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BHARAT COKING COAL LIMITED

MINISTRY OF COAL

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1996-97**

ELEVENTH LOK SABHA

**LOK SABHA SECRETARIAT
NEW DELHI**

EIGHTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1996-97)

(ELEVENTH LOK SABHA)

BHARAT COKING COAL LIMITED

MINISTRY OF COAL

**[Action Taken by Government on the recommendations contained in the
39th Report of the Committee on Public Undertakings (10th Lok Sabha)]**



Presented to Lok Sabha on 30.4.1997
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LOK SABHA SECRETARIAT
NEW DELHI

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**CORRIGENDA TO THE 8TH REPORT OF
COMMITTEE ON PUBLIC UNDERTAKINGS ON BHARAT COKING COAL LTD**

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1996-97)

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INTRODUCTION

1. I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Eighth Report (Eleventh Lok Sabha) on Action Taken by Government on the recommendations contained in the Thirty-Ninth Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Bharat Coking Coal Limited.

2. The Thirty-Ninth Report of the Committee on Public Undertakings was presented to Lok Sabha on 31st March, 1995. Replies of the Government to all the recommendations contained in the Report were received on 27th July, 1996. Further information called for by the Committee on some of the recommendations was received by 17th April, 1997. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 21st April, 1997.

3. An analysis of the Action Taken by the Government on the recommendations contained in the 39th Report (Tenth Lok Sabha) of the Committee is given in Appendix-VII.

NEW DELHI;
April 28, 1997

Vaisakha 8, 1919 (S)

G. VENKAT SWAMY,
Chairman,
Committee on Public Undertakings.

CHAPTER I REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Thirty-Ninth Report (Tenth Lok Sabha) of the Committee on Public Undertakings (1994-95) on Bharat Coking Coal Limited which was presented to Lok Sabha on 31st March, 1995.

2. Action Taken notes have been received from Government in respect of all 33 recommendations contained in the Report. These have been categorized as follows:—

- (i) Recommendations/observations that have been accepted by Government:—
Sl. Nos. 1, 2, 4, to 8, 16 to 19, 25 to 28 and 30 to 33.
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:—
Sl. Nos. 9, 10 and 24.
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:—
Sl. Nos. 11, 12, 14, 15, 20 and 22.
- (iv) Recommendations/Observations in respect of which final replies of Government are still awaited:—
Sl. Nos. 3, 13, 21, 23 and 29.

3. The Committee desire that final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

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

(A) Representation on Board of Coal Companies

Recommendation (Sl. No. 3)

5. The Committee observed that the Board of Director of BCCL as constituted was not in conformity with the DPE's guidelines issued in March, 1992 according to which the Government Directors on the Board of a Public Undertaking should not exceed two. The Committee desired that the matter regarding the number of Government Directors on the BCCL's Board as also the filling up of position of Management Expert on

the Board, which fell vacant about two years back, and which was to be sorted out by the Ministry of Coal with the Department of Public Enterprise should be done without any further delay and the Board constituted accordingly. Besides, they also desired that the representation of consumers/trade such as FICCI/ASSOCHAM on the Board of Coal companies should continue.

6. In their reply the Government have stated that the slot earmarked for appointment of representatives of consumer/trade association such as FICCI/ASSOCHAM on the Board of BCCL has not yet been filled up as modalities including norms for selection, etc. are being finalised. The matter regarding the number of Govt. Directors on the BCCL Board as well as appointment of Management Expert was taken up with the Deptt. of Public Enterprises. DPE have suggested reviewing the position regarding the number of Govt. Directors with a view to bringing the same within the ceiling prescribed by DPE. In case it is not possible to manage the same within the prescribed limit, DPE have suggested obtaining exemption from the competent authority, in consultation with that Department for which a proposal with detailed justification is to be sent to DPE. Subsequently, the Ministry have informed that the issue of Government part-time Directors was discussed with Department of Public Enterprises which has accepted MOC's contention that four of such Directors are actually in the Board as Consumer representatives. Action has already been initiated for finalising the representation of consumer/trade organisations in the Boards of coal companies. Similarly, after having discussed the issue of management experts with DPE, they have not received any further advice from them.

7. The Committee regret to note that the reply of Government is ambiguous in as much as it is not clear whether the Ministry of Coal have obtained any formal clearance from DPE for continuing with more than two Government Directors on the Board of BCCL. The issues of representation of consumer/trade organisation on the Board of Coal companies and appointment of Management Expert on BCCL's Board have also not been finalised. They express their displeasure over the inordinate delay in finalising these issues. The Committee urge that these issues should be finalised without any further loss of time and the Committee apprised of the same.

(B) Rehabilitation of Displaced persons

Recommendation (Sl. No. 11)

8. The Committee had noted that in the Open Cast Project Block-II, the company rehabilitated only 183 families as against 675 families affected

due to acquisition of land so far and desired that all the land oustees of the project might be rehabilitated by the company suitably within a period of six months in coordination with the State Government.

9. In their reply Ministry have stated that the total number of families to be rehabilitated in Block II—Open Cast Project area had earlier been assessed as 675. However, due to fragmentation of families, the number of families has now gone upto 711. The rehabilitation of the displaced families on account of acquisition of land for Block-II OCP is being done with the help of the State Govt. Since the displaced families are demanding employment for not only the lineal descendants but also for distant relatives and even encroachers, it is necessary that State Govt. should persuade these families to accept the norms of CIL rehabilitation scheme and shift to the developed rehabilitation sites. The States Govt. however, has not been able to take expeditious action. As a result, it has been possible to rehabilitate only 199 families out of 711.

10. The Committee are concerned to note the slow progress made in rehabilitating the displaced families of Open Cast Project Block-II. Only 16 more families have been rehabilitated after the Committee had given its report raising the figure of total rehabilitated families to 199 out of 711, as assessed now. The Committee express their serious concern over the lackadaisical manner in which the rehabilitation of the displaced families has been handled. The Committee, therefore, urge the Ministry/BCCL to take up the matter with the State Government at the highest level so that the remaining oustees of the project are rehabilitated at the earliest. They would also like to be apprised of the progress made in this regard within three months.

(C) *Delay in Completion of projects.*

Recommendation (Sl. No. 12)

11. The Committee noted that the North Amlabad Project which was to be completed by 1984-85 as per the original schedule and by March, 1994 as per the revised schedule had not been completed and Pootkee-Balihari Project was scheduled for completion only by March, 1995 as against original schedule of March, 1994. In the case of Pootkee-Balihari project, the Committee were informed that World Bank had withdrawn financial assistance to the project on the ground that the geominig conditions make it unviable for attaining the planned capacity of 3 mtpa by using the longwall technology and as such this project was being implemented by Ministry of Coal/BCCL at

a derated capacity of 1 mtpa to be completed by March, 1995 within the sanctioned cost of Rs. 199.8 crores. They desired that Ministry of Coal/BCCL should strive to make all out efforts to complete the project within the sanctioned cost and revised time schedule.

12. In their reply, the Government have stated that in the case of North Amlabad Project due to highly disturbed geology encountered during in-seam development, drilling of 7 additional bore holes were taken up for generating additional data. These bore holes have since been completed. The position revealed as a result of these additional bore holes indicates that the mineable reserves available for exploitation would be 4.96 million tonnes only as against 14.22 million tonnes envisaged in the original project report. With this, the scope of the project has changed considerably and longwall mining does not appear feasible in 15A/15 seams. Accordingly, it has now been proposed to complete the project at the derated capacity of 0.2 million tonnes per year and a derating/completion report is being formulated accordingly. In the case of Pootki Balihari Project, the main activities pending now are erection of headgear and installation of winders for the new shifts. Board and Pillar mechanisation has been introduced in the project instead of longwall technology originally envisaged.

13. In their remarks, Audit have stated that North Amlabad Project was declared completed at a provisional cost of Rs. 73.69 crores in March, 1994. As regards, Pootki Balihari Project, the revised project report with derated capacity of one million tonne per year with investment of Rs. 194.09 crores was submitted in June, 1995 to Coal India Limited for approval which is still awaited.

14. Subsequently, the Ministry informed the Committee that the draft derated completion report of North Amlabad was submitted in November, 1994 which was scrutinized by Internal Audit Department of BCCL and comments sent to CMPDIL for submission of final derated cum completion report. The final "deration-cum-completion" report in respect of North Amlabad Project of BCCL is almost ready and is expected to be submitted by CMPDIL shortly. As per the report, the final cost of the project works out to Rs. 73.92 crores, (excluding surplus equipments worth Rs. 2.00 crores). As regards Pootki Balihari Project, the updated cost estimate was submitted by CMPDIL to BCCL in November, 1996. BCCL suggested some modifications in these cost estimates. The final updated cost estimate is expected to be submitted by CMPDIL in April, 1997. As per RCE of November, 1996, the capital cost will be Rs. 198.67 crores against the RPR estimate of Rs. 194.09 crores (April, 1995).

15. The Committee are perturbed to note the further delay in completion of the Pootki Balihari Project as against the revised time schedule of completion by March, 1995. It is disquieting to note that in North Amlabad Project, the rated capacity has further been reduced to 0.2 million tonnes per year from 0.57 million tonnes which itself had been derated from the originally envisaged capacity of 0.72 million tonnes at the time of sanctioning of the project. The Committee are dismayed to note that neither the final deration-cum-completion report of North Amlabad Project nor final uprated cost estimate of Pootki Balihari Project has been finalised. While expressing their strong displeasure over this inordinate delay, the Committee urge the Government to expedite finalisation of the same under intimation to them.

(D) Coal Washeries—Capacity utilisation and modernisation

Recommendation (Sl. Nos. 14 & 15)

16. The Committee observed that the capacity utilisation of the existing washeries of BCCL stood at 65% which was below the break even level of 80%. One of the main reasons advanced by BCCL for the poor performance of the Company's washeries was the non-availability of raw Coking Coal which resulted from the dwindling production of coking coal over the years. The Committee further noted that a Committee headed by Dr. V.A. Altakar, set up to study the operation of the washeries in its report submitted to Government in October, 1986 had suggested installation of Deshaling Plant at Dugda I & II, Sudamdih and Bhojudih washeries, modernisation of Patherdih washery etc. The Committee were informed that the company had reportedly carried out all short-term modifications and the long-term modifications except the modernisation of Patherdih washery which was likely to be completed by June, 1995. The modernisation of Patherdih Washery had suffered a set back owing to the earlier tie-up getting jeopardized due to disintegration of USSR. They had, therefore, recommended that all necessary steps should be taken to ensure that all long term modifications suggested by the Altakar Committee were completed by June 1995 and the modernisation of Patherdih Washery might be taken up indigenously without further wasting any time.

17. The Ministry in their reply have stated that action has been taken to increase production of coking coal, which would ultimately lead to increased capacity utilisation of the Washeries. It was expected that capacity utilisation of the washeries would go up to 70% in 1995-96 and further next year. However, in a subsequent reply the Ministry has stated that the capacity utilisation of the washeries of BCCL could not be stepped upto expected level of 70% due to substantial delay in commissioning of Bhalgora and Pootki Balihari shafts and rehabilitation and resettlement (R&R) problem coming in the way of expected increase in project from Block II OCP. This capacity utilisation was now expected to be achieved during 1996-97. In response to a further query from the Committee, Government informed that the shaft at Bhalgora Project has been

commissioned in December, 1996. Ist compartment (Shaft II-West) of Pootki Balihari Project has also been made operational from January, 1996 and work connected with commissioning of second compartment (Shaft II-East) is in advanced stage. But due to certain constraints increase in overall coking coal production could not be achieved during 1996-97 as compared to that of 1995-96 thereby affecting the desired improvement in capacity utilisation of washeries.

18. As regards implementation of Altekar Committee's suggestions, the Ministry stated that two of the three schemes at Bhojudih, viz. installation of tippler and Deshaling Plant have been completed and third scheme, viz. Flotation Plant, would be completed in September, 1995. However, this could not be completed as per schedule since the contract for setting up the Flotation Plant at Bhojudih awarded to M/s. Triveni Engineering had to be terminated due to unavoidable reasons. The coal company had to resort to tendering procedure afresh to get the balance work completed. As per the latest information called for from the Government the tender is still under finalisation. Likely time of completion and cost will be known only after finalisation of tender.

19. The Ministry have further stated that considering the very slow progress of work by MAMC in installation of Deshaling Plants at Dugda-I, Dugda-II and Sudamdih, their work was terminated. However, in June, 1995 MAMC gave a commitment that they would be able to complete installation of all the three Deshaling Plants in 18 months with adequate fund flow from BCCL. In so far as modernisation of Patherdih Washery is concerned, a decision was taken in the Indo-Russian Protocol at Government level in September, 1994 that the scheme would be taken up with collaboration of Russians. Accordingly, tenders were invited for the job as per the Russian scheme.

20. In a subsequent reply the Committee were informed that as per the revised schedule submitted by MAMC, installation of deshaling plant at Dugda-I and Dugda-II is expected to be completed by July, 1997. Installation of deshaling plant at Sudamadih is subject is review of performance of MAMC at Dugda-I and Dugda-II. In regard to modernisation of Patherdih Washery, it has been stated that even after prolonged negotiations and discussions, Russian side did not agree to provide guarantees for the process and also for the equipments supplied. The scheme for modernisation of the washery with USSR/Russian collaboration had, therefore, to be dropped.

21. The Committee are perturbed to note that BCCL could not achieve 70% capacity utilisation of washeries even during 1996-97 although this figure was expected to be achieved in 1995-96. It is also disquieting to note that the installation of Deshaling Plants at Dugda I & II, Sudamdih and Bhojudih washeries and modernisation of Patherdih washery, which were suggested by the Committee headed by Dr. V.A. Altekar, have not been

completed even after a decade. The Flotation Plant at Bhojudih which was to be completed by September, 1995 has also not so far been completed and the tenders are still under finalisation. The installation of deshalting plants at Dugda-I and Dugda-II is also expected to be completed only by July, 1997 as per the revised schedule while the scheme for modernisation of Patherdih Washery with Russian collaboration had to be dropped. The Committee recommend that all out efforts should be made to complete the work at Dugda-I and Dugda-II within the revised schedule. The modernisation of Patherdih Washery as also the pending works at Sudamdih and Bhojudih Washeries should also be taken up expeditiously.

(E) Shortage of Coal Stock

Recommendation (Sl. No. 20)

22. The Committee found that the shortage in stock of coal as per production records and actual figures of measured stock ranged from 3.66% to 39.82% during the year 1987-88 to 1992-93 and the shortage in excess of 5% discrepancy between booked production and measurement figures which is considered reasonable has increased from 4.35% as on 31.3.1988 to 34.14% as on 31.3.1992. A Committee headed by Shri R.N. Mishra, the then CMD, CMPDIL was constituted by Government in 1992 to carry out an in-depth study into the matter of shortage of coal stocks in BCCL which found among several other deficiencies that even the CIL measurement teams could not detect the stock shortages in the collieries where annual stock checks were conducted by them. Based on the findings of this Committee, show-cause notices were served against officers for alleged over-reporting etc. and a total of 152 cases of show cause notices and chargesheets which had been initiated were pending. The Committee desired that the Company/Ministry to get the pending cases expeditiously investigated and also evolve a mechanism to avoid over reporting of stocks and consequent loss to the Company.

23. The Ministry in their reply have informed that out of 197 cases contemplated for action, proceedings had been completed in 174 cases as on 30.6.1996. Out of 174 cases, action such as removal from service in 5 cases, demotion in 18 cases, reduction to lower stage in 11 cases, stoppage of increment in 9 cases, warning, caution and censure in 17 cases had already been taken however, in remaining 114 cases no action could be taken as either charges could not be substantiated or due to death/retirement of concerned officers etc. Major changes in system are under implementation to avoid over-reporting of stock. The Audit in their remarks have pointed out that despite major changes in the system the value of coal stock found short at the time of physical verification during 1993-94 and 1994-95 was Rs. 25.87 crores and Rs. 132.67 crores respectively.

24. According to the Ministry bulk of the shortage revealed during 1993-94 and 1994-95 was carried over from the past. Disciplinary proceedings

have been initiated in all the cases of shortage detected in these two years, i.e. 1993-94 and 1994-95. The changes brought out in the system are expected to minimise incidence of stock shortage and that would be reflected in the measurement of 1995-96 and in subsequent years. The Ministry of Coal has also taken some fresh steps towards elimination of stock shortages in CIL subsidiaries. In order to report the stock figures with the break-up of vendible stock and non-vendible stock, a format has been prescribed for adoption in the annual accounts of each subsidiary and of CIL also. CIL has also been directed to review the annual position of stock shortages and inquiries in all the subsidiaries in the meeting of the CIL's Board of Directors when the annual accounts are put for being adopted.

25. The Committee regret to note that investigation in 23 cases, out of 197 cases, of alleged over-reporting of Coal stock, on the basis of the findings of the Mishra Committee is still pending. It is strange to note that in 114 cases, either the persons have been exonerated or charges dropped or action could not be taken due to retirement of concerned officials etc. The Committee desire that investigation into the pending cases should be completed within three months and urge the Government to take stern action against the officials found involved in over-reporting of coal stock so that it could serve as a deterrent for others and implement strictly the measures to check stock shortages. They would also like to know whether there has been any improvement in this regard after introduction of the format prescribed for adoption in the annual accounts of the subsidiaries of CIL.

