STANDING COMMITTEE ON ENERGY
(2001)

(THIRTEENTH LOK SABHA)

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REPORT ON
THE COAL MINES (NATIONALISATION) AMENDMENT BILL, 2000

MINISTRY OF COAL

Presented to Lok Sabha on 31st August, 2001
Laid in Rajya Sabha on 31st August, 2001

LOK SABHA SECRETARIAT
NEW DELHI

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INTRODUCTION

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I, the Chairman, Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Eighteenth Report on the Coal Mines (Nationalisation) Amendment Bill, 2000 relating to the Ministry of Coal.

2. The Coal Mines (Nationalisation) Amendment Bill, 2000 was introduced in Rajya Sabha on 24.4.2000. The Bill was referred to the Standing Committee on Industry on 27.4.2000 for examination and Report. The Standing Committee on Industry interacted with some of the Trade Unions, consumers and user Central Ministries. However, before they could formulate their Report, the Ministry of Coal - to which the subject matter of the Bill relates- was transferred from the Standing Committee on Industry to the Standing Committee on Energy. The Hon'ble Speaker referred the Bill to the Standing Committee on Energy for examination and Report on 22.11.2000. Taking into

consideration the importance of the Bill, the Committee held extensive and wide-ranging discussions with the Trade Unions / Officers' Associations, apex Chambers and user Central Ministries. The Committee also invited suggestions / views of State Governments / Union Territories and considered them before arriving at their observations and recommendations.

3. The Committee heard the views of the Trade Unions and the representatives of the Mahanadi Coalfields Limited (MCL), Central Coalfields Limited (CCL), Central Mines Planning and Design Institute Limited (CMPDIL), Eastern Coalfields Limited (ECL), Bharat Coking Coal Limited (BCCL) and Coal India Limited (CIL) during their Study Tour to Bhubaneswar / Talcher, Kolkata, Asansol /Durgapur and Dhanbad during January, 2001. The representatives of the Neyveli Lignite Corporation (NLC) also presented their views on the Bill before the Committee in course of their Study Tour to Kodaikanal during May, 2001. The Committee wish to express their thanks to the representatives of these organisations for sharing their considered views on the Bill.

4. The Committee took oral evidence of the representatives of the various Trade Unions and Officers' Associations on 9.7.2001 and 10.7.2001. The Committee also heard the views of the representatives of Associated Chambers of Commerce and Industry (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII) on 11.7.2001. The representatives of Ministries of Railways, Steel, Power and Department of Heavy Industry gave oral evidence before the Committee on 12.7.2001. The Committee also took oral evidence of the representatives of the Ministry of Coal on 4.12.2000 and 13.7.2001.

5. The Committee also wish to express their thanks to the various Trade Unions / Officers' Associations / experts / organisations for placing before them the requisite memorandum/ material in connection with the examination of the Bill.

6. The Committee are indebted to various State Governments/ Union Territories and their power utilities for placing before the Committee their considered views / suggestions on the subject.

7. The Committee place on record their profound appreciation for the work done by the Standing Committee on Industry in connection with the examination of the Bill.

8. The Committee also wish to thank in particular the representatives of the Ministry of Coal for placing before them the detailed material / information desired by the Committee and sharing with the Committee their frank views, perception and constraints concerning the subject.

9. The Report was considered by the Committee at their sitting held on 24.8.2001. The Committee further considered and adopted the Report at their sitting held on 28.8.2001.

10. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report.

New Delhi;
August 30, 2001
Bhadrapada 8, 1923(Saka)

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Energy.

C H A P T E R – I

INTRODUCTORY

A. The Coal Mines (Nationalisation) Amendment Bill, 2000

1.1 The Government introduced the Coal Mines (Nationalisation) Amendment Bill, 2000 in Rajya Sabha on 24th April, 2000. Subsequently, the Bill was referred to the Standing Committee on Industry on 27th April, 2000 for examination and Report thereon. The Standing Committee on Industry were in the process of examining the Bill when the Ministry of Coal, to which the subject matter of the Bill relates, was transferred from the Standing Committee on Industry to the Standing Committee on Energy. Accordingly, the Bill was referred to the Standing Committee on Energy by Hon'ble Speaker, Lok Sabha under Rule 331 E of the Rules of Procedure and Conduct of Business in Lok Sabha for examination and Report thereon and intimation thereof was published in Lok Sabha Bulletin Part-II dated 22nd November, 2000. A copy of the Bill as introduced in Rajya Sabha and as referred to the Committee is enclosed as Annexure-I.

1.2 The Coal Mines (Nationalisation) Amendment Bill, 2000 proposes to insert a few new Sections / Clause viz. Sections 1B (1 & 2), 3A (1 & 2) and Clause (aa) after Section 1A, 3 and Clause (a) in Sub-Section (2) of Section 34 respectively in the Coal Mines (Nationalisation) Act, 1973.

1.3 The details of Sections 1A, 3 and Clause (a) of Sub-Section (2) of Section 34 of the Coal Mines (Nationalisation) Act, 1973 and the new Sections proposed to be added through the Coal Mines (Nationalisation) Amendment Bill, 2000 are given below: -

1.4 Section 1A of the Coal Mines (Nationalisation) Act, 1973 which relates to "Declaration as to Expediency of Union Control", is reproduced below:-

Existing Provision

B. Section 1A

(1) It is hereby declared that it is expedient in the public interest that the Union should take under its control the regulation and development of coal mines to the extent hereinafter provided and development of coal mines to the extent hereinafter provided in sub-sections (3) and (4) of Section 3 and sub-section (2) of Section 30.

(2) The declaration contained in sub-section (1) is in addition to, and not in derogation of the declaration contained in Section 2 of the Mines and Minerals (Regulation and Development) Act, 1957 (67 of 1957).

Addition to be made

1.5 The Coal Mines (Nationalisation) Amendment Bill, 2000 proposes to insert a new Section viz. Section 1B after Section 1A of the Principal Act of 1973. The proposed Section 1B is reproduced below: -

Section 1B

(1) "It is hereby declared that it is expedient in the public interest that the Union should take under its control the regulation and development of coal mines to the extent hereinafter provided in Section 3A.

(2) The declaration contained in sub-section (1) is in addition to, and not in derogation of, the declarations contained in Section 2 of the Mines and Minerals (Regulation and Development) Act, 1957 and in Section 1A of this Act".

Existing Provision

1.6 Section 3 of the Coal Mines (Nationalisation) Act, 1973 provides as under: -

(1) On the appointed day, the right, title and interest of the owners in relation to the coal mines specified in the Schedule shall stand transferred to, and shall vest absolutely in, the Central Government free from all encumbrances.

(2) Omitted by Act 57 of 1986.

(3) On and from the commencement of Section 3 of the Coal Mines (Nationalisation) Amendment Act, 1976: -

(a) no person, other than –

(i) the Central Government or a Government company or a corporation owned, managed or controlled by the Central Government, or

(ii) a person to whom a sub-lease, referred to in the provision to Clause (c) has been granted by any such Government, company or corporation, or

(iii) a company engaged in-

(1) the production of iron and steel,
(2) generation of power,
(3) washing of coal obtained from a mine, or
(4) such other end use as the Central Government may, by notification specify.

Shall carry on coal mining operation, in India, in any form;

(b) excepting the mining leases granted before such commencement in favour of the Government company or corporation, referred to in Clause (a) and any sub-lease granted by any such Government company or corporation, all other mining leases and sub-leases in force immediately before such commencement, shall, in so far as they relate to the winning or mining of coal, terminated;

(c) no lease for winning or mining coal shall be granted in favour of any such person other than the Government company or corporation, referred to in Clause (a):

1.7 Provided that the Government, company or corporation to whom a lease for winning or mining coal has been granted may grant a sub-lease to any person in any area on such terms and conditions as may be prescribed in the instrument granting the sub-lease, if the Government company or corporation is satisfied that

(i) the reserves of coal in the area are in isolated small pockets or are not sufficient for scientific and economical development in a co-ordinated and integrated manner, and

(ii) the coal produced by the sub-lease will not be required to be transported by rail.

C. Addition to be made

1.8 The proposed Section 3A of the Coal Mines (Nationalisation) Amendment Bill, 2000 is reproduced below: -

Section 3A

(1) Notwithstanding anything contained in Section 3 and on and from the commencement of the Coal Mines (Nationalisation) Amendment Act, 2000 any person being –

(a) the Central Government or a Government company or a corporation owned, managed or controlled by the Central Government, or a State Government or any corporation owned, managed or controlled by the Central Government and a State Government; or

(b) a person to whom a sub-lease, referred to in the proviso of clause (c) of sub-section (3) of section 3 has been granted by any such Government, Government company or Corporation; or

(c) a company,

may carry on coal mining operation in India, in any form either for own consumption, sale or for any other purpose in accordance with the prospecting licence or mining lease or sub-lease, as the case may be.

(2) The Central Government may, with a view to re-organising and restructuring such coal mines as to ensure the rational, co-ordinated and scientific development and utilisation of coal resources consistent with the growing requirements of the country, prescribe –

(i) the location of the coal mines;
(ii) the minimum size of the coal mines;
(iii) such other conditions,

which may be necessary for the purpose of coal mining operations by a company.

Explanation: "For the purposes of this sub-section, company means a company as defined in sub-section (1) of section 3 of the Companies Act, 1956 and does not include a foreign company within the meaning of section 591 of the Act"

1.9 Section 34 of the Coal Mines (Nationalisation) Act, 1973 which relates to "power to make rules" is reproduced below:-

Existing Provision

(1) The Central Government may, by notification, make rules to carry out the provisions of this Act.
(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-
(a) The manner in which the coal mine shall be managed by a Government company or a Custodian,
(b) The manner in which monies in any provident fund or other fund referred in Section 15 shall be dealt with:
(c) The form an manner in which the statement of account referred to in Section 19 shall be prepared.
(d) Any other matter which is required to be, or may be, prescribed.

(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or succession sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Addition to be made

1.10 The Coal Mines (Nationalisation) Amendment Bill, 2000 proposes to insert Clause (aa) after Clause (a) in sub-section (2) of Section 34. Clause (aa) is reproduced below: -

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Clause (aa)

the location of the coal mines, the minimum size of the coal mine and such other conditions which may be necessary for the purpose of coal mining operations by a company.

CHAPTER - II

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A. Background to the Bill

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2.1 About sixty per cent of the country's total energy requirement is catered to by coal. The coal-based power generation accounts for around 70% of the total power generation in India. It is expected that there will be a manifold increase in the demand for coal in the country in the years to come in view of the burgeoning demand from the power, steel and cement sectors. Considering the estimated addition of the coal based thermal capacity in the country by the end of 10th Plan, as per latest estimates available it is assessed that the demand supply gap of coal by the end of 10th Plan would be to the tune of 111.10 million tonnes.

2.2 The nationalisation of coal mines in India took place during the period from 1971 to 1973. The basic reasons for nationalisation were the need to provide adequate investments in coal mines, conserve coal resources, ensure mines safety and environmental protection and to assure decent living standards for the coal labour. Section 3 of the Coal Mines (Nationalisation) Act, 1973 as amended from time to time lays down the categories of entities eligible to mine coal in the country. As per the provisions of this Section, while the Government coal companies can do non-captive coal mining, the companies engaged in iron and steel production, power generation and such other end-uses of coal as may be notified by the Union Government from time to time can mine coal only for captive consumption.

2.3 The Committee have been informed that there would be a huge gap between demand and supply of coal by the end of 10th Plan which cannot be bridged by the nationalised coal companies and the captive coal mining companies and, therefore, it is necessary to allow the private sector participation for non-captive purposes by effecting amendment in the Coal Mines (Nationalisation) Act, 1973.

2.4 Explaining the genesis of the Bill, the Ministry of Coal, in a note furnished to the Committee, have stated that the Coal Mines (Nationalisation) Amendment Bill, 2000 was introduced in Rajya Sabha with the following objectives: -

(i) To allow the Indian companies to mine coal and lignite in the country without the existing restriction of captive mining. In other words, the objective is to allow the Indian companies in the public and private sectors to mine coal and lignite and also allow them to sell coal and lignite in the country.

(ii) To allow the Indian companies in the public and private sectors to be engaged in exploration of coal and lignite resources in the country.

2.5 The Coal Mines (Nationalisation) Amendment Bill, 2000 seeks to allow both the public sector and private sector companies to undertake coal mining and prospecting. It does not intend to transform the Coal India Limited, its subsidiary companies, the Neyveli Lignite Corporation or other Government coal companies such as Singareni Collieries Company Limited into private companies. The existing coal and lignite mining operations of these Government companies will continue and so also their growth as respectively planned by them.

2.6 However, in the coming decade, neither the public sector nor the private sector, exclusively, will be able to cope with the demand of the economy. It will require their joint and collaborative efforts to produce the total requirement of coal. Until and unless the picture of private sector investment in coal mining becomes clear, strong presence of public sector would have to continue to take care of the coal production needs of the country. Therefore, the Government companies presently engaged in the coal production will have to continue playing a major role in meeting the coal requirement of the country. Energy security of the country demands that coal mining under the public sector should continue. The public sector, far from withering away, will continue as a necessity, and function as the fulcrum of energy security of the country. The private sector, which had almost disappeared with the nationalisation of coal sector in 1973, would re-enter the arena, beginning almost from the scratch. The interface between these two sectors will, therefore, be characterized by increasing professionalism, competition, and also collaboration in the form of vigorous joint sector activities.

2.7 The Ministry of Coal have also stated that in addition to the need for augmenting India's coal production in the coming decade by wider participation of private coal mining companies in the coal industry, the amendment to the Coal Mines (Nationalisation) Act, 1973 is also needed for smooth flow of private investment for formation of Joint Venture companies with the Coal India Limited (CIL). The object of the amendment is to introduce liberalisation in the coal sector while ensuring that the benefits obtained to the nation during the period of nationalisation are preserved.

2.8 When asked about the countries where the Coal Sector is in private hand, the Ministry of Coal have informed that except for the countries such as China and Russia, the coal mining in other major coal producing countries like Australia, South Africa, U.K., U.S.A., etc. is in the private sector. The coal industry has been doing well in all those countries.

2.9 Before 1971-72, major part of coal mining was in the private sector. In many countries such as Australia, USA, United Kingdom, etc., the coal mining is entirely in the private sector. In our case also, it is out of necessity that the private sector is being invited to participate in the exploration and mining of coal. In spite of their best efforts, the public sector is not in a position to produce enough coal to meet the ever-increasing demand of various critical industrial sectors. The private sector has the enterprise, capital and requisite expertise. It would be in the national interest to tap the resources available in the private sector. It is, however, true that the public sector will continue to play a predominant role in the field of coal mining and exploration in the foreseeable future.

2.10 Giving a brief background of the Bill, the Secretary, Ministry of Coal during oral evidence stated as under:-

"In 1971, the Government of India had taken over the management of coking coal mines and the next year, these coking coal mines were nationalized. Immediately after that, the management of non-coking coal mines were also nationalized. This situation continued till 1993 when the Nationalization Act was amended to permit captive mining by the power sector, the steel sector and for washing purposes. And, in 1996 we issued a notification permitting the cement industry also to do captive mining. The Bill which is now before this Committee seeks to further amend the Nationalization Act so that mining can be done by the private sector without the limitation of doing it only for captive purposes. In other words, we intend to permit the private sector to do mining per se without linking that mining to any specified captive end use".

2.11 Elaborating further, the Secretary, Ministry of Coal deposed as under:-

"As far as the future of Coal India itself is concerned, there should be absolutely no doubt or apprehension that the purpose of this Bill is to privatise Coal India. There is no thinking at all in Government today regarding the privatisation of Coal India. What is being visualised by this Bill is an addition to the efforts of Coal India's 350 MT that is what we visualise from the opening up of these blocks. There is absolutely no intention whatsoever to dilute Government of India's equity in Coal India".

2.12 Commenting on the various provisions of the Bill, the Ministry of Power, in a written note, stated as under:-

"Entry of private sector into coal mining business is expected to bring in fresh investment to develop new coal mines, improve productivity and quality. More over, this would help not only in meeting the gap between the demand and supply of coal, but also to break the monopoly of govt. coal companies and for creating competitive market for quality improvement and price control. This would, however, require setting up an independent regulatory authority to fix quality with the cost of coal for both govt. & private coal companies. In view of the above, the Bill if passed is likely to generate competition in the market".

2.13 Detailing the benefits that would accrue to the nation as a result of private sector participation, an apex Chamber of Commerce, stated that following would be the advantages of this move:-

"i) Need for direct subsidy from Govt. will reduce and cross subsidisation and distortion of pricing of different grades of coal will be addressed, as the monopoly of public sector in coal would end.
ii) As domestic availability of coal improves, there would be reduction of imports.
iii) Increase in more employment opportunity due to greater exploitation".

2.14 Outlining the necessity of the Bill, the Ministry of Steel, in a written note, stated as under: -

"CIL is not able to meet the demand of steel industry due to its inefficiencies as well as lack of investment, hence this sector should be opened up so that private investment comes in and quality as well as availability of coking coal increases."

2.15 Welcoming the Bill, CMD, NTPC during oral evidence stated as under:-

"We welcome the Bill as such because it is a very progressive effort. But there are certain issues which we would like to bring to your notice and attention. The very first important issue is regarding pricing. After de-control of coal price, there is no transparency or availability of the confidence that the increases in coal price which are taking place are reasonable and that is what is causing us a lot of problem".

2.16 Tracing the desirability of the Bill, the Secretary, Department of Heavy Industry stated during evidence as under:-

"We de feel that in the emerging environment, the draft Bill is a logical proposal. We do need investment in the coal industry because there is a gap… There is a mis-match between demand and supply and, therefore, we need more investment. There is problem of deploying more State resources into this sector and, therefore, one does not need to supplement investment in this sector and, therefore, we feel that the amendment is a logical move. It is also necessary that we must invest in washeries because of ash content and calorific value. If you invest in washeries, not only do we improve the quality of coal but we also minimise the environmental risk".

2.17 Agreeing with the various provision of the Bill, the Secretary, Ministry of Power stated during evidence as under: -

"For the Ministry and for the industry, we find this to be a very progressive, pre-reforms and a forward looking legislation. Whole-heartedly we would like it to be implemented. The reasons are, as you know we are the highest buyer of non-coking coal. The problem that we have vis-à-vis the Coal India is the problem that any consumer will have with a monopoly producer. It is not a question of complaint. In a monopoly, there are certain inherent problems and we face them. Sometimes, the ash content is 50%, it damages our equipment. Our boilers have to be especially designed and heavy investment is required. Repeatedly we told them about this, but they tell us that Indian coal contains 45% ash. We asked them to set up washeries, but it is not coming".

2.18 Supporting the Bill, the Secretary, Ministry of Steel stated during evidence as under:-

"It is our belief that induction of the private sector will generate a large number of benefits. Firstly, it will ease the extent to which budgetary support is required per se. it is observed that the private sector can be competitive and will consequently through competition, perhaps induce efficiency and also persuade a pricing formula, which is not just cost-plus. It will induce policy parameters, which will tend to reduce price. Cost efficiency will be brought in; production efficiency will be brought in. Therefore, it is our submission that given the prevailing State of supply of indigenous coal, the quality of that coal, the requirement of the steel industry, and the imported coal is to some extent inevitable because we are not getting the required ash content from domestic coal. So, we will also be importing in order to blend. Secondly, enhancing of indigenous coal production is a must. Otherwise, our dependence on imports will increase to the extent that even port congestion is being caused and it is creating difficulties for us. Thirdly, to the extent budgetary support is not relied upon and the private sector comes in, it will be hoped, both to reduce financial liability on the Government and also introduce efficiency in production through competition".

2.19 Expressing their reservation on certain provisions of the Bill, a representative of a Chamber of Commerce during evidence opined as under:-

"There are certain restrictive clauses ….So far as the size of the coal mine is concerned, instead of the Ministry deciding it or a certain law deciding it, it has to be decided only on the basis of techno-economic considerations, and no other consideration can decide the size of the mine… So, whatever rules and regulations that are being framed are biased towards the nationalised coal industry. To guard against this bias, we feel that an Authority should be created during the interim period- when the private sector is being encouraged to come in – to provide for a level playing field for the private sector.

2.20 Another Chamber, however, desired that the third item appearing in Section 3 A(2), that is, "such other conditions which may be necessary for the purpose of coal mining" is a vague clause and may bring in subjectivity and create some impediments also in the application of this amendment. So, it should be a little more precise. The Chamber suggested that a little more clarity may be brought in as to what kind of conditions should be there so that the amendment can be operated more effectively.

2.21 Clarifying the Government's position, the Ministry of Coal, in a note, stated that the matter is being examined.

B. Views of State Governments

2.22 The States have major role to play in the coal sector. Under the constitution of India, they are the owner of mineral resources in the country. Mining lease, mineral concession and prospecting licenses are issued by them. The land acquisition, forestry clearance, provision of land for compensatory resettlement of affected people, etc. vest with them. In the provision of social infrastructure support service like road, water, health, education, etc. and ensuring industrial peace, they have a major role to play. When asked about the views of the coal bearing States on the Bill, the Ministry of Coal in a note stated: -

"The Bill seeks to allow private sector participation in coal mining without the restriction of captive consumption. The Bill will have no bearing on the interests of the State Governments because even on enactment of the Bill, the private parties will have to obtain a mining lease from the concerned State Governments and will have to pay the royalty, dead rent, and other taxes. Indeed, the State Governments will be able to exercise greater control over the private coal companies. Therefore, consultation with the coal bearing State Governments was not considered necessary."

2.23 This Committee, however, decided to have the views of the concerned State Governments and sent a written communication to those States requesting them to furnish their comments on the Bill. On the basis of their response, it is found that majority of them have supported the Bill. The following States have supported the Bill:

Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Maharashtra, Meghalaya, Orissa, Punjab, Rajasthan and Uttar Pradesh. The views of some of these States/ Electricity Boards/ Power Utilities are as under: -

2.24 The Gujarat Electricity Board has stated that considering the finding of the Committee on the integrated coal policy set up by the Planning Commission in April, 1995 to assess demand of coal in the Ninth and Tenth plan period, which has concluded that the supply demand mismatch for Coal in the country will become very serious unless measures for supply augmentation are vigorously pursued, the Gujarat Electricity Board is in agreement with the proposed Coal Mines (Nationalisation) Amendment Bill, 2000.

2.25 The Government of Rajasthan have stated that there are nearly 1600 million tonnes deposits of lignite in the State and its prospecting and exploration is in progress. On the basis of preliminary estimates nearly 200 MW power generation proposals are under consideration. Most of the lignite deposits of the State are occurring at 50 to 150 m depth from surface. It is also pointed out that by and large lignite deposits are available in these seams with interacted clay and carbonaceous shale bands. Different from coal, lignite has special characteristics of spontaneous combustion due to high level of volatile matters in view of which the material could not be stored for a long period of time. Thus, lignite mining would be highly capital intensive venture and if it is opened in private sector without present restriction of captive use the legal provision is likely to be misused. The State therefore, requested that in the proposed section- 3A, a proviso may be suitably added whereby mining lease or prospecting licence for lignite may continue to be granted for captive use in terms of existing provisions of S-3 of the Act. As far as coal is concerned, the State Government supported the proposed amendment .

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2.26 The Rajasthan Rajya Vidyut Prasaran Nigam Limited has stated that increase in competition in coal mining by allowing private sector would improve overall efficiency of coal mining. Amendments are, therefore, supported.

2.27 The Haryana Power Generation Corporation has given the following suggestions on the Bill:-

"(i) The provision should be made in the amendment bill for according priority allocation of coal to Thermal Power Stations. A substantial share i.e. about 60-70% of coal produced by the coal companies should be reserved for Power Utilities of user. It should be ensured that necessary provisions are made in the Bill for un-interrupted supply of coal to various Thermal Power Stations.

(ii) There should be a price control mechanism to avoid abnormal increase in the prices of coal resulting in enhanced cost of Power Generation/ tariff payable by consumers. For this purpose the appointment of a regulator on the lines of TRAI or Central Power Regulatory Commission may be considered.

(iii) The existing method of fixing price for non coking coal on UHV based grading may be retained.

(iv) It should be made mandatory for the coal companies to install coal washeries so that the coal with less than 34% ash content is made available to Power Stations to meet with the MoEF stipulation."

2.28 The Government of Haryana has stated that limited privatisation would generate a healthy competition for increasing the production of coal to meet the requirement of the thermal power plants with Coal India Limited.

2.29 The Government of Punjab has given the following suggestions on the Bill:-

"(i) For Power Plants the primary carrier of coal from the coal mines to the Power Plant shall be Indian Railways. Because of various factors and to save cross Carriage of coal, the Mines from which the coal can be purchased by a Power Plant shall have to be linked.

(ii) In order to ensure the mine operators of the mine from which a particular Power Plant is purchasing coal does not over charge taking advantage of limitation (I) above, there should be a Regulatory Body to fix maximum sale price for taking into account cost factor of mining and quality of coal.

(v) Further any disputes about quality & prices between the purchaser and supplier should be referable to the Regulatory Body for resolution."

2.30 Supporting the Bill, the Government of Assam has suggested that the Mining of isolated small deposits of coal that exist in Assam and remaining operative so long should also be considered for inclusion in the proposed Bill while specifying the minimum size of the Coal Mine.

2.31 The Government of Maharashtra, supporting the Bill, has inter-alia, stated that presently, the sale of coal to Thermal Power Stations from private mines is not permitted. The time has come to examine the possibility of sale of coal from private mines to the Utility Power Stations. This will create a healthy competition in the coal market resulting into reduction in coal prices, which will be advantageous to Power Utilities and to all concerned and the nation as a whole. In the international market the payment terms towards supplies of coal are such that the payment is to be made after ninety days from the date of supply of coal. However, in Indian market, the coal companies are taking the money in advance. Allowing the captive mining of coal for power sector will lead to eliminate such erroneous practices. It is very necessary to permit captive mining of coal for Public Sector Power Stations to take care of the supply demand mismatch for coal in the country in the coming future. The private investment in the coal mining for Public Sector Power Stations will be in the over all interest of the power industry. As such, these ideas may be proposed for necessary amendments in the Coal Mines (Nationalisation) Act 1973.

2.32 The Government of Madhya Pradesh has neither explicitly supported nor opposed the Bill. As regards insertion of the new Section 3A regarding Mining Operation by Companies and others, the Government of Madhya Pradesh has made no comments. However, regarding Section 34, the Government of Madhya Pradesh has stated that while prescribing the location of the coal mines, the minimum size of coal mine and any other conditions related to the mining of the coal, the Techno-Commercial feasibility of such mines should be duly considered.

2.33 The Government of Orissa has stated that there is no provision in the Bill to give preference for grant of mining lease for coal to applicants who have set up coal consuming industries or those who have firm commitment to put up such industries. It has been suggested by the Government of Orissa that in order to promote coal based industries, a provision should be inserted in Section 3 A (1) to the effect that the State Government, with the prior approval of the Central Government, may grant a prospecting licence or mining lease, as the case may be, to a later applicant requiring coal for own consumption in preference to the earlier applicant who intends only for sale or any other purpose.

2.34 Only the Government of West Bengal has not supported the Bill. It has opined that there is no need to open up the coal sector to the private companies other than for captive purposes. The Government of West Bengal has stated that in the present context, coal mining should continue to be in the public sector. It is also of the view that the opening up of coal mining to the private sector, other than for captive mining purposes, will lead to (i) threat to conservation of coal resources (ii) disregard for mines safety (iii) threat to environment protection and (iv) uncertainty in the social security of the coal workers.

C. Views of Trade Unions and Officers' Associations

2.35 Almost all Trade Unions such as Bharatiya Mazdoor Sangh (BMS), All India Trade Union Congress (AITUC), Indian National Trade Union Congress (INTUC), Hind Mazdoor Sabha (HMS) and Centre of Indian Trade Unions (CITU) and Officer' Associations like Coal India Officers' Association and Coal Mines Officers' Association of India have opposed the Coal Mines (Nationalisation) Amendment Bill, 2000. The names of the Trade Unions and Officers' Associations which have submitted memoranda on the Bill are given in Annexure-II. The major points raised by the Trade Unions are given below: -

1 Objections of Trade Unions/Officers' Associations

(i) The Trade Unions have not been consulted, before the Bill was introduced in the Parliament.

(ii) The gap between demand and supply for coal based power plants is exaggerated because it is based on assumptions. Demand figures as projected are not realistic because for the last so many years, power sector has never achieved the production targets. The assessment made by the Committee on Integrated Coal Policy set up by the Planning Commission in April, 1995 to assess the demand of coal in 9^{th} and 10^{th} Plans has been proved wrong.

(iii) The private companies in lure of getting more than assured profit on their investment will go for slaughter and unscientific mining thereby jeopardising the lives of the workers and the mines.

(iv) In order to maintain their profitability and keep the cost of production much less than the selling price, they would refrain from investment in high technology, safety equipment & appliances and environmental protection.

2. Suggestions of Trade Unions /Officers' Associations

(i) To cover up the gap between demand and supply, additional resources mobilisation should be made by the coal companies through the Union Government. The management and Unions should sit together in the Apex Committee of CIL to chalk out action plan and methodology for implementation of the action plan.

(ii) There is no need to amend the Coal Mines (Nationalisation) Act, 1973 for the entry of private sector in the coal mining industry.

(iii) The Union Government should take steps for better management of public sector, production of coal, conservation of coal resources and ensure mines safety.

(iv) One time financial support should be extended to ECL,BCCL, and CCL to enable the companies to come out of red on firm assurance that whatever money is pumped in, will not go waste.

(v) All the subsidiaries of the Coal India Limited should be considered a division of the Coal India Limited and the latter should be treated as one company like the organisational pattern of the Steel Authority of India Limited. If this proposal is agreed to, the money on account of income tax which CIL is paying to the Government, can be utilised for revival of loss-making companies thereby the coal industry as a whole will be of 'no loss no profit' standard and even earn profit in the near future.

(vi) The Government should re-deploy the idle equipment from one mine to another/ one area to another for gainful utilisation.

(vii) Training should be imparted to key personnel for maintenance of equipment.

(viii) Workers' participation in management should immediately be implemented.

3. <u>Other points raised by Trade Unions/Officers' Associations</u>

(i) It is doubtful that by opening up of the coal sector to private parties, restriction can be put on the import of coal.

(ii) No Indian company will mine the coal beyond 200-300 meters down the earth as the cost of production will certainly be higher than the selling price.

(iii) With the latest technology and machinery, MNCs will produce coal at cheaper rate and with less manpower. So, CIL will not be able to compete with them and in the course of time it will be declared sick and closed. Once CIL is closed down, the MNCs will increase the price of coal as per their desire and nobody can stop them.

(iv) There are a number of drawbacks in the working of coal mines like high rate of breakdown of machinery & equipment, theft of coal and over/wrong reporting of coal production by the coal mines. But instead of taking steps to improve the performance of the coal companies, privatisation cannot be a solution.

(v) A number of organisations owe around Rs.5000 crore to the Coal India Limited. If CIL gets back this money and invests it in coal production, it can easily produce the coal to meet the whole demand.

2.36 When pointed out that no prior consultation were held with the representatives of Trade Unions in spite of assurances given to them, the Ministry of Coal stated that according to the agreed formulation arrived at, the Government had assured that all aspects of the matter about demand and supply of coal and restructuring of coal industry would be discussed with the trade unions represented in JBCCI before the amendment Bill was taken up for consideration in Rajya Sabha.

2.37 Clarifying Government's position further the Secretary, Ministry of Coal stated during oral evidence as under:-

"As far as consultation with the trade unions is concerned, as recently as December last year, on the eve of the threatened strike in the coal industry, the trade union representatives met this Group of Ministers that I was talking about. The question of this Bill, which is before Parliament, came up during those discussions. The trade unions were assured that before the Bill came up for consideration in the Rajya Sabha - our impression then was that it would come up for consideration in the Rajya Sabha first – there would be consultations between the Government and the trade unions. We had also pointed out to the trade unions that this Committee would be hearing trade unions and I find that the Committee has already heard the trade unions. As directed by the Chairman of the Committee now, we will not wait for the recommendations of this Committee to come before Parliament, before we enter into a dialogue with the trade unions. We shall initiate this dialogue in the near future and get back to the Committee on the results of this dialogue".

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2.38 The Committee note that the present Bill has been introduced to facilitate Indian private companies to explore and mine coal and lignite without the existing restriction of captive mining, in a bid to fill the burgeoning demand-supply gap of coal by the end of 10th Plan and beyond. As per 'explanation' below Section 3A (2), the word company means a company registered under the Companies Act, 1956. The Committee have been informed by the Government that by implication the definition of 'company' does not include a foreign company. Accordingly, a foreign company is barred to undertake coal mining and exploration. However, nothing prevents an Indian company in the private sector to have foreign investment for non-captive mining of coal and lignite and exploration of coal and lignite resources. The Committee recommend that the present Bill be passed subject to the observations and recommendations made in the succeeding paragraphs.

2.39 The Coal Mines (Nationalisation) Amendment Bill, 2000, <u>inter-alia</u>, proposes to insert Section 3(A) (1) and (2) after Section 3 of the Principal Act i.e. the Coal Mines (Nationalisation) Act, 1973. Section 3A (2) of the Bill provides that the Central Government may, with a view to re-organising and restructuring such coal mines as to ensure rational, coordinated and scientific development and utilisation of coal resources consistent with the growing requirements of the country, prescribe the location and the minimum size of the coal mines and such other conditions which may be necessary for the purpose of coal mining operations by a company. In the opinion of an apex Chamber of Commerce and Industry (FICCI), the use of the expression 'such other conditions' in the Bill is vague which would bring in confusion and subjectivity at the time of implementation of the provision. The Government of Madhya Pradesh has desired that techno-

commercial feasibilities should be considered while determining such conditions. The Committee feel that there should be no ambiguity and recommend that the Government should take care of the views expressed by FICCI and the Government of Madhya Pradesh.

2.40 The various Trade Unions and Officers' Associations, who tendered evidence before the Committee were apprehensive of privatisation of CIL and its subsidiaries. The Committee have been assured by the Government that the present Bill seeks only to allow private companies to undertake coal mining and exploration and does not intend to transform CIL, its subsidiaries, NLC or other Government coal companies into private companies. The existing coal and lignite mining operation of these Government controlled companies will continue and so also their growth as respectively planned by them. The Committee welcome this statement of the Government and recommend that CIL and its subsidiaries should be strengthened to enable them to play a meaningful role outlined for them as also to face the competition to which they are likely to be exposed if this Bill is passed.

2.41 The Committee are unhappy to note that the Government did not consider it necessary to consult coal bearing States before the introduction of the Bill, on the grounds that the Bill will have no bearing on the interests of State Governments. It is worthwhile to mention that the States have a major role to play in the coal sector. Mining lease, mineral concession and prospecting licenses are to be issued by the State Governments. Land acquisition, forest clearances, provision of land for compensatory afforestation and resettlement of affected people, etc. vest with them. Moreover, they have a major role to play in the provision of social infrastructure, support services like road, water, health, education, etc. and in ensuring industrial peace. The Committee, therefore, decided to have consultation with the concerned States. A number of States such as Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Maharashtra, Meghalaya, Orissa, Punjab, Rajasthan and Uttar Pradesh have supported the Coal Mines (Nationalisation) Amendment Bill, 2000. These States have made a number of important suggestions on the Bill relating to constitution of a Regulatory Authority, increase in competition leading to overall efficiency, supply of coal to thermal power stations, mining of lignite, setting up of coal washeries to reduce the ash content of coal, location and minimum size of coal mines, demand and supply of coal, investment by the private sector, etc. Only the Government of West Bengal has not supported the Bill, arguing that it will be a threat to environment protection and conservation of coal resources, disregard for mines safety and uncertainty in the social security of the coal workers. Taking into consideration the fact that some of the States could not apprise the Committee of their views, the Committee desire that the Union Government should consider the views of all the coal bearing States, while implementing the various provisions of the Bill as and when it is passed.

2.42 The Ministry of Coal have informed the Committee that they have held the discussions with the trade unions as desired by this Committee. They have also forwarded the gist of suggestions made by the trade unions. There views are already known to the Committee and have been kept in view while making the recommendations.

C H A P T E R - III

Issues Involved in the Coal Mines (Nationalisation) Amendment Bill, 2000

3.1 In the Statement of Objects and Reasons attached to the Bill, it has been stated that the coal demand in the country is expected to increase several folds in the next few years. And it would not be possible for the nationalised coal companies and captive mines to meet that demand.

3.2 It has also been stated that in order to bridge the increasing gap between demand and supply of coal, it is necessary to increase investments in coal production.

3.3 Further, to ensure that the same situation which prevailed in the private coal mines in pre-nationalisation era does not re-occur, the Bill seeks to enable the Central Government to prescribe the condition for private mining.

3.4 In addition to the above, some points were brought to the notice of the Committee by various Trade Unions and Business Associations. These are being discussed in the following paras/chapters.

A. Demand -Supply Gap

3.5 As already explained earlier, the main reason given by the Government to allow Indian companies to mine coal and lignite is the increasing gap between demand and supply of coal during the 10^{th} and 11^{th} Plans and beyond.

3.6 When the Committee enquired about production of coal at the time of Nationalisation and at the end of 2000-2001, the Secretary, Ministry of Coal stated during evidence the following: -

> "When the coal mines were nationalized in the early Seventies, the production level was of the order of 70 million tonnes. At the end of the 2000-01, Coal India's production has touched 270 million tonnes. This would mean an addition of roughly 200 million tonnes during the last 25 years or so, which means, an addition of about 8 million tonnes a year. If we proceed at this rate of addition, we find that it is a question of time before there is going to be a tremendous mismatch between what we are producing and what the Indian economy will require".

3.7 Asked to explain the demand-supply gap that is likely to arise during the 10^{th} and 11^{th} Plans, the Ministry of Coal stated: -

> "Projections of coal demand are made based upon requirements shown by the consuming sectors. Ministry of Coal largely accepts the requirement/projections given by the major sectors after making necessary consultations with other Ministries as well as the Planning Commission. On the supply side, assessments are given by the coal producing companies based on the production potential/projects and the availability of finance. The production programme is also finalized in consultation with the Planning Commission**."**

3.8 During Oral Evidence, the Secretary, Ministry of Coal added the following: -

> "Different bodies have projected different gaps. They have projected different demand situations, they have projected different supply situations and, therefore, they have projected different gaps. What I was trying to inform the Committee was that while there are variations in what the different bodies have said, there is no variation in the fact that a gap has always been projected. The magnitude of the gap has varied, but there has always been a gap. The Government feels that as long as there is gap between what Coal India can do with the maximum effort that it can put in and what the economy requires, then it is necessary to supplement the efforts of Coal India. The purpose of this Bill really is to supplement the efforts of Coal India. Coal India is doing something. It can do more and Coal India will do its utmost. Even then if there is a gap, it will be necessary to induct other parties so that the economy does not suffer because of this gap or India is not forced to import coal when we are sitting on reserves to the extent of 214 billion tonnes. It will be the most unfortunate thing for the Indian economy if we have to import coal in order to meet what Coal India is not able to supply just because we are not allowing private sector investment into the coal sector".

3.9 When asked to explain the requirement of coal by the power sector, the Ministry of Power, in a written note, have stated as under: -

"As per the estimate of Central Electricity Authority, at the end of 10th Plan & 11th Plan the coal based thermal capacity is targeted at 84638 MW and 104108 MW respectively. Energy generation from coal based thermal stations as assessed by the Sub Group- I of Working Group on Coal on coal demand supply and movement is projected at 525 billion units at the end of 10th Plan. These figures are for total utility power sector including Central sector, State sector, licencees and IPPs on normative basis. The total requirement of coal for the above 10th & 11th power programme are 373 million tonnes (including 35 million tonnes imported coal) and 469 million tonnes (including 65 MT imported coal) respectively. Working Group on Power is yet to firm up 10th Plan capacity addition programme".

3.10 Elaborating the demand of coal by the power sector, the Secretary, Ministry of Coal deposed as under:-

"The basic figure which has gone into the projection of the demand of 511 million tonnes at the end of the Tenth Plan is the input which we have received from the Power Ministry which pegs the addition to coal thermal capacity during the Tenth Plan at 28,000 mw of which 8,000 mw is predicated on imports and the balance 20,000 mw addition during the Tenth Plan is based on domestic coal. If we take, roughly, a requirement of 5 million tonnes of coal for every thousand MW, we would see that the incremental requirement of the power sector alone is 100 million tonnes. The point that I would like to make in this context is that the figures which I have given show without any doubt that there is a large variation in projections which have been made from time to time both with regard to the demand and the supply, and therefore, with regard to gap, which is the difference between these two figures. But the point which comes out is that while these figures are fluctuating, there has always been a gap which has been projected. By its very nature, any forecast which is made of demand and supply has to be based on certain assumptions with regard to the rate at which the economy will be growing; therefore, the rate at which the energy demand will be growing; and therefore, the rate at which coal will be required for meeting that increasing energy demand. If for some reasons, these projections do not fructify then inevitably the demand – supply position gets affected".

3.11 When asked about the extent to which the demand of coal by power sector was met, the Secretary, Ministry of Power stated during evidence as under:-

"Till today, demand and supply are matching because there has not been any major complaint where suddenly there is a shortfall in demand. As you know, the imports are only about 2.5 million tonnes, which means that till now, there is no gap between demand and supply. Now, when we go to the 10th and 11th Plans –10th Plan is still under finalisation. We do not know what shape finally it will take. These are only rough figures. –CEA has worked out a need based capacity addition programme. That is, if you can add so much of capacity, there will not be any power shortage. I am taking that for the present because the 10th Plan has not yet been finalised. Today, out of the total installed capacity of one lakh MW, thermal is 71%. Out of which, coal based is 57 to 58%. So, we have 57, 000 MW coal-based power projects. Now, we propose to add to this 57,000 MW, another 26,000 MW to 27, 000 MW in the 10th Plan ; and another 20,000 MW in the next Plan. These are rough figures".

3.12 To a query as to whether public sector coal companies were able to fully meet the past demands of coal for the cement sector in the past, the Department of Heavy Industry, in a written reply, furnished the following information:-

"Coal Public Sector Undertakings were not able to fully meet the demand of the coal for cement sector. The main reasons were the lesser production in the coal companies than the actual requirement, infrastructure constraints in transporting coal from pit head to the actual users. Coal Public Sector Undertakings will need to gear up to meet the future demand of cement sector".

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3.13 The Ministry of Steel, in a written note, have furnished the following information regarding import of coal by the steel sector: -

(Million Tonnes)

Year	1997-98	1998-99	1999-00	2000-01	2001-02	2003-04	2004-05
Quantum Imported	9.51	8.88	9.24	11.26	15.05	16.78	18.40

3.14 The Ministry of Steel have further stated that imports are being resorted to for bridging the qualitative and quantitative gap between availability / quality of indigenous coal and total requirement of the steel sector.

3.15 When asked to comment on demand-supply gap, a representative of a Trade Union during evidence stated as under: -

"It is very difficult for the trade unions to assess the gap between demand and supply. It is because the assessment is done by the Planning Commission and different Ministries from time to time. These are all assumptions. Our past experience showed that whatever assessment was made, that was not required."

3.16 A representative of an Officers' Association stated during evidence as under: -

"The demand projections that have been made by the Government in the past, right from the 6th Plan, if we care to go into these details, we will find that the projections that have been made by the Government have always been on the very high side. The actual requirement of coal has definitely been much less. In the 10th and 11th Plans the Chari Committee has recommended a requirement of 760 million tones, the Working Group on Coal has recommended 653 million tonnes. While the Planning Commission has recommended 545 million tonnes. Now, we are not sure which figure is correct. If we are to go on the basis of any of these figures, then, the forecast of the demand of coal that is going to be put up is going to be very awry."

3.17 When asked to explain the demand of coal during 10th and 11th Plans, a representative of ASSOCHAM stated during evidence as under: -

"Today we have 100,000 MW installed capacity of electricity generation in the country of which about 62,000 MW is coal based, which today is consuming about 230 million tonnes of coal. We know the declared policy of the Government and that is the need of the economy. We have to add another 100,000 MW up to the year 2012. Out of 100,000 MW additional, even if I take a same figure of 70 per cent as coal based, we need five million tonnes of coal for every thousand MW generation. So, 350 million tonnes of additional coal we must produce for attaining that level of 100, 000 MW extra, to double our generating capacity of today…….We will be left with a demand and supply gap of 100 to 160 million tonnes in the year 2010 or 2012, whichever year you take, with the best of our efforts and with the best of the investment available to the nationalised coal industry… The question has been raised that if the captive mining operators are allowed to sell coal in the market, will it help? Why not? But it is not going to solve the demand and supply gap… If you allow it, the total capacity which captive mining together will produce is about 48 million tonnes maximum. So, I take a conservative figure of about 35 million tonnes of which 3-4 million tonnes have already been produced. Out of 160 million tonnes, you got the gap of 30 million tonnes filled up by captive mining. Still a gap of 130 million tonnes will be there".

3.18 Explaining the demand for coking coal by the steel sector, the Secretary, Ministry of Steel stated during evidence as under:-

"So far as the Ministry of Steel is concerned, coking coal is of vital importance to us. It is a key ingredient in terms of production, efficiency and to a reasonable extent in terms of our production costs. As of now, you are aware that the steel industry, both in India and globally is going through a period of depression. There is excess capacity. Demand has not grown at the pace at which it was expected and prevalent recessionary conditions or slow down in the US and European community suggests that the demand for steel in the short-term will not perhaps be at the levels at which one had hoped some years ago. But, if the economic growth cycle picks up, then the situation could change quite fast. In terms of overall coking coal requirement, as I said, in the last year, we used 23.32 million tonnes of coking coal of which 15 million tonnes was imported and a total of 8.22 million tonnes was procured domestically. We expect that by the end of the next Five Year Plan, the requirement of 23.32 million tonnes to around 26-27 million tonnes".

3.19 As regards supply of coking coal to the steel sector by CIL, the Secretary, Ministry of Steel stated during evidence as under:-

"There has been a progressive downward curve in the availability and supply of coking coal from the Coal India. In 1993-94, the supply was 9.27 million tonnes of coking coal available domestically, whether it is from Coal India or from certain surplus available from TISCO or somewhere else. This has come down slowly. It was 8.66 million tonnes in 1994-95, 7.78 million tonnes in 1996-97, 6.80 million tonnes in 1997-98, 6.45% million tonnes in 1998-99, 5.93 million tonnes in 1999-2000, 5.00 million tonnes in 2000-01 and in the current financial year, it is projected that this supply figure will further come down to 4.72 million tonnes".

3.20 When asked to explain the steps taken to bridge the gap between the demand and supply, the Ministry of Coal, in a written reply, stated: -

"CIL subsidiaries have opened new mines as well as initiated steps to modernize the existing mines during the 9th Plan. Steps were also taken to increase productivity through improvement in OMS. The production by CIL, SCCL and others, which was 286.09 MT at the end of 8th Plan, is likely to be 322.7 MT at the end of 9th Plan. The total domestic supply at

> the end of 9th Plan is projected to be 324.23 MT, against demand of 354.29 MT, thus leaving a gap of 30.06 MT, bulk of which is likely to be met through imports, which are estimated to be more than 20 mt. It has been assessed that CIL and its subsidiaries can at best produce 350 million tonnes by the end of Xth Plan and 445 million tonnes by the end of XIth Plan. For achieving the above projected production, CIL needs around Rs. 18,000 crores during Xth Plan and around Rs. 28,000 crores during XIth Plan for building up infrastructure and also for procurement of plant and machinery. However, the ability to raise these volumes will largely depend upon the strength of balance sheet of the CIL / subsidiary companies and given the present indication the ability to raise the above quantum are very bleak."

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3.21 When enquired as to the extent to which demand-supply gap would be bridged by the private sector participation, the Ministry of Coal, in a written reply, stated: -

> "It is not possible to make an assessment of the extent of the gap, which will be reduced after the private sector participation."

B. <u>Performance of Private Sector</u>

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3.22 The various Trade Unions and Officers' Associations opined that with the entry of private sector in the coal sector, it would lead to a situation that existed before nationalisation. However, the Confederation of Indian Industry(CII), allaying the apprehension, stated as under: -

> "The industrial situation has undergone transformation over the last thirty years and labour force is much better organized now. Safeguards relating to conservation, mine development and regulations and environment are provided by the MMRD Act, the CCD Act and the legislation on environment. There is more rigorous enforcement of these provisions now as compared to the past. In view of this, it is expected that the situation which prevailed earlier will not recur".

3.23 Expressing their fear over the exploitation of the workforce by the private sector, a representative of a union stated during evidence as under: -

> "the Bill proposes to add a sub-clause (aa) in section 34(2) of the Principal Act to empower the Central Government to make rules inter alia for the location of coal mines, minimum size of coal mines and such other conditions which may be necessary for the purpose of operation by coal mine company. I would say that I agree with you, but my difficulty is that the past history does not support it. It is because what has been done in the past is this. I would here like to remind you the circumstances under which the coal mines were nationalised. They were with the private companies and the way the private companies exploited the mines and the staff, there cannot be any guarantee that after some time, when these are all given to them, the same old story will not be repeated."

3.24 On the question of the safety aspect once coal sector is de-regulated, a representative of a Trade Union stated during evidence as under: -

> "If the private companies come in, they will not pay attention to safety. You know the present public sector set up. With a separate Director General of Mines Safety, you know the fate of the miners and about their life. You know about the big calamities and accidents that are happening in the coal industry. This is the fate of the public sector where there is no dearth of money. There is Safety Committee right from the Minister's level to unit level. But still we are not able to say satisfactorily that we have been able to reduce the accident rates be it fatal or be they with serious injuries to miners."

3.25 On the point of slaughter and unscientific mining by the private sector, the Secretary, Ministry of Power stated during evidence as under:-

> "There are enough safeguards in this Bill. Firstly, license is required. License itself will require so many things to be done. Then, they are saying that the location of the mine will be determined and the size of the mine will be determined. They are also saying any other condition that the Government wants will be put. Foreign investments will not be allowed. There are enough safeguards to ensure that whoever comes into the coal sector will do a good job. In the process, the Coal India will also face competition and improve. In fact, I would go one step higher and say that like we have established a regulator in our power industry – one is Central regulator and every State has a regulatory mechanism – here at least there should be one regulatory mechanism and that will determine the price".

3.26 Allaying the fears of Trade Unions/Officers' Associations over mine safety, environment protection and slaughter & unscientific mining, the Ministry of Coal, in a note, stated:-

> "As the Nationalisation Act is not being replaced but amended only, the detailed conditions or measures for ensuring mines safety, environmental protection, good living standards for the coal labour, adequate investment in the coal mines, conservation of coal resources, etc. will continue to be legally binding on the private companies that are allowed to operate under the Act."

3.27 The Trade Unions were of the view that private sector may not invest in community development schemes. The CII, on the other hand, stated: -

> "Unlike the PSUs, the private sector is in a much better position to effectively handle the social issue like, resettlement and rehabilitation of project affected people (PAP)s, livelihood assessment, income restoration / community development program in partnership with Village Representative and local administration. Active guidance cum financial assistance is also available from International agencies like Business Partners for Development (BPD) for implementing such projects.
> The multilateral funding agencies who will be participating in the major projects to be developed by private players, will heave very stringent norms on the environmental and social issues. This will have tremendous impact in the uplifting of socio-economic conditions of the country as a whole".

3.28 Clarifying the position of the Government, the Ministry of Coal, in a note, stated:

> "There will always be a number of monitoring and regulatory authorities both at the Centre as well as state level to regulate the private companies and ensure that the local population in remote / tribal areas is not neglected. In addition, the presence of coal PSUs in almost all coal bearing areas would serve as a model and reference scale for private companies with reference to welfare measures."

3.29 Regarding mining activities of the private sector, a representatives of a Trade Union stated during evidence as under:-

> "We know out of our experience that the private sector will not go deep into the mine for mining activity because if they go deep into the mine the cost of production will be higher and it will not be competitive. So, they will not go deep into the mine. They will just like to dig coal from the very less depth and they will try maintain their cost of production at a lower level".

3.30 The Ministry of Coal, however, clarified, in a written reply, as under: -

> "Since private sector investment is normally based on commercial considerations, mining of coal by private company beyond 200-300 meters will depend on the economic viability of mining at such level."

3.31 As regards investment by the private companies in the coal sector, the Confederation of Indian Industry, in a written note, furnished the following information:-

> "The investment requirement in coal mining is low as compared to the power sector. The ratio being of the order of 1:10 Private investors within the country will definitely come forward if the return is sufficiently attractive. Apart from this, many foreign mining companies have evinced keen interest in investing in coal mining in India".

3.32 Regarding the performance of private sector in other countries, a representative of FICCI stated during evidence as under:-

> "What has happened in other countries in the world is the best indication of what will happen in our case. There are a number of case histories throughout the world, in all the countries where such mining activities are undertaken mostly by private sector, in the true sense of private sector or rather public limited companies. There, the open ,market forces are playing their role. So, according to me, if market forces are allowed to play their role, along with strict introduction and enforcement of laws in relation to ensuring the requirement of the society, then the apprehensions and fears that such amendments will create problems, will not be there."

3.33 When asked as to whether the private sector would bring in massive investment to the coal industry, a Trade Union, in a written reply, stated as under:-

> "We are not in favour of privatisation of coal industry. The private operators do not come with enough capital but they borrow it from the financial institutions of India. These private operators will exploit the coal reserve and capture the entire market which will adversely affect our core industries. If the Government of India gives counter guarantee as is given to

other private sector industries and make available finance as and when required for opening new projects, then there is no need of private operators in coal industry".

3.34 When asked as to whether the private sector will invest in the coal sector or face the same fate as in the power sector, the Ministry of Coal, in a written reply, stated as under: -

"Since there is a gap in demand and supply of coal, potential market for coal in the economy exists and for that reason private investment in search of market opportunity is expected to take advantage of this potential…Coal sector will benefit from the experiences of the power sector and avoid those pitfalls which had affected the power sector. The market conditions in the coal sector will be quite different from those in the power sector. In the coal sector, the pricing and distribution has been fully deregulated w.e.f. 1-1-2000. Since there is a projected gap between the supply and demand of coal, the potential market exists for additional coal produced indigenously. It is therefore expected that the private sector will be able to perform better in the coal sector."

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3.35 Regarding use of infrastructural facilities by the private sector, the Ministry of Coal, in a written reply, have stated as under: -

"This will need to be looked at on the merits of each case. However, as a matter of policy, Coal India Limited should have no problems in allowing the private sector parties to use the infrastructure set up by CIL or its subsidiaries on a consideration, provided it does not hamper their operations in any way. There would be many virgin coalfields where the private sector parties will have to invest on raising basic infrastructure. No exercise to assess the level of private sector participation during the 10^{th} and 11^{th} Plan is possible at this stage. However, experience suggests that it takes 5-7 years to open a coal mine."

C. <u>Development of infrastructure by Railways</u>.

3.36 Commenting on the development of infrastructure for transportation of coal, the Ministry of Railways, in a written reply, stated as under:-

"Depending upon transport demand and projection, railways develop/strengthen their infrastructure including augmentation of section capacity, procurement of rolling stock, locos, etc. But in recent years, there has been instances where after railway has taken necessary steps to meet the projected demand of traffic, traffic has not materialised as per projection leading to under utilisation of investment. Since coal constitutes more than 45% of the total originating traffic on Indian Railway, proper planning needs to be done for which necessary projection of transport demand is required in advance from coal producers/consumers. It is in the interest of railway & consumers that a tripartite long-term agreement is reached regarding guaranteed offer of traffic by rail so that consumers are assured of required quantum of the coal, and railways are also assured of proper utilisation of infrastructure created/strengthened based on projections".

3.37 As regards the strategy of railways for evacuation of coal, the Ministry of Railways stated the following in a written reply:-

" Planning for development of railway infrastucture for evacuation of coal has been accorded a high priority in the railway planning process. In view of the fact that coal accounts for more than forty five percentage of the freight traffic of railways, Ministry of Railways closely coordinates with Ministry of Coal, Ministry of Power and Planning Commission to keep track of the developments in the coal sector and plan for provision/strengthening of rail infrastructure accordingly, zonal railways also are closely associated in the planning process".

3.38 When asked about the new technologies which the railways propose to induct for loading/unloading and speedier movement of coal, the Ministry of Railways, in a written reply, stated as under:-

(i) It is proposed that loading point arrangement may be made for "Flash Loading" where pre-measured quantity of coal can be discharged into the wagon in one shot reducing the loading time considerably. Wherever such a system is not possible, loading by pay loaders may be loaded at the loading points/within 2-3 hours without detaching engine.

(ii) Indian railways has already introduced bottom discharge BOBR wagons through which unloading of coal is very fast and efficient. At unloading point, it is proposed that track hopper facility for handling BOBR wagons may be provided for adequate length with forward movement.

(iii) For speedier movement, railway has introduced close circuit rakes.

(iv) High horse power locos and high speed BOXNHS wagons have been/are being inducted in coal circuit to reduce the transit time.

(v) Computer based Freight Operating Information System (FOIS) is being implemented to monitor train movement.

D. Competition from Private Sector

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3.39 The representatives of the apex Chambers have opined that the entry of the Private Sector in non- captive coal mining would generate an element of competition which would lead to increased efficiency and productivity.

3.40 Regarding the extent of competition that is likely to be generated by the participation of private companies in the coal sector, a representative of FICCI stated during evidence as under:-

> "Technology and efficiency flourish in open market. Under no circumstances, competitive technology can flourish; efficiency and competitiveness cannot be fostered in a closed or monopolistic market. It never happened. I do not need to give the reasons, for you know history very well. Why is Coal India not efficient? It is because their manpower productivity, technological productivity, financial productivity and management productivity are poor... Monopolies cannot foster technological upgradation and efficiency. So, let some other major companies come. But giving peanuts, like giving some captive mines to some not so good companies, and then saying that they have not done well, it is not play of market forces. Let the free market forces come and let Coal India compete. After that, automatically, Coal India's performance will improve... Just by wishing, more powers cannot be given. They can acquire more power only if they can compete with another company. Then only they automatically acquire powers to do things. By monopolising, we cannot give powers".

3.41 In this connection, a representative of CII stated during evidence as under:-

> "In this sector if a certain amount of competition is introduced, then it is always possible for us to get better efficiency and accountability. In fact, it is very important for us to see in that light as to how we can build in the interim public- private partnership by which we will be able to secure necessary investments which are needed in this sector".

3.42 Amplifying further, a representative of CII stated during evidence as under:-

> "If we are going to have a way by which we can have alternate modes of supply, we have proper competition introduced, it is definitely possible for us to get innovative methods by which coal will be mined, also transported, and it will reach the consumer at the right price because there will be better accountability".

3.43 In this connection, a representative of a Trade Union stated during evidence as under: -

> "As far as participation of private sector in coal mines would lead to healthy competition is concerned, of course, I agree that a threat of private sector coming in has increased the efficiency in some sections. If we wish to bring in private sector for competition, initially it may look that the efficiency may increase but subsequently it may just create problems for the assets of our own country which of course is of more concern as compared to the efficiency."

3.44 As regards the strategy to meet the stiff competition from the private sector, the Ministry of Coal have given the following information: -

"(i) The strategy of CIL in the liberalized economic regime will be to meet the coal demand through long term Fuel Supply Agreements with major existing customers, as well as new power stations, which have received long term linkage for coal. There are 73 existing thermal units, together requiring approximately 245 million tonnes of coal. Besides, there are many Independent Power Projects (IPPs) seeking long-term linkage, and Fuel Supply Agreements are under various stages of negotiation. About 8 Fuel Supply Agreements have been finalized with NTPC for their pithead units. Once they are in place, CIL's position vis-à-vis imported coal and private mining will get considerably strengthened.

(ii) CIL also has drawn up a perspective plan which seeks to raise coal production to 350 million tones by 2006/07 (end of X Plan) and 445 million tonnes by the year 2011/12 (end of XI Plan).

(iii) For the revival of loss making companies (ECL, BCCL & CCL), CIL proposes to enter into joint ventures with strategic partners from the private sector.

(iv) CIL has been implementing a Voluntary Retirement Scheme to prune down its surplus man-power. This will help in improving productivity and reducing the cost of production."

3.45 The Committee have noted that different agencies have made different projections regarding demand-supply scenario. It has been estimated that demand-supply gap for the power sector by the end of 9th, 10th and 11th Plans would be to the tune of 30.6, 235 and 340 MT, involving additional funds requirements of Rs.12,000 crore, Rs.18,000 crore and Rs.28,000 crore respectively during the said periods. It is worthwhile to note that CIL and its subsidiaries have on no occasion since the 6th Plan period, failed to meet the demand projected for the power sector, which consumes more than 70% of coal produced in the country. At times, especially in 1998-99, CIL had instructed some of the subsidiaries to cut down production owing to slow down in the economy. Further, minor shortfalls in meeting the demand of steel and cement sectors have been on account of quality constraints mainly not available. The Committee, therefore, do not concur with the massive demand-supply gap projections arrived at by the different agencies taking into consideration the past records of power, steel and cement sectors. In the opinion of the Committee, out of the projected additional capacity of 1 lakh MW by the end of 11th Plan, the projected thermal power generation estimated at around 60,000 MW requiring massive coal demand is too high to be relied upon. Further, the policy of the Government is to promote hydel power so as to reverse the adverse hydel - thermal ratio of 78:22 and bring it to the optimum level of 60:40, stress on development of renewable sources of energy, securing additional power through nuclear energy, demand side management, reduction in T&D losses and renovation and modernisation of old generating stations. All these factors will have a direct bearing on the coal requirement. Nevertheless, there is likely to be some gap between demand and supply of coal and the Committee concur with the views of the Government that there would be some shortfalls on the supply side but not of that magnitude as projected by the various authorities. The Committee, therefore, recommend the passage of the Bill on the ground that whatever demand-supply gap exists may need investment from private sector, and the Bill is an enabling provision for the same.

3.46 The various Trade Unions and Officers' Associations have expressed their apprehension that with the advent of the private sector, the pre-nationalisation situation, marked by disregard of mine safety and environment protection, poor living standards and exploitation of coal labourers, slaughtering and unscientific mining operations would guide the destiny of the coal sector. Moreover, the private sector may not invest in undertaking infrastructural development programmes. The Government have, however, clarified that as the Nationalisation Act, 1973 is not being replaced but only amended, the detailed conditions or measures for ensuring mine safety, environment protection, good living standards for the coal labour, adequate investment in coal mines and conservation of coal resources will continue to be legally binding on the private companies that are allowed to operate under the Act. Moreover, to protect the interest of the local population, the Government can always give suitable directions to the prospective allottees to undertake such infrastructure development works/community development programmes as are considered necessary. Further, there will always be a number of monitoring and regulatory authorities, both at Central and State levels, to regulate the private companies and ensure that local population in remote/tribal areas is not neglected. The Committee, therefore, recommend that in order to allay the fears expressed by the Trade Unions / Officers' Associations, the Government should closely monitor the position and ensure that private coal companies strictly follow the provisions of various rules, regulations and orders issued under the Coal Mines (Nationalisation) Act, 1973. Failure to observe such should attract exemplary penal action. At the same time, the Committee would like to emphasise that due care should be taken for the infrastructure / community development works.

3.47 The Committee have observed that more than 45% freight traffic of Railways is contributed by the coal sector. Accordingly, and rightly so, high priority is accorded by Railways while planning for development of railway infrastructure including for evacuation of coal. Depending upon transport demand and projections, the Railways develop/strengthen their infrastructure including augmentation of section capacity, procurement of rolling stock, locos, etc. To meet the future demand, technological upgradation for loading, unloading and speedier movement of coal from pit head to consumer area, introduction of 'Flash loading', bottom discharge of BOBR wagons; high horse power locos and high speed BOXNHS wagons, etc. are some of the measures being proposed. The Committee have been apprised by the Railways that development of the siding is the responsibility of the consumers and they have to develop and modernise coal loading

sidings in coalfields , funded by the coal company. On the other hand, the representatives of CII, submitting on behalf of the private sector, opined that the "States should undertake development of infrastructure as the development of coal resources adds to its revenue by way of cess, taxes, duties and royalty. It means added revenue for Railways and Electricity Board and they should invest in these infrastructure". The Committee feel that the development of infrastructure plays a vital role in the coal project planning and implementation. Accordingly, it is essential that the possibilities of providing either a rail link, ropeway or merry-go-round system should be kept in view to facilitate quick, economical and most scientific transport of coal to the consuming centre. The Committee have, however, noted a dichotomy in the approach between private and public sectors towards development of infrastructure for the evacuation of coal. The Committee would like to emphasise that public sector coal companies should allow the private company to utilise their infrastructure network on certain consideration till the private sector is able to develop its own infrastructure.

3.48 Besides inviting direct private investment in the coal sector to bridge the demand-supply gap, the Bill also seeks to introduce an element of competition in the coal sector to bring about efficiency in CIL and its subsidiaries. In this context, the Committee endorse the view of the Ministry of Power, which has opined that "power sector should be given freedom to select good coal at good prices from alternative sellers and not from one monopoly sector." The Committee hope that the entry of the private sector in non-captive coal mining activities would lead to a healthy competition which would be beneficial for the public sector companies. The Committee believe that the private sector involvement may perhaps lead to better efficiency and accountability on the part of the public sector coal companies. The Committee have been informed that in order to meet the stiff competition from the private sector, the Government have chalked out certain strategies such as raising the coal production, revival of the loss-making subsidiaries, implementation of the Voluntary Retirement Scheme(VRS) to prune the surplus manpower, long-term fuel supply agreements with major existing customers as well as new power stations, etc. The Committee would like the public sector coal companies to implement these measures in right earnest so as to meet the possible challenges from the private sector.

C H A P T E T – IV

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A. Functioning of CIL

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4.1 Coal India Limited (CIL), a holding company was set up to streamline the working of coal industry in a manner conducive to more efficient administration and rapid stepping of coal production. The company has under it seven producing subsidiaries and one planning and design subsidiary. The holding company, CIL is primarily responsible for establishing corporate objectives and strategies for their achievements, for setting up of targets, monitoring of performances, marketing, raising resources and laying down broad guidelines in important policy matters like marketing, procurement, environment management, inventory control, etc. The different Trade Unions brought to the notice of the Committee various ills in managing the affairs of CIL and its subsidiaries. Commenting on the functioning of CIL, a representative of a Trade Union during evidence stated as under: -

> "If proper planning done, it is our opinion that the CIL can produce sufficient coal required for the country and there is no need to introduce private sector in the coal mines….We can improve the performance of the coal companies also. There is a lot of scope for improving the performance of the coal companies also. Within the existing mines production can be increased…The Government should find some money for investment . It has been giving investment in the past."

4.2 Emphasising that there is a need to improve the functioning of public sector coal companies, another representative of a Trade Union during evidence stated as under: -

> "There is a need to improve the functioning of the coal mines. The amount of investment made in the industry has not been fully or properly utilised. Some of the technology that they purchased proved to be wrong technology and not producing anything. Reckless mechanisation was the policy, which has not resulted go give proper production requirements. That has been fully agreed to. So, corrections should be made by the Government and it should not say that whole land should be privatised."

4.3 Asked whether CIL is capable of mobilising resources as to meet the demand of coal sector, a representative of a Trade Union during evidence stated as under: -

> "One pertinent question that comes very much before us whether we will be able to mobilise huge resources to build the coal industry in public sector. We are paying Rs.1,200 crore per annum as income- tax and against the profit - earning companies of Eastern Coalfields Limited and there are three loss- making companies with it. Maximum manpower is engaged in these companies. The Eastern Coalfields Limited is producing highest quality of non-cooking coal which can compete in quality not only in our country but it can be or world standard and it is a selected quality in the arena of non-coking coal. Bharat Cooking Coal Limited is another company which is also second in manpower. One of the largest subsidiaries in that coal field is another company Central Coalfileds Limited. It would be our endeavor to see that they earn profits."

4.4 Regarding the functioning of CIL, a representative of FICCI stated during evidence as under:-

> "The Coal India Limited has wasteful practices and many of the assets are extremely wasteful. Today the cost of production of Coal India Limited is such that in Australia, where the Australian miners are paid 10 to 12 times more than what the Indian miners are getting, they can afford to sell the coal in my location at 10 to 20 per cent lower cost than what the Coal Indian Limited can offer and also it is superior in calorific value by 30 per cent. How does this happen? Why is it so? It is because we are wasteful. In the name of public sector we are supporting wasteful practices and what is happening in the process is that ultimately the economy does not grow. We remain the poorest among the poor countries in the world and ultimately the poorest of the people carry the burden of high cost economy. Who is serving whom? I do not think Coal India Limited is serving very effectively".

B. Budgetary Support to CIL

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4.5 The Statement of Objects and Reasons annexed to the Bill state that in order to bridge the increasing gap between demand and supply of coal, it is necessary to increase investments in coal production and make coal available to meet the needs of the economy, the Ministry of coal in a note to the Committee stated that the amendment to 1973, Act is also needed for smooth flow of private investment for formation of Joint Venture with CIL. During the course of their interaction with this Committee almost all the Trade Unions stated that the Government of India should grant limited budgetary support for new exploration and to ECL, BCCL and CCL to enable the companies to come out of red.

4.6 When asked to furnish the details of budgetary support given to the coal India Limited, the Ministry of Coal, in a written reply, stated:-

> "No Budgetary support by way of loans is being given to CIL after the year 1996-97 except as external aid routed through budget. However, for the purpose of elimination of surplus manpower, the Ministry is providing budgetary support by way of Grants-in-aid for the implementation of Voluntary Retirement Scheme (VRS) in the two CIL subsidiaries ECL & BCCL from 1997-98 onwards and in CCL from 2000-01 onwards. Up to 31st March 2001, Rs.585.00 crore have been released under VRS, of which Rs.240.00 crore was released from the National Renewal Fund (NRF)."

4.7 Regarding budgetary support to CIL, a representative of a Trade Union during evidence stated as under: -

> "On the question of investment, there is no budgetary support. But we demand that some investment should be made by the Government. For that purpose, there is answerability to Coal India and these companies. It is not like ….But they should take a guarantee about that. Otherwise, it is very difficult to go ahead with the opening of new mines. Unless opening of the new mines is there by certain companies, particularly those who depend on underground mines, a question will come automatically that those who produce underground mines, is a losing concern. The underground coal is very essentially required."

4.8 He further stated: -

> "Regarding budgetary support also, the Group of Ministers agreed that the Government will consider on merit any revival package for reviving the loss-making companies which are potentially viable. The Government is ready to give some sort of support. The agreed formulation is to restore budgetary support to coal industry and sanction immediate investment of capital for revival of sick coal unit of the companies."

4.9 Supporting the case of CIL for budgetary support, a representative of a Trade Union during evidence stated: -

> "The Government of India, in its recent Budget provided a credit of Rs. 25,000 crore to the textile industry for purchasing of modern machines. We have textile magnets or big industrial houses, who have got enough money with them. Why do they require money from the Government to purchase modern machines? If Government can pay Rs. 25,000 crore in a period of five years to private sector to modernise their mills, why can the same Government not arrange a similar amount to Coal India Limited to meet the coal requirements."

4.10 Justifying the private sector participation in coal sector, to meet the investment requirement, a representative of CII stated during evidence as under:-

> "I do not think that coal is a holy cow that it should be kept reserved for the public sector. The country needs tremendous finances, about Rs. 10,000 crore or perhaps more, to bridge the gap. It cannot be brought about from the Government Sector. The private sector should join hands with the Government and the nation to bring out the coal for national interest".

4.11 On a point of infusing capital into coal sector, the Secretary, Ministry of Coal stated the following during oral evidence:-

> "The past projections of power-growth having been belied should not be taken as a reason for believing that in future also these projections will be belied. Because if the economy has to grow, it must have power; the power sector has to reform and it will reform. Having said this, we have to now consider what we have to do to meet the projected gaps of whatever order they are. For the end of Tenth Plan, we visualize that Coal India's production will go up from the current level of 270 million tonnes to a level of 350 million tonnes. This will mean an addition of 80 million tonnes over the five – year period, which means an average of 16 million tonnes per year. I pointed out earlier that over the past 25 years, since nationalisation, the total growth in Coal India has been 200 million tonnes, which works out to an average of only 8 million tonnes at year. Against this figure of 350 million tonnes to be achieved, the investment which is visualised, is of the order of Rs. 18,000 crore. For this investment, as you are aware, the Government of India is not in a position to give any budgetary support. The taps dried up in the Eight Plan and no matter how much we try, the Planning Commission, the Finance Ministry throw up their hands and say that the coal sector has to stand on its own feet. Of the total amount of Rs. 18,000 crore, we hope to generate an amount of about Rs. 6,000 crore through internal accruals; another Rs. 6,000 crore we hope to raise through loans on the basis of the balance sheets; and for another Rs. 6,000 crore, we will have to think in terms of joint venture partners who will put in their money subject to Government of India having 51 per cent or more equity so

that these joint ventures continue to be in the public sector under the present legal framework that we have in the country. Even this amount of Rs. 18,000 crore of investment – Rs. 6,000 crore of internal accruals, Rs. 6,000 crore of loans and Rs. 6,000 crore through joint venture partners- will require massive efforts on the part of the Government of India to see that the three sick companies which have been referred to BIFR – ECL, BCCL and CCL – are not allowed to drag down Coal India so that the resource mobilisation effort is not thwarted".

4.12 He further added: -

"Whenever any financial institution looks at a funding proposal, it will look at the balance sheet of the company, which is asking for the money. The balance sheets of the subsidiaries of Coal India will permit only a certain amount of fund to be raised".

4.13 As regards the likely capital which is likely to be infused by the private sector, the Ministry of Coal, in a written note, stated:-

"No assessment of investment by the private sector in the coming years after the Bill is passed is possible at this stage. However, the basic objective of the amendment is to attract private investment in coal production so that the projected gap between demand and supply can be bridged through their participation. Public sector alone will not be in a position to mobilize the requisite resources to raise coal production. Since there is a gap in demand and supply of coal, potential market for coal in the economy exists and for that reason private investment in search of market opportunity is expected to take advantage of this potential. Moreover, before nationalization of Coal Mines in 1971-73, the coal mining was in private hands. Therefore, there exists the requisite expertise and enterprise in the private sector. Moreover, a good number of private investors have shown interest in coal mining after the captive coal mining was allowed, but because of the limitation of the captive coal mining for only power generation, iron & steel production, washing of coal obtained from a mine and cement production, private investment in coal sector could not come in a big way. Some erstwhile coal mine owners have also been writing to the Ministry from time to time to allow them coal mining in their erstwhile mines. On the basis of the above, it is felt that there would be enough investment from private sector in coal."

C. <u>Outstanding Amounts Due to CIL from SEBs</u>

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4.14 A very large amount of CIL dues are pending with various organisations/SEBs, etc. which has led to sickness in some of the subsidiaries of the Coal India Limited. Some of these dues are undisputed and some are disputed. A certain amount of interest has also become due at least on the outstanding amount which has been accepted by the consumers. It has been stated before the Committee that even if this amount is made available to CIL, it would go a long way in meeting the financial needs of CIL and its subsidiaries.

4.15 On the question of dues of SEBs to CIL, a representative of a Trade Union during evidence stated as under: -

"The coal companies have to realise, from the State Electricity Boards (SEBs)about Rs. 5,000 crore. That coal has been produced and supplied to the SEBs. But they have not paid the money to the coal companies. Despite their non-payment, the Government was asking the CIL to supply coal to them. Coal India was forced to supply coal to them. Naturally, a large amount of dues is accumulating. If this Rs. 5,000 crore is invested, certainly, Coal India can produce more coal. That is another aspect. The dues of SEBs is a very big factor, so far as the coal industry is concerned. There must be some method by which the Government has to see that this money is realised."

4.16 When asked to state the position of outstanding dues of CIL, the Ministry of Coal stated as follows: -

"CIL's total outstanding coal sale dues of SEBs/PSUs as on 28.2.2001 was Rs.6208.99 crore of which Rs.4628.08 crore are undisputed and Rs.1580.91 crore are disputed. If simple interest @ 12% per annum is added to this amount, the interest amount comes to Rs.4240.47 crore. The interest amount is disputed. The arrears of cess payable by CIL to the Government of West Bengal as on 31.3.2001 is Rs.918.35 crore. In the recent meeting of the Group of Chief Ministers, it seems a waiver of 60 per cent has been agreed to. The total investment requirement of CIL for the X Plan is Rs.18000 crore. While the unblocking of funds will help the investment program, most of it will be utilized immediately for meeting the NCWA-VI wage arrears. The arrears of cess payable by CIL to the Government of West Bengal as on 31.03.2001 is Rs. 918.35 crores. Such huge outstanding dues of CIL are one of the reasons of sickness of some CIL subsidiaries."

4.17 Asked about the steps taken by the Government/Coal India Limited to recover the outstanding dues from the State Electricity Boards, the Ministry stated:-

(i) "CIL has been advised to supply coal to power utilities only against advance payment or Letter of Credit. This 'Cash and Carry' policy is being vigorously implemented with effect from November 1998.

(ii) Coal Companies have been persistently pursuing with State Governments/State Electricity Boards for settlement of dues. With certain Power Utilities, adjustment against power bills is also being done.

(iii) Government has also decided to deduct the outstanding dues of CIL as on 31.12.1996 through the mechanism of cuts from the Central Plan Assistance to the State Governments, subject to certain ceilings. Up to January 2001, total recovery has been Rs.794.52 crore.

(iii) The Government is also considering securitisation of outstanding dues".

D. Merger of CIL's Subsidiaries

4.18 During the course of evidence, it was suggested by the Trade Unions that all the subsidiaries of the CIL should be considered a division of the CIL and the later should be treated as one company like the SAIL. This would help in utilising the money paid towards income tax for revival of the loss-making companies.

4.19 Supporting the case of amalgamation of CIL with its subsidiaries, a representative of a Trade Union during evidence stated as under: -

> "All the trade unions in our country have unitedly suggested certain methods of restructuring of the coal industry. We requested the Government to make Coal India as a single company. Today, every coal company is a separate company. Now, as a result of this, two of three companies are paying about Rs. 1,500 crore as income tax while two or three other companies are suffering a loss of Rs.1,000 crore. If it is single holding company, the coal industry will run in profit... Partly some funds can be generated. For instance, if the coal companies are made into a single company, then instead of paying different amounts of taxation to the Government the money can be re-deployed in such a manner in the coal industry that certain facilities can be added to the company."

4.20 Another Trade Union opined as under:-

> "Let Coal India be the holding company and others be it subsidiaries. There should be one management. I agree that there should be direct accountability because without direct accountability and responsibility things will not improve."

4.21 As regards merger of the subsidiaries of CIL and creation of a single entity on the lines of SAIL, the Ministry of Coal, in a written note, stated: -

> "The Ministry has not favoured the merger of CIL subsidiaries and creation of one single entity. While it is true that subsidiaries as separate entities results in higher tax outgo, sound principles of corporate governance require separation of activities of each subsidiary."

4.22 The Ministry of Coal have given the following figures regarding pre-tax profit and tax paid during 1996-97 to 1999-2000: -

Rs. In crore

	1996-97	**1997-98**	**1998-99**	**1999-2000**
Pretax Profit (PBT) of CIL as a whole	1137.42	1803.99	1451.79	693.87
Tax (cumulative of CIL and all its subsidiaries)	946.89	1173.54	1024.97	951.18
Tax as % of PBT	83.3%	65.1%	70.6%	137.1%

4.23 Opposing the demand of Trade Unions for amalgamation of the subsidiaries of CIL, the Secretary, Ministry of Coal deposed as under:-

> "This has been considered by Government in the past. Government has not really looked upon this proposition with favour. The reason is that the transfer of funds from the profit making companies to the sick companies will no doubt lead to a situation where the sick companies will not have problems as far as payment of wages, etc. or day-to day running is concerned, but the position will be that no funds will then be available either to any sick company or to any profit –making

company for further investment in opening up new mines. Today, only the three sick companies find it difficult to pay wages or open up new mines but the profit making companies with their balance sheet are able to invest their surplus. They are also able to raise funds from the market and go ahead in opening new mines. By making all the companies one, it will lead to a situation where we will not be able to raise any fund from the public institutions. There will also be a question of disincentive. If the sick companies find that the money is flowing to them from the profit-making companies, there will not be that much of pressure on the sick companies to tighten belts or try to improve the situation. There is, of course, the fact that with Coal India not being merged into one company, there is an outgo on tax to the extent of Rs.700 or Rs.900 crore per year. In the Group of Ministers which the Finance Minister is heading this is one of the points which we intend raising. There are several possibilities. One possibility is that the Government of India will plough back into Coal India money which it gets by way of tax keeping in mind the companies which are sick. Another possibility is a legislative amendment to ensure that in such a situation we do not have a situation where some of the companies are sick and not in a position to pay tax and other subsidiaries are paying huge amount instead of using that amount for revival of sick companies".

E. Revival of Sick Subsidiaries

4.24 Eastern Coalfields Limited (ECL), Bharat Coking Coal Limited (BCCL) and Central Coalfields Limited (CCL) are the three subsidiary companies of CIL, which are incurring losses almost constantly. Therefore, the Industrial Credit and Investment Corporation of India (ICICI) was engaged to study the problems of ECL and BCCL and to make recommendations for improving the financial performance of these companies. The Industrial Development Bank of India (IDBI) was engaged to study the problems of CCL. The report of ICICI on ECL has been received and examined by the government. In one of their recommendations ICICI have prescribed that a joint venture company may be formed in respect of the residual ECL emerging after separation of the heavily losing mines in the form a new government company for purpose of orderly and phased closure, with private participation, subject to selection of the partner being carried out through a transparent bidding mechanism. This proposal is under consideration of the government. The draft report of ICICI on BCCL has been received from CIL recently and is under examination of the Government. The report of IDBI on CCL is yet to be received. Therefore, as of now, joint venture in relation to these companies can be contemplated only after recommendations of ICICI and IDBI on BCCL & CCL respectively are received and considered.

4.25 In order to strengthen CIL position, and to enable CIL to face the emerging challenges, revival of ECL, CCL and BCCL, the loss making subsidiaries of CIL, is essential. The principal measure for revival of ECL, CCL and BCCL would be to allow these companies to form Joint Venture companies with private sector partners to improve production, productivity and profitability in the existing coal mines of ECL and BCCL, which have a potential for healthy growth.

4.26 Asked about the company-wise position of profit and loss earned/incurred by the subsidiaries of CIL during 1999-2000, the Ministry of Coal have given the following information:-

(Rs. in crore)

Company	**Profit (+)/loss (-)**
ECL	(-) 728.23
BCCL	(-) 692.32
CCL	(-) 121.24
NCL	(+)936.87
WCL	(+)405.86
SECL	(+)455.34
MCL	(+)607.65
CMPDIL	(+) 0.71

4.27 Regarding identification of coal mines which are not amenable to revival, the Ministry of Coal have stated that the identification of coal mines which are not amenable to revival have been done in respect of Eastern Coalfields Limited only. A study was carried out by ICICI. They have identified 64 mines, which, in their opinion, cannot be revived. They had suggested two modes of their closure – Immediate closure or phased closure. Bharat Coking Coal Limited and Central Coalfields Limited are two other subsidiary companies of CIL which have been incurring continuous losses. In order to improve the financial performance of these companies, the ICICI and IDBI have been engaged respectively to study the problems of the companies and recommend remedial measures, which include measures to deal with the heavily losing mines of these companies. Though the draft report of ICICI on BCCL has been received the report of the IDBI is yet to be received. Therefore, it is not possible at this stage to come to a conclusion as to which mines of these companies are not amenable to revival.

4.28 Pointing out the deficiencies of ICICI report on ECL, a representative of a Trade Union during evidence stated as under: -

"ICICI had suggested that 64 coal mines of Eastern Coalfields in West Bengal – this was a question today also – can be closed. They have suggested closure of 64 mines and retrenchment of 72,000 workers. I am sorry to mention before this august Committee that ICICI never did any in-depth study about any coal mines in Eastern Coalfields. They did nothing. They did not even visit a single mine. We do not know how they have suggested closure of 64mines and retrenchment of 72,000 workers. Sir, in the last financial year, we have produced 26 million tonnes of coal. In this financial year, even after a reduction of 75,000 manpower, we have produced 28.5 million tonnes of coal from the Eastern Coalfields."

4.29 Commenting on the sick subsidiaries of CIL, the Secretary, Ministry of Coal deposed as under:-

"We are aware that the problems in these three subsidiaries are manifold; we are also aware that we cannot possibly pin the blame for the ills of these three companies on any one group. If we look at the reasons, a part of the blame will have to go to the heavy manpower which we have in these three companies since nationalisation, a part of the blame will have to go to faulty investment decisions, a part of the blame will have to go to faulty management decisions, a part of the blame will have to go to the West Bengal Government which had raised cess on coal to the level of around 50 per cent, a part of the blame will have to go to the Ministry of Railways which had hiked up tariff so that at a distance of about 500 k.m., the price of coal equals the freight on coal so that it becomes more remunerative for the distant States to import coal rather than carry it across the sub- continent. To revive them, a large number of measures would be required. We have a revival plan for ECL, which has been suggested by ICICI. Unfortunately, the plan is mostly economic; it does not take into account the political compulsions, which will be there in closing a very large number of mines and sending home a very large number of workers. We had requested the Group of Ministers headed by the Finance Minister to consider the rehabilitation of these three sick companies. I am glad to inform the Committee that the Finance Minister has agreed and a meeting of the Group of Ministers has been scheduled for the 17th. I hope that the Committee will meet frequently so that we can give some shape to the rehabilitation of these three sick companies. For the rehabilitation, a large number of measures will be required. For one, there will have to be massive infusion form the Government into these sick companies, either by way of moratorium on loans or by way of fresh capital. There will also have to be realignment of the cess, which the Government of West Bengal is still levying. They had come down from 48 per cent to about 25 per cent. That cess has been struck down by the West Bengal high Court. The West Bengal Government has gone to the Supreme Court in appeal. The West Bengal High Court judgement has been stayed. We are hoping to get the Constitution Bench of the Supreme Court to look at this legislation in the near future and strike down the West Bengal cess. Other measures will also have to be taken with regard to modernisation, with regard to VRS so that manpower is reduced and so on. With regard to CCL and BCCL, we have commissioned similar studies. For BCCL and CCL, we have got ICICI and IDBI to look at these companies and suggest what has to be done by way of capital infusion, by way of restructuring, by way of moratoriums, by way of closure, by way of VRS, and so on. Within the next six months, we hope to get reports from these two institutions on these two sick subsidiaries also. The point that I am making is that whereas the Government of India had infused money into SAIL, for instance, for revival, the Government of India has already infused money into Coal India in 1997-98, when deregulation took place for Coal India and its subsidiaries and the Government of India will be looking at further plans which are forthcoming from Coal India for the rehabilitation of the sick companies. But it is impossible to visualise a situation where some rehabilitation of these three sick companies will lead to a situation where Coal India and all its subsidiaries will be able to raise the moneys which are required for investments which are required for meeting the gaps which have been projected in the years to come. It will be a Herculean effort – with rehabilitation of these three sick companies and with all the effort which we hope to put in – if we are able to meet the targeted 350 million tonnes for Coal India by the end of the Tenth Plan".

F. Mechanisation in Public Sector Coal Companies

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4.30 The representatives of Trade Unions & Officers' Association brought to the notice of the Committee, the import and induction of inappropriate technologies, causing immense loss to the exchequer. On a point of failure of Longwall Technology, which was imported with much funfare, the Ministry of Coal, in a written reply, have stated that the Longwall Technology, one of the mass-scale production technologies suitable for deep seated coal deposits was completely a new technology in coal mining industry in India. Hence other countries were approached under Joint Working Groups to assist developing this technology in India. Accordingly, studies were made by countries like USSR/ Poland/ UK/ France with the help of Central Mine Planning and Design Institute Ltd. (CMPDIL) and suitable projects were identified. 20 sets of Longwall Technology were introduced in Projects like Moonidih, Dhemomain, Seetalpur, Jhanjra, Kottadih, Patherkhera, East Katras, Balrampur, New Kumda, Rajendra and other Projects of CIL. Longwall Technology has given mixed results. Somewhere it has not been able to produce desired results due to various factors like improper appreciation of the geo-mining condition of Indian coal fields, non-availability of imported spares, Inadequate downline infrastructure and shortage of trained manpower. Presently, the technology is working successfully in Jhanjra, Balrampur, Rajendra, New Kumda, and Moonidih mines. Jhanjra and Moonidih mines are suffering due to poor financial health unable to provide replacement equipment which have outlived their lives. However, other mines are giving satisfactory results.

4.31 On the point of mechanisation in coal companies, a representative of a Trade Union stated during evidence as under: -

"As far as mechanisation is concerned, our problem is that a lot of new technology has been introduced in CIL. But the misfortune is that due to mismanagement, all those latest machines or equipments, which were purchased were lying unutilised. If proper utilisation of those machines is made, production will increase."

4.32 He further added: -

"Once you decide that you are going to privatize a particular industry or a part of it, the attitude of both the management as well as the workers changes. Both start taking lesser interest. Sometimes, the attitude has been even to make the industry sick. Otherwise, there is not question of non-utilisation of machinery and equipment which have been purchased for crores of rupees. When capacity is available, mines are available and work force is also available, I do not find any reason for keeping these machines idle".

4.33 When the Committee enquired about the availability of technology and trained manpower with the private sector, the Confederation of Indian Industry, in a written note, furnished the following information:-

"There should be no problem in acquiring the requisite technology within India or from abroad, if necessary. As regards personnel, it is true that during the initial stages, there would be a dearth of experienced personnel. But this can be certainly overcome by recruiting experienced superannuated personnel of the Public Sector and the freshers turned out by the various mining institutes in the country. As the sector grows, it would provide a competitive market for mining partners, there would be no problem for technology as well as personnel. Further this would also facilitate training of Indian personnel by the foreign experts".

4.34 The Committee have been informed that to meet the projected demand of coal by the end of 10th and 11th Plans, an amount of Rs.18,000 crore and 28,000 crore respectively would be required. The budgetary support to Coal India Limited (CIL) stands withdrawn since 1996-1997. As per the perspective plan, upto the end of 10th Plan, CIL envisages to generate Rs.6,000 crore through internal accruals while another Rs.6,000 crore can be met through borrowings on the strength of balance sheet, leaving a deficit of Rs.6,000 crore. The Committee are of the opinion that there is an imperative need to restructure and reorganise CIL and its subsidiaries. In this connection, the Committee would like to recommend that in order to face stiff competition likely to be posed by the private sector, the Government should work out a revival plan for the coal sector on the lines of the packages offered to Steel, Textiles and Financial sectors. Such a measure, in the opinion of the Committee, will impart strength to CIL to face the competition from the private sector. The revival package becomes absolutely necessary to convert the three loss making subsidiaries into viable units and also in view of the fact that budgetary support has been withdrawn from the coal sector whereas it is still being provided to other core sectors such as power. Another measure required to mobilise resources for CIL is to make the outstanding dues from various utilities available to it.

4.35 The Committee are concerned to note that as on 28.2.2001, there was an outstanding amount of Rs.6208.99 crore due from SEBs/PSUs to Coal India Limited. This comprises an undisputed amount of Rs.4628.08 crore and a disputed amount of Rs.1580.91 crore. Besides, a disputed interest amount of Rs.4240.47 crore is also outstanding. The Committee would like the Government to develop some mechanism to realise the outstandings which would serve as a big boost for the financial health of CIL. The Committee would like the CIL to vigorously follow the guidelines given to it for recovery of its dues like supplying coal to power utilities only against advance payment or Letter of Credit (LoC), cuts from the Central Plan Assistance to the States. The Committee would like the Government to consider the possibility of investing the amount equivalent to tax received from CIL and its subsidiaries and the amount outstanding against other bodies in CIL and its subsidiaries.

4.36 The Committee feel that the present set up of CIL as a holding company and its subsidiaries as functional entities have not served the purpose for which they were established. There is a need to restructure the coal industry in the country. It is a matter of concern that whereas coal subsidiaries are clamouring for resource mobilisation to step up coal mining operations such as heavy investment in procurement of machinery and equipments, especially in underground mining, Rs.900 crore is being paid annually as taxes and other statutory levies. The Committee, therefore, recommend that CIL and its subsidiaries should be amalgamated into one entity. This would not only save the annual tax outgo of over Rs.900 crore but also help the loss-making companies to tide over their financial difficulties. The Committee are not convinced by the argument of the Government that sound principles of corporate governance require separation of activities of each subsidiary. The Committee are also not in agreement with the views of the Expenditure Reforms Commission which inter-alia has recommended independent and autonomous status to coal subsidiaries on the ground that this will impart efficiency in the emerging competitive scenario. The proposition of the Government that no funds will be available for further investment in opening up new mines after amalgamation is also not tenable as the Committee view that CIL group

of companies can conveniently improve their balance sheet by concerted efforts and proper management of affairs. The Committee would, however, like to add a word of caution that the amount which may be saved as a result of tax outgo should be spent on development of new mines and for making old mines viable and not to meet the administrative expenditure, etc.

4.37 The Committee note that three out of eight subsidiary companies of CIL are incurring heavy losses - so much so that the profit earned by the remaining five subsidiaries is almost wiped out. For instance, the loss incurred by these companies, viz. ECL, BCCL and CCL during 1999-2000 has been to the tune of Rs.728.23 crore, Rs.692.32 crore and Rs.121.24 crore respectively. Excessive manpower and faulty investment and management decisions have been cited as some of the reasons for these losses. The Committee apprehend that in case these subsidiaries continue to incur losses, the position of CIL would deteriorate before long and it would find itself on a weak footing to ward off the challenges of the private sector. The Committee, therefore, recommend that the loss suffered by them should be written off and one-time financial assistance made available to these loss-making companies through CIL for their revival. At the same time, it is also recommended that measures such as introduction of VRS, investment in underground mining operations by induction of appropriate technology commensurate with indigenous conditions, improvement in fleet utilisation of machinery and equipments, etc. should be aggressively pursued so as to enhance OMS in these subsidiaries.

4.38 The Committee have been informed that the Government had engaged the ICICI and the IDBI to study the functioning of these loss-making subsidiaries and suggest measures to improve their financial performance. It has also been informed to the Committee that the Reports of ICICI in respect of ECL and BCCL have already been submitted to the Government while IDBI is yet to submit its Report on CCL. ICICI is reported to have suggested, inter-alia, closure of some coal mines of ECL. The Committee are of the considered view that instead of closing down the coal mines, the Government should consider other revival measures as suggested above, to revive these subsidiaries. The Government may consider entering into joint ventures with private sector to improve the viability of the mines after the coal sector is opened up to the private sector. The Committee feel that the Government should explore all such possibilities before resorting to closure, etc.

4.39 The Committee have been informed that the use of the Long-wall Technology has not been a success in a number of coal mines. Improper appreciation of the geo-mining conditions of the coal mines, inadequate infrastructure, shortage of trained manpower and non-availability of imported spare parts have been cited as reasons for the failure of the technology. The Committee are of the view that the Government should have taken these factors into consideration before investing heavily on the new technology. The Committee also have been informed by the representatives of some Trade Unions that certain costly machinery and equipment are lying idle owing to mismanagement and lack of interest on the part of both the management and the workers. The Committee note that high investment in technology and mechanisation of coal mines has not been utilised properly. The Committee desire that CAG or some similar body should probe the matter further.

C H A P T E R - V

Constitution of Regulatory Authority and Allocation of Blocks to Private Sector

5.1 Now that the coal sector is proposed to be opened up to the private sector, there was a demand before the Committee that a level playing field should be provided to the private sector. For this, it has been suggested that an Independent Regulatory Authority should be set up.

5.2 Emphasising the need for constitution of a regulatory body, a representative of ASSOCHAM during evidence stated as under:-

> "There may be regulatory body because when you have the public sector and the private sector co-existing, you will have to have a balancing factor and he should be outside the arms of the Government. There should be a set of guidelines laid down by the Government because guidelines will be subject to moderation based on the experience. But, if you put something in the law, you have to go back to Parliament each time you need to amend it. That is why we are suggesting not to put restrictive clauses in the Bill. Instead you can have a regulator. Let the Government have enabling powers to have a regulator and regulate the industry independent of the Government where both public sector and private sector feel that they are not being discriminated against".

5.3 Echoing the similar sentiments, CMD, NTPC during oral evidence stated as under:-

> "There is definitely a need to review the pricing mechanism for coal. Either some independent body looks at it or consumers have a discussion on the basis of an agreed formula. Therefore, we will request that an independent agency to regulate the coal price appears to be necessary."

5.4 Regarding constitution of an independent regulatory body, the Ministry of Coal have stated, in a written reply, as under:-

> "In 1997, the Cabinet approved a proposal from the Ministry of Coal to set up an Independent Agency for allotment of new coal blocks for non-captive mining as well as proposals for exploration of coal and lignite reserves by the private parties. The Ministry of Coal had then drafted a new legislation, namely, the Coal and Lignite (Regulation and Development) Bill which was vetted by the Legislative Department, Ministry of Law. However, since the Principal Act i.e. the Coal Mines (Nationalisation) Act, 1973 could not be amended by introduction of the Coal Mines (Nationalisation) Amendment Bill in the Parliament during 1997-99, the Coal and Lignite (Regulation and Development) Bill could not then be introduced in the Parliament. This matter will be re-examined and the composition, function and powers of the independent body reviewed afresh."

5.5 In this connection, the Ministry of Coal, in a written reply, have stated the following:-

> "The Government had engaged consultants to study the regulatory framework governing the coal industry of India vis-à-vis major coal producing countries in the world. The consultants have made a number of recommendations in their report to improve the regulatory framework, which will help in providing a level-playing field to the private sector. These may involve amendments in the concerned statutes, for which the Government will approach the Parliament. These recommendations are under examination. These recommendations involve such areas as land acquisition, allotment of coal blocks, exploration, marketing, regulatory body, labour laws, environmental and conservation matters etc."

5.6 Considering the need to augment thermal power generation and to create additional thermal power capacity, the Government had allowed private sector participation in power sector. In 1993 the Government allowed coal for captive consumption for generation of power, washing of coal obtained from a mine and other end use such as iron and steel. Private sector was allotted blocks for extraction of coal.

5.7 As regards the allocation of blocks to the private sector, a representative of CII stated during evidence as under:-

"In order to make private mining or mining successful in this country, you have to open it up not only for the Government but also the private sector to come up with necessary funds to develop such mines. Therefore, the blocks must be allocated on the basis of open tendering where Coal India and its subsidiaries will bid and the private parties will also be able to bid on that. This procedure is not available right now. This is one bottleneck in the development of the mine or any party to get into it. Of course, it is not applicable in our case to a large extent because we are going to mine the coal and supply it to our own power stations. So, we have the captive buyer. Supposedly, if the power stations stop to generate, they would not require coal. Then what do we do with the coal? We will stop mining and the people will become idle. So, the third party sale in such situations is absolutely essential. Apart from the captive mine developers, there are also a large number of parties around the world who are very interested to join the efforts of the Government to go into coal mining development. One of the biggest reasons why they cannot get into the coal mining development or they cannot invest money here is the obstruction of third party sale or open sale. Therefore, definitely that has to be removed".

5.8 Explaining the reasons for the failure of the private companies in captive coal mining, a representative of ASSOCHAM stated during evidence as under:-

"Firstly, the permission hesitatingly given for opening up of this sector for captive consumption was not proper. Coal India had kept all the creamy blocks with it and only the muck or the scum was offered to the captive consumers. Only the bold captive consumers who possibly thought that they could take coal out of this mine with slightly better infrastructure took the step of going whole- hog for it and started captive coal mining. I think the best way to open up any sector should be to give it the best shot and not the worst shot. In this case it has been given the worst short. The success of any trail lies in giving the man who is giving it a trial a taste of success. Unfortunately this was not done. Blocks which were low in infrastructure, which had got the worst type of coal where only F and G grade coal was found were offered for the private captive participation. There were no roads; it was full of forest, very thick seams, very adverse ratio of coal wee there. There are all recorded in black and white. Secondly, the agencies which were distributing these blocks or the Committees which had been responsible for this task did not have any representation from the private sector at all. They were heavily loaded with Coal India and the Ministry people. As a result, their voice was lost in the wilderness. They were not heard. Unless some representation is given to the people who are the users, this anomaly will continue".

5.9 Regarding the performance of private sector in the captive coal mining, a representative of CII stated during evidence as under: -

"We are in the process of starting the mine towards the end of the year and we have already started construction at the site. We are planning to produce two million tonnes of coal initially through open cast mine and have already completed all the engineering and technical work. The land acquisition work required for the two million capacity has already been completed. We have had tremendous experience in the process of development in the last seven years. One of the reasons that we have found out for the delay is, that of all the 42 blocks which were allotted initially and a few more added later, 28 blocks were developed successfully as on this date, Coal India primarily kept al good blocks in their kitty and the blocks which they were not going to develop were made available to the private sector. Likewise, we ended up having a block with two villages inside it and about one- third of the area covered under forest. Till date, we have not got he final clearance of the forest area where the mining would actually start. This is very poor quality of coal. You will hear this story from all the private blocks that are being developed in the country today".

5.10 When asked whether by expanding the scope of captive mining by permitting them to embark upon coal mining activities and allowing them the freedom to sell surplus coal would help in meeting the gap between demand and supply, CII, in a written note, furnished the following information: -

"Private Sector participation would definitely help as the mine can plan production without being hamstrung by failures of the captive users such as power plants to take all the produce. The surplus can go bridge the gap between demand and production of coal".

5.11 As regards investment by the private sector, a representative of a Trade Union stated during evidence as under: -

"We now say that only if we privatise or allow private sector mining, there would be a huge or greater investment. This is ridiculous. In 1993, we have amended our Act allowing private mining, if course, in a limited way, in captive mining. What was the response? It is not at all encouraging. It is far from satisfactory. So, that purpose has also not been achieved."

5.12 Clarifying the Government's stand an captive mining, the Ministry of Coal stated:-

"Coal India Limited, with the approval of its Board, have identified coal mining blocks, in the command area of subsidiary companies to be exploited by Public / Private Sector companies for captive use. Similarly Singareni Collieries Company Limited, with the approval of its Board, have also identified coal mining blocks to be exploited by Public / Private Sector companies for captive use permissible under provision of the extant laws. The coal mining blocks are allocated for captive use by a Screening Committee headed by the Addl. Secretary in Ministry of Coal. The following guidelines have been adopted for allocation of coal mining blocks for Public / Private Sector for captive use: -

(i) Scientific mining for a viable coal unit can be done in an opencast mine having more than one million tonne production per year and for underground coal unit having more than 250,000 tonnes production per year. Hence, for future, an application for mine of a coal block for quantity less than 1 mtpa in opencast mining and less than 250,000 tonnes per annum in underground mining would not be entertained so as to ensure economic / scientific mining of Indian coal.

(ii) Preferably blocks in green field areas where basic infrastructure like road, rail links, etc. is yet to be developed should be given to the public/ private sector. The areas where CIL has already invested in creating such infrastructure for opening new mines should not be handed over to the private sector, except on reimbursement of costs.

(iii) The blocks offered to private sector should be at reasonable distance from existing mines and projects of CIL in order to avoid operational problems.

(iv) Blocks already identified for development by CIL where adequate funding is on hand or in sight should not be offered to the private sector.

(v) Public/private sector should be asked to bear full cost of exploration in these blocks which may be offered.

(vi) For identifying blocks, the requirements of coal for about 30 years would be considered.

The other requirements are :-

(a) approval of mining plan as required under the Mines and Minerals (Regulation and Development) Act,1957.

(b) inspection and appropriate enforcement of conservation measures by the Coal Controller under the Coal Mines (Conservation and Development)Act, 1974 with a view to ensuring scientific mining.

(c) enforcement of safety regulations by the Directorate General of Mines Safety."

5.13 Giving the details of captive mining policy, it was informed that allocation of coal mining blocks identified for captive use by Public/Private Sector parties is decided by the Screening Committee constituted in the Ministry of Coal. The Committee allocates coal mining blocks keeping in view the capacity of the end use plant, its coal requirement and the adequacy of the coal reserves commensurate with the coal requirement. Under the adopted guidelines, coal mining blocks producing less than 1 mt of coal per annum from open cast block and less than 0.25 mt of coal per annum from an underground block are not considered for allotment.

5.14 When enquired about the tardy progress by the private sector in the field, the Committee was informed that as on date, 27 coal mining blocks stand allotted to various parties. Production has, however, been started only by 3 parties. Completion of procedural formalities like obtaining of mining lease from State Governments and forestry / environmental clearance from MOEF and complying with other statutory requirements takes unduly long time in development of the coal mining blocks allotted to the parties. Some power projects have been delayed and as a result the captive mining has also necessarily been delayed. Parties are also dragging their feet in the hope to take advantage of the proposed legislation.

5.15 The representatives of the private sector brought to the notice of the Committee that one of the main reasons for failure of private sector participation in captive mining was allocation of difficult coal blocks to them and with almost negligible infrastructural support. The Ministry of Coal conceded this development and stated:-

"It is conceded that in the earlier scheme of things, the blocks with the best/maximum reserves were kept for CIL and only blocks in "virgin fields" were available for private allotment. In view of the proposed amendment, perhaps, a rationalization of this anomaly may have to be attempted so as to provide a realistic coal reserve for a meaningful private investment. However, while doing this, care would be taken to ensure that legitimate interests of the CIL are protected".

5.16 Clarifying the position, the Secretary, Ministry of Coal during evidence stated as under:-

"After this Nationalisation Amendment Bill has been passed by Parliament, then we will have to think in terms of further legislation for determining how blocks are going to be allotted to the private sector. As of today, in the context of captive mining, we have divided the available blocks into two groups; one called, the CIL blocks and the other, the non-CIL blocks. CIL has retained to itself the blocks which will enable it to mine coal at the rate of 350 MT per year for 30 years from the first year of the Eleventh Plan. The reason for this is that Coal India has certain linkages which are essentially in terms of long terms linkages with power plants and in order to maintain their commitment, it is necessary that they should have with them sufficient reserves to be able to meet these commitments. Blocks which were not required for this purpose have now been thrown open to the private sector and as of today we have been able to allot 27 blocks. Against these 27 blocks we have furnished information about the ones in which mining has already started. There are only three. The reasons for the number being only three are many. One of the reasons is that the captive end- use for which the private mining block was sanctioned has not come up, particularly in the power sector. That again gets linked to power sector reforms. Again, sanctions from the Environment and Forests Ministry of Government of India and from the State Government and approval of the mining plan take time. It is generally known that in the coal industry it takes six to seven years for extraction of coal from the date of the sanction. But we are hopeful that in the immediate future many more of these blocks which have been allotted to the private sector will start functioning".

5.17 The Committee were informed by the representatives of Trade Unions that the limited private sector participation in captive mining did not yield the desired results. For instance during the past 7 years, 119 blocks were identified but only 27 mining blocks could be allotted to various parties and production could commence in only 3 mines. The Ministry of Coal was candid enough to admit that completion of procedural formalities like obtaining mining leases from State Governments and Forest/Environmental clearances from MoEF and complying with the statutory requirement took unduly long time in development of coal mining blocks allotted to the parties. Further, some power projects had been delayed and consequently the captive mining had also necessarily been delayed. On the other hand, the apex Chambers of Commerce and Industry pointed out that one of the reasons for non-exploitation of captive mines was that creamy blocks were retained by CIL and its subsidiaries and only the scum were offered to the private sector. The Ministry conceded that in the earlier scheme of things, the blocks with the best/maximum reserves were kept for CIL and only blocks in virgin fields were available for private allotment. The Chamber thus pleaded for transparency in the matter of allocation of mining blocks, by the constitution of an Authority to oversee such a function. In the opinion of the Committee, rationalisation of the anomaly had to be attempted so as to provide realistic coal reserves for meaningful private investments. In doing so, care would have to be taken to ensure that the legitimate interests of CIL are protected. There is thus an imperative need to appoint an independent regulatory body with a view to balancing the interests of coal consumers with those of developers/coal producers and at the same time ensuring non-discrimination among public sector and private sector companies in the matter of licencing of coal blocks/prospects. The Committee, while sharing the concern of the Chambers of Commerce, recommend the constitution of an Independent Regulatory Authority (IRA) for determining such matters as criteria for defining size of coal blocks/prospects and rules/regulations for award of prospecting/mining lease while allocating coal blocks to private parties, regulation of price of coal, including auction of blocks by open bid, etc. Some of the other functions which can be assigned to this authority include economic rehabilitation and resettlement of PPA, Acquisition of land, Forest, Environment and other statutory clearances required for initiating mining operations, ensuring economic reclamation/restoration of mined out areas and post mining land use. The Committee feel that such measures will provide a level playing field to the private parties. This Authority should also ensure that adequate private investment is attracted for underground mining operation and induction of appropriate technology. Such an authority should be outside the control of the Government but made accountable and answerable to the Parliament. The Committee would like to emphasise that the Government should ensure that all the procedural and administrative failures which had hampered the implementation of captive mining policy are now resolved so that private sector participation in the non-captive sector does not meet a similar fate.

C H A P T E R - VI

Quality/Price/Import of Coal

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6.1 It is a known fact that the quality of Indian Coal is poor in comparison to coal from some other countries due to higher ash content and low calorific value. It is said to be due to geological reasons which are beyond human control. However, Some improvement in the quality of coal can be brought about through beneficiation of coal. This has also become essential because of the MoEF notifications whereby the Power Plants which are more than a thousand kilometers away from the pit-head are required use coal having less than 34% ash- content. But inspite of this C.I.L and its subsidiaries have not taken up the work of beneficiation of coal seriously. The Committee were surprised to note that almost all the consumer PSUs complained that the quality of coal received by them from CIL and subsidiaries was never of the declared grade and that CIL never heeded to their protests in this regard. They also never agreed to the Joint sampling of coal at both the ends and that CIL and subsidiaries behaved in a typical monopolistic way. The Committee wonder that if this was their attitude towards Government, PSUs, what would have been their attitude towards non-Governmental customers.

6.2 Explaining the difficulties being encountered in procuring coal from public sector companies, the Ministry of Power, in a written note, stated as under:-

> "The power companies always complain of poor quality coal supply by the Coal PSUs. Coal supplied is invariably mixed with stone and over burdens which if not removed would invariably damage the coal pulverizing units and also adversely affect the boiler lining. Lot of investment in manpower is required by the power companies for quality check and manual removal of stones and over burdens. Private participation and de-regulation of coal price is expected to result in increased competition, which will help in significant quality improvement and coal price reduction. Private sector will make adequate investment in coal mining by deploying state of art technology. Whereas the Coal PSUs were not be able to do for want of adequate internal resources".

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6.3 As regards the prices of indigenous and international coal, CII, in a written note, furnished the following information:-

> "In the international market, the price is governed by the demand supply situation whereas in India, the price is a monopoly price. Therefore, the price in the international market has been declining due to industrial recession whereas the price in India has been increasing due to monopolistic increases in price caused by cost-push inflation. This can be remedied only by introducing a competitive free market for coal in India".

6.4 On being asked about the calorific value of indigenous coal and the impact of private sector participation on the quality of coal, CII, in a written note, furnished the following information:-

> "The calorific value of the available deposits of Indian coal is in the range of 4000 to 5000 Kcal/Kg(UHV 2500 to 4000 Kcal/Kg) as compared to about 6000 Kcal/Kg of imported coal. This is due to inherent quality of the deposits. It is not cost effective to wash and improve the quality unless the coal has to be hauled a long distance. With the introduction of private sector in coal mining, some improvement in quality would come due to quality consciousness and competition in the market along with overall technological advancement in the coal industry".

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6.5 Regarding the impact of private sector participation on the price and quality of coal, the Ministry of Steel, in a written note, stated as under: -

> "In the event of privatisation, if private sector follows scientific practices of mining and undertakes investments for modernisation, it is expected that their costs of production would be very competitive. This

will lead to a healthy competition, improved availability and better quality. It is also expected that the prices will be governed by the international forces."

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6.6 Justifying the private sector participation in Coal Sector to ensure right the price and quality, the Department of Heavy Industry, in a written reply, furnished the following information:-

"Participation of the Private Sector in the coal sector may improve productivity and quality of coal with consequential impact on the quality of cement and its price".

6.7 Asked about the disadvantages of the use of inferior quality coal for manufacture of cement, the Department of Heavy Industry, in a written reply, furnished the following information:-

"The quality of clinker deteriorates with use of inferior quality of coal and limestone quality has to be kept at the higher level. This leads to depleting of good quality limestone reserves and increase in coal and power consumption. With the inferior quality of coal, especially in the captive power plants, the added disadvantage of disposal of fly ash and consequential environmental aspects need to be considered. It has adverse effect on the boiler efficiency of the captive power plant".

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6.8 Clarifying their position to improve quality of Coal and thereby reduce cost, the Ministry of Coal have stated that the Coal India Limited and its subsidiaries have been making regular efforts to improve efficiency and reduce cost in their continuous process of coal mining. The following are some of the measures / plans being pursued / formulated by CIL to reduce cost of production.

i) Modernization / reorganization of unviable mines
ii) Optimum mechanization of loading of coal at coal faces with effective use of side discharge loaders and load haul dumps.
iii) Introduction of modern / mass production technology and improved methods of mining.
iv) Preventive maintenance of equipments
v) Imparting skill-wise training etc.
vi) Improving production, productivity and capacity utilisation of the mines.
vii) Rationalisation of manpower through reduction of surplus manpower through Voluntary Retirement Scheme and gainful deployment of the surplus manpower wherever possible.

6.9 When asked as to whether the coal produced by the private companies would be sold at cheaper rates thereby making CIL and its subsidiaries uncompetitive, the Ministry of Coal, in a written reply, have stated as under: -

"The whole economy will benefit if coal becomes available at more competitive prices to the consumers. This will also put pressure on the public sector coal companies to improve their efficiency and to economise on the cost of production. A healthy competition between the private sector and the public sector would be in the national interest as this would help in removing any inherent inefficiencies in the two sectors. Given its pre-dominant position in the market, CIL should not worry about competition from any quarters."

6.10 Regarding the current prices of coal in the international market, the Ministry of Coal have stated that the prices of coal have been fluctuating in the international market. The international prices of coal have been rising again of late.

6.11 The Ministry of Coal have further stated that the calorific value of Indian non-coking coal principally used for thermal purposes and which accounts for about 90% of total coal production in CIL is expressed in terms of Useful Heat Value based on an empirical formula derived by CFRI. It ranges between 1300 K.Cal/Kg to plus 6200 K.Cal/Kg. segregated in different grades from "A to G". In terms of Gross Calorific Value(GCV) which is the international practice for expressing heat content of coal, it ranges from plus 6450 K.cal/Kg to 3110 K.Cal/Kg. which more or less corresponds to grades A to G as defined in terms of Useful Heat Value(UHV). The average GCV of total coal dispatched by CIL to different sectors including power sectors during the past few years has been of the order of 4900 K.Cal./Kg. This is far below the GCV of imported coal which often exceeds 6000 K.Cal./Kg.

6.12 The Ministry of Coal have cited the following reasons for variation of calorific value between Indian coal and coal of foreign origin:-

> "The origin of Indian coal is through drift theory, as a result of which the coal matter is intimately mixed with mineral matter causing deterioration in its quality. In this context coal of most of the other coal producing countries originates through insitu theory in which the possibility of deterioration of the quality is far less during its formation stage. Further, coal is mostly beneficiated before dispatches in most of the countries abroad which results in consistent quality of the product."

6.13 As regards the quality of Indian coal, a representative of a Trade Union during evidence stated as under: -

> "Our coal has 20 per cent or more than 20 per cent ash content. That is why, the steel companies are denying to take it. But prior to 1991, how many companies were importing coal? Only the Tatas and other subsidiaries of IISCO were importing coal. Today, IISCO is not importing any coal from outside, and they are running their steel plant with Indian coal. I want to add one more thing. The ash content in Assam coal is below ten per cent. If we mix Assam coal with coal from Raniganj or BCCL, then it will become the best quality of coal."

6.14 Commenting on the quality of Indian coal, CMD, Coal India Limited during evidence stated as under:-

> "Unfortunately, our coal- for that matter any coal in the world, has got some washing characteristics. There is some inherent ash content and some extraneous ash content. The inherent ash cannot be taken away because it is embedded in the coal in such a fine manner that you just cannot take it off. As far as extraneous ash is concerned, that is the only thing, which can be taken care of by washing. Unfortunately, our coal reserves were formed through drift where we have got a lot of ash in our coal and the washability curve shows that if I have to reduce ash below a certain limit, there is too much of rejects in it and each percentage of ash reduction in the coal will cost me a lot of money. So, it totally depend on the economics. Due to this particular fact, the washability characteristics of our Indian coal, the washing becomes, at times, prohibitive, vis-a-vis cost".

6.15 On the point of quality of coal CMD, SAIL during evidence stated as follows:-

> "The quality of coal is not good. We have an agreement with Coal India that we will take 18% ash, but they are supplying between 19 and 22%. So, the quality has to be improved. Washing facilities have to improve. They have not invested in washeries for many years".

6.16 As regards the ash content of imported coal, the Secretary, Ministry of Steel during evidence stated as under:-

> "It may be as low as 8%. As I mentioned, by and large, the availability domestically is around 19-20% after it is washed. So, this is the first issue."

6.17 As regards the quality of Indian coal, CMD, NTPC during oral evidence stated as under:-

> "Even in the normal coal, you have 35 or 36% of ash content, but in the washed coal also the average ash content in the past three years was more than 34%. That is the quality of coal they are able to give us. When we ask them as to why they are charging about Rs.250 per tonnes extra for the washed coal which is again

containing more than 34% of ash content which is the outer limit fixed by the Ministry of Environment and Forests, they are not prepared to look at it. They say that we must pay for the washed coal".

6.18 Expressing his views on the quality of Indian coal, the Secretary, Department of Heavy Industry during evidence stated as under:-

"Most of our reserves are not high grade. There is a high ash content and low calorific value and, therefore, in certain sectors of industry where you need greater efficiency in your furnaces, the ash content and the low calorific value poses a problem as far as the quality of the product is concerned….With regard to efficiency of furnace, a superior quality of coal is always better. It gives you better quality of clinker. Generally, speaking, better quality of coal will be preferred. But the coal that is available presently, we cannot say, that it is not serving our purpose…and quality implications. As far as the requirement is concerned, my information is that the cement industry is getting nine million tonnes from coal linkages and about six million tonnes by way of imports".

6.19 When the Committee enquired about mechanism to fix coal price the Secretary, Ministry of Power during evidence stated as under:-

"In price, we are facing a more difficult position, because, out of the generating cost, 49% is the cost of coal when NTPC, etc. generates any power. On 1.1.2000, coal for our power sector, that is 'D' to 'G' grade was deregulated. In this one year and six months or so, the price have gone up by 40%. What is worse that there may be some agreement between NTPC and Coal India, but we are not given any opportunity to say that if you go on increasing the coal price like this, it will affect our prices too. We have very little say in fixation of prices. It is because of the monopoly".

6.20 When the Committee desired to know the measures taken by Ministry of Coal to improve the quality of coal they in a note submitted that following steps have been taken in this regard:-

(1) For system improvement especially in opencast mines which account for about 80% of the total coal production in CIL and are prone to quality deterioration, advanced stripping of over burden, selective mining by conventional drilling and blasting mode as well as surface mining, adoption of proper blasting procedure and technique for improved fragmentation and regulated throw of blasted material to obviate contamination of coal with overburden are being pursued.

(2) Besides above, attempts are made to segregate whatever boulders/extraneous material that get mixed up, at the coal faces, at loading points and also at CHPs and wagons.

(3) Engagement of independent third party sampling agency/joint sampling through mutual consent has been in vogue now for the major consumers. This has improved the awareness at different levels of operations in regard to quality, as the results are settled quickly. Apart from this, the system ensures that consumers pay for the coal they get based on actual analysis.

(4) But for improved quality on a consistent basis beneficiation of coal may provide the right answer. The progress in the installation of washeries however, has been limited due to high capital investment and reluctance of the consuming sectors to bear the additional cost for such value addition. Attempts by CIL to install washeries through B-O-O route has also not materialized due to inability of the B-O-O operators to conclude the financial closure.

6.21 Justifying the setting up of coal washeries, the Secretary, Ministry of Steel during evidence stated as under:-

"Through new washeries, improvement in technology in mining is possible, which is reasonably cost-incentive... The washeries are not succeeding to the extent of reducing the ash content. I am not getting the quality of coal that is required by me and I am not getting enough quantity of coal. As a result of that I have to import that to the extent that port congestion is taking place. I am not getting into criticality. Therefore, our Ministry is supportive of the proposed Bill".

6.22 The Ministry of Coal have cited the following reasons for the operation of washeries below the designed capacity:

(i) The availability of coking coal to the washeries has reduced to a large extent.

(ii) The coal now being fed to the washeries is of inferior quality than the designed quality parameters. This has resulted in imbalance in various circuits of the washeries. For maintaining quality parameters of clean coal as per requirement of SAIL, the feed to the washeries has to be restricted, resulting in low utilization.

6.23 The Committee was also informed that Some of the coking coal washeries like Kargali and Gidi washeries of CCL were converted from coking coal to non-coking coal washeries mainly because the total availability of raw coal to the washeries has become inadequate. Due to shortage of raw coking coal and growing demand of non-coking coal with ash content of around 34% for thermal power stations, these washeries have been converted into non-coking coal washeries for its gainful utilization.

6.24 Dugda-I Washery, after operation of about 35 years, was closed in 1996 on safety reasons. However, with the increase in demand for washed non-coking coal for thermal power stations, the middling upgradation part of Dugda-I washery is being utilised with minor modification for washing of non-coking coal on trial basis from 1999.

6.25 As per present policy coal can be freely imported under OGL by the consumers themselves considering their needs and exercising their own commercial judgements. Coking coal is imported by SAIL 7 other Steel Sector manufactures, to bridge the gap between demand & supply also to improve the quality of overall blending for technological reasons coal based power stations and cement plants are also importing same quantity of non- coking coal an the consideration of transport – logistic and commercial prudence. There has been a rising trend of imports for the last few years in case of non- coking coal especially in coastal region. Detailing the rise in Coal imports a representative of a Trade Union stated evidence during as under:-

"Last year, I was about 20 million tonnes and when the import duty was raised to the level of about 30 per cent, import; has decreased and the demand for our coal has further increased. This is the latest phenomenon particularly in the Eastern sector and in the Western sector. The consumers of imported coal are now switching over to the coal of CIL which is cheaper."

6.26 Justifying the import of coal, a representative of FICCI stated during evidence as under:-

"I am involved in importing two million tonnes of coal per year from Australia, China and South Africa which come in the centre of Karnataka. We get coal of a calorific value of at least 30 per cent more than the best coal the Coal India Limited can supply and it is at our site at a cost which is much lower than what the Coal India Limited can offer to supply".

6.27 The Secretary, Ministry of Steel also justifying the import of coal stated during evidence as under:-

"In terms of coking coal, I am already importing 15 million tonnes. The indigenous availability is only 8 million tonnes. The price is increasing and I am not able to negotiate the price. The washeries are not functioning. Therefore, there is some need for induction of fresh capital and flesh technology… Some imports of coal were there earlier also. The requirement has gone up partly because the supply from CIL has gone down. The trend in the last 6 to 7 years has been clearly towards decrease in terms of production of coal from Coal India".

6.28 When asked about the impact of private sector participation on the import of coal by the steel sector, the Ministry of Steel, in a written note, stated as under: -

"Privatization may lead to reduction in imports of coking coal due to higher production of better quality of indigenous coal."

6.29 Detailing the import of coal for the cement sector, the Department of Heavy Industry, in a written reply, stated that the main reasons for importing coal was due to less materialisation of linkage coal as well as inferior quality of indigenous coal vis-à-vis imported coal. The quantum of import of coal since 1992-93 up to 1999-2000, year wise, is given below.

YEAR	IMPORT OF COAL (MT)
1992-93	0.09
1993-94	0.12
1994-95	0.71
1995-96	1.80
1996-97	1.65
1997-98	3.52
1998-99	4.66
1999-2000	6.04

6.30 Clarifying the need to import coal for the cement sector, the Secretary, Department of Heavy Industry during evidence stated as under:-

"With regard to imports in a very large perspective, I do feel that while exploitation of local reserves is important, I think from the longer term, imports should not be seen as a bad strategy. Secondly, probably, for some industries where you need higher grade coal imports cannot be avoided".

6.31 When asked about the impact of privatisation on imports, the Ministry of Coal have also stated that it is not possible to predict whether import of coal will reduce substantially after the entry of private sector in coal mines. Coal is imported by the consumers either due to non-availability/inadequate availability of the required quality and quantity indigenously or on consideration of cost. The cost of imported coal depends on international price of coal, sea freight rates, import duty and inland transportation etc. In case the landed cost of imported coal is less than that of indigenous coal, consumers are likely to resort to import of coal on cost considerations.

6.32 The Ministry of Coal have stated that they have been consistently pursuing for rationalization of import duty on coal to provide a level playing field to the indigenous coal vis-à-vis the imported coal. Ministry of Finance has been addressed on various occasions to rationalize the customs duty on imports. It is due to persistent efforts made by Ministry of Coal that the basic import duty on non-coking coal was increased to 25% in 2000-01 from 15% in 1999-2000.

6.33 The Committee have been informed that the origin of Indian coal is the rough drift theory, as a result of which the coaly matter is intimately mixed with mineral matter causing deterioration in its quality. In contrast,

coal of most of other coal producing countries originates through in - situ theory in which the possibilities of deterioration of quality is far less during its formation stage. Further, the washability characteristic of Indian coal makes washing, at times, prohibitively costly. In this context, the Committee are unable to understand as to how the private sector participation in the coal sector will protect the indigenous coal industry and meet the threat perception of imported coal, especially when they are to exploit and mine Indian coal. Nevertheless, the Committee would like to emphasise the imperative need to undertake R&D works and set up washeries, etc. to improve the quality. Blending of coal with less ash content, especially of North-East/Assam coal be encouraged on a large scale to improve quality. Infrastructural support, especially transportation of coal by Railways, should be extended.

6.34 The Committee have been apprised of the poor quality of Indian coal by the main coal consumers i.e. power, steel and cement sectors, whereas the imported coal has a very good gross calorific value (6000 Kcal/Kg) and a very low ash content (8-10%), compared to indigenous coal having an average GCV of 3500 – 4000 Kcal/Kg and ash content of 30-50%. Further, as per MoEF notification, power stations situated more than 1000 kms away from coal mines are required w.e.f. 1.6.2002 to use coal with ash content not exceeding 34%. Beneficiation of coal by washing is, therefore, required for improving the quality of coal, in terms of ash content. The Committee are, however, constrained to note that as against the installed capacity of washeries to beneficiate 40 million tonnes of raw coal, only 10-12 million tonnes of coal are washed. The capacity utilisation of some of the coal washeries is in the range of 12-38%. Moreover, the progress in the installation of washeries has been limited due to high capital investment and reluctance on the part of users to bear the additional cost of such value addition. NTPC and SAIL have expressed their inability to make sizeable investment in the setting up of coal washeries on the ground that this is not their core business. In the opinion of the Committee, inability of CIL and its subsidiaries to set up washeries is directly affecting their business and thereby profitability. For instance, as against supply of 7-8 million tonnes of washed coking coal to SAIL in 1994-1995, it has now dwindled to 3-4 million tonnes. Similar is the position for power and cement sectors. Moreover, the thermal power stations are made to pay for ash which is of no use to them. This in fact is a national wastage and its disposal creates environmental problems for the power plants at their end. The Committee, therefore, recommend that Government should make appropriate investment in renovation & modernisation of existing washeries and in setting up new washeries – for both coking and non-coking coal - so as to ensure supply of quality coal and thereby reduce dependence on imported coal.

6.35 The Committee have observed that coal companies receive only about 40-45% of the landed price on an average. A large proportion of this price is on account of cost of railway and various levies such as royalty, excise duty, cess and sales tax. As a consequence of this, Indian coal is getting priced out in several locations and consequently, there is a sharp increase in the import of coal. Non-receipt of huge amount of coal sale dues from power and other utilities has affected cash flow to CIL and created an acute financial problem for CIL, since

the coal company is paying royalty to State Governments. Even on sale of coal to utilities on credit, the royalty payments to State Governments are being made since it is a statutory requirement. The Committee, therefore, would like the Government to review the coal pricing policy. At the same time, the Committee would recommend that the Government should rationalise railway freight for haulage of coal and resolve the issue of payment of cess/royalty with the coal-bearing States.

New Delhi;
August 30, 2001
Bhadrapada 8, 1923(Saka)

SONTOSH MOHAN DEV,
Chairman,
Standing Committee on Energy.

STATEMENT OF CONCLUSIONS /RECOMMENDATIONS OF THE STANDING COMMITTEE ON ENERGY CONTAINED IN THE REPORT

Sl. No.	Reference Para No. of The Report	Conclusions/Recommendations
1.	2.38	**The Committee note that the present Bill has been introduced to facilitate Indian private companies to explore and mine coal and lignite without the existing restriction of captive mining, in a bid to fill the burgeoning demand-supply gap of coal by the end of 10th Plan and beyond. As per 'explanation' below Section 3A (2), the word company means a company registered under the Companies Act, 1956. The Committee have been informed by the Government that by implication the definition of 'company' does not include a foreign company. Accordingly, a foreign company is barred to undertake coal mining and exploration. However, nothing prevents an Indian company in the private sector to have foreign investment for non-captive mining of coal and lignite and exploration of coal and lignite resources. The Committee recommend that the present Bill be passed subject to the observations and recommendations made in the succeeding paragraphs.**
2.	2.39	**The Coal Mines (Nationalisation) Amendment Bill, 2000, inter-alia, proposes to insert Section 3(A) (1) and (2) after Section 3 of the Principal Act i.e. the Coal Mines (Nationalisation) Act, 1973. Section 3A (2) of the Bill provides that the Central Government may, with a view to re-organising and restructuring such coal mines as to ensure rational, coordinated and scientific development and utilisation of coal resources consistent with the growing requirements of the country, prescribe the location and the minimum size of the coal mines and such other conditions which may be necessary for the purpose of coal mining operations by a company. In the opinion of an apex Chamber of Commerce and Industry (FICCI), the use of the expression 'such other conditions' in the Bill is vague which would bring in confusion and subjectivity at the time of implementation of the provision.** **The Government of Madhya Pradesh has desired that techno-commercial feasibilities should be considered while determining such conditions. The Committee feel that there should be no ambiguity and recommend that the Government should take care of the views expressed by FICCI and the Government of Madhya Pradesh.**
3.	2.40	**The various Trade Unions and Officers' Associations, who tendered evidence before the Committee were apprehensive of privatisation of CIL and its subsidiaries. The Committee have been assured by the Government that the present Bill seeks only to allow private companies to undertake coal mining and exploration and does not intend to transform CIL, its subsidiaries, NLC or other Government coal companies into private companies. The existing coal and lignite mining operation of these Government controlled companies will continue and so also their growth as respectively planned by them. The Committee welcome this statement of the Government and recommend that CIL and its subsidiaries should be strengthened to enable them to play a meaningful role outlined for them as also to face the competition to which they are likely to be exposed if this Bill is passed.**
4.	2.41	**The Committee are unhappy to note that the Government did not consider it necessary to consult coal bearing States before the introduction of the Bill, on the grounds that the Bill will have no bearing on the interests of State Governments. It is worthwhile to mention**

that the States have a major role to play in the coal sector. Mining lease, mineral concession and prospecting licenses are to be issued by the State Governments. Land acquisition, forest clearances, provision of land for compensatory afforestation and resettlement of affected people, etc. vest with them. Moreover, they have a major role to play in the provision of social infrastructure, support services like road, water, health, education, etc. and in ensuring industrial peace. The Committee, therefore, decided to have consultation with the concerned States. A number of States such as Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Maharashtra, Meghalaya, Orissa, Punjab, Rajasthan and Uttar Pradesh have supported the Coal Mines (Nationalisation) Amendment Bill, 2000. These States have made a number of important suggestions on the Bill relating to constitution of a Regulatory Authority, increase in competition leading to overall efficiency, supply of coal to thermal power stations, mining of lignite, setting up of coal washeries to reduce the ash content of coal, location and minimum size of coal mines, demand and supply of coal, investment by the private sector, etc. Only the Government of West Bengal has not supported the Bill, arguing that it will be a threat to environment protection and conservation of coal resources, disregard for mines safety and uncertainty in the social security of the coal workers. Taking into consideration the fact that some of the States could not apprise the Committee of their views, the Committee desire that the Union Government should consider the views of all the coal bearing States, while implementing the various provisions of the Bill as and when it is passed.

5. 2.42 The Ministry of Coal have informed the Committee that they have held the discussions with the trade unions as desired by this Committee. They have also forwarded the gist of suggestions made by the trade unions. There views are already known to the Committee and have been kept in view while making the recommendations.

6. 3.45 The Committee have noted that different agencies have made different projections regarding demand-supply scenario. It has been estimated that demand-supply gap for the power sector by the end of 9th, 10th and 11th Plans would be to the tune of 30.6, 235 and 340 MT, involving additional funds requirements of Rs.12,000 crore, Rs.18,000 crore and Rs.28,000 crore respectively during the said periods. It is worthwhile to note that CIL and its subsidiaries have on no occasion since the 6th Plan period, failed to meet the demand projected for the power sector, which consumes more than 70% of coal produced in the country. At times, especially in 1998-99, CIL had instructed some of the subsidiaries to cut down production owing to slow down in the economy. Further, minor shortfalls in meeting the demand of steel and cement sectors have been on account of quality constraints mainly not available. The Committee, therefore, do not concur with the massive demand-supply gap projections arrived at by the different agencies taking into consideration the past records of power, steel and cement sectors. In the opinion of the Committee, out of the projected additional capacity of 1 lakh MW by the end of 11th Plan, the projected thermal power generation estimated at around 60,000 MW requiring massive coal demand is too high to be relied upon. Further, the policy of the Government is to promote hydel power so as to reverse the adverse hydel - thermal ratio of 78:22 and bring it to the optimum level of 60:40, stress on development of renewable sources of energy, securing additional power through nuclear energy, demand side management, reduction in T&D losses and renovation and modernisation of old generating stations. All these factors will have a direct bearing on the coal requirement. Nevertheless, there is likely to be some gap between demand and supply of coal and the Committee concur with the views of the Government that there would be some shortfalls on the supply side but not of that magnitude as projected by the various authorities. The Committee, therefore, recommend the passage of the Bill on the ground that whatever demand-supply gap exists may need investment from private sector, and the Bill is an enabling provision for the same.

7. 3.46 The various Trade Unions and Officers' Associations have expressed their apprehension that with the advent of the private sector, