

COAL INDIA LIMITED

MINISTRY OF COAL

COMMITTEE ON
PUBLIC UNDERTAKINGS
1991-92

TENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

SEVENTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1991-92)

(TENTH LOK SABHA)

COAL INDIA LIMITED

(MINISTRY OF COAL)



*Presented to Lok Sabha on 28.4.1992
Laid in Rajya Sabha 28.4.1992*

LOK SABHA SECRETARIAT
NEW DELHI

April, 1992/Chaitra, 1914 (Saka)

Price : Rs. 9.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Seventh Edition) and printed by Manager, Govt. of India Press, (PLU) Minto Raod, New Delhi.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)

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2. Smt. P.K. Sandhu — *Deputy Secretary*
3. Smt. Revathi Bedi — *Under Secretary*

* Ceased to be a member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 2.4.1992.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 7th Report on Coal India Limited.

2. The subject was examined by the Committee on Public Undertakings (1990-91). The Committee took evidence of the representatives of Coal India Limited on 2nd, 3rd and 4th January, 1991 and also of the representatives of Ministry of Coal on 6th & 7th March, 1991. The Committee, however, could not finalise their Report due to the dissolution of Ninth Lok Sabha on 13th March, 1991.

3. The Committee on Public Undertakings (1991-92) considered and adopted the Report at their sitting held on 14th February, 1992.

4. The Committee feel obliged to the Members of the Committee on Public Undertakings (1990-91) for the useful work done by them in taking evidence and sifting information which forms the basis of this Report. They would also like to place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. The Committee wish to express their thanks to the Ministry of Coal and Coal India Ltd. for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministry of Coal and Coal India Limited who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

NEW DELHI;
April 9, 1992

Chaitra 20, 1914 (S)

A.R. ANTULAY
Chairman,
Committee on Public Undertakings.

CHAPTER-I

ORGANISATIONAL SET UP

Historical Background

Nationalisation of the coal industry was done in two successive spells. First in October, 1971 the management of 241 coking coal mines in Bihar and West Bengal were taken over and subsequently nationalised and grouped under a new public sector company namely Bharat Coking Coal Limited in May 1972. Next in January 1973, 711 non-coking coal mines in the States of West Bengal, Bihar, Maharashtra, Madhya Pradesh, Orissa and Assam were taken over and later nationalised. Of these 184 mines in the Jharia Coalfields were transferred to BCCL for convenience of administration. The remaining mines were vested in a new public sector company namely the Coal Mines Authority Limited (CMAL) which came into being in June, 1973.

A. Formation of Holding Company

1.2 In November, 1975 Coal India Limited (CIL) was formed as a holding company, BCCL became one of its subsidiaries and the other coal mines belonging to CMAL and National Coal Development Corporation (NCDC) were grouped into 3 subsidiaries viz. *Eastern Coalfields Limited (ECL)*, *Central Coalfields Limited (CCL)* and *Western Coalfields Limited (WCL)*. At the same time, the *Central Mine Planning and Design Institute Limited (CMPDIL)* was formed as one of the subsidiaries. The Chairman of the holding company was made the Chairman of subsidiary companies also. Subsequently certain structural changes were made in 1977 whereby it was decided to place each subsidiary company under the charge of a Chairman-cum-Managing Director, Singareni Collieries Company Ltd. continued its separate existence.

1.3 In November, 1985, 2 more subsidiaries were carved out of Central Coalfields Limited and Western Coalfields Limited. At present Coal India Limited is Holding Company for the following seven subsidiary Companies:—

1. Eastern Coalfields Limited.
2. Bharat Coking Coal Limited.
3. Central Coalfields Limited.
4. Northern Coalfields Limited.
5. Western Coalfields Limited.
6. South Eastern Coalfields Limited.
7. Central Mine Planning & Design Institute Limited.

1.4 CIL has also submitted a proposal to the Government for formation of an another subsidiary company comprising of areas of Talcher, Ib Valley and Mand-Raigarh Coalfields. These areas at present fall within South Eastern Coalfields Limited. During the course of examination of CIL, the Committee wanted to know the basis for earmarking areas for different subsidiaries as well as creation of new subsidiaries. CIL replied in a written note as follows:—

“The organisational structure of Coal India’s subsidiary is that the company is divided into a number of Areas and each Area consists of a number of collieries which are the cost / profit centres of the subsidiary. The size of an Area in any subsidiary of Coal India is determined by a consideration of various factors such as production / production potential, gross block, annual turnover, manpower, geographical dispersion, technological complexity, future investment programme, land acquisition and projects to be implemented. The same factors are considered for extension and bifurcation of an Area.

These factors, again, are integrated to consider the formation of a subsidiary company. Large production potential programme, wide geographical dispersion, vast working capital and investment programme, technological complexity to a large extent necessitate the formation of a subsidiary company for better control.”

1.5 As regards the basis for proposal for the formation of a new subsidiary company comprising of areas of Talcher, Ib Valley and Mand-Raigarh Coalfields, CIL stated in a note as follows:—

“SECL today is managing two of the fastest growing coalfields viz. Talcher and Ib Valley Coalfields. Over 1994-95 out of CIL’s share of production of 256.90 MT SECL’s contribution is the highest (70.70 MT)—the order being SECL: 70.70 MT, CCL 44.50 MT, NCL: 41.00MT, ECL: 39.00 MT, BCCL 33.00 MT and WCL: 27.80 MT. OF SECL’s share of 70.70 MT, Orissa coalfields alone will contribute almost of the level of WCL.”

1.6 During the course of examination of Department of Coal, the Committee wanted to know the latest position about formation of the new subsidiary company. Department of Coal stated in a written note that the proposal to form a new coal company comprising of Talcher and Ib Valley Coalfields in Orissa and Mand-Raigarh Coalfields in Madhya Pradesh with headquarters in Orissa, was under consideration of the Government.

B. Role and functions of CIL vis-a-vis its subsidiaries

1.7 Coal India Limited in functioning as a holding Company for seven subsidiary companies under the Ministry of Energy (Department of Coal). Like CIL, all the subsidiary companies are having regular Chairman-cum-Managing Directors. As regards the role and functions of CIL *vis-a-vis* its subsidiaries, CIL stated in a written note as follows:—

“CIL—the Holding Company, is the apex body and its primary responsibilities are policies, strategic planning including choice of technology, target setting and monitoring, co-ordination with and among the subsidiaries, monitoring of performance and liaison with Govt. / Central Agencies. In addition, CIL has the following executive responsibilities:—

- i. Negotiation for foreign collaboration.
- ii. Mines in North Eastern Coalfields.
- iii. Dankuni Coal Complex.
- iv. Coal Stock Yards.
- v. Bulk procurement of high value items and imports.
- vi. Recruitment of executives.

The subsidiary companies are responsible for all operational matters, commissioning and execution of new as well as on-going projects, man management, production, consumer satisfaction etc. In addition subsidiary companies perform related functions, such as, maintaining liaison with concerned State Governments, acquisition of land, execution of welfare programmes, maintenance of safety standards, betterment of industrial relations etc.

CMPDIL, the Planning Subsidiary is engaged principally in providing the planning support to all producing subsidiaries of CIL. It undertakes mineral exploration, planning and designing of coal and coal beneficiation projects, coal utilisation projects, environmental management plans and assist in the transfer of foreign technology for assimilation in Indian conditions. It acts as the nodal agency for Research and Development work in all fields related to coal production, utilisation beneficiation, environments etc.”

1.8 In response to the recommendations of the Committee on Public Undertakings made in their 17th Report (1980-81) to the effect that holding company should be given more powers, the Department of Coal in their action taken replies had stated (November, 1981) as follows:—

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

1.9 During evidence the Committee wanted to know as to whether there had been any major restructuring of CIL as was reported to be under

active consideration of the Government in November, 1981. Chairman, CIL stated as follows:—

“The Government had decided that the concept of this holding company for managing the coal sector will continue with the coal industry and there has not been any change in the thinking of the Government. The Coal India is functioning as the holding company with subsidiary companies for controlling the day-to-day production, planning, operations in coal mines etc. The holding company’s structure of course has been strengthened by the appointment of full-time directors, the Director (Finance), the Director (Personnel), the Director (Technical), etc. Apart from the three Directors, we have also gone to divisions including corporate planning, project management and new technology etc.”

1.10 Asked as to whether the present role and functions of CIL were adequate to monitor and control the functioning of its subsidiaries, the Chairman, CIL said:—

“The present role and functions of CIL in our opinion are adequate to monitor and control the functioning of the subsidiary companies.”

He, however, added that for better coordination, it would be preferable if the Chairman of CIL was the Chairman of subsidiary companies also.

1.11 The Committee further wanted to know about the impact and usefulness of holding company, Chairman, CIL stated as follows:—

“From the management angle, the holding company—it is my considered opinion—has been successful and it has contributed to the common service functions, like in the field of exploration, planning, technology, etc. We have about 18000 executives, successfully we have brought them together. The human resource development is again a field in which the holding company could contribute a lot. Wage negotiations are another factor which applies to the entire coal sector of the country. We have already concluded four major wage negotiations. The holding company has a coordinating role and functions. Therefore, in my considered opinion, the holding company had contributed. The other point is on the marketing side. We need different types of coal to meet the requirements of different consumers on which individual companies could not be coordinated. Marketing is coordinated centrally and effectively.”

1.12 In regard to future set up of coal companies, CIL stated in a written note as follows:—

“Coal India, a fast expanding Holding Company whose production from the present level of about 190 million tonnes, is

expected to go up to nearly 400 million tonnes by the turn of the century, i.e. within 10 years time may need restructuring.”

1.13 On being asked by the Committee as to whether CIL had submitted any concrete proposal to the Government for its restructuring, Chairman, CIL replied:—

“This has been under discussion.”

1.14 When asked to elaborate it further, the witness stated:—

“We shall have number of units or subsidiary companies or divisions with maximum authority for functioning on a day to day basis so far as production is concerned.”

1.15 Subsequently, in a post evidence note CIL submitted as follows:—

“The present concept of Holding Company with so many subsidiaries is also contributing to practical problems and to have 13 to 14 Subsidiary Companies under the umbrella of a single Holding Company by the end of the century will mean greater and avoidable problems. Because of the structure of Coal India as a Holding Company and various subsidiaries any reorganisation also becomes difficult as transfer of mines/facilities from one company to another requires the approval of the Company Law Board involving a tortuous process and is a serious impediment to rationalisation work as and when circumstances demand.

Secondly, the profitability of Coal India according to Company Law is only the profitability of Dankuni Coal Complex, North Eastern Coalfield and the Stockyards directly administered by the Marketing Division of Coal India.

Thirdly, Coal India is now going to the Capital Market to raise funds for investment. The Holding Company form as at present envisaged does not lend itself to the presentation of a clear picture since the Annual performance of Coal India does not reflect the totality of performance of Coal India and subsidiaries.

Fourthly, for each issue of Bonds, CIL is required to create a charge on fixed assets. Since CIL's assets are not adequate, charge has to be created on the subsidiaries' assets and legal opinion is that this cannot be done without authorisation by the subsidiary Board and the Central Government—a wholly anomalous and avoidable situation.

Fifthly, all capital investment is routed through Coal India and Coal India holds 100% share of the Subsidiaries. The Government of India does not hold even a single share. The result is that at present Coal India's balance-sheet indicates a

very large share Capital and loan which as on 31st March, 1990 stood at Rs. 5223.86 crores and Rs. 3744.60 crores, respectively. The value of sales has been only Rs. 111.65 crores. This anomalous situation will be difficult to understand for an outsider and this will have to be corrected as this creates avoidable doubts.

Sixthly, because of the present structure of Coal India and its Subsidiaries senior Executives of various disciplines like Mining, Finance, Personnel, etc. are all in various subsidiaries occupying posts of Directors on the Subsidiary Boards, their appointment being made by the President of India. The result is that a large corporate entity like Coal India does not have the option to take its senior-most executives below the board level for posting in Coal India for grooming them to succeed either the Functional Directors in CIL or CMD/MD of Subsidiaries. This handicap requires to be removed.

All the above handicaps could be done away with if only the present structure of CIL as a Holding Company with so many Subsidiaries is changed by creating a unitary company by abolition of the subsidiaries. The Subsidiaries will then have only a Managing Director and a Local Committee of Management on which the existing Functional Directors will be members as Executive Directors. Their jurisdiction would be the same as now. This would not in any way whittle down the powers of the Managing Directors and if necessary more power can also be given."

1.16 During the course of examination of the Department of Coal the Committee pointed out that restructuring of CIL was under active consideration of the Government as back as in Nov. 1981 and enquired as to whether the Govt. ever assessed/examined the role and functions of CIL *vis-a-vis* its subsidiaries and why no final decision could be taken in the matter so far. In reply, the Department of Coal brought out in a written note that the matter regarding restructuring of CIL had been considered by a number of Committees in the past as detailed below:—

1. Holding Company concept was introduced with the establishment of Coal India Limited on 27th September, 1975. Chairman, CIL was also appointed as Chairman of the subsidiary companies. This arrangement was reviewed in July, 1977 and the Managing Director of each of the subsidiary companies was redesignated as Chairman-cum-Managing Director of the company. In the revised set-up, the objective was to make each subsidiary company operationally and administratively effective.
2. In 1980, Government appointed Fazal Committee to look into the physical as well as financial performance of PSUs and to suggest appropriate remedies for improving production and generation of

internal resources. With reference to the Holding Company Concept, the Fazal Committee had favoured winding up of CIL and had suggested that the subsidiary companies be reorganised to operate as independent companies. This particular recommendation of the Fazal Committee was not accepted by the Government.

In November, 1986, the Department of Coal appointed the Administrative Staff College of India, Hyderabad to undertake a study to review the following:—

- (a) The existing role and responsibilities of the holding company, CIL and its subsidiaries;
- (b) the nature of interface and overlaps between the CIL, its subsidiaries, and the Department of Coal;
- (c) the specific problems, mainly related to the aspects of organisational structure, which may be counter productive to the efficient functioning of the coal sector; and
- (d) based on the above review to suggest the emerging forms of organisation of coal sector, which may be more viable and meaningful in dealing with the present problems and future challenges.

In addition to the study made by the Administrative Staff College of India, two independent Committees viz. Chari Committee for ECL and Banerjee Committee for BCCL had gone into the working of ECL and BCCL in depth.

4. Based on the reports of various committees, the Department of Coal in 1987 had circulated a note for discussions in the Committee of Secretaries (COS). This note was considered by COS on April 14, 1987 and the Committee had made the following main observations:—

- (i) The present operational method of CIL is not growth-oriented particularly considering the vast size of its operations;
- (ii) There was no adequate emphasis on accountability; and
- (iii) There is a need to have an overall management in coal and as such constant inter-action with the subsidiaries is an essential pre-requisite for an ideal set-up. A centralised monolithic organisation with extended span of control may not also be an appropriate structure of CIL etc.

Subsequently, another note incorporating the observations of COS was circulated by the Department of Coal in May, 1987 which was discussed in COS's meeting held on 12th January, 1988 and it was decided that the Department of Coal should bring a fresh note taking into the account the observations of the Committee.

5. During 1988, another study was commissioned by the Advisory

Board on Energy and the report of the study was titled 'Issues in Coal'. The Advisory Board on Energy has submitted a note for Committee of Secretaries highlighting these issues and recommending that steps should be taken to strengthen CIL in order to make it more effective. The recommendations of ABE, *inter-alia* included:—

- (i) CIL would be vested with the responsibility and authority for effective management of subsidiary companies and further development of the coal industry within the framework of a MOU with the Government. In this scheme of things is implied the authority for CIL to constitute the Boards of subsidiary companies on its own authority.
- (ii) The Board of CIL should be strengthened with experts in different fields in order to enable it to better discharge its role in policy making. CMDs of subsidiary companies other than CMPDIL should be excluded.
- (iii) Continuity of top management in CIL should be ensured by appointing two Vice-Chairmen one of whom would normally succeed the Chairman.
- (iv) Government should interact only with CIL and not with the subsidiary companies.

The issues that emerged from all these studies/discussions are whether CIL should be abolished and subsidiary companies, be given independent status or CIL should be made into an unitary company with greater autonomy and subsidiaries be converted into its divisions like steel plant *vis-a-vis* SAIL. The entire subject has once again been gone into and the Department of Coal has recently submitted a comprehensive note on Energy Policy and Re-organisation of Coal Industry for consideration of the Government.

1.17 During evidence the Committee wanted to know the views of the Govt. on the type of organisational structure, which the coal companies should adopt particularly in the context of its increased production programmes in the next 10 years. Secretary, Department of Coal stated:—

“There are certain operations which are of all India nature which have to be undertaken by Coal India. And there are certain functions which are of local nature. This two tier system has to function.....For example, the production of coal in this country is being done in about 450 coal mines. In fact, the number of coal mines is larger, but they have been consolidated into larger mines. It is quite different from what we have been saying. In SAIL there are only four production units and you can easily control these from one organisation. Here, even within the holding company, we have six subsidiary companies. On an average, it has more than about 90 units which are to be

controlled by one company. They are finding it difficult to control them, even when they are autonomous bodies, functioning at the ground level, local level. It will be very difficult for any company to control 450 production units directly. Basically this concept of functioning with two tier management is sound.”

1.18 When asked by the Committee that the present thinking of the Govt. was not to make CIL a unitary company, he replied:—

“Yes, but we are suggesting an improvement in the existing system.

1.19 He further stated that there was a need for clear identification of responsibilities between the holding company and the subsidiary companies. Elaborating it further he stated:—

“(i) The first point is that there should be a very clear identification of responsibility as to who is going to do what. Today I am not very happy about the distribution of responsibility between the Coal India and the subsidiary companies. I will give you one example. In marketing, once we have given the long-term linkages which are established on a long-term basis by the government, say, for a power plant or for a steel plant or for a cement plant, hardly any coordination is required afterwards. The field is wide open to other small-scale industries—the other household sector and other consumers who need coal. Why should Coal India be in the picture in so far as local marketing is concerned? That is not very clear to us.

(ii) We have tried to streamline the arrangements in so far as planning system are concerned. The Coal India has been given a limit to sanction the projects up to an investment of about Rs. 50 crores. Earlier, it was Rs. 20 crores. The subsidiaries make investments up to a level of Rs.20 crores. So, that kind of arrangement is there. Then, some of the cases from the subsidiaries also go to Coal India. Then they go to Government. There is some duplication in so far as planning in concerned.

(iii) About prioritisation—which project should be taken first and which should not be taken up at all and which should be taken up later. This is something which should be done by the corporate body because it has an over-view of what are the requirements of coal for the various sectors, what are the national priorities so far as coal is concerned. That also has to be done at a higher level than at the level of Coal India. This cannot be decided at the level of the coal subsidiary company.

(iv) There should be an organic relationship between the two.

The Coal India should have some say, at least at the level of the management of subsidiary companies. But the fact of the matter is that these are some of the issues where a lot of application of mind is needed and regarding levels of operation we have to see as to which is the best authority or organisation to carry on those operations.”

1.20 The Committee further wanted to know the views of the Government on the suggestion made by Coal India Limited that Chairman, CIL, should also be made Chairman of all subsidiary companies for better coordination and control. To this, Secretary, Department of coal reacted as follows:

“This idea, I would not say would really work. The Chairman of a subsidiary company also has to perform a large number of functions which are of, more or less, day-to-day nature. It is not like a unit—Bokaro Steel Plant or Bhilai Steel Plant. There are only four units. There are problems which are thrown up almost on a day-to-day basis including law and orders problems, need to be attended to locally.”

He added:

“Once we say that having subsidiary is a part of the corporate scence in so far as coal sector is concerned, then to dilute subsidiary’s effectiveness would not be proper and the effectiveness will be diluted by the fact that Chairman, Coal India will have to move about all the time, and do even trouble-shooting, from one place to another.”

1.21 When asked specifically that Government views were not to appoint Chairman, CIL as Chairman of subsidiaries also, the witness stated “Yes”. He added that Government was in favour of decentralisation of powers.

C. Board of CIL and its subsidiary companies

1.22 The following table shows the number of Govt. nominees on the board of Coal Companies:—

Company	No. of Govt. Directors
CIL	3
BCCL	2
ECL	2
CCL	2
WCL	3
NCL	1
SECL	2
CMPDIL	1

1.23 Besides Govt. Directors, board of CIL include Chairman-cum-Managing Directors of its subsidiary companies. In regard to the Board of subsidiaries, CIL submitted in a note follows:—

“There is no nominee of Chairman CIL in these Boards even though these are subsidiaries of CIL.”

1.24 During evidence of the representatives of Deptt. of Coal, on being pointed out by the Committee that at present CIL did not have any representative on the Board of its subsidiaries. Secretary, Coal stated:—

“We would like nominees of the Coal India on the Board of Directors of subsidiary Companies which is not the position today. On the other hand, we would also like some nominees of the subsidiary companies to be in the Coal India. At present, all the CMD's are in the Coal India Board. It is also not a very desirable thing.”

1.25 The Committee also wanted to know about the Government policy in regard to association of experts in the related field with the Board of Coal Companies. Department of Coal stated in a written note as follows:—

“The Government has accepted as a policy the need to associate experts in the related fields in the Boards of various coal companies. In the proposed re-construction of the Board, provisions for the induction of the experts from diverse fields of disciplines have been retained.”

1.26 Asked as to whether the Board of CIL and its subsidiaries had been reconstituted by inducting experts as per the Government decision, the Department of Coal replied in a note as follows:

“No, Sir, The matter is still under examination.”

1.27 After nationalisation of coal industry in two successive spells in 1971 and 1973, in 1975 the entire coal industry in the country excepting Singareni Collieries Company Ltd. (which is in Joint Sector) came under the umbrella of a holding company viz. Coal India Ltd. Under this arrangement Chairman of the holding company was made the Chairman of subsidiary companies also. Subsequently certain structural changes were made in 1977 whereby Managing Directors of subsidiary companies were made Chairman-cum-Managing Directors of their respective subsidiary companies. With the increase in coal production more subsidiaries have been carved out from the earlier production units and presently CIL has 6 producing subsidiaries viz. ECL, BCCL, CCL, NCL, WCL and SECL. Another subsidiary viz. CMPDIL is solely responsible for coordinating the research/planning work for all the subsidiaries. Proposal for setting up yet another subsidiary company to be carved out from SECL areas is also under consideration of the Government.

1.28 The Committee regret to note that presently the role and functions of holding company vis-a-vis its subsidiary companies have been earmarked in

a way where even subsidiary companies are required to report directly to the Government by passing the holding company. For instance while CIL is responsible for overall planning, target setting and monitoring of performance of subsidiaries, subsidiaries have to report directly to the Department of Coal in the crucial operational matters like production performance, man management and execution of projects. The prevailing system not only erodes the authority of the holding company, but contradicts the very concept of the two tier system of holding company vis-a-vis subsidiaries. In this connection Coal Secretary admitted during evidence that there was lack of clear demarcation of responsibilities between the holding company and subsidiary companies. Secretary was also candid in his admission that there was duplication of efforts in regard to certain functions like planning and execution of coal projects.

1.29 It is incredible and yet true that though the Government has been considering the restructuring of CIL and its subsidiaries for over a decade yet no clear picture has emerged so far. The Committee on Public Undertakings (1981-82) were informed by the Government as back as in November, 1981 that the restructuring of CIL and its subsidiaries was under active consideration of the Government. Since then a number of Committees appointed by the Government have examined the matter but the final decision is still eluding. Arising out of the various studies there are three options before the Government viz. (i) to continue with the holding company by re-demarcation of role and functions of CIL vis-a-vis its subsidiaries; (ii) CIL should be made into a 'Unitary Company' with greater autonomy and subsidiaries converted into its divisions like Steel Plant vis-a-vis SAIL; and (iii) CIL should be abolished and subsidiaries be converted into independent companies. While CIL has pleaded to make it a unitary company by making subsidiaries into its divisions on the pattern of Steel Authority of India Ltd., Secretary, Department of Coal deposed before the Committee that it will not be possible for any single company to manage more than 450 production units and instead Government proposed to bring improvement in the present system. Since the matter has already been inordinately delayed the Committee desire that the Government should take a final decision in the matter without any further delay after taking all related matters into consideration particularly the increased production potential in next 10 years when the Coal Companies expect to produce about 400 million tonnes as compared to about 190 million tonne during the year 1990-91. The Committee also desire that while reorganising the coal companies the Government should also consider the recommendations made by Arjun Sengupta Committee which *inter-alia* recommended for holding company concept to minimise inter-face between the Ministry and the subsidiary company and to keep the operations of an enterprises at an arm's length from the Government. This recommendations was emphasised by Committee on Public Undertakings in their 32nd Report (1988-89) and was accepted by the Government. This implies that only the holding

company would deal with the administrative Ministry and not the subsidiaries.

1.30 Closely connected with the issue of re-structuring of Coal Companies is the question of re-constitution of Board of CIL and its subsidiaries. The Committee find that there are certain imbalances and lacunae in the present set up. For instance CIL has no nominees on the Board of its own subsidiaries, whereas all the CMDs of subsidiaries are on the Board of CIL. Secretary, Coal admitted before the Committee that this was not a very desirable situation. The Committee are apprised that recently Government has decided to associate experts in the related fields in the Board of various Coal Companies. The Committee are not at all happy with the present arrangement and desire that Government should re-constitute the Board of Coal Companies urgently taking all related matters into consideration to make the Board of Coal Companies more conducive to the efficient functioning of coal sector. The Committee strongly feel that apart from appointing technical experts on the Board of Coal Companies, workers' representatives should also be appointed on the Board of these Companies with equal powers.

CHAPTER-II

OBJECTIVES AND OBLIGATIONS

A. Objectives and Annual Action Plan

2.1 In November, 1970, the Government of India accepted the recommendation of the Administrative Reforms Commission that the Government in consultation with the Public Undertakings should make a comprehensive and clear statement of objectives and obligations. Subsequently in 1979 the Bureau of Public Enterprises (BPE) issued instructions to all Ministries to advise the Public Undertakings under their administrative control to frame their micro objectives consistent with the broad objectives spelt out in Government Industrial Policy Statement of 1977. As per these guidelines, micro-objectives should *inter-alia* lay 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 for working out national wage and pricing policies. As per the clarification of the BPE in 1983, these micro-objectives are required to be specifically approved by the Administrative Ministry.

2.2 The objectives of CIL were framed in 1976 and laid in parliament in 1977. While examining the working of Eastern Coalfields Ltd. the Committee on Public Undertakings in their 25th Report (1986-87) and 43rd Report (1987-88) had noted that the objectives of CIL laid in Parliament in 1977 were worded in general terms. The Committee accordingly recommended that micro-objectives of CIL and its subsidiaries should be reframed in terms of BPE guidelines issued in 1979 and 1983 and be placed before parliament. In pursuance of the Committee's recommendations the micro-objectives were re-drawn with quantified, measurable parameters for each subsidiary and aggregated for CIL on yearly basis and the same for 1989-90 were placed before Board of Directors of CIL on 23.6.1989 and after the approval these were sent to Department of Coal on 7.7.1989 for approval. CIL also updated the micro-objectives for the year 1990-91.

2.3 During examination of Department of Coal the Committee wanted to know as to whether the revised micro-objectives of CIL for the years 1989-90 and 1990-91 had been approved by the Ministry. Department of Coal replied in a written note as follow:—

“The micro-objectives of CIL and its subsidiaries for the year 1990-91

have been received from CIL for placing the same on the table of both Houses of Parliament and are being placed on the Tables of Lok Sabha/Rajya Sabha.”

2.4 Besides micro-objectives which are being framed on annual basis, an Annual Action Plan for CIL and for each of its subsidiaries incorporating quantified targets for various items is drawn up and approved by the Ministry of Energy in consultation with Planning Commission. The targets incorporated in the Annual Action Plan *inter-alia* include various items like production (open cast & underground), output per man shift (OMS), overburden removal, cost of production, sales realisation, exploration, submission of new projects etc.

2.5 The Committee pointed out that presently annual targets for important functions of CIL and its subsidiaries were given both in micro-objectives as well as in Annual Action Plan and wanted to know as to whether there was any major difference between the two. Department of Coal stated in a written reply as follows:—

“The major difference between the Annual Action Plan and the micro-objectives is that the Annual Action Plan is a very detailed document in 2 volumes giving targets of important parameters on a monthly / quarterly basis whereas the micro-objectives are very concise in the form of statements (about 7 pages) giving the annual targets of most important parameters on an annual basis. The annual targets are the same in both.”

2.6 When suggested by the Committee that it would be better to frame micro-objectives for a longer period instead of doing it on annual basis, the Department of Coal stated:

“The micro-objectives could be framed for a longer period alongwith MOU after gaining experience with the operation of annual MOU.”

B. Memorandum of Understanding (MOU)

2.7 On the 19th May, 1989 for the first time, CIL signed a MOU with the Government of India (Department of Coal), relating to performance of CIL and its subsidiaries during the year 1989-90. Second MOU for the year 1990-91 was signed by Department of Coal and CIL on 28th July, 1990. The MOU *inter-alia* stipulate performance obligations of CIL in the field of exploration, production of Coal, productivity, internal generation of funds by CIL, performance indicators to evaluate the performance of CIL etc. It also provides obligations of the Government like according timely approval to coal projects, providing budgetary support, to extend help in recovery of outstanding dues etc. MOU also provides certain autonomy to

CIL to discharge its functions efficiently. The performance indicators provide basis for performance rating in the form of excellent, good, average, poor, very poor.

2.8 The following table shows the actual performance rating in respect of MOU for the years 1989-90 and 1990-91:—

Performance Indicator	Actual Rating	
	1989-90	1990-91 (April 90 to Dec. 90)
I. Physical		
(a) Raw Coal Production		
(i) Underground	V. Poor	V. Poor
(ii) Open Cast	Excellent	Average
(b) Out put perman shift		
(i) Underground	Poor	V. Poor
(ii) Open Cast	Excellent	Between Excellent & Good
(c) Over burden removal	Between Good & Excellent	Average
II. Financial		
(a) Raw coal production cost	Excellent	V. Poor
(b) Sales realisation	Between Average & Good	V. Poor
(c) Gross margin	Excellent	V. Poor
(d) Loan & interest payment	Excellent	V. Poor
(e) Reduction in outstanding dues	V. Poor	Excellent
III. Project Management		
(a) Detailed exploration	Excellent	V. Poor
(b) Submission to Govt. of RCE / RPR	Excellent	Between Good & Average
(c) Submission to Govt. of new proposals	Excellent	Average
(d) Delays in ongoing Project	Excellent	Excellent
Overall Performance	Good	Between Average & Poor

2.9 The Committee wanted to know the views of CIL in regard to usefulness of MOU. Chairman, CIL stated during evidence as follows:—

“The current MOU, in the form of an extension of the Annual Action Plan which in any case we have been committing ourselves to the Government after discussion with the Planning Commission every

year. They have no doubt given certain fringe benefits to this MOU companies, which may not directly reflect on the efficiency of the undertaking. The main thing is that the administrative Ministry which is signing the MOU is not in a position to give any undertaking or guarantee because various other Departments and Ministries are involved. Secondly, MOU is for one year only. I personally feel that the present form of MOU is not conducive to the purpose for which it was introduced. When you go into evaluation of the performance company-wise, there are a lot of things to be looked into. The MOU should be normally for a period of three to five years. It cannot be judged in one year. There have been some seminars in this connection, in which we were asked to express our views. We expressed our views and we hope that things would improve. They are trying to give more powers.”

2.10 Explaining it further, CIL stated in a written note as follows:

“In case of MOU between Department of Coal and CIL, Administrative Ministry is unable to give firm commitments on inputs like power, land acquisition, availability of wagons etc. These are inputs which are essential for achievement of production, productivity and other targets fixed on MOU for which firm commitments have been given by CIL. Certain areas like periodic revision of Coal prices as per BICP recommendations discontinuing of coal supply to the defaulting customers needs the attention of the Government and requires to be spelt out in the MOU.”

2.11 CIL also informed the Committee that ‘in the French System (where the idea of MOU was originally mooted) MOU is generally signed for a period of 5 years’.

2.12 During examination of the Department of Coal the Committee wanted to know the views of the Government on the usefulness of MOU as well as reaction to the comments made by CIL in this regard. Department of Coal submitted in a written note as follows:

“The Government of India have adopted the instrumentally of Memorandum of Understanding between the Government and Central Public Enterprises to improve their working. Essentially it is a contract which outlines the mutual obligations of two parties.

2. In 1985, the Arjun Sengupta Committee recommended the adoption of MOU, and the need to keep “arms length” distance between the Government and the PSU.

3. Initially, no weights were assigned to the various performance indicators. There was also no possibility to rate and rank the PSUs while evaluating their performance. From 1989-90 onwards, the evaluation system has been improved after studying both French and South Korean Experience. The Bureau of Public Enterprises has

issued detailed guidelines on the formulation of MOU. The Department of Coal has followed these guidelines.

4. Thus the new set up provides for an independent evaluation of MOU. The criticism that MOUs tend to become unilateral prescriptions by the Government Department is obviated.

5. On the financial side, CIL is encouraged to rely more and more on internal resources and external borrowings and less on budgetary support.

6. These two measures are designed to give enough freedom of action to the PSU to pursue its Corporate objectives consistent with the prescribed social obligations.

7. The performance of CIL is being reviewed with reference to the targets assigned to CIL against the various performance indicators.

8. The instrument of MOU as a method of ensuring both accountability and autonomy for the public sector undertakings is relatively recent phenomenon in India. At present there is a High Power Committee supervising the MOU process in the public sector undertakings and the Cabinet Secretary is the Chairman of High Power Committee. This High Power Committee has constituted an adhoc Task Force to assist the high Power Committee for examining the previous year's MOU. The adhoc Task Force has divided itself into syndicates who have been assigned the job of examining the draft MOU of a few public sector undertakings. The MOU experiment is in its nascent stage and is being continuously evaluated for producing better results in ensuring efficiency of the public sector. The idea of delegating additional powers under MOU to CIL on a year to year basis is to continuously evaluate and monitor the system and also to find ways and means to improve its efficacy.

9. Moreover, the MOU does not give merely additional powers to Coal India Limited but also lays down the obligations of the Company to achieve certain corporate objectives. Therefore, it is a continuous process of evaluation on an annual basis of the accountability of the Company to achieve corporate goals vis-a-vis its autonomy. Therefore, the MOU on a year to year basis, is desirable for the present till such time as the results of this experiment crystallise and lead to some reliable conclusions.

10. The limitations mentioned by CIL i.e. the Department of Coal does not have the authority to commit itself in various areas, like supply of power, wagons, land etc. which are under the administrative control of other Ministries and State Governments once again emphasise the need to build up a system of co-ordination. The Ministry of Programme Implementation has taken up this task.

10(a) At the moment because of the limitations mentioned above

and the time taken to build up a system, the MOU is now for a period of one year. The Annual Action Plan and the micro objectives flow from the objectives defined and accepted in MOU.”

2.13 The Committee find that for the first time a Memorandum of Understanding (MOU) was signed between the Deptt. of Coal and Coal India Ltd. for the year 1989-90. Subsequently a similar MOU was signed for the year 1990-91. However, there are diverging views of the CIL and Department of Coal in regard to its usefulness. The Committee was informed during the evidence by Chairman, CIL that the current MOU was in the form of an extension of Annual Action Plan, which the Deptt. of Coal finalise every year in consultation with Planning Commission. He also stated that while CIL could commit for certain obligations, the administrative Ministry was not in a position to commit itself in certain areas like supply of power, availability of wagons, lands etc. Besides, he pleaded that like other countries, MOU should be signed for a period of 3 to 5 years. While admitting certain limitations, the Department of Coal stated that the concept of MOU was new and the idea of delegating additional powers to CIL under MOU on year to year basis was to continuously evaluate and monitor the system and to find ways and means to improve its efficacy. However, the problems regarding availability of power and wagons etc. were being solved by coordinating with the concerned agencies. As the annual targets etc. are given in Annual Action Plan, which is finalised in consultation with Planning Commission annually the Committee recommend that MOU should be signed at least for a period of 5 years. This will also ensure more autonomy to the holding company. Further the suggestion of CIL to include price revision and discontinuation of supply of coal to defaulting customers within the ambit of MOU needs consideration by the Govt.

2.14 The Committee find that besides MOU and Annual Action Plan, annual targets are also given in micro-objectives which are also being framed on annual basis for the last two years. In this regard the Committee have been informed by the Department of Coal that micro-objectives could be framed for a longer period alongwith MOU after gaining experience with the operation of annual MOU. The Committee find that guidelines issued by BPE in 1979 and 1983 under which micro-objectives of the undertakings are being framed, do not provide for framing of micro-objectives on annual basis. The Committee accordingly recommend that micro-objectives of CIL and its subsidiaries should be framed for a longer period instead of annual basis.

2.15 The Committee regret to note that the MOU between the Government and the CIL is not being signed well before the beginning of the financial year. For instance MOU for the year 1989-90 was signed on 19th May, 1989 i.e. after the financial year had begun. Again the MOU for the year 1990-91 was signed as late as on 28th July, 1990 i.e. about four months after the financial year had begun. The Committee deprecate such laxity on

the part of the Government as well as CIL in not signing the MOU in time. This situation becomes more anomalous in the context of importance currently being given to the MOU where even the Annual Action Plan and the micro-objectives reportedly flow from the objectives defined and accepted in MOU. The Committee wonder as to how in the absence of clear objectives/targets coal companies start their production programmes in the initial months till the finalisation of MOU which also provides basis for Annual Action Plan and micro-objectives. They, therefore, recommend that MOU should be signed well before the start of the financial year'(s) so that there is a clear direction ahead, and performance of the coal companies do not suffer on account of un-specified objectives/targets in the initial months of year.

2.16 The Committee are unhappy to note that as per performance indicators given in MOU, the performance of CIL has not been very good. While the overall rating of CIL was good for the year 1989-90, it was between average and poor for the first six-months of the year 1990-91. The performance has been very poor particularly in production of coal from underground mines in 1989-90. The position did not improve during the year 1990-91 (April 1990-December, 1990). Since under MOU, undertakings get more powers and autonomy, it becomes all the more essential to achieve the various targets set out in the MOU. The Committee, therefore, desire that all out efforts should be made to achieve the targets so that the overall performance rating of CIL becomes very good or excellent as against the present trend of good or between average and poor.

2.17 The Committee find that presently Memorandum of Understanding is signed between the Government and Coal India Limited. The Committee desire that MOU should also be signed between the management and the workers so that clear targets of production and productivity are made available to the workers.

CHAPTER-III

PROJECT PLANNING AND IMPLEMENTATION

A. Capital Investment

3.1. Since nationalisation of coal mines in 1973 and upto March, 1990, Coal India Ltd. and its subsidiary companies have invested about Rs. 9621 crores in coal projects. The Plan-wise investment in coal companies is given below:—

Plan	Investment (Rs. in crores)
5th Five Year Plan (1974-75)	832.00
6th Five Year Plan (1980-85)	3258.54
7th Five Year Plan (1985-90)	5530.65
Total:	9612.19

For the 8th Five Year Plan the following investment is proposed by the coal companies:—

	(Rs. in crores)
(i) Coal Projects	7252.52
(ii) Existing Mines and non-coal Projects	3246.55
	10499.07

3.2 During examination of Department of Coal the Committee wanted to know as to how the Department propose to meet the necessary funds during the 8th Five Year Plan. The Department of Coal replied in a note as follows:—

“This Department has proposed that his outlay may be met by the following:—

Net Internal Resources	Rs. 141.79 crores
Old Debt realisation/ additional Resources Mobilisation	Rs. 3292.00 crores

Foreign Credit/Loan	Rs. 821.30 crores
Bonds	Rs. 2000.00 crores
Sub-Total	Rs. 6255.09 crores
Budgetary support	Rs. 4243.98 crores

Out of the proposed budgetary support of Rs. 4243.98 crores, Rs. 540.43 crores of foreign credit/loan is likely to be available to the Government during Eighth Plan.

The Eighth Five Year Plan is, however, yet to be finalised by the Planning Commission."

3.3 When enquired as to whether the Government had fixed some priorities in view of the resources constraints, Secretary, Department of Coal stated during evidence:

"In spite of the fact that we are going to produce 213 million tonnes, we are still short of coking coal. Our imports of coking coal are increasing every year. We have accorded the highest priority to the coking coal projects. We have identified a very large number of coking coal projects and we have set up a committee to monitor. The clearance of this coking coal projects is done on a month to month basis. The second priority is for those projects which are linked to power stations. The third priority is for those projects which are required for some vital industries like cement or sponge iron. Over a period of time production in under-ground mine has gone down and the production on the open cast mine has increased. Now the production of underground mine is only one-third of our total production and this ratio is going to increase. We take notice of quality of coal which is produced in the underground mine which is much better than that of the open cast mines. We are going in a big way since it is highly mechanised. This has considerably affected adversely our credibility as far as consumers are concerned. Our fourth priority is for the coal required for the general industrial purpose. There are certain coal deposits available only in certain parts of the country and with the result consumers in other parts of the country like the power houses in the Western U.P. etc., are not getting their full quota of coal. We will take up those projects from where we can easily supply coal. This is broadly our perspective. These are the prioritisation that we have done in our plan.

B. Cost and Time over-run in the Projects (Completed/under-completion) during the last 5 years (1984-85 to 1989-90)

3.4 The following table shows the number of major projects (costing over Rs. 20 crores each) which were sanctioned/completed or under-completion during the years 1984-85 to 1989-90:—

	ECL	BCCL	CCL	NCL	WCL	SECL
Sanctioned during 1984-85 to 1989-90	9	—	2	3	4	3
Completed during 1984-85 to 1989-90	—	2	3	3	4	8
Sanctioned before 1984-85 and under construction during 1984-85 to 1989-90	3	6	2	2	4	5
	12	8	7	8	12	16

3.5 The details of original/revised cost and time schedules as well as cost and time over-runs in respect of each of the above 63 projects are given below:—

No.	Company/Project	Original cost estimates	Capacity (Mty)	Actual expenditure upto 3/90	Revised estimates	Actual Expected cost over	Date of sanction comp.	Schedule date of comp.	Actual/ expected date of comp.	Actual/ Expected time over-run	(Rs. in crores)	
											3	4
Eastern Coalfields Ltd.												
1.	Satgram/UG	26.37	1.20	33.99	134.95	107.58	05/79	3/89	3/94	5 yrs.		
2.	Sonepur Bazari/OC	192.96	3.00	33.74	—	—	07/85	3/91	3/96	5 yrs.		
3.	Dhemomain/UG	11.94	1.00	60.50	73.76 (1.42 mty)	61.82	08/77	3/85	3/92	7 yrs.		
4.	Amrit Nagar, UG	10.85	1.14	21.60	65.45	54.60	05/76	3/85	3/94	5 yrs.		
5.	Rajmanal, OC	87.43	5.00	219.67	562.70 (10.50 mty)	475.27	06/80	3/87	1/96	9 yrs. but a head of schedule in reference to Expn. Project		
6.	Chinakuri, UG	8.91	1.00	18.95	45.54 (0.87 mty)	36.63	06/78	3/84	3/84	UNCERTAIN		
7.	Loudoha, UG	49.35	0.68	0.28	—	—	04/88	3/96	3/96	—		
8.	Kalidaspur, UG	47.94	0.96	10.91	—	—	11/86	3/93	3/93	—		
9.	Sarpi/UG	53.05	0.90	05.06	—	—	09/87	3/95	3/95	—		
10.	Jhanjra/UG	184.55	3.50	141.54	483.89	299.34	12/82	3/94	3/94	—		
11.	Jambad/OC	210.55	1.70	0.00	—	—	09/89	3/98	3/98	—		
12.	Kottadih/OC	267.52	2.48	15.03	—	—	06/89	3/98	3/98	—		
Bharat Coking Coal Limited												
13.	Moonidih/UG	15.28	2.10	179.81	132.07	164.53	11/65	3/78	3/89	11 Yrs.		
14.	Sudamdih/UG	17.57	1.65	65.50	94.55	47.93	12/72	3/77	3/86	9 yrs.		

1	2	3	4	5	6	7	8	9	10	11
15.	Damodar OC	57.04	1.00	20.32 (Project deferred due to fire)	03/84	03/89				
16.	Block II/OC	112.05	2.50	132.45	174.14	62.09	06/82	03/87	03/94	7 Yrs.
17.	Katras/UG	26.04	0.90	69.28	87.49	61.45	10/79	03/85	03/92	7 Yrs.
18.	North Amlabad/UG	26.18	0.72	44.66	69.48	43.30	10/80	03/85	03/94	9 yrs.
19.	Pootkee Bulihari/UG	199.87	3.00	99.73	(0.57) (Rev. estimate being worked out)		12/83	03/94	(Rev. schedule being worked out)	
20.	Bhalgora/UG	46.22	1.20	20.61	(Rev. estimates under preparation)		10/80	03/85	03/92	7 yrs.
Central Coalfield Limited										
21.	K.D. Hesalong/CC	14.44	1.50	44.39	—	29.95	1/79	3/83	3/84	1 yr. Ahead schedule
22.	Kathara/OC	39.75	2.20	43.67	—	3.92	8/84	3/86	3/85	
23.	Dhori West/OC	33.30	1.50	24.68	66.82	33.52	8/81	3/90	3/91	1 yr.
24.	Selected Dhori	24.38	2.25	34.02	46.07	21.69	8/81	3/90	3/90	—
25.	Rajrappa/OC	41.86	3.00	109.97	133.63	91.77	8/77	3/84	3/90	6 yrs.
26.	Karkatta/OC	29.60	1.00	28.03	28.15		6/82	3/86	3/90	4 yrs.
27.	Piparwar	542.43	6.50	28.72	—		9/89	3/96	3/96	—
Northern Coalfields Limited										
28.	Jayant/OC	77.36	6.00	337.05	375.04 (10.00)	297.68	1/79	3/84	3/90	6 yrs. but on schedule as per Project
29.	Bina/OC	26.64	2.00	126.44	168.64 (4.50)	142.00	3/73	3/79	3/88	9 yrs.
30.	Amlohri/OC	323.32	4.00	389.59	529.63	206.31	6/82	3/90	3/92	2 yrs.

1	2	3	4	5	6	7	8	9	10	11
31.	Jhingurdah/OC	24.87	3.00	NA	63.11	38.24	1/77	3/83	3/87	4 yrs.
32.	Khadia/OC	400.00	4.00	205.08	—	(On schedule)	9/85	3/94	3/94	—
33.	Nigahi/OC	462.39	4.20	196.92	—	(On schedule)	11/87	3/95	3/95	—
34.	Dudhichua/OC	289.68	5.00	206.72	—	(On schedule)	2/84	3/93	3/92	Ahead schedule
35.	Kakri/OC	50.54	2.50	77.25	137.80	87.26	10/80	3/87	3/92	5 yrs.
WESTERN COALFIELDS LIMITED.										
36.	Tandsi/UG	51.58	0.90	12.36	—	—	9/85	3/95	3/95	—
37.	Nilaji/OC	96.86	1.90	46.35	—	—	4/87	3/96	3/96	—
38.	Ghugus/OC	65.38	1.50	65.30	96.75	31.37	12/83	3/90	3/92	2 yrs.
39.	Sasti/OC	25.81	1.00	45.52	66.71	40.90	12/81	3/88	3/91	3 yrs.
40.	Saoner/UG	46.96	1.50	18.67	—	—	8/83	3/93	3/93	—
41.	Durgapur/OC	34.65	1.80	72.27	73.85	39.20	10/78	3/85	8/89	4 yrs and 5 months
42.	Padmapur/OC	50.74	1.25	50.70	67.05	16.31	3/84	3/92	3/92	—
43.	New Majri/OC	14.97	1.00	26.06	22.93	11.09	10/78	3/82	3/85	3 yrs.
44.	Pathakera/UG	26.39	1.32	21.00	—	—	6/83	3/85	3/85	On schedule
45.	Umrer/OC	21.00	1.84	25.48	25.44	4.48	12/79	3/85	3/86	1 yrs.
46.	Shovapur/UG	20.72	0.62	21.56	—	0.84	5/86	3/88	3/88	On schedule
47.	Silewara/UG	38.06	1.00	36.05	52.91	14.85	3/85	3/91	3/92	1 yrs.

	2	3	4	5	6	7	8	9	10	11
SOUTH EASTERN COALFIELDS LIMITED.										
48.	Amlai/OC	30.82	0.70	16.42	—	—	3/84	3/89	3/93	4 yrs.
49.	Bharatpur/OC	61.84	3.50	78.07	151.74	89.90	11/83	3/89	NA	—
50.	Kusmunda/OC	76.83	6.00	162.34	168.45	85.51	1/78	3/85	3/87	2 yrs.
51.	Bishrampur/OC	22.21	1.25	24.17	—	1.96	6-82	3/85	3/86	1 yr.
52.	Lajkura/OC	25.79	1.00	28.75	—	2.96	8/83	3/88	3/88	—
53.	Rajgamar/UG	33.92	0.72	33.41	—	—	10/83	3/88	3/88	—
54.	Jagannath/OC	29.73	2.00	29.04	—	—	2/84	3/87	3/87	—
55.	Churcha West/UG	32.64	0.60	37.09	59.59	26.95	3/85	3/90	3/91	1 yr.
					(0.84 mty)					
56.	Gevra/OC	50.08	5.00	180.13	224.39	174.31	12/79	3/83	3/90	2 yrs. as per expnt. project
					(10.00 mty)					
57.	Dipka/OC	56.05	2.00	39.17	356.57	300.52	6/85	3/89	3/92	3 yrs.
					(10.00 mty)					
58.	Bangawar/UG	25.14	0.65	6.58	NA	—	5/85	3/90	3/94	4 yrs.
59.	Rajnagar/OC	12.43	1.00	25.59	25.54	13.16	10/79	3/86	3/88	2 yrs.
60.	Balgi/UG	28.00	0.60	17.33	NA	NA	9/83	3/89	3/92	3 yrs.
61.	Dhanpuri/OC	24.10	1.25	42.08	59.97	35.87	9/79	3/85	3/93	8 yrs.
62.	Balparhar/OC	57.38	2.00	56.01	122.09	64.71	12/82	3/89	3/91	2 yrs.
63.	Ramnagar/UG	7.65	0.72	16.81	23.23	15.58	9/78	3/84	3/88	4 yrs.

3.6 From the project-wise details it is noticed that there have been huge cost and time over-runs in many projects. The project cost and time schedules were revised in most of the projects. In some cases even scope of projects was changed subsequently.

3.7 Due to delay in completion of the projects in time there has been loss of production as indicated below:—

Name of Subsidiary Company	PR Production schedule in MT for the period 1985-86 to 1989-90	Actual Production in MT for the period 1985-86 to 1989-90	Shortfall in production in VII Plan period due to delay in commissioning of projects. (MT)
ECL	10.50	1.62	8.88
BCCL	44.35	10.80	35.55
CCL	39.13	36.72	2.41
NCL	84.05	66.29	17.76
WCL	17.25	15.97	1.28
SECL	3.17	19.57	13.60
CIL	228.45	150.97	77.48

3.8 The Committee pointed out that there have been huge cost and time over-runs in the coal projects completed by the coal companies. Asked about the reasons for it, Chairman, CIL replied as follows:—

“The first reason is land. Emotional and sentimental factors are attached to it more than the money we pay for it as compensation. Then there had been a pressure for the employment (from land evictees). There is also delay on account of emotional point from local youth, due to obstruction etc. The third main reason has been the equipment supplied, particularly by the indigenous public sector manufacturers.”

3.9 The Committee enquired from the Deptt. of Coal as to whether they had analysed the reasons for cost and time over-runs in the coal projects and whether the reasons were justifiable. Department of Coal stated in a written reply as follows:—

“It is obligatory for the Ministry to analyse the reasons for cost and time over-run at the time of approaching the Government for approval of Revised Cost Estimates for projects. In the past years, it has been observed that time and cost over-runs mainly have taken place due to delays in forestry clearance, and acquisition, delay in equipment supply and sometimes project reports prepared earlier requiring modifications in terms of latest knowledge of geology and/or mining method. There have also been cases where the geology of the block/coal seams have turned out to be more difficult than what was visualised in the original project report. Cost over-runs also occur

due to the factor of escalation because of long gestation period of 6 to 12 years in coal projects and there is no in built provision in the project reports to take care of this factor.”

(The main reasons are discussed in the succeeding paragraph)

C. Problems In Land Acquisition

(i) Procedural Difficulties

3.10 The main reason for delay in timely completion of coal projects is stated to be due to problems in land acquisition. At present for coal projects, land is acquired under the provision of the following Acts:

- (i) Land Acquisition Act, 1894 (LA)
(Administered by State Government)
- (ii) Coal Bearing Areas Act, 1957 (CBA)
- (iii) Forest Conservation Act, 1980 (FCA).

CIL brought out in a note that several difficulties were being faced by the Coal Companies under the provisions of the above Acts. In this connection CIL informed the Committee in a note that the physical possession of land and rehabilitation of land losers had become the most critical area in the timely and successful implementation of Coal Projects. This problem was beyond control of the management.

3.11 Asked about the impact of the problems in land acquisition under the above Acts on the coal projects undertaken during the last 5 years, CIL replied in a note that 17 projects got delayed on account of delay in land acquisition. The delay ranged from 1 year to 8 years. As regards the cumulative effect of the problem CIL stated that so far following projects had been affected by delay in acquisition of land.

Category	No. of Projects	Capital outlay (Rs. crores)
Projects withdrawn as land could not be resolved.	2	65.11
Projects which could not be started.	4	289.49
Projects which are affected due to land.	56	3357.69

3.12 To overcome the problems in land acquisition CIL had proposed certain amendments in Coal Bearing Act 1957 in June, 1988. On being asked by the Committee as to what extent the problems relating to land

acquisition would be removed after carrying out the proposed amendments in CBA Act, CIL in a written note stated as follows :

“If the proposed amendments are accepted in totality, following advantages would accrue :

- i) With provision for increased amount of compensation for land by providing for solatium and escalation amounts under CBA Act will make land acquisition under this Act at par with provisions under LA Act.
- ii) It will become possible to acquire surface rights over the lands the coal company has underground right.
- iii) Acquisition of land for infra-structural development, i.e. for non-mining use will be possible under CBA Act.
- iv) Acquisition of any premises where allied mining activities like any process ancillary to getting, dressing, preparation for sale of coal etc. is carried out will be possible under CBA Act.
- v) Provision of payment of compensation for Government land, will enable acquisition of Government land under CBA Act.

With out these proposed amendments to CBA Act, lands covered under categories (ii) to (v) above will have to be acquired through acquisition under L.A. Act which is long drawn process.”

3.13 Enquired about the latest position in regard to the proposed amendments, CIL replied in a written note as follows :

“The proposed amendments are under scrutiny of the Ministry of Law. Written clarifications were sought by Ministry of Law through Deptt. of Coal on 15th October, 1990 and the replies to the observation made by law have been sent to Department of Coal on 19.11.1990.”

(ii) *Agitation by Local Youths and Rehabilitation Programmes.*

3.14 Besides delay in acquisition of land due to procedural delays, under various Acts, agitation/disruption of work by local youths in the acquired areas for coal mines has also caused delay in completion of certain coal projects in time. During the course of evidence of the representatives of CIL the Committee wanted to know the steps taken by Coal Companies to satisfy the youth by rehabilitating the persons evicted from the acquired areas particularly the tribals. Chairman, CIL stated as follows :

“I have been rather paying special attention to this particular point. It is not my satisfaction that I am employing 1,80,000 tribals. As the principal employer, I am fully aware that their contribution to the growth of coal industry is something significant. It is this 25% of the people who are not only working very hard but they are innocent, they are simple, they are hard-working, they are committed to their

work. It is no longer true that we just pay compensation or give employment and keep quiet. What we are doing now is that apart from giving compensation, we are also trying to compensate his earning capacity. For every acre of land that we are acquiring, we are compensating him for the loss of the earning capacity. He continues to get Rs. 300 per acre plus Rs. 100. i.e. Rs. 400.

The second thing that we are doing is about the rehabilitation. This is a new concept, we have started doing it for the last 10 years. In Singrauli and Korba we have model rehabilitation villages where we try to re-create their own environment plus other facilities.

The third important thing that I have done is that I am providing training facilities to the tribal boys. In Singrauli we have started, in Bihar also we are doing it and then training them in various trades as we are doing in our ITIs. We have our own training institute."

He further added :

"Every day I need around 10000 trucks to carry my sand and coal. Today we are going for a tender like a real Government Department and a lot of malpractices creep in. I have offered these trucks to all these tribal boys. If four of the tribal people come for a truck, I will give it to them. they will own the truck and the work will be guaranteed and assured and we shall give bank guarantee for repayment so that they can have one or two or three trucks. It is just catching up."

3.15 On being pointed out by the Committee that still there were rehabilitation problems in certain areas, the witness stated :

"I am not claiming that we have completely handled the problems of tribal rehabilitation. I am only saying that these are the schemes So far as the village is concerned in Korba the World Bank representatives have gone and appreciated."

3.16 In reply to a further query about finding solution to the rehabilitation problems, Chairman, CIL informed the Committee as follows :

"Land acquisition has been a problem affecting not only the eastern area but it is there all over the country. The recent package-Sonepur Bazari package of rehabilitation has found its acceptability with all concerned. Though it has taken quite some time, now all over by and large and the State Governments and all the affected people are accepting it, I hope that that problem will not plague us in future."

Elaborating it further, the witness stated :

"This package has been prepared after elaborate discussions where all plus and minus points have been taken into consideration..... This time in my opinion it will be a success because it has been put to test, people have gone there and they have accepted it. We are offering this formula in other

areas also. As a matter of fact the Karnataka Government, after reading it in the newspaper, have asked for the details about the Sonepur project. It is known by everybody.”

Explaining the salient features of the Sonepur Bazari Rehabilitation package, CIL stated in a note :—

“The Rehabilitation package for land losers as finalised by Government of India envisage the following :

- i) To the extent new employment opportunities get created in the project in unskilled and semi-skilled categories, these will be reserved entirely for the land oustee families.
- ii) Suitable vocational training facility would be provided to the land losers to upgrade their skills for employment in other categories of jobs in the project, on a preferential basis.
- iii) Alternative house site with suitable infrastructure will be provided to all evictee families. Each evictee family would be paid shifting allowance upto Rs. 2000/- and lumpsum grant of Rs. 5000/- towards housing.
- iv) Cash compensation for the land to be acquired will be deposited with the district administration in advance so that there is no delay in payment of compensation to the land owning displaced families.
- v) Families which are not beneficiaries of employment for one of their member, would be paid subsistence allowance for 20 years at the following rates :
 - a) To families losing land upto one acre At the rate of Rs. 300/- per month plus an ex-gratia amount of Rs. 100/- per month per family.
 - b) Families losing above one acre Rs. 300/- per month per acre subject to a maximum of Rs. 1000/- per month plus an ex-gratia amount of Rs. 100/- per month per family.

The amount of subsistence allowance at the rates stated above would be capitalised on a 20 year basis and placed at the disposal of the concerned State Government for disbursement to the land losers.”

3.17 During evidence the Committee pointed out that during the last 5 years as many as 17 coal projects suffered slippages on account of land acquisition problems and wanted to know the steps taken/proposed to be taken to solve the problem. The Secretary, Department of Coal stated as follows :

“Sir, basically the coal projects are by and large location specific. The

sites cannot be changed. You have to get a particular land for implementing a coal project. Availability of land becomes a very crucial factor as far as implementation of a coal project is concerned. Now, there are two or three major issues, which are involved in obtaining the possession of land. One is the acquisition of land. The second is the rehabilitation of the people who were affected by the land acquisition. The third is that if there is any forest area on that land, then under the Forest Conservation Act, permission has to be taken. The fourth dimension is that the overall environment of that area has to be taken note of and certain measures have to be projected and implemented for protection of the environment of that area. Now, what we are doing is that we are giving clearance to a project in two stages. In the first stage, we are taking all the preparatory actions—action for land acquisition, preparing schemes for rehabilitation of the people who have been affected because of the land acquisition. We interact with them and find out as to how they can be resettled. Also the preparation of Environment Management Plan, making applications for forest clearance. Also these issues are being sorted out in the first stage. We sanction upto an amount of Rs.10 crores for taking all these preparatory actions. We have also institutionalised some of these arrangements by evolving a new package for rehabilitation of the land oustees. This package was evolved very recently in the case of Sonapur Bazari project and this has been made applicable to all the coal projects in the country. We have prepared a note on the basis of this project for the consideration of the Cabinet. The note is very much before the Government. It is much more specific and much more liberal package than the Sonapur Bazari project. We have modelled this package on the basis of the Narmada package, which is being given in Gujarat and Madhya Pradesh. So, it would be possible for us to get over this problem.”

3.18 As regards the follow-up action and co-ordination with State Governments for land acquisition, the witness stated :

“After the sanction of the Advance Action Plan, we monitor as to what is the progress in regard to all these issues at the level of the Company, at the level of the Coal India and at the level of the Government. We get regular reports. We also take up the matter at the level of the Chief Secretary. The minister takes up the matter at the level of the Chief Ministers. We are constantly interacting with the State Governments relating to all these issues.”

3.19 The Committee further enquired as to whether coal companies undertake community development schemes like supply of drinking water,

electricity, construction of roads, medical facilities etc. in the coal mining areas. Department of Coal replied in a note as follows :—

“The integrated Annual Plans for Welfare include Community Development Programme. Companies have approved norms and budget for community development which also embraces Government’s 20-Point Programme. Areas select the need-based projects and on their recommendations the proposals are screened at the Apex Level and financial sanction given within the available resources. The programme is implemented by the Areas. Community Development Programme generally include following types of Projects :

Well Sinking,
Village tank re-excavation,
bus stand (Rest shade) construction,
Village link roads construction,
Community centre construction etc.”

iii) *Environment clearance*

3.20 Besides problems in land acquisition certain coal projects have been delayed due to delay in getting environment clearance. Asked about the steps taken to expedite environment clearance, CIL replied in note as follows :

“Clearance of EMP is a pre requisite for sanction of a coal project. At present, EMP is processed concurrently with the project report. Environmental and concurrent forestry clearance have to be taken, failing which either of the clearance lapses.

After finalising a coal project, activities for land acquisition are taken up. From 1982 onwards, to cut down on the time taken for sanctioning of a project, advance action proposals are being sanctioned mainly with the purpose of initiating activities and making payment towards land acquisition. The Department of Coal vide its letter No. 43011/22/86-CPA dated 7.6.1990 has intimated that with a view to obviate delays in land acquisition especially forest land and rehabilitation of land oustees, all project reports costing Rs. 50 crores and above will be approved in two stages. The first stage would be the approval of an ‘Advance Action’ proposal upto Rs. 10 crores and will take up activities pertaining to land like-i) surveys for various types of land, including forest land (ii) acquisition of land including forest land and payment of compensation to the land owners (iii) rehabilitation of land evictees including the cost of resettlement colony, and (iv) collection of environmental data and preparation of EMPs. In the second stage, the feasibility report of the project will be taken up for investment proposal. The time allowed for implementing the Advance Action Plan will be 30 months from the date of sanction of the Advance Action Plan. Within this period, the feasibility report is to be formulated and got approved from the

Government. Environmental clearance is also to be obtained during this period. At present about 40 Advance Action Schemes are under implementation.”

D. Delay in Equipment Supply by indigenous suppliers

3.21 According to CIL another reason for delay in project implementation is delay in equipment supply by indigenous manufacturers. For instance in Churha UG, the LWPS equipment was supplied by Jessops with a delay of 16 months. In Jayant OCP, 1st, 2nd and 3rd draglines were supplied by M/s. HEC with delays of 22 months, 35 months and 42 months respectively. In Bina OCP, the 1st and 2nd draglines, also supplied by M/s. HEC, were supplied with delays of 42 months and 57 months respectively.

Asked about the action taken to remove this constraint, Chairman, CIL stated during evidence :

“These public sector manufacturers have entered into collaboration with foreign collaborators and the collaboration, perhaps, was defective because when they enter into collaboration with foreign companies, they do not obtain our technical clearance. When we have to do that work, later on we find that there is delay because of the defective contractual obligation between the public sector companies and foreign collaborators. We have identified that also. In each case where there is a collaborator, we have formed a strategic action group consisting of Coal India Limited the concerned public sector company and the foreign collaborator. we sit together and meet once in two months sometimes earlier than that.”

3.22 During evidence of the representatives of Department of Coal the Committee pointed out that as the suppliers were public sector companies, the administrative Ministry should have coordinated with the other concerned Ministries controlling the supplier undertakings and that could have avoided much delays in procurement of machines/equipments. Asked about the steps taken by the Department of Coal in this direction, Secretary Coal stated as follows :

“As far as the arrangement for inter-action with the suppliers is concerned, we have two types of arrangement. One is institutionalised arrangement and the other one is the arrangement that we have with them on a periodical basis. So far as institutional arrangement is concerned, now we have put our senior officers in the Board of Management of these companies. Now there is much better coordination than it was earlier. Then, we hold periodic meetings with all the suppliers. The meeting takes place at any level and the CMDs of these companies, Coal India officials are also present.”

He added :

“The other thing is regarding certain advances which are to be paid to the suppliers before they can execute our orders. There used to be a lot of delay in making payments from our side and their supplying machines also. We have decided that 10% advance should be given to them along with the placing of order for the machines. On a regular basis, we ensure that Whatever funds are available with us are first made available to the public undertakings who supply us machines. They have been given first priority in so far as payment of dues is concerned. Now our supply position has gradually improved. In regard to supply of spares, a large number of depots have been opened at our instance by most of the suppliers for supplying main equipment. Earlier, the ordering of machines was done in sporadic manner. Now we have asked the coal companies to project the requirements in advance for example, requirements for the next year in advance. Whatever ordering is to be done, we have already placed orders with the suppliers. We are making bulk orders to these suppliers companies in advance so that they know our programme of ordering and on the basis of that they can also arrange for their own supplies. This has been resorted to from 1991 and we can expect that there will be better delivery of equipment by these companies.”

E. Change of scope of Projects

3.23 During the examination of CIL the Committee pointed out that in case of many projects, the scope of projects was changed or enlarged at later stages. In certain cases technology used in the projects was not even found suitable and had to be changed. Asked as to why these factors could not be anticipated at the time of preparing feasibility detailed project reports, CIL replied in a written note as follows :

“The factors like change in scope of projects, enlarging scope at a later date and change of technology could not be anticipated in many cases because of the following factors :
in many cases because of the following factors :

- (i) The limitation of exploration technology for accurately predicting geo-mining conditions. Even with the most sophisticated exploration technologies small faults, dykes, discontinuities in the strata etc. cannot be predicted. In intensive mechanised mining like PSLW, presence of dykes or number of small faults create insurmountable problems in making a success of the technology and cannot be adopted.
- (ii) Change in demand pattern,
- (iii) With improvement in technology, higher stripping ratio is becoming viable.
- (iv) A conscious decision at the time of formulation of the project report to implement it in phases.

(v) Development and commercial application of more viable technology since the formation of the project report.”

F. Cost escalation due to inflation

3.24 While elaborating the reasons for cost escalation Chairman, CIL stated during evidence before the Committee as follows :

“We have prepared and submitted a project cost. Subsequently there are certain very basic escalations. There are foreign exchange variations, variations in excise and other duties. During the period of 7 years we are not permitted to provide for any escalation. They say please provide at the stage of revised cost estimates. During the seven years, due to various factors it gets reflected in the project cost.”

Explaining it in further CIL stated in note as follows :

“In element escalation plays a vital role are with the capital cost estimated on a particular date, i.e. when it is put up for consideration of Government. No provision is made for future escalation in the capital cost of the project over the period of construction. Coal projects have a long gestation period about 6-8 years for an open cast project and 10-12 years for an underground project. Even with a moderate rate of inflation of 9% during the period of construction, it is evident that the capital cost of a coal project, even if it is on schedule and the scope of the project is kept the same, will double over a period of 8 years.”

3.25 During evidence of the representatives of Department of Coal, the Committee wanted to know as to why no provision was made for inflation at the time of preparation of cost estimates, particularly in view of the fact that coal project take a minimum of 6 to 12 years for completion. The, Secretary, Department of Coal stated as follows :

“The project is formulated on fixed cost basis and cost escalation are not built in. We have been pressing with the Planning Commission and the Finance Ministry that we should be able to project the cost escalation that could take place due to either inflation or in normal course due to increase in statutory duties etc. These are some of the issues which are already under the consideration of the Government. But the Government has its own problems because all these plans are prepared on fixed cost basis. There is no escalation clause built into the plan. That is why, the Government does not permit automatic escalation to the project authorities although World Bank insists on escalation clause built into the project. There are some papers under consideration of the Secretaries Committee and the Government would try to take care of these issues. Two or three

meetings have already taken place where these issues have been raised.”

G. Monitoring System in CIL

3.26 In the context of huge cost and time over runs in several projects the Committee wanted to know as to whether CIL management had analysed the reasons for cost and time over-runs in all cases and whether the responsibility was fixed on the concerned officers. CIL stated in a written reply as follows:

“Review of cost and time over-run projects have revealed that in majority of the cases, the time overrun and cost overrun has been due to reasons beyond the control of the management at the project level. However, in few cases it was felt that the local management at the project level had not applied themselves to such problems and they were transferred out. Examples of such cases are Pootkee Balihari Project, Block II, Moonidih, Rajmahal, Jhanijra etc.”

3.27 When asked about the steps taken to expedite the completion of projects while overcoming the problems which were within the control of the management, Chairman CIL stated as follows:

“Some four five years back, this project used to be monitored at the project level. We never used to have a continuity in the management of the project. Today a man who is nominated as a project Manager cannot be shifted. I have to keep the Government informed that I am shifting the particular men. Before that every six months people used to move about. We could not fix any responsibility on anybody. We have taken various steps for improvement of project implementation. I myself am doing it every month to take up review of a project.”

3.28 On being enquired by the Committee as to whether Coal Companies could complete certain projects in time, Chairman, CIL stated:

“We have got quite a few creditable achievements.”

3.29 The Committee on Public Undertakings (1980-81) had brought out that there was cost and time over runs in 7 major projects (costing each over Rs. 20 crores). The Committee had also recommended for strengthening the project planning, monitoring and appraisal systems in coal companies. However it came out during the examination that the cost and time over-run in these projects increased subsequently. The Committee pointed out that in spite of specific recommendations of the Committee on Public Undertakings (1980-81) to the effect that the project planning monitoring and appraisal systems should be strengthened, the same projects got further delayed resulting in huge cost escalations. Asked about the steps taken to strengthen the project implementation system

after the Committee's recommendation in (1980-81), CIL stated in a post evidence reply as follows:—

“Coal India Limited has brought about significant improvement in project planning, appraisal, monitoring and its implementation. Presently Project Reports prepared by CMPDIL have been improved upon as more and more geological and other data are collected before finalisation of the mining technology and other aspects of the project. Borehole density for exploration has been brought to the level of 10 Boreholes/sq. km. against earlier level of 4 to 8 Boreholes/sq. km. Hydrogeological studies are made with advanced and sophisticated techniques. Quality of coal is assessed more accurately as number of boreholes in exploration has been increased. For land acquisition, Advance Action Proposals are being sanctioned to avoid delay caused by land acquisition. Alternatives of exploration are considered to decide the optimal technology and return.

Appraisal system has been made vigorous. The draft Project Report is discussed by the Planning Committee at the company level where representatives from CMPDIL, Directorate General of Mines Safety, Railways and all other concerned Agencies are present. The Project Report is then finalised.

Subsequently, the appraisal is done by the respective company Boards and a high Powered Committee viz., Empowered sub-Committee to CIL Board before approval of the project by Competent Authorities. CIL monitors on a regular basis the progress of implementation of the projects. Regular feedback is obtained from the subsidiaries from the following reports:

1. Quarterly Reports:

Project-wise quarterly progress in respect of physical progress as well as headwise expenditures are received from the subsidiaries.

2. Flash Reports:

A projectwise, monthly report has been introduced for project costing Rs. 100 crores and above for monitoring the construction activities of those projects which are being closely monitored by Deptt. of Coal as well as Ministry of Programme Implementation. The slipping milestones are identified and interaction with concerned responsibility centres are made to avoid time and cost over-run of these milestones.

3. MIS-15:

This monthly report covers the details of all construction activities.

4. Exception Report:

This report is brought out every month on exception basis with the purpose of critical analysis of the problem areas.

5. C.H.P.:

This report gives details in terms of physical, financial and time aspects of the activities involved in the CHP construction and identified areas which need corrective action.

6. Railway Siding:

This report generates the information on railway siding work to be taken up, under construction and actions required at different levels to expedite the construction activities. When required, meetings are held with the Railway Authorities.

7. Land Acquisition:

A detailed report indicating the total amount of land required, purpose for which it is required and the Act under which the acquisition proceedings have been taken up/are taken is prepared every month. The present status of land acquisition and the cases which have been held up for a long time are brought out in the report.

8. Environment:

This report gives an upto date position of Environmental Management Plans under execution, under approval and under formulation.

Regular visits are being made by Chairman, CIL Director (Tech.), CIL and officers of Project Monitoring Division, CIL for on-the-spot study of the various activities. During these visits, decisions are taken jointly on the actions required to be taken on slipping activities to avoid time and cost over-runs.

Two coal projects costing more than Rs. 100 crores are being reviewed at every meeting of the Board of Directors of CIL. On the basis of MIS-15 report, bar charts are brought out every month with critical analysis of the problem areas for putting up to Board of Directors, Chairman and Director (Tech.), CIL.

For project implementation in the subsidiaries, the following organisational structure exists;

- One Director (projects) has been exclusively posted for the purpose in every subsidiary.
- A Project Monitoring Cell has been established at every Hqrs. and is headed by a CGM/GM (projects) who reports to the Director (Projects) of the Company.
- The CGM/GM is assisted by a Multidisciplinary team of officers.

- For major projects, a Project Monitoring Cell has been/is being established at project level.

Revised Cost Estimates (RCE) are prepared before the actual cost over-run takes place. Whenever a project spends more than 50% of the capital outlay sanctioned, a mandatory review is being done to assess the likely cost of the project on completion and action is initiated for preparation of the RCE if the anticipated cost is likely to exceed the sanctioned cost. The RCE prepared during a year is listed out in the Memorandum of Understanding between Coal India Limited and Government. Constant Monitoring is done to see that the RCEs are prepared in time. All the RCEs prepared are critically examined by the appraisal bodies of CIL and Companies. The IMG, PIB & CCEA of Government scrutinise the reason for time and cost over-run and only after approval by these Bodies, the project is sanctioned by Government.”

3.30 On being further pointed out by the Committee that inspite of monitoring of projects at different levels the cost and time over-runs were still taking place, Chairman, CIL stated during evidence as follows:

“It is not fair on my part to say that in the past there was lack of implementation. When for the past four years we have brought down the deficiency, it shows that deficiency was there. We are in a continuous process of improvement and we have adopted the computerised monitoring system at various levels on a weekly and fortnightly basis. Obviously, earlier the monitoring was being done in a very perfunctory manner. But today, if there is slippage, the Managing Director cannot excuse himself because we have given him all the facilities of monitoring.”

Monitoring System in Ministry

3.31 During examination of Department of Coal the Committee wanted to know the monitoring system in the Deptt. to review the implementation/execution of Coal projects. Department of Coal stated in a written note as follows:

“Department of Coal has its own Management Information System (MIS-15) to receive every month, in a prescribed format, Status of on-going projects, each costing Rs. 20-00 crores and above. Quarterly Monitoring Report (QMR) is also received from coal companies for all on-going projects costing Rs. 2.00 crores and above. Under ‘Flash Report’ System of monitoring for projects costing Rs. 100-00 crores and above, position regarding achievement of identified milestones is received every month. Since it has been found that the acquisition of land, rehabilitation of displaced persons and supply of machinery by indigenous manufacturers are critical for implementation of major projects, the Department of Coal have been regularly monitoring these aspects for on-going projects costing Rs. 100.00 crores and

above. Status of implementation is prepared on the basis of these reports for review at the Ministry.”

3.32 The Committee further enquired as to how many review meetings were held by the Department during each of the last 3 years to review the implementation of the on-going projects. The Department of Coal stated in a written note as follows:

“The progress in execution of projects costing Rs. 100-00 crores and above is being monitored every month and that of projects costing Rs. 20 crores to Rs. 100-00 crores once in every three months. On the basis of these monitoring reports, Status papers are prepared which are reviewed regularly in the Department of Coal. Besides, review meeting are taken with the officials of coal companies in the Department as well as by site visits by Secretary (Coal), Adviser (Projects) and other officials of the Department of Coal. Such reviews with CIL/subsidiary companies undertaken during last 3 years are:

1987-88	—	6
1988-89	—	21
1989-90	—	18”

3.33 Asked about the instructions/directions issued to coal companies arising out of these reviews, Department of coal stated in a written note as follows:—

“Generally, instructions on corrective measures had been on

- (i) Expediting establishment of mine entries;
- (ii) Expediting construction of Rly. Siding and CHP;
- (iii) follow-up with the public sector companies for early supply of equipments/early execution of turn-key construction; and
- (iv) follow-up with the State Government in expediting pending land cases.

Out of the four issues listed above, it was felt at the Department that coal companies require support at the Ministry level on expediting land cases and supply of equipments. Department of Coal are taking up the cases at appropriate inter-ministerial levels for resolving the issues. Some of long pending cases were taken to the ‘Task Force’ on land headed by the Cabinet Secretary and rehabilitation package for displaced persons to the Committee of Secretaries. Regular meetings are undertaken at the Department of Coal and the Officials of Public Sector mining equipment manufacturers and their Administrative Ministries.”

3.34 On being pointed out by the Committee that in spite of so many reviews how could the Ministry not take timely corrective measures to

avoid heavy time & cost over-runs, the Department of Coal replied in a note as follows:—

“With the close monitoring of the projects under implementation some of the projects listed under 63 number of projects could since be completed. These are (i) Moonidih u/g, (ii) Sudamdih u/g, (iii) Kathara OC, (iv) Rajrappa OC, (v) Jayant O.C., (vi) Bina O.C., (vii) Jhingurdeah OC, (viii) New Majri OC, (ix) Umrer OC, (x) Kusmunda OC, (xi) Gevra OC, (xii) Rajnagar OC and (xiii) Ramnagar u/g. Besides, land acquisition problem in case of Sonepur Bazari OC, Amlohr OC, Kakri OC, Sasti OC, Bharatpur OC & Dhanpuri OC could be mitigated to a large extent. Some of the projects like Dhemomain u/g, Amritnagar u/g, Rajmahal OC had cost revisions due to expansion of the capacities. It is submitted that in case of coal projects with long gestation period of 6-12 years, there would be some cases of cost over-runs even if the projects are not time over-runs.”

J. Delay in According Government approval

3.35 As per the guidelines issued by BPE, administrative Ministries are required to sanction the project proposals submitted by the Undertakings under their administrative control within six months. As against this the following table gives the time taken by Department of Coal in according approval to the coal projects which were sanctioned during the last 5 years:

Name of Company	No. of projects sanctioned within six months	No. of projects sanctioned within 6-12 months	No. of projects sanctioned within 12-24 months	Projects sanctioned in more than 24 months	Remarks
1. Eastern Coalfields Ltd.	3	2	5	6	Sarpi UG & Lauthoha UG, took 76 months and 60 months respectively. RPR of Satgram awaiting approval since May 1989.
2. Bharat Coking Coal Ltd.	1	—	7	3	Madhuban Washery and D&F Ropeway took 45 months and 39 months respectively. Revised Project Reports of two projects awaiting approval since Februray/March, 1989.
3. Central Coalfields Ltd.	—	1	4	5	Rajrappa washery & Rajrappa OC took 43 months and 34 months respectively. RCE of Dhori West and Sel Dhori are awaiting approval since May 1989 and February 1988 Respectively.
4. Northern Coalfields Ltd.	1	2	5	3	Jhingurdah and Kakri OC took 37 and 33 months respectively. Central workshop & Amrohi Projects are awaiting approval since 01/89 & 08/89 respectively.
5. Western Coalfields Ltd.	3	6	4	2	Central Workshop Chandrapur Project took 55 months. 3 project are awaiting approval from February 1988 onwards.
6. South Eastern Coalfields Ltd.	3	3	6	3	Rajgamar UG took 40 months. Projects submitted in July, 1989 onwards awaiting approval.
	11	14	31	22	

3.36 The Committee pointed out that the Department of Coal had taken undue long periods in sanctioning to sanction the coal projects. Asked about its reasons, Department of Coal stated in a written note as follows:

“Every effort is made to sanction projects as early as possible. However, since environmental clearance is essential before the investment proposal can be taken to PIB/CCEA, the delay in approval is invariable on this count....This problem has been deliberated at the level of Committee of Secretaries and a number of suggestions to expedite forestry and environment clearance are under consideration”.

3.37 As per the Annual Report of CIL for the year 1989-90, at the end of March 1990 as many as 54 coal projects including RCE/RPR were pending with Government for approval. Asked about the reasons for not according Government approval to these projects, Department of Coal furnished the following reasons:

“Break up of these 54 projects (ECL-7, BCCL-7, CCL-18, CIL-1, WCL-7, NCL-3, SECL-11) mentioned as pending as on 31.3.90 is given below:

(i) Proposals returned or withdrawn by coal company	— 11
(ii) Copies of PR not received	— 1
(iii) Advance action sanctioned	— 11
(iv) Projects returned for sanctioning under delegated powers of CIL	— 5
(v) Proposals sanctioned till 28.2.91	— 9
(vi) Pending at present as on 1.3.91	— 17
Total	<u>— 54</u>

3.38 Explaining it further, Secretary Development of Coal stated during evidence as follows:

“The powers of the coal companies have been enhanced. We have returned some projects because now they themselves can take decisions. In one case, project report has not been received. In five cases, projects have been returned because it comes within the competence of Coal India. In nine cases, we have sanctioned the projects and in 17 cases, projects are pending with us for one reason or the other. I just want to make one point here. A large number of projects are sent to us. We have taken a decision a few days ago for creation of a shelf of projects and based on that they will keep on sending projects to us”

He added:

“Earlier it was found that we used to take investment decisions. But we could not provide enough funds. So, the projects used to get delayed...with the result there used to be time and cost over-runs. We could not pay our supplier, contractor and there was a certain amount of indifference in so far as availability of funds is concerned. Now, we have taken a decision that unless we tie up the funds we will not sanction these projects. Every year we are providing on an escalated basis as to what will be the requirement of funds, whether we should take more projects considering the availability of funds etc. That is why some of the projects which are with us are not put up for Cabinet’s decision because we don’t have the kind of funds which we require.”

3.39 The Committee note that there has been massive investment in the coal industry since its nationalisation in 1973 and upto March, 1990 CIL and its subsidiaries have invested Rs. 9621 crores in coal/non-coal projects. As against the capital expenditure of Rs. 5531 crores during 7th Five Year Plan (1985—90), the Plan outlay for capital expenditure during the 8th Plan period has been proposed at Rs. 10499 crores. For this investment the Department of Coal has indicated certain priorities. In view of the shortage of coking coal in the country, highest priority has been accorded to coking coal projects. The Committee also find that at present the ratio of coal produced from the underground mines and open cast mines is one-third and two-third respectively. Admittedly better quality of coal lies in underground mines. In view of this situation the Committee feel that there is urgent need to increase the coal production from underground mines. For this, besides, coking coal projects, priority has to be accorded to underground projects also.

3.40 Examination of the major coal projects of CIL and its subsidiaries by the Committee which were sanctioned/completed or were under construction during the last 5 years (1985—90) has revealed that there has been huge cost escalations as well as time over-runs. The project cost and time schedules were revised in most of the cases. In some cases even scope of projects/technology to be used were changed subsequently. Out of the 63 projects which were completed/under-completion during this period as many as 38 projects were delayed or expected to be delayed beyond their scheduled date of completion and the delay ranged upto as many as 11 years. Besides, one project was uncertain and another project was deferred due to fire. Similarly out of the total 63 projects cost escalations took place in case of 40 projects. Since the details of all the projects have been given in the Report (pp. 34-36), the Committee would not like to refer to each and every project. Some of the glaring instances of cost escalation are Rajmahal, Jhanjra, Moonidh, Jayant, Amlohri projects where the cost escalations were of the order of Rs. 475 crores, Rs. 299 crores, Rs. 165

crores, Rs. 260 crores, Rs. 206 crores, respectively. Similarly there has been delay in completion of the projects to the extent of 9 years to 11 years in case of Rajamahar, Moonidh, Sudamadih, North Amlabad and Bina projects. These facts present a dismal picture. The enormous cost escalation in the coal projects has made the exercise of framing cost estimates a futile exercise as revised estimates/actual expenditure have increased several times to the original estimates. At this stage the Committee cannot but deplore the huge cost and time over-runs of such magnitude in coal projects.

3.41 Due to delay in completion of projects, besides the enormous increase in capital expenditure, desired production capacity could not be built up in time and on this account alone during the last 5 years there has been shortfall in production of coal to the extent of 77.48 million tonnes. The cost and time over-runs have been attributed mainly to delay in forestry clearance/land acquisition, delay in equipment supply and sometimes project reports prepared earlier requiring modifications in terms of latest knowledge of geology or mining method. However, the Committee have not been impressed by the explanation of CIL as well as Department of Coal that cost and time over-runs were beyond the control of the management. The very fact that only recently some officers have been transferred from certain project on account of their non-performance makes the Committee feel that time and cost over-runs are mainly on account of inert attitude of the management. The Committee desire that in order to make the monitoring system more effective, senior officers should be made responsible for completion of the projects within the stipulated time which in turn will ensure their active involvement in project implementation. Needless to emphasise that adequate disciplinary action should be taken against the officers found neglecting their duties.

3.42 The main reason for cost and time over-run in coal project has been attributed to the problems in land acquisition. The grave of the problem has been so much that so far as many as 56 projects involving a capital outlay of Rs. 3358 crores have suffered on this account. During the last 5 years alone as many as 17 projects were delayed on account of delay in land acquisition. The land for coal projects is acquired under 3 acts viz. Coal Bearing Areas Act, 1957, Land Acquisition Act, 1894 and Forest Conservation Act, 1980. Coal Companies have been facing various problems due to procedural delays in land acquisition under these Acts. At the instance of CIL a proposal for certain amendments in Coal Bearing Act was under consideration of the Government. The Committee are of the opinion that all the three Acts should be reviewed and amendments as deemed are necessary to simplify the procedure for land acquisition for coal projects should be carried out expeditiously. In regard to land acquisition for coal projects, the Committee would also urge for a better and close coordination between the Central Government, the concerned State Governments and the Coal Companies so that coal projects do not suffer due to delay in land acquisition.

3.43 Besides delay in land acquisition certain projects are reported to have got delayed due to agitation/disruption by local youth for jobs and rehabilitation of the persons evicted from the land acquired for the coal projects. The Committee are apprised that recently a rehabilitation package has been signed with the displaced persons in respect of Sonapur Bazari Project and the same has got acceptability of the concerned State Governments as well as all affected person. This package according to CIL and the Ministry is more liberal and has been made applicable to all coal projects in the country. The Committee are also informed that the Government is considering an improvement over Sonapur Bazari Project package on the pattern of Narmada project which was applicable to Madhya Pradesh and Gujarat. The Committee hope that with these packages for rehabilitation programmes, the coal companies will get over the problems of land acquisition which has affected many projects in the past. The Committee would like to be apprised of the details of the new rehabilitation package, after it is finalised and approved by the Government.

3.44 Even though CIL has informed that Coal Companies have done much for rehabilitation/community development schemes for land evictees, the Committee feel that a lot of work is yet to be done by the Coal Companies in this regard. The recent steps taken by CIL for imparting training to the tribals and giving trucks to tribals to carry out the transportation work in Coal Companies are some steps in the right direction. The Committee desire that in view of magnitude of the problem of human settlement all necessary steps be taken by the Coal Companies to rehabilitate the land evictees as most of the person in rural areas do not have any other source of income except the agriculture. Further efforts should also be made to improve the community facilities like houses, schools, electricity, drinking water so that fruits of the development also reach the deprived citizens particularly the tribals. The Department of Coal should also fully involve itself in the rehabilitation programmes and provide necessary help to the Coal Companies.

3.45 Another factor which has caused delays in respect of certain projects is delay in environment clearance. Clearance of Environment Management Plan (EMP) is pre-requisite for sanction of a coal project and the same is now being processed alongwith the project report. To cut down the time in getting environment clearance Department of coal had asked the coal companies in June 1990 to get the projects (costing over Rs. 50 crores) approved in two stages. The first stage would be the approval of a advance Action Plan proposal upto Rs. 10 crores which will be utilised for surveys of land, acquisition of land including forest land, rehabilitation of land evictees, collection of environmental data and preparation of EMP's. Coal companies are required to implement the 'Advance Action Plan' within 30 months from the date of its approval. Within this period Coal Companies are also required to prepare and seek approval of feasibility

reports alongwith environment clearance. About 40 Advance Action Schemes were reportedly under implementation by the coal companies. The Committee would like the coal companies to implement all the Advance Action Plans within stipulated time so that the concerned projects are taken up for implementation in time.

3.46 Yet another factor which has delayed the implementation of coal projects is stated to be due to delay in equipment supply by indigenous manufactures and that too by the public sector undertakings like Jessop Co. and Heavy Engineering Corporation. These companies delayed the supply of required equipment to the extent of 16 to 57 months particularly in Churha, Jayant and Bina Coal Projects. It appears to the Committee that CIL as well as Department of Coal did not have better coordination with the concerned authorities at the appropriate level. Chairman CIL informed the Committee that in the past the supplies were having faulty foreign collaborations and now the coal companies were being consulted at the time of foreign collaboration agreements and regular meetings were conducted ensure timely supply of equipment etc. The Committee were also informed by the Coal Secretary that to ensure better coordination with the supplier undertakings senior officers of the Department of Coal had been appointed on the Board of these companies. Secretary was also can did in his admission that in the past there had been delays in payments to the supplier undertakings. To obviate this, the Coal Companies have been asked to pay advance payment so that supplier undertakings do not suffer on account of financial constraints. Besides, within the available funds, priority of payment has been accorded to these companies. The coal companies have also been asked to place orders of machinery equipments in advance so that suppliers also make their production plans accordingly. These steps are stated to have been resorted to from 1991 onwards only. The Committee trust that with these steps the position of equipment supply will improve. In case of any difficulty coal companies should not hesitate in seeking help from the administrative Ministry in this regard. The Committee also desire that as far as possible coal companies should place order for procuring various equipments/machines from the public sector undertakings like Mining & Allied Machine Corporation; Jessop & Co. and Heavy Engineering Corporation which have large infrastructure and capabilities to manufacture the mining equipments/machines.

3.47 The Committee also find that in case of certain projects the scope of projects was changed or enlarged at later stages. In certain other cases technology used in the projects was not found suitable and had to be changed subsequently. In this connection CIL informed the Committee that this happened due to difficult geo-mining conditions, change in demand pattern and availability of advanced technology at later stages. In view of having separate subsidiary company viz. CMPDIL, which is engaged mainly in research and planning work, the Committee feel that such things could be anticipated. The Committee once again emphasise the need for putting

utmost efforts to ascertain the actual geo-mining conditions at the time of preparation of feasibility project reports so that the projects do not suffer at later stages.

3.48 While explaining the reason or cost over-run in coal projects Chairman, CIL informed the Committee that at present there was no provision for inflation at the time of preparation/approval of projects. Since the Coal projects take around 6-8 years in case of open cast mines and 10-12 years for an underground mines for completion, the capital cost becomes double even if the coal project is completed as per schedule and the scope of project remains the same. Agreeing to the view expressed by Chairman, CIL, Coal Secretary stated that projects were being formulated on fixed cost and cost escalation was not built in. The committee feel that by not providing any escalation in the project cost, the same are to be revised frequently and require approval from various agencies of the Government which in turn requires duplication of efforts for revising/updating/modification of projects reports and may further delay the completion of the projects. The Committee accordingly recommend that Government should allow some provision for inflation at the time of finalisation/approval of the projects to make the cost estimates more realistic. They further recommend that the Government should examine the feasibility of introducing inflation accounting in public sector undertakings.

3.49 The Committee on Public Undertakings in their earlier Reports on Coal India Limited (1980-81) and Eastern Coalfields Limited (1986-87) had pointed out several deficiencies in project formulation and monitoring system in coal companies as well as in Department of Coal. The Committee now find that the Coal Companies have brought out significant improvement in project planning, appraisal, monitoring and implementation. Similarly Department of Coal is now reviewing projects regularly and it took as many as 21 and 18 review meetings for ongoing projects during the years 1988-89 and 1989-90 respectively. With the close monitoring of projects out of 63 ongoing projects, 13 projects have since been completed. The Committee once again emphasise the need to monitor the projects on regular basis for their timely completion so that cost and time over-runs could be avoided in the implementation of the coal projects.

3.50 The Committee are distressed to note that Government take undue long period in according approval to the coal projects. As against the norm of 6 months period in according approval, Government took 6-12 months in 14 projects, 12-24 months in 36 projects and more than 24 months in case of 22 projects. According to the Department of Coal the main reason for delay in according Government approval has been due to delay in environment clearance by the Ministry of Environment. Department of Coal has now informed that to overcome this problem the Government is sanctioning projects in two stages. In first stage approval is given for advance action plan which covers the environment clearance, land acquisition, rehabilitation programmes etc. The second stage covers the

feasibility/project reports. In this connection Coal Secretary also informed the Committee that by giving powers to CIL to sanction projects costing upto Rs. 50 crores, certain project proposals have since been returned to CIL. The Government has also decided to sanction only those projects for which necessary funds are available. Besides, recently Government has introduced a system to process the project proposals on regular basis. With these steps, the Committee hope that projects will now be cleared by the Government in reasonable time so that the cost of the projects do not increase on account of delay in Government approval.

CHAPTER IV

PRODUCTION PERFORMANCE

A. Coal Reserves

4.1 As per the latest estimates made by Geological Survey of India, the Coal reserves of the country are placed at 186.04 billion tonnes as on 1.1.1990. Category-wise break-up is as under:

(In million tonnes)

Proved	56294
Indicated	81377
Inferred	48373

The Committee wanted to know from CIL as for how many years the present coal reserves were considered adequate for exploitation. CIL stated in a written note as follows:

“The estimated coal reserve of 186 million tonnes are in situ reserves within a depth of 1200 M for coal seams above 0.50 M in thickness. The mineable reserves would be considerably less as coal may not be mineable under some areas which are under geologically disturbed condition, to protect surface features like Railways, Bridges etc. Out of the mineable reserves the recoverable percentage will vary depending upon mining technology adopted, surface features within the block and geological condition within the block etc. At a production level of 400 MT expected to be reached by 1999-2000, the production level can be maintained for a period of about 130 years.”

4.2 Asked about the efforts made to increase the established coal reserves CIL stated in a note as follows:

“Exploration for coal starts with the GSI establishing likely areas with potential coal resources through Regional Exploration to update the coal inventory.

Out of the potential coal bearing areas regionally proved by GSI, CMPDIL selects blocks with mining potential in the light of demand pattern and mining techno-economics for detailed exploration. Detailed exploration is carried out by CMPDIL and its contracting agencies like Mineral Exploration Corporation, Department of Mines & Geology—Orissa Government, Department of Mines & Geology—M.P. Government, as also Department of Mines & Geology—Maharashtra Government. Annually about 150 to 180 drills

are deployed for the purpose with other exploration inputs, about 30 Geological Reports are drawn and about 3 to 4 billion tonnes of "Proved" category of reserves are established for mine planning purposes."

4.3 The Committee wanted to know the steps taken by the Department of Coal to intensify the exploratory efforts, Department of Coal stated in a note as follows:

"Broadly most of the blocks in operational coalfields have been already covered by detailed exploration for achieving the targetted coal production during the VIII & IX Five Year Plans. GSI has drawn up a regional exploration programme of 36400 meters of drilling over an area of 1,700 kms. covering 120 blocks upto the terminal year of 8th Plan. The task of detailed exploration has been assigned to coal companies.

With a view to supplementing the Regional drilling being done by GSI, a scheme for promotional drilling has been put in to effect. The work of promotional drilling has been entrusted to MECL. The Government of India has made a budget provision of 6.05 crores during the year 1990-91 to meet the expenditure on account of promotional drilling in Coal & Lignite Sector. Under this scheme MECL has been asked to undertake the drilling of 45,000 meterage in the coalfields of Coal India Limited and Singareni Collieries Company Limited during year 1990-91. Coordination in this regard are being made by Department of coal by holding periodic meetings with Department of Mines, GSI, MECL & Coal Companies.

.....As a result of exploration carried out by GSI and other agencies, a cumulative total of 192.4 billion tonnes of coal reserves have been estimated in the country as on 1.1.91."

B. Demand and supply of Coal—Import of Coal

4.4 Coal India Limited is mainly responsible for meeting the Coal demand in the Country, Singareni Collieries Co. Ltd. which produces about 15 to 20 million tonnes of coal annually is in joint Sector (State Government & Central Government) Besides 4 to 5 million tonnes of coal is produced annually by captive mines of TISCO, IISCO and DCI.

4.5 Coal demand for different coal consuming sectors are indicated by the Planning Commission. Annual coal production targets as against this demand are decided by the Ministry of Energy, Department of Coal in consultation with Planning Commission. The following table shows the sector-wise demand and actual offtake of coal from CIL during each of the last 3 years:

(Figures in million tonnes)

Sector	1989-90		1988-89		1987-88		Demand Satisfac%
	Demand	Offtake	Demand	Offtake	Demand	Offtake	
POWER (Utility)							
R/C	100.40	100.66	90.81	89.29	80.40	82.31	102.31
(Middling)	(2.70)	(2.12)	(3.80)	(2.15)	(3.90)	(1.97)	(50.5)
Steel	2.80	19.49	22.50	20.32	23.70	19.45	82.1
Loco	5.40	5.15	6.00	5.57	6.50	6.35	97.7
Cement	8.00	7.27	7.67	7.68	7.60	6.32	83.2
Fertilizer	4.60	3.55	4.30	3.57	4.00	3.65	91.2
S/C Making	3.30	1.30	2.85	1.75	3.50	1.88	53.7
Export	0.30	0.16	0.30	0.20	0.35	0.32	91.4
BRK & Others	37.40	32.55	35.35	33.16	34.00	30.21	88.9
Colliery consumption	3.52	3.47	3.52	3.50	3.50	3.51	100.2
TOTAL	185.72	175.00	173.30	165.02	163.55	154.00	94.2

4.6 As regards the overall availability of coal in the country, CIL stated in a written note as follows:

“As far as non-coking coal (i.e. sector other than steel), is concerned, the overall availability has always been more than adequate. There has, however, been some regionwise imbalances due to difficulties of transport.

In Coking Coal, however, the indigenous availability though quantitatively adequate, does not meet the revised coking and ash parameters stipulated by Steel Plants in 1983 and since then a part of the requirement is being imported.”

4.7 The following table shows the composition of coking and non-coking coal produced by CIL during each of the last 3 years:

Year	Coking Coal	Non-Coking Coal	Total
	(in million tonnes)		
1987-88	30.22	128.80	159.02
1988-89	31.30	140.20	171.50
1989-90	24.07	154.53	178.60

4.8 To meet the gap between demand and indigenous availability of coking coal steel industry had been importing coking coal. The following table shows the imports made by the steel industry during the 7th Five Year Plan:

Year	Total Quantity imported by SAIL Plants (in million tonnes)	Cost including freight (Rs. in crores)
1985-86	2.034	161.8
1986-87	2.080	167.9
1987-88	2.490	172.5
1988-89	3.740	329.5
1989-90	3.746	426.8
1990-91 (Estimated)	5.3	603.67

(In addition TISCO and Vizag Steel Plant also imported about 3 million tonnes of coking coal during the years 1987-88 to 1989-90).

4.9 Working Group on Coal & Lignite for the 8th Five Year Plan has also estimated that about 24.40 million tonnes of coking coal will have to be imported during the 8th Five Year Plan (1990—95).

4.10 In reply to a question about reducing the coal imports, the Minister of Energy stated in Lok Sabha on 27th March, 1990 as follows:

“With a view to bring down the ash percentage of coal for supply to steel plants and thereby reduce imports, the coal companies have already taken up modernisation of washeries at an estimated cost of Rs. 132 crores to be completed by 1992-93. The total investment in washeries during the Seventh Plan period is expected to about Rs. 168 crores and that in the Eighth Plan period has been tentatively estimated at Rs. 484 crores.”

4.11 As regards the ash content level in the washed coal after completion of modernisation programme, CIL stated in a written note as follows:

“As per current assessment, the modification of the Coking Coal Washeries as recommended by the Technical Working Group (1986) is expected to be completed by 1992-93 except for Patherdih Washery (which will be ready only by 1994-95). The ash in clean coal would be $17 \pm 0.5\%$ after the recommendations of the aforesaid committee are implemented.”

4.12 From the washery-wise details of modernisation programme furnished by CIL, it was noticed that in certain washeries implementation of the modernisation programmes had been delayed particularly in case of Bhojudih, Dugda I & II, Monidh washeries. Asked about the reasons for these delays, CIL in a written note stated as follows:

“There have been slippages which has been mainly due to procedural matter relating to finalisation of tenders. The delay in taking decision on tenders was unavoidable to a great extent because each washery had its own technical parameters and it was necessary to ensure that the equipment ordered satisfied these parameters. This necessitated in entering into correspondence with the tenderers often over a long period resulting in delay in taking a decision on tenders and consequent delay in supply.”

4.13 In reply to a further question, Chairman, CIL informed the Committee that besides modernisation/expansion of present washeries, to reduce the imports new areas were being developed to increase the availability of coking coal. He added:

“Arising out of a special drive, concentrating in coking coal we give a priority between coking coal and non-coking coal. We have identified more than 100 million tonnes in the district of Hazaribagh.. That is a new find for us. We are giving priority to coking coal. We have already identified additional deposits.”

4.14 Asked as to by which year imports will be reduced to zero level, Chairman, CIL replied:

“I can make guess that definitely it should take about seven to ten years. Seven years, if really the things which the way we want.”

4.15 It also came out during the examination of CIL that the capacity of utilisation of coal washeries was low. The following table shows the washery-wise capacity utilisation and the percentage of ash content in the washed coal during the year 1989-90:

Name of Co.	Washery	% capacity utilisation	% of ash content in clean coal
BCCL	1. Dugda I	65	20.9
	2. Dugda II	59	21.0
	3. Bhojudih	94	18.8
	4. Patherdih	63	21.4
	5. Sudamdih	52	18.9
	6. Monidh	42	17.4
	7. Lodna	67	21.8
	8. Barora	52	19.2
	9. Mahuda	14	—
CCL	1. Kargali	77	18.6
	2. Kathara	56	18.2
	3. Swang	65	18.4
	4. Gidi	51	16.6
	5. Rajrappa	57	16.9
	6. Nandan	43	16.8

4.16 During the examination of Department of Coal the Committee wanted to know as to whether the Department reviewed the implementation of modernisation programme of washeries to ensure that these were completed in time. Department of Coal stated in a note as follows:

“Most of the washeries in BCCL and CCL were built in the sixties and were linked to upper seams (Superior quality) of Jharia Coalfield and superior quality coal of Kargali, Bokaro and Kathara areas of CCL. The deterioration of raw coal feed to the existing washeries has resulted in imbalance in the existing washery circuit and in its poor performance. In order to ensure availability of washed coal with $17 \pm 0.5\%$ ash, Government of India in August, 1985 constituted a Committee headed by Dr. V.A. Altekar. The Committee submitted its report in October, 1986 suggesting a number of short-term and long-term measures for modification of the existing washeries.

Short-term and long-term plans have been drawn up by the Coal Companies for implementation of the recommendations of the Altekar Committee. The estimated capital investment is about Rs. 161.42 crores. Periodical meetings are held in the Department of Coal to review the progress of implementation of the recommendations. In a recent review taken by Adviser (Project) Department of Coal on 29.11.90, it was noted that most of the short-term measures recommended by the Committee have been implemented. As regard long-term measures most of them are

scheduled to be implemented by 1992-93. The date indicated by Coal Companies for full implementation of all the recommendation is October 93. The average ash content in clean coal which used to be about 21-22% in 1986-87 has come down to 19.0% in 1989-90 after implementation of the short-term measures.”

4.17 The Committee further pointed out that the production of coking coal had come down to from 31.30 million tonnes in 1988-89 to 24.07 million tonnes in 1989-90 on account of which the import of coking coal was increasing. Asked about the steps taken or proposed to be taken to increase the production of good quality of Coking Coal, the Department of Coal stated in a note as follows:

“Some of the important steps being taken to increase the indigenous availability of coking coal are:

- i) Restoration of coking coal sources which were delinked in 1984-85 from washeries on account of quality considerations. About 2 million additional raw coal is expected to be available by next year.
- ii) Modification of existing coking coal washeries by implementation of recommendations of the Altekar Committee. The modification work is expected to be completed by March, 1993.
- iii) Augmentation of power supply to washeries by making arrangement of direct feeders from DVC as well as by installation of captive power generating units.
- iv) Although a number of expert committees have gone into the problems of coking coal supplies, another Technical Committee was set up with experts from Coal India and SAIL. This Committee has made a number of positive recommendations for increasing the domestic availability of coking coal. These recommendations are being implemented.
- v) Augmentation of raw coal supply to the washeries by increasing production of coking coal from the existing mines as well as by taking up development of new projects.”

4.18 The Committee also wanted to know the results of the efforts being made to reduce the coal imports. Department of Coal replied in a written note as follows:

“As a result of concerted efforts being made, the indigenous supply of washed and direct feed coking coal to the steel plants is expected to increase from a level of about 9 m.t. during 1990-91 to about 13.5 m.t. in 1994-95. The imports are expected to come down from about 4.5 m.t. during the current year to about 3 m.t. in 1994-95.”

4.19 The Committee further enquired as to whether all the coal users require permission of the Department of Coal before resulting to import. Department of Coal stated in a written reply as follows:

“Import of coking coal by the steel sector does not require any permission from the Department of Coal except that the quantity of coking coal to be imported is estimated at the beginning of the year on the basis of inter-Ministerial consultations involving all concerned Ministries/Departments. For other users of coal, from April 1990 onwards, coal has been brought under the restricted list in the Import Policy and as such concurrence of various concerned Ministries/Departments (including Department of Coal) for import of coal is necessary.”

4.20 The Committee also wanted to know whether production plans had been finalised to meet the coal demand during 8th Five-Year Plan. Department of Coal replied in a note as follows:

“Demand and Production estimates for 8th Five-Year Plan:

	1990-91 (RE)	1991-92 (in million tonnes)	1993-94
All India Demand (Washery middlings)	223.30 (3.00)	245.00 (5.00)	285.00 (7.70)
All India Production	212.00 (Estimated)	234.00	282.60
CIL's Contribution	189.00	205.80	247.00

As the 8th Five-Year Plan document is yet to be finalised the above figures are provisional and are based on preliminary discussions held with the Planning Commission.”

4.21 On being pointed out by the Committee that the CIL proposed production would be less as compared to the estimated demand in the country, the Department of Coal stated that certain sectors project higher demand and actual offtake were generally less than the projected demands. Besides certain coal with low ash content would be imported for steel plants.

C. Production Performance

4.22 Based on the demand of various coal users annual coal production targets are decided by the Ministry of Energy (Department of Coal) in consultation with Planning Commission. The following table shows the installed capacity, targets vis-a-vis actual production performance of CIL during each of the last 3 years:—

Item	1989-90		1988-89		1987-88	
	Target	Actual	Target	Actual	Target	Actual
(in Million Tonnes)						
1. Raw Coal Production						
a) Underground	64.85	58.79	63.87	61.28		59.08
b) Opencast	118.65	11.81	106.21	110.22	158.00	99.98
c) Total	183.50	178.60	170.08	171.50		159.06
2. Installed / assessed capacity	198.51		187.67		+	174.80
3. % Utilisation of Installed / assessed capacity	91%		91.4%			90%

It may be seen from the above that in the years 1987-88 and 1988-89, CIL achieved the production targets whereas in 1989-90 there was marginal shortfall. CIL has advanced the following reasons for shortfall in 1989-90.

- (1) Shortage of power in Eastern Region i.e. ECL, BCCL and partly CCL;
- (2) Delays in land acquisition including forest land and delays in starting new projects and its completion in time;
- (3) Undue delays in clearance of Environmental Management Plan (EMP);
- (4) Final approval of Government with regard to cost over-run project and project likely to become cost over-run.
- (5) Project awaiting Government approval;
- (6) Non-supply of scheduled equipment in time and delays in supply of equipment.

For the year 1990-91 as against the targets of 194 million tonnes, CIL expected to produce about 190 m.t. of coal.

4.23 The Committee enquired about the reasons for low capacity utilisation as compared to the installed capacity, Chairman, CIL stated during evidence as follows:—

“The total capacity assessed is based on the functioning of the total

system. If any one of the sub-system fails the other systems are also hampered. For example if power is not there which is an essential input, it has an effect on other systems also. Normally nowhere have we got a hundred percent utilisation. This is under the best of circumstances, assuming that all the inputs are available. Therefore, if it is 90 percent, then it should be considered in my opinion, as reasonably creditable. That is what we are doing.”

4.24 From the subsidiary-wise production it has been noticed that the production performance of ECL and BCCL has been poor as compared to other subsidiary companies. For instance during the year 1989-90 in ECL as against the assessed capacity and targets of 32.66 and 30.90 million tonnes respectively, the actual production was only 24.49 million tonnes. Similarly in BCCL as against the assessed capacity and targets of 33.02 million tonnes and 27.50 million tonnes respectively the actual production was 26.61 million tonnes only. Asked about the reasons for it, Chairman, CIL stated as follows :—

“Particularly in the Eastern Sector, the shortfall in production has been mainly in ECL and BCCL. All the other companies have been fulfilling their targets except ECL and BCCL. The main problem, apart from the working conditions, has been the power. This has been one of the very basic things. The shortfall in production in these two companies has brought down the total 'achievement.'”

4.25 As regards the working conditions in ECL and BCCL, CIL stated in a note that coal mines in these companies were 200 years old. At that time there were no laws to guide mining operations and private miners were interested only in profits. It resulted in creation of difficult geo-mining conditions particularly in underground mines. Many reorganisation schemes could not be completed in time due to various reasons. Besides, in BCCL mines there had been about 70 fires owing to which production in and around these fires had to be suspended or seriously restricted.

4.26 The Committee further pointed out that the production in underground mines in 1989-90 was less than produced in 1987-88 and 1988-89. Enquired about the reasons for it, Chairman CIL stated during the evidence that the shortfall in underground mines was mainly in ECL and BCCL where the main problem had been power shortage.

4.27 On being pointed out by the Committee that various expert committee in the past had recommended for more thrust on underground mining, the witness stated :

“Yes, Sir, greater thrust we are putting.”

4.28 During the examination of Department of Coal the Committee wanted to know as to whether the Department reviewed the overall

production performance of coal companies. Secretary Deptt. of Coal stated during evidence as follows :—

“In so far as monitoring of production is concerned, it was earlier done on a monthly basis. We are now doing monitoring of coal production and coal despatches to the power cement and steel sectors every day. There is a monitoring report which comes to me, on the basis of which we keep on issuing instructions to the coal companies. As a result, during the year, we have been able to keep pressure on the coal companies. In so far as coal production is concerned, till end of February we had produced about 4% more coal than last year, and we hope to produce more than 6% coal in excess of last years. As far as despatches to power and cement industries are concerned, we have supplied much more coal than during previous year. With the steel sector, we had problems; but now we have supplied more coal to them than last year. We keep a constant watch on production and supply every day, and issuing instructions practically every day. Production has gone up from November.”

4.29 Deptt. of Coal also stated in a note that the following steps were taken/being taken for increasing the coal production :

- “a) Greater emphasis is being laid on improved production and productivity from existing mines.
- b) Improvement in the availability and utilisation of equipment by providing adequate workshop support improvement management of spares and timely rehabilitation of equipments.
- c) General improvement in systems and managerial effectiveness in the coal companies.
- d) Technological upgradation by way of introduction of mechanised loader in Board & Pillar workings.
- e) Improved power supply particularly to the coal mines in the eastern region i.e. BCCL, ECL and CCL.
- f) Introduction of concept of all men-all jobs in selected mechanised mines for improving the efficiency of operations.
- g) Better coordination at company level with the Railways, Power Supply Agencies and other organisations.
- h) Close and regular monitoring at various levels in the coal companies, CIL and the Department of Coal, of production and despatches of coal.”

4.30 In the context of less production from the underground mines, the Committee pointed out the observations made by the working Group on Coal and Lignite for 8th Plan stating *inter alia* that one of the factors for less production from underground mines had been due to lack of willingness for underground mining as targets could easily be achieved by

easier open cast mining. Asked as to how the administrative Ministry allowed it, Department of Coal stated in a note as follows :—

“In Annual Action Plan separate annual targets are fixed for production from underground and opencast mines. However, in the event of short-fall in production from underground mines particularly those in ECL and BCCL, the Coal companies do try to produce additional quantity of coal from opencast mines so as to reach as near as possible the annual targets. Such a situation generally arises from the problems of power shortages and which gets further compounded during monsoon season when many of the underground mines get flooded resulting in heavy shortfall in production.”

4.31 The Committee further enquired about the steps taken to increase the production from underground mines, Department of Coal stated in a note as follows :—

“Some of the steps taken/being taken to improve production and productivity from the underground mines include:

1. Greater attention is to be devoted to production from underground mines and companies are given separate underground production targets;
2. Production from underground mines, company-wise and area-wise is being monitored closely by CIL, like-wise the subsidiary companies monitor production from each mine;
3. Concept of “all men-all jobs” is being tried in mechanised mines;
4. Improvement in the availability and utilisation of equipment by providing adequate workshop support, improved management of spares and timely rehabilitation of equipment.”

D. Production Constraints

4.32 The following table gives the cause-wise loss of production due to various production constraints during the last 4 years:—

(In lakh tonnes)

	1987-88		1988-89		1989-90		1990-91 (Upto Jan.'91)	
	U/G	O/C	U/G	O/C	U/G	O/C	U/G	O/C
1. Power failures & interruptions.	19.02	3.18	18.65	1.59	31.17	3.64	51.32	5.80
2. Absenteeism	11.79	0.91	4.06	0.33	20.30	1.49	15.98	1.61
3. Non-Availability of Land.	1.93	4.37	0.75	2.96	5.35	13.99	5.10	13.48
4. Excessive rains	—	1.00	—	5.86	0.63	2.91	1.77	30.00
5. Industrial Relations Problems.	5.04	1.96	3.14	0.64	3.94	0.27	0.92	1.35
6. Machine Break-down and non-availability of spares.	2.76	3.04	2.43	0.78	3.60	2.25	3.43	6.50
7. Others (Late Commissioning of projects, geominig problems, non-supply of equipment, roof movement etc.)	4.87	3.73	4.34	1.21	6.42	7.29	9.79	10.39
Total	45.41	18.19	33.37	13.37	71.41	31.84	88.31	69.13

(Constraints at Sl. Nos. 3, 6 and 7 have been discussed else where in the Report. The other constraints are discussed in the succeeding paragraphs)

i) *Shortage of Power*

4.33 The major constraint which had been affecting production performance of coal companies has been shortage of power. From the cause-wise details also it is seen that the loss of production on this account has been more than any other constraints during the last 4 years. Explaining the power position, CIL in a note stated as follows:

“Power supply position in the Eastern Coal Sector i.e. ECL, BCCL and CCL remains unsatisfactory for last so many years. The main source of supply of power is DVC. The total installed capacity in DVC generation usually is in the range of 400 to 600 MW. They mainly supply power to coal, steel and Railways. The power demand of coal sector alone from DVC is 505.5 MVA. Since Steel and Railways get priority, the main sufferer is the coal sector. There are rampant power cuts in the coal sector. Coal Sector is surviving because of external assistances from Farakka (i.e. NTPC) and Chukha etc. to DVC system, CIL with the help of EREB keeps a close liasion to get more external assistance to DVC system. But Farakka also is not during well. Out of the 630 MW installed capacity, the generation is only about 200 to 300 MW. CIL is continuously pursuing with all the concerned authorities to improve the generation level both in DVC and Farakka. Eastern Coal Sector can be in a comfortable position only when DVC system has about 900-1000 MW with external support on a continuous basis. The unsatisfactory power position has forced CIL to install D. G. sets and is installing three captive power houses each of 2×10 MW capacity and one each at ECL, BCCL and CIL.”

4.34 Status of power supply from DVC source to ECL, BCCL and CCL during 1989-90 compared to 1988-89, as against the deemed, is indicated below:—

Company	Demand in MVA		Availability in MVA		No. of interruptions		Feeder hours lost	
	88-89	88-89	89-90	88-89	89-90	88-89	89-90	88-89
ECL	130.0	103.5	92.5	93.6	6670	2493	5616	3077
BCCL	245.5	227.0	190.2	193.4	11099	7323	10255	6687
CCL	130.0	113.0	98.0	99.6	6009	5007	5122	3810
Total	505.5	443.5	380.7	386.6	23778	14823	20993	13574

4.35 In this context Chairman, CIL also stated during evidence as follows:—

“Against an installed capacity of 1716 MW (in DVC) the generation has been hovering around 500 MW. I have been getting much less than my requirement. It is not like the day-to-day activities. Power

goes, if it comes back again, then we start the work. But in a mine, you cannot. The power goes out and then, when it comes back we cannot start the work again immediately.”

It depends on availability of water, ventilation, etc. I can rightly say the workers also do not feel confident and they come away from the place. We cannot blame them also. The safety factor is involved.”

4.36 Asked about the steps taken to overcome the power constraints, CIL in note stated that it had been following up with the power generating agencies, Department of Power etc. for close coordination. A senior officer had been posted in the Maithon Control Room so that the availability of power to the Coal Sector was maintained at maximum possible level depending upon generation levels.

4.37 The Committee further wanted to know the expected demand and supply position of power during the 8th Five Year Plan. CIL stated that total annual requirement of power during the 8th Plan would be from 915 MVA to 1285 MVA. These requirements had been intimated to Central Electricity Authority for advising the concerned State Electricity Boards to make arrangements for supply of power.

4.38 The Committee pointed out that the coal companies were facing power shortage and wanted to know the steps taken by administrative Ministry to remove this constraint. Department of Coal stated in a written note as follows:

“The Department is fully seized with the problem of inadequate availability of power to the coal mines of ECL, BCCL and CCL. The total requirement of power from DVC sources had progressively increased from 380 MVA in 1985-86 to 505.5 MVA in 1989-90 and during 1990-91 also the requirement of power from DVC sources is at the same level.

To overcome the shortages of power the coal companies have installed a number of small captive diesel generating units (including 2×10 MW gas turbines in BCCL and 2×5 MW gas turbines in ECL) with a total installed capacity of about 82 MW. In addition, 3 coal based captive generation stations of 2×10 MW capacity one each at Kathara, Moonidih and Chinakuri are also in advance stage of commissioning. Further CIL has prepared feasibility reports for 5 more coal based units of 10 MW each to be set up at Bhojudih, Dugda, Sudamdih (in BCCL) and Rajrappa and Giddi (in CCL). Besides these CIL had indentified 6 new sites for setting up of coal based captive generating units of 10 to 30 MW capacity.”

4.39 The Department of Coal also informed that some of the short-term

steps taken to ensure adequate power supply to the coal mines in the eastern sector include:

- (a) Coal Sector has been accorded higher priority (next to the railways) in the matter of supply of power from DVC system.
- (b) Continuous and regular liaison between the coal companies and the power supply agencies.
- (c) Constant and close coordination between Department of Coal, Power, CEA, DVC, CIL etc.
- (d) Expediting commissioning of coal based captive stations under construction.
- (e) Segregation of feeder for direct supply of power to the coal mines from DVC.
- (f) Providing external support to DVC system by supply of power from sources like Chukka, Farakka, Singrauli, Orissa and M.P. depending on availability of power.
- (g) Establishment of a transmission link between Singrauli and North Karanpura for supply of power from Singrauli region to DVC system on regular basis.

(ii) *Absenteeism*

4.40 Besides, power shortage another major constraint affecting the coal production had been absenteeism in coal companies. The Committee enquired from CIL about the steps taken to reduce the absenteeism. CIL in a written reply stated that following steps were taken with a view to contain absenteeism:

- (i) *Regulation leave*: While sanctioning the leave, due precaution is taken to see that different sets of people take leave during different periods.
- (ii) Reporting and monitoring of absenteeism at different levels.
- (iii) Seeking cooperation of the Consultative Committees by informing workers to avoid loss of production *vis-a-vis* loss of wages.
- (iv) *Counselling*: The Welfare Officer of the Colliery counsels the absentees about the consequent loss of wages & other benefits.
- (v) *Disciplinary Proceedings*: Disciplinary proceedings are also initiated and action taken against the habitual absentees as well as those who overstay the leave without sufficient cause.
- (vi) *Improvement in the quality of life*: With a view to improve the quality of life of coal miners during the post-nationalisation period, a number of residential colonies with civic amenities like water supply, electricity, fans, drainage dispensaries, roads, schools, etc. have been constructed in and around the collieries.
- (vii) Introduction of incentive schemes.

(iii) Industrial Relations

4.41 The following table shows the details of mandays lost on account of adverse industrial relations during the years 1984-85 to 1989-90:

Years	No. of strikes	Mandays lost	Gherao	Assault	No. of demonstration	Union Revalry	Obstruction	Hunger strikes	Go slow
1	2	3	4	5	6	7	8	9	10
1984-85	78	3,72,266	36	57	118	5	26	50	12
1985-86	105	1,52,084	33	41	165	0	26	71	5
1986-87	55	6,84,791	16	38	80	0	30	50	3
1987-88	77	9,58,128	14	64	99	3	80	65	8
1988-89	64	1,20,788	11	48	88	4	11	60	16
1989-90	61	1,51,230	11	36	67	5	32	91	12

4.42 Explaining the reasons for adverse industrial relations in the company, CIL in a written note stated:—

“The Coal Industry after nationalisation, had to face a large number of Industrial relation problems as wild cat strikes on flimsy grounds, assaults, gheraos and other acts of indiscipline and absenteeism etc. because of the fact that the majority of workers were taken over from unrecognised sector having different sets of service conditions and work culture.”

4.43 Asked about the steps taken by CIL from time to time to improve the industrial relations, CIL states in written reply as follows:—

“After nationalisation a boost was given to secure, maintain and promote harmony on the industrial relations fronts by adopting the following measures:

- (i) Formation and functioning of Joint Consultative Committee at Colliery, Areas and Subsidiary Hqrs.
- (ii) Enlarging the scope of discussions in the Joint Bipartite Committee for Coal Industry at CIL level.
- (iii) Expeditious redressal of individual/group grievances.
- (iv) Bilateral negotiations/discussions with the operating Unions at Colliery, Area and Hqrs., level.
- (v) Referring unsettled disputes to Voluntarily Arbitration.
- (vi) Minimising the litigation by exploring the possibilities to settle the disputes outside the courts of law.
- (vii) Improving the quality of life of the workmen by extending

various welfare measures like housing, water supply, medical facilities, educational facilities, etc.

- (viii) The Joint Bipartite Committee for Coal Industry constituted by Government of India comprising of the representatives of INTUC, AITUC, CITU, HMS & BMS and the managements' representatives from Coal India Limited and its subsidiaries, Singareni Collieries Company Limited, TISCO & ISSCO collieries successfully concluded four National Coal Wage Agreements in 1974, 1979, 1983 and 1989. These agreements include the wage structure, allowances, fringe benefits, service conditions of the coal mines working in India. As a result of these agreements, the major problems pertaining to wages and other benefits have been streamlined paving a healthy road for industrial truce and harmony."

4.44 In this connection CIL further stated that the industrial relations in CIL and its Subsidiaries remained cordial and harmonious during the last 3 years. The number of strikes from a level of 67 in 1987-88 came down to 61 in 1989-90, and further to 28 in 1990-91 till October, 1990.

4.45 In the context of large number of assault and gherao, the Committee enquired whether the matter was taken up with the trade unions. CIL replied in a written note as follows:—

"During the course of bilateral discussions these matters are normally discussed with the trade unions and the trade unions are cooperating in this direction. Such mutual consultation and discussions have yielded satisfactory results and the number of incidents such as gherao, assaults, demonstrations, etc. are declining considerably."

E. Quality of Coal

4.46 The non-coking Coal is categorised by coal companies as under:—

A & B grade	-	Superior
C & D grade	-	Intermediate
E, F & G grade	-	Inferior

Out of non-coking proved coal deposits, the reserve ratio of different qualities of coal is:

Superior grade	-	14%
Intermediate grade	-	31%
Inferior grade	-	55%

4.47 Explaining the quality wise actual production, CIL stated in a note as follows:—

"Percentage of gradewise production reveals that from 1980-81 to 1989-90 the superior grade production has decreased from 42% of total production to 14%, the intermediate grade production has

reduced from 40% of total production to 33% and the inferior grade production has increased from 18% of total production to 55%. However, in terms of absolute production it is found that the change in production pattern of different grade is as below:—

(Figs. in MT)

Year	Superior grade (A & B)	Intermediate grade (C & D)	Inferior grade (E, F & G)
1980-81	29.59	28.75	12.74
1989-90	19.40	45.73	73.45

4.48 As regards the reasons for decrease in production of superior quality of coal over a period of time, CIL stated in a note as follows:—

- (i) A preponderance of inferior grades in the national reserves.
- (ii) Depletion of reserves of better quality coal as a result of selective and profit oriented mining practices in the past.
- (iii) Mining of inferior seams and left over inferior section of seams after nationalisation in the interest of conservation of coal.
- (iv) Introduction of large scale mechanised opencast mining which had to be done to achieve increase in production at the desired rate also affected quality.”

4.49 Asked about the special efforts being made by the Coal companies to produce better quality of coal, CIL stated in a note as follows:—

“Due to increase in open cast mining activities and non-availability of good quality coal, the gradew-mix of coal produced by Coal India has been deteriorating since last few years.

It may be noted that Indian coals in general is poor in quality. Good quality of coal primarily are from the underground mines. Production from the UG mines are difficult to increase because of inadequate power availability, deep mining conditions and other difficulties. Coal India has taken number of steps to improve quality of coal despatched from the siding like crush coal to the required size, intensification by segregating foreign materials etc. As most of the Indian coals are inferior in quality, only beneficiation can improve quality substantially. As beneficiation involve significant capital and operational expenditure, unless customers are willing to enter into long term agreement with Coal India for purchase of beneficiated coal at higher cost with appropriate escalation and other clauses, it may not be possible for Coal India to instal beneficiation plants since such cost is not covered by the existing price structure. However, in Piparwar Project, linked to NCR PH to NTPC, based on long term agreement as an integrated part of the mine, beneficiation plant is being installed. Similarly, beneficiation

plant is under consideration at Talcher for North Madras TPS of TNEB.”

F. Accumulation of Coal Stocks

4.50 As per the Government guidelines on stocking policy of Coal India Limited, the Coal stock at pithead of any subsidiary company should not exceed one months production. The following table shows the actual holdings of coal in CIL as a whole at the end of each of the last 5 years:

(In million tonnes)

Year	Production	Prescribed Stock level i.e. one months' production	Actual closing stock	
1985-86	134.11	11.18	26.98	(From the
1986-87	144.74	12.06	27.99	subsidiary-wise
1987-88	159.03	18.25	28.36	figures also it is
1988-89	171.50	14.30	33.10	noticed that stock is
1989-90	178.62	14.89	36.62*	more than the
				norms in all
				subsidiaries except
				in NCL)

(*Includes 1.375 M.T. Nil value coal in ECL)

4.51 During examination the Committee pointed out that the Coal stocks were more than the norms fixed during each of the last 5 years. Asked about the reasons for it, CIL stated in a note as follows:—

“Stocks accumulate at certain colliery pitheads due to the following factors:

- (i) Even though the system of loading is designed for captive consumers, off take by the consumers was lower than the anticipated demand.
- (ii) Though rail siding has been available, due to certain movement constraints, transportation by rail had not picked up.
- (iii) Surface transportation from the pithead to rail siding has been affected due to poor road condition.
- (iv) Offtake from certain priority consumers being seasonal such demand and movement varies vary widely during off-seasons.
- (v) Peak season demand for other commodities becoming very large, movement by rail gets constrained during October April.”

4.52 Chairman, CIL also stated during his evidence before the Committee that some of the users of the Coal did not take the full quantity of coal

as intimated by them at the time of fixing production targets. Elaborating it further he stated:—

“At the beginning of the Five Year Plan, the Planning Commission in consultation with various end users determine the possible demand. There is a tendency on the part of everyone to provide some sort of a cushion. More than anything else there is no commitment. Based on that, the production target is fixed. Once the target is fixed, the emphasis all over on only to reach that target. The target has to be achieved with the overall economy. A basic change in approach is needed, whether it is need based or target oriented production. Being target oriented production, there has been a mismatch.”

4.53 Regarding transportation problems, the witness stated:

“There is a seasonal variation so far as production of coal is concerned on the one hand and also seasonal variation so far as transportation of coal by wagons are concerned. It is not that one is accusing the other. Perhaps, both are correct. There is no via media stopping type of policy at the national level to ensure that the available wagon capacity during the non-peak season of the railways *i.e.* during monsoons is utilised by the coal sector. For example today I need around 15,000 wagons. But the Railways are busy with the food movement and all that. In the monsoon period I am unable to produce because of heavy rains. So the three core sectors have got to get together and find a common solution.”

4.54 The Committee further pointed out that on the one hand coal companies had been complaining about power shortage, on the other power stations were complaining for less supply of coal. To this Chairman, CIL stated:—

“We have a system of monitoring these power stations and no power station has suffered for want of coal.”

However, he added:—

“Most of the power stations are carrying 15 days' stock...If you see these 36 millions tonnes of stock, it is nothing. Even in a country like United States, they do have a policy of holding 90 days stock at the power stations. Because of this, when they have any strike, they could face it. In the national stocking policy, the burden of holding this stock has to be borne by the consumer and the producer. Then only we can utilise this idle capacity of the wagon movement during this monsoon period and build up stock. I had even suggested building up of stockyards. During this period, I can move and build up the stock in various States and then when there is need, the State consumers can draw. All these things involve

commercial negotiations and discussion and all this involves also financial commitments which most of the people are not willing to commit themselves to."

4.55 On being asked as to why there was no proper coordination between the end users, the railways and the coal companies, Chairman CIL, replied:

"Of late it has started functioning well. The Secretary (Coordination) holds a meeting every Friday where all these core sectors meet and try to thrash out their problems. Definitely the coordination has now improved."

4.56 The Committee further wanted to know the steps taken to reduce coal stocks. CIL in a written reply stated that the following steps were being taken to reduce the coal stocks:—

- (i) All out efforts are put in to maximise surface transportation from the rail linked collieries to siding and despatch the same in rail wagons.
- (ii) The stocks of 7.03 MTs are at collieries which are linked to captive coal consuming units. All such units are requested to draw their requirements in full so as to build up stock at the consuming end and reduce the pit-head stocks.
- (iii) About 6.0 MTs of coal are offered to be drawn under the liberalised sales scheme so that any needy party may draw the coal without any sponsorship from identified sources of supply on first come first served basis. With these steps coal stock came down from 36.63 million tonnes (1.4.1990) to 26.16 million tonnes (1.12.1990)."

