The Cabinet has also approved that pending enactment of the legislation, the regulator will be set up through an executive order.

6.3 The Authority shall specify methods of testing for declaration of grades or quality of coal, monitor and enforce closure of mines, specify principles and methodologies for price determination of raw coal and washed coal and any other by-produce generated during the process of coal washing, adjudicate upon disputes between parties and discharge other functions as the Central Government may entrust to it.

6.4 A fund called 'The Coal Regulatory Authority Fund' would be created and all grants, fee and charges received by the Authority shall be credited to this fund. After passing of the Bill, details would be worked out and submitted to the Government for appropriate financial sanction for the initial start-up funding.

PART-B

COAL ROYALTY

CHAPTER-VII

LEGAL PROVISIONS AND METHODOLOGY FOR FIXING ROYALTY RATES

Royalty is an amount payable by a lessee to the lessor for removing or consuming a mineral Section 9 (1) of the Mines and Minerals (Development & Regulation) Act requires the holder of a mining lease or his agent, manager, employee, contractor or sub-lessee to pay royalty in respect of any mineral removed or consumed from the leased area at the rate specified in the Second Schedule of the Action Section 9(3) of the MMDR Act, which empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral by notification in the notification. This revision is done by amending the particular entry of the royalty rate for the respective mineral in the Second Schedule of the Act. The proviso to Section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years. However, the Act does not mandate that royalty on coal should be revised after every three years.

7.2 For fixing the rate of royalty on coal/lignite, The Ministry of Coal constitutes a study group headed by the Additional Secretary for fixing the rate of royalty on coal. The Study Group takes the views of all the stakeholders like the coal producing and consuming states and the major consumer sectors such as power, iron and steel, cement etc. After taking the views of all the stakeholders and other relevant factors, the study group makes its recommendation to the Ministry. After considering the recommendations, the Ministry moves a proposal for Government decision. The consequent decision is then notified and the new rates of royalty come effect from the date of such notification.

7.3 When enquired about the what is the logic of each component in the formula adopted for fixation of royalty rates of coal and lignite w.e.f. 01.08.2007, the Ministry of Coal in their replies stated as under:-

> "The formula on fixation of royalty rates was recommended by Economic Advisory Council to the Prime Minister on 1.9.2005 after consultation with the officials of the Ministry of Coal and Planning Commission and observed that there is merit in the demand of coal producing States on shifting to ad valorem basis, especially in view of the infrastructure, the States have to provide to facilitate mining activities and the mounting negative externalities on account of environmental degradation consequent to mining. At the same time, there is need to ensure that the rate of increase in royalty as a function of increasing prices is restrained in order to protect the consuming sectors. This can be taken care of by calibrating the royalty as a combination of specific and ad valorem levies with a fixed and a variable component as follows:
>
> $R = a + bP$
> Where R = Royalty (Rs./Ton).
> a = Specific (Fixed) component (Rs./Ton).
> b = ad valorem (variable) component (Rate of royalty).
> P = Price of Coal (Rs./Ton).
>
> The above formula provided a certain minimum royalty under the specific component plus a share in the price as a variable component."
>
> The new Mines and Minerals (Development & Regulation) MMDR Bill, 2011 also proposes the same formula.

7.4 As a need was felt for quite some time, to determine a methodology for calculation of royalty, chargeable on coal produced from captive mines/blocks, the Government also included another term of reference viz: *"To determine the basis of fixation of royalty on the coal produced from captive blocks".* As regards the royalty calculation in captive coal mines given to private party, the Ministry of Coal replied that it would be based upon royalty rate in the nearest CIL mine.

CHAPTER-VIII

ROYALTY RATES ON COAL

The coal royalty rates fixed in 1971 ranged from Rs. 1.50 per tonne for low quality coal to Rs. 2 per tonne for high quality coal. The royalty rates on coal were subsequently revised in July, 1975; February, 1981; August, 1991; October, 1994, August, 2002, August, 2007 and May, 2012.

Royalty Rates on Different Grades of Coal

(Rs. per Tonne)

Coal Group	COAL ROYALTY IN INDIA				
	w.e.f. 13.2.81	w.e.f. 01.08.91	w.e.f. 11.10.94	w.e.f. 16.08.02	w.e.f. 01.08.07
Group-I Coking Coal SG-I, II WG-I	7.00	150.00	195.00	250.00	180
Group-II Coking Coal WG-II, III, Non- coking, A,B Semi-coking Gr.-I Semi-coking Gr.-II	6.50	120.00	135.00	165.00	130*
Group-III Coking Coal WG-IV, Non-coking-C	5.50	75.00	95.00	115.00	90*
Group-IV Non-coking D,E	4.50	45.00	70.00	85.00	70*
Group-V Non-coking F,G	2.50	25.00	50.00	65.00	55*
Group – VI Coal produced in Andhra Pradesh	5.00	70.00	75.00	90.00	w.e.f. 01.08.07

* Plus 5% of basic pithead price of Run-Of-Mine

8.2 However, the above rates were not applicable to the State Govt. of West Bengal, where rates of 1981 are still continuing on the ground that the Government of West Bengal is continuing to levy cesses on coal, which had been withdrawn by other State Governments. The Govt. of West Bengal is collecting cess @25%, whereas the royalty as per the revised rates for various grades of coal/lignite is in the range of 11.08% to 18.84%, which is much less than the cess collected by Govt. of West Bengal.

Constitution of Study Groups to revise royalty rates

8.3 First Study Group was set up in Nov, 1984 to revise rates of royalty. However no increase affected till 1991.Second Study group was set up in Feb, 1991. Revised rates notified on 01.08.1991, except for West Bengal. Third study group was set up in Jan, 1994. Revised rates notified on 1.8.1994 except for West Bengal. Fourth Study Group was in 1997. No revision effected. Fifth Study Group in July'2000. Revised rates notified on 16.02.2002 except for West Bengal. The royalty rates on coal were revised on 16.8.02 except for West Bengal. The Sixth Study Group was constituted in 2005 and Seventh Study Group in 2010

Sixth Study Group on Royalty

8.4 6th Study Group was constituted in 2005 under the Chairmanship of Addl. Secretary (Coal) with the representatives of Ministries of Mines, Power, Coal Companies, CMPDIL and Federations of industries like FICCI and FIMI to decide the rates of royalty. Considering complexities involved in the issue of payment or royalty on ad-valorem basis vs tonnage basis, the issue referred to the Economic Advisory Council to the Prime Minister (EAC). Based on the recommendations of Economic Advisory Council of the Prime Minister the rates of royalty on coal and lignite have been revised with effect from 01.08.2007. These are being calculated as a combination of specific and ad valorem rates of royalty i.e. R(Royalty Rupees/tone)= a+bP where `P' (price) shall mean basic pithead price of ROM(rum –of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges; `a' represents the fixed component and `b' represents the variable or ad-valorem component. The value of `b' has been fixed as 5% and the value of `a' fixed for different grades of coal.

Revision of royalty rates in 2007

8.5 Many State Governments from time to time had raised the issue of determination of royalty on coal on ad-valorem basis, rather than on specified rate basis. In view of the complexities involved, the Prime Minister desired that the issue of payment of royalty on coal on ad-valorem basis *vs* tonnage basis be examined by the Economic Advisory Council to the Prime Minister (EAC to PM). The report submitted by EAC to PM was discussed and agreed on the following specific recommendations of EAC to PM:

(i) The royalty may be shifted from specified levy to a combination of specific and ad-valorem levies.

(ii) It was noticed that our royalty rates are already high compared to those in other countries. This should be kept in view in fixing the royalty rate.

(iii) The formula for determining royalty may have a fixed and a variable component (R=a+bp).

(iv) The parameters 'a' and 'b' have to be set so as to keep the overall rate at appropriate level while allowing for moderate variation in royalty on account of changes in price.

(v) The price (P) for determination of royalty may be the actual invoice price.

(vi) Any revision in royalty should not be made applicable automatically to States which levy cesses. The royalty to be allowed to such States should be adjusted for the local cesses so as to limit the overall revenue to the formula based yield.

It was also decided that the study group on royalty set up by the Ministry of Coal would take into account the recommendations of the EAC to PM.

8.6 The report submitted by the Study Group had dealt in detail the issues relating to ad-valorem *vs.* specific rates of royalty; incidence of royalty in India vis-à-vis international trends; impact of fiscal regimes on the overall competitiveness of economy; impact of royalty regime on domestic production and imports; concerns of the States to ensure buoyancy in revenue accruals; need to balance the seemingly conflicting interests of all stakeholders etc. The Study group had concluded that since it is not the right time to switch over to full-fledged ad-valorem regime of royalty and recommended for adaptation of a formula, which has a combination of specific and ad-valorem rate of royalty. Accordingly, royalty rates on coal and lignite were revised w.e.f. 01.08.2007, based on a combination of fixed and ad-valorem rates of royalty. According to the above notification dated 1.8.2007, the coal group-wise rate of royalty per tonne as on 1.8.2007, is as follows:

Coal Group - I	**:**	**Rs. 346.88,**
Coal Group - II	**:**	**Rs. 204.89,**
Coal Group - III	**:**	**Rs. 146.03,**
Coal Group - IV	**:**	**Rs. 111.49,**
Coal Group - V	**:**	**Rs. 81.25.**

The amount of royalty paid to States during 2001-02 to 2011-12 by Coal India Limited and Singareni Collieries Company Limited is given at **Annexure-I.**

Revision of Royalty Rates in 2012

8.7 As the royalty rates on coal and lignite were last revised in 2007, the coal/lignite producing States had demanded for an enhancement in the royalty rates. Though the coal companies had revised the prices the royalty rates, being fixed based on hybrid formula and having only one component linked to the coal price, the benefit of higher prices was not shared fully with the coal producing States. The value of rupee had also depreciated substantially since the last revision of royalty rates. Consequently, the share of royalty as a percentage of coal prices had declined. It was further argued that royalty constitutes only a small fraction of the landed coal price and the impact on the major consuming sectors such as power, steel and cement etc. would be only nominal.

8.8 In the light of these developments, the Ministry of Coal constituted a Study Group on 04.02.2010 under the Chairmanship of the then Addl. Secretary (Coal), to examine the issue of revision of royalty rates on coal and lignite. The Committee held extensive deliberations on the issues involved and also held consultations with all the stakeholders. The Study Group observed that it would be prudent to introduce ad-valorem royalty regime in coal and lignite sectors, without any steep increase in royalty rates on coal and lignite and that the rate could be recommended at the level of the existing royalty i.e. 13.84 % (Rounding off to 14%) of the maximum produced grade of coal i.e. "E" & "F" of CIL. Accordingly, the Study Group recommended 14% ad-valorem royalty on price of coal. The price should be the actual invoice price (excluding taxes and other levies) which will also be applicable for quantity of coal sold through e-auction and forward e-auction. The rates of royalty in respect of Coal, including lignite were last revised w.e.f. 10.05.2012 by the Ministry of Coal.