(F) Ropeway System

Recommendation (Sl. No. 21)

26. A Ropeway system was installed by BCCL in 1982 for extraction and transportation of sand from Damodar River for stowing in the mines as a conservation and safety measure. The Committee were constrained to observe that the ropeways could not attain even 1/3rd of the assessed capacity of 36 lakhs t.p.a. The revamping of D&F Ropeways by the Company was also not implemented. The Committee had recommended that the work of revamping of D&F Ropeway Phase-I may be expeditiously completed so as to minimise, if not, altogether eliminate certain malpractices reportedly prevailing in the transportation of sand by contractors in BCCL.

27. In their reply, Government have stated that the highest despatch achieved so far from D&F Ropeways was 12.48 lakh tonnes in 1979-80. It would, thus, be appreciated that even when the installations were

comparatively new, the capacity utilisation was limited to around 1/3rd of the installed capacity only. This would point to some inherent constraints. Phase-I revamping which envisaged augmentation of capacity to 12 lakh tonnes per annum has since been completed. Despatch of sand was 8.70 lakh tonnes in 1992-93 and 9.63 lakh tonnes in 1994-95. Another scheme has been drawn up for further augmentation of capacity to 16 lakh tonnes per annum by commissioning Electric Dredger at a marginal investment of Rs. 2.56 crores. This scheme is likely to be completed by the end of 1995-96. In a subsequent reply, the Government stated that the augmentation of capacity to 16 lakh tonnes was likely to be completed by the end of year 1996-97. However, as per the latest information furnished by Government, the RPR envisaged production of 1.00 MTY in 1995-96 and 1.60 MTY in 1996-97. The first phase of production from D&F Ropeway i.e. 1.00 MTY proposed to be achieved in 1995-96 as per RPR has been achieved in 1996-97. The actual production from D&F Ropeway in 1996-97 was 1.01 MT. The augmentation of production for the second phase will be taken up from 1997-98. The completion of the project to 1.6 MT stage envisaged from 1996-97 could not be achieved due to fund constraint. The 2nd phase expansion is, however, expected to be completed by March, 1998.

28. The Committee are constrained to observe that the scheme for augmentation of capacity of the ropeway to 16 lakh tonnes per year which was to be completed by the end of 1995-96 has not so far been completed. The scheme is now finally expected to be completed by March, 1998 only. The Committee deprecate the anticipated delay of two years in the completion of the scheme and recommend that the revised schedule should now be strictly adhered to.

(G) Availability and utilisation of Plant and Machinery

Recommendation (Sl. No. 22)

29. The Committee observed that both the availability and utilisation of Plant and Machinery (P&M) was very dismal resulting in production loss and heavy down time. The percentage availability of Dumpers, Shovels, Dozers and Drills varied between 70 to 80 and percentage of utilisation varied from 15 to 73 during 1982-83 to 1992-93. The Committee were informed that BCCL had taken some measures which would help in improving the availability of plant and machinery and reduce down time of equipment. They, therefore, desired to be apprised of the improvement achieved in availability and utilisation of P&M as a result of these measures.

30. In their reply, the Ministry have stated that the position of utilisation and availability with respect to CMPDIL norms in the years 1993-94 and 1994-95 is shown below:

Percentage achievement
with respect to CMPDIL Norms

	Utilisation		Availability	
	93-94	94-95	93-94	94-95
Shovel	59.95	70.15	71.76	73.18
Dumper	46.84	52.83	78.87	74.44
Dozer	57.94	60.53	67.19	64.45
Drill	54.54	62.63	67.93	62.32

31. The Committee are dismayed to find that there has been hardly any improvement in the availability and utilisation of plant and machinery (P&M) even after the measures claimed to have been taken by the Company in this regard. They therefore, emphasise that Government/BCCL should take concrete measures with a view to bringing improvement both in availability and utilisation of plant and machinery.

(H) Agreements with major Coal Consumers

Recommendation (Sl. No. 23)

32. The Committee noted that CIL which was responsible for the overall policy on coal distribution, linkage of consumers to coalfields etc. in respect of BCCL had not entered into any firm agreements so far with major consumers of BCCL coal including Government consumers which account for 85% of total sales of the Company. The Committee were informed that Government was reportedly considering a proposal to allow coal companies to enter into bilateral agreements with bulk consumer for coal supplies at pre-negotiated prices which when implemented would help BCCL in realising better price for its coal whenever implemented. They therefore, desired that Government might expeditiously decide over the matter of bilateral agreement.

33. The Ministry in their reply have stated that the coal companies under Coal India Limited have been entering into agreements covering coal supplies to power houses, Railways, Cement and Steel Plants. The validity of the contracts with SEBs have since expired. However, fresh agreements with power houses under State Electricity Board could not be entered into because of different views taken by the two contracting parties viz. SEBs and coal companies over venue of joint sampling of coal supplies to power houses etc. The issue is under consideration/negotiation for finalising mutually acceptable legally enforceable contract for supplies of coal. The Audit in their remarks has stated that no bilateral agreement has been entered into with any bulk consumer for coal supplies, so far at pre-negotiated price.

34. The Ministry has further stated that in a recent meeting held between the Ministries of Steel and Coal, in which CIL and SAIL were also represented, it has been agreed that the two contracting parties shall enter into a medium term contract of 3-5 years' duration for supply of washed coal with sampling at the loading end. In a response to a query about the latest position in this regard, Government have stated that subsidiaries of CIL are negotiating various provisions of coal supply agreement with the Steel Authority of India Limited (SAIL) for supply of coal to Steel Plants. As regards signing of agreement with the power utilities the SEBs are not willing to accept the decision of the Government and the findings of the Courts of Law to conduct sampling of coal at the loading end and consequently no agreements have been signed with State Electricity Boards. All the Power Stations of NTPC—pit head and non pit-head have agreed to the joint sampling of coal at the loading end. CIL is negotiating fresh agreement with NTPC.

35. The Committee regret to note the inordinate delay in entering into bilateral agreement with the bulk consumers for supply of coal to them. They, therefore, desire that BCCL should finalise the bilateral agreements with the bulk coal consumers without any loss of time. The Committee would await the details of agreements after those are finalised.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1)

The Committee note that BCCL came into existence with the nationalisation of 214 Coking coal mines in 1972. The company was further entrusted with the operation and management of some non coking coal mines after their nationalisation in 1973 before it became a subsidiary of Coal India Limited in November, 1975.

The examination of Bharat Coking Coal Ltd. by the Committee has revealed that BCCL—the prime producer of coking coal for the national requirements is making losses year after year, has failed to evolve proper project formulation, implementation and monitoring system even after more than two decades of operations. It has become an undertaking plagued with increasing losses, lower production and productivity, a very high number of surplus manpower coupled with huge outstanding from bulk consumers of coal. The company is now in the midst of varied problems relating to completion of mining projects, resources crunch for modernisation of washeries as also their under utilisation of capacities, failure to recover its bills from power utilities, steel plants and other etc. A review of the findings of the Committee on various aspects of the working of the Company and also Government Supervisory role is dealt with in the succeeding paragraphs.

Reply of the Government

Action taken in regard to the various points mentioned in this para has been dealt with subsequently under respective paras concerning specific recommendation on each of these items.

Comments of Audit

No Comments.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 2)

The Committee note that BCCL was established with the main objective of promoting development and utilisation of coal reserves in the country and to raise the productivity of coal mining and related activities. They are, however, constrained to observe that though the Company has been able to increase the output per manshift (OMS) to 0.85 tonne in 1992-93 against 0.40 in 1972-73, this admittedly is not sufficient to make the operation of BCCL financially viable. The Committee are of the opinion

that the inherent geo-mining constraints might be one of the factors responsible for low productivity, there is still scope for further increase in productivity through introduction of improved technology and improving the skills and motivation of the work force. The failure of BCCL in raising the production to the desired level has forced the steel plants to import huge quantities of coking coal resulting in heavy foreign exchange outgo in recent years.

Reply of the Government

(i) Overall OMS of BCCL has since increased to 0.93 tonnes in 1993-94.

(ii) BCCL is taking action for further improvement in OMS through application of intermediate technology in its underground mines and through improvement in availability & utilisation of HEMM in opencast mines. Compared to around 75 SDLs in operation in 1993-94, the total number is expected to increase to 145 in the current year. Action is also being taken to augment loader strength through one time female VRS and also through reorganisation & redeployment of surplus men to release loaders, on temporary diversion, for coal loading.

(iii) For improving skills of workmen, particular thrust is being given to training in operation of SDLs supplemented by on-the-job training.

Comments of Audit

(i) Overall output per man shift (OMS) in BCCL in 1994-95 was also 0.93 tonne.

(ii) The total number of SDLS (Side Discharge Loader) in operation were 99 in 1994-95 as against 145 expected by the Ministry. Out of 3240 female employees who applied for VRS, 2177 female employees were allowed VRS upto November 1995.

(iii) No Comments.

Comments of the Ministry

The overall OMS of BCCL in 1993-94 was 0.90 tonnes and not 0.93 tonnes which was erroneously mentioned by BCCL in their reply. It has increased to 0.93 tonnes in 1994-95.

In their reply furnished by BCCL some time during 1995-96, it was indicated that the total No. of Side Discharge Loaders (SDLs) would increase to 145 by the end of 1995-96 and not during 1994-95. Total number of SDLs as on 31.3.1996 has actually gone upto 146.

Due to large scale drowning of mines after the un-precedented rains on 26th/27th Sept. 1995, operation in a number of underground mines/districts remained suspended for quite some time. Intake of new loaders against female VRS had, therefore been curtailed in 1995-96.

{Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96}

Recommendation (Sl. No. 4)

The Committee are perturbed to note that BCCL has defaulted in payment of PF dues of its employees for two years. The Company reportedly finds itself in such a situation owing to acute cash crunch as a result of its failure to realise its dues from its bulk consumers viz. Power Houses, State Electricity Boards etc.

What is more distressing to find is that in a case of such a serious violation of statutory norms on payment of PF dues of workers, the Finance Director of the Company did not think it appropriate to inform even the CMD of the Company before with-holding the payments. It is disconcerting to note that no responsibility has been fixed for such a serious lapse. It is all the more disquieting that Ministry of Coal too has failed to initiate any action in this regard and tried to justify the line of action of the Company. The Committee now understand that the entire PF arrears due upto February, 1994 in respect of BCCL have been cleared by Coal India Limited. At this stage the committee cannot but express their displeasure over this lapse and desire that in future the Government as well as the company should be more vigilant on this account.

Reply of the Government

The recommendations of the Committee are noted for strict compliance. In this connection, the Chairman, Coal India Limited has been requested to give same priority in payments of CMPF dues in respect of salaries and wages. He has further been asked to instruct the CMDs of all the subsidiaries under CIL to meet the statutory obligations and avoid delays in this regard.

Comments of the Audit

Out of total Provident Fund dues on Rs. 36.56 crores as on 31st March, 1995 Rs. 24.35 crores was deposited by the company in April/May 1995, leaving an unpaid balance of Rs. 12.21 crores as on 31.12.1995.

Comments of Government

The P.F. dues upto the period 31.3.1995 have been cleared by May, 1995. Thereafter, it has been reported that the Company, i.e. BCCL has been paying the dues on time.

{Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96}

Recommendation (Sl. No. 5)

The Committee are distressed to note that the Company was able to complete only 38 projects out of 73 projects taken up for implementation upto March, 1993. The Committee find that a number of projects suffered due to improper geo-mining surveys, delays in selection of proper technology and mismatch of equipment etc. Some of the projects are even being withdrawn by Government due to non-availability of land and adverse mining conditions. The Committee are constrained to find that the views of the Company and the Ministry of Coal are at variance with regard to sanction of many projects by Government at a time for implementation by the Company. While the company's contention is that these projects were sanctioned in one swing without adequate geological data, according to the Government, whatever comes to it has already been formulated with the help of the Coal Company concerned and Central Mining Planning and Design Institute Limited (CMPDIL). The Committee can not but deprecate such an attitude on the part of BCCL and Ministry of Coal to disown responsibility for sanctioning of projects. The Committee desire that all infrastructural aspects to be taken care of in future before sanction for projects is conveyed by Government to the Company.

Reply of the Government

Guidance provided by the Committee as regards adequacy of infrastructural input before sanction of projects has been noted.

Comments of the Audit

No Comments.

[Ministry of Coal O.M.No. H-11021/593-Parl. dtd. 27.7.96]

Recommendation (Sl.No. 6)

The Committee observe that one of the prime reasons for delays in project implementation in BCCL is the problem of land acquisition and the subsequent rehabilitation of the evacuees of land acquired by the Company for projects implementation purpose. According to Secretary, Ministry of Coal, the main problem occurring in land acquisition cases in Bihar is that the land records are not upto date. Besides, State Governments are not providing substitute lands for afforestation purposes which is required by the company in lieu of forest land made available for projects.

The Committee understand that Standing Committee have been set up at State levels for expediting land acquisition cases for the Company's projects. However, they are distressed to find that the special Empowered Committee constituted in Bihar for the purpose has not held any meeting after 2.4.1991 which speaks volume about the efficacy of these Committees in resolution of land acquisition problems being faced by BCCL. The Committee desire that the guidelines issued by Ministry of Coal recently for formulation of rehabilitation package for evacuees be fully adhered to

by Company. The Committee recommend that Government should form some high powered regulatory body comprising of the representatives of State Government and the Coal Company concerned to coordinate and monitor the land acquisition problems between State Government and the Coal producing companies including BCCL so as to check/remove the bottlenecks in the area for effective and quicker implementation of mining projects. The Committee would like to be apprised of the action taken by Government in this regard.

Reply of the Government

The Ministry of Coal sanctioned rehabilitation package for landlosers of Sonepur Bazari Project in May 1990 which was extended to other projects also in October, 1990, but the said rehabilitation package could not be implemented except at Sonepur Bazari project because of the fact that the different State Governments have prescribed their own rehabilitation schemes which contain *inter-alia* provision for employment to landlosers. Coal India has recently circulated a rehabilitation and resettlement policy mainly for the projects financed by World Bank and this is now being treated as R&R Policy of CIL for the project affected people.

Attention of the State Governments of Bihar, Orissa, M.P., U.P., Maharashtra and West Bengal has been drawn towards the non-too-active role hitherto played by the Standing Committees set up at State level for expediting land acquisition cases for coal companies' projects. These State Governments have been further advised as per the recommendations of the COPU for Constitution of high powered regulatory bodies comprising the representatives of State Government and the coal companies concerned to coordinate and monitor the land acquisition problems between the State Government and the coal companies.

Comments of the Audit

No Comments.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtg. 27.7.96]

Recommendation (Sl. No. 7)

It is disconcerting to find that though the company is engaged in the production of coking coal for over two decades now, neither company nor the Government have been successful in developing mechanism for an effective review and monitoring system so as to ensure timely and cost effective implementation of various projects undertaken by the Company. Some of the projects have not been completed even after two to five years of the original scheduled dates of completion. Apart from problems relating to land acquisition, there have been delays on account of various factors such as selection of appropriate technology, delays in shaft sinking and fund constraints etc.

Reply of the Government

Standardised systems of review and monitoring at various levels in the coal companies, Coal India Limited and Ministry of Coal have since been introduced. As explained in reply to Recommendation No. 5, adequacy of infrastructural inputs and preparedness of the project are ascertained before sanction of a new projects so as to reduce delay in implementation.

Comments of the Audit

No Comments.

[Ministry of Coal O.M.No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 8)

The Committee also note that Ministry of Coal had set up a Committee in 1990 under the Chairmanship of Adviser (Projects) in Ministry of Coal to review the entire system of project formulation, implementation and monitoring as prevalent in BCCL. The Committee examined all issues concerning project formulation within the existing framework as well as the issues relating to inclusion of the cost escalation factor similar, to the ones being followed in World Bank project. This Committee among other measures also suggested certain guidelines laying special emphasis on exploratory studies prior to project formulation, active participation of the planner alongwith the implementing officers to facilitate closer monitoring for taking effective corrective measures in the event of any change in any of the parameters of the project during its implementation, setting up of an Internal Appraisal Cell (IAC) in CMPDI to be manned by an Economist who is to work on the lines of Project Appraisal Division of the Planning Commission and making available IAC's comments/views at the time of final decision by the Board etc. The Committee also suggested timely and regular reviews at the level of Director Project, CMD of the subsidiary Company and CIL and Ministry of Coal and close interaction with State Governments specially with regard to Land acquisition and rehabilitation of land ousters, forestry clearance etc. The Committee desire that in the light of these comprehensive guidelines, BCCL and the Government should henceforth take suitable steps to avoid delays and consequential time and cost over-run in the project implementation. The Committee would like to be informed of the action taken in this regard.

Reply of the Government

The Committee set up by the Ministry of Coal has evolved comprehensive guidelines in regard to exploration, formulation of project reports and appraisal thereof, and for project implementation & monitoring.

The action taken in regard to the various points mentioned under this para is as under:

- (1) All the relevant details, including exploratory data, are properly appraised before taking up project formulation, as and when

necessary, additional boreholes are taken up for generation of additional data before project formulation begins.

