C. P. U. No. 425

COMMITTEE ON PUBLIC UNDERTAKINGS (1980-81)

(SEVENTH LOK SABHA)

SEVENTEENTH REPORT ON COAL INDIA LIMITED

(Ministry of Energy—Department of Coal)

सत्यमेव जयते

Presented to Lok Sabha on 16 APR 1981

Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Seventeenth Report on Coal India Ltd.

2. This Report is based on the Committee's examination of the Nationalised Coal Industry coming within the purview of the holding company, Coal India Ltd.

3. The Committee took evidence of the representatives of Coal Indian Ltd. on 27 and 28 January 1981 and Ministry of Energy (Department of Coal)/Ministry of Railways (Railway Board) on 2 February 1981.

4. The Committee considered and adopted the Report at their sitting held on 6 April 1981.

5. The Committee wish to express their thanks to the Ministry of Energy (Department of Coal)/Ministry of Railways (Railway Board) and the Coal India Ltd. for placing before them the material and information they wanted in connection with the examination of Coal India Ltd. They wish to thank in particular the representatives of the Department of Coal, Railway Board and Coal India Ltd., who gave evidence and placed their considered views before the Committee. Shri R. N. Sharma, Chairman, Coal India Ltd., a competent Chief Executive, deserves a special mention in this connection.

NEW DELHI;
April 9, 1981.
Chaitra 19, 1903 (*S*)

BANSI LAL
Chairman,
Committee on Public Undertakings.

CHAPTER I

MANAGEMENT STRUCTURE

Nationalisation of the Coal Industry in two successive spells was a significant event of the decade that has just ended. In October, 1971, 214 coking coal mines in Bihar were taken over and subsequently nationalised under a new public undertaking company—namely Bharat Coking Coal Limited. The BCCL subsequently took over the Management of the Central Coal Washeries Organisation of HSL and the 'D' &'F' Ropeways of the Coal Board.

1.2. In January, 1973, 711 non-coking coal mines in the States of West Bengal, Bihar, Maharashtra, M.P., Orissa and Assam were taken over and later nationalised. Of these 184 mines in the Jharia Coalfields were transferred to BCCL for the convenience of administration. The remaining mines were vested in a new Public Sector Company—namely the Coal Mines Authority Limited (CMAL), which came into being in June, 1973, the CMAL had three divisions viz. Eastern, Western and Central, each headed by a Managing Director. Collieries in the State of Assam were placed under the control of the Apex. Central Mine Planning and Design Institute was formed under CMAL with its Head Quarters at Ranchi. In October, 1974, the Department of Coal in the Ministry of Energy was created, and both BCCL and CMAL were placed under its administrative control.

A Formation of Holding Company

1.3. The Govt. of India re-organised the management structure of Coal Industry in the Central Public Sector *w.e.f.* 1st November, 1975. This was done with a view to integrating and streamlining the structural set up in a manner which would be conducive to efficient administration and facilitate the attainment of the objectives.

1.4. The Holding Company is designed to implement the basic policy of the Govt. channelise all investment, organise industrial growth where heavy investment is required and gestation period is long, to ensure the task is performed economicaly and in such a way to match the frame work of the national plan.

1.5. The following structural changes were brought out:

(a) The Coal Mines Authority Ltd. (CMAL) was converted into a Holding Company, namely Coal India Ltd. and made responsible for management of the entire coal mining sector.

(b) The erstwhile Divisions of CMAL were converted into registered subsidiary ompanies of Coal India. National Coal Development Corporation, (NCDC) got merged in the Central Coalfields Ltd.

(c) The Bharat Coking Coal Ltd. (BCCL) became subsidiary of Coal India. Thus the following 5 subsidiary companies came into being:

(i) Bharat Coking Coal Ltd. (BCCL) with Head-quarters at Dhanbad.

(ii) Eastern Coalfields Ltd. (ECL) with Head-quarters at Sanctoria, Burdwan.

(iii) Central Coalfields Ltd. (CCL) with Head-quarters at Ranchi.

(iv) Western Coalfields Ltd. (WCL) with Head-quarters at Nagpur.

(v) Central Mine Planning and Design Institute Ltd. (CMPDIL) with Head-quarters at Ranchi.

(vi) Mining in Assam and neighbouring areas known as North Eastern Coalfields (NEC) came under direct control of HQs' CIL.

1.6. In terms of the Government of India's instruction dated 27th September, 1975, the subsidiary companies have their individual Board of Directors and a full time Managing Director who is the Chief Executive of company. The Chairman of the holding compahny was the Chairman of Board of Directors of subsidiary companies. He was to provide the necesary co-ordination between Coal India and the subsidiaries and among the subsidiaries.

1.7. The position however, changed subsequently and MDs of subsidiary companies have been made Chairman-cum-Managing Director of respective companies.

B. Re-organisation of Coal India

1.8. In July, 1977 Government of India issued further direction on the re-organisation of Coal India and its subsidiaries re-defining the role of the holding company and its relationship with the Government on the one hand and the subsidiaries on the other hand.

1.9. Size of the Company being very large it was decided to place each company under the charge of a Chairman-cum-Managing Director without diluting the role of the Holding Company.

1.10. The decentralisation was reported to have been done with a view to make the companies work more effectively. This concept of decentralisation has been taken down to lower levels within the Company to cope up with increased demand output and development by keeping the decision makers closer to the actual place of operation.

1.11. The Holding Company, Coal India, is performing its tasks of setting corporate objectives, strategies, plans and monitoring of performances, evolving changes in policy and Strategy, ensuring of consistency in approach. The Overall Co-ordination is done by using the forum of Board level for Policy making and through frequent meetings with functional directors of the subsidiary companies and through exchange of information and idea.

1.12. The foregoing paragraphs bring out the background as submitted to the Committee by the CIL in connection with their on-the-spot study in September, 1980. Subsequently in reply to a question the CIL intimated the following position in regard to the reorganisation of the Holding Company:—

(i) To ensure a built-in system of close co-ordination, the Coal, India Limited was formed as a Holding Company in the year 1975 with five subsidiaries. The Chairman of Coal India was also made the Chairman of the subsidiary coal companies. The Divisional Chief of the Coal India were also nominated as Directors in different companies. This system ensured close co-ordination between Coal India and subsidiary companies and acted as a main tie between the Companies themselves.

(ii) The 1977 changes snapped this tie and to that extent, the close co-ordination was no longer possible. Under the present frame-work valid from July, 1977, the subsidiary companies are independent and responsible to the Ministry for production, cost and related activities. The role of

CIL, as a Holding Company, lies in policy formulation, planning and Co-ordination and overseeing the functioning of Companies. Its supervisory role ceased, but for the purpose of Companies Act, 1956, it remained a Holding Company. While the mechanism for ensuring co-ordination by CIL has been established and operates reasonably well, this is totally based on voluntary acceptance and association. As per the existing framework of Coal India and subsidiary companies, the subsidiary company by virtue of its identity as an autonomous body acts within its own resources which may be at variance with the decisions taken at Coal India Co-ordination forums. This needs to be corrected for which structural changes are needed.

(iii) The principal objective for which CIL was organised was to have a corporate body capable of taking major decisions, act as a principal advisory body on coal production, operations and coal policies of the Govt. and relieve the Govt. of the commercial decisions. This concept of holding company has not been given a fair trial and the Ministry thought it wise to restructure the coal industry in a manner which left the entire organisation in a nobulous state. Responsibility for production and cost, the two main yardsticks of measurement, has been divided with hazy and ill-defined outlines taking coal India further away from its mining and production activity centres. Since the production is obtained from a large number of points, it, is desirable to have a large measure of centralised and close co-ordination between Coal India and Companies, and between companies and different units.

(iv) The CMDs of Subsidiary companies have been given adequate powers to cover all those functions which are not reserved for CIL. In turn, the CMDs have delegated powers downwards upto the Mine Manager or unit line executive and in this matter the judgement of CMD is final. Corrective actions to enhance or reduce the powers to suit specific or general situations have also to be taken by the CMDs.

(v) The team-work and co-ordination are affected by mutual respect that the CMDs have for each other and is not through an institutionled process. The disadvantages of and problems created by such a situation are obvious.

(vi) In the present concept also there are areas of overlapping functions between the Ministry, Coal India and Subsidiary Companies. The relationship has not been clearly defined. There are many overlapping activities and many a time policy decisions are delayed owing to simultaneous exchange of information, between the Ministry and Companies, Ministry and Coal India and the Companies. The line of command is not clear and there is ambiguity which needs to be clarified

(vii) The concept of Independent Companies reporting to and co-ordinated by the Ministry would not work, as the nature of operations and the nature of product is also the nature of consumers are identical.

(viii) Having established the need for coordination, it is the question of deciding the agency which should coordinate. Knowledge on coal as a basic mineral and mining as a technology has to be the inevitable base of the coordinating agency. In the event of coal companies becoming independent and the Ministry taking the responsibility of all these coordinations, a major administrative reform would be needed at the Ministry and to make room for required number and quality of manpower. Any gap in sponstaeous understanding of the coal companies problems and failure to anticipate the future will kill all coordination efforts by the Ministry which according to the present system must necessarily involve several other Ministries in all decision-making.

(ix) Solution clearly lies in perpetuating Coal India in the shape of holding company reporting to the Ministry for everything connected with coal. The Kumarmangalam concept of Chairman of the holding company as Secretary to the Govt., reporting directly to the Minister, does provide the right answer. The Chairman should be assisted by coordination wing consisting of professionally qualified personnels.

(x) For proper control and implementation of production/development programmes and co-ordinated administration, while the Board of Coal India Ltd. may be formed by Government as now, all the Boards of subsidiaries need be formed by Coal India exclusively or at the instance of Coal India Limited only.

(xi) Even in the holding company concept, some of the subsidiary companies running inefficiently make losses and others running efficiently make heavy profits. Thus, one company will have to pay for the losses of the other and Coal India will have to pay for the finances for supporting it. There is hardly any rationale behind such an arrangement, which can be easily rectified if Coal India was an operating Company like National Coal Board in U.K. which can distribute different resources, can govern different performances and contributions and yet be responsible for total results.

(xii) At present the Directors of the subsidiary companies are appointed by the President of India on the advice of the Ministry. The Coal India has no say in selection of the persons to be appointed as Directors of the Subsidiary Companies.

(xiii) Before the restructuring of Coal India in 1977, the Chairman of Coal India was the Chairman of the Subsidiary Boards and the Divisional Chiefs of the Coal India were on the Boards of the subsidiaries as Directors. This system was gradually discontinued. At present the Divisional Chiefs of Coal India are not on the Boards of the subsidiaries. The Managing Directors of the subsidiaries are also the Chairman of the subsidiary companies.

(xiv) At present only the Chief of Finance Division of CIL is on the Board of CMPDIL and there is no representation of Coal India on the Boards of other subsidiaries.

1.13. Asked as to what prompted Government to reorganise CIL in 1977, the Chairman, Coal India Ltd. stated in evidence (January 1981) that in 1977 a feeling grew up at the ministerial level that there was over centralisation in the hands of the Chairman, Coal India Ltd. individually or in Coal India Ltd. At that stage instead of dealing with the problem as it was, perhaps not so thoughtfully, a certain amount of restructuring was done in July which made a subsidiary company autonomous. As regards the possible reasons for development of this feeling, the Chairman, Coal India submitted that in the Coal Department which looks entirely after coal, if there was a single unit covering almost 90 per cent of coal production. the chances were that the inter-communication between the Chairman of Coal India and the Minister or the Secretary would be direct and there would be a feeling sometimes of the sharing of authority between them. It could have been at the Secretary's level or at the Government level or it could have been an individual's feeling about it. He added that "There might have been some manifestations of the show of authority in the sense that the Chairman, perhaps, neglected the people in the Ministry or tried to make a bigger show or tried to project himself more than what was needed. Beyond that, at the operating level. I do not think there was a feeling that there was over-centralisation."

1.14. Asked to comment on the present arrangement at Coal India *vis-a-vis* organisational set up of Steel Authority of India for steel sector where a holding company has been converted into an operating company, he deposed:—

> "I subscribe to the structure that the Steel Authority has formed. If responsibility has to lie with any organisation, it must be vested with equal amount of authority. I did not say that the present arrangement of Coal India is the right arrangement. I would say that the arrangement of the Steel Authority would be conducive to the operation of Coal India."

1.15. The Additional Secretary, Department of Coal in evidence (February 1981) stated that initially the idea of setting up Coal India was that certain common functions were to be discharged by the holding company while mainly production responsibilities were to be discharged by the subsidiary companies. He added that after a couple of years, there was a feeling that a certain amount of over-centralisation had developed in the holding company. This was perhaps due to the fact—and was one of the factors—that the Chairman of Coal India was also the Chairman of each of the subsidiary companies and there was a feeling that in an industry which was so widely dispersed geographically as the coal industry which stretched from Assam down to Madhya Pradesh, Orissa, Bihar, Bengal, Maharashtra, there could be a greater measure of decentralisation. Therefore, certain changes were made, one of which was that the Chairman of the holding company was no longer kept as the Chairman of the subsidiary companies. The intention at that time was that each subsidiary company should be largely independent in matters of day to day production but certain common co-ordinating functions should continue to be discharged by the holding company. It should, in a sense, not be so directly responsible for day-to-day production but, should be responsible for long range planning and basic corporate activities and functions. He concluded that it was against this background that the re-organisation of 1977 was carried out.

1.16. The witness admitted that no difficulties as such were being experienced by the Department of Coal in the functioning of Coal India nor any complaint was received against the holding company. However, in the course of discussion with the officers of both the subsidiary and holding companies, a feeling developed that the things were being delayed due to over-centralisation. Besides a review in 1977 seemed to have indicated that too many posts were being referred to the holding company level for clearance and sometimes this tended to become a bottleneck in the day-to-day operational matters. Noting in the Ministry before re-organisation in July, 1977 read out by him was as follows:—

> "Experience has shown that there is considerable degree of over centralisation at the apex level. The effectiveness of the Managing Directors of the Subsidiary companies is not enough. The role of the Chairman of the holding company has inhibited initiative at the level of the subsidiary companies. The functions allotted to the holding company are partly those which are inherent in the concept of holding companies and partly those relating the co-ordination and management services. The former includes Budget, monitoring, standard costs and prices, conservation, development and scientific utilisation. The second category deals with marketing and distribution, industrial relations, wage policy etc. Each of the subsidiary companies is stated to be large and spread out from the point of efficient management. This is particularly so in the case of Western Coalfields. It is felt that this phenomenon would require a certain degree of further de-centralisation as compared to what was possible under the existing arrangements."

1.17. When the Committee referred to the adverse consequences of the reorganisation as intimated to them by the CIL, the witness stated that "the experience after 1977 has shown that the system of re-organisation introduced at that time was not really satisfactory". Further changes had become necessary. This was the reason why the Department of Coal were presently engaged in re-examination of the system with a view to removing some of the problems that had come up in the operations in the last three or four years.

1.18. The witness agreed with the Committee that 1975 to 1977 was too short a period to draw a final conclusion about organisational set up of a holding company like Coal India. He added that the present structure of Coal India was not well defined and the Ministry were thinking of re-organising the set up on the following considerations:—

"For Coal India, from 91 lakhs tonnes to 144 lakhs tonnes has been fixed as a target by the end of the existing plan. To day Coal India is divided into four companies. We find that each company to-day is responsible for something like 20 to 25 million tonnes of production. This will go upto a level of something between 30 and 40 million tonnes of production. The number of people employed today is something like one to one and a half lakh workers. In many cases, the geographical spread within one company would be rather very large. In Western Coalfields, this is spread over 3 states. In the case of the Central Coalfields, it is spread over 3 States—Orissa; U.P. and Bihar. So, with this pattern of coal production, centralised control, even at the subsidiary level is too weak and it would be difficult. There should be even further decentralisation of the production responsibility. The company should be broken up into 2 units or 3 units, depending upon the level of production and its geographical spread. It has to be headed by some Senior Officer who should have more or less full powers and the responsibility for achieving the production target contained therein. But we do not think this Unit should be a company. This new division should not have a corporate status. It should be an administrative division. It should have extensive decentralised powers. It should report to a single Company—Coal India. You should not have a holding company as Coal India, but you should have a single company with no subsidiary except CMPDIL which has slightly different role to perform. We feel that the principal company, COAL INDIA, should have certain functions which are necessarily common to all the companies, which involve coordination between different companies. They should have personnel functions and control the common cadre. You can't have officers whose entire careers are confined to one unit. They should be able to get a fair chance of promotion or prospects of further development. Otherwise we will not be able to introduce efficiency. So, control over the cadre should be with the central company. We will have to give certain purchase responsibility to the Central company, especially, where a certain amount of rationing has to be there as between different units. Bulk purchase negotiations have to be carried out with bulk suppliers.......Monitoring appraisal will be done by Coal India. It will be somewhat similar to SAIL."

