

**FORTY-THIRD REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1987-88)**

(EIGHTH LOK SABHA)

EASTERN COALFIELDS LIMITED

(MINISTRY OF ENERGY DEPARTMENT OF COAL)

**[Action taken by Government on the recommendations contained]
in the 25th Report of the Committee on Public Undertakings
(Eighth Lok Sabha)]**



*Presented to Lok Sabha on } 26 April, 1988
Laid in Rajya Sabha on }*

**LOK SABHA SECRETARIAT
NEW DELHI**

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*Not appended in cyclostyled form of the Report.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1987-88)

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Shri Vakkom Purushothaman

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4. Shri Dinesh Goswami
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- | | | |
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| 2. Shri R.D. Sharma | — | <i>Director</i> |
| 3. Shri Rup Chand | — | <i>Senior Financial Committee Officer.</i> |

*Ceased to be Member of the Committee consequent on his/her retirement from Rajya Sabha on 2.4.1988.

**ACTION TAKEN SUB-COMMITTEE OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS**

1. **Shri Vakkom Purushothaman** — *Chairman*
2. **Shri K.H. Ranganath** — *Convener*
3. **Shri K.P. Singh Deo**
4. **Shri Dinesh Goswami**
5. **Shri Zainul Basher**
6. **Prof. P.J. Kurien**
7. **Prof. Saif-ud-din Soz**

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 43rd Report on Action Taken by Government on the recommendations contained in the 25th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Eastern Coalfields Limited.

2. The 25th Report of the Committee on Public Undertakings was presented to Lok Sabha on 29 April, 1987. Replies of Government to all the recommendations contained in the Report were received on 24 March, 1988. The replies of Government were considered by the Action Taken Sub-Committee of Committee on Public Undertakings on 21 April, 1988. The Committee also considered and adopted this Report at their sitting held on 21 April, 1988.

3. An analysis of the action taken by Government on the recommendations contained in the 25th Report (1986-87) of the Committee is given in Appendix III.

NEW DELHI;

April 25, 1988
Vaisakha 5, 1910 (S)

VAKKOM PURUSHOTHAMAN

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 Twenty-Fifth Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Eastern Coalfields Ltd. which was presented to Lok Sabha on 29 April, 1987.

2. Action Taken Notes have been received from Government in respect of all the 45 recommendations contained in the Report. These have been categorised as follows:-

- (i) Recommendations/Observations that have been accepted by Government S. Nos. 2, 5-9, 11-16, 18-26, 29-31, 33-38, 40, 42, 44 and 45.
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's reply.
S. Nos. 17, 32, 39 and 43
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
S. Nos. 3, 4, 10 and 28.
- (iv) Recommendations/observations in respect of which final replies of Government are awaited.
S. Nos. 1, 27 and 41.

3. The Committee desire that the final reply 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 their recommendations.

A. Transfer of Assets and Liabilities to ECL

Recommendation S. No. 1 (Paragraph Nos. 1.1 and 1.17)

5. The Committee had noted that even though Eastern Coalfields Ltd. was incorporated in November, 1975, the legal formalities for the transfer of assets and liabilities in favour of ECL had not been completed even after 12 years of the incorporation of the company. The Committee had, therefore, recom-

mended that legal formalities should immediately be completed and assets and liabilities transferred in favour of ECL within a period of six months, as promised by the representatives of the Ministry during his evidence.

6. In their reply the Government have *inter-alia* stated as follows:-

“Coal India Ltd. have made progress in the formulation of various proposals in consultation with a reputed firm of Chartered Accountant M/s. S.R. Batliboi & Co. for the purpose of transferring the assets and liabilities from Coal India Ltd. (Holding Company) to its various subsidiary companies including Eastern Coalfields Ltd. While all out efforts are being made to get the job accomplished as soon as possible, it has not been possible to complete the job by the 30th June, 1987 as promised and some more time is needed to complete the same.”

As regards the latest position, Government have stated as follows :

“Coal India Limited have since formulated the schemes for transfer of assets and liabilities from Coal India Limited to its subsidiary companies including Eastern Coalfields Limited. The proposals containing the schemes have been referred to the Department of Company Affairs in February, 1988 for their consideration and approval. The implementation of the schemes regarding transfer of assets and liabilities from Coal India Limited to Eastern Coalfields Limited, amongst others will be undertaken by Coal India Ltd. after getting the approval from the Deptt. of Company Affairs which is expected to take some more time.” Accordingly, the Ministry asked in January, 1988 for a further extension of six months for completion of the job.

7. The Committee regret to note that legal formalities for transfer of assets and liabilities in favour of ECL have not been completed so far. They take a serious note of the matter particularly in view of the fact that Additional Secretary, Department of Coal had promised before the Committee during evidence as far back as in January, 1987 that the legal formalities would be completed within next six months. The Committee have thus gathered the impression that Department of Coal and Coal India Ltd. have not taken the matter with a sense of urgency inspite of clear assurance given to the Committee by Additional Secretary of the Ministry. The Committee feel that when the Government has made a commitment before the Committee, they ought to have honoured it and should have taken every possible steps to fulfil the requirements of transferring the assets and liabilities in favour of ECL. The Committee, therefore, reiterate that legal formalities for transfer of assets and liabilities in favour of ECL should be completed without any further delay and Committee be informed.

B. Objectives and obligations

Recommendation S. Nos. 3 & 4 (Paragraph Nos. 2. 14 & 2. 15)

8. The Committee had noted that micro objectives of ECL had not been framed so far inspite of BPE guidelines issued in 1979 and 1983 according to which each public undertaking was required to formulate, with specific approval of the administrative ministry, a statement of micro objectives consistent with broad objectives spelt out in Industrial Policy Statement of December, 1977 to facilitate realistic and meaningful evaluation of the enterprise by Parliamentary Committees and the Government Accordingly the Committee had recommended as follows:—

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

9. In their reply the Government have stated that Coal India Ltd., as a Holding Company, with five subsidiaries, including eastern Coalfields Limited was formed on 1st November, 1975. The objectives to be pursued by CIL and its subsidiaries are incorporated in their respective Memorandum and Articles of Associations which were approved by the Government and laid in both the Houses of Parliament in June, 1977. It has been further stated that while it is true that the objectives mentioned are general in the sense that they do not specify quantitative targets to be achieved, yet they do indicate the areas of activities, in which CIL and its subsidiaries have to concentrate in order to give improved performance and in order to pursue the micro objectives as contained in the industrial policy statement of December, 1977. In order to evaluate the performance of Coal India Ltd. and its subsidiaries, including Eastern Coalfields Limited, specific yearly and quarterly targets are fixed for all the subsidiaries and for CIL in the Annual Plan and the Annual Action Plan. Evaluation against these targets indicates the extent to which a company has been able to achieve or not achieve the

objectives specified above. Besides, the Annual Plan and Annual Action Plan specify the targets in respect of objectives mentioned above, like production, productivity, despatches, project implementation, welfare measures etc. These targets are fixed after detailed discussion with CIL and concerned companies and the actual performance is monitored on a regular basis against these targets. Thus, it would imply that specific objectives mentioned above together with the targets for each company as prescribed in the Annual Plan constitute the micro objectives and they provide a scientific basis for a meaningful evaluation of the performance.

10. The Committee are not impressed by the belaboured explanation given by the Government in regard to not framing the micro objectives of ECL as per BPE guidelines. They are not convinced of the argument advanced by Department of Coal that targets for production, productivity, despatches, project implementation etc. as specified in Annual Plan and Annual Action Taken Plan constitute the micro objectives and provide the scientific basis for evaluation of Company's performance. This very argument was also put forth before the Committee by the representatives of Department of Coal during their evidence. In view of the fact that the micro objectives set for the subsidiaries of Coal India Ltd. are worded in general terms and are not in consonance with the guidelines issued by BPE, the Committee strongly recommend that CIL should be asked to reframe the micro objectives for itself and for its subsidiaries including ECL in terms of BPE guidelines issued in 1979 and 1983 and submit the same to Government for approval without any further delay. Needless to emphasise that after the approval of micro objectives by the Ministry, action should be taken for laying them before Parliament at the earliest.

C. Project Formulation

Recommendation Sl. No. 10 (Paragraph No. 3.108)

11. The Committee had observed that notwithstanding the time and cost over runs, there had been other technical deficiencies in the project planning and implementation of projects. For example, Kenda opencast project was closed due to geominig problems after incurring expenditure of Rs. 240 lakhs, whereas Dobrana opencast project had to be closed owing to hard strata conditions. According to the Committee projects were taken up without adequate survey. In this context, the Committee *inter - alia* commented as follows :—

“closing of the projects could have been avoided had there been adequate prospecting and pre-prospect survey before project formulation. The Committee, therefore recommend that no project should be formulated and submitted to the Government for approval unless a thorough pre-

feasibility study, detailed exploration, realistic method of implementation, problems of electricity, rehabilitation of villagers (if involved), employment of local people etc. are gone into in fullest details. The Committee would also like to emphasise that the undertaking will be well advised not to take up any new project in future without adequate assurance of the availability of surface land and State Government's support in ensuring law and order for execution of the project. The expansion of mines within the existing lease hold should be resorted to as far as possible."

12. In their reply the Government have stated that at the stage of formulation of project, the requirement with regard to electricity, rehabilitation etc. are spelt out. However, it would not be practical to consider all the problems related to availability of electricity, land rehabilitation of villagers and employment of local people at the time of project formulation and placed before various authorities for approval. Consideration of these problems and arriving at a feasible solution to sort out these problems is a management function which is taken up concurrently as the project is processed for approval and taken up for implementation. It may not also be feasible to obtain assurance with regard to availability of land, maintenance of law and order, before the projects are taken up as this will involve large scale negotiations with a large number of owners and State Government would not normally give an assurance of this nature. However, at the appraisal/scrutiny stage, the reasonableness of amount of time for completion of these activities is ascertained before a project is processed for Government approval.

13. The Committee are not satisfied with the reply of the Government. The Committee are amazed to note the Government stand that all problems related to electricity, land, rehabilitation of villagers and employment of local people cannot be considered at the time of project formulation and placed before various authorities for approval. Similarly, it has even been stated that it may not be feasible to obtain assurance with regard to availability of land, maintenance of law and order before the projects are taken up. The Committee are of the firm view that as these pre-requisites are very essential for successful implementation of any project, assurance with regard to their availability must be obtained before taking up any new project. They, therefore, reiterate their original recommendation that no project should be formulated and submitted to the Government for approval unless a thorough pre-feasibility study, detailed exploration realistic method of implementation, problems of electricity, rehabilitation of villagers (if involved), employment of local people etc. are gone into in fullest details. The Committee would also like to stress that the undertaking should not take any new project in future without adequate assurance of the availability of surface land and State Government support in ensuring law and order for execution of projects.

D. Accumulation of coal stocks

Recommendation St. No. 27 (Paragraph Nos. 4.71 & 4.72)

14. In the context of accumulation of huge coal stocks in the company, the Committee had *inter-alia* observed as follows :—

“The Company takes note of shortages of more than 5% of the stock and 1000 tonnes or more in collieries. During 1981-82 to 1984-85, such shortages were to the tune of 5.83, 6.66, 1.91 and 3.78 lakh tonnes, respectively. During these years, the number of cases of disciplinary action against the officers responsible for shortages were 4, 37, 24 and 11, respectively. The punishment awarded was warning, stoppage of increment and stoppage of promotion. In Committee’s view the punishment awarded in these cases is very lenient as compared to the value of coal found short and in fact it encouraged the dishonest employees to include in offence. The Committee are of the firm opinion that the punishment should be more severe and deterrent. Even the Additional Secretary, Department of Coal was frank enough to admit in evidence when he stated ‘my feeling has been that the punishment has not been commensurate with the offence committed.’

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

15. In their reply the Government have stated that Coal India Ltd. has set up the Committee *vide* its order No. CIL/D(F)/1100 dated 18.9.1987 under the Chairmanship of Dr. R.P. Aiyar, Director IIM to examine the adequacy of the present Management Information System of Area, subsidiary and holding company levels and bring about improvements with particular reference to the needs of level at which such information is to be used. The Committee which was expected to submit its report by December, 1987 has not submitted its report as yet. The report is expected to be available in next 3-4 months time. Only after receipt of the Committee’s recommendation, CIL will go in for formulation of the revised guidelines.

16. The Committee desire that expert committee set up to examine the adequacy of present Management Information System and to suggest improvement thereto

may be asked to complete their study on the subject and submit their Report at the earliest. The Committee would also like to be apprised of the recommendations of the expert committee and the action taken by Coal India and ECL thereon.

E. Performance J.K. Ropeways

Recommendation Sl. No. 28 (Paragraph No. 4.91)

17. The Committee had noted that as against the designed capacity of 45 lakh tonnes of J.K. Ropeways, the actual production of this unit ranged between 6 lakh tonnes to 13.86 lakh tonnes during the years 1975-76 to 1985-86. In the context of poor production performance of J. K. Ropeways, the Committee had recommended that company must take necessary steps to optimise the capacity utilisation of J.K. Ropeways and also to bring down its cost of supplying sand to make it competitive with private contractor. The Committee also recommended that efforts should be made to minimise the dependence on private contractors.

18. In their reply the Government have stated that in order to optimise the capacity utilisation of J.K. Ropeways, M/s Magnum Industrial products, Calcutta were appointed consultants in January, 1986 to conduct investigations into operational problems of J. K. Ropeways installations. The Consultants' report was received in March 1986 and actions were initiated on the recommendations from April, 1986. Due to these actions, there has been marginal improvement in out dumping through the monocable ropeway system only Bicable ropeway needs major revamping and the total performance depends on efficient operations of Bicable and Monocable Ropeways. As the operational efficiency of J. K. Ropeways could not be improved, cost of sand won through J.K. Ropeways has not become competitive. In ECL, 47 collieries are practising sand stowing and out of these only 12 collieries are linked to J.K. Ropeways for supply of sand. Remaining 35 collieries depend on contractors for supply of sand. Dependence on contractors for supply of sand for these collieries will continue till any expansion scheme of J.K. Ropeways is taken up.