- (ii) The Project Appraisal Division of CMPDIL has been strengthened by inducting Economists who examine the project reports from financial point of view.
- (iii) Projects are reviewed every month at the Area level by the concerned General Managers.
- (iv) All projects under implementation are reviewed at least once every month by the Director (Planning & Projects).
- (v) All projects costing Rs. 20 crores and above are reviewed by CMD once every month.
- (vi) Delayed projects are reviewed by an Apex Review Committee consisting of CMD, BCCL/CMD, CMPDIL and Director (TY/CIL).
- (vii) BCCL Board reviews at least one or two on-going projects in its every meeting.
- (viii) Close interaction is being maintained with the State Government for land acquisition, Forest land clearance, etc. CMD/BCCL recently had a meeting with the Minister of Mines, Bihar as well as with Secretaries of the concerned Ministries. There are follow up meetings at lower levels also.
- (ix) In the Ministry, periodic review of projects each costing Rs. 20 crores and above is held at the level of Adviser (Projects) as well as Secretary (Coal).

Comments of the Audit

Delayed Projects were not reviewed by an Apex Review Committee consisting of CMD, BCCL, CMD, CMPDIL and Director(T), Coal India Ltd.

Comments of Ministry

Delayed projects are being regularly reviewed at CIL level by Apex Review Committee comprising Director (Tech.), CIL, CMD of concerned Coal Company and CMD, CMPDIL.

[Ministry of Coal O.M. No. H-11021/593-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 16)

The Committee also observed that the Ministry of Coal constituted a Technical Group to Study all related aspects of production and washing of Coking coal in order to minimise the burden of Coking coal imports on the national exchequer. This Technical Group had reportedly suggested modernisation of existing washeries of BCCL, stepping up Coking coal production by quicker implementation of Coking Coal projects in the Company. Coal India Limited had also drawn up an Action Plan in this

regard and intends setting up Coal Washeries on Build Own (BOO) principle. While setting up of coal washeries on B-O-O principle might be necessary in the overall need for augmenting the capacity of washeries, the Committee would like to emphasise that such capacity may remain under-utilised unless the coking coal projects of BCCL are implemented expeditiously as suggested by the Technical Group. They would, therefore, suggest that an integrated plan for matching the setting up of new washeries with the commissioning of coking coal projects should be drawn up and it should be strictly adhered to.

Reply of the Government

While the point regarding expeditious completion of Coking Coal projects in BCCL is well taken, it may be pointed out that the new washeries proposed under B-O-O would be for beneficiation of Low Volatile Coking Coal (LVCC) rather than conventional coking coal. The current production of such LVCC coals in BCCL is around 13 million tonnes per annum and these coals are presently being supplied to power houses. With setting up of washeries under B-O-O, the LVCC Coals would be diverted to these washeries. As a matter of fact, some of the existing washeries are also proposed to be modified for beneficiation of LVCC coals for gainful utilisation of the spare capacity in these washeries. All this would, however, be subject to SAIL agreeing to pay remunerative price for beneficiated LVCC coals which would be costlier on account of lower yield percentage of washed coal. So far, there has been no formal acceptance of the likely price of washed LVCC coal.

Comments of the Audit

(i) As regards setting up of washeries under B-O-O principle, as there was no response from the parties against the tenders invited for the same, no further action was taken by Coal India Ltd.

(ii) In the absence of any agreement with SAIL to pay remunerative prices for washed coal to be available after washing low volatile coking coal, the modification of the existing washeries for utilisation of the spare capacity was not carried out.

Comments of Ministry

No Comments.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 17)

The Committee are perturbed to find that the contract for setting up of a Coal washery at Madhuband was awarded to a PSU viz. MAMC at cost of Rs. 72.50 crores against a lower quotation by a foreign tenderer (Rs. 54.35 crores) which only reveals that neither the Company nor the Ministry have taken commercial consideration into account. It is, furthermore, disconcerting to note that on recommendation at a very high level,

Ministry of Coal directed BCCL to award the contract to MAMC on the assurance given by the Ministry of Industry that it would monitor the progress of implementation of the project as also the fact that at the time of award of this contract to MAMC its order book position was zero. Thereafter, neither of the Ministries of Coal or Industry bothered to review its progress of implementation. Ministry of Coal conceded that this is a big mistake. This view had also subsequently been corroborated by a review taken by the Department of Programme implementation who felt that choosing MAMC with a poor track record for such a turnkey project was a mistake. The Committee, therefore, cannot but conclude that it was a case based on total demerits right from the world go which resulted in cost and time overruns. In view of the circumstances in which the contract was awarded, the Committee at this stage cannot but express their unhappiness over the issue and desire that in further such consideration which are other than the commercial ones should not be allowed to outweigh the prudent business and commercial practices particularly so far as award of various contracts are concerned.

Reply of the Government

The suggestion has been accepted for guidance in future.

Comments of the Audit

No Comments.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 18)

The Committee regret to note that in BCCL, the number of mines which did not attain the targets of production was higher than those which achieved the set targets. During the period 1986-87 to 1992-93, the number of mines which achieved the targeted production ranged between 36 and 60 while the number of mines which failed to achieve the targets ranged between 40 and 63. The Committee's examination of the system of target fixation revealed that there is no relationship whatsoever between the targets fixed by CIL/Govt. and the capacity assessed by CMPDIL. It is also disturbing to note that in many cases targets fixed were much below the capacity of the mine. The Committee therefore desire the Govt. should make concerted efforts to ensure that the targets fixed even though below the assessed capacity are attained as a minimal requirement for improving the overall financial viability of the Company.

The Committee regret to note further that due to shift in emphasis in the mining of coal from the Under Ground mines by Open Cast methods by BCCL the quality of coal obtained by such methods has vastly deteriorated in that the Coal mine is getting contaminated with extraneous impurities thereby increasing the ash percentage in the run-of-mine (ROM) coal fed into washeries. This also effects the quality of washed coal in terms of ash content. It is also disquieting to note that the only gain of

mining coal from UG mines by open cast methods is the saving in cost of production which according to BCCL more than offsets the loss on account of sales realisation on the quality of coal. The Committee in this context need hardly stress the fact better quality of cooking coal is required for steel plants which is the need of the hour. Greater emphasis should, therefore, be paid on production of quality coal.

Reply of the Government

The Company has taken a number of steps to help the mine achieve their targets. These are:

- (i) Creation of a cell for rendering immediate assistance to the collieries by way of supply of tubs, rails, pumps, spares etc.
- (ii) Stepping up supply of replacement HEMM for opencast mines.
- (iii) Closer co-ordination with OEMs for supply of spares and as also for rehabilitation of equipments.
- (iv) Creation of a manpower cell to identify surplus manpower mine-wise with a view to have their gainful redeployment in needy mines.
- (v) Voluntary Female VRS to supplement loader strength.
- (vi) Induction of new SDLs to take care of the mismatch between capacity and available loader strength.

Greater emphasis on quality is implicit in the action taken for improvement in underground production. In the case of opencast mines, intensifying picking in conjunction with feeder breakers would improve quality.

The company, however, would be guided more by economic than the need to fill the requirement of the Steel Industry.

Comments of the Audit

The number of mines which achieved the targeted production and number of mines which failed to achieve the targeted production during 1993-94 to 1995-96 (upto November 1995) ranged between 16 to 50 mines and 40 to 74 mines respectively. Thus, the number of mines not achieving the targeted production exceeded the number of mines which achieved the targeted production.

As regards the point in respect of production and supply of quality coal to Steel Plants and Power Houses, total deductions made by SAIL and Power Houses for not supplying quality coal was as under:

	1993-94 (Rs. in crores)	1994-95	1995-96 (upto 11/95)
SAIL	17	9	6
Power House	95	116	46

Comments of Ministry

The number of mines which have achieved the target during the first quarter of 1996-97 has gone up to 54. The position is likely to improve further during the year.

There has been reduction in total deductions in coal supply to power houses and SAIL during the year 1995-96 which stands at Rs. 100 crores compared to Rs. 125 crores during the year 1994-95.

Action is being taken for further improvement.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 19)

The Committee observe that production of Coking *vis-a-vis* non-coking Coal has declined during the period 1982-83 to 1992-93. While the production of coking and non-coking coal during 1982-83 was 15.17 million tonnes and 8.83 million tonnes respectively, the figures for 1992-93 were 9.79 million tonnes and 18.27 million tonnes respectively. The Committee are not inclined to agree with the contention that due to exhaustion of top seams, production of coking Coal has decreased. They are of the firm opinion that owing to the shift in emphasis of mining by OC methods as also the eagerness on the part of management of BCCL to attain the set targets coupled with delayed implementation of new Coal projects, the production of Coking Coal has declined over the years. The Committee desire that in view of the existing shortfall in Coking coal supplied to steel plants, Government should take necessary steps in right earnest to augment Coking Coal production by implementing the measures suggested by the Technical Group constituted for the purpose by Ministry of Coal.

Reply of the Government

While the anxiety of the Committee at the existing shortfall in supply of coking coal to the Steel Plants is well placed, it is, at the same time, submitted that production of coking coal from underground mines of BCCL (70% of the coking coal production comes from the underground mines) and beneficiation thereof inflicts heavy financial loss on the company because of the unremunerative price. There is hidden subsidy to SAIL in coking coal supplies from BCCL. Even at normated cost, the loss would be far too heavy. There is no incentive, therefore, for BCCL to augment coking coal availability, particularly in the liberalised situation,

when financial support from the Govt. is not forthcoming. The first and the foremost requirement for augmenting coking coal supplies through fresh investment, therefore, is to impress upon SAIL the need for paying remunerative price.

All the same BCCL is implementing the suggestions of the Technical Group for augmenting coking coal production as per the details shown below:

- Implementation of marginal schemes 4 nos.
- Expediting completing of on-going projects 4 nos.
- Stepping up production from the existing mines.

Comments of the Audit

(i) Production of Coking Coal and non-coking coal by BCCL Mines was as under:

	(In million tonnes)		
	1993-94	1994-95	1995-96 (upto 11/95)
Coking Coal	10.14	10.36	5.40
NLW and Non Coking Coal	18.90	18.39	10.58

Coking Coal production was only 35 percent of the total coal production on an average.

(ii) No agreement has been entered into with SAIL for payment of remunerative price of washed coal.

Comments of Ministry

The reasons for low production of coking coal in the total production of BCCL as explained earlier is mainly because of unremunerative price and consequent heavy loss. With deregulation of coking coal prices now, efforts for increasing coking coal production are being stepped up and it is expected that total production in 1996-97 would come up to around 11 million tonnes compared to 10.1 million tonnes in 1995-96.

With the deregulation of coking coal price on and from 1.4.1996, CIL/BCCL have now revised washed coal prices and agreement with SAIL in this regard is now really not relevant, as SAIL is paying the revised notified prices.

[Ministry of Coal O.M.NO. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 25)

The Committee are distressed to note that BCCL is encountering various problems in realising its outstanding dues. It has been noted that majority of the outstandings are from the bulk consumers of BCCL coal viz. Railways, Steel Plant, Power Houses & Electricity Boards. The outstandings stand at Rs. 432.52 crores as on 31.3.1993 of which Rs. 35.50 crores were considered by BCCL to be doubtful debts. The Committee are shocked to learn that only about Rs. 175 crores of the dues were confirmed by various power utilities so far and the reconciliation process is stated to be on. The outstanding as on 31.1.1994 have increased to Rs. 958.67 crores. The Committee observe that in October, 1986, a Committee was constituted for settlement of disputes with customers. It is very much disconcerting to find that this Committee could settle only one case of disputed outstanding amounting to only Rs. 5 crores so far. Ministry of Coal is reportedly not satisfied with the functioning of this Committee. The abysmal pace of working of this Committee is stated to be due to refusal of various Consumer Departments to accept the decision of this Standing Committee as binding and final. The Committee are not in agreement with Ministry of Coal that realisation of dues is the sole responsibility of Coal Companies especially when Ministry of Coal itself admits that instructions for stopping coal to power utilities against cash if followed strictly might result in closure of some of the Power Stations creating grid failures in some regions. The Committee; are therefore, of the view that the Ministry can play a crucial role in this regard as a coordinating body and help CIL in realisation of the outstanding dues by exerting influence on various bodies.

Reply of the Government

The Government has appointed Umpires to settle the disputes of CIL with different State Electricity Boards. A decision has also been taken to implement the Cash and Carry scheme with more rigour w.e.f. 1st June, 1995. This scheme is now working successfully except in case of BTPS where it has not been possible for Coal India Limited to stop coal supplies even in absence of any advance payment by BTPS. However, Government has taken a decision to deduct Rs. 270/- crores from the Plan Assistance to NCT, Delhi for the year 1995-96 to meet the outstanding dues to Railways and Coal Companies, BCCL has also held meetings with various Electricity Boards to settle the outstanding disputed dues.

Comments of the Audit

(i) Total outstanding dues as on 31st March 1995 amounted to Rs. 1057.41 crores, of which Rs. 617.66 crores were considered as doubtful debts by BCCL. Only Rs. 5268 crores had been recovered upto September 1995 out of the outstanding dues of Rs. 1057.41 crores and dues to the extent of Rs. 156 crores were written off during 1994-95.

(ii) Disputes between BCCL and 4 Power Houses involving a total amount of Rs. 174.21 crores were referred to the Umpires, but these claims are yet to be settled.

Comments of Ministry

(i) Total outstanding dues of BCCL as on 31.5.96 have come down to Rs. 784.84 crores indicating a reduction of about Rs. 232.87 crores from that of 31.3.95 indicating under observations (i) above. Out of this total balance of BCCL, the balance under "Disputed Dues" stood at Rs. 629.00 crores. However, a large amount of disputes with power houses like BTPS, OPSEB, TNEB have been settled in principle and the exact amount involved is under reconciliation assessment by the coal companies.

(ii) Hearings by respective Umpires on unresolved disputes pertaining to BTPS and RSEB have since been completed and the final awards are awaited.

Hearing from TNEB have commenced, the first hearing having been held by the Umpire on 15.3.96 at Madras.

[Ministry of Coal O.M.No. H-11021/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 26)

The Committee regret to note that Cash & Carry system introduced by CIL in October 1991 has been a total failure in so far as this scheme is being adhered to only by DESU out of the 9 State Electricity Boards to which BCCL is supplying Coal. Keeping in view the failure of this system and the poor performance of the Standing Committee, the Committee, recommend that Government may consider setting up a Statutory Regulatory Body with wide acceptability and jurisdiction to adjudicate in respect of disputed outstandings of all Coal Companies in CIL. This is all the more necessary when viewed in the context of the competitive element now being introduced by Government in the power sector which would effect the viability of Coal Companies in the long run. if the outstandings are allowed to increase unchecked. The Committee would like to be apprised of the steps taken in this direction by Government at the earliest.

Reply of the Government

Cash and Carry scheme has been reintroduced with effect from 1.6.1995 and is being strictly implemented. Most of the power houses/SEBs have either opened IRLC or making advance payments for supply of coal. As a result of this there has not been any appreciable increase in the outstanding dues from the power sector during the current year. The total outstanding dues from power sector as on 1.7.1995 were Rs. 3010.30 crores as against the total dues of Rs. 3123.38 crores as on 1.4.1995. However, Badarpur Thermal Power Station is not following the system of cash and carry. A decision has recently been taken by the Government to deduct Rs. 270 crores from the Plan Assistance to NCT, Delhi for the year 1995-96 to meet the outstanding dues to Railways and Coal India. This problem is being pursued vigorously. Ministry of Coal has appointed four

eminent persons as umpires for settling the disputed outstanding dues to coal companies Ministry of Power has also been requested to advise State Electricity Boards and power utilities to refer the disputes between SEBs and coal companies to the umpires for an amicable solution. As regards the recommendations made by the Committee regarding setting up a Statutory Regulatory Body with wide acceptability and jurisdiction to adjudicate in respect of disputed outstandings of all coal companies in CIL, Coal India Limited have welcomed this recommendation. Since the umpires have recently been appointed for resolving the disputed claims/outstandings between CIL and SEBs it is felt that the system should be allowed to function for some time to watch the progress. If however, the umpire system has failed to take off, alternate system of setting up of a Statutory Regulatory Body as suggested by the Committee will be considered.

Comments of the Audit

Total outstanding dues of BCCL against 13 Power Houses as on 31 March 1995 were Rs. 636 crores. With the introduction of Cash and Carry scheme w.c.f. 1.6.1995, only PSEB and UPSEB had opened IRLC in favour of BCCL for a total sum of Rs. 11 crores. After recovery of Rs. 9 crores from DVC, dues outstanding from Power Houses as on 30.9.1995 amounted to Rs. 639.46 crores.

Comments of Ministry

Total outstanding of BCCL against 13 Power Houses as on 31st May, 1996 were Rs. 513.17 crores reflecting a reduction of about Rs. 122.83 crores from the outstanding dues on 31st March, 1995.