1.19. He concluded that the subsidiary companies would be abolished, there would be divisions of a single company, Coal India and some of the powers of the subsidiary company would be given to the Director-in-Charge of the Division. The parameter for each division would be that "it should have a production level of approximately 10—12 million tonnes today; and taking the production over the next five years, it should go up to about 17-18 million tonnes so that no change is required in between but it should be a compact geographical area also".

1.20. Asked about the recommendations of Fazal Committee the witness stated that they had recommended that "Coal India should be abolished and that each existing subsidiary company should deal with the Ministry directly". As regards the Ministry's views on this recommendation, he added: "In the Department, we did not think that this would be a practical proposition. The report of the Fazal Committee has not been rejected. The matter is still under the consideration of the Government."

1.21. After nationalisation of coal industry in two stages—coking coal mines in October 1971 and non-coking coal mines in January 1973—the industry was organised as two operating companies, namely, Bharat Coking Coal Ltd. and Coal Mines Authority Ltd. Under the latter, there were three divisions, eastern, western and central, each headed by a Managing Director. In October 1974, a separate Department of Coal was created in the Ministry of Energy. The management structure of the coal industry was reorganised in November 1975. Coal India was set up as a holding company with a view to having a corporate body capable of taking major decisions and to act as a principal advisory body on coal operations and coal policies of government besides relieving the government of commercial decisions. .The BCCL and the three divisions of CMAL became

subsidiary companies of the Coal India. The Chairman of the holding company was made the Chairman of the subsidiary operating companies.

1.22. The Committee were informed that on a feeling that there was too much of centralisation in the Coal India, certain structural changes were made in 1977. The feeling did not appear to the Committee to have been well-founded. The Committee's examination revealed that the changes have rendered the Coal India ineffective, if not totally irrelevant, the subsidiaries having become practically independent and answerable directly to the government. Though the ultimate owners of the coal companies are the government, legally the holding company ought to have complete control over its fully owned subsidiaries. There has to be unity of command and blurred responsibility has to be avoided. While agreeing with the Committee that the changes were not in the desirable direction, the Additional Secretary, Department of Coal, informed the Committee that the management structure of the coal industry was again under examination by the government and that the tentative thinking was that the industry should be organised on the pattern of Steel Authority of India Ltd. The Committee regret that the concept of the holding company has not been given a fair trial. It is unfortunate that within two years of the formation of the Coal India as a holding company changes, which diluted its role, were made and now it is proposed to abandon the concept of the sectoral holding company altogether.

1.23. A holding company is an institutionalised buffer between the government and the management of the individual operating enterprises in the public sector that is necessary to produce inter alia the insulation from outside pressures on the operating companies. The accountability of the operating companies to government and Parliament could be secured through the holding company. The Committee, therefore, feel that notwithstanding the tentative thinking of the government to further reorganise the coal industry in a manner that would more or less put it back to the position obtaining prior to 1975, the concept of holding company should be given a fair trial. Frequent radical structural changes in a vital industry like coal would be counter productive. If the Coal India is converted into an operating company, it could become unwieldy even with a divisional set up. Under the existing structure itself, the operating companies could be divided into suitable number of divisions and

overall coordination and control could be exercised by the holding company. The holding company ought to be clothed with sufficient authority to discharge effectively its responsibilities. The control over the nationalised coal industry by the Department of Coal, which should be lightly staffed, ought to be minimal. The Committee trust that their views would be taken into account by government while making further changes to remove the anomalies that were created in 1977.

CHAPTER II

CAPITAL INVESTMENT

A. Coal reserve

2.1. India possesses around 1 per cent of world's total coal reserves. Out of 10538 billion tonnes of Worlds' coal reserves, India possesses a reserve of 83 billion tonnes of all varieties of coal upto a depth of 6.0 m. of all seams upto 1.5 metre thick. The reserves are now estimated at 112 billion tonnes if coal seams upto 0.5 m. thickness and upto a depth of 1200 metre are taken into account. But "it may not be possible to exploit all of them bacause the cost would prove to be uneconomical." Metallurgical coal reserves which are vital for the country's growing steel industry, are expected to last for about 50 to 60 years on the present and future anticipated rate of consumption. Non-metallurgical variety might last for more than 350 to 400 years. The best grade of metallurgical coals are found only in Bihar and the best variety of non-metallurgical grade coals are to be found in the State of West Bengal. Reserves of power grade coals are found in M.P., Orissa, U.P., A.P. and Maharashtra. Assam has low ash/variety coal suitable for metallurgical use.

2.2. The Committee desired to know if all the coal resources have been fully prospected and if there was any indication of possibility of existence of any high grade coal in any other region of the country. The Chairman, Coal India deposed that prospecting in all possible places 'in terms of area covered or in terms of depth', had not been completed. "Prospecting has, however, been stepped up heavily after nationalisation." It is reported that in 1972-73, there were 20 drills and at present there are 107 drills. During the Fifth Five Year Plan a sum of Rs. 45 crores out of total plan investment of Rs. 832 crores had been spent on prospecting work. During the Sixth Plan period a provision of Rs. 70 crores has been made for the purpose.

2.3. The witness submitted that more exploration might result in discovery of more coal reserves as in the case of Raimahal Coalfields where with progressive exploration more coal reserve was being found. He added that resources and development go together. In

U.K. to increase their production upto 65 million tonnes by the end of 2000 A. D., the country is spending £650 million a year on capital investment. In case of India to increase the production by 300 million tonnes by the same period, capital investment is only Rs. 450 crores, i.e. one third of what U.K. has been spending. He pointed out that per capita reserve of coal in India is very low compared to other countries and "that is why, conservation is more important."

2.4. The Committee observed that with the present energy crisis the necessity of finding out more coal deposits was very great. The Additional Secretary, Department of Coal, stated "We are very conscious of this fact,......We do not have enough geological data to be able to identify the two projects and choose one. But there is regular drilling programme going on particularly by the Geological Survey of India, Mineral Exploration Corporation and particularly by Coal India itself and over the last 3 or 4 years, the drilling has increased the knowledge of the extent of the reserve in the country. ....We are trying to use the most sophisticated technology of faster drilling by taking the assistance of countries like the USSR, Poland, the U.K. etc. to give us the technology for faster drilling."

2.5. As per the present reckoning, our country possesses just around 1 per cent of the world's coal reserves. While reserves of non-coking coal in the country are expected to last for about 350 years, those of coking coal are expected to last only for about 50 years. The Committee note that in terms of both the area and the depth covered, the coal prospecting work is not yet complete, although the work has been stepped up after nationalisation. A sum of Rs. 45 crores has been spent on prospecting during the five-year period 1974—79 and a provision of Rs. 70 crores has been made in the Sixth Plan. In the context of the present energy crisis, the necessity of exploring coal deposits assumes enormous significance. Further, the Committee have been informed that with the geological data now available, it is not possible to identify several feasible projects in order to make selection. The Committee desire that the prospecting work and the collection of data should be intensified and if it becomes necessary to augment the Plan out-lay for this purpose, it should be done. . .. ..

B. Investment during 1974—79

2.6. Initially in the Fifth Five Year Plan a capital outlay of Rs. 787 crores was made for the coal industry of which Rs. 690 crores was allotted to Coal India, Later on, it was revised to

Rs. 1147 crores and Coal India was given a share of Rs. 966 crores. Against this, Coal India's expenditure during the period 1974-75 to 1978-79 was Rs. 832 crores. According to the Chairman CIL in the first two years i.e. 1974-75 and 1975-76, the coal companies were not geared up to take up construction activities, and as a result there was shortfall in the expenditure. The plan expenditure during the period 1974-75 to 1978-79 has been under the following heads.

(1) Spill-over of 4th Plan Projects ..	Rs. 132 crores
(2) Reconstruction of mines	Rs. 80 crores
(3) New Mines	Rs. 150 crores
(4) Existing mines (including NEC)	Rs. 325 crores
Total mines:	Rs. 687 crores
(5) Washeries ..	Rs. 33 crores
(6) Housing and other infrastructure (other than in projects) ..	Rs. 52 crores
(7) Exploration and Project formulation ..	Rs. 37 crores
(8) Investment of advance nature	Rs. 23 crores
Grand Total: ..	Rs. 832 crores

2.7. The investment per tonne of increase in output during the period from the spill over mines worked out to Rs. 191 against the original estimate of Rs. 221. The investment per tonne of incremental production from re-construction mines for the five years period worked out to Rs. 179 against the original estimate of Rs. 116, and the investment per tonne of increase in production from new mines worked out to Rs. 265 against the original estimate of Rs. 136.

2.8. The increase in production on account of investment of Rs. 687 crores on mines had been only 13.5 million tonnes against the anticipated increase of 19 to 20 million tonnes. The Chairman, CIL stated: "out of this, Rs. 325 crores was spent on the existing mines to maintain the production and not increase the production. Mine is a wasting asset. As we extract, we have to explore new mines to keep the same level of production. The investment which was Rs. 10 per tonne a year previously is now Rs. 13.14 a tonne. If we take that out, the money that we spent on new mines and existing mines was Rs. 230 crores; which gave us about 10 million tonnes of additional production." He further stated that there would have been a fall of production of "about 5 to 6 per cent i.e. loss of production of 25 to 30 million tonnes of coal had this amount of Rs. 325 crores not been invested to maintain the production during the 5 year period.

2.9. As regards the reasons for production not increasing commensurate with planned investment, the Additional Secretary Department of Coal stated that "there are two factors which are to be borne in mind. One is the effect of escalation of prices. So, what we asked for will not necessarily give the same production. The second is, you can create capacity, but if you do not have necessary inputs you cannot give that capacity."

C. Major Projects

2.10, There are 7 major projects each costing more than Rs. 20 crores currently under execution which are delayed for more than one year and/or have considerable cost escalation. The details of these Projects as furnished by CIL are as follows :—

Sl. No.	Name of the Project	Capacity Million tonnes	Sanctioned cost (Rs. in crores)	Anticipated cost	Schedule date of compe-tion	Anticipa-ted date of comple-tion	Reasons for the delay
1	Sudamdih (BCCL) . . .	2.16	37.93	75.70	March 1971	1982-83	Extremely adverse geomining conditions e.g. ste ep and thick seems, numerous low angled faults, gas, hot water, great depth. New technology of exploitation. Delayed supply of equipment by MAMC
2	Moonidih (BCCL) . .	2.10	17.25	88.09	March 1971	March 1984	Unfavourable hydrogeological conditions at the time of sinking. Delayed supply of equipment by MAMC. Land problem for siding Industrial unrest.
3	Jhingurdah Exp. .	3.00	24.87	43.1	1978-79	1981-82	Delay for making coal handling arrange ment including coal preparation plant.
4	Chinakuri (ECL)	1.00	8.92	23.74	1981-82	1986-87	
5	Dhemo Main (ECL) . .	1.00	11.95	20.58	1981-82	1983-84	
6	Ramgarh O/C (CCL)	3.00	41.86	79.659	1981-82	1982-83	Delay in construction of Rly. siding and washery.
7	Rajgams (WCE)	0.72 12.98	9.58 152.36	22.74 353.67	1981-82	1984-85	Adverse geo-mining condition e.g. unconsolidated strata over coal seam. Bad roof condition, inconsistent seam thickness. Delay in construction of Rly. siding.

2.11. Total investment in the form of capital expenditure in the coal companies during the period 1974—79 was of the order of Rs. 832 crores, of which Rs. 687 crores were on mines. The increase in production achieved was 13.5 million tonnes as against the anticipation of 19 to 20 million tonnes. The investment per tonne of incremental production on reorganisation/reconstruction of mines worked out to Rs. 179 as against estimate of Rs. 116 and that on new mines worked out to Rs. 265 as against the estimate of Rs. 136. The increase has been explained as due to escalation of cost of projects. Thus on the one hand there is reduction of benefits and on the other increase in cost. The Committee have received an impression that the project planning, implementation, monitoring and appraisal have not been organised properly in the coal companies. This should be strengthened especially in view of the need for substantially stepping up the capital investment in the coming years.

2.12. There are 7 major projects each costing more than Rs. 20 crores currently under execution which are delayed for more than one year and have suffered major cost escalation. These projects were expected to achieve additional production of 12.98 million tonnes. The aggregate sanctioned cost of these .projects is Rs. 152.36 crores, but the anticipated cost is of the order of Rs. 353.67 crores. Thus, the cost escalation would be about 133 per cent. Despite such huge increase, sanction for the revised estimates does not appear to have been obtained promptly in regard to any of these projects. Two of these projects have been already delayed for more than 10 years and in one of these two projects, namely, Monidih (BCCL), the anticipated cost is Rs. 88.9 crores against the sanctioned cost of Rs. 17.25 crores. Undoubtedly, reappraisal of the projects on the basis of the anticipated cost would show that most of them, if not all, are uneconomic. The Committee suggest that there should be a critical study of the position in association with the Planning Commission and the BPE. to see what really inhibits the timely execution of projects in coal companies and what is responsible for such huge escalation of cost. On the basis of the study, appropriate corrective measures should be taken.

CHAPTER III

DEMAND AND SUPPLY OF COAL

A. Demand Assessment

3.1. Coal demand is a derived one, being dependent on growth of the consuming sectors. Asked about the authority responsible for the assessment of the demand the Chairman, CIL, in evidence stated (Jan. 1981) that the assessment of demand was an interdisciplinary and interdepartmental exercise. Coal India made its own assessment and sent it to the Department of Coal. They in turn asked the consuming ministries or the areas they controlled to give their assessment of demand. Then they sat with the Planning Commission to see if there was padding or pruning was required. He added:

> "Coal India has the responsibility for initiating the demand assessment. In consultation with all the concerned departments like Planning Commission, Coal Department, and the users etc. we arrive at a demand figure."

3.2. The Committee enquired of the witness whether the assessment of coal demand could be said to be quite scientific. The witness deposed:

> "As regards assessment, I have to say that before nationalisation and even afterwards, the demand has always been higher than the actual consumption. There has been a gap throughout because everybody wants to give an increased demand of important raw material inputs. It is difficult to identify this because everybody goes by the capacity installed. In practice, the utilisation of capacities in other sectors also is lower than the installed capacity. Cushions are built. These cushions do reflect the net result of performance. We can take into account the performance in the recent years, 1975-76 and 1976-77. Coal was plenty, Wagons were not in short-supply and yet most consumers took up 25 to 30 per cent less than what they really indicated. To give a good example. I will refer to the position which obtained a couple of

decades ago during the Third Five Year Plan. The assessed demand of that period was 105 million tonnes. During the mid-term planning, the assessment was brought down to 95 million tonnes. Actually, at the end of the Third Five Year Plan, the demand never went beyond 70 million tonnes. I am trying to say that this has been the type of assessment. Demand assessment has been at a higher level in most of the cases."

3.3. The All India demand Projections as periodically revised and the actual materialisation for the five year period 1974-75 to 1978-79 as furnished by the CIL are tabulated below:—

(In Million tonnes)

		1974-75	1975-76	1976-77	1977-78	1978-79	Source/documents
Projections of demand	(i)	88.90	98.00	111.50	122.70	135.00	Performance Budget, Deptt. of Coal 1975 76 Interpolated between 1976-77 and 1978-79.
	(ii)		98.00	108.00	—	135.00	Annual Plan, Deptt. of Coal 1976-77.
	(iii)			99.10	108.60	123.90	Annual Plan Deptt. of Coal 1977-78.
	(vi)				106.82	114.57	Annual Plan Deptt. of Coal 1978-79.
Actual Off-take .		87.1 (1.4)	94.4 (1.8)	99.8 (2.3)	103.7 (2.7)	99.08(*) (2.8)	

(*) The actual demand could be higher, the despatches having been affected by transport difficulties and floods. Consumption was limited by availability at consumer end.

*Note:—figures in bracket indicate supply of middlings, these are not included in the main figures, which represent raw coal supply.

3.4. The bulk of the slippages in demand materialisation has been in the power and steel sectors which together account for half of the total coal consumption in the country. Slippages in consumption of the major consuming sectors resulted in occasional begging of production by Coal India and heavy increase in the pithead stocks with all the allied operational and economic constraints. The Committee desired to know whether a commitment charge could be levied in case the consuming sectors did not lift the coal as demanded in order that there could be a compulsion to pitch the demand on a realistic basis the Chairman, CIL stated:

> "We had suggested it on a few occasions. It does not fit into the present set-up of the different sectors of the economy. This idea that each one will take commitment charge from the other, does not appeal. It seems that the planners do not want to put any curb on individual enterprise."

