TWENTY FIFTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1986-87)
(EIGHTH LOK SABHA)

EASTERN COALFIELDS LIMITED

(MINISTRY OF ENERGY – DEPARTMENT OF COAL)

Presented to Lok Sabha on } *29 April, 1987*
Laid in Rajya Sabha on }

LOK SABHA SECRETARIAT
NEW DELHI

April, 1987/Vaisakha, 1909 (S)

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(1986-87)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Twenty-Fifth Report on Eastern Coalfields Limited.

2. The Committee's examination of the working of the Company was mainly based on the Report of the Comptroller and Auditor General of India, 1983, Union Government, (Commercial) Part IV.

3. The Committee took evidence of the representatives of Eastern Coalfields Ltd. on 15 July, 12 and 14 August, 17 September, 6 and 7 October and 2 and 3 December, 1986 and also of the representatives of the Ministry of Energy (Department of Coal) on 7 and 8 January, 1987.

4. The Committee considered and adopted the Report at their sitting held on 10 April, 1987.

5. The Committee wish to express their thanks to the Ministry of Energy (Department of Coal) and Eastern Coalfields Ltd. for placing before them the material and information they wanted in connection with examination of the Company. They also wish to thank in particular the representatives of the Department of Coal and the Undertakings who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered by the Comptroller & Auditor General of India.

NEW DELHI, — K. RAMAMURTHY,

15 April, 1987/ — *Chairman,*

25 Chaitra, 1909(S) — *Committee on Public Undertakings*

CHAPTER - I

HISTORICAL BACKGROUND

With a view to ensuring rational and coordinated development of coal production and for promoting optimum utilisation of the coal resources consistent with the growing requirements of the country, the management of 711 private owned non-coking coal mines in the country was taken over by the Government of India in January 1973. These mines were nationalised with effect from 1st May. 1973 under the Coal Mines Nationalisation Act, 1973. To manage the affairs of these mines, Coal Mines Authority Limited (CMAL) was incorporated on the 14th June. 1973. The ownership of 527 of these mines was transferred to Coal Mines Authority Limited with effect from 9th July, 1973 and the remaining 184 mines were vested in Bharat Coking Coal Limited for reasons of operational convenience. In November, 1975 the CMAL was converted into a Holding Company and re-named as Coal India Limited. As a part of this re-organisation Eastern Division of the erstwhile CMAL was converted into a separate Government Company Eastern Coalfields Limited on 1st November. 1975 as one of the subsidiaries of Coal India Ltd. Eastern Coalfields Limited (ECL) comprises mainly Raniganj, Mugma Salanpur, Rajmahal and Santal Parganas (SP) Coalfields.

Transfer of Assets and Liabilities to ECL

1.2 In pursuance of the directives of the Government of India dated 27th September, 1975 the assets and liabilities of the coal mines comprising the Eastern Division of the Coal mines Authority Limited were taken over by the Company in terms of an agreement or sale. Legal formalities for transfer of such assets and liabilities to the Company are in the process of execution and have not yet been completed.

1.3 Audit has also pointed out that although the purchase consideration for the assets and liabilities taken over by the Company was determined and accounted for on the basis of the value of net asset as per the audited accounts of Eastern Division of the Coal Mines Authority Limited as on 31st October, 1975, the purchase consideration determined as above has been credited to the current A/c with coal India Ltd. (March 1986).

1.4 During the course of examination of the Company the Committee wanted to know the reasons for which the legal formalities for transfer of assets and liabilities to ECL could not be completed Coal India Ltd. (holding company). replied in a written note as follows :—

"Legal formalities for transfer of immovable assets like land and buildings, from CIL to its subsidiary companies, including ECL,

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could not be completetd due to various difficulties. such as nor-availability of title deeds in respect of such assets, for execution of regis-tered conveyances deeds.

It may be pointed out, in this connection, that at the time of nationalisation of coal mines, by an Act of Parliament, vesting the assets of erstwhile owners of the coal mines in the Central Government. the said title deeds were not handed over by the erstwhile owners to the Central Government. for some reasons or other. making the identification of these assets extremely difficults. and in some cases leading to unnecessary litigations as regards the ownership of the assets, between various parties and the coal companies. which are pending in different Courts of Law.

Further, according to the decision of the Govt. of India, two more subsidiary companies have been recently formed viz. Northern Coalfields Ltd. and South Eastern Coalfields Limited. out of the previously formed two subsidiary companies. viz Western Coalfields Limited and Central Coalfields Limited. due to various administra-tive reasons. It is quite possible that in future also, some more subsi-diary companies may be created. out of the present subsidiary com-panies, as a restructuring process, for administrative reasons.

If the above restructuring of the companies as to be carried out, through the execution of registered conveyarce deeds. it will not only be a such time consuming process, but also will cause serious practical difficulties, in the absence of availability of title deeds in respect of vested assets, as aforesaid.

The matter has, therefore, been taken up with the Department of Coal. Ministry of Energy, for getting this issue examined by the Ministry of Law, for finding an easy and practical way, for solving the problem, even by amending the Coal Mines Nationalisation Acts, if necessary. This matter is presently under the active consideration of the Department of Coal."

1.5 During evidence of the representatives of Department of Coal, the Committee pointed out that even though the ECL was formed in 1975, the legal formalities could not be completed even after a lapse of more than 10 years. Asked about the reasons for delay, the Additional Secretary, Department of Coal stated :

"Under Section 5(1) of the Coal Mines Nationalisation Act, 1973, all the coal mines were nationalised and brought under the control of the Central Government who in turn transferred, by means of notifi-cation, to the Coal Mines Authority Limited which was later converted into a holding Company namely Coal India Limited. The Coal India Limited has 5 subsidiary companies, under their control. The agree-ment between the subsidiary companies and Coal India Company through these subsidiary companies was executed but the legal for-malities and conveyance deeds could not be completed because of certain difficulties regarding non-availability of title deeds and other identifications from the erstwhile onwers of coal mines. These diffi-culties were being experienced by Coal India and it wanted somewhat easier method by which this transfer could be effected. Government consulted the Law Department whether it could be done by any change in the Act or by any amendment of the Coal Nationalisation Act. In the meantime, Fazal Committee was appointed to look into the organisation of the Coal India as a holding company and they recommended that the holding company, Coal India, has not delivered the goods and, therefore, it should be done away with. But COPU opined that this concept of a holding company should be given a fair trial and so it continued thereafter. Sen Gupta Committee was appointed to look into the reorganisation of these various companies and to determine whether holding company concept should be continued. Sen Gupta Committee has come to the conclusion that holding company concept should be continued and the recommendations of the Sen Gupta Committee are still under consideration of the Government. Since we were not very sure what will be the ultimate fate of the holding company, we were undecided as to in what manner we should transfer these properties to the companies.

Now Coal India is examining the possibility of transferring these properties under reorganisation scheme with the consent of the Company Law Board and they are consulting their chartered accountants and advocates and we hope that in another six months, we should be able to finally decide in what manner we can effect this."

1.6 On being asked whether the holding Company (Coal India Ltd.) did not have the proper title deeds, the witness stated:

"Under the law, the Coal India has been vested with these areas by the Government of India by a notification because after the nationalisation of these mines, they were vested in the President."

1.7 The Committee pointed out that the Coal India had reported that certain title deeds were not available and enquired whether this was a fact. To this, the representative of the Department of Coal admitted "the deeds and other identifications from the erstwhile coal mines were not available".

1.8 In reply to a further query of the Committee whether there were some disputes in regard to title deeds with erstwhile mines owners, the witness stated that "there has been dispute. People have gone to the Court."

1.9 On being pointed out by the Committee whether non-availability of title deeds would mean that ECL was not in a position to identify their areas of operation, the witness replied "this is one of the difficulty".

1.10 The Committee also enquired whether ECL had brought to the notice of the Ministry that it was facing some problems due to non-availability of title deeds. The Additional Secretary, Department of Coal, stated "this has been coming up".

He added :

"Sir, we are aware of the problem and we will be able to sort it out."

1.11 When asked whether ECL was able to taken loan on the basis of assets etc., the witness replied :

"at present, it is done through Coal India only."

1.12 In reply to a further question whether the construction of one of the Coal Handling Plant of the Company was delayed on this account, the witness stated "that is because of the land acquisition problem".

1.13 When asked about the latest position about legal transfer of assets and liabilities, the representative of the Department of Coal stated:

"What is being done is a full compilation of the assets and liabilities which should accompany any such transfer. I think the exercise is for compiling that."

1.14 When the Committee desired to know the specific period by which the legal transfer of assets and liabilities to ECL would be completed, the Additional Secretary, Department of Coal replied "We hope to settle this matter within six months. We are actively at it".

1.15 When again asked by the Committee whether the period of last 11 years was not sufficient for this purpose, the witness stated "I agree this has been delayed. Give us another six months."

1.16 Eastern Coalfields Ltd. (ECL) was incorporated on 1st November, 1975 when Eastern Division of erstwhile Coal Mines Authority Ltd. was converted into a separate Company as a subsidiary of Coal India Ltd. The Committee are surprised to note that the legal formalities for the transfer of assets and liabilities from CIL to ECL have not been completed even after 12 years of the incorporation of the Company. The delay is stated to be due to non-availability of title deeds for execution of registered conveyance deeds. It is also stated that the title deeds were not handed over by the erstwhile owners to the Central Government for some reasons or the other making the identification of the assets extremely difficult and in some cases leading to unnecessary litigations till pending in different Courts of Law. The Committee have also been informed that since the mines were taken over by Government by way of nationalisation, all documents relating to the ownership could not be located. The other factor was the uncertainty of future organisation of coal companies. The Committee are not convinced of the reasons advanced by the Department of Coal and the Holding Company (CIL) in this regard. They feel that as the Government transferred all the assets and liabilities in the name of Coal India by a notification, the CIL in turn could have likewise transferred the assets etc. to its subsidiaries including Eastern Coalfields Ltd.

1.17 The Committee also find that in the absence of title deeds etc. ECL is not in a position to raise loans independently. It can take loans at present only through the Coal India Ltd. This situation could have been avoided if both the Department of Coal and Coal India Ltd. had taken timely action to find a solution to the problem of transferring assets to ECL. The Committee recommend that legal formalities should immediately be completed and assets and liabilities transferred in favour of ECL within a period of six months, as promised by the representative of the Ministry during his evidence.

CHAPTER II

OBJECTIVES AND OBLIGATIONS

2.1 A statement of objective applicable to all subsidiary companies drawn up by the holding company (Coal India Ltd.) was laid on the Table of Parliament by the Ministry of Energy, Department of Coal in June 1977. These objectives, *inter alia,* include the following :—

(i) To promote the development and utilisation of the coal reserves in the country for meeting the present and likely future requirement of the national economy with due regard to the need for conservation of non-renewable resources and safety of mine workers.

(ii) To raise the productivity of coal mining and related activities through introduction of improved technology, streamlining of organisation and management and improving the skills and motivation of the work-force.

(iii) To generate surpluses by optimum utilisation of production capacity, improving efficiency of operations and adopting appropriate cost reduction and cost control methods.

(iv) To make efficient arrangements for marketing and supply of coal so that coal, coke and other similar derivatives are available to consumers throughout the country conveniently and at reasonable prices.

(v) To promote research and development activities on a continuing basis in the areas of coal mining, benefication development of new coal based products or by-products, fuel technology or any other area having a bearing on conservation, development for utilisation of the coal reserves of the country.

2.2. In their assessment of the achievement of the objectives the Company is reported to have informed the audit in November, 1983 that it achieved *inter alia* the following :—

(i) Reorganisation of collieries.

(ii) Conservation of coal by increasing open cast production, introduction of longwall mining for optimising extraction, increasing of sand gathering capacity, containing fire by opencast mining etc.

(iii) Maintaining the level of productivity.

2.3. According to audit the statement of objectives include, *inter-alia* development and utilisation of coal reserves, increase in productivity, optimum utilisation of production capacity and promotion of research and development activities on a continuing basis. As will be seen from the succeeding Chapters, there not only was a fall in production but also no deep mine has been opened and not a single major Coal Handling Plant installed so far. The Company has been incurring losses continuously. Research and Development schemes are, by and large, not successful. There were abnormal time and cost overruns in the execution of projects. There was shortfall in sand stowing and indiscriminate investment in the plant and machinery. Productivity per Worker, in fact, has declined from 0.58 tonne in 1977-78 to 0.52 tonne in 1984-85.

2.4. During oral evidence of the representatives of Eastern Coalfields Ltd. the Committee pointed out that one of the proclaimed objectives of the Company was to maintain the level of productivity but the coal production of Company which was over 26.18 million tonnes in 1975-76 dropped in subsequent years. Even after 10 years i.e. in 1985-86, it was 24.03 million tonnes. When asked about the reasons for not achieving the objectives set for ECL, the GMD, ECL stated as follows :—

> "The Company's performance for 1975-76 and 1976-77 was very good when with less number of manpower we have been able to achieve plus 26 million tonnes and everything was much better. But then there was a sea-change after that and the Company dropped down to 22.5 million tonnes of production. Then it had steadied for three years and the conditions have changed now and we expect that it will now come up. But the problem we faced in these 4 or 5 years was that at one time we found that too many people were taken by the Company therefore, there was a complete ban on recruitment and as a result the local unions and the local party people decided that unless job is given, they would not allow any mines to be opened. So, for four years no new mine was allowed to be operated and there was stagnation. Then, after the dicussion with the Chief Minister of West Bengal in 1982-83 it was decided that 600 people would be recruited and the mines would be allowed to be opened. So we opened 8 mines, three more are in the process of being opened, and we recruited about 300 people instead of 600. Even in mines where recruitment was done, lists were circulated and appointment offers were made, even then they were not allowed to be opened. That situation by and large improved but I must say that even today there are problems we are facing such problems in Sonpur Bazari project being executed with the World Bank aid. In June, 1985 we were supposed to get the total loan and we in turn told the World Bank that we would get the land in 1985 and asked as to when are we going to get the land. Our Hon. Minister has two meetings with the Chief Minister followed by a meeting by our Secretary. The problem is not yet resolved. There are other problems of lands in other places. What I am saying is that opening of new mines is extremely essential. We have surplus manpower and sanctioned capital, and the Government is willing to give additional capital if needed and if we open new mines we can absorb the surplus in a more beneficial way and for that some kind of help will be required from different sources."

2.5. As regards the action taken by the Company to achieve the objectives, the witness stated :—

"I will take the last four years first. The production has steadily gone up from 22.06 to nearly 24 million tonnes. Last year there was production of 24.02 million tonnes and this year it is likely to exceed 25. In the previous year there was some stabilisation of the whole production. For the last four years there has been no increase in manpower even though new mines have been re-opened. It took more than one and a half years for us to persuade the West Bengal Government to allow us to open the mines and to control the situation.

Secondly, the availability of power has been very poor. Even now, of course, our requirements have been partially met. But then, gradually the last year's situation has improved and things have improved.

Our productivity also has gone up from 0.49 in 1982-83 to 0.51 in the next years to 0.52 in the year after that, and then 0.53 in the year after that. Then our despatches have also been increasing."

2.6 When the Committee wanted to know the assessment of the holding company (CIL) in regard to achievement of objectives by ECL, CIL in a written note stated :—

"In the opinion of CIL, ECL's progress towards the achievement of objective has been slow. This is due to several constraints faced by ECL.

During the first year after take-over of the mines, i.e. in 1974-75, ECL produced 23.26 million tonnes. There was spurt in production during 1975-76 and 1976-77. The production rose to 26.46 million tonnes. This was mainly due to immediate boosting by small marginal schemes and improved Law & Order situation. The conditions deteriorate thereafter, particularly from 1978-79 onwards resulting in a sliding down of production. The improving trend is noticed from 1982-83.

Similar, trend, as was seen in case of production, has been noticed in case of productivity. There has been gradual increase in productivity from 1982-83 to 1985-86 i.e. from 0.49 to 0.54 respectively. Despatches by rail have also improved considerably from 1982-83 to 1985-86. Soft-coke despatches have also shown an increase.

The figures of production, productivity, rail despatches, total despatches and soft coke for the year 1982-83 to 1985-86 are given below :—

	1982-83	1983-84	1984-85	1985-86
Production (in million tonnes)	22.68	22.04	23.11	24.03
Productivity (in tonne)	0.49	0.51	0.52	0.54

	1982-83	1983-84	1984-85	1985-86
Rail despatches (in million tonnes)	14.92	15.68	16.53	17.68
Total despatches (in million tonnes)	20.22	20.46	20.91	22.75
Soft Coke (in million tonnes)	7.07	6.15	7.29	8.03

However much needs to be done by ECL in improving their performance so that the objectives set could be fully achieved."

2.7 During oral evidence of the Department of Coal, the Committee desired to know that when the Department had laid down before the Parliament in 1977 certain objectives to be achieved by subsidiaries, why were these not achieved by ECL. The Additional Secretary, Department of Coal then stated :—

"There are historical reasons for the difficult working conditions in these areas. The Government has been aware of it and the C&AG report has also pointed that out."

2.8. When further pointed out that the present levels of production and productivity were less than those achieved by the Company in 1976-77, the witness stated that when the Company was formed, the production was much more but it came down in subsequent years and was picking up again. The production in 1983-84 was 22.87 million tonnes. It increased to 23.11 million tonnes and 24.03 million tonnes in 1984-85 and 1985-86, respectively. Similarly the productivity has increased from 0.49 tonnes in 1982-83 to 0.54 tonnes in 1985-86.

2.9. The Committee drew the attention of the Deptt. of Coal to the guidelines issued by BPL in November, 1970 and reiterated in May 1979 and 1983, requiring thereof public undertakings to bring out the statement of (micro) objectives and obligations laying down the broad principles for determining the precise financial and economic obligations of the public enterprises in matters such as creation of various reserves, responsibility of self-financing, the anticipated returns on the capital employed and the basis of working out national wage and pricing policies. These micro objectives were also required to be approved by the administrative Ministries. Asked whether the micro objectives of ECL had been framed and approved in terms of BPE guidelines, the Additional Secretary, Department of Coal then stated out -"This is being done through the annual plan."

Upon this the Committee observed that the micro objective did not differ every year. The witness then stated : "First we prepare the five year plan and then we have the annual plan."

2.10 On being pointed out that the BPE had specifically asked for the preparation of micro-objectives by each Undertaking, the witness replied :—

"It is not specifically being done. Again we will look into the BPE guidelines."

2.11. In the post evidence written replies furnished to the Committee the Department of Coal have informed that :—

"The BPEs guildelines in their O.M. No. 9/135/4/73-BPE (GM-I) dated the 7th May 1979 had indicated that since the micro objectives of public sector had been spelt out by the Ministry of Industry in the Industrial Policy Statement made in the Parliament on 23rd December 1977, Public Enterprises should spell out their micro objectives consistent with the micro spelt out in the Industrial Policy Statement referred to above. Since the micro objectives have already been spelt out in the case of CIL and its subsidiaries, with the approval of the Government no further action was taken by the Department of Coal on this as well as on the BPE circular of 26th February, 1983. The objectives of Coal India are also broken up into specific action plans covering various areas of operation in respect of all subsidiaries concerned."

2.12. The Committee note that ECL was set up with the main objectives of the development and utilisation of coal reserves, increase in productivity, optimum utilisation of production capacity and promotion of research and development activities etc. The Committee's examination has, however, revealed that precious little has been done in achieving these objectives. The Company has neither been able to raise its productivity nor any major Coal Handling Plant has been installed. Research and development schemes have by and large not been successful. There has been abnormal time and cost overrun in the execution of projects and the Company has been incurring losses continuously. The Committee also find that in spite of the loud claim of maintaining the level of productivity, made before the Audit in November, 1983, coal production has in fact dropped from 26.18 million tonnes in 1975-76 to 24.03 million tonnes in 1985-86. Production per man shift has also fallen from 0.58 tonnes in 1977-78 to 0.52 tonnes in 1984-85. In this connection, the holding company (Coal India Ltd.) has been candid in their admission that "in the option of CIL, ECL's progress towards the achievement of objectives has been slow.........much needs to be done by ECL in improving their performance so that the objectives set could be fully achieved." The main reasons for not achieving the objectives and for the drop in coal productivity are stated by ECL to be due to the poor availability of power and agitation by local unemployed youths for jobs which made it difficult for the Company to open new mines.

2.13. During evidence, the Committee were also informed by CMD of ECL that the Company has surplus manpower, sanctioned capital and even the Government was willing to give additional capital if needed but there are problems of getting land to open new mines. the Committee urge that the Holding Company and the Department of Coal should help the Company in getting over the constraints faced by it by taking up the matter with the concerned State Governments at the highest level. The Committee are also constrained to observe that in spite of the availability of essential inputs like manpower and money, the company could not maintain the level of coal productivity, what to speak of raising the productivity. the Committee need hardly emphasize that the Holding company (CIL) and Department of Coal should take effective steps to ensure the achievements of objectives ECL as

the mere laying the high sounding statement of objectives by before Parliament does not serve any purpose. The Committee, therefore, recommend that a time bound programme should be chalked out for achievement of each of the objectives. The progress achieved in this regard should be monitored regularly and reflected in the Annual Report of the Comapny.

2.14. The Committee also note that in terms of BPE guidelines issued in 1979 and 1983 each public undertaking as required to formulate with the specific approval of the administrative Ministry, a statement of micro objectives consistent with broad objectives spelt out in Industrial Policy Statement of December, 1977 to facilitate realistic and meaningful evaluation of the enterprise by Parliamentary Committees and the Government. This has not been done in the case of ECL. The Committee are not satisfied with the reply given by Department of Coal during evidence that micro objectives were framed through annual plans. The Committee desire that the micro objectives of ECL should immediately be framed and got approved by the Ministry and placed before Parliament.

2.15. The Committee need hardly point out that the objectives drawn by the Coal India for all its subsidiaries and placed before Parliament in June, 1977 are worded rather too generally, while objectives and obligations to be framed under BPE guidelines, are required to spell out specifically the broad principles for creation of various reserves, responsibility of self-financing anticipated returned on capital employed and the basis of working national wage and pricing policies so that these could provide basic parameters for evaluating the performance of undertakings and also taking timely remedial measures, wherever necessary. The Committee, therefore, recommend that the objectives of ECL should also be clearly redefined as per BPE guidelines to serve as a mandate for the organisation and to evaluate its performance with reference to those objectives. These redefined objectives of ECL should be laid before the Parliament within six months of the presentation of this Report.

CHAPTER III

PLANNING AND DEVELOPMENT OF NEW PROJECTS

A. Project Planning

3.1 The production of the Company was 26.18 million tonnes in 1975-76. The demand of Coal of the Company was estimated to rise progressively to 35 million tonnes in 1982-83. In order to meet the increase in demand of coal, the Company had planned during the period upto the end of 1982-83; (i) development of 16 new projects comprising 4 projects costing more than Rs. 5 crores each sanctioned by Government and 12 projects costing between Rs. 2 crores and Rs. 5 crores each sanctioned by Coal India Limited (CIL) and the Company (ECL), and (ii) reorganisation of 17 existing projects comprising 12 projects costing more than Rs. 5 crores each sanctioned by Government and 5 Projects costing between Rs. 2 and Rs. 5 crores each sanctioned by CIL and ECL. The total annual production capacity of these 33 projects on completion was estimated at 28.18 million tonnes. Of these projects, only 3 projects costing between Rs. 2 crores and Rs. 5 crores could be completed by November, 1983. Details of the projects undertaken and expenditure incurred thereon are given in Appendix I.

3.2 As regards the delay in implementation of projects, the Ministry informed the Audit in October, 1983 that the main causes for delay in execution of the projects were due to difficulties in acquisition of land combining with law and order problems in starting of the mines and obstruction of the work by the local youths demanding employment. Notwithstanding the delay and time and cost over-runs, the Audit Report has brought the following main deficiencies in the project planning and implementation of projects :—

(i) Out of 33 projects costing over Rs. 2 crores planned for development by the Company, 6 projects have been either suspended or closed down for various reasons. 4 other projects were started without the approval of the Government of India.

(ii) Out of 7 schemes involving introduction of improved technology of underground method of mining, the project reports were prepared for 4 only. Proposals to introduce improved technology have been dropped by the Company subsequently in respect of 3 schemes. Independent appraisals by the Company in respect of only three of the projects were made. These schemes were, by and large, not successful.

(iii) There were in adequate prospecting and pre-prospect survey and inadequate scrutiny of the Project Reports by the Company and the Coal India Limited—holding Company.

(iv) There were heavy slippages, cost escalations and time over-run in respect of new projects and re-organised projects.

(v) In a number of projects, the works had to be abandoned because of refusal/withdrawal of permission by the Director General, Mines Safety (DGMS) for a particular mining technology.

(vi) Works were started on abandoned mines without proper fresh survey, with the result that the machines/equipment purchased for them were not found suitable. These machines when transferred to other projects were also not useful.

3.3 Since execution of the major projects was being held up for various reasons, the Company planned from time to time 44 smaller projects/schemes costing less than Rs.2 crores each financed out of the plan provision for new and re-organisation of the existing projects to meet the production requirements. Of these only 15 projects were completed during the period upto 1985-86. Work on 13 mines had been suspended and production in 2 mines had been discontinued due to exhaustion of reserves which is indicative of incorrect estimation.

B. Review of Projects

The result of a review by Audit of some of the projects of the company is as follows :

Abandoned/closed Projects

(1) Projects costing more than Rs.2 crores each.

(i) *Bansara Opencast Project*

3.4 The project with a total capital outlay of Rs.275 lakhs was approved by the Board of Directors of the Coal India Limited in October, 1978. The Project report envisaged production of 0.20 million tonnes per annum of HM Grade II coal. The project was to start production from 1st January, 1979. The commencement of work on the project was initially delayed for want of sufficient equipment. The required machines were received at the site by December, 1979 and the work of removal of over-burden was carried out intermittently thereafter. The work of removal of over-burden was resumed on 22nd June, 1981 but was stopped on 25th June, 1981 due to obstruction by local unemployed people. No coal has been extracted from the project although a total expenditure of Rs.276.46 lakhs has been incurred upto October, 1983. The entire plant and machinery worth Rs.263.17 lakhs were, however, transferred to Parasea O:C.P. The Company informed the Audit in November, 1983 that arrangements were being made to resume the work.

3.5 Asked about the latest position in regard to completion of the project, ECL stated in written note as follows :—

"Work has not been resumed in this open cast project. The equipment is being utilised at Parasea OCP.

Another project Harispur OCP has been formulated which will work the adjoining area of Bansra.

Harispur OCP is awaiting Government's approval. While working Harispur OCP area, the area originally covered by Bansra will also be worked."

(ii) *Nakrakunda Experimental Project*

3.6 In order to augment the production of coal, the Company decided to take up development Project in Jhanjra Geological Block (Jhanjra-I) with Russian collaboration using highly sophisticated Russian powered support face machinery for highest possible productivity and safety. In the feasibility Report of Jhanjra-I mine prepared by CMDPI in collaboration with USSR Experts, the Russian experts had suggested mechanised support system for caving the roof in the longwall working. They, however, felt that the roof control system in vogue in USSR cannot be mechanically imposed without corresponding study of the physical and mechanical properties of the rocks, and without carrying out some actual underground caving experiments under conditions similar to those at the Jhanjra-I Mines. Accordingly, it was decided that a team of experts of USSR, CMPDI and E.C.L., would conduct the experiment at Nakrakunda Experimental Mine site. A protocol was signed at Ranchi on 23rd January 1975 for collaborating U.S.S.R. expertise in the designing of experimental face at Nakrakunda Experimental Mine. The feasibility Report was preapred by July, 1975 by CMPDI in collaboration with USSR experts and in November, 1975, the holding Company sanctioned the project with a capacity of 0.21 million tonnes per annum.

3.7 The main objectives of the experimental project were :—

(a) to study the roof behaviour under mechanised support system;

(b) to judge the suitability of U.S.S.R. sophisticated machinery with particular attention to the cutting resistance of coal; and

(c) to train as many officers/workers as possible for the working of Jhanjra Mines.

3.8 It was proposed to develop the Nakrakunda Experimental Mine through two inclines i.e. main and auxiliary inclines. The main incline drivage was taken up departmentally through surplus workers and that of the other was entrusted to a contractor in May, 1976. Although a total sum of Rs.2.20 lakhs was paid to the contractor, actually no progress of work could be achieved due to constant agitation by the local youths under whose pressure the contractor could not engage experienced earth-cutters. The contractor finally left the job in August, 1977.

3.9 Thus Nakrakunda Experimental Project could not come up though an expenditure of Rs.62.19 lakhs has been incurred on it. Jhanjra-I Project approved and taken up with Russian collaboration could not, therefore, derive the expected benefits of the experiment.

3.10 The Company informed the Audit in November, 1983 as under :—

> "....Inclines were started in 1976-77 but stopped due to obstruction by local youths. It was again started in 1977-78 but had to be once again stopped for the same reason i.e. obstruction by local youths. The expenditure of Rs.62.19 lakhs includes Rs.22.67 lakhs for procurement of P & M which could be diverted and utilised in other underground mines. Investment on buildings was Rs.10.52 lakhs which is utilised by neighbouring colliery....The scheme has been dropped."

(iii) *West Barakar Opencast Project*

3.11 West Barakar unit in Mugma Area was worked out and closed during private ownership. An attempt by the private owner to open a quarry also failed due to collapse of the incline. With a view to developing this abandoned unit, project report for opencast mining was drawn up by the Company and the Project was approved by the Coal Mines AuthorityLimited in October, 1974 with a capital outlay of Rs.237.82 lakhs to extract 0.24 million tonnes of Grade-III 'B' coal per annum for 8 years. After incurring an expenditure of Rs.250.94 lakhs (Rs.106 lakhs in 1974-75 and Rs.134 lakhs in 1975-76), 0.25 million tonnes of coal was produced in 1975-76 and in early 1976-77, after which the project was closed due to limited market for lower grade coal. Heavy Earth Moving Machinery valuing Rs.92.39 lakhs were transferred to Nabakajara open-cast Project during 1976-77.

3.12 As regards reasons for closure of the mine, it may be stated that original contemplation of producing Grade-III coal from this project did not prove correct as coal produced subsequently was of inferior type.

3.13 The Management informed the Audit (November, 1983) as under :—

> "......On working it was noticed that coal is mostly devolatilised. There was poor demand for this Coal and the work had to be discontinued after stock started accumulating heavily. Subsequently, when market for this Coal picked up, work has been resumed in the colliery...."

3.14 As regards the latest position of the project, ECL has stated in a written note that Devolatilised coal is being extracted presently from this mine (Rajpura colliery).

(iv) *Chora Opencast Project*

3.15 The Chora Opencast Project under Kenda Area was conceived to meet the growing needs of coal for thermal power stations and brick burning. The exploration for quarriable coal was started in December, 1977 and completed in March, 1978 and the Feasibility Report of the Project was finalised in February, 1979 by CMPDI and was finally approved by the CIL in November, 1980 with an outlay of Rs. 308.94 lakhs and the expected life of the mine was 6-8 years. The total quarriable reserve of coal was estimated as 1.685 million tonnes and to get this coal 4.971 million cubic metres of overburden was to be removed. The annual production of coal and overburden removal were fixed at 0.27 million tonnes and 0.77 million M^3 respectively from second year of working. As per feasibility report the production was to commence from November, 1981. However, the development work at the project was started from 1st April, 1982. By 8th September, 1982 the production of coal was 'nil' and total volume of overburden removed was 81,300 cum. Investment made on this project upto 31st March, 1983 worked out to Rs.2.79 crores.