<u>Royalty on coal from Captive mines</u>

8.9 The need was felt for quite some time, to determine a methodology for calculation of royalty, chargeable on coal produced from captive mines/blocks. As far as price of coal from CIL and its subsidiaries are concerned, CIL is notifying the mine-wise/Grade-wise price for royalty calculation. However, in case of captive mines, where the coal block allottee company is mining coal for their own use/consumption, don't generate an invoice, as there is no sale and no pithead price. Any methodology on determining transfer price of captive mines is more complex and is yet to be evolved.

8.10 The Study Group, after detailed deliberations decided to propose a calculation methodology, which could prove as an easily implementable solution for assessing royalty on coal and lignite of captive mines, where the price of coal (P) shall mean basic pithead price of ROM (Run of Mine) coal and lignite, as reflected in the invoice, excluding taxes, levies and other charges of CIL/SCCL/NLC for similar grades of coal/lignite in the mines nearest to that captive mine.

8.11 The Committee were keenly interested to know whether government have suitably compensated the coal bearing States for delay in revision of coal royalty rates. When a specific query in this regard was made to the Ministry of Coal, the Committee were informed as under:

> "The Act does not mandate that royalty on coal should be revised after every three years. The revision in royalty rate is affected only after taking into consideration the overall state of the economy. As such the question of payment of compensation to the coal bearing States for delay in the revision of coal royalty rates does not arise.
>
> However, a new Study Group under the Chairmanship of Additional Secretary (Coal) has been constituted on 04.2.2010 for recommending revision of royalty rates on coal and lignite. The view/comments of various coal consumers/producers, other stakeholders and organizations are being obtained."

State-wise revenue collection (royalty) from 2005-06 to 2012-13 of coal

(Rs. in Crore)

States	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
West Bengal*	10.68	10.42	9.56	9.53	9.2	9.66 (royalty) 783.85 (cess)	9.48 (royalty) 1346.62 (cess)	11.11 (royalty) 1378.86 (cess)
Jharkhand	781.32	766.45	886.36	1062.44	1152.41	1273.64	1430.54	1921.29
Orissa	503.86	511.45	624.51	762.14	881.08	932.44	1027.77	1260.06
Maharashtra	307.42	310.52	410.25	503.06	512.71	499.82	526.30	702.61
Madhya Pradesh	564.21	604.21	808.45	961.31	1022.77	863.65	1012.79	1488.34
Chhattisgarh	555.36	597.91	747.92	887.50	939.56	1024.26	1100.8	1622.99
Uttar Pradesh	173.83	110.90	111.80	93.40	149.09	167.72	181.94	236.97
Assam	14.87	19.54	22.60	21.59	30.86	28.33	25.52	43.50
Andhra Pradesh	324.00	313.50	479.00	560.69	637.13	665.59	785.47	1239.97
Tamil Nadu	--	--	--	--	--	158.42	171.88	216.20
Rajasthan	--	--	--	--	--	2.50	5.56	7.70

* In case of West Bengal the details of Cess collection are as under :-

CESS Collection	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
West Bengal*	614.54	651.32	629.56	661.33	621.64

<u>Trends in Coal Prices & Royalty from 2002-03 to 2009-10</u>

Rs./Tonne

	2002-03		2004-05		2007-08		2009-10	
	Av Price	Royalty	Av Price	Royalty	Av Price	Royalty	Av Price	Royalty
Group I	1755	250	2635	250	2898	324.93	3337	346.88
Group II	1050	165	1238	165	1362	198.08	1498	204.89
Group III	772	115	926	115	1018	140.94	1121	146.03
Group IV	596	85	686	85	754	107.72	830	111.49
Group V	377	65	434	65	477	78.87	525	81.25

Comparative chart showing company-wise comparison of coal royalty charged by the countries such as South Africa, Australia, Indonesia :-

Sl. No.	COUNTRIES	ROYALTY RATES
1.	Australia	5 to 8.2 %
2.	India	11 to 13 %
3.	Indonesia	Up to 13.5 %
4.	South Africa	1 to 3 %

8.12 Regarding existing system of royalty rates in vogue in other coal/lignite producing countries in the world, the Ministry of Coal have forwarded the following information as provided to them by the Federation of Indian Mineral Industries:-

Royalty Rates of coal in selected countries

S.No	**Country**		**Royalty Rates**
1.	Australia	New South Wales (NSW)	6.2% Ad valorem of Deep Underground Mines

			7.2% Ad valorem of Underground Mines
			8.2% Ad valorem for Open Cast Mines
		Queensland	7% + (Average Price-100/Average Price) x 3%
		Victoria	**Brown Coal** $ 0.0588 per GJ, adjusted in accordance with the consumer price index (Ad valorem with quantum rate for brown coal). **Other than Brown Coal 2.75%**
		Western Australia	If exported 7.5% Ad valorem
			If not exported $ 1/tonne (adjusted each year at 30th June in accordance with comparative price increases.
		South Australia	3.5% Ad valorem
2.	Botswana		5% Ad valorem on adjusted gross market value
3.	Canada		0.4% Ad valorem
4.	Indonesia		13.5% FOB or of sales revenue
5.	Mangolia		2.5% Ad valorem
6.	Mozambique		3% Ad valorem
7.	Namibia		5% Ad valorem, on market value
8.	People Republic of China		1% Ad valorem + 0.3 – 5.0 Yuan/Tonne
9.	Tanzania		4% Ad valorem
10.	United State of America		12.23% Ad valorem
11.	Zambia		2% Ad valorem on net back value

8.13 When asked about the reasons for switching over to a combination of specific and ad valorem rate of royalty in 2007 from tonnage based royalty in 2002, the Ministry of Coal informed the Committee as under::-

> "The argument for the shift from specific to ad-valorem basis is made by the coal producing State Governments on the ground that they would be deprived of the benefit of increasing prices of coal. On the other hand the demand of coal producing States had to be weighed against the potential adverse impact of increase and frequently rising price of coal under a putative ad-valorem regime. Given that nearly 75% of the coal produced is consumed in the power sector, the burden of increased royalty would also fall largely on the power sector both at the Centre and in the States. There would also be significant adverse impact on the cement and small scale industries.

CHAPTER-IX

RECOMMENDATIONS BY SARKARIA COMMISSION, FINANCE COMMISSION AND STUDY GROUP BY GOVERNMENT ON ROYALTY

Hon'ble Prime Minister had desired that the issue of payment of royalty on coal on ad-valorem basis versus tonnage basis be examined by the Economic Advisory Council (EAC) to PM. After wide ranging consultations, EAC submitted its report to the Prime Minister, recommending inter-alia as follows:-

(i) The royalty on coal has to be determined so as to take care in a balanced way of the interests of both the producers and the consumers. Accordingly, the royalty may be shifted from specific levy to a combination of specific and ad valorem levies.

(ii) It should be noted that our royalty rates are already high relative to those in other countries. We should keep this in view in fixing the royalty rates.

(iii) The formula (R= a+bP) for determining royalty may have a fixed and a variable component as indicated in first para. The parameters 'a' and 'b' have to be set so as to keep the overall rate at the appropriate level while allowing for moderate variation in royalty on account of charges in price. In view of this, EAC to PM recommend that 'b' be kept at 5% for all grades of coal.

(iv) The price (P) for determination of royalty may be the actual invoice price.

(v) Any revision in royalty should not be made applicable automatically to states which levy their own cesses. The royalty to be allowed to such states should be adjusted for the local cesses so as to limit the overall revenue to the formula based yield.

9.2 The recommendations of the EAC to the Prime Minister were taken into account by the Committee on Royalty setup by the Ministry of Coal and based on the committee's recommendations, the rates of royalty have been finalised in 2007.

9.3 Keeping in view the views/comments expressed by the various stakeholders the royalty Committee proposed the calculation of royalty as per the formula suggested by the Committee and the value of 'a' and 'b' are as follows:

Group	Grade of Coal	Recommended values of 'a' & 'b'
Group-I	Steel Gr.-I & II washery-I	a = Rs. 180.00 b = 5%
Group-II	Washery-II & III Semi-Coking Gr. I & II Grade A Grade B	a = Rs. 130.00 b = 5%
Group-III	Washery-IV Grade C	a = Rs. 90.00 b = 5%
Group-IV	Grade D Grade E	a = Rs. 70.00 b = 5%
Group - V	Grade F Grade G	a = Rs. 55.00 b = 5%

Recommendations of Sarkaria Commission

(i) The Sarkaria Commission recommended amendment of section 9 of the MMDR Act to reduce the period specified therein for revision of royalty rates from four years to two years. The Standing Committee of the Inter State Council modified the recommendation to the effect that the Government will endeavour revision of royalty rates every three years with a programme to shift towards a fully ad valorem based royalty regime in accordance with the existing provisions of the MMDR Act.

Recommendations of Finance Commission

(ii) **The Eleventh Finance Commission (2000**)

Royalty rates on minerals be revised regularly and the decision about the revision of the rates of royalty be taken well before the date on which the revision falls due so that it can be notified immediately after the completion of every three years period as provided under the law. In case the process of revision is not completed by the date the new revision is due, the States should be entitled to compensation.'

(iii) **The Twelfth Finance Commission (2005)**

Royalty from minerals, coal and petroleum has been considered. We took note of the fact that the power to revise the rates of royalty in most of the cases vests in the central government. Government of India has not been revising the royalty rates as regularly as provided for. This is particularly true of coal and lignite. We recommend that since royalty is an important source of revenue for some of the states, the rates of royalty should be fixed on an ad valorem basis.

9.4 When asked about details of recommendations made by the Study Group set up by the Government on royalty related issue and the action taken by the Government to implement those recommendations, the Ministry of Coal replied as under:-

"(i) Royalty on Coal: The Study Group recommended 14% ad-valorem royalty on price of coal. The price should be the actual invoice price (excluding taxes and other levies) which will also be applicable for quantity of coal sold through e-auction and forward e-auction.

(ii) Royalty on Lignite: The Study Group decided to introduce ad-valorem royalty regime in the lignite sector also, without any steep increase in royalty revenues on lignite and hence decided that the rate recommended at the level of the existing royalty i.e. 5.93% (rounded to 6%).

(iii) Royalty on coal from Captive mines: The Study Group after detailed deliberations decided to propose a calculation methodology, which could prove as an easily implementable solution for assessing royalty on coal and lignite for captive mines, where the price of coal (P) shall mean basic pithead price of ROM (run of Mine) coal and lignite, as reflected in the invoice, excluding taxes, levies and other charges of CIL/SCCL/NLC for similar grade of coal/lignite in the mines nearest to that captive mine.