3.5. During examination of Department of Coal (Feb. 1981) the Committee referred to the malady of over assessment of coal demand and asked what renements were made overtime in the methodology of assessment. The Additional Secretary of the Department of Coal submitted that 70 per cent of the demand in the coal industry was made up of three or four major sectors—powers, steel, cement and railways. Barring cement, the entire demand is in the public sector units. The Power Department Furnishes projection of the commissioning of each individual power stations over the next 8-9 years. Based on the requirement of these power stations and their likely date of commissioning, their future coal requirements are worked out but these projects are sometimes delayed and the assumptions do not materialise. Similarly the coal requirement of the steel sector is projected on the basis of their production programme and expected date of commissioning on new steel plants. Any slippage in this will upset their projected coal requirement too. The witness stated that the method of rejection of assessment has been fairly well defined because we sit with the concerned Ministry at an interval of one year or six months to review the status of the project. But in between the changes take place. Beyond this level of refinement, it is difficult to achieve it accurately but this covers 70 per cent on the demand. For the remaining sectors, which represent a large number of consuming industries, a certain rate of growth at the current level of production is assumed to assess their future coal requirement.

3.6. The Committee then raised the question of unfulfilled demand and desired to know whether there was any feed back from the consuming sectors. The Additional Secretary replied saying that in the case of organised sector like power, steel and railways, it is possible to assess the unfulfilled demands. In the case of large number of individual industries, it was difficult, because there was no systematic collection of data for each industry and coal destined for one industry might be transferred to another industry or sector. He agreed that feed back system might give the picture of unfulfilled demand in case the entire range of consumers numbering about 15,000 to 20,000 is taken into account, but in the past, the coal industry had not directly taken up the responsibility for demand assessment but had depended on the assessment made by the State Governments and other associations representing the consuming sectors.

3.7. The assessment of coal demand is an inter-disciplinary and inter-departmental exercise. It, however, does not appear to have been refined to an extent that the coal industry could plan ahead its production on a fairly reliable basis. The actual off-take during the years 1974-77 fell significantly short of the projected demand leading to heavy accumulation of pit-head stocks, which must have created serious operational and financial problems to the coal companies. The assessment of the demand for the years 1976-79 was scaled down 2-3 times and the demand for the year 1978-79 was finally put at 11.57 million tonnes as against the original assessment of 135 million tonnes. The bulk of the slippage in demand materialisation has been in the power and steel sectors which together account for half of the total coal consumption in the country. Evidently, the demand is inflated by various consuming sectors. There is, therefore, a need for at least a test-check of the reasonableness of the demand of the consuming sectors. For this purpose, a system of feed-back from the organised consuming sectors should be introduced and a sample verification done in respect of the consumers in the unorganised sector. Incidentally, this would also give an idea about the extent of un-fulfilled demand. The gestation period of underground mines going upto 9 years, it is, necessary to have a long-term forecasting of demand, say 10 years ahead and it should be corrected every year. The methodology of forecasting demand should therefore be gone into in consultation with the Planning Commission taking into account the observations of the Committee.

B. Production Targets

3.8. The following table indicates the company-wise targets, actual production and percentage achieved during the years 1977-78 to 1979-80 as furnished by the CIL.

(Figures in million tonnes)

Company	1977-78				1978-79				1979-80			
	Original Planned target	Revised Target	Actual Prodn.	% achieved of original target	Original planned target	Revised Target	Actual Prodn.	%achieved of original target	Original planned	Revised Target	Actual Prodn.	%achieved of original Targe
ECL .	27.00	25.01*	25.23	93.4%	28.30	23.00	22.25	77.9%	26.06	22.26**	22.52	78.7%
BCCL .	21.60	20.28	20.21	93.6%	23.00	21.00	19.72	85.7%	22.50	20.30	20.08	89.2%
CCL .	21.00	20.76	21.20	100.9%	24.00	23.70	23.43	97.6%	24.57	24.19	24.13	98.2%
WCL .	21.30	21.50	21.70	101.9%	24.50	25.00	24.23	98.9%	27.00	27.00	26.13	96.8%
NEC .	0.60	0.60	0.62	10.33%	0.70	0.70	0.62	88.6%	0.70	00.67	0.56	80.0%
Total	91.50	88.15	88.96	97.2%	100.50	93.40	90.05	89.6%	100.83	94.42	91.42	90.7%

* Reduction in Target due to explosive shortage and unprecedented flood.

** Reduction in Target due to power crisis.

3.9. The Committee wanted to know the basis for fixing targets and revising them. The Chairman, CIL deposed that yearly targets of production for coal were finalised before the commencement of the Financial Year. These were fixed on the basis of projection of demand. Coal India consulted its companies who in turn fixed targets mine-wise. At the time of fixing targets factors like availability of working mines and their capacity, availability of right type of machinery and other inputs and related factors were taken into consideration. During mid-term review if it was found that collieries could not produce a certain quantity for the reasons beyond their control, targets were revised and a more realistic target was fixed. According to the Chairman, CIL the revision of targets, if any, was generally done in October/November each year.

Capacity of Mines

3.10. Asked to indicate the performance vis-a-vis installed capacity, the Department of Coal stated *inter alia* in a written reply:

> "In the coal industry today, the data regarding production capacity can be assessed only in respect of these mines which have been constructed on the basis of a detailed project plan. Such project plans are not available for most of the mines under Coal India which were taken over from private owners at the time of nationalisation Coal India is, however, carrying out industrial engineering studies to assess the capacity of these mines. This work is still incomplete. Hence it may not be possible to give any figures regarding the capacity utilisation of the coal mines. In the absence of any assessed production capacity of the mines, the production estimates based on the possible production form the target of coal production for each year and is fixed during the Annual Plan discussions. For the purposes of performance review these targets of production form the basis for the assessment of the capacity utilisation of the coal companies."

3.11. Asked about the progress made in industrial engineering studies to assess the capacity of mine the Chairman, CIL in evidence stated:

> "We have covered a large number of underground mining operations, a number of open-cast mining operations etc. to establish a general standard of performance of the different operations. Industrial engineering also deals with work of individual projects where they use these

norms to tie them to a particular mines system or sub-system. And it is going to be a continuous operation."

3.12. He added:

"It gives fedback data for future planning, it helps the operating management to improve the performance and it also forms the basis for offering incentives to workmen."

3.13. The Additional Secretary, Department of Coal informed the Committee that the study currently in progress, which was expected to be completed in a couple of months, would give a complete picture of the capacity of the coal industry.

3.14 The production of coal during the years 1977-78 to 1979-80 was 88.96 million tonnes, 90.05 million tonnes and 91.42 million tonnes respectively and the production was short of the targets fixed. The index of efficiency of production is the extent of utilisation of the installed capacity. Surprisingly, no scientific assessment of production capacity of the coal-mines, which were opened prior to nationalisation, has been made as yet. However, currently some exercise has been taken up to assess the capacity so that production could be reviewed against the capacity. In respect of the mines which were opened after nationalisation—these are about a fourth of the total number of mines—though there is some assessment of capacity at the project report stage, it appears that no systematic monitoring of actual production vis-a-vis **installed capacity has been made. The Committee would urge that the assessment of the capacity of all the mines should be completed without delay and from the year 1981-82, the utilisation of the capacity of each mine closely watched by the coal companies and the Coal India as well as the Department of Coal so that extent of inefficiency could be identified and dealt with suitably.**

C. Shortfall in Production

3.15. The table at para 3.8 indicates that whereas production of WCL and CCL have been registering growth, the other two subsidiaries, *viz.*, ECL and BCCL have not performed well. The chronic power problems, deteriorating law and order situation in the Gharia and Raniganj coalifields, highly disturbed industrial relations scene, difficulties in land acquisition, shortage of critical inputs such as diesel, cement, iron and steel and explosives, etc. are stated to be some of the principal reasons that affected the performance of these companies.

(i) *Power Shortage:*

3.16. CIL as a whole is reported to have lost 3.62 million tonnes of coal production in 1978-79 and 6.927 million tonnes in 1979-80 on account of shortage of power alone. The availability of power for BCCL and ECL from DVC has been in the vicinity of 50 to 65 per cent of their demand. The inadequate availability of power, coupled with frequent trippings and load sheddings, have affected not only the current production but also the development work so vital for future coal production. Asked whether the problem of Power was confined only to DVC supply the Chairman, CIL deposed that they were getting power in full from Maharashtra Electricity Board, U.P. Electricity Board and Orissa Electricity Board. Only from D.V.C. they have been getting 50 per cent of their demand. During middle November to mid-December D.V.C. supply increased to 90 per cent but again came down to 60.65 per cent. The D.V.C. was reluctant to sign any additional contract for supply of power. Besides, the CIL does not get power directly from D.V.C. in all places. Asked why the entire supply should not be directly by DVC the witness stated that the Bihar State Electricity Board would not allow them to do so as that Government would incur some revenue loss. Even when the CIL agreed to compensate for the loss, Bihar S.E.B. did not oblige them. As a solution to the problem, the witness added "we have put up some D.G. sets and shall be putting up gas turbine capacity to meet the immediate needs. We are also putting up small units of 20 MW at different places. Within the next three years, we will bridge the gap".

3.17. The Committee were informed by the Department of Power that the DVC had been advised to allocate a higher priority for supply of Power, to Coal Mines at par with the Railways. On the Committee enquiring whether this had been agreed to by the DVC. the Chairman, CIL stated that the DVC had accepted in principle that after traction, Coal would get the top priority but they would not be able to give effect to it because they did not have power to distribute. The coal companies are reported to be taking steps to streamline distribution system for power in the coalfields, including isolating the non-coal load from coal feeders so as to ensure that higher priority is given to the coal mines

(ii) *Other Critical Inputs Shortage*

3.18. Critical inputs were reported to be in short supply during the recent years. The Committee were informed by the Chairman, CIL:

> "There is cement shortage. We decided on 'back to back' arrangement with Steel Authority of India. Still that

difficulty is there. Regarding spares many of the equipment suppliers are geared up for new equipments and not so much as service of spares. Suppliers are like Bharat Earth Movers, Hindustan Motors, HMT, Heavy Engineering Corporation, Tractors India, MAMC-HAL, Siemens. BHEL, Kirloskar Engines, Jessop—number of them are there."

(iii) *Absenteeism and Other Problems*·

3.19. High rate of absenteeism resulted in loss of production to the extent of 3.967 million tonnes during 1978-79 and 5.7 million tonnes during 1979-80 The highest shortfall on this account was in ECL followed by BCCL. The impact of absenteesim was reported to have been felt as a decision was taken to freeze employment and substitutes of absented workmen were not taken. It has also been stated that there has been loss of production on account of industrial relations computed at 0.66 million tonnes during 1979-80. It is stated that there has been general deterioration of law and order situation in the Bihar, Bengal Coalfields and that the unbridled operation of a few "Mafia type gangsters" has demoralised the management and supervisory staff. All this have had their effect on both coal production and productivity.

3.20. In evidence the Chairman, CIL stated that formerly there was payment of bonus for minimum attendence and that was taken off in 1967. He further deposed:

> "Absenteeism is more among the face workers who actually do the loading of coal and other face jobs. This is most uncongenial type of work. Realising the trends for future, we have started gradually mechanising these operations, so that if the number of people are lower, to that extent we can use machines and increase productivity. As I said, seasonal absenteeism is there, particularly during May and part of June, there is an exodus. Many will take leave without pay. There were one or two marked periods of absenteeism. With the cooperation of the trade Unions, we try to take not only punitive measures but also corrective measures."

3.21. Asked about the suggestions of the Joint Committee consisting of representatives of unions and management which was set up to study and get over the problem of absenteeism, he said:

> "They said, the housing facilities can be improved, so that their pull to go away will be less. Living standards in

collieries should be improved. The workers should be educated on the impact absenteeism has on production, trying to involve them in the production process and impressing on them that production must be maintained. In the next meeting in March, they will again discuss it and take some decisions."

3.22. According to the Chairman, CIL during some seasons the absenteeism among miners was as much as 45 per cent.

3.23. Coal companies are stated to be in regular touch with the concerned state governments to improve the law and order situation. Department of Coal is also reported to have taken up this matter with the state government and the Ministry of Home Affairs.

3.24. During examination of CIL the Committee desired to know the response of the state government to improve the law and order situation. The Chairman, Coal India submitted the following position:

"The situation remained bad last year, this affects not only the industrial relations but also the normal operations of the mines. There are obstructions to work. The people coerce for several reasons. In the Eastern Coalfields, there are 11 projects which have been lying ready for the last one year to be started for production. We have not been able to start production. In many cases, we have not been able to start new projects for development particularly in West Bengal. In Jharia, work obstructions are quite common. Last year, in Bihar, I called on the Governor, discussed with him and with the Adviser. Later our Minister (E) also called on him. Then after the Ministry was installed we called on the chief Minister and we discussed with him the law and order situation. As a result of this, quite an intensive coordination had been there. A weekly review at the Deputy Commissioner's level with the Railways, BCCL, DVC, etc. a monthly review at the Commissioner's level and quarterly review at the Chief Secretary's level was set up. But the Deputy Commissioner and the Superintendent of Police were transferred for some other reasons. The Commissioner had also been moved. We are now trying to get the system back to work and involve the Chief Minister for another meeting. But the system has brought improvements in the sense that obstructions are less, there is less of gangsterism. The incidents have come down. In the case of West Bengal, apart from the Eastern Coalfields directly dealing with the District Administration I have personally dealt with the District Administration, IG and the Chief Secretary. The Minister of Energy had discussed it on several occasions with the Chief Minister. They have given promise but the effectiveness is not there. On the industrial strife, it is lower than what it was before."

3.25. Asked about the details of Mafia gang and their mode of operation, the Chairman, Coal India stated that Mafia people were functioning in many ways. They were doing contracting jobs under different names. They were operating area-wise and controlling the area. To cite an instance of their operation, he stated as follows:

"There is a man behind this who at one time was many things. He is a trade unionist. He has also some political influence. He may be a contractor or doing his own business. So, he had money to influence. He can influence the district administration. Secondly, when these people operate at any place, they try to blackmail a person and got things done. The extent of influence of mafia is something unparallel in Dhanbad District. We had a very strong union leader, Shri B. P. Sinha. He was murdered in the presence of four or five persons in his own house. But not a single evidence came. Then we had our own colleague an overman. He was shot at but not a single evidence came. People do not have the courage to speak truth. All that we have been looking forward is a climate where the people should be able to say truth. They should not shirk out of fear to speak the truth.

Mafia people function in many ways. They do contracting under different names. They operate in the area and control the place.

In fact quite often the place is blocked and they would not let anybody enter. They will act in such a way that they are not caught. They will take a toll of Rs. 2/- or more per truck even."

3.26. Asked to comment on the effect of Mafia on the production of Coal India, the Chairman, CIL said:

"This is difficult to assess. I do not have the metre to measure it. Where we cannot take an upright action, it is difficult to judge. Somebody will purchase the truck of coal. They will come and get it unloaded and nobody will report."

3.27. He further stated that though coal depots had fence walls and watchmen were also posted there, they were no match to mafia gang.

3.28. The Committee were informed that the local youth and other vested interests were obstructing CIL from developing new mines demanding employment and other terms which are not feasible for performance. Details in this regard as furnished by the CIL are reproduced below:—

"Investment made in the mines of ECIL which are ready for production but could not be started due to obstruction by local youths.

Inclines which have touched coal and are ready for coal production but could not be started due to obstruction by local youths are tabulated below:

Sl. No.	Name	Ultimate capacity in T.P.D.	Capital expenditure upto Dec. 1980 in lakh Rs.
1.	Nakrakonda	700	47·98
2.	3 & 4 Incline of North Searsole	600	
3.	3 & 8 Incline of North Searsole	600	160.37
4.	Ban sra Purandip	600	22.09
5.	Tara Churulia Bottom	400	0.26
6.	Dabor 'C' Seam	400	0.84
7.	6 & 7 Incline of Parasea	600	30.46
8.	Ninga SSI	600	518.68

Estimated loss of production from the above is 1.65 million tonnes per year.

List of Inclines where work of incline driving could not be progressed/started due to obstruction by unemployed people of the village.

Sl. No.	Name	Ultimate Capacity	Expenditure upto Dec. 1980 in lakh Rs.
1.	Nimcha (Ghusik Seam Incline)	0.15	8.99
2.	Nimcha (Ninghs Seam Incline)	0.27	N.A.
3.	Parbelia (Dubeswari Incline)	0.18	Nil
4.	Dhemomain (Narsamuda Incline)	0.18	58.50
5.	Tara (Churulia Seam Incline)	..	N.A.
6.	Adjoy-II (Kushadanga Seam Incline)	0.23	10.4
7.	Bhanora Sripur/Rana Seam Incline	0.96	23.93

Estimated loss of production from the above is 1.65 million tonnes per year."