3.16 In this connection, Management informed the Audit in November, 1983 that the "project could not be started due to non-receipt of full contingent of HEMM and non-availability of land." The working of the project was stopped on 9 September, 1982 due to resistance of local unemployed youths. The work was resumed on this project in January 1983. The project was completed in 1985-86 at a cost of Rs.388.71 lakhs and coal production started in 1984-85 only.

(v) *Kenda Opencast Project*

3.17 The Kenda Opencast Project was sanctioned by the Coal Mines Authority Limited in July 1974 at an estimated total project cost of Rs.218 lakhs with production capacity of 0.34 million tonnes of coal per annum. The project could produce 0.30 million tonnes of coal during 1975-76 and was closed down during the same year due to over-burden having boulders rendering the operation of scrapers difficult.

(vi) *North Searsole (inclines* 3 *to* 8)

3.18 The Project was sanctioned in October, 1978 and total capital investment envisaged was Rs.9.92 crores. The expenditure incurred upto 30th September, 1983 was Rs. 3.26 crores. The inclines 3, 4, 7 and 8 touched coal in middle of 1979 but construction work was held up thereafter due to obstruction by local youths. The Management informed Audit in November, 1983 as follows :—

> "....Work on inclines 3 and 4 has been resumed recently.... arrangements are being made to resume the work on inclines 7 and 8."

3.19 The drivage of incline 5 and 6 was stopped on 27th September 1979 due to obstruction by local youth. The Management informed the Audit in November, 1983 that "in the meantime underground drifts had been made ready. The drivage of these inclines will be taken up later".

3.20 Explaining the latest position of the project, ECL has stated in a written note that :—

> "Work in this project is continuing. Incline Nos. 3 & 4 commissioned Work in Incline Nos. 7 & 8 is in progress. Incline No.6 has been commissioned while work at Incline No.5 has been deferred. Total expenditure incurred upto March 1986 is Rs.846.09 lakhs. Present production is at the level of about 0.27 mt/yr."

(2) *Projects costing less than Rs. 2 crores*

(i) *Mahabir opencast Project*

3.21 The project was sanctioned by the Company in October, 1974 with a capital outlay of Rs.183.49 lakhs. The feasibility report of the project approved by the Central Mine Planning and Design Institute Limited envisaged :

(a) Life of the Project to be 14 years. Net extractable reserve 7.35 million tonnes out of the total reserve of 9.518 million tonnes. Production of 0.54 million tonnes per annum.

(b) Purchase of 6 scrapers and 3 dozers for removal of overburden and production of coal.

3.22 An expenditure of Rs.182.80 lakhs was incurred on the project upto 1978-79. As against the production of 0.54 million tonne per annum envisaged in the Feasibility Report, the quantities of coal actually extracted were as follows :—

Year	Production (in million tonnes)
1975-76	0.188
1976-77	0.163
1977-78	0.135
1978-79	0.073
1979-80	0.003
Total	0.562

3.23 The project was closed in March/April 1979 "owing to inadequate reserves". In this connection, the Management informed the Audit (November, 1983) as follows :—

"Coal reserve was found inadequate than what was anticipated due to unsystematic old underground working which were not accessible for surveying. The project was closed during March/April 1979."

3.24 Audit has also pointed out that for removal of overburden and production of coal 6 scrapers and 3 dozers, as provided in the project report, were purchased at a total cost of Rs.75.90 lakhs (Rs.52.80 lakhs for scrapers and Rs.23.10 lakhs for dozers). When put to use scraper-dozers combination was found unsuitable and not conducive to economic working at the project due to its hard strata and high coal overburden ratio and an order for supply of a dragline at a cost of Rs.18 lakhs was also placed on Messers TELCO in April 1979 with a view to replacing the existing scraper-dozer combination. Even the dragline which was stated to be suitable and was received in January 1980 could not be utilized in the project as the same had already been closed due to inadequate coal reserves.

3.25 Subsequently, in May 1979, the scrapers and dozers were transferred to Kumarkhella open cast project (OCP). The dragline, received in January 1980, was also transferred to Satgram Area. The scrapers and dozers shifted to Kumarkhella OCP were not found to be required therein asmuchas the said project had already 11 scrapers and 7 dozers as against 2 scrapers and 3 dozers required as per its project report. The dragline received at Satgram area was also not used there and was again transferred to Rajmahal Project where it is stated to be working.

3.26 Thus entire expenditure of Rs.93.90 lakhs on the puchase of scrapers, dozers and dragline for production at Mahabir Project where there were inadequate coal reserves was the result of bad planning without adequate geological survey.

3.27 The Audit has also pointed out the following lacunae in this project:—

(i) In-adequate geological investigation and survey of availability of coal reserves necessitated premature closure of the project as the Coal exhausted after mining of negligible quantities.

(ii) Wrong assessment of coal overburden ratio which had resulted in the selection of incorrect method of mining due to which scrappers and dozers purchased for the project were found unsuitable.

(iii) Unnecessary purchase of dragline particularly when there was diminishing trend in the production and when it was received the project had already been closed.

(iv) An expenditure of Rs. 5.25 lakhs was incurred on re-removal of overburden through a private contractor during 1976-77 though Company's own machines were available.

(v) Though the project was approved by CMPDI and the Company's Board of Directors, the fact of premature closure of the project after making an investment of Rs. 182.80 lakhs due to non-availability of coal was neither placed before these authorities for consideration nor any investigation was conducted for the loss due to failure of the project."

3.28 During the course of evidence of the representatives of the Company the Committee pointed out that the project was closed in March/April, 1979 and at the same time orders were placed in Messers TELCO in April, 1979 for a dragline for this project at the cost of Rs. 18 lakhs.

3.29 Asked about the reasons for it, CMD admitted "it was a wrong decision".

3.30 On further enquiry as to whether any responsibility has been fixed by the Company for this loss, the witness stated "it is not a loss. At that time it was a wrong decision."

The witness added:

"The decision for closing that mine was taken in the same month. The procurement process had been more or less initiated, completed and then, orders were placed. At the same time, the competent people decided that the mine should be closed down. Then this question was raised and ultimately they decided not to cancel the order and use it at some other place, and that some other place had been indicated."

3.31 The Committee enquired that in view of closure of the project, should the Purchase Order for dragline not have been cancelled, the CMD replied:—

"Both the actions were taken in the month of February. There can be a break of two days here or there. Normally, a decision could have been taken to stop the purchase of the dragline. Probably it would have been better to cancel that order. I can only assume that as this is only a simple two and a half feet dragline convertable into a showel, they must have decided that the order need not be cancelled."

(ii) *Dobrana opencast Project*

3.32 The Dobrana Opencast Project was sanctioned by the Company's Board of Directors in December, 1976 with an estimated project cost of Rs. 99.00 lakhs and production capacity was estimated at 0.18 million tonnes per annum. The actual expenditure on this project and kenda Opencast Project amounted to Rs. 240 lakhs upto 1977-78 The Dobrana Opencast Project could produce 0.16 million tonnes during 1976-77 and was closed down in 1977-78 owing to geo-mining problems (presence of boulders in the over-burden) encountered. The Company informed the Audit in March 1983 that "mining with scrappers was later found difficult due to hard strata conditions. The fact that the project had to be closed down due to hard strata conditions show that the survey conducted before taking up the project was not adequate."

3.33 During evidence when the Committee desired to know whether the presence of boulders in over-burden and hard strata conditions were not known at the geo-mining investigation stage, the CMD, stated:—

"Detailed planning was not done at that time because we did not have enough people ....The conditions were not fully known. When the work started there were boulders."

The witness added:

"The opencast mining in this sector was started in 1975-76 after nationalisation. This is one company in CIL which had and has less experienced people for this job. Then the position in regard to boulders etc. could not be determined unless we put in really a very close bore holes."

3.34 The following ten projects/schemes estimated to cost less than Rs. 2 crores each sanctioned in 1978 had also been suspended by the company due to delay in acquisition of land/obstruction by local youths:

Sl.No.	Project	Estimated investment Rs. in lakhs
1.	Dubeswar Incline	90.59
2.	Bansara Puranadip Incline	73.00
3.	Bhanora Block	96.11
4.	Dabor 'C' incline	44.01
5.	Tara-Churulia Seam Incline	67.63
6.	Adjoy-II	94.16
7.	Narasmuda Incline	98.49
8.	Nimcha Ghusick 'A' seem	55.12
9.	Nimcha-Ningha seem	57.85
10.	Tara-Dewatering of Churulia Unit	26.69

3.35 When the Committee asked about the latest position in regard to the above projects, the Company in a written note has stated as under:—

"1.	Dubeshwari Incline	Work is continuing and coal production started.
2.	Bansra-Purandip Incline	-do-
3.	Bhanora West Block	-do-
4.	Adjoy II	Construction work is in progress and coal production is to start in 1986-87.
7.	Narsamuda Incline	Work is continuing and coal production started. The scheme has been revised for a higher projection of 0.24 mt/yr. with oapital investment of Rs.386.48 lakhs. The revised soheme is under approval now.
8.	Nimcha Ghusick 'A' Seam Nimcha Ningah Seam	Arrangements are bein, made to start the work.

Status in respect of other schemes at S. Nos. 4, 5 and 10 remain unchanged."

3.36 During evidence the Committee pointed out that out of the ten projects, the production could be started in four projects only in 1984-85. Asked as to why the development work could not be resumed in other projects, the CMD, stated:—

"The years between 1979 and 1983 were the period when there was a lot of turmoil in the coal field. At that time we were not able to recruit people. But the State Government had taken a stand that more and more people will have to be employed. As result of it, none of the projects was allowed to be opened by the local youths. They stopped all our activity. Thereafter, only in the year 1983 it was possible for us to open some of the mines. Today we have been operating six mines."

The witness added:

"People did not allow us to function and the necessary help from the State Government was also not available."

3.37 When the Commitee enquried about the steps taken to resume the work in remaining projects. the witness stated:

"We have been trying to solve it. I have met the Chief Minister six or eight times in the last six months. The Hon. Minister has met the Chief Minister twice. He has written a very specific letter also. The Secretary. Department of Coal had been in Calcutta and saw the Chief Minister. But so far the problem has not been solved."

C. *Delays in Implementation of Projects*

3.38 The following table indicates the extent of delays in implementation of the new projects and the estimated cost over-run due to revision of project estimates:

Sl.No.	Extent of delays	No. of Projects	Estimates cost over-run due to revision of project estimates (Rs. in crores)
1.	5 years & above . .	9	234.05
2.	3 years but less than 5 years	4	141.40
3.	1 year but less than 3 years	2	11.56
			387.01

As regards the reasons for abnormal cost over-run and time he Company informed the Audit in September, 1983 as under:—

The cost over-run in the project is partly due to increase in cost of equipment, materials and wages etc. during the execution of the project whereas the project report provides for fund at the time the project report is formulated. There is time over-run due to prevailing law and order situation, obstruction by unemployed youths, frequent load shedding, difficult geomining conditions encountered in the course of actual working. Project reports have been prepared with available geological information to avoid delay in collecting all available geological information before project reports are prepared and processed for sanction. It was apprehended that if the Project reports are prepared only after full detailed geological information are available or new technologies are established delay may upset plant targets seriously."

The reasons for slippage in some of the major projects are stated to be as follows:—

(i) *Chinakuri-I and II Projects:*

3.40 This Project constitutes two seams viz. Dishergarh and Bharat chak seam. The feasibility report for the reorganised project (1st Phase) was prepared by CMPDI in July 1974 and approved by the Government of India in January 1975 at an estimated capital cost of Rs. 8.43 crores. The feasibility report envisaged annual production of 1.0 million tonnes of coal from both the seams to be achieved by 1981-82. The feasibility report envisaged cleaning of sand in the floor of the mine and providing of two air coolers to meet the humid condition likely to be encountered. Only one spot cooler was installed in the mine. The spot cooler was very heavy and not mobile. The two air coolers, therefore, could not be used.

3.41 During actual execution, the clearance of sand was delayed creating ventilation problems. Even then the Management decided in November 1982 to transfer two spot coolers to Sudamdih Project but till November, 1983 these were not transferred. It was found that the roof condition was bad necessitating closure of slowing panel in east side of the seam. The lit work envisaged in the feasibility report was technically found not feasible.

3.42 Detailed scientific investigations were carried out by USSR experts in respect of capability, gassiness and bump-proneness of this seam. Based on the detailed Project Report submitted by USSR experts for working this seam by longwall caving method instead of longwall stowing, as envisaged in the original report the revised Project Report was prepared by CMPDI in consultation with DGMS in September 1980. The feasibility report of Chinakuri I & II Project was further revised and revised F.R. for a reduced target production of 0.69 million tonnes per year at a capital investment of Rs. 45.54 crores was approved by Government in March 1985. The project which was scheduled for completion by April, 1981 is now likely to be completed in 1989-90.

3.43 Expenditure incurred on the Project upto March 1986 was Rs. 14.91 crores. The Management attributed (March 1981/1983) the following reasons for the slippage:

(a) Two longwall panels where extraction was envisaged by solid blasting could not be operated due to blanket withdrawal of permission of solid blasting by DGMS on the ground that the seam is of highest degree of gassiness.

(b) Development of underground panels was affected due to ventilation problem because of non-availablity of high water gauge auxilliary fans/dust filters.

(c) Production was affected due to bad roof condition, ventilation, high temperature and humdity problems. The regular leakage of the sand from the pipe creates problems in the dip development and ventilation.

3.44 Thus, due to delay in developing a suitable technology the completion of the project will be delayed by more than 8 years with the resultant increase in the project cost by Rs. 37.11 crores.

The following table shows the extent of delay at each stage through which the project had to go through:—

June '75	Original FR approved by Govt. Scheduled Complètion dated was 81-82.
Sept '75 May '77	Contract signed with USSR to conduct investigation for adoption of caving with P.S. Face.
December '79	USSR submitted report.
March '80	Report discussed.
September '80	Feasibility Report revised on the basis of USSR Report.
December '82	Report submitted to Govt. after approval by ECL & CIL.
March '85	FR approved by Government.
April '85	Matter referred to FRG(Montan consulting) since USSR expressed its inability to submit detail specification.
December '85	R & D Report forwarded on the basis of CMRS study.
May '86	Report approved by CIL.
July '86	Report submitted for grant from S & T fund.

3.45 During evidence of the representatives of the undertaking the Committee wanted to know as to why the Company took so much time at each stage. CMD, ECL stated as follows:

"This is not a simple matter, but it is the technology that is evolved."

He further explained :

"The USSR was given the whole thing and then they were also to give us the equipment for implementing the project. After four years they said they could not supply the equipment because it is not suitable to our conditions. Then we went to FRG. After that what kind of equipment is required is to be seen. Afterwards we would purchase the equipment and go ahead with the project. So it is not a simple thing. It is a very complex and difficult thing.

Even USSR with all this knowledge and everything could not supply us with the right type of equipment."

3.46 The Committee pointed out the observations made by Chari Committee in regard to introduction of new technology, which reads *inter alia* as follows:—

"Presumably to cope with the highly ambitious growth rate programmed for the ECL, several large projects, involving the application of such untried technologies were formulated and steps were taken for their implementation, without waiting for the results of actual experiments. This resulted in numerous problems cropping up that could have been avoided. Two mining projects viz. Chinakuri I & II & Dhemomian, incorporating longwall installations that suffered serious delays. These are typical in being indicative of the cause for time and cost over-runs in project implementation."

To this CMD, ECL stated:

"Chinakuri is the deepest min in India...This coal seam is about 15 ft. thick at a depth of about 2,000 ft., and strata is massive sand stone not found in European countries. This stone does not break. If it does not break and if we take away the coal, it will collapse and create havoc in mines. So it is essential to break this strata by suitable Technology and methods. We have not been able to develop it."

He added:

"Such a thing has never been seen anywhere in the country.... We have been working this mine for nearly 30 years. But we have been taking only 7 ft. coal and the balance 8 ft. coal was being lost. Now we want to develop the technology by which we can take the entire 15 ft coal in one lot. But we are not having the capacity to develop the equipments for that. The Russians have not been able to do it. Now we expect the Germans to manufacture it."

(ii) *Parbelia*

3.47 Reorganisation of Parbelia Project was approved by the Government of India in April 1979 at an estimated capital cost of Rs. 12.51 crores, with an ultimate production capacity of 0.80 million tonnes of coal per annum. The project which was to be completed by April 1985 is now likely to be completed by April, 1990.

3.48 In reply to a query of Audit Board regarding implementation of the Project, the Management informed the Audit in March, 1983 as under:—

"Shaft deepening as proposed in the approved Project Report could not be started. It was tendered on global basis. When quotations so received were evaluated, it was seen that quoted cost estimates were many times higher than the Project estimates (even after allowing escalation). An exercise was done about the techno-economics of underground drifting from Dishergarh seam to Sanctoria seam instead of shaft deepening. It was found that the drafting was more viable. Accordingly, a note has been put up before ECL Board in December' 1982 which has since approved it. Preparations for underground drifting are now being made."

It would be seen from the above that there was indecision on the part of the Company in selection the proper method of extracting coal from the mine which has led to the delay in completion of project and consequent cost over-run.

3.49 Expenditure incurred upto March, 1986 on the mine was Rs. 4.92 crores. It includes an amount of Rs. 1.31 crores for the maintenance of the existing mine and excludes amont spent on powered supports, which was earlier booked against this project, has been transferred to Seetapur Project.

(iii) *Ratibati Project*

3.50 Ratibati reorganisation project was approved by the Government of India in August 1977 with an estimated capital cost of Rs. 9.94 crores and ultimate production capacity cost of 0.90 million tonnes of coal per annum to be achieved by April 1982. As per Project Report, Chaupui Khas unit of the project was to have 4 districts—2 depillaring and 3 development Districts. Depillaring could not be started due to withdrawal of permission by DGMS owing to presence of waterlogged over-lying goaves. Projects for 'development districts suffered due to heavy load shedding causing electric winders idle and accumulation of gas in the underground.

3.51 In reply to a query of Audit Board as to why the mine was planned when there was water in overlying goaves, the Management stated in March 1983 as under:—

"The fact of overlying goaves being water-logged was known at the time of project report preparation. Necessary provision for dewatering which has been done for extraction of underlying seam had been made in the project report. The overlying goaves are being dewatered but at limited pace because of difficulties like inadequate pumping capacity and power interruption (Chuapui Khas Unit.)"

3.52 Due to delay in dewatering the project which was to be completed by April 1982, will now completed in 1988-89. Expenditure incurred upto March 1986 worked out to Rs. 7.64 crores.

3.53 During evidence, the Committee wanted to know as to why the project was started when it was known that whole area was water logging. CMD, ECL stated as follows:—

"......there was a heavy flood in 1978. Then it was proved that the whole area was water bearing."

(iv) *Satgram Project*

3.54 Satgram reorganisation Project was approved by the Government in May 1979 with an estimated capital cost of Rs. 26.37 crores and ultimate production capacity of 1.20 million tonnes of coal per annum to be achieved in April 1987. The project report envisaged a pair of inclines to be driven initially to exploit Dishergarh Seam. An examination of the case revealed that there was delay in the finalisation of tender for shaft sinking as provided in feasibility report as indicated below:—

(a) Global tenders were opened in October, 1979.

(b) Letter of intent to a foreign contractor issued in February 1981.

(c) Agreement with the contractor (M/s Kopex) was approved by Government in February 1982 which was finally signed in November 1982 after making modification in terms relating to the mode of payment.

Shaft sinking by M/s. Kopex is to be completed by March 1987. Due to slippage the project is likely to be completed in 1992-93.

(v) *Amritnagar*

3.55 The Amritnagar reorganisation Project was sanctioned by the Government of India in May 1976 at a total estimated capital cost of Rs. 10.85 crores with production capacity of 1.14 million tonnes of coal per annum.

3.56 Reconstruction of the Amritnagar Colliery was to be done in two phases. Phase-I deals with Narain-Kuri Seam and phase-II deals with Bogra and Satgram Seams. The target for Phase-I is 0.42 million tonnes per annum (Scheduled date of attaining target was 1979-80). The target for Phase-II is 0.72 million tonns per annum (scheduled date of attaining the target was 1984-85). The execution of these projects could not be completed on schedule and the reasons for slippage are as under:—

(1) Knife-edge method of depillaring, as envisaged in the feasibility Report, was not finally approved by the DGMS on safety considerations.

(2) Feasibility Report envisaged rope haulages and manual loading of coal into tubs in Phase I. The actual experience indicates that high production cannot be achieved with this method.

(3) Conventional method of depillaring could not be undertaken as DGMS apprehended that fire in Ningah seam of adjacent Nimcha Mine had spread to old depillaring workings of Ningah seam of Amritnagar Colliery.

(4) Phase-II (Bogra and Satgram Seams) was based on the available data but subseqnent drilling revealed different seams with different characteristics. The revision of the Project Report was necessary and, therecofre, construction for this Phase was kept in abeyance.

3.57 The revised Feasibility Report submitted to Government in July, 1982 was approved in September, 1985 for a production of 1.14 million tonnes per year at a total cost of Rs. 65.45 crores. The project is now expected to be completed in 1993-94.

Thus, there has been an increase of about 550 per cent in project cost with time over-run of nine years without any addition to the mine capacity.

(vi) Purushottampur OCP

3.58 The porject was sanctioned by the Government of India in April' 1979 at an estimated capital cost of Rs. 6.73 crores with production capacity of 0.46 million tonnes per annum to be achieved in 1980-81. Out of 132.7 hectares of land earmarked for this Project, only 70 hectares had been acquired. In reply to a query of Audit Board as to why the Project was taken up before full land acquisition, the Ministry stated in October, 1983 that:—

> "Full land acquisition to cover the requirement of the entire project life would have resulted in providing immediate employment to the land losers. In any case the entire land was not required at a time for mining operation which is spread during the life of the project. Keeping in view the prevailing position of labour strength in ECL, it was considered avoidable to acquire all land in advance. It is true that there is gradual rise in price of land but this consideration alone advance investment is not done.

3.59 The project report was revised for a target production of 0.30 million tonnes at a capital cost of Rs. 9.07 crores and approved by Government. The construction of the project was completed in 1984-85.

From the foregoing paragraphs the following points emerge :

(i) Abnormal cost over-run resulting in increase in the original project cost.

(ii) Abnormal time over-run ranging from one year to ten years.

(iii) Inadequate system of monitoring and appraisal of projects resulting in abnormal cost over-run and time over-run and locking up of resources.

(iv) No worthwhile effort/steps taken to cut down delays and costs.

(v) Frequent rephasing of projects and revision of project estimates.

(vi) Projects taken up before satisfying the suitability of technology and design parameters.

3.60 During evidence of the representatives of the Company, the Committee pointed out that out of 33 projects undertaken by the Company, 26 projects were delayed. 13 projects slipped for 3 years and more and some projects were delayed upto 8 years. The cost over-run due to revision of cost estimates in respect of these projects amounted to Rs. 375.45 crores. Asked about the reasons for delay in projects, CMD, ECL stated:

> "These are 33 projects which are being mentioned. By seeing this list of Projects, I can say that the major delay has taken place in executing projects because (i) we wanted to import new technologies from different countries and (ii) the technology has not proved successr rul or it has not been possible to import it in proper time or with propeequipment. For example, the first project Chinakuri, was taken upe with Russian aid and these people gave a certain report to us. W accepted it and ultimately, when the IDI came, we said "we will now

accept whatever support you are giving." They said "They will test the support in USSR first and then only come to us". They took two years and ultimately decided that the supports they have manufactured will not suit our conditions and some time in 1983 or 1984, they decided that they cannot deal with the technology and ultimately we have now gone to Germans and the Germans indicated that they can take it up. Negotiations went on. They have now submitted the proposal and we are approving it. They have to taken over the project. So, it is a question of technology. It is a very difficult mine and this type of support system has not been manufactured in this country. Only Germans might be able to give us the kind of support system which will sustain this particular mine."

3.61 The Committee further enquired whether the technology was the main problem for all the delayed projects. The witness stated that the first problem was that of technology. To another query about technology capability, the witness stated:

"With our state of technology, development for the manufacture of supports' is at a very-very low level today."

He added:

"Our development of technology for the mines support in the country is at a very very low level. We are not even able to manufacture today what we say 100 tonnes chocks. We have only two firms and that too with collaboration of U.K. and other firms."

3.62 When asked as to how many big projects were delayed for want of suitable technology, CMD, ECL informed that five projects had been delayed due to this reason.

As regards the delay in other projects , CMD, ECL stated:

"The nine projects are basically open cast projects and now these have been completed and commissioned. The reason for delay was basically due to problems in land acquisition. Last year, we had some kind of negotiations. We have been able to operate these mines. More or less, the land problem is over."

3.63 The Committee then enquired how some of the projects were formulated and got approved even though the land had not been acquired for them. CMD, ECL replied as follows:—

"We assume that the land will be given to us. This has been the practice of the Government of India as also different State Governments, where we have been operating so far. One the projects are worked out, land has to be acquired. Because of certain local conditions, if some problems develop; we have got to face them and solve them. In Ratibati practically, every thing is completed except at one place where a railway line is required. MGR is with the NTPC and MGR has to supply coal from Rajmahal to Farakka. Some railway line has to come up and because of this, the project is delayed."

3.64 The Committee asked whether the implementation of projects was being reviewed by the Board of the Company, CMD, ECL then stated:

> "They have a periodical review. So far as ECL is concerned, we submit two projects at every board meeting. Practically, the entire project is reviewed by the Board once. Similar is the case of Coal India Board."

He added :

> "They review those things and there are separate Committees monitoring at the Company level, at the Coal India level, at the ministerial level. There is an Adviser in the Ministry whose main function is to look after each project; it is being reviewed intensively."

3.65 When asked whether the delays in execution of project could not be avoided even after reviewing them in Board meetings, he replied:

> "In the case of execution, the same probjems will occur. The problems are there regularly, but how to solve them we have devised some ways and means."

3.66 The Committee wanted to know the specific steps taken by the company from time to time to solve the problems relating to the execution of projects. CMD, ECL stated during evidence that the basic point was to Choose the best available technology,. He added:

> "We have now also decided that either we import the entire thing or pay only when the entire thing has been delivered. We have also taken into account the training of man-power. We have also applied to the Government for creation of a whole-time post of Director for looking after a project. A close monitoring is being done. We have also decided that a person will not be transfered till the project is completed. If he gets promotion he will get promotion there. Like that so many steps have been taken."

3.67 Elaborating it in the post-evidence written note furnished to the Committee ECL stated:

"The steps taken are as follows :

(i) For each project, Project Officer have been posted to form the core of project Management team. Project Managers have been posted in big projects to look after solely the project work.

Each of the major project is headed by General Managers of E7/E8/E9, who is assisted by adequate supporting personnel from all disciplines. Adequate powers have been sub-delegated. For effective execution, control and planning special training scheme has been taken up for project officials.

(ii) For projects less than Rs. 100 crores, respective General Manager regularly reviews the project status to give necessary help of material, design and take corrective measures.

(iii) The project monitoring division of HQ under the GM (Projects) reports to the Director/CMD in co-ordinating the various activities. The project monitoring Division undertakes/helps planning of project construction on the basis of PERT network, rolling plan monitoring of activities major constraints, preparation of flash reports for Rs. 100 crores projects Monthly and Quarterly reports for submission to Deptt. of Coal and CIL. Any deficiency is brought immediately to the notice of Director and CMD during the monthly review by Director/CMD and steps taken to remove them is determined. The help needed specially in critical activities like shaft shinking, Incline drivage and shortage of basic input like steel, cement is met with on emergency basis.

The progress of projects is reviewed at various levels according to the following drill :—

(a) Once a Week by Project Officer

(b) Once a fortnight by the General Manager

(c) One a month by the concerned Director

During this review, called on fixed date of each month, all concerned departmental heads are present and corrective measures taken on the spot.

(d) Once a quarter by CMD excluding Rs. 100 crores Project which are reviewed each month.

(e) Periodic review by Board of Directors of the Company."

3.68 When the Committee enquired as to how the undertaking could not take timely action to remove the bottlenecks in the case of delayed projects, CMD, ECL, then stated:

"New technology was involved in five projects which could not be acquired so far. There was land problem in 12 projects, out of which 9 related to open-cast mines. Now the problem has been solved and we have made some progress and production has started. Remaining projects are underground projects. There was again a land problem in Ratibati which is being solved. There are other small problems which would be solved gradually. As regards other projects there has been some delay in inviting tenders and ultimately we had to call outside persons for shaft shinking. I admit that there has been delay in taking decisions. Since the process has now started it would be completed within one year. There would be no more delay. Many factors were involved which resulted in delay. Action has now been initiated and all the projects would be completed."

3.69 When asked any responsibility had been fixed by the Company for delays, CMD, ECL stated:

"Where the delay has occurred because of incompetence, lethargy or indecision by an individual, action has been taken against him. It means that his promotion would be withheld and if he is holding a sensitive post he would be shifted from there and transferred elsewhere."

3.70 Asked as to what steps were taken to avoid occurrence of delays in future, he stated:

> "The basic problem is that of land and that remains unresolved even today. In fact the land problem has became so acute that no land is available at all. We have projects for which World Bank has promised aid but we can not avail of that aid because of non-availability of land. There has been no delay in developing Indian technology. After all some time is naturally required for developing a new thing."

3.71 During evidence of the representatives of Department of Coal, the Committee enquired about the system of monitoring the implementation of the projects. The representative of the Department of Coal then stated:

> "In the Department of Coal, there is a separate Project Monitoring Cell under the Adviser Projects. Monitoring Reports in the prescribed formats are being received regularly on quarterly basis. Copies of these reports are also sent to the Ministry of Programme Implementation. In case of major projects costing over Rs. 100 crores, there is a separate system of monitoring through flash reports which are received by third day of every month simultaneously in the Ministry of Programme Implementation as well as the Department of Coal. The progress of implementation of projects is monitored against the schedule of construction drawn at the time of approval of the project. The monitoring system also enjoins a regular feedback to the coal company on the points that need corrective action to be taken. Besides, periodic meetings are held with CMDs, Director Projects, and Project Managers/General Managers on the progress of implementation of projects. With a view to ensure a close and regular monitoring of projects at various levels, the following drill has been prescribed:
>
> (a) Once a week by the Project Officer.
>
> (b) Once a fortnight by the General Manager.
>
> (c) Once a month by the concerned Director.
>
> (d) Once a quarter by the CMD of the company.
>
> (e) The Board of Directors of CIL and the subsidiary companies also review the progress of projects on regular basis."

