C. P. U. No. 451

COMMITTEE ON PUBLIC UNDERTAKINGS (1981-82)

(SEVENTH LOK SABHA)

THIRTIETH REPORT

Action Taken by Government on the recommendations contained in the Seventeenth Report of the Committee on Public Undertakings (Seventh Lok Sabha)

ON

COAL INDIA LTD.
(MINISTRY OF ENERGY—DEPARTMENT OF COAL)

Presented in Lok Sabha on :........ 26 MAR 1982

Laid in Rajya Sabha on :........

LOK SABHA SECRETARIAT
NEW DELHI

March, 1982/*Pausa*, 1903 (*Saka*)

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Thirtieth Report of the Committee on Public Undertakings (1981-82) on the Action Taken by Government on the recommendations contained in the Seventeenth Report of C.P.U.(Seventh Lok Sabha) on Coal India Ltd.

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(1981-82)

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Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*

Shri S. P. Chanana—*Senior Financial Committee Officer.*

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* Ceased to be a Member consequent on his appointment as Deputy Minister on 15 January, 1982.

ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1981-82)

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5. Shri Darur Pullaiah
6. Shri Nagina Rai
7. Shri K. Ramamurthy
8. Shri Lal K. Advani
9. Shri Shrikant Verma

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 30th Report on Action Taken by Government on the recommendations contained in the 17th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Coal India Ltd.

2. The 17th Report of the Committee on Public Undertakings was presented to Lok Sabha on 16 April, 1981. Replies of Government to all the recommendations excepting reply to recommendation No. 23 were received on 13 November, 1981. Reply to recommendation No. 23 was received on 26 November, 1981. Further information in respect of 4 recommendations was called for from the Ministry. The information was received in batches and the last batch was received on 23 February, 1982. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 4 March, 1982. The Report was finally adopted by the Committee on Public Undertakings on 8 March, 1982.

3. Analysis of Action Taken by Government on recommendations contained in the 17th Report of the Committee is given at Appendix.

NEW DELHI:
March 9, 1982.
Phalguna 18, 1903 (*Saka*).

BANSI LAL,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the Seventeenth Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Coal India Ltd., which was presented to Lok Sabha on 16 April, 1981.

2. Action Taken Notes have been received from Government in respect of all the 29 recommendations contained in the Report. The recommendations have been categorised as follows:—

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

Serial Nos. 1 to 15, 17 to 21 and 24 to 29.

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

Serial No. 23.

(iii) *Recommendations/Observations to which final replies of Government are still awaited*:

Serial Nos. 16 and 22.

The Committee will now deal with action taken by Government on some of their recommendations.

A. *Shortage of Soft Coke*

Recommendation (Serial No. 15, Paragraph 3.49)

3. According to theCommittee there appeared to be shortage of soft coke and they desired that steps should be taken to increase the production to cater to the consumers especially in the household sector. The reply of the government, however, does not indicate the steps taken in this regard. Nevertheless, the Committee trust that this need would be kept in view.

B. *Inbuilt safeguards against malpractices*

Recommendation (Serial No. 19, Paragraph 3.72)

4. The Committee had desired that in addition to taking deferrent action against the delinquent officials, procedures and practices should be streamlined to have in-built safeguards against malpractices, on the basis of the

typology of malpractices that have been come to light and their *modus operandi* and in consultation with the Audit and the investigation agencies like C.B.I. . Though punitive action has been taken, no preventive stop of this kind appears to have been taken by the Ministry. The Committee would, therefore, commend this once again for carefur consideration.

C. Cost benefit analysis

Recommendation (Serial No. 27, Paragraph 5.14)

5. The economic benefit cost ratio of saleable coal as roughly worked out by the Coal India for the year 1979-80 at the instance of the Committee showed that despite financial losses, economically the coal production was still a profitable proposition. The Committee stressed 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 was productive, simultaneously taking steps to economise on the use of men, machinery and other inputs progressively.

6. In their reply the Ministry have stated that the analysis would be undertaken by the Planning Commission periodically once in three/four years in consultation with Coal India Ltd.

7. The Committee are glad to note that the Planning Commission would undertake the economic cost-benefit analysis of the nationalised coal industry once in 3-4 years. The Committee suggest that the results of such periodic analysis should be brought out either in the Annual Report of the Coal India Ltd. or in the Annual Report of the Department of Coal for the information of Parliament.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1, (Paragraph 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.

Reply of the Government

No specific action is called for as no recommenadtion or conclusion is involved in this para.

(Deptt. of Coal O.M.No. 54012/2/1-CA dated 12-11-1981)

Recommendation (Sl. No. 2, Paragraph 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.

Reply of the Government

The restructuring of Coal India Ltd. and its subsidiaries is under the active consideration of Government and the Committee's observations are being given due consideration.

(Deptt. of coal O.M. No. 54012/2/81-CA dated 12-11-1981)

Recommendation (Sl. No. 3 Paragraph 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.

Reply of the Government

The restructuring of Coal India Ltd. and its subsidiaries is under the active consideration of the Government and the Committee's observations are being given due consideration.

(Deptt. of Coal O.M. No. 54012/281-CA dated 12-11-1981)

Further information called for by the Committee

Please state whether Government have taken a decision to retain the holding Company, as appeared in some section of the Press. If not, present position in regard to reorganisation of Coal India Ltd. may be indicated.

(L.S.S. O.M. No. 47/2-PO/81 dated 9-2-82)

Further Reply of the Government

The whole question of re-organisation of Coal India Ltd. and its subsidiaries is still under the consideration of Government.

(Deptt. of Coal O.M. No. 54012/1/82-CA dated 12-2-82)

Recommendation (S. No. 4, Paragraph 2.5)

As per the present rekoning 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 years 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 deposite assumes enormous significance. Further the Committee have been informed that with the geological coal 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.

Reply of the Government

Drilling work has been intensified by CMPDIL. The Exploration Plan for the period 1980-81 to 1984-85 envisages drilling of 14.78 lakh metres compared to the drilling achievement of 4.30 lakh metres during the two years 1978-79 and 1979-80. The exploration programme is likely to increase proved reserves by about 12000 to 13000 million tonnes of coal against 3600 million tonnes during the year 1978-79 and 1979-80.

(Drilling in lakh metres)

1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Total 1980-81 to 1984-85
2·30	1·91	2·04	2·55	3·00	3·54	3·64	14·78

To implement the above exploration programme, 200 drills would be required on an average against the average deployment of 154 drills during the years 1978-79 and 1979-80. Every attempt will be made to see that the exploration work does not suffer due to shortage of funds.

Five blocks have already been identified for exploration of deep seated reserves and the likely cost of this exploration would be of the order of Rs. 75 crores. Global tenders have been invited for exploration of deep-seated reserves. The blocks that have been identified are as follows:—

Mahal (Jharia)

Suraj Nagar (Raniganj)

Tamla (Raniganj)

Pench (M.P.)

Parabatpur (Jharia)

Action has also been taken to recruit sufficient number of geologists to supervise the prospecting work. For the first time CMPDIL has taken a decision to appoint geologist-trainees and appointment letters to 40 geologist trainees have been already issued.

(Department of Coal O.M. No. 10/6/81-CL dated 13-11-1981.)

Recommendation (Serial No. 5 Paragraph No. 2.11)

Total investment in the form of capital expenditure on 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 estimated 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.

Reply of the Government

The need for centralised planning and design of coal mines was recognised soon after nationalisation and Central Mine Planning and Design Institute Limited was set up at Ranchi, and given the status of a subsidiary company of Coal India Ltd. in 1975. CMPDI thereafter established four Regional institutes each located with producing coal companies headquarters *viz.* Asansol, Dhanbad, Ranchi and Nagpur.

Now in order to prepare plans to meet the need of rapid increase in coal production, these institutes are being strengthened.

For the implementation of coal projects, each subsidiary company has a separate Planning and Construction Department, which besides acting as inter-face between the planning and execution authorities, take adequate steps to ensure timely completion of projects by providing input resources, technical guidance and other support required for timely completion of the projects. The construction set up in the coal companies is being further strengthened by way of giving more inputs like personnel, finances and powers to operate. In addition, there is also a proposal by CIL to set up an independent Construction Organisation which to start with will undertake the work of shaft sinking, driving drifts, construction of washeries and CHPs etc.

With a view to keeping a close watch on the projects both in financial and physical terms, monitoring cells have been established in the coal companies. In addition, a Project Monitoring Division has been formed at CIL, Calcutta, for coordinating the functions of Monitoring Cell at company level and for providing a consolidated report for CIL Board to take a view on the progress of projects and corrective action, wherever called for. At Department of Coal in the Ministry of Energy also a Monitoring Cell has been created to take an overall view on the progress of projects both in terms of physical progress and cost.