19. The Committee regret to note that not to speak of improving the capacity utilisation of J.K. Ropeways as recommended by the Committee, it has further deteriorated. In 1985-86, 9.71 lakh tonnes of sand was supplied involving an expenditure of Rs. 9.43 crores. As against this the sand supplied in 1986-87, was 7.96 lakh tonnes but expenditure increased to Rs. 10.64 crores. Thus, inspite of less capacity utilisation the cost has increased substantially. The Committee therefore recommend that earnest efforts should be made to increase the capacity utilisation of J.K. Ropeways to make it cost effective so that it can compete with private parties. The Committee also desire that Government

Coal India Ltd. should find ways and means for undertaking an expansion programme of J.K. Ropeways so that dependence on private parties for supplying the sand is minimised.

F. Hiring of HEMM (Heavy Earth Moving Machinery)

Recommendations S. Nos. 33, 34 & 35(Paragraph Nos. 5.45-5.49)

20. The Committee had noted that even though utilisation of HEMM had been much below the actual capacity, the company had been engaging private HEMM at huge cost which increased from a meagre amount of Rs. 4.8 lakhs in 1977-78 to as much as Rs. 17.27 crores in 1985-86. The Committee also pointed out that the hiring of HEMM was against the instructions given by CIL Board. The Committee, therefore, recommended that the whole matter regarding the hiring of HEMM by ECL, continuing the same contractors year after year without tendering system, revision of the earlier decision of CIL Board from total hiring of HEMM to minimising the hiring should be got investigated by Government through an independent Expert body within a short specified time.

21. In their reply the Government have intimated that as desired by COPU, an Independent Expert Group consisting of S/Shri K.R. Gupta, Director (Finance) Singareni Collieries Co. Ltd. and S.R. Sengupta, General Manager, Neyveli Lignite Corporation Ltd. was constituted to go into the hiring of HEMM and the engagement of contractors in depth without calling for tenders year after year. The Expert Group has submitted the Report. It has also been stated that as desired by the Committee, a decision has been taken by the Government to do away with hiring of equipment in a phased manner within 3 years. At the same time ECL is being advised to take measures for improving the economics of departmental working of HEMM including the steps suggested by the Expert Group.

22. The Committee are glad to note that in pursuance of their recommendations Government appointed an Expert Group to look into various issues connected with the hiring of HEMM by ECL. The Group has also submitted its Report and Government have taken a decision to stop hiring of HEMM in a phased manner within 3 years. However, the committee have noted from the Report of the Expert Group that there are certain deficiencies in the Working of departmental HEMM. the Committee desire that all out efforts should be made to eliminate the factors responsible for underutilisation of company owned HEMM. At the same time the Committee also emphasise the need for implementing the suggestions given to the Expert Group for improving the operational efficiency of HEMM. Needless to point out that Ministry and Coal India Ltd. should regularly monitor the working of the Company HEMM and taken necessary remedial measures for improving its performance.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 2 (Paragraph No. 2.12 & 2.13)

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

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

emphasize that the Holding Company (CIL) and Department of Coal should take effective steps to ensure the achievements of objectives by ECL as the mere laying the high sounding statement of objectives before Parliament does not serve any purpose. The Committee, therefore, recommend that a time bound programme should be chalked out for achievement of each of the objectives. The progress achieved in this regard should be monitored regularly and reflected in the Annual Report of the Company.

Reply of the Government

With a view to identifying the various problems plaguing the Company (Eastern Coalfields Limited) and finding out remedial steps/measures to be undertaken to get over these problems in order to enable the Company to achieve its main objectives, the Government appointed a Committee headed by Shri K.S.R. Chari, Consultant and former Secretary, Department of Coal. The report submitted by the Committee has been examined and Government decision on various recommendations taken. The Company has been asked to implement the accepted recommendations as expeditiously as possible.

[Ministry of Eergy, Department of Coal O.M. No. 11013/4/87--Admn. II
Dated 9.10.87]

Comments of Audit

Although the Committee on Public Undertaking recommended that a time-bound programme should be framed by the Company and its achievement should be reflected in the Annual Report of the Company, the Company has not yet framed any time bound programme to achieve various objectives set forth by the Company nor are these reflected in the Annual Report. The Annual Report of the Company merely contains the comparative data of two years in respect of some of its activities.

Further comments of Government

No further comments.

Recommendation Serial No. 5 (Paragraph Nos. 3.102 and 3.103)

The production of ECL was 26.18 million tonnes in 1975-76. The demand of coal of the undertaking was estimated to rise progressively to 35 million tonnes in 1982-83. In order to meet the increased demand of coal the undertaking planned, development of 16 new projects and reorganisation of 17 projects upto 1982-83. Out of these 33 projects, 16 projects were major projects costing more than Rs. 5 crores each and 17 projects were between Rs. 2 crores and Rs. 5 crores each. The total annual production capacity of these 33 projects on completion was estimated at 28.18 million tonnes. Of these 33 projects, only 3 projects costing between Rs. 2 crores and Rs. 5 crores could be completed by the undertaking by November, 1983,

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

Reply of the Government

No specification is called for as no recommendation is involved in this para. The conclusion of the Committee has been noted for guidance.

[Ministry of Energy, Department of Coal O.M. No. 11013/4/87--Admn.II
Dated 9.10.87]

Recommendation Serial No. 6, (Paragraph No. 3. 104)

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

project	Org. Estimates	Revised Estimates	Delay in completion
	(Rs. In crores)		
Chinakuri	8.43	45.54	8 years
Dhemomain	11.95 + 9.06	73.76	8 years
Amritnagar	10.85	65.45	8 years
Kunustoria	3.48	19.49	8 years
Rajmahal	87.43	217.25	4 years

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

further projects without seeing as to what extent the earlier projects have been implemented by the undertaking. The Committee feel that had the Ministry taken adequate interest and ensured timely implementation of the projects by effective monitoring through monthly or quarterly reviews, the delays could have been reduced considerably and saving effected in the costs. Since the projects have already been delayed the Committee at this stage can only urge that the undertaking, the holding company as well as Ministry should learn lessons from past experience and take effective steps now to have the projects completed as early as possible. A time bound programme should be framed and the progress of each project should be reviewed by effective monitoring through monthly or quarterly reviews. The Committee would also like to emphasise that in view of the progressive rise in the demand of the coal, the country cannot afford long delays of 4 to 8 years in the implementation of projects especially when the latest technologies are easily available that can drastically cut down the time required for various mineral operations through mechanisation.

Reply of the Government

The procedure of clearance of investment proposals at the Govt. the level involves the following stages :

- (i) Circulation of the project report to the Appraising agencies which includes planning Commission, Ministry of Railways, Ministry of Finance, Deptt. of Public Enterprises, DGTD etc.
- (ii) comments received from the Appraising Agencies are replied to by the coal company ;
- (iii) Inter Ministerial Group Meeting is held when the project report is discussed thread bare and before it is recommended to the public Investment Board (PIB) for approval;
- (iv) At the PIB stage also the project is discussed in great details and all aspects are covered before it is finally recommended for approval of the Cabinet Committee on Economic Affairs,

Therefore adequate care is being taken on all aspects at various levels of Govt. of India before a project report is finally approved.

2. For each of the project under implmentation in the subsidiaries of CIL project Management Organisation has been set up entirely devoted to the task of constructions of the project. This organisation has sufficient opera-

tional independence. A standard Project Implementation manual has been prepared for all the opencast as well as underground mines. The progress of project is reviewed at various levels in CIL. Apart from this in the Department of Coal also quarterly monitoring reports received from the company are analysed and examined critically. On the basis of such analysis review notes are prepared for discussion in the performance review meetings. In case of projects where serious slippages are noticed field visits are made by senior officers of the Deptt. of Coal for spot review and taking such corrective action as is considered necessary. Therefore at both the company and Govt-level all efforts are made to arrest slippages of projects under implementation.

[Ministry of Energy, Department of Coal O.M, No. 11013/4/87-Adm.II dated 9.10.87].

Comments of Audit

In reply Ministry has indicated the procedure of processing and sanctioning of investment proposal and has further stated that all efforts are made to arrest slippage of projects under implementation. An scrutiny of record revealed that Chinakuri, Dhemomain, Amritnagar Project are expected to slip further as may be evident from the revised dates fixed for completion as indicated below :—

Name of the Project	Original completion date	Revised completion date
Chinakuri	1981-82	1989-90
Dhemomain	1981-82	1989-90
Amritnagar	1984-85	1993-94

Incidentally it may be stated that there will further cost and time over run in respect of Chinakuri Project because of change of technology which is under review by the Company.

Further Comments of Department

In the case of Chinakuri and Amritnagar Project Revised Project Reports were sanctioned by the Government on 12.3.85 and 19.9.85 respectively. Revised Cost Estimates for Dhemomain UG was sanctioned on 17.6.83. Therefore, the completion dates of these projects should be reckoned from the zero dates as indicated in the sanction letters for these projects as mentioned above.

For Amritnagar UG the schedule date of completion is March, 1983 and as per present status this project is on schedule. According to Revised Cost Estimate for Dhemomain UG sanctioned on 17.6.83, the project is to be completed by March, 1990. However, there is likely to be some delay. The power support longwall mining equipment is to be replaced with a higher capacity equipment. Thereafter work is expected to progress satisfactorily.

In the case of Chinakuri UG the Revised Project Report which was sanctioned in March, 1985 was based on a study report by the USSR specialists. The date of completion as per sanction of the project is March, 1989. However, there will be one delay in its completion due to technological problems. Serious doubts have been raised about the suitability of the method of mining suggested in the sanctioned report. The problem has now been posed to the FRG experts, who are currently studying various technical aspects of the mine. After a detailed report is available from the FRG experts with their positive recommendation, only then the implementation of new technology can commence. Hence the delay.

[Ministry of Energy, Department of Coal O.M.No. 11013/4/87-Adm.II
dated 24.3.88]

Recommendation Serial No. 7 (Paragraph No.3.105)

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

Reply of the Government

No specific action is called for as no recommendation is involved in this paragraph.

[Ministry of Energy, Department of Coal O.M.No. 11013/4/87-Admin.II
dated 9.10.87]

Recommendation Serial No 8 (Paragraph No. 3. 106)

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

Reply of the Government

While preparing a project report the construction time schedule is fixed on the basis of realistic time required for completing each activity. This time schedule cannot be adhered to when unforeseen situations like law and order problem develop during implementation of project. Such problems have to be tackled with the help of State administration. In many cases the projects are being implemented according to the schedule. Delays are common in Bihar and West Bengal. Adequate steps are being taken to sort out the problems with the help of State Government.

]Ministry of Energy, Department of O. M. No. 11013/4/87-Admn. II
dated 9.10.87]

Comments of the Audit

Although Ministry in reply has stated that adequate steps are being taken to sort out the problems with the help of State Government, it is seen that projects suffering from land, law and order problems as referred to in the Audit Report Commercial, 1983 are still not from these problems.

Further comments of the Department

No further comments.

]Ministry of Energy, Department of Coal O. M. No. 11013/4/87-Admn. II
dated 23.3.88]

Recommendation Serial No. 9 (Paragraph No. 3.107)

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

Reply of the Government

On the basis of detailed geo-mining studies carried out by CEMPDIL, the following areas have been identified for introduction of technologies in ECL mines :—

- (1) Introduction of longwall powered support equipment.
- (2) Extraction of developed reserves in thick seams by French technique called gallery blasting method of mining.
- (3) Extraction of virgin reserves in thick seams by French technology called-sub-level caving method of mining.
- (4) Extraction of deep seated reserves of Disergarh seam with caving under hard roof conditions.
- (5) Total electronification of selected mines with a view to improve production, productivity, safety and equipment performance.
- (6) Development of higher capacity opencast mines with the productivity comparable to international standards.

The above list is only indicative and not exhaustive. Some of the areas mentioned above require the services of foreign experts for the implementation of the mining method under bilateral cooperation. Identification of new areas to fill up the gap in the technology is a continuing process and may have to be expanded depending upon the future needs.

Comments of Audit

Although Ministry in their reply has indicated about the introduction of latest technology in ECL Mines, it has so far introduced new technology in respect of item No. 1 in two mines and the results achieved are not satisfactory.

Further Comments of Government

It is true that the performance of longwall powered support equipment in ECL mines namely Dhemomain and Seetalpur has not yet proved satisfactory. This has been mainly because of the fact that this technology was being introduced for the first time in ECL mine conditions. The equipment designed by British agencies proved to be underrated for harder coal strata available in these mines. Need was felt for man-riding haulages and proper coal evacuation system. Also the expertise available for handling the equipment

was not found adequate. Nevertheless technology now has proved successful. The performance of this technology in the mines of SCCL/BCCL has proved successful. Accordingly, steps are now being taken to improve the working of this technology in Dhemomain and Seetalpur mines of ECL.

2. The other technologies mentioned in the reply of the Government are being introduced in ECL mines. The technology (No. 2) for extraction of developed reserves in thick seams by French technique has recently been introduced in Chora mine. The results are under evaluation. Similarly the technology (No. 3) for extraction of thick seams by French technology of sub-level caving or multi slicing method of mining has been proposed at Kottadih mines of ECL and the proposal is under approval.

3. Due to non-availability of technology (No. 4) for extraction of deep seated reserves of Disergarh seam from USSR (although earlier promised by them), efforts are now being made to import this technology from FRG for Chinakuri mine of ECL.

4. BMC of UK have submitted proposal for electronification (Tech. No.5) of J.K. Nagar mine of ECL which is under evaluation.

5. Large opencast mine (Tech. No. 6) of capacity of 5 million tonnes a year is already under implementation at Rajmahal (ECL) and another nine at Sonepur Bazari for a capacity of 3 mty. has also been approved.

[Ministry of Energy, Department of Coal O. M. No. 11013/4/87-Adm. II dated 24.3.88.]

Recommendation Serial No. 11 (Paragraph No. 3.109)

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

Reply of the Government

Instructions have been issued to the company emphasising that in future prior approval of the competent authority should invariably be sought before closure of any project.

[Ministry of Energy, Department of Coal O. M. No. 11013/4/97-Admm. II dated 9.10.87]

Recommendation Sl. No 12 (Paragraph No.3.110)

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

Reply of the Government

Recommendation has been added to the terms of reference of the Expert Group appointed vide Department of Coal's O.M. No.37023(1)/87-CML dated 20-8-1987 and further revised vide Department of Coal's O.M.No. 37023(1)/87-OML dated 16-9-1987.