3.72 The Committee pointed out that had the system of monitoring, as informed by the Department, was followed strictly the ECL projects would not have been delayed so much. Out of 33 projects costing over Rs. 2 crores each, 26 projects were delayed from one to ten years resulting in cost escalation of the order of Rs. 387 crores. To this, the witness stated:

> "As a result of this over-seeing there has been some improvement. We have started from the end of 1983 and since then 12 projects have been completed."

3.73 When asked whether there was no monitoring system before 1983, he replied "The monitoring system was there but a more positive system of monitoring was introduced on a regular basis."

3.74 In this connection, Additional Secretary, Department of Coal also stated :

"From 1983 we have been very closely monitoring. The emphasis has come from the highest level. The Prime Minister himself has taken almost four review meetings. After that, the Minister has taken a large number of meetings with CMDs and has gone into details of various things. Thereafter, the Secretary, has been taking regular monthly meetings of all the CMDs. We have strengthened not only the monitoring but also the project management."

3.75 In regard to completion of other projects, the witness informed the Committee that :—

"Slippages in project construction have been contained. The number of delayed projects has come down. From 16 in 1983-84 to 9 in 1985-86. The production realisation which used to be about 40% from these projects is now about 62 to 63%."

3.76 Therefore, the Committee pointed out that even though 12 projects are reported to have been completed but the production of the ECL did not improve much. To this, the witness replied " it is so because the production from the existing mines has declined there has been depletion from the old mines."

D. *Execution of projects without sanction*

3.77 Audit has pointed out that the following projects estimated to cost more than Rs. 2 crores each required approval of the Government of India but were taken up for execution by the Company without obtaining approval of the Government of India:

Sl. No.	Name of the Project	Expenditure upto 1985-86 (Rs. in lakhs)
(i)	Kalidaspur Underground	274.45
(ii)	Mandman Opencast .	234.87
(iii)	Kasta Underground . .	13.86
(iv)	Kottadih opencast	255.49

3.78 As regards approval of the four projects by Government, the Company informed the Audit in September 1983 as under:—

"In case of Kasta and Kalidaspur, advance action was taken as per the directives of CIL. In case of Kottadih OCP and Mandman OCP, advance action was taken only in respect of essential activities with the approval of ECL, to reduce time for preparatory work for bringing collieries to production stage to meet requirements."

3.79 While forwarding the Management's reply the Ministry also stated in October 1983 as under :—

"The Department has already taken action in regard to incurring of expenditure on unapproved/abondoned project. Instructions were issued to the companies not to incur expenditure on unapproved projects as early as 1981-82. In 1982-83 also instructions have been issued in regard to the incurring of expenditure on advance action.

3.80 During the course of evidence of the representatives of the Company CMD, ECL, while explaining the reasons for starting the projects without obtaining prior approval of the Government stated as follows:—

"Out of these four projects, one is situated in Bihar and three in Bengal. The two in Bengal are situated in isolated places, one is in Birbhum and the other is in Kalidaspur in Bankura. Our main operation area is in Burdwan district and maximum trouble was faced in these places. At that time the management thought: "Why not take this opportunity and open these two projects and get them approved?' It is wrong that they have started, but I argued with the Government of India in a slightly different way. When the order came to me in 1982 to stop it, I said: "What are we doing? We are only employing the surplus labour. We have to pay to these employees whether they work in A project or B project. In this B project we had surplus and we employed them in the A project. For your information, the initial projects have been approved. The major ones are still pending with the Government for approval."

He further stated :

"At the time when the project was started, there was no permission either of the Government or of the Board itself."

3.81 The Committee wanted to know as to how the projects were started without the sanction of the Government or even the Board of the Company, CMD, ECL replied as follows:—

"The advance action by the ECL is justified."

3.82 According to ECL, the present position of these projects is as under :

(*i*) *Kalidaspur Underground*: A pilot scheme at Kalidaspur was drawn up and approved by ECL Board in May 1983 for a production of 0.075 tonnes per year at a capital cost of Rs. 391.18 lakhs. Revised F.R. of the main project for a production of 0.96 million tonnes per year with a capital investment of Rs. 47.95 crores has now approved by the Government (1985).

(*ii*) *Mandman Opencast:* FR still awaiting Government's approval.

(*iii*) *Kasta A and B :* Two schemes formulated for a production target of 0.18 million tonnes per year each. After approval of ECL and CIL Boards these schemes were sent to Government for clearance, which is awaited.

(*iv*) *Kottadih Opencast :* Original F.R. for a capacity of 3.0 million tonnes per year was withdrawn and revised F.R. was formulated. In the meanwhile as desired by IMG, advance action proposal for taking up major activities at an investment of Rs. 10.27 crores, has been approved by ECL in February, 1985 and submitted to CIL and Government of India for approval. The revised report is under appraisal and scurtiny of the Department of Coal.

3.83 Explaining further the position of approval of these projects, CMD, ECL stated during evidence:

"At the time of Audit Report, the fact was that they were not approved. Today the position is, they are approved.... The Board has approved all the projects. Two of them are within the competence of the Board. Others have to go to Government and the case is lying with Government for approval. But advance action has been approved by the Government also."

3.84 On being pointed out by the Committee that Ministry had asked the ECL to stop expenditure on unapproved projects, why did the Company go ahead in these projects, the CMD, ECL then stated :

"Advance action in the case of identified projects is taken because the project sanction may take two or three years. Infrastructure development also takes another two or four years. It has been decided that in case of such projects, advance can be approved and action taken should be taken for land acquisition, for electricity supply and infrastructure facilities so that everything is available, when the project is approved and is taken up without delay. This is one of the steps suggested to meet cost over-run and time over-run."

3.85 During course of examination of the Department of Coal, the Committee enquired as to how the funds were released to the Company without sanctioning the projects, Department of Coal have stated in a written note as follows:—

"Out of the four projects namely, Kalidaspur, Mandaman, Kasta and Kottadih mentioned in the CAG's report and stated to have been started without proper sanction of the competent authority, the position in respect of the two projects, namely, Kalidaspur and Kottadih is that both these projects were sanctioned before May 1983 as per details given below:—

Name of Project	Date of Sanction	Cost (Rs. in crores)
1. Kalldaspur Pilot Scheme . . .	May, 1983	3.91
2. Kottadih Underground . . .	August, 1977	9.07

A regular project report for Kalidaspur Underground mine has since been also sanctioned by the Government of India for Rs. 47.95 crores for an annual production capacity of 0.96 mty.

A revised project report for Kottadih Underground mine is presently under appraisal and scrutiny of the Department of Coal.

It is to be noted that the subsidiaries of the Coal India Limited had power to sanction projects upto Rs. 2 crores and CIL Board upto Rs. 5 crores in the relevant years in question."

(E) Construction of Centralised Coal Handling Plants

3.86 As a part of reorganisation of mines, the Company planned from time to time construction of centralised/major coal handling plants in order to ensure:

(1) Complete customer's satisfaction by assuring quality supply and sizing of coal.

(2) Elimination of a large manpower for loading wagons.

(3) Reduction of loading time of a full rake to five hours to match with high rate of production.

(4) Large bunker capacity as buffer stock to facilitate increase production.

3.87 Audit has pointed out that although 14 major Coal Handling Plants were sanctioned between June 1975 and December 1982, the scheduled dates of completion of most of them were revised from time to time for various reasons. Details of 9 major Coal Handling Plants which were taken up by the Company are given in Appendix II. A review of the implementation of seven of these major Coal Handling Plants made by audit revealed that :—

(i) There were frequent revisions of the scope and lay out of the projects.

(ii) Projects were taken up for execution without acquisition of land (Chinakuri, Kottadih, New Kenda and Bahula).

(iii) Monitoring and appraisal of the projects were inadequate.

(iv) There were delays in execution by the contractors.

(v) There was lack of coordination between CMPDI which prepared feasibility reports and Area/Colliery Managements.

(vi) Abnormal time and cost over-runs.

(vii) Unsuitability of sites.

3.88 A Committee appointed by the Board of Directors in January 1983 to review the execution of works in connection with the Coal Handling

Plants, in their report submitted in April 1983 highlighted the following deficiencies :—

(i) Lack of co-ordination between CMPDI which prepared the feasibility reports and Area/Colliery Management resulting in planning of Coal Handling Plant on unsuitable site (Ratibati) and selection of equipment not commensurate to the need (North Searsole).

(ii) Incoherent sequence of events which caused undue delay in execution of the plant (Kottadih).

(iii) Revision of capacity of CHP during execution (Kottadih) and changes in layouts (Dhemomain, Ratibati and New Kenda).

(iv) Non-availability of building materials like steel and cement (Amritnagar).

(v) Award of work to the contractors without acquisition of land (Chinakuri, Kottadih, New Kenda and Bahula).

(vi) Delay in modification of railway siding which impeded the progress of construction of CHP (Chinakuri).

3.89 During the course of evidence of the representatives of the Company the Committee pointed out that there have been serious time and cost over-runs in construction of centralised Coal Handling Plants. The cost over-run in the case of 9 CHPs was over Rs. 9 crores. Asked about the reasons for time and cost over-runs, CMD, ECL stated as follows :—

> "Basically, those were planned from 1975 to 1977 or 1976. At that time there was a proposal that capacity was determined, the type of product was determined and then they found later on that the land was not available and that the youth problem was there. So, they could not implement them quickly. As the years passed by, some of these CHPs were again discussed and revised. The size was also some times altered or changed. By that time the escalations had gone up. Second point was that we had given most of these CHPs to public sector, that is, Burn Standard, Braithwait, RSI, CRSE, etc. Mostly they were in the public sector. Then negotiations prolonged and we could not clinch the issue till the year 1982 or so. After I had taken over, we thought we had to agree for a higher money to make these people complete the different projects. So, by and large the progress was satisfactory except for one or two projects. Although the projected time has been delayed to some extent but now it is getting completed."

Asked about the latest position of completion of CHPs, he stated that five have been completed.

3.90 When the Committee desired to know the findings of Committee appointed to investigate and fix responsibilities for delays at these Coal Handling Plants, the ECL in their post evidence reply stated:

"A Committee was recently appointed to investigate and fix responsibilities for delays at these Coal Handling Plants. The Committee has completed the study in respect of six Coal Handling Plants and the brief of its findings is as below :—

1. *Amrit Nagar CHP*: No individual can be held responsible for the delay as the basic reason is non-availability of land, non-availability of steel from the Stock-yard and Law & Order situation.

2. *New Kenda CHP* : The then GM(SC)/CME(SC) has been held responsible for some of the lapses. Apart from this lack of experience for handling of such type of jobs, some contractual problems have also contributed to the delay.

3. *Kottadih & North Searsale CHPs* : *No* individual can be held responsible for the delay. M/s. Braithwaite & Co., a Public Sector Enterprise who have been awarded the work have been responsible for the delay in executing the job. ECL did not terminate the contract as it was a Public Sector Enterprise. In the case of Kottadih, non-availability of land, contractual problems have contributed to the delay of work.

4. *Bahula CHP* : Here again no individual is responsible for any delay as land problem and Law & Order situation have contributed to the delay. Apart from this, M/s. RIC, a Public Sector Undertaking have been responsible for the dealy as M/s. RIC was not equipped with to handle the job of this nature.

5. *J.K.Nagar CHP* : No individual is responsible for any delay. Problem of land has been a major constraint. which has contributed to the dely. As a matter of fact even today the work is held up because of non-availability of land.

After gaining the experience at these Coal Handling Plants, construction of new CHPs namely, Jhanjhra Interim, Rajmahal Interim, Rajmahal Rapid Loading System are progressing satisfactorily."

3.91 Audit Report has also brought out that due to misplacement of relevant papers and the delay of over 3 years (from the date of sanction of the re-organised project) in placing the work order for construction of the Dhemomain Coal Handling Plant there was increase in cost by Rs. 1.18 crores.

3.92 Asked whether this was a fact that the papers were missing, CMD, ECL admitted;

"That is correct, Sir. The papers are not available."

He added:

"Earlier we were taking the help of CMPDI and between CMPDI and our office somewhere the file has been misplaced. Inquiry has been going on but since two companies are involved, the responsibility has not yet been fixed."

3.93 Asked as to when the enquiry was started, he stated :

"About two years back when it came to our notice, we asked them to go into it, but the preliminary inquiry has not yet been completed."

3.94 The Committee further enquired as for how many years the papers have been missing. CMD, ECL stated that for about 3-4 years the papers were missing. When asked as to why the preliminary report had not been received, the witness replied. "once the preliminary inquiry report is received, we will issue show-cause notice."

3.95 When asked whether the Company was not having copies of the papers, CMD, ECL replied that those were available and on their basis preliminary enquiry was going on.

3.96 The Committee pointed out that some officer should be in-charge of the relevant papers and desired to know who was he. The witness stated:

"Since there were two Companies operating together so the responsibility was actually devided. Now we have to actually find out who is responsible for the loss."

3.97 During the evidence of the representatives of Department of Coal, the Committee enquired whether the construction of CHPs was no reviewed in Ministry as there was heavy time and cost over-runs in construction of CHPs. The representative of the Department of Coal then stated:

"Coal handling plants were reviewed by the company at company's level. Government of India was not reviewing these coal handling plants at all. Complaints about quality came up. The Ministry stated that all the coal handling plants should be reviewed at the level of the Government of India. We started monitoring the construction of these coal handling plants in 1984 and we chalked out the programme of all the coal handling plants to be completed by the end of the Seventh Plan. A very close monitoring has been done at the level of the Government of India. When the report was received, we had asked the company to fix the responsibility and hold enquiry. Now they held the enquiry and we are awaiting the findings."

He added:

"They (Company) constituted a Committee to enquire into the delays and the Committee has submitted a report. We have not yet received it. They have taken about six coal handling plants."

3.98 As regards the missing papers in case of Dhemomain CHP, the Ministry informed the Audit in October, 1983 that Company would be asked to fix responsibility for the delay in execution of the Coal Handling Plant. The Committee enquired during evidence whether the Ministry actually asked the company to fix responsibility the Additional Secretary, Department of Coal stated:

"We had asked the coal company on receipt of the report of the CAG to hold enquiry in October, 1983. They have done it now. There was definitely delay."

He added:

"We are awaiting the findings of the Committee that is set up. We will let you know. There has been delay on the part of the Company and we have not been able to specifically follow it up."

3.99 The Committee enquired whether Ministry's nominee on the Board of ECL did not bring to the notice of the Ministry such important cases. The Additional Secretary, Department of Coal, stated :

"It came to our notice only through CAG Report. When the Company Directors go and attend the meetings of the Board, those items are put on the agenda. They do not carry out any inspection."

3.100 When asked whether the Department received any report from their nominee on the Board of ECL, regarding missing papers, the witness stated:

"He should report important matters. This matter of the missing of papers has not come up before the Board."

3.101 On being pointed out by the Committee that the Department had not pursued the matter, the witness admitted:

"We have not pursued the matter and the Company has take time to investigate into it and as soon as the report is received, we will inform you about the outcome."

3.102 The production of ECL was 26.18 million tonnes in 1975-76. The demand of coal of the undertaking was estimated to rise progressively to 35 million tonnes in 1982-83. In order to meet the increased demand of coal, the undertaking planned, development of 16 new projects and reorganisation of 17 projects upto 1982-83. Out of these 33 projects, 16 projects were major projects costing more than Rs. 5 crores each and 17 projects were between Rs. 2 crores and Rs. 5 crores each. The total annual production capacity of these 33 projects on completion was estimated at 28.18 million tonnes. Of

these 33 projects, only 3 projects costing between Rs. 2 crores and Rs. 5 crores could be completed by the undertaking by November, 1983.

3.103 A review of cost estimates and the time schedules of the projects costing Rs. 2 crores and above undertaken by ECL has revealed that the cost estimates of each of the projects have been subject to frequent revisions and time schedules have also been revised from time to time rendering the target setting almost a futile exercise. The Committee note that out of 33 projects, as many as 26 projects have been delayed. 13 projects slipped for 3 years and more and in some cases the time over run has been more than 8 years. The cost over runs due to revision of cost estimates in respect of these 13 projects amounted to as much as 375.45 crores. In Committee's view, these over runs of cost and time not only tarnish the image of the undertaking on account of slow implementation of projects but also the desired production capacity is built up in time to compensate for the depletion of production from old mines which are becoming more and more uneconomical.

3.104 The details of cost and time over runs of the projects delayed are given in the Audit Report and also in the Chari Committee Report. The Committee would not like to repeat each and every project, However, some glaring instances of cost and time over runs are as follows :

(Rs. in crores)

Project	Org. Estimates	Rev. Estimates	Delay in completion
1. Chinakuri .	8.43	45.54	8 years
2. Dhemomain	11.95 + 9.06	73.76	8 years
3. Amritnagar	10.85	65.45	8 years
4. Kunustoria	3.48	19.49	8 years
5. Rajmahal	87.43	217.25	4 years

The above facts do not present a pleasant picture at all. The Committee feel forced to get the impression the project planning and execution machinery almost do not exist in the company. It is also amazing that the holding company and administrative Ministry have also been giving clearance for further projects without seeing as to what extent the earlier projects have been implemented by the undertaking. The Committee feel that had the Ministry taken adequate interest and ensured timely implementation of the projects by effective monitoring through monthly or quarterly reviews, the delays could have been reduced considerably and saving affected in the costs. Since the projects have already been delayed the Committee at this stage can only urge that the undertaking, the holding company as well as Ministry should learn lessons from past experience and take effective steps now to have the projects completed as

early as possible. A time bound programme should be framed and the progress of a each project should be reviewed by effective monitoring through monthly or quarterly reviews. The Committee would also like to emphasise that in view of the progressive rise in the demand of the coal, the country cannot afford long delays of 4 to 8 years in the implementation of projects especially when the latest technologies are easily available that can drastically cut down the time required for various mineral operations through mechanisation.

3.105 The Committee have also observed that various projects in ECL were taken up before satisfying about the suitability of technology and design parameters of equipment selected. On the selection of equipment and their subsequent un-suitability, the Committee have given their comments in the Chapter on "Machine Utilisation."

3.106 The main reasons for the over runs in cost and time and delay have been explained by the undertaking in general terms such as problems of law and order, problem of land acquisition, pressure for employment by the local youths etc. The Committee are not convinced of these reasons. They feel that the undertaking should have foreseen those problems and evaluated the magnitude of their impact while formulating projects and fixing up the time-schedule for completion.

3.107 Yet another area where the Committee would like to pin-point attention is the need for absorption of latest and suitable technology. The Committee were informed by CMD, ECL during evidence that level of mining technology was very very low in the undertaking. Five projects are stated to have been delayed on this very account. For instance in case of Chinakuri I and II projects, which were scheduled for completion by April 1981 at an estimated cost of Rs. 8.43 crores, are now likely to be completed in 1989-90 at an estimated capital cost of Rs. 45.54 crores and that too with reduced capacity. The main reasons stated for cost and time over-runs in this project is the delay in developing a technology suitable for this project. Keeping in view the economics of mining operation in the country and big set up the Coal India and its subsidiaries have, the Committee recommend that the Department of Coal should consider the feasibility of undertaking a study to identify the areas where lack of technology is experienced and taking urgent steps to introduce latest technologies to fill up the gap.

3.108 The Committee's examination of ECL has revealed that not withstanding the time and cost over runs, there have other technical deficiencies in the project planning and implementation of projects. To cite a few examples Kenda opencast project was closed due to geomining problems after incurring expenditure of Rs. 240 lakhs. In case of Dobrana opencast, owing to hard strata conditions, the project had also to be closed. This is indicative of the fact that projects were taken up without adequate survey. The Committee are of the view that closing of the projects could have been avoided had there been adequate prospecting and pre-prospect survey before project formulation. The Committee, therefore, recommend that no project should be formulated and submitted to the Government for approval unless a through pre-feasibility study, detailed exploration, realistic method of implementation, problems of electricity, rehabilitation of villagers (if involved), employment of local people etc. are gone into in fullest details. The committee would also like to emphasise that the undertaking will be well advised not to take up any new project in future without adequate assurance of the availability of surface land and State Government's support in ensuring law and order for execution of the project. The expansion of mines within the existing lease hold should be resorted to as far as possible.

3.109 Another instance of bad planning of a project is Mahabir opencast project. This project was closed in 1979 after spending Rs. 182.80 lakhs owing to inadequate reserves. This again shows gross negligence in making proper survey before undertaking execution of the project. The machiery purchased for this project at a substantial cost could not be utilised in other projects. The Committee regret to note that even though the project was approved by CMPDI and Company's Board of Directors, the fact of premature closure of the project after making an investment of Rs. 182.80 lakhs was neither placed before these authorities for consideration nor any investigation conducted for the loss due to the failure of the project. Surely, this is a lapse on the part of management of the undertaking. The Committee hope that in future such matters would be taken care of and prior approval of the concered authorities would invariably be sought by the Company before the closure of any project.

3.110 The Committee are distressed to find that even though the Mahabir opencast project was closed in April, 1979, the orders for dragline at the cost of Rs. 18 lakhs for the project was placed in the same month. During evidence, the CMD of ECL admitted that "it was a wrong decision." The Committee recommend that an enquiry should be instituted to find out as to how orders were placed for machinery for a closed project and what was the extent of loss suffered by the Company due to the failure of this project and responsibility fixed therefor. The Committee would like to be apprised of the action taken by undertaking in this regard.

3.111 The Committee also regret to point out that four projects costing more than Rs. 2 crores each were started by the undertaking without approval of the Government. These projects are Kalidaspur, Mandman, Kasta and Kottadih. Upto the end of 1985-86, the undertaking has spent Rs. 274.45 lakhs Rs. 234.87 lakhs, Rs. 13.86 lakhs and Rs. 255.49 lakhs on these projects respectively. Even though the Ministry had instructed the undertaking as early as in 1981-82 not to incur expenditure on unapproved projects, the undertaking went ahead in spending the money. In this connection, the CMD admitted during evidence that when the projects were started there was no permission either of the Government or of the Board. The Committee are unable to understand the hurry show by the undertaking in this regard. As regards the present position, Ministry have stated that except Kothadih all other projects have been approved. Kothadih project is presently under appraisal and scrutiny of the Department of Coal. The Committee desire that the matter should be probed in to with a view to fixing responsibility for starting projects without the permission of Government/Board.

3.112 It is a matter of serious concern that the Department of Coal also failed to watch implementation of its instructions issued to the ECL in 1981-82 to stop expenditure on unapproved projects. The Committee hope that Department will exercise better care in supervision in future to avoid recurrence of such lapses. The Committee also do not appreciate the nominal or passive role played by Government Nominees on the Board of Company. They have failed on their part to stop the undertaking from incurring expenditure on unapproved projects. The Committee hope that in future the Government nominees would perform their role more effectively and keep a close watch on such irregularities and apprise the Ministry well before the damage is done.

3.113 The Committee find that although 14 major Coal Handling Plants of ECL were sanctioned between June 1975 and December, 1982, the scheduled dates of completion of these were revised from time to time. Out of these, the construction of nine centralised coal handling plants could not be completed in time due to delay in awarding of work, non-acquisition of land, non-availability of site, frequent revision of the scope and lay-out of the Projects inadequate monitoring and appraisal of the projects, lack of coordination between CMPDI which prepared feasibility reports and Area Colliery Management etc. The cost escalation on account of delay is reported to be of the order of Rs. 9 crores. The Committee feel that the factors which resulted in time and cost over-runs were such that these could have been avoided if the management had taken proper interest to instal these coal handling plants in time.

3.114 The Committee were informed during evidence that efforts were now being made to complete all coal handling Plants. So far 5 had been completed and construction of remaining coal handling plants was progressing satisfactorily. The Committee have already impressed upon the need for better project planning and implementation system in the undertaking, and hope that remaining centralised coal handling plants would be completed in time.

3.115 The Committee note that due to misplacement of papers of Dhemomain coal handling plant there has been a cost escalation of Rs. 1.18 crores. Admittedly, the papers are still missing. The reason advanced by ECL for misplacement of paper is that the company was taking help of CMPDI and between the CMPDI and ECL the papers got dislocated some where. The Committee are distressed to observe that even though the Company came to know about missing of papers about 2 years back, the Company is not yet able to complete preliminary inquiry and fix responsibility. Surely, the undertaking has not been taking the matter seriously otherwise the Committee see no reason why the preliminary enquiry should not have been completed in 2 years time. The Committee, therefore, recommend that the Company should go into this matter urgently and fix responsibility for the loss of papers within one month.

3.116 In this connection, the Committee have also been informed by the Department of Coal that the matter regarding missing of papers in regard to one coal handling plant came to Ministry's notice only through C & AG Report. On receipt of the Audit Report, Department of Coal asked the ECL to hold the enquiry but even after the Ministry's directive, the matter was not placed before the Board. The matter does not appear to have been pursued by the Department of Coal thereafter. The Committee are not at all happy over the handling of this matter both by the ECL as well as by the administrative Ministry. The Committee are also surprised that the Ministry's nominee on the Board of Company also did not bring to the notice of the Ministry when the matter was not being placed before the Board. The Committee would like to be apprised of the justification by the ECL for not placing the matter before their Board and also for not tracing the papers as yet.

3.117 The Committee are also surprised to hear from the representatives of Department of Coal that their Department was not reviewing the installation of centralised coal handling plants prior to 1984. The Committee cannot condone such a lapse on the part of administrative Ministry. The Committee would like to now as to why the Department of Coal failed to review the progress of centralised coal handling plants prior to 1984.

CHAPTER IV

PRODUCTION PERFORMANCE

A. TARGETS VIS-A-VIS ACTUAL PRODUCTION

4.1 While preparing a 10-year Perspective Plan for 1978-79 to 1987-88, Coal India Limited estimated the ceiling level of demand for coal based on the overall demand estimates prepared by the Planning Commission and the Department of Coal. According to these estimates, the production of coal from ECL areas was expected to rise from 28.31 million tonnes in 1978-79 to 36.82 million tonnes in 1982-83. The annual targets fixed at the time of original budget estimates, revised targets incorporated in the revised estimates and the actual production achieved by the Company during last 10 years were as follows :—

Year	Production Performance		
	Original target	Revised target	Actual production
	(in million tonnes)		
1975-76	26.93	6.00	26.18
1976-77	27.40	26.40	26.47
1977-78	27.00	26.50	25.23
1978-79	28.30	23.00	22.06
1979-80	26.06	22.26	20.52
1980-81 .	22.50	22.50	22.61
1981-82 .	24.20	24.20	23.55
1982-83 .	25.80	26.00	22.68
1983-84 .	25.00	24.00	22.87
1984-85 .	25.10	24.10	23.11
1985-86	25.00	24.00	24.03

It would be seen from the above table that both the targets and actual production have generally been showing a declining trend from year to year. In some cases there were abnormal variations between the original and the revised targets. The targets and production declined from 27.40 million tonnes and 26.47 million tonnes respectively, in 1976-77 to 25.00 million tonnes and 24.03 million tonnes, respectively in 1985-86.

4.2 In reply to the query by the Audit Board regarding the reasons for fixation of lower targets for 1979-80 onwards, the Management stated in November 1983 as under :—

"Immediately after nationalisation the trend was for improving the efficiency of the mines with the existing infrastructures of the taken over collieries which resulted in increase in production upto 1976-77. Such increase in production was mainly from extraction of pillars in the already developed mines. The replenishment of the worked out areas could not be provided at the commensurate rate due to non-availability of approved project report which again was due to non-availability of sufficient geological data."

4.3 As regards the reasons for declining trend in the production, ECL informed the Audit in November, 1983 as follows :—

"(i) New mines mostly could not be opened due to obstructions by local villagers. In a number of places, work in new mines taken up had to be suspended.

(ii) Old mines are getting depleted and the annual loss of production on this count is 0.8 million tonnes.

(iii) Frequent and prolonged load shedding, low voltage and low frequency.

(iv) There is very frequent theft of over-head conductors from transmission lines of State Electricity Board causing disruption in power supply and affecting production.

(v) The other reasons affecting production are : (a) difficulty in getting spares for equipment, (b) geological disturbances, (c) clay soil affecting normal production from open cast projects during monsoon, (d) teething troubles of equipment newly introduced and (e) mining problems due to old unsystematic underground workings prevailing since take-over etc."

4.4 During evidence of the representatives of the Company, the Committee pointed out that there was decline in production as compared to that achieved during 1975-76 to 1977-78. Even the targets were being fixed lower than the earlier years production in spite of the fact that company had invested over Rs. 500 crores in plant and machinery since nationalisation. The CMD, ECL then stated that the actual production was 22.6 million tonnes in 1982-83, 22.8 in 1983-84, 23.1 in 1984-85 and was expected to be 25.6 in 1985-86. As per production programme for the years 1987-88 and 1988-89, the targets would be 31.4 million tonnes. Company hoped to achieve these targets if the land and power problems were not there. He added:

"We have problems of land and power, if these are solved, we assure that the targets would be achieved."

4.5 The Committee further pointed out that the existing production was mainly from open cast mines and enquired as to why no efforts were being made to increase the production from underground mines. CMD, ECL stated as follows: —

"So far as underground mines are concerned, we have not been able to open new mines. Coal being a wasting commodity, we have to get extra quantity of coal from far off places or from the depth. So, there are extra difficulties in getting the quantity of coal. Coupled with that there is the problem of sand. Because of that underground production has always been stagnating. Now, we have been able to arrest it. The production in open cast mines has gone up basically because we have been able to open new mines."

4.6 Regarding capacity utilisation of equipment, he stated:

"New (mines) becoming old can be corrected if we have good workshops. Since the nationalisation of mines, we did not have good workshops. Now we have made at least two workshops which are suitable for us."

4.7 When asked as to what extent the production would increase after setting up two workshops, the witness stated:—

"We did not have these workshops in 1981-82, we have just got them. So, the condition will improve. To achieve 86% or 90% looks odd to me because every company is operating at 60% level."

4.8 During evidence of the Ministry, the Committee pointed out that the production of the Company was declining and could not be improved even after investing more than Rs. 500 crores in plant and machinery, the representative of the Department then stated:

Production from the projects has not come up to the level which was expected. Now the production realisation is hardly 60 per cent. If this was 85 per cent, the production targets could have been easly more. Power problem is also becoming more and more acute every year. Last year, we have lost 2.6 million tonnes on account of power alone. And this is a perpetual problem. Government of India constituted a high-powered committee under Secretary, Coordination. This Committee is known as the Ramanathan Committee. They have recommended certain measures to be taken. We found that against the requirement of 446 magawatts of power in the Eastern Sector, actually we could not get more than 300 magawatts. Unless the generating capacity of the DVC is increased or additional power is fed into this area, this power shortage problem remains unsolved."

4.9 The Committee further enquired whether power problem was not there in earlier years. The witness stated:

"From 1982 onwards, the power problem is acute. We have been losing two million tonnes to two and a half million tonnes because of this power problem."

4.10 Asked about the other factors for poor production performance, he stated:—

"This power shortage is one of the factors. This shortfall is not entirely due to this. There are other reasons also. The deposits dwindling. Mines are getting exhausted. There are absenteism and also other things."

4.11 On being suggested by the Committee that the Company should have its own captive power plants, the witness stated :—

"This is one of the suggestions. We have already tendered for three units of 2 into 10 MWs. Now, it will take same time for them to come up and also we are considering to have a big power station, say of about 600 MWs. It will be captive for Coal India."