With the reinforcement of Cash and Carry System w.e.f. 1.6.95, the following is the position *vis-a-vis* sales dues:

IRLC/Back-up LC arrangement	— RSEB, UPSEB, PSEB
Advance Payment arrangement	— GEB, DESU
Cess/Energy Bill Adjustment	— WBSEB, WBPDC, DPL, DVC & BSEB

Though payment during Cash & Carry period is being received more or less in full, the arrear dues however, continue to be substantial in the cases of UPSEB, DVC and BTPS

[Ministry of Coal O.M.No. H-11021/593-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 27)

The Committee note that the quality control aspect of Coal in BCCL is being looked after in 17 analytical laboratories. CIL/BCCL have also appointed public analysts for the purpose. The Committee regret to note that despite all these measures, the deductions on account of quality from BCCL's bills by consumers have shown an increasing trend. The deductions have increased from Rs. 12.94 crores in 1991-1992 to Rs. 60.82 crores

in 1992-93. Needless to say urgent efforts need to be made to ensure quality of coal so as to avoid deductions on this account. The Committee are also unhappy to note that the number of inspections by Quality Control Department has shown a declining trend over the last eight months of this year. The Committee understand that Government have recently down graded quality of certain grades of Coal. The grading of non-coking Coal based on the Useful Heat Value is reportedly irrational and BCCL stands to lose heavily on this account. The Committee, desire that grading of non-coking coal based on 'Gross Calorific Value' as is being done in other countries may be earnestly considered by Government which the Committee hope would increase the acceptability of BCCL Coal.

Reply of the Government

The suggestion of the Committee has been noted for future consideration.

Comments of the Audit

No Comments.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 28)

The Committee observe that as at the end of 1992-93, the Company is overstaffed with 1.60 lakh workers on its rolls. During evidence, the CMD, BCCL informed the Committee that the problem of overstaffing is more pre-dominant in the female sector who cannot be transferred or redeployed. The Committee has been informed that during 1993-94, 7854 employees were identified as surplus/under utilised, coupled with this, BCCL is also stricken with problem of low labour productivity. It is observed that output per manshift (OMS) in BCCL has been stagnant at around 0.45 tonnes over the last three years in respect of UG mines while it has marginally increased from 1.92 tonnes in 1990-91 to 2.16 tonnes in 1992-93 in respect of opencast mines. On the other hand the cost of production per tonne over the same period has increased from Rs. 617.22 to Rs. 804.29 in respect of UG mines and from Rs. 219.84 to Rs. 275.09 in the case of OC mines. The Committee, therefore, desire that urgent steps should be taken to increase the OMS. As recommended elsewhere in this report, there is need for introduction of improved technology and improving the skill and motivation of the workforce.

The Committee are further given to understand that BCCL is implementing a voluntary retirement scheme (VRS) to tackle the problem of surplus manpower and that a sum of Rs. 60 crores have been made available for this purpose from National Renewal Fund (NRF) owing to its acute cash crunch. The Committee would like to be informed, how far the implementation of VRS has succeeded in reducing the manpower in BCCL. They also desire that the feasibility of redeploying the surplus manpower of BCCL in other subsidiaries of CIL should also be examined.

Reply of the Government

The Voluntary Retirement Scheme was introduced in BCCL in 1989 upto March, 1995 there has been a reduction of 11082 workers out of the total reduction of 23062 during the period from 1.4.1988 to 1.4.1995. Thus there has been a substantial reduction in the manpower strength due to VRS. 4303 non-executive employees opted for VRS during the year 1994-95. In the year 1994-95, 22478 employees were identified as surplus out of which 10245 were female. Efforts are being made to encourage surplus employees to retire under VRS. Since the surplus female employees are not opting for VRS, a special VRS for female employees has been introduced which will provide employment to their sons as Loaders, helping underground production. As most of the surplus consists of female employees and the rest is in unskilled category, there is hardly any scope for redeploying them in other Subsidiaries of CIL.

Comments of the Audit

(i) The overall output per manshift in BCCL was 0.48 tonnes in 1993-94 and 0.50 tonnes in 1994-95 in respect of underground mines and the same was 2.20 tonnes in 1993-94 and 2.25 tonnes in 1994-95 in respect of open cast mines. While the productivity has marginally increased, the cost of production per tonne over the same period has increased from Rs. 896.54 to Rs. 923 of underground mines and from Rs. 284.16 to Rs. 311.27 of open cost mines, over the same period.

(ii) Number of surplus manpower reduced under VRS during 1993-94, 1994-95 and 1995-96 (upto November 1995) was 3579, 6182 and 1972 respectively against the identified surplus of 7854, 22478 and 12216 over the same period.

Comments of Ministry

(i) The contribution made by reducing costs increased productivity during the year 1994-95 compared to 1993-94 was inadequate to offset the increase due to normal escalation and increase in costs on account of salary and wages. As a result, there was marginal increase in the cost of production, both in the case of underground and opencast mines in 1994-95 compared to the previous year, despite marginal increase in output per manshift.

(ii) Notwithstanding the identified surplus, the reduction in manpower on account of VRS during the years under reference was limited to employees opting for the scheme and also to the extent of the fund availability of funds for the purpose.

[Ministry of Coal O.M. No. H-11021/S/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 30)

The Committee observe that Government is doling out subsidies to Coal Companies under Coal Price Regulation Account (CPRA) since 1982-83 to Offset the loss incurred by Coal Companies on account of the administered prices for Coal fixed by it. Government is reportedly resorting to this mechanism of compensating Coal Companies because uniform gradewise prices are fixed for Coal produced by all subsidiaries of CIL. This is due to the concept of retention price evolved under clause 4A of Colliery Control Order, 1945. The retention price scheme only aims at intersubsidiary adjustments of profits and losses. The Committee direct Ministry of Coal to review the efficacy of CPRA and reassess the viability of individual Coal Companies based on their costs and sales realisation which is particularly imperative in the liberalised economic scenario in which the public enterprises have to work now.

Reply of the Government

The retention price scheme for CIL and its subsidiaries has been in operation since 1982. Under the Scheme; a Coal Price Regulation Account is maintained by the Coal India Ltd. In case of companies where the cost of production is lower than the coal prices, the difference between total sales value and the total cost of production is transferred to the Coal Price Regulation Account, whereas in case of companies whose total cost of production is higher than the sale value, they get funds transferred from the Coal Price Regulation Account. Thus the fact remains that no subsidy is doled out by the Government to the coal companies under the scheme. Instead the scheme involve inter-company adjustment in accounts through the CPRA following notification of retention prices. The very purpose behind the scheme is to neutralise the fortuitous benefits accruing from favourable geominig conditions to some subsidiaries and to ensure that sufficient incentives remain for the companies to try to improve their efficiency. It further results in better tax planning because this inter-company adjustment of accounts is recognised while assessing income tax liability of the companies reducing the overall tax liability. Since the companies earning huge profits would also be required to pay higher ex-gratia bonus, leading the workers of the loss making companies with unfavourable conditions to clamour for bonus at par with other companies resulting in discontent in industrial relations, such redistribution through CPRA helps tide over this ticklish issue. The retention prices notified under Clause 4A of Colliery Control Order, 1945 are only for accounting purpose and does not in any way affect the consumers.

Efforts are being made to make the companies viable based on reassessment of their costs and sales realisation and through a number of measures like reduction in surplus manpower through redeployment and training and voluntary retirement schemes, improved utilisation of HEM, ensuring regular power supply etc. to reduce the cost of production. In

order to ensure viability of the companies BICP has recommended partial decontrol over determination of prices of some grades of coking coal and non-coking coal. No decision has yet been taken in his recommendation.

Comments of the Audit

No comments.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 31)

The Committee note that the coal prices are uniformly fixed for a particular grade of coal for all subsidiaries of CIL. The coal prices are fixed after Bureau of Industrial Costs and Prices, Coal India Limited and Ministry of Coal take all factors into consideration. The Committee are dismayed to learn that prices of soft coke have not been revised by Government since, 1982. The BICP has reportedly reviewed the pricing system prevalent in CIL/BCCL and in their interim recommendations made in January, 1995 had observed that it is no longer advisable for CIL to subsidise soft coke in view of the mounting losses, liquidity problem and withdrawal of budgetary support to BCCL and other coal companies. The Committee understand that based on the BICP recommendations, the Core Group of Secretaries have approved in September, 1992 decontrol of soft coke and grades A, B and C of non-coking coal. This proposal is stated to be still under active consideration of the Government. The Committee, therefore, desire that Government should decide without any further delay the issue of decontrol of coal in order to improve the viability of the Coal companies particularly the likes of BCCL which is running under heavy accumulated losses.

Reply of the Government

No decision on decontrolling the prices of coking coal and A, B and C grades of non-coking coal as well as revising the price of soft coke so far been taken by the Government.

Comments of the Audit

No Comments.

Comments of Ministry

The prices of coking coal and the prices of A, B & C grades of non-coking coal have been decontrolled w.e.f. 22.3.96. The prices of these coals have been fixed by CIL w.e.f. 31.3.96. CIL is expecting a benefit of about Rs. 984.92 crores per annum from this price revision.

[Ministry of Coal O.M. No. H-11021/5/93-Parl. dtd. 27.7.96]

Recommendation Sl. No. 32

The Committee are distressed to note that BCCL could not make much headway in the field of promoting R&D activities which was one of the objectives for setting up the Company. It is disconcerting to learn that the

steps taken by BCCL in this direction have neither yielded any significant results nor contributed substantially to increase the production especially from the UG mines. The Company also failed to develop any substitute derivatives for soft coke which reportedly causes avoidable air and water pollution during its production process.

The Committee are dismayed to find that the Standing Scientific Research Committee (SSRC) of Ministry of Coal under the stewardship of Secretary, Coal has also failed to inspire development of any special areas in the field of coal mining, beneficiation and utilisation. The total amount incurred by BCCL under Science and Technology was just Rs. 13.61 crores for the period 1976-77 to 1993-94. The Committee, therefore, desire that Government should make concerted efforts to step up the level of R&D activities in CIL in general and BCCL in particular as also the level of funding towards R&D activities in the Company. The Committee would like to be apprised of the steps taken by Government in this direction.

Reply of the Government

BCCL has undertaken Research and Development work in the following fields successfully:—

1. Mining

(i) Blast Gallery Technology: This technique has been successfully tried in developed thick seam of East Katras Colliery. This technique is being planned in other panels also.

(ii) Crushed Stone Stowing Project: Over burden rocks were crushed and used in admixture with sand as stowing material. Due to excessive cost of crushing this method is not used at present.

(iii) Rapid cooling of strata heated by fire at South Tisra Fire area: This project encompasses—(a) Cooling of strata by water pools and, (b) Re-circulation of chilled goaf gases.

(iv) Nitrogen flushing at Fire area: A PSA Nitrogen plant has been installed at Lodna which has been of great help in saving surface complex.

(v) Wide Stall Method: To liquidate VII/VIII Seam under built up area wide stall method of mining has been introduced successfully at East Bhuggatdih Colliery.

2. Beneficiation

(i) 2 TPH Oil Agglomeration Plant at Lodna: The technique of oil agglomeration of washery slurry and midding has been successfully tried at Lodna Pilot Plant.

(ii) 10 TPH Oil Agglomeration Plant: Based on the technology of Lodna Plant a demonstration plant has been constructed at Patherdih Washery to upgrade slurry and middlings.

Comments of the Audit

(i) Blasting Gallery technology introduced at a cost of Rs. 14.18 crores though successful was not found economically viable.

(ii) The technology of Oil Agglomeration of Washery slurry and middling could not be commercialised as consumption of diesel and furnace oil together on an average constituted 8 per cent of the weight of the feed.

Comments of Ministry

No comments.

[Ministry of Coal O.M. No. H-11021/593-Parl. dtd. 27.7.96]

Recommendation (Sl. No. 33)

The Committee find that two Coal projects of National Coal Development Corporation, viz. Sudamdih and Moonidih Coal projects were transferred to the Company and that a Bill to legally transfer these projects to the Company is yet to be enacted. The Committee are surprised to note that Government has failed to bring forth the legislation in time in view of the fact that these projects were transferred to the company way back in 1975. A bill introduced in Lok Sabha in May, 1990 lapsed, consequent to the dissolution of Lok Sabha and since then no fresh Bill has been introduced. Even though the Committee were assured that the relevant Bill would be brought forward during Monsoon Session, 1994 this has not been done. The Committee desire that no further time be lost by Government in this regard and that a suitable legislation be enacted before the end of Budget Session of Parliament.

Reply of the Government

A Bill called the Coal India (Regulation of Transfer and Validation) Bill, 1995 has been introduced in Rajya Sabha on 14.2.1995 during the Budget Session and the Bill is presently under examination of the Standing Committee on Energy.

Comments of the Audit

No Comments.

Comments of Ministry

A bill called the Coal India Regulation of Transfer and Validation Bill, 1995 has been introduced in the Rajya Sabha on 14.2.95 during the Budget Session. The Bill was referred to the Standing Committee on Energy for examination and the Report of the Standing Committee has also been laid on the Table of the House.

[Ministry of Coal O.M. No. H-11021/593-Parl. dtd. 27.7.96]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

Recommendation (Sl. No. 9)

The Committee's examination of BCCL in the context of new mining technologies being used in the Company has revealed that despite major advancements in the field of coal mining production technologies presently available worldwide, the company failed to absorb fully the technologies available in these areas. It also failed to evolve better technologies for coal mining suitable for Indian conditions. The Committee are distressed to note that the maximum the Company could achieve in this field was solely limited to the mechanisation of face loading operations which BCCL termed as Intermediate technology as against total mechanisation of the entire system. The contribution of these technologies ranged between 0.212 to 1.24 million tonnes during 1990-91 to 1993-94 which in percentage terms comes to around 10% of UG production in BCCL. It is disconcerting to note further that the meagre extent to which the Company has absorbed/ applied the intermediate technology in its operations, could not contribute towards increase in production/productivity of coal/miners to a level which could have resulted in substantial increase in sales and consequent increase in profitability of BCCL.

The Committee are constrained to further observe that the induction/ absorption of new mining technologies in BCCL is very unsatisfactory owing to slow pace of development of indigenous availability of spares both in quantitative and qualitative terms, resistance to new technologies at all levels of workforce in BCCL. Geo-mining problems, low motivation etc. besides absence of continuous support from suppliers of technology and equipment. The Committee, therefore, recommend that BCCL and Ministry of Coal should immediately take appropriate measures to pep up motivation levels in BCCL with particular reference to absorption of new and useful technologies as also training of work force and promote indigenous manufacture of both machinery and spares for better availability and utilisation of equipment. The Committee desire that they should be apprised of the measures taken in this regard.

Reply of the Government

New Mining Technologies

(i) Innovations in the case of mining technology is very slow the world over as compared to any other industry, the fastest being in the electronic industry. Advanced countries like UK, Germany, Poland etc. had to roll

back their ambitious plan of ROLF (Remotely Operated Longwall Faces) introduced in eighties due to uncertainties involved in the mining operations underground. In the changed global economic scenario, the technology should not only be compatible with geo-mining conditions, but also competitive in terms of economic viability. This is the reason why longwall technology, which originated and flourished in UK is being replaced by American Bord & Pillar technology by private owners in the erstwhile British Coal Mines.

(ii) BCCL was the first to introduce fully mechanised longwall technology with powered supports in 1978 at Moonidih and another sub-level caving face subsequently at Katras project. Though the level of production achieved is less than desired due to various reasons explained earlier, there is no doubt regarding absorption of technology which is complete. It can be judged by the fact that after initial introductory period all foreign experts have left the country and these faces are being operated, maintained and over-hauled by Indian technicians and engineers. Extremely difficult geo-mining situations have been tackled successfully without any loss of costly equipment by our work force, e.g. crossing of faults, major roof falls ahead of the face, negotiation of gallery driven ahead of the face, salvaging the equipment in record time in case of suspected fire in the goaf.

Mechanised Longwall Training Institute at Moonidih established during the time of first PSLW face (1978) not only trained Moonidih people but imparted training to face crew of all other subsidiary companies of CIL and Singareni Colliery Company Ltd. (SCCL), where powered supports were introduced subsequently.

(iii) The changed economic scenario in the country in 1991 (coal at any cost to coal only at economic cost) and reduction in budgetary support to PSUs forced the Company to reconsider its technological options and decision went in favour of intermediate technology by mechanising loading operations in the predominantly used Bord & Pillar method of work. The machines used in this technology are comparatively cheaper, indigenously manufactured and the method has the inherent advantage of being flexible. Of late coal loading at the Bord & Pillar faces was the weakest link in the whole process of winning and working coal from underground. This operation performed by miner/loaders, who carry head loads of coal into baskets for filling mine tubs needs to be abolished to reduce human drudgery as per the ILO recommendations. Other operations in B&P technology like drilling, blasting, transport etc. are performed by machines, face loading is the area which needed immediate attention. Thus, the introduction of SDLs/LHDs was considered as a better technological proposition suitable to Indian conditions and conducive to socio-economic situation in the coal mines where more and more miners/loaders were

opting for jobs other than tub loading. Total mechanisation of the entire mining system as mentioned by the Committee is highly uneconomic to adopt.

(iv) Apart from PSLW and intermediate technology in B&P, other mining technologies introduced in BCCL were:

- (a) Horizontal slicing or "Kaseimeirz" method of mining for extraction of very thick and steeply inclined seam (20m thick at 20 dip).
- (b) Room or "Komora" method of mining for extraction of moderately thick and very steeply inclined seam (7m thick at 55 dip).
- (c) Extraction of 7m thick seam below main railway line of SER (at Sudamdih).
- (d) Hydraulic mining (at Goplaichak).
- (e) Degassification of coal seam (at Amlabad).
- (f) Partial extraction below water logged area (Bhurungia).
- (g) Pump-packing for reuse of gate roads at longwall faces.