Comments of Audit

NIL

Further Reply of the Government

The Independent Expert Group appointed to look into the question of HEMM was asked to enquire into the circumstances in which order was placed in the month of April 1979 for a dragline for Mahabir OCP which was closed during the same month, the extent of loss suffered by the company due to the failure of this project and responsibility therefor. The report of the Group is of this enclosed vide reply to Recommendation No. 33.

The project proposal for Mahabir opencast mine was based on the Abandonment Mine Plan. Equipment finalised on the basis of the data contained therein was later found to be unsuitable. Since then CIL has developed better infrastructural facilities for exploration and planning and

such a situation would be somewhat rare. As regards the purchase of a dragline it is noted that by the time the decision to buy the dragline was taken and the order placed, the working of the mine had become highly uneconomic and it was decided to close the mine. Unfortunately, due to lack of coordination between different wings of the company, the purchase was proceeded with, despite action being taken concurrently for the closure of the mine. However, as the dragline was a standard equipment it was later transferred to another area where it is still working.

The plant machinery, furniture, vehicles etc., of Mahabir OCP amounting to Rs 182.13 lakhs out of a total investment of Rs. 182.80 lakhs have been utilised for other projects. Only Rs. 0.67 lakhs spent on mine development and land acquisition has gone unutilised due to the closure of this project but about 5 lakh tonnes of coal was mined before the project's closure.

In order to avoid the recurrence of such situations, the Group has made the following recommendation :

“As there is always a time lag between the project formulation and its implementation, orders for major equipments should not be placed merely because they were once included in the approved project Report or justified as far as replacement is concerned in the case of an on-going project. Before placing orders for major equipments a review should be made by a committee consisting of senior officers of the Company to ensure the continued justification of such equipment, after taking into account all relevant changes in working parameters including availability of any surplus equipments in other projects. The results of the review should be kept on record.”

The above recommendation has been accepted by the Government and instructions have been issued to CIL and its subsidiaries to follow the suggested procedure.

The Government has not held any individual responsible for the infructuous purchase but rather put the blame on the system and procedure which are now sought to be improved.

[Ministry of Energy, Deptt. of Co^o O.M. No. 11.013(4)/87-Admn.II dated 24.3.1988]

Recommendation Serial No. 13 (Paragraph No. 3.111)

The Committee also regret to point out that four projects costing more than Rs. 2 crores each were started by the undertaking without approval

of the Government. These projects are Kalidaspur, Mandman, Kasta and Kottadih. Upto the end of 1985-86, the undertaking has spent Rs. 274.45 lakhs, Rs. 234.87 lakhs, Rs. 13.86 lakhs and Rs. 255.49 lakhs on these projects respectively. Even though the Ministry had instructed the undertaking as early as in 1981-82 not to incur expenditure on unapproved projects, the undertaking went ahead in spending the money. In this connection, the CMD admitted during evidence that when the projects were started there was no permission either of the Government or of the Board.

The Committee are unable to understand the hurry shown by the undertaking in this regard. As regards the present position, Ministry have stated that except Kottadih all other projects have been approved. Kottadih project is presently under appraisal and scrutiny of the Department of Coal. The Committee desire that the matter should be probed into with a view to fixing responsibility for starting projects without the permission of Government/Board.

Reply of the Government

A committee was appointed by CMD, ECL in May, 1987 to enquire into undertaking of kalidaspur, Kasts, Mandman and Kottadih project without the approval of Government.

The Committee has submitted its findings.

The main findings are as follows :

Kalidaspur : Expenditure on this project till the date pilot Scheme was approved in May, 85 was limited mostly to the items approved by CIL Board for Advance Action,

Kasta During the year 1982-83, when the project was awaiting approval from the Government after being cleared by CIL Board, an expenditure of Rs. 13.86 lakhs was incurred on this project.

In view of the fact that approval of the project was within the power of CIL and CIL had cleared the project (and submitted to the Govt. for approval mainly due to the fact that the linked power houses were under consideration by the Govt.) and in order to create certain basic infrastructure to expedite the project on receipt of Govt. sanction the above expenditure was incurred. It may also be noted that expenditure on this project in 1982-83 was envisaged by CIL Board which was the Competent Authority for approval of the project.

Kottadih and Mandman : Expendure on these two projects were done on the basis of Advance Action proposals approved by ECL Board.

[Ministry of Energy, Department of Coal O.M. No. 11013/4/83- Admn.,

II dated 9.10.87.]

Comments of Audit: Ministry's reply to recommendation No. 13 is correct subject to the following observations :

1. *Kalidaspur project* : According to Coal India Ltd., Board's Minutes (Meeting held on 30/31st May, 1979), the Board had approved advance action only in respect of power supply arrangement and land acquisition and not for drivage of incline as mentioned in the Enquiry Committee's Report enclosed by the Ministry in its reply.

2. *Kottadith OCP* : Figures of total demand and availability of coal appearing in the Enquiry Committee's Report should be as follows as per Agenda Note submitted to the Board of CIL for approval of the project :

(In million tonnes)

	1982-83	83-84	84-85	85-86	86-87	87-88	88-89
Demand	25.78	27.34	28.99	30.28	31.40	32.94	N.A.
Availability	21.42	22.85	24.38	25.03	24.47	24.53	N.A.

3. *Mandman* : The feasibility Report of the project was approved by CIL Board in the meeting held on 7.10.1980 and not 17.10.1980 as mentioned in the Enquiry Committee's Report.

Further comments of Department

1. *Kalidaspur Project* : Regarding the observations of the C&AG on Kalidaspur project, it is confirmed that the CIL Board had approved advance action for kalidaspur for (a) Drivage of incline, (b) power supply and (c) land acquisition.

2. *Kottadith OCP* : C&AG has made an observation about the total demand and availability position indicated in the findings of the Committee appointed by CMD, ECL in May, 1987, copy of which had been attached to the reply given in respect of recommendation S.NO. 13. Regarding figures of demand and availability appearing in the findings of the Committee, it is stated that this position was put up to the CIL Board in its 39th meeting held on 18.9.81, and the Agenda note for the said meeting contained the following demand-availability figures :

(Figures in million tonnes)

	82-83	83-84	84-85	85-86	86-87	87-88	88-89
1. Total demand on Raniganj coalfields	22.83	24.96	27.31	29.36	31.41	32.56	34.01
2. Availability from Group-II, Group-III and Group-IV mines (Approved projects and existing mines)	19.73	20.36	22.17	22.47	21.87	22.09	21.65
3. Gap between availability and demand	(-) 3.10	(-) 4.60	(-)5.14	(-)6.89	(-)9.54	(-)10.47	(-)12.36

(Source page 32.06/4 Agenda Note of 39th meeting of CIL Board held on 18.9 81)

3. *Mandman OCP*: Regarding Mandman OCP the observation of C&AG is correct and the date of CIL Board meeting was 7.10.1980 and not 17.10.80 which is a typographical error.

Ministry of Energy, Department of Coal D.M. No 11013/4/83 Adm.II dated 4.3.1988.]

Recommendation Serial No. 14 (Paragraph No. 3.112)

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

Reply of the Government

The observations made by the Committee have been taken note of. Guidelines already issued to Government Directors on the Boards of Directors of Coal Companies on how to play an effective and meaningful role as representatives of the Government on the respective Boards have been amplified in the light of the Committee's observations.

[Ministry of Energy, Department of Coal O.M.No. 11013/4/83—Admn. II
Dated 24.3.1988]

Recommendation Serial No. 15 (Paragraph No. 3.113 and 3.114)

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

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

Reply of the Government

The recommendation has been noted for compliance.

[Ministry of Energy, Department of Coal O.M. No. 11013/4/87—Adm. II
Dated 24.3.1988]

Recommendation No. 16 (Paragraph No. 3.115 and 3.116)

The Committee note that due to misplacement of papers on Dhemotma in coal handling plant there has been a cost escalation of Rs. 1.18 crores.

Admittedly, the papers are still missing. The reason advanced by ECL for misplacement of paper is that the company was taking help of CMPDIL and between CMPDIL and ECL the papers got dislocated somewhere. The Committee are distressed to observe that even though the Company came to know about missing of papers about 2 years back, the Company is not yet able to complete preliminary inquiry and fix responsibility. Surely, the undertaking has not been taking the matter seriously otherwise the Committee see no reason why the preliminary enquiry should not have been completed in 2 years' time. The Committee, therefore, recommend that the Company should go into this matter urgently and fix responsibility for the loss of papers within one month.

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

Reply of the Government

A High-Powered Committee was appointed by the Eastern Coalfields Limited to investigate and fix responsibility for delay in execution of CHPs in July, 1986. The findings of the Committee in respect of 8 (eight) CHPs were put to ECL Board along with the Action Taken Report on C&AG's Report on ECL (Part-IV-1983) on 29-8-1986 and to CIL Board on 18-3-1987.

The Committee's report on Dhemomain CHP could not be placed before the Board as it was still under consideration of the top management of Eastern Coalfields Limited. The report has since been finalised. Briefly, according to the report, tender Committee meeting took place at CMPDIL Headquarters on 28-5-1976. It was attended by Sri K.K. Kapila the then CME (Sales) on behalf of Managing Director, Eastern Coalfields Limited Managing Director, Central Mine Planning and Design Institute Limited sent a report along with his recommendations to Managing Director, Eastern Coalfields Limited on 29-5-1976. These papers were not received in Eastern Coalfields Limited. Government sanction to the Dhemomain Project was given in August, 1977. When inspite of all efforts papers could not be traced

they were reconstituted from the office records of CMPDIL on 24.8.79. Re-examination of these papers revealed some changes required in the scope of the work to be done. The issue was placed before the Board of Eastern Coalfields Limited 18.4.1980 and again on 17.7.80. The Board of Eastern Coalfields Limited constituted a Committee to carry out negotiations with the tenderer and finalise terms of contract and put it up before the Board by circulation. This was finally approved by the Board of Eastern Coalfields Limited on 28.11.1980 and the agreement was entered into on 13.1.1981. There was a change as the original FR for Dhemomain CHP indicated capacity of 1 MT/Yr which was revised to 1.5 MT/Yr. Also the evacuation system of coal from mine had been changed. On the basis of change in the scheme of Dhemomain, M/s. BSCL submitted a revised proposal in March, 1982. This revised proposal was finally approved by the Board of ECL in February, 1983. The approval of revised FR by Ministry was given in June, 1983. The revised work order was issued on 24.6.1983 and the Final firm work order was issued on 7.12.1983. As the Company (Eastern Coalfields Limited) was in a formative stage (in 1975-76) there was a lack of systems for recording the receipt and despatch of papers and for proper monitoring of the projects. The Committee did not find any person in particular responsible for misplacing of papers. If at all, Mr. K.K. Kapila could be held responsible for not having brought the letter of Managing Director, Central Mine Planning and Design Institute Limited dated 29.5.1976 with him. However, later on it was observed that it was not a normal practice for the members of tender committee to take a copy of the recommendations and so it is not appropriate to hold Sri Kapila responsible for the delay. The Board of Eastern Coalfields Limited has taken note of the report of the committee while considering the action taken on the recommendations of COPU in its meeting held in August, 1987.

[Ministry of Energy, Department of Coal O.M. No. 11013/8/87—Adm. II
Dated 24.3.1988]

Recommendation Serial No. 18 (Paragraph Nos. 4.60 and 4.61)

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

The Committee find that as against the actual production of 26.18 million tonnes in 1975-76 and 26.47 million tonnes in 1976-77, the Undertaking's production dwindled to 20.52 million tonnes in 1979-80. From 1979-80 it started recovering and increases to 24.03 million tonnes in 1985-86. Not

only the targets were reduced but even the revised targets could not be achieved by the ECL. The Committee are unable to reconcile to this situation particularly the fact that undertaking has invested more than Rs. 500 crores in plant and machinery besides the substantial increase in its surplus manpower and infrastructure facilities. This also leads to an inescapable conclusion that the capacity utilisation of ECL mines has been far from satisfactory. The Committee need hardly emphasise that the index of efficiency of production is the extent of utilisation of the installed capacity at an optimum level. The Committee, therefore, desire that the utilisation of the capacity of ECL mines should be closely watched by Coal India as well as Department of coal also as to identify the areas of inefficiency and corrective measures taken promptly to rectify the shortcomings noticed.

Reply of the Government

Assessment of capacity utilisation is done on the basis of total mine capacity assessed by CMPDI and actual production raised from these mines during the year. The data for the last five years is given below :

	82-83	83-84	84-85	85-86	86-87
UG MINES					
No. of UG Mines	98	96	98	98	102
No. of UG Mines where capacity has been assessed	87	96	98	94	102
Percentage utilisation of the capacity of UG Mines	88.7	89.4	90.3	88.9	89.1
OC MINES					
No. of OCPs	14	20	23	23	26
No. of OCPs where capacity has been assessed by CMPDI	14	20	23	23	18
Percentage utilisation of capacity of OC Mines	59.3	61.8	57.8	61.9	65.47

It may thus be seen that utilisation of capacity at UG Mines is more or less at the same level varying between 88 to 90% which is considered to be satisfactory in view of severe constraints of power and land at these mines. Efforts are, however, always being made to improve the capacity utilisation.

In case of Opencast Mines, percentage utilisation of system capacity has been less than the level intended mainly because of problem in getting required land and restrictions on blasting operation because of close proximity of village, shortage of power etc. It has been assessed that during the year 1986-87, there was a loss of production of the order of 2.62 lakh tonnes from opencast

mines of ECL due to constraints in not having the land. But for these constraints, the percentage utilisation would have been much higher than 65.47%. Efforts are constantly on to overcome constraints and improve capacity utilisation in opencast mines.

Coal India and Department of Coal are monitoring utilisation of the capacity of ECL mines regularly.

Comments of Audit

Data furnished by the Ministry in its reply have been verified which revealed certain discrepancies in respect of underground and opencast mines as indicated below :

	82-83	83-84	84-85	85-86	86-87
% utilisation of Underground mines	88.7	89.9	90.3	80.9	87.9
% utilisation of opencast mines	59.3	61.8	57.8	61.9	57.6

Further Comments of Government

After reconciliation with CAG, following figures of capacity utilisation of mines have now been intimated by ECL :

	82-83	83-84	84-85	85-86	86-87
% utilisation of underground mines	88.7	89.4	90.3	88.9	87.9
% utilisation of opencast mines	59.3	61.8	57.8	61.9	65.4

(Ministry of Energy, Department of Coal
O.M.No.11013/4/87-Adm.II dated 24.3.88)

Recommendation Sl.No. 19 (Paragraph No. 4.62)

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

who also stated that had production realisation been 85% the production targets could have been easily achieved.