3.29. The Addl. Secretary, Deptt. of Coal in evidence stated that they had been servicing Coal India in procuring inputs and other types of assistance required by them. In the matter of power supply on the basis of receipt of daily reports the Ministry puts pressure on Power Department located in Delhi to supply more power to the collieries either from Northern Region or Orissa or other regions which otherwise would have become difficult.

3.30. The shortfall in production compared to the original target was 19.86 million tonnes during the period 1978-79 and 1970-80. Acute shortage of power in the eastern region, scarcity of critical inputs like cement, iron and steel and spare parts besides absenteeism, bad industrial relations and law and order problems in the eastern sector are reported to have affected production badly. Coal companies as a whole are reported to have lost production to the extent of 3.62 million tonnes in 1978-79 and 6.927 million tonnes in 1979-80 on account of shortage of power alone. High rate of abseuteeism resulted in loss of production to the extent of 3.967 million tonnes in 1978-79 and 5.7 million tonnes in 1979-80. Loss of production in 1979-80 on account of industrial relations has been computed as 0.66 million tonnes. Further, estimated loss of production on account of obstruction of opening of new mines by local youth demanding employment and other terms which are stated to be not feasible for efficient performance is of the order of 2.88 million tonnes per year. The CIL has also reported that unbriddled operation of a few 'Mafia type gangsters' has demoralised the management and the supervisory staff in the eastern region. It is anybody's guess as to how much this has affected production performance of the coal companies in that region. All this add up to a situation which is intolerable.

3.31. The Committee have been told that the power supply from DVC which was 50 per cent of the demand went up to 90 per cent during mid-November to mid-December 1980 decreased to 60—65 per cent thereafter. Though the DVC has agreed in principle to accord priority for supply of power for coal production next to traction, it could not give effect to it for want of power. In this connection the Committee desire that streamlining of distribution system for power in the coal fields isolating non-coal load from coal feeders should be done early so as to ensure higher priority for coal mines within the existing constraints of power availability. The Committee have already examined the working of DVC and reported on it in their 16th Report.

3.32. The Coal Companies do not get DVC power entirely directly. A part of the supply is through the Bihar State Electricity Board and the Board is reportedly against allowing direct supply on the ground that it would result in loss of revenue to the Board. However, even after the DVC agreeing to compensate the loss, the Board is reported to have maintained their stand. The Committee suggest that this question should be taken up by the Centre with the State Government at the Chief Ministers' level.

3.33. The Committee received an impression after examining the SAIL (CMO) that virtually unrestricted imports are taking place under the back-to-back scheme to make good the shortage in domestic production. It is, therefore, strange that the coal companies should suffer for want of steel. The Department of Coal should take up with the Department of Steel to expedite the supply on a priority basis. Further, Government should review the system of provisioning and availability of spares for equipments. There has to be some arrangement for fabricating spare parts for the old equipments though the manufacturer may have switched over to new equipments. Scarcity of critical inputs should be subject to detailed review at the performance review meetings of the Department of Coal for taking steps at the Government level to get over it as it is beyond the control of the coal companies.

3.34. The Committee feel that absenteeism among workers could be reduced by the management to a large extent by creating conditions congenial for the workers. These could be in the nature of partial mechanisation of work to remove drudgery, improved housing facilities, before motivation of workers, etc. A plan of action in this direction should be drawn up and implemented in all the companies under a time-bound programme.

3.35. It is distressing that in ECL 8 inclines which have touched coal and are ready for production could not be started due to obstruction by local youths. Expenditure of Rs. 941.05 lakhs incurred upto December 1980 thus remain unproductive. Further, another 7 inclines could not be developed due to obstruction. What causes grave concern to the Committee is the reported law and order situation in the Bengal-Bihar coal areas in general and the gangsterism operating in a few places. The incidents are however reported to be less now in Bihar coal areas. The three-tier system of coordination at the level of district authorities/Secretaries and the Ministers to tackle this problem should be closer and the security force should be strengthened at vulnerable points. The Committee would

await the details of further steps taken in this regara. It is the responsibility of the Ministry of Home Affairs and the concerned State Governments to see that the coal companies are allowed to function unimpeded by anti-social elements.

D. Slowing down of Production

3.36. The coal stocks increased from 6.55 m.t. on 31-3-1975 to 11.27 m.t. on 31-3-76 and to 13.64 m.t. on 31-3-1977. With the increasing coal stocks, the Govt. reportedly took a decision to slow down the production tempo, as also construction activities on new projects. The Chairman of Coal India stated in evidence that there was no written decision to slow down but "the manner and the extent of sanctioning of the projects make it quite clear and indicative that there was a slow down." He, however, stated that the then Minister of Energy in reply to a Lok Sabha question on 14-7-77 said:

> "It was because of actual demand falling short of projections in different sectors of economy in the last two years that coal production had to be pegged down. There was a general deceleration of economy."

3.37. In open cast mining, the gestation period in stated to be 2 to 3 years. It is 7 to 9 years in the case of underground mines and slowing down of construction by 2 or 3 years would have repercussions in the subsequent period, 5 or 6 years hence. Coal India is stated to have been presenting this view whenever it was putting forth new projects for sanction. The Chairman of Coal India, however, added that "at that stage, there was no option. You could not have really piled up the stock because the demand was not picking up."

3.38. The Addl. Secretary of the Department of Coal stated that the Department of Coal itself did not take any decision to reduce the investment or slow it down. At the time of processing the projects, which came up from coal companies, they were discussed by a group of persons from Finance Ministry, Planning Commission and other consuming centres. At that time an overall view was taken that "the projects should not be sanctioned too liberally, the demand should be scrutinised very carefully and we should identify each individual consumer for each project before we go ahead." He added that "it was never a conscious decision that we will not invest. Scrutiny became so detailed that it became difficult to justify.." He admitted that it was probably not a wise decision to cut back on investment for the reason "that what we invest today does not give us coal tomorrow, but only after years. To that extent, perhaps the slowing down in the rate of investment was not a desirable feature." He, however, added that the position had since changed and presently any project considered feasible was sanctioned.

3.39. As mentioned earlier in this Report, the actual off-take of coal by the consuming sectors fell short of the demand during the period 1974-77 with the resultant increase in the pit-head stocks. The stocks were 13.64 million tonnes as at the end of March 1977. The production tempo and development activities were reportedly slowed down. Having regard to the gestation period of coal production from new mines—it is 2 to 3 years in the case of open cast mines and 7 to 9 years in the case of underground mines—the Committee cannot but deprecate the decision, covert or overt, to slow down development work especially in the context of the demand picking up lately and the industry's inability to meet the demand. The Committee trust that in future on the basis of a realistic long-term forecasting of demand, production plans will be drawn up as recommended by them and the plans for development of mines adhered to irrespective of short-term constraints, coal being an important input for industrial production.

E. Supply of Coal

3.40. Actual offtake has been taken as demand for the years 1974-75 to 1976-77 as there was hardly any constraint in production and transportation. The position of actual demand and supply during the years 1977-78 to 1979-80 as furnished by the CIL is as follows:—

(In million tonnes)

	1977-78	1978-79	1979-80
Actual demand	106	105	118
Supply	103·7 (2·7)	99·08 (2.8)	102·67 (1·53)
Unsatisfied demand	nil	3·12	13·80

(In million Tonnes)

	Projected Demand	Actual Materialisation
Coking & Blendable Coals (Steel/Hard Coke)	26.3	20.36
Power	37·4	33·25
Railways	12.9	12.51
Cement	5·6	4·48
Export	0.6	0·09
Soft Coke	4·5	3·16
Ohers	30·7	28·54
TOTAL	118.0	102.67 1·53

Figures in bracket indicate supply of middlings, there are not included in the main gures, which represent raw coal supply.

3.42. According to CIL since the latter part of 1977-78 the rail transport facilities did not keep pace with the improvement in Production. Consequently despite a spurt in road movement, the pithead stocks mounted. There has been a huge shortfall in supply compared to the demand during 1978-79 and 1979-80. The gap was to the extent of 21.51 million tonnes. It has been stated by Coal India that given adequate relief in despatch bottleneck and improvement in power supply position, the requirement of coal for the power sector, the railways and cement industry could be met fully. As regards steel sector, the production of washed coking coal dropped to 7.62 million tonnes during 1979-80 from the level of 8.23 million tonnes in 1978-79 and 8.7 million tonnes in 1977-78. The demand, however, was of the order of 20.99 million tonnes during 1978-79 and 21-54 million tonnes in 1979-80.

F. Coal Washery

3.43. Beneficiation of coal in our country is mainly confined to coking coal to meet the demands of the steel plants. Present position of washeries under CIL and their capacity utilisation during 1978-79 were as follows:—

	Capacity in terms of raw coal feed in million Tonne	Percentage utilised
A. Prime Coking Coal (Under B.C.C.L)		
1. Dugda-I	2.40	64
2 Dugda-II	2.40	73
3. Bhojudih	2.00	95
4. Patherdih	2.00	73
5. Lodna	0.40	52
B. Medium Coking Coal (Under C.C.L)		
1. Kargali	2.72	87
2. Kathara	3.00	60
3. Sawang	0.75	86
4. Gidi	2.84	48

3.44. Four Washeries—Dugda I & II, Patherdih and Bhojudih, where decision had been taken to transfer them to BCCL, were still being owned by the Steel Authority of India although the management was in the hands of BCCL. It was stated that there was some rethinking in the Department of Steel on the question of ownership of these washeries. Every effort was being made to expedite the formal transfer.

3.45. The impact of dual control was narrated by the Chairman, CIL in the following words:—

> "The impact of the duel control is not exactly on the production. But on investment position getting diluted it has a sort of latent impact. We felt that the deployment of wagons was not satisfactory and that we require additional box Tippler. It took almost eight months to clear this question by SAIL. At least six months period could have been saved. That would had a more cumulative effect on the production, which tells at a later distance but each aspect has its own impact. The workers sense that they are not being properly looked after. Therefore, there is always something like a hidden impact but what actually is the effect on production, after this transfer, we cannot say at the moment. But one thing is certain. After BCCL took over, the washeries improved their performance remarkably."

3.46. He added that BCCL was an integrated unit with adequate supervisory staff who could directly supervise the washeries which SAIL could not do. After BCCL took over these units, production increased from 2,60,000 tonnes to 4,00,000 tonnes per month *i.e.* almost 33 per cent improvement.

3.47. Some modifications are being carried out in the following washeries to improve their performance:—

Dugda-I & II: For beneficiation of middlings and provisioning of floatation cell arrangements;

Patherdih: For provisioning of floatation cell for recovery of fines;

Kargali: For replacement of drum separators and existing jigs with jigs of larger capacity; and

Gidi: For provisioning of floatation all arrangements for washing of the fines.

3.48. Besides, to meet the increased demand of washed soking coal, 16 washeries with a total raw coal capacity of 34 million tonnes per year at an estimated cost of Rs. 325 crores are planned to be established by 1988-89 by CIL.

3.49. There was a gap of 21.5 million tonnes between demand and supply of coal during 1978-79 and 1979-80. According to CIL, given adequate relief in despatch bottleneck and improvement in power supply position, the requirement of coal for the power sector, railways and cement industry could be met fully. There appears to be shortage of soft coke. The Committee desire that steps should be taken to increase the production to cater to consumers especially in the household sector. As regards the steel sector, the production of washed coking coal had dropped to 7.62 million tonnes during 1979-80 from the level of 8.23 million tonnes in 1978-79 and the demand was of the order of 20.99 million tonnes and 21.54 million tonnes during the years 1978-79 and 1979-80 respectively. The Committee desire that the facilities for washing coal should be augmented early and the utilisation of existing washeries stepped up.

3.50. Incidently the Committee heard that there was some re-thinking on transfer of ownership of four coal washeries from SAIL to BCCL. Earlier, it was felt that it would be good if the ownership should vest with the company which produced coking coal rather than the one which used. These washeries are now being managed by BCCL and on account of ownership still resting with the SAIL, there is reportedly uncertainty and delay in investments apart from operational problem. The Committee having been convinced of the advantages of these washeries' ownership vesting with the coal company, recommend that the ownership should be transferred by SAIL forthwith.

G. Distribution of Coal

3.51. At present 70 per cent of coal is consumed by 4 consuming sectors, *viz.* power houses, steel plants, railways and cement plants. Another 20 per cent of coal is consumed by organised industrial units of varying sizes numbering about 20,000. The balance 10 per cent is consumed by a very large number of consumers like brick burners and house holders.

3.52. The coal is a decontrolled item but its distribution is governed by three broad principles:

(i) *System of priorities*— Under this system, the important consumers, like Railways, Steel Plants, Power Houses, Cement Plants, Defence requirements, etc. were given higher priority. While others were placed lower down in the list according to their relative importance, so as to ensure preference to the more important consumers;

(ii) *Sponsoring System*—All demands of coal are required to be sponsored by (a) Central Government and (b) State

Governments, through the sponsoring authorities nominated by them for the different industries, controlled by them. Approximately 70 per cent of the total movements of coal by rail is sponsored by central agencies, while the balance 30 per cent is sponsored by the States.

(iii) *Rationalisation rules of the Railways*—The Rationalisation Scheme formulated in 1953 and as amended up to 1978, broadly lay down as to consumers situated in different parts of the country can be supplied coal from which coalfields. Its basic principle has been to transport coal from the nearest source and by eliminating cross movements of the same type of coal and to optimise the use of rail transport facilities.

3.53. The scheme does not apply to the movement of soft and hard cokes and coking coals to metallurgical consumers, and selected grades of coal which are not available in the outlaying fields. For movement of coal by road, there is no such restriction, but still preference is given to sponsored demands.

Rail Transport

3.54. Nearly 70 per cent of the coal movement takes place by rail and it is stated that under present conditions of scarcity of rail wagons, the existing arrangements are not adequate, with the result pit-head stocks of coal accumulate. The present overall wagon availability for coal movement from Coal India collieries is stated to be around 7500 wagons per day against the requirements of about 9500 wagons. This requirement is expected to increase up to around 15,000 per day by 1984-85.

3.55. A representative of Railways (Director, Traffic Transport) submitted in evidence (Feb. 1981) that the railways were undertaking coal loading of Durgapur plant, TISCO and IISCO besides the coal loading of coal companies. Daily 10,200 wagons were needed for loading coal. Efforts were being made to meet this requirement. In 1980, there was some slippage on the part of the Railways. In May-June, 1980, loading per day dropped to 8600, in December it came up to 9700 and again it has gone down because of some trouble with locomen. Constant efforts were being made to improve the position. He admitted that there was some wagon shortage during 1976-77 and 1977-78, but it was not the shortage of wagons that was causing so much constraint to coal movement as much as was being done by "inefficiency, slackness and indiscipline" in both the sectors, *i.e.* Railways and Coal India. He added:

> "As coal gets first priority, our endeavour jointly has been along with the Department of Coal. We are trying to meet the demand of the coal sector in full and for that we are having a meeting every month and our aim is to meet the entire demand of coal in full by the end of February or March."

3.56. It was seen from the details furnished by the CIL that about Rs. 2.54 crores were paid as demurrage charges by the coal companies during 1979-80 alone. In the course of examination of CIL the Committee asked whether this did not indicate the extent of delays that take place in loading and how did the CIL account for such delays. The Chairman CIL stated:

> "When we know we get 1000 or 1400 wagons we organise loading operations accordingly. Suppose you expect at 8 or 9 or 10 in the morning is comes only at 4 or 5 in the evening. Such things do happen. I can't employ female workers to do loading in the night. It takes 5 hours or 10 hours for wagons to be loaded up. I start loading next morning at 6. As soon as 5 hours are over, the railway pilot comes up and says, if wagon is not loaded you will have to pay demurrage. Railways have a rule which is one-sided. They don't say what number of rakes will be supplied on what date. Also, holidays like 15th August and 26th January are there. Railways push all the wagons on that day. Workers are not there. Also workers may not be there: because there is some dispute or things like that. So that we feel is that these railway rules are somewhat one-sided. We are the bulk users of railway transport. We use one-third of railway transport. Our advice is not taken anywhere, in the Advisory Committee and so on, when they frame their own rules."

3.57. The Director (Traffic Transport), Railway Board, complained the position in the following words:—

> "In the national interest we have to see to the maximum utilisation of these wagons. Suppose the wagons reach at 4 p.m. in the evening and we keep on wasting them for the entire night, it is a national wastage. In other sectors we have requested that these ladies should look after

the loading in the day shift, and the men should be available in the night shift because we have to load round the clock in the national interest."