4.57 The Committee wanted to know the directions/instructions issued by the Govt. to coal companies to bring the coal stocks within the prescribed limit. Department of Coal stated in a written reply as follows:—

"During the course of review of performance of production and despatches of coal from various subsidiary companies of CIL the companies have been asked to lay equal emphasis on despatch of coal in addition to meeting their production targets. As a result of efforts made by the coal companies, during the period from April 90-January, 1991 the total despatches from CIL companies were 143.74 m.t. compared to 138.92 m.t. during the same period last year."

Department of Coal further stated:—

"Department of Coal had advised CIL to offer 6 million tonnes of coal from the pit-head stocks under Liberalised Sale Scheme (LSS) to various small scale industries and additional quantity of 2 million tonnes of coal was offered under LSS for SSF and briquetting plants who cater to the requirement of coal for household sector. In order

to meet the fuel requirement of household sector, particularly in rural and semi-urban areas, a Mission has been launched by the Department of Coal to make additional quantity of coal based domestic fuel available to the household sector to meet the shortages of LPG, kerosene (in the wake of Gulf crisis) and firewood. There has been significant improvement in the coal despatches to small scale industries and the household sector since the launching of the Liberalised Sale Scheme in September-October, 1990."

Offtake under "Liberalised Sale Scheme"

	(In tonnes)
April-Sept., 1990	4,80,000
October, 1990	59,133
November, 1990	2,00,000
December, 1990	2,66,000
January, 1991	3,95,181
Total (April 1990 to January, 1991)	14,00,314

4.58 In reply to a question about assistance rendered to coal companies in solving various problems like shortage of railway wagons etc. Department of Coal stated in a written note as follows:—

"Committee of Secretaries meets every week under the chairmanship of Secretary (Coordination) to review infrastructure constraints relating to supply of coal to power, steel and cement sectors. In this weekly meeting, various important issues like supply of coal to core sectors, availability of wagons and supply of power to the coal mines are regularly reviewed. There has been definite improvement in the loading of wagons from daily average of 12354 wagons in October, 1990 to daily average of 14702 wagons during January, 1991."

G. Shortages of coal stocks

4.59 According to CIL it is not possible to determine the actual shortage in coal stocks very accurately because the reported production is an estimate not based on physical weighment of coal produced as it is impracticable to weight the entire stocks. For control purpose, therefore, an estimates of coal stocks is done on volumetric measurement and book adjustment (of-shortages) are made only when the differences are very large. The following table shows the adjustments made in the coal stocks by different subsidiaries during the last 5 years:—

(Figures in lakh tonnes)

Subsidiary Company	1985-86	1986-87	1987-88	1988-89	1989-90
ECL	3.14	1.06	0.44	7.81	22.86
BCCL	7.49	1.21	4.35	8.07	3.37

Subsidiary Company	1985-86	1986-87	1987-88	1988-89	1989-90
CCL	7.41	2.47	8.40	5.95	NIL
NCL	NIL	NIL	NIL	NIL	NIL
WCL	NIL	NIL	NIL	NIL	NIL
SECL	NIL	NIL	1.26	NIL	NIL
CIL	18.14	4.74	14.45	21.83	26.23
Value (in Rs. Crores)	35.24	12.30	29.67	60.39	40.15

In addition, CCL has made the following adjustments in Book Stock on account of inferior/unsaleable stocks and stocks from fire:—

Year	Inferior Coal/deteriorated stock	Coal/Unsaleable stock	Fire Coal	Total	Value in (Rs. Crores)
	(in lakhs tonnes)				
1984-85		0.41	0.99	1.40	3.54
1985-86		NIL	5.21	5.21	2.65
1986-87		27.23	7.43	34.66	64.78

4.60 During the evidence the Committee pointed out that there had been huge shortages in coal stocks valuing Rs. 250 crores during the last 5 years. Asked about its reasons, Chairman CIL stated as follows:—

“That was in 1989-90. We have now started checking up physical stock. Coal is an amorphous substance and huge volume is involved. Production is reported by volumetric measurement whereas despatches are by weighment. The specific gravity of the coal varies. There is no provision for losses. For example, in Food Corporation, you find, there is 1.5 to 2% handling loss. In handling material of this type, you find there is handling type of losses. So far as this industry is concerned, we have not provided the provision for losses for various reasons.”

4.61 On being pointed out by the Committee that foodgrains could not be compared to coal as in case of food grains loss was provided for decay of the product and that that was not the case with coal, the witness stated:—

“We are not ruling out any of the possibilities. First is the problem of underweighing and over-weighing. Now there are electric weigh bridges, with printers provided on various loading points both on rail and road. We have taken all precautions. There have been some areas where weigh-bridges go out of order. We try to fix responsibility on the manufacturers for its maintenance. My problem is about 7 lakhs people at 450 loading points, dealing with

18,000 executives in seven different States. Everywhere something may be happening.”

4.62 The Committee further pointed out that the book adjustment for coal shortage in ECL was of the order of 22.86 million tonnes valuing Rs. 31.24 crores in 1989-90 only. Asked as to whether this was justifiable, the witness stated:

“That is why, we took very serious action and very senior people have to go out, including CMD of the Company.”

He added:

“When it was proved to be correct, we did not want to go to the lower level to punish people. We punish people, from the top level. It amounts to removal of topmost men. The man of that Company was shunted out. We are taking action against General Managers.”

4.63 The Committee further enquired as to whether any efforts were made to dispose CCL's coal before totally writing it off. CIL stated in a written reply as follows:—

“Before writing off CCL's coal stock, for assessing the possibility of disposing the stocks, a detailed enquiry was conducted by a committee constituted by Cmd/CCL. The Committee after detailed examination, reported that the coal stock is non-vendible. Efforts, however, will be made to reclaim saleable coal, if any, from these non-vendible stock.”

4.64 CIL also stated that in CCL the non-vendible stock, stock on fire and the coal shortages have been controlled satisfactorily during 1988-89 and 1989-90.

4.65 The Committee also wanted to know as to whether any action was taken in case of book adjustments made for CCL Coal. CIL intimated in a written note as follows:—

i) In case of shortage

9 Officers were charge-sheeted. After formal enquiry, services of one officer has been terminated and two officers have been demoted. Four officers have been penalised with two stage reduction in their salary with cumulative effect. Two other officers have been exonerated as the charges against them could not be established.

ii) For non-vendable stock

46 Officers have been warned in writing on this account. Since non-vendable stock was, as a result of deterioration of non-moving stocks and despatches from this stock were not possible on account of quality deterioration, the officers have been let off with warning/caution in writing.

iii) For the stock on fire

The enquiry revealed that inspite of the best efforts by the

executives incharge of the stock, the fire could not be prevented because of long storage of coal and the susceptible nature of coal to fire, in these coal stocks. As such, no action has been taken against any executive in this respect.”

4.66 During examination of Deptt. of Coal the Committee wanted to know as to whether the Deptt. had examined the adjustments made by Coal companies in coal stocks which were around Rs. 250 crores during the last 5 years and whether these were considered justifiable, Deptt. of Coal replied in a note as follows:

“Coal India Ltd. have made adjustments in coal stocks (including write offs) during last 5 years (1985-86 to 1989-90) aggregating to 12.67 m.t. valued at Rs. 248.72 crores. During this 5 years period, total production of coal was 788 m.t. and as such the quantities of coal stocks adjusted/written off comes to about 1.6% of total production and in terms of value, the figure works out to about 1.0% of total turn over of Rs. 23309 crores, CIL has further explained that since the pit-head stocks of coal are spread over nearly 1000 places in 425 collieries and moreover coal being a bulk commodity, it is extremely difficult to ensure exact accounting of production and despatches. Looking at these inherent limitations in operational management of geographical wide spread areas, the extent of adjustment made appears to be reasonable.”

H. Guidelines for coal shortages

4.67 According to the present policy coal companies take note of shortages in stock if they are higher than 5%. On this basis the negative differences compared with book stocks as on 1.4.90 was 22.86 lakhs tonnes in ECL and 3.37 lakhs tonnes in BCCL. In their 25th Report, the Committee on Public Undertakings (1986-87) had pointed out that for huge coal shortages in ECL, the number of cases of disciplinary action against the officers responsible for shortages were 34,37,24 and 11 during the years 1981-82 to 1984-85 respectively. In this connection the Committee had noted that the punishment awarded to the erring officials was not commensurate with the offence committed. The Committee accordingly recommended that as agreed to in evidence by Addl. Secy., Deptt. of Coal, the Govt. should revise the guidelines for awarding punishment with a view to providing severe and exemplary penalties for those responsible for shortages of coal.

4.68 In this connection, Department of Coal intimated the Committee in March, 1988 as follows:—

“Coal India Limited has formulated the guidelines in respect of punitive action to be taken regarding coal stock shortage. Before these guidelines are revised, it is necessary to carefully review the procedure being followed in the accounting of coal raisings and stocks. Coal India Limited has set up a group to go into the existing

production despatch stock reporting system with a view to remedy the deficiencies, if any, that exist.”

4.69 The Committee wanted to know as to whether the Group appointed by CIL to go into the existing production, despatch, stock reporting system had given their Report. CIL replied in a written note that the Group could not finalise its deliberations. When asked as to why a Group which was appointed in 1988 could not finalise its Report, Chairman, CIL stated during evidence:

“I myself have been trying to find out why this is so. IIM, Calcutta is concerned with that. There appears to be some slip in this matter. IIM, Calcutta has to expedite it. The matter is taken up again. The Director, IIM is the main man concerned with it.”

4.70 As regards the action taken against the concerned guilty officials for shortages, CIL informed in a written note that the following procedure was under consideration in case of disciplinary action to be taken for shortages:

- | | <i>“Quantum of shortage of coal</i> | <i>Penalty that may be imposed</i> |
|-----|--|--|
| i) | Shortage upto 1% of coal/
coke production (reported)
for the preceding year in
which shortage has occurred. | Warning in writing |
| ii) | Shortage exceeding 1% and
upto 5% coal/coke
production | Withholding of increments for
a period of 2 years without
cumulative effect. |

If the delinquent executive(s) has reached the maximum of the scale, penalty of withholding of promotion for a period of one year from the date he would normally be considered for promotion, may be imposed.

- | | | |
|------|-----------------------------------|--|
| iii) | Shortage exceeding 5% upto
10% | Withholding of promotion for
a period of two years from the
date, the name of delinquent
executive would normally be
considered for promotion. |
| iv) | Shortage exceeding 10% | Withholding of promotion for
a period of five years or till
the date of retirement of the
delinquent executive whichever
is earlier. |

or

Compulsory retirement for
removal from service or

dismissal from service in accordance with the gravity of the case of shortage.

It is proposed to amend Conduct, Discipline and Appeal Rules of Coal India accordingly.”

4.71 In this connection, Chairman, CIL also stated during evidence: “We have taken some action. It is not that we are waiting for any Group to recommend... Even today, I signed a file. I have suspended about four officials.”

4.72 When asked about the impact of the present procedure on coal shortages, CIL stated in a written note as follows:—

“Since the issue of instructions as intimated by Department of Coal in 03/88, adjustment of book stock in respect of 3 subsidiaries viz., NCL, WCL & SECL is NIL. In the case of CCL, the adjustment in book stock has gone down from 8.4 lac tonnes in 1987-88 to 5.95 lac tonnes in 1988-89 and to NIL in 1989-90. In the case of BCCL, though there was an increase in 1988-89 from 1987-88 (from 4.3 lac tonnes to 8.03 lac tonnes), it has gone down to 3.3. lac tonnes in 1989-90 i.e. lower than the adjustment in 1987-88. It is only in the case of ECL that there has been no impact of the interaction and adjustment has gone up from 0.44 lac tonnes to 22.86 lac tonnes.”

4.73 During examination of Deptt. of Coal the Committee pointed out that the Group appointed by CIL and intimated by Deptt. of Coal to the Committee on Public Undertakings in March 1988 had not completed the study and wanted to know as to whether the Deptt. ever reminded CIL to get the matter expedited. Deptt. of Coal replied in written note that since this was an internal administrative decision of CIL, no written reminder was issued by the Deptt. of Coal to get the study expedited.

4.74 The Committee further enquired as to how in the absence of any guidelines, coal companies were taking action for coal shortages. Secretary, Deptt. of Coal stated:—

“Two developments have taken place. The matter was legally examined whether any guidelines can be issued as to what kind of punishment should be given for a particular kind of offence. The legal opinion is that you cannot give general guidelines that if such and such defect occurs then this punishment should be given; it has to be left to the discretion of the authority which takes a decision in this matter. In so far as this particular issue of shortage of coal is concerned, we have now taken a view in the Ministry that we will hold the top-most management responsible for this practice, because this practice has been persisting in the coal industry for the last several years. I have told all the senior-most people that they will be held responsible for the over-reporting which is taking place in their areas.”

4.75 Asked about the action taken for over-reporting, Secretary stated:—

“Some over-reporting was done. So, on the basis of that, we took a decision to sack the Chairman and the MD. There were other grounds also. But this was the main ground. There was one ground of having given a contract in which everything was not fair. But this over-reporting was there in a massive way. This was the reason because this was obvious that the over-reporting was going on and he took no responsibility to check, over-reporting. Very recently, we have taken action against officers in the WCL where over-reporting was done. We have placed GM under suspension. We have also placed the Manager under suspension. We have transferred him (CMD) and demoted him also because he is shortly retiring. We said, you have not been able to control this practice in your organisation.”

He added:

“We find that this practice has been persisting. Punishment has been meted out to some low level employees and really the senior people have not been held responsible.”

4.76 The witness further stated that in Jan. 1991 Comptroller & General of India had also been requested to take up special audit of the coal companies where shortages had been detected. Besides the matter regarding over-reporting in ECL had also been referred to CBI.

4.77 On being asked by the Committee as to how the guidelines were not revised as agreed to by the Addl. Secretary, Deptt. of Coal before CPU in 1986-87, the Secretary, Deptt. of Coal stated:—

“We have issued the guidelines. We have asked them not to over-report. If they still go on over-reporting then we have to take drastic action.”

4.78 The Committee further wanted to know that in view of heavy stock carrying cost was it not desirable to have a national policy for stock of coal by collieries and by the users, Department of coal stated in a written note as follows:—

“Stocking policy for 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 undertaking as a whole should not keep more than one month production as stock.”

4.79 Department of Coal further stated in a written note as follows:—

“CIL Board *vide* their decision of 20th Dec. 1990 has constituted as sub-Committee of the Board to examine the prevailing system of maintenance, control and verification of coal stocks at all mines and suggest improvements in the same. This Sub-Committee is on job. A Sub-Committee of the Consultative Committee for the Ministry of Energy was constituted on 30.12.1988. Since this Sub-Committee

could not complete the work within its tenure, another Sub-Committee has been constituted on 20th September, 1990 with the following terms of reference:

- (i) to examine coal inventory in Coal India's subsidiaries and its stocking policy and
- (ii) to examine the system of receipt and despatch of coal from the collieries/stockyards set up by Coal India Limited."

4.80 The Committee note that as per latest estimates coal reserves are placed at 192 billion tonnes in the country and at a production level of 400 MT expected to be achieved by the year 1999-2000, these are considered to be adequate for 130 years. Deptt. of Coal is coordinating with the concerned agencies engaged in coal exploration programmes. Most of the blocks identified for coal production during the Eighth and Ninth Five Year Plans have already been covered under detailed exploration. However, the Committee find that less than one third of the total reserves are under the proved category and the rest are either indicated or inferred. The Committee are also perturbed to note that due to depletion of better quality coal reserves production of superior grade has decreased from 42% of total production in 1980-81 to 14% of total production in 1989-90, whereas production of inferior grade coal has increased from 18% to 53% during the same period. In view of shortage of coking coal in the country as well as decrease in production of superior quality of coal the committee recommend that concerted efforts be made to identify reserves of better quality of coal. They also desire that time bound programmes should be chalked out for exploration/production of coal in these areas.

4.81 The Committee note that CIL is mainly responsible for meeting the coal demand in the country. During the year 1990-91, out of total production of coal of about 212 million tonnes, CIL's share is expected to be around 189 million tonnes. Besides CIL, Singareni Collieries Co. Ltd. is producing about 15 to 20 million tonnes. Another 4 to 5 million tonnes of coal is produced by captive mines of TISCO, IISCO and DVC. A redeeming feature of the coal and supply of coal in the country is that while quantitatively coal is sufficient to meet the indigenous requirement of total coal 4 to 5 million tonnes of coking coal with low ash content is being imported by the Steel Plants. Presently the annual import bill of coal is over Rs. 600 crores. Working Group Report on Coal & Lignite for the 8th Five Year Plan has also estimated that about 24.40 million tonnes of coking coal will have to be imported during the 8th Five Year Plan.

4.82 The Committee have now been informed that to reduce the coal imports modernisation programmes have been taken up to enhance the capacity of the coal washeries. With the completion of the modernisation programmes these washeries will be able to reduce the ash content level from 20% to 17+0.5%, which is the requirement of the steel plants. The estimated investment in washeries is about 168 crores in Seventh Plan and Rs. 484 crores in Eighth Plan. While all the short term plans have been

implemented, long term plans are expected to be implemented upto 1992-93. However, the Committee are distressed to note that there have been certain slippages in the implementation of modernisation programmes particularly in Bhojudih, Dugda I & II and Monidh washeries. These delays are reportedly due to finalisation of tenders. The Committee feel that this factor was within the control of the management and as such could have been easily avoided. The Committee, therefore, desire that all efforts should now be made to complete the modernisation programmes as per time schedule. Apart from modernisation of washeries, coal companies have given highest priority to coking coal projects. Chairman CIL was hopeful that imports will be reduced to zero level within the next 7 to 10 years. The Committee desire that necessary steps should be taken to stop the coal imports to check the outgo of much required foreign exchange.

4.83 Incidentally, it came out during the examination of CIL that the capacity utilisation of coal washeries was very low. Out of about 15 coal washeries the capacity utilisation in only two washeries was above 70 per cent. In one washery the capacity utilisation was as low as 14 per cent. As the capacity utilisation of these washeries is linked to the coal imports, the Committee would like the Department of Coal as well as CIL to have close monitoring of these washeries. They hope that after implementation of modernisation programmes, capacity utilisation of these washeries would be enhanced to a reasonable level.

4.84 Based on the demand of various sectors, coal production targets are decided by the Department of Coal in consultation with Planning Commission. The Committee find that during the last 3 years, the actual capacity utilisation has been over 90 per cent of the total installed capacity which according to Chairman CIL was reasonably well. CIL exceeded production targets in 1987-88 and 1988-89, whereas in 1989-90 the production was short by about 5 million tonnes. During the year 1990-91 as against the production targets of 194 millions, CIL expected to achieve around 190 million tonnes. The Committee however, are sorry to note that production from the underground mines has been stagnating. As against the underground production of 59.08 million tonnes in 1987-88 production in 1989-90 was 58.79 million tonnes only. The Report of Working Group on Coal & Lignite for 8th Five Year Plan has also brought out that one of the factors for less production from underground mines had been due to lack of willingness for underground mining as targets could easily be achieved by easier open cast mining. The Committee deplore lackadaisical approach of the management of coal companies in producing coal from underground mines. Several steps are stated to have been initiated for increasing the production from underground mines. The Committee desire that the production targets which are fixed separately both for underground and opencast mines should be achieved as fixed separately.

4.85 The Committee are distressed to find the dismal production performance of ECL and BCCL, both of which are having major

underground mines. For instance during the year 1989-90 in ECL as against the assessed capacity and targets of 32.66 and 30.02 million tonnes respectively, the actual production was 24.49 million tonnes only. Similarly in BCCL as against the assessed capacity and targets of 33.02 million tonnes and 27.50 million tonnes respectively, the actual production was 26.6 million tonnes. Chairman, CIL was candid in his admission before the Committee that the shortfall in production in these two companies had brought down the total achievement. The main reasons for poor production performance in these companies are stated to be due to power shortage in eastern sector and difficult geo-mining conditions caused due to un-scientific mining during the pre-nationalisation period. The Committee desire that CIL and Deptt. of Coal must help ECL & BCCL to overcome these problems by coordinating with State Electricity Boards as also in opening new mines to make up the loss of production in old and depleted mines. The coal companies have also initiated certain steps to raise production and productivity from the underground mines. The Committee trust that these steps will help in raising the production from underground mines. The Committee have got an impression that even though coal mines have been developed on left bank of the Damodar river, not much has been done on right bank of the river. The Committee accordingly recommend that coal reserves situated on right bank of the Damodar river should also be exploited by opening new mines to augment the coal production.

4.86 From the cause wise analysis of production losses, the Committee find that power shortage is the main production constraint. Due to power shortage the coal companies have lost production to the extent of 22 lakh tonnes, 35 lakh tonnes and 57 lakh tonnes during the years 1987-88, 1988-89, 1989-90 and 1990-91 (upto Jan. 1991) respectively. It has also been noticed that power shortage has affected mainly underground mines. The Committee were informed by CIL that generation of power in DVC which was source of power supply to ECL, BCCL and CCL was much below the installed capacity and as such it could not supply power to the desired level. For instance as against the demand of 443.5 MVA, and 505.5 MVA during the years 1988-89 and 1989-90 the actual supply from DVC was 386.6 MVA and 380.8 MVA respectively. The steel and railways sectors get priority over the coal sector. Besides less supply of power, the number of interruption increased from 15823 in 1988-89 to 23778 in 1989-90. Chairman CIL also stated before the Committee that in the absence of power, no mining work was possible as it affected workers safety.

4.87 The Committee were informed that the annual requirement of power in coal companies during the 8th Five Year Plan would be from 915 MVA to 1285 MVA for which Central Electricity Authority had been informed for advising the concerned State Electricity Boards. The Committee were informed by Department of Coal that regular liaison was being done with the concerned power suppliers for getting regular power supply. The Committee feel that since Government lays down production targets for coal

companies, it is the duty of the Government to ensure availability of inputs particularly the power. Accordingly, the Committee urge that Government should give all possible help in providing adequate power supply to the coal companies so that their men and machines do not remain idle. As the coal is main input for power generation, coal companies should also be able to exert influence over power suppliers.

4.88 The Committee were also informed that some captive diesel power plants had been installed by the coal companies having 82 MV power capacity. CIL has prepared feasibility reports of 5 more captive power plants and sites have been identified for another 6 captive plants. The Committee recommend that these captive power plants should be completed in a time bound programme so that generation capacity is built up in time.

4.89 Besides, power shortage, the other main production constraint has been absenteeism. Due to this factor alone CIL lost coal production to the extent of 13 lakh tonnes. 4.39 lakh tonnes, 21.79 lakh tonnes and 17.59 lakh tonnes during the years 1987-88, 1988-89, 1989-90 and 1990-91 (upto Jan. 1991) respectively. Coal companies also lost production due to industrial problems to the tune of 7 lakh tonnes, 4 lakh tonnes and 2.27 lakh tonnes respectively during the above years. The Committee have been informed by CIL that steps are being taken to reduce the absenteeism by seeking help of workers Committees as also by providing improvement in quality of life of miners. The industrial relations are also reported to have improved by settling various matters through joint consultative committees. Similarly, wage settlement for coal industry is also done by the joint Bipartite Committee, which is appointed by the Government, having representatives from all coal companies and recognised trade unions. The Committee desire that coal companies should further improve the working conditions as also the living conditions of workers to reduce the absenteeism which is mainly in underground mines where working conditions are difficult as compared to open cast mines. The Committee appreciate the steps taken by the Coal companies in improving the industrial relations through various joint committees. Efforts should further be made to bring improvements in the present joint committee system with a view to improve the industrial relations.

4.90 As per the stocking policy for coal companies framed in 1985 in consultation with Planning Commission individual mine cannot hold stocks for more than 3 months and undertaking as a whole should not keep more than one month, production as stock. However, the Committee regret to note that actual coal stocks of CIL at the end of each of the last 5 years have been more than double the prescribed limits. For instance as against the one month prescribed production of 14.89 million tonnes during the year 1989-90, the actual stock at the end of the year was as high as 36.62 million tonnes. The Committee take a very serious note of this particularly in view of the fact that it involves blocking of huge scarce working capital. Besides, since stocks lying for longer period leads to deterioration in quality

are prone to theft and risk of fire, the Committee, urge that all necessary steps should be taken urgently to bring coal stocks within prescribed limits.

4.91 The Committee were informed by CIL that the main reason for piling up of stocks was due to problems in transportation particularly in availability of railway wagons. To overcome these problems, Secretary (Coordination) has started conducting weekly meetings to review the infrastructure constraints relating to supply of coal to power, steel and cement sectors. There has been improvement in supply of coal since then and from a daily average of 12354 wagons in October, 1990, CIL was despatching about 14702 wagons during January, 1991. The Committee trust that the holding of coordination meetings would be a regular feature from now onwards for smooth despatch of coal to end users. It will help in better offtake of coal as well as reduction in huge coal stocks.

4.92 Chairman, CIL informed the Committee during his evidence that there had been a tendency to indicate higher demand by the end users of coal on the basis of which the production targets were being fixed in consultation with Planning Commission. With the result actual offtake had been less than the expected demand. The Committee would like the Planning Commission to take care of this factor so that the expected demand from various users is very near to their actual requirements. The Committee also feel that since that coal production requires advance production planning, particularly in the form of opening up of new mines, there should be some sort of commitment by the end users so that the coal companies do not suffer on account of coal users over-estimation of demand.

4.93 Chairman, CIL also informed the Committee that at present most of the power houses in the country were carrying coal stocks for 15 days consumption as against 90 days stock kept by power houses in U.S.A. In this connection he pleaded that power houses in the country should keep more stocks to overcome any problems in regular supply of coal. He also suggested that some stockyards could be built up near the main end-users. The Committee find merit in these suggestions and accordingly recommend that Government should examine the matters in detail with concerned parties before taking a final view in the matter.

4.94 The Committee are perturbed to note that coal companies are making huge adjustments for shortage of coal in their accounts. During the last 5 years on this account subsidiaries of CIL made book adjustments to the tune of over Rs. 250 crores. ECL alone accounted for adjustment of 22.86 lakh tonnes in the year 1989-90. The Committee were stunned to hear from the Coal Secretary that in ECL there had been massive over-reporting of production. The Committee were further informed that on account of this CMD of the Company had been removed. Similarly in CCL action had been taken against some senior officers responsible for shortage, accumulation of non-vendable stock etc. The Committee would like the CIL as well as Department of Coal to keep a close watch on the actual production vis-a-vis

actual stock holdings for taking timely remedial measures wherever necessary. Needless to emphasise, suitable action should be taken against the officers found responsible for over-reporting of production, shortages of coal etc.

4.95 The Committee on Public Undertakings in their 25th Report (1986-87) had noted that the punishment awarded to the persons found responsible for coal shortages was not commensurate with the offence committed. The Committee had accordingly recommended that as agreed to in evidence by Additional Secretary, Department of Coal, the Government should revise the guidelines for awarding punishments with a view to providing severe and exemplary penalties for those found responsible for shortage of coal. The Committee, however, regret to note that the guidelines have not been revised so far. The same guidelines which were spelt out by the Government in 1986-87 are yet to be incorporated in the relevant rules of CIL. The Committee takes serious view of the matter particularly when the representatives of Department of Coal had agreed to revise these. The Committee are not satisfied with the new argument of the Department of Coal that it would not be legally possible to frame general guidelines. The Committee wonder how in the absence of any guidelines coal companies take disciplinary action against the erring officials.

4.96 The Department of Coal also informed the Committee as far back as in March 1988 that CIL had appointed an Expert Group to go into the existing production despatch, stock reporting system with a view to remedy the deficiencies, if any, that exist. However, it came out during the examination of CIL that Indian Institute of Management, Calcutta, which was entrusted to go into the matter had not submitted any report so far. The Department of Coal has also tried to wash their hands by merely saying that it was an internal matter of CIL and they did not remind the CIL to get the report of experts expedited. The Committee cannot but deplore the callous attitude both of CIL as well as Department of Coal as both of them just slept over the matter after informing the Parliamentary Committee. The Committee would like the CIL/Department of Coal to get the report expedited. Needless to point out necessary action should be taken on the expert's report expeditiously.

4.97 The Committee have also been informed that two more sub-Committees have been appointed to go into the prevailing system of maintenance, control and verification of coal stocks at all mines. While one sub-Committee has been constituted by CIL Board on 20th December, 1990, the other Committee has been appointed by the Consultative Committee for the Ministry of Energy on 20th September, 1990. The Committee recommend that these sub-Committees should be asked to submit their Reports within a short specified period. The Committee would also like to know the recommendations of these sub-Committees as also the action taken by the Department of Coal/CIL on the recommendations.

CHAPTER - V

MACHINE UTILISATION

A. Utilisation of Heavy Earth Moving Machinery (HEMM)

5.1 The following table shows the percentage utilisation of HEMM in CIL as a whole during the years 1986-87 to 1989-90:—

Equipment	CMPDI Norm Annual utilisation (Hours)	% Achievement of CMPDIIL Norm (Utilisation)				Idle Hours during 1989-90
		1986-87	1987-88	1988-89	1989-90	
Dragline	5229	64	83	95	101	16,783
Shovel	4159	61	64	69	67	9,99,363
Dumper	3600	46	53	56	55	51,95,718
Dozer	3240	50	58	64	61	11,88,078

5.2 During examination of CIL the Committee pointed out that except dragline, the utilisation of other heavy machines was much short of full utilisation and consequently idle hours were quite high. Asked about the reasons for under-utilisation of shovel, dumper and dozer machines, CIL stated in a note as follows:

“(a) Low utilization due to low availability of equipment:

(i) We have with us many fully imported equipment and equipment manufactured indigenously under collaboration with foreign manufacturers.

In case of fully imported equipment, non-availability of spares in time, in some cases obsolescence of the equipment abroad, causes low availability and, therefore, low utilisation. In case of so-called indigenously manufactured equipment having high import content delay occurs in getting the imported spares as the manufacturers are not able to supply these spares in time.

(ii) Due to progressive indigenisation, the performance deteriorates due to indigenisation at the cost of quality. This matter has been taken up on a number of occasions with the manufacturers.

(iii) Development of skilled operators and maintenance crew takes time.

(b) *Low utilisation due to less use of available equipment:*

(i) Equipment are inter-dependent on each other and also on the mining condition. To be more clear when the shovel is idle due to non-availability of power, the total contingent of other equipment becomes idle.

(ii) The idleness of equipment is due to environmental condition and varies from area to area. Much wastage of time takes place due to late start, early finish and prolonged tiffin break.

(iii) In many mines, opencast operations are done over developed galleries. A number of precautions have to be taken which lower the utilisation of equipment.

Again there are many mines where there is fire and operations have to take into account this factor.

Many mines have restricted working front which limits blasting operations and thus there is now adequate material available for the equipment.

The above conditions are found mainly in ECL and BCCL and to some extent in CCL. The mines, therefore, cannot be operated in optimal fashion.”

5.3 Elaborating the reasons further, Chairman, CIL also stated during evidence as follows:—

“The norms that we have fixed for our equipment availability and utilisation are quite all right. It is comparable with the international standard. But our performances in many areas are poor. There are three or four reasons. We are bringing in a lot of improvement. We have got the imported equipment, we have also got the indigenous equipment. Due to various bilateral agreements, even with the same company we are going in for different types of equipment. The other point is that some of these equipments are made with foreign collaboration. We find the Public Sector Units could not fully absorb the technology indigenously.”

5.4 The witness further stated that CIL conducted a study which revealed that 25% of the working of shovels was directly attributable to the power shortage.

5.5 On being asked about the steps taken to improve the machine utilisation, Chairman, CIL stated:

“The first thing that we have done is that we are now having a quality assurance inspection at the manufacture’s end so that as far as possible, defective equipment is not allowed to be despatched by the manufacturers. Then we are binding on them the commercial clause of the agreement.”

5.6 Elaborating the steps taken to improve the machine utilisation, CIL stated in a note furnished after the evidence as follows:—

“Machine utilisation can be improved by improving their availability and by having optimal utilisation of the available equipment.

The three courses of actions have been taken to improve availability. These are:-

- (a) to improve the availability by infrastructural development;
- (b) to improve the availability with the help of equipment manufactures; and
- (c) to improve availability at the operational level.

For improving utilisation of the available equipment following steps have been taken:-

i) *Training:*

Extensive training programme has been drawn up for developing skill of the operators and technicians at site.

ii) *Providing un-interrupted power supply*

Continuous monitoring of the power supply by various agencies is being made by CIL.

iii) *Better Fragmentation:*

It has been found that until and unless better fragmented materials is made available, the efficiency of the digging equipment and hauling equipment reduces considerably. As such, action at various levels have been taken for proper fragmentation of the boulders.

iv) *Haul Road:*

Proper laying and grading of haulroad and properly lighting it, improves the productivity considerably. Necessary action has now been taken to improve it by way of high capacity grader/road impactors and high capacity water sprinklers and dust suppression system.

v) *Hot Seat Change:*

In case of very costly Draglines and Shovels of very high capacity, it has been felt that the cost on the operators is insignificant to the down time of the equipment. As such hot seat system has been arranged to ensure continuous operation of the equipment unless it is required for schedule maintenance.

vi) During tiffin break, lot of time used to be lost on account of early stoppage of work and late re-start. Canteen Vans have now been provided in major projects for supply of tiffin at the working site.

vii) In very big projects, lot of time is wasted due to reporting of the operators to their machines after completing normal formalities. This is being minimised by transporting the operators by transport system to their work site. This has already been implemented in some of the bigger Open Cast Mines."

5.7 Asked about the availability of spare parts required for heavy machines particularly the imported ones, CIL stated in a note as follows:—

"The lead time for imported spares is long. The lead time for imported spares of USA and Japan origin is about 10 to 14 months, whereas the lead time for USSR origin is about 2 to 3 years. The lead time for indigenous spares is 6 months from the date of order."

5.8 CIL also stated that Bharat Earth Movers Limited (a public sector company) was the main indigenous supplier of spare parts and the supply from BEML was less than the orders placed. The following table shows the orders placed/supplied by BEML during the year 1989-90:

(Value in Rs. lakhs)

Company	Ordered	Supplied	Balance
ECL	741.04	378.09	362.95
BCCL	997.00	727.00	250.00
CCL	1440.35	589.93	850.42
NCL	2910.00	1446.17	1463.83
WCL	937.14	461.40	475.74
SECL	1982.43	827.78	1154.65

5.9 During the examination of Department of Coal the Committee pointed out that the major constraint in machine utilisation was less availability of spares which were mainly being supplied by other public sector companies like BEML. Asked about the efforts made at Ministry level to help the coal companies in this regard, Department of Coal stated in a note as follows:—

"Indigenous supply of equipment and spares to Coal companies is made mainly by four public sector undertakings, namely Mining and Allied Machinery Corporation (MAMC) Jessop & Co., Heavy Engineering Corpn. (HEC) and Bharat Earth Movers Limited (BEML). While MAMC and Jessop specialise in the supply of underground coal mining equipment, HEC and BEML supply opencast equipment like draglines, shovels, dumpers and dozers etc. MAMC and Jessop are the two indigenous manufacturers of Powered Support Longwall Face in the country. Recently, BEML have also got industrial licence for the purpose.

The position of supply of equipment and spares to coal companies is periodically reviewed in the meeting taken by Secretary (Coal) with

indigenous equipment manufacturers. Representatives of Ministry of Heavy Industry, Ministry of Defence, Department of Defence Production are also invited to attend the meeting among others. Proceedings of the review meeting is forwarded to all concerned for follow up action. The review meeting was last taken by Secretary (Coal) on 16th July, 1990 which was also attended by the representative of Department of Defence Production which is the administrative Ministry in respect of BEML.”

The Department of Coal also stated:

“With a view to ensuring timely supply of spares, it has all along been impressed upon the suppliers including BEML to open spare parts depots in each of the subsidiary coal companies. BEML have opened a spare parts depots to cater to the requirements of spares of producing subsidiary coal companies. The supply of spares by BEML in percentage terms has been satisfactory. For emergency spares, BEML has not yet established separate channel of supply resulting in delay in attending to emergency break-down.”

B. Utilisation of Underground Machines

5.10 The following table shows the population of underground equipment/machines *vis-a-vis* their availability at the end of March, 1990:

Name of Equipment	On roll	Nos. avail for operation	% Availability
C.C.M	674	367	54.45
HAULAGE	3686	2917	79.14
WINDER	508	457	89.96
ROAD HEADER/ DINT HEADER	51	27	52.94
SHEARER	17	11	64.71
S.D.L.	236	202	85.59
L.H.D.	47	32	68.09

5.11 As regards the idle hours in underground machines, CIL replied in a note that in case of underground machines it was difficult to quantify the idle hours as the coal output was the result of many machines/equipments. Maintenance/repair work to these equipments was carried out when they were not working.

5.12 In the context of less availability of machines the Committee enquired as to how many workshops were in Coal Companies and whether these were fully equipped, CIL in a note stated:

“Coal India is having 119 workshops inclusive of 2 Nos. Central and 12 Nos. Regional workshops. 13 Nos. workshops including 3 Central workshops are under construction. The existing workshops

are amply equipped to carry out repair and maintenance work assigned to the corresponding class of workshop.”

5.13 Besides, departmental workshops, repairs, of plant and machines was being done through outside parties. Expenditure on repairs by outside parties during the years 1987-88, 1988-89 and 1989-90 was Rs. 31.77 crores, Rs. 38.58 crores and Rs. 54.69 crores respectively.

5.14 During examination of Department of Coal the Committee enquired about the reasons for less availability of underground machines as compared to the machines on rolls. Department of Coal stated in a note as follows:

“In the case of underground machines, as is the case with any equipment/machines in use, some out of the total machines on roll will be required to be withdrawn from use for the reasons of preventive & planned maintenance, capital repairs, breakdowns & shifting of equipments in cases of shearers, haulages etc. While preventive/planned maintenance & capital repairs are necessary and unavoidable attempt is always made to control outages due to breakdowns.”

5.15 Asked further as to how in the absence of quantified capacity utilisation/idle hours, Ministry ensured that the underground machines were being utilised fully, Department of Coal replied in a note:

“Major underground equipment like longwall powered support equipments, Road Headers, side discharge loader and Load haul dumpers are being regularly monitored in the Department of Coal. Utilisation of these equipments are calculated on the basis of rated capacity as assessed by the CMPDI relating to a specific mine project and then actual performance in terms of coal output. Haulage/Conveyors, Winders etc. are equipment providing means of coal evacuation and form part of the over all mine capacity. Since their functions are cyclic in nature depending on the main Coal Winning/Loading equipment, their utilisation would be only reflected in the overall utilisation of the mine capacity.”

C. Hiring of HEMM

5.16 The Committee on Public Undertakings (1986-87) while examining the working of one of the subsidiary companies of CIL viz. Eastern Coalfields Limited had noted that even though there was underutilisation of HEMM, the Company had been hiring private HEMM at huge cost which increased from Rs. 4.8 lakhs in 1977-78 to Rs. 17.27 crores in 1985-86. The Committee also noted that the same contractors were continuing for years together without inviting tenders. It also came out that CIL Board in one of its meeting decided to stop the hiring of HEMM, CIL Board in subsequent sitting decided to minimise the hiring of HEMM by

changing its earlier decision. In this context the Committee recommended as follows:

“The Committee, 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 Government, through an independent expert body within a short specified time.”

5.17 In pursuance of the above recommendation of Committee on Public Undertakings made in their 25th Report (1986-87), the Government appointed an Expert Group to look into various issues connected with the hiring of HEMM by ECL. The Group *inter-alia* recommended as follows:—

“The Group observed that the efforts that are being made by ECL in improving the utilisation of HEMM and thereby reducing dependence on hiring of HEMM in order to reduce the gap between the achievable capacity and the market demand, are not yielding sufficient results. The fact that the quantum of production by hiring HEMM is increasing year after year, strengthens this view.

The Group, therefore, recommends that the quantity of work be done by hired HEMM should be pegged down to the level that bridges the gap between the achievable capacity and the market demand. Further, hiring of HEMM should be limited for the exploitation of the marginal isolated patches only in organised way and phase it out at the earliest.”

5.18 Based on the Expert Group recommendations the Government took the following decision which was communicated to CIL their letter No. 37023(109)/87-CML dated 29.1.1988:—

“While specific compliance on the points made by the COPU in the light of the findings of the Expert Group will be furnished seperately after receipt of the comments of CIL & ECL, the following decision were taken with regard to the general policy of hiring of HEMM:—

- 1) Government in the Department of Coal accepted the recommendations of the Independent Expert Group and decided to do away with the system of hiring of Heavy Earth Moving Machinery in a phased manner. It was further decided that progressively all works of overburden removal particularly in new mines would be done only departmentally.
- 2) As far as the existing mines in remote isolated patches are concerned, hiring of HEMM would be eliminated and discontinued in a phased manner in the next 3 years.

Management of ECL was directed to work out a time schedule for phasing out of works by the existing contractors.

- 3) In the light of the decision to phase out the works by the private contractors no useful purpose would be served by retendering and allowing new parties to enter at this stage. Efforts should be made to negotiate with the existing parties to get better offers and lower rates.”

5.19 To give effect to the above decision, the Department of Coal had subsequently asked ECL and CIL to ensure that all private hiring of HEMM by ECL was discontinued totally and positively w.e.f. 1.4.1991.

5.20 As regards the latest position, Deptt. of Coal stated in a note as follows:—

“It has been confirmed by ECL on 29.11.1990 that orders have been issued to all units of ECL to terminate all contracts for private hiring of HEMM w.e.f. 1.4.1991. All existing contracts shall expire on 31.3.1991.”

5.21 During examination of CIL the Committee wanted to know the total expenditure incurred on hiring of HEMM by different subsidiaries during each of the last 3 years. CIL in a written note replied that besides ECL, North Eastern Coalfields Ltd. was resorting to hiring and no other subsidiary of CIL resorts to hiring of HEMM. Subsidiary-wise expenditure on hiring of HEMM for the last 3 years is as follows:—

Year	ECL	NEC (Rs. in crores)	Total
1987-88	41.65	10.95	52.60
1988-89	35.41	11.78	47.19
1989-90	39.11	12.28	51.39

5.22 Asked about the reasons for hiring of HEMM by NEC, CIL replied in a written note as follows:—

“North Eastern Coalfields, Assam is resorting to hiring of equipments because of the following reasons:—

- i) Heavy rains during monsoons extending over 6 months make deployment of HEMM practically impossible. During this rainy season, the machines have to be kept idle and manpower, if departmentalised, cannot be gainfully utilised.
- ii) The patches have short period of life due to hilly terrain and prevalence of old workings.”

5.23 During evidence of the representatives of CIL, reacting to the total stoppage of hiring of HEMM for ECL, Chairman, CIL stated before the Committee as follows:—

“In the open cast mining, whenever the shovel dumper equipment is not adequate, we have a system of hiring the heavy earth moving equipment. There has been considerable discussion and this august body also went through it and you also asked us to appoint a Committee. The Committee of experts went through it. I sent some representatives and Neyveli Lignite Corporation also sent a representative there. There were small isolated patches located here and there. It would not be economically viable for Coal India to operate and it would be better always not to make investment for the small patches which will last for one or two months only, not more than that. It would not be worthwhile to make a heavy investment on the equipment, on the infra-structure to approach that place, etc. Good quality coal is available in the eastern sector in small patches. We find it is cheaper and economical and there is no liability on the management.”

5.24 On being pointed out by the Committee that the production performance of ECL was poor as compared to other subsidiaries and its production performance might further be affected due to stoppage of hiring of machines, Chairman, CIL stated:—

“Yes, it will fall. Today, we are doing around four million tonnes by the hired equipment. For this purpose, if I have to replace, I have got to invest more.”