These technologies were tried on experimental basis but did not find wider applicable due to:

- Safety reasons.
- Non availability of favourable geo-mining conditions in other places/mines.
- Failure on part of the supplier/foreign consultant to provide back up support.
- Hydraulic mining failed technologically.

(v) Steps have been taken by the Company for development of indigenous spares for longwall equipment. About 70% of the fast moving spares like end fitting of hoses, hoses, flight, chain, connector, D-link, hydraulic valve, seals, cutting picks etc. have been developed by Indian manufactures. Current prices of a longwall set however are too high to be adopted of economic mining.

Close liaison is maintained with suppliers of SDL/LHD machines. They have their service engineers and technicians posted at Dhanbad to cater the requirement of BCCL. Also the stock of fast moving spares is maintained by them at Dhanbad.

(vi) Following measures have been taken by BCCL and the Ministry of Coal as recommended by the Committee in its Report:

- (a) Introduction of incentive scheme.
- (b) Nomination of persons for in-company as well as out-company training at manufacturer works.

- (c) Construction of training institutes for new technologies.
- (d) Opening of a training gallery for on-the-job training under actual conditions.
- (e) Organising workshop for dissemination of knowledge and experience gained during trial run.

Comments of the Audit

- (i) No incentive scheme has been introduced in SDL operation in mines.
- (ii) No training institute for new technology has been set up and existing Training: Institutes are imparting training on intermediate technology.

Comments of the Ministry

Incentive scheme has not yet been introduced because it was felt that unless productivity is stabilised at a minimum level the scheme may have a negative effect. Productivity is improving and as soon as it stabilises, introduction of a suitable incentive scheme would be considered.

Training Institute for imparting training on intermediate technology (SDLs) has been opened at Eastern Coalfields Ltd. with French collaboration. In view of its close proximity to BCCL, we intend to utilise this Institute for training of our Engineers, Supervisors, Technicians and workers. Setting up a separate Training Institute for this purpose, which would involve considerable expenditure, is not, therefore, being considered now.

[Ministry of Coal, O.M.No. H-11021/5/93-Parl., dtd. 27.7.96]

Recommendation (Sl. No. 10)

The Committee note that out of the many delayed mining projects of BCCL — one is the Moonidih Project which got badly delayed by nearly two decades and suffered due to occurrence of geological defects and selection of inappropriate technology. The Company could not get geological defects properly prospected resulting in mismatch of the longwall equipment which further contributed to the lower production from this mining project. The cost of the project also increased during this period exorbitantly from Rs.16.09 crores to Rs.179.812 crores. The rated capacity of the project was also derated from 2.1 mt. to 1.5 mt.

It is disconcerting to note that the Company/Government after operating the project for many years continually came to the conclusion that this project is not a viable one and derated its capacity. The Committee are constrained to observe that basic requirements viz. adequacy of ventilation and evacuation was not assessed properly beforehand which primarily resulted in derating its capacity. The Committee also note that Balram

Committee appointed by the Department of Programme Implementation with regard to review the progress of implementation of this project had found that lack of mine ventilation and coal evacuation capacities, improper selection and inadequate training of personnel to operate the project, non-motivation and lack of incentives etc. were the main reasons for the tardy progress of the project. The Committee desire that proper diagnostic studies be conducted to avoid the pitfall of geological defects that are being encountered in this project. They, also recommend that BCCL should implement all the improvements recommended by the Balram Committee especially with regard to preparation of Cadre Scheme for longwall mining technology. The Committee further desire that the minimum the management should take all necessary steps to overcome the shortcomings being faced by it in the operation of longwall equipment take other corrective steps with a view to improve their performance at the earliest. The Committee would like to be informed of the efforts made in this direction by Government.

Reply of the Government

(i) The igneous intrusions such as dykes sills, boulders, jhama, etc. do not follow any specific pattern and have made all the longwall blocks highly unpredictable. There is no proven technique available with the coal companies to diagnose these disturbances. Recently, CMPDIL have carried out some tests with Magnometric Survey which may be of some use in this regard but this would have the limitation that it can predict dolerite intrusions only.

(ii) The ventilation of Moonidih Mine is inadequate and various Committees had carried out studies in this regard. Recommendations made by them are highly capital intensive. With unpredictable geology, any large dose of additional investment would be risky. German assistance is being sought for possible solution to the ventilation problem in a cost effective manner.

(iii) For motivation, incentive schemes have been introduced both for longwall and road header faces for workers and supervisors. Introduction of Special Cadre Scheme for longwall mining was not considered viable as the production contribution from longwall mining is very small (less than 1% of the total production of BCCL or CIL).

(iv) Coal evacuation system of the mine has been improved to a great extent by installation of belt conveyors and elimination of mine car locomotive combination.

Comments of the Audit

Production in Moonidih Mine was much below its rated capacity of 1.5 million tonnes (or 15 lakh tonnes). The actual production was 6.74 lakh tonnes in 1992-93, 6.30 lakh tonnes in 1993-94 and 7.01 lakh tonnes in 1994-95.

Comments of Ministry

The actual production in Monidih for 1993-94 was 6.80 lakh tonnes (as against 6.30 lakh tonnes mentioned in CAG's comments). Gap between the actual production achieved and the rated capacity is mainly on account of serious geo-mining problems encountered in the mine which lead to frequent interruption of working of longwall faces and consequent considerable loss of production. In the absence of any proven method for forecasting small geological disturbances, it has not been possible so far to eliminate this problem while planning lay out of longwall faces. Production would improve if comparatively better area is available for exploitation.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dtd. 27.7.96]

Recommendation (Sl. No. 24)

The Committee regret to note that the implementation of the plan drawn up in 1981 for setting up 5 centralised Coal Dumps was delayed. The Committee are distressed to learn that even after their delayed completion in 1982 only 70.40 lakh tonnes of coal was despatched from them during the 8 years (1985—92) as against 24.60 lakh tonnes per annum envisaged earlier. The delay in this case like many other mining projects of BCCL was attributed to land acquisition among other constraints. Another significant reason for this delay was loss of much time in laying down operational and administrative guidelines for the operation of dumps by BCCL. It is disquieting to note further that in a project aimed at curbing corruption in sale of coal from BCCL collieries, no responsibility has been fixed even after an inquiry by Ministry of Coal and instead the delay in setting up and operation of Coal Dumps was termed a systemic failure rather than that of any individual.

The Committee note further that the scheme of operation of stockyard, by Coal Companies was reviewed by Ministry of Coal and it was decided that setting up and management of dumps be left to the State Government or their undertakings with role of Coal Companies being restricted to supply of coal to such stockyards. The Committee, therefore, cannot but conclude that the entire scheme of setting up centralised coal dumps by BCCL was ill conceived which brought out its organisational failures to the forefront. The Committee desire that such slackness in implementation of schemes should not be allowed to crop up in future.

Reply of the Government

Coal India Limited/Bharat Coking Coal Limited have reported that the original concept of setting up centralised dumps in BCCL envisaged that all road despatches to private parties would be effected from Centralised Dumps. However private cokeries, which account for annual off take of around 1 (one) million tonnes, obtained Court injunction and they continued to lift coal from collieries directly. This is the main reason for

the large gap in actual despatch from the Dumps than their envisaged capacity. However, the observation of the Committee has been noted for future guidance.

Comments of the Audit

(i) Despatch of coal from 5 centralised dumps during 1993-94 and 1994-95 was 7.85 lakh tonnes and 7.29 lakh tonnes respectively as against despatch of 12.27 lakh tonnes in 1992-93.

(ii) Under the order of the Court referred to in the reply, liberty was given to BCCL/CIL to apply for variation and/or vacation of the interim order with notice to the petitioners. However, the liberty given was not exercised.

Comments of the Ministry

It is a fact that off take of coal from the centralised dumps has been going down. This is due to the reluctance shown by the consumers in lifting coal from these centralised dumps. This is primarily due to the fact that additional charges towards transportation of coal from the colliery to the centralised dumps as well as handling charges etc., were required to be paid by the consumers when they lift coal from these centralised dumps.

The sharp decline in off take of coal from the centralised dumps in 1993-94 and 1994-95 was primarily because of poor or no off take of coal from two dumps, namely East Basuriya and Alaktiha. While in the case of East Basuriya it was due to a marked reluctance on the part of the consumers to lift coal from this dump, operations of Alaktiha dump had to be suspended from 1993-94 due to severe law and order problems. The yearwise position in respect of these two dumps as follows:

	1992-93	1993-94	1994-95
East Basuriya	239.30	67.89	—
Alaktiha	152.70	0.21	—

Since coal has to be transported from large number of collieries to a few centralised dumps, the cost of the same is substantial. BCCL feels that the arrangement for distribution of coal to private cokeries etc. from collieries will have to continue,

BCCL has stated that steps are underway to make a prayer for getting the court orders vacated.

[Ministry of Coal, O.M.No. H-11021/5/93-Parl., dtd. 27.7.96]

Further Information called for by the Committee

What is the latest position in regard to vacation of stay orders granted to private cokeries allowing them to lift coal from collieries directly?

Further Reply of the Government

The stay order granted in the year 1984 allowed the private cokeries to lift coal directly from the collieries with a way to ward of dump charges levied by the coal company on coal booking/supplies from the stockyard.

However, during the year 1996, BCCL imposed service charges equivalent to dump charges on coal booked/supplied from the collieries to the private cokery units. Thus, the company feels that the stay order granted in the year 1984 has become infructuous and has therefore not pressed for getting the stay order vacated. CIL have further informed that the private cokeries through their holding body, M/s Industries and Commerce Association, had filed a writ No.463/96 in the High Court, Calcutta on this levy which is being contested and a counter affidavit has been filed. The issue is sub-judice. Further, M/s Bajrangbali Coal Company, a private cokery has also filed a writ petition No. 4293/96(R) in the Ranchi Bench of the Patna High Court on this issue. This has also been contested and a counter affidavit filed. This is also sub-judice.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., Dated 11.4.97]

CHAPTER IV
RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE
COMMITTEE

'Recommendation (Sl. No. 11)

The Committee note that another mining project viz. Open Cast Project Block-II sanctioned in 1982 at a cost of Rs. 103.15 crores could be completed only in March, 1993 resulting in cost escalation by Rs. 50.40 crores and a delay of more than 6 years against the original completion date of 1986-87. The project reportedly suffered delays due to fire, land acquisition and rehabilitation problems. The company could rehabilitate only 183 families as against 675 families affected due to acquisition of only 559.43 ha. of land so far. The Committee desire that all the land oustees of the project may be rehabilitated by the company suitably within a period of six months in coordination with the State Government.

Reply of the Government

The rehabilitation of the displaced families on account of acquisition of land for Block-II OCP is being done with the help of the State Govt. Since the displaced families are demanding employment for not only the lineal descendants but also for distant relatives and even encroachers, it is necessary that State Govt. should persuade these families to accept the norms of CIL rehabilitation scheme and shift to the developed rehabilitation sites. The State Govt. however, has not been able to take expeditious action. As a result, it has been possible to rehabilitate only 196 families out of 675. As stated the following cases may be cited:

Benedih-I & II Ousteers:

Only 3 houses are to be shifted. The State officials have not been able to shift these persons even after 6 (six) months despite the coal company's repeated persuasions.

Kessurgarh:

There are 108 houses for which awards have been declared. The house owners and land owners have not accepted the compensation offered by Distt. Land Acquisition Officer. They are to be persuaded to accept the Compensation and to shift to the rehabilitation site. This matter has been taken up with the State Mines Minister, Govt. of Bihar, Land Reforms Commissioner, Govt. of Bihar and Revenue Secretary, Govt. of Bihar. However, there has practically been no progress in the matter even when BCCL has agreed to provide all benefits under the CIL Rehabilitation Scheme.

Sidpoli

There are 24 houses which are to be shifted. Villagers have been offered all benefits under the Rehabilitation Scheme but they have not accepted the same.

In all the above cases, the State Govt. has been associated with the rehabilitation work. However, the progress has been very slow. This project continues to be afflicted with rehabilitation problems.

Comments of the Audit

Out of 675 families affected due to acquisition of land for Block II-OCP project, only 196 families have been rehabilitated till December 1995.

Comments of the Ministry

"All the 675 effected families have not yet shifted. Only 199 families (upto 30.4.96) have so far shifted and rehabilitated. As and when the remaining families agree to shift they would be rehabilitated".

Further to the above, the following points are submitted:—

(i) The total no. of families to be rehabilitated in Block-II area had earlier been assessed as 675. However, due to fragmentation of families, the no. of families has now gone upto 711.

(ii) Out of 711 families to be evicted and rehabilitated, it has been possible to evict 199 families only and all these 199 families have been rehabilitated and resettled.

(iii) It is not possible to give figures of families to be rehabilitated due to acquisition of homestead land separately since such separate account against normal land acquisition and acquisition of homestead land is not available.

While on this, it may be pointed out that the villagers who are to be rehabilitated are very reluctant to move out of their present houses to the resettlement site. The main problem is that these villagers are demanding employment not only for their lineal descendents but also for their distant relatives. It is necessary that the State Govt. takes strong attitude in regard to eviction of these villagers and shifts them to developed resettlement site. BCCL has been taking up the matter with the Govt. of Bihar frequently but the result has not been encouraging.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dtd. 27.7.96]

Comments of the Committee

(Please see paragraph 10 of Chapter I of the Report)

Recommendation (Sl. No. 12)

The Committee are constrained to observe that of the 9 ongoing mining projects, the North Amlabad Project which was to be completed by 1984-85 as per the original schedule and by March, 1994 as per the revised

schedule has not so far been completed. Similarly, Pootkee-Balihari project is now scheduled for completion only by March, 1995 as against original schedule of March, 1994. It is disquieting to note that both the projects have been badly delayed, costs increased considerably and capacities derated by more than half. Both the projects got delayed due to adverse geominig conditions, mid-way change in technology and high degree of gassiness etc. The Committee are distressed to note that in the case of North Amlabad project, supply of equipment for the degassification plant by the French suppliers took four years against the lead time of two years mainly on account of delay in supply of data by BCCL and CMPDI themselves. The Committee desire that further exploratory studies being conducted should be completed at the earliest to avoid any further delay in commissioning of this project.

In the case of the Pootkee-Balihari project, the Committee have been informed that World Bank had withdrawn financial assistance to the project on the ground that the geominig conditions make it unviable for attaining the planned capacity of 3 mtpa by using the longwall technology. The Committee further understand that this project is now being implemented by Ministry of Coal/BCCL at a derated capacity of 1 mtpa to be completed by March, 1995 within the sanctioned cost of Rs. 199.8 crores. The project would still be losing marginally. The Committee would like to stress here that in view of the availability of prime coking coal from this mine for supply to steel plants, Ministry of Coal/BCCL should strive to make all out efforts to complete the project within the sanctioned cost and revised time schedules and attain the maximum possible turnover from the project which would help in reducing coking coal imports to a certain extent.

Reply of the Government

(i) *North Amlabad Project:* Due to highly disturbed geology encountered during in-seam development, drilling of 7 additional bore holes were taken up for generating additional data. These bore holes have since been completed. The position revealed as a result of these additional bore holes indicates that the mineable reserves available for exploitation would be 4.96 million tonnes only as against 14.22 million tonnes envisaged in the original project report. With this, the scope of the project has changed considerably and longwall mining does not appear feasible in 15A/15 seams. Availability of reserves in 14 seam also has been found to be substantially less and scope of longwall mining in the seams has become very limited. In view of this, it has now been proposed to complete the project at the derated capacity of 0.2 million tonnes per year and a derating/completion report is being formulated accordingly.

(ii) *Pootki-Balihari Project:* Main activities pending now are erection of headgear and installation of winders for the new shifts. Headgear has since been erected and installation of winders has been taken up M/s. HEC &

M/s. BHEL. Project construction is now expected to be completed by March, 1996. Bord and Pillar mechanisation has been introduced in the project instead of longwall technology originally envisaged.

Comments of the Audit

North Amlabad Project was declared completed at a provisional cost of Rs. 73.69 crores in March 1994. But the derated completion report of the project is still under formulation.

Pootki-Balihari Project: The revised project report with derated capacity of one million tonne per year with investment of Rs. 194.09 crores was submitted in June 1995 to Coal India Ltd. for approval which is still awaited. Cost incurred on this project upto September 1995 was Rs. 164.26 crores (provisional)

Comments of the Ministry

CMPDIL, RI-II submitted the draft derated completion report of North Amlabad in November, 1994 which was scrutinized by Internal Audit Deptt. of BCCL and comments sent to CMPDIL for submission of final derated cum completion report. Final report is expected in August, 1996.

Pootki Balihari: The revised project report with derated capacity of one million tonnes per year with investment of Rs. 194.09 crores was submitted in June, 1995 to Coal India Ltd. for approval. CIL has asked for submission of the updated cost estimate & revised economics in view of recent price hike. The update cost estimate is likely to be submitted in August, 1996.