(iv) Cess: During the previous revision of royalty the Government had taken a view that any revision in royalty should not be made applicable automatically to States which levy own cesses. The royalty to be allowed to such States should be adjusted for the local cesses so as to limit the overall revenue to the formula based yield.

The Study Group recommended that as the situation has not changed the status-quo be maintained in this regard."

CHAPTER X

CESS LEVIED IN DIFFERENT STATES

The Committee have been informed by the Ministry that the issue of levy of cess on coal continues to remain a cause of concern for the coal industry. The coal royalty is being paid by the coal companies to coal producing states except West Bengal which continues to levy cess on coal. A number of States have re-introduced cess or other statutory levies on mineral bearing land. Taking note of different cess levied by the State Governments together with the enhanced royalty rates that have cascading affect on the coal consuming sector and causing disparity across the States, the Committee set up by Ministry of Coal and Economic Advisory Council to the PM had recommended for royalty to be adjusted against local cess, so as to limit overall revenues to the formula based yield.

10.2 As regards the Cess & Other Taxes Levied by State Governments, the Ministry of Coal apprised the Committee as under:-

- All coal producing States except Maharashtra, Assam and Meghalaya were levying Cess in mid 80s.
- Rates of Cess levied varied widely.
- Levy was challenged before several Courts.
- In October, 1989 in the case of India Cements Vs. State of Tamil Nadu and in 1991 in the case of Orissa Cements Limited Vs. State of Orissa, the Apex Court held that State governments have no competence to levy such cess.
- Subsequently several High Courts struck down State enactments on levy.

10.3 The Committee were also apprised of the following Developments relating to cess in different States:-

(i) Development relating to West Bengal

- Under the Bengal Cess Act, 1880, there was a provision to levy Road Cess and Public Work Cess.
- Under this Act, levies were imposed inter-alia in respect of all mines and quarries on the annual dispatches.
- Two other legislations under which Government of West Bengal imposed levies are:

    West Bengal Primary Education Act, 1973

    West Bengal Rural Employment and Production Act, 1976.

- In 1992 Government of West Bengal amended these two Acts by West Bengal Taxation Laws (Amendment) Act, 1992 primarily changing the words "coal mines" to "coal bearing land".
- In November, 1992 in the Kesoram India Vs. CIL the Division Bench on Calcutta High Court struck down certain levies by way of Cess on coal as unconstitutional on the grounds that cess prescribed is not on land but is directly related to the value of coal produced.
- In an appeal filed by Government of West Bengal before the Supreme Court, the Constitutional Bench by majority of 4:1, vide their judgment dated 15.01.2004 set aside judgment of Calcuta High Court in Kesoram case and upheld constitutional validity of West Bengal Taxation law.
- The 2004 Court Judgment held that

    The royalty is not a tax and cess cannot be called a tax on tax

    Royalty is rent of the land on which mine is situated.

    Cess is a levy on mineral rights with effect on the land and quantified by a reference to the quantum of minerals produced.

Cess collected by Government of West Bengal in last 5 years from 2005-06 to 2009-10

Year	Avg. Production in Million tonnes	Cess Paid (Rs. Crs.)
2005-06	**16.190**	**614.54**
2006-07	**17.050**	**651.62**
2007-08	**17.410**	**629.56**
2008-09	**16.229**	**661.33**
2009-10	**15.323**	**621.64**

(ii) Development relating to Orissa

- Government of Orissa enacted Orissa Rural Infrastructure and Socio-economic Development Act, 2004 and started collecting levy @ 15% of the annual value of coal bearing land.
- The Act and Rules framed therein have been struck down by Orissa High Court.
- The Division Bench of High Court held that the State Legislature is not competent to enact such an Act.
- Orissa Govt. filed SLP before Supreme Court.

(iii) Details regarding other State Govts.

Madhya Pradesh

- Collects Forest cess @ Rs. 7 per tonne
- Under MP Gramin Adosancharana and Sadak Upkar Tax Act @ 5% on basic coal price.
- Challenged by coal companies and the matter is pending before Supreme Court.

Chhattisgarh

- Development and Environmental cess each at Rs. 5 per tonne
- High Court in its interim order in October, 2007 has permitted Chhattisgarh Government to collect cess. Case still pending.

Uttar Pradesh

- Under SSADA (Shaktinagar Special Area Development Authority) Rules – Rs. 10 per tonne
- Being adjusted with the royalty.

10.4 When asked as to how the State Governments were spending the royalty revenues and for what purposes, the Ministry of Coal in their replies, have stated as under:

"The revenue accruing from royalty on coal gets credited into the Consolidated Fund of the State Government concerned, therefore, it is upto the State Government to utilize the royalty receipts in accordance with its priorities. It is not possible to determine any direct relation between the revenue accruals from royalty and the budgetary support to local area development activities as these are funded through the annual budget of the concerned State Governments."

10.5 The Committee were informed that cess, levied by many State Governments on minerals or mining rights as well as other taxes of the State Governments are in the nature of royalty on minerals. The Cess Acts of the Government of West Bengal were challenged in a petition of M/s Kesoram Industries Ltd. before the Hon'ble High Court of Calcutta. The Hon'ble High Court passed an order on 25.11.1992 holding the provisions relating to levy and collection of cesses under the Cess Act, 1880, as ultra-vires of the constitution. Against this order, the Government of West Bengal filed an SLP in the Hon'ble Supreme Court. However, the Hon'ble Supreme Court of India, while upholding the legislation of State of West Bengal inter alia held that the State is competent to levy cess on coal bearing land in as much as the levy of said cess is not on coal but on coal bearing land. West Bengal Government at present collects cess on coal ad-valorem @ 25%. Amount of cess and royalty paid by the coal companies for the period 2009-10 to 2011-12 is given at **Annexure II.**

10.6 In the meantime, in the wake of the aforesaid judgment of the Apex Court, many other State Governments such as Orissa, Chhattisgarh, Madhya Pradesh, Uttar Pradesh, Assam and Andhra Pradesh have introduced new levies in the form of infrastructure development tax, special area development tax, land tax etc. on mineral bearing areas to generate additional resources. However, the Orissa State enactment, imposing a levy on mineral bearing land has since been struck down by the High Court of Orissa, stating that the state legislature is not competent to enact the same. Being aggrieved by the aforesaid judgement, the State of Orissa has filed a Special Leave Petition before the Hon'ble Supreme Court of India.

10.7 Considering the same, during the royalty revision in 1991, it was decided by the Government that the enhanced rates could be extended to those States only where the State Governments withdraw the cess levied by them or the cess is otherwise struck down by the Courts of Law. This was done in view of the consideration that the incidence of cess levied by them together with the enhanced royalty rates would have created cascading effect on coal prices. Accordingly, the benefits of 1991, 1994, 2002 and 2007 royalty revisions were not extended to West Bengal, in view of the cess being levied by them.

10.8 The Committee were interested to know whether the States were also being paid royalty in addition to new levies collected by them in the form of infrastructure development tax, special area development tax, land tax etc., and if so, was it is not affecting consumers. When a specific query was asked in this regard as to how the Government propose to address this issue in right perspective, the Ministry of Coal apprised the Committee as follows :-

> "Some of the State Government such as West Bengal are collecting various levies under various heads and it is bound to affect the consumer. Accordingly, considering the same the royalty Committee set up by the Govt. had endorsed the view taken by EAC to PM that revision in the royalty should not be made applicable automatically to States which levy their own cess. The royalty to be allowed to such States should be adjusted for the local cess, so as to limit the overall revenue to the formula based yield.
>
> Inspite of the above provision with regard to royalty on coal, some of the State Governments have imposed other levies over and above Royalty on coal like Madhya Pradesh Gramin Avasanrachana Tatha Sadak Vikas Adhiniyan tax, transit fee on road dispatch by Madhya Pradesh Govt., Terminal Tax by Municipal corporation in Madhya Pradesh, SSADA cess by UP Government, Land Tax by Assam Govt. etc. Imposition of most of the above mentioned levies has been contested by the coal companies and in one case by a consumer, in the courts of law and the matter is sub-judice."

10.9 Mines and Mineral Development and Regulation Bill, 2011 (Royalty payable in respect of minerals.) Clause 41 of the Bill reads as under:-

> 41(*1*) The holder of a mining lease, whether granted before or after the commencement of this Act shall, notwithstanding anything in the instrument

of lease or in any other law for the time being in force, pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee or contractor from the leased area.

41(*2*) The rate of royalty in respect of major minerals shall be such as specified in the Second Schedule to this Act:

> Provided that concessional rates of royalty may be specified for such cases where the lessee beneficiates the mineral at the ore stage.

10.10 During examination of the Bill referred to the Committee the State of West Bengal has strongly opposed the differential treatment meted out to the State in matters of royalty etc. The State Government of West Bengal has made following presentation before the Committee:-

> "The provisions relating to royalty, compensation and cess have been dealt with in Chapter VIII of the draft bill. The rates of royalty on major minerals have been specified in the Second Schedule to the draft bill. In the Draft bill rates of royalty proposed for different grades of coal produced in West Bengal is different from other States. While the rates of royalty for West Bengal are specific, the rates of other states are a combination of specific and ad valorem rates of royalty and much higher than the rates proposed for West Bengal. The State of West Bengal has been treated differently from other States since the year 1991 in the matter of rate of royalty to be charged on coal because the State of West Bengal imposes cess on coal. We have been, over the years, repeatedly urging the Government of India that this differential treatment in the matter of fixation of rates of royalty vis-à-vis those States, who do not impose cess, is unjustified, as the State Government is empowered under the Constitution to impose cess on coal. It may be mentioned here that royalty on coal and cess on coal bearing land are levied and collected on the basis of powers assigned to the States under two different entries, namely, Entry no. 49 – Taxes on lands and buildings and Entry No. 50 – Taxes on mineral rights, subject to any limitations imposed by Parliament by law relating to mineral development. The Parliament has not imposed any limitation on the taxing power on the mineral rights which the State can impose under entry No. 50 of the State List. It needs to be mentioned that the issue of propriety of imposition of cess on coal bearing land by the Government of West Bengal has been settled by the Hon'ble Supreme Court in favour of the State in Civil Appeal Nos. 1532-33/93 in the matter of State of West Bengal-versus-Kesoram

Industries and Others in January, 2004. While passing order, the Hon'ble Supreme Court observed that "The impugned cess is a tax on coal bearing and mineral bearing land. It can at the most be construed to be a tax on mineral rights. In earlier case, the impugned cess is covered by the Entries 49 and 50 of List II of the Constitution of India. The West Bengal Taxation Laws (Amendment) Act, 1992 must be and is held to be intravires the Constitution. Thus, in terms of the judgment of the Apex Court denying a particular State of royalty on coal at the revised rate of royalty which is different from other states on the grounds that the state is charging cess is a challenge to our constitutional authority to levy cess or tax on coal bearing lands. Hence, we strongly oppose this differential treatment in the matter of fixation of rate of royalty on coal for West Bengal vis-à-vis other coal producing States."