4.12 When the Committee enquired as to why the targets of production for the current years were less than the actual production level achieved by the Company in 1975-76 and 1976-77, the witness stated :

"There have been difficulties in the execution of the projects which were sanctioned earlier. Land acquisition is a very big problem and till today, we are unable to acquire land for the Sonpur Bazari project which is a World Bank project. We could do nothing in spite of having four or five meetings with the Chief Minister of West Bengal. So, the projects are sleeping. In this area, there are also law and order problems."

4.13 The Committee then desired a categorical answer whether the land and law and order problems were not there earlier and have arisen only now, the witness replied "these problems have been there throughout."

4.14 The Committee further pointed that in the 10 year perspective plan of Coal India Ltd., the production of ECL was estimated to be 36.82 million tonnes in 1982-83 and enquired whether all factors responsible for low production in subsequent years were not taken into consideration while preparing the perspective plan. The Additional Secretary, Deptt. of Coal stated :—

"The targets are fixed in consultation with the Planning Commission and according to the capacity of the mines to produce. These targets are fixed according to the estimation done by the Company taking into consideration such factors as production from old mines, production from new mines and so on. In this connection, I would like to mention that the old mines are getting depleted and working of these mines is getting more and more uneconomical. Therefore, we are now relying more on new projects. Production is increasing from the new projects and thereby we are able to maintain the level of production at 22 to 23 million tonnes."

B. Accumulation of Coal Stocks

4.15 Coal stocks at each colliery are measured gradewise by the colliery surveyor at the beginning of each month. The Company headquarters organises stock measurement of each colliery at the beginning of each quarter. After the close of the financial year, stocks are measured at each colliery by Coal India Stock Inventory Team. Upto the end of 1979-80 the inventory of closing stock of coal and coke was valued on the basis of the physically measured stock. From 1980-81 onwards, however, the Company has been adopting book stock for the purpose of valuation of closing stock in cases where variation between book stock and measured stock was less than 5 per cent.

4.16 The following table indicates the production, despatches, own/consumption (issued to the employees and consumption in boiler) and the closing stock of coal for the years 1975-76 to 1985-86 :—

(In million tonnes)

Year	Opening Stock (Coal & Coke)	Production (Raw Coal)	Despatch (Coal & Coke)	Own Consumption	Closing stock (Coal & Coke)	Closing stock in terms of week's Production
1975-76 . . .	1.60	26.18	22.25	1.07	2.76	5.5
1976-77 .	2.76	26.47	24.79	1.18	3.26**	6.4
1977-78 . .	3.10**	25.23	24.49	1.13	2.54**	5.2
1978-79 .	2.63**	22.06	20.36	1.21	2.50	5.9
1979-80 . .	2.50	20.52	19.10	1.20	2.01	5.1
1980-81 . .	2.01	22.61	19.98	1.33	3.07	7.1
1981-82 . .	2.07	23.55*	20.96	1.37	4.02**	8.9
1982-83 . .	3.78**	22.68	20.22	1.44	4.01	9.2
1983-84 . .	4.01	22.87	20.46	1.36	4.41	10.0
1984-85 . . .	4.41	23.11	20.91	1.27	4.85	10.9
1985-86 (Prov.) .	4.85	24.03	22.42	1.22	4.28	9.3

*Figures taken after stock adjustment.

**Difference due to adjustment in opening stock.

4.17 According to norms fixed by the Board of Directors of erstwhile NCDC (July 1971) Coal Stock should not exceed 3 week's production. But it would be seen from the above table that the closing stock represented 5.5 to 10.9 weeks' production during the years from 1975-76 to 1985-86. Apart from blocking of capital, the heavy accumulation of closing stock of coal may lead to loss due to deterioration in quality, washing out in the rains, incidence of spontaneous fire and pilferage. A sum of Rs. 65 lakhs had been provided in the Annual Accounts upto 1982-83 for loss due to deterioration in quality of coal stock.

4.18 During the evidence of the representatives of the Company the Committee pointed out that the Coal stocks in ECL were higher than the norms. When asked about the reasons, CMD, ECL stated that by and large they were following the norms of 3 weeks. They did not have stocks for more than a month except at Rajmahal, Chitra, Simlong, Salampur where the stocks are not wholly sold.

4.19 Asked whether the quality of Coal would not deteriorate by holding the stocks for longer periods, CMD, ECL stated as follows :—

"For a period of three months, if it is properly stacked, normally it should not get affected at all. Again it depends on the coal; it varies from coal to coal; there is some coal which gets affected early but there are other varieties which get affected only after a lot of time. Inferior coal takes a lot of time before getting affected because it does not disintegrate quickly. A reasonable period of six months is/all right. Beyond that, we should take care to stock it properly. Then only it can be protected. Otherwise, it will deteriorate."

He also stated :

"So far simlong is concerned, we have taken a decision to close it down because Coal is not selling out. The Chari Committee also recommended that it must be closed down."

4.20 Asked about the steps taken for increasing the despatch of more coal to reduce the stocks, he stated as follows :—

"I think Haldia can take about 1.5 odd lakh tonnes per month, whereas the requirement is for a little more. They would prefer to have 2 to 2.5 lakh tonnes. We have also been trying to get something through Paradip. But it does not materialise. We wanted to use Railways right upto the South. Railways have not been able to do it. So, facilities have to be made at ports."

4.21 On being pointed out by the Committee that since the large stocks of coal were lying in open areas and there must be pilferage on this account. To this CMD, ECL replied as follows :—

"The pilferage will be little bit either in one block of coal or another. We do not have the security guards in all places and the coal is put in the open."

He further added :

"Of course there are only two places at which pilferages was going on a large scale where our people had to open fire. The people were looting away the coal and then our Inspectors were put behind the bars for this. A lot of demoralisation is taking place."

4.22 During the course of evidence of the representatives of Department of Coal the Committee pointed out that as against the norms for holding stocks of 3 weeks production, the stocks in the company were very high and have increased from 5.5 weeks production in 1975-76 to 10.9 weeks production in 1984-85 Asked whether the Department of Coal ever analysed the reasons for increasing the stocks, Additional Secretary, Department of Coal stated as follows :—

"The Coal stocks have been going up not only in ECL but all over Coal India Ltd. Because the despatches have not been commensurate with production. We have been increasing production in Coal India but despatches through rail movement have been less.

In 1982 we had appointed a committee to look into the problem of movement by road to find out ways and means to bring down the stocks. We had a dialogue with the railways to increase rail movement. Secondly in ECL the stock's have gone up in certain mines where materialisation of the project has not taken place, for example Rajmahal. There is another group of mines called S P mines where railway siding has not come up. In Chitra mines quality of coal is good but there is mafia problem. In 1982 we appointed a committee and as a result of that CISF was inducted to see that road movement of coal is not obstructed. As regards Rajmahal it is because Farraka has not come up so far."

Explaining it further, he stated :

"Mostly the piling up of stocks is in open cast mines. The underground mines have no problem. The problem is only with open cast mines and we are taking measures. Last year we laid down a stocking policy that one mine should not carry more than three months production and company, as a whole, should not carry more than one month's stock. The movement of coal is also being organised to the nearest railhead. The stocks last year have reached a level of 26 MT which was brought down to 19 million tonnes later. Today, stocks are 21 million tonnes in Coal India."

4.23 Asked whether all the stocks were in good condition, the witness replied :—

"Not all. The coal India had carried out a very extensive study to find out as to what is the state of the stocks? A policy for disposing of these stocks, particularly, the deteriorated stocks at lesser prices that was also chalked out by the Coal India. The companies have also given instructions, if the stocks are deteriorated, they should sell them so that they should not deteriorate further. We have liberalised the sale of coal of 7 million tonnes in 1984. We had laid down a policy that anybody who wants coal, he can go and take 500 tonnes, without any licence, without any profit or without any formality, but unfortunately, out of 7 million tonnes, we were able to sell just about 1 million tonnes because some of the stocks, have already deteriorated and the users were not prepared to pay the prices. In order to dispose of the stock, the Coal India derated the prices which should be fixed by the company and those stocks should be disposed of in that manner."

4.24 When asked as to when the norms were revised, he replied :—

"Last year (1985) in consultation with the Planning Commission we had laid down a stocking policy for Coal India."

4.25 In regard to enhancing the stocking limits, the witness informed :—

"Some of the collieries were carrying stock for six months and 7 months. It was not possible suddenly to reduce it to one month. So, as a practical solution, we fixed at three months. It has also been done because the demand for power has been going up. We had to keep the stock to meet the demands of power. We had to rush more coal to the power stations."

4.26 The Committee further enquired whether there was any shortage of wagons. The Additional Secretary stated as follows :—

"We are having continues dialogue with the Railways. We started in 1983. From 1983, we have been asking the Railways to make more wagons available. And in fact, the rail movement has been increasing every year."

4.27 As regards the future plans, the witness stated:—
"We have asked for a study in the period 1989 to 1994 in which sector the rail movement should be augmented. We are increasing the loading capacity and preparing railway sidings, as also the reorganisation of the entire despatching Structure. That work is going side by side"

4.28 As regards the lifting of coal by railways, the witness stated that at present they were having 1000 wagons and railways have been asked to provide 500 wagons more. He added :

"We require another 500 wagons for the next three months over above 1000 wagons. But there are loading constraints also in certain places. The sidings are being developed. We are also augmenting the loading system."

When the Committee desired to know whether any demurrage was paid to Railways by the Company for delaying the loading of wagons, the witness stated that they had paid Rs. 18 crores as demurrage."

4.29 The Company is reported to have paid demurrage to railway to the extent of Rs. 20.22 lakhs, Rs. 40.48 lakhs, Rs. 30.16 lakhs, Rs. 27.4 lakhs and Rs. 27.53 lakhs during the years 1981-82 to 1985-86 respectively.

4.30 Asked about the reasons for demurrage paid to Railways, the witness replied :—

"Sometimes the delay in loading takes place. free loading time which is given by railways is not sufficient and even if one wagon remains unloaded they charge for the whole rake........The train is supposed to came at 7 O'clock, say, but it comes five hours late, six hours late. Our labour waits and goes back. The railways are not adhering to the time schedule."

4.31 On being asked whether short term plans have been taken up to reduce the stocks, the witness replied :

"We have meetings with them almost every month so that greater number of wagons are made available. At the same time, from those places where the pithead stocks are lying, we are moving the stocks to the railhead so that raliways can move.

4.32 Asked about the results of the steps taken he replied :—

"The stocks have come down last year."

4.33 The Chari Committee has also pointed out as follows:—

"The pit head stock in the mines at Gourangdih, Mohanpur, Chitra and Simlong were shown as 2,53,564 tonnes, 2,39,065 tonnes, 4,79,614 tonnes and 1,01,107 tonnes respectively as on 31st Mar '85. This was equivalent to 73 months', 1828 months', 30 months and 57 months' despatch requirements. A reconciliation of pit-head stock as on 31-3-1984 production during the same period and the closing stock as indicated has revealed large discrepencies"

To the above discrepancies, the witness stated :

"Regarding verification of stocks, we have a well laid down procedure. The colliery itself verifies the stock once a month, the company does it once in three months and the Coal India once a year."

4.34 The Committee also wanted to know whether the Ministry's nominee on the Board of Coal Companies have been bringing to the notice of the Ministry about the huge stocks of Coal. The Additional Secretary, Deptt. of Coal stated :—

"I am on the Board of Coal India. I am also looking after the stocks and production and the target in the Ministry. I have been in touch with all the companies and I have been getting regular reports from all the companies about the stocks and I have been compiling collierywise statements as to what is the stock at the rail head as also at the road head. We have been doing analysis every month. We have been discussing with the holding company in Coal India every month. The CMDs of the these companies are also members of the Board. They come here and we give instructions to them that these are the stocks and they should be liquidated. These stocks should be reduced in this manner. So all these things have been very regularly discussed."

4.35 On being pointed out by the Committee that thermal power stations in the country were not running at their rated capacity due to shortage of coal and the Coal stocks were accumulating in coal company, the witness stated :—

"The efforts that we have made to reach coal for the power sector in the last two years have born fruit and we have been able to build up stocks in the power houses to a great extent. For example, in the northern India and eastern sector power houses, the coal stock position is very comfortable; stocks are there for more than 3 weeks. Many of the power houses could not stock more coal and consequently, We had to divert that coal to western Indian Power houses. Only Parli power station is having less stock. It is linked to Singreni colliery. Others have been getting their requirements. There are a couple of power houses in the western and southern sectors which are having stocks for less than seven days."

4.36 The Committee also wanted to know as to why there were imports of coal in the country. The witness replied :

"At Tuticorin only. A request was made by them for importing some coal because the ships at Haldia were not able to meet their requirements. It was not that we did not have coal. There was perpetual strike in Haldia and there were other constraints. They had to use more oil. We tried to improve the situation, but still it went on like that. Ultimately, they were allowed to import one lakh tonnes of coal from Australia as a one-time measure."

4.37 When asked whether the requirements could not be met from other places, he stated :

"That is not possible. Singreni itself was deficient. We had to move coal from western and eastern coalfields to met the requirements.

Now, there are three ports, Haldia, Vizag and Paradeep. Because of the strike, it could not meet the requirements of the Tuticorin.

4.38 Enquired as to why the Department of Coal gave permission to import of coal when sufficient quantity of coal was available in the Country, Additional Secretary, Department of Coal Stated :

"Coal India dose not give the permission to import coal. The permission was given by the Power Ministry. It was one of the coordinating agency. Because of the movement problem, it was imported and not because of shortage of coal. Coal could not be taken to the Tuticorin Port. It could not be even possible for the Railways to transport coal because, it is an irrational movement. It is very long movement. So more coal can only be supplied by sea but that does not materialise for many months. So, we made a special request to the Chief Minister of Tamil Nadu to import coal as a one time measure. Ultimately it was accepted at the highest level. About 1 lakh tonnes of coal was imported."

(C) Shortage of Coal

4.39 Table below indicates the book stock, measured stock and shortage of coal in ECL for the last 9 years :—

(Figures in lakh tonnes)

As on	Book stock	Measured stock	Total shortage (cumulative)	Shortage in excess of 5 per cent in individual cases
31st March 1978	28.69	25.12	3.57	2.14
31st March 1979	30.21	24.34	5.87	4.36
31st March 1980	22.07	18.79	3.28	2.18
31st March 1981	32.36	29.78	2.58	0.96
31st March 1982	38.60	36.33	2.27	0.34
31st March 1983	45.92	38.64	7.28	4.98
31st March 1984	43.72	40.22	3.50	3.83
31st March 1985	50.18	48.54	1.64	2.01
31st March 1986 (Provisional)	42.63	42.22	0.41	N.A.

4.40 Audit has pointed out that in May 1979, a quantity of 7.07 lakh tonnes valuing Rs. 7.37 crores was written off as shortages arising out of statistical errors, over-reporting of production, misappropriation etc. Further at the instance of CIL, stock was physically measured on 1-10-1983 which showed a shortages of 9.71 lakh tonnes as compared to book stock. This was owing to non-correction of the book stocks where variations with measured stocks have been above 5 per cent. As per directives of CIL, 3.65 lakhs tonnes of 'D' type coal valuing Rs. 5.93 crores was found unsaleable, which had been written off.

4.41 During the course of examination of the company the Committee wanted to know the item-wise details of the stocks written off in 1979. ECL stated in a written reply as follows :—

> "During the ECL Board Meeting held on 17-9-79, a decision was taken to write off 7.07 lakh tonnes of coal stock. The above coal stock shortage was cumulative shortages at different collieries since 1975 as no adjustment/write-off was done in ECL between 1-4-1975 & 1-4-1979. The book stock on 1-4-1979 was 30.46 lakh tonnes and measured stock 23.39 lakh tonnes. Thus the total shortage as on

1-4-1979 was 7.07 lakh tonnes. The shortages were because of the following broad reasons :—

(a) Reporting of insitu production of coal/over reporting of production at open cast mines	1.65 lakh tonnes
(b) Rejects/unsaleable coal which had been segregated from the production/stock	1.61 lakh tonnes
(c) Bulk shortages in 10 collieries	2.12 lakh tonnes.
(d) Other shortages	1.69 lakh tonnes."
	7.07 lakh tonnes.

4.42 As regards the writing of shortages after 1979, the Department of Coal stated in written reply at follows :—

"The quantity of coal stock written off after 1979-80 as per close of accounts is as below :—

Year of write off	Period for which written off	Quantity written off in lakh tonnes
1982-83	1979-80 to 1982-83	5.28
1983-84	1983-84	7.05
1984-85	1984-85	1.68
1985-86	1985-86	3.14

NOTE : Write off during 1983-84 has been excessive since the entire 'D' type coal stock of 3.65 lakh tonnes (valued at Rs.592.89 lakhs) which was found to be unsealeable and was continuing to be so from previous years was written off in this year."

4.43 Asked whether there was no shortage on account of misappropriation as reported in Audit Report, CMD, ECL replied :

"Regarding bulk shortage of 2.12 lakh tonnes there has been an enquiry. There was no question of misappropriation of any quantity of coal. But it has been found that there was lack of supervision. Therefore, some action has been taken".

4.44 The Company also made adjustments in the opening stock, as detailed below, on account of coal in situ having been included in stock and less/excess valuation in stock without formal write off sanction.

	Value adjusted (Rs. in Lakhs)
1976-77	(—)1.78
1977-78	(—)1.71
1978-79	(—)0.39
1980-81	(+)1.59
1982-83	(—)244.63
1983-84	(—)8.31
1984-85	(—)3.36

4.45 The Coal India Limited inventory team had noticed shortages of 5 per cent of stock and 1000 tonnes or more both in 1981-82 to 1984-85 as per details below :—

	No. of Collieries	Total shortages
		(in lakhs tonnes)
1981-82	38	5.83
1982-83	39	5.65
1983-84	21	3.78
1984-85	27	1.91

4.46 In respect of shortages for 1981-82 disciplinary action had been initiated by the Company. The holding Company also issued instructions in October 1983 to categorise the closing stock into saleable and non-saleable and initiate action to write off the non-saleable stock.

4.47 The Committee desired to know the results of the disciplinary action initiated against the officers responsible for the coal shortages. ECL in their written replay stated :—

"The details of the punishment awarded in the cases finalised during the four years are as follows :—

Punishment awarded

Year	Warning	Seriously warned	Stoppage of increment	Stoppage of promotion	Charges not proved & exonerated	Total cases finalised
1981-82 . . .	10	2	6	9	7	34
1982-83 . .	7	2	13	10	5	37
1983-84 . .	6	10	—	8	—	24
1984-85 . .	8	2	1	—	—	11

4.48 During evidence of the representatives of ECL, the Committee pointed out that the punishment awarded by the Company were not deterrent enough to stop the increasing coal shortages. To this CMD, ECL, stated :—

"I would submit apart from the latest figures, that those officials had remained in position there for long periods, and so we have also to ensure that we produce according to the original plans as far as possible. Then the shortages will be reduced to the minimum extent possible."

4.49 When asked about the procedure adopted for taking disciplinary action, he stated :

"When a manager or agent is issued a show-cause notice as to why he has incurred a shortage, he comes forward with certain explanations, and it is for the Enquiry Committee to take note of this and accept it or reject it."

4.50 The Committee pointed out that the statutory auditor of the company in his last year Report has inter-alia observed :—

"In one area the discrepency noticed on physical verification is enormous in as much as more than 50 per cent of the annual production of the area has been treated as shortage, such shortages comes to 1.54 lakh metric tonnes valued at Rs. 3.43 crores which has been adjusted in the accounts."

Asked whether the company was aware of it, the CMD, ECL then replied "Yes, Sir".

4.51 During.................. evidence of the representatives of the Deptt. of coal the Committee pointed out that shortages of coal were as much as 50 percent of the annual production of the area had been reported. Asked whether the Department of Coal was being briefed by the Ministry's nominee on the Board of the Company about shortages etc. the Additional Secretary Department of Coal stated :—

"I am on the Board of Coal India. I have attended all the meetings of the Coal India. I have asked the Chairman to institute enquiry in each case. I have written to him that sufficient action should be taken against such persons. Action taken should be commensurate with the offence of the person. The Chairman has written a letter to me assuring that he is personally looking into these cases. He has also assured that adequate action will be taken against those who are guilty. Every month we are having the Board's meeting. Shortage may be relating to the earlier period but it has been reported in the current year."

4.52 When pointed out that there had been considerable losses on account of shortages of Coal and as such the Coal Department should have a regular monitoring of all aspects of the working of the Company, he stated :—

"I can assure you that we are very serious about this. I have been in this Department for the last two and a half years and I have been personally very much concerned about the shortages and all that. I have streamlined the whole-system-action, monitoring and all that. I have been answering Parliament questions also on this. I may tell you that there is much more awareness and consciousness in the company now then it was before."

4.53 As regards misappropriation to the extent of Rs. 3.75 crores in respect of the one colliery as pointed out by the Committee, the witness stated :

"The shortage was 1,18,982 tonnes and proceedings have been initiated against the Manager of the company. The agent has been awarded punishment of with-holding of promotion. Against the manager the enquiry is being made."

4.54 The Committee further observed that such punishments were not going to solve the problem.

To this, the witness replied:

"I talked to the persons concerned in ECL. They said that there has been a large scale pilferages and there has been law and order problem."

4.55 The Committee further wanted to know as to who decided that Coal worth of Rs. 5.93 crores was not saleable. The Additional Secretary, Deptt. of Coal replied :—

"This is not left to an individual. It is done by a Committee. A committee is appointed to decide the grade of the coal and what type of coal it is."

4.56 When further asked whether any guidelines were issued by the Government about the quantum of punishment in regard to shortages etc.; the witness gave the following information :—

"When the stock estimates as at the close of the financial year are over, the following procedure should be strictly followed by the companies :—

(1) When the stock shortage does not exceed 5 % of the total stock and also 1000 tonnes of coal and for 700 tonnes of hard coke or soft coke in absolute terms, no action is required to be taken .

(2) For stock shortages exceeding these figures for each such colliery one man enquiry committee should be set up for investigation and fixing responsibility. If in such investigation, stock shortage is established on account of mismanagement and responsibility fixed, the following norms would be followed for award of punishment :—

(a) Shortage up to 1 % of the coal stock, coke production reported for the preceding year in which shortage has been accrued :

Warning in writing. Copy of this letter should go into the personal record file of the person concerned.

(b) Shortage exceeding 1 % and upto 5% of coal stock production :—

Stoppage of increment for two years. When increments are given for two years, the increment loss should not be made up. If the officer concerned is at the end of the scale, his basic will be reduced by an amount equivalent to one increment last in the scale for two years.

(c) *Shortage exceeding 5% upto 10%*:—Officer not to be considered for promotion for two years from the date. His name would normally be considered for promotion two years from the date.

(d) Shortage exceeding 10% :—

Officer not to be considered for promotion until the retirement or or termination of services according to gravity of the case.

(e) When more than one officer has been held responsible for the shortage :—

It should be considered for award of punishment in such a shortage should be determined with the production and the same norm for action should be followed. Action should be taken at the close of every fiscal year after the stocks are measured in accordance with the circular No./dt.,"

4.57 The Committee observed that the guidelines were too general by stopping of increments or promotion, the Company could not achieve its objective to stop malpractices. To this, the Additional Secretary, Deptt. of Coal stated :—

"These are of general nature and there is a case of an involvement of an officer for higher amount when special action is taken. We would not just go by guidelines."

4.58 The Committee further pointed out that the loss on account of shortages was in crores of rupees and punishment awarded from 1981 to 1985, was stoppage of promotion or increment. Asked whether the Department was satisfied with the quantum of punishment awarded by the Company, the witness admitted :—

"My feeling has been that the punishment has not been commensurate with the offence committed. I have openly expressed in the board meeting and also in writing. Chairman ECL mentioned that particularly in Bengal and Bihar, these cases have been because of the prevailing circumstances of law and order, indiscipline and mafia activities in other areas, there are few cases."

He further added :

"Sir, this matter has been coming up in the Board and as a Government Director, I have been asking the CMD of the company to take serious action in view of these shortages. Then, I had also written to the Coal India. There were lot of Parliament questions to know about the action taken. I expressed dissatisfaction of the Government that the action taken has not been severe enough. This is on record. Letters were written. ECL CMD has been saying that a lot of extenuating circumstances were there: becauseof the law and order situation, becuase of the Local police not being of any help in stopping these pilferages and shortages. Then we had the Central Security Force to stop the coal pilferage. Therefore, they were not able to take very severe action. In many cases, they could not pinpoint responsibility on one particular person. Therefore, they have not taken very serious action in these cases. But as far as Government is concerned, we have been insisting that wherever there is a serious case maximum punishment should be given according to the severity of the case and according to the report of the investigating officer."

4.59 The Committee further enquired whether the Department though of reviewing the guidelines in view of the fact that earlier guidelines did not bring desired result. The Additional Secretary, Department of Coal Stated:

"We will do that."

He added "I fully agree that we must have strict control on this and we must take serious action."

4.60 The production performance of the ECL depicts a dismal picture. The Committee are distressed to note that not to speak of Coal India's estimates of production of 36.82 million tonnes by 1982-83, the Undertaking could not maintain the production level achieved by it in 1975-76 and 1976-77. The production remained short of the targets fixed right from 1975-76 to 1985-86.

4.61 The Committee find that as against the actual production of 26.18 million tonnes in 1975-76 and 26.47 million tonnes in 1976-77 the undertaking's production dwindled to 20.52 million tonnes in 1979-80. From 1979-80 it started recovering and increased to 24.03 million tonnes in 1985-86. Not only the targets were reduced but even the revised targets could not be achieved by the ECL. The Committee are unable to reconcile to this situation particularly the fact that undertaking has invested more than Rs. 500 corres in plant and machinery besides the substantial increase in its surplus manpower and infrastructure facilities. This also leads to an inescapable conclusion that the capacity utilisation of ECL mines has been far from satisfactory. The Committee need hardly emphasise that the index of efficiency of production is the extent of utilisation of the installed capacity at an optimum level. The Committee, therefore, desire that the utilisation of the capacity of ECL mines should be closely watched by Coal India as well as the Department of Coal so as to identify the areas of inefficiency and corrective measures taken promptly to rectify the shortcomings noticed.

4.62 The low production of ECL has been stated to be due to non-opening of new mines, depletion of old mines, power shortage and law & order problems and some technical problems like difficulty in getting spares for equipment, mining problems due to unsystematic underground working etc. The Committee feel that the undertaking should have solved these problems with the assistance of holding company and administrative Ministry. The least that was expected from the undertaking was to maintain the production level already achieved if its production could not be increased further. The Committee are unhappy that the production from the ECL mines has not come up to the expected level. In fact, the production realisation has been hardly 60% as was admitted in evidence by the representative of Department of Coal who also stated that had production realisation been 85%, the production targets could have been easily achieved.

4.63 The Committee were also informed in evidence by CMD ECL that the plans had been drawn to raise coal production upto 31.4 million tonnes in 1988-89 if the land and power problems were solved. However, the land is not being made available for opening new mines so much so that the undertaking could not get land even for Shonpur Bazar Project which is a World Bank Project, Negotiated meetings are, however, stated to have been held at various levels including Chief Ministers of the concerned States. The Committee hope that the problem will be sorted out at the earliest. Besides the land problem the power problem is also getting acute year after year and remaines unsolved. The Committee desire that the Government should take up the matter with the DVC Authority and persuade them to increase their generating capacity so that East Sector could get their requirement of 446 MWs of power, as assessed by the Ramanathan Committee. The Committee are glad to note that ECL has also taken steps to have their own captive power plants. For this purpose, the Company has floated tenders for 3 units of 2—10 MWs besides the proposal of having a big power station of 600 MWs for coal companies. The Committee recommend that in order to get over the power shortage the process of tendering should be expedited by ECL and captive power plants installed at the earliest. The Committee also desire that the process of installation of big power station for coal companies should also be expedited by sorting out inter-ministerial differences, if any.

4.64 The Committee find that notwithstanding the shrinkage of working places and lesser production from the underground mines due to depletion of reserve in general, there are enough good quality reserves in some of the mines with potential for expansion, as reported by Chari Committee. Therefore, the Committee desire that the ECL should give priority to undertaking a schemes for reorganisation/reconstruction of existing mines so as to improve production and productivity. With appropriate mechanisation and marginal investment, the undertaking would be able to turn many of the loosing mines into profitable ones or at least reduce their losses. The Committee also desire that the ECL should examine its production strategies so that it could be most advantageous from the points of view of undertaking's improved economies, despatchability of coal and satisfying the market demand.

4.65 ECL has also brought to the notice of the Committee that in some of the mines quality of coal is good but there is a mafia problem. As regards tackling the mafia problem, the Committee would like to draw the attention of Department of Coal to their recommendation contained in their 70th Report of Coal India Ltd. wherein it has been recommended that the Ministry of Home Affairs and the concerned State Governments should see that coal companies are allowed to function unimpeded by anti-social elements. The Committee reiterate their earlier recommendation and desire that effective measures should immediately be taken to eradicate this menace once for all.

4.66 The Committee note that as against the norms of holding coal stocks of 3 weeks production, the coal stock in the company has been increasing year after year. From 5 weeks production in 1975-76, it increased to 10.9 weeks production in 1984-85. The stocks of coal in some of the mines were of the order of 73 months, 30 months and 57 months' despatch requirements. The Committee feel that such a high stock will have adverse financial implications because according to the Chari Committee, "taking out coal from mines for keeping it in stocks exposes it to disintegration and deterioration in quality, theft and fire." The Chari Committee had also stated that the interest charges alone on the coal locked up in pit head stocks comes to as much as Rs. 12 crores a year. A sum of Rs. 65 lakhs is also reported to have been provided in the Annual Accounts upto 1982-83 for loss due to deterioration in quality of coal stock. The Committee are distressed at this state of affairs. In Committee's view the accumulation of hugestocks is due to mad rush for fulfilling the annual production targets at any cost resulting in indiscriminate and uncoordinated mining of poor grade of unsaleable coal. This piling of huge stocks at mines coupled with payment of over-time and Sunday working not only affects adversely the cost of production but also provides scope for malpractices.

4.67 The Committee were also informed in evidence by the Department of Coal that a policy for stocks in the coal companies was framed in 1985 in consultation with Planning Commission, and according to this policy individual mine cannot hold stocks for more than 3 months and the undertaking as a whole should not keep more than one month's production as stock. The Committee, therefore, recommend that the Company should meticulously follow the stock policy and all out efforts should be made to liquidate the stocks over and above the permissible limits. The Committee also suggest that an investigation be conducted into the circumstances as to how the huge stocks got accumulated against the fixed norms and responsibility fixed therefor.

4.68 The Committee note that for coal despatches, the availability of railway wagons has not been much problem. On the contrary there are certain loading problems within the undertaking. Due to the delay in loading, the undertaking has been paying demurrage to railways. The amount paid as demurrage during the year 1981-82 to 1985-86 was to the extent of Rs. 1.46 crores. The Committee trust that ECL will take urgent steps to increase the loading capacity by providing railway sidings where necessary, so as to bring the coal from pit head to rail head, and by re-organisation of the entire despatching structure.