In reply to further query about hiring, he stated:—

“Not under all circumstances, but in small patches and isolated working.”

5.25 When asked as to whether hiring was the only solution for isolated and small patches, the witness replied:—

“I think so. It has been proved also. In the small patch where we are working, we find that it is operationally viable.”

5.26 Explaining it further CIL stated in a written note as follows:—

“There are many isolated patches of good quality coal which cannot be worked economically departmentally and these patches will be lost for ever. Expert Group had also, therefore, recommended to limit hiring of HEMM for exploitation of marginal isolated patches in an organised way.”

5.27 It also came out during the examination that there had been considerable improvement in utilisation of HEMM in ECL from 1985-86 to 1988-90. The percentage of idle hours to shifts hours for various heavy machines which ranged between 46.87% to 74.40% in 1985-86 came down steadily to 22% to 37% in 1989-90.

5.58 During evidence of the representatives of Department of Coal the Committee pointed out that coal companies had planned higher quantity of coal production and enquired as to whether without hiring the machines it would be possible to produce more coal. Secretary Department of Coal stated as follows:—

“This is a question which is being raised by the Company and we will examine it.”

In reply to a further query of the Committee, he stated:—

“We have taken a decision to implement the recommendations of the Committee after full deliberations. If there is any difficulty we will certainly take a view on it.

5.29 The Committee regret to note that utilisation of heavy machines like shovel, dumper and dozer has been much short of the utilisation norms fixed by CMPDIL, a subsidiary of CIL itself. As against the CMPDIL norms the actual utilisation of shovel, dumper and dozer ranged between 61 to 67 per cent, 46 to 56 per cent and 50 to 64 per cent respectively during the years 1986-87 to 1989-90. On account of poor utilisation of these machines during the year 1989-90 alone the idle hours in respect of shovel, dumper and dozer were 9,99,363,51,95,718 and 11,88,078 respectively. The Committee were informed that low utilisation of heavy machines was mainly due to delay in getting imported spares, delay in supply of indigenous spares by other public sector companies, shortage of power and shortage of skilled operators.

5.30 Several steps are reported to have been taken to overcome these problems. Department of Coal is also ensuring timely supply of spares by other public sector undertakings like BEML, MAMC and Jessop & Co. To further improve the availability of spares in short time one of the supplier companies has also opened some spare parts depots in coal companies. Besides, suppliers are being asked to establish separate supply channel to attend the emergency break-downs. The Committee hope that with the steps taken by coal companies, utilisation of heavy machines will be increased to the desired level. The Committee also desire that efforts should be made to achieve the CMPDIL machine utilisation norms.

5.31 The Committee are perturbed to note that the availability of underground machines had been very less as compared to the machines/equipments on the rolls. The Committee find this situation highly unsatisfactory as after investing huge amount in plant and machinery, many of them were not available for utilisation. At the end of March, 1990, the availability was just 54 per cent and 53 per cent in case of CCM and Road Header/Dint Header. Some of the equipments/machines were withdrawn for preventive maintenance and capital repairs. The Committee has got an impression that system of preventive maintenance has not been streamlined properly in the coal companies otherwise there could be no other reason for which a number of machines/equipments were not available for working at a time. The Committee, accordingly, recommended that coal companies should streamline the system of preventive maintenance so that minimum number of machines are away from the place of working as also all the machines are attended for capital repairs after regular intervals. Taking note of the fact that coal companies are having over hundred well equipped workshops, the Committee feel that it should not be an impossible task.

5.32 Even though the coal companies are having 119 well equipped workshops, repairs/maintenance of equipments/machines were being done through outside private parties. The expenditure incurred on repairs done through private parties increased from Rs. 31.77 crores in 1987-88 to Rs. 54.69 crores in 1989-90. CIL has also planned to instal 13 more workshops in coal companies. The committee do not approve payment of such huge money to private parties particularly when the coal companies have got their own well equipped workshops. The Committee, therefore, recommend that the repair/maintenance work should be restricted to the departmental workshops and only in exceptional circumstances where departmental workshops are unable to carryout any complicated job, coal companies should be allowed to get it done through outside parties.

5.33 The Committee find that besides NEC, where hiring of heavy HEMM is unavoidable due to seasonal mining, ECL had also been hiring HEMM at considerable costs. The hiring cost of HEMM by ECL during the years 1987-88, 1988-89 and 1989-90 was Rs. 41.65 crores, Rs 35.41 crores and Rs. 39.11 crores respectively. In this connection the Committee on Public Undertakings (1986-87) while examining the working of ECL had found certain irregularities in awarding work to private parties and had recommended a probe in the matter by an independent expert body. In pursuance of the Committee's recommendations the Government appointed

an Expert Group to look into the various issues connected with their hiring of HEMM by ECL. Based on the Expert Group recommendations the government decided in 1988 to discontinue the hiring of HEMM in a phased manner within the next 3 years. The Committee were informed by the Department of Coal that CIL and ECL had been asked to totally stop the hiring w.e.f. 1.4.1991. However, reacting to the total stoppage of hiring chairman, CIL stated before the Committee that good quality of coal existed in the eastern sector in small and isolated patches and for that hired equipments, were economical as compared to the departmental machines/equipments. He also stated that to replace the hired equipments, more investments will have to be made in procuring new machines failing which there would be loss of production in ECL to the tune of about 4 million tonnes annually. Coal Secretary also informed the Committee that coal companies had raised this problem and they were re-examining the matter. The Committee desire that hiring of HEMM should be resorted to only in extra-ordinary circumstances where the capacity utilisation of internal machines had reached at an optimum level.”

CHAPTER-VI

MAN POWER PLANNING

A. Surplus Man Power

6.1 The following table shows the manpower strength in CIL *vis-a-vis* expenditure on manpower at the end of each of the last 5 years:

Year	No. of persons	Wage Bill (Rs. in crores)	% of total cost of production	Overtime payment (Rs. in crores)
1985-86	6,71,932	1548.93	56	86.81
1986-87	6,75,115	1827.26	59	94.00
1987-88	6,74,021	1952.74	55	106.49
1988-89	6,70,440	2302.84	55	169.60
1989-90	6,67,705			

6.2 During examination of CIL the Committee pointed out that CIL had a large work force and enquired as to whether any study was conducted by CIL to identify the surplus manpower in different coal companies. CIL replied in a note that recently CIL had made detailed analysis on surplus manpower with a view to train the trainable lot for suitable deployment. Such surplus workmen were mostly in ECL, BCCL and CCL. Out of the total surplus 19518 workers, 13397 were female workers. Further age analysis indicated that workers below 40 years who could be taken up for training for alternative jobs were 12,099.

6.3 In reply to an another question about manpower, CIL in a note stated that over a period of time due to modernisation and introduction of new technology a situation had arisen where in there were a surpluses and shortages; surpluses in unskilled and semi-skilled categories and shortage in skilled categories. Asked about the efforts made to provide training to surplus staff with a view to redeploy them in areas where there were shortages, CIL in a note stated as follows:—

“The process of identification and training is at hand for workers falling in the below 40 years age group. Since 1989-90 and till January, 1991, 2198 heads have been gainfully re-deployed after having being trained as longwall face workers, electrician helper, mechanic helper, motor winding mining sardar, survey mazdoor etc. There is however, limited scope for the women workers as they are to be provided work only till 6.00 P.M. and as per statute cannot be engaged in underground mine. Certain unconventional areas like security guard, driver, switch board attendant, as well as ecology and afforestation works have been selected for their deployment on a limited trial. Some other areas where they can be tried have been identified as:—

- (i) Office Peons
- (ii) Store Mazdoor
- (iii) Surface fan khalasis
- (iv) Road maintenance work
- (v) Water supply establishments
- (vi) Shale pickets in washeries and Coal Handling Plants
- (vii) Civil Engineering repairing works
- (viii) Midwife/Aya/Nurse

In case of Central Coalfields where the surplus comprises of 5341 male workers and only 1520 female workers with only 686 head on age group above 40, they are being readjusted/redeployed against appropriate shortages in neighbouring collieries/areas but resistance to movement from one colliery to another is coming in way of the speedy redeployment. Coal India is trying to see that all the surplus work force gets gainfully deployed within next 2-3 years.”

6.4 The Committee pointed out that coal companies had planned several new projects and enquired whether the surplus workers could be deployed in new projects/mines. Chairman, CIL stated as follows:—

“Yes. Much as we wanted to redeploy these surplus workmen in the new projects, there had been a positive resistance. Under the agreement, we have got to provide employment to the land losers. Not only that, in case of Sonapur Bazari apart from the land losers, they said for 33 percent of our requirements we can not bring people from outside but that we have to take from the local people.”

6.5 The committee also wanted to know as to whether CIL had

introduced any voluntary retirement scheme to reduce its manpower. CIL replied in a note that under the Voluntary Retirement Scheme introduced by the Company so far 3334 workers had taken voluntary retirement.

6.6 The Committee further pointed out that at present the wage component was about 55% of total cost of production. Asked as to whether present level of work force was justifiable, CIL in a written reply stated as follows:—

“As against the projected manpower of requirement of 6,90,760 as on 31.3.1990, the actual manpower is 6,67,705. The Coal companies have also been expanding its activities and in that process maximum efforts have been made to redeploy the surplus manpower in newly developing projects as well as existing projects. The rise of production from 1978-79 which stood at 90.05 million tonnes, with the manpower strength of 5,91,549 as on 1.4.1978 will indicate that while the production has been rising over the years, there has been no corresponding increase in manpower. Rather, there has been a decrease of manpower to the extent of 3581 and 2705 during the years 1988-89 and 1989-90.”

6.7 In this connection Chairman, CIL also stated during evidence as follows:-

“This situation has come down to us at the time of nationalisation. We could not plan it as they have done in the case of steel. Today, we have 18,000 surplus workers earlier we had 70,000 of them. Gradually we are controlling manpower. It is hardly 6 lakhs now. While the manpower situation has been controlled, production has gone up by 100%.”

6.8 The Committee also wanted to know the proposed steps to be taken to keep the manpower strength at desired level during the 8th Five Year Plan. CIL in a note stated as follows:-

“It is correct that the sub-group of working Group on coal and Lignite (for 8th Five Year Plan) has expressed the opinion that considerable scope exists for improving the productivity and reducing the projected manpower. The Sub-Group has recommended the total manpower of 7,070 for CIL at the terminal year of the 8th Plan as against the projection of 7,46,398.

During the VIII Plan, large scale mechanisation in mines will need more skilled manpower for CIL & its subsidiaries. Thus, the emphasis from CIL is on training and upgrading the skills of the existing surplus deployable manpower. The companies have been advised to resort to recruitment only in critical categories with which the development of the projects or operation of existing projects are likely to hamper.”

6.9 On being pointed out by the Committee that there had been cases in coal companies where the number of people shown in payrolls were really not working, the Chairman, CIL stated during evidence:

“At that time before the nationalisation or immediately after the nationalisation, there had been a tremendous induction of manpower. At that time we had nationalised 950 mines and had only a handful of people of the erstwhile National Coal Development Corporation. So, it did take quite some time for us to formalise this manpower position. We did have these people and we used to call them badalis. Badali means a person who is working as a substitute for someone else. For identifying the surplus manpower, the first ever attempt was made by the Government of India around 1976-77 when they appointed the Baweja Committee. They did identify surplus manpower but I do not think they could have any scientific type of parameters to say that these are the surplus people. But today's position is that we have started supervising the manpower position at the Company level. So, further manipulation is not possible. We are also introducing the attendance recording, though there is tremendous resistance to it. This surplus manpower we have determined now is based on the norms that we have set up for each of the mines.”

6.10 During examination of Department of Coal the Committee wanted to know as to whether the Department was keeping a close watch on the manpower strength of the company and whether the present level of manpower strength in coal companies was justifiable. Department of Coal replied in a written note as follows:-

“The manpower in CIL and its subsidiaries has remained almost at the same level (around 6,70,000) during the past 6 years though the production of coal has increased from 134.11 million tonnes in 1985-86 to 178.59 million tonnes during 1989-90 and the targetted production of 194 million tonnes during 1990-91. The production of CIL is targetted to reach at the level of 270.86 million tonnes during 1994-95 *i.e.* 100% increase over the production of 1985-86. As against this, the the working Group on Coal & Lignite for the 8th Five Year Plan has recommended a manpower of 7,06,670 for CIL by the terminal year of 8th Five year Plan (1994-95). The increase works out to about 5.4% only. This reveals that CIL are adjusting the surplus manpower against their additional requirements and are sanctioning additional manpower only when absolutely necessary.”

6.11 As regards the surplus labour, Secretary, Department of Coal also stated during evidence :

“.....We have kept a control over recruitment. We are not recruiting people, we are devising schemes like golden handshake and some people have taken advantage of them.”

6.12 On the basis of certain press reports stating that World Bank (which was reportedly assessing the working of CIL) had asked to reduce the manpower strength of coal companies by 50,000, the Committee wanted to know the action taken or proposed to be taken on the recommendations of World Bank. The Department of Coal stated in a written note as follows :-

“During discussions with World Bank one of the points which was discussed was ways and means to improve financial performance in coal sector. During discussions the modalities of redeployment of surplus workers from mines that are closed down due to exhaustion of reserves and reduction in unproductive manpower with a view to improving output per manshift was also discussed. With regard to productivity the following areas are receiving attention :

- i) An embargo has been put on increase of manpower unless absolutely unavoidable;
- ii) Identity cards are being issued to employees to check impersonation, false attendance and other irregularities;
- iii) B.Form registers are being checked for false enteries and persons who will be retiring in the current year and those who will retire in the next few years identified so that they could be retired on time;
- iv) The concept of all-men-all-jobs is being tried on an experimental basis. In some of the conventional mines, the workers are being encouraged to do more than one job.”

B. Payment of Over Time

6.13 During the course of evidence of the representatives of CIL the Committee pointed out that while there was surplus manpower, the Coal Companies were paying overtime over Rs. 100 crores annually. Asked about the reasons for paying overtime of this magnitude, Chairman, CIL replied as follows:-

“Regarding overtime, whenever we employ people on holidays, we have got to pay them overtime as per the agreement with the Union. The weekly day of rest is fixed as Sunday and I cannot change it. As the figures indicate, there was perhaps lack of proper control in the past. There was system in the Central Coalfields, Ranchi’s Open Cast Mine, that if we needed a small group of people for production purposes, all the workers had to be called, though they were not required. We are now controlling these things. We have to face a lot of problems. We have decided that in the case of underground mines in the Eastern Coalfields, we will not work on Sundays.”

6.14 Explaining the reasons for payment of overtime, CIL stated in a written note as follows :-

“The surplus manpower in CIL are mostly women work force and also those who are untrained and unskilled. The deployment of workers on O.T. is necessitated due to the following reasons :-

- i) In accordance with the provisions of Wages Agreement. Workers have to be paid O.T. in addition to the compensatory day of rest when they are deployed on Sunday and Holidays. In case of Sundays payment is made twice the normal wage and in case of Holidays payment is thrice of the normal wage.
- ii) People have to be deployed on Sundays and Holidays to comply with the Mines Regulation in respect of Statutory Inspection and maintenance. In addition, the work connected with ventilation, pumping etc. are of continuous nature and people have to be deployed to maintain these services. Major overhauling maintenance and other miscellaneous works in the mine have to be carried out during week days as mine works for production continuously on 6 days.
- iii) CIL is maintaining large colonies where essential services like water supply, electricity supply, Hospital, Ambulance etc. are to be maintained and people have to be deployed on all the 7 days in a week.
- iv) Security Guards have to be deployed on all the 7 days of the week in both industrial and non-industrial areas.
- v) Wagon loading is done on all the days of the week to utilise Railways wagon stock to the maximum extent. Also as a practice, Railways do not supply wagons at a fixed time but wagons have to be filled in within the stipulated time limit from the time of supply of wagons and, therefore, many a time workers have to be called beyond their normal duty hours for loading the wagons.
- vi) In case of breakdown of equipment, skilled workers have to be employed to attend to this breakdown and bring back the machine to use. When such skilled workers are employed beyond their normal duty hours, they have to be paid extra wages.

Extra wages beyond the normal wages are booked under the head ‘Overtime Wages.’”

6.15 Chairman, CIL further informed the Committee that they were taking steps to check the payment of overtime. When asked about the saving made after taking various measures to reduce the payment of overtime, he stated :-

“About Rs. 20 crores this year.”

6.16 The Committee also enquired from the Department of Coal whether the payment of overtime of over Rs. 100 crores annually was justifiable. Department of Coal stated in a written reply as follows :-

“The payment of overtime allowance is inescapable in certain cases such as deployment of workers on Sundays and Holidays to meet the statutory requirements of inspection, maintenance and to attend to work connected with ventilation, pumping out of water from mines, major overhauling of equipments, water supply, electricity supply, hospital ambulance etc.”

C. Productivity —

6.17 The following table shows the per man productivity in CIL during each of the last 4 years:

(Fig. in tonnes)

Year	Underground	Open Cost	Total
1987-88	0.54	2.65	1.08
1988-89	0.57	2.91	1.17
1989-90	0.55	3.08	1.21
1990-91	0.58	3.37	1.30
(projected)			
BICP Norms of Productivity	0.69	4.00 Mechanised 3.00 Semi mechanised 0.55 Manual	

It may be seen from the above that productivity in underground mines has been stagnant during the last 4 years and productivity in 1989-90 was even less than it was achieved in 1988-89. This is also much less than the BICP norm of 0.69 tonnes. From the subsidiary-wise details it was noticed that in ECL the per man productivity in underground mines ranged between 0.43 to 0.48 tonnes during the last 4 years. Similarly in BCCL it ranged between 0.47 to 0.50 tonnes during the same period. However, in case of O.C. mines of NCL and SECL the productivity was much higher than the BICP norms where it ranged from 5 to 8.73 tonnes.

6.18 As compared to the above, the following table shows per-man productivity in other coal producing countries :-

(In tonnes)

Countries	1981	1986
Australia	12.99	18.07
Belgium	1.68	1.96
Czechoslovakia	5.38	5.39
France	1.94	2.10
Japan	2.03	NA

U.K.	2.26	4.10
USA	12.88	15.68
West Germany	2.92	3.12

6.19 During evidence of the representatives of the CIL the Committee pointed out that per man productivity in underground mines was very low particularly in ECL and BCCL areas. Asked about its reasons, Chairman, CIL stated as follows :-

“In case of underground mines, the loader OMS has got to go up. The overall OMS depends upon that. Everything depends upon the number of tubs he loads. The rest of them are only for improvement in services. Normally, the loader OMS should be more than 3 tonnes. Then only the position would become much better. They are not loading today more than 2 tonnes. For working four days a week he gets more than what he was getting by loading three tonnes in six days a week. It is mainly because it is an arduous job. There is also absenteeism which is going up. It is very high in the case of loader category. It is around 40 percent to 45 percent.”

6.20 The Committee further enquired about the reasons for low productivity in CIL mines as compared to other countries. CIL stated in a written reply as follows :-

“Comparison of Coal India’s OMS with other countries abroad will not be fully correct for the following reasons :

- i) CIL is required to maintain a large number of workshops in the field as well as Central workshops. All the maintenance, major repairs and rehabilitation are done in these workshops. They employ substantial manpower.
- ii) CIL maintains a number of hospitals and dispensaries deploying very large manpower.
- iii) Other welfare activities like Community Centres, Roads and Housing Colonies need a large deployment of manpower.
- iv) Maintaining coal transportation fleet in certain Companies again is through their departmental manpower.
- v) Large strength of security personnel have to be maintained.

The above are few major areas of non-productive manpower who are engaged in CIL. In countries abroad, such services are hired or bought-out, and do not form part of productivity calculations.”

6.21 In this connection Chairman, CIL also stated during evidence :

“We have got around 30 percent extra manpower for maintenance of buildings, water supply and so on. Abroad nobody is provided with any facility, including hospital. But here it is done by us.”

6.22 The Committee also wanted to know the steps taken or proposed to be taken by CIL to increase the productivity particularly in underground mines. Chairman CIL replied :-

“So far, the underground mines, we are taking action. Apart from that, we are introducing intermediate routes, mechanisation. For example, small conveyors etc. In the open cast mines, the main thing in improving the productivity is improving the equipment, improving the capacity utilisation.”

6.23 During examination of Department of Coal the Committee pointed out that the productivity in CIL was much less than the BICP norms particularly in under ground mines of ECL and BCCL areas. Enquired whether the Department had analysed the reasons for it, Department of Coal stated in a written reply as follows:-

“The actual productivity (OMS) of underground mines being achieved in SECL and WCL is higher than the BICp norms of 0.69 tonnes. In CCL, BCCL and ECL, the overall OMS is much less than the BICp the overall OMS is much less than the BICp norm of 0.69 tonnes. While the loader’s OMS is being achieved by and large, the main reasons for low underground OMS in these three companies are as follows :-

- a) Old and extensive underground workings involving long travel distances;
- b) Shrinking working faces and coal companies’ inability to provide new working fronts due to slow main dip progress;
- c) Problem of power shortages and frequent trippings particularly during the rainy season resulting in flooding of dip side workings.
- d) Heavy absenteeism (as high as 35 to 45%) amongst piece rated loaders;
- e) High Time Rate/Piece Rate ratio.”

6.24 As regards the steps taken to increase the productivity in underground mines, Department of Coal stated :

“Various steps that have been initiated for improving OMS in underground mines are as follows :-

- a) Underground mines having low OMS are being subjected to intensive study with a view to improving production and productivity. 39 underground mines were specifically identified in 1988-89 for intensive monitoring.
- b) Coal loading operations have been/are being mechanised by introduction of machines like Side Discharge Loaders (SDLS) and Load Haul Dumpers (LHDS) in selected underground mines.
- c) Greater emphasis is being given on improving general

underground working conditions by providing better lighting, better ventilation and other amenities like drinking water and rest shelters as near to the working places as possible etc.

- d) Greater emphasis is being given on development through introduction of coal cutting machines, augers, jumbo drills etc.
- e) There is completed ban on fresh recruitment in time rate jobs except for highly skilled trades. Fresh recruitment including that of land losers is in piece rate category only.
- f) Preferential treatment is being given to piece rate loaders in the matter of allotment of houses so as to discourage absenteeism."

6.25 The Committee find that Coal companies are having over 6 lakhs employees and the wage bill of coal companies constitutes about 55 percent of the total cost of production. The Committee also note that with the various measures taken to restrict the increase in manpower strength like introduction of voluntary retirement scheme, CIL has been able to bring down the total manpower strength from 6,75,115 in 1986-87 to 6,67,705 in 1989-90. A recent study by CIL has brought out that there are about 19528 surplus workers in the coal companies. They are mainly in ECL, BCCL and CCL. The study has also revealed that out of over 19000 surplus workers there are 13397 female workers who could not be employed in underground mines. Efforts are reportedly being made to impart training to the surplus workers to redeploy them in productive jobs. Further certain jobs have been identified to redeploy the female workers. CIL also informed the Committee that within next 2-3 years all the surplus work force would be gainfully re-deployed. The Committee recommend that for imparting training and for re-deployment of surplus workers in productive jobs, a time bound programme should be prepared and be meticulously followed.

6.26 As against the projection of 7,46,398 work force by the coal companies by the terminal year of the Eighth Five Year Plan, the Working Group on Coal and Lignite for 8th Plan has recommended the total manpower strength at 7,06,070. Further large scale mechanisation in mines will need more skilled manpower for which coal companies are required to impart training to its employees. The Committee would like to emphasise the need to restrict the manpower strength of the coal companies as it is very much linked to their profitability. The Committee also desire that to meet the demand of skilled workers, massive training programmes should be arranged in coal companies so that un-skilled workers are upgraded in skilled categories. This will not only help in restricting the total manpower strength of the coal companies, but it will also help in the career prospects of the employees / workers, which is essential for enthusing the workers for better performance.

6.27 The Committee are distressed to note that even though there are surplus workers in coal companies, CIL had been paying overtime allowance over Rs. 100 crores annually. The payment of overtime increased

from Rs. 86.8 crores in 1985-86 to Rs. 169.6 crores in 1988-89. The Committee were stunned to hear from Chairman, CIL that in certain mines all workers were used to be called on Sundays even though a small group of workers was required to attend the job. Admittedly there was lack of proper control. CIL as well as Department of Coal have now tried to justify the payment of overtime on the plea that it was necessary for certain essential services which were required to be attended on Sundays and holidays like ventilation, maintenance, pumping out of water from mines, water / electricity supply etc. The present practice of payment of wages twice / thrice in lieu of working on Sundays in addition to compensatory holiday is not justifiable. The Committee desire that while finalising wage arrangements, workers representatives should be convinced that this practice goes against the economic viability of the coal companies and should be stopped. The Committee on Public Undertakings (1986-87) in their 25th Report on Eastern Coalfields had also recommended that payment of overtime should be reduced to the minimum by deploying the existing manpower in a scientific manner. The Committee once again emphasise the need for preparing work plans / duty rosters in such a way that workers are put on duty on Sundays and holidays by rotation and in lieu of that they are given compensatory leave without making any overtime / additional payment. Government / CIL should ensure that undue payment is stopped henceforth.

6.28 The Committee are perturbed to note that per-man productivity in underground mines has been very low. As against the BICP norm of 0.69 tonnes, per-man productivity in underground mines in CIL as a whole was only 0.55 in 1989-90. The position was still worse in ECL and BCCL. During the year 1987-88 to 1989-90 per-man productivity in underground mines in ECL ranged between 0.43 to 0.48 tonnes only. Similarly in BCCL it ranged between 0.47 to 0.50 during the same period. The Committee have been informed that the main reasons for low productivity in underground mines were difficult working conditions as also absenteeism which was as high as 40 to 45 percent in some companies. In this connection the Committee have recommended elsewhere in the Report that with a view to reducing absenteeism, efforts should be made to improve the quality of life of workers as also the working conditions.

6.29 The Committee also find that while there has been improvement in productivity in open cast mines, the per man productivity in underground mines has not improved much rather it decreased to 0.55 tonne in 1989-90 from 0.57 tonne in 1988-89. The coal companies are reported to have taken certain measures to increase the productivity particularly in underground mines. The Committee desire that CIL and Department of Coal should review and monitor the results of such measures and efforts should be made to achieve the productivity norms fixed by BICP.

CHAPTER-VII

FINANCIAL PERFORMANCE

A. Coal Sale Outstandings

7.1 At present nearly 80% of coal is consumed by the 4 major sectors, viz. Power Houses, Steel Plants, Railways and Cement Plants. Another 16% is consumed by organised industrial sector units of varying sizes numbering over 22,000. The balance 4% is consumed by a very large number of consumers like brick burners and house holders through retailers and depot holders. The gross sale of CIL during the years 1987-88, 1988-89 and 1989-90 was Rs. 4398.47 crores, 5600.09 crores and Rs. 6278.32 crores respectively.

7.2 The following table shows the total outstanding dues of CIL at the end of March, 1990 from various consumers:

Sector	Disputed	Undisputed	Total
LOCO	31.53	17.59	49.12
Power	671.57	1205.03	1876.60
Steel	98.24	56.86	155.10
Government	15.46	46.36	61.82
Others	1.17	19.94	21.11
Total	817.97	1345.78	2163.75

7.3 It may be seen from the above table that the total outstandings from the Power stations constitutes 88% of the total outstandings. Similarly, the disputed outstandings from the power sector also constitutes 84% of the total disputed outstandings. Explaining the effect of non-realisation of huge dues, CIL stated in a note as follows:—

“CIL’s performance would have been better, but for liquidity constraints created by non-realisation of sales dues particularly, from the Power Sector. The total outstanding as on 31.3.90 is Rs. 2164 crores out of which Rs. 1877 crores is on account of Power Sector alone. This has severely impaired CIL’s ability to meet the interest and repayment obligation of the Government loan. Besides, this affects CIL’s profitability adversely on two accounts namely, the increased recourse to cash credit facilities resulting in higher interest charges and higher incidence of interest on Long Term loans due to delay in payment. Also, the rebate available for prompt repayment of loan is lost.”

7.4 The Committee enquired about the reasons for huge outstanding and disputed claims. CIL in a written reply stated as follows:—

“The main causes for deduction and outstandings from the power sector are as under:—

- a) Most of the SEBs in particular UPSEB, HSEB, MSEB & DVC are unable to make the payment because of their own financial crisis.
- b) Despite various decisions at the highest level, SEBs in general have not taken steps with regard to payment of outstanding dues. They have withheld substantial payment from CIL for the following:
 - i) Surface transportation charges.
 - ii) Non-payment of washery Gr. III & IV coal as per the Govt. pricing notification.
 - iii) Refusal to pay sizing charges and payment of 60:40 steam-slack.
 - iv) Besides the above, the power houses have been unilaterally making deductions on a/c. of freight, enroute shortage, oversize coal, statutory charges etc.
- c) Many of the SEB's have a tendency to withhold the payment on the pretext of some dispute or other.”

7.5 Asked about the efforts made by CIL to recover dues from power stations. CIL stated in a note as follows:—

“Efforts made by Coal India to collect its dues from Power Sector include *inter alia* :

- a) Constant pursuasion and follow up by supplying companies with the concerned SEBs.
- b) From time to time coal supply to the consumer of the PH has been suspended for limited period. However, in view of critical power situation in the National Sector, it becomes difficult to suspend coal supply the the TPSs.
- c) All Power House Units commissioned after 1.4.1989 are being supplied coal only against advance payment. It has now been decided that all new units commissioned after 1.4.1989 would be supplied coal only against advance payment or against LC. In the past Kaparkheda and Panipat were suspended supply of coal for non-payment of advance for their new units.

- d) Ministry of Programme Implementation is also taking up for resolving disputes between CIL and SEBs / Power stations relating to billing, grading etc. i.e. disputed amount."

CIL also stated:

"According to the directive of Department of Coal with effect from 1.4.1990 a system of linking supplies progressively to advance payment has been evolved (25% linkage in the 1st Quarter to 100% in the last quarter of 1990-91). Power stations are required to make balance payment against supplies within one month of the submitting the bills by the coal companies.....However, most of the SEBs are not implementing the decision of the Government."

7.6 As per decision of CIL Board taken on 20.12.1990 notices were to be given to power houses to make payment as per the latest Government directives and in case of non-compliance of these guidelines by power houses, coal companies could suspend the coal supplies. During the course of evidence of the representatives of CIL, the Committee enquired whether CIL suspended supply of coal to defaulter power houses, Chairman, CIL stated as follows:—

"A major part of the arrears are with the UP State Electricity Board. And for their new Power Stations I have refused to give coal on credit. I have said that I will give coal on advance payment. Then there is a pressure from the Ministry, pressure from various other places that you just restore the supply."

7.7 During examination of the Department of Coal the Committee wanted to know as to whether the matter regarding recovery of outstanding dues from State Electricity Boards was taken up by the Department with respective State Government. Department of Coal replied in a note that in regard to recovery of outstanding dues from SEBs matter had been taken up at the level of Secretary Coal/Energy Minister.

7.8 Regarding recovery of outstanding dues, Department of Coal also stated:

"In view of reluctance on the part of some of the State Electricity Boards to make payments against dues of CIL the matter have been taken up with Ministry of Finance for initiating appropriations of the Central Plan Fund for recovery of the outstanding dues of CIL. Ministry of Finance accordingly moved a Note for the consideration of Cabinet Committee on Political Affairs for recovery of overdues of Central Undertakings including CIL from Central Plan Assistance of States. Cabinet Committee on Political Affairs considered the proposal at their meeting held in June 90 and decided that 25% of the undisputed overdues of Central Undertakings at a pre-determined date (decided as 31-5-1990) may in the first instance be adjusted against the Central Assistance payable to the State Government for

their Plan schemes in 3 monthly instalments and paid to the respective Central Undertaking. According to this order out of total undisputed dues of Rs. 1093.42 crores due to CIL from SEBs as on 31-5-1990, CIL received Rs. 273.36 crores.”

7.9 The Committee further wanted to know the steps taken by the Department to solve the problem of disputed claims particularly with State Electricity Boards where there were disputes in billing and grading etc. Department of Coal stated as follows:—

“Government has been continuously looking into the longstanding disputes between Coal India Limited and Thermal Power Stations relating to billing and grading of coal. Committee of Secretaries had deliberated upon this issue at length in the meeting held on 15th May, 1990. As decided by Committee of Secretaries, Ministry of Programme Implementation have convened meetings of representatives of Department of Coal, Department of Power, CEA, Railway Board, BICP etc. to suggest a satisfactory method for settlement of disputes and a standing arrangements for automatic settlement of disputes relating to quality of coal etc. from time to time. Two meetings have already been convened by the Ministry of Programme Implementation and the work is in progress.

2. Simultaneously, Department of Coal have suggested the following action plan on these issues:—

- (i) Monitoring of settlement by SEBs of dues owed by them;
- (ii) Payment of interest at the rate of 2% P.M. for default of payment;
- (iii) Settlement of disputes by a Committee headed by Coal Controller;
- (iv) Joint sampling at the colliery end, and;
- (v) Discontinuance of coal supply to defaulting State Electricity Boards.

3. In the meeting taken by Prime Minister in February, 1991, it has been decided that the disputes regarding outstanding dues of Coal India on SEBs should be sorted out quickly and joint sampling arrangements should also be organised by SEBs.”

B. Cost of Production

7.10 The following table shows the cost of raw coal production in various subsidiaries as well as in CIL as a whole during the last 4 years:

	(in Rs. per tonne)			
Company	1986-87	1987-88	1988-89	1989-90
ECL	323.19	318.51	348.61	451.27
BCCL	304.07	326.15	359.28	370.71

CCL	199.86	203.24	232.63	243.52
NCL	110.49	132.47	130.93	134.49
WCL	193.64	207.53	235.22	257.88
SECL	166.43	173.85	193.69	190.83
NEC	407.26	405.02	491.89	557.58
Overall CIL	221.54	229.46	252.91	264.69

7.11 It may be seen from the above that the cost of production was high in case of ECL, BCCL and NEC. Asked about its reasons, CIL stated in a written note as follows:—

“In ECL and BCCL, the composition of underground production to total production is higher. In 1989-90, the composition of underground production in ECL and BCCL was 60% and 50% respectively against 17%, 31%, 43% and 33% in CCL, SECL, WCL and CIL respectively. NCL produces only from Opencast mines. Cost of mining coal by underground is generally higher than the cost of mining coal by opencast.”

7.12 As for the reasons for high cost of production in NEC, CIL stated that besides difficult mining operations, NEC/mines had a special feature of 15% higher wage structure compared to other mines.

7.13 On being pointed out by the Committee that the cost of production per tonne in CIL as a whole increased from Rs. 221.54 in 1986-87 to Rs. 264.69 in 1989-90, Chairman, CIL stated during evidence:—

“.....Arising out of the various cost control and cost reduction methods employed, the overall performance of the Company in the last few years has improved substantially.....In the year 1989-90 arising out of this and not out of the price that I have got—1989—beginning—we have turned the corner. Now, we have really gone on the plus side. Between 1985-86 and 1989-90, the increase in cost of production has been 23.7 percent. This is against wholesale price index of around 33 percent, which means that the cost of production has been contained well during the last few years.”

7.14 The Committee further enquired about the steps taken to keep the cost of production at minimum level. CIL in a note replied as follows:—

“Because of predominance of fixed expenses (which is around 95%) in the total cost of coal production, emphasis is laid on improvement in production and productivity through achievement of performance levels set in the budgets. Besides, actual expenses are monitored and controlled within the budget.”

7.15 During examination of Department of Coal the Committee pointed out that at present selling price of coal was fixed as per BICP norms and wanted to know whether the Department had analysed and compared the actual cost of production *vis-a-vis* normative cost of production. Department of Coal replied in a written note as follows:—

“The average Normative cost of production as worked out on the basis of BICP escalation formula is as follows:—

Normative Cost (Rs. per tonne)	Jan. 87	Jan. 88	Jan. 90	Jan. 91
	201	240	278	299
(Actual Cost of production (Rs. per tonne)	221.54 (1986-87)	229.46 (1987-88)	264.49 (1989-90)	310.82 (April-Dec.90)

Except for 1986-87 i.e. the year during which BICP study was finalised, the actual cost of production of CIL has been less than the Normative cost as worked out on the basis of BICP escalation formula. However, during April-December, 1990 period, the cost of production was higher than the normative cost due to heavy shortfall in production of CIL during this period.”

7.16 As against the above, selling price per tonne was as follows during the last 4 years:

Year	Selling Price (Rs.)
1986-87	210.00
1987-88	212.39
1988-89	226.40
1989-90	249.00

C. Working Results and Pricing Policy

7.17 Total investment by the Government in CIL and its subsidiaries as on 31st March, 1991 was as follows:

	Rs. in crores
(i) Paid up Capital	5713.31
(ii) Plan Loan	3362.61
Non-Plan Loan	441.66
	9517.58

As against the above investment at the end of March, 1991 cumulative loss of CIL as a whole stood at Rs. 2498.98 crores. An amount of Rs. 1082.28 crores was due to be paid to Government as principal and interest at the end of March, 1990.

7.18 The following table shows the profit/Loss of CIL and its subsidiaries during each of the last 5 years.

	Profit/loss (Rs. in Crores)				
Company	1986-87	1987-88	1988-89	1989-90	1990-91
ECL	(-) 142.19	(-) 48.74	(+) 33.75	(+) 76.43	(-) 42.74

Company	1986-87	1987-88	1988-89	1989-90	1990-91
BCCL	(-) 87.71	(-) 112.01	(+) 5.19	(-) 51.33	(-) 96.27
CCL	(-) 68.67	(-) 90.43	(+) 6.41	(+) 10.76	(+) 5.26
NCL	(-) 1.49	(-) 3.43	(+) 3.57	(+) 2.10	(+) 22.58
WCL	(-) 0.68	(+) 8.22	(-) 15.93	(-) 30.94	(-) 95.40
SECL	(-) 30.06	(+) 21.48	(-) 47.56	(-) 32.32	(-) 20.79
CMPDIL	(-) 1.21	(+) 1.44	(+) 2.42	(+) 2.42	(+) 2.06
CIL/NEC	(-) 2.16	(-) 1.37	(-) 0.73	(+) 0.35	(-) 27.87
OVERALL CIL	(-) 331.75	(-) 224.64	(-) 23.36	(+) 80.13	(-) 253.17

7.19 The Committee wanted to know the reasons for huge losses suffered by coal companies on account of which accumulated losses rose to over Rs. 2000 crores. CIL in written reply stated as follows:—

“CIL and its subsidiaries suffered a cumulative loss of Rs. 2249.59 crores upto 31.3.1990, in spite of increase in production and productivity. These losses are mainly due to the persistent inadequacy of the notified prices. Till July, 1979 elements on account of either interest or depreciation or return on equity or a combination of these were not considered wholly by the Government while notifying the coal price and there have been long delays in revision of prices. For example:—

- (i) While notifying the price effective from 6.1.1984 depreciation and interest were not fully taken into account.
- (ii) The price of Rs. 219 per tonne effective from 23.12.87 was fixed after a study of normative cost by BICP. The normative cost/price recommended by BICP was based on January, 1987 price indicated by wholesale price index. But the impact of interim relief to employees sanctioned by Government with effect from 1.1.1986 (Rs. 11 per tonne approx.) and the full escalations for 1987-88 have not been provided in the notified prices. The normative price including escalations as per formulae recommended by BICP works out to Rs. 240 per tonne at September, 1987 price levels. As against this, RCM prices effective from 28.12.1987 was only Rs. 219 per tonne.
- (iii) The normative price as per BICP formulae at June, 1988 price levels comes to Rs. 249/-. Government has notified coal price with RCM price of Rs. 249/- per tonne only from 1.1.1989.”

7.20 CIL also stated that the total losses since nationalisation on account of disallowance of cost items i.e. interest, depreciation and return on equity @ 10% worked out to Rs. 1314 crores.

7.21 Explaining the basis of fixation of coal prices presently, CIL stated:

“Following an extensive study of cost of production in Underground and Opencast Mines during 1985 to 1987, BICP recommended adoption of a pricing policy based on normative cost of production instead of actual cost. BICP defined certain norms of physical performance parameters. A return of 12% pre-tax on the investment was considered for arriving at the normative cost based price. The BICP also recommended periodic compensation for increase in the price of inputs through a well defined formula for escalation.”

7.22 In the context of huge accumulated losses the Committee enquired about the anticipated rate of return on capital employed envisaged at the time of formation of the company and how it could not be achieved CIL in a written note/stated that at the time of formation of CIL, anticipated rate of return on capital employed was not spelt out. Due to various reasons no return could be achieved by CIL in most of the years. However, there had been progressive improvement in the working results of the company during the last 5 years and during the year 1989-90 it earned a net profit of Rs. 80.13 crores.

7.23 Asked about the steps taken to improve the working results of the company, CIL stated that the following steps had been taken to reduce the losses and to improve the profitability:

- (i) Improvement in availability and utilisation of heavy machinery;
- (ii) Increase in men productivity;
- (iii) All out efforts for achieving economy in expenditure of consumable stores & spares and other inputs; and
- (iv) Steps initiated for redeployment of surplus manpower and restructuring employment even to vacancies created through natural wastage.

7.24 In reply to a question about controlling the cost of production; CIL stated that during the last 4-5 years increase in the cost of production had been less than the rise in whole sale price index. Emphasising the need for price revision as per BICP formulae, Chairman, CIL stated during his evidence before the Committee:

“.....The budgetary support for the plan projections and estimates which used to be 100 percent about five years ago is now almost 35 percent. So, around 60-65 percent I have to get from my internal resources and by external assistance, like floating of bonds and by inter-corporate financing as well as by Fixed Deposits Scheme. We are trying to get funds from various quarters. We are aware of the fact that even the 35 percent will come down. We are planning it accordingly and at appropriate level.... Based on the BICP's study, it has fixed certain efficiency norms and parameters. There had been

some sort of normal escalation apart from the budgetary inflation etc. The BICP has provided for compensating for this escalation. Without touching the basic price. Even today, I am being paid for at June 1988 price. Any fiscal programme that we make would depend on this because there is little by which you could absorb this escalations.”

7.25 During examination of Department of Coal the Committee pointed out that coal companies were having accumulated losses over Rs. 2000 crores and wanted to know as to what according to the Department were the main reasons for heavy losses suffered by the Coal Companies. Department of Coal replied in a written note as follows:

“The main factors which have contributed to the losses in Coal India Limited are summarised as under:

- (i) Legacies of Pre-nationalisation era, particularly unscientific and haphazard mining operations.
- (ii) Increase in wage and of large investments for social/welfare amenities.
- (iii) Conscious decision of the Government to keep the administered price of coal at a level lower than that warranted by cost of production.
- (iv) Increase in production of low grade coal in total production.
- (v) Non-settlement of dues by coal consumers leading to increased working capital requirements of coal companies and consequent burden of interest charges.
- (vi) Heavy capital investments and consequent depreciation and interest burden—long gestation period of projects—cost over-runs.
- (vii) Low productivity of labour and machines.
- (viii) Problem of logistics in movement of stocks—leading to high stocks being built up in a number of mines—capital gets locked up.”

7.26 Asked about the directions/instructions issued by the Ministry from time to time to CIL to improve the profitability of the Coal companies, Department of Coal replied in a note as follows:

“Government have issued instructions from time to time to Coal India Limited to improve its profitability. Some of the important instructions issued in this regard are mentioned below:

- (i) At the instance of directives given by Group of Ministers in December, 1986, Cabinet Secretariat had undertaken an exercise to determine parameters and measures to be undertaken for cost reduction and improvement in efficiency in critical sectors of

economy including coal. The subsequently, a Committee of Secretaries in its meeting held in March, 1988 decided that on the basis of this exercise, each Department will take action to operationalise these suggestions. The note finalised by the Department in respect of the coal sector contained suggestions like planning of new projects with—high OMS, re-organisation of existing mines to improve productivity, improvement in equipment utilisation, more efficient use of inputs through better materials management, energy conservation and improved monitoring etc. for cost reduction and improvement in efficiency. An annual Action Plan is formulated every year with a view to operationalising these suggestion. The cost reduction plan is an integral part of the Annual Plan. These plans are closely monitored by the Department.