3.58. The Committee were informed by CIL that there were large scale diversion of coal rakes by railways enroute. According to the Chairman, CIL, Railways, "think that they are responsible for distribution system." They decide the priority and control the distribution. The Railways keep information about availability of coal stock at power houses, coal rakes in transit and they take the decision to divert the rakes. There have been large scale diversion of wagons to consumers other than to whom the coal was consigned by the coal companies. The amount of sales dues to Coal India against diverted rakes as on 1st December, 1980 is about Rs. 1 crore.

3.59. The Director (Traffic Transport), Railway Board admitted that it was not a correct thing to do diversions. He stated that diversion is generally done on the following occasions:—

> "In an emergency, when there is an accident or a strike in some sector or there is some serious flood or breach due to which we have not been able to supply coal to the affected area, we do it and we do it for power houses so that the power houses' work keeps on going. In that case, we allow any coal that is available to the power houses so that the power houses are fed properly."

3.60. He also admitted that in order to meet the requirements of private enterprises, diversions had been done in a few cases as well at the insistence of the very senior executives of the State Government and in none of the cases Coal India or the consignee was consulted. The witness agreed with the Committee that the diversion was causing inconvenience to the original consumer and stated the Committee might give a directive to rectify the position.

3.61. The CIL had suggested that whenever there are complaints in the nature of detention of wagons, or shortages or otherwise, there should be a joint enquiry by the Railways and Coal India Ltd. rather than a unilateral enquiry by Railways alone. The Director (Traffic Transport) saw no objection to this suggestion from the side of Railways.

3.62. Nearly 70 per cent of coal movement takes place by rail. In view of railway bottleneck road movement has been steadily increasing. The Committee need hardly point out that it is an

economic waste to allow cheap coal to be moved by trucks on long haul which makes for inefficient use of scarce and high-priced diesel. Therefore, it is necessary to see that there are no serious problems in regard to railway wagon availability. According to CIL, the shortage of wagons was around 2,000 per day. The Committee have been assured by a representative of the Railway Board that at present there is no shortage of wagons. The constraint is reportedly caused by 'inefficiency slackness and indiscipline' in both the sectors, i.e. railways and .coal. The Committee are inclined to agree with this view. In future whenever there are complaints in the nature of detention to wagons or otherwise there should be joint enquiry by the Railways and coal authorities and immediate remedial measures taken to ensure smooth and speedy movement of coal. A machinery for this should be set up.

3.63. A curious aspect of the railway movement of coal that came to the notice of the Committee is that there have been large-scale unilateral diversion of coal wagons by railways to consumers other than to whom they were consigned. The amount of sale dues to coal companies against such diverted rakes are stated to be about Rs. 1 crore as at the end of December 1980. Though the representative of the Railway Board in evidence before the Committee tried to justify the practice, the Committee are constrained to observe that Railways should confine themselves to the role of carriers and should not arrogate to themselves the role of distributors. Besides, the practice appears legally untenable and it should cease forthwith. In future should such diversion become necessary, the consigner should invariably be consulted and the consignee should also be consulted in case payment for the coal has been made. ..
as at the

H. Malpractices

3.64. The Committee discussed with the representatives of CIL and the Department of Coal the various malpractices alleged against the coal companies. In this connection a demi official letter No. 22013/4/78/opm dated 7 April, 1980 from Shri S. C. Varma, Secretary, Department of Coal, Ministry of Energy to Shri C. Balram Chairman-*cum*-Managing Director, Western Coalfields Ltd. is reproduced below:

"My dear Balram,

It is often being complained that colliary management in order to present a picture of higher production of coal resorts to the practice of over-reporting. This means that the actual production is less than the figures reported to the higher authorities. This situation leads to under-weighment of despatches to the consumers because unless this is resorted to, it will not be possible to match the figures of production with those of despatches. Sometimes even exteraneous material is mixed with coal despatched to the consumer in order to show higher weight of the despatched material.

When a colliery manager resort to giving false figures of production, he binds his hands to make higher but totally unauthorised payments to workmen at various level, inspite of the fact that the actual blasting, winning, and loading of coal is less than the figures for those operation. A kind of dishonesty gets permeated into almost all levels of colliery administration. Another bane of this subterfuge is that false reports about loss of coal stock have to be made in order to tally the figures of stock in the register with the actual physical availability of coal on the ground.

Obviously one dishonesty leads to the other and as stated the entire atmosphere of the colliery gets vitiated. If the colliery management itself encourages or connives at the above mentioned malpractices, it will never be able to maintain discipline in the colliery particularly amongst the workmen.

It is also clear that the aforesaid malpractices cannot continue for long and sooner or later the corruption going on in the colliery comes to light and all concerned come to grief. But in the meantime the consumer and also the public exchequer pay a heavy price on account of the corruption practiced in the colliery and the entire coal company becomes an object of public criticism. In any business what is of paramount importance is the faith which the consumer reposes in the seller or supplier of goods and if this confidence is lost. nothing can be more damaging to the business undertaking. Just because the coal companies have a mopopoly to produce and supply coal, it does not give any one engaged in coal production a licence to include in malpractices. Considering that the coal production is managed by public sector, it is all the more necessary that the highest standards of honesty and consumer satisfaction are maintained.

Anyone departing from this requirement has no place in the public sector and earlier he leaves us the better. We would rather have a few sheep but not one black sheep amongst us.

Sd/- S. C. Varma"

3.65. Asked about the extent of over reporting of Coal Production the Chairman, CIL stated in evidence:—

"I can only give you the difference between the stock which should be available to me for selling and the stock which was available. The difference could be partly on account of overreporting, partly on account of pilferage and for other reasons also. I cannot have break up of these figures."

3.66. In a note sent to the Committee subsequently the CIL submitted the following position in regard to shortages of stock in the coal companies, as on 1 April, 1980.

(in 000 tonnes)

Company	Book stock	Measured Stock	Shortage/ Surplus	Percentage
ECL	2288	1981	—307	13.4
BCCL	3483.3	3365.4	—117.9	3.4
CCL	4860	4769	—91	1.87
WCL	2439	2355	— 84	3.44

3.67. Main reasons for shortage are stated to be variance in density of soam coal, auto-oxidation, pilferage of coal from wagons in railway yards before weighment, compression of large stocks of coal due to operation of dumpers, rejection of part of stock at the time of loading. Besides. reported production takes into consideration the total quantity of coal loaded in tubs, dumpers, etc. in the mines and some part of it may have to be rejected during the loading operations for despatch. In ECL individual cases of shortages are being scrutinised by a Committee for further action. In WCL at 4 collieries stock storages exceeded 5 per cent of book stock and enquiries are being conducted. Shortage in CCL is mainly due to shortage of 37.124 thousand tonnes at Tapin North Colliery for which an enquiry has been completed.

3.68. The Coal India pointed out that the reporting of production was based on volumetric measurements whereas the actual despatch is based on weighment. As such there can be inaccuracies in assessing the shortage/surplus. It is reported to be difficult to assess accurately the old compacted stocks for which a higher bulk density factory will have to be applied depending on degree of compaction. According to Coal India real position concerning stock shortage/surplus at any point can be correctly known only when the total stocks at that point are despatched.

3.69. Dealing with the D.O. letter of the Secretary the CIL stated:

"The D.O. letter under reference highlighted the general complaint about over reporting of production and the managerial dishonesty involved in the same. The letter pointed out that such a practice leads to unauthorised payments to workers, vitiation of colliery atmosphere leading to indiscipline and payment of heavy price by the consumers. The D.O. letter emphasised the necessity of highest standards of honesty and consumers satisfaction in public sector."

Action taken by WCL on D.O.

Copies of the latter were circulated to all General Managers, Sub-Area Managers, Superintendents of Mines and Mine Managers drawing their particular attention to the points raised by Secretary (Coal)."

3.70. In a note submitted to the Committee the Department of Coal had intimated that Government had asked the Coal India something in March 1980 to take steps to put a stop to corruption. According to the Ministry, complaints have been received from various consuming sectors and in particular, from the power and cement industries about the quality of coal. The Additional Secretary in evidence stated that complaints largely related to road movement of coal. In a note sent to the Committee subsequently the Department of Coal intimated as follows:

"In the Meeting of the Committee on Public Undertakings held on 2-2-1981, during the course of discussions the the Committee wanted to know as to what were the specific cases on the basis of which the following directions was given in the review meetings taken by the Ministry of Energy in March and April 1980:—

Corruption—The Minister expressed his serious concern about the widespread allegation of corruption against the personnel in Coal Industry. He desired immediate steps should be taken by the Management to curb any corruption and combat the allegations against the industry on a war-footing."

"**Corruption**—Minister impressed upon all the CMDs that strict action should be taken against all persons who are found guilty in vigilance cases and no such officer should be shielded or given any undue protection. He desired that lenient view should not be taken in such cases so that the image of CIL is improved and it becomes a healthy organisation."

It may be mentioned in this connection that in their note dated 25-1-1980, the Ministry of Home Affairs reported to the Department of Coal that three teams of CBI under a Joint Director were deputed to undertake an in-depth survey of the mal-practices in the Dhanbad Coal-field area and that the following categories of mal-practices came to light during the surevy:—

(i) Sale of Coal through spurious, sponsorship certificates and delivery orders.

(ii) Corruption in awarding contracts and purchase orders.

(iii) Inflated stocks of coal at pit-heads.

(iv) Corruption in the booking of railway wagons.

(v) Possession of disproportionate assets by offers."

In their further note dated 11-2-1980, the Ministry of Home Affairs reported as under:—

(i) Four cases have been registered for obtaining release of coal through forged documents. Officers of the rank of Additional Chief Sales Manager and Deputy Sales Manager figure accused in three cases along with private individuals.

(ii) Four cases have been registered for corruption in awarding contracts. In all the four cases senior officials of the coal companies figure as accused. They are of the ranks of General Manager, Deputy Sales Manager, Area-Manager and Assistant Material Manager.

(iii) A test case has been registered to make a deeper probe into heavy shortage of coal at pit-heads of a colliery. Senior Officials of the colliery figure as accused in this case.

(iv) Four cases have been registered against Railway Officials for illegal booking of coal.

(v) A case of possession of disproportionate assets has been registered against a Deputy General Manager. Inquiries against some more officials suspected of possessing disproportionate assets are in progress. Their property returns were being verified.

On 2-2-1980 the Minister of Energy recorded a minute emphassing the need for combating corruption.

In the third week of February, 1980 another reference was received from one Member of Parliament (Lok Sabha) reporting to the Minister of Energy of a systematic racket in the Sales Division of Coal India, which involved allotment of coal, despatch of coal and, allotment of transportation, though he did not specify any particular case.

In the 3rd week of February, 1980 the Minister of Energy minuted that he had a telephonic conversation with the Governor of Bihar, who had opened that the law and order problem had assumed a serious dimension, which had involved bungling by officers of BCCI, along with Railway officers though no specific case was mentioned.

The series of developments as mentioned above led the Hon. Minister of Energy to express his concern regarding corruption in coal sector during the Review Meetings taken by him in 4-3-1980 and 4-4-1980 and the need for taking steps to combat this evil."

3.71. Dealing with pilferage of coal the Committee asked whether any prosecution was launched. The Chairman, CIL stated in evidence—

"All we could do was to get their licences cancelled. The covers are taken in the form of licences. In his depot coal was not beyond that quantity. So long as they get protection from those who supervise licence conditions, Coal India directly cannot do anything. We use Government agency to pin them down and get their licences cancelled."

He further stated that unauthorise coal was seized but there has been no prosecution so far.

3.72. Concern has been voiced in different quarters about corrupt practices in the coal companies. An in-depth survey of malpractices in the Dhanbad Coal-field area by CBI teams has brought to light several malpractices in sale and movement of coal, award of contracts and purchase orders, reporting of stocks etc. Involvement of senior officials of coal companies is clearly indicated and cases have also been registered against them. CIL has also reported that in several companies investigation of shortages in stock is going on. Although admittedly several cases of pilferage of coal by dealers had come to notice and coal was recovered, prosecution does not appear to have been launched in any case so far. Further, in a demi-official letter written on 7 April 1980 to the CMD, WCL, the then Secretary of the Department of Coal highlighted the complaint about over-reporting of production and the managerial dishonesty involved in it. He pointed out that the practice led to unauthorised payments to workers, vitiation of colliery atmosphere leading to indiscipline and cheating of consumers. The Committee are distressed at the state of affairs. It is imperative that immediate action is taken to correct the situation. The Committee expect from public undertakings honest and efficient conduct of business. Clearly there is need for strengthening the vigilance set-up in the coal companies. Deliquent officials should be awarded deterrent punishment. Further, on the basis of the typology of malpractices that have come to light so far and their modus operandi, procedures and practices should be streamlined to have inbuilt safeguards against malpractices. This may be done in consultation with the Audit and the investigating agencies like CBI. One of the contributory causes of malpractices seems to be the contract system in operation in the coal Companies. The handling work should therefore be gradually departmentalised.

CHAPTER IV

COST OF PRODUCTION AND PRICING

A. Cost of Production:

4.1. The cost of production direct and indirect from 1974-75 to 1979-80 is given below:

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
E.C.L.						
(i) Direct . .	62.0	73.61	76.75	85.87	109.55	136.76
(ii) Indirect .	1.64	2.24	3.50	2.64	3.44	4.45
TOTAL . .	63.64	75.85	80.25	88.51	112.99	141.21
B.C.C.L.						
(i) Direct .	68.51	74.28	78.50	86.43	108.85	123.58
(ii) Indirect	1.59	4.98	4.98	5.75	6.45	7.44
TOTAL . .	70.10	79.26	83.48	92.18	115.30	131.02
C.C.L.						
(i) Direct .	51.89	63.26	65.64	71.33	74.62	91.48
(ii) Indirect .	1.50	2.79	3.39	3.16	3.94	4.87
TOTAL .	53.39	66.05	76.25	74.49	78.56	96.35
W.C.L.						
(i) Direct	41.74	55.05	68.34	69.98	61.13	86.95
(ii) Indirect .	2.17	2.50	2.88	3.26	3.25	3.48
TOTAL . .	43.91	57.55	71.22	72.94	74.38	90.43
N.E.C.						
(i) Direct . .	66.03	76.17	96.79	106.49	120.91	136.00
(ii) Indirect .	6.68	6.32	6.42	6.17	6.64	6.36
TOTAL . .	72.71	82.49	103.21	112.60	127.55	142.36

4.2. There is wide variation in the cost of production of different coal companies. Explaining this the Chairman, CIL stated that in

ECL and BCCL 80 per cent of the production was from underground mining. Because of underground mining there were many operations like ventilation, pumping, stowing etc., which had to be done, and as a consequence cost went up. In CCL bulk of 70 per cent of the production came from open cast mining with large degree of mechanication which kept the cost of production low. Although WCL had more of underground mining there work-load had been traditionally high resulting in high productivity and hence lower cost of production. In a coal mine bulk of the expenditure was fixed in nature and a very small expenditure varied according to the production, and thus shortfall in production would invariably increase the cost of production.

4.3. In ECL and BCCL production suffered due to power shortage, poor law and order position, industrial relations, absenteeism and poor pumping arrangement of flooded mines. In CCL the cost of power was 2.50 to Rs. 3.00 per tonne, in BCCL it was Rs. 6.00 a tonne. In BCCL, the company had to transport 4 million cum. m. of sand every year by road for stowing which implied an additional cost. Besides, some specific features, different geo-mining conditions, legacies of the past and environment conditions affected the production. At present only 34 to 35 per cent of the total production of CIL came from open cast mining. Open-cast mining was economical but there was a limitation beyond which open cast mining was not possible. Mechnisation varied from company to company it was 8 per cent in ECL, in BCCL it was 10 per cent, in CCL it was 60 per cent and in WCL it was 26 per cent.

4.4. In view of variations in different companies, the CIL have reportedly taken up industrial engineering study and are working for determining standard cost for all type of work.

Economy:

4.5. The Additional Secretary, Department of Coal submitted that previously the cost of coal used to be determined by a Committee appointed for the purpose on the basis of certain minimum level of efficiency in the coal industries. In 1978, the Baweja Committee assessed the actual cost of production and suggested what further economies in the cost of production could be achieved. That Committee concluded that an economy of Rs. 7.70 per tonne including a saving of Rs. 3.50 per tonne by re-deploying of 50,000 surplus labours could be achieved over a period of 5 years provided certain steps were taken. While some of the recommendations could not be implemented without cooperation of the labour unions, the Department have been receiving reports from the coal companies regarding implementation of these recommendations, but according to the Additional Secretary it was difficult to assess the precise saving because of escalation of so many other elements of cost.