Reply of the Government

ECL comprises some of the oldest coal mines in the country. With the gradual depletion of reserves in these mines, there is decline in production. New projects have been taken up but over all production could not be sustained at level achieved in the seventies. This aspect has been studied by Chari Committee also. Report of this committee has been perused by COPU.

Keeping in view the infrastructure available with ECL for coal production, targets have been fixed. Performance of the company against these targets upto 1985-86 has been seen by the committee. For 1986-87 and 1987-88 is as under.

	<i>Target</i>	<i>Actual</i>	<i>Percentage achievement</i>
1986-87	25.60	25.62	100.1
1987-88 (upto September)	11.62	11.65	100.3

[Deptt. of Coal O.M. No. 11013 (4)/87-Adm-II dt. 24.3.88]

Recommendation Sl. No.20 (Paragraph No. 4.63)

The Committee were informed in evidence by CMD, ECL that the plans had been drawn to raise coal production upto 31.4 million tonnes in 1988-89 if the land and power problems were solved. However, the land is not being made available for opening new mines so much so that, the undertaking could not get land even for Sonepur Bazar Project which is a World Bank Project. Negotiated meetings are however, stated to have been held at various levels including Chief Ministers of the concerned States. The Committee hope that the problem will be sorted out at the earliest. Besides the land problem, the power problem is also getting acute year after year and remains unsolved.

The Committee desire that the Government should take up the matter with the DVC Authority and persuade them to increase their generating capacity so that East Sector could get their requirement of 446 MWs of power, as assessed by the Ramanathan Committee. The Committee are glad to note that ECL has also taken steps to have their own captive power plants. For this purpose, the Company has floated tenders for 3 units of 2-10 MWs besides the proposal of having a big power station of 600 MWs for coal companies. The Committee recommend that in order to get over the power shortage the process of tendering should be expedited by ECL and captive power plants installed at the earliest. The Committee also desire that the process of installation of big power station for coal companies should also be expedited by sorting out inter-ministerial differences, if any.

Reply of the Government

Compliance of the recommendation of the Ramanathan Committee regarding supply of power to coal sector is being monitored on a regular basis both by Coal India as well as by the Government. Energy Minister himself took a meeting on 27.6.86 and directed as under :-

- (a) DVC should improve its generation ;
- (b) Bokaro unit must be stabilised ;
- (c) NTPC, Farakka should give 100 to 150 MW support to DVC for supplying power to coal sector ;
- (d) Cukka power station for Bhutan should feed 80 to 100 MW into DVC for coal sector ;
- (e) Coal sector in the Eastern Region must get 442 MVA continuously.

Power supply position to coal sector is being reviewed regularly by Department of Power and Department of Coal and irritants if any, resolved. Actual availability of power for coal sector from April, 87 to August' 87 is as under :-

Period	Net availability against demand of 442 MVA (46.5 MVA for monsoon) 488.5 MVA				Number of interruptions				Feeder Hours Lost			
	ECL	BCCL	CCL	Total	ECL	BCCL	CCL	Total	ECL	BCCL	CCL	Total
April 1987	89.8	118.6	74.7	883.1	314	883	522	1719	269	840	474	1583
May 1987	92.4	124	76.7	293.1	267	542	512	1321	204	438	356	998
June 1987	87.6	121.5	90.3	299.4	413	780	691	1884	327	777	560	1664
July 1987	72.5	108.5	77.9	258.9	796	1404	1173	3373	817	1538	1092	3447
August 1987	91.8	127.2	93.2	312.2	252	482	556	1290	224	449	203	876

Allocation for ECL is one unit of 2x10 MW. Agreement for installation of this 2x10 MW Power Station at Chinakuri has been entered into with Disergarh Power Supply Company Ltd. on turn key basis. In addition, ECL

Board has approved installation 2 Nos. of 15 MW Gas Turbine sets at Parase and Jhanjra. Procurement action for these Gas Turbine are under process by CIL. 5×210 MW Thermal Power Station is being planned in Mukunda Project of BCCL. NTPC is preparing the project report for this power station. All relevant information has been provided by CMPDIL, as asked for by NTPC.

Comments of Audit

Reply of Ministry verified no comment. As regards new captive power projects mentioned in the reply, none of the projects has come up so far and all are in planning stage.

Further Comments of Government

The observation of Audit is correct.

[Ministry of Energy, Department of Coal O.M. No. 11013(4)/87-Admn. II
Date. 24.3.1988.]

Recommendation Sl. No. 21 (Paragraph No. 4.64)

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

Reply of the Government

One Regional Institute of CMPDI is located at Asansol. This institution is fully dedicated to ECL for formulating schemes for re-organisation/Re-construction of existing minues for improving production and productivity. Till date, 14 re-organisation/re-constructions chemes have been sanctioned for implementation, In addition, Project Reports for reorganisation/re-construction of another 9 mines have been formulated and are being processed.

It is expected that with the completion of the above mentioned 14 re-organisation/re-construction projects, the productivity would range between 0.72 to 2.73 tonnes from the existing level of 0.46 tonnes.

[Ministry of Energy, Department of Coal O.M. No. 11013/4/87-Adm. II dated 24.3.1988]

Recommendation Sl. No.22 (Paragraph No.4 65)

Eastern Coalfields Limited has also brought to the notice of the Committee that in some of the mines quality of coal is good but there is a mafia problem. As regards tackling the mafia problem, the Committee would like to draw the attention of Department of Coal to their recommendation contained in their 17th Report of Coal India Ltd., wherein it has been recommended that the Ministry of Home Affairs and the concerned State Governments should see that coal companies are allowed to function unimpeded by anti-social elements. The Committee reiterate their earlier recommendation and desire that effective measures should immediately be taken to eradicate this menace once for all.

Reply of the Government

The efforts made over the years on the part of the State Government and the management of coal companies have yielded positive results and there has been surely a decline in the violent activities of the mafia in coal fields as compared to late seventies. This will be evident from the statistical details given in the Appendix. (Appendix II)

Some of the more important steps taken to curb the activities of anti-social elements and continuously monitor the law and order situation in the coalfield areas are :-

- (i) A Committee has been set up under the Department of coal to monitor the activities of antisocial elements in the Bengal-Bihar coalfields.
- (ii) The CISF has been introduced in the affected areas in a big way to effectively deal with mafia menace.
- (iii) The State Government of Bihar have created a post of DIG for the Coal-belt areas and opened new police stations with augmented strength and other facilities. This has resulted in a better liaison between the police and the coal industry.
- (iv) The judicial cases against leaders of the mafia are being pursued closely. Some major leaders had been taken into detention under the National Security Act. As a result of these measures, the atmosphere has substantially improved & production level of coal has also considerably improved.

- (v) Improvement of roads in a systematic and planned manner to facilitate easy and quick movement of police/security forces as also faster evacuation of coal.
- (vi) Improving wireless communication net-work in the collieries.
- (vii) Preventive arrests of mafia leaders.
- (viii) Departmentalisation of transportisation of coal. Internal transportation of coal from pit heads to washeries and railway sidings has already been departmentalised to the extent of 95% in the Dhanbad-Jharia coalfields as compared to 38% in 1982.
- (ix) Setting up of licensed coal depots and coal dumps.
- (x) Rotational transfer of CISF personnel and company employees holding sensitive positions to prevent development of vested interest.
- (xi) Reduction, in the number of contracts. The number of contracts awarded for various jobs like, minor repairs, underground work, etc. have been reduced to the barest minimum.

The activities of mafia in coalfields of Bihar were discussed in a meeting of the Committee of Secretaries recently which was attended among others, by the Chief Secretary to the Government of Bihar. In the meeting, it was observed that while the mafia, for the present, appeared to be somewhat dormant, there was no reason to believe that they would not become active again as had happened in the past and, therefore, concerted measures would need to be continued. It was accordingly, decided that the following action should be pursued vigorously:

- (a) The strengthening of the police in the area should be maintained. The State Government may consider creating a cell which would monitor closely activities of mafia leaders.
- (b) The system for various types of contracts be tightened further by the companies. The value of the contract as also the number of contracts to any particular individual should be properly regulated. The antecedents of the contractors should be verified in consultation with the State Government.
- (c) In order to stop extortion of money, the provision for debarring any coal employee from indulging in money lending may be incorporated. in the model law in consultation with the Chief Labour Commissioner

- (d) Cooperative credit societies of workers and cooperative consumer stores for workers should be started by the coal companies.
- (e) The coal companies may consider appointment of some SC/ST workers at various supervisory levels on the posts of Sirdar, Overman etc.
- (f) Transfer and rotation of administrative, police, coal and CISF officials serving in the area, should be enforced so as to reduce the possibility of Mafia-Administration nexus. Provision of transfers be incorporated in the model law.
- (g) The creation of societies of ex-servicemen for carriage of sand and other material should be encouraged.
- (h) The location of liquor shops should be rationalised with a view to curtailing expenditure by coal workers on this item.

While these decisions were taken in the context of the mafia activities in the Jharia Coalfields, they are also equally relevant to other coal companies. As such, all the coal companies, including Eastern Coalfields Ltd. have been instructed to implement these decisions rigorously and faithfully in a time bound manner.

[Ministry of Energy, Department of Coal O.M. No. 540122/2/87-IR dated 9th October, 1987]

Recommendation Sl. No. 23 (Paragraph No. 4.66)

The Committee note that as against the norms of holding coal stocks of 3 weeks production, the coal stock in the company has been increasing year after year. From 5 weeks production in 1975-76. it increased to 10.9 weeks production in 1984-85. The stocks of coal in some of the mines were of the order of 73 months, 30 months and 57 months despatch requirements. The Committee feel that such a high stock will have adverse financial implications because according to the Chari Committee, "taking out coal from mines for keeping it in stocks exposes it to disintegration and deterioration in quality, theft and fire." The Chari Committee had also stated that the interest charges alone on the coal locked up in pit head stocks comes to as much as 12 crores a year. A sum of Rs. 65 lakhs is also reported to have been provided in the Annual Accounts upto 1982-83 for loss due to deterioration in quality of coal stock. The Committee are distressed at this state of affairs. In Committee's view the accumulation of huge stocks is due to mad rush for fulfilling the annual production targets at any cost resulting in indiscriminate and uncoordinated mining of poor grade of unsaleable coal. This

piling of huge stocks at mines coupled with payment of over-time and Sundry working not only affects adversely the cost of production but also provides scope for malpractices.

Reply of the Government

Reply to this para is included in reply to para 4.67.

[Deptt. of Coal O.M. No. 11013 (4)/87—Admn. II Dated 24.3.88]

Comments of the Committee

Recommendation Sl. No. 24 (Paragraph No. 4.67)

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

Reply of the Government

Policy of holding stocks to the extent of maximum 3 months at individual collieries and average of 1 month over the company as a whole is followed by and large. Trend of production and despatches as obtained over the years reveal that production is higher during the second half of the financial year and despatches are not able to keep pace with it. Production, however, slackens in the first quarter i.e. April to June of the financial year and gets still further down during the second quarter i.e. July to September on account of adverse weather conditions which seriously affect performance of coal mining. These irritants get gradually reduced in the third and fourth quarters leading to improvement in production and building up of stocks which get reduced during the first half of the following year.

Excessive stock piling has taken place at Rajmahal which stood at 1.52 million tonnes at the end of 1986-87. This has been on account of delay in commissioning of MGR system for Farakka STPS. Chitra mines also held very heavy stocks on account of non availability of railway siding. The arrangements for siding for this mines are being finalised by ECL with Eastern Railways. As on 1.8.87 stocks in Rajmahal Areas and Chitra Mines stood at 2.06 million tonnes and in the rest of ECL at 1.87 million tonnes. The

average monthly production of ECL during the first 5 months of 1987-88 has been 1.80 million tonnes. There would be further drawing down of stocks during the month of August-September and the average stocks would probably come down below 1 month's average production.

Further analysis of the stocks at the different coal mines of ECL reveals that as on 1.8.1987 mines having 47.3% production of the company held stocks below 1 month and mines having production upto 93.7% held stocks below 12 weeks. It is seen that Rajmahal, Simlong and SP mines which held 52% of the stocks as on 1.8.1987 contribute only about 7% of the total monthly production of the company.

Comments of Audit

Regarding 1st paragraph, No comment. Regarding 2nd para, figures verified and found correct excepting average monthly production of Eastern Coalfields Ltd. during first 5 months of 1987-88 would be 1.9 million tonnes instead of 1.8 million tonnes.

Regarding last sentence of the 2nd Paragraph, the following position is indicated.

(Figures in million/tonnes)

Production from April' 87 to Sept' 87	Closing stock as on 30.9.87	Closing stock in terms of months production
11.65	3.94	2.03

It may be seen from the above table that the stock holding represents more than one month production against Ministry's reply of less than one month production.

Regarding constraints in despatching coal from Rajmahal and Chitra Area, the company did not regulate the production and thus huge coal stock was allowed to be accumulated in those Areas. During 1986-87 the company has made provision for coal stock deterioration in those Areas as follows :

Area	Provision for deterioration of stock (Rs. in crores)
Rajmahal including Simlong	5.82
Chitra	<u>3.99</u>
	<u>9.81</u>

Counter Comments of Government

Audits observations regarding production during April-Sept., 1987, closing stock on 30.9.87 represent the correct position regarding entire, ECL, whereas in the Ministry's reply the reference to stock holding for less than one month's production related to all the mines of ECL excluding Rajmahal and Chitra areas which is evident from the following :

Production in Lakh tonnes in April-September'87			Closing stock in Lakh tonnes on 30.9.87			Closing stock in terms of month's production		
ECL	Rajmahal & SP	Rest of ECL	ECL	Rajmahal & SP	Rest of ECL	ECL	Rajmahal & SP	Rest of ECL
116.45	7.27	109.18	39.37	22 12	17.25	2 03	18.28	0.95

As regards non-regulation of coal production from Rajmahal and Chitra areas, our comments are as follows :

Rajmahal

Rajmahal Opencast mine is totally captive to NTPC's Farakka STPS. Production planning of this OCP had been done on the basis of linkage to Farakka STPS. Further production from this mine had been to the extent required for to development as per the project report to cater to the needs of box cut, haul roads and back filling space for dumping overburden.