- (ii) A series of meetings were held at the level of the Minister with senior executives of CIL in June, 1988 to improve the efficiency of operations, to reduce the cost of production and to improve the productivity. On the basis of these meetings CIL had drawn up an Action Plan for reducing the losses over and above what was built into their budget estimates. Such exercises are being taken up by CIL every year to reduce the cost of production and improve profitability.
- (iii) Meetings are held at the level of Secretary (Coal) with the Chief Executives of Coal Companies from time to time to review the progress of implementation of projects with a view to reducing time and cost over runs in project implementation. Meetings are also held with the chief executives of the major suppliers of plant and equipment for the coal sector projects with a view to reducing delays in supply of equipment.
- (iv) Instructions were issued to CIL and its subsidiaries in August, 1990 to effect economy in the consumption of petrol/diesel in the vehicles, including staff cars. According to these instructions, consumption of petrol/diesel in 1990-91 is required to be reduced by 20% over the consumption during 1989-90.
- (v) Secretary, Coal, wrote to CMD, CIL and CMDs of all subsidiaries in September, 1990 directing them to place a complete ban on the creation/upgradation of posts, reduce administrative costs, dispense with hiring of advisers/consultants and to restrict expenditure on non-project work to 1988-89 level.
- (vi) With a view to reducing losses in CIL, a non-plan loan of about Rs. 432.64 crores was converted into interest free loan.

2. As a result of these measures undertaken by Government, the losses in CIL have been declining in the recent years. Against the total losses of Rs. 224.64 crores in 1987-88, the losses were reduced

to Rs. 23.26 crores during 1988-89. During the last year, the company has made a net profit of Rs. 80.13 crores. This is also to be noted that the increase in the cost of production in CIL during the period 1985-86 to 1989-90 at 23.70% has been lower than the increase of 33.09% in the wholesale Price Index.”

7.27 In reply to a question about the role of Government Directors, Department of Coal stated that they were satisfied with the role of Government Directors on the Board of CIL and its subsidiaries.

7.28 Enquired further whether the Department was getting regular feed back from the Government Directors, Department of Coal stated in a note as follows:—

“Yes, Sir. The Secretary (Coal) regularly meets the senior officers of the Department twice every week and reviews all important issues relating to the coal companies. At such meetings, important decisions of Board of Directors on which these officers represent the Department, are reviewed and follow up action decided upon. The Government Directors also seek guidance and advice of the Secretary (Coal) on important items before the Board meetings.”

7.29 The Committee pointed out that according to CIL the main reason for huge accumulated losses was non-revision of prices of coal in time. The coal prices were based on a normative cost study done by BICP and last revision in coal prices w.e.f. 1.1.1989 was based on cost of inputs upto June, 1988 only. The BICP also recommended periodic compensation for increase in the price of inputs through a well defined formula for escalation. Asked as to why it had not been possible to compensate the increase in cost of inputs as recommended by BICP, Secretary, Department of Coal replied as follows:—

“Earlier the price revisions used to be determined between the Department of Coal and the Ministry of Finance. There was no scientific examination of the various issues involved. In 1985-86 the BICP was entrusted with this task and the BICP has made an indepth study of 57 mines and they have made their recommendations based on their study of these 57 mines. They have also based their recommendations on the escalation pattern of inputs and also on the efficiency norms which they should obtain in the coal mines and should be fulfilled by the coal industry. On that basis they have given a pricing. We have revised the prices in the year 1989 January based on the BICP formula. Where we have slipped is that they had indicated certain escalations which should be given automatically. Though the escalations are incorporated in our proposal, yet the Government has not taken a decision to go ahead with the price revision.”

7.30 In reply to a further question about the possible impact of coal prices on the overall economy he stated:—

“It (Government) is not able to make up its mind because of the cascading effect. Also in the last couple of years they have had a feeling that this was not the opportune time for revision of prices. We had been formulating our proposals; but the opportune time did not come. In fact we have been reminding that this is an important issue which should be looked into.”

7.31 The coal prices were subsequently revised by the Government in December, 1991.

7.32 On being asked about the suggestions to improve upon the present pricing policy, CIL submitted the following suggestions for consideration:—

- (i) BICP accepted in principle the gross calorific value content in various grades of coal as the appropriate basis for the purpose of distribution of the average price to various grades of coal but the prevailing prices are based on distribution of the average price to various grades of coal on the basis of current limit of useful heat value (UHV). It is, therefore, suggested that Government of India may accept in principle the distribution of the average price to various grades of coal on the basis of gross calorific value instead of useful heat value in various grades of coal, as already accepted in principle by BICP.
- (ii) There are number of coal projects which have been taken up in the overall national interest, to provide coal to particular Super Thermal Power Stations like Rajmahal Khadia etc., even though some of these projects are showing substantial losses even at the planning stage. BICP had recommended that all capital projects linked to the specific power stations coming up after 1.4.1987 will have a price structure based on actual cost arrived at on a normative basis with adequate return on investment. This requires acceptance by the Government.

7.33 Asked about the Government reaction to the above suggestions of CIL, Department of Coal replied in a note as follows:—

“The suggestions (i) above is under consideration of the Government. Suggestion (ii) cannot be agreed to as dual price structure for coal is not considered practical.”

7.34 The Committee find that coal companies are experiencing difficulties in collecting dues from main consumer sectors viz. Power Houses, Steel Plants and Railways. The total outstandings of CIL as a whole stood at Rs. 2163.75 crores at the end of March, 1990 and out of this Rs. 1876.60 crores were due from Power Sector alone which accounts for about 88 percent of the total dues. According to CIL non-recovery of dues in time

had severely affected their profitability. This also affected CIL ability to repay their loans and interest in time on account of which incidence of interest increased considerably. CIL also brought to the notice of the Committee that State Electricity Boards did not make payment on account of their own financial crisis. Various steps are stated to have been taken at the level of CIL/Department of Coal/Energy Minister to recover the outstanding dues. Coal Companies have decided to supply coal against advance payment to new power houses commissioned after April, 1989. Coal Companies have also decided to suspend the coal supplies to the defaulter power houses. However, this did not work as reportedly there were pressures from the various levels to restore the supply. From the year 1990-91, the Government has also decided that 25% of the undisputed claims will be adjusted against the central assistance payable to the State Government schemes in 3 monthly instalments. Under this scheme, CIL got about Rs. 273 crores upto February, 1991. The Committee would like the Government to provide all necessary help to coal companies in timely recovery of their dues from various sectors particularly the State Electricity Boards. As proposed, appropriate rate of interest should also be charged from the defaulters.

7.35 The Committee have also been informed that State Electricity Boards have a tendency to withhold the payment on the pretext of some dispute or the other. The disputed areas for withholding of payment by SEB's are stated to be due to surface transportation charges, non-payment of washery coal as per Government pricing, refusal to pay sizing charges and making unilaterally deductions on account of freight, enroute shortage, oversize coal, statutory charges etc. On account of these disputes, disputed claims stood at Rs. 818 crores at the end of March, 1990 which is over 1/3 of the total outstanding dues. The Department of Coal has now informed the Committee that the Government has been continuously looking into the long standing disputes between CIL and thermal power stations and as per the decision of the Committee of Secretaries, Ministry of Programme Implementation has been asked to sort out the problems relating to billing and grading of coal. The Ministry of Programme Implementation alongwith representatives of Department of Coal, Department of Power, CEA, Railway Board and BICP etc. has taken up the matter to suggest a satisfactory method for settlement of disputes and a standing arrangements for automatic settlement of disputes relating to quality of coal etc. from time to time. The work was reported to be in progress. The Committee desire that the Ministry of Programme Implementation should be asked to expedite the matter and give their findings/recommendations within a short specified period. The Committee would also like to know the progress in the matter within 3 months of the presentation of this Report.

7.36 The Government has also suggested some action plan to resolve the disputed claims and one of the steps suggested by them is having joint sampling system in the collieries. The Committee hope that this system of

joint sampling (i.e. having representatives of coal companies as also of user sectors at the time of loading of coal) will reduce the disputes considerably and accordingly recommend that this should be implemented in all despatch points at the earliest.

7.37 The Committee note that the cost of production varies in different subsidiary companies. The cost of production was very high in case of ECL, BCCL and NEC. As against the average cost of production of Rs. 264.69 per tonne of CIL as a whole during the year 1989-90, the cost of production in ECL, BCCL and NEC was Rs. 451.27, Rs. 370.71 and Rs. 557.58 per tonne respectively. The Committee were informed that these companies mainly consist of underground mines and the cost of production in underground mines was more as compared to open cast mines. Besides, in NEC the wage structure was higher by 15% due to difficult working conditions. The Committee were also informed that during the years 1985-86 to 1989-90 with the various measures taken to control the cost of production, the coal companies have been able to restrict the increase in cost of production to 23.7 percent as against the increase of 33 percent in wholesale price index during the same period. The Committee, however, regret to note that the actual cost of production was higher than the normative cost arrived at by BICP norms in 1986-87 and 1990-91. As against the normative cost of Rs. 201 per tonne in 1986-87 the actual cost of production was Rs. 221.54. Similarly in 1990-91 (upto December, 1990) as against the normative cost of Rs. 299, the actual cost was Rs. 310.82. This is reported to be due to less production as against the targets fixed for the year 1990-91. The Committee, therefore, recommend that necessary steps should be taken to achieve the production targets so that cost of production remains within the norms fixed by BICP. The Committee also desire that coal companies should review their cost control systems and wherever necessary, it should be strengthened further.

7.38 The Committee are distressed to note that as against the investment of over Rs. 9,000 crores in CIL and its subsidiaries by the Government, the cumulative loss of CIL as a whole stood at around Rs. 2500 crores at the end of March, 1991. Due to heavy financial losses, CIL has been unable to repay loans and interest to the Government. At the end of March, 1990 over Rs. 1000 crores was due to be paid to the Government. CIL has attributed this sorry state of affairs due to inadequacy of notified prices or delay in affecting price revision. Whereas, Department of Coal has informed the Committee that accumulation of huge losses is due to various factors viz. legacies of pre-nationalisation era, increase in wage and large investment for welfare, increase in proportion of low grade coal, non-settlement of dues by coal consumers, heavy capital investment, cost over-runs, low productivity of labour and machines and high level coal stocks. The Committee have already given their observations/recommendations on these factors in earlier Chapters of the Report.

7.39 The Committee find that prior to January, 1984 the Government

was not compensating certain cost inputs like depreciation and interest. Since 1986-87 the coal prices are being fixed on the normative cost study done by BICP in 1985. The coal prices are fixed on the basis of normative cost based on BICP study after making a provision of 12% return on capital employed. The BICP also provided a scientific formula for compensating the increase in cost after periodic intervals. The Committee were informed by Chairman, CIL during evidence that there have been delays in effecting price revision of coal and coal companies were incurring huge losses on this account. The Committee have now learnt that coal prices have been revised w.e.f. December, 1991. The Committee would like the management to make all efforts to curtail the cost of production so that coal companies are able to wipe out their losses.

7.40 About pricing, CIL has suggested to the Government to fix the coal prices on gross calorific value content in various grades of coal instead of prevailing system of fixation of coal prices on the basis of useful heat value (UHV). This was also agreed to by BICP. CIL also brought out that certain coal projects in spite of their non-viability have been taken up by the coal companies in overall national interest. In this regard BICP had recommended that coal supplied to power stations installed after 1.4.1987 should have price structure based on normative cost with adequate return on capital employed. The Committee have been informed by the Department of Coal that while fixation of price on the basis of calorific value content is under consideration of Government, suggestion for project based pricing is not considered practical. The Committee recommend that the Government should consider these issues which have approval of BICP and take a decision in the matter at the earliest.

CHAPTER VIII

GENERAL

A. State of Mining Technology.

8.1 The Committee wanted to know the present state of technology available in Coal Companies. CIL in a note stated as follows:—

“In Coal India, extraction of coal is done by both Underground and Opencast methods. Opencast mining received greater emphasis owing to its lower gestation period, concentrated high rate of extraction, productivity, safety, high recovery and comparatively higher potential of the technology for improved results. In Opencast mining, Shovel-Dumper combination is predominant. In some mines Draglines are also in use for removal of over burden.

In Underground mining, Bord and Pillar system is the prevalent method of working. The final extraction in Bord and Pillar working is done either by caving or in conjunction with sand stowing. Although, manual method of loading of coal at the faces is still most common, mechanised loading with Side discharge Loaders and Load Haul Dumpers is also introduced in a number of mines progressively. For liquidation of developed pillars in thick seams, Blasting Gallery Method has been introduced in selected mines. Long Wall method of mining is introduced in some of the mines where suitable geo-mining condition exists. Such Longwall Faces are working with Support System of individual props and in some mines with Hydraulic Powered Supports. This technology ensures high rate of production with higher percentage of recovery. Some special methods are also under trial in UG mining, such as Hydraulic Mining, Flexible Roofing, Descending Shield Method etc.”

8.2 The Committee enquired about the present R&D activities and the system of inter-action with the other Research institutes. Chairman, CIL stated during evidence as follows:—

“Apart from the in-house facility that we have, our CMPDIL is doing a good job but they are not totally equipped to do all the jobs by themselves. Therefore, we have got one Standing Scientific Research Committee, which is headed by the Secretary, Department of Coal himself, in view of its importance. I am a Member of that Committee. We have also associated the Central Fuel Research Institute, the Central Mining Research Station, the Banaras Hindu University and various other educational institutions and research

organisations. We meet once in three months to prepare our annual plan and review it in between. This is the system. The budget allocation is not that much high as it should have been. We are spending Rs. 13 or Rs. 15 crores per year.”

8.3 On being asked by the Committee as to whether present state of technology was adequate to exploit coal reserves scientifically to its optimal level, CIL replied in a note as follows:—

“From the time of nationalisation, actions are being taken for updation of technology in order to improve upon exploitation of coal reserves so as to reach the optimum level. The aim has been to keep pace with the rapid increase in the growth of coal demand from various Sectors. Emphasis was laid on opencast mining which has the advantage of lower gestation period and higher potential for rapid production growth. A fair level of growth has been achieved in such working where production has increased from the level of 20.77 Mt. in 1974-75 to 133.54 Mt. in 1990-91 with introduction of latest technology. It has been made possible to ensure exploitation of coal reserves at optimum level.

In Underground mining updation of technology is quite difficult and has long learning period. In line with current practice followed in other developed countries, Longwall Powered Support has been introduced which ensures optimal exploitation of coal reserves. However, operation of such technology is faced with various problems.

There is gradual shift toward mechanisation in underground mining with introduction of intermediate technology using Side Discharge Loaders and Load Haul Dumpers. This has ensured higher level of production performance.

Although, fair amount of success has been achieved in the opencast operation in this country, satisfactory success in underground mines is yet to be achieved.”

8.4 Details of expenditure incurred on upgradation of technology / transfer of technology and on R&D activities during each of the last three years is as follows:—

Year	Expenditure (in Rs. Lakhs) on	
	Technology upgradation / transfer	R&D activities
1990-91	1011.43	462.84
1989-90	296.89	654.54
1988-89	393.06	838.18

(Expenditure on technology updation / transfer of technology does

not include expenditure on procurement, installation etc. of equipment & other construction activities in connection with introduction of new technologies like Blasting Gallery Method, Shield Mining, Flexible Roofing Method, Powered Support Longwall faces etc.)

8.5 As regards the benefits of the R&D expenditure, CIL in a note stated that a good number of R&D projects had been completed and had found gainful application in the industry.

8.6 In reply to a question about the system of updating the technology, the witness stated:

“CMPDIL is the focal point; repository of all information relating to technological improvement taking place anywhere in the world. Now, they are getting information even from China.”

8.7 Asked as to whether mining conditions in the countries comparable with other countries, the witness informed:—

“In some mines conditions are comparable. But in many mines, our conditions are different and difficult as compared to elsewhere in the world.”

8.8 The Committee enquired as to whether the indigenous technology for coal exploration was comparable with other coal producing countries. Chairman, CIL stated as follows:—

“With regard to the opencast mining, we can compare ourselves with any advance country. But in regard to the underground mining, we are still experimenting regarding various methods available in other countries.”

Explaining it further CIL in a note stated as follows:—

“In Opencast mines, technology acquisition is to some extent comparable with the major coal producing countries of the world. However, some scope still remains for improvement of opencast performance further. A majority of the opencast equipment are now being manufactured indigenously. However, for some large capacity mines more high capacity opencast equipment—such as 20 Cu.m. Shovel, 170 T. Dumpers, etc. are being introduced after resorting to import.

In Underground mining, although, Longwall technology has been introduced in some of the mines as practised in developed countries, the performance is yet to be of the order of other highly developed countries. The state of indigenous technology in other Underground mines is yet to reach the standard of other major coal producing countries.”

8.9 Besides in-house R&D activities, coal companies entered into foreign

collaborations / consultancy. The total expenditure on foreign consultancy from 1986-87 to 1989-90 was as under:—

Year	Rs. (Lakhs)
1986-87	165.80
1987-88	581.14
1988-89	202.67
1989-90	272.47

8.10 Asked about the benefits accrued from various foreign collaborations / consultancies, CIL in a note stated as follows:—

“The benefits accrued and expected to be accrued with foreign collaboration agreements can be summarised as—

- i) Increase in the capability of mine planners for preparation of detailed project reports for large capacity opencast and underground mines.
- ii) Acceptance of longwall system of mining as mass production technology based on improved safety, productivity, minimising the waste of coal from conservation angle etc. by the operations.
- iii) Introduction of new mining methods such as ‘Blasting Gallery’, ‘Sub-level Caving’, ‘Multi-lift longwall Mining’, ‘Hydraulic mining’, ‘Flexible Roffing’, ‘Shield mining’, etc. to achieve higher rate of recovery of coal apart from higher production / productivity.
- iv) Construction of large capacity Opencast mines and Underground mines.
- v) Development of training skills, change of outlook for planning and operation of high capacity mines consistent with the present global approach etc.
- vi) Introduction of inpit crushing plant with mobile crusher, a new technology in opencast mines.”

B. Environment Consciousness

8.11 The Committee wanted to know whether there was any awareness of environment consciousness in coal companies. In a note furnished to the Committee CIL Stated:—

“In order to create consciousness for management of environment and to monitor the steps taken to mitigate pollution, subsidiaries of CIL have set up multidisciplinary Environment Management teams. The objective being:—

- i) Incorporation of environment management control measures in projects as well as existing mines.

- ii) Implementation of various steps of environment management and pollution control measures.
- iii) Ensure generation of ambient data for air, water, noise and other pollution elements.
- iv) Technical and biological reclamation of derelict land.
- v) To reserve ecological balance to a level equivalent to higher than the pre-mining level.

With stress on environment management gaining momentum, submission of a full fledged Environment Management Plan (EMP) conforming to the guidelines provided by the Ministry of Environment and Forests, Government of India, is a pre-requisite for any project to be considered by the Government for approval.

The Environmental Impacts likely to take place during and after operation of a coal project, the mitigation measures to contain the impacts within prescribed tolerance limits and the inputs which are required in terms of man, machine and money are scientifically assessed and described in these EMPs. The EMP's also include systems management of various wastes which are produced in the process of mining and mining related activities. Sand stowing is one of the protective works undertaken to have better control of the strata which is destabilized by extraction of coal underneath. Tree plantation is done over reclaimed mined-out and other derelict or waste lands available in an around mine units. This has direct advantages of control of airborne dust and noise levels. Development & patenting of Technology for production of Special Smokeless Fuel (SSF), Implementation of Projects to control a number of coal mine fires, successful application of Hydropneumatic stowing to stabilise unsafe decoaled areas, massive tree plantation work are some of the environmental achievements of CIL and its subsidiaries in the immediate past, establishment of Environment & Occupational Health Institute, observance of Environment Weeks, healthy competitions on Environmental themes etc. are on the agenda in the recent years."

8.12 As far the progress made in regard to implementation of the environment plans, CIL in a note stated as follows:—

"Progress of work on Environment Management is as given below:

1. *Generation of base line data*

Coalfield wise generation of base line environmental data in respect of air, water, noise pollution is being carried out.

2. *Dust Suppression*

Various method of dust controls at Haul Roads in Open Cast Mines by using different chemicals in water sprays were and are being tried.

Air pollution by vehicular emissions is being mitigated by reducing traffic density, construction of ring roads, improving existing roads & making new roads.

Generation of suspended particulate matter is being controlled by regular water sprinkling at Haul roads of O.C. Mines, Dust extraction during drilling operation, rationalisation of blasting, reduction of road traffic at surface by providing conveyor transport etc. ESP is being provided in a new captive power plants under construction.

Sumps in underground mines, pit reservoirs at incline tops and lagoons in the drainage system are being provided to reduce suspended solids in the mine water discharged within prescribed limits.

3. *Reclamation of existing OB dumps*

The old dumps are being reclaimed biologically so as to make them ecologically useful and productive. This will also help reduce erosion by air and water erosion. In all the new project reports a comprehensive stage reclamation schemes are being provided to ensure physical and biological reclamation of land damaged.

4. *Sand Stowing*

Land degradation due to extraction of coal by underground mining in thick seams at shallow cover and below surface features and fires is being minimised by sand stowing and by judicious strata control measures.

5. *Soft Coke Manufacture*

Soft Coke produced by traditional method of open burning method creates atmospheric pollution. As an alternative to this technology entrepreneurs are encouraged to set up special smokeless fuel plants (SSF) for which necessary technical know-how is being provided by CIL. Although SSF is not a replacement of soft coke, this will reduce air pollution.

6. *Hard Coke Manufacture*

Hard Coke is produced in LP & BH Coke Ovens. In such plants, water pollution is being mitigated by recycling effluents and using them for quenching in B.P. Ovens.

The existing chimneys of BH Ovens produce high suspended Solids and cause air pollution. Chimneys of BH oven at one of the existing plant at Bhowrah in BCCL has been modified to reduce air pollution for which study trials are being done by CFRI and Bihar State Pollution Control Board.

7. *Washeries & Liquid affluent treatment*

In all the washeries close circuit liquid affluent treatment plants have been provided which propose 'O' affluent discharge.

In other coal projects, schemes are proposed to treat affluent from workshops, CHPs and recycle the water so as to minimise the water pollution. In order to check erosion and consequent pollution of rivers in the coalfields areas sedimentation lagoons are being provided. Surface run of water from the mined out area and OB dumps would be treated before they are discharged.

8. *Air*

All the drills are being provided with dust collectors. The CHPs are provided with in built dust control system. The conveyors are enclosed so as not to generate dust.

9. *Land reclamation*

In all the EMPs reclamation of land is an integral part of the plan. Care is being taken to conserve top soil so as to maintain the fertility status of the reconstructed soil. Necessary equipment and capital requirement for these are being provided in the Project Reports.

10. *Tree Plantation*

The company has embarked on an ambitious and massive scheme for tree plantation which successfully controls the air pollution, water pollution and tries to maintain the ecology in the area. Tree plantation has been done on OB dumps, on the sides of roads in the industrial areas and in the vacant land within the area. All steps have been so maintained that they are ecologically appropriate with the environmental conditions and are adaptable to the locality. This has been done mostly in consultation with the local forest department. Coal Companies planted 94.02 lakhs, 75.63 lakhs and 105.33 lakhs trees during the year 1989-90, 1990-91 and 1991-92 respectively.

C. Subsidence and Fire Problems in Raniganj and Jharia Coalfields.

The Committee pointed out that there were serious subsidence problems in Raniganj and Jharia Coal Mines. Asked about the steps taken to overcome the problems, CIL stated in a note as follows :—

“The problem of land subsidence is encountered mostly in the Raniganj Coalfield of Eastern Coalfield where underground mining of coal has been carried on for centuries now.

Out of the total 848 hectares of surface land within the limit of Raniganj Municipality, about 70 hectares are apprehended to be unstable and dangerous. According to an estimate made by Central Mine Planning & Design Institute Limited, the extent of voids required to be filled is about 2 million cu.m.

The Director General of Mines Safety (DGMS) had declared as early as in 1950, 40 areas in the district of Burdwan as unsafe for human habitation. Later on, 5 more areas have been identified by the Government of West Bengal and CMPDIL as unsafe for human habitation.

The problems of subsidence in Raniganj Coalfield was studied by various committees since the year 1922 and suggestions were made from time to time to mitigate the problem. The suggestions, however, centered on the evacuation of population and stowing of old workings. With a view to checking the growth of habitation in subsidence prone areas of Raniganj, the Government of West Bengal has passed Legislation prohibiting construction over such unsafe areas. In spite of enactment of legislation, the growth of settlement over the subsidence prone areas has not been contained and is increasing or unabated. The shifting of population from the affected areas is obviously the best solution for avoiding dangers to life. However, for doing so, co-ordinated efforts from all quarters including the general public would be necessary which is evading the solution uptill now.

The Management of Eastern Coalfields Limited could demolish houses and shift its employees to safe places whenever the situation so warranted. However, its efforts to do so for outsiders did not have the desired effect. The Management is taking all the remedial measures in accordance with norms laid down by D.G.M.S. to prevent occurrences of subsidence.

In the recent times, some cases of subsidence in Raniganj area have been reported causing damage to some houses and affecting the persons. So far, out of the approved budget of Rs. 376 lakhs, ECL has spent upto December, 1991, Rs. 52.54 lakhs on stabilisation on underground old workings."

8.14 In this connection Chairman, Coal India Limited also stated during evidence:—

"Coal India is committed technically to do this job. But the expenditure has got to be compensated because it is something which is not of our own creation."

8.15 It also came out during the examination that there were about 70 fires in Jharia Coal Fields area under BCCL, Explaining the steps taken to control the fires, the Chairman, CIL stated during evidence as follows:

“Fire is one area which has been there for a very long time. We have succeeded in dealing with one after another.

We are affected by fire in two ways. One is that due to fire, mine is not working. But it is affecting atmosphere causing pollution as well as general danger. I am working one seam below. We have fire. It comes as a part of working. As a matter of fact, we consulted the Russians. They made a detailed study for one year. They could not do anything more than what we are doing. They had some experience. These are the two aspects as far as the fire incident is concerned. Further, a new township in Mangalपुरi is also being completed. The State Government is working in this regard along with the other agencies.”

8.16 Besides, BCCL, the following coal mines are also fire prone:—

Name of Co.	Fire Nomenclature	Remarks
ECL	JK Nagar Fire Jambad Fire	Ongoing Project
CCL	Sirka Fire Kargali Fire Selected Dhorī Fire Kurse Fire Karkatta Fire	Ongoing Project
SECL	Chirimiri Fire	Ongoing Project
WCL	Kamptee. Nagpur Area	Area has been sealed off.

8.17 During the course of examination of the Department of Coal. The Committee wanted to know the assessment of the Ministry in regard to subsidence problem. The Department of Coal in a written note stated as follows:

“The problem of land subsidence in the Raniganj Coalfield has a long history and it is due to unscientific mining operations carried out over more than 150 years. The problem has been compounded by the unrestricted growth of habitation over areas declared as unsafe by the DGMS even though the Government of West Bengal has enacted legislation prohibiting construction over this area.

The Department of Coal has written to the Government of West Bengal indicating acceptance to a proposal for setting up of an Authority comprising of representatives of Central Government, State Government, CIL, ECL, Environmental Experts, land use experts and MLAs and MPs of Raniganj area. The Authority will be

primarily responsible for planning the protective measures with regard to reclamation of degraded land and subsided area and restoration of ecological balance of the Raniganj Coalfield. In regard to the availability of fund, CIL have been advised to set aside an amount of Rs. 5.0 crores as part of the initial contribution to the Authority for carrying out various restoration works in Raniganj Coalfield. Government of West Bengal has been requested to issue a formal order for setting of this Authority.”

8.18 Explaining further, Secretary, Coal also stated during evidence as follows:—

“This matter has been examined for a very long time. Some pilot projects have already been taken up to prevent subsidence in Raniganj area. The pilot projects are already under implementation. We have already spent about Rs.5 to 6 crores on these pilot projects, which are under implementation. About a year back the Chief Minister of West Bengal wrote to the Central Government saying “you were asking land for open cast mine but you were doing very little for the prevention of subsidence in Raniganj area.” So, these two issues had been linked up by the Chief Minister of West Bengal. He suggested that the Central Government should come bold in a big way to tackle this problem. When we examined this matter, we found that unless an Authority is set up to tackle this problem in a comprehensive manner, this problem can not really be tackled because it has a very large dimension and it has several features which cannot be tackled by the Central Government alone. So, we suggested to the West Bengal Government to set up an Authority to tackle this problem and said that our representatives/experts will participate there and asked them to make some financial contribution to solve this problem through the aegis of the Authority. The Chief Minister of West Bengal wrote back saying that they can not make funds available for this purpose. After obtaining the decision here at the appropriate level, we had written to the West Bengal Government asking them to set up this Authority and said that the money will be given by us. We have already requested the Coal India to release the amount. This was done in the month of January, We have given them full authority to set up the Authority. We have only said that our environmental experts and mining experts should be associated with this Authority. We have reminded them in this regard. But they have not yet set up the Authority. Even though they do not have money in their Budget, we asked them to release it “on account payment” to West Bengal Government for setting up this Authority. We are now committed that we will provide funds to this Authority on recurring basis. This is the position now.”

8.19 When asked about the assessment of the Ministry about the loss due to fire and steps taken to overcome the problem, Department of Coal stated in a note as under:

"Fire in BCCL

Mine fires are a serious hazard in Jharia Coalfields of BCCL. The first fire in this Coalfield was reported in the year 1916. At the time of Nationalisation, there were 70 active fires in 40 collieries of Jharia Coalfields covering an area of about 18 sq. Kms.

It was only after nationalisation that earnest efforts began to be made to control the fires. Plans for control of all the 70 fires in BCCL were formulated. Various technologies have been adopted for controlling these fires. As a result of measures taken, out of 70 fires, 5 fires, have been extinguished and 6 fires have been controlled. The control/extinguishing of the remaining fires are under various stages of implementation.

It has been estimated that about 1864 million tonnes of coal is locked up below the fires spreading over an area of about 18 square Kms. in Jharia Coalfield. It is expected that these fires have consumed as estimated reserves of 37 million tonnes of prime coking coal. The value of 37 million tonnes of coking coal at 1987 price would come to around Rs. 1000 crores.

As a result of the steps taken so far, the quantity of coal saved has been estimated by BCCL as follows:—

Fires controlled	6
Coal Saved	85 million tonnes
Value of coal saved (1987 prices)	Rs. 2125 crores
Fire extinguished	5
Coal saved	95 million tonnes
Value of coal saved (1987 prices)	Rs. 2256 crores

The requirement of funds for the 22 project covering the 70 fires has been worked out at Rs. 112 crores out of which a sum of Rs. 73 crores has already been spent. It has now been assessed that the funds requirement for controlling the above fires will be Rs. 200 crores.

Most of the fires in BCCL are expected to be controlled or liquidated by the end of Eighth Plan period through the implementation of the above 22 project."

In addition to fires in BCCL, there were also some minor fires in ECL, SECL, WCL & CCL collieries. Some of these fires had already been effectively dealt with, while action was being taken to control the remaining fires.

8.20 The Committee also wanted to know as to whether any specific schemes had been formulated to rehabilitate the persons affected due

to subsidence and fires in Raniganj and Jharia areas. Department of Coal stated in 'a note as follows:—

“Coal India Limited have not made any specific proposal for the rehabilitation of the people affected due to subsidence and fires in Raniganj and Jharia areas.

The Department of Coal had set up Advance Environmental Planning Groups comprising of experts in the field, representatives of Coal India Limited, State Government and Department of Coal for preparation of Advance Environmental Management Plans for major coalfields. As a part of this exercise, Advance Environmental Management Plan for both Jharia and Raniganj Coalfields have also been prepared in 1988-89 by the concerned Expert Groups. These Advance Environmental Management Plans, inter-alia, cover the present state of environment in the coalfield areas, likely further deterioration due to mining operations and steps to be taken to ensure that coal mining is carried out in an environmentally compatible manner. These reports also cover the details of mined out areas as well as the subsidence problem in both these coalfields.

8.21 During the evidence of the representative of Department of Coal, the Committee pointed out that inspite of declaring Raniganj as un-safe area, people were still raising buildings. To this Coal Secretary replied:—

“In Raniganj area, the position is that underground mining rights are ours. But as far as construction is concerned, in spite of the fact that there was a West Bengal Government law preventing construction of buildings on the area, which is the surface area on underground mines, the people have gone on constructing their buildings and, in fact, more and more construction is taking place. So, we have requested the West Bengal Government to kindly stop this construction which is going on. After all, the responsibility of shifting these people who have constructed buildings in those areas is not merely of the coal companies. The West Bengal Government has not been able to check it in spite of the law preventing the construction in those areas. So, we said we shall both participate in this and then take up the rehabilitation or shifting programme. They have not agreed to it. So, we have to pay the entire cost.”

D. Marketing Set up

8.22 The Consumer Profile of CIL consists of 2 major sectors Core and Non-Core Sector. Core Sector consists of Steel, Power Loco, Cement and Fertilizer accounting for nearly 80 to 82% of the total coal consumed in the country. With the sharp increase in the power sector requirement, this percentage is likely to increase further in the coming years steadily. The Non-core Sector which accounts for balance 18% of the consumption consists of a large number of industrial units including Paper, Textile, Chemicals, Rayon in the organised sector and a very large number of small

sector units like Ceramics, Glass, Potteries and other industries including the quick kilns and domestic consumers.

8.23 As regards the coordination and linkages with coal users, CIL in a note stated as follows:—

“Government along with CIL has laid out a well defined procedure for supply of coal to the Core-Sector. There are Linkage Committees which meet to determine the linkages to the Power Houses and Cement Plants. Coal Conference determines the coal supply levels to the Steel Industry. CIL along with the Railways and Fertilizer Industry bilaterally fix the supply level to the Railways and Fertilizers.

Besides the linkages, supply to this sector is intensively monitored by CIL and its Subsidiary Companies on a continuous basis. At the Government level the Secretary (Co-ordination)’s Office also monitor the supply position on a weekly basis, besides Railway Board.

It may, therefore, be stated that the present system of supply of coal to the Core-Sector which is crucial to the industrial development in the country is reasonably effective.

The present system of supply of coal to the Non-Core Sector is governed by a system of linkages and sponsorship. This system has been in vogue for the last several decades. It must be admitted that it would not be possible to determine the demand of a large number of industrial units in the Non-core sector effectively particularly in the small scale sector. This would involve a major exercise. However, based on the industrial development in the country, a reasonable assesment of the coal requirement of this sector can be made. Based on such assumption, presently, these industrial units are getting their requirement. Other-wise, it would be difficult to explain the healthy growth witnessed in the sectors like Ceramics, Glass, Forgings as well as the extensive development of the brick burning units catering to the needs of the construction activities.

At the same time, there are grievances from this sector from time to time about the inadequate availability of coal. The major grouse of this sector is supply of alleged lower quality of coal. All these industries would like to have superior grades—A to C grades of coal, the availability of which is short of the demand. the production from ECL which mainly produces superior grades coals has declined over the years for various reasons like inadequate power supply, law and order problems, land acquisition etc. the non-availability of superior grades coal is equated with the non-availability of coal though Coal India has been making continuous efforts to meet the requirement of the industries by supplying them the next lower superior grade coal available.”

8.24 The Committee also wanted to know the transportation policy with regard to various coal users. CIL in a note stated:—

“The movement of coal by rail to Non-Core sector is also a major cause of concern. For various reasons the movement of coal by rail is not adequate to meet the total requirement. In the recent years, the increase in rail movement has totally been absorbed by the Core Sector as would be evident from the table below:—

(Figs in FWW)

Year	Total Rail Ldg.	Ldg. a/c	Non-Core	Sector
88-89	12,224		2,478	
89-90	12,729		1,945	
90-91	13,330		1,592	
91-92	14,284		1,362	

From the table above, it may be seen that there has been a gradual decline in the rail loading to the non-core sector despite an overall increase in the loading. Most of the consumers' complaints regarding non-availability of coal emanate from Punjab, Haryana, Delhi and UP. These State are served by Eastern Railway system where unfortunately, the increase in the loading over the last several years has been the minimum . The increased loading, whatsoever, has been consumed by the Power Sector.

CIL has a system of releasing coal to the industries by road also to cater to the shortfall in movement by rail.

The lifting of coal from the collieries depends on a number of factors including the availability of trucks, the transportation charges as also the law and order situation in the coal belt area. The law and order situation in the coal belt areas limits the off-take by road from the collieries. A statement below indicates the movement of coal by road to the non-core sector for the last few years.

(mt.)

Year	Total	Non-Core
1988-89	26.81	20.10 (75% of total)
1989-90	24.25	15.16 (65% of total)
1990-91	25.86	18.50 (71% of total)
1991-92	21.54	15.29 (70% of total)

(April-Feb.)

The above statement would clearly indicate that the off-take by road is at a stagnant level mainly due to the law and order problems in the coal belts of Bihar and Bengal.

CIL, however, has been in touch with the State Government Authorities to improve the situation to facilitate improve off-take of coal by road.”

8.25 Asked as to whether the present set up was adequate to cater to the needs of different types of consumers, CIL in a note stated as follows:—

“The present system is working satisfactorily. However, in order to make the system more effective, the following steps are being taken/contemplated:—

- (i) In order to give the marketing a greater thrust, CIL Boards has decided to appoint Director (Marketing) on the subsidiary and CIL Boards. The proposal is presently under the consideration of the Government. It is felt that with this structural rearrangement, the marketing problems including quality control and realisation would get a much better focus and thrust in the Company's Operations.
- (ii) In order to improve the quality consciousness, four general Manager (Consumer Services) have been appointed one each at Delhi, Lucknow, Calcutta and Bombay. Their specific duty is to have close inter-action with the consumers, power houses in particular and the Coal Producing Companies. They will not only attend to the quality problems, but also attend to consumers' other grievances.
- (iii) To give better attention to the consumer grievances relating to the quality and quantity of supplies and other commercial matters, separate consumer councils have been constituted. Six Regional Councils would take care of the consumer grievances in the different geographical parts of the country. Each of these Councils would be headed by a CMD of the subsidiary company including Singareni Collieries Company Limited. National Council has also been formed which would oversee the functioning of the Regional councils as well as dispose off the grievances which have not being attended to the satisfaction of the consumers by the Regional Councils.
- (iv) Simultaneously, in order to improve the consumer services, the Marketing Information System is being computerised on a crash basis. This would enable CIL to keep close watch on the despatches to the consumers, billing, realisation and other related marketing activities to render better services to the consumers and improve its own operations.”

E. Un-economic Mines

8.26 The Committee wanted to know the number of un-economic mines closed during each of the last 3 years. CIL in note stated that the following mines were closed during the last 3 years:—

Eastern Coalfields Ltd.

Sl. No.	Name of Mine	Closing Year
1.	Central Unit of Jamuria Colliery	1987-88
2.	Ramjibanpur	1987-88
3.	Ranipur Unit (Disergarh & Sanctoria Seams)	1987-88
4.	Benalee	1988-89
5.	Rana	1989-90
6.	Kankartala	1990-91
7.	Krishnanagar	1990-91
8.	Seetalpur	1990-91

Bharat Coking Coal Ltd.

1.	Maheshpur OCP	1987-88
2.	3 Pit of Gansadih	1988-89
3.	Joyramdih Section of Benedih	1988-89
4.	14/15 Seam of Kessurgarh	1988-89
5.	Bera OCP	1989-90
6.	Kenduadih	1989-90
7.	Kessurgarh	1989-90
8.	Nadkhuki	1989-90
9.	Laxmi OCP	1989-90
10.	Barora Incline of Muraidih	1990-91
11.	Muralidih Colliery	1990-91

Central Coalfields Ltd.

1.	Pure Dhori	1990-91
2.	Kedla South	1990-91

8.27 The Committee further enquired as to whether any study was made before closing the above un-economic mines. CIL stated in a note as follows:—

“Yes. CIL conducts indepth studies with reference to uneconomic mines in different subsidiaries of Coal India Ltd. from time to time as the whole process of evaluation of financial performance of the different mines and taking remedial measures to improve the financial performance is continuous.

K.S.R. Chari Committee was appointed by the Ministry of Energy in 1985 for indepth study of ECL to identify the various problems

plaguing the company and to find out remedial measures/steps to get over the problems. The Chari Committee through its report submitted in 1985, in addition to performance auditing came up with suggestions for implementation in all spheres of the company activities for overall improvement of the company including planning, project implementation and monitoring, production strategy, manpower, cost and budgetary control. In course the Committee also identified 22 mines which were highly unproductive and uneconomic. Similarly, A.N. Banerjee Committee was appointed in 1986 by Ministry of Energy to examine the working of BCCL in the context of company's failure to increase production of coking coal and to complete or implement certain projects/plans. The Banerjee Committee through its report, submitted in September, 1986, made an exhaustive review of BCCL since its inception and came up with a number of recommendations. This Committee also identified 30 uneconomic mines where the cost of production per tonne was more than the sale value per tonne by Rs. 200 /- or more."

8.28 In reply to a question about improving the viability of un-economic mines, CIL stated as follows:—

"The subject of uneconomic mines has been reviewed in different meetings of Board of Directors of Subsidiaries and CIL.

CIL, in January 90 identified 12 mines in ECL, 12 mines in BCCL, 8 mines in CCL and 7 mines in WCL, where the cost of production was higher than the sale value by Rs. 200 /- per tonne. In the course of the review of the above mines, a number of measures were suggested for improving the financial performance of uneconomic mines, such as—

- 1) Production can be increased by greater development of existing reserves.
- 2) Optimising production and productivity where resources available in terms of manpower, equipment etc, are in conformity with the requirement of achievable level of production.
- 3) With no possibility of increasing production, the man-power and equipments may be re-deployed.
- 4) If necessary, measures like training of skill upliftment, increasing the process by suitable grade-mix, mining better coal to be adopted to make mines viable.
- 5) Trade Unions are to be taken in confidence."

8.29 In this connection Chairman, CIL also stated during evidence as follows:—

".....Our idea is as far as possible not to close down that mine, but to improve the operational efficiency of that mine."

8.30 Asked as to whether the men and machines of the closed mines were put to use elsewhere, Chairman, CIL replied:—

“They are all used elsewhere.”

8.31 In this connection, CIL also stated in a note as under:—

“Men and machine from the closed mines as well as the infrastructural facilities are being utilised gainfully in other mines within the area. Wherever, it has not been possible to redeploy the workers thus rendered surplus, are being deployed in mines of neighbouring areas.”

8.32 While replying to a question about un-economic mines, the Deputy Minister for Coal informed the Lok Sabha on 26th February, 1992 that the following uneconomic coal mines exists under Coal India Limited:—

Name of the State	No. of uneconomic coal mines
Bihar	133
West Bengal	96
Madhya Pradesh	47
Orissa	6
Maharashtra	18

8.33 In reply to a question about handing over certain un-economic mines to respective State Governments, the Minister stated:—

“The coal mines detailed above are in operation. Therefore, the question of their reopening does not arise. However, there are also mines which are closed for several reasons e.g. exhaustion of reserves, difficult geo-mining conditions, very high cost of production etc. Requests from State Governments for running these closed mines, as and when received are examined on merits in each case, in accordance with the provisions of law.”