B. Productivity

4.6. The productivity per manshift which was 0.58 tonne immediately after nationalisation had risen to 0.67 tonne in 1977—78 and has remained more or less stationary during the next two years. Productivity per manshift for opencast and underground miners in respect of different Coal Companies of CIL is tabulated below:—

OMS (in Tonnes)

	1978-79			1979-80		
	Underground	Open-Cast	Over-all	Underground	Open-Cast	Over-all
ECL	0.49	0.64	0.51	0.46	06.7	0.48
BCCL	0.53	0.74	0.56	0.51	0.99	0.57
CCL	0.53	1.25	0.87	0.52	1.26	0.86
WCL	0.75	3.05	0.88	0.75	2.92	0.90
NEC	0.55	0.73	0.53	0.50	0.64	0.54
Overall	0.57	1.13	0.67	0.55	1.20	0.66

4.7. The Additional Secretary of Department of Coal stated in evidence that the highest productivity in India for underground mines was 1.03 tonnes of OMS per manshift and for opencast mines 5.7 tonnes per manshift. In USA the OMS was 17.27 tonnes, in Australia it was 10.86 tonnes, in Canada it was 9.03 tonnes. The difference in OMS between India and these countries was stated to be due to degree of mechanisation adopted in these countries. The witness informed the Committee that the Coal India had proposed to introduce very high degree of mechanisation in two underground mines whose feasibility reports were being prepared by the British Experts.

4.8. The cost control in coal companies leaves much to be desired. Overall the average cost of production per tonne increased from Rs. 68.76 in 1974-75 to Rs. 106.98 in 1979-80. There is wide disparity among the companies in the matter of the cost of production. There has also been disproportionate increase in the cost overtime. For instance the cost went up from Rs. 63.64 in 1974-75 to Rs. 141.21 in

1979-80 in ECL whereas the increase was from Rs. 53.39 to Rs. 96.35 in CCL and from Rs. 43.91 to Rs. 90.43 in WCL.

4.9. Productivity in terms of tonne of output per man shift (OMS) which was 0.58 immediately after nationalisation had risen to 0.67 in 1977-78 and remained more or less stationary thereafter. There is wide disparity in the productivity achieved by the companies. For underground mines it ranged from 0.46 in ECL to 0.75 in WCL in 1979-80 and that for open-cast mines from 0.64 in north-eastern coal-fields to 2.92 in WCL. Whatever be the mining method, geological condition and technology, this huge disparity should not be there. The Committee, therefore, desire that norms should be evolved on the basis of industrial engineering studies for assessing the efficiency and progressively improving the performance. Reliable inter-firm comparison should also be made to ensure that production and productivity are optimal in all the companies.

C. Pricing

4.10. The table below indicates the selling price of coal in comparison to overall cost of production for the period 1975—76 to 1980—81:

(Rs. per tonne)

Year	Cost of Production	Selling Price	Loss/Profit
1975-76 .	68.76	62.83	—5.83
1976-77 .	73.57	65.18	—8.39
1977-78 . . .	79.77	65.02	—14.75
1978-79 .	90.42	63.71	—26.71
1979-80	106.98	96.21	—10.07
1980-81 (Estimated)	116.72	100.09	—16.63

4.11. According to information supplied to the Committee the selling price of coal has not always covered the cost of production as it is based on (a) the optimum level of production as planned by the company; and (b) certain levels of prices and wages. In actual practice the production has fallen short of the target in every year so far and the wage level and price level have gone up. The price recommended by the Chakraborty Committee for the 1975—76 was Rs. 68.91. While fixing the quality-wise price on the basis of everage realisation, Government excluded depreciation (Rs. 2.87) and element of return on Equity (91 paise). On the basis of the gradewise price allowed with effect from 1-7-1975 the average price for CIL in respect of the year 1975—76 should have worked out to Rs. 65.13 per tonne. However, in view of the fact that the price increase was available only for the part of the year, actual price was Rs. 62.83 per tonne, leaving a gap of Rs. 2.30 tonne. The price made effective from 1-7-1975 was effective till 16-7-1979 and actual average realisation for 1976—77, 1977—78 and 1978—79 was Rs. 65.18, Rs. 65.02 and Rs. 63.71 respectively. There was a drop in average price during 1978-79 due to declaration of new grades by the coal companies with effect from 1-4-1978 based on Government Notification revising the grades.

4.12. About the pricing policy, the Chairman, CIL, stated that—

> "The prices fixed for coal have never been commensurate with either the prevailing market prices within the country or outside the country. The coal has been underpriced for whatever reasons it may be. It has never had a fair return to be able to become viable and to be able to stand on its own feet. The losses are because of lower price of coal. The total price of coal that we get is less than the subsidy which many countries give to their coal producers. ......I am not saying that the prices should be so pushed up that it may lead to inflation in our economy. But the prices should be such that we are able to pay back the loans with interest plus some return. It should be such that I can generate enough resources to maintain production.
>
> I require Rs. 14-15 a tonne for maintenance. The total impact of loss is demoralising for all of us. On prices, we have a strong feeling. We have had several committees starting the committee headed by Mr. Chakravarty who was a member of the Planning Commission which examined in depth the pricing policy and recommended an increase in the coal price. If we take the accepted base year and compute prices over the years and take into account all the increases which are beyond our control, like inflationary effect on different costs of inputs, I would say, we are getting very much less than what the Chakravarty Committee recommended. There should be a fair pricing system for the coal industry which has been denied to us for a long time. No industry can continue like that. My recollection is when the steel prices were low, the steel

industry was looked down upon and, if there was anything wrong anywhere, the people talked about the Hindustan Steel. The same Hindustan Steel has now become a good unit. Their morale is high. We are always considered underdogs because of lower prices. This has been continuing for so long."

4.13. The Additional Secretary of the Department of Coal stated that in two cases of price revision made in 1975 and 1978, the price fixed by Government was less than the cost of production. It was only in 1979 that the price announced by Government was equal to the assessed cost of production. "Prior to that, there was a deliberate disallowance either of the depreciation element or in another case of both depreciation and interest, which go into the price." He added that "Since Coal is an input to so many sectors of the economy, the price might have been deliberately kept low, to prevent the inflationary impact of its price revision being there." On the question of subsidising coal prices on the pattern of Food Corporation, the witness stated that Government had given interest-free loan of Rs. 395 crores during last revision of the price and there would be moratorium on repayment of loan for some years.

4.14. On the Committee asking whether Government would consider dual pricing so that end products using coal may not be grossly subsidised where unnecessary, he said that it was worth examining.

D. Price of Coal in other Countries

4.15. Coal India informed the Committee that while it has to sustain losses in order to subsidise major coal consumers like steel, power and railways the coal industry did not receive any relief while procuring inputs and services from these sectors. While steel sector imported coking coal @ Rs. 800 to Rs. 1000/- per tonne (landed cost), Coal India sold washed coking coal @ Rs. 250/- per tonne. The price difference was very high even taking into account the superior quality of imported coal. The Coal India further stated that the competing fuel for the power sector and railways being oil, in the last decade coal had become considerably cheaper compared to oil; oil prices had increased nearly 16 times while coal prices rose by only 3.3 times. As for steel, ratio of steel prices to coal prices was stated to be 100:6 in India in 1977 compared to 100:16 in USA, 100:9 in U. K., 100:35 in France and 100:19 in West Germany. The transaction between the steel and coal industries is thus stated to be relatively unfavourable to coal industry in India. In the case of power sector also, the unit cost of coal supplied to power houses is reportedly lower in India compared to advanced Western countries.

4.16. As regards the pricing policy in general, the CIL stated:

"Clearly, the major factor contributing to Coal India's losses has been inappropriate pricing policy pursued so far. True, to some extent, the overwhelming consideration to keep coal prices low to the coal consumers stood in the way of a dynamic and rational coal pricing policy. But, the losses arising out of such a policy could have been compensated by 'grant'. Under similar situation, National Coal Board, U. K. and other coal production organisations are provided by the Government 'grants' to make up the cash deficit operations. In 1979-80, NCB received a Deficit Grant of Rs. 28/- per tonne of coal raised. The grants per tonne of coal given in 1979 to coal production in France was Rs. 332/- per tonne, in Belgium Rs. 625/- per tonne and in West Germany Rs. 275/-. As against this, if coal India was given a grant of only Rs. 14/- per tonne, it would not have incurred any loss in 1979-80."

E. Opening of Uneconomic mines

4.17. There have been reportedly occasions when uneconomic mines had to be opened to feed new power stations nearby and although this meant lower cost to the power stations, Coal India suffered losses which it could avoid if it were free to supply coal to these power stations from distant mines. At present about one third of CIL despatches are accounted for by the Power Stations. In the next five years about 60 per cent of additional coal production will be for the power stations. The Committee desired to know if any policy directive compelling Coal India to open new mines near the power stations was issued by the Government. In reply the Chairman, Coal India stated in evidence that:

"There is no directive. But there is demand for coal for particular power stations. Some of the projects we have for low-grade coal. These are losing proposition at existing level of investment...... It is uneconomic right from the stage, we did the feasibility report and the techno-economic survey and so on. Power house gains in terms of freight. But there is no additional price available to us as chargeable to power house because of the system itself."

41.8. The Committee further observed that if it was so uneconomic why Coal India should take up such projects without the directive of the Government. In reply the witness stated that—

"These are vetted through concerned authorities; there is cabinet approval taken therefor. The Government is not unaware of it. The price at which we supply coking coal to TISCO is lower, than the cost at which they produce their own coal from their own mines. There is an element of subsidy which goes in there. It is not chargeable individually, but it is applied in the total pricing system, as I said."

4.19. In a note submitted to the Committee subsequently the Coal India Ltd. intimated the following position of uneconomic projects opened to feed power houses and the extent of losses thereon:—

Sl. No.	Name	Capacity in million tonnes	Loss/Tonne (Rs.)	Annual loss in Rs. lakhs	Power House Linked
ECL					
1.	Dalurband O/c .	0.27	(—)1.32	3.56	WBSEB DPL
2.	Papasara O/c . . .	0.44	(—)4.07	17.91	BSEB UP DELHI
CCL					
1.	Kakri O/c	2.50	(—)13.20	330.00	UP GEB
WCL					
1.	Durgapur O/c . . .	1.80	(—)11.76	211.68	Chandrapur (MSEB)
				563.15	
2.	Sarni . . .	0.42	(—)23.22	97.52	Sarni (MPSEB)
3.	Dhanpuri O/c . .	1.25	(—)3.62	45.25	Amarkantak (MPSEB)
4.	Inder R.O. . . .	0.40	(—)34.08	91.92	Khaparkheda (MSEB)
5.	New Majri . . .	1.00	(—)1.08	10.80	MSE' GE
6.	Pipla	0.50	(—)18.66	93.30	Koradih (MSEB)
7.	Sobhapur . .	0.95	(—)1.58	15.01	Khaparkheda (MSEB)
8.	Kamptee R.O. . .	0.72	(—)14.87	107.06	Koradih Khaparkheda (MSEB)
				1024.01	

4.20. It was urged before the Committee that the major factor contributing to losses in the coal industry has been inappropriate Pricing policy pursued by Government so far. The administered price has not covered the cost of production. It has been pointed out that while the coal industry has to sustain losses it has subsidised the major coal consuming sectors like steel, power and railways. The ratio of steel prices to coal prices is stated to be 100:6 in India in 1977 compared to 100:16 in the USA 100.9 in the U.K. 100.I9 in West Germany and 100:35 in France. The terms of trade between steel and coal sectors is thus unfavourable for coal sector in our country. In the case of power sector also the unit cost of coal supplied to power houses is reportedly lower in India. In absolute terms also the price of Indian coal is very low. Further, the coal industry is known to have been heavily subsidised in Western countries. That there is a case for a more realistic pricing of coal has clearly emerged out of the examination of the Committee. The price should be such that it would enable the coal companies to generate sufficient internal resources to meet to some extent future investment needs. Such price fixation should be an annual feature.

The Committee would suggest in this connection that before any major increase in price of coal is allowed, there should be an independent examination of the cost efficiency of the coal companies. The Committee would also suggest that the desirability of differential prices should be considered so that end products using coal may not be grossly subsidised where unwarranted. It is common knowledge that coal is .already carried by road for non-priority private industries at a heavy cost. In such a situation dual pricing with a higher price for non-priority sectors could cut down losses of coal companies without affecting the priority sectors of industry and weaker sections of society. It should be noted that since nationalisation, the coal industry has not generated even a paise of internal resources. It is also equally worth noting that in a scarcity situation as it is obtaining now a black market in coal seems to thrive and there is profiteering on coal.

4.21. Incidentally it has come to the notice of the Committee that uneconomic coal mines have been opened to feed new power stations nearby. The power houses derive the advantage to the extent of normal freight element of the cost. The annual loss on 12 such coal projects is stated to be of the order of Rs. 10.24 crores. There must be some method of compensating for the losses of this kind if deliberately uneconomic mines had to be opened.

CHAPTER V

WORKING RESULTS

5.1. The investment made by Government for the development of coal and other infrastructural facilities in the coalfields after nationalisation is approximately Rs. 1343.31 crores, upto 31-3-1980, consisting of Rs. 813.13 crores towards equity and Rs. 530.18 crores plan loan. In addition non-plan loan of Rs. 395.64 crores has been given to the CIL and its subsidiaries. The position of profit/loss and internal generation of funds is brought out in the following table:

(Rs. in lakhs)

Year	Profit/loss + beore tax		Cumulative loss at the end of the year	Internal generation of funds	Cash loss
	Budget	Actual			
1974-75	(—)1570	(—)7037	11498		4810
1975-76	(—)2065	(—)5781	7279		2497
1976-77	(—)3054	(—)8632	25911		4241
1977-78	(—)7418	(—)13503	39414		9105
1978-79	(—)14656	(—)23793	63207		18887
1979-80	(—)12446	(—)12905	76112		6776

[Figures are provisional for the years from 1978-79 pending finalisation and audit of financial accounts of all units.]

5.2. The principal reasons for losses are stated to be uneconomic pricing policy of coal adopted by the government and shortfall in production. There were significant variations between budgeted and actual losses. These were stated to have been caused by increase in wages, steep rise in the prices of critical imports, shortfall in production and related factors. When the Committee pointed out that irrespective of reasons for variation, year after year variation in budgeted and actual losses indicate some defect in the budgeting technique, the Chairman, CIL admitted it in the following words:—

"Very right. It indicates two things. Firstly, our budgetary system is not sensitive to anticipation of the variation which it can expect and, when the variation occurs, the price system is totally insensitive to the adjustments in realisation. It is a two-way impact. One one side, there is an element of inability to forsee the type of wage agreement and to make a provision for that and, on the other side, when the thing occurs, the system does not respond in giving us the price. For example, the agreement (wage) was signed in December. It was known that there will be an additional expenditure of Rs. 28 crores. That provision should have been made. If that had been done, it would have hardly any difference left. This seems to be happening year after year. Therefore, both the things have to be done. The prices administration has to be more sensitive and, at the same time the sensitivity in the budget also should improve."

A. Annual Accounts

5.3. Since the incorporation of Coal India Ltd. on 1st November, 1975, finalisation and auditing of its accounts were in arrears. Accounts from the year 1976-77 onwards have not yet been presented to Parliament. It has been stated that by March, 1981, Coal India will be able to finalise its accounts upto the year 1979-80 and will present them to Parliament by May, 1981*. Pointing out the serious lapse of non-finalisation of accounts, the Committee observed that it was a sad commentary on the management. To this, the Chairman, Coal India reacted saying:—

> "I cannot disagree with you on this view. You are perfactly justified in pressing this opinion and feeling."

He added that the system of accounting has improved a lot and now Coal India has been getting financial analysis regularly.

5.4. In the course of examination of the Department of Coal the Committee raised the question of delay in finalisation of accounts in the context of the responsibility of government of reviewing the working of Government Companies and placing their accounts on the Table of Parliament within the time stipulated in the Companies Act 1956. The Additional Secretary of the Department stated "we are quite conscious of this fact". He added that much of the problem arose as a result of the fact that Coal India was created in 1975 in the middle of the financial year and there was some problem in dividing up the assets and breaking up the accounts of CMAL into

*During factual verification the Ministry of supply (Department of Coal). informed that "CIL will be in a position to finalise the accounts upto the year 1978-79 which will be presented in the current session of Parliament.

different company accounts. This initial delay of preparing split year accounts and the problem of dealing with a large number of auditors involved in finalisation of accounts was more or less carried forward. The Coal India applied to the Company Law Board seeking condonation for delay in finalisation of the accounts but the representative of the Ministry could not say if condonation for delay had been formally conveyed to them.