Stockpiling at Rajmahal has been mainly because of NTPC's Farakka STPS failing to lift coal as per linkage. Now that Merry-Go-Round system for transport of coal from Rajmahal to Farakka STPS has started functioning, the off take from this place has registered increase to about 1.5 lakh tonnes/month against earlier figures of 40-50 thousand tonnes/month. As the position of stock stands now, it is anticipated that even the present rate of increased offtake would not enable liquidation of stock. The target of production fixed for this area is being considered for downward revision.

SP Mines

The production from this area was not pegged down as Bihar State Electricity Board had indicated their interest in taking coal from this Area. It was decided to transport coal to rail-head at Jamtara for despatching the same to BSEB but ECL's request for supply of wagons at Jamtara siding has been turned down by the Railways.

The next alternative was to transport coal to rail head at Bonjemehari siding and the movement was started, but BSEB agreed to pay only 50% of

the coal transport charges to Bonjemehari whereas they had agreed to pay 100% coal transport charges to Jamtara.

The matter of pegging production from this area is under active consideration of ECL management.

Provision for coal stock deterioration at Rajmahal and S.P. Mines areas had to be made in 1986-87 accounts, because the closing stock of coal was valued at its declared grade whereas aging of the stock results in deterioration due to various reasons including admixture with shale, matti etc. from over burden.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87—
Admn. II, Dated 24.3.1988]

Recommendation Sl. No. 25 (Paragraph No 4.68)

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

Reply of the Government

ECL have taken steps to improve the existing infrastructure for despatch of coal. They have appointed M/s. RITES India Ltd, to carry out a study of the existing infrastructure and to draw a plan to rationalise the existing sidings and to suggest alignments of new sidings taking into consideration infrastructure available with the Railways.

In the meanwhile, the company is making efforts to increase despatches with the existing infrastructure. Despatches during April to August, 1987 have been 78.42 lakh tonnes against 75.71 lakh tonnes in the corresponding period of 1986, representing an increase of 3%.

Comments of Audit

Regarding para—1—the reports from M/s. RITES India Limited are awaited.

Regarding paragraph 2, despatch figure as available from the records of the company are as follows :—

- | | |
|--|-------------------|
| 1. Despatches during
April, 1986 to August, 1986. | 75.51 lakh tonnes |
| 2. Despatches during
April, 1987 to August, 1987. | 79.01 lakh tonnes |

Further Comments of Government

The observation of Audit is correct.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87—
Admn. II dated 24.3.1988]

Recommendation Sl. No. 26 (Paragraph No. 4.69)

The Committee regret to note that there have been shortages in coal stocks of the undertaking. In May, 1979 a large quantity of 7.07 lakh tonnes valuing Rs. 7.37 crores was written off as shortages arising out of statistical errors, over reporting of production and misappropriation etc.

Even after May, 1979 more than 15 lakhs tonnes of coal was written off by the undertaking as shortages. In October, 1983, at the instance of CIL, the coal when physically measured showed a shortage of 9.71 lakh tonnes as compared to book stock. The undertaking is also reported to have been making adjustments in the opening stock without formal write off sanction.

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

Reply of the Government

Guidelines for writing off shortages and adjustments in coal stocks followed by ECL are as follows :

“In the cases where the variation between book stock and the physical stock measured at the end of the year is less than 5%, no adjustment in the stock records should be carried out and the book stocks appearing at the end of the year should be carried forward to the beginning of the next year both for quantity and value purposes.

In cases where variation between book stock and measured stock is more than 5% action should be taken to get the case investigated departmentally and based upon the findings, action for write off or write back should be taken at the level of the Subsidiary Company in accordance with the existing delegation of power immediately after the closure of the year. Where write off or write back action requires approval from the Board of the Subsidiaries, the matter should be put up to the Board for approval. Where approval for such action is within the competence of a level below the Board of the Subsidiaries, the information regarding action taken should be placed before the Board of the Subsidiary Companies”.

Recently Coal India Limited has revised these guidelines with effect from accounting year 1986-87. These are as follows :—

1. “Subsidiaries can write off only shortages/deteriorated stocks not exceeding ten thousand tonnes in each case and fifty thousand tonnes in a year. In such cases this should be reported to CIL.

2. Where write off beyond ten thousand tonnes in each case or beyond fifty thousand tonnes in a year is involved, each case will be reported to CIL and matter would be brought before the CIL Board for necessary action with all relevant details including an Investigation Report on such shortages”.

Comments of Audit

Revised guidelines regarding stock shortages and write off as indicated in Ministry's reply are being followed by the Company.

Further Comments of Government

No comments.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87-Admn.
II date. 24.3. 1988]

Recommendation Sl. No. 29 (Paragraph No. 4.92)

CIL reported to have appointed M/s. Magnum Industrial Product as consultants for BCCL and ECL. The terms and references of consultants included identification of problems, trouble shooting areas, deficiencies and suggestions, for remedial measure for bringing around both qualitative and quantitative

improvement in the existing sand stowing systems. The consultants are stated to have submitted their report in respect of J. K. Ropeways Installation I, II & III and Manderboni Colliery and was under study for necessary action. The Committee would like to be apprised of the action taken by the Company on the recommendations of the consultants and the subsequent improvement made in capacity utilisation of Ropeways.

Reply of the Government.

The consultants M/s. Magnum Industrial Products had made a total of 14 recommendations for bringing around improvements in the existing sand stowing system at J.K. Ropeways. The status of implementation of the recommendations is as follows :

- | | |
|---|----------|
| (a) Total no. of recommendations |14 |
| (b) Recommendations fully implemented..... | 7 |
| (c) Recommendations implemented but not successful due to technical reasons [10.3, 10.6 (i)] | 4 |
| (d) Recommendations that could not be implemented due to certain constraints [10.6 (ii) & 10.9] | 2 |
| (e) Under implementation (10.5) | -1 |

As the recommendation regarding major revamping of the installation coming out of expert appraisal of Bicable Repeways system carried out by M/s. Usha Broco Ltd. is still under scrutiny of the Company, capacity utilisation of J.K. Repeways has not registered any improvement. The implementation of this recommendation has appreciable financial implication and a project report will have to be prepared and got approved before this work can be undertaken.

[Deptt. of Coal O.M. No. 11013 (4)/87-Admn. II dated 9.10.87]

Recommendation S1. No. 30 (Paragraph No. 5. 42)

5.42. The Committee note that ECL has invested Rs. 503.18 crores upto the end of 1984-85 on the purchase of plant and machinery to build up pool plant capacity. However, the Committee have observed that during the last three years, the number of machines actually working has by and

large been lower than the number of machines available with the company. These include shovels, scrapers, dumpers and dozers which are in the category of heavy earth moving equipment and used in different opencast mines of the Company. The Committee also find that taking into consideration the working conditions prevailing in the opencast projects of the Undertaking the CIL is reported to have estimated the system capacity of the scrapers as 72% of total operatable excavation capacity of machines. The CIL has also assessed that based on actual working conditions, the actual utilisation should be above 90%. But the capacity utilisation trend has remained almost stagnant or even deteriorated indicating that the utilisation of infrastructure for all these years has not been commensurate with the increase in the population of HEMM.

Reply of the Government

Capacity utilisation for underground mines is bound around 90% which is considered satisfactory in view of severe constraints of power and land. Capacity utilisation for opencast mines has remained almost stagnant mainly on account of the following factors :

(i) Difficulties in land acquisition

Acquisition of land required for OCP has been a perennial problem in the Raniganj Coalfield. Even in those cases where land has been acquired, physical possession of the land has been delayed due to resistance from the villagers and the local youths. Some of the projects where the delay in land acquisition is a major constraint are, Chora OCP, Bonjemehari OCP, Kumarkhela (Sonepur Bazari), Nimcha, Mohanpur, Shankarpur and Sangramgarh.

(ii) Restriction in blasting due to close proximity of villages

Proximity of villages imposes restrictions on blasting operations resulting in much lower level of output from each round of blasting. In other words, for the same quantity of coal/overburden to be blasted, the number of blasting rounds increases resulting in reduction in net available time for excavation and transportation of coal/overburden. This problem is faced by almost all opencast mines of ECL.

(iii) Yearly capacity of HEMM is computed on 300 days based but the opencast mines in this field cannot work for about 60 days during the rainy season.

(iv) Shortage of power :

The capacity created for OCP Mines of ECL has taken into account higher efficiency by introduction of Electric Shovels in preference to diesel shovels. However, in actual operation, benefit of introducing electric shovel could not be derived in full, mainly because of the fact that the working hours of these shovels got considerably reduced due to frequent power interruptions and prolonged power cuts. It may be noted that the contribution from electrical shovels was planned to be raised from 4.04 million tonnes in 1981-82 to 10.72 million tonnes in 1984-85.

Besides the above mentioned constraints, inadequate infrastructure like workshop facilities also contributed to stagnancy in the level of capacity utilisation. In view of the fact that most of these mines are of small capacity, the Company did not provide for workshops to cater to the needs of different types of major repairs required for the opencast equipment. However, the company has now taken up programmes for having a number of Regional Workshops as well as one Central Workshop for Heavy Earth Moving Equipment. Two Regional Workshops at Ukhra and Mugma have started functioning and one Central Workshop at Sonepur Bazari Project has been planned.

Comments of Audit

Ministry in reply has stated that capacity utilisation in opencast mines remained stagnant mainly on account of some constraints. It is, however, seen from the records that the Company has acquired Plant and Machineries worth Rs 99.47 crores during 1985-87. It is, therefore, not clear why the company has procured more Plant and Machineries when the constraints referred to in the reply are still persisting.

Further comments of Government

During the period 1985-87, Heavy Earth Moving Equipment worth only Rs. 42.65 crores and not worth Rs.99.47 crores (as recorded by Audit) were purchased. On an analysis of the HEMM equipment procured during the said period it is found that 11 shovels, 67 dumpers, 23 dozers and 18 drills are the major equipment procured. Of this 7 shovels, 36 dumpers, 5 dozers and 8 drills were procured for major new projects, the impact of which can be felt at a later stage. Balance equipment were procured as replacement of existing set of equipments for on-going OCPs. These replacement were necessary to maintain the already attained level of production of coal and overburden from the existing departmental OCPs and well within the yearly replacement norms.

Merely because of the fact that the constraints continued to hamper the performance of HEMM, nonprocurement of replacement equipment

would have adversely affected the capacity utilisation of departmental OCPs leading in drop of production level of these mines. Due to this investment, it was possible to produce 5.68 and 5.84 million tonnes of coal from departmental OCPs during 1985-86 and 1986-87 respectively.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87-ADMN. II dated 24.3. 1988]

Recommendation Sl. No. 31 (Paragraph No. 5.43)

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

Reply of the Government

Deployment of Heavy Earth Moving Equipment in excess of project Report provisions fall in two categories.

() *Temporary Deployment* : This is done to effectively utilise such equipment which could not be gainfully utilised at their appropriate site due to non-availability of land, delay in arrival of matching equipment etc., keeping in view that it is always better to utilise rather than to keep such costly equipment idle.

(2) *Permanent deployment* : This is resorted to in cases where substantial change in the equipment configuration is called for in view of changed geo-mining conditions and these are taken into account while formulating RFRs.

To have effective check on deployment of HEMM these heavy cost items are ordered only after taking into account the availability of surplus equipment with the company, if any.

Scrapers which were initially thought to be the best equipment for working in alluvial top overburden and provided for in almost all OCPs planned in the 1974-75 to 1978-79 period are now being gradually deployed for other developmental works e.g. back filling etc.

A Committee comprising of RD, RI-I and Chief of Equipment, ECL is going into detailed study of identifying equipment that may be found to be unsuitable for the company and to recommend the norms to be taken for their gainful utilisation. The Committee is expected to submit its report by 15th October, 1987.

Comments of Audit

No comment except that the Committee has submitted its report recently which is under examination by the Management.

Further comments of Government

The Committee has come out with the views that selection of equipment for the small opencast mines required to be opened for boosting up of coal production in the early years of Nationalisation was done on the basis of data available with Directorate General of Mines Safety at that particular time and also by observing the characteristics of the adjacent mines. 85% of investment in these projects were for procurement of HEMM equipment which could be utilised for excavation in any other place as well. Equipment rendered surplus by closure of such projects were gainfully utilised at Kumarkhella, Ghanshyam and Naba Kajora OCPs.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87—
Admn. II dated 24.3.1988

Recommendation Sl. No. 33 (Paragraph No. 5.45, 5.46 & 5.47)

The Committee are distressed to point out that even though utilisation of HEMM has been much below the actual capacity, the Company has been engaging private HEMM at huge cost which increased from merely Rs. 4.8 lakhs in 1977-78 to as much as Rs. 17.27 crores in 1985-86. The Company paid a total amount of Rs. 66.84 crores for hiring HEMM between 1977-78 and 1985-86. In this connection, the Board of Coal India Ltd. in their meeting held on 12 May, 1981 is reported to have rejected the proposal of ECL for engaging contractors for hiring HEMM on the ground that "present level of utilisation of HEMM leaves considerable scope for

improvement." The CIL Board is also reported to have instructed the termination of such mining contracts by 30.6.1981. Despite this, the ECL continued such contracts and paid Rs. 882.74 lakhs and Rs. 887.56 lakhs in 1981-82 and 1982-83, respectively.

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

The Committee are not at all happy over non-implementation by ECL of the specific decision of CIL Board for stopping the hiring of HEMM from 30.6.1981. Unfortunately, CIL Board also changed their stand in a subsequent meeting from total stopping to minimise the hiring of HEMM. The Committee are also surprised that CIL did not issue any directive to ECL with regard to stopping of hiring of HEMM as was stated by CMD, ECL during his evidence. As a result the ECL neither stopped nor minimised the hiring of HEMM. On the other hand, it has been increasing year after year. The Committee also do not accept the contention of CMD, ECL that Coal India decision to stop the hiring of HEMM was not received by them. The Committee feel that since the CMD, ECL is a member of the Board of CIL, he is a party to the decision taken by the Board and should have implemented the decision of CIL Board without waiting for any further directive from CIL. He is also reported to have turned a deaf ear to the oral instructions of Chairman of CIL given on 24.3.84 to stop hiring in three stages by 30th September, 1984.