F. Complaints

8.34 Coal Companies receive many complaints from various consumers. According to CIL the most of the complaints relate to quality of coal, size and are mainly due to:

- a) Presence of extraneous materials
- b) Excessive quantities of fines
- c) Over-sized coal
- d) Sticky or wet natural coal

8.35 The following table shows the cause-wise number of complaints during the last 3 years:

YEAR	Nature of Complaints.			Total
	Size	Quality	Size & Quality	
1988-89	264(242)	149(43)	53(53)	466(308)
1989-90	141(118)	106(29)	31(22)	278(169)
1990-91 (April-Nov.)	91(85)	66(39)	35(24)	192(148)

(Figures in paranthesis indicates complaints from power houses)

8.36 Asked about the action taken on the complaints received from various consumers, CIL in a written note intimated as follows:—

“Coal India has taken a number of steps to remove these complaints (a) picking up extraneous materials from coal before loading has been strengthened at all sites, (b) number of crushers have been installed at the pit heads to reduce over-sized coal to minus 200 mm before loading. (c) The quantity of coal passed through CHPs before loading has increased over the last few years. It is our aim to crush 100% of the coal to minus 200 mm for despatches to power houses.

Coal India is continuously taking steps to improve quality and other complaints. The entire quantity of coal supplied to the steel Power, LOCO and Cement sectors which almost constitute about 80% to the coal supplied by Coal India are paid on the basis of joint sampling.

One of the major complaints in the past was shortage of coal received in the wagons. Pilferage of coal from wagons en-route is well known phenomenon. However, Coal India has taken crash plan to instal weighbridges at the siding so as to satisfy itself and consumers that coal is loaded according to the capacity of the wagons and billing is done accordingly.....quantity of coal weighed before despatch has been increased from 51% in September, 1989 to 64% in September, 1990.”

CIL further stated:

“As a result, the total number of complaints received from all consumers have reduced from 518 in 1985-86 to 278 in 1989-90.

Chairman, CIL has constituted a high power committee with Director (Technical), CIL as the Chairman and the Director (Technical), of all the subsidiary companies as its members to assess accurately the status of implementation of various measures adopted towards consumers satisfaction and also to frame realistic action plan for completion of the residual portion as well as new actions to be recommended towards the same objectives.”

8.37 During evidence the Committee pointed out that the most of the complaints were from the Power Houses and enquired about the special effort made to reduce them. Chairman, CIL replied as follows:—

“Regarding quality, I would submit that the general impression is not the matter that counts. Of the 108 million tonnes that I am loading for power stations, the quality complaints have come down substantially. Now, what is upsetting them is about two things. One is the presence of visible, external material. We do not have a system of beneficiation. The Government of India appointed a Committee called Ronghe Committee. This Committee positively recommended that power stations beyond 500 kilometers must be fed beneficiated coal. Beneficiation means higher cost.”

The Government of India accepted the recommendations of Ronghe Committee. The NTPC has chosen only two projects, i.e. Yamuna Nagar in the North and Kayamkulam in the South. Over the years to come, only beneficiated coal should go in long-distance transportation. We are following it up and the Government will have to insist on it because money is involved. For quality coal, we have a joint sampling system.”

8.38 When pointed out by the Committee that inspite of joint sampling system, there were still complaints, the witness stated:—

“They want a higher grade of coal. It is not that I am giving them inferior quality. So far as quality is concerned there is no compromise on that.”

8.39 The Committee further referred to the observations made by Comptroller & Auditor General of India in his Report on Railways for the year 1988 that poor quality of coal being supplied to the Indian Railways was one of the main reasons for high coal consumption and failure of steam locomotives.

Asked about the remedial measures taken to supply required quality of coal to Railways, CIL stated in note as follows:—

“Railways through the Chief Mining Adviser, Dhanbad draw out monthly programme of their Coal requirement indicating Mines and Grades. Railways’ requirements are met in full from the sources they select. Besides the entire quantity despatched to the Railways are sampled by the Railways at the siding through their own departmental personnel. The entire despatches of the Railways are also supervised by their own personnel. According to the information available with us, the grade slippage in quality of coal despatches to the Railways is only 3% in value in 1989-90 and 1990-91 (April-September).”

8.40 In this connection, Chairman, CIL also stated during evidence:-

“The railways have got a Chief Mining Adviser. They come and pick up the best of coal. They do sampling themselves regularly and then they pick up. They got the first choice and after that we have a joint sampling. In that there is a slippage and if, we find it around three percent plus or minus, it is considered reasonable.”

8.41 The Committee enquired about the system in the Department of Coal to deal with the complaints received from various consumers. Department of Coal stated in a written reply as follows:—

- i) The department of Coal at times receive complaints from the consumers about inferior quality of coal, presence of stones and other materials, oversize of coal and short receipt in weight of coal etc.
- ii) There is a separate section handling the subject of coal Production & Distribution (CPD) in the Department of Coal which deal with linkage distribution, movement and quality complaints from various consumers.
- iii) Four separate standing Linkage Committees (SLCs) for deciding coal linkage to thermal power stations and cement plants are already functioning in the Department. Two Committees are for giving long term linkages and two for short term linkages to various consumers of coal in these sectors. Recently Standing Linkage Committee for Stock Yards have also been set up in the Department of Coal for establishing linkages for stock yards/dumps.
- iv) The complaints relating to quality, short weight as well as inadequate supply of coal are also discussed at length during the quarterly meetings of the SICs (Short Term) in which all State Electricity Boards and other power utilities and cement manufacturers are represented.
- v) In addition, complaints relating to coal quality are also discussed and corrective action taken during various meetings held by Energy Minister, Secretary (Coal) as well as Secretary (Coordination) with various coal consumers, SEBs, Department of Steel/SAIL, Cement Manufacturers Association etc. Several such meetings were held during the current year 1990-91.
- vi) Such complaints, as and when received are referred to the Marketing Division of the Coal India Limited and to the Coal Company from where the particular consignment of coal was despatched, for enquiry. In case of complaints of serious nature, Coal India is particularly advised to depute quality control staff for on the spot enquiry and on the basis of the reports corrective steps are taken by the coal companies. The consumers can also

lodge complaints about quality and short receipt of weight of coal with the coal Controller who is delegated with statutory authority for dealing with such complaints.”

G. Vigilance Cases

8.42 The Vigilance Department of CIL deals with cases at CIL Headquarters, NEC, Regional Sales offices, Dankuni Coal Complex, Coal Dumps and overseas functioning of Subsidiary Vigilance Wings. Subsidiary Companies are also having separate vigilance set up. The Vigilance Wings of CIL and its subsidiaries are headed by the followings:

- (i) CIL - Executive Director (Vigilance)
(I.G. Police is on deputation)
- (ii) ECL - Executive Director (Vigilance)
(DIG- Police on deputation)
- (iii) BCCL - Executive Director (Vigilance)
(IG- Police is on deputation)
Executive Director (Vigilance)
BCCL is also looking after Vigilance.
Wing of CMPDIL
- (iv) CCL - Executive Director (Vigilance)
(DIG- Police is on deputation)
- (v) WCL - Executive Director (Vigilance)
(DIG- CRPF is on deputation)
- (vi) SECL - Chief Vigilance Officer
- (vii) NCL - General Manager (Vigilance)

The above officers are assisted by the multi-disciplinary force of executives. Explaining the source of multi-disciplinary force, Chairman, CIL stated during evidence:

“We have work connected with mining engineering, Chemical engineering, Civil engineering and various others. The main Vigilance cases relate to many of these areas—mining, electrical and mechanical and excavation side. So, the executive Director (Vigilance) is assisted by specialists from these branches. That is multi-disciplinary force.”

8.43 CIL informed in a note that during the last 5 years 85 officers/employees underwent major penalties after completion of disciplinary proceedings arising out of vigilance cases on CIL (HQ) Vigilance Wing and its Subsidiaries; out of which 48 officers/employees were dismissed from the services, 1 officer was compulsorily retired and the major penalty of reduction of rank and reduction in stage were imposed on 36 officers/employees of CIL and its subsidiaries; out of which penalty of ‘Censure’ was imposed on 30 Officers/employees, penalty of stoppage of promotion was imposed on 6 officers/employees and penalty of recovery of money/

withholding of gratuity, etc. on 14 officer/employees. Besides imposition of penalties after completion of disciplinary proceedings arising out of vigilance cases 6 officers/employees were convicted by Court during the last 5 years as a result of initiation of criminal proceedings against them by CBI.

8.44 As regards the complaints received against the employees of Coal companies and action taken thereon during the last 3 years, CIL stated in a written note as follows:—

“In the financial year 1987-88, 93 complaints were received in CIL Hqrs. Vigilance Wing and the Vigilance Wings of Subsidiaries of CIL; out of which 554 cases were taken up for investigation by departmental vigilance and 379 number of complaints/information were not considered worth investigation and were disposed of otherwise, after examination/verification of complaints/information. During the said period 47 cases resulted in initiation of Regular Departmental Proceedings. Finally major penalties were imposed on 18 employees in 15 cases and minor penalties were imposed on 8 employees in 6 cases. Besides the above, CBI launched prosecution in 18 cases during the period.

ii) In the financial year 1988-89, 768 complaints were received in CIL Hqrs. Vigilance Wing and the Vigilance Wings of Subsidiaries of CIL; out of which 492 cases were taken up for investigation by departmental vigilance and 276 number of complaints/information were not considered worth investigation and were disposed of otherwise, after examination/verification of complaints/information. During the said period 74 cases resulted in initiation of Regular Departmental Proceedings. Finally major penalties were imposed on 16 employees in 12 cases and minor penalties were imposed on 9 employees in 8 cases. Besides the above, CBI launched prosecution in 15 cases during the period.

iii) In the financial year 1989-90, 1014 complaints were received in CIL Hqrs. Vigilance Wing and the Vigilance Wings of Subsidiaries of CIL; out of which 299 cases were taken up for investigation by departmental vigilance and 715 number of complaints/information were not considered worth investigation and were disposed of otherwise, after examination/verification of complaints/information. During the said period 86 cases resulted in initiation of Regular Departmental Proceedings. Finally major penalties were imposed on 13 employees in 11 cases and minor penalties were imposed on 12 employees in 8 cases. Besides the above, the CBI launched prosecution in 8 cases during the period.”

8.45 Asked about the pending CBI cases CIL replied in a written note that as on 30.9.1990, 75 cases were pending investigation by CBI against employees of CIL and its subsidiaries.

8.46 The Committee enquired about the action taken against the guilty official on the basis of CBI/Vigilance reports during the last 3 years. CIL replied in a note that during the last 3 years, on the basis of CBI/Vigilance reports Regular Departmental Action have been initiated in 207 cases and prosecution had been launched in 41 cases. Additionally, 3 employees were convicted by court, and services of other 3 employees were terminated from the company during the same period.

8.47 The Committee further wanted to know as to whether there had been any cases where officers of CIL and its subsidiaries were promoted pending CBI/Vigilance enquiries against them. CIL replied in a note as follows:—

“Investigation by CBI or inquiry by departmental vigilance wing to enquire into certain allegation against and employees is not a bar against him for promotion. It is only when such cases result in the decision/contemplation of departmental proceeding trial by Court, it becomes bar for promotion of the employees involved.

Employees against whom departmental proceeding/Court proceeding has not concluded even after the expiry of two years from the date his next junior has been promoted, his cases may be considered for ad-hoc promotion subject to the condition that in the event he is held guilty, his ad-hoc promotion will be set aside.”

8.48 The Committee enquired whether CIL was satisfied with their vigilance set up, Chairman, CIL replied:—

“In an industry like this, the basic thing should be the preventive side.”

8.49 The witness further added that due to functioning of vigilance set up, 345 employees were facing regular departmental action.

8.50 The Committee enquired from the Department of Coal as to how many vigilance cases pertaining to CIL came to their notice during each of the last 3 years. Department of Coal stated in a note as follows:—

“CVC/CBI are required to refer cases to this Department in respect of all employees of the Department, Board level executives of all the PSUs under this Department and Head of Departments of Subordinate offices. CBI also obtain prior/ex-post facto approval from the Ministry for investigation of the cases instituted against Board level appointees of Coal Companies.

Details of preliminary enquiry and registered cases of CBI which have been forwarded to this Department are given as under (Year-wise):—

Year	PE cases	RC cases
1988	—	32
1989	—	13
1990	—	20

8.51 Asked as to whether the Ministry ensure that adequate action was taken against the guilty officials, Department of Coal stated:—

“This Department monitors the imposition of penalties on guilty officials in the light of the recommendations of CBI/CVC, through the monthly, quarterly vigilance returns obtained from all the subordinate formations.”

8.52 Enquired further whether the Ministry ever requested CBI/CVC to expedite the investigations, Department of Coal replied in a note as follows:—

“This Department regularly pursues with the CBI for speedy investigations of complaints referred to them. As far as CVC is concerned cases are referred to them for advice and such cases are regularly pursued with them.”

H. Law and Order Problems

8.53 During the course of examination of CIL the Committee wanted to know the views of CIL on the mafia problem in coal industry. CIL in a note stated as follows:—

“The activities referred to as mafia problem, arising mainly out of law and order problems, were present mostly in the coal mines in the coalfields in Bihar which subsequently spread to West Bengal. These are being tackled by periodical meetings between the Company/Area/Local Management and the State Government/Local District Authorities are, however, not very responsive to these problems in West Bengal. These Problems manifest themselves generally in:—

- i) Concerning of works contracts, specially transport contracts.
- ii) Exploitation of labour, e.g. money lending, forcible extortion of contributions.
- iii) Forcible extortion of money from customers taking coal by road and impediments in despatch by road etc.
- iv) Organised pilferage of coal from loaded rail wagons.

Since the mafia elements derived their economic power from monopoly or near monopoly from contracts, contractual work in sensitive

works has been abolished.”

8.54 As regards the steps taken to eradicate the above problem, CIL intimated as follows:—

“In Bharat Coking Coal Limited the following actions amongst others have been taken:—

- i) Internal transport of coal has been fully departmentalised except for some co-operatives. In sand and transport also through local villagers, co-operatives and Ex-Servicemens' Co-operatives are being introduced.
- ii) Lists of contractors are sent to the District Administration for verification of antecedents before contracts are allowed.
- iii) Five stockyards for sale of coal by road have been commissioned to prevent, to a large extent, entry of private trucks to collieries.
- iv) Major Works, such as construction of quarters and other buildings, road, etc. are being done as a matter of policy through Government/Public Sector agencies
- v) BCCL Officials are keeping watch on employees indulging in money-lending as reported by DC. Dhanbad. As a matter of Policy any person on charge of money lending is transferred to other units/Area. Besides, Departmental actions are also taken.
- vi) Anti Money Lending Drive: The payment days are being communicated by the collieries to the District Administration so that Magistrate and the Police Force can be deputed to patrol the area during the payment hours.
- (vii) In respect of pilferage of coal, theft, etc. the watch and ward Organisation and the CISF Contingents have been strengthened.
FI Reports are lodged with local Police Stations. These matters are also brought to the notice of and taken up with the District/State Government Police Officials.”

8.55 During examination of Department of Coal the Committee pointed out that Coal companies were facing mafia problem and enquire whether the Department had made any assessment about the gravity of the problem. Department of Coal replied in a written note as follows:—

“The activities of anti-social elements, commonly referred to as ‘mafia’ are mainly confined to the operational areas of the Bharat Coking Coal Limited in Jharia Coalfields of Bihar. In BCCL, the anti-social elements quite often indulge in the following type of activities:

- (i) Intimidation of company officials, extortion of money from

persons having commercial dealing with the company and try to corner the work contracts by unfair means by preventing fair tendering or threatening the parties to pack off and do not be seen anywhere near the Jharia Coalfields.

(ii) Trade in illicit liquor;

(iii) Money lending and fraudulent/forcible realisation of money from workers in the name of 'Union' funds or 'Rangdari'."

8.56 Asked about the steps taken to eradicate the problem, Department of Coal stated:

- “1. To eliminate award of contracts to ‘mafia’/their henchmen, a decision has been taken that work of loading/transportation of Coal/sand should be departmentalised to the extent possible. Pending departmentalisation, contracts for this work are to be awarded to cooperatives/companies of ex-servicemen sponsored by the Director General of Resettlement and other co-operatives recommended by the District Administration.
2. CISF has been deployed in the affected areas in a big way to effectively deal with ‘Mafia’ menace.
3. Rotational transfer of CISF personnel and company employees, holding sensitive provisions, is being done regularly to prevent development of vested interest.
4. Watch is kept on employees indulging in money lending and such employees are transferred to other units/area, besides departmental disciplinary action. Days on which payments are made to workers are conveyed to the District Administration to prevent forced collections from workers. Workers are also being encouraged to receive payments through banks, wherever feasible.
5. After nationalisation, several screening committees and flying squads were engaged to identify the imposters/the cases of forged employees. The services of 990 such employees have been terminated upto 1989-90.
6. Major civil works such as construction of quarters, public buildings and roads etc. are awarded to Government agencies like NBCC, HSCL and BRO.

Government is fully conscious of the mafia problem and have already taken several steps to curb their influence. The situation at present, can be said to be broadly under control.”

8.57 The Committee further pointed out that CIL had brought to the notice of the Committee that certain States were not very responsive to law and order problems in and around coal mines and enquired whether the Department had some co-ordination with the concerned State

Governments to maintain proper law and order situation in mining areas. Department of coal replied in a written note that the law and order situation was not satisfactory in the coal mining areas in Bihar and Andhra Pradesh. The question of maintenance of law and order in Coal mining areas was being taken up with the State Governments at the highest level, both political as well as official. The Department had been bringing the deteriorating law and order situation to the notice of both the State Governments as well as the Ministry of Home Affairs. The question of inducting CISF in CCL and SCCL for maintenance of peace and safeguarding the properties of coal companies had also been taken up.

8.58 From the examination of the working of CIL the committee find that while there has been a growth in production from opencast mines, the production from underground mines has been stagnant over a period of time. The Committee also find that while opencast mines are almost mechanised, manual method of loading of coal is still prevalent in the underground mines. Admittedly the technology used/available in underground mines is yet to reach the standards of other major coal producing countries. In the past adequate emphasis has not been given to develop underground mines as production from open-cast mines has been much easier. The Committee would like the Government as also the coal companies to give more attention to under-ground mining as better quality of coal lies in under-ground mines. The Committee need hardly emphasise that coal exploration technology for underground mines has to be upgraded at par with that of other coal producing countries.

8.59 CMPDIL, a subsidiary of CIL is mainly responsible for research and development work as also the introduction of new technologies in the coal mines. It takes assistance of other research organisations in the country. It takes foreign consultancy and enters into foreign collaboration for technology transfer. However, the total annual budget of Coal Companies for R&D activities and technology upgradation has been in the range of Rs. 8 to Rs. 14 crores only. Taking note of the volume and infrastructure of coal companies, the Committee feel that the budget allocation for these activities is proportionately far too little and Govt. should consider raising it appropriately.

8.60 The Committee are glad to note that there is growing consciousness of environment in coal mines and environment management plans now form part of the project reports. They also note that several steps have been taken to minimise pollution and reclaim land for productive uses. Afforestation programmes have also been taken up in coal companies. The Committee desire that in view of the importance of the subject, coal companies should implement environment plans as outlined in the respective project reports and after extraction of coal immediate steps should be taken for land re-clamation. They also desire that the Ministry should constantly review the progress made in this regard at regular intervals.

8.61 The Committee find that there has been acute problem of land subsidence in Raniganj coalfield of Eastern coalfield Limited. This area falls within the State of West Bengal. Mining operations in this coalfield have been going over 150 years. Un-scientific and indiscriminate mining operations during the pre-nationalisation have been the major cause for this problem. Out of the 848 hectares of surface land within the limit of Raniganj Municipality, about 70 hectares are apprehended to be un-suitable and dangerous. Even though the State Government has enacted a law prohibiting construction over unsafe areas. The construction work has not been contained and reportedly it has been increasing. CIL has shown its helplessness in stopping the construction work. As the matter concerns the safety of thousands of persons, the Committee recommend that the Government should take this matter up with the State Government at the highest level so that further construction work on unsafe areas is topped immediately. The Committee also recommend that necessary action should also be taken on the recommendations of the expert Committees which studied the subsidence problem in the past.

8.62 The Committee have been informed that the Department of Coal has approached the West Bengal Government to set up an Authority to tackle the problem of land subsidence and for carrying out the restoration works. The proposed Authority will have representatives of Department of Coal, Coal Companies, State Government, experts and local representatives of the people. The Department of Coal had asked CIL to release an amount of Rs. 5 crores for the purpose. Further, the Department of Coal has agreed to meet recurring expenditure of the Authority. The Committee desire that Government should provide necessary funds to tackle the subsidence problem. The Committee would also like the Government to pursue the matter with the State Government for setting up the Authority which may be entrusted with all the work relating to subsidence problem. The Committee would also like to be apprised of progress made in this regard.

8.63 The Committee have been informed that there have been about 70 fires in Jharia Coalfields under BCCL. The impact of these fires can be judged by the very fact that according to the Government estimates, these fires have consumed 37 million tonnes of good quality of cooking coal valuing worth Rs. 1000 crores. So far only 11 fires have been controlled or extinguished. 22 Projects costing about Rs. 200 crores covering all the fires have been prepared and the under implementation. Coal Companies expect to control fires under 22 projects by the end of 8th Five Year Plan. The Committee would like the Ministry to monitor the progress of these projects on regular basis so that these are completed well within their targetted time and cost.

8.64 The Committee note that about 82% of Coal is consumed by the core sector viz. Power Houses, Steel plants, Railways and Cement Plants and the balance 18% is consumed by several industrial units of varying sizes

including paper, textile, chemicals etc. and domestic consumers. CIL has brought out that there are necessary linkages with all types of consumers. However, the Committee have been informed that it would not be possible for CIL to determine the demand of a large number of industrial units in the Non-Core sector effectively in the small scale sector. Admittedly there have been complaints regarding non-availability of coal in Northern States which is stated to be due to non-expansion of loading capacity of Eastern Railways.

The Committee have not gone into individual grievances. They, however, feel that there is need to further tone up the marketing set-up. Efforts should be made towards better consumer satisfaction in respect of both core as well as non-core sectors. The Committee also desire that marketing set up should be decentralised as far as possible.

8.65 Even though there has been increase in railway wagons to core sector, wagons to non-core sector have come down from 2478 in 1988-89 to 1362 in 1991-92. The Committee desire that besides supply of adequate wagons to core sector, supply of wagons should also be augmented to non-core sector particularly the small scale units.

8.66 The Committee find that in coal mines of CIL wherever cost of production per tonne is more than the sale value per tonne by Rs.200/-or more, these are considered as un-economic mines. The Committee have been informed that year 1987-88 to 1990-91 CIL closed 21 such un-economic mines. These mines were closed after indepth studies made by CIL. Some of these mines were also found un-viable by the Chari Committee and Banerjee Committee which went into the working of ECL and BCCL respectively. The Committee are disturbed to note that there are still 39 un-economic mines under the control of CIL. The Committee recommend that earnest efforts should be made to make these mines economically viable.

8.67 It appears to the Committee that in the past some States/State Electricity Boards have approached the Coal Companies to take over some of the un-economic mines for their captive use. The Committee feel that such proposals of State Governments/State Electricity Boards/Power Houses should be considered favourably specially when coal companies are incurring huge losses on running these mines.

8.68 The Committee note that coal companies receive many complaints from various consumers. Most of the complaints relate to quality and size of the coal which reportedly arise due to presence of extraneous materials and over-sized coal. Certain complaints are received on account of short receipt of coal. During the years 1988-89, 1989-90 and 1990-91 (April-November) CIL and its subsidiaries received as many as 466, 278 and 192 complaints respectively. Both CIL as well as Department of Coal have informed the Committee that several steps are being taken to remove the complaints. The main steps include picking up extraneous materials before loading of coal and installation of crushers to cut the over-sized coal. Besides CIL has taken

up a crash plan to instal weighbridges to weigh the coal before despatching the coal. Quantity of coal weighed before despatch has increased from 51% in September, 1989 to 64% in September, 1990. CIL has also appointed a high power committee to assess accurately the status of implementation of various measures adopted towards consumers satisfaction. The high power committee will also give recommendations for new actions for consumer satisfaction. The complaints are also being monitored in the Department of Coal. The Committee have also been informed by CIL that with the steps taken towards consumer satisfaction the total number of complaints have reduced from 518 in 1985-86 to 278 in 1989-90. The Committee desire that various actions being taken to remove complaints about quality and quantity, installation of weighbridges, crushers etc. should be completed expeditiously. The Committee desire that they should be informed of the recommendations of the high power committee set up to assess the implementation of the various measures as also the suggestions for new actions to be taken for consumer satisfaction.

8.69 The Committee find that highest number of complaints came from power houses. For instance out of total 466 complaints during the year 1988-89, 308 complaints were from the power houses. Similarly, during the year 1989-90, out of total 278 complaints, 169 were from the power houses. Chairman, CIL informed the Committee that the main complaints from power houses were due to presence of extraneous material. The Ronghe Committee appointed by the Government is reported to have recommended that all power houses located at 500 kms. distance should be supplied beneficiated coal for which number of coal beneficiation plants are needed. So far NTPC has chosen two such projects for which beneficiated coal will be supplied. The Committee feel that since Government has accepted the recommendations of the Ronghe Committee, it should find ways and means to implement the same and accordingly requisite number of beneficiated coal plants should be installed in a time bound programme. This they hope will reduce the complaints from power houses considerably.

8.70 From the date supplied to the Committee about the complaint received against the employees of CIL and its subsidiaries during the last 3 years the Committee got an impression that production and marketing of coal could be highly prone to corruption. The Committee are distressed to note that as many as 1715 complaints against the officers of CIL and its subsidiaries were received during the last 3 years viz. 1987-88, 1988-89 and 1989-90. Appropriately the coal companies have been equipped with better vigilance set up. The vigilance wings of CIL, ECL, BCCL, CMPDIL, CCL and WCL are headed by the police officers of the ranks of IG and DIG drawn on deputation basis. All these officers have designated as Executive Director (Vigilance). The two subsidiary companies which are not having senior police officers in their vigilance wings are SECL and NCL. The Committee desire that vigilance wings of these two companies may also be strengthened by appointing two police officers.

8.71 The gravity of the corruption in CIL and its subsidiaries can be gauged by the fact that during the last 5 years as many as 85 officers/employees underwent major penalties. Out of these 48 officers/employees were dismissed from the service, one was compulsorily retired and the major penalty of reduction of rank and reduction in stage was imposed on 36 officers/employees. During the same period minor penalty was imposed on 88 officers/employees. Even now upto September, 1990, as many as 75 cases against officers/employees of coal companies were pending investigation by CBI. Besides 345 officers/employees were facing regular departmental enquiries. The Committee recommend that these enquiries be completed expeditiously and officers/employees found guilty should be awarded adequate punishments so that it serve as an eye opener to other employees of coal companies in general. The Committee would also like the Government to get the CBI cases expeditiously investigated. Needless to point out that necessary action will be taken against the officers/employees found guilty by the CBI/CVC.

8.72 The Committee have been informed by CIL that they have been facing certain law and order problems in managing their mines in Bihar and West Bangal. The most affected company is BCCL where mafia indulge in cornering contract works, exploitation of labour by money lending business, organise pilferage of coal from loaded rail wagons etc. Reportedly several steps have been taken by the coal companies to eradicate the mafia problem. The major steps taken in this direction are abolition of contract works, giving transport work to cooperatives formed by ex-servicemen /local villagers, awarding of major civil works to other public sector undertakings, taking assistance of local authorities etc. Department of Coal has also informed that the problem of law and order in coal areas has been taken up with concerned States as also with the Ministry of Home Affairs. The Committee are, however, perturbed to note that certain State Government are not responding well to these problems. The Committee recommend that to eradicate the mafia / law and order problems in the coal mining area completely, the matter may be taken up at the highest level in the Government.

A.R. ANTULAY

Chairman,

Committee on Public Undertakings

NEW DELHI;
April 9, 1992

Chaitra 20, 1914 (Saka)

APPENDIX

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
I.	1.27 to 1.29	

After nationalisation of coal industry in two successive spells in 1971 and 1973, in 1975 the entire coal industry in the country excepting Singareni Collieries Company Ltd. (Which is in Joint Sector) came under the umbrella of a holding company *viz.* Coal India Ltd. Under this arrangement of Chairman of the holding company was made the Chairman of subsidiary companies also. Subsequently certain structural changes were made in 1977 whereby Managing Directors of subsidiary companies were made Chairman-cum-Managing Directors of their respective subsidiary companies. With the increase in coal production more subsidiaries have been carved out from the earlier production units and presently CIL has 6 producing subsidiaries *viz.* ECL, BCCL, CCL, NCL, WCL and SECL. Another subsidiary *viz.* CMPDIL is solely responsible for coordinating the research/planning work for all the subsidiaries. Proposal for setting up yet another subsidiary company to be carved out from SECL areas is also under consideration of the Government.

The Committee regret to note that presently the role and functions of holding company *vis-a-vis* its subsidiary companies have been earmarked in a way where even subsidiary companies are required to report directly to the Government by passing the holding company. For instance while CIL is responsible for overall planning, target setting and monitoring of performance of subsidiaries have to report directly to the Department of Coal in the crucial operational matters like production performance, man

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management and execution of projects. The prevailing system not only erodes the authority of the holding company, but contradicts the very concept of the two tier system of holding company *vis-a-vis* subsidiaries. In this connection Coal Secretary admitted during evidence that there was lack of clear demarcation of responsibilities between the holding company and subsidiary companies. Secretary was also candid in his admission that there was duplication of efforts in regard to certain functions like planning and execution of coal projects.

It is incredible and yet true that though the Government has been considering the restructuring of CIL and its subsidiaries for over a decade yet no clear picture has emerged so far. The Committee on Public Undertaking (1981-82) were informed by the Government as back as in November, 1981 that the restructuring of CIL and its subsidiaries was under active consideration of the Government. Since then a number of Committees appointed by the Government have examined the matter but the final decision is still eluding. Arising out of the various studies there are three options before the Government *viz.* (i) to continue with the holding company by re-demarcation of role and functions of CIL *vis-a-vis* its subsidiaries; (ii) CIL should be made into a 'Unitary Company' with greater autonomy and subsidiaries converted into its divisions like Steel Plant *vis-a-vis* SAIL; and (iii) CIL should be abolished and subsidiaries be converted into independent companies. While CIL has pleaded to make it a unitary company by making subsidiaries into its divisions on the pattern of Steel Authority of India Ltd., Secretary, Department of Coal deposed before the Committee that it will not be possible for any single company to manage more than 450 production units and instead Government proposed to bring improvement in the present system. Since the matter has already been inordinately delayed the Committee desire that the Government should take a final decision in the matter without any further delay after taking all related matters into consideration particularly the increased production potential in next 10 years when the Coal Companies expect to produce about 400 million tonnes as compared to about 190 million tonne during the

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year 1990-91. The Committee also desire that while reorganising the coal companies the Government should also consider the recommendations made by Arjun Sengupta Committee which *inter-alia* recommended for holding company concept to minimise inter-face between the Ministry and the subsidiary company and to keep the operations of an enterprises at an arm's length from the Government. This recommendation was emphasised by Committee on Public Undertakings in their 32nd Report (1988-89) and was accepted by the Government. This implies that only the holding company would deal with the administrative Ministry and not the subsidiaries.

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Closely connected with the issue of restructuring of Coal Companies is the question of reconstitution of Board of CIL and its subsidiaries. The Committee find that there are certain imbalances and lacunae in the present set up. For instance CIL has no nominees on the Board of its own subsidiaries, whereas all the CMDs of subsidiaries are on the Board of CIL. Secretary, Coal admitted before the Committee that this was not a very desirable situation. The Committee are apprised that recently Government has decided to associate experts in the related fields in the Board of various Coal Companies. The Committee are not at all happy with the present arrangement and desire that Government should reconstitute the Board of Coal Companies urgently taking all related matters into consideration to make the Board of Coal Companies more conducive to the efficient functioning of coal sector. The Committee strongly feel that apart from appointing technical experts on the Board of Coal Companies, workers' representatives should also be appointed on the Board of these companies with equal powers.

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The Committee find that for the first time a Memorandum of Understanding (MOU) was signed between the Deptt. of Coal and Coal India Ltd. for the year 1989-90. Subsequently a similar MOU was signed for the year 1990-91. However, there are diverging views of the CIL and Department of Coal in regard to its usefulness. The Committee was informed during the evidence by Chairman, CIL that the current MOU was in the form of an extension of Annual Action Plan, which the Deptt. of Coal finalise every year in consultation with

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Planning Commission. He also stated that while CIL could commit for certain obligations, the administrative Ministry was not in a position to commit itself in certain areas like supply of power, availability of wagons, lands etc. Besides, he pleaded that like other countries, MOU should be signed for a period of 3 to 5 years. while admitting certain limitations, the Department of Coal stated that the concept of MOU was new and the idea of delegating additional powers to CIL under MOU on year to year basis was to continuously evaluate and monitor the system and to find ways and means to improve its efficacy. However, the problems regarding availability of power and wagons etc. were being solved by coordinating with the concerned agencies. As the annual targets etc. are given in Annual Action Plan, which is finalised in consultation with Planning Commission annually the Committee recommend that MOU should be signed at least for a period of 5 years. This will also ensure more autonomy to the holding company. Further the suggestion of CIL to include price revision and discontinuation of supply of coal to defaulting customers within the ambit of MOU needs consideration by the Govt.

4 2.14

The Committee find that besides MOU and Annual Action Plan, annual targets are also given in micro-objectives which are also being framed on annual basis for the last two years. In this regard the Committee have been informed by the Department of Coal that micro-objectives could be framed for a longer period alongwith MOU after gaining experience with the operation of annual MOU. The Committee find that guidelines issued by BPE in 1979 and 1983 under which micro-objectives of the undertakings are being framed, do not provide for framing of micro-objectives on annual basis. The Committee accordingly recommend that micro-objectives of CIL and its subsidiaries should be framed for a longer period instead of annual basis.

5 2.15

The Committee regret to note that the MOU between the Government and the CIL is not being signed well before the beginning of the financial year. For instance MOU for the year 1989-90 was signed on 19th May, 1989 *i.e.* after the financial year had begun. Again the MOU for the year 1990-91 was signed as late as on 28th July, 1990

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i.e. about four months after the financial year had begun. The Committee deprecate such laxity on the part of the Government as well as CIL in not signing the MOU in time. This situation becomes more anomalous in the context of importance currently being given to the MOU where even the Annual Action Plan and the micro-objectives reportedly flow from the objectives defined and accepted in MOU. The Committee wonder as to how in the absence of clear objectives/targets coal companies start their production programmes in the initial months till the finalisation of MOU which also provides basis for Annual Action Plan and micro-objectives. They, therefore, recommend that MOU should be signed well before the start of the financial year(s) so that there is a clear direction ahead and performance of the coal companies do not suffer on account of un-specified objectives/targets in the initial months of year.

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2.16

The Committee are unhappy to note that as per performance indicators given in MOU, the performance of CIL has not been very good. While the overall rating of CIL was good for the year 1989-90, it was between average and poor for the first six-months of the year 1990-91. The performance has been very poor particularly in production of coal from underground mines in 1989-90. The position did not improve during the year 1990-91 (April 1990-December, 1990). Since under MOU, undertakings get more powers and autonomy, it becomes all the more essential to achieve the various targets set out in the MOU. The Committee, therefore, desire that all out efforts should be made to achieve the targets so that the overall performance rating of CIL becomes very good or excellent as against the present trend of good or between average and poor.

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2.17

The Committee find that presently Memorandum of Understanding is signed between the Government and Coal India Limited. The Committee desire that MOU should also be signed between the management and the workers so that clear targets of production and productivity are made available to the workers.

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3.39

The Committee note that there has been massive investment in the coal industry since its nationalisation in 1973 and upto March, 1990. CIL and its subsidiaries

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have invested Rs. 9621 crores in coal/non-coal projects. As against the capital expenditure of Rs. 5531 crores during 7th Five Year Plan (1985-90), the Plan outlay for capital expenditure during the 8th Plan period has been proposed at Rs. 10499 crores. For this investment the Department of Coal has indicated certain priorities. In view of the shortage of coking coal in the country, highest priority has been accorded to coking coal projects. The Committee also find that at present the ratio of coal produced from the underground mines and open cast mines is one-third and two-third respectively. Admittedly better quality of coal lies in underground mines. In view of this situation the Committee feel that there is urgent need to increase the coal production from underground mines. For this, besides, coking coal projects, priority has to be accorded to underground projects also.

9 3.40

Examination of the major coal projects of CIL and its subsidiaries by the Committee which were sanctioned/completed or were under construction during the last 5 years (1985-90) has revealed that there has been huge cost escalations as well as time over-runs. The project cost and time schedules were revised in most of the cases. In some cases even scope of projects/technology to be used were changed subsequently. Out of the 63 projects which were completed/under-completion during this period as many as 38 projects were delayed or expected to be delayed beyond their scheduled date of completion and the delay ranged upto as many as 11 years. Besides, one project was uncertain and another project was deferred due to fire. Similarly out of the total 63 projects cost escalations took place in case of 40 projects. Since the details of all the projects have been given in the report (pp. 34-36), the Committee would not like to refer to each and every project. Some of the glaring instances of cost escalation are Rajmahal, Jhanjra, Moonidh, Jayant, Amlohri projects where the cost escalations were of the order of Rs. 475 crores, Rs. 299 crores, Rs. 165 crores, Rs. 260 crores, Rs. 206 crores respectively. Similarly there has been delay in completion of the projects to the extent of 9 years to 11 years in case of Rajmahal, Moonidh, Sudamadih, North Amlabad and Bina projects. These facts present a dismal picture the enormous cost escalation in the coal projects

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has made the exercise of framing cost estimates a futile exercise as revised estimates/actual expenditure have increased several times to the original estimates. At this stage the Committee cannot but deplore the huge cost and time over-runs of such magnitude in coal projects.

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Due to delay in completion of projects, besides the enormous increase in capital expenditure, desired production capacity could not be built up in time and on this account alone during the last 5 years there has been shortfall in production of coal to the extent of 77.48 million tonnes. The cost and time over-runs have been attributed mainly to delay in forestry clearance/land acquisition, delay in equipment supply and some-times project reports prepared earlier requiring modifications in terms of latest knowledge of geology or mining method. However the Committee have not been impressed by the explanation of CIL as well as Department of Coal that cost and time over-runs were beyond the control of the management. The very fact that only recently some officers have been transferred from certain projects on account of their non-performance makes the Committee feel that time and cost over-runs are mainly on account of inert attitude of the management. The Committee desire that in order to make the monitoring system more effective, senior officers should be made responsible for completion of the projects within the stipulated time which in turn will ensure their active involvement in project implementation. Needless to emphasise that adequate disciplinary action should be taken against the officers found neglecting their duties.

11. 3.42

The main reason for cost and time over-run in coal project has been attributed to the problems in land acquisition. The gravity of the problem has been so much that so far as many as 56 projects involving a capital outlay of Rs. 3358 crores have suffered on this account. During the last 5 years alone as many as 17 projects were delayed on account of delay in land acquisition. The land for coal projects is acquired under 3 acts viz. Coal Bearing Areas Act, 1957, Land Acquisition Act, 1894 and Forest Conservation Act, 1980. Coal Companies have been facing various problems due to procedural delays in land acquisition under these Acts. At the instance of CIL a

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proposal for certain amendments in Coal Bearing Act was under consideration of the Government. The Committee are of the opinion that all the three Acts should be reviewed and amendments as deemed are necessary to simplify the procedure for land acquisition for coal projects should be carried out expeditiously. In regard to land acquisition for coal projects, the Committee would also urge for a better and close coordination between the Central Government, the concerned State Governments and the Coal Companies so that coal projects do not suffer due to delay in land acquisition.

12 3.43

Besides delay in land acquisition certain projects are reported to have got delayed due to agitation/disruption by local youth for jobs and rehabilitation of the persons evicted from the land acquired for the coal projects. The Committee are apprised that recently a rehabilitation package has been signed with the displaced persons in respect of Sonapur Bazari Project and the same has got acceptability of the concerned State Governments as well as all affected persons. This package according to CIL and the Ministry is more liberal and has been made applicable to all coal projects in the country. The Committee are also informed that the Government is considering an improvement over Sonapur Bazari Project package on the pattern of Narmada project which was applicable to Madhya Pradesh and Gujarat. The Committee hope that with these packages for rehabilitation programmes, the coal companies will get over the problems of land acquisition which has affected many projects in the past. The Committee would like to be apprised of the details of the new rehabilitation package, after it is finalised and approved by the Government.

13 3.44

Even though CIL has informed that Coal Companies have done much for rehabilitation/community development schemes for land evictees, the Committee feel that a lot of work is yet to be done by the Coal Companies in this regard. The recent steps taken by CIL for imparting training to the tribals and giving trucks to tribals to carry out the transportation work in Coal Companies are some steps in the right direction. The Committee desire that in view of magnitude of the problem of human settlement all necessary steps be taken by the Coal Companies to

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rehabilitate the land evictees as most of the persons in rural areas do not have any other source of income except the agriculture. Further efforts should also be made to improve the community facilities like houses, schools, electricity, drinking water so that fruits of the development also reach the deprived citizens particularly the tribals. The Department of Coal should also fully involve itself in the rehabilitation programmes and provide necessary help to the Coal Companies.

14 3.45

Another factor which has caused delays in respect of certain projects is delay in environment clearance. Clearance of environment management Plan (EMP) is pre-requisite for sanction of a coal project and the same is now being processed alongwith the project report. To cut down the time in getting environment clearance Department of Coal had asked the Coal Companies in June 1990 to get the projects (costing over Rs.50 crores) approved in two stages. The first stage would be the approval of an Advance Action Plan proposal upto Rs.10 crores which will be utilised for surveys of land, acquisition of land including forest land, rehabilitation of land evictees, collection of environmental data and preparation of EMP's. Coal Companies are required to implement the 'Advance Action Plan' within 30 months from the date of its approval. Within this period Coal Companies are also required to prepare and seek approval of feasibility reports alongwith environment clearance. About 40 Advance Action Schemes were reportedly under implementation by the coal companies. The Committee would like the coal companies to implement all the Advance Action Plans within stipulated time so that the concerned projects are taken up for implementation in time.

15 3.46

Yet another factor which has delayed the implementation of coal projects is stated to be due to delay in equipment supply by indigenous manufacturers and that too by the public sector undertakings like Jessop Co. and Heavy Engineering Corporation. These companies delayed the supply of required equipments to the extent of 16 to 57 months particularly in Churha, Jayant and Bina Coal Projects. It appears to the Committee that CIL as well as Department of Coal did not have better coordination with the concerned authorities at the appropriate level.

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Chairman CIL informed the Committee that in the past the suppliers were having faulty foreign collaborations and now the coal companies were being consulted at the time of foreign collaboration agreements and regular meetings were conducted to ensure timely supply of equipment etc. The Committee were also informed by the Coal Secretary that to ensure better coordination with the supplier undertakings senior officers of the Department of Coal had been appointed on the Board of these companies. Secretary was also candid in his admission that in the past there had been delays in payments to the supplier undertakings. To obviate this, the Coal Companies have been asked to pay advance payment so that supplier undertakings do not suffer on account of financial constraints. Besides, within the available funds, priority of payment has been accorded to these companies. The coal companies have also been asked to place orders of machinery equipments in advance so that suppliers also make their production plans accordingly. These steps are stated to have been resorted to from 1991 onwards only. The Committee trust that with these steps the position of equipment supply will improve. In case of any difficulty coal companies should not hesitate in seeking help from the administrative Ministry in this regard. The Committee also desire that as far as possible coal companies should place orders for procuring various equipments/machines from the public sector undertakings like Mining & Allied Machinery Corporation; Jessop & Co. and Heavy Engineering Corporation which have large infrastructure and capabilities to manufacture the mining equipments/machines.

16 3.47

The Committee also find that in case of certain projects the scope of projects was changed or enlarged at later stages. In certain other cases technology used in the projects was not found suitable and had to be changed subsequently. In this connection CIL informed the Committee that this happen due to difficult geo-mining conditions, change in demand and availability of advanced technology at later stages. In view of having separate subsidiary company viz. CMPDIL, which is engaged mainly in research and planning work, the Committee feel that such things could be anticipated. The Committee once

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again emphasise the need for putting utmost efforts to ascertain the actual geo-mining conditions at the time of preparation of feasibility project reports so that the projects do not suffer at later stages.