For reporting the progress of projects, simple formats have been evolved after discussions between Coal Companies, Department of Coal and Planning Commission. Quarterly reports are regularly being submitted and analysed at all levels for corrective action.

[Deptt. of coal O.M. No. 54012/2/81-CA Dated 13th November, 1981]

Recommendation (Sl. No. 6, Paragraph No. 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.

Reply of the Government

Of the 7 major projects (each costing over Rs. 20 crores) brought out by the committee revised cost estimates in respect of following 4 projects have already been prepared:—

	Sanctioned cost (Rs. crores)	Revised cost (Rs. crores)
1. Sudamdih (BCCL)	37·93 (1965)	86·35 (1981)
2. Moonidih (BCCL)	17·25 (1965)	119·00 (1981)
3. Ramgarh (CCL) .	41·66 (1976)	88·44 (1981)
4. Rajgamar (WCL).	9·59 (1975)	22·74 (1981)

These revised cost estimates have been thus submitted for scrutiny at Government by Planning Commission, BPE and Deptt. of Coal and later by P.I.B.

Revised cost estimates in respect of Chinakuri and Dhemomain are under preparation and will be taken up soon for scrutiny and sanction.

In the case of Jhingurde, target production of 3.00 million tonnes was to be achieved in 1980-81. FR for coal preparation plant (including CHP) has been prepared by the company and submitted to Department of Coal. During discussions on project report for Bina CPP in the PIB meeting held on 20-8-81 Jhingurda CPP was also discussed (both CPPs have common issues to be decided) it was considered necessary to resolve certain fundamental issues relating to beneficiation of coals for power stations. Revised cost of Rs. 43.1 crores includes the cost of CPP estimated at about Rs. 18.00 crores in December, 1980.

When Revised Cost Estimates are submitted to the Deptt. of Coal for Government approval, a detailed scrutiny is carried out by the Inter Ministerial Group where representatives from Planning Commission and Bureau of Public Enterprises are also present. Only after this scrutiny the IMG recommends the revised cost estimates for recommended for PIB clearance.

(Deptt. of Coal O. M. No. 54012/2/81-CA dated 12-11-1981)

Further information called for by the Committee

Please furnish a note indicating the outcome of critical reappraisal of the 7 major projects. Please also state whether reappraisal of the projects has revealed that almost all of them are uneconomic (as appeared in Financial Express of 10th January, 1982).

(LSS O.M. No. 47/2-PU/81 Dated 9-2-1982).

Further Reply of the Government

Sudamdih Project

Sudamdih project report was prepared by Polish Experts in 1962, for a production of 2.16 mty. at estimated capital cost of Rs. 17.57 crores. This was approved by the Government of India in 1962. Sinking of two shafts started in 1962 and was completed in 1965. While the sinking of the shaft was going on, a large number of unexpected geological disturbances were met with, which compelled the planners to reappraise the

Abbreviation used	Stands for
BPE	Bureau of Public Enterprises
PIB	Public Investment Board
FR	Feasibility Report
CHP	Coal Handling Plant
CPP	Coal Preparation Plant
IMG	Inter-Ministerial Group

geology of the area. When the drivage for pit bottom layout and the three horizons in stone was started in 1965, the rate of progress in stone drivages was much below the anticipated rate due to geological problems.

A revised project report wae prepared in March, 1973 which projected an increase in capital cost from Rs. 17.57 crores to Rs. 37.93 crores. This was approved by the Government in March, 1974. The revised project report envisaged a target production of 2.16 m.t. to be achieved in 1978-79. It provided for a manpower of 4995 with an OMS of 1.58 as against manpower of 3646 with an OMS of 1.97 provided in the original project report.

In a meeting of the mining Sub-committee of Indo-Polish Joint Commission, held in December, 1976, it was decided that Polish experts would reassess the latest conditions and recommend a new target of production for the shaft mine. The Polish experts, at this stage, envisaged a target production of 3600 t.p.d. against the original target of 6000 t.p.d. Meanwhile a serious explosion in the shaft mine led to the loss of 43 lives in October, 1976 and the out-break of a major fire in March, 1977 caused a closure of many production faces. These production faces even now remain sealed off.

As the estimated investment had gone up while the target of production was sought to be sealed down CIL, on the suggestion of the Government, set up a High Level Committee to appraise the performance of this project. The Committee submitted its final reports in two stages by February, 1979. The committee arrived at the following conclusions:—

(i) The original project was launched without collecting adequate geological data.

(ii) The life of the incline mine should be increased by extending the operation to lower seams with additional investment as proposed.

(iii) Within the existing provisions of rules and regulations about ventilation of longwall face, attempt should be made to maximise the production of each face so that production from shaft mine could be raised to 1400 tpd by June, 1979.

(iv) In view of the disastrous experience of explosion and fire in XV seam these working should remain sealed off.

(v) The disturbed geological conditions call for advance development of all the horizons upto the boundary of the leasehold before starting exploitation of sub-blocks. It would involve procurement of mechanised drivage equipment alongwith necessary infrastructural facilities. At the same time BCCL should seek relaxation of ventilation standard from the D.G.M.S.

(vi) An important reason for the cost overrun was the prolonged construction period of over 13 years during which period all be capitalised. Out of the nature interest and depreciation had to be capitalised. Out of the capital investment of Rs. 55.29 crores upto 31-3-1978, Rs. 37.18 crores was due to capitalisation of revenue expenditure.

The committee analysed that the increase of the capital was mainly due to following reasons:

	Rs. in crores
Inadequate provision in RPR from ventilation point of view (Development work blocks etc.)	4·37
Provision for extending life of incline mine	2·34
Increase in Revenue expenditure capitalised due to prolongation of revenue period	18·50
Increase of FRP cost due to revised project report preparation cost	0·20
Escalation of P&M (estimated)	9·30
Additional electrical equipment for 2nd/OH line (alternative source of power supply)	0·30
Replacement cost	0·41
Underground development for transport of coal from 200 to 400 m (not provided in RPR 1973)	0·89
	36·31

The committee decided against closure of the project on the ground that the closure of the mine would involve permanent loss of valuable prime coking coal, which would otherwise have to be imported at a substantially higher price. It would also involve retrenchment or redeployment of more than 4,000 workmen in an already difficult industrial relation atmosphere.

In June/August, 1980, a Soviet team prepared a report "Recommendation to achieve the target production of 1.8 m.t./yr. of coal from Sudamdih Shaft Mine". Some of the recommendations were found to be suitable for inclusion in the report.

A revised project report for Sudamdih was prepared incorporating those recommendations made by the Soviet team which had been accepted by the CIL. Initial capital investment as per the revised estimates comes to Rs. 86.35 crores.

CONCLUSION OF REVISED P. R.

The available infrastructure at Sudamdih mine would be in a position to support a production of 1.65 mty. of coking coal. Even at the revised cost of the project, the estimated cost of production is Rs. 156.98 (at 100 per cent level) which is lower than the cost of import of coal @ Rs. 700-800 per tone.

Sudamdih washery is already commissioned and if this project is not sanctioned, coal shall have to be transported from different mines to keep this washery running.

In the circumstances and having already invested about Rs. 56 crores and built up skilled manpower and infrastructure, it would be advisable to make further investment as indicated in the revised proposal to achieve a higher production. The RPR is under consideration of the Government.

MOONIDIH PROJECT

Moonidih mine was planned by the erstwhile NCDC in collaboration with the Polish Experts under the first agreement on Economic Cooperation between the Government of India and the Government of Polish Peoples' Republic, signed in 1960. Geological prospecting was done by the erstwhile NCDC based on which Polish Experts submitted the preliminary project report in 1963, which was approved by the Government of India in 1965 at a capital cost of Rs. 16.09 crores for a production target of 2.1 m.t. per annum.

Sinking for both the pits of the mine was completed, by and large, as per schedule in 1967. On reaching the pit bottom, it was found that a fault located in the vicinity of the shaft, disturbed the horizons calling for considerable additional drivage in stone. In addition heavy and sudden emission of gas during development of 400 m horizon delayed the developmental work.

The order for the main winders and mechanical ventilator (1600 KW), primary equipment for the project, was placed on MAMC in 1967. These were scheduled to be delivered in January, 1969. There was an abnormal delay in the supply of this equipment. The mechanical parts of one of the winders were received from MAMC in 1972. The supply of electricals was completed only in 1976, and the winder was actually commissioned in 1976-77. The winder required further adjustments and the teething troubles were over-come only in 1978. In the absence of main winder, the developmental work through the shaft was going on through smaller capacity winder meant only for shaft sinking purposes. This delayed the progress of mine development.