Reply of the Government

Recommendations made in these paragraphs from part of the terms of reference of the Expert Group appointed vide Department of Coal's O.M. No. 37023/1/87—CML dated 20.8.1987.

Comments of Audit

In reply, Ministry has stated that an Expert Group has been appointed whose recommendations were to be submitted by 30th September, 1987. These are still awaited.

Further Comments of Government

As desired by COPU an Independent Expert Group consisting of S/Shri K.R. Gupta, Director (Finance), Singareni Collieries Company Ltd.

and Shri S.R. Sengupta, General Manager, Neyveli Lignite Corporation Ltd. was constituted to go into the hiring of HEMM and the engagement of contractors in depth without calling for tenders year after year. Copy of the Expert Group's report is enclosed.

The Group has observed that hiring of HEMM was resorted to by ECL towards the end of 1978-79 in order to make up for the declining trend in production and the unsafe working conditions of manual opencast mines. It has also observed that there is considerable under-utilisation of HEMM in ECL as a general phenomenon but it is not practicable to shift the idle equipment to other areas for short periods and hence the need arose for hiring of equipment. As regards COPU's observations regarding non-implementation by ECL of the CIL Board's decision to stop the hiring of equipment by 30.6.1981, it is submitted that this decision was modified at the next meeting on the basis of the CMD ECL's comments on the draft minutes. Accordingly, the decision was to minimise the hiring of HEMM till detailed guidelines were prepared and circulated. Subsequently such guidelines were approved by the CIL Board and circulated to the subsidiary companies. These guidelines have been reproduced at para 3.3.2 of the Expert Group's report. The Expert Group has observed that "it is evident from the various actions taken by CIL Board such as permitting ECL to continue hiring of HEMM, formulation of guidelines therefor etc., that CIL was not averse to this strategy especially in the context of meeting the production targets. As regards continuance of hiring of HEMM inspite of the oral instructions of CMD, CIL, it has been observed that the latter seems to have accorded approval for hiring of HEMM for short periods of time and for fixed quantities during his several site visits from 1982 to 1985. It was continued during 1985-86 and 1986-87 with the specific approval of CMD ECL and with the knowledge of CIL. However, it has since been decided in a meeting taken by the EM to do away with the system of hiring in a phased manner. Progressively all works of overburden removal especially in new mines would be done only departmentally. As far the existing mines in remote isolated patches are concerned, hiring of HEMM would be discontinued within the next three years.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87—
Admn. II dated 24.3.1988]

Comments of the Committee

Please See paragraph 22 of Chapter I of the Report.

Recommendation Sl. No. 34 (Paragraph No. 5.48)

The Committee also find that some of the contractors engaged by ECL for hiring of HEMM have been working in the Company right from the beginning. There are cases where the undertaking has been hiring equipment

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

Reply of the Government

Government have appointed an independent Expert Group consisting of Shri K.R. Gupta, Director (Finance), Singareni Collieries Co. Ltd., and Shri S.R. Sen Gupta, General Manager (Mines), Neyveli Lignite Corporation Ltd, vide their O.M. No. 37023/1/87-CML dated 20-8-1987 to take into various issues connected with the hiring of HEMM by the ECL. The Group has been asked to submit the report by 30th September 1987. The result of the enquiry will be intimated to COPU as soon as it is received.

Comments of Audit

In reply, Ministry has stated that an Expert Group has been appointed whose recommendations were to be submitted by 30th September, 1987. These are still awaited.

Further comments of Government

As desired by COPU, an Independent Expert Group consisting of S/Shri K.R. Gupta, Director (Finance), Singareni Collieries Co. Ltd., and Shri S.R. Sengupta, General Manager, Neyveli Lignite Corporation Ltd., was constituted to go into the hiring of HEMM and the engagement of contractors in depth without calling for tenders year after year. Copy of the Expert Group's report is enclosed.

Hiring of HEMM was started by ECL in 1978 initially on ad hoc rates but subsequently on the basis of tenders finalised in June 1978 the same rates were extended for the year 1979-80 to the parties in the same areas. For 1980-81, the rates were modified to allow for escalations in the price of P.O.L.

till the tenders for that year were finalised in November 1980. Subsequently, 3 escalations were granted between 1980 and 1983 on the 1980-81 rates. Tenders were again called in 1984 and finalised for the year 1984-85. On these rates, escalations were allowed with effect from 1-4-1986. It will thus be seen that tenders were called three times between 1978 and 1984 and, in between, escalations were allowed only for the rise in price of POL. Thus there was opportunity for new parties to enter the field if they so desired and some did enter. It may also be observed that every time tenders were called, the rates increased substantially and hence ECL did not call for tenders too often.

[Ministry of Energy, Department of Coal O.M. No. 11013(4)/87—
Admn. II dated 24.3.1988]

Comments of the Committee

Please See paragraph 22 of chapter I of the Report.

Recommendation S1. No. 35 (Paragraph No.5.49)

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

Reply of the Government

The independent expert group set up by the Govt. to go into the full details of hiring of HEMM has also been asked to examine this aspect. Based on the recommendation of this independent expert group as accepted by the Government suitable instructions would be issued to ECL and COPU will be kept apprised.

Comments of Audit

In reply, Ministry has stated that an Expert Group has been appointed whose recommendations were to be submitted by 30th September, 1987. These are still awaited.

Further Comments of Government

The Independent Expert Group appointed to go into the question of hiring of equipment has examined the economics of departmental working of HEMM as compared to hiring of the same. The Group has made an analysis of the operational cost of coal production in various projects which shows that the cost of removal of overburden by the departmental machines is higher than the cost of removal by hired HEMM in the same period of time. Reference is invited to para 3.5.1 and statement 16 of the Expert Group's report from which it would be seen that the economics are in favour of the hired equipment. However, as desired by the Committee, a decision has been taken by the Govt. to do away with the hiring of equipment in a phased manner within 3 years. At the same time, ECL is being advised to take measures for improving the economics of departmental working including the steps suggested by the Expert Group.

[Ministry of Energy, Department of Coal O.M.No. 11013/4/87-Admn. II
Dated 24.3.1988]

Comments of the Committee

Please see paragraph 22 of chapter I of the Report

Recommendation Sl. No. 36 (Paragraph No. 5.50)

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

Reply of the Government

Standardisation

In order to have better maintenance facilities and concentration of expertise for the same, standardisation of equipment have been taken up. In the OCPs, dumpers constitute the most critical item of the excavating combination and its availability is also found to be the lowest. Accordingly, ECL has taken up standardisation of dumpers in its various OCPs and the following table shows the progress achieved so far :

<i>Name of O.C.P.</i>	<i>Types of dumpers in use before standardisation</i>	<i>Types of dumpers being used after standardi- sation</i>
Kapasara	R-35 & LW-35	R-35
Khoodia	R-25, R-35 & LW-35	LW-35
Bonjemehari	R-25, R-35 & LW-35	LW-35
Dobor	R-25, & R-35	R-35
Khas Kajora OCP	R-35, LW 35, LW-50	LW-50

Workshop

Regional Workshop for HEMM is functioning at Ukhra and Mugma. Additionally Bahula workshop is also catering to electrical repairs to HEMM equipment.

A Central workshop for HEMM has been planned to be set up at Sonepur Bezari Project for which FR has already been prepared by CEMPDIL.

Unit workshops at Chitra, Kapasara, Nirsa, Badjna/ Pusai, Chora Sonepur Bazari & Rajmahal are under different stages of construction.

Training

Due attention is being given for proper training of workers, Supervisors & Executives both on in-company & out-company basis. During the year 1986-87 & in I quarter of 1987-88, 380 persons & 92 persons respectively were trained as per break up given below :

	1986-87			I Qr. of 1987-88		
	In Company programme	Out Company programme	Total	In company programme	Out company programme	Total
Worker	281	22	303	—	—	—
Supervisor	1	13	14	2	2	4
Executive	52	11	63	73	15	88
	(334	46	380	75	17	92

Comments of Audit

Reg : Standardisation

The Company has introduced standardisation in respect of open cast projects mentioned in the reply. As regards other open cast projects recommendation of the Committee on Public Undertaking is yet to be implemented.

Reg: Workshops

The new workshops planned as mentioned in the reply are yet to come up. However, an examination of records revealed that repairs of plant and machinery from outside agencies are gradually increasing vide details given below :-

1985-86	:	Rs. 9.18 Crores
1986-87	:	Rs. 10.75 Crores

Reg: Training

No Comment.

Further Comments of Government

The position regarding standardisation of dumpers in the various OCPs enumerated in the Ministry's reply was that prevailing in June 1987. The position of standardisation on 1-3-1988 is as follows :

The Company has introduced standardisation of dumpers in its departmental OCPs to the maximum extent possible within the available equipment. The details are as follows :

Name of OCP	Type of dumper being deployed after standardisation
1. Kapasara	R-35
2. Khoodia	LW-35
3. Bonjemehari	LW-35
4. Dabor	R-35
5. Kumarkhalla	LW-50
6. Purushottampur	R-35
7. Shankarpur	R-35
8. Ghanshyam	R-35
9. Chora	LW-35
10. Parasea	LW-35
11. Nirsa	LW-35
12. Badjna	LW-35
13. Chitra	R-35

In five of the remaining six OCPs full standardisation has not been carried out considering the residual short life of the R-25 dumpers available in those projects in addition to R-35 or LW-35 dumpers.

In the sixth OCP i.e. Rajmahal OCP different models of 85 tonne dumpers are being deployed on the basis of receipts as per allocation by CIL.

Workshop

At the initial stages of opencast mining operation in ECL, there was wide gap in the available infrastructure that equipment were subjected to heavy strain. As a result the inventory of HEMM held by the company was showing a large number of equipment as sick. In order to improve the availability of HEMM it was decided to get these sick equipment rehabilitated by getting capital repairs/overhaul of such equipment done by the Original Equipment Manufacturers as well as by departmental workshops. There has been increase in the total amount of purchased repairs as such repair cost includes cost of spare parts from the OEM which is on the rise. Major items of purchased repairs included engine overhaul, overhaul of transmission assembly, repair to electricals of EKG shovel, P/T pumps and other sub-assemblies of engine, tyre retreading etc.

In addition to above, rehabilitation of HEMM carried out departmentally and through OEM during 1986-87 as detailed below gives the efforts being made by the company to decrease its dependence on outside parties.

<i>Type of equipment</i>	<i>Rehabilitation thro'</i>	
	<i>OEM</i>	<i>Departmental Workshop</i>
Shovel	2	10
Dumper	3	29
Dozer	Nil	11
Drill	Nil	3
Compressor	Nil	3
Road Roller	Nil	1
Pay Loader	8	9
Scraper	Nil	2

[Ministry of Energy, Department of Coal O.M. No 11013 (4)/87
Admn. II, Dated: 24.3 1988.]

Recommendation Sl. No.37 (Paragraph No. 5.51)

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

Reply of the Government

As on 31-3-85, the value of Plant & Machinery and Capital Stores in stock was Rs 67.11 crores. The corresponding figures as at 31-3-86 and 31-3-87 (Provisional) are Rs. 56.98 crores and Rs. 50.79 crores respectively. The value of these items in stores as at 31-3-87 consists of Rs. 31.72 crores for Plant & Machinery and Rs. 19.07 crores for Capital stores like Cement, Steel Pipes, Cables etc. Certain amount of stock for items on capital stores is to be maintained on regular basis to cater to the normal requirement for addition and for replacement throughout the year. The amount of Rs. 31.72 crores

for Plant & Machinery includes the amount of Rs. 16.06 crores for P&M procured during the year 1986-87 which could not be installed upto 31-3-87 and therefore, the value of Plant & Machinery which is lying in stock for more than one year is Rs. 15.66 crores. A detailed list of such items of P&M costing individually Rs. one lakh or more and lying uninstalled for over a period of one year on 31-3-87 is given at the annexure (not appendix) showing year of procurement, value, location and their programme of installation.

The approximate annual interest charges on the items of Plant & Machinery, Capital Stores lying in stock as on 31-3-87 is as follows :

- | | |
|---|-------------------|
| (a) On total value of stock including capital stores | — Rs.8.63 crores |
| (b) On value of Plant & Machinery | — Rs. 5.39 crores |
| (c) On value of Plant & Machinery lying in stock for more than one year considering the normal time required between procurement and installation | — Rs. 2.66 crores |

Comments of Audit

Plant and Machinery and capital stores in stock as on 31-3-86 should be Rs. 55.16 crores instead of Rs. 56.98 crores. As regards Plant & machinery lying in store for more than one year, a test check of records maintained at Satgram Area revealed that one number of transformer (S. No. 37 of the statement) was in stock and not 2 shown in the Statement. Items 67, 68&69 are still lying in stores though shown to have been allocated to J.K. Nagar Project.

Further Comments of Government

P&M and capital stores in stock as on 31-3-86 as per audited accounts is Rs. 55.16 crores. Figures given earlier were provisional.

One of the transformers shown at S.No. 37 of the statement was issued for installation subsequent to the preparation of the statement.

Winding Engines at S. Nos. 67,68 & 69 have been allocated for use at the shafts of J.K. Nagar project and are lying at Satgram Area stores as indicated in the statement. Allocation does not mean physical transfer out of the stores.

[Ministry of Energy, Department of Coal O.M. 11013 (4)/87-Admn II.

Dated : 24. 3. 1988.]

Recommendation Serial No. 38 (Paragraph No. 6.20 & 6.21)

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

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

Reply of the Government

In order to utilise surplus manpower gainfully, the following measures have been taken by the company :

1. Re-deployment of surplus personnel from surplus to deficit areas. 1374 surplus personnel were, thus, re-deployed since April, 1986 and another 721 are being re-deployed in the near future.
2. Utilisation of surplus manpower in new projects and mines.
3. Transfer of willing persons to other subsidiaries.

As a result of the steps taken, the overall manpower of the company has come down by 3708 from 1, 90, 752 as on 1.4.86 to 1,87,044 as on 1.7.87. A further reduction of 544 is anticipated by 1.4.88.

Company has also evolved a scheme to re-train its surplus manpower and re-deploy it in new mines and projects in jobs like operation & maintenance of

Heavy Earth Moving Machineries, minesurvey, regional workshops etc. It is expected that about 1500 people will be gainfully deployed in this manner during the current financial year.