10.11 The Ministry of Mines have not commented on this, saying that this issue pertains to the Ministry of Coal. However, according to the Ministry of Mines, the rates of royalty in respect of major minerals (excluding coal, lignite and sand for stowing) were last revised vide gazette notification number G.S.R. 574(E) dated 13.8.2009. The rates of royalty in respect of Coal including Lignite were revised vide notification number G.S.R. 349 (E), dated the 10th May, 2012 by the Ministry of Coal are as under:-

"Royalty for Coal (including Lignite)

A. Coal produced in all the States and Union territories except the State of West Bengal.

(1) Royalty on Coal:
The rate of royalty on coal shall be @ 14% (Fourteen percent) ad-valorem on price of coal, as reflected in the invoice, excluding taxes, levies and other charges.

(2) Royalty on Lignite
The rate of royalty on lignite shall be @ 6% (Six percent) ad-valorem on transfer price of lignite, as ratified by the Central Electricity Regulatory Commission (CERC) and for lignite sold to other consumers, the royalty shall be @ 6% (Six percent) ad valorem on the price of lignite as reflected in the invoice, excluding taxes, levies and other charges.

(3) Royalty on coal and lignite produced from captive mines:
For calculating royalty on coal and lignite produced from captive mines, the price of coal and lignite shall mean the basic pithead price of Run of Mine (ROM) coal and lignite, as notified by the Coal India Ltd./Singareni

Collieries Company Ltd./ Neyveli Lignite Corporation, for similar Gross Calorific Value (GCV) of coal or lignite for the mines, nearest to that captive mine;

Provided that for the coal and lignite produced from the coal and lignite blocks, allocated under the Government dispensation route for commercial use, the respective ad-valorem royalty shall be applicable on the price notified by the respective State Governments.

(4) Adjustment of royalty against levying of cess:

For the States other than West Bengal, for the levy of cess or other taxes specific to coal bearing lands, the royalty allowed shall be adjusted for the local cesses or such taxes, so as to limit the overall revenue yield.

B. Coal produced in the State of West Bengal:

Group	**Quality of Coal**	**Royalty on coal in Rs. per tonne**
I	Steel Gr-I	7.00
	Steel Gr.-II	
	Washery-I	
	Direct Feed	
II	Washery-II	6.50
	Washery-III	
	Semi Coking Gr.-I	
	Semi Coking Gr.-II	
	Non-Coking Coal having GCV(Kcal/kg) range of 6701 and above	
	Non-Coking Coal having GCV(Kcal/kg) range of 6401-6700	
	Non-Coking Coal having GCV(Kcal/kg) range of 6101-6400	
III	Washery-IV	5.50
	Non-Coking Coal having GCV(Kcal/kg) range of 5801-6100	
	Non-Coking Coal having GCV(Kcal/kg) range of 5501-5800	
	Non-Coking Coal having GCV(Kcal/kg) range of 5201-5500	
IV	Non-Coking Coal having GCV(Kcal/kg) range of 4901-5200	4.30
	Non-Coking Coal having GCV(Kcal/kg) range of 4601-4900	
	Non-Coking Coal having GCV(Kcal/kg) range of 4301-4600	
V	Non-Coking Coal having GCV(Kcal/kg) range of 4001-4300	2.50
	Non-Coking Coal having GCV(Kcal/kg) range of 3701-4000	
	Non-Coking Coal having GCV(Kcal/kg) range of 3401-3700	
	Non-Coking Coal having GCV(Kcal/kg) range of 3101-3400	
	Non-Coking Coal having GCV=<3100	

10.12 As regards Levy and collection of cess by State Government, Clause 45 of the Bill reads as under:-

> 45(*1*):The State Government may, by notification specify, that there shall be levied and collected a cess on major minerals and minor minerals extracted at a rate not exceeding ten per cent. of the royalty in such manner as may be prescribed by the State Government:
>
> > Provided that the rate shall not be increased more than once during any period of five years.
>
> 45(*2*): The cess shall be paid by the person holding the mining lease for major minerals or minor minerals, as the case may be:
>
> > Provided that where the minerals vest in a person other than the Government, and the holder of the mining lease fails to pay the cess, the person in whom the minerals vest shall, on demand, pay the amount of the cess."

10.13 The Ministry of Mines has informed the Committee that under section 45(1) it is clearly stated the cess will be levied on the 'mineral extracted at a rate not exceeding ten per cent of the royalty. Levy of cess on land and building lies exclusively within the ambit of Entry 49 of List II of Seventh Schedule of Constitution of India, and this power is not being affected by the present legislation.

CHAPTER-XI

DEMAND FOR INCREASING ROYALTY ON COAL BY STATES

The Mines and Minerals Development and Regulation Act and specifies that royalty rates have to be revised in every 3 years, but the same had not been done in the past, thus resulting in loss of thousands of crores to the coal producing States. The Ministry of Coal when asked about the reason for revising the rates submitted as under:-

> "Section 9(3) of the Mines and Minerals (Development & Regulation) Act, 1957 empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral by 'notification in the official Gazette with effect from such date as may be specified in the notification. The proviso to the aforesaid Section prevents the Central Government from enhancing the rate of royalty on coal and lignite more than once during any period of three years. It is not mandatory to revise the rate of royalty on coal and lignite after every three years. However, the rates of royalty are revised by the Central Government after taking into consideration the interests of all stake holders and the overall economic scenario in the country. After every royalty rate revision the royalty revenue from the coal producing States increases as may be seen in the statement given below for the last ten years . In view of the above the question of loss of revenue to the coal producing States does not arise.

(Royalty paid - Rs. in Lakhs)

Year	West Bengal	Jharkhand	Orissa	Madhya Pradesh	Maha rashtra	Chhattis garh	Uttar Pradesh
2000-01	997.41	58713.67	25848.59	37818.51	21040.76	31897.80	13462.04
2001-02	1067.61	55647.86	26299.72	38996.21	23136.54	33859.62	12221.85
2002-03	1008.19	65171.48	31698.71	46655.03	26222.60	42213.43	14278.35
2003-04	931.86	72359.81	41689.80	53762.38	28650.46	47921.87	13618.03
2004-05	976.48	69671.98	46573.36	57324.76	29491.09	53464.40	13225.90
2005-06	1051.14	72752.05	50637.50	59765.41	30546.54	55404.67	11795.76
2006-07	1045.76	75596.42	51524.09	63275.81	31090.63	58959.62	8940.11
2007-08	900.95	90966.08	64536.75	83176.26	42676.13	76052.61	10436.87
2008-09	943.96	106721.67	77307.39	95017.68	50179.87	89418.70	11494.77
2009-10	959.55	114234.46	85962.81	98123.75	51407.58	94307.17	14929.16

11.2 To a query on how enhanced royalty on coal for coal producing States will affect the coal consuming State, the Ministry of Coal in a post evidence reply informed the Committee as under:-

> "The major coal producing States are only seven i.e. State of Jharkhand, Orissa, West Bengal, Maharashtra, Madhya Pradesh, Uttar Pradesh and Chhattisgarh, whereas all the States in the country are coal consuming States, directly or indirectly. The cost of coal is a major input in the energy cost. As the royalty is paid by the consumers directly to the coal producing States, an upward revision in royalty rates would affect all the coal consuming States in terms of increase in cost of power."

11.3 The State Governments, like Jharkhand, Orissa, Bihar, M.P. and Chhattisgarh have demanded that coal royalty to be fixed on ad valorem basis, The Ministry of Coal on being asked whether the same has been considered, submits their reply as under:-

> "While the Royalty Committee was seeking the views and comments of all the stakeholders, the Hon,ble Prime Minister desired that in view of the complexities involved, the issue of payment of royalty on coal on ad valorem basis vs tonnage basis may be examined by the Economic Advisory Council (EAC) to the PM and that recommendations of the EAC to the PM may be awaited before taking a final view in the matter.
>
> Taking into consideration the submission made by all the stakeholders, and the interests of the coal producing States, the consumers and the economy as a whole as discussed in various meetings it was felt that it was not the right time for switching over to a full fledged ad valorem regime of royalty due to the various reasons. EAC to PM while examining the issue of royalty on coal recommended a royalty system which is a combination of specific and ad valorem levies with a fixed and a variable component. There was merit in the demand of coal producing States on shifting to ad valorem basis especially in view of the infrastructure the States have to provide to facilitate mining activity and the mounting negative externalities on account of environmental degradation consequent to mining. At the same time, there is need to ensure that the rate of increase in royalty as a function of increasing prices is restrained in order to protect the consuming sectors. This was taken care of by calibrating the royalty as a combination of specific and ad valorem levies with a fixed and a variable component as follows:
>
> The Committee held extensive deliberations on the issues involved and also held consultations with all the stakeholders, which included the State

Government (both coal/lignite producing as well as consuming States), the concerned Ministries/Departments/Organizations of the Central Government, major coal consumers and coal companies. Consequently the rates of royalty on coal and lignite was revised in August, 2007 vide notification dated 01.08.2007."

11.4 When the Committee sought the views of the Ministry whether frequent revision in coal price is commensurate with increase in the rate of royalty, the Ministry in a written reply informed that the pricing of coal has been fully deregulated after the Colliery Control Order, 2000 was notified with effect from 1st January, 2000 in supersession of the Colliery Control Order, 1945. Under the Colliery Control Order, 2000 the Central Government has no power, to fix the prices of coal. Coal companies are fixing the price of coal by themselves, on the basis of market forces like the demand of coal, increase in input cost for producing the coal, the change in landed prices of imported coal, acceptability of coal price in the market, need for capital investment in new projects and modernization of existing mines to augment coal production to bridge the demand supply gap. On the other hand, revision of royalty more than once in a period of three years is not permitted under the Mines and Minerals (Development and Regulations) Act, 1957. However, the revision of price does have an affect on the royalty rates as the price of coal is a major factor in the existing hybrid formula of arriving at the amount of royalty.

11.5 On being asked as to whether the Union Government is considering increasing the royalty on Coal to the States for enhancing the security and productivity of coal mines, the Ministry of Coal replied as under:-

"The Ministry of Coal, Govt. of India has already revised the rates of royalty on coal and lignite vide its Gazette Notification dated 10.05.2012 to be applicable w.e.f. 10th May, 2012. The Section 9(3) of the MMRD Act 1957, provides that the Central Government shall not enhance the rate of royalty in respect of any mineral more than once during any period of three years."