The Revised Project Report for Moonidih colliery with self advancing powered support faces was prepared in 1973 by NCDC in consultation with Polish experts, which envisaged an investment of Rs. 43.90 crores for a production level of 7000 t.p.d. In August, 1973, NCDC appointed an Expert Committee to evaluate the development of the mine. This committee submitted their report in January, 1975 and arrived at following conclusions:—

The project had not be planned with the equipment suitable for the rate of development envisaged in the Revised Project Report (1973). As a result there would be further elongation of gestation period.

The project had suffered in the process of encouraging indigenous development of equipment.

With the coal face equipment provided in the Revised Project Report (1973), it would not be possible to attain a production of 2.1 m.t. per annum nor the productivity of 1.84 tonnes per manshift would be achieved.

The Revised Project Report of 1973 should be modified accordingly.

F.R. was again revised incorporating provision for balancing equipment like road headers, communication system and de-gassification schemes. The road-headers were provided to keep pace of development with the exhaustion of panels. Telemonitoring and telemetering were envisaged to get the best out of the capital intensive equipment. No change in target production was foreseen. The revised capital outlay was estimated at Rs. 60.10 crores with the date of opening the revenue account on 1-4-1978.

Since the estimated capital was considerably higher as compared to the sanctioned amount, it was suggested to the CIL that the revised estimates should be examined by a High Power Committee. The High Power Committee submitted its report in 1979 wherein the committee recommended introduction of 5 powered support longwall faces and 5 road-headers.

The committee also recommended telemetering transport and de-gassification etc. as essential to the high rate of production. A supplement to the note updating the RPR was prepared in February, 1979 incorporating these recommendations. The investment was estimated at Rs. 88.09 crores and the cost per tonne at Rs. 99.33 as against the then sale value of Rs. 81.95.

The project has commissioned two powered support-shearer faces, one in 1979 and the other in 1980. Four road-headers machines have been put into use over the last year and a half. On the basis of the experience with powered support faces and road-header machines, it was felt that the number of powered support faces be increased to six and the road-headers be increased to eight to achieve the envisaged target. This and other factors such as working of seams upto 0.9 m. thickness, enforcement of some safety provision not foreseen in earlier report and workshop facilities, revision of development and extraction schedules were incorporated in the Revised estimates of Revised Project Report for Moonidih prepared in June, 1981. The initial capital investment is estimated to be Rs. 115.41 crores. Of the increase of Rs. 24.67 crores over the estimates of March, 1980 was due to charge of scope (Rs. 16.47) and the escalation (Rs. 8.20).

The date of opening revenue was taken as 1-4-81 in RE of RPR for Moonidih prepared in June, 1981. However, the main transport link i.e. skips and shaft II complex, are in the process of installation. This work was envisaged to be completed by September, 1981 but due to delayed supply of equipment from Poland, it is now envisaged to be completed by April, 1982. Thus the project is operating with one shaft only restricting the production. The main transport being basic and vital element of mining system, the data of opening the revenue was changed to 1-4-82. The project economics were revised in October, 1981 to reflect this above change. The net initial capital investment worked out to Rs. 119.63 crores. Revised FR is now under consideration by the Government.

Reasons for increase in the total initial capital outlay can be summarised as follows:—

Delay: Various reasons like geological conditions and late supply of equipment have contributed to delay. Delay in supply has been the result of making efforts for maximising indigenous equipment particularly when the capability had to be developed for the first time. During this process of development, schedules were not adhered to and delays occurred, thus increasing the cost on account of capitalization of revenue account by Rs. 41.65 crores (including depreciation capitalised during revenue period).

Mechanization: Due to new stipulations regarding ventilation of longwall, it was not possible to ventilate the 16 faces as envisaged earlier. To fulfil the statutory requirement, only 8 faces could be ventilated. Mechanisation was the only recourse to achieve the envisaged level of target. The sixteen faces have been replaced by 7 faces out of which 6 are powered support faces and 1 conventional face. This led to increase of Rs. 55.21 crores.

Escalation: The prices of Plant, Machinery and other items have increased manyfold in this period. This has contributed Rs. 15—20 crores towards the increase in the cost.

Other: There is an increase of Rs. 4.18 crores due to under provisioning and omissions in Project Report.

Economics:

As per revised project report, now under consideration of the Government, mine would make a profit of Rs. 27.27 per tonne at 100 per cent level of production and Rs. 3.99 per tonne at 85 per cent level of operation.

RAMGARH PROJECT

Feasibility report for Ramgarh Opencast mine was prepared by CMPDIL in collaboration with Soviet Experts in January, 1975 for a rated capacity of 3 m.t. per annum which was approved by the Government in July, 1977 for capital investment of Rs. 41.598 crores.

Feasibility Report for the linked Ramgarh Washery was prepared by CMPDIL in January, 1975 for an input capacity of 3 m.t. of raw coal and output of 1.80 m.t. of clean coal and 0.66 m.t. of middlings. The FR was also approved by Government in July, 1977 for capital investment of Rs. 25.77 crores. The construction of Ramgarh opencast project as well as washery was commenced soon thereafter and is currently in progress.

Detailed Project Report for the mining project which was also prepared partly by Soviet Specialists and partly by Indian Engineers, showed considerable variation from original FR both in physical terms in regard to scope of work and in financial terms.

According to DPR the total mineable reserves are now estimated as 128.0 m.t. as against 121.8 m.t. in the F.R. The average stripping ratio is now expected to be 2.91 M3/tonne of coal (against 2.69 estimated earlier). The total overburden removal will be to the extent of 373.45 million M3 (Earlier 327.3 million M3). The life of the project at the target rate of production of 3 m.t. is about 45 years.

In the FR it was envisaged that two quarries will work simultaneously but during DPR preparation it was found that it was necessary to work 3 quarries including upto 5 sections at a time to ensure uniform quality of coal input into the washery and also to maintain an even quantum of overburden removals. Since the mine has been planned for mining of three seams viz. VIII-A, VII top and VII-Bottom, and these seams having steep inclination, back-filling of OB is not technically feasible during the quarry operations on the east of the Damodar river. This requirement has led to increased number of Dumpers.

As already stated in para 1 the FR formulated in January, 1975 was sanctioned by the Govt. in 1977 for the estimated capital investment of Rs. 41.60 crores. In the DPR the total initial capital investment is now estimated as Rs. 86.44 crores as on March, 1981. During the first phase of 16 years quarry operation will be restricted to the right bank of the Damodar river. During the second phase it will spread over both banks. The total initial capital investment for the Ist phase is estimated as Rs. 82.36 crores.

The total increase in capital investment is, therefore, Rs. 40.76 crores in the DPR as updated in December, 1981 over the FR of January, 1975.

This increase is explained below:—

S.No.	Particulars	Provision as per FR (Rs.)	Provision as per RPR (Up dated in Dec., 1981) (Rs.)	Variance: Total	Variance: Due to price escalation (Rs)	Variance: Due to addition (Rs.)
1	2	3	4	5	6	7
1	Land	0·89	1·85	0·96	0·80	0·16
2.	Residential Building	1·42	2·41	0·99	0·95	0·04
3.	Service Building .	1·32	2·62	1·30	1·46	(—)0·16
4.	Plant & Machinery	35·54	70·91	36·37	30·29	8·01 (—)1·93
5.	Furniture & Fittings	0·08	0·09	0·01	0·01	..
6.	Vehicles . .	0·23	0·62	0·39	0·32	0·07
7.	Prospecting & Boring . .	0·51	0·63	0·12	0·03	0·09

1	2	3	4	5	6	7
8. *Development:*						
	1. Capital Outlay in Mines	0·25 0·22	0 70	0·45 (—)0·22	0 18	0·27 (—)0·22
	2. Roads & Culverts .	0·50	1·42	0·92	0·72	0·20
	3. Water Supply .	0·33	0·43	0 10	0·09	0·01
	4. FR preparation cost & S.R.	0·25	1·53	1·2o		1·28
	5. Other Rev. Expd. capitalised—during development . .	(—)1·85	(—)0·85	1·0		1·0
	6. OBR—DRE .	2 81	3·23	(—)2·91		(—)2·91
	Total development	2·61	3·23	0·62	0 99	(—)0·37
	Grand Total (1—8)	41·60	82·36	40·76	34·85	5·91

The Revised Project Report is presently under consideration of the Government. In this revised report the project would earn a sizeable profit of Rs. 73.48 and Rs. 60.81 per tonne at 100 per cent and 85 per cent level of production respectively.

RAJGAMAR UNDERGROUND PROJECT

This project was sanctioned in October, 1975 for production of 0.72 mty to be achieved by 1981-82 at an estimated cost of Rs. 9.58 crores.

During implementation, numerous geomining and other difficulties were met such as:—

(i) Sudden inrush of muck, water and runnings and during drivages of inclines;

(ii) delay in acquiring land for building of railway siding and CHP;

(iii) irregular seam thickness, heavy inflow of water and weak/fractured strata.