[Ministry of Energy, Department of Coal
File No. 55011/9/87-CP dated 24.3.1988]

Recommendation Serial No. 40 (Paragraph No. 6.23)

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

Reply of the Government

With a view to expediting sanction of projects, Coal India and its subsidiaries have been delegated enhanced powers to sanction projects upto Rs. 20 crores each without making any reference to the Government.

Comments of the C. A. G.

The Ministry has not indicated anything about gainful employment of surplus man-power in the new projects, if any, with the delegation of enhanced power to the company.

Further comments of Government

The gainful employment of surplus man-power in the new projects is not directly related to the delegation of enhanced power to the subsidiary Coal companies. However, during 1987-88, 383 surplus personnel were retained and deployed in projects.

[Ministry of Energy, Department of Coal File
No. 55011/9/87-CP dated 24.3.1988]

Recommendation Serial No. 42 (Paragraph No. 6.25 & 6.26)

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

In this connection, the Ministry are also reported to have informed the Audit in October, 1983 that instructions were issued by them to the Coal Companies to reduce over-time work to the maximum extent but inspite of these instructions the amount of over-time paid was the highest in 1984-85 i. e. Rs. 32. 64 crores as against Rs. 23. 03 crores in 1983-84. The reasons, for increase in over-time payments are stated mainly due to deployment of workers on Sundays/holidays and increase of payment of fall-back wages due to the fact that the Undertaking could not provide employment to piece-rated workers, as provided in Wage Board award.

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

Reply of the Government

The company is taking a number of measures to reduce the incidence of overtime and Sunday workings. These measures include stoppage of overtime work for office staff and revision of norms for Sunday engagement and filling up the shortages by way of re-adjustment in manpower.

Comments of the C. A. G.

The incidence of payments regarding fall back and overtime for the last two years ending 1986-87 is given below :-

	<i>As on</i> <u>31.3 1986</u>	(Rs. in crores) <i>As on</i> <u>31.3.1987</u>
Overtime	22.19	22.16
Fall Back wages	2.96	3.23

It may be seen that the Company is still making huge payments in connection with Fall back and overtime.

Further Comments of Government

The payment on account of overtime and fall back wages during the year 1985-86 and 1986-87 was maintained more or less at the same level. Steps taken to control the expenditure have started paying dividends during the current year. The position during the 1st nine months of the fiscal year 1987-88 is as follows :-

	<u>Overtime</u>	<u>Fall Back</u>
Budgetted	Rs. 15.11 crores	2.74 crores
Actuals	Rs. 14.49 crores	2.32 crores

[Ministry of Energy, Department of Coal File No. 55011/9/87-CP
dated 24.3.1988]

Recommendation Sl. No. 44 (Paragraph No. 7.25)

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

Reply of the Government

The Department of Coal are now regularly reviewing the performance of Coal India Ltd and each of its subsidiaries including Eastern Coalfields Limited.

[Ministry of Energy, Department of Coal O.M. No. 11013/4/87—
Admn. II, dated 9th October, 1987]

Recommendation Sl. No. 45 (Paragraph Sl. No. 7.26 and 7.27)

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

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

Reply of the Government

The mistake has since been rectified. Instructions have already been issued by Coal India Limited to all the subsidiary companies to follow the recommendations of the Committee on Public Undertakings in regard to C & AG's report (Commercial).

After the receipt of the reported C & A G on ECL, a Committee under the chairmanship of Shri K.S.R. Chari, consultant and former Secretary, Department of Coal, was appointed in April, 1985, to make an indepth study of the working of ECL, with a view to identify the various problems faced by the company and finding out remedial measures to be undertaken to get over these problems in order to enable the company to achieve its main objectives.

The Committee members had detailed discussions with the management team at the area level General Managers, Heads of Departments at the corporate level, Functional Directors and CMD of the company on the observations contained in the C & AG's report. In its report, the Committee

has made wide-ranging recommendations highlighting the various shortcomings the company is suffering from and has suggested remedial measures to be taken to rectify the same and also various other steps to be taken by the company to improve its performance. The report of the Committee has already been examined by the Government and decisions on various recommendations have been taken. Coal India Limited/Eastern Coalfields Limited have already been asked to take necessary action for implementing such of the recommendations as have been accepted by the Government. The implementation of Chari Committee's recommendations as accepted by the Government is likely to result in improving the performance of Eastern Coalfields Limited in future and in overcoming the short comings observed in the C & AG's report.

Comments of Audit

It is suggested that a copy of the Chari Committee report along with a statement indicating the particulars of recommendations accepted with action taken there on and the those not accepted with reasons therefore, may be enclosed to the 'Action Taken Note' for the information of COPU.

Further Comments of Government

A statement showing the main recommendations/observations made by the Committee head by Shri K.S.R. Chari and Government decisions thereon is enclosed. (Not appended).

CHAPTER III

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

Recommendation Sl. No. 17 (Paragraph No. 3.117)

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

Reply of the Government

(a) Coal handling plant is an integral part of a project and the system of lay out is usually incorporated in the Project Report alongwith the estimated provision for the construction of Coal Handling Plant. Prior to 1984, the progress of CHPs was reviewed alongwith other activities connected with the completion of the projects to which it was to cater and overall position in respect of Coal Handling Plants (existing as well as under construction) in each company was furnished to the Department by the Coal Companies from time to time. However, when a large number of complaints started coming in from some of the organised sectors, like Power, Cement etc., it was considered desirable that programme for construction of CHPs should be stepped up and monitoring of CHPs taken up separately.

(b) The Project Monitoring Division had been set up in the Department of Coal in March, 1980. After the monitoring formats were finalised in consultation with Planning Commission and BPE, these were circulated to all the Coal Companies for submission of Progress Reports at the end of every quarter. A separate format for submission of progress reports in respect of CHPs under construction in each coal company had also been introduced for monitoring their progress.

(c) In ECL, the coming schedule of Non-Coking CHP is given below :—
No. of Coal Handling Plants expected to be completed in

	87-88	88-89	89-90	90-91	Total
<i>No. Cap.</i>	<i>No. Cap.</i>	<i>No. Cap.</i>	<i>No. Cap.</i>	<i>No. Cap.</i>	<i>No. Cap.</i>
Existing as on 31.3.87	5 3.34	7 8.19	1 1.20	1 9.55	14 22.28

The overall percentage of coal expected to be handled by CHPs in CIL at the end of 7th Five Year Plan is given below :—

1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
62	67	68	72	80	84

[Ministry of Energy, Department of Coal O.M. No. 11013/4/87—
 Admn. II dated 24.3.1988]

Recommendation Sl. 32 (Paragraph No. 5.44)

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

Reply of the Government

In the initial period immediately after nationalisation of non-coking coal mines small opencast mines were planned and taken up for immediate increase

in production. These small opencast mines were planned on the basis of available geological data without waiting for detailed exploration.

The top soil is soft alluvium in this coalfield and so scraper-dozer combination was considered adequate to handle this and accordingly they were provided for in the project reports. After commencing the O/B removal operations, it was found that at some of the mines (e.g. Mahabir O/C, New Konda, Dabra) the top soil had lateritic boulders embedded in it which made operation of scraper difficult. Presence of lateritic boulders could not be ascertained from the available geological data. After gaining the experience as above, scraper is not being provided for removal of top soil. In case of Harehpur Opencast which was planned to be worked by scraper-dozer combination, the ECL Board directed this combination to be changed to shovel-dumper.

The available scrapers are now being deployed for soil reclamation work, reclamation of fire area in Jambad Fire Project & J.K. Nagar Fire Project and for making protective embankments around Opencast mines/ etc. against high flood.

The selection of scraper-dozer combination in the initial years had been due to lack of experience in opencast mining at ECL. All these project reports were discussed at various levels before their acceptance and as such no individual is responsible for these decisions.

[Deptt. of Coal O.M.No. 11013 (4)/87-Admn. II dated 24.3.1988]

Recommendation Serial No. 39 (Paragraph No. 6.22)

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

Reply of the Government

As per the instructions issued by the BPE, the practice of providing employment to the land losers has been discontinued. However, this change in policy came in for adverse comments by the members of Consultative Committee attached to the Ministry of Energy held on 10. 2. 1987. There was unanimity among the members of the Consultative Committee that it was not feasible

to obtain possession of land for coal projects without offering employment to land losers. One of the members observed that manpower surplus in some areas could not justify abandonment of the humane policy of giving employment to the persons whose land, the sole source of their livelihood, is taken away. It is also the opinion of field managers that without offering employment to land losers it is virtually impossible to obtain land for coal projects. The policy is, therefore, being reviewed.

[Ministry of Energy, Department of Coal File No. 55011/9/87-CP dated 24.3.1988]

Recommendation Serial No. 43 (Paragraph No. 7.24)

The Committee regret to note that the ECL has been incurring losses since its inception and the cumulative losses of the undertaking at the end of 1985-86 stood at Rs. 719.58 crores not only wiping out its entire paid up capital of Rs. 373.69 crores, but also adding a further deficit of nearly Rs. 345.89 crores. Some remedial steps are reported to have been taken by the undertaking to improve its working results and to reduce losses but inspite of these remedial steps the losses of the undertaking are reported to be around Rs. 140 crores for the year 1986-87, breaking all previous records. The Committee take a very serious view of these mounting losses. The Committee are convinced that the undertaking has failed to take realistic corrective measures to improve production performance, to reduce cost of production, to optimise the productivity of manpower and to optimise machine utilisation. In the absence any concerned efforts in this direction, the chances to achieve break-even point and come out of the red in the near future are very bleak.

Reply of the Government

A Committee headed by Shri K.S.R. Chari, Consultant and former Secretary, Department of Coal had already examined the working of Eastern-Coalfields Limited recently. The report of the said Committee have been considered and decisions on various recommendations made in the report have been taken by the Government. The Coal India Limited/Eastern Coalfields Limited have already been asked by the Government to implement such of the recommendations as have been accepted by the Government. The implementation of the wide-ranging recommendation is likely to result in overall improvement of the performance of the company on all fronts.

Comments of Audit

There has been improvement in the performance of the Company as would be evident from the following table :—

<i>Year</i>	<i>Loss including prior period Rs. in crores</i>	<i>Cost of production per tonne.</i>
1985-86	69.97	Rs. 303. 41
1986-87	142.19	Rs. 322. 55

During 1986-87, the loss has touched a record level and cost of production of coal also increased substantially over the years.

Further comments of Government

The production of coal by ECL during the year 1986-87 was 25.62 m.t. as against a production of 24.07 m.t. during 1985-86. Its productivity improved and OMS during the years 1986-87 was 0.61 tonne as against 0.54 tonne in 1985-86. The increase in the loss suffered by ECL during 1986-87 was largely due to increase in the input costs, especially increase in the wages arising from increase in consumer price index (8%) and the interim relief sanctioned w.e.f. 1.1.1986.

CHAPTER IV

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

Recommendation Sl. No. 3 (Paragraph No. 2.14)

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

Reply of the Government

The administrative Ministries/Departments were called upon *vide* BPE's O.M. dated 7th May, 1979 to advise the Public Enterprises under their administrative control to spell out their micro objectives consistent with the broad objectives spelt out in the Industrial Policy Statement of December, 1977. The BPE's O.M. dated 26.2.1983 further clarified that the micro objectives formulated by the public enterprises were to be approved by the administrative Ministries/Departments concerned.

Coal India Limited, as a Holding Company, with five subsidiaries, including Eastern Coalfields Limited was formed on 1st November, 1975. The objectives to be pursued by CIL and its subsidiaries are incorporated in their respective Memorandum and Articles of Associations which were approved by the Government and laid in both the Houses of Parliament in June, 1977. The statement of objectives, which CIL and its subsidiaries including ECL have to pursue, keeping in view the nature of its activities, are given below :

- (1) To promote the development and utilisation of coal reserves in the country for meeting the present and likely future requirement of

the national economy with due regard to the need for conservation of non-renewable resources and safety to mine workers.

- (2) To raise the productivity of coal mining and related activities through introduction of improved technology, streamlining of organisation and management and improving the skills and motivation of the work force.
- (3) To generate surpluses by optimum utilisation of production capacity, improving efficiency of operation and adopting appropriate cost reduction and cost control methods.
- (4) To make efficient arrangements for marketing and supply of coal so that coal, coke and other similar derivatives are available to consumers throughout the country conveniently at reasonable prices.
- (5) To promote research and development activities on a continuing basis in the areas of coal mining, beneficiation, development of new coal-based products or by products, fuel technology or any other area having a bearing on conservation, development or utilisation of coal reserves of the country.
- (6) To provide suitable facilities for training with a view to upgrading the knowledge and skills of employees in different categories and enabling them to make full use of their capabilities.
- (7) To look after the welfare of the employees and to promote the establishment and maintenance of healthy relations between management and workers, to foster sense of fellowship and belonging to the company among personnel at all levels.

While it is true that the objectives mentioned above are general in the sense that they do not specify quantitative targets to be achieved, yet they do indicate the areas of activities, in which CIL and its subsidiaries have to concentrate in order to give improved performance and in order to pursue the micro objectives as contained in the industrial policy statement of December, 1977. In order to evaluate the performance of Coal India Limited and its subsidiaries, including Eastern Coalfields Limited, specific yearly and quarterly targets are fixed for all the subsidiaries and for CIL in the Annual Plan and the Annual Action Plan. Evaluation against these targets indicates the extent to which a company has been able to achieve or not achieve the objectives specified above.

Annual Plan and Annual Action Plan specify the targets in respect of objectives mentioned above, like production, productivity, despatches, project implementation, welfare measures etc. To illustrate the point, some extracts

from the Annual Plan and from Annual Action Plan for 1987-88 are being annexed (not appended) which clearly specify the targets of production, productivity, welfare measures etc. which each company has to achieve. These targets are fixed after detailed discussion with CIL and concerned companies and the actual performance is monitored on a regular basis against these targets. Thus, it would imply that specific objectives mentioned above together with the targets for each company as prescribed in the Annual Plan constitute the micro objectives and they provide a scientific basis for a meaningful evaluation of the performance.

Comments of Audit

The Company has not yet formulated the micro objectives as recommended by Committee on Public Undertakings. The COPU may like to consider the reply.

Further comments of Government

No further comments.

Comments of the Committee

Please See Paragraph 10 of chapter I of the Report.