11.6 When asked whether the Union Government has received requests from some States to increase the amount of royalty, details thereof and the response of the Union Government thereon, the Ministry informed the Committee as under:-

"The major coal producing States have proposed for fixation of royalty rates @ 20% ad-valorem basis, in place of hybrid formula based royalty rates on coal and lignite. The proposal was considered by a Study Group, constituted by the Government to examine the issue of revision of royalty rate on coal and lignite. The Study Group held extensive deliberations on the issues involved and also held consultations with all the stake holders. On the basis of the recommendations of the Study Group, the Union Government has finalized and accepted the proposal of the coal bearing States, for shifting to ad-valorem based system of royalty rates. However, keeping in view the interest of consumer States and the Power Sector, the Government has approved for 14% ad-valorem royalty on Coal and 6%ad-valorem royalty on Lignite, which has come into force with effect from 10.05.2012.

State Government of Assam, Jharkhand, Madhya Pradesh, Meghalaya and Orissa suggested to shift from the hybrid formula of royalty to ad-valorem regime of royalty @ 20% of the sale price. State Government of Andhra Pradesh requested for increase to 30% and the State of Gujarat demanded on up-gradation of Rs. 100/- per tonne of rate of royalty on lignite. Rajasthan Govt. requested for royalty on lignite on tonnage basis. The Uttar Pradesh Government stated that in composite formula, value of fixed component should be doubled in each grade of coal for the assessment of royalty rates. Govt. of West Bengal stated that fixation of royalty should be on ad-valorem basis."

11.7 In a specific query as to the difference of opinion between the Union and the State Governments regarding amendment in the royalty on coal, the main objections raised by the States and the action being taken by the Union Government to resolve the matter, the Ministry of Coal replied as follows:-

"Some of the coal bearing States have demanded for shifting to ad-valorem based system of royalty in place of hybrid formula royalty on coal and lignite. The Union Government has accepted the demand of the coal bearing States for shifting to ad-valorem based system of royalty rates. However, keeping in view the interest of consumer States and the Power Sector, the Government has approved ad-valorem 14% royalty on coal and 6% on lignite w.e.f.10.5.2012."

11.8 When asked about details of the amount of royalty paid to the various State Governments by the Coal India Limited (CIL) and its subsidiaries during the last three years and the total amount of royalty outstanding at present, subsidiary-wise and State-wise, the Ministry replied as under:-

> "Details of Royalty and Cess paid to the various State Governments during the last three years by the Coal India Limited (CIL) and its subsidiary Companies is enclosed as **Annexure-III** and Neyveli Lignite Corporation and Singareni Collieries Company Limited are given at **Annexure-IV**."

PART - C

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

COAL PRICING

1) The Committee note that the Central Government was empowered by the Colliery Control Order, 1945 to fix the grade-wise and colliery-wise prices of coal. The pricing of coal was fully deregulated after the Colliery Control Order, 2000 was notified with effect from 1st January, 2000 in supersession of the Colliery Control Order, 1945. Under the Colliery Control Order, 2000 the Central Government has no power to fix the prices of coal. Further, coal has also been removed from the list of essential commodities through an amendment in the Essential Commodities Act, 1955. While fixing the prices of coal, the coal companies take into consideration general increase in price of commodities in the market leading to increase in the cost of input in the production of coal as reflected in Wholesale Price Index (WPI) and All India Consumer Price Index (AICPI), capacity of the company to absorb the increase in cost, landed cost of imported coal, impact of revision in wages of non-executive employees and revision in pay of executives as per Govt. guidelines as and when such revision takes place, requirement of additional resources mobilization for fresh investments in new projects to augment coal production to achieve planned production target. The Committee have been given to understand that coal prices were revised w.e.f. 16.10.2009 by Coal India Limited when the basic prices of F&G grades of coal (ROM-Run of Mine) were increased by 8% to 10% over the previous revision. While Coal India subsidiaries except ECL & BCCL have increased the coal price by 10%, the increase in coal price by ECL & BCCL was 15%. Further, Grade A and B coal of underground mines of ECL is being supplied to specific consumers i.e. National Thermal Power Corporation, Damodar Valley Corporation and state power utilities at negotiated prices. Singareni Colliery Company Limited (SCCL), has revised the prices of coal of various grades in 2004 for F&G grade coal and in 2009 for B,C,D & E grade coal. The coal prices were

again revised on 01.01.2012 and 28.05.2013. The Committee feel that the increase in the price of different grades of coal adversely affect the end users including power sector and the impact of coal price increase has to be passed on to the consumers. The Committee, therefore, expect the coal companies to go in for a minimum coal price increase so that a balance could be struck between the coal price and proposed capital investment but certainly not with a view to achieving maximum profit for the organization.

2) The Committee note that the requirement of funds for additional resource mobilization for fresh investments in new coal projects and modernization of existing mines for augmentation of production to achieve planned production target, is also added as a factor for determining the coal prices by the Coal PSUs. The Committee are not convinced with the argument put forward by the Government/CIL that investment in the new projects is one of the factors in coal price fixation. The Committee fail to understand as to how CIL and its subsidiaries can add estimated cost of a future project which has not yet started and may take years together to complete in fixing coal prices which ultimately put extra burden on consumers. The Committee feel that considering investments in future projects as one of the factors for determining coal price is against the sound principles of logic and economics. The Committee, therefore, strongly recommend that such cost estimations for new projects be kept out for fixation of coal price so as to secure the interest of common consumers.

3) The Committee are of the view that the philosophy behind nationalisation of coal sector was to ensure the availability of coal to power sector and other end-users to boost the national economy rather than making huge profits by coal companies by frequent revisions in coal rate. The Committee understand that while meeting the coal demand from different sectors, CIL and its subsidiaries have to make profit for its

sustainability. Therefore, there is need to strike a balance between coal production and coal price. The Committee strongly recommend that while calculating the coal prices or going in for revision of coal prices, CIL and its subsidiaries should endeavour for revenue neutrality as far as possible so as to put minimum burden on coal consumers thus securing their interest and welfare.

4) The Committee note that though the regulated sector including power and fertilizers have largely been spared from price hike, the rationale behind price hike for non-regulated sector is beyond comprehension and rather discriminatory to this sector and to the end-consumers in particular. The Committee, therefore, recommend that a principled parity may be established as far as the coal price fixation is considered for regulated and non-regulated sectors. The Committee would like to be informed of the precise reasons and justification for having different price for different sectors, i.e regulated and non-regulated in this regard.

5) The Committee note that in a de-regulated regime of coal prices, the coal companies are free to revise the rates at will without having any consultation with different stakeholders, particularly, the consumers. The latest revision in coal rates by Coal India Limited is bound to impact steel and cement industries which have been put under non-regulated sector. Steel companies which uses sponge iron as raw material are also likely to be affected as 30% increase in non-coking coal price will adversely affect the profitability of sponge iron producers. Since the Government has no control over coal price, the need for having a regulatory mechanism for coal sector has been felt since long. The Committee observe that the Planning Commission had also recommended creation of an independent coal regulatory authority which would have power to comprehensively handle coal resource development, regulation on extraction, end use, etc. including pricing and mine safety issues. In any event Central Government

must constitute one coal pricing Regulatory Committee consisting of representatives of Coal companies, Central Government, each State which produces coal, representatives of customer, power generation and an expert. The expert should head the Committee. The Committee have been apprised that creation of a permanent Coal Regulator Authority has been approved by the Cabinet and a Bill is going to be introduced soon in Parliament in this regard to give it a statutory status. The Committee desire the Ministry of Coal to bring in the much needed coal regulator for coal sector atleast coal pricing regulatory committee expeditiously in the interest of all stakeholders. The Committee would like to be apprised of the action taken by the Ministry within three months.

6) The Committee observe that the freight rates also impact the coal prices. It is necessary that rail freight rates for coal transport are rationalized and for this the Ministry of Coal / Coal companies should have proper coordination at sufficiently higher level in the Ministry of Railways. In this regard, the Committee would like the Ministry of Coal and CIL to explore other modes of transport also so as to ensure speedy and cost effective movement of coal.

7) As regards production cost of coal, the Ministry of Coal have informed the Committee that about 81% of the total cost of production is fixed and the balance 19% is variable. Controllable items are mainly the expenditure incurred on account of over time paid to the workers, under loading/over loading, demurrage and power. Though the coal companies have taken measures to bring down the cost of production of coal and lignite by increasing production and productivity by rationalizing machine utilization and deployment of manpower, the Committee feel that the result in terms of cost reduction is not forthcoming. The Committee, therefore, recommend that more concrete measures including austerity measures by Coal Companies need to be taken not only to bring down the cost of production but also to enhance the reserves and profitability of the coal companies.

8) The Committee observe that due to lower coal production against the targeted production there is shortage of coal in the country. The small scale industries as well as mega industries including the power companies are heavily dependent on coal for their survival. Demand of the coal outstrips the supply. The coal demand in the country during year 2012-13 was estimated at 772.84 million tonnes as against domestic production of 574 million tonnes leaving a gap of 198.44 million tonnes of the targeted demand. Coal India Limited has failed time and again to meet the domestic demand for coal, and to meet the same, it imports the coal. The Committee are surprised to note what exactly prompts CIL to go for e-auction of coal despite the coal shortage in the country and that too nearly 10% of the total coal produced in the country is sold through e-auction. The Committee find that E-auction by CIL does not give a fair chance of participation to the end-users and benefits only the big traders and influential parties. The big traders may purchase through e-auction at comparatively cheaper rates by forming cartel and make small scale industries to purchase coal from them at higher rates. The Committee, therefore, recommend that the whole procedure of e-auction should be made more transparent which can also subserve the interest of small scale industries. The Ministry of Coal and CIL should ensure that small scale industries, small traders and end-users are not put at a disadvantage position in the process of e-auctioning under the New Coal Distribution Policy. The monopoly of big traders which deprives the small traders and users of a fair chance of participation in coal e-auction need to be checked through a more transparent regulatory and monitoring mechanism. The Committee recommend that the process of e-auction which though generates good revenue for Coal India Limited is also a big tool for manipulation and therefore, should be checked immediately. While reiterating their earlier recommendations (24th & 33rd Reports, 15th Lok Sabha) to review the present policy of e-auction to safeguard the interest of end-users, the Committee also desire that the extent of quantity of coal

reserved for e-auction should be kept at a bare minimum so as to meet the domestic demand of coal of the end-users, and small scale industries in the country.