5.5. When it was pointed that for budgetory control proper system of accounts was needed and if the accounts were in arrears, there could be no control, the Chairman, CIL stated that:—

> "I totally agree with you. The accounts for the first four or five years have been in arrears. They were not responding fast enough nor was our cost accounting and financial accouting integrated. But we had to depend on cost accounts for this purpose of monitoring. This does bring in some variation to particularly elements which are variable. The cost accounting system gives us some control on that. About the elements which are not variable, the fixed costs, in the total expenditure, we get the control by way of financial accounting. The most desirable thing will be to integrate both the financial accounts and the cost accounts. That is the system on which we are just working in different areas. We are now integrating both the accounts. We could not have done it earlier because the compilation of accounts was very much in arrears. There was no point in integrating them. It is now that we have cleared arrears and we have covered three or four years' accounts. Next year, we should be able to integrate the two accounts."

5.6. The Additional Secretary, Department of Coal stated that the Ministry had become aware of the fact that there was no proper integration of the two types of accounts. He added that reason for this situation was acute shortage of personnel in accounts and finance in coal fields.

B. Economic Cost Benefit analysis

5.7. The CIL had earlier submitted to the Committee in connection with their on the spot study a note indicating the economic benefit of the operations of the Coal Companies although there have been heavy financial losses. The Committee desired to know whether any scientific economic cost benefit analysis of the working of coal companies had been made at any time. The CIL submitted a further note as follows:—

"Exercises to quantify social-cost benefit ratio would involve use of multi-sector economic models incorporating a vast amount of information relating to the different sectors of the economy. Particularly, this would involve determination of shadow prices of a large number of commodities and services. Such exercises are better undertaken by the Planning Commission and/or national level economic research organisations which are competent and equipped in this respect.

It is, however, possible to roughly indicate a cost-benefit ratio for Coal India by adjusting the major input and output prices of coal. It is unlikely that such an estimate would be widely different from the estimate thrown up by a more detailed scientific exercise.

Major input of the coal industry is still labour. Salaries and wages account for about 65 per cent of the total cost of production. A major part of this expenditure is in the form of wages to unskilled labour. The ratio of shadow wage rate to market wage rate worked out by different economists in the country indicate an average ratio of about 0.7. Since the other costs form a small part of total production costs and the materials and non-labour services which the coal industry purchases are unlikely to have a very high ratio of shadow price to market price, these costs may not be adjusted without risk of high error.

As for the benefits of a tonne of coal produced, the opportunity cost of importing coal or supplying alternative fuel (oil) could be taken as a indicative shadow price. Coal prices in the international market were 2.5 times to 6 times of Indian prices in 1977. Since then coal prices in the international market has been rising. Again, the ratio of prices of Coal and imported crude per tonne of coal equivalent in about 1:8. Similarly, the ratio of landed cost of coking coal imported in recent times to the price of domestic coking coal adjusted for differences in quality (assuming 1 tonne of imported equal to 1.2 tonnes of domestic coal) works out to about 2.5:1 to 3:1. The above comparison is at official exchange rate and not at the shadow exchange rate and hance gives a conservative picture of the relative cheapness of Indian coals. In other words, one could take a ratio of 2:1 between shadow price and market price of India coal as a very conservative estimate.

By adjusting the wages costs and price of coal in the manner indicated in foregoing, the benefit cost ratios (per tonne of net saleable coal) for 1979-80 work out to be as follows:—

ECL	*BCCL*	*CCL*	*WCL*	*Coal India*
1.8:1	2:1	2.9:1	2.4:1	2.2:1

It must be noted, however, the above estimates are very broad and indicative. In particular, it may the pointed out that the benefit-cost ratios largely depend on the shadow price assumed for Indian Coals. Given the international to domestic price ratios and the premium on foreign exchange, the above estimate of Benefit-cost ratio of 2.2:1 per tonne of coal for Coal India is very conservative. Probably, the ratio of shadow price to market price lies in the region of 4.0 to 5.0. Even with 4.0, the Benefit cost ratio for Coal India works out to 4.5:1."

5.8. While examining CIL the Committee asked whether it was not necessary to undertake cost benefit analysis periodically and whether the CIL got the feed back from BPE and the Planning Commission about the cost-benefit analysis of major projects. The Chairman, CIL stated in evidence:—

"These studies are not made by us. We did one or two after your last visit and your questionnaire. We have a problem; there is no regular feed back either from the Planning Commission or from the B.P.E. on the shadow prices. Lots of studies were done by the Planning Commission side. We are not doing it. All these will have to be industries-wise and could not be units-wise."

5.9 The Additional Secretary of the Department of Coal added, that:

"The pattern of appraisal of projects that is being done is really something that is laid down by the Planning Commission and in the Finance Ministry. So far as we know there has not been a pattern of system to carry out economic cost benefit analysis in respect of coal products because this would require a certain greater degree of sophistication in the analysis and without a specific policy of Government requiring this type of analysis, we have not been able to undertake it."

5.10. Asked if it would be possible to undertake the analysis in consultation with the Planning Commission, he said:—

"It would be possible. It requires a sort of more sophisticated analysis and a much more data to be tabulated. But it is certainly possible to do it."

It is seen that the calculation of economic cost and benefit furnished by the CIL takes into account a shadow price for coal and a shadow wage rate. According to a note submitted to the Committee by the Planning Commission "in the case of coal projects, the output is not treated as tradeable and the assessment is in terms of the need, given identified coal demands and linkages and the cost of production". It appears that the Bureau of Public Enterprises adopts a shadow wage rate of 40 to 70 per cent depending on the project as against 70 per cent assumed by the CIL.

5.11. The total investment in the coal companies is of the order of Rs. 1343.31 crores consisting of Rs. 813.13 crores equity capital and Rs. 530.18 crores plan loan upto the end of March 1980. The cumulative losses were of the order of Rs. 761.52 crores. Although the estimated loss for the year 1979-80 was Rs. 129.05 crores, it is expected to go up to Rs. 166 crores and to this extent cumulative losses will be more. The coal companies as a whole have incurred cash losses since 1974-75 and have not generated any internal resources for investment. The picture thus is very bad. The Committee agree the principal reason for the losses is the unrealistic pricing policy adopted by the government. However, part of the losses could be traced to the shortfall in production, lack of cost control and underutilisation of factors of production, especially labour

5.12. The Committee take a very serious view of the inordinate delay in the rendering of accounts by the Coal India. The Annual Report for the year 1976-77 is yet to be laid before Parliament. It is the responsibility of the government to ensure finalisation of accounts and laying them before Parliament within the time stipulated in the Companies Act i.e. 9 months from the close of a year. Whatever be the reason it should not have taken more than 3 years for presenting the Annual Report for the year 1976-77. The Committee

trust that such delays would not occur in future and the Coal India would keep its promise of completing all the accounts upto 1979-80 for presentation to Parliament by May, 1981.

5.13. The budgetary system in the coal companies needs refinement. Admittedly, realistic budgeting and budgetary control were not possible because financial accounts were in arrears all these years. Further, the cost accounts and the financial accounts were not properly integrated and reconciled. It is no wonder, therefore, that there is no effective cost control mechanism in the coal companies. These deficiencies should be remedied without delay.

5.14. A redeeming feature that came out of the Committee's examination of the Coal India is that the economic benefit cost ratio per tonne of net saleable coal, as roughly worked out by the coal India for the year 1979-80 was 2.2.1 which shows that despite financial losses, economically the coal production is still a profitable proposition. The Committee have, however, noticed that whereas the Planning Commission had intimated to them that in working out economic benefit coal is not treated as a tradeable commodity in international market, the Coal India had taken a higher shadow price for its calculation. However, apparently a higher shadow wage rate of 70 per cent of the actual cost has been taken by the Coal India in working out cost. Anyhow, the Committee feel strongly that the analysis of economic costs and benefits of the nationalised coal industry should be undertaken on a scientific basis, in consultation with the Planning Commission, at periodic intervals in order to assure all concerned that the industry is productive, simultaneously taking steps to economise on the use of men, machinery and other inputs progressively.

C. Monitoring and Appraisal

5.15. The Committee have been informed that a number of daily and monthly reports are sent to the Ministry by the CIL and its subsidiaries besides a quarterly, a half-yearly and an yearly report by the CIL. Coal India also sends a daily report of production, despatch and stock of coal to BPE beside a monthly performance report. The Committee desired to know the extent of overlap in the review of reports. The Additional Secretary Department of Coal stated in evidence:—

> "As far as the Department of Coal is concerned, the daily reports we get refer to daily production, daily loading of

wagons, daily power supply and detention of wagons. These are the main items that we go into. I do not think the BPE get all these reports. Coal India do get it. It is possible that there is an element of overlapping. But the position is that when the Government as a whole is monitoring the coal sector as closely as it is being done today and when this matter is the subject to review at a very high level frequently, it is necessary for us to have this uptodate information to be able to assess it on a week to week basis. BPE has no direct involvement in this. I do not think they make any particular use of it."

5.16. Prior to 1975, the ministries were expected to take at least two meetings in a year to review the performance of public enterprises and thereafter 4 meetings, associating the representatives of the BPE and Planning Commission. The Ministry has, however, intimated that during the period 1977-78 to 1979-80, the Department of Coal has not undertaken any performance appraisal of the Coal Companies associating the representatives of the BPE and Planning Commission. When the Committee referred to this the Additional Secretary, Department of Coal stated that though BPE and Planning Commission were independently reviewing the performance and scrutinising the project proposals no formal quarterly review was done by the Department of Coal associating the Planning Commission and the BPE. He, however, conceded the need for it.

5.17. On the whole, the Committee have received an impression that the coal sector is the weakest in the matter of monitoring. The Department of Coal has not undertaken any performance appraisal of the coal companies associating the representatives of the BPE and the Planning Commission in the manner prescribed by government. While owning this lapse, the Additional Secretary, Department of Coal, pleaded before the Committee that the Department of Coal had a system of reviewing the performance even on daily basis. This does not quite impress the Committee as there are areas where advice of the Planning Commission and BPE are necessary. In future the review meetings should be organised in the manner already laid down.

5.18. Incidentally, the Committee noticed that if anything there is duplication of efforts in the matter of monitoring and appraising the performance of the coal companies, unsatisfactory as these are at present. For instance, daily reports on production, despatch and

stock of coal are sent by the operating companies to Coal India, Department of Coal and BPE. The Committee doubt the utility of such reporting to various department|organisations on a daily basis. The management information system should, therefore, be critically examined and the pattern, periodicity and the destination altered in a manner that the system really becomes meaningful.

NEW *DELHI*;
9, *April*, 1981
Chaitra 19, 1903 (*S*).

BANSI LAL,
Chairman,
Committee on Public Undertakings.

APPENDIX

Summary of Conclusion/Recommendation

S.No.	Para No.	Conclusion/Recommendation
1	2	3
1	1.21	After nationalisation of coal industry in two stages—coking coal mines in October 1971 and non-coking coal mines in January 1973—the industry was organised as two operating companies, namely, Bharat Coking Coal Ltd. and Coal Mines Authority Ltd. Under the latter, there were three divisions, eastern, western and central, each headed by a Managing Director. In October 1974, a separate Department of Coal was created in the Ministry of Energy. The management structure of the coal industry was reorganised in November 1975. Coal India was set up as a holding company with a view to having a corporate body capable of taking major decisions and to act as a principal advisory body on coal operations and coal policies of government, besides relieving the government of commercial decisions. The BCCL and the three divisions of CMAL became subsidiary companies of the Coal India. The Chairman of the holding company was made the Chairman of the subsidiary operating companies.
2	1.22	The Committee were informed that on a feeling that there was too much of centralisation in the Coal India, certain structural changes were made in 1977. The feeling did not appear to the Committee to have been well-founded. The Committee's examination revealed that the changes have rendered the Coal India ineffective, if not totally irrelevant, the subsidiaries having become practically independent and answerable

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		directly to the government. Though the ultimate owners of the coal companies are the government, legally the holding company ought to have complete control over its fully owned subsidiaries. There has to be unity of command and blurred responsibility has to be avoided. While agreeing with the Committee that the changes were not in the desirable direction, the Additional Secretary, Department of Coal, informed the Committee that the management structure of the coal industry was again under examination by the government and that the tentative thinking was that the industry should be organised on the pattern of Steel Authority of India Ltd. The Committee regret that the concept of the holding company has not been given a fair trial. It is unfortunate that within two years of the formation of the Coal India as a holding company changes, which diluted its role, were made and now it is proposed to abandon the concent of the sectoral holding company altogether
3	1.23	A holding company is an institutionalised buffer between the government and the management of the individual operating enterprises in the public sector that is necessary to produce *inter alia* the insulation from outside pressures on the operating companies. The accountability of the operating companies to government and Parliament could be secured through the holding company. The Committee, therefore, feel that notwithstanding the tentative thinking of the government to further reorganise the coal industry in a manner that would more or less put it back to the position obtaining prior to 1975, the concept of holding company should be given a fair trial. Frequent radical structural changes in a vital industry like coal would be counter productive. If the Coal India is converted into an operating company it could become unwieldy even with a divisional set up. Under

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		the existing structure itself, the operating companies could be divided into suitable number of divisions and overall coordination and control could be exercised by the holding company. The holding company ought to be clothed with sufficient authority to discharge effectively its responsibilities. The control over the nationalised coal industry by the Department of Coal, which should be lightly staffed, ought to be minimal. The Committee trust that their views would be taken into account by government while making further changes to remove the anomalies that were created in 1977.
4	2.5	As per the present reckoning our country possesses just around 1 per cent of the world's coal reserves. While reserves of non-coking coal in the country are expected to last for about 350 years, those of coking coal are expected to last only for about 50 years. The Committee note that in terms of both the area and the depth covered, the coal prospecting work is not yet complete, although the work has been stepped up after nationalisation. A sum of Rs. 45 crores has been spent on prospecting during the five-year period 1974—79 and a provision of Rs. 70 crores has been made in the Sixth Plan. In the context of the present energy crisis, the necessity of exploring coal deposits assumes enormous significance. Further, the Committee have been informed that with the geological data now available, it is not possible to identify several feasible projects in order to make selection. The Committee desire that the prospecting work and the collection of data should be intensified and if it becomes necessary to augment the Plan out-lay for this purpose, it should be done.
5	2.11	Total investment in the form of capital expenditure in the coal companies during the period 1974—79 was of the order of Rs. 832 crores, of which Rs. 687 crores were on mines. The increase

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		in production achieved was 13.5 million tonnes, as against the anticipation of 19 to 20 million tonnes. The investment per tonne of incremental production on reorganisation/reconstruction of mines worked out to Rs. 179 as against estimate of Rs. 116 and that on new mines worked out to Rs. 265 as against the estimate of Rs. 136. The increase has been explained as due to escalation of cost of projects. Thus, on the one hand there is reduction of benefits and on the other increase in cost. The Committee have received an impression that the project planning, implementation, monitoring and appraisal have not been organised properly in the coal companies. This should be strengthened especially in view of the need for substantially stepping up the capital investment in the coming years.
6	2.12	There are 7 major projects each costing more than Rs. 20 crores currently under execution which are delayed for more than one year and have suffered major cost escalation. These projects were expected to achieve additional production of 12.98 million tonnes. The aggregate sanctioned cost of these projects is Rs. 152.36 crores, but the anticipated cost is of the order of Rs. 353.67 crores Thus, the cost escalation would be about 133 per cent. Despite such huge increase, sanction for the revised estimates does not appear to have been obtained promptly in regard to any of these projects. Two of these projects have been already delayed for more than 10 years and in one of these two projects, namely, Monidih (BCCL), the anticipated cost is Rs. 88.9 crores against the sanctioned cost of Rs. 17.25 crores. Undoubtedly, reappraisal of the projects on the basis of the anticipated cost would show that most of them, if not, all are uneconomic. The Committee suggest that there should be a critical study of the position in association with the Planning Commission and the

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		BPE to see what really inhibits the timely execution of projects in coal companies and what is responsible for such huge escalation of cost. On the basis of the study, appropriate corrective measures should be taken.
7	3.7	The assessment of coal demand is an inter-disciplinary and inter-departmental exercise. It, however, does not appear to have been refined to an extent that the coal industry could plan ahead its production on a fairly reliable basis. The actual offtake during the years 1974—77 fell significantly short of the projected demand leading to heavy accumulation of pit-head stocks, which must have created serious operational and financial problems to the coal companies. The assessment of the demand for the years 1976—79 was scaled down 2-3 times and the demand for the year 1978-79 was finally put at 114.57 million tonnes as against the original assessment of 135 million tonnes. The bulk of the slippage in demand materialisation has been in the power and steel sectors which together account for half of the total coal consumption in the country. Evidently, the demand is inflated by various consuming sectors. There is, therefore, a need for at least a test-check of the reasonableness of the demand of the consuming sectors. For this purpose, a system of feedback from the organised consuming sectors should be introduced and a sample verification done in respect of the consumers in the unorganised sector. Incidentally, this would also give an idea about the extent of un-fulfilled demand. The gestation period of underground mines going upto 9 years, it is, necessary to have a long-term forecasting of demand, say, 10 years ahead and it should be corrected every year. The methodology of forecasting of demand should therefore be gone into in consultation with the Planning Commission