4.69 The Committee regret to note that there have been shortages in coal stocks of the undertaking. In May, 1979 a large quantity of 7.07 lakh tonnes valuing Rs. 7.37 crores was written off as shortages arising out of statistical errors, over reporting of production and misappropriation etc. Even after May 1979, more than 15 lakhs tonnes of coal was written off by the undertaking as shortages. In October, 1983, at the instance of CIL, the coal when physically measured showed a shortage of 9.71 lakh tonnes as compared to book stock. The undertaking is also reported to have been making adjustments in the opening stock without formal write off sanction.

4.70 The Committee takes a serious view of huge quantity of coal being written off and also of the adjustments being made in the opening stock without formal sanction. The Committee have their own doubts that these shortages and adjustments could be due to the misappropriation for which the undertaking cannot escape responsibility. The Committee expect from public undertaking, honest and efficient conduct of business. The Committee recommend that the undertaking should lay down proper guidelines and parametres for writing off shortages and adjustment in stocks in consultation with its holding company and Audit. In future such shortages should be written off strictly in terms of these guidelines.

4.71 The Committee note that the Company takes note of shortages of more than 5% of the stock and 1000 tonnes or more in collieries. During 1981-82 to 1984-85, such shortages were to the tune of 5.83, 5.66, 1.91 and 3.78 lakh tonnes, respectively. During these years, the number of cases of disciplinary action against the officers responsible for shortages were 34,37, 24 and 11 respectively. The punishment awarded was warning, stoppage of increment and stoppage of promotion. In Committee's view the punishment awarded in these cases is very lenient as compared to the value of coal found short and in fact it encouraged the dishonest employees to indulge in offence. The Committee are of the firm opinion that the punishment should be more severe and deterrent. Even the Additional Secretary, Department of Coal was frank enough to admit in evidence when he stated "my feeling has been that the punishment has not been commensurate with the offence committed."

4.72 No doubt the purishment awarded at present was in terms of guidelines approved by the Government but the guidelines appear to be too soft and ineffective in achieving the objective of stopping the prevailing malpractices in the undertaking. The Committee, therefore, recommend that as agreed to in evidence by the Additional Secretary, Department of Coal, the Government should revise the guidelines for awarding punishment with a view to providing severe and exemplary penalties for those found responsible for the shortages of coal.

D. Performance of J.K. Ropeways

4.73 Jambad Kajora (J.K.) Ropeways was installed by the erstwhile Coal Board with the objective of extracting and transporting sand from the rivers Damodar and Adjoy to the collieries in Jambad-Kojora areas of Raniganj coalfield for stowing. Installations of I & II were commissioned in December 1968 to extract sand from the river Damodar whereas installation III was commissioned in March 1967 to extract sand from river Adjoy. Out of the 47 collieries in the Company resorting to sand stowing operations in 1985-86 only 12 were linked to the departmental J.K. Ropeways.

4.74 The designed rated capacity of J.K. Ropeways was 4.5 million tonnes per annum at the rate of 1.5 million tonne for each installation per annum working all the three shifts.

4.75 Pursuant to Chairman-cum-Managing Director's instruction of 16th May 1978, the Industrial Engineering Department (IED) of the Company conducted a study in September 1978 to assess the optimum capacity of J.K. Ropeways. The I.E.D. assessed the production capacity of J.K. Ropeways to 41.34 lakh tonnes per annum. As per IED study with the present arrangement working all the three shifts, it was found possible to fix the target to 60 per cent of rated capacity and to produce 2.5 million tonnes. It was also found possible to increase the target by introducing an incentive scheme.

4.76 As against the original capacity of 45 lakhs and capacity of 25 lakhs as assessed by IED, the following table shows the capacity as shown by ECL, year-wise production and shortfall in production during years from 1975-76 to 1985-86:

(In lakh tonnes)

Year	Capacity	Production (actual)	Shortfall in production	Quantity actually utilised	Unutilised balance of of sand
1975-76 . . .	25.00	6.00	19.00	4.93	1.07
1976-77 . . .	25.00	11.62	13.38	9.40	3.29
1977-78 . . .	25.00	9.17	15.83	8.38	4.03
1978-79 . . .	25.00	6.83	18.17	6.42	4.49
1979-80 . . .	25.00	13.78	11.22	9.19	9.07
1980-81 . . .	25.00	14.53	10.47	13.87	9.74
1981-82 . . .	25.00	13.60	11.40	13.73	9.61
1982-83 . . .	25.00	10.67	14.33	10.83	9.45
1983-84 . . .	*18.50	9.79	8.71	9.32	10.12
1984-85 . . .	*18.50	10.46	8.04	10.80	9.78
1985-86 . . .	*15.00	13.86	1.14	13.96	9.63**

*Capacity as shown by ECL.

**Physical measured stock of sand is 1.53 lakh tonnes.

As regards the capacity shown by the undertaking at 15 lakh tonnes, ECL stated in a written note that this has been taken on the basis of study carried out by M/s. Magnum Industrial Product.

4.77 It would be seen from the above table that the company could not achieve even the capacity of 15 lakh tonnes in any of the years.

4.78 The Committee enquired as to why the installed capacity of J.K. Ropeway has been derated from time to time, CMD, ECL stated during evidence as follows:—

"The capacity was not 45 lakh tonnes. Theoritically somebody calculated it at 45 lakh tonnes without going into the merits of the case."

4.78 Asked about the reasons for poor performance of J.K. Ropeway, ECL advanced the following reasons in a written reply as follows:—

1. Due to construction of dam poor regeneration of sand has occurred over the years in both the Damodar and Ajay rivers. Damodar river has experienced change of course during the period while Ajay river has experienced less floods. Due to the above, the rate of regeneration is not commensurate with the rate of sand winning resulting in constant decline of sand reserves near the bank and creation of difficult conditions for the existing dredgers to produce as per the requirement.

2. The design of the sand winning system i.e. tail-car scraper combination is not an efficient gathering system of sand because of frequent proneness to breakdown resulting in increased down time.

3. Moreover with passage of time the ramp path is getting steeper and steeper reducing the hauling capacity thereby.

4. Due to less availability of sand within the designed zone of pumping, the main dredging equipments are required to pump out sand from a long distance which is beyond the scope of the existing equipments.

5. Frequent power failures, low voltage, low frequency from the power supply company leads to damage of the electrical equipment operating various drives.

6. Frequent pilferage of vital machinery/components from the aerial ropeway system stretching over 25 Km. run has been causing high idle time to restore the break-downs. This is an alarming problem.

7. Difficulty in procurement of critical spares is a perennial problem. Poor quality of spares from indigenous sources and erratic supply have been increasing the frequency of repair/maintenance/idle time.

8. Bicycle ropeways have lost the transportation capacity to a considerable extent due to ageing of the equipment which are running for about 20 years and has not been giving steady and dependable service.

Re-organisation of J.K. Ropeways

4.79 The re-organisation of project for achieving a capacity of 29 lakh tonnes per annum was approved in September, 1979 by the holding Company at an estimated cost of Rs. 4.25 crores. The re-organisation of the ropeways was to be completed by 1982-83. The original report was revised and approved in September, 1984 for a production target of 40.28 lakh tonnes/yr. at a capital cost of Rs. 9.85 crores and was expected to be completed in 1987-88.

4.80 Explaining the new scheme, CMD, ECL stated during evidence:—

"The idea is to change the system from scrapers to pentoon. By providing this, the capacity automatically increases."

4.81 When pointed out by the Committee that even after spending over 5 crores in the re-organisation scheme, the Company was engaging private contractors for sand stowing CMD, ECL replied:—

"We are now getting the sand from a depth and not from the surface. This method is keeping a check on the contractors. It is serving these two purposes though at a cost."

He added :—

"If we do not have this, these contractors will squeeze us later on because we do not have any other handle to control them."

Sand S ppliedb y J.K. Ropeways vis-a-vis supply from private contractors

4.82 The following table shows the sand supplied by J.K. Ropeways as well as by private contractors and cost per tonne in each case :—

Year	Sand utilised out of supplies made by J.KRopeways	Sand procured from private contractors	Cost per tonne of sand supplied by J.K. ropeways	Cost per tonne of sand supplied by private contractors
	(In lakh tonne)			
1980-81	13.86	6.49	23.35	13.45
1981-82	13.73	11.10	28.88	12.92
1982-83	10.63	4.8	39.91	15.80
1983-84	9.32	5.9	43.86	16.95
1984-85	10.80	5.92	46.03	20.88
1985-86	13.96	7.00	38.17	N.A.
	62.30	31.21		

From 1975-76 to 1979-80 also the sand utilised out of supplies made by J.K. Ropeways was 38.33 lakh tonnes as against 66.45 lakh tonnes supplied by private contractors.

4.83 During the evidence of representatives of the ECL the Committee pointed out that inspite of additional investment in J.K. Ropeways huge quantities of sand were procured throught private contractor. The cost of sand supplied by private contractor was also much less as compared to J.K. Ropeways.

4.84 Asked whether the investment of over Rs. 9 crores in J.K. Ropeways could not further increase the cost per tonne, CMD, ECL stated:—

"Hundred per cent I agree that if we calculate it just on facts and figures it is better to stop this installation completely. There is no doubt about that. But then the future cost will be much more. After all we keep a little bit preliminary operation only to see that the future operation does not become too costly. That is the basic purpose."

4.85 Asked about the viability of the project the witness replied as follows :—

"We will again review it. But then we are carrying it on at long distance. This mode of transportation is for a longer distance. If we ask the contractors to carry it at long distance, the cost will further increase."

4.86 During the course of examination of the Department of Coal the Committee pointed out that the capacity of J.K. Ropeways was derated from time to time and even the derated capacity could not be achieved by the ECL. Asked about the Ministry's assessment in this regard, one representative of the Department stated during evidence as follows :—

"This ropeway system was commissioned in 1968 and at that time the depth of sand in Damodar and Ajay rivers was 6 metres and the bulk density of the sand was 100 pounds,i.e. one cubic metre of sand weight 100 pounds. Because of the depletion of sand deposits and due to construction of dams upstream, now the depth is reduced to two metres in Damodar and one metre in Ajay. So, the bulk density of the sand has come down to 70 pounds. Also, since the Ropeway is in existence since 1968, that is for 18 years, its strength of buckets came down to 300 from 400. Taking these factors into consideration a study was made in 1978 and the capacity was reassessed at 2.5 with nine sand gathering stations. Subsequent to 1978, one station became defunct, because the river-bed had become very thin and no sand deposit was left. So now there are only 8 stations and this capacity of 2.5 has to be further derated by one-ninth, which comes to 1.9. This study was done by a Group of Consultants headed by Shri M.N Gwing who himself is a very eminent mining engineer and an authority on sand stowing. They assessed the capacity at 2.5 but now due to the reduction in the number of stations from nine to eighth, the capacity too has to be derated by one-ninth. So, the capacity is now rated at 1.85 or 1.9."

4.87 When asked as to how the undertaking could not achieve even 1.85 million tonnes, the witness stated:—

"It can not go up beyond 15 lakh tonnes in any case. There are days when the ropeways stops for 8 to 10 hours. If the power supply becomes stable, 1.5 to 1.7 million tonnes can be there."

4.88 Coal India Limited is reported to have appointed M/s. Magnam Industrial Products as consultants in January, 1986 for ECL & BCCL. The terms of appointment, *inter alia*, include indentification of problems, trouble shooting areas, deficiencies & suggestions for remedial measure for bringing around both qualitative and quantitative imporvement in the existing sand stowing systems.

4.89 The consultants have submitted their report in respect of J.K. Ropeways Installation I, II & III and Manderboni Colliery. The report is under study for necessary action on the recommendation.

4.90 Asked about the implementation of the new re-organisation scheme of J.K. Ropeways, the representative of Department of Coal replied :—

"The scheme has beed sanctioned for complete renovation and modernisation but that scheme is not being implemented because this question has not been solve and we are consulting some dredger experts, and they are not yet sure whether this will work with this thin level sand."

4.91 The Committee are distressed to note that the performance of Company's own J.K. Ropeways which was installed for extracting and transporting of sand has been very poor. The capacity of J.K. Roeways has been derated by the Company from time to time. As against the designed capaicty of 45 lakh tonnes, the capacity was fixed at 41.34 lakhs tonnes after a study conducted by Industrial Engineering Department (IED) in 1978. The IED found that with the present arrangement for working of J.K. Ropeways target could be fixed at 60 percent of the rated capacity to produce 25 lakh tonnes. The IED also indicated that it was possible to increase the target by introducing an incentive scheme. The capacity of the Ropeways was further derated to 15 lakhs tonnes after a study carried by M/s. Magnum Industrial Product. It is rather unfortunate that the Company could not achieve even the further derated capacity of 15 lakh tonnes in any of the years. The production of J.K. Ropeways ranged from 6 lakh tonnes to 13.86 lakh tonnes from 1975-76 to 1985-86. On account of poor performance of J.K. Ropeways, the sand stowing had to be done by private contractors. The Committee also regret to point out that while the full capacity of J.K. Ropeways remained underutilised, the Company procured sand from private parties. From 1975-76 to 1985-86 the sand supplied by J.K. Ropeways was 120.31 lakh tonnes and sand procured from private parties was 07.66 lakh tonnes. In terms of cost, the cost of sand supplied by the J.K. Ropeways was 200 per cent more as compared to the cost of the sand supplied by private contractors during the last 5 years. In the opinion of the Committee such a wide gap in cost can hardly be justified. The Committee recommend that the Company must take necessary steps to optimise the capacity utilisation of J.K. Ropeways and also to bring down its cost of supplying sand to make it competitive with private contractor. Earnest efforts should also be made to minimise the dependence on private contractor.

4.92 CIL is reported to have appointed M/s. Magnam Industrial Product as consultants for BCCL and ECL. The terms and references of consultants included identification of problems, trouble shooting areas, deficiencies and suggestions, for remedial measure for bringing around both qualitative and quantitative improvement in the existing and stowing systems. The consultants are stated to have submitted their report in respect of J.K. Ropeways Installation, I, II & III and Manderboni Colliery and was under study for necessary action. The Committee would like to be apprised of the action taken by the Company on the recommendations of the Consultants and the subsequent improvement made in capacity utilisation of J.K.Ropeways.

CHATER V

MACHINE UTILISATION AND HIRING OF HEMM

(*A*) *Machine Utilisation*

(i) ***Population of Plant & Machinery***

5.1 Mines obtaining in the Company are of two types, i.e. opencast and underground. The Company has invested Rs. 503.18 crores upto the end of 1984-85 on the purchase of plant and machinery for building up the plant pool capacity. The following table shows the number of machines available and the machines working during each of the plant 3 years:–

Name of equipment	1983-84		1984-85		1985-86	
	No. available	No. working	No. available	No. working	No. available	No. working
Scraper . .	76	33	56	27	38	22
Shovel (Diesel) .	28	23	27	19	28	24
Shovel (Elect.) .	11	10	14	11	17	16
Shovel (Hydraulic)	5	5	6	6	10	8
Dumper . .	220	130	254	152	271	193
Dozer . . .	106	59	112	68	104	71
Coal cutting Machine	396	312	397	299	408	255
Coal Drill . .	1451	1155	1402	1185	1342	886
Shearer . .	5	4	5	3	5	2
Road Header .	6	5	8	5	9	5 5

From the above table it is seen that the number of machines actually work ing are much less in some cases even less than half than that available.

5.2 Asked about the reasons for low utilisation of equipments, ECL state in a written reply as follows:–

Low utilisation is mainly due to lack of infra-structure and non-availability of skilled manpower. This factor has created a back-log in capital overhaul and repair resulting for low availability of equipment."

(ii) ***Utilisation of Heavy Earth Moving Machinery (HEMM)***

5.3 Scrapers, shovels, dumpers and dozers are the heavy earthmoving equipments used in the different opencast mines of the Company. For removing overburden and winning of coal, scrapers are worked with the support of dozers and shovels with dumpers. Scrapers and shovels are, however, directly linked to production. Taking into consideration the working conditions prevailing in the opencast projects of the company, the CIL estimated capacity of the scrapers as 72 per cent of total operable excavation capacity of the machines, Based on the actual working conditions, the CIL has also assessed that the actual utilisation should be above 90 per cent. The table below indicates the excavation capacity, the system capacity, production and system capacity utilisation for the 6 year ending 1985-86

Year	Excavation capacity MM^3	System capacity in MM^3	Coal mt.	Coal in MM3	Over burden in MM^3	Total in MM^3	Percentage to system capacity utilisation
1980-81 .	14.53	10.46	2.74	1.96	7.28	9.24	88
1981-82 .	17.16	12.35	3.42	2.44	8.87	11.31	91
1982-83 .	23.00	16.56	3.20	2.29	8.65	10.94	66
1983-84 .	19.89	17.76	2.63	1.75	9.23	10.98	62
1984-85 .	22.18	20.27	3.24	2.16	9.55	11.71	58
1985-86 . (PROV)		22.59	3.84	2.56	11.43	13.99	62

5.4 In this connection, the Audit has pointed out the following facts regarding capacity utilisation of HEMM during the earlier years:-

(i) There is a gap between the available system capcity and actual achievement for the years 1980-81 to 1982-83.

(ii) The capacity utilisation trend remained almost stagnant or deteriorated indicating thereby that infrastructure for the above three years has not been commensurate with the increase in population of HEMM.

(iii) There has been improper provisions of equipment as the Company did not have sufficent/proper geological data at the time of selection of these equipments e.g. in Projects like Mahabir, Dalurband, Kumardih and Nimcha, the project report provision was for scraper-dozer combination only whereas later on, it has been realised that shovel-dumper combination along with scrapers for top soil will be more beneficial.

(iv) Although the equipments have been working for a long time in certain mines, the basic workshop facilities for unit workshops have not been provided, though the provision for such facilities exists in the project reports.

(v) Most of the repair jobs, including overhauling of engines, is being got done from outside as expertise of the same has not been fully developed as yet.

(vi) The down-time of the equipment is excessive because repair time is more, which may be due to non-availability of (a) spare parts (b) skilled man-power.

(vii) The utilisation of HEMM was however reported by the managament by derating the capacity by 20 per cent."

5.5 The Board of Directors of the Coal India Limited appointed (April 1983) a Committee to examine the utilisation of HEMM. Salient points of the recommendations of this Committee are as following: —

(i) Scrapers found unsuitable for actual mining work in ECL be deployed in other developmental works.

(ii) Standardisation of equipment.

(iii) Strengthening of Workshop.

(iv) Establishing of Regional Workshop for HEMM

(v) Immediate recruitment of skilled manpower

(vi) Training of Engineers.

(vii) Standard hourly output calculations are intended to indicate the method of calculation. Actual standard capacity has to be worked out on basis of start time cycle of operation, face condition etc.

(viii) Capacity of individual HEMM was not derated by 20% while assessing the capacity of a mine.

Achievable output vis-a-vis actual output of HEMM

5.6 A review Committee set up by CIL in 1975 had fixed norms for utilisation of HEMM equipment. These norms serve as operating guidelines. The annual production capacity of each type of equipment is also fixed and these norms are applied by CMPDIL/CIL for working out the system capacity of OCPs and excavation capacity of the equipment in OCPs. Based on these norms, the percentage of actual output to standard output for the last 9 years ending with 1985-86 is indicated below :—

Year	Percentage of actual output to standard output
1977-78	107.7
1978-79	89.3
1979-80	78.4
1980-81	84.1
1981-82	80.1
1982-83	57.3
1983-84	59.5
1984-85	49.9
1985-86	59.6

5.7 It would be seen from the above table that actual output with respect to standard output has gradually gone down from 107.7 per cent in 1977-78 to 49.9 percent in 1984-85. In 1985-86 has marginally improved to 59.6 per cent.

5.8 Asked about the reasons for low output of HEMM, CMD, ECL stated during evidence as follows :—

> "One is that these equipments were in their original state i.e. they were new. The age of the equipment has also something to do with it, marginally. It could have improved, provided we had good workshops available to maintain them. They were not available. Good workshops have been commissioned now. I think things should improve.
>
> Secondly, the opencast mines operating in those areas were shallow in the first stages coal was available very quickly, but at present, the depth has increased. Earlier we used only diesel shovels. Gradually we employed the heavy electric shovels, particularly in Raniganj Coalfields. As a result, we have not been able to utilise the electric shovels to their fullest capacity."

5.9 The table below indicates percentage of idle time to total shift hours in respect of the HEMM equipment during the last 3 years :—

(Figures in percentage)

Particulars of machinery	1983-84	1984-85	1985-86
Dumper Terex Dumper (Haulpack)	46.28	53.61	65.01
Scraper	61.28	75.75	74.40
Dozer D-804A-12 Dozer 120-A-18	53.22	60.80	59.52
Drills (wagon)	..	..	..
Drills (Elect)	53.35	74.06	59.62
Shovels (Diesel)	61.58	62.13	66.95
Shovels (Elect)	40.85	42.09	57.79
Shovel (Hydraulic)	59.15	58.38	46.87

It would be seen from the above table that the percentage of idle time to total shift hours ranged between 40.85 and 75.75 during the last 3 years.

5.10 During evidence, the Committee enquired about the reasons for high percentage of idle hours, CMD, ECL stated as follows :—

> "Actually, I have also given instructions to all my Directors, my Chief Engineers and others regarding this, so that things can be improved. We are really pursuing it day and night, but due to some problems, it could not be done. For instance, shortage of power supply. Power Supply is very erratic in Eastern region. We have installed the equipments. Now we have withdrawn all the equipments for want of

power. It is idling for a year or two now for want of power. The objectives are, as soon as the power is available in sufficient quantity, the utilisation will go up as it had gone up in case of Madhya Pradesh, Maharashtra.

(iii) Utilisation of Underground Equipments

5.11 Underground equipments consist of Coal cutting machine, coal drill, shearer at S/F, Shearer at C/F and Road Header. An analysis by Audit of the population standard achievable capacity, actual output of these machines shows that the percentage of actual output to total achievable output has been much below the capacity. The position in this regard for the last 5 years is given below :—

Machine	Percentage of actual output to achievable output				
	1981-82	1982-83	1983-84	1984-85	1985-86
1. Coal cutting M/C	96.06	80.00	67.14	74.78	87.71
2. Coal Drill	52.43	52.02	47.78	49.15	65.58
3. Shearer at S/F	62.50	60.83	69.72	59.80	66.25
4. Shearer at C/F	37.19				
5. Road Header	50.00	48.04	35.29	26.47	40.00

5.12 The Committee pointed out that the utilisation of underground equipment was low and in some cases it was less than 30 per cent. Asked about the reasons for low utilisation, ECL stated in written reply as follows :—

> "The utilisation of U/G equipment is low mainly due to erratic power supply position. Steps have been taken to provide D.G. Sets at the selected mines. The captive power stations 2×10 MW which has been approved recently will also be installed for improving performance of high technology equipment e.g. shearers, road headers etc. Two foreign consultants have been asked to study and submit report namely BMC of UK and Montan of West Germany.
>
> The training of workers at different institutes is being done for skilled manpower. Workshop facilities are being created."

(iv) Idle Equipment (Uninstalled)

5.13 The annual accounts of the Company for the year 1982-83 disclosed that plant and machinery valued at Rs. 45.33 crores were lying uninstalled upto 1982-83. This increased to Rs. 62.11 crores in 1984-85. Asked about the reasons for increasing unutilised machines, ECL stated in a written reply as follows :—

> "The share of modern equipment and high capacity heavy machines is more in the P&M being procured. The installation time of these equipments is high. This increases the stock holding temporarily and inflates the capital inventory."

5.14 The Committee further wanted to know the steps taken by the Company to utilise the equipments lying uninstalled, ECL in a note stated :

"A Committee was constituted to identify plants pending installation. The mine development and other civil constructions necessary for installation are monitored for speedy installation of equipment."

(v) Excessive Deployment of Equipment

5.15 Audit has pointed out that there was excessive deployment of HEMM at some of the opencast projects over and above the provisions in the respective project reports.

5.16 The review of HEMM of ECL conducted by Coal India Limited in March 1983 also indicated that there has been improper provision of equipment in the absence of adequate geological data at the time of selection of the equipment which resulted in deployment of machines in excess of the project provision especially in Mahabir, Dalurband, Kumardihi and Nimcha projects.

5.17 Regarding excessive deployment of equipment the Management informed the Audit (November 1983) as under:

"Apparently, it may appear that HEMM are deployed in many OCPs in excess to the provisions made in the Feasibility Reports. In the initial stages FRs were prepared based on data available at that time which was found subsequently to be inadequate. Such FRs are now being revised and earlier inadequacies are being taken care of. Equipment from discontinued projects have been transferred to working projects. Regarding deployment of proper matching equipment... it is stated that this is being taken into consideration while revising Project Reports."

5.18 During evidence of representatives of Department of Coal, Committee pointed out that utilisation of machines in ECL was low. When asked whether the Department ever reviewed the matter with a view to improve the position. A representative of Department of Coal stated as follows:—

"In 1984-85, compared to the previous years there has been signinificant improvement. If you see Open Cast and Underground, it is roughly 50:50. In the next 12 years Open Cast will increase. It will be 60:40.

Since they are opening very big Open Cast Mines, involving heavy machinery, they are interested in bringing it to international norms. Many steps have been taken. As we are at machinery, corresponding the back up and supporting facilities are necessary—skilled workmen, workshop, maintenance, spare parts service, depots, suppliers, manufacturers in our mine areas, unfortunately, these areas have received attention only in the last two or three years and not earlier. The result is that we have paid very dearly in terms of time of the eqtiipment. This is a fact."

5.19 Explaining the steps taken for improving the equipment utilisation he stated:

"But now a number of measures have been taken to improve the availability and utilisation. For instance, we have now been able to persuade the manufacturers to open spare-part depots for group of mines. Secondly, wherever the equipments and machinery require overhauling, we are persuading them that they shall have a kind of depot where they have to keep spares. This will reduce the downtime. Thirdly, the machinery which is lying idle cannot be utilised for the reason that some kind of reconditioning has got to be done. It can be made use of provided we attend to certain things in these equipments. This is called rehabilitation. So, we have a rehabilitation scheme drawn up and they will come and identify the modules and then they will help in rectifying the minor defects wherever necessary. So, now, we have got the rehabilitation of these equipments. Lastly, in connection with the World Bank aided project, we have Canadian experts to look into the entire scope of the open-cast machinery to see the performance of the equipment and also to improve its performance. Our next step would be to translate this into practice. Previously, we did not have manuals for this purpose and now we have drawn up manuals in the case of heavy machinery. These equipments cannot afford to remain idle even for a minute. So, it calls for capital and managerial measures also. We are trying to have innovations like for instance when an operator leaves, he has to hand over the operation of the equipment to the next man and he takes over the position so that the machine does not kept idle even for a few minutes. We have to see that these persons do not go for a cup of tea and remain outside for a long time."

(B.) Hiring of HEMM Equipment

.20 Even though the utilisation of HFMM of the Company was much below the actual capacity, Company has been engaging private HEMM at huge cost. The following table shows the amounts paid to private contractors for hiring HEMM :—

(Figures in lakh rupees)

Name of the party	77-78	78-79	79-80	80-81	81-82	82-83	83-84	84-85	85-86	Total
1. G.S. Atwal & Co. (Gua)	...	7.49	58.05	95.22	160.21	75.91	64.39	90.66	187.45	739.38
2. Mer antile Constn. . .	...	...	...	75.70	68.62	93.33	101.96	118.96	177.60	636.17
3. Stering Constn. Co. .	...	7.84	...	...	...	...	...	...	...	7.84
4. Arvind Constn. Co. Pvt. Ltd.	...	9.17	15.39	30.88	69.49	122.25	202.20	250.11	277.64	977.13
5. Ravi Udyog . .	...	...	...	41.00	175.42	215.68	322.56	395.15	470.49	1620.30
6. Guru Meher Constn. .	4.81	3.25	...	62.62	211.60	310.13	250.11	114.04	257.45	1214.01
7. Eastern Mineral Traders	...	...	...	24.34	51.92	87.86	105.82	53.00	120.80	393.74
8. Khalsa Brothers . .	...	...	...	7.47	51.39	48.73	87.38	118.29	195.16	508.42
9. C.S. Atwal & Engg. Pvt. Ltd.		...	...	114.47	166.68	112.28	146.90	...	...	540.33
10. R.N. Bhalotia . .		...	...	4.65	...	...	...	...	...	4.65
11. Guru Meher Constn. .	...	...	...	...	...	...	...	...	40.65	40.65
12. Oriental	...	...	...	1.56	...	...	...	...	...	1.56
Total	4.81	27.75	73.44	457.91	955.33	1016.17	1281.32	1140.21	1727.24	6684.18

5.21 During the evidence of the representatives of the Undertaking, the Committee pointed out that the Board of Directors of Coal India Limited in its meeting held on 12th May, 1981 rejected the proposal of ECL for engaging contractors for hire of Heavy Earth Moving Machinery on the ground that "the present level of utilisation of HEMM leaves considerable scope for improvement." The Board also instructed termination of all such mining contracts by 30th June 1981. Despite this the Undertaking had been continuing the contract for hire of HEMM. CMD, ECL stated that the Board decision was further reviewed in the next sitting of the Board of Coal India Ltd. The extracts of minutes of both the sittings, furnished by ECL, are as follows:

"The relevant extract from the draft minutes of the 36th meeting of Board of Directors of CIL held on 12-5-81 and circulated with the agenda for 37th meeting under item 36.5(A) is as follows:—

Eastern Coalfields Limited

1. Hiring of HEMM—Rs. 7.15 crores.

Since the present level of utilisation of HEMM leaves considerable scope for improvement, and in view of the heavy investment proposed during the year, hiring outside equipment should not continue.

However, since a notice period for termination of the existing contracts would be needed, the hiring should be stopped by 30-6-1981".

The relevant portion of confirmed minutes of 36th Board Meeting is as follows:

"Item : No. 37:2 Confirmation of the Minutes of 36th Meeting of the Board of Directors of Coal India Limited held on 12th May, 1981.

The minutes of the 36th Meeting of the Board of Directors of Coal India Limited held on 12th May, 1981, as circulated alongwith the agenda were confirmed subject to the following modifications:

The Board while confirming the minutes of the 36th Board Meeting observed as follows:

2.2.4

The hiring of Heavy Earth Moving Equipment should be minimised till a detailed guideline is prepared by Coal India defining the basic postulates for hiring Heavy Earth Moving Machinery by the Subsidiary Companies. A separate guideline should be laid down for hiring of HEMM equipment, for production, despatches and other purposes. Chief of Production Division is directed to prepare a guideline in consultation with the Subsidiaries and place before the Board for the approval of the Board in their next meeting.

2.2.5

The Board further directed that pending finalisation of guidelines, CMD of each Company should review the utilisation of the HEMM in his Company vis-a-vis deployment of the hired HEMM and a comprehensive report should be placed before the Subsidiary Board."

5.22 When asked whether the Board of CIL had not asked for stopping of hiring HEMM, CMD, ECL replied:

"To my knowledge not. Although in 1982-83 we stopped two contracts but it was not in pursuance of this directive. I would like to submit, Sir, that it was not a directive by the Coal India Ltd. Please take the spirit of the entire resolution rather than going by words. I agree that spirit is to minimise."