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While explaining the reasons for cost over-run in coal projects Chairman, CIL informed the Committee that at present there was no provision for inflation at the time of preparation/approval of projects. Since the Coal projects take around 6-8 years in case of open cast mines and 10-12 years for an underground mines for completion, the capital cost becomes even if the coal project is completed as per schedule and the scope of project remains the same. Agreeing to the view expressed by Chairman, CIL, Coal Secretary stated that projects were being formulated on fixed cost and cost escalation was not built in. The Committee feel that by not providing any escalation in the project cost, the same are to be revised frequently and require approval from various agencies of the Government which in turn requires duplication of efforts for revising/updating/modification of project reports and may further delay the completion of the projects. The Committee accordingly recommend that Government should allow some provision for inflation at the time of finalisation/approval of the projects to make the cost estimates more realistic. They further recommend that the Government should examine the feasibility of introducing inflation accounting in public sector undertakings.

18 3.49

The Committee on Public Undertakings in their earlier Reports on Coal India Limited (1980-81) and Eastern Coalfields Limited (1986-87) had pointed out several deficiencies in project formulation and monitoring system in coal companies as well as in Department of Coal. The Committee now find that the Coal Companies have brought out significant improvement in project planning, appraisal, monitoring and implementation. Similarly Department of Coal is now reviewing projects regularly and it took as many as 21 and 18 review meetings for on going projects during the years 1988-89 and 1989-90 respectively. With the close monitoring of projects out of 63 on going projects, 13 projects have since been completed. The Committee once again emphasise the need

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- to monitor the projects on regular basis for their timely completion so that cost and time over-runs could be avoided in the implementation of the coal projects.
- 19 3.50 The Committee are distressed to note that Government take undue long period in according approval to the coal projects. As against the norm of 6 months period in according approval, Government took 6-12 months in 14 projects, 12-24 months in 36 projects and more than 24 months in case of 22 projects. According to the Department of Coal the main reason for delay in according Government approval has been due to delay in environment clearance by the Ministry of Environment. Department of Coal has now informed that to overcome this problem the Government is sanctioning projects in two stages. In first stage approval is given for advance action plan which covers the environment clearance, land acquisition, rehabilitation programmes etc. The second stage covers the feasibility/project reports. In this connection Coal Secretary also informed the Committee that by giving powers to CIL to sanction projects costing upto Rs. 50 crores, certain project proposals have since been returned to CIL. The Government has also decided to sanction only those projects for which necessary funds are available. Besides, recently Government has introduced a system to process the project proposals on regular basis. With these steps, the Committee hope that projects will now be cleared by the Government in reasonable time so that the cost of the projects do not increase on account of delay in Government approval.
- 20 4.80 The Committee note that as per latest estimates coal reserves are placed at 192 billion tonnes in the country and at a production level of 400 MT expected to be achieved by the year 1999-2000, these are considered to be adequate for 130 years. Deptt. of Coal is coordinating with the concerned agencies engaged in coal exploration programmes. Most of the blocks identified for coal production during the Eighth and Ninth Five Year Plans have already been covered under detailed exploration. However, the Committee find that less than one-third of the total reserves are under the proved category and the rest are either indicated or inferred. The Committee are also perturbed to note that due to depletion of better

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quality coal reserves production of superior grade has decreased from 42% of total production in 1980-81 to 14% of total production in 1989-90, whereas production of inferior grade coal has increased from 18% to 53% during the same period. In view of shortage of coking coal in the country as well as decrease in production of superior quality of coal. The Committee recommend that concerted efforts be made to identify reserves of better quality of coal. They also desire that time bound programmes should be chalked out for exploration/production of coal in these areas.

- 21 4.81 and 4.82 The Committee note that CIL is mainly responsible for meeting the coal demand in the country. During the year 1990-91, out of total production of coal of about 212 million tonnes, CIL's share is expected to be around 189 million tonnes. Besides CIL, Singareni Collieries Co. Ltd. is producing about 15 to 20 million tonnes. Another 4 to 5 million tonnes of coal is produced by captive mines of TISCO, IISCO and DVC. A redeeming feature of the coal and supply of coal in the country is that while quantitatively coal is sufficient to meet the indigenous requirement of total coal 4 to 5 million tonnes of coking coal with low ash content is being imported by the Steel Plants. Presently, the annual import bill of coal is over Rs. 600 crores. Working Group Report on Coal & Lignite for the 8th Five Year Plan has also estimated that about 24.40 million tonnes of coking coal will have to be imported during the 8th Five Year Plan.

The Committee have now been informed that to reduce the coal imports modernisation programmes have been taken up to enhance the capacity of the coal washeries. With the completion of the modernisation programmes these washeries will be able to reduce the ash content level from 20% to 17+ 0.5%, which is the requirement of the steel plants, The estimated investment in washeries is about 168 crores in Seventh Plan and Rs. 484 crores in Eighth Plan. While all the short term plans have been implemented, long term plans are expected to be implemented upto 1992-93. However, the Committee are distressed to note that there have been certain slippages in the implementation of modernisation programmes particularly in Bhojudih, Dugda I & II and Monidh

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washeries. These delays are reportedly due to finalisation of tenders. The Committee feel that this factor was within the control of the management and as such could have been easily avoided. The Committee, therefore, desire that all efforts should now be made to complete the modernisation programmes as per time schedule. Apart from modernisation of washeries, coal companies have given highest priority to coking coal projects. Chairman CIL was hopeful that imports will be reduced to zero level within the next 7 to 10 years. The Committee desire that necessary steps should be taken to stop the coal imports to check the outgo of much required foreign exchange.

22 4.83

Incidentally, it came out during the examination of CIL that the capacity utilisation of coal washeries was very low. Out of about 15 coal washeries the capacity utilisation in only two washeries was above 70 percent. In one washery the capacity utilisation was as low as 14 percent. As the capacity utilisation of these washeries is linked to the coal imports, the Committee would like the Department of Coal as well as CIL to have close monitoring of these washeries. They hope that after implementation of modernisation programmes, capacity utilisation of these washeries would be enhanced to a reasonable level.

23 4.84

Based on the demand of various sectors, coal production targets are decided by the Department of Coal in consultation with Planning Commission. The Committee find that during the last 3 years, the actual capacity utilisation has been over 90 percent of the total installed capacity which according to Chairman CIL was reasonably well. CIL exceeded production targets in 1987-88 and 1988-89, whereas in 1989-90 the production was short by about 5 million tonnes. During the year 1990-91 as against the production targets of 194 millions, CIL expected to achieve around 190 million tonnes. The Committee however, are sorry to note that production from the underground mines has been stagnating. As against the underground production of 59.08 million tonnes in 1987-88 production in 1989-90 was 58.79 million tonnes only. The Report of Working Group on Coal & Lignite for 8th Five Year Plan has also brought out that one of the factors for less production from underground mines had been due to lack

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of willingness for underground mining as targets could easily be achieved by easier open cast mining. The Committee deplore lackadaisical approach of the management of coal companies in producing coal from underground mines. Several steps are stated to have been initiated for increasing the production from underground mines. The Committee desire that the production targets which are fixed separately both for underground and opencast mines should be achieved as fixed separately.

24 4.85

The Committee are distressed to find the dismal production performance of ECL and BCCL, both of which are having major underground mines. For instance during the year 1989-90 in ECL as against the assessed capacity and targets of 32.66 and 30.02 million tonnes respectively, the actual production was 24.49 million tonnes only. Similarly in BCCL as against the assessed capacity and targets of 33.02 million tonnes and 27.50 million tonnes respectively, the actual production was 26.6 million tonnes. Chairman, CIL was candid in his admission before the Committee that the shortfall in production in these two companies had brought down the total achievement. The main reasons for poor production performance in these companies are stated to be due to power shortage in eastern sector and difficult geomining conditions caused due to un-scientific mining during the pre-nationalisation period. The Committee desire that CIL and Deptt. of Coal must help ECL & BCCL to overcome these problems by coordinating with State Electricity Boards as also in opening new mines to make up the loss of production in old and depleted mines. The coal companies have also initiated certain steps to raise production and productivity from the underground mines. The Committee trust that these steps will help in raising the production from underground mines. The Committee have got an impression that even though coal mines have been developed on left bank of the Damodar river, not much has been done on right bank of the river. The Committee accordingly recommend that coal reserves situated on right bank of the Damodar river should also be exploited by opening new mines to augment the coal production.

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25	4.86 and 4.87	<p>From the cause wise analysis of production losses, the Committee find that power shortage is the main production constraint. Due to power shortage the coal companies have lost production to the extent of 22 lakh tonnes, 35 lakh tonnes and 57 lakh tonnes during the years 1987-88, 1988-89, 1989-90 and 1990-91 (upto Jan. 1991) respectively. It has also been noticed that power shortage has affected mainly underground mines. The Committee were informed by CIL that generation of power in DVC which was source of power supply to ECL, BCCL and CCL was much below the installed capacity and as such it could not supply power to the desired level. For instance as against the demand of 443.5 MVA, and 505.5 MVA, during the years 1988-89 and 1989-90 the actual supply from DVC was 386.6 MVA and 380.8 MVA respectively. The steel and railways sectors get priority over the coal sector. Besides less supply of power, the number of interruption increased from 15823 in 1988-89 to 23778 in 1989-90. Chairman CIL also stated before the Committee that in the absence of power, no mining work was possible as it affected workers safety.</p> <p>The Committee were informed that the annual requirement of power in coal companies during the 8th Five Year Plan would be from 915 MVA to 1285 MVA for which Central Electricity Authority had been informed for advising the concerned State Electricity Boards. The Committee were informed by Department of Coal that regular liaison was being done with the concerned power suppliers for getting regular power supply. The Committee feel that since Government lays down production targets for coal companies, it is the duty of the Government to ensure availability of inputs particularly the power. Accordingly, the Committee urge that Government should give all possible help in providing adequate power supply to the coal companies so that their men and machines do not remain idle. As the coal is main input for power generation, coal companies should also be able to exert influence over power suppliers.</p>
26	4.88	<p>The Committee were also informed that some captive diesel power plants had been installed by the coal companies having 82 MV power capacity. CIL has prepared feasibility reports of 5 more captive power plants.</p>

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and sites have been identified for another 6 captive plants. The Committee recommend that there captive power plants should be completed in a time bound programme so that generation capacity is built up in time.

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4.89

Besides, power shortage, the other main production constraint has been absenteeism. Due to this factor alone CIL lost coal production to the extent of 13 lakh tonnes, 4.39 lakh tonnes, 21.79 lakh tonnes and 17.59 lakh tonnes during the years 1987-88, 1988-89, 1989-90 and 1990-91 (upto Jan. 1991) respectively. Coal companies also lost production due to industrial problems to the tune of 7 lakh tonnes, 3.78 lakh tonnes, 4 lakh tonnes and 2.27 lakh tonnes respectively during the above years. The Committee have been informed by CIL that steps are being taken to reduce the absenteeism by seeking help of workers Committees as also by providing improvement in quality of life of miners. The industrial relations are also reported to have improved by settling various matters through joint consultative committees. Similarly, wage settlement for coal industry is also done by the joint Bipartite committee, which is appointed by the Government, having representatives from all coal companies and recognised trade unions. The Committee desire that coal companies should further improve the working conditions as also the living conditions of workers to reduce the absenteeism which is mainly in underground mines where working conditions are difficult as compared to open cast mines. The Committee appreciate the steps taken by the coal companies in improving the industrial relations through various joint committees. Efforts should further be made to bring improvements in the present joint committee system with a view to improve the industrial relations.

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4.90
and
4.91

As per the stocking policy for coal companies framed in 1985 in consultation with Planning Commission individual mine cannot hold stocks for more than 3 months and undertaking as a whole should not keep more than one month, production as stock. However, the Committee regret to note that the actual coal stocks of CIL at the end of each of the last 5 years have been more than double the prescribed limits. For instance as against the one month prescribed production of 14.89 million tonnes during the

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year 1989-90, the actual stock at the end of the year was as high as 36.62 million tonnes. The Committee take a very serious note of this particularly in view of the fact that it involves blocking of huge scarce working capital. Besides, since stocks lying for longer period leads to deterioration in quality and are prone to theft and risk of fire, the Committee, urge that all necessary steps should be taken urgently to bring coal stocks within prescribed limits.

The Committee were informed by CIL that the main reason for piling up of stocks was due to problems in transportation particularly in availability of railway wagons. To overcome these problems, Secretary (Coordination) has started conducting weekly meetings to review the infrastructure constraints relating to supply of coal to power, steel and cement sectors. There has been improvement in supply of coal since then and from a daily average of 12354 wagons in October, 1990, CIL was despatching about 14702 wagons during January, 1991. The Committee trust that the holding of coordination meetings would be a regular feature from now onwards for smooth despatch of coal to end users. It will help in better offtake of coal as well as reduction in huge coal stocks.

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4.92

Chairman, CIL informed the Committee during his evidence that there had been a tendency to indicate higher demand by the end users of coal on the basis of which the production targets were being fixed in consultation with Planning Commission. With the result actual offtake had been less than the expected demand. The Committee would like the Planning Commission to take care of this factor so that the expected demand from various users is very near to their actual requirements. The Committee also feel that since the coal production requires advance production planning, particularly in the form of opening up of new mines, there should be some sort of commitment by the endusers so that the coal companies do not suffer on account of coal users' over-estimation of demand.

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4.93

Chairman, CIL also informed the Committee that at present most of the power houses in the country were carrying coal stocks for 15 days consumption as against 90 days stock kept by power houses in U.S.A. In this connection he pleaded that power houses in the country should keep more stocks to overcome any problems in

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regular supply of coal. He also suggested that some stockyards could be build up near the main end-users. The Committee find merit in these suggestions and accordingly recommend that Government should examine the matters in detail with concerned parties before taking a final view in the matter.

31 **4.94** The Committee are perturbed to note that coal companies are making huge adjustments for shortage of coal in their accounts. During the last 5 years on this account subsidiaries of CIL made book adjustments to the tune of over Rs. 250 crores. ECL alone accounted for adjustment of 22.86 lakh tonnes in the year 1989-90. The Committee were stunned to hear from the Coal Secretary that in ECL there had been massive over-reporting of production. The Committee were further informed that on account of this CMD of the Company had been removed. Similarly in CCL action had been taken against some senior officers responsible for shortage, accumulation of non-vendable stock etc. The Committee would like the CIL as well as Department of Coal to keep a close watch on the actual production vis-a-vis actual stock holdings for taking timely remedial measures wherever necessary. Needless to emphasise, suitable action should be taken against the officers found responsible for over-reporting of production, shortages of coal etc.

32 **4.95** The Committee on Public Undertakings in their 25th Report (1986-87) had noted that the punishment awarded to the persons found responsible for coal shortages was not commensurate with the offence committed. The Committee had accordingly recommended that as agreed to in evidence by Additional Secretary, Department of Coal, the Government should revise the guidelines for awarding punishments with a view to providing severe and exemplary penalties for those found responsible for shortages of coal. The Committee, however, regret to note that the guidelines have not been revised so far. The same guidelines which were spelt out by the Government in 1986-87 are yet to be incorporated in the relevant rules of CIL. The Committee take serious view of the matter particularly when the representatives of Department of Coal had agreed to revise these. Since then about 4 years

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| | | <p>have elapsed without any progress. The Committee are not satisfied with the new argument of the Department of Coal that it would not be legally possible to frame general guidelines. The Committee wonder how in the absence of any guidelines coal companies take disciplinary action against the erring officials.</p> |
| 33 | 4.96 | <p>The Department of Coal also informed the Committee as far back as in March 1988 that CIL had appointed an Expert Group to go into the existing production despatch, stock reporting system with a view to remedy the deficiencies, if any, that exist.</p> <p>However, it came out during the examination of CIL that Indian Institute of Management, Calcutta, which was entrusted to go into the matter had not submitted any report so far. The Department of Coal has also tried to wash their hands by merely saying that it was an internal matter of CIL and they did not remind the CIL to get the report of experts expedited. The Committee cannot but deplore the callous attitude both of CIL as well as Department of Coal as both of them just slept over the matter after informing the Parliamentary Committee. The Committee would like the CIL/Department of Coal to get the report expedited. Needless to point out necessary action should be taken on the expert's report expeditiously.</p> |
| 34 | 4.97 | <p>The Committee have also been informed that two more sub-Committees have been appointed to go into the prevailing system of maintenance, control and verification of coal stocks at all mines. While one sub-Committee has been constituted by CIL Board on 20th December, 1990 the other Committee has been appointed by the Consultative Committee for the Ministry of Energy on 20th September, 1990. The Committee recommend that these sub-Committees should be asked to submit their Reports within a short specified period. The Committee would also like to know the recommendations of these sub-Committees as also the action taken by the Department of Coal/CIL on the recommendations.</p> |
| 35 | 5.29
and 5.30 | <p>The Committee regret to note that utilisation of heavy machines like shovel, dumper and dozer has been much short of the utilisation norms fixed by CMPDIL, a subsidiary of CIL itself. As against the CMPDIL norms the actual utilisation of shovel, dumper and dozer ranged between 61 to 67 percent, 46 to 56 percent and 50 to 64</p> |

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percent respectively during the years 1986-87 to 1989-90. On account of poor utilisation of these machines during the year 1989-90 alone the idle hours in respect of shovel, dumper and dozer were 9,99,363, 51,95,718 and 11,88,078 respectively. The Committee were informed that low utilisation of heavy machines was mainly due to delay in getting imported spares, delay in supply of indigenous spares by other public sector companies, shortage of power and shortage of skilled operators.

Several steps are reported to have been taken to overcome these problems. Department of Coal is also ensuring timely supply of spares by other public sector undertakings like BEML, MAMC and Jessop & Co. To further improve the availability of spares in short time one of the supplier companies has also opened some spare parts depots in coal companies. Besides, suppliers are being asked to establish separate supply channel to attend the emergency break-downs. The Committee hope that with the steps taken by coal companies, utilisation of heavy machines will be increased to the desired level. The Committee also desire that efforts should be made to achieve the CMPDIL machine utilisation norms.

36 5.31

The Committee are perturbed to note that the availability of underground machines has been very less as compared to the machines/equipments on the rolls. The Committee find this situation highly unsatisfactory as after investing huge amount in plant and machinery, many of them were not available for utilisation. At the end of March, 1990, the availability was just 54 percent and 53 percent in case of CCM and Road Header/Dint Header. Some of the equipments/machines were withdrawn for preventive maintenance and capital repairs. The Committee has got an impression that system of preventive maintenance has not been streamlined properly in the coal companies otherwise there could be no other reason for which a number of machines/equipments were not available for working at a time. The Committee, accordingly, recommend that coal companies should streamline the system of preventive maintenance so that minimum number of machines are away from the place of working as also all the machines are attended for capital repairs after regular intervals. Taking note of the fact that

coal companies are having over hundred well equipped workshops, the Committee feel that it should not be an impossible task.

37 5.32

Even though the coal companies are having 119 well equipped workshops, repairs/maintenance of equipments/machines were being done through outside private parties. The expenditure incurred on repairs done through private parties increased from Rs. 31.77 crores in 1987-88 to Rs. 54.69 crores in 1989-90. CIL has also planned to instal 13 more workshops in coal companies. The Committee do not approve payment of such huge money to private parties particularly when the coal companies have got their own well equipped workshops. The Committee, therefore, recommend that the repair/maintenance work should be restricted to the departmental workshops and only in exceptional circumstances where departmental workshops are unable to carryout any complicated job, coal companies should be allowed to get it done through outside parties.

38 5.33

The Committee find that besides NEC, where hiring of heavy HEMM is unavoidable due to seasonal mining, ECL had also been hiring HEMM at considerable costs. The hiring cost of HEMM by ECL during the years 1987-88, 1988-89 and 1989-90 was Rs. 41.65 crores, Rs. 35.41 crores and Rs. 39.11 crores respectively. In this connection the Committee on Public Undertakings (1986-87) while examining the working of ECL had found certain irregularities in awarding work to private parties and had recommended a probe in the matter by an independent expert body. In pursuance of the Committee's recommendations the Government appointed an Expert Group to look into the various issues connected with the hiring of HEMM by ECL. Based on the Expert Group recommendations the Government decided in 1988 to discontinue the hiring of HEMM in a phased manner within the next 3 years. The Committee were informed by the Department of Coal that CIL and ECL had been asked to totally stop the hiring w.e.f. 1.4.1991. However, reacting to the total stoppage of hiring Chairman, CIL stated before the Committee that good quality of coal existed in eastern sector in small and isolated patches and for that hired equipments were economical as compared to

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the departmental machines/equipments. He also stated that to replace the hired equipments, more investments will have to be made in procuring new machines failing which there would be loss of production in ECL to the tune of about 4 million tonnes annually. Coal Secretary also informed the Committee that coal companies had raised this problem and they were re-examining the matter. The Committee desire that hiring of HEMM should be resorted to only in extra-ordinary circumstances where the capacity utilisation of internal machines had reached at an optimum level.”

39 6.25

The Committee find that Coal companies are having over 6 lakhs employees and the wage bill of coal companies constitutes about 55 percent of the total cost of production. The Committee also note that with the various measures taken to restrict the increase in manpower strength like introduction of voluntary retirement scheme, CIL has been able to bring down the total manpower strength from 6,75,115 in 1986-87 to 6,67,705 in 1989-90. A recent study by CIL has brought out that there are about 19518 surplus workers in the coal companies. They are mainly in ECL, BCCL and CCL. The study has also revealed that out of over 19000 surplus workers there are 13397 female workers who could not be employed in underground mines. Efforts are reportedly being made to impart training to the surplus workers to redeploy them in productive jobs. Further certain jobs have been identified to redeploy the female workers. CIL also informed the Committee that within next 2-3 years all the surplus work force would be gainfully re-deployed. The Committee recommend that for imparting training and for re-deployment of surplus workers in productive jobs, a time bound programme should be prepared and be meticulously followed.

40 6.26

As against the projection of 7,46,398 work force by the coal companies by the terminal year of the Eighth Five Year Plan, the Working Group on Coal and Lignite for 8th Plan has recommended the total manpower strength at 7,06,070. Further large scale mechanisation in mines will need more skilled manpower for which coal companies are required to impart training to its employees. The Committee would like to emphasise the need to restrict the

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manpower strength of the coal companies as it is very much linked to their profitability. The Committee also desire that to meet the demand of skilled workers, massive training programmes should be arranged in coal companies so that un-skilled workers are upgraded in skilled categories. This will not only help in restricting the total manpower strength of the coal companies, but it will also help in the career prospects of the employees/workers, which is essential for enthusing the workers for better performance.

41 6.27

The Committee are distressed to note that even though there are surplus workers in coal companies, CIL had been paying overtime allowance over Rs. 100 crores annually. The payment of overtime increased from Rs. 86.8 crores in 1985-86 to Rs. 169.6 crores in 1988-89. The Committee were stunned to hear from Chairman, CIL that in certain mines all workers were used to be called on Sundays even though a small group of workers was required to attend the job. Admittedly there was lack of proper control. CIL as well as Department of Coal have now tried to justify the payment of overtime on the plea that it was necessary for certain essential services which were required to be attended on Sundays and holidays like ventilation, maintenance, pumping out of water from mines, water/electricity supply etc. The present practice of payment of wages twice/thrice in lieu of working on Sundays in addition to compensatory holiday is not justifiable. The Committee desire that while finalising wage arrangements, workers representatives should be convinced that this practice goes against the economic viability of the coal companies and should be stopped. The Committee on Public Undertakings (1986-87) in their 25th Report on Eastern Coalfields had also recommended that payment of overtime should be reduced to the minimum by deploying the existing manpower in a scientific manner. The Committee once again emphasise the need for preparing work plans/duty rosters in such a way that workers are put on duty on Sundays and holidays by rotation and in lieu of that they are given compensatory leave without making any overtime/additional payment. Government/CIL should ensure that undue payment is stopped henceforth.

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42	6.28 & 6.29	<p>The Committee are perturbed to note that per-man productivity in underground mines has been very low. As against the BICP norms of 0.69 tonnes, per-man productivity in underground mines in CIL as a whole was only 0.55 in 1989-90. The position was still worse in ECL and BCCL. During the year 1987-88 to 1989-90 per-man productivity in underground mines in ECL ranged between 0.43 to 0.48 tonnes only. Similarly in BCCL it ranged between 0.47 to 0.50 during the same period. The Committee have been informed that the main reasons for low productivity in underground mines were difficult working conditions as also absenteeism which was as high as 40 to 45 percent in some companies. In this connection the Committee have recommended elsewhere in the Report that with a view to reducing absenteeism, efforts should be made to improve the quality of life of workers as also the working conditions.</p> <p>The Committee also find that while there has been improvement in productivity in open cast mines, the per man productivity in underground mines has not improved much rather it decreased to 0.55 tonne in 1989-90 from 0.57 tonne in 1988-89. The coal companies are reported to have taken certain measures to increase the productivity particularly in underground mines. The Committee desire that CIL and Department of Coal should review and monitor the results of such measures and efforts should be made to achieve the productivity norms fixed by BICP.</p>
43	7.34	<p>The Committee find that Coal companies are experiencing difficulties in collecting dues from main consumer sectors viz. Power Houses, Steel Plants and Railways. The total outstandings of CIL as a whole stood at Rs. 2163.75 crores at the end of March 1990 and out of this Rs. 1876.60 crores were due from Power Sector alone which accounts for about 88 percent of the total dues. According to CIL non-recovery of dues in time had severely affected their profitability. This also affected CIL ability to repay their loans and interest in time on account of which incidence of interest increased considerably. CIL also brought to the notice of the Committee that State Electricity Boards did not make payment on account of their own financial crisis. Various steps are stated to have been taken at the level of CIL/Department of Coal/</p>

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Energy Ministry to recover the outstanding dues. Coal Companies have decided to supply coal against advance payment to new power houses commissioned after April, 1989. Coal Companies have also decided to suspend the coal supplies to the defaulter power houses. However, this did not work as reportedly there were pressures from the various levels to restore the supply. From the year 1990-91, the Government has also decided that 25% of the undisputed claims will be adjusted against the central assistance payable to the State Government schemes in 3 monthly instalments. Under this scheme, CIL got about Rs. 273 crores upto February, 1991. The Committee would like the Government to provide all necessary help to coal companies in timely recovery of their dues from various sectors particularly the State Electricity Boards. As proposed, appropriate rate of interest should also be charged from the defaulters.

44 7.35
and
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The Committee have also been informed that State Electricity Boards have a tendency to withhold the payment on the pretext of some dispute or the clear. The disputed areas for withholding of payment SEB's are stated to be due to surface transportation charges, non-payment of washery coal as per Government pricing, refusal to pay sizing charges and making unilaterally deductions on account of freight, enroute shortage, oversize coal, statutory charges etc. On account of these disputes, disputed claims stood at Rs. 818 crores at the end of March, 1990 which is over $\frac{1}{3}$ of the total outstanding dues. The Department of Coal has now informed the Committee that the Government has been continuously looking into the long standing disputes between CIL and thermal power stations and as per the decision of the Committee of Secretaries, Ministry of Programme Implementation has been asked to sort out the problems relating to billing and grading of coal. The Ministry of Programme Implementation alongwith representatives of Department of Coal, Department of Power, CEA, Railway Board and BICP etc. has taken up the matter to suggest a satisfactory method for settlement of disputes and a standing arrangements for automatic settlement of disputes relating to quality of coal etc. from time to time. The work was reported to be in progress. The Committee

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desire that the Ministry of Programme Implementation should be asked to expedite the matter and give their findings/recommendations within a short specified period. The Committee would also like to know the progress in the matter within 3 months of the presentation of this Report.

The Government has also suggested some action plan to resolve the disputed claims and one of the steps suggested by them is having joint sampling system in the collieries. The Committee hope that this system of joint sampling (i.e. having representatives of coal companies as also of user sectors at the time of loading of coal) will reduce the disputes considerably and accordingly recommend that this should be implemented in all despatch points at the earliest.

45 7.37

The Committee note that the cost of production varies in different subsidiary companies. The cost of production was very high in case of ECL, BCCL and NEC. As against the average cost of production of Rs. 264.69 per tonne of CIL as a whole during the year 1989-90, the cost of production in ECL, BCCL, and NEC was Rs. 451.27, Rs. 370.71 and Rs. 557.58 per tonne respectively. The Committee were informed that these companies mainly consist of underground mines and the cost of production in underground mines was more as compared to open cast mines. Besides, in NEC the wage structure was higher by 15% due to difficult working conditions. The Committee were also informed that during the years 1985-86 to 1989-90 with the various measures taken to control the cost of production, the coal companies have been able to restrict the increase in cost of production to 23.7 percent as against the increase of 33 percent in wholesale price index during the same period. The Committee, however, regret to note that the actual cost of production was higher than the normative cost arrived at by BICP norms in 1986-87 and 1990-91. As against the normative cost of Rs. 201 per tonne in 1986-87 the actual cost of production was Rs. 221.54. Similarly in 1990-91 (upto December, 1990) as against the normative cost of Rs. 299, the actual cost was Rs. 310.82. This is reported to be due to less production as against the targets fixed for the year 1990-91. The Committee, therefore, recommend that necessary steps

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should be taken to achieve the production targets so that cost of production remains within the norms fixed by BICP. The Committee also desire that coal companies should review their cost control systems and wherever necessary, it should be strengthened further.

46 7.38
and
7.39

The Committee are distressed to note that as against the investment of over Rs. 9,000 crores in CIL and its subsidiaries by the Government, the cumulative loss of CIL as a whole stood at around Rs. 2500 crores at the end of March, 1991. Due to heavy financial losses, CIL has been unable to repay loans and interest to the Government. At the end of March, 1990 over Rs. 1000 crores was due to be paid to the Government. CIL has attributed this sorry state of affairs due to inadequacy of notified prices or delay in affecting price revision. Whereas, Department of Coal has informed the Committee that accumulation of huge losses is due to various factors viz. legacies of pre-nationalisation era, increase in wage and large investment for welfare, increase in proportion of low grade coal, non-settlement of dues by coal consumers, heavy capital investment, cost over-runs, low productivity of labour and machines and high level coal stocks. The Committee have already given their observations/recommendations on these factors in earlier Chapters of the Report.

The Committee find that prior to January 1984 the Government was not compensating certain cost inputs like depreciation and interest. Since 1986-87 the coal prices are being fixed on the normative cost study done by BICP in 1985. The coal prices are fixed on the basis of normative cost based on BICP study after making a provision of 12% return on capital employed. The BICP also provided a scientific formula for compensating the increase in cost after periodic intervals. The Committee were informed by Chairman, CIL during evidence that there have been delays in effecting price revision of coal and coal companies were incurring huge losses on this account. The Committee have now learnt that coal prices have been revised w.e.f. December, 1991. The Committee would like the management to make all efforts to curtail the cost of production so that coal companies are able to wipe out their losses.

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47 7.40

About pricing policy, CIL has suggested to the Government to fix the coal prices on gross calorific value content in various grades of coal instead of prevailing system of fixation of coal prices on the basis of useful heat value (UHV). This was also agreed to by BICP. CIL also (UHV). This was also agreed to by BICP. CIL also brought out that certain coal projects inspite of their non-viability have been taken up by the coal companies in overall national interest. In this regard BICP had recommended that coal supplied to power stations installed after 1-4-1987 should have price structure based on normative cost with adequate return on capital employed. The Committee have been informed by the Department of Coal that while fixation of price on the basis of calorific value content is under consideration of Government, suggestion for project based pricing is not considered practical. The Committee recommend that the Government should consider these issue which have approval of BICP and take a decision in the matter at the earliest.

48 8.58
and
8.59

From the examination of the working of CIL, the Committee find that while there has been a growth in production from opencast mines, the production from underground mines has been stagnant over a period of time. The Committee also find that while opencast mines are almost mechanised, manual method of loading of coal is still prevalent in the underground mines. Admittedly the technology used/available in underground mines is yet to reach the standards of other major coal producing countries. In the past adequate emphasis has not been given to develop underground mines as production from open-cast mines has been much easier. The Committee would like the Government as also the coal companies to give more attention to underground mining as better quality of coal lies in underground mines. The Committee need hardly emphasise that coal exploration technology for underground mines has to be upgraded at par with that of other coal producing countries.

CMPDIL, a subsidiary of CIL is mainly responsible for research and development work as also the introduction of new technologies in the coal mines. It takes assistance of

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other research organisations in the country. It takes foreign consultancy and enters into foreign collaboration for technology transfer. However, the total annual budget of Coal Companies for R&D activities and technology upgradation has been in the range of Rs. 8 to Rs. 14 crores only. Taking note of the volume and infrastructure of coal companies, the Committee feel that the budget allocation for these activities is proportionately far too little and Govt. should consider raising it appropriately.

49 8.60

The Committee are glad to note that there is growing consciousness of environment in coal mines and environment management plans now form part of the project reports. They also note that several steps have been taken to minimise pollution and reclaim land for productive uses. Afforestation programmes have also been taken up in coal companies. The Committee desire that in view of the importance of the subject, coal companies should implement environment plans as outlined in the respective project reports, and after extraction of coal immediate steps should be taken for land re-clamation. They also desire that the Ministry should constantly review the progress made in this regard at regular intervals.

50 8.61

The Committee find that there has been acute problem of land subsidence in Raniganj Coalfield of Eastern Coalfield Limited. This area falls within the State of West Bengal. Mining operations in this coalfield have been going over 150 years. Unscientific and indiscriminate mining operations during the pre-nationalisation have been the major cause for this problem. Out of the 848 hectares of surface land within the limit of Raniganj Municipality, about 70 hectares are apprehended to be un-suitable and dangerous. Even though the State Government has enacted a law prohibiting construction over unsafe areas, the construction work has not been contained and reportedly it has been increasing. CIL has shown its helplessness in stopping the construction work. As the matter concerns the safety of thousands of persons, the Committee recommend that the Government should take this matter up with the State Government at the highest level so that further construction work on unsafe areas is stopped immediately. The Committee also recommend that necessary action should also be taken on the

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recommendations of the expert Committees which studied the subsidence problem in the past.

51 8.62

The Committee have been informed that the Department of Coal has approached the West Bengal Government to set up an Authority to tackle the problem of land subsidence and for carrying out the restoration works. The proposed Authority will have representatives of Department of Coal, Coal Companies, State Government, experts and local representatives of the people. The Department of Coal had asked CIL to release an amount of Rs. 5 crores for the purpose. Further, the Department of Coal has agreed to meet recurring expenditure of the Authority. The Committee desire that Government should provide necessary funds to tackle the subsidence problem. The Committee would also like the Government to pursue the matter with the State Government for setting up the Authority which may be entrusted with all the work relating to subsidence problem. The Committee would also like to be apprised of progress made in this regard.

52 8.63

The Committee have been informed that there have been about 70 fires in Jharia Coalfields under BCCL. The impact of these fires can be judged by the very fact that according to the Government estimates, these fires have consumed 37 million tonnes of good quality of coking coal valuing worth Rs. 1000 crores. So far only 11 fires have been controlled or extinguished. 22 Projects costing about Rs. 200 crores covering all the fires have been prepared and are under implementation. Coal Companies expect to control fires under 22 projects by the end of 8th Five Year Plan. The Committee would like the Ministry to monitor the progress of these projects on regular basis so that these are completed well within their targetted time and cost.

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and
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The Committee note that about 82% of Coal is consumed by the core sector viz. Power Houses, Steel Plants, Railways and Cement Plants and the balance 18% is consumed by several industrial units of varying sizes including paper, textile, chemicals etc. and domestic consumers. CIL has brought out that there are necessary linkages with all types of consumers. However, the Committee have been informed that it would not be possible for CIL to determine the demand of a large

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number of industrial units in the Non-Core sector effectively in the small scale sector. Admittedly there have been complaints regarding non-availability of coal in Northern State which is stated to be due to non-expansion of loading capacity of Eastern Railways. The Committee have not gone into individual grievances. They, however, feel that there is need to further tone up the marketing set-up. Efforts should be made towards better consumer satisfaction in respect of both core as well as non-core sectors. The Committee also desire that marketing set up should be decentralised as far as possible.

Even though there has been increase in railway wagons to core sector, wagons to non-core sector have come down from 2478 in 1988-89 to 1362 in 1991-92. The Committee desire that besides supply of adequate wagons to core-sector, supply of wagons should also be augmented to non-core sector particularly the small scale units.

54 8.66
and
8.67

The Committee find that in coal mines of CIL wherever cost of production per tonne is more than the sale value per tonne by Rs. 200/- or more, these are considered as uneconomic mines. The Committee have been informed that during the years 1987-88 to 1990-91 CIL closed 21 such uneconomic mines. These mines were closed after indepth studies made by CIL. Some of these mines were also found unviable by the Chari Committee and Banerjee Committee which went into the working of ECL and BCCL respectively. The Committee are disturbed to note that there are still 139 uneconomic mines under the control of CIL. The Committee recommend that earnest efforts should be made to make these mines economically viable.

It appears to the Committee that in the past some States/State Electricity Boards have approached the Coal Companies to take over some of the un-economic mines for their captive use. The Committee feel that such proposals of State Governments/State Electricity Boards/Power Houses should be considered favourably specially when coal companies are incurring huge losses on running these mines.

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and
8.69

The Committee note that coal companies receive many complaints from various consumers. Most of the complaints relate to quality and size of the coal which

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reportedly arise due to presence of extraneous materials and over-sized coal. Certain complaints are received on account of short receipt of coal. During the years 1988-89, 1989-90 and 1990-91 (April-November) CIL and its subsidiaries received as many as 466, 278 and 192 complaints respectively. Both CIL as well as Department of Coal have informed the Committee that several steps are being taken to remove the complaints. The main steps include picking up extraneous materials before loading of coal and installation of crushers to cut the over-sized coal. Besides CIL has taken up a crash plan to instal weighbridges to weigh the coal before despatching the coal. Quantity of coal weighed before despatch has increased from 51% in September, 1989 to 64% in September, 1990. CIL has also appointed a high power committee to assess accurately the status of implementation of various measures adopted towards consumers satisfaction. The high power committee will also give recommendations for new actions for consumer satisfaction. The complaints are also being monitored in the Department of Coal, the Committee have also been informed by CIL that with the steps taken towards consumer satisfaction the total number of complaints have reduced from 518 in 1985-86 to 278 in 1989-90. The Committee desire that various actions being taken to remove complaints about quality and quantity, installation of weighbridges, crushers etc. should be completed expeditiously. The Committee desire that they should be informed of the recommendations of the high power committee set up to assess the implementation of the various measures as also the suggestions for new actions to be taken for consumer satisfaction.

The Committee find that highest number of complaints came from power houses. For instance out of total 466 complaints during the year 1988-89, 308 complaints were from the power houses. Similarly, during the year 1989-90, out of total 278 complaints, 169 were from the power house. Chairman, CIL informed the Committee that the main complaints from power houses were due to presence of extraneous material. The Ronghe Committee appointed by the Government is reported to have recommended that all power houses located at 500 Kms. distance should be

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supplied beneficiated coal for which a number of coal beneficiation plants are needed. So far NTPC has chosen two such projects for which beneficiated coal will be supplied. The Committee feel that since Government has accepted the recommendations of the Ronghe Committee, it should find ways and means to implement the same and accordingly requisite number of beneficiated coal plants should be installed in a time bound programme. This they hope will reduce the complaints from power houses considerably.

56 8.70

From the date supplied to the Committee about the complaint received against the employees of CIL and its subsidiaries during the last 3 years the Committee got an impression that production and marketing of coal could be highly prone to corruption. The Committee are distressed to note that as many as 1715 complaints against the Officers of CIL and its subsidiaries were received during the last 3 years viz. 1987-88, 1988-89 and 1989-90. Appropriately the coal companies have been equipped with better vigilance set up. The vigilance wings of CIL, ECL, BCCL, CMPDIL, CCL and WCL are headed by the police officers of the ranks of IG and DIG drawn on deputation basis. All these officers have designated as Executive Director (Vigilance). The two subsidiary companies which are not having senior police officers in their vigilance wings are SECL and NCL. The Committee desire that vigilance wings of these two companies may also be strengthened by appointing two police officers.

57 8.71

The gravity of the corruption in CIL and its subsidiaries can be gauged by the fact that during the last 5 years as many as 85 officers/employees underwent major penalties. Out of these 48 officers/employees were dismissed from the service, one was compulsorily retired and the major penalty of reduction of rank and reduction in stage was imposed on 36 officers/employees. During the same period minor penalty was imposed on 88 officers/employees. Even now upto September, 1990, as many as 75 cases against officers/employees of coal companies were pending investigation by CBI. Besides 345 officers/employees were facing regular departmental enquiries. The Committee recommend that these enquiries be completed expeditiously and officers/employees found

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guilty should be awarded adequate punishments so that it serve as an eye opener to other employees of coal companies in general. The Committee would also like the Government to get the CBI cases expeditiously investigated. Needless to point out that necessary action will be taken against the officers/employees found guilty by the CBI/CVC.

58 **8.72**

The Committee have been informed by CIL that they have been facing certain law and order problems in managing their mines in Bihar and West Bengal. The most affected company is BCCI where mafia indulge in contract works, exploitation of labour by money lending business, organise pilferage of coal from loaded rail wagons etc. Reportedly several steps have been taken by the coal companies to eradicate the mafia problem. The major steps taken in this direction are abolition of contract works, giving transport work to cooperatives formed by ex-servicemen/local villagers, awarding of major civil works to other public sector undertakings, taking assistance of local authorities etc. Department of Coal has also informed that the problem of law and order in coal areas has been taken up with concerned States as also with the Ministry of Home Affairs. The Committee are, however, perturbed to note that certain State Governments are not responding well to these problems. The Committee recommend that to eradicate the mafia/law and order problems in the coal mining area completely, the matter may be taken up at the highest level in the Government.

Corrigenda to 7th Report of Committee
on Public Undertakings (Tenth Lok Sabha)
on Coal India Ltd.

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
2	1.5	5	Over	In
3	1.7	1	in	is
4	1.10	5	functioning	functioning
5	1.15	10 from bottom	equired	enquired
6	1.16	5	an	and
10	1.20	15	scence	scene
12	1.29	20	inordinetely	inordinately
17	2.12	5	instrumen- tally	instrumenta- lity
28	3.7	12	3.17	33.17
28	3.9	9	and	land
35	3.22	3	corrdrated	coordinated
35	3.22	3-4 from bottom	cordination	coordination
35	3.22	2 from bottom	any	my
36	3.23	3	laters	later
36	3.23	line 10	"in many..... may be deleted	factors"
37	3.24	10	it in	it
37	3.24	11	In element	The element of
45	3.36	2	The words "to	sanction" may be deleted
46	3.40	4 from bottom	(pp.34-36)	(pp.24-27)
47	3.42	2	grave	gravity
52	4.1	13	many	may
68	4.43	2	states	stated
70	4.49	4	gradew-mix	grade-mix
85	4.92	8	that	the
89	5.6	23	fregmentation	fragmentation
90	5.9	last line	parodically	periodically
95	5.24	6	it	if
97	5.31	9	streamlines	streamlined
111	7.5	10	the	to
116	7.18	2	(+) 5.19 (-) 51.33	(-) 5.19 (+) 51.33
117	7.22	2	he	the
136	8.21	1	representative	representati- ves
149	8.53	11	concerning	cornering
150	8.54	6	The word 'and'	may be deleted
152	8.60	1	these	there
157	-	2	as	on
157	1.27	6	The word 'of'	may be deleted
157	-	3 from bottom	subsidiaries	subsidiaries, subsidiaries
162	3.40	16	(pp. 34-36)	(pp. 24-27)
166	3.47	6	happen	happened
167	3.48	7	becomes	becomes double
173	4.88	2	there	these
185	7.40	Line 6	"(UHV)....also"	may be deleted.