9) The information and data provided by Ministry of Coal and Coal India Limited and its subsidiaries to the Committee clearly reveal that there have been different coal rates for different coal grades across different subsidiaries of CIL earlier in Useful Heat Value (UHV) based system of pricing of coal. Though, CIL has submitted before the Committee that now the prices of the given grade of coal is same for most of the companies, it is really ironical that the same grade of coal is being sold at different prices even today in Gross Calorific Value (GCV) based system for Rajmahal of Eastern Coalfields Ltd.(ECL) and Western Coal Fields Limited (WCL). The Committee observe that there is no Common Policy for fixation of Coal prices in the country like the petroleum companies which sell petrol and diesel at almost same rates across different petroleum companies. Also, this ambiguity regarding different coal prices across different coal companies is a reason for dissatisfaction and unfairness to end-users. The Committee, therefore, are of the opinion that having uniform prices across all grades of coal by all the coal companies is essential not only from point of marketing and linkages, but also for protecting the interests of the end-users. The Committee, therefore, strongly recommend that CIL should come up with a National Policy for Coal Prices applicable to all Coal Companies and the Committee be apprised of the steps taken in this regard.

10) The Committee have been apprised by the Ministry of Coal and CIL that international prices are also one of the factors in coal price fixation and therefore domestic coal prices are increased or decreased accordingly as per increase or decrease in international coal prices, now and then. But, Committee notice that there is no clarity, rules or guidelines regarding immediate calling of Board Meeting of CIL so as to quickly catch up with

the trends in international market and commensurate it with the domestic market in case of sudden increase or decrease in international coal prices. The Committee also observe that though the Ministry of Coal/CIL are very prompt to review or revise the domestic coal prices in case of any increase in international price of coal but the same exercise of discretionary powers for short term period review of coal prices are hardy practiced so far as the issue of decreasing domestic coal price in tune with decreasing international coal prices are concerned. The Committee, therefore, recommend that CIL Board should have meetings for immediate review of domestic coal prices in tune with trends in international market, both in cases of increase and decrease in international coal prices as it has a direct bearing on the consumers and other stakeholders. The Committee desire that CIL should lay down clear guidelines in this regard.

11) The Committee have been apprised that the new coal price policy approved by the Government allows power companies to pass on burden of expensive imported coal on to the consumers. To meet its balance Fuel Supply Agreements(FSA) with power companies, CIL may import coal and supply the same to the willing Thermal Power Plants on cost plus basis. Under the proposed pass-through mechanism, approved by Cabinet Committee on Economic Affairs(CCEA), the entire additional cost of imported coal would be passed on to consumers as against averaging of prices of imported and domestic coal under the earlier planned price-pooling mechanism. The Committee feel that this decision of the Government is likely to increase electricity tariffs further. The Committee are perturbed to note that the decision will only help the power companies, especially in private sector, who will be the main beneficiary of the decision as they will not pass on the benefits to the consumers. The interests of the consumers have thus been ignored and an additional burden of higher coal price subsequently resulting in higher electricity tariffs have been put on them. The Committee, therefore, recommend the

Government to review this new coal price policy in the interest of consumers so as not to pass this additional burden on to them.

COAL ROYALTY

12) Royalty is an amount payable by a lessee to the lessor for removing or consuming a mineral. Section 9 (1) of the Mines and Minerals (Development & Regulation) Act requires the holder of a mining lease or his agent, manager, employee, contractor or sub-lessee to pay royalty in respect of any mineral removed or consumed from the leased area at the rate specified in the Second Schedule of the Act. Section 9(3) of the MMDR Act, empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral by notification. For fixing the rate of royalty on coal/lignite, The Ministry of Coal constitutes a study group headed by the Additional Secretary for fixing the rate of royalty on coal. The Study Group takes the views of all the stakeholders like the coal producing and consuming states and the major consumer sectors such as power, iron and steel, cement etc. After taking the views of all the stakeholders and other relevant factors, the study group makes its recommendation to the Ministry. The Ministry have informed the Committee that a Study Group was constituted in 2005 under the Chairmanship of Addl. Secretary(Coal) with the representatives of Ministries of Mines, Power, Coal Companies, CMPDIL and Federations of industries like FICCI and FIMI to decide the rates of royalty. Considering complexities involved in the issue of payment of royalty on ad-valorem basis vs tonnage basis, the issue was referred to the Economic Advisory Council to the Prime Minister(EAC). Based on the recommendations of Economic Advisory Council of the Prime Minister the rates of royalty on coal and lignite have been revised with effect from 01.08.2007. The royalty rates were last revised w.e.f. 10.05.2012. These are being calculated as a combination of specific and ad valorem rates of royalty i.e. R(Royalty Rupees/tone)= a+bP where `P' (price) shall mean basic pithead price of ROM(rum –of-mine) coal and lignite as reflected in the invoice, excluding

taxes, levies and other charges; `a' represents the fixed component and `b' represents the variable or ad-valorem component. The value of `b' has been fixed as 5% and the value of `a' fixed for different grades of coal. The representative of the Ministry of Coal tried to explain the formula worked out by the Economic Advisory Committee of the Prime Minister on Payment of Royalty to the Committee during the course of evidence but failed to convince the Committee the justification for having such a formula. According to the Committee, the formula evolved is not only ambiguous but has been worked out without any sound basis. The Committee would like the Ministry to have a relook at this cumbersome formula and come out with a simpler and workable formula. The Committee observe that EAC to Prime Minister had also recommended that the parameters of `a' and `b' in the suggested formula have to be set so as to moderate the variation in the royalty on account of variation in price. It was also suggested that `b' be kept at 5% for all grades of coal. The Committee have failed to understand the justification for keeping `b' at 5% for all grades of coal. The fact remains that the formula suggested is devoid of clarity. The Committee would like to be apprised about the rationale for keeping `b' at 5% for all grade of coal.

13) The Committee note that State of West Bengal has strongly opposed the differential treatment meted out to the State in matters of royalty, etc. In the Mines and Minerals Development and Regulation Bill, 2011(MMDR), the rates of royalty on major minerals have been specified in the Second Schedule to the bill. In the Bill, rates of royalty proposed for different grades of coal produced in West Bengal are different from other States. While the rates of royalty for West Bengal are specific, the rates of other states are a combination of specific and ad valorem rates of royalty and much higher than the rates proposed for West Bengal. The State of West Bengal has been treated differently from other States since the year 1991 in the matter of rate of royalty to be charged on coal because the State of

West Bengal imposes cess on coal. The Committee in their Report on MMDR Bill, 2011 submitted to Parliament on 8.5.2013 have observed that this differential treatment to West Bengal in the matter of fixation of rates of royalty vis-à-vis other States, who do not impose cess, is unjustified, as the State Government is empowered under the Constitution to impose cess on coal. The royalty on coal and cess on coal bearing land are levied and collected on the basis of powers assigned to the States under two different entries in Constitution, namely, Entry no. 49 – Taxes on lands and buildings and Entry No. 50 – Taxes on mineral rights, subject to any limitations imposed by Parliament by law relating to mineral development. The Parliament has not imposed any limitation on the taxing power on the mineral rights which the State can impose under entry No. 50 of the State List. The Committee are also apprised that the issue of propriety of imposition of cess on coal bearing land by the Government of West Bengal has been settled by the Hon'ble Supreme Court in favour of the State in Civil Appeal Nos. 1532-33/93 in the matter of State of West Bengal-versus-Kesoram Industries and Others in January, 2004. The Committee, therefore, reiterate their earlier recommendation (36th Report on MMDR Bill, 2011) and desire that the royalty for different grades of coal should be kept same in all States including State of West Bengal in all fairness and the government in this regard may take appropriate action to amend schedule-II of the MMDR Bill, 2011 by fixing rate of royalty same to all States.

14) The Committee observe that the issue of levy of cess on coal by different States continues to remain a bone of contention between Centre and States and remain a cause of concern for the coal industry. The Committee feel that excepting coal mines and lignite, State Government is the owner of the mines. Therefore, free hands should be given to the State Government for imposing Cess. The Committee while reiterating their earlier recommendation regarding collection of cess by States in 36th Report ("The Mines and Mineral (Development & Regulation) Bill, 2011")

recommend that the State government may by notification specify the rate of Cess to be levied in case of major minerals and minor minerals excepting coal and lignite and minor mineral according to the State Governments' wisdom and in case of coal and lignite at a rate not exceeding fifty percent by introducing appropriate legislation in States. The Committee would like the Ministry to come out with a permanent solution to the issue of levying cess by different States after having due consultations with all the concerned States. Irrespective of charging cess by different States, the Committee feel that royalty of each State should be equal and on the basis of grades of coal. The Committee feel that share of royalty which states be entitled to be paid to them immediately after receiving it by the coal companies from the Central Government.

15) The Committee note that low royalty rates and their infrequent revision has become an important irritant in the realm of Centre-State Financial Relations. The Committee are constrained to observe that one of the major factors for the downward trend of royalty is the absence of a clear cut policy on the subject. The system of royalty as prevailing in the country is riddled with complications. The Committee have been informed that though coal and lignite minerals belong to states, the royalty rates are fixed by the Central Government and the grievances of the concerned States are not adequately addressed by the Central Government before taking a final decision in this regard. There are several grades of coal and royalty rates differ from one category to another. Sometimes, rates differ from one company to another. The lignite rates also differ from coal rates. Since the issue of royalty is riddled with complexities, the committee feel that there is a greater need that the issue be looked at in a larger perspective keeping in view the growing needs of the States. The rationalization of royalty rates and the timely revision will not only help the backward mineral rich states to improve their non-tax revenues but will also go a long way in improving Central-State financial relations. The Ministry of Coal ought to adopt a holistic approach of the problem and

work out a plausible solution. It is pertinent to note that non-revision of royalty rates for many years has led to decline in the royalty income of the States. The Committee, therefore, recommend that the Ministry should bring out a clear cut policy on royalty acceptable to coal producing states which could be revised at periodical intervals. The Committee, therefore, urge the Ministry of Coal to address the grievances of affected States by having frequent interactions with the concerned states at the appropriate level.

16) The Committee observe that while the prices of coal have been revised quite frequently, (nearly 7 times since deregulation) the rates of royalty have not been revised simultaneously. The plea of the coal producing states for an upward revision of the rate of royalty merits consideration on the ground that they lose heavily if the rates of royalty are not commensurate with revision in the administered price of coal and lignite. The Committee, therefore, recommend that in case royalty cannot be revised for some reasons, the Centre should compensate the states through an equivalent matching grant.

17) The Committee have been informed by the Ministry that a need was felt for quite some time, to determine a methodology for calculation of royalty, chargeable on coal produced from captive mines/ blocks. The Government also included another term of reference viz "to determine the basis of fixation of royalty on the coal produced from captive blocks". The Ministry are reported to have sought the views of stakeholders, coal producers, consumers and coal bearing States. The replies on the questionnaire from the concerned stakeholders were examined in detail by a Study Group who has submitted its report to the Government. The Committee would like the Ministry to announce new royalty rates only after the suggestions/views from different stakeholders are taken into

consideration and a balance should be maintained as far as securing the interests of the various stakeholders is concerned.