5.23 The Committee further pointed out that in 36th meeting of Board of CIL it was clearly stated that companies should totally stop the hiring while during 37th meeting while confirming the Minutes of 36th sitting, the Board only observed that the hiring should be minimised. To this, Director (Finance) of Coal India Ltd. stated:

"I would say that it is only a drafting mistake."

5.24 Asked whether the guidelines regarding hiring of equipment was brought before the Board of CIL as desired in 37th meeting of the Board, the witness stated:

"....As far as the guidelines are concerned, these were examined and brought before the Coal India Ltd. Those were approved and circulated to our subsidiaries. These were finalised in the 39th meeting of the Board on 18 September, 1981."

5.25 The Committee further pointed out that in terms of guidelines for hiring the equipment, the Company was to reduce the hiring to minimum, however the cost of hiring of HEMM by ECL was increasing year after year. When asked about the reasons for the increase in the hiring cost of HEMM, the CMD, ECL stated:—

"As regards the hiring of equipment vis-a-vis the guidelines which have been laid down, basically we are hiring the equipment where patches are small and which are not economical for the departmental machines to excavate, or in one or two cases where sanction has not been made available and advance action has to be taken. In such cases we have taken a decision that instead of waiting, we better remove O.B. at some of the small patches to expose coal so that the mine is ready as soon as the sanction is received."

5.26 The Ministry informed the Audit in October 1983 as follows:—

"As a general policy the Company should avoid hiring equipment. The company would be asked to look into the individual case and fix responsibility."

5.27 The Committee enquired as to why the Government instructions were not being followed by ECL. CMD, ECL stated as follows:—

"It was stopped at one or two places but reviewed later on."

5.28 Asked about the necessity for hiring HEMM, the witness replied:—

"The question of hiring of equipment came from some experience, because there are some patches which can be operated with small equipment."

The witness further added:—

"The guidelines are being adhered to but basically hiring depends on two factors. Firstly, it is done in those cases where the patches are too small or are uneconomical to be operated by the Company. That is the basic factor."

5.29 The Committee pointed out that on the one hand Company's own equipment were grossly under-utilised and on the other hand the cost of hired equipment increased manifold. When asked as to what steps had been taken to improve the utilisation of departmental equipment, the CMD, ECL replied as follows:—

"The departmental equipment were not being fully utilised to the extent that the workshop facilities were not available because one of the workshop was not allowed to operate because there were local problems and recruitment at one time had been banned; still no persons are available within the manpower available. Because of these two or three reasons, it was difficult to maintain the equipment at a high pitch. These difficulties were gradually removed, partially. We have also contracted with suppliers like BEML to repair some of of our equipment. To that extent the production from our equipment has also gone up to some extent—not very much but to some extent."

5.30 The Committee further pointed out that in regard to dehiring of HEMM, Chairman, Coal India also gave instructions to ECL on 24th March, 1984 that hiring of HEMM should be stopped in three stages i.e. first stage by 1-4-1984 the second stage by 1-7-1984 and last stage was 30-9-1984 in respect of certain cases. Asked about the implementation of instructions of Chairman, CIL to stop hiring, CMD, ECL stated as follows:—

"This is an inspection note. Suppose the Chairman comes on a visit. I also say a lot of things. If is recorded. Then the pros and cons are discussed."

5.31 When further asked whether the instructions issued in inspection were not required to be implemented, the witness replied :—

"Sometimes it will be a suggestion and sometimes it will be an order."

He added :—

"We discussed and decided what are the suggestions and what are the orders. If you still say that it is to be done, we will do it."

5.32 When the Committee desired to know the steps taken to reduce dependency on hiring equipments, the witness replied :—

"For the equipment which are departmental, at earlier stages, we did not have the availability of good workshop and other trained personnel. We have improved these things. The availability of equipment has also increased compared to the previous times and as a result, the over-all production on the open cast mines is gradually increasing both from the departmental and from the contractual sides. The total production has gone up."

5.33 The Committee further enquired whether any study had been done by the undertaking to assess the economy of departmentally run machines and that of hired HEMM. The witness then stated :—

"I do not have the exact figure of expenditure on maintaining it but in the mines where we were utilising this hired equipment, our cost was coming to about Rs. 100 to Rs. 120 per tonne of Coal whereas in the case of departmental machines, it is coming to Rs. 160 to 200 per tonne.

In regard to cost of hired machines the witness stated :

"Basically, the hired equipment should normally be costing around Rs. 22-30 lakhs but one full set of equipment will cost around Rs. one crore, and the bigger set of equipment will cost from Rs. 2-1/2 crores and Rs. 3 crores."

Subsequently, in a written note, ECL has intimated that :

"If the patches being worked by hired HEMM are to be worked departmentally, following set of equipment will have to be deployed on each bench of patch—hydraulic diesel shovel for loading, 8 tonnes dumps/tippers for transporting, Dozers for levelling, drill and compressor for drilling.

One set of such equipment alongwith its cost & capacity is as follows :—

Equipment	Numbers	Cost in Rs. lakhs as per Standard price list CMPDIL June '86	Annual capacity on 3 shift basis in Lakh M^3
Diesel Shovel	1	25.3	1.35
$0.9M^3$ capacity			
8 tonne tippers	5	15.0	1.61
Dozer 200 HP	1	24.3	..
Drill 115 mm	1	19.0	..
Compressor .	1	3.0	..
	TOTAL	86.6	

Each set will be able to excavate 1.35 lakh M^3 annually at optimum utilisation. During 1985-86, 61.54 lakh M^3 excavation was done through hired HEMM. To achieve this 61.54—1.35 i.e. 46 sets of equipment shall be needed which will cost Rs. 39.84 crores.

Direct recurring expenditure per set of equipment is likely to be Rs. 66.53 lakhs/year.

Thus recurring expenditure for excavating 61.54 lakhs M³ will be Rs. 30.60 crores.

Actual expenditure during 1985-86 on hiring was Rs. 17.27 crores."

5.34 When asked about the views of holding company (CIL) in regard to economy of hiring of equipment, Director, Finance (CIL) stated during evidence as follows :—

"...... I have asked the Chief of Finance of ECL last month to make a cost analysis of hiring of equipment of mining of coal as against utilisation of our own equipment. Even if certain types of equipment are in short supply. I have asked him to work it out, the cost of purchasing and using them against the hiring the equipments. ....What I have said was that we should have a more intensive study on this aspect."

5.35 The Committee further pointed out that most of the contractors engaged for HEMM were the same during the last 9 years and enquired whether tenders were invited annually for giving contracts. The CMD, ECL, stated that "the contracts are continually renewed. For that we are not calling tenders."

5.36 To a query that once a contract was awarded was it renewed in subsequent years, the witness replied : 'Yes, Sir.'

5.37 When asked about the rates, the witness stated that :

"It remains the same, In 1984, we reduced it to about 50 paise or so. But the rates are the same, except the escalation."

5.38 When the Committee wanted to know whether it would not be better to call tenders periodically, the witness explained that: "After our last meeting with you, we decided alongwith our colleagues—not to have any tender."

5.39 During evidence of the Deptt. of Coal the Committee pointed out that as against the Ministry's instructions to stop hiring. the Company has been engaging HEMM from private contractors. Asked about the reaction of the Ministry in this regard. the representative of Department of Coal then stated :

"This question of hiring of equipment was considered in September 1981 by the Coal India Board which said "we can lay down some guidelines under which these are more extraordinary than the normal. If these guidelines could be met, then you can hire equipment. Not otherwise." Some broad/guidelines were laid down by Coal India Board in September 1981."

The witness added :

"Although initially the CIL Board took the view but subsequently the CIL Board itself reviewed its earlier decision on 12th May, 1981."

5.40 When pointed out that in 1983 the Ministry had asked the Company that as a general policy the Company should avoid hiring equipment, the witness stated :

"Even now the policy is not to encourage hiring."

Explaining it further, Additional Secretary Department of Coal stated as follows :—

"As a general policy Secretary of the Ministry had given out that we should not hire private machinery and the ECL Board had also discussed this in its meeting. But there were certain exigencies of the situation and they had to increase production, Particularly, the patch deposits—there the production could be increased easily and they thought that hiring of private machinery would be very helpful. Secondly, patch deposits are away from the main mines and our own heavy earth moving machinery would not be suitable for that. Thirdly, the contractors whose machinery is hired would be able to do it more economically according to a study done instead of our putting a separate unit there."

5.41 When pointed out that the Ministry had asked for fixing the responsiblity for hiring equipment, the witness replied :—

"The Ministry's representative here agreed that as a matter of policy, hiring of equipment should not be done. Even today that is the policy of the department. As a general rule, we would like to discourage hiring of equipment. The so-called fixing of responsibility related not to hiring of any equipment in general but there was a particular case of some over payment."

5.42 The Committee note that ECL has invested Rs. 503.18 crores upto the end of 1984-85 on the purchase of plant and machinery to build up pool plant capacity. However, the Committee have observed that during the last 3 years, the number of machines actually working has by and large been lower than the number of machines available with the Company. These include showels, scrapers, dumpers & dozers which are in the category of heavy earth moving equipment and used in different opencast mines of the Company. The Committee also find that taking into consideration the working condition prevailing in the opencast projects of the Undertaking the CIL is reported to have estimated the system capacity of the scrapers as 72% of total operatable excavation capacity of machines. The CIL has also assessed that based on actual working conditions the actual utilisation should be above 90%. But the capacity utilisation trend has remained almost stagnant or even deteriorated indicating that the utilisation of infrastructure for all these years has not been commensurate with the increase in the population of HEMM.

5.43 The percentage of actual output of Heavy Earth Moving Machinery (HEMM) to standard output fixed by the Review Committee of CIL is reported to have decreased from 107.7 in 1977-78 to 59.6 in 1985-86. The percentage of idle time to total shift hours of HEMM also ranged between 40.85 and 77.75 during the last 3 years ending 1985-86. In many open cast projects excessive deployment of HEMM is laso reported as compared to the provisions made in feasibility reports of the projects. Apart from the HEMM equipment, the utilisation of underground equipment was also very low and in some cases it was less than 30%. The main reasons advanced by the Management of ECL for low utilisation of machines are stated to be lack of back up supporting facilities like workshops, spare-parts facilities, skilled man-power and power problems. Some measures are reported to have been taken recently by the Management to augment the capacity utilisation of machines and as a result thereof there has been some improvements. The Committee desire that in order to reduce cost of production of coal and to achieve higher production urgent effective measures are still required to be taken for the maximum utilisation of available equipment. In no case the equipment should be allowed to remain idle or unutilised. Equipment found unsuitable for actual mining work in ECL should be transferred at the earliest for deployment in other developmental works.

5.44 The review of HEMM of ECL conducted by the Coal India Ltd. in March, 1983, has also revealed that there has been improper acquisition of equipment as the Undertaking did not have sufficient or proper geological data at the time of selection of equipment. For example the project provision was for scrapers-dozer combination only whereas later on it was realised that shower dumper combination alongwith scrapers for top soil would be more beneficial. The Committee take a serious note of the mismatching of the equipment due to wrong specifications resulting in under or non-utilisation of the equipment and blocking of scarce funds. It is really surprising that ECL in spite of its long standing in the field could not visualise proper requirment of equipment suited under the geo-mining conditions and selected a wrong combination of equipment i.e. scrapers and dozers whereas showel-dumper combintion alongwith scrapers was considered more beneficial for top soil, resulting in the deployment of unsuitable equipment in projects. This in Committee's view is a clear case of failure on the part of Management and should be probed into with a view to fixing responsibility for this lapse. The Committee also recommend that the Company should review the usefulness of available equipment and transfer the surplus or idle equipment to other developmental works where these could be gainfully utilised.

5.45 The Committee are distressed to point out that even though utilisation of HEMM has been much below the actual capacity, the Company has been engaing private HEMM at huge cost which increased from merely Rs. 4.8 lakhs in 1977-78 to as much as Rs. 17.27 crores in 1985-86. The Company paid a total amount of Rs. 66.84 crores for hiring HEMM between 1977-78 and 1985-86. In this connection, the Board of Coal India Ltd. in their meeting held on 12 May, 1981 is reported to have rejected the proposal of ECL for engaging contractors for hiring HEMM on the ground that "present level of utilisation of HEMM leaves considerable scope for improvement." The CIL Board is also reported to have instructed the termination of such mining contracts by 30-6-1981. Despite this, the ECL continued such contracts and paid Rs. 882.74 lakhs and Rs. 887.56 lakhs in 1981-82 and 1982-83, respectively.

5.46 In this connection, the Chairman of ECL informed the Committee during evidence that in the subsequent meeting of CIL Board, it was decided that the hiring of HEMM should be minimised till the detailed guideline was prepared by CIL. When the Committee enquired during evidence whether or not the ECL was asked by CIL to stop hiring of HEMM, the CMD of ECL stated, "To my knowledge not.....although in 1982-83 we stopped two contracts but it was not a directive of Coal India Ltd."

5.47 The Committee are not at all happy over non-implementation by ECL of the specific decision of CIL Board for stopping the hiring of HEMM from 30-6-1981. Unfortunately, CIL Board also changed their stand in a subsequent meeting from total stopping to minimise the hiring of HEMM. The Committee are also surprised that CIL did not issue any directive to ECL with regard to stopping of hiring of HEMM as was stated by CMD, ECL during his evidence. As a result, the ECL neither stopped nor minimised the hiring of HEMM. On the other hand, it has been increasing year after year. The Committee also do not accept the contention of CMD, ECL that Coal India decision to stop the hiring of HEMM was not received by them. The Committee feel that since the CMD, ECL is a member of the Board of CIL, he is a party to the decisions taken by the Board and should have implemented the decision of CIL Board without waiting for any further directive from CIL. He is also reported to have turned a deaf ear to the oral instructions of Chairman of CIL given on 24-3-84 to stop hiring in three stages by 30th September, 1984.

5.48 The Committee also find that some of the contractors engaged by ECL for hiring of HEMM have been working in the Company right from the beginning. There are cases where the undertaking has been hiring equipment from some of the firms which are owned by the same set of proprietors operating firms with different names. The Committee were stunned to hear from CMD, ECL during evidence that no tenders were invited for awarding the contracts. Contracts once given were renewed year after year. The Committee may not be wrong in believing that the continuance of the same contractors year after year without proper tendering system has not developed some vested interests with the connivance of officials of the ECL. The Committee, therefore, recommend that the whole matter regarding to the hiring of HEMM by ECL, continuing of the same contractors from year after year without tendering system, revision of the earlier decision of CIL Board from total stopping of hiring of HEMM to minimising the hiring should be thoroughly got investigated by Govt. through an independent expert body within a short specified time. The Committee may also be apprised of the result of the enquiry within six months of the presentation of their Report.

5.49 During evidence, the CMD, ECL also informed the Committee that with the hiring of HEMM, the cost of production per tonne was about Rs. 100 to Rs. 120 whereas the cost of production per tonne with the departmental machine was about Rs. 160 to 200 per tonne. The Committee are not convinced that the hiring of HEMM is more economical as compared to working of departmental machines. If the analysis given to the Committee is correct, the very basis of the undertaking purchasing equipments at huge costs would become unsound and need urgent review. The Committee feel that when private contractors can operate at a lesser cost, there is no reason why the Undertaking cannot also do the same. The Committee feel that the Ministry has also not shown its involvement or interest in this respect. The Committee hope that the Department of Coal will now look into the matter in depth and guide the Undertaking in the right perspective. The Committee will like to be informed of the action taken in this regard within six months.

5.50 The Committee have also found that although the equipment have been working for a long time in certain mines, the basic workshop facilities for unit workshops have not been provided in spite of the fact that the provision for these facilities existed in the original project reports. As a result, most of the repair jobs including over-hauling of engines, are being got done from outside as expertise of the same has not fully been developed by the Undertaking as yet. Similarly, the down time of the equipment is also excessive because repair time is more which is due to non-availability of spare parts and skilled man power. The Committee desire that immediate steps should be taken by ECL with regard to standardization of equipment, establishment of regional workshops or HEMM, training of engineers and inhouse training for workers to build up a pool of skilled workers.

5.51 The Committee are also surprised to find that the value of uninstalled machines which were of order of Rs. 45.33 crores in 1982-83 have increased to Rs. 62.11 crores in 1984-85. This is regrettable from two angles. First substantial capital of the Undertaking is blocked without getting any return. Secondly, the Committee believe that non-installation of machinery should be compelling the Undertaking to have certain works executed through private contractors at a cost which could be saved with installation of the machinery.[1] The Committee need hardly stress that Company's present financial position can ill-afford non-installations of costly machines. The Committee urge that the Company should work out a time bound programme for the installation of all such machines as are lying uninstalled with the Company. The Committee would like to be apprised of the details of each of the machines lying uninstalled together with the dates and cost of their purchasing, the loss suffered by Company on account of their non-utilisation etc. within three months of the presentation of this Report.

CHAPTER VI

MANPOWER ANALYSIS

A. Surplus Manpower

6.1 The total number of employees of ECL as on 31 March 1985 was 1,90,830 out of which 2698 were executives and 1,88,132 were non-executives. The surplus manpower in 1978 according to ECL was 9,000. The Baveja Committee, which reviewed the economics and cost of production in the coal companies stated in 1978 that coal industry had made no scientific study in regard to the quantum of surplus manpower in various categories. According to Audit this study had not been conducted by the Ministry/Coal India or ECL so far.

6.2 During evidence of the representatives of the Company, the Committee pointed out that according to Chari Committee the manpower in the company now increased from 1,74,006 in 1975-76 to 1,90,830 in 1984-1985 whereas the production fell from 26.18 million tonnes to 24.03 million tonnes during this period. When asked about the reasons for increase in manpower, CMD, ECL stated:

> "Since 1982 onwards, there has been no recruitment beyond the rules. And the rules provide that if a person is declared invalid before he retires, then his dependent should be given employment. If a person dies while on duty, naturally his ward is to be given employment. If we take over any land, then we have to give employment to the people who are displaced from that land. In addition, we have also taken over some workshops along with their employees. So, the work force will definitely go up. We have also taken the Welfare Department of the Government. And because of that also the work force has increased."

6.3 When pointed out that the Company should have scientific system of utilisation of manpower, he stated:

> "There is a system of mining. Every year, a plan of surplus and shortage of manpower is prepared. It is possible to reduce the manpower by changing the lay out of mining. For example, in most of the places we are doing manual loading. It is possible to reduce the manpower there provided we put a coal handling plant there. But then the question is what to do with the surplus men. That is the basic question that has been hitting us."

6.4 On being pointed out by the Committee that Company's approach in regard to manpower should be based on economic viability, CMD, ECL replied:

> "I know that we have got surplus men. Then we have rules under which we have to take persons; otherwise, there will be industrial disputes."

6.5 Asked about the steps taken to minimise the surplus manpower, the Company replied in a written note as follows:—

> "The requirement of manpower at new projects will be partly met from the surplus manpower available at other collieries. Few more projects are expected to be approved by the Government during this year and these projects have to be developed to yield production by the year 1989-90. If these proejct are approved, the existing surplus manpower will be deployed at these mines also."

6.6 Chari Committee appointed by the Government to reiew the working of ECL recommended that about 50,000 persons who are considered surplus should be retrenched unless they can be effectively deployed at new projects or to make up wastage with a view to make ECL profitable concern. Asked about the action taken on the above recommendation, ECL replied in a written note as follows :

> "Steps have already been taken to release surplus manpower to other Subsidiary Companies as per their requirement. The Chari Committee also recommended that there should be suitable re-deployment of surplus manpower and action should be taken for transfer and retrenchment. Action has already been initiated for redeployment/transfer as stated above. As regards retrenchment under the present conditions, it may become difficult."

6.7 Chari Committee has also stated that after the Baveja Committee Report, the administrative Ministry issued instructions to Coal India Ltd. and its subsidiaries, between April, 1978 and June 1979 to regulate the financial burden imposed by surplus staff. Salient features of these instructions are as under :

"(i) All posts lying vacant at the time of issuing the orders were to be considered abolished.

(ii) The delegation of powers below Board level, for the creation of new posts, including those for sanctioned new projects was withdrawn.

(iii) The point of entry into a coal company was to be in the position of coal loader/miner.

(iv) In-service training was to be started for miners, to deploy them against vacancies in highly skilled posts in future. Similarly miners, who on account of their age, had ceased to be productive as such, were to be drafted to fill up ministerial posts as far as possible.

(v) Coal India Ltd. was to ensure that every year, about 10,000 surplus/underutilised hands were absorbed in productive jobs, for achieving higher coal production during the ensuing five years.

(vi) Filling up of any post contrary to the Government's orders would make the erring officer liable to compensate for the resulting loss from his salary."

In this connection, Chari Committee Report states:

"If the average length of service for a newly recruited coal mine worker is assumed to be forty years, reduction in manpower on account of superannuation alone, should have been about 15% between 1978 and 1984. Had the instructions of the Ministry been implemented fully in ECL, theoretically at least, the Company should have been able to effect to a reduction of 30,000 workers on this account. In fact, assuming the average age of the workmen on the date of nationalisation was forty (with twenty years of service still left), and there were determined efforts to contain the surplus, the total depletion in manpower would have been considerably higher, 50,000 by now. Despite the unfortunate loss of control over manpower caused by the National Coal Wage Agreements II and III ....it should have still been possible to achieve a sizeable reduction in manpower".

6.8 During evidence of the representatives of Department of Coal, the Committee enquired whether the administrative Department ever made any study to identify the quantum of surplus manpower in the Company. The Additional Secretary, Department of Coal stated as follows :

"A number of estimates have been made but not very scientific. Now the study that has been done by Chari Committee is based on some mathematical calculations of output, dividend by output per man shift. This is what they have come to the conclusion. So, 50,000 persons are surplus. ECL itself has done some studies and 6000 to 7000 workers are surplus: At present the Bureau of Industrial Costs and Prices is doing its job of normatives cost and pricing and they have collected data from all the mines and they will be laying down the norms on the basis of which they will determine as to how much surplus we have. This is the first scientific study, which is being done by the Bureau of Industrial Costs and Prices and its results will be coming in time. They were doing it for a very long time and we should be able to have a definite scientific basis for determining how much surplus labour we have".

The witness added:

"It is a loose analysis, done by unscientific methods. What is the surplus, no one knows......Sometime, people calculate on the basis of the man shift in other countries. That is, in this country the man shift is 0.5 or 0.2. In other countries, it is 4 or 5. On other hand, the manpower is surplus."

6.9 Asked whether the Government would take some action after receipt of BICP report, the witness stated:

"Yes. We will know definitely. This is the scientific study of each mine. By giving each and every data, they will come out with normative study."

6.10 When further asked as to when BICP would give its report on surplus manpower, the witness replied:

"We are waiting for the study which has been entrusted to BICP who have been at it for the last 2-1/2 years. I think their report will be coming at any time now".

B. Payments of Overtime and Fall Back Wages.

6.11 In the case of piece rated workers, fall back wages are paid when the Company is not able to provide the workers with jobs. Overtime allowance is paid only to time-rated workers and other regular staff. Even though there is surplus manpower in the Company, huge payments of over time allowance and full back wages have been made year after year. The amount of over-time and full back wages paid-vis-a-vis expenditure on salaries and wages during the years from 1975-76 to 1985-86 is enumerated below:

Year	Overtime payment (Rs. in crores)	Fall Back Wages (Rs. in crores)	Salaries and wages (Rs. in crores)	% of overtime to salaries	% of fall back to wages
1976-77 . . .	2.28	0.13	122.50	1.86	0.11
1977-78 . . .	3.77	0.32	133.19	2.83	0.24
1978-79 . . .	6.29	0.74	146.60	4.29	0.50
1979-80 . . .	8.69	1.07	186.62	4.66	0.57
1980-81 . . .	18.19	1.55	216.48	8.40	0.72
1981-82 . . .	28.13	1.59	237.68	11.84	0.67
1982-83 . . .	29.49	2.25	253.36	11.64	0.89
1983-84 . . .	23.03	2.54	327.63	7.03	0.78
1984-85 . . .	32.64	3.00	360.89	9.04	0.83
1985-86 . . .	21.20	3.30	400.00	5.30	0.83

6.12 The Committee wanted to know the reasons for payment of overtime even though there was surplus manpower in the Company. CMD, ECL replied during evidence as follows :

"The rules are that anybody who works on Sundays, he will get double the wages though he get one days' off during the week. There are certain items which must work on Sundays."

He added :

"There was non-availability of enough power also. So, we had to work on Sundays also. The shortage of power was so acute that we could not meet the demand of the industries and we had to operate the underground mines which costs lot of money. If for six days we do not get enough power, then probably we have to work on the 7th day also to get more production. This year we have not operated on Sundays for any underground mining. In addition to that there has been some wage revision and wages increase also. In spite of not working on Sundays, our production has remained steady on constant."

6.13 On being pointed out by the Committee that the surplus manpower should be utilised in such a manner that overtime payments could be avoided ·To this, the witness replied :

"Supposing there is a shovel and we have four dumper operators and one shovel operator, and supposing out of these five persons one has fallen sick, then a surplus operator is not available at that time. So, the person who has worked in the previous shift has to continue. Similarly, in the case of winding engine *khalasi* also, if nobody comes in the next shift, then the previous man has to continue and he has to be paid overtime".

6.14 The Cammittee further pointed out that on Sundays, the wages to be paid are just double the other days and that was not economically a good system. To this the witness admitted :

"It is too costly and I feel it should not be operated. But then there are circumstances which compel us to operate it sometimes."

6.15 When asked about the reasons for payment of fall back wages, ECL replied in a written note as follows :—

"The fall-back wages are usually paid when supply to underground loaders cannot be made in time due to power failure or other machinery break-down. Due to erratic power supply the fall-back wages has increased."

6.16 During oral evidence of the Department of Coal, the Committee pointed out that the Deptt. had informed the Audit in October 1983 that instructions had already been issued to the companies to reduce overtime work to the maximum. However, the overtime paid in 1984-85 was the highest. Asked as to why the instruction issued by Deptt. of Coal were not carried out by ECL, the Additional Secretary Deptt. of Coal, stated:

"We have been concerned about the overtime payment. In fact, as a result of our efficiency and economy drive, there have been strict instructions issued that it should be cut down considerably e.g. through stoppage of Sunday working. Overtime is limited only to skilled and semi-skilled workers. On Sundays, there is round the-clock work going on."

6.17 When asked how the Department justified the payment of overtime when there was surplus manpower in the Company, the witness stated:—

"Surplus manpower is not in those categories where overtime has to be paid, but in other categories. We have to pay overtime for statutory services, e.g. safety, welfare etc."

Explaining as to why the highest overtime was paid in 1984-85, the witness stated:—

"During that year, all Sundays were declared as compulsory working days, by Mr. Gujral who was C.M.D. So, overtime went up. Now we have stopped it."

6.18 When pointed out that inspite of Sunday workings, there was no increase in production, he replied:

"The Department of Coal is not is favour of Sunday working, because we have found that Sunday working does not increase production. It affects work on other days. So, we have stopped it altogether in 1985-86. More of Sunday working was there in 1984-85, as compared to 1983-84."

6.19 When enquired whether the Ministry exercised any control over wage bill, the witness stated :—

"On wages we do not have any control........Wages are determined between the union and the employers. They cannot be reduced. We have reduced the overtime and it has been reduced to Rs. 21 crores."

6.20 The Committee regret to note that while manpower strength in the Company increased from 1,74,006 in 1975-76 to 1,90,830 in 1984-85, the production came down from 26.18 million tonnes to 24.03 million tonnes during the same period. The Committee have also observed that in pursuance of Baweja Committee recommendations made in 1978, the Department of Coal is reported to have issued periodical advices between April, 1978 to June, 1979 to the Coal India Ltd. and its subsidiaries to regulate the financial burden imposed by surplus staff. These advices *inter-alia* provided that "All posts lying vacant at the time of issuing orders were to be considered abolished.'.

6.21 The Committee feel that had the instructions of the Ministry been implemented fully by ECL, the Company could have effected a sizable reduction of surplus manpower on account of superannuation alone assuming the average age of coal mine worker as 40 years on the date of nationalisation of the Company. Not only did the Company not follow the instructions, the Department of Coal also failed to exercise proper monitoring to find out whether their instructions were being implemented by the Undertaking or not. The Committee strongly deprecate this all round failure which has resulted in accumulation of huge excess of idle manpower. The Committee recommend that without losing any further time suitable measures should immediately be taken to ensure proper utilisation of idle manpower thereby bringing down the operational cost of the Undertaking.

6.22 The Committee have also been informed that if the Undertaking takes over the land, it is obliged to provide employment to one of the family members of persons displaced from their land. In Committee's view, this could be justified in circumstances where ECL has to recruit additional manpower for its requirement. The Committee, therefore, desire that the Government may consider the feasibility of making a suitable modification in the present practice of providing employment to land loser. The Committee recommend that in order to exercise effective control on the available surplus manpower, adequate safeguards should also be laid down in granting such concessions in any future negotiations.

6.23 The Committee have also been informed that the recruitment of manpower at new projects will be met from the surplus manpower available in other collieries and for this purpose more projects are expected to be approved by Government during the current year. These new projects have to be developed to yield production by 1989-90. If these projects are approved, the surplus manpower available with ECL would be deployed at the new mines. The Committee hope that the Government would approve the new coal mines projects without any further delay and help ECL to transfer their surplus manpower for gainful employment in the new projects.

6.24 Even though the Undertaking has been conscious of the fact that surplus manpower was available with them right from the beginning, yet no scientific study was conducted to ascertain the actual number of surplus strength.

The surplus manpower which according to ECL was 9,000 in 1978 increased to as much as 50,000 in 1985 as per Chari Committee's estimates. During evidence the Committee were also informed by the Department of Coal that calculation of surplus manpower so far was based on loose analysis done on the basis of man shift in other countries etc. It is only recently that the Bureau of Industrial Costs and Prices (BICP) has been asked to make the first scientific study. This will be the scientific study of each mine and will provide normative basis. The report of BICP is expected any time. The Committee hope that BICP would give their report at the earliest which will not only provide reliable data of exact number of available surplus manpower but will also help in transferring the idle manpower to other mines where manpower was needed. The Committee would like to be apprised of BICP recommendations and the action taken by Government/Company thereon within six months of receipt of the recommendations.

6.25 The Committee's examination of ECL has revealed that inspite of surplus manpower available with the Undertaking, huge over-time allowances and fall-back wages were paid by the Company year after year. The increase was very high during 1979-80 to 1985-86.

In this connection, the Ministry are also reported to have informed the Audit in October, 1983 that instructions were issued by them to the Coal Companies to reduce over-time work to the maximum extent but inspite of these instructions the amount of over-time paid was the highest in 1984-85 i.e., Rs. 32.64 crores as against Rs. 23.03 crores in 1983-84. The reason for increase in over-time payments are stated mainly due to deployment of workers on Sundays/holidays and increase of payment of fall-back wages due to the fact that the Undertaking could not provide employment to piece-rated workers, as provided in Wage Board award.