Actual performance, therefore, has been much below the expectations outlined in the F.R. (as given below):

Year	1974-75	75-76	76-77	77-78	78-79	79-80	80-81
Production as per FR mty.	0 060	0 18	0·24	0·30	0·50	0·72	0·72
Actual (mty)			0·02	0·05	0·13	0·18	0·15

Expenditure of Rs. 11.30 crores has already been incurred upto February, 1981 as against original sanctioned estimate of Rs. 9.58 crores. This called for revision of the project report. Revision, therefore, became necessary due to following reasons:—

(i) cost over run;

(ii) additional geological information has become known thus adding to the reserves substantially;

(iii) in view of difficult geomining conditions met underground, mining technology needs to be reviewed.

(iv) examination of past performance and suggesting ways and means to achieve the production target.

(v) for expanding the scope of project in view of additional geological reserves being added.

A revised FR prepared in March, 1980 was considered at Govt. level and the company was advised to redraw the FR and provide for its implementation in two phases.

Company has very recently submitted a revised proposal which envisages following:—

(1) mine to be developed in two phases; phase—I for a production of 0.70 mty from two mines e.g. mine—I and mine—II working different seams; phase—II for ultimate production of 1.08 mty.

(2) capital estimate for phase—I is Rs. 28.50 crores and for phase—II additional Rs. 5.91 crores is estimated.

Revised Project Report is under consideration of the Govt. As per revised FR, the project would yield a profit of Rs. 17.19 per tonne at 100 per cent, level of production.

An analysis of the project estimates is given below:—

(Rs. in lakhs)

	As per P.R (1973)	Expenditure upto 31-3-81	Additional requirement for Phase-I as per Dec. '81 estimates
1. Land . .	10·00	11·80	4·00
2. Buildings	141·30	75·75	300·58
3. P & M .	533·58	571·67	898·58
4. Furniture and fittings	2·50	1·17	3·00
5. Rly. siding .	82·60	135·70	300·00
6. Vehicles . .	7·67	3·53	18·51
7. Development of mine	180·44	330.61	194·84
	958·09	1130·23	1719·51
	(Rs. 9·58 crores)	(Rs. 11·30 crores)	(Rs. 17·20 crores)

NOTE: Phase-I is for 0·70 mty production

DHEMO-MAIN

F.R. for Reorganisation of Dhemo-main underground min was approved by the Government in August, 1977 for an output of 1.0 mty at an estimated capital cost of Rs. 11.95 crores.

In the FR longwall caving method was provided and in actual practice it has been quite successful though the project has slipped behind schedule by about 4 years due to various reasons beyond the control of mine management. Briefly, the delay has been due to;

— non availability of trained manpower for longwall mining;

— initial problem of roof control;

— mine got flooded during one rainy season due to acute power shortage;

— method of mining for R.B. seam was not well defind in the FR, with the result production has not increased from this seam;

— contractors failed to construct CHP in time;

— siding construction also got delayed for which land was not available.

— Besides there has been cost over runs in following items of work:

	(Rs. in crores) Provision	actual expdn.
1. CHP .	1·555	3 59
2. Rly. siding	0·04	0·27

In view of successful introduction of longwall caving method of mining and also with a view to conserving coal, powered support equipment have now been introduced for better production and productivity. FR is now being revised and revised cost is estimated to be about Rs. 23 crores including Rs. 9.05 crores towards cost of one set of Power Support long-wall equipment.

The mine is expected to achieve rated capacity of 1 mty. by 1985-86 and as per revised project report which is under preparation mine would make a reasonable profit at full capacity. Revised project report will also take into account other deficiences of the earlier report.

CHINAKURI UNDERGROUND

The method of mining given in the FR did not work. Such fears were expressed in the FR and they have come true.

Technical difficulties associated with deep mining under massive strata finally did not permit working in 2 lifts as suggested in the FR.

This is the deepest underground coal mine in India. Soviet technical assistance had been sought and FR has now been revised based on the technical recommendations of the Soviet Experts.

There was initial delay of about 1½ years in procurement of large size mine fan and underground spot coolers.

Sand cleaning had to be done to a much longer extent than what was an anticipated and in very hot and excessively humid conditions where the progress was slow as it had to be done manually.

In short, most of the delay was due to inappropriate technology for working deep seated thick seams with caving.

Details of expenditure incurred so far are as follow:—

(1980-81)

—Replacement of P&M	Rs. 3·63 crores
—Additional P&M	Rs. 1·99 crores
—Addition to CHP	Rs. 0·70 crores
—Sand cleaning and re-organisation of ventilation	Rs. 0·15 crores
—Development work	Rs. 0·24 crores
—Others	Rs. 0·37 crores
Estimate Total:	Rs. 7·08 crores

Sanctioned is Rs. 8·92 crores.

Revised Feasibility Report has been prepared based on the recommendations made by the Soviet Experts and estimated cost is about Rs. 42 crores. The technology incorporated in the revised report is based on the physico-mechanical tests carried out by the Soviet Experts on the rocks and coal sample collected from this mine.

This mine is producing good quality blendable variety of coal which is needed by the steel plants. Therefore, economics of production which might show a loss on the current selling prices, have to be compared with landed price of imported coking coal which is Rs. 700-800 per tonne. Economics are favourable when such a comparison is made. Revised FR has been prepared and is under consideration by the ECL Board.

JHINGURDAH OPENCAST PROJECT

A preliminary project report for Jhingurdah in Singrauli Coalfields was prepared by NCDC in November, 1963, and sanctioned by Government in March, 1965, to produce 1.8 m.t. of coal per annum at an average stripping ratio 0.92 cum of OB per tonne of coal at an estimated capital expenditure of Rs. 6.076 crores. The project was planned to meet the demand of OBRA and Renusagar Power Station.

Later on demand of power coal from Obra TPS and other power stations greatly increased. To meet the increased demand, Feasibility Report for Jhingurdah OC (Expansion) project was prepared by CMPDIL in January, 1975 for a production of 3.00 m.t. per annum at an average stripping ratio of 1.12 cum of OB per tonne of coal at an estimated capital expenditure of Rs. 24.87 crores. This was sanctioned by Government on 23-1-77 and the expansion work started since 1977-78.

Production from this mine since 1977-78 has been as follows:—

Coal—M.T. O. B.—M M3	77-78	78-79	79-80	80-81	81-82	82-83
As per P. R.						
Coal	2·1	2·2	2·8	2·9	3·0	3·0
O. B. . .	2·00	2·8	3·6	5·5	5·7	5·7
Actual/Anticipated						
Coal	2·10	2·00	2·00	1·85	2·31	2·2
O. B.	2·22	2·03	1·94	2·45	2·80	3·0

On expenditure side upto date position is as follows:—

	As per FR	Expenditure upto 80-81 (Rs. lakhs)
1. Land .	12·63	5·70
2. Buildings	154·05	183·61
3. P&M .	1984·02	1916·28
4. Vehicles . .	28·89	26·71
5. Furniture & fittings	5·00	5·51
6. Rly. siding .	124·20	77.21
7. Development	158·51	81·18
8. Exploration	21·02	24.56
TOTAL:	24·8732	2320·76

(Rs. 2487 crores)(Rs. 23·21 crores)

The above table shows that there is no cost over-run upto 1980-81. However, so far as the quality of coal is concerned there is a positive deterioration and the ash content of ROM coal varies widely, much beyond the tolerance limits for which consuming power stations were designed. This has called for setting up of a coal beneficiation plant for Jhingurdah mine.

Project report for Coal Preparation Plant (CPP) provides for producing washed coal with 35 per cent ash content (yield will be 2.1 mty.) at a capital cost of Rs. 38.40 crores as per latest estimates including Rs. 2.95 crores already approved in the Jhingurdah Expn. FR for CHP.

Beneficiated coal would be sold to UPSBB and other consumers at a negotiated price which will be so arrived as to give a reasonable return.

Action is being taken to revise the cost estimates for Jhingurdah Open-Cast mine. Broad estimates indicate that revised cost may be around Rs. 47 crores.

(Deptt. of Coal O.M. No. 54012/1/82-CA dated 22-2-82)

Recommendation (Sl. No. Paragraph No. 3.7)

The assessment of coal demand is an interdisciplinary 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 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 taking into account the observations of the Committee.

Government's reply

Planning Commission has an inter-sectoral model of coal demand assessment. The sectoral model is based upon certain assumptions of growth in consuming sectors as well as on the growth of GNP. During the mid-term plan appraisal the demand so assessed would be modified on the feed back information from the consuming sectors as well as the actual growth rate of GNP. Coal India Ltd, has now started collecting information on the slippages of projects in Power and Steel Sectors who are the major consumers of coal. The information would be used in the modification of assessed demand. Based on the demand assessment of Planning Commission, CIL is formulating a perspective plan till 1990-91. This perspective plan would be updated every 2 years taking into consideration the change in demand pattern.