The provisional expenditure in the project upto March, 1996 is Rs. 166.4462 crores which included an expenditure of Rs. 13.7591 crores to be taken out of project expenditure as it pertains to cost of certain surplus P&M and investment in common infrastructure. It may, however be pointed out that the total expenditure on this project will be kept within the sanctioned cost of Rs. 199 crores.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dtd. 27.7.96]

Further Information called for by the Committee

(i) Has the final derated completion report in respect of North Amlabad Project since submitted by CMPDIL? If so what is the final cost and annual capacity assessed for this project?

(ii) Has the updated cost estimate in respect of Pootkee-Balihari Project since been submitted to CIL for approval? If so, has it been approved by CIL and has the project been completed? What is the final cost of the project?

[L.S.S. O.M. No. 20/2 (1)-PU/94 dated 31.3.1997]

Further Reply of the Government

(i) The final "deration-cum-completion" report in respect of North Amlabad Project of BCCL is almost ready and is expected to be submitted by CMPDI shortly. As per the report, the final cost of the project works out to Rs. 73.92 crs. (excluding surplus equipments worth Rs. 2.00 crs.) The annual assessed capacity of the project is 0.20 million tonnes per annum.

(ii) The updated cost estimate in respect of Pootkee-Balihari Project was submitted by CMPDI to BCCL in November, 1996. BCCL suggested some modifications in these cost estimates. The final updated cost estimate is expected to be submitted by CMPDI in April, 1997. As per RCE of November, 1996, the capital cost will be Rs. 198.67 crs. against the RPR estimate of Rs. 194.09 crs. (April, 1995).

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dtd. 11.4.97]

Comments of the Committee

(Please see paragraph 15 of Chapter I of the Report)

Recommendation (Sl. No. 14)

The Committee observe that the Company had so far set up 4 washeries to meet the requirement of washed prime coking coal by steel Plants. The Company estimated a shortfall of 10.21 mt. of Washed Coal by the year 1994-95. It is disconcerting to note that the pace of setting up of washeries and their modernisation was very slow. The capacity utilisation of the existing washeries of BCCL stands at 65% which is below the break even level of 80%. The operable capacity of the washeries stand at 11.83 mt. One of the main reasons advanced by BCCL for the poor performance of the Company's washeries was the non-availability of raw coking coal which is resulting from the dwindling production of coking coal over the years. This situation has also resulted in high outgo of foreign exchange on account of import of coking coal by steel plants. The idle time of the washeries increased the cost of washed coal. Another inhibiting factor for poor utilisation of washery capacity is the slow progress of completion of new mining projects by the Company. Apart from these the lopsided emphasis by BCCL on mining UG Coal by OC methods resulted in restriction of feed rate of washeries due to presence of shales, boulders, etc.

Reply of the Government

Action as under has been taken to increase production of coking coal, which would ultimately lead to increased capacity utilisation of the Washerries:

(i) Commissioning of the new shaft at Bhalgora Project: This would yield additional 1 lakh tonnes coal this year.

(ii) Expediting commissioning of the new shaft at Pootkee-Balihari Project : This is expected to be commissioned in September, 1995 which would give an additional 0.50 lakh tonnes coal this year.

(iii) Stepping up production from Block II OCP by around 2.5 lakhs tonnes this year through increased capacity utilisation of machines; this however, is subject to expeditious help from the State Govt. in regard to land acquisition and rehabilitation.

(iv) Reorganisation in the existing mines to yield additional 3 lakh tonnes this year.

(v) With this, it is expected that capacity utilisation of the washeries would go up to 70% this year and further next year.

Feeder breakers have been installed at the mine site to take of stones and boulders in Opencast coal.

Comments of the Audit

The capacity utilisation of the Washeries of BCCL was 54.8% in 1993-94, 56.1% in 1994-95 and 49.9% in 1995-96 (upto 11/95) against the expectation of the Ministry to achieve 70% capacity utilisation.

Comments of the Ministry

The capacity utilisation of the washeries of BCCL could not be stepped upto expected level of 70% due to substantial delay in commissioning of Bhalgora and Pootkee-Balihari shafts by M/s HEC and M/s TSL and rehabilitation and resettlement (R&R) problem coming in the way of expected increase in production from Block II OCP.

With the commissioning of the two shafts and the concerted efforts being made to resolve the R&R problems of Block-II OCP coking coal availability is expected to increase and the capacity utilisation is expected to reach about 70% during 1996-97.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 27.7.96]

Further Information called for by the Committee

(i) Have the new shafts at Bhalgora and Pootkee-Balihari since been commissioned? If so, when?

(ii) Has the anticipated increase in availability of coking coal materialised? If so, has the capacity utilisation of washeries during 1996-97 reached 70% as expected?

[L.S.S. O.M. No. 20/2(1)-PU/94 dated 31.3.1997]

Further Reply of the Government

(i) The shaft at Bhalgora Project has been commissioned in December, 1996.

In Pootkee-Balihari Project, 1st compartment (Shaft II-West) upto 352 MH has been commissioned in October, 1995. However due to rope slippage problem, the winding system could be made operational from

January, 1996. The work connected with commissioning of second compartment (shaft II-East) upto 452 MH is in advance stage.

(ii) Though there has been increase in coking coal production in 1996-97 at Pootkee-Balihari Project as compared to previous year, this has been nullified due to (a) decline in production in Bhalgora project due to heating, (b) delay in recovery of some of the coking coal mines drowned due to unprecedented rains in Sept. 96, and (c) suspension of operation in some of the existing mines on economic considerations and closure of a mine due to subsidence problem. Further, Rehabilitation and Resettlement problems did not permit any increase in production at Block-II OCP. Due to these constraints increase in overall coking coal production could not be achieved during 1996-97 as compared to that of 1995-96 thereby affecting the desired improvement in capacity utilisation of washeries.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 11.4.97]

Comments of the Committee

(Please See paragraph 21 of Chapter I of the Report)

Recommendation (Sl. No. 15)

The Committee further note that Government had set up a Committee headed by Dr. V.A. Altekar with a view to study the operation of the washeries in BCCL and suggest measures for their modification. This Committee in its report submitted to Govt. in October, 1986 suggested installation of Deshaling Plant at Dugda I & II, Sudamdih and Bhojudih washeries and modernisation of Patherdih washery etc.

The Company had reportedly carried out all short-term modifications and the longterm modifications except the modernisation of Patherdih washery, which is likely to be completed by June, 1995. The Committee understand that modernisation of Patherdih washery has suffered a setback owing to the earlier tie-up getting the jeopardized due to disintegration of USSR. The Committee, therefore desire that the Company and Ministry of Coal should take all necessary steps to ensure that all long term modifications suggested by the Altekar Committee are completed by June, 1995. As regard, the modernisation of Patherdih Washery, the Committee recommend that BCCL and Ministry of Coal may take up this matter of modernisation indigenously without further wasting any time. The Committee may be apprised of the efforts made in this direction.

Reply of the Government

Action taken in this regard has been centred around close interaction with the executing agencies and rendering all assistance to them for expeditious completion. The position now is as under:

(i) Two of the three schemes at Bhojudih, viz. installation of tippler and Deshaling Plant have been completed and no-load trial at the Deshaling Plant has begun; BOBR wagons would be introduced in a week's time; the third scheme, viz. flotation Plant, would be completed in September, 1995.

(ii) Considering the very slow progress of work by MAMC in installation of Deshaling Plants at Dugdai, Dugda II and Sudamdih, their work was terminated. However, their new CMD had a meeting with CMD/BCCL in June, 1995 wherein MAMC gave a commitment that they would be able to complete installation of all the three Deshaling Plants in 18 months with adequate fund flow from BCCL. Considering that retendering and awarding of the work to another agency would take even longer to complete the schemes, their request was acceded to MAMC have since submitted a time-bound programme and a close watch is being kept. In so far as modernisation of Patherdih Washery is concerned, a decision was taken in the Indo-Russian Protocol at Govt. level in September, 1994 that the scheme would be taken up with collaboration of Russians. Accordingly, tenders were invited for the job as per the Russian scheme.

Comments of Audit

(i) Flotation plant at Bhojudih to be completed by September 1995 has not been completed in view of disputes regarding extra contractual claims preferred by the contractor. The revised date of completion is yet to be fixed.

(ii) In case of installation of de-shaling plants at Dughda I and II Sudamdih, MAMC has yet to confirm the time bound programme of completion depending upon the acceptance of their revised offer for increase in the cost of project which is being considered by BCCL Management.

Comments of the Ministry

The contract for setting up the Flotation Plant at Bhojudih awarded to M/s. Triveni Engineering had to be terminated due to unavoidable reasons. As a result thereof, civil and structural work of the order of about Rs. 1.7 crores still remains to be carried out. The coal company had to resort to tendering procedure afresh to get the balance work completed. The tenders are under finalisation. The work is now expected to be completed within a period of about 12 months after finalisation of tenders and subsequent award of work.

As per the revised schedule submitted by MAMC, installation of de-shaling plant at Dugda-I and Dugda-II is expected to be completed by July 1997. Installation of deshaling plant at Sudamdih is subject to review of performance of MAMC at Dugda-I and Dugda-II.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 27.7.96]

Further Information called for by the Committee

(i) Have the tenders in respect of Flotation Plan and Bhojudih since been finalised? If so, when is the work likely to be completed and at what cost?

(ii) When is the modernisation of Patherdih washery expected to be completed?

[L.S.S. O.M. No. 20/2/(1)-PU/94 dated 31.3.1997]

Further Reply of the Government

(i) The tender is under finalisation. Technical bid and commercial bid have already been opened. Likely time of completion and cost will be known only after finalisation of tender.

(ii) An agreement for modernisation of Patherdih Washery was signed with the erstwhile USSR on 6.6.1989. The scheme envisaged complete revamping of the washery for restoring its throughput capacity to 2 million tonnes per annum and for improvement in washed coal quality to 17% as, at a total cost of Rs. 29.43 crores, including component of indigenous equipment and civil works.

Some progress on this scheme had been made in regard to supply of design drawings and supply of some equipment required for modernisation. Meanwhile, there was disintegration of the erstwhile USSR and the project suffered a setback. After prolonged uncertainty over the fate of this project, Russia came forward to take up the project. An agreement was signed with them in this regard on 23.12.1994, wherein the project cost escalated to Rs. 48.49 crores. However, even after prolonged negotiations and discussions, Russian side did not agree to provide guarantees for the process and also for the equipments supplied. The scheme for modernisation of the washery with USSR/Russian collaboration had, therefore, to be dropped.

Action would now be taken for replacement of old equipments and for retro-fitting so that this washery can cope up with the existing raw coal feed quality. All this work would be taken up by BCCL for which a phased programme is being drawn up.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated. 11.4.96]

Comments of the Committee

(Please see paragraph 21 of Chapter I of the Report)

Recommendation (Sl. No. 20)

The Committee are perturbed to find that the shortage in stock of coal as per production records and actual figures of measured stock is very much on the high side. The shortage to book stock in percentage terms ranged from 3.66% to 39.82% during the year 1987-88 to 1992-93. Not only that the shortage in excess of 5% discrepancy between booked production and measurement figures which is considered reasonable has increased from 4.35% as on 31.3.1988 to 34.14% as on 31.3.1992. It is equally disconcerting to note that value of written off stock during 1987-88 to 1992-93 comes to a staggering Rs. 211.11 crores with more than half of it, viz. Rs. 130.79 crore being written off in one year viz. 1991-92. The Committee find that keeping in view of the enormity of the value of stocks written off and the very high order of discrepancies in measurement of stocks and records of production, only a small number of officers of BCCL were subjected to disciplinary action resulting in minor punishments for such enormous shortages of coal stocks. A Committee constituted by Government in 1992 to carry out an indepth study into the matter of

shortage of coal stocks in BCCL also found among several other deficiencies that even the CIL measurement teams could not detect the stock shortages in the collieries where annual stock checks were conducted by them. Obviously, the annual stock verification by the CIL measurement team leaves much to do desired.

The Committee understand that based on the findings of the Committee headed by Shri R. N. Mishra, the then CMD, CMPDIL constituted in 1992, show-cause notice have been served against officers for alleged over-reporting, over payment of incentive, falsification of records and also involvement of CIL teams in the cases. The Committee note that 1 General Manager and 3 Agents have been removed from service of the Company while 6 agents have been exonerated in the cases completed so far. The Committee note further that after receipt of the report of the Government Committee on stock shortages a total of 152 cases of show cause notices and charge sheets which have been initiated are pending including among other Chief General Managers, General Managers, Agents and Managers. The Committee at this stage cannot but express its displeasure over the matter. The Committee, however, desire the Company/Ministry to get the pending cases expeditiously investigated and also evolve a mechanism to avoid over reporting of stocks and the consequent loss to the Company. The Committee would like to be apprised of the action taken in this matter within 3 months of the presentation of this report.

Reply of the Government

(i) The status of action as on 6.9.1995 for Statement-I to Statement-V as recommended by Governmental at Committee is annexed.

(ii) Major changes in system are under implementation to avoid over-reporting of stock. This consists of laying down guidelines for reporting of correct production for underground and opencast separately, reconciliation of the daily production reported against measurement each month, maintenance of proper record/registers of production, stocks, etc. and fixing of responsibility for maintenance of such records, stacking of coal, and measurement of coal, stocks, etc. as per the relevant provisions of the "Code for Uniform System of Maintenance, Control and Verification of Coal Stock in all mines of CIL" approved by Coal India Board in its 118th meeting held on 22.8.1991. Implementation of the guidelines in the subsidiaries is being monitored regularly by CIL.

Comments of the Audit

(i) Annexure giving status of action as on 6.9.1995 as referred to in the Action taken Note was not found attached.

(ii) Out of total 197 cases contemplated for action, action was initiated only in 155 cases. Out of 155 cases, action such as removal from service in 5 cases, demotion in 18 cases, reduction to lower stage in 11 cases, stoppage of increment in 9 cases, warning caution and censure in 11 cases and in remaining 101 cases, no action could be taken as charges could not be substantiated or due to death or retirement of concerned officials.

(iii) Despite major changes in the system as stated in ATN, the value of Coal stock found short at the time of physical verification during 1993-94 and 1994-95 was Rs. 25.87 crores and Rs. 132.67 crores respectively.

Comments of the Ministry

- (i) The omission is regretted. The latest status (as on 30.6.1996) of action taken against BCCL officers found involved in a total number of 197 cases, is enclosed in the Annexure.
- (ii) The position in regard to the total cases contemplated for action and status thereof as on 30.6.96 is summarised below :

Total No. of BCCL cases	:	197
No. of cases where action has been completed (not initiated as observed by Audit)	:	174 (Against 155 reported earlier)
Balance	:	23
Break-up of 174 cases		
Penalties imposed	:	45
Removed from service	:	5
Demotion	:	18
Reduction to lower stage	:	11
Stoppage of increment	:	9
Censure	:	2
		45
Administrative Action	:	15
Recordable/Non-recordable warning	:	8
Caution	:	7
Total No. of cases in which penalties imposed and administrative action taken (45+15)	:	60(A)
Cases exonerated	:	73
Cases where charges dropped	:	28
Cases of retirement before initiation of disciplinary proceedings	:	12
Cases of expiry of the concerned officer before initiation of disciplinary proceedings	:	1
Total	:	114(B)
Total No. of cases where action is over (A+B)	:	174

- (iii) The value of stock shortages of coal in BCCL mines during 1993-94 and 1994-95 quoted by the Audit are correct as per the Audited Accounts of the company for these years.

2. Bulk of the shortage revealed during 1994-95 was carried over from the past. The Governmental Committee (R. N. Mishra Committee) which was set up by Ministry of Coal on 27.7.92 to investigate into stock

shortages in BCCL had observed in paras 4.2.10 and 4.2.11 of Vol. I of its report that the total over-reporting of production during the period from 1.4.86 to 31.3.92 was the order of 77.75 lakh tonnes, against which the cumulative shortage detected during this period was 44.58 lakh tonnes only. This would imply that substantial shortage which accrued upto 31.3.92 as a result of over-reporting remained concealed and this is what was revealed during 1993-94 and 1994-95 though possibility of some over-reporting subsequent to 1991.92 also is not ruled out. Disciplinary proceedings have been initiated in all the cases of shortage detected in these two years, 1993-94 and 1994-95. The changes brought out in the system and expected to minimise incidence of stock shortage and that would be reflected in the measurement of 1995-96 and in subsequent years. CIL expects that after complete implementation of the 'Code for Uniform System of Maintenance, control and Verification of Coal Stock in all mines of CIL' the deficiencies will be contained to a major extent.

3. The Ministry of Coal has also taken some fresh steps towards elimination of stock shortages in CIL subsidiaries. In order to report the stock figures with the break-up of vendible stock and non-vendible stock, a format has been prescribed for adoption in the annual accounts of each subsidiary and of CIL also. The format will require the CIL and its subsidiaries to give proper explanation for shortages. The format will also require the companies to depict the position of measured stocks, book stocks, vendible stocks as well as the reconciliation between various sets of figures. CIL has been asked to ensure the the format appears in the annual accounts of 1995-96 and very financial year thereafter. Chairman, CIL has also been advised to send the format with the figures to the Ministry of Coal immediately after the annual accounts are approved by the AGM of CIL.