18) The Committee take a serious note of the rampant incidents of coal theft in coal mining areas. There are also complaints regarding misuse of coal and diversion of coal from end-users. The Committee feel that coal thefts and black marketing of coal has a direct bearing on the coal distribution in the country and is also responsible in some way for coal shortage in country. Coal theft, directly or indirectly, disturbs the demand-supply equation of coal in the country which is reflected in coal price dynamics also in a subtle and latent manner. The Ministry of Coal and CIL have submitted before the Committee about their limitation and difficulty to check and monitor the same. The Committee observe that the actions are taken only when there are complaints. The Committee are of the opinion that there is an urgent need to keep strong vigilance and there should be a monitoring mechanism put in place as far as this issue is concerned. The end-user verification and checking on coal theft from coal mines is a joint responsibility of coal field managers and state enforcement authorities. The Committee feel that coal field managers should have better coordination with the State enforcement authorities in this regard and wherever irregularities are found, strict action must be taken as per law. The Committee strongly recommend that Ministry of Coal and Coal PSUs should set up a sophisticated and integrated Global Positioning System (GPS)/General Packet Radio Service (GPRS)/Radio Frequency Identification (RFID) & Closed Circuit Television (CCTV) Camera mechanism in all their coal fields so as to monitor and check the coal theft from coal mines and end-user verification on continuous basis and more effectively.

NEW DELHI;	**KALYAN BANERJEE**
__ December, 2013	**Chairman**
__ Agrahayana, 1935 (Saka)	**Standing Committee on Coal and Steel**

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 16 JULY, 2010 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1400 hours to 1515 hours.

PRESENT

Shri Kalyan Banerjee - Chairman

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Sanjay Bhoi
4. Shri Ismail Hussain
5. Shri Chandrakant B. Khaire
6. Shri Yashbant Laguri
7. Sardar Sukhdev Singh Libra
8. Shri Narahari Mahato
9. Shri Govind Prasad Mishra
10. Shri Rakesh Sachan
11. Shri Pashupati Nath Singh
12. Shri Rajiv Ranjan Singh alias Lalan Singh
13. Ms. Mabel Rebello
14. Shri Mohd Amin
15. Shri Ali Anwar Ansari
16. Shri R.C. Singh

SECRETARIAT

1. Shri Shiv Singh - Director
2. Smt. Sunita - Deputy Secretary
3. Md. Aftab Alam - Under Secretary

WITNESSES

MINISTRY OF COAL

1. Shri D.K. Sikri, Secretary (Coal)
2. Shri Alok Perti, AS(Coal)
3. Shri R.K. Mahajan, Join Secretary
4. Shri A.K. Bhalla, Joint Secretary
5. Shri Sanjiv Mittal, JS&FA

6. Shri P.R. Mandal, Adv (Project)
7. Shri Anil Kapoor, Director (finance
8. Shri Sharad Ghodke, Director

COAL PUBLIC SECTOR UNDERTAKINGS

1. Shri A.R. Ansari, CMD, NLC
2. Shri T.K. Lahiry, CMD, BCCL
3. Shri P.S. Bhattacharya, CMD, Coal India Limited
4. Shri V.K. Singh CMD, Northern Coalfields Limited
5. Shri R.K. Saha, CMD, Central Coalfields Limited
6. Shri A.K. Singh, CMD, Central Mine Planning & Design Institute Ltd.
7. Shri S. Chakravarty, CMD, Eastern Coal Fields Limited
8. Shri S. Narshingh Rao, CMD, SCCL
9. Shri K. Sekar, Dir (Finance), Neyveli Lignite Corporation Ltd.
10. Shri Shakeel Ahmad, Manager, NLC

2. At the outset, the Chairman, welcomed the Secretary and other representatives of the Ministry of Coal and Coal Public Sector Undertakings to the sitting of Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker, Lok Sabha. The Chairman mentioned that the sitting of the Committee has been convened to take oral evidence of the representatives of the Ministry of Coal and Coal Public Sector Undertakings on "Coal Pricing and Issues related to Coal Royalty".

3. Thereafter, the representative of the Ministry of Coal gave a visual presentation on "Coal Pricing and issues relating to Royalty" of the Ministry of Coal followed by briefing by the Coal Secretary on PSUs, focus areas and initiatives taken by coal companies and key policies concerns. The points discussed during the sitting broadly related to the issues such as total production of coal, coal off-take and royalty collected from production of coal and the procedure to fix the royalty rates.

4. The Chairman directed the representatives of the Ministry of Coal to furnish the replies to the queries raised by the Members which could not be responded to.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 16 AUGUST, 2010 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1500 hours to 1600 hours.

PRESENT

Shri Kalyan Banerjee - Chairman

MEMBERS

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Jaywant G. Awale
4. Shri Sanjay Bhoi
5. Shri Chandrakant B. Khaire
6. Shri Yashbant Laguri
7. Sardar Sukhdev Singh Libra
8. Shri Govind Prasad Mishra
10. Shri Pashupati Nath Singh

RAJYA SABHA

11. Ms. Mebel Rebello
12. Shri Mohd Amin
13. Shri Kishore Kumar Mohanty

SECRETARIAT

1. Shri Raj Shekhar Sharma - Director
2. Smt. Sunita - Deputy Secretary
3. Md. Aftab Alam - Under Secretary

WITNESSES

MINISTRY OF COAL

1. Shri C. Balakrishnan, Secretary
2. Shri Alok Perti, AS
3. Shri R.K. Mahajan, Join Secretary
4. Shri A.K. Bhalla, Joint Secretary
5. Shri Sanjiv Mittal, JS&FA
6. Shri P.R. Mandal, Adv (Project)
7. Shri Sharad Ghodke, Director

COAL PUBLIC SECTOR UNDERTAKINGS

1. Shri P.S. Bhattacharya, CMD, Coal India Limited
2. Shri S. Chakraborty, CMD, Eastern Coal Fields Limited
3. Shri T.K. Lahiry, CMD, BCCL
4. Shri R.K. Saha, CMD, Central Coalfields Limited
5. Shri V.K. Singh CMD, Northern Coalfields Limited
6. Shri N.C. Jha, CMD, South Eastern Coalfields Limited
7. Shri S.R. Upadhyay, CMD, Mahanadi Coalfields Limited
8. Shri A.K. Singh, CMD, Central Mine Planning & Design Institute Ltd.
9. Shri S. Narsingh Rao, CMD, SCCL
10. Shri A.R. Ansari, CMD, Neyveli Lignite Corporation Ltd. (NLC)

2. At the outset, the Chairman, welcomed the Secretary and other representatives of the Ministry of Coal and Coal Public Sector Undertakings to the sitting of Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker, Lok Sabha. The Chairman mentioned that the sitting of the Committee has been convened to take oral evidence of the representatives of the Ministry of Coal and Coal Public Sector Undertakings on "Coal Pricing and Issues related to Coal Royalty".

3. Thereafter, the representative of the Ministry of Coal briefed the Committee on the issue relating to the subject under examination especially procedure to fix the royalty rates. The witnesses also attended to the other queries raised by the Members during evidence.

4. The Chairman further directed the representatives of the Ministry of Coal to furnish the material on the issue of fixing the royalty, which could not be clarified by them during evidence.

5. The evidence remained inconclusive.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 26 AUGUST, 2010 IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1500 hours to 1700 hours.

PRESENT

Shri Kalyan Banerjee - Chairman

MEMBERS

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Jaywant G. Awale
4. Shri Chandrakant B. Khaire
5. Shri Yashbant Laguri
6. Sardar Sukhdev Singh Libra
7. Shri Narahari Mahato
8. Shri Govind Prasad Mishra
9. Km. Saroj Pandey
10. Shri Rakesh Sachan
11. Shri Pashupati Nath Singh
12. Shri Rajiv Ranjan Singh *alias* Lalan Singh
13. Dr. G. Vivekanand

RAJYA SABHA

14. Ms. Mebel Rebello
15. Shri R.C. Singh
16. Shri Kishore Kumar Mohanty

SECRETARIAT

1. Shri Ashok Sarin	-	Joint Secretary
2. Shri Raj Shekhar Sharma	-	Director
3. Smt. Sunita	-	Deputy Secretary
4. Md. Aftab Alam	-	Under Secretary

WITNESSES

MINISTRY OF STEEL

1. Shri P.K. Misra, Secretary
2. Shri S. Machendranathan, AS&FA
3. Dr. Dalip Singh, Joint Secretary
4. Shri G. Elias, Joint Secretary

5. Shri Udai Pratap Singh, Joint Secretary
6. Shri J.P. Shukla, Joint Secretary

STEEL PUBLIC SECTOR UNDERTAKINGS

1. Shri C.S. Verma, Chairman, SAIL
2. Shri Soiles Bhattacharya, Director, SAIL
3. Shri B.B. Singh, Director (Personnel), SAIL
4. Shri Shoeb Ahmed, Director, SAIL

2. At the outset, the Chairman, welcomed the Secretary and other representatives of the Ministry of Steel and Steel Public Sector Undertakings to the sitting of the Committee and mentioned that the sitting of the Committee has been convened to have briefing by the representatives of the Ministry of Steel and Steel Public Sector Undertakings on "CSR Activities of the Steel Authority of India Ltd." He also reminded them about the provisions of Direction 58 of the Directions by the Speaker, Lok Sabha.

3. Thereafter, the representatives of the Ministry of Steel briefed the Committee, about the CSR Activities of the Steel Authority of India Ltd. Constitution of Economic Advisory Council to the PM and other Committees for fixation of royalty and implementation of their recommendation. The Members also enquired about the methodology followed by the Ministry/Coal India Ltd. for fixation of coal prices and other related issues. The Secretary, Ministry of Coal also responded to various other queries raised by the Members.

4. The Chairman directed the representatives of the Ministry of Coal to furnish the material on the issue of fixing the royalty, which could not be satisfactorily clarified by them.

5. The evidence remained inconclusive.
A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 20 JANUARY, 2012 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1400 hours to 1500 hours.