To make test-check of the reasonableness of the demand of un-organised sector, the CIL has recently initiated action to appoint 10 qualified Fuel Technologists. Verification cells have been created in each regional office of CIL. In CIL headquarters, four zonal officers are being posted for reviewing the demand assessed by the verification cell regional offices.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981)

Recommendation Sl. No. 8 (Paragraph No. 3.14)

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. Suprisingly, 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.

Reply of the Government

In compliance with the recommendation made by COPU, Coal India Ltd., had made a detailed exercise for assessment of capacity of all underground mines. According to this exercise assessed capacity of underground mines and capacity utilisation are as follows:—

	ECL	BCCL	CCL	WCL
1 Total number of undeground mines	94	83	48	80
2 No. of u/g mines whose capacity has been assessed in 1980-81	91	83	48	80
3 Estimated capacity of u/g mines for 1980-81 (in thousand tons per day)	69	58	29	69
4 Utilisation of capacity in %	76	80	76	97

A test check was also carried out on sample of 12 mines by an independent agency (Indian School of Mines, Dhanbad) and capacity of these 12 mines was assessed by them. Results obtained by them tallied with the results of exercise carried out by CIL thus confirming correctness of the results.

Updating of information for 1981-82 has been taken up with the help of a computer programme based on the earlier exercise of 1981. Capacity assessment* in respect of opencast mnies is also being carried out. Results of this exercise are expected to be available soon. Once the computer software get established assessment of capacity for all mines of CIL will be done at the beginning of each financial year. This estimate will form the basis for monitoring the coal production for CIL mines.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981)

Recommendation (Serial No. 9, Paragraph No. 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 account of shortage of power alone. High rate of absenteeism reulted in loss of production of 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

*At the times of factual verification, Coal India Ltd. intimated that 'Open Cast mines capacity has since been evaluated.'

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.

Reply of Government

To avoid production loss on account of non-availability in time of inputs like cement, iron and steel, CIL through Department of Coal, had been requesting concerned ministries for allotment of these critical inputs on priority basis. Explosives were imported to make good the shortfall.

2. Timely supply of spare parts has been streamlined by placing advance orders for a period of three years with staggered deliveries and as a roll-on plan for placement of orders for the subsequent years. The primary collaboration of the manufacturers in India like BEML, Cummina, General Motors etc., have now arranged supplies of spare parts to India from their depots at Singapore by this arrangement the lead time for the flow of spares which was long from U.K. and U.S.A. etc. has been considerably reduced and the promptness of execution of orders would also substantially improve in the future.

3. In addition the original equipment manufactures like Cummins and Terex have already opened the depots for spare parts at Ranchi, Raniganj, Bilaspur and Dhanbad etc. and BEML has also been requested to open spare parts depots at Ranchi and Singaurli. The above arrangement would ensure easy availability of spare parts.

4. There has been an improvement* in the power supply in 1981-82 from DVC. For ensuring safety of mines during long periods of power outages, BCCL and ECL have installed diesel generating sets of 17.6 and 1.5 MVA capacity respectively. Besides, additional 10 MVA diesel generation capacity is being installed in BCCL. In ECL additional generation capacity of 2 MVA will be installed. Absenteeism has been dealt under recommendation No. 12.

A comprehensive plan to mitigate the problems of land losers is being worked out in consultation with the State Government concerned. Assistance of State Government is also being taken to improve the law and order situation in the coalfields.

[Deptt. of Coal O.M. No. 54012(2)/81-CA Dated 12-11-1981]

*At the time of factual verification, Coal India Ltd. intimated that '30 MW Power generation through gas turbines will become operational from June, 1982.'

Recommendation (Serial No. 10, Paragraph No. 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. Through 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 steamlining 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.

Reply of the Government

In order to segregate the non-coal load from the coal load Coal India has initiated a three-fold action as indicated below:

(i) The existing colliery feeders which are within the administrative jurisdiction of the collieries concerned have been strengthened and the maintenance system improved. Unnecessary use of power has been controlled, steps are being taken to improve the power factor and the collieries have been instructed to observe strictly the regulation/power cuts to imposed by the distributing authorities.

(ii) Direct supply of power is proposed to be obtained from DVC at two points *viz.* Madhuband and Jealgora as to isolate the non-coal lead. Out of these two stations, Jealgora has already been energised. DVC is taking steps to energise Madhuband Station, which is ready in all respects.

(iii) *Segregation of non-coal load to be done by the BSEB.*

Four sub-stations are being constructed at Mukunda, Godhur, Sendra Bansjora and Balihari. Out of these the Mukunda and Balihari sub-stations have been energised. BSEB is currently taking steps to energise the remaining two sub-stations and make them operative at the earliest.

In addition, in ECL certain amount of Segregation of non-coal load is also being done and the Dishergarh Power Supply Co. which is the main distribution agency in this area has segregated about 9 MVA in Shibpur and Mugma areas.

It is expected that with the isolation of the non-coal load from the coal feeders and streamlining the distribution system in Jharia and Raniganj Coalfields, the reliability of power supply to the mines in the area will consideraly improve.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981).

Recommendation (Sl. No. 11 Paragraph No. 3.30)

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 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.

Reply of the Government

The position regarding the coal companies getting power from DVC directly has improved. The coal companies are now already getting direct supply from DVC at the following points:

(i) Kathara (ii) Kargali (iii) Moonidih (iv) Sudamdih (v) Bulanbararee.

The programme of coal companies getting direct supply at one more point viz. Madhuband is in an advanced stage of completion and direct supply would commence at this point also as soon as the necessary lines are drawn.

2. BSEB are also putting up 4 sub-stations at Sendra, Bansjora Godhur and Balihari to segregate coal and non coal load. Out of these 4, two have already been commissioned and the other two are expected to be commissioned shortly.

3. BCCL and BSEB had discussions regarding the supply of power directly from DVC to BCCL mines. During the discussions BSEB had expressed its apprehension that this may result in loss of revenue to them. BCCL has however indicated that they may like to consider compensating BSEB for any loss they may incur in BCCL taking power direct from DVC. BCCL and BSEB are presently working out the possible loss in-revenue to BSEB as a result of direct supply of power from DVC. Then a final decision in this regard can only be taken after assessing the likely loss in revenue to BSEB.

4. Thus as a result of the matter being pursued at all levels considerable progress has been achieved in resolving the problem. If need be the matter will be taken up with Chief Minister, Bihar. In fact coal companies, Bharat Coking Coal Ltd. and Central Coalfields Ltd., do have meetings with CM. Bihar to sort out various outstanding problems relating to their mining operations in Bihar.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981)

Recommendation (Serial No. 11/2 Paragraph 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 Deptt. 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 meeting 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.

Reply of the Government

Before the beginning of every financial year JPC, allocations are received from indigenous sources as well as buffer imports. Based on these allocations balance requirements are processed by coal companies on back-to-back imports-through SAIL. Difficulties arise when actual supplies from steel producing agencies fall short of JPC allocations made earlier. These are mainly due to lesser production than planned by the Steel producers. Besides, the time taken on processing indents for back-to-back imports and the actual materialising of the imported steel is considerable. The subject is periodically reviewed by the Department and the problems are taken up appropriately with Department of Steel/SAIL.

The system of procurement of spares for equipment are now being regularly review both at the level of companies and at Government level. Main problems have been identified and discussions have been held with various manufacturers to earmark a portion of their manufacturing capacity for manufacture/fabricating of spare parts. Proposals are also under consideration for placement of continuous orders for requirement of spares during the next 3 years on a rolling plan basis to enable manufactures to have sufficient lead time and repetitive orders to plan production of spares. The manufacturers are also being requested to open spare parts depots at field levels to ensure prompt supply of spares of both indigenous/imported equipments. Contracts have been signed with the Soviets to exchange design drawings of spare parts for HEMM equipment manufacture of which have been discontinued in their country. Based on these drawings; idigenous manufacturers are to be encouraged to take up manufacture of spares.

Availability of critical inputs are contantly reviewed with coal companies. At present there is no scarcity in respect of explosives. The power situation has improved considerably this year as compared to previous years. The cement and steel allocations have also improved over the past years. Regular performance reiew meetings are held with the coal companies to discuss relevant issues and wherever necessary assistance at Government level is also given.

[Department of Coal O.M. No. 54012(2)/81-CA dated 12 November, 1981]

Recommendation (Serial No. 12, Paragraph No. 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 workers 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 timebound programme.

Reply of Government

A Study Group consisting of representatives of Central Trade Unions and coal producing companies of CIL went into the problem of absenteeism. They have submitted their report giving certain suggestions to reduce the absenteeism. The report is under examination.