4. CIL has also been advised to ensure the the progress of inquiries initiated in the cases of stock shortages should be reviewed at every meeting of the Board of Directors of the subsidiaries. The review will also go into the reasons of the recurrence of stock shortage in particular collieries and evolve special measures, in addition to disciplinary action, to reduce the incidence of stock shortage. CIL has been directed to review the annual position of stock shortages and inquiries in all the subsidiaries in the meeting of the CIL's Board of Directors when the annual accounts are put up for being adopted. The CIL Board will identify the subsidiaries where action is pending and suggest remedial measures. These instructions have been passed on to the CMDs of subsidiaries by Chairman CIL.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 27.7.96]

Comments of the Committee

(Please see paragraph 25 of Chapter I of the Report)

Recommendation (Sl. No. 22)

The Committee regret to learn that both the availability and utilisation of Plant & Machinery (P&M) was very dismal resulting in production loss and heavy down time. The percentage availability of Dumpers, Shovels, Dozers and Drills varied between 70 to 80 and percentage of utilisation

varied from 15 to 73 during 1982-83 to 1992-93. This was reportedly due to lack of proper communication systems in mines, bad lighting/working condition of faces, haul road and above all due to the power problem. BCCL has recently switched over the DVC power supply which it hopes, apart from other measures would help in improving the availability of plant and machinery and reduce down time of equipment. The Committee would like to be apprised of the improvement achieved in availability and utilisation of P&M as a result of these measures.

Reply of the Government

The position of utilisation and availability with respect to CMPDIL norms in the last 2 years is shown below:

Percentage achievement with respect to CMPDIL Norms

	Utilisation		Availability	
	93-94	94-95	93-94	94-95
Shovel	59.95	70.15	71.76	73.18
Dumper	46.84	52.83	78.87	74.44
Dozer	57.94	60.53	67.19	64.45
Drill	54.54	62.63	67.93	62.32
Dumper	—	113 Nos.		
Dozer	—	39 Nos.		
Drill	—	6 Nos.		

Comments of the Audit

The number of HEMMs replaced during the years 1993-94 to 1995-96 (upto December 1995) against those which completed their life is as follows:

	Life Completed	Replaced
Shovel	41 Nos.	9 Nos.
Dumper	113 Nos.	57 Nos.
Dozer	39 Nos.	7 Nos.
Drill	6 Nos.	3 Nos.

Comments of the Ministry

The number of equipments replaced were limited to the fund available for this purpose.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 27.7.96]

Comments of the Committee

(Please see paragraph 31 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 3)

The Committee are unhappy to observe that the Board of Director of BCCL as constituted at present is not in conformity with the guidelines on the subject issued by the Department of Public Enterprises in March, 1992. According to these guidelines, the Government Directors on the Board of a Public Undertaking should not exceed two. However, BCCL has taken the plea that appointment of more than two Government Director on its Board has become necessary because representation has to be given to the State Government for tackling the problem of law and order, Railways for movement of Coal, Damodar Valley Corporation as an important source of Power and Steel Authority of India Limited as a bulk consumer.

The matter regarding the number of Government Directors on the BCCL's Board as also the filling up of position of Management Expert on the Board, which fell vacant about two years back is still to be sorted out by the Ministry of Coal with the Department of Public enterprises. The Committee recommends that this should be done without any further delay and the Board reconstituted accordingly. Besides, the Committee are not convinced that with the provision of alternative forums for obtaining feedback from the consumers, the representation on the Board provided since 1991 to consumers/trade may be dispensed with. They desire that the representation of consumers/trade such as FICCI/ASSOCHAM on the Board of Coal companies should continue.

Reply of the Government

The slot earmarked for appointment of representatives of consumer/trade association such as FICCI/ASSOCHAM on the Board of BCCL has not yet been filled up as modalities including norms for selection, etc. are being finalised. The matter regarding the number of Govt. Directors on the BCCL Board as well as appointment of Management Expert was taken up with the Deptt. of Public Enterprises. The Deptt. of Public Enterprises has desired to prepare a list of suitable persons and a panel so that non-official part-time Directors could be appointed. DPE have suggested reviewing the position regarding the number of Govt. Directors with a view to bringing the same within the ceiling prescribed by DPE. In case it is not possible to manage the same within the prescribed limit, DPE have suggested obtaining exemption from the competent authority in consultation with that Deptt. for which a proposal with detailed justification is to be sent to DPE.

In time with the advice received from the DPE, the matter is being processed.

Comments of the Audit

No proposal for obtaining exemption from the competent authority, in consultation with DPE, giving justification for more than 2 Govt. Directors on the Board of BCCL has been submitted by the Ministry.

Comments of the Ministry

The issue of Government part-time Directors was discussed with Department of Public Enterprises. The Ministry of Coal has recorded the decisions and informed DPE (copy enclosed). The DPE has accepted MOC's contention that four of such Directors are actually in the Board as Consumer representatives.

Action has already been initiated for finalising the representation of consumer/trade organisations in the Boards of coal companies keeping in view the requirements of proper representations from national and regional level bodies, tenure of appointments, relationship with the coal industry, etc. Similarly, after having discussed the issue of management experts with DPE, and not having received any further advice from them in the meantime, thus the Ministry is considering how best to implement the advice.

[Ministry of Coal O.M.No. H-11021/593-Parl. dated 27.7.96]

Further information called for by the Committee

Has the matters of appointment of management experts on the Board of Directors of BCCL since been sorted out with DPE? If so, has the Board been reconstituted? Whether any representatives of consumers/trade have been included on the Board?

Further Reply of the Government

The composition of part-time Government Directors in the Board of BCCL was discussed with the DPE on 2.1.1996. Thereafter, the decision taken was informed to DPE vide this Ministry's letter No. 21/27/91-ASO dated 4.1.1996 that—

“since the part-time Government Directors include representations from major consumers of power as well as beneficiaries of project related sectors like the State Governments, the actual Government representation is deemed to be well within the DPE guidelines”.

2. As regards non-official Directors the DPE has been requested verbally, as well as through our letter dated 26.11.96 to refer us the names

of the Ministries where these guidelines are being satisfactorily followed so that the same pattern can be considered for this Ministry. Their response is awaited.

[Ministry of Coal, O.M.No. H-11021/593-Parl., dt. 17.4.97]

Comments of the Committee

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

Recommendation (Sl. No. 13)

The Committee are not at all satisfied with the tardy pace of implementation of the 22 projects so far taken up to control the 70 odd fires as existing at the time of nationalisation of Jharia Coalfields in the year 1971. The Committee note that only 7 projects have been completed till March, 1993 after having incurred an expenditure of Rs. 73 crores out of total envisaged investment of Rs. 114.57 crores. The Committee are further dismayed to learn that even after more than 2 decades of nationalisation of these coalfields, the company has not been able to adopt and apply fire controlling techniques comparable to those in developed countries.

The Committee learn that "Diagnostic Studies" for the Jharia Fire Control Technical Assistance Project with World Bank financial assistance has been initiated by Government in April, 1993 and is to be completed by June, 1995. The Committee are at a loss to understand the reasons behind not taking up or initiating such a study by Government earlier in view of the fact that till date the country has irrevocably lost nearly Rs. 1000 crores worth good grade coal in JCF. It is needless for the Committee to emphasise here that fire control measures are very much essential to reduce the dependence of the nation on imports of Coking Coal. The Committee, therefore, desire that the 'Diagnostic Study' initiated by Government should be got completed expeditiously by June 1995 as already decided upon and based on the results of this study, steps to control the JCF fires may be taken up in the shortest possible time. The Committee would like to be apprised to the results of the 'Diagnostic Study' and the steps taken by Ministry of Coal/BCCL in this regard at the earliest.

Reply of the Government

During the planning and operation of Mukunda OCP block, Russian experts were called upon and entrusted the job of formulation of a fire fighting plan for the fires of North Tisra, South Tisra, Jeenagora Collieries, etc. These experts carried out some studies in these fires, but could not suggest any remedial measures. This is because of the fact that most of the fires had acquired unmanageable proportions over the years unparalleled in the world due to their extend and intensity over the years.

It is in this context that international experts have been invited to carry out the diagnostic studies and suggest remedial measures to be implemented for combating fires of this field.

GAI-METCHEM joint venture of Canada is a consultant organisation already on the job.

The project is working on envisaged time and is expected to be completed by June, 1996.

Experts are expected to submit their reports in parts eg. Priority-I, Priority-II, Priority-III periodically and final report by June, 1996.

Comments on the Audit

No comments.

Comments of the Ministry

The diagnostic study of Jharia coalfield fires has been completed in June 1996. Action on preparation of final report has been initiated.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 27.7.96]

Further Information called for by the Committee

Has the final report on the Jharia Coalfields fires been prepared and steps initiated to control fires? If so, by when are the JCF fires expected to be controlled?

[L.S.S. O.M. No. 202(1)—PU/94 dated 31.3.1997]

Further Reply of the Government

The report on the Jharia Mine Fire Control Technical Assistance Project consisting of two parts viz., fire fighting programme and Environmental Management Plan has been received.

The report has been studied by various agencies and also by a panel of experts regarding the technical feasibility of the recommendations.

The total investment on implementation of the Environmental Management Plan is estimated to cost several thousand crore rupees.

In order to crystallise the actual action programme on the implementation of the project and to take the project to its logical conclusion, it is now proposed to have a 'Workshop' on the project in which the World Bank, the consultants, BCCL, Government and local bodies shall participate at various fora to integrate the recommendations of the two reports and to finalise the strategy for further action to be taken for making large investment decisions required for implementation of the recommendations.

Only after such decisions are worked out and sources of fund required for implementation are identified, the extinguishment/control measures for fires shall be taken up on large scale, and the period of completion of such control measures can also be estimated at that point of time only. In the meantime, conventional methods of dealing with fires are continuing.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 11.4.97]

Recommendation (Sl. No. 21)

The Committee have been informed that a Ropeway system was installed by BCCL in 1982 for extraction and transportation of sand from Damodar River for stowing in the mines as a conservation and safety measure. The Committee are constrained to observe that the ropeways could not attain even 1/3rd of the assessed capacity of 36 lakhs t.p.a. The Company, thus failed to utilise capacity of these ropeways and in turn it had incurred an expenditure of Rs. 74.18 crores during 1987-88 to 1992-93 towards transportation of sand for stowing purposes by private contractors. The Committee are distressed to find that revamping of D&F Ropeways by the Company was also not implemented. The Committee do not agree with the contention that to continue coking coal production from mines contractual arrangement had to be resorted to, due to inadequacy of infrastructure available with BCCL for the purpose. The Committee recommend that the work of revamping of D&F Ropeway Phase-I may be expeditiously completed so as to minimise, if not, altogether eliminate certain malpractices reportedly prevailing in the transportation of sand by contractors in BCCL.

Reply of the Government

(i) The highest despatch achieved so far from D&F Ropeways was 12.48 lakh tonnes in 1979-80. It would, thus, be appreciated that even when the installations were comparatively new, the capacity utilisation was limited to around 1/3rd of the installed capacity only. This would point to some inherent constraints.

(ii) Phase-I revamping which envisaged augmentation of capacity to 12 lakh tonnes per annum envisaged the following:

- Truncating D Ropeway at Salunge.
- Strengthening of the bi-cable ropeway system of D Ropeway.
- Commissioning of 2 dredgers in D Ropeway system.

Revamping under Phase-I has since been completed. Despatch of sand was 8.70 lakh tonnes in 1992-93 and 9.63 lakh tonnes in 1994-95.

(iii) Another scheme has been drawn up for further augmentation of capacity to 16 lakh tonnes per annum by commissioning Electric Dredger at a marginal investment of Rs. 2.56 crores. This scheme is likely to be completed by the end of 1995-96.

Any further augmentation of capacity does not appear feasible.

Comments of the Audit

(i) Despatch of sand from D&F Ropeways was 9.52 lakh tonnes, 9.37 lakh tonnes and 6.09 lakh tonnes during 1993-94, 1994-95 and 1995-96 (upto November 1995) which constituted capacity utilisation of 79%, 78% and 67% respectively even after revamping of capacity to 12 lakh tonnes as against originally assessed capacity of 36 lakh tonnes per annum. There-

fore, the company had to resort to transport of sand for stowing purpose by engaging Road transportation by private parties at a cost of Rs. 35.61 crores during 1993-94 to 1995-96 (upto October, 1995).

(ii) Scheme for further augmentation of capacity to 16 lakh tonnes per annum has yet to be taken up by December, 1995.

Comments of the Ministry

The originally assessed capacity of 36 lakh tonnes per annum was for 'D&F' ropeways taken together. Out of this, 'F' ropeway alone accounted for 24 lakh tonnes capacity. The working of 'F' ropeway has been discontinued since 1993-94 due to poor replenishment of sand and other operational problems. Thus the originally assessed capacity of 36 lakh tonnes is not really relevant.

The actual despatch of sand during 1995-96 was 8.94 lakh tonnes matching almost the figures of previous two years. BCCL's total sand requirement is around 40 lakh tonnes per annum. Since 'D' Ropeway system is not planned to meet the total requirement, private parties had to be engaged for sand transportation at the stipulated cost.

The augmentation of capacity to 16 lakh tonnes is in hand and is likely to be completed by the end of current year (1996-97). The benefits of augmented capacity are expected to accrue from the year 1997-98.

[Ministry of Coal O.M. No. H-11021/5/93-Parl., dated 27.7.96.]

Further Information called for by the Committee

What is the present position of the scheme augmentation of capacity of the ropeway to 16 tonnes per annum? What are the reasons for delay in completion of this scheme?

[L.S.S. O.M. No. 20/2(1)-PU/94 dated 31.3.1997]

Further Reply of the Government

Revised Project Report of D & F Ropeway for a targetted production of 1.60 MTY with a Capital Investment of Rs. 9.1947 crores was approved by the BCCL Board in April, 1996. Out of this, Rs. 6.63 crores was invested upto March, 1995. The RPR envisaged production of 1.00 MTY in 1995-96 and 1.60 MTY in 1996-97 (target production) of sand with an additional investment of 87.46 lakhs in 1995-96 and Rs. 169.29 lakhs in 1996-97. The additional Capital Investment in 1995-96 envisaged procurement of spares for Dredges and shore pumping including Rs. 30.00 lakhs in foreign exchange.

The first phase of production from D & F Ropeway *i.e.* 1.00 MTY proposed to be achieved in 1995-96 as per RPR has been achieved in 1996-97. The actual production from D & F Ropeway in 1996-97 was 1.01 MT. The augmentation of production for the second phase will be taken up from 1997-98. The completion of the project to 1.6 MT stage envisaged for 1996-97 could not be achieved due to fund constraint.

Spare parts for Dredger and 4 Nos. of hydraulic pumps for shore pumping are required to be imported as per RPR for II phase augmentation with a foreign exchange component of Rs. 30 lakhs. This is taking considerable time and delaying the repairing of dredgers and strengthening of shore pumping and affecting II phase expansion.

The II phase expansion is, however, expected to be completed by March, 1998.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl. dated 11.4.97]

Comments of the Committee

(Please see paragraph 28 of Chapter I of the Report)

Recommendation (Sl. No. 23)

The Committee regret to learn that CIL which is responsible for the overall policy of Coal Distribution, linkage of consumers to coalfields etc. in respect of BCCL has not entered into any firm agreements so far with major consumers of BCCL coal. It is noteworthy here that Government consumers account for 85% of total sales of the Company. The Company is presently supplying coal to the major consumers on credit basis based on agreements with railways and steel plants. Government is reportedly considering a proposal to allow coal companies to enter into bilateral agreements with bulk consumers for coal supplies at pre-negotiated prices which when implemented would help BCCL in realising better price for its coal, whenever implemented. The Committee, therefore, desire that Government may expeditiously decide over the matter of bilateral agreement which the Committee believe would go a longway in helping BCCL emerge out of the woods it presently finds itself in.

Reply of the Government

Coal companies under Coal India Limited have been entering into agreements covering coal supplies of power houses, Railways, Cement and Steel Plants. These agreements covered the issues relating to the sampling, weightment payments and other related issues. However, the validity of the contracts with SEBs have since expired. Fresh agreements with power houses under State Electricity Board could not be entered into because of different views taken by the two contracting parties viz. SEBs and coal companies over venue of joint sampling of coal supplies to power houses etc. The issue is under consideration/negotiation for finalising mutually acceptable legally enforceable contract for supplies of coal.

Government has recently amended the Colliery Control Order empowering the Government to exempt supplies of coal under written agreements from the provisions of the Colliery Control Order. As per this amendment, Government, if it considers it necessary for avoiding any hardship or for any other just and sufficient reasons by notification in the Official Gazette, exempt any class or category of person including colliery owners, coal

companies and purchasers of coal under written agreements for supply of coal with such coal companies from all or any of the provisions of the Colliery Control Order either generally or for any specified period and subject to some conditions, if any, as may be specified in the notification issued for the purpose. Such exemption would cover payment for coal supplies at the negotiated price as well as supplies of contracted quantities of coal without the need for linkages/allotments etc.

This amendment shall facilitate BCCL to enter into firm and comprehensive agreements with its major consumers for coal supplies.

Comments of the Audit

(i) No bilateral agreement has been entered into with any bulk consumer for coal supplies, so far at pre-negotiated price.

(ii) In the absence of any agreement with major consumers for supply of coal except MOU with SAIL of 10th April, 1992, the distribution of coal is effected at per allocation made by the Coal Controller.