6.26 During the evidence, the representative of the Department of Coal also admitted that "Sundays working do not increase production. It ffects work on other days. So we have stopped it altogether in 1985-86." The Committee deprecate the violation of Ministry's directions by the Undertaking with regard to the payment of over time allowances for years together. The Committee are also surprised that the Ministry also did not take any folllow up action to ensure the implementation of their directives to reduce over time work after their issuance. In Committee's view this is a clear case of failure on the part of Ministry to exercise an effective control on the Undertaking. The Committee recommend that concerted efforts should at least now be made to reduce to the minimum, if not altogether eliminate the payment of over-time allowance, by deploying the existing manpower in a scientific manner.

CHAPTER VII

WORKING RESULTS

(*A*) *Working Results*

7.1 The ECL has been incurring losses since its inception. At the end of March, 1986 as against the paid up capital of Rs. 373.69 crores, the Undertaking incurred cumulative losses of Rs. 719.58 crores. The following table shows the losses incurred by the Undertaking during each of the last 5 years ending 1985-86 :

Year	losses (Rs. in crores)
1981-82	92.15
1982-83	55.33
1983-84	127.88
1984-85	13.65
1985-86	69.97

7.2. The Department of Coal have advanced the following reasons for the losses of ECL :

> "Losses suffered by Eastern Coalfields Limited have been mainly due to the difficult geomining conditions, deep and old gassy mines which have become highly uneconomic, continued problem of law and order, inadequate and erratic power supply, somewhat surplus labour, delay in opening of new projects due to problems of land acquisition and obstructions by local youth wanting employment etc. Further, prices of coal are fixed by the Government for Coal India as a whole. The mines in ECL are predominantly underground mines whose cost of production is high."

7.3 Asked about the steady increase in losses from Rs. 55.33 crores in 1982-83 to Rs. 127.88 crores in 1983-84, ECL stated in a written note as follows :—

> "The increase in loss from Rs. 55.33 crores in 1982-83 to Rs. 127.88 crores in 1983-84 was mainly due to increased wages liability under NCWA-III and general increase in the prices of inputs. During the year wages of the employees were revised under NCWA-III with retrospective effect from Jan'83. With a view to neutralise the impact of increase in cost of production, increase in selling price of coal was sanctioned by the Govt. w.e.f. 8-1-84, only. Loss suffered during 1984-85 was reduced to only Rs. 13.66 crores. This was achieved inspite of increase in wages (increment, D.A.), power rates, interest charges & other input cost, better sales realisation & measures to control cost also contributed to improved working results."

7.4 During evidence, the Committee pointed out that the Coal prices were administered by Gov: rnment and even then the ndertaking was incurring losses. To this CMD, ECL stated:

> "Coal prices are administered or fixed on the basis of total cost. 70 to 75% production comes from underground mines. There the cost is high and one has to balance it. Some will be on the plus side and some will be on the minus. It will not be bringing out from the red. But we have taken steps to control the costs and also have taken steps to further reduce the expenditure as far as possible in future."

7.5 Regarding steps taken to reduce the losses, he stated :

> "Some of the steps have been recommended by the Chari Committee such as closure of un-economic mines. They are 22 in number. Government has accepted that 12 mines should be closed down. We are preparing the scheme by which we could close down these mines and the people involved are about 12000 persons. They have to be shifted and are to be utilised somewhere else. We have asked the West Bengal Government so that we can open new mines employ most of the surplus people. At the same time we have also taken steps to have a Golden Shake-hand scheme. They might like to go and take some substantial amount of money with them so that we can reduce the manpower. This is what we have suggested. For the balance mines also we have identified. We are trying to produce better quality of Coal. We shift these people to these mines so that they can produce better quality coal. We will be operating on Sundays. There will be people for production on Sundays. Similarly about the expenditure on different types some norms are fixed and we are monitoring the same. But the basic problem is our surplus manpower. This is where we have made some new schemes to utilise them."

7.6 The Company have also informed in a written note furnished after the evidence that the following steps are being taken to make the Company viable :—

(i) Improvement in production by opening new mines, re-organisation of existing mines and implementing small schemes.

(ii) Improvement in production by opening more small patch deposits by opencast.

(iii) Re-deployment of manpower so as to improve productivity.

(iv) Reduction in manpower by transferring to other subsidiaries.

(v) Measures to control the variable cost.

7.8 When asked about the losses for the year 1986-87 CMD, ECL informed during evidence that it would be between Rs.139 crores and Rs.140 crores, 7.9 The Committee then enquired as to why inspite of the various steps to reduce the losses were estimated to be so high in 1986-87. To this, CMD, ECL stated:

"When this amount of Rs. 140 crores was calculated, it consisted of all the steps that we wanted to take. Otherwise, it would have been much more."

7.10 During evidence of the representatives of Department of Coal when the Committee enquired about the steps taken to reduce the losses of the Undertaking, the Additional Secretary, Department of Coal, stated:

"As a result of insistance by the Prime Minister, at the highest level the Company has been asked to implement the action plan. This action plan has been concretised. In this action plan we have laid down targets. We have also laid down the outlay that has to be given to the Company. We have also spelt out the various economic measures that the company has to take to reduce over-time. They must reduce inventory they must reduce expenditure on stores and other consumables. They must also reduce man-power by not recruiting people to that extent when they retire. Like that we have spelt out the entire action plan and it has been made binding on the company by a memorandum of understanding,"

7.11 Subsequently, the Department of Coal in their written note have also stated that :—

"All out efforts are being made to reduce the cost of production by improving the efficiency of operations, by reducing administrative expenses, better utilisation of man and machinery and by introduction of better management practices and technology. A decision has also been taken to close down some of the highly uneconomic mines based on the recommendation of the Chari Committee Report on ECL."

7.12 The Committee pointed out that according to the guidelines issued by Bureau of Public Enterprises (BPE) every administrative Ministry should review the performance of each undertaking under its administrative control every quarter. Asked as to how many such review were undertaken by Department of Coal in case of ECL, Additional Secretary Department of Coal replied as follows: —

"We have not been able to carryout the reviews every quarter."

7.13 Asked about the number of such reviews during last 3 years, the witness replied that seven reviews were undertaken by the Department.

7.14 However, from a note furnished by Department of Coal it is seen that such review were held in October, 1983, October 1984, December 1985 and December 1986. Besides, Energy Minister had taken one Meeting in 1985 to review the performance of CIL and its subsidiaries.

7.15 In reply to query of the Committee whether any instructions were issued to ECL arising out of quarterly reviews, he stated :

"Yes, Apart from the verbal instructions on the subject we send them the minutes of the decisions taken in the review Committee."

(B) Report of C&AG on Eastern Coalfields

7.16 The Report of Comptroller & Auditor General of India on Eastern Coalfields (Part IV, 1983) was laid in Parliament on 25-1-1985. However, this Report was not placed on the Board of CIL or ECL. The Committee enquired from Coal India Ltd. about the system followed for taking action on C&AG Reports and whether that system was properly followed in case of C&AG Report on ECL. CIL replied in a written note as follows :—

"Under the existing practice the reports of Committees set up by Government of India and other authorities including CIL are submitted to the Board of Directors of CIL for consideration: The Board of Directors after deliberation on the reports normally constitute a Committee to review the recommendations for implementation. The Reports of Comptroller & Auditor General of India on Eastern Coalfields (1983), however, was not formally brought before the CIL Board."

Director, Finance (CIL) also stated during evidence :—

"........It is not that the procedure does not envisage that it should not be brought before the Board, but factually I have found that this has not been done."

7.17 The Committee further pointed out that Committee on Public Undertakings in their 49th Report (7th Lok Sabha) had recommended *inter alia,* as follows :—

"The C&AG's Report (Commercial) is presented in several parts in addition to his comments on the accounts published in the Annual Reports of the undertakings. There should be some automatic follow up action on these by the Ministries. These should be reviewed for suitable action at the periodical performance review meetings and at the time of review of the working before laying the Annual Reports before Parliament."

7.18 While accepting the above recommendation of the Committee, the Government replied :—

"Government accept this recommendation. The administrative Ministries have been advised to take note of the recommendation while conducting the periodical performance review meetings and before laying the annual reports of the Ministries before Parliament."

To this, Director, Finance, CIL stated :

"We will rectify the mistake in not bringing it before the Coal India Board so far. Now that we came to know that this has not been placed before the Board for action......We will ensure that it is brought before the Board now and whatever directions have been issued and accepted by the Government as regards the progressing of these things, we will ensure that this is complete."

7.19 During the course of evidence of the representatives of ECL when the Committee enquired as to why the Audit Report was not placed in the Board of ECL for taking necessary action, CMD, ECL stated as follows :—

"This Report was discussed by ECL, Coal India and then at the Government level. But it was not officially discussed in the Board."

7.20 Subsequently, from a note received from ECL it is revealed that Audit Report was placed on the Board of Coal India on 23rd October, 1986 and in ECL Board it was placed on 1st December, 1986, i.e. after the Committee was seized of the matter and enquired about it both from ECL and CIL.

7.21 During evidence of the representatives of Department of Coal, the Committee enquired about the reaction of the Department for not placing the Audit Report before Board of CIL/ECL for appropriate action. The Additional Secretary, Department of Coal stated :

"The Report of the C&AG was taken by the Government very seriously. In fact, I was sitting with the Secretary when the report was received by him. He told me what revelations had been made by this report and he said that we should go thoroughly into it and ask the information from the ECL. Immediately a letter was sent both to Coal India and ECL for their comments. But unfortunately, they have placed it in their boards only recently. That is a lapse on their part."

7.22 Asked about the action taken by Government on the Audit Report, he replied :—

"As far as the Government is concerned, as soon as the report was received, it was considered thoroughly and on the basis of that report the Government decided to set up the Chari Committee. Its findings were gone into both by ECL and Coal India. Thereafter, the boards went into it in details and sent their comments to the Government.

7.23 When asked whether the Department asked any explanation from the CIL or ECL for this lapse, the witness stated :

"We have not done that."

7.24 The Committee regret to note that the ECL has been incurring losses since its inception and the cumulative losses of the undertaking at the end of 1985-86 stood at Rs. 719.58 crores not only wiping out its entire paid up capital of Rs. 373.69 but also adding a further deficit of nearly 345.89 crores. Some remedial steps are reported to have been taken by the undertaking to improve its working results and to reduce losses but inspite of these remedial steps the losses of the undertaking are reported to be around Rs. 140 crores for the year 1986-87, breaking all previous records. The Committee take a very serious view of these mounting losses. The Committee are convinced that the undertaking has failed to take realistic corrective measures to improve production performance, to reduce cost of production, to optimise

the productivity of manpower and to optimise machine utilisation. In the absence any concerted efforts in this direction, the chances to achieve break-even point and come out of the red in the near future are very bleak.

7.25 The Company's Examination by the Committee has also revealed that the Department of Coal has not given proper attention to a sick unit like ECL. According to the guidelines issued by Bureau of Public Enterprises every administrative Ministry should review the performance of each undertaking under its administrative control every quarter. However, the Department of Coal, had undertaken only one such review during each of the last 4 years. The Department of Coal has also admitted in evidence that they have not been able to carry out the review every quarter. The Committee take a serious view of this lapse on the part of the Department of Coal and feel that had the Department carried out the quarterly reviews of the undertaking regularly and given proper directions to tackle the problems faced by it, the working results of the undertaking would have been altogether different. The Committee hope that the guidelines of BPE would be meticulously followed in future by the Department of Coal in respect of the undertakings under its administrative control.

7.26 The Committee are distressed to note that inspite of the fact that the Government had accepted the recommendations of the Committee on Public Undertakings contained in their 49th Report (1982-83) that there should be automatic follow up action by Ministries on C&AG Reports, the C&AG Report on ECL which was laid before Parliament in 1983 was not formally brought before the Board of CIL/ECL for appropriate action until this issue was taken up by the Committee. In fact when the Committee raised the point during evidence, Finance Director of CIL assured the Committee that "We will rectify the mistake in not bringing it before Coal India Board so far."

7.27 It was only after the Committee pointed out this lapse on 7th October, 1986 during the course of evidence of representatives of ECL, C&AG Report was formally placed before the CIL Board on 23rd October and ECL, Board on 1st December, 1986. No explanation of CIL and ECL in this regard seems to have been taken by the Department of Coal as was admitted by their Additional Secretary during his evidence when he said "We have not done that." The Committee are sorry to find that acceptance of a recommendation of this Committee was on paper only and was never followed up in practice. The Committee have to express their displeasure over this lapse on the part of ECL, CIL and also the Department of Coal. The Committee hope that such a situation would not be allowed to occur in future. The Committee also desire that the C&AG Report on ECL should be reviewed by the Department of Coal and the corrective action taken on the points raised in the Report should be communicated to Audit and also the Committee on Public Undertakings within next six months.

NEW DELHI;

15 *April*, 1987
25 *Chaitra*, 1909 (*S*)

K. RAMAMURTHY,
Chairman,
Committee on Public Undertakings

APPENDIX I

(Vide Paragraph 3.1 of the Report)

Details of time and cost over-runs of each of 33 Projects (16 new Projects and 17 rzcognised Projects) undertaken by ECL for increasing production of coal.

Projects costing more than Rs. 5 crores

Sl. No.	Projects		Date of Sanction	Sanctioned capacity mt/yr. & projected yr. of reaching target	Sanctioned Capital cost (Rs. in crores)	Delay in completion	Expr. upto March 1986 (Rs. in crores)	Remarks
1	2		3	4	5	6	7	8
				Re-organised Projects				
1.	Bankuri	Org. Rev.	6/75 3/85	1.00(81-82) 0.69(89-90)	8.45 45.54	8 years	14.91	
2.	Momain	Org. Rev.	8/77 6/83	1.00(81.82) 1.42(89.90)	11.95+ 9.06 73.76	8 years	29.75	
3.	Menelia		4/79	0.80(85-86)	12.51	4 years	4.82	Expected in 1989-90
4.	Matbati		8/77	0.90(84-85)	9.94	4 years	7.64	Expected in 1988-89
5.	K. Nagar	Org.	4/79	0.86(85-86)	15.18	4 years	7.85	Expeeted in 1989-90
				(RFR not yet processed)				
6.	Patram		5/79	1.20(88-89)	26.37	4 years	10.56	Expected in 1992-93
7.	Minah		8/77	1.60(82-83)	15.25	Can be assessed after PR under revision is ready	6.94	Project abandoned
8.	Amritnagar	Org. Rev.	5/76	1.14(84-85) 1.14(92-93)	10.85 65.45	8 years	14.09	

1	2		3	4	5	6	7	8
9.	Norm Searsole .		10/78	1.16(89-90)	9.92	3 years (Suspended)	8.45	Expected in 1992-93
10.	Banbla .		4/79	1.08(85-86)	8.18	1 year	5.97	Expected in 1986-87
11.	Khotadih U/G	Org. Rev.	8/77	0.87(85-86) 1.00(90-91)	7.66+1.41 64.50	5 years	9.54	
12.	Bahula . .		12/79	1.20(88-89)	11.36	3 years	7.15	
(B)	*New Projects*							
13.	Jhanjhra .		12/82	3.50(93-94)	184.55	On schedule	28.48	
14.	Rajmahal OCP		8/80 5/85	5.00(86-87) 5.00(90-91)	87.43 217.27	4 years	14.22	
15.	Purushottampur OCP .	Org. Rev.	4/79	0.46(81-82) 0.30(84-85)	6.73 9.07	4 years	7.26	
16.	Kumarkhela OCP (PH. II)		6/82	0.60(84-85)	18.46	—	3.83	(Merged with Sonepur Bazar)
	PROJECTS COSTING between Rs. 2 crores and 5 crores (17)							
(b)	*Re-organised Projects* (17 Existing Projects)							
1.	Sodepur .	Org. Rev.	7/78 5/85	0.55(82-83) 0.40(88-89)	4.16 9.82	6 years	4.68	
2.	Seetalpur	Org. Rev.	7/78	0.40(84-85) 0.55(91-92)	4.79 32.70	7 years	14.24	
3.	Kunustoria	Org. Rev.	10/78 3/85	0.66(81-82) 0.66(91-92)	3.48 19.49	10 years	8.16	
(B)	*New Projects*							
4.	Parasea 6+7 . . .		1/83	0.345(85-86)	4.95	—	2.50	Completed
5.	Parasea (Singaram) .		1/83	0.14(87-88)	3.88	—	0.21	

1	2		3	4	5	6	7	8
6.	Nakrakonda Exp. Mine .		11/75	0.21(78-79)	3.78	Since abandoned	0.62	Abandoned
7.	Nimcha OCP . . .	Org. Rev.	3/76 8/83	0.375(78-79) 0.30(84-85)	2.83 5.51	6 years	4.55	Completed operation stopped-due to non-availability of land
8.	Parasea OCP		9/76	0.46(79-80)	4.83		4.40	Completed
9.	Bansra OCP		10/78	0.20(80-81)	2.75	6 years (Suspended but work has since been resumed) 4 years)	2.76	
10.	Kumardihi OCP	Org. Rev.	9/79 5/83	0.45(79-80) 0.15(83-84)	4.89 6.08	Due to fault high stripping ratio. (Since completed)	6.49	
11.	Bonjemehari OCP	Org. Rev.	10/74 8/83	0.30(76-77) 0.30(85-86)	2.49 9.90	9 years	7.58	
12.	Dalurband OCP	Org. Rev.	9/79 4/83	0.30(79-80) 0.30(85-86)	3.51 5.41	4 years	5.36	Completed
13.	Kapasara OCP		1/83	0.30(81-82)	4.92	2 years	3.56	Completed
14.	Kenda OCP . . .		7/74	0.34(75-76)	2.18	Closed	—	
15.	Kumarkhela OCP (Ph. I)		7/78	0.26(80-81)	2.80		3.69	Merged with Sonepur OCP
16.	Chora OCP .		9/79	0.27(81-82)	3.09	4 years (Suspended but work has since been resumed)	3.88	
17.	West Barakar		10/74	0.24(76-77)	2.38	Work suspended due to poor market but since resumed	2.40	

APPENDIX-II

Present Position of Execution of Nine Major Coal Handling Plants

(Vide Paragraph 3.87 of the Report)

Plant	Name of Executing Agencies	Date of award of work/ Receipt of Tender	Annual Capacity of CHP (In million Tonnes) Original	Revised	Original cost (Rs. in lakhs)	Revised-cost (Rs. in lakhs)	Increase in cost (Rs. in lakhs)	Scheduled date of completion	Likely date of completion (as given in Audit Report)	Likely date of completion as on 31-3-1986
1	2	3	4	5	6	7	8	9	10	11
1. Dhemomain	Burn Standard Co. Ltd.	February 1981	1.00	1.5	241	492	251	July 1983	December 1984	Phase I-July 1986
2. Kottadih	Braithwaite & Co. Ltd.	March 1978	0.86	1.10	171	393	222	June 1981	June 1984	October, 1986 but likely to be delayed due to poor response of contractor.
3. Bahula	Rehabilitation Industries Corpn. Ltd.	September 1976	0.90		145	215	70	March 1978	December 1983	April, 1986.
4. New Kenda	Garden Reach Ship Builders & Engineers Ltd.	March 1978	0.90		179	285	106	March 1980	June 1984	Kenda Circuit completed in Feb. 1986 Dobrana circuit to be completed in October 1986.
5. Ratibati	Marshall & Sons & Co.	March 1978	0.90		154	351	197	March 1980	May 1985	No firm date in view of obstruction by villagers.

1	2	3	4	5	5	6	7	8	9	10	11
6.	Amritnagar	Industrial Consultancy Bureau	February 1977	0.42	...	142	...	...	April 1979	December 1983	Completed in October, 1985
7.	Chinakuri I & II	Burn Standard Company Ltd.	February 1977	0.70		149	183	34	June 1979	December 1983	Completed in December, 1984
8.	North Searsole	Braithwaite & Company Ltd.	December 1983	1.16		309		...	May 1985	May 1985	October 1986 but likely to be delayed due to poor response of contractor.
9.	J.K. Nagar	Industrial Consultancy Bureau	March 1983	0.86		312		...	July 1985	July 1985	No firm date in view of land acquisition problem.

APPENDIX III

Statement of Conclusions/Recommendations of the Committee as Public Undertakings contained in the Report

Sl. No.	Reference to Para No. in the Report	Conclusions/Recommendations
1	2	3
1.	1.16 and 1.17	Eastern Coalfields Ltd. (ECL) was incorporated on 1st November, 1975 when Eastern Division of erstwhile Coal Mines Authority Ltd. was converted into a separate Company as a subsidiary of Coal India Ltd. The Committee are surprised to note that the legal formalities for the transfer of assets and liabilities from CIL to ECL have not been completed even after 12 years of the incorporation of the Company. The delay is stated to be due to non-availability of title deeds for execution of registered conveyance deeds. It is also stated that the title deeds were not handed over by the erstwhile owners to the Central Government for some reasons or the other making the identification of the assets extremely difficult and in some cases leading to unnecessary litigations still pending in different Courts of Law. The Committee have also been informed that since the mines were taken over by Government by way of nationalisation, all documents relating to the ownership could not be located. The other factor was the uncertainty of future organisation of coal companies. The Committee are not convinced of the reasons advanced by the Department of Coal and the Holding Company (CIL) in this regard. They feel that as the Government transferred all the assets and liabilities in the name of Coal India by a notification, the CIL in turn could have likewise transferred the assets etc. to its subsidiaries including Eastern Coalfields Ltd. The Committee also find that in the absence of title deeds etc. ECL is not in a position to raise loans independently. It can take loans at present only though the Coal India Ltd. This situation could have been avoided if both the Department of Coal and Coal India Ltd. had taken timely action to find a solution to the problem of transferring assets to ECL. The Committee recommend that

1	2	3
		legal formalities should immediately be completed and assets and liabilities transferred in favour of ECL within a period of six months, as promised by the representative of the Ministry during his evidence.
2	2.12 and 2.13	The Committee note that ECL was set up with the main objectives of the development and utilisation of coal reserves, increase in productivity, optimum utilisation of production capacity and promotion of research and development activities etc. The Committee's examination has, however, revealed that precious little has been done in achieving these objectives. The Company has neither been able to raise its productivity nor any major Coal Handling Plant has been installed. Research and development schemes have by and large not been successful. There has been abnormal time and cost overrun in the execution of projects and the Company has been incurring losses continuously. The Committee also find that in spite of the loud claim of maintaining the level of productivity, made before the Audit in November, 1983, coal production has in fact dropped from 26.18 million tonnes in 1975-76 to 24.03 million tonnes in 1985-86. Production per man shift has also fallen from 0.58 tonnes in 1977-78 to 0.52 tonnes in 1984-85. In this connection, the holding company (Coal India Ltd.) has been candid in their admission that "in the opinion of CIL, ECL's progress towards the achievement of objectives has been slow........ much needs to be done by ECL in improving their performance so that the objectives set could be fully achieved." The main reasons for not achieving the objectives and for the drop in coal productivity are stated by ECL to be due to the poor availability of power and agitation by local unemployed youths for jobs which made it difficult for the Company to open new mines.
		During evidence, the Committee were also informed by CMD of ECL that the Company has surplus manpower, sanctioned capital and even the Government was willing to give additional capital if needed but there are problems of getting land to open new mines. The Committee urge that the Holding Company and the Department of Coal should help the Company in getting over the constraints faced by it by taking up the matter with the concerned State Governments at the highest level. The Committee are also constrained to observe that in spite of the availability of essential inputs like manpower and money, the Company could not maintain the level of coal productivity, what to speak of raising the productivity. The Committee need hardly emphasize that the holding Company (CIL) and Department of Coal should take effective steps to

1	2	3
		ensure the achievements of objectives by ECL as the mere laying the high sounding statement of objectives before Parliament does not serve any purpose. The Committee, therefore, recommend that a time bound programme should be chalked out for achievement of each of the objectives. The progress achieved in this regard should be monitored regularly and reflected in the Annual Report of the Company.
3.	2.14	The Committee also note that in terms of BPE guidelines issued in 1979 and 1983 each public undertaking was required to formulate with the specific approval of the administrative Ministry, a statement of micro objectives consistent with broad objectives spelt out in Industrial Policy Statement of December, 1977 to facilitate realistic and meaningful evaluation of the enterprise by Parliamentary Committees and the Government. This has not been done in the case of ECL. The Committee are not satisfied with the reply given by Department of Coal during evidence that micro objectives were framed through annual plans. The Committee desire that the micro objectives of ECL should immediately be framed and got approved by the Ministry and placed before Parliament.
4.	2.15	The Committee need hardly point out that the objectives drawn by the Coal India for all its subsidiaries and placed before Parliament in June, 1977 are worded rather too generally, while objectives and obligations to be framed under BPE guidelines, are required to spell out specifically the broad principles for creation of various reserves, responsibility of self-financing anticipated return on capital employed and the basis of working national wage and pricing policies so that these could provide basic parameters for evaluating the performance of undertakings and also taking timely remedial measures, whereever necessary. The Committee, therefore, recommend that the objectives of ECL should also be clearly redefined as per BPE guidelines to serve as a mandate for the organisation and to evaluate its performance with reference to those objectives. These redefined objectives of ECL should be laid before the Parliament within six months of the presentation of this Report.
5.	3.102 and 3.103	The production of ECL was 26.18 million tonnes in 1975-76. The demand of coal of the undertaking was estimated to rise progressively to 35 million tonnes in 1982-83. In order to meet the increased demand of coal, the undertaking planned, development of 16 new projects and reorganisation of 17 projects upto 1982-83. Out of these 33 projects, 16 projects were major projects costing

1	2	3
		more than Rs. 5 crores each and 17 projects were between Rs. 2 crores and Rs. 5 crores each. The total annual production capacity of these 33 projects on completion was estimated at 28.18 million tonnes. Of these 33 projects, only 3 projects costing between Rs. 2 crores and Rs. 5 crores could be completed by the undertaking by November, 1983.
		A review of cost estimates and the time schedules of the projects costing Rs. 2 crores and above undertaken by ECL has revealed that the cost estimates of each of the projects have been subject to frequent revisions and time schedules have also been revised from time to time rendering the targets setting almost a futile exercise. The Committee note that out of 33 projects, as many as 26 projects have been delayed. 13 projects slipped for 3 years and more and in some cases the time over run has been more than 8 years. The cost over runs due to revision of cost estimates in respect of these 13 projects amounted to as much as 375.45 crores. In Committee's view, these over runs of cost and time not only tarnish the image of the undertaking on account of slow implementation of projects but also the desired production capacity is not built up in time to compensate for the depletion of production from old mines which are becoming more and more uneconomical.
6	3.104	The details of cost and time over runs of the projects delayed are given in the Audit Report and also in the Chari Committee Report. The Committee would not like to repeat each and every project. However, some glaring instances of cost and time over runs are as follows:

Project	Org. Estimates	Rev. Estimates	Delay in completion
	(Rs in crores)		
1 Chinakuri	8.43	45.54	8 years
2 Dhemomain	11.95+9.06	73.76	8 years
3 Amritnagar	10.85	65.45	8 years
4 Kunustoria	3.48	19.49	8 years
5 Rajmahal	87.43	217.25	4 years

The above facts do not present a pleasant picture at all. The Committee feel forced to get the impression that project planning and execution machinery almost do not exist in the company. It is also amazing that the holding company

1	2	3
		and amdministrativeMinistry have also been giving clearance for further projects without seeing as to what extent the earlier projects have been implemented by the undertaking. The Committee feel that had the Ministry taken adequete interest and ensured timely implementation of the projects by effective monitoring through monthly or quarterly reviews, the delays could have been reduced considerably and saving effected in the costs. Since the projects have already been delayed the Committee at this stage can only urge that the undertaking, the holding company as well as Ministry should learn lessons from past experience and take effective steps now to have the projects completed as early as possible. A time bound programme should be framed and the progress of each project should be reviewed by effective monitoring through monthly or quarterly reviews. The Committee would also like to emphasise that in view of the progressive rise in the demand of the coal, the country cannot afford long delays of 4 to 8 years in the implementation of projects especially when the latest technologies are easily available that can drastically cut down the time required for various mineral operations through mechanisation.
7	3.105	The Committee have also observed that various projects in ECL were taken up before satisfying about the suitability of technology and design para-metres of equipment selected. On the selection of equipment and their subsequent unsuitability, the Committee have given their comments in the Chapter on "Machine Utilisation."
8	3.106	The main reasons for the over runs in cost and time and delay have been explained by the undertaking in general terms such as problems of law and order, problem of land acquisition, pressure for employment by the local youths etc The Committee are not convinced of these reasons. They feel that the undertaking should have foreseen these problems and evaluated the magnitude of their impact while formulating projects and fixing up the time-schedules for completion.
9	3.107	Yet another area where the Committee would like to pin-point attention is the need for absorption of latest by suitable technology. The Committee were informed by CMD, ECL during evidence that level of mining technology was very very low in the undertaking. Five projects are stated to have been delayed on this very account. For instance in case of Chinakuri I and II projects, which were scheduled for completion by April 1981 at an estimated cost of Rs. 8.43 crores, these are now likely to be completed in 1989-90 at an estimated capital cost of Rs. 45.54 crores

1	2	3
		and that too with reduced capacity. The main reasons stated for cost and time over-runs in this project is the delay in developing a technology suitable for this project. Keeping in view the economics of mining operation in the country and big set up the Coal India and its subsidiaries have, the Committee recommend that the Department of Coal should consider the feasibility of undertaking a study to identify the areas where lack of technology is experienced and taking urgent steps to introduce latest technologies to fill up the gap.
10	3.108	The Committee's examination of ECL has revealed that notwithstanding the time and cost over runs, there have other technical deficiencies in the project planning and implementation of projects. To cite a few examples Kenda opencast project was closed due to geomining problems after incurring expenditure of Rs. 240 lakhs. In case of Dobrana opencast, owing to hard strata conditions, the project had also to be closed. This is indicative of the facts that projects were taken up without inadequate survey. The Committee are of the view that closing of the projects could have been avoided had there been adequate prospecting and pre-prospect survey before project formulation. The Committee, therefore, recommend that no project should be formulated and submitted to the Government for approval unless a thorough pre-feasibility study, detailed exploration, realistic method of implementation, problems of electricity, rehabilitation of villagers (if involved), employment of local people etc. are gone into in fullest details. The Committee would also like to emphasise that the undertaking will be well advised not to take up any new project in future without adequate assurance of the availability of surface land and State Government's support in ensuring law and order for execution of the project. The expansion of mines within the existing lease hold should be resorted to as far as possible.
11	3.109	Another instance of bad planning of a project is Mahabir opencast project. This project was closed in 1979 after spending Rs, 182.80 lakhs owing to inadequate reserves. This again shows gross negligence in making proper survey before undertaking execution of the project. The machinery purchased for this project at a substantial cost could not be utilised in other projects. The Committee regret to note that even though the project was approved by CMPDI and Company's Board of Directors, the fact of premature closure of the project after making an investment of Rs. 182.80 lakhs was neither placed before these authorities for consideration nor any investigation conducted for the loss due to the failure of the project. Surely, this is a lapse on the part of management of the undertaking. The