The following long term and short term measures for curbing absenteeism have been adopted by Coal India.

A. Long Term

(i) Additional houses are being constructed to improve housing satisfaction.

(ii) Workers are being encouraged to form Housing Cooperatives.

(iii) The employees are made aware through mass mediaposters, slogans, group meetings of the adverce impact of absenteeism on production etc.

(iv) Cooperation of unions has been sought for dealing with the problems of absenteeism.

(v) Mechanisation of underground mines also is being introduced to avoid drudgery to the workers.

(vi) Introduction of multi skilled job concept.

(vii) An incentive scheme for curbing absenteeism is under preliminary examination/discussion.

B. Short Term

(i) A roster for granting leave in a phased manner is maintained to ensure that there is no sudden absenteeism in the manpower at any point of time. The managers have also been instructed to regulate the santion of leave in each case so that the total attendance does not fall by more than 35 per cent in each category. at a time.

(ii) The absenteeism of each individual is closely scrutinised by the immediate superior and adequate disciplinary action is taken to ensure that any individual or a group of individuals do not remain on un-authorised absence for too long a period.

(iii) Memical Officers of the collieries have been asked to maintain sickness records of each employee who required to report to medical officers and check them every alternate day.

(iv) Training programmes have been initiated for equiping key personnel such as winding khalasi, haulage khalasi, bioler firemen etc. So that there is no shortage of skilled personnel at any time.

(v) A proper record of trained personnel who have developed miltiskills is maintained so that wherever necessary, on short notice these people can be re-deployed to see that the mines are kept running.

(vi) Periodical meetings of JCC are held at unit level for giving wide publicity regarding the ill effects of absenteeism. This has had some effect upon the workers morale and conduct.

[Deptt. of Coal O.M. No. 5412/2/81-CA dated 12-11-1981]

Recommendation (Serial No. 2, Paragraph 1.20

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 regard. It is the responsibilty of the Ministry of Home A:airs and the concerned State Government to see that the coal companies are allowed to function unimpeded by anti-social elements.

Reply of Government

It is admitted that there is considerable dislocation particularly in opening new mines in view of the law less elements objecting to opening of the mines, demanding employment to the local population. The mater has been taken up with the State Government of West Bengal. The State Government is insisting on providing employment to the local unemployed youth, while coal company (ECL) is already finding it difficult to absorb the surplus manpower resulting from gradual closure of exhausted mines and consequently in providing any new employment to outsiders. Two high level meetings have been held with the State Government (at the level of Chief Minister) on 3rd June and 5th August, 81 but final decision has not yet been taken. The matter is still under consideration and only after a decision on this issue is taken, it should be possible to revive the operations in the inclines.

In BCCL the law and order position is considerably better now. The 3-tier system of coordination at the district, Division and State level is working satisfactorily. The State Government have taken a number of measures for curbing the activities of anti-social elements, including detention of some notorious elements under the National Security Act. It is hoped that near normal conditions will come to exist in the Dhanbad coalbelt before long.

[Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981]

Recommendation (Sl. No. 14, Paragraph No. 3.39)

As mentioned 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 pithead 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 opencast 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.

Reply of Government

The Department of Coal and Coal India Limited are in agreement with the views expressed by the Committee that developmental activities should not be slowed down due to intermittent distortions/deviations from the projected demand. The Coal Companies do have perspective development and production plan based on long term projections of coal demand. It is imperative that such a development and production plan should be implemented regardless of minor variations in the off-take pattern. Production programmes have been geared up to ensure that they fit in with a long-term forecasting of demand. The comfortable level of pithead stocks is an indicator of the ability of the coal sector to meet demand.

[Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981]

Recommendation (Serial No. 15, Paragraph 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 house-hold sector. As regards the steel sector, the production washed coking coal had redropped 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 2099 million tonnes and 21.54 million tonnes during the year 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.

Reply of Government

In addition to 15 existing washeries with a total installed capacity of 25.94 m.t./year, 6 washeries with a total installed capacity of 10.71 m.t./year are under various stages of construction. Two coking coal washery projects and 2 non-coking coal preparation plants with a total installed capacity of 9.65 m.t./year (raw coal) are under advance stages of consideration for obtaining investment decision of the Government. Among the 15 existing washeries, various modernisation schemes have been taken up in 4 washeries (Dugda I & II, Kathara and Patherdih) to improve the performance of the washeries.

[Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981]

Comments of the Committee

(Please *see* Para 3, of Chapter I of the Report)

Recommendation (Sl. No. 17, Paragraph No. 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.

Reply of Government

There has been considerable improvement in the level of coal despatches by rail in 1981-82 (April to September, 1981) as against the level which obtained during the year 1980-81. The daily average loading of coal during the previous three years as compared to the current year's performance is indicated below:—

1978-79 .	9025	wagons	per	day
1979-80 .	8721	,,	,,	,,
1980-81 . . .	8986	,,	,,	,,
1981-82 (April-Sept.) . .	9641	,,	,,	,,

This improvement in performance was possible with the best of co-operation between the Railways and the Coal Companies at various levels. At the instance of the Government, the coal companies are meeting the railway officials at the operating levels once in 10 days to review and discuss the wagon loading and to explore the possibilities for further increasing the loading and reduction in detention. Monthly review meetings are also held between Coal India Ltd. and Railways at Calcutta. Besides, the performance of coal and Railway sector is reviewed by the Cabinet Committee on Industrial Infrastructure at regular intervals.

[Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981]

Recommendation (Serial No. 18, Paragraph 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 others 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 contrained 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.

Reply of Government

Instructions have already been issued by the Ministry of Railways to all zonal Railways not to intercept coal booked to one party and divert the same to other parties. They have also been advised that in case such a diversion becomes inescapable under unavoidable circumstances like accidents, breaches, hold up of wagons with one consumer etc., all efforts should be made to see that the consumer whose coal gets diverted under such circumstances gets compensated within a reasonable period of a month or so. Instructions have also been issued that as soon as coal wagons are diverted, the original consignee is advised about such an action.

[Deptt. of Coal O.M. No. 54012/2/81-CA dated 12-11-1981]

Recommendation (Serial No.19, Paragraph 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 Coalfield 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 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 expert 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 in the coal companies. The handling work should therefore be gradually departmentalised.

Reply of Government

In appreciation of the need for vigilance preventive, detective and punitive, separate Vigilance Deparatments have been set up in the Coal Companies. The structure of the department (Officers only) is given below:—

Name of the post.	No. of posts				
	CIL	ECL	BCCL	CCL.	WCL
(i) Chief Vigilance Officer (E7/E8 scale)	1	1	1	1	1
(ii) Deputy Chief Vigilance Officer (E5/E6 scale) . . .	1	1	1	1	1
(iii) Vigilance Officer (E5/E6 scale)		6	8	6	6
(iv) Civil Engineer (E4/E5 scale)		1	1	1	1
(v) Accounts Officer (E4/E5 scale) . . .		1	1	1	1
(vi) Mining Engineer (E4/E5 scale)		1	1	1	

1. In order to ensure the independence and immunity to outside influence the appointment of Chief Vigilance Officers of the Companies is made by the Government with the concurrence of the Central Vigilance Commission. As a matter of principle, the Chief Vigilance Officer of the Company is being selected as far as practicable from a cadre other than the cadre of the state in which the coal companies are located.

2. In regard to the functioning of these departments, instructions and guidelines have been laid down such as time frame for completion of enquiries, preparations of list of sensitive posts, preparation of list of officers of doubtful integrity etc.

3. Instructions have also been issued for the rotational transfer of the icumbents from the sensitive areas and posts at suitable intervals.

4. Purchase and sales being the vulnerable spheres of corruption and malpractices, the Coal Companies have been advised to introduce a proper system of verification of stocks and stores and planning for store purchases. Computerisation of store inventories is under consideration. The Coal Companies have also been advised to minimise the local purchases.

5. As regards sale of coal a number of new policies have been introduced by the Government. At the holding company level Coal Marketing Organisation has been set up to regulate the sale of coal at all levels. The policy of free sale of coal has been introduced. The Coal Companies have been asked to ensure that the system works effectively without any harassment to the consumers.

6. The Coal Marketing Organisation has already set up 22* coal dumps. The intention behind the coal dump scheme is that consumers who take coal by road should have no access to the collieries for taking deliveries and should lift coal only from the centralised dumps.

7. In order to prevent forgery of documents connected with sale e.g. Delivery Orders, Release Orders etc., it has been decided to get common forms printed centrally with CIL water markings for use in all companies.