PRESENT

Shri Kalyan Banerjee - Chairman

MEMBERS

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Abu Hasem Khan Choudhury
4. Shri Ismail Hussain
5. Shri Vishwa Mohan Kumar
6. Sardar Sukhdev Singh Libra
7. Shri Govind Prasad Mishra
8. Shri Deoraj Singh Patel
9. Shri Pashupati Nath Singh
10. Shri K. Sugumar
11. Shri Manohar Tirkey
12. Dr. G. Vivekanand

RAJYA SABHA

13. Shri Ali Anwar Ansari
14. Ms. Mabel Rebello
15. Shri Dhiraj Prasad Sahu
16. Shri Nand Kumar Sai
17. Shri Jai Prakash Narayan Singh
18. Shri R.C. Singh
19. Smt. Smriti Zubin Irani

SECRETARIAT

1. Shri Shiv Singh - Director
2. Md. Aftab Alam - Deputy Secretary

WITNESSES

MINISTRY OF COAL

1. Shri Alok Perti, Secretary
2. Ms.Zohra Chatterjee, Additional Secretary
3. Smt. Anjali Anand Shrivastava, (JS & FA)
4. Shri A.K. Bhalla, Joint Secretary
5. Shri S.K. Singh, Joint Secretary

PUBLIC SECTOR UNDERTAKINGS

1. Shri N.C. Jha, CMD, Coal India Ltd.
2. Shri A.R. Ansari, CMD, Neyveli Lignite Corporation Ltd.
3. Shri Narsing Rao, CMD, Singareni Collieries Co. Ltd
4. Shri T.K. Lahiri, CMD, Bharat Coking Coal Ltd.
5. Shri Rakesh Sinha, CMD, Eastern Coalfields Ltd.
6. Shri R.K. Saha, CMD, Central Coalfields Ltd.
7. Shri V.K. Singh, CMD, Northern Coalfields Ltd.
8. Shri D.C. Garg, CMD, Western Coalfields Ltd.
9. Shri A.N. Sahay, CMD, Mahanadi Coalfields Ltd.
10. Shri A.K. Singh, CMD, CMPDIL
11. Shri A.K. Sinha, Director (Finance), Coal India Ltd.

2. At the outset, the Chairman, welcomed the Secretary and other representatives of the Ministry of Coal and Public Sector Undertakings to the sitting of Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker, Lok Sabha. The Chairman mentioned that the sitting of the Committee has been convened in connection with the further oral evidence by the Ministry of Coal on the subject "Coal Pricing and issues related to Royalty".

3. The Chairman informed the Committee that Hon'ble Speaker, Lok Sabha has referred the Mines and Minerals (Development and Regulation) Bill, 2011, introduced in Lok Sabha on 12th December, 2011 to the Departmentally Related Standing Committee on Coal & Steel for examination and report within a period of three months. He also informed the Committee since the proposed bill seeks to replace the existing Mines and Minerals (Development and Regulation) Act, 1957, the Committee would like to seek the views/comments from individuals/institutions/stakeholders experts etc. on the provision of the Bill by giving advertisements in print/electronic media

4. The points discussed during the sitting broadly related to the shifting of pricing mechanism of coal from useful Heat value (UHV) system to Gross Calorific Value (GCV) based system, effect of price rise on coal pricing and royalty, revision of prices of different grades of coal, grading system adopted by coal companies etc.

5. The Members raised various issues and sought clarifications from Ministry of Coal/PSUs on the subject. Some of the points were clarified by the representatives of Ministry of Coal. Further, the Chairman directed the representatives of the Ministry of Coal to apprise the Committee about the decision taken by the Government on the issue of revision of pricing of various grades of coal.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 14 JUNE, 2013 IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1400 hrs. to 1530 hrs.

PRESENT

Shri Kalyan Banerjee - Chairman

LOK SABHA

2. Shri Sabbam Hari
3. Shri Vishwa Mohan Kumar
4. Shri Pakauri Lal
5. Shri Govind Prasad Mishra
6. Shri Rajaram Pal
7. Shri Gajendra Singh Rajukhedi
8. Shri K.R. G. Reddy
9. Shri Pashupati Nath Singh
10. Shri Om Prakash Yadav
11. Shri Bansa Gopal Chowdhury

RAJYA SABHA

12. Smt. Smriti Zubin Irani
13. Shri Dhiraj Prasad Sahu

SECRETARIAT

1.	Shri S. Bal Shekar	-	Secretary
2.	Shri Shiv Singh	-	Director
3.	Shri Arvind Sharma	-	Deputy Secretary

WITNESSES

MINISTRY OF COAL AND ITS PSU's

1.	Dr. A.K. Dubey	Addl. Secretary
2.	Shri A. K. Bhalla	Joint Secretary
3.	Shri Shailesh Kumar Singh	Joint Secretary
4.	Smt. Sujata Prasad	Joint Secretary and FA
5.	Shri D. N. Prasad	Advisor(P)
6.	Shri S. Narsingh Rao	Chairman, Coal India Ltd.
7.	Shri V. K. Singh	CMD, NCL
8.	Shri B. Surender Mohan	CMD, NLC
9.	Shri A. K. Debnath	CMD, CMPDIL
10.	Shri T. K. Lahiry	CMD, BCCL
11.	Shri D. C Garg	CMD, WCL
12.	Shri Gopal Singh	CMD, CCL
13.	Shri N. Kumar	CMD, SECL

14.	Shri Rakesh Kumar Sinha	CMD, ECL
15.	Shri A.N. Sahay	MCL
16.	Shri R. Kandasamy	Director (Project & Planning), NLC

2. At the outset, the Chairman, welcomed the Additional Secretary and other officers of the Ministry of Coal and Public Sector Undertakings to the sitting of Committee convened to take their oral evidence on the subject, "Coal Pricing and Issues relating to the Royalty". The Chairman then apprised them of the provisions of Direction 58 of the Directions by the Speaker, Lok Sabha.

3. Thereafter, a visual presentation on "Coal Pricing and issues relating to Royalty" was made before the Committee by the representative of the Ministry of Coal. The points discussed during the sitting broadly related to the issues such as methodology for fixation of coal prices, production of coal, coal off take, royalty collected from production of coal, impact of price revision on consumers, etc.

4. The Chairman then directed the representatives of the Ministry of Coal to furnish a copies of the Minutes of all the Meetings of CIL Board held in connection with revision of price of coal. The Committee also decided to have further evidence on the subject after the receipt of copies of the Minutes from Ministry of Coal/CIL.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 8 JULY, 2013 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1400 hrs. to 1545 hrs.

PRESENT

Shri Kalyan Banerjee - Chairman

LOK SABHA

2. Shri Hansraj G. Ahir
3. Smt. Jyoti Dhurve
4. Shri Ganeshrao Nagorao Dudhgaonkar
5. Shri Sabbam Hari
6. Shri Vishwa Mohan Kumar
7. Shri Govind Prasad Mishra
8. Kumari Saroj Pandey
9. Shri Gajendra Singh Rajukhedi
10. Shri Pashupati Nath Singh
11. Shri Uday Pratap Singh
12. Shri Om Prakash Yadav
13. Shri Bansa Gopal Chowdhury

RAJYA SABHA

14. Shri Ali Anwar Ansari
15. Dr. Pradeep Kumar Balmuchu
16. Shri Sanjay Raut

SECRETARIAT

1. Shri S. Bal Shekar - Secretary
2. Shri Shiv Singh - Director
3. Shri Arvind Sharma - Deputy Secretary

WITNESSES

MINISTRY OF COAL AND ITS PSU's

1.	Shri S. K. Srivastava	Secretary, Ministry of Coal
2.	Shri A. K. Dubey	Additional Secretary, Ministry of Coal
3.	Shri A. K. Bhalla	Joint Secretary, Ministry of Coal
4.	Smt. Sujata Prasad,	Joint Secretary & Finance Adviser
5.	Shri S. Narsingh Rao	Chairman, Coal India Ltd.
6.	Shri N. Kumar	Director(Technical) &I/C CMD, SECL
7.	Shri B.K. Saxena	Director (Marketing), CIL
8.	Shri B. Surender Mohan	CMD, NLC
9.	Shri T. K. Lahiry	CMD, BCCL
10.	Shri R. Sinha	CMD, ECL

11.	Shri Gopal Singh	CMD, CCL
12.	Shri S. Bhattacharya	CDM, SCCL
13.	Shri D. C Garg	CMD, WCL
14.	Shri A. N. Sahay	CMD,, MCL
15.	Shri A. K. Debnath	CMD, CMPDIL
16.	Shri R. Mohan Das	Director, CIL
17.	Shri S. Vivekanand	Director, SCCL
18.	Shri B. Nagya	Exe. Director, SCCL
19.	Shri Rakesh Kumar	Director (Finance) NLC
20.	Shri R. Kandasamy	Director (Project & Planning), NLC

1. At the outset, the Chairman welcomed the Secretary and other representatives of the Ministry of Coal and PSUs to the sitting of Committee convened to take further evidence on the subject "Coal Pricing and issues relating to the royalty".

2. The Committee, thereafter raised several points regarding import price of different grades of coal, comparison between domestically produced coal vis-à-vis prices of coal in international market, factors included in calculation for coal prices, revenue neutrality as regards pricing of coal produced by different subsidiaries of Coal India Limited, linkages of coal and royalty on coal, lack of uniform national policy for price fixation of same grade of coal, issues of e-auction despite coal shortage in the country, need for e-auction only to end users, installation of GPRS, CCTV to check coal theft, rationale behind passing of price burden of imported coal to common consumers, Role of Coal Regulator in deciding methodology for coal price as well as regulating coal sector, etc.

3. The Members raised their concerns on the above issues and sought clarifications from the Ministry of Steel. Some of the points were clarified by the representatives of Ministry of Coal. The Chairman directed the representatives of the Ministry of Coal to furnish written replies to the queries raised by the Members which could not be responded to.

A verbatim record of the proceedings has been kept.

The Committee then adjourned

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 17 DECEMBER, 2013 IN ROOM NO. '112', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1530 hrs. to 1600 hrs.

PRESENT

Shri Kalyan Banerjee - Chairman

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Ganeshrao Nagorao Dudhgaonkar
4. Shri Vishwa Mohan Kumar
5. Shri Pakauri Lal
6. Shri Babu Lal Marandi
7. Shri Govind Prasad Mishra
8. Shri Rajaram Pal
9. Shri Pashupati Nath Singh

RAJYA SABHA

10. Shri Ali Anwar Ansari
11. Dr. Pradeep Kumar Balmuchu
12. Shri Jugul Kishore
13. Shri Sanjay Raut
14. Shri Dhiraj Prasad Sahu
15. Shri Dilip Kumar Tirkey

SECRETARIAT

1. Shri Shiv Singh - Director
2. Shri Arvind Sharma - Additional Director

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

3. The Committee thereafter took up for consideration the following Draft Reports:-

(i) ** ** ** **

(ii) ** ** ** **

(iii) Draft Report on "Coal Pricing and Issues relating to Royalty" pertaining to the Ministry of Coal;

(iv) ** ** ** **

(v) ** ** ** **

4. The Committee adopted the Reports with some minor changes/modifications. The Committee then authorized the Chairman to finalise the Reports on the basis of factual verification from the concerned Ministry and present the same to both the Houses of Parliament.

The Committee then adjourned.

** Do not pertain to this Report.