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		taking into account the observations of the Committee.
8	3.14	The production of coal during the years 1977-78 to 1979-80 was 88.96 million tonnes, 90.05 million tonnes and 91.42 million tonnes respectively and the production was short of the targets fixed. The index of efficiency of production is the extent of utilisation of the installed capacity. Surprisingly, no scientific assessment of production capacity of the coal-mines, which were opened prior to nationalisation, has been made as yet. However, currently some exercise has been taken up to assess the capacity so that production could be reviewed against the capacity. In respect of the mines which were opened after nationalisation—these are about a fourth of the total number of mines—though there is some assessment of capacity at the project report stage, it appears that no systematic monitoring of actual production vis-a-vis installed capacity has been made. The Committee would urge that the assessment of the capacity of all the mines should be completed without delay and from the year 1981-82, the utilization of the capacity of each mine closely watched by the coal companies and the Coal India as well as the Department of Coal so that extent of inefficiency could be identified and dealt with suitably.
9	3.30	The shortfall in production compared to the original target was 19.86 million tonnes during the period 1978-79 and 1979-80. Acute shortage of power in the eastern region, scarcity of critical inputs like cement, iron and steel and spare parts besides absenteeism, bad industrial relations and law and order problems in the eastern sector are reported to have affected production badly. Coal companies as a whole are reported to have lost production to the extent of 3.62 million tonnes in 1978-79 and 6.927 million tonnes in 1979-80 on

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		account of shortage of power alone. High rate of absenteeism resulted in loss of production to the extent of 3.967 million tonnes in 1978-79 and 5.7 million tonnes in 1979-80. Loss of production in 1979-80 on account of industrial relations has been computed as 0.66 million tonnes. Further, estimated loss of production on account of obstruction of opening of new mines by local youth demanding employment and other terms which are stated to be not feasible for efficient performance is of the order of 2.88 million tonnes per year. The CIL has also reported that unbriddled operation of a few 'Matia type gangsters' has demoralised the management and the supervisory staff in the eastern region. It is anybody's guess as to how much this has affected production performance of the coal companies in that region. All this add up to a situation which is intolerable.
10	3.31	The Committee have been told that the power supply from DVC which was 50 per cent of the demand went up to 90 per cent during mid-November to Mid-December 1980 decreased to 60—65 per cent thereafter. Though the DVC has agreed in principle to accord priority for supply of power for coal production next to traction, it could not give effect to it for want of power. In this connection the Committee desire that streamlining of distribution system for power in the coal fields isolating non-coal load from coal feeders should be done early so as to ensure higher priority for coal mines within the existing constraints of power availability. The Committee have already examined the working of DVC and reported on it in their 16th Report.
11	3.32	The Coal Companies do not get DVC power entirely directly. A part of the supply is through the Bihar State Electricity Board and the Bihar Government is reportedly against allowing direct supply on the ground that it would result in loss

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		of revenue to the Board. However, even after the DVC agreeing to compensate the loss, the Bihar Government is reported to have maintained their stand. The Committee suggest that this question should be taken up by the Centre with the State Government at the Chief Ministers' level.
11	3.33	The Committee received an impression after examining the SAIL (CMO) that virtually unrestricted imports are taking place under the back-to-back scheme to make good the shortage in domestic production. It is, therefore, strange that the coal companies should suffer for want of steel. The Department of Coal should take up with the Department of Steel to expedite the supply on a priority basis. Further, government should review the system of provisioning and availability of spares for equipments. There has to be some arrangement for fabricating spare parts for the old equipments though the manufacturer may have switched over to new equipments. Scarcity of critical inputs should be subject to detailed review at the performance review meetings of the Department of Coal for taking steps at the Government level to get over it as it is beyond the control of the coal companies.
12	3.34	The Committee feel that absenteeism among workers could be reduced by the management to a large extent by creating conditions congenial for the workers. These could be in the nature of partial mechanisation of work to remove drudgery. improved housing facilities, better motivation of workers, etc. A plan of action in this direction should be drawn up and implemented in all the companies under a time-bound programme.
13	3.35	It is distressing that in ECL, 8 inclines which have touched coal and are ready for production could not be started due to obstruction by local youths. Expenditure of Rs. 941.05 lakhs incurred

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		upto December 1980 thus remain unproductive. Further, another 7 inclines could not be developed due to obstruction. What causes grave concern to the Committee is the reported law and order situation in the Bengal-Bihar coal areas in general and the gangsterism operating in a few places. The incidents are however reported to be less now in Bihar coal areas. The three-tier system of coordination at the level of district authorities/Secretaries and the Ministers to tackle this problem should be closer and the security force should be strengthened at vulnerable points. The Committee would await the details of further steps taken in this regard. It is the responsibility of the Ministry of Home Affairs and the concerned State Governments to see that the coal companies are allowed to function unimpeded by anti-social elements.
14	3.39	As ment'oned earlier in this Report, the actual offtake of coal by the consuming sectors fell short of the demand during the period 1974—1977 with the resultant increase in the pit-head stocks. The stocks were 13.64 million tonnes as at the end of March 1977. The production tempo and development activities were reportedly slowed down. Having regard to the gestation period of coal production from new mines—it is 2 to 3 years in the case of open cast mines and 7 to 9 years in the case of underground mines—the Comm'ttee cannot but deprecate the decision, covert or overt, to slow down development work especially in the context of the demand picking up lately and the industry's inabil'ty to meet the damand. The Committee trust that in future on the basis of a realistic long-term forecasting of demand, production plans will be drawn up as recommended by them and the plans for development of mines adhered to irrespective of short-term constraints, coal being an important input for industrial production.

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15	3.49	There was a gap of 21.5 million tonnes between demand and supply of coal during 1978-79 and 1979-80. According to CIL, given adequate relief in despatch bottleneck and improvement in power supply position, the requirement of coal for the power sector, railways and cement industry could be met fully. There appears to be shortage of soft coke. The Committee desire that steps should be taken to increase the production to cater to the consumers especially in the household sector. As regards the steel sector, the production of washed coking coal had dropped to 7.62 million tonnes during 1979-80 from the level of 8.23 million tonnes in 1978-79 and the demand was of the order of 20.99 million tonnes and 21.54 million tonnes during the years 1978-79 and 1979-80 respectively. The Committee desire that the facilities for washing coal should be augmented early and the utilisation of existing washeries stepped up.
16	3.50	Incidentally the Committee heard that there was some rethinking on transfer of ownership of four coal washeries from SAIL to BCCL. Earlier, it was felt that it would be good if the ownership should vest with the company which produced coking coal rather than the one which used. These washeries are now being managed by BCCL and on account of ownership still resting with the SAIL there is reportedly uncertainty and delay in investments apart from operational problem. The Committee having been convinced of the advantages of these washeries's ownership vesting with the coal company, recommend that the ownership should be transferred by SAIL forthwith.
17	3.62	Nearly 70 per cent of coal movement takes place by rail. In view of railway bottleneck road movement has been steadily increasing. The Committee need hardly point out that it is an economic waste to allow cheap coal to be

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		moved by trucks on long haul which makes for inefficient use of scarce and highpriced diesel. Therefore, it is necessary to see that there are no serious problems in regard to railway wagon availability. According to CIL, the shortage of wagons was around 2,000 per day. The Committee have been assured by a representative of the Railway Board that at present there is no shortage of wagons. The constraint is reportedly caused by 'inefficiency, slackness and indiscipline' in both the sectors, *i.e.*, railways and coal. The Committee are inclined to agree with this view. In future whenever there are complaints in the nature of detention to wagons or otherwise there should be joint enquiry by the Railways and coal authorities and immediate remedial measures taken to ensure smooth and speedy movement of coal. A machinery for this should be set up.
18	3.63	A curious aspect of the railway movement of coal that came to the notice of the Committee is that there have been large-scale unilateral diversion of coal wagons by railways to consumers other than to whom they were consigned. The amount of sale dues to coal companies against such diverted rakes are stated to be about Rs. 1 crores as at the end of December 1980. Though the representative of the Railway Board in evidence before the Committee tried to justify the practice, the Committee are constrained to observe that Railways should confine themselves to the role of carriers and should not arrogate to themselves the role of distributors. Besides, the practice appears legally untenable and it should cease forthwith. In future should such diversion become necessary, the consignor should invariably be consulted and the consignee should also be consulted in case payment for the coal has been made.

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19	3.72	Concern has been voiced in different quarters about corrupt practices in the coal companies. An in-depth survey of malpractices in the Dhanbad Coal-field area by CBI teams has brought to light several malpractices in sale and movement of coal, award of contracts and purchase orders, reporting of stocks etc. Involvement of senior officials of coal companies is clearly indicated and cases have also been registered against them. CIL has also reported that in several compaines investigation of shortages in stock is going on. Although admittedly several cases of pilferage of coal by dealers had come to notice and coal was recovered, prosecution does not appear to have been launched in any case so far. Further, in a demi official letter written on 7 April, 1980 to the CMD, WCL, the then Secretary of the Department of Coal highlighted the complaint about over-reporting of production and the managerial dishonesty involved in it. He pointed out that the practice led to unauthorised payments to workers, vitiation of colliery atmosphere leading to indiscipline and cheating of consumers. The Committee are distressed at the state of affairs. It is imperative that immediate action is taken to correct the situation. The Committee expect from public undertakings honest and efficient conduct of business. Clearly there is need for strengthening the vigilance set-up in the coal companies. Delinquent officials should be awarded deterrent punishment. Further, on the basis of the typology of malpractices that have come to light so far and their modus operandi, procedures and practices should be streamlined to have inbuilt safeguards against malpractices. This may be done in consultation with the Audit and the investigating agencies like CBI. One of the contributory causes of malpractices seems to be the contract system in operation

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		in the Coal Companies. The handling work should therefore be gradually departmentalised.
20	4.8	The cost control in coal companies leaves much to be desired. Overall the average cost of production per tonne increased from Rs. 68.76 in 1974-75 to Rs. 106.98 in 1979-80. There is wide disparity among the companies in the matter of the cost of production. There has also been disproportionate increase in the cost overtime. For instance the cost went up from Rs. 63.64 in 1974-75 to Rs. 141.21 in 1979-80 in ECL whereas the increase was from Rs. 53.39 to Rs. 96.35 in CCL and from Rs.43.91 to Rs. 90.43 in WCL.
21	4.9	Productivity in terms of tone of output per Man Shift (CMS) which was 0.58 immediately after nationalisation had risen to 0.67 in 1977-78 and remained more or less stationary thereafter. There is wide disparity in the productivity achieved by the companies. For underground mines it ranged from 0.46 in ECL to 0.75 in WCL in 1979-80 and that for open-cast mines from 0.64 in northeastern coalfields to 2.92 in WCL. Whatever be the mining method. geological condition and technology, this huge disparity should not be there. The Committee, therfore, desire that norms should be evolved on the basis of industrial engineering studies for assessing the efficiency and progressively improving the performance. Reliable inter-firm comparison should also be made to ensure that production and productivity are optimal in all the companies.
22	4.20	It was urged before the Committee that the major factor contributing to losses in the coal industry has been inappropriate pricing policy pursued by Government so far. The administered price has not covered the cost of production. It has been pointed out that while the coal industry has to sustain losses it has subsidised the

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		major coal consuming sectors like steel, power and railways. The ratio of steel prices to coal prices is stated to be 100:6 in India in 1977 compared to 100:16 in the USA. 100:9 in the U.K., 100:19 in West Germany and 100:35 in France. The terms of trade between steel and coal sectors is thus unfavourable for coal sector in our country. In the case of power sector also the unit cost of coal supplied to power houses is reportedly lower in India. In absolute terms also the price of Indian coal is very low. Further, the coal industry is known to have been heavily subsidised in Western countries. That there is a case for a more realistic pricing of coal has clearly emerged out of the examination of the Committee. The price should be such that it would enable the coal companies to generate sufficient internal resources to meet to some extent future investment needs. Such price fixation should be an annual feature. The Committee would suggest in this connection that before any major increase in price of coal is allowed, there should be an independent examination of the cost efficiency of the coal companies. The Committee would also suggest that the desirability of differential prices should be considered so that end products using coal may not be grossly subsidised where unwarranted. It is common knowledge that coal is already carried by road for non-priority private industries at a heavy cost. In such a situation dual pricing with a higher price for non-priority sectors could cut down losses of coal companies without affecting the priority sectors of industry and weaker sections of society. It should be noted that since nationalisation, the coal industry has not generated even a paise of internal resources. It is also equally worth noting that in a scarcity situation as it is obtaining now a black market in coal

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		seems to thrive and there is profiteering on coal.
23	4.21	Incidentally it has come to the notice of the Committee that uneconomic coal mines have been opened to feed new power stations nearby. The power houses derive the advantage to the extent of normal freight element of the cost. The annual loss on 12 such coal projects is stated to be of the order of Rs. 10.24 crores. There must be some method of compensating for the losses of this kind if deliberately uneconomic mines had to be opened.
24	5.11	The total investment in the coal companies is of the order of Rs. 1343.31 crores consisting of Rs. 813.13 crores equity capital and Rs. 530.18 crores plan loan up to the end of March 1980. The cumulative losses were of the order of Rs. 761.52 crores. Although the estimated loss for the year 1979-80 was Rs. 129.05 crores, it is expected to go up to Rs. 166 crores and to this extent cumulative losses will be more. The coal companies as a whole have incurred cash losses since 1974-75 and have not generated any internal resources for investment. The picture thus is very bad. The Committee agree that the principal reason for the losses is the unrealistic pricing policy adopted by the government. However, part of the losses could be tracted to the shortfall in production, lack of cost control and underutilisation of factors of production, especially labour.
25	5.12	The Committee take a very serious view of the inordinate delay in the rendering of accounts by the Coal India. The Annual Report for the year 1976-77 is yet to be laid before Parliament.

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		It is the responsibility of the government to ensure finalisation of accounts and laying them before Parliament within the time stipulated in the Companies Act *i.e.* 9 months from the close of a year. Whatever be the reason it should not have taken more than 3 years for presenting the Annual Report for the year 1976-77. The Committee trust that such delays would not occur in future and the Coal India would keep its promise of completing all the accounts up to 1979-80 for presentation to Parliament by May 1981.
26	5.13	The budgetary system in the coal companies needs refinement. Admittedly, realistic budgeting and budgetary control were not possible because financial accounts were in arrears all these years. Further, the cost accounts and the financial accounts were not properly integrated and reconciled. It is no wonder, therefore, that there is no effective cost control mechanism in the coal companies. These deficiencies should be remedied without delay.
27	5.14	A redeeming feature that came out of the Committee's examination of the Coal India is that the economic benefit cost ratio per tonne of net saleable coal, as roughly worked out by the Coal India for the year 1979-80 was 2.2.1 which shows that despite financial losses, economically the coal production is still a profitable proposition. The Committee have, however, noticed that whereas the Planning Commission had intimated to them that in working out economic benefit coal is not treated as a tradeable commodity in international market, the Coal India had taken a higher shadow price for its calculation. However, apparently a higher shadow wage rate of 70 per cent of the actual cost has been taken by the Coal India in working out cost. Anyhow, the Committee feel strongly that

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		the analysis of economic costs and benefits of the nationalised coal industry should be undertaken on a scientific basis, in consultation with the Planning Commission, at periodic intervals in order to assure all concerned that the industry is productive, simultaneously taking steps to economise on the use of men, machinery and other inputs progressively.
28	5.17	On the whole, the Committee have received an impression that the coal sector is the weakest in the matter of monitoring. The Department of Coal has not undertaken any performance appraisal of the coal companies associating the representatives of the BPE and the Planning Commission in the manner prescribed by government. While owning this lapse, the Additional Secretary, Department of Coal, pleaded before the Committee that the Department of Coal had a system of reviewing the performance even on daily basis. This does not quite impress the Committee as there are areas where advice of the Planning Commission and BPE are necessary. In future the review meetings should be organised in the manner already laid down.
29	5.18	Incidentally, the Committee noticed that if anything there is duplication of efforts in the matter of monitoring and appraising the performance of the coal companies, unsatisfactory as these are at present. For instance, daily reports on production, despatch and stock of coal are sent by the operating companies to Coal India, Department of Coal and BPE. The Committee doubt the utility of such reporting to various departments/organisations on a daily basis. The management information system should, therefore, be critically examined and the pattern, periodicity and the destination altered in a manner that the system really becomes meaningful.