Comments of the Ministry

With effect from 22nd March, 1996, prices and distribution of Non-coking Coals of grades A, B, C and Coking Coals have been decontrolled by the Government of India and prices of these grades are now fixed by Coal India. These coals constitute around 86% of the production of Bharat Coking Coal Ltd. and Coal India Ltd. has the freedom to fix the prices of these coals as well as that of washed coal. The distribution of coking coals is now done by Coal India Ltd. itself.

CIL is continuously pursuing for finalising the agreement for Coal Supply with Power Utilities/SAIL but the contentious issue of venue of joint sampling is yet to be resolved. In a recent meeting held between the Ministries of Steel and Coal, in which CIL and SAIL were also represented, it has been agreed that the two contracting parties shall enter into a medium term contract of 3-5 years' duration for supply of washed coal with sampling at the loading end.

[Ministry of Coal O.M.No H-11021/593-Parl., dated 27.7.96]

Further Information called for by the Committee

Have the bilateral agreements with power utilities and SAIL since been entered into?

Further Reply of the Government

Subsidiaries of Coal India Limited are negotiating various provisions of coal supply agreement with the Steel Authority of India Limited (SAIL) for supply of coal to Steel Plants and a number of issues concerning coal supply agreement have been resolved in various sittings. It is expected that the remaining issues shall be resolved shortly which would clear the way of finalising the agreement between coal companies and SAIL.

As regards signing of agreement with the power utilities is concerned, CIL is continuously pursuing for finalising the legally enforceable contracts with the thermal power stations for supply of coal *inter-alia* covering the quantity and quality of coal. However, the SEBs are not willing to accept the decision of the Government and the findings of the Courts of Law to conduct sampling of coal at the loading end and consequently no agreements have been signed with State Electricity Boards.

All the Power Stations of NTPC pit-head and non pit-head have agreed to the joint sampling of coal at the loading end. Coal India Ltd. is negotiating fresh agreement with NTPC.

As regards Independent Power Projects (IPPs), model draft agreement has been finalised in consultation with National and international consultants engaged by Coal India Ltd. for the purpose of drafting Fuel Supply Agreement. This model draft agreement is being considered by the respective Board of Directors of coal supplying companies for taking further necessary action.

[Ministry of Coal, O.M. No. H-11021/5/93-Parl., dated 11.4.97]

Comments of the Committee

(Please see paragraph 35 of Chapter I of the Report)

Recommendation (Sl. No. 29)

The Committee are distressed to observe that the accumulated losses of BCCL as on 31.3.1994 are at Rs. 1138.40 crores which have wiped out the entire paid-up capital of the Company. According to the Company, these losses are primarily due to unremunerative administered prices for coal and soft coke. However, the Committee would like to point out that losses in BCCL are also due to various other facts *viz.* low productivity, power interruptions, uneconomic size of mines, surplus manpower, higher cost of production, delays in implementation of mining and washery projects, land acquisition and rehabilitation problems etc.

The Committee understand that Government have suggested various measures for reducing losses to BCCL during the course of its reviews in the last three years. The suggested measures included strict cost control, reduction in surplus manpower through redeployment and Voluntary Retirement Scheme, training, improved utilisation of Heavy Earth Moving Machinery, switching over to DVC power supply and reduction of capital expenditure etc. BCCL now expects that with switching over to DVC power supply for 90% of its mines, productivity is likely to go up and viability would also be improved. The Committee hope that with continuous monitoring by BCCL, Coal India Limited and Ministry of Coal and implementation of corrective measures the losses would be brought down. They would, however, like to be apprised the improvements made in various parameters as a result thereof.

Reply of the Government

The main reasons, *inter-alia*, for heavy losses suffered by BCCL are large number of manpower, predominance of underground mines and small sizes of mines depriving the company of economic of scale thereby adding to cost of production. Since decontrolling the prices of various grades of coal, particularly the coking coal was not yet decided and the administered prices of coal were not allowed in time, BCCL has been one of the major losers among the CIL subsidiaries. Most of the coking coal in the country is produced by BCCL. Subsequent to the measures adopted by the company to contain losses and improve production with increased thrust on reduction in manpower and enhancing sales realisation, the Company has been able to achieve positive results in respect of different parameters as under:

From April, 1992 upto 31st August, 1993 a total reduction in manpower of about 6742 could be achieved. However, more numbers could be reduced provided the company gets additional funds of VRS/Golden Handshake Plan. The following table shows that BCCL has been able to achieve increased OMS both in UG and OC mines from 1992-93 to 1994-95 (Prov.) and the company has been able to reduce the accumulated losses from Rs. 1159.96 crores in 1992-93 to Rs. 1079.80 crores in 1994-95, thereby turning the net worth to the positive during 1994-95 due to the measure adopted by BCCL to reduce losses.

	1992-93	1993-94	1994-95 (Prov.)
Capital Expenditure	191.00	158.49	186.82
Ug OMS(Tonne)	0.45	0.48	0.50
Oc OMS(Tonne)	2.16	2.22	2.25
Paid-up Capital (Rs. in crores)	1122.00	1122.00	1122.00
Accumulated Losses (Rs. in crores)	1159.96	1138.40	1079.80
Net Worth (Rs. in crores)	(-)37.96	(-)16.40	(+)42.22

Comments of the Audit

The accumulated loss has increased from Rs. 1138.40 crores as on 31.3.1994 to Rs. 1293.03 crores upto March 1995. Thus the net worth of the Company as on 31.3.1995 was (-) Rs. 171.03 crores.

Comments of the Ministry

The observation of the Audit is correct as per the audited annual accounts of 1994-95 of BCCL.

2. In its 169th meeting held on 13.11.95, the Board of Directors of BCCL approved a proposal to refer the company to BIFR as the company was incurring loss for more than five years and had a negative net worth (Rs. 164 crores) as on 31.3.1994 i.e. at the end of the financial year 1993-94. Accordingly BCCL was referred to BIFR under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 on 18.12.1995.

3. On 20.2.96, the Cabinet Committee on Economic Affairs (CCEA) approved a proposal from Ministry of Coal for introducing a set of measures for capital restructuring of Coal India Limited (CIL), of which BCCL is a subsidiary company. The capital restructuring measures which would be beneficial to BCCL are:—

- (i) Deregulation of pricing of coking coal and of A, B & C Grades of non-coking coal.
- (ii) Waiver of overdue nominal interest of Rs. 891.75 crores upto 31.3.1992 due from CIL on the Government Plan Loans and utilisation of the waived amount, first to wipe out the accumulated losses of WCL as on 31.3.1996 and then utilisation of the balance to reduce the accumulated losses of BCCL and ECL in proportion to such accumulated losses.

4. The Government notification for the partial deregulation of coal prices was issued on 22.3.1996 and CIL increased prices of deregulated grades of coal w.e.f 31.3.96 by about 15% on the average. The Government orders to implement other measures of capital restructuring of CIL have been issued on 17.7.1996.

5. Rehabilitation Scheme being finalised by BCCL for presentation before BIFR in August, 1996.

BCCL will be presenting a Rehabilitation Scheme before BIFR in August, 1996 when the next hearing in BIFR is taking place. In April, 1996, the company prepared a draft Rehabilitation Scheme which is being finalised for the occasion. The draft scheme consists of (i) Internal measures and (ii) External measures.

5.1 Internal measures

The internal measures are:—

- (i) BCCL will improve production, productivity and capacity utilisation in 1995-96 and during the next 5 years.
- (ii) Losses will be reduced by improved quality of despatches; overloading and underloading will be curtailed to reduce penalties; sales realisation will be improved and demurrages avoided.
- (iii) Time and cost-overruns of projects/expansion programmes will be prevented by undertaking a drive for faster land acquisition through improved policies and better coordination with State Governments.
- (iv) Manpower will be reduced through introduction of Voluntary Retirement Scheme (VRS) and a part of surplus manpower will be gainfully reemployed.

(Ministry of Coal proposes to sanction a total amount of Rs. 100 crores to BCCL during 1997-98 and 1998-99 for introduction of VRS).

- (v) BCCL proposes a ban on fresh recruitments and also a moratorium on certain clauses of National Coal Wage Agreement-V providing employment to dependents in cases of death and disabilities."

5.2 External Measures

The external measures are:—

- (i) The Government decision on partial price deregulation has enabled CIL to enhance prices of coking coal and A, B & C Grades of non-coking coal by about 15% on average.
- (ii) BCCL's share out of the interest waiver of Rs. 891.75 crores allowed for CIL as whole to be atleast Rs. 400 crores.
- (iii) The paid-up equity capital of BCCL is Rs 1122 crores as on 1.4.95 whereas the company's loan from CIL is Rs. 2006.63 crores. BCCL proposes to reorganise its structure to achieve a debt-Equity ratio of 1:1.5. The share capital of the company will be raised to Rs. 1767 crores as on 31.3.97. The restructuring is expected to reduce BCCL's loan to CIL from Rs. 2006.63 crores to Rs. 1171 crores as on 1.4.96 calculated on the basis of provisional profits/loss estimate for 1995-96 as would be seen from the statement in Annexure A. As a result, the Debt. Service Charges/interest on loan will be reduced by Rs. 74, 82 and 91 crores in 1996-97, 1997-98 and 1998-99 respectively.

6. The estimated impact of all these measures is given in Annexure I, projecting a positive net worth from 1996-97 onwards as indicated in the following statement:—

(Rs. in crores)

Particulars	As on 31.3.95	As on 31.3.96	As on 31.3.97	As on 31.3.98	As on 31.3.99
Paid up Capital Accumulated	1122	1122	1767	1767	1767
Profit/loss	-1293	-1282	-1365	-1338	-1262
Net Worth	-171	-160	402	429	505

7. However, there is a draft Rehabilitation Scheme, which is being finalised. Some modifications in the figures are expected in the final scheme to be presented before BIFR in August, 1996 and the set of measures approved by BIFR.

[Ministry of Coal O.M.No. H-11021/5/93-Part. dtd. 27.7.96]

NEW DELHI;
April 28, 1997

Vaisakha 8, 1919 (Saka)

G. VENKAT SWAMY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide Reply to recommendation Sl. No. 3)

B.N. Makhija,
Additional Secretary

21/27/91-ASO

4th January, 1996

Dear Shri Sinha,

This is to thank you for sparing the time to advice us on the question of composition of boards of public sector units in the coal sector. As advised by you, we are approaching the issue in the following manner:

- (i) Since the part-time Government Directors include representations from major consumers of power as well as beneficiaries of project related sectors like the State Governments, the actual Government representation is deemed to be well within the DPE guidelines as may be seen in the statement annexed.
- (ii) As regards non-official Directors, we would be taking steps to recommend a panel of names representing Labour Institutes so as to bring in both the interest of the labour as well as the expertise of academia. We will also try to see if retired personnel having relevant experience either in the field of labour or mining can be included.
- (iii) We will interact with national level trade bodies or regional level bodies as may be appropriate, so as to receive their nominations, preferably of their office bearers. In this way, changes in the incumbents can be cleared in the Ministry itself instead of having to refer all such cases to DPE and ACC.

With regards,

Yours sincerely,

Sd/-
(B.N. MAKHIJA)

Shri R.K. Sinha,
Secretary,
Deptt. of Public Enterprises,
Udyog Bhawan,
New Delhi.

APPENDIX II

(Vide Reply to recommendation Sl. No. 3)

D.O. 21/27/91-ASO

G.B. Mukherji,
Joint Secretary,
Tel. 3384887

26th November, 1996

Dear Shri Singh,

SUBJECT: Constitution of PSU Boards as per DPE guidelines.

Kindly recall that quite some time ago I have requested you to let us know about the Ministries which have complied with the directions of the DPE relating to the constitution of PSU Boards. You had informed me at that time that there are many such Ministries and would get back to me.

2. May I request you for an early action?

Yours sincerely,

Shri Tej Singh,
Director, Department of Public Enterprises,
CGO Complex, Block No. 14,
Lodi Road,
New Delhi.

Sd/-
(G.B. Mukherji)

APPENDIX-IV

(Vide Reply to recommendation Sl. No. 29)

ANNEXURE-I

BHARAT COKING COAL LIMITED
PRESENT FINANCIAL STATUS AND IMPACT
OF PROPOSED TURN AROUND STRATEGIES

Particulars	(Rs. in crores)			
	As on 31.3.95	As on 31.3.96	As on 31.3.97	As on 31.3.99
Paid up Capital	1122	1122	1767	1767
Accumulated Profit/Loss	-1293	-1282	-1365	-1262
Net Worth	-171	-160	402	305
Total Production (L.T.)	287.47	278.13	295.00	311.50
Profit/Loss before CPRA	-561	-714	-368	-379
CPRA	406	325	100	100
Sub Total	-155	-389	-068	-279
Less : Waival of Interest	-	400	-	-
Impact of management decision	-	-	185	355
Net profit/loss	-	11	-83	76
Accumulated loss as on 31.3.1991	1138	-	-	-
Accumulated loss as on 31st March	-1293	-1282	-1365	-1262

IMPACT OF STRATEGIES

Item	(Rs. in crores)		
	1996-97	1997-98	1998-99
1. Reduction of interest due to conversion of loan to equity	74	82	91
2. Anticipated price increase from Oct. 96	96	163	169
3. Operation Efficiency	15	25	35
4. Reduction in manpower anticipating NRF grant	-	40	60
Total	185	310	355

INTEREST ON LONG TERM LOAN

Item	(Rs. in crores)		
	1996-97	1997-98	1998-99
1. Coal	18379	20887	23802
2. Washed Coal	2476	3588	3588
3. Hard Coke	34	34	34
Total	20889	24509	27424

APPENDIX V
(Vide Reply to recommendation Sl. No. 29)

BHARAT COKING COAL LIMITED

CAPITAL STRUCTURE

	1995-96	1996-97	1997-98	1998-99
Current Account (Op. Bal)	2006.63	1816.45	2131.20	2384.69
Add: Interest (CIL)	230.90	208.89	245.09	274.24
Cash Support	297.60	195.00	120.00	
Total	2535.13	2220.34	2496.29	
Less: CPRA	318.68	89.14	111.60	
Waival of Interest	400.00	-	-	
Balance	1816.45	2131.20	2384.69	
Equity		1122	1122	1122
Loan		1816	2131	2384
		2938	3253	3506
Revised Equity		1767	1767	1767
		1171	1486	1739
Revised Loan		2938	3253	3506

[O.M. No. H-11021/5/93—Parl. dtd. 27.3.96]

APPENDIX VI

MINUTES OF THE TWENTY-SECOND SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 21ST APRIL, 1997

The Committee sat from 1500 hrs to 1615 hrs.

PRESENT

Shri G. Venkat Swamy — *Chairman*

MEMBERS

Lok Sabha

2. Shri Parasram Bhardwaj
3. Shri Somjibhai Damor
4. Shri Banwarilal Purohit
5. Shri Brij Bhushan Tiwary
6. Prof. (Smt.) Rita Verma

Rajya Sabha

7. Shri Vayalar Ravi
8. Shri Solipcta Ramachandra Reddy

SECRETARIAT

1. Shri J.P. Ratnesh — *Joint Secretary*
2. Smt. P.K. Sandhu — *Director*
3. Shri P.K. Grover — *Deputy Secretary*
4. Shri Raj Kumar — *Assistant Director*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Shri B.B. Pandit Principal Director (Comml.)

*2. ** ** ** ** ** **
*3. ** ** ** ** ** **

4. The Committee also considered the draft report on Action Taken by the Government on the recommendations contained in 39th Report of the Committee on Public Undertakings (1994-95) on Bharat Coking Coal Limited and adopted the same with the following modifications:

- (i) Page 5, para 10, for *last* sentence substitute "The Committee express their serious concern over the lackadaisical manner in which the rehabilitation of the displaced families has been handled. The

* The Minutes relating to items at para 2, 3, 5 and 6 have been kept separately.

Committee, therefore, urge the Ministry/BCCL to take up the matter with the State Government at the highest level so that the remaining oustees of the project are rehabilitated at the earliest. They would also like to be apprised of the progress made in this regard within three months".

(ii) Page 15, para 25, line 8 for the word "expeditiously" substitute "within three months".

*5. ** ** ** ** ** **

*6. ** ** ** ** ** **

7. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by Ministries/Undertakings concerned and Audit and to present the same to Parliament.

The Committee then adjourned.

APPENDIX VII

Analysis of the Action Taken by Government on the recommendations contained in the 39th Report (10th L.S.) of the Committee on Public Undertakings (1994-95) on Bharat Coking Coal Limited.

I. Total number of Recommendations	33
II. Recommendations/Observations that have been accepted by the Government (<i>vide.</i> recommendations at Sl. Nos. 1,2,4 to 8, 16 to 19, 25 to 28, 30 to 33)	19
Percentage to total	57.58%
III. Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (<i>vide.</i> recommendations Sl. Nos. 9, 10 and 24)	3
Percentage to total	9.09%
IV. Recommendations/Observations in respect of which reply of Government have not been accepted by the Committee (<i>vide.</i> recommendations at Sl. Nos. 11, 12, 14, 15, 20 and 22)	6
Percentage to total	18.18%
V. Recommendations/Observations in respect of which final replies of government are still awaited (<i>vide.</i> recommendations at Sl Nos. 3, 13, 21, 23, and 29)	5
Percentage to total	15.15%