Recommendation Sl. No. 4 (Paragraph No. 2.15)

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

Reply of the Government

Same as the reply against Recommendation Sl. No. 3 Paragraph No. 2.14

Comments of Audit

The Company has not yet formulated the micro objectives as recommended by Committee on Public Undertakings. The COPU may like to consider the reply.

Further comments of Government

No further comments.

Comments of the Committee

Please See paragraph 10 of chapter I of the Report.

Recommendation Serial No. 10 (Paragraph No. 3.108)

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

Reply of the Government

In the initial period of the operation of the company immediately after nationalisation a number of schemes mostly small one, were formulated on the basis of data available at that point of time. However the projects now being formulated are based on adequate pre-feasibility study and exploration as per norms of drilling. Perhaps no amount of detailed drilling can be considered to be adequate to indicate all the geo-mining features of the property and hence

certain norms about extent of drilling has been worked out and followed by CMPDI. Under the circumstances the possibility of encountering geo-mining problems during the course of construction of projects cannot be ruled out even though the extent of drilling considered to be adequate is being done.

2. At the stage of formulation of project, the requirement with regard to electricity rehabilitation etc. are spelt out. However, it would not be practical to consider all the problems related to availability of electricity, land rehabilitation of villagers and employment of local people at the time of project formulation and placed before various authorities for approval. Consideration of these problems and arriving at a feasible solution to sort out these problems is a management function which is taken up concurrently as the project is processed for approval and taken up for implementation. It may not also be feasible to obtain assurance with regard to availability of land, maintenance of law and order, before the projects are taken up as this will involve large scale negotiations with a large number of owners and state Government would not normally give an assurance of this nature. However at the appraisal/scrutiny stage the reasonableness of amount of time for completion of these activities is ascertained before a project is processed for Government approval.

[Ministry of Energy, Deptt. of Coal O.M.No. 11013/4/87-Admn. II
dated 9.10.87]

Comments of the Committee

Please see paragraph 13 of Chapter I of the Report

Recommendation Sl. No. 281 (Paragraph No.4.91)

The Committee are distressed to note that the performance of Company's own J.K. Ropeways which was installed for extracting and transporting of sand has been very poor. The capacity of J.K. Ropeways has been derated by the Company from time to time. As against the designed capacity of 45 lakhs tonnes, the capacity was fixed at 41.34 lakh tonnes after a study conducted by Industrial Engineering Department (IED) in 1978. The IED found that with the present arrangement for working of J.K. Ropeways target could be fixed at 60 per cent of the rated capacity to produce 25 lakh tonnes. The IED also indicated that it was possible to increase the target by introducing an incentive scheme. The Capacity of the Ropeways was further derated to 15 lakh tonnes after a study Carried by M/s. Magnum Industrial Product. It is rather unfortunate that the Company could not achieve even the further derated capacity of 15 lakh tonnes in any of the years. The production of J. K. Ropeways ranged from 6 lakh tonnes to 13.86 lakh tonnes from 1975-76 to 1985-86. On account of poor performance of J.K. Ropeways, the sand stowin

had to be done by private contractors. The Committee also regret to point out that while the full capacity of J.K. Ropeways remained under-utilised, the Company procured sand from private parties. From 1975-76 to 1985-86 the sand supplied by J.K. Ropeways was 120.31 lakh tonnes and sand procured from private parties was 107.66 lakh tonnes. In terms of cost, the cost of sand supplied by the J.K. Ropeways was 200 per cent more as compared to the cost of the sand supplied by private contractors during the last 5 years. In the opinion of the Committee such a wide gap in cost can hardly be justified. The Committee recommend that the company must take necessary steps to optimise the capacity utilisation of J.K. Ropeways and also to bring down its cost of supplying sand to make it competitive with private contractor. Earnest efforts should also be made to minimise the dependence on private contractor.

Reply of the Government

In order to optimise the capacity utilisation of J.K. Ropeways, M/s. Magnum Industrial products, Calcutta were appointed consultants in January, 1986 to conduct investigations into operational problems of J.K. Ropeways installations.

The Consultants' report was received in March 1986 and actions were initiated on the recommendations from April, 1986. Due to these, actions, there has been marginal improvement in out dumping through the monocable ropeway system only. Bicable ropeway needs major revamping and the total performance depends on efficient operations of Bicable & Monocable Ropeways.

As the operational efficiency of J.K. Ropeways could not be improved, cost of sand won through J.K. Ropeways has not become competitive.

In ECL, 47 collieries are practising sand stowing and of these only 12 collieries are linked to J.K. Ropeways for supply of sand. Remaining 35 collieries depend on contractors for supply of sand. Dependence on contractors for supply of sand for these collieries will continue till any expansion scheme of J.K. Ropeways is taken up.

Comments of Audit

The ministry has stated that since J&K Ropeways could not improve its operational efficiencies, dependance on contractor for sand requirement would continue. The latest position of capacity utilisation of J & K Ropeways and expenditure on sand transport for the last two years are given below:-

<i>Year</i>	<i>Quantity (in lakh tonne)</i>	<i>Expenditure (Rs. in crore)</i>
1985-86	9.71	9.43
1986-87	7.96	10.64

Further Comments of Government

The observation of Audit is correct.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87-
Admn.II dated 24.3.1988]

Comments of the Committee

Please see Paragraph 19 of Chapter I of the Report.

CHAPTER V

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

Recommendation Serial No. 1 (Paragraph Nos. 1.16 and 1.17)

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

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

Reply of the Government

In deference to the recommendation of the Committee to complete the legal formalities in the matter of transfer of assets and liabilities to Eastern

Coalfields Limited immediately and in fulfilment of the commitment made by the Government in course of oral evidence, Coal India Ltd. were asked to take necessary steps in the matter. Coal India Limited have made progress in the formulation of various proposals in consultation with a reputed firm of Chartered Accountant M/s S.R. Batliboi & Co. for the purpose of transferring the assets and liabilities from Coal India Ltd (Holding Company) to its various subsidiary companies including Eastern Coalfields Ltd. While all out efforts are being made to get the job accomplished as soon as possible, it has not been possible to complete the job by the 30th June, 1987 as promised and some more time is needed to complete the same. The Lok Sabha Secretariat have already been requested vide this Department's letter No. 55019/4/86-CA dated 1.7.1987 to kindly apprise the Committee of the position and grant at least 6 months' more time to get the work completed.

{Ministry of Energy, Department of Coal O M. No 11013(4)/87
Dated 24.3.1988

Further Reply of Government

Coal India Limited have since formulated the schemes for transfer of assets and liabilities from Coal India Limited to its subsidiary companies including Eastern Coalfields Limited. The proposal containing the schemes have been referred to the Department of Company Affairs in February, 1988 for their consideration and approval. The implementation of the schemes regarding transfer of assets and liabilities from Coal India Limited to Eastern Coalfields Limited, amongst others will be undertaken by Coal India Ltd after getting the approval from the Deptt. of Company Affairs which is expected to take some more time. The Lok Sabha Secretariat has, therefore, already been requested vide O.M. No. 55019/4/85-CA dated 11.1.1988 to grant a further extension of six months time for completion of the job.

As soon as the subject matter is finalised, the CPOU Sectt. will be duly informed.

{Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87-ADMII
dated 5.4.1988.}

Comments of the Committee

Please see Paragraph 7 of chapter I of the Report.

Recommendation Sl. Nos. 27 (Paragraph Nos. 4.71 and 4.72)

The Committee note that the Company takes note of shortages of more than 5% of the stock and 1000 tonnes of more in collieries. During 1981-82 to 1984-85, such shortages were to the tune of 5.83, 6.66, 1.91

and 3.78 lakh tonnes, respectively. During these years, the number of cases of disciplinary action against the officers responsible for shortages were 34, 37, 24 and 11 respectively. The punishment awarded was warning, stoppage of increment and stoppage of promotion. In Committee's view the punishment awarded in these cases is very lenient as compared to the value of Coal found short and in fact it encouraged the dishonest employees to indulge in offence. The Committee are of the firm opinion that the punishment should be more severe and deterrent. Even the Additional Secretary, Department of Coal was frank enough to admit in evidence when he stated "my feeling has been that the punishment has not been commensurate with the offence committed."

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

Reply of the Government

Coal India Ltd. has formulated the guidelines in respect of punitive action to be taken regarding coal stock shortage. Before these guidelines are revised, it is necessary to carefully review the procedure being followed in the accounting of coal raisings and stocks. Coal India Ltd. has set up a group to go into the existing production, despatch, stock reporting system with a view to remedy the deficiencies, if any, that exist.

The framing of revised guidelines by CIL regarding the write off of stock and curtaining the power of the subsidiary companies will serve to bring all cases of serious shortage before the Board of Coal India Ltd. which can take a view whether the responsibilities for the shortage has been fixed and appropriate action taken.

Comments of Audit

As regards setting up of a group of Coal India Ltd. to go into this production/stock reporting etc., no records are available with the Company. The Ministry may indicate the date on which the CIL had set up the group and when is this group expected to submit its report. The time likely to be taken in formulating the revised guidelines after the receipt of the report of the group may also be inserted in the reply.

Counter Comments of Government

Coal India Ltd. has set up the committee vide its order No. CIL/D(F)/1100 dated 18.9. 1987 under the Chairmanship of Dr. R.P. Aiyar, Director IIM to examine the adequacy of the present Management Information System at Area, subsidiary and holding company levels and bring about improvements with particular reference to the needs of level at which such information is to be used.

The Committee which was expected to submit its report by December, 1987 has not submitted its report as yet. The report is expected to be available in next 3-4 months time. Only after receipt of the committee's recommendation, CIL will go in for formulation of the revised guidelines.

[Ministry of Energy, Department of Coal O.M. No. 11013 (4)/87-Admn. II
Dated 24.3. 1988.]

Comments of the Committee

Please see paragraph 16 of Chapter I of the Report.

Recommendation Sl. No. 41 (Paragraph No. 6.24)

Even though the Undertaking has been conscious of the fact that surplus manpower was available with them right from the beginning, yet no scientific study was conducted to ascertain the actual number of surplus strength. The surplus manpower which according to ECL was 9,000 in 1978 increased to as much as 50,000 in 1985 as per Chari Committee's estimates. During evidence the Committee were also informed by the Department of Coal that calculation of surplus manpower so far was based on loose analysis done on the basis of man shift in other countries etc. It is only recently that the Bureau of Industrial Costs and Prices (BICP) has been asked to make the first scientific study. This will be the scientific study of each mine and will provide normative basis. The report of BICP is expected any time. The Committee hope that BICP would give their report at the earliest which will not only provide reliable data of exact number of available surplus manpower but will also help in transferring the idle manpower to other mines where manpower was needed. The Committee would like to be apprised of BICP recommendations and the action taken by Government/Company thereon within six months of receipt of the recommendations.

Reply of the Government

Recommendations of BICP have not yet been received.*

[Dated 9.10.83]

[Ministry of Energy, Department of Coal File No. 55011/9/88-CP

VAKKOM PURUSHOTHAMAN
Chairman,
Committee on Public Undertakings

NEW DELHI;
25. April 1988
5, Vaishakha, 1910 (S)

***At the time of factual verification ECL has stated that the BICP Report on Normative cost has since been received.**

APPENDIX I

Minutes of the 34th Sitting of Committee on Public Undertakings

Held on 21st April, 1988

The Committee sat from 15.30 hrs. to 16.00 hrs.

PRESENT

Shri Vakkom Purushothaman—*Chairman*

MEMBERS

2. Shri Dinesh Goswami
3. Shrimati Prabhawati Gupta
4. Prof. P.J. Kurien
5. Shri K.H. Rangnath
6. Shri Harish Rawat
7. Shri Lal Vijay Pratap Singh
8. Shri Jagesh Desai

SECRETARIAT

1. Shri R.D. Sharma—*Director*
2. Shri Rup Chand—*Senior Financial Committee Officer*
OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
1. Shri D.N. Anand—*Secretary, Audit Board.*

The Committee considered and adopted the draft Report on Action Taken by Government on the recommendation contained in the Twenty Fifth Report (1986-87) of the Committee on Public Undertakings on Eastern Coalfields Limited, as approved by the Action Taken Sub-Committee.

* * * * *

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

The Committee then adjourned.

APPENDIX II

(Vide reply to recommendation at Sl. No. 22 of Chapter II)

Statement showing law and order incidents in ECL and BCCL since 1977-78

Year	Gherao	Assault	Union rivalry/ clash	Stoppage of work/ obstruction	Murder	Total
<i>I. Eastern Coalfields Limited</i>						
1977-78	53	26	11	17	—	107
1978-79	126	32	6	25	—	189
1979-80	102	28	3	17	—	150
1980-81	115	33	4	19	—	171
1981-82	71	38	8	45	5	167
1982-83	89	47	5	67	9	217
1983-84	26	32	2	22	2	84
1984-85	21	19	2	14	2	58
1985-86	8	18	—	6	3	35
1986-87	3	6	—	3	—	12
1987-88 (upto Aug. 87)	2	3	—	3	2	10
<i>II. Bharat Coking Coal Limited</i>						
1977-78	25	19	7	8	—	59
1978-79	35	20	4	20	—	79
1979-80	48	29	—	20	—	97
1980-81	12	29	—	12	—	53
1981-82	7	26	2	19	—	54
1982-83	14	22	—	17	3	56
1983-84	17	11	2	4	—	34
1984-85	9	15	—	6	—	30
1985-86	22	8	—	12	—	42
1986-87	4	6	—	6	—	16
1987-88 (upto Aug. 87)	—	1	—	2	—	3

APPENDIX III

(Vide Para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 25th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Eastern Coalfields Limited

I.	Total number of recommendations	45
II.	Recommendations that have been accepted by the Government (<i>Vide</i> recommendation at Sl. Nos. 2, 5-9, 11-16, 18-26, 29-31, 33-38, 40, 42, 44 and 45)	34
	Percentage to total	75.55 %
III.	Recommendation which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> recommendation at Sl. Nos. 17, 32, 39 and 43)	4
	Percentage to total	8.89%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendation at Sl. Nos. 3, 4, 10 & 28)	4
	Percentage to total	8.89%
V.	Recommendations in respect of which final replies of Government are still awaited (<i>Vide</i> recommendation at Sl. Nos. 1, 27 and 41)	3
	Percentage to total	6.67%