8. Special squads of Vigilance teams drawn from the Marketing and Vigilance departments of Coal India are being set up. These teams would be constantly on the move and make surprise checks at the collieries where sales of coal takes place. They would check weight-bridges to ensure proper weighment and look into complaints of undue delay in supplying of coal. The Vigilance teams would also go into complaints in regard to the quality of coal supplied to consumers particularly those bringing coal by road.

*At the time of factual verification, Coal India Ltd. intimated that as on 1-3-1982. 31 coal dumps have been set up

9. A policy decision has already been taken to departmentalise transport of coal and sand in order to eliminate private contractors. The programme is being carried out in a phased manner depending on the availability of trucks. In some areas of CCL and BCCL, transport contracts have been awarded to ex-service personnel sponsored by army authorities.

10. A proper system for the verification of coal stocks held at the collieries has been instituted. Each Colliery verifies the coal stocks on a monthly basis against the book stocks. The book stocks are arrived at on the basis of production and despatches. The company headquarters organises verification of coal stocks in each colliery once in six months and the CIL Hqrs. physically measures the coal stocks at the pit-heads on an annual basis by a team of independent surveyors constituted specially for the purpose. The coal stocks are measured volumetrically and converted into quantity in tonnes based on conversion factor applicable to the particular grade and variety of coal. Due to its large volume it is not possible to evaluate the quantity of coal held exactly. As such, a measurement error upto 5 per cent is considered reasonable. If there are stock shortages upto 5 per cent of the measured stocks, normally no action is taken against the Colliery Manager.

11. However, whenever the stock shortages exceed the permissible 5 per cent error in measurement, actio is initiated against the concerned personnel to fix the responsibility. The Coal Companies have in the past taken action including dismissal, withholding of increments and ordering demotions in such cases where stock shortages were established as due to the negligence of the concerned personnel.

12. Pilferred coal has been seized in a large number of cases and prosecutions launched against the culprits. In order to prevent theft/pilferage of coal, security arrangements like posting guards, building up of boundary walls to enclose the Coal Stocks (Particularly in ECL), fencing, lighting, surprise checks of trucks transporting coal, raids by the Security staff in collaboration with local police etc. are also being made.

13. The Chief Vigilance Officer of the Ministry together with the Chief Vigilance Officer of the Companies has also carried out some surprise inspections.

14. In order to review the functioning of the Vigilance Organsation and to take the corrective measures needed to rectify the situation, meetings are held at various levels.

15. Deterrent punishments have been awarded to officials (in consultation with the Central Vigilance Commission in the case of those who draw pay more than Rs. 1000) who have been found guilty of corrupt practices.

[Department of Coal O.M. No. 54012/2/81-CA Dated 12-11-1981]

Comments of the Committee

(Please *see* Para 4 of Chapter I of the Report)

Recommendation (Sl. No. 20, Paragraph 4.8)

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 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.

Reply of Government

The main reason for variation in cost of production between the subsidiaries is the variation in productivity, measured in terms of OMS. Cost of production in underground mines is very much higher than in opencast mines and in ECL where underground mines pre-dominate, this has resulted in a much higher cost. In addition, inherent problems like a large labour force, law and order problems etc. result in lower level of productivity in ECL and BCCL.

Initially after nationalisation of coal mines, it was noticed that there was no system of uniform formal system of budget or budgetary control in several collieries owned by private persons except in the mines which were under the administrative control of NCDC. Gradually a system of cost reporting for individual mines has been introduced. A system of formulating in annual operation plan was introduced at first in the BCCL and subsequently extended to the other subsidiaries of Coal India. Simultaneously, review of actual performance and results against the targets set in the operation plans at various levels of management—collieries, areas, subsidiary company hqrs. and the CIL hqrs. was introduced. These reviews aim at identifying the factors responsible for variations from budgets and preparation of plan for corrective action.

Some of the measures taken by CIL for control of cost of production are given below:

1. Coal India is now having a monthly review of production and cost performance.

2. Variances in different items of cost are reviewed and reasons established to take corrective measures.

3. Special emphasis has been laid on variable controlable cost like lead, lift, overtime, expenditure on contracts, energy consumption/stores consumption.

4. Physical norms of consumption have been evolved for controlling costs on stores and energy consumption.

5. Exercises for standards costs based upon industrial engineering studies have been started and standard costs are being fixed as a part of management control and for reviewing the actual cost of production against pre-determined standards.

[Department of Coal O.M. No. 54012/2/81-CA dated 12-11-1981]

Recommendation (Serial No. 21, Paragraph No. 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 opencast mines from 0.64 in north eastern coalfields to 2.29 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.

Reply of the Government

The target for OMS for each mine is proposed to be fixed on the basis of industrial engineering studies which would give the various norms for deployment of personnel there by fixing the manpower requirement. Industrial Engineering studies are being carried out in a group of 10 mines in each subsidiary to start with. It is also proposed to compute that OMS of a mine where the mine would break even. Industrial Engineering studies would also help fixation of factor productivity of various factors of operations.

Every quarter, the coal production achieved is being compared with the system capacity Company-wise in order to establish the percentage of capacity utilisation and also to take remedial measures for improving the same. During the quarterly performance reviews, a comparative study of OMS of different Coal Companies is being made taking into consideration the comparative conditions of mining.

[Department of Coal. O.M. No. 5412(2)/81-CA dated 12-11-1981]

Recommendation (Sl. No. 24, Paragraph No. 5.11)

The total investment in the coal companies is of the order of Rs. 1343.3 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 that 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 under utilisation of factors of production, especially labour.

Reply of the Government

The coal companies have suffered losses which are mainly due to unremunerative prices of coal coupled with increase in the cost of inputs, wagon and loss of production due to various constraints such as shortage of power, absenteeism, law and order problem, unprecedented floods in some years in the eastern region, shortage in explosives for some time etc. As a result of the various steps taken such as optimum utilisation of machinery and labour, proper control of cost inventory etc., the production has increased during the year 1980-81 and target was achieved. The OMS has also improved from .67 in 1979-80 to .71 in 1980-81. It is expected to increase further to 0.75 in 1981-82. The increase in productivity has been an important factor in keeping cost increase under control. In order to improve utilisation of labour, fresh recruitment is being kept to the minimum and workers redeployed to new projects. There has also been a sharp increase in production and productivity which has served to contain cost substantially.

[Department of Coal O.M. No. 54012/2/81-CA Dated 12-11-1981]

Recommendation (Sl. No. 25, Paragraph No. 5.12)

The Committee take a very serious view of the ordinate 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.

Reply of the Government

The Annual report and accounts of Coal India Ltd. and* its subsidiaries upto the year 1979-80 have been laid in the Parliament.

(Department of Coal O.M. 54012/2/81-CA dated 12-11-1981)

Recommendation: (Sl. No. 26, Paragraph 5.13)

The budgetary system in the coal companies needs refinement Admitedly, 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 recomciled. It is no wonder, therefore, that there is no effective cost control mechanism in the coal companies. These deficiencies should be remedied without delay.

Reply of the Government

In the 214 Coking Coal Mines and 711 Non-Coking Coal Mines which were nationalised, there were almost as many different financial systems and procedures as the number of owners who were running these Mines. Therefore, immediately after nationalisation the nationalised Coal Industry had to work out and implement a Cost Accounting and Financial Accounting System of uniform nature for adoption by all the Units. This itself proved to be a stupendous task in view of the fact that to start with, the nationalised Coal Industry had only a handful of qualified Accountants from the private sector coal companies as, employment of such qualified accounting personnel was limited only to the organised private sector units. Therefore, there was a need to simultaneously build up a minimum strength of accounting personnel who could shoulder the responsibilities entrusted to the Finance and Accounts Divisions of the nationalised Coal Industry. As compared to the responsibilities the Finance Accounts Organisations in the Collieries had to shoulder under private ownership, where most of the functions of financial nature was handled by the owner himself or the organisation at Headquarters away from Coalfields which also catered to the need for interests others than coal, the scope of responsibilities in the nationalised Coal Industry, which included examination

*At the time of factual verification Coal India Ltd. intimated that "Annual Report and Accounts for 1980-81 also have been completed and printed."

of propriety of expenditure under the concept of Public Accountability, proved to be much wider. Besides, a large number of persons who were taken over on nationalisation did not have exposure to the type of Financial Management required to be carried out in a Public Sector Organisation. It was, therefore, necessary to organise the various activities of financial management stage by stage.

2. At the first stage, the activities for compilation of Cost Reports by the various collieries and Units were taken up in order to assess the cost of production and profitability of the individual Collieries/Units. The information system introduced for this purpose provided for ascertaining and reporting cost of production for individual Units under various cost heads. Initially a comparison of actual cost from period to period was only possible.

3. Subsequently, the need to have a yardstick to measure the actual performance and cost was felt and a system of preparation of Revenue Budgets and reporting of actuals against these Revenue Budgets was implemented. These Revenue Budgets as well as the capital budgets were being presented to the Govt. annually as the Coal Industry had to obtain funds from the Government not only for capital expenditure but also for deficit on Revenue Account arising mainly from delays in revision in price of coal. Simultaneously, a system of analysis and review of actuals against the budgets at various levels was also introduced.

4. At the third stage, an all-out attempt had to be made to uptodate the Financial Accounts which were in arrear for several years mainly due to the need to prepare accounts for the transactions relating to the period prior to the nationalisation and the Accounts for the post nationalisation period simultaneously. Besides, the limited resources of Finance and Accounting personnel had to be initially deployed mainly for the purpose of the day-to-day essential jobs like arranging for funds including preparation of Bills and collection of funds from the customers, preparation of wage bills and payment of wages and other expenses, compilation of Cost Report and other management information and compilation and submission of annual budgets. It has been possible for the company to update the financial accounts with the special efforts made by CIL and its Subsidiaries.

5. At present CIL and its Subsidiaries are engaged in improving the system of budgetary control with a view to exercise proper control on expenditure. The Revenue Budgets hitherto being used for the purpose of performance appraisal required to be backed up by quantitative targets as it was felt that under a condition where prices of inputs were subjected to steep escalations, proper appraisal of performance would call for setting up quantitative targets for usage of various inputs and analysis of actual

usage against these targets. While, by and large, quantitative targets formed the basis for the expenditure budgets in a number of cases where this could be done, it was considered necessary to have an independent assessment of 'Norms' and 'Standards' and spell out these quantitative targets clearly in the budgets. With this object in view, Coal India has initiated a scheme for introduction of Standard Costing for its different Units and Mines. The idea is to evolve standard capacity utilisation, standards for manpower and standards for consumption of various inputs and translate them into financial terms to arrive at the Standard Costs which could form the basis for appraisal of cost and performance. Due to its very nature the number of variables in the mining industry are far too many and therefore setting up of standards, taking into account the different variables in respect of individual Units requires considerable time and effort. CIL and its Subsidiaries are fully conscious of the need to have a proper yardstick for appraisal of performance of its various units and therefore an all-out affort is being made to finalise these Standards as early as possible.

6. After updating the Financial Accounts certain deficiencies in the system of maintaining Cost Acounts came to light. It was observed that unless the Cost Accounts are integrated with Financial Accounts, the information generated by the Cost Accounts could not be fully relied upon. A scheme for integration of Cost and Financial Accounts has been done up by CIL and given to the Subsidiary Companies. The Subsidiary Companies are engaged in the task of implementing the scheme. Pending full implementation of the Scheme, as far as possible the same basic data for compilation of Cost statements as well as Financial Accounts were being used.

7. While lot of efforts has been put to achieve the results mentioned above, a lot more ground has to be covered and CIL and its subsidiaries are striving to bring about further improvement in the Financial Management System. Non availability of adequate number of trained and qualified accounting personnel is one of the main handicaps. Attempt is being made to bridge the gap by way of conducting departmental examinations and training the persons presently available. In the first phase the attempt is to provide at least one trained and qualified accountant to each of the Collieries/Units, which is the minimum requirement of an average colliery having an annual turnover of around Rs. 4 crores to Rs. 5 crores.

(Department of Coal O.M. No. 54012/2/81-CA Dated 12-11-1981)

Recommendation (Serial No. 27, Paragraph No. 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 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. Any how, 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.

Reply of Government

Although the Committee has not indicated clearly as to which agency should undertake the economic cost and benefit analysis, it is felt that Coal India does not have the necessary expertise in undertaking this exercise. The analysis would, however, be undertaken by the Planning Commission periodically once in three/four years in consultation with Coal India Ltd.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12 November, 1981)

Comments of the Committee

(Please see Para. 7 of Chapter I of the Report).

Recommendation (Serial No. 28, Paragraph No. 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 Planning Commission and BPE are necessary. In future the review meeting should be organised in the manner already laid down.

Reply of Government

Department of Coal have been conducting a reivew of the subsidiary Coal Companies along with the representatives of the Planning Commission and BPE. A view of BCCL was held on 6.10.80 and that of CCI. on 20.4.81. Review of WCL and ECL is likely to be held in coming months.

Besides the above, the Planning Commission has been conducting in-depth review of the performance of the CIL. Review of the performance of 1980-81 was carried out in June '81 which was followed by quarter ending June '81 performance in August '81. The review for the half year ending September '81 is expected to be carried out some time in November '81.

Department of Coal has set up an organisation to review in depth the various coal mining projects under implementation. This Cell is headed by a Director in the Department assisted by requisite staff.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12 November, 1981)

Recommendation (Serial No. 27, Paragraph No. 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.

Reply of Government

As the Committee is aware, a critical situation had developed during the last two years in regard to the supply of coal to some of the higher priorities like steel plants and Power Houses. The despatch of coal by wagon and road to this high priority consumers and their stock levels is being monitered on almost daily basis by the Department of Coal, Ministry of Railways and the Cabinet Secretariat and very frequent reports have to be submitted to the Cabinet Committee on Infrastructure. An integrated Management Information System has been drafted and is in the final stage of consideration and approval. While this system may not provide for daily reports on a regular basis, the need for the daily reports would remain at least temporarily till the supply position eases users demand in priority areas.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12 November, 1981)

CHAPTER III

RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

Recommendation (Serial No. 23, Paragraph No. 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 2 such 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.

Reply of Government

Certain mines have been developed to supply coal to pithead power stations linked to these mines. In general these mining projects produce inferior grades of coal which would not be economical to transport to those linked at a distance. Such pithead supplies serve the overall national interest by reducing the strain on the transport system. While it is a fact that the particular coal mine does not get the price which would compensate cost of production mainly because of inferior quality of coal, even this is being taken care of by fixing price of coal on the average cost of production of all the coal mines of Coal India Ltd. to give an overall return to Coal India. There are practical difficulties in having a separte price for individual mines as a mine- might be supplying coal to more than one consumer and a consuming project might be getting coal from more than one source.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 26-11-1981)

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE AWAITED

Recommendation (Sl. No. 16 (Paragraph No. 3.50)

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 the four coal washeries from SAIL to BCCL and the reasons for delay in investments apart from operational problem. The Committee having been convinced of the advantages of these washeries ownership vesting with the coal company, recommended that the ownership should be transferred by SAIL forthwith.

Reply of Government

The matter has been taken up with the Department of Steel.

Deptt. of Coal O.M. No. 54012/2/81-CA dated 12 November, 1981)

Further information called for by the Committee.

Please indicate the latest position in regard to transfer of ownership of the four coal washeries from SAIL to BCCL and the reasons for delay in effecting the transfer.

(L.S.S. O.M. No. 47/2-PU/81 dated 9-2-82)

Further Reply of Government

The question of transfer of ownership of the coal washeries from SAIL to BCCL has been taken up with the Department of Steel at the highest level.

Deptt. of Coal O.M. No. 54012/1/82-CA dated 12.2.1982).

Recommendation (Sl. No. 22 Paragraph No. 4.20)

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. 100.19 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 effecting 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.

Reply of the Government

The Fazal Committee in their report has also gone into the question of coal pricing policy. Its recommendations in this regard are being looked into in consultation with the Planning Commission. The recommendation of the COPU will be taken note of when arriving at a final decision.

(Deptt. of Coal O.M. No. 54012/2/81-CA dated 12 November, 1981)

Further information called for by the Committee

Please furnish a note on the final decision of the Government on Coal Pricing Policy.

(L.S.S. O.M. No. 47/2-PU/81 dated 9th February, 1982)

Further Reply of the Government

The task of fixing an appropriate price for coal taking into account normative costs and efficiencies has been entrusted to the Bureau of Industrial Costs and Prices. Meanwhile the question of compensating the escalations in cost of inputs since the last price revision is under examination.

(Deptt. of Coal O.M. No. 54012/1/82-CA dated 12th February, 1982)

NEW DELHI;
March 9, 1982.
Phalguna 18, 1903 (*Saka*).

BANSI LAL,
Chairman,
Committee on Public Undertakings.

APPENDIX

(*Vide* para 3 of the Introduction)

Analysis of the action taken by Government on the recommendations contained in the 17th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Coal India Ltd.

I.	Total number of recommendations	29
II.	Recommendations that have been accepted by the Government (*Vide* recommendations at S. Nos. 1—15, 17—21 and 24—29). . .	26
	Percentage to Total	89·65
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (*Vide* recommendation at S. No. 23). . . .	1
	Percentage to Total	3·45
IV.	Recommendations in respect of which final replies of Government are still awaited (*Vide* Recommendations at S. Nos. 16 and 22). . . .	2
	Percentage to Total . .	6·90

GM GIPMRND—LS-II—3490 LS—15-3-82—1125