1	2	3
		Committee hope that in future such matters would be taken care of and prior approval of the concerned authorities would invariably be sought by the Company before the closure of any project.
12	3.110	The Committee are distressed to find that even though the Mahabir opencast project was closed in April, 1979, the orders for dragline at the cost of Rs. 18 lakhs for the project was placed in the same month. During evidence, the CMD of ECL admitted that "it was a wrong decision." The Committee recommend that an enquiry should be instituted to find out as to how orders were placed for Machinery for a closed project and what was the extent of loss suffered by the Company due to the failure of this project and responsibility fixed therefor. The Committee would like to be apprised of the action taken by undertaking in this regard.
13	3.111	The Committee also regret to point out that four projects costing more than Rs. 2 crores each were started by the undertaking without approval of the Government. These projects are Kalidaspur, Mandman, Kasta and Kottadih. Upto the end of 1985-86, the undertaking has spent Rs. 274.45 lakhs, Rs. 234.87 lakhs, Rs. 13.86 lakhs and Rs. 255.49 lakhs on these projects respectively. Even though the Ministry had instructed the undertaking as early as in 1981-82 not to incur expenditure on unapproved projects, the undertaking went ahead in spending the money. In this connection, the CMD admitted during evidence that when the projects were started there was no permission either of the Government or of the Board. The Committee are unable to understand the hurry shown by the undertaking in this regard. As regards the present position, Ministry have stated that except Kothadih all other projects have been approved. Kothadih project is presently under appraisal and scrutiny of the Department of Coal. The Committee desire that the matter should be probed into with a view to fixing responsibility for starting projects without the permission of Government/Board.
14	3.112	It is a matter of serious concern that the Department of Coal also failed to watch implementation of its instructions issued to the ECL in 1981-82 to stop expenditure on unapproved projects. The Committee hope that Department will exercise better care in supervision in future to avoid recurrence of such lapses. The Committee also do not appreciate the nominal or passive role played by

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		Government Nominees on the Board of Company. They have failed on their part to stop the undertaking from incurring expenditure on unapproved projects. The Committee hope that in future the Government nominees would perform their role more effectively and keep a close watch on such irregularities and apprise the Ministry well before the damage is done.
15	3.113 and 3.114	The Committee find that although 14 major Coal Handling Plants of ECL were sanctioned between June 1975 and December, 1982, the scheduled dates of completion of these were revised from time to time. Out of these, the construction of nine centralised coal handling plants could not be completed in time due to delay in awarding of work, non-acquisition of land, non-availability of site, frequent revision of the scope and layout of the projects inadequate monitoring and appraisal of the projects, lack of coordination between CMPDI which prepared feasibility reports and Area Colliery Management etc. The cost escalation on account of delay is reported to be of the order of Rs. 9 crores. The Committee feel that the factors which resulted in time and cost over-runs were such that these could have been avoided if the management had taken proper interest to instal these coal handling plants in time. The Committee were informed during evidence that efforts were now being made to complete all coal handling plants. So far 5 had been completed and construction of remaining coal handling plants was progressing satisfactorily. The Committee have already impressed upon the need for better project planning and implementation system in the undertaking, and hope that remaining centralised coal handling plants would be completed in time.
16	3.115 and 3.116	The Committee note that due to misplacement of papers of Dhemomain coal handling plant there has been a cost escalation of Rs. 1.18 crores. Admittedly, the papers are still missing. The reason advanced by ECL for misplacement of paper is that the company was taking help of CMPDI and between the CMPDI and ECL the papers got dislocated somewhere. The Committee are distressed to observe that even though the Company came to know about missing of papers about 2 years back, the Company is not yet able to complete preliminary inquiry and fix responsibility. Surely, the undertaking has not been taking the matter seriously otherwise the Committee see no reason why the preliminary enquiry should not have been completed in 2 years' time. The Committee, therefore,

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		recommend that the Company should go into this matter urgently and fix responsibility for the loss of papers within one month. In this connection, the Committee have also been informed by the Department of Coal that the matter regarding missing of papers in regard to one coal handling plant came to Ministry's notice only through C&AG Report. On receipt of the Audit Report, Department of Coal asked the ECL to hold the enquiry but even after the Ministry's directive, the matter was not placed before the Board. The matter does not appear to have been pursued by the Department of Coal thereafter. The Committee are not at all happy over the handling of this matter both by the ECL as well as by the administrative Ministry. The Committee are also surprised that the Ministry's nominee on the Board of Company also did not bring to the notice of the Ministry when the matter was not being placed before the Board. The Committee would like to be apprised of the justification by the ECL for not placing the matter before their Board and also for not tracing the papers as yet.
17	3.117	The Committee are also surprised to hear from the representatives of Department of Coal that their Department was not reviewing the installation of centralised coal handling plants prior to 1984. The Committee cannot condone such a lapse on the part of administrative Ministry. The Committee would like to know as to why the Department of Coal failed to review the progress of centralised coal handling plants prior to 1984.
18	4.60 and 4.61	The production performance of the ECL depicts a dismal picture. The Committee are distressed to note that not to speak of Coal India's estimates of production of 36.82 million tonnes by 1982-83, the Undertaking could not maintain the production level achieved by it in 1975-76 and 1976-77. The production remained short of the targets fixed right from 1975-76 to 1985-86. The Committee find that as against the actual production of 26.18 million tonnes in 1975-76 and 26.47 million tonnes in 1976-77 the undertaking's production dwindled to 20.52 million tonnes in 1979-80. From 1979-80 it started recovering and increased to 24.03 million tonnes in 1985-86. Not only the targets were reduced but even the revised targets could not be achieved by the ECL. The Committee are unable to reconcile to this situation particularly the fact that undertaking has invested more than Rs. 500 crores in plant and machinery besides the substantial increase in its surplus manpower and infrastructure

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		facilities. This also leads to an inescapable conclusion that the capacity utilisation of ECL mines has been far from satisfactory. The Committee need hardly emphasise that the index of efficiency of production is the extent of utilisation of the installed capacity at an optimum level. The Committee, therefore, desire that the utilisation of the capacity of ECL mines should be closely watched by Coal India as well as the Department of Coal so as to identify the areas of inefficiency and corrective measures taken promptly to rectify the shortcomings noticed.
19	4.62	The low production of ECL has been stated to be due to non-opening of new mines, depletion of old mines, power shortage and law & order problems and some technical problems like difficulty in getting spares for equipment, mining problems due to unsystematic underground working etc. The Committee feel that the undertaking should have solved these problems with the assistance of holding company and administrative Ministry. The least that was expected from the undertaking was to maintain the production level already achieved in its production could not be increased further. The Committee are unhappy that the production from the ECL mines has not come up to the expected level. In fact the production realisation has been hardly 60% as was admitted in evidence by the representatives of Department of Coal who also stated that had production realisation been 85%, the production targets could have been easily achieved.
20	4.63	The Committee were also informed in evidence by CMD, ECL that the plans had been drawn to raise coal production upto 31.4 million tonnes in 1988-89 if the land and power problems were solved. However the land is not being made available for opening new mines so much so that the undertaking could not get land even for Sonepur Bazar Project which is a World Bank Project. Negotiated meetings are, however, stated to have been held at various levels including Chief Ministers of the concerned States. The Committee hope that the problem will be sorted out at the earliest. Besides the land problem, the power problem is also getting acute year after year and remains unsolved. The Committee desire that the Government should take up the matter with the DVC Authority and persuade them to increase their generating capacity so that East Sector could get their requirement of 446 MWs of power, as assessed by the Ramanathan Committee. The Committee are glad to note that ECL has also taken steps to have theri own captive power plants. For

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		this purpose. the Company has floated tenders for 3 units of 2-10 MWs besides the proposal of having a big power station of 600 MWs for coal companies. The Committee recommend that in order to get over the power shortage the process of tendering should be expedited by ECL and captive power plants installed at the earliest. The Committee also desire that the process of installation of big power station for coal companies should also be expedited by sorting out inter-ministerial differences, if any.
21	4.64	The Committee find that notwithstanding the shrinkage of working places and lesser production from the underground mines due to depletion of reserve in general. there are enough good quality reserves in some of the mines with potential for expansion as reported by Chari Committee. Therefore. the Committee desire that the ECL should give priority to undertaking schemes for reorganisation/reconstruction of existing mines so as to improve production and productivity. With appropriate mechanisation and marginal investment. the undertaking would be able to turn many of the loosing mines into profitable ones or atleast reduce their losses. The Committee also desire that the ECL should examine its production strategies so that it could be most advantageous from the point of view of undertaking's improved economies, despatchability of coal and satisfying the market demand.
22	4.65	ECL has also brought to the notice of the Committee that in some of the mines quality of coal is good but there is a mafia problem. As regards tackling the mafia problem, the Committee would like to draw the attention of Department of Coal to their recommendation contained in their 70th Report of Coal India Ltd. wherein it has been recommended that the Ministry of Home Affairs and the concerned State Government should see that coal companies are allowed to function unimpeded by anti-social elements. The Committee reiterate their earlier recommendation and desire that effective measures should immediately be taken to eradicate this menace once for all.
23	4.66	The Committee note that as against the norms of holding coal stocks of 3 weeks production, the coal stock in the company has been increasing year after year. From 5 weeks production in 1975-76. it increased to 10.9 weeks production in 1984-85. The stocks of coal in some of the mines were of the order of 73 months, 30 months and 57 months' despatch requirements. The Committee feel that such a high stock will have adverse financial implications because according to the Chari Committee, "taking out

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		coal from mines for keeping it in stocks exposes it to disintegration and deterioration in quality, theft and fire." The Chari Committee had also stated that the interest charges alone on the coal locked up in pit head stocks comes to as much as 12 crores a year. A sum of Rs. 65 lakhs is also reported to have been provided in the Annual Accounts upto 1982-83 for loss due to deterioration in quality of coal stock. The Committee are distressed at this state of affairs. In Committee's view the accumulation of huge stocks is due to mad rush for fulfilling the annual production targets at any cost resulting in indiscriminate and uncoordinated mining of poor grade of unsaleable coal. This piling of huge stocks at mines coupled with payment of over-time and Sundry working not only affects adversely the cost of production but also provides scope for malpractices.
24	4.67	The Committee were also informed in evidence by the Department of Coal that a policy for stocks in the coal companies was framed in 1985 in consultation with Planning Commission and according to this policy individual mine cannot hold stocks for more than 3 months and the undertaking as a whole should not keep more than one month's production as stock. The Committee, therefore, recommend that the Company should meticulously follow the stock policy and all out efforts should be made to liquidate the stocks over and above the permissible limits. The Committee also suggest that an investigation be conducted into the circumstances as to how the huge stocks got accumulated against the fixed norms and responsibility fixed therefor.
25	4.68	The Committee note that for coal despatches, the availability of railway wagons has not been much problem. On the contrary there are certain loading problems within the undertaking. Due to the delay in loading, the undertaking has been paying demurrage to railways. The amount paid as demurrage during the year 1981-82 to 1985-86 was to the extent of Rs. 1.46 crores. The Committee trust that ECL will take urgent steps to increase the loading capacity by providing railway sidings where necessary, so as to bring the coal from pit head to rail head, and by re-organisation of the entire despatching structure.
26	4.69	The Committee regret to note that there have been shortages in coal stocks of the undertaking. In May, 1979 a large quantity of 7.07 lakh tonnes valuing Rs. 7.37 crores was written off as shortages arising out of statistical errors, over reporting of production and misappropriation etc.

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		Even after May 1979, more than 15 lakhs tonnes of coal was written off by the undertaking as shortages. In October, 1983, at the instance of CIL, the coal when physically measured showed a shortage of 9.71 lakh tonnes as compared to book stock. The undertaking is also reported to have been making adjustments in the opening stock without formal write off sanction. The Committee takes a serious view of huge quantity of coal being written off and also of the adjustments being made in the opening stock without formal sanction. The Committee have their own doubts that these shortages and adjustments could be due to the misappropriation for which the undertaking cannot escape responsibility. The Committee expected from public undertaking, honest and efficient conduct of business. The Committee recommend that the undertaking should lay down proper guidelines and parametres for writing off shortages and adjustment in stocks in consultation with its holding company and Audit. In future such shortages should be written off strictly in terms of these guidelines.
27	4.71 and 4.72	The Committee note that the Company takes note of shortages of more than 5% of the stock and 1000 tonnes or more in collieries. During 1981-82 to 1984-85, such shortages were to the tune of 5.83, 5.66, 1.91 and 3.78 lakh tonnes, respectively. During these years, the number of cases of disciplinary action against the officers responsible for shortages were 34, 37, 24 and 11 respectively. The punishment awarded was warning, stoppage of increment and stoppage of promotion. In Committee's view the punishment awarded in these cases is very lenient as compared to the value of coal found short and in fact it encouraged the dishonest employees to indulge in offence. The Committee are of the firm opinion that the punishment should be more servere and deterrent. Even the Additional Secretary, Department of Coal was frank enough to admit in evidence when he stated "my feeling has been that the punishment has not been commensurate with the offence committed." No doubt the punishment awarded at present was in terms of guidelines approved by the Government but the guidelines appear to be too soft and ineffective in achieving the objective of stopping the prevailing malpractices in the undertaking. The Committee, therefore, recommend that as agreed to in evidence by the Additional Secretary, Department of Coal, the Government should revise the guidelines for awarding punishment with a view to providing servere and examplary penalties for those found responsible for the shortages of coal.

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28	4.91	The Committee are distressed to note that the performance of Company's own J. K. Ropeways which was installed for extracting and transporting of sand has been very poor. The Capacity of J. K. Ropeways has been derated by the Company from time to time. As against the designed capacity of 45 lakh tonnes, the capacity was fixed at 41.34 lakhs tonnes after a study conducted by Industrial Engineering Department (IED) in 1978. The IED found that with the present arrangement for working of J. K. Ropeways target could be fixed at 60 per cent of the rated capacity to produce 25 lakh tonnes. The IED also indicated that it was possible to increase the target by introducing an incentive scheme. The capacity of the Ropeways was further derated to 15 lakhs tonnes after a study carried by M/s. Magnum Industrial Product. It is rather unfortunate that the Company could not achieve even the further derated capacity of 15 lakh tonnes in any of the years. The production of J. K. Ropeways ranged from 6 lakh tonnes to 13.86 lakh tonnes from 1975-76 to 1985-86. On account of poor performance of J. K. Ropeways, the sand stowing had to be done by private contractors. The Committee also regret to point out that while the full capacity of J. K. Ropeways remained under-utilised, the Company procured sand from private parties. From 1975-76 to 1985-86 the sand supplied by J. K. Ropeways was 120.31 lakh tonnes and sand procured from private parties was 107.66 lakh tonnes. In terms of cost, the cost of sand supplied by the J. K. Ropeways was 200 per cent more as compared to the cost of the sand supplied by private contractors during the last 5 years. In the opinion of the Committee such a wide gap in cost can hardly be justified. The Committee recommend that the Company must take necessary steps to optimise the capacity utilisation of J. K. Ropeways and also to bring down its cost of supplying sand to make it competitive with private contractor. Earnest efforts should also be made to minimise the dependence on private contractor.
29	4.92	CIL is reported to have appointed M/s. Magnum Industrial Product as consultants for BCCL and ECL. The terms and references of consultants included identification of problems, trouble shooting areas, deficiencies and suggestions, for remedial measure for bringing around both qualitative and quantitative improvement in the existing sand stowing systems. The consultants are stated to have submitted their report in respect of J. K. Ropeways Installation I, II & III and Manderboni Colliery and was under study for necessary action. The Committee would like to be apprised of the action taken by the Company on the recommendations of the Consultants and the

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		subsequent improvement made in capcacity utilisation of Ropeways.
30	5 42	The Committee note that ECL has invested Rs. 503.18 crores upto the end of 1984-85 on the purchase of plant and machinery to build up pool plant capacity. However, the Committee have observed that during the last 3 years, the number of machines actually working has by and large been lower than the number of machines available with the Company. These include showels, scrapers, dumpers & dozers which are in the category of heavy earth moving equipment and used in different opencast mines of the Company. The Committee also find that taking into consideration the working conditions prevailing in the opencast projects of the Undertaking the CIL is reported to have estimated the system capacity of the scrapers as 72% of total operatable excavation capacity of machines. The CIL has also assessed that based on actual working conditions, the actual utilisation should be above 90%. But the capacity utilisation trend has remained almost stagnant or even deteriorated indicating that the utilisation of infrastructure for all these years has not been commensurate with the increase in the population of HEMM.
31	5.43	The percentage of actual output of Heavy Earth Moving Machinery (HEMM) to standard output fixed by the Review Committee of CIL is reported to have decreased from 107.7 in 1977-78 to 59.6 in 1985-86. The percentage of idle time to total shift hours of HEMM also ranged between 40.85 and 77.75 during the last 3 years ending 1985-86. In many opencast projects excessive deployment of HEMM is also reported as compared to the provisions made in the feasibility reports of the projects. Apart from the HEMM equipment, the utilisation of underground equipment was also very low and in some cases it was less than 30%. The main reasons advanced by the Management of ECL for low utilisation of machines are stated to be lack of back up supporting facilities like workshops, spare-parts facilities, skilled man-power and power problems. Some measures are reported to have been taken recently by the Management to augment the capacity utilisation of machines and as a result thereof there has been some improvements. The Committee desire that in order to reduce cost of production of coal and to achieve higher production urgent effective measures are still required to be taken for the maximum utilisation of available equipment. In no case the equipment should be allowed to remain idle or unutilised. Equipment found unsuitable for actual mining work in ECL should be transferred at the earliest for deployment in other developmental works.

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32	5.44	The review of HEMM of ECL conducted by the Coal India Ltd. in March, 1983, has also revealed that there has been improper acquisition of equipment as the Undertaking did not have sufficient or proper geological data at the time of selection of equipment. For example the project provision was for scrapers-dozer combination only whereas later on it was realised that showel-dumper combination alongwith scrapers for top soil would be more beneficial. The Committee take a serious note of the mismatching of the equipment due to wrong specifications resulting in under or non-utilisation of the equipment and blocking of scarce funds. It is really surprising that ECL in spite of its long standing in the field could not visualise proper requirement of equipment suited under the geo-mining conditions and selected a wrong combination of equipment i.e., scrapers and dozers whereas showel-dumper combination alongwith scrapers was considered more beneficial for to soil, resulting in the deployment of unsuitable equipment in projects. This in Committee's view is a clear case of failure on the part of Management and should be probed into with a view to fixing responsibility for this lapse. The Committee also recommend that the Company should review the usefulness of available equipment and transfer the surplus or idle equipment to other developmental works where these could be gainfully-utilised.
33	5.45 to 5.47	The Committee are distressed to point out that even though utilisation of HEMM has been much below the actual capacity, the Company has been engaging private HEMM at huge cost which increased from merely Rs. 4.8 lakhs in 1977-78 to as much as Rs. 17.27 crores in 1985-86. The Company paid a total amount of Rs. 66.84 crores for hiring HEMM between 1977-78 and 1985-86. In this connection, the Board of Coal India Ltd. in their meeting held on 12 May, 1981 is reported to have rejected the proposal of ECL for engaging contractors for hiring HEMM on the ground that "present level of utilisation of HEMM leaves considerable scope for improvementi" The CIL Board is also reported to have instructed the termination of such mining contracts by 30-6-1981. Despite this, the ECL continued such contracts and paid Rs. 882.74 lakhs and Rs. 887.56 lakhs in 1981-82 and 1982-83, respectively.
		In this connection, the Chairman of ECL informed the Committee during evidence that in the subsequent meeting of CIL Board, it was decided that the hiring of HEMM should be minimised till the detailed guideline was prepared by CIL. When the Committee enquired during evidence whether or not the ECL was asked by CIL to stop hiring

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		of HEMM, the CMD of ECL stated, "To my knowledge not........although in 1982-83 we stopped two contracts but it was not a directive of Coal India Ltd."
		The Committee are not at all happy over non-implementation by ECL of the specific decision of CIL Board for stopping the hiring of HEMM from 30-6-1981. Unfortunately, CIL Board also changed their stand in a subsequent meeting from total stopping to minimise the hiring of HEMM. The Committee are also surprised that CIL did not issue any directive to ECL with regard to stopping of hiring of HEMM as was stated by CMD, ECL during his evidence. As a result, the ECL neither stopped nor minimised the hiring of HEMM. On the other hand, it has been increasing year after year. The Committee also do not accept the contention of CMD, ECL that Coal India decision to stop the hiring of HEMM was not received by them. The Committee feel that since the CMD, ECL is a member of the Board of CIL, he is a party to the decisions taken by the Board and should have implemented the decision of CIL Board without waiting for any further directive from CIL. He is also reported to have turned a deaf ear to the oral instructions of Chairman of CIL given on 24-3-84. to stop hiring in three stages by 30th September, 1984.
34	5.48	The Committee also find that some of the contractors engaged by ECL for hiring of HEMM have been working in the Company right from the beginning. There are cases where the undertaking has been hiring equipment from some of the firms which are owned by the same set of proprietors operating firms with different names. The Committee were stunned to hear from CMD, ECL during evidence that no tenders were invited for awarding the contracts. Contracts once given were renewed year after year. The Committee may not be wrong in believing that the continuance of the same contractors year after year without proper tendering system has not developed some vested interests with the connivance of officials of the ECL. The Committee, therefore, recommend that the whole matter regarding to the hiring of HEMM by ECL, continuing of the same contractors from year after year without tendering system, revision of the earlier decision of CIL Board from total stopping of hiring of HEMM to minimising the hiring should be thoroughly got investigated by Govt. through an independent expert body within a short specified time. The Committee may also be apprised of the result of the inquiry within six months of the presentation of their Report.

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35	5.49	During evidence, the CMD, ECL also informed the Committee that with the hiring of HEMM, the cost of production per tonne was about Rs. 100 to Rs. 120 whereas the cost of production per tonne with the departmental machine was about Rs. 160 to 200 per tonne. The Committee are not convinced that the hiring of HEMM is more economical as compared to working of departmental machines. If the analysis given to the Committee is correct, the very basis of the undertaking purchasing equipments at huge costs would become unsound and need urgent review. The Committee feel that when private contractors can operate at a lesser cost, there is no reason why the Undertaking cannot also do the same. The Committee feel that the Ministry has also not shown its involvement or interest in this respect. The Committee hope that the Department of Coal will now look into the matter in depth and guide the Undertaking in the right perspective. The Committee will like to be informed of the action taken in this regard within six months.
36	5.50	The Committee have also found that although the equipment have been working for a long time in certain mines, the basic workshop facilities for unit workshops have not been provided in spite of the fact that the provision for these facilities existed in the original project reports. As a result, most of the repair jobs including over-hauling of engines, are being got done from outside as expertise of the same has not fully been developed by the Undertaking as yet. Similarly, the down time of the equipment is also excessive because repair time is more which is due to non-availability of spare parts and skilled man power. The Committee desire that immediate steps should be taken by ECL with regard to standardization of equipment establishment of regional workshops or HEMM, training of engineers and in house training for workers to build up a pool of skilled workers.
37	5.51	The Committee are also surprised to find that the value of uninstalled machines which were of order of Rs. 45.33 crores in 1982-83 have increased to Rs. 62.11 crores in 1984-85. This is regrettable from two angles. First substantial capital of the Undertaking is blocked without getting any return. Secondly, the Committee believe that non-installation of machinery should be compelling the Undertaking to have certain works executed through private contractors at a cost which could be saved with installation of the machinery. The Committee need hardly stress that Company's present financial position can ill afford non-installations of costly machines. The Committee urge that the Company should work out a time bound

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		programme for the installation of all such machines as are lying uninstalled with the Company. The Committee would like to be apprised of the details of each of the machines lying uninstalled together with the dates and cost of their purchasing, the loss suffered by Company on account of their non-utilisation etc. within three months of the presentation of this Report.
38	6.20 and 6.21	The Committee regret to note that while manpower strength in the Company increased from 1,74,006 in 1975-76 to 1,90,830 in 1984-85, the production came down from 26.18 million tonnes to 24.03 million tonnes during the same period. The Committee have also observed that in pursuance of Baweja Committee recommendations made in 1978, the Department of Coal is reported to have issued periodical advices between April, 1978 to June, 1979 to the Coal India Ltd. and its subsidiaries to regulate the financial burden imposed by surplus staff. These advices *inter-alia* provided that "All posts lying vacant at the time of issuing orders were to be considered abolished." The Committee feel that had the instructions of the Ministry been implemented fully by ECL, the Company could have effected a sizable reduction of surplus manpower on account of superannuation alone assuming the average age of coal mine worker as 40 years on the date of nationalisation of the Company. Not only did the Company not follow the instructions, the Department of Coal also failed to exercise proper monitoring to find out whether their instructions were being implemented by the Undertaking or not. The Committee strongly deprecate this all round failure which has resulted in accumulation of huge excess of idle manpower. The Committee recommend that without losing any further time suitable measures should immediately be taken to ensure proper utilisation of idle manpower thereby bringing down the operational cost of the Undertaking.
39	6.22	The Committee have also been informed that if the Undertaking takes over the land, it is obliged to provide employment to one of the family members of persons displaced from their land. In Committee's view, this could be justified in circumstances where ECL has to recruit additional manpower for its requirement. The Committee, therefore, desire that the Government may consider the feasibility of making a suitable modification in the present practice of providing employment to land loser. The Committee recommend that in order to exercise effective control on the available surplus manpower, adequate safeguards should also be laid down in granting such concessions in any future negotiations.

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40	6.23	The Committee have also been informed that the recruitment of manpower at new projects will be met from the surplus manpower available in other collieries and for this purpose more projects are expected to be approved by Government during the current year. These new projects have to be developed to yield production by 1989-90. If these projects are approved, the surplus manpower available with ECL would be deployed at the new mines. The Committee hope that the Government would approve the new coal mines projects without any further delay and help ECL to transfer their surplus manpower for gainful employment in the new projects.
41	6.24	Even though the Undertaking has been conscious of the fact that surplus manpower was available with them right from the beginning, yet no scientific study was conducted to ascertain the actual number of surplus strength. The surplus manpower which according to ECL was 9,000 in 1978 increased to as much as 50,000 in 1985 as per Chari Committee's estimates. During evidence the Committee were also informed by the Department of Coal that calculation of surplus manpower so far was based on loose analysis done on the basis of man shift in other countries etc. It is only recently that the Bureau of Industrial Costs and Prices (BICP) has been asked to make the first scientific study. This will be the scientific study of each mine and will provide normative basis. The report of BICP is expected any time. The Committee hope that BICP would give their report at the earliest which will not only provide reliable data of exact number of available surplus manpower but will also help in transferring the idle manpower to other mines where manpower was needed. The Committee would like to be apprised of BICP recommendations and the action taken by Government/Company thereon within six months of receipt of the recommendations.
42	6.25 and 6.26	The Committee's examination of ECL has revealed that inspite of surplus manpower available with the Undertaking, huge over-time allowances and fall-back wages were paid by the Company year after year. The increase was very high during 1979-80 to 1985-86. In this connection, the Ministry are also reported to have informed the Audit in October, 1983 that instructions were issued by them to the Coal Companies to reduce over-time work to the maximum extent but inspite of these instructions the amount of over-time paid was the highest in 1984-85 i.e. Rs. 32.64 crores as against Rs. 23.03 crores in 1983-84. The reason for increase in over-time payment are stated mainly due to deployment of workers on Sundays/holidays

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		and increase of payment of all-back wages due to the fact that the Undertaking could not provide employment to piece-rated workers, as provided in Wage Board award.
		During the evidence, the representative of the Department of Coal also admitted that "Sundays working do not increase production. It affects work on other days. So we have stopped it altogether in 1985-86." The Committee deprecate the violation of Ministry's directions by the Undertaking with regard to the payment of over time allowances for years together. The Committee are also surprised that the Ministry also did not take any follow up action to ensure the implemetation of their directives to reduce over time work after their issuance. In Committee's view this is a clear case of failure on the part of Ministry to exercise an effective control on the Undertaking. The Committee recommend that concerted efforts should at least now be made to reduce to the minimum, if not altogether eliminate the payment of over-time allowance, by deploying the existing man power in a scientific manner.
43	7.24	The Committee regret to note that the ECL has been incurring losses since its inception and the cumulative losses of the undertaking at the end of 1985-86 stood at Rs. 719.58 crores not only wiping out its entire paid up capital of Rs. 373.69 but also adding a further deficit of nearly 345.89 crores. Some remedical steps are reported to have been taken by the undertaking to improve its working results and to reduce losses but inspite of these remedial steps the losses of the undertaking are reported to be around Rs. 140 crores for the year 1986-87, breaking all previous records. The Committee take a very serious view of these mounting losses. The Committee are convinced that the undertaking has failed to take realistic corrective measures to improve production performance, to reduce cost of production, to optimise the productivity of manpower and to optimise machine utilisation. In the absence any concerted efforts in this direction, the chances to achieve break-even point and come out of the red in the near future are very bleak.
44	7.25	The Company's examination by the Committee has also revealed that the Department of Coal has not given proper attention to a sick unit like ECL. According to the guidelines issued by Bureau of Public Enterprises every administrative Ministry should review the performance of each undertaking under its administrative control every quarter. However, the Department of Coal, had undertaken only one such review during each of the

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		last 4 years. The Department of Coal has also admitted in evidence that they have not been able to carry out the review every quarter. The Committee take a serious view of this lapse on the part of the Department of Coal and feel that had the Department carried out the quarterly reviews of the undertaking regularly and given proper directions to tackle the problems faced by it, the working results of the undertaking would have been altogether different. The Committee hope that the guidelines of BPE would be meticulously followed in future by the Department of Coal in respect of the undertakings under its administrative control.
45	7.26 and 7.27	The Committee are distressed to note that inspite of the fact that the Government had accepted the recommendations of the Committee on Public Undertakings contained in their 49th Report (1982-83) that there should be automatic follow up action by Ministries on C & AG Reports, the C&AG Report on ECL which was laid before Parliament in 1983 was not formally brought before the Board of CIL/ECL for appropriate section until this issue was taken up by the Committee. In fact when the Committee raised the point during evidence Finance Director of CIL assured the Committee that "We will rectify the mistake in not bringing it before Coal India Board so far." It was only after the Committee pointed out this lapse on 7th October, 1986 during the course of evidence of representatives of ECL, C&AG Report was formally placed before the CIL Board on 23rd October and ECL Board on Ist December, 1986. No explanation of CIL and ECL in this regard seems to have been taken by the Department of Coal as was admitted by their Additional Secretary during his evidence when he said "We have not done that." The Committee are sorry to find that acceptance of a recommendation of this Committee was on paper only and was never followed up in practice. The Committee have to express their displeasure over this lapse on the part of ECL, CIL and also the Department of Coal. The Committee hope that such a situation would not be allowed to occur in future. The Committee also desire that the C&AG Report on ECL should be reviewed by the Department of Coal and the corrective action taken on the points raised in the Report should be communicated to Audit and also the Committee on Public Undertakings within next six months.

MGIPRRND—4 LSS/87- Sec,-III-D—14-7-87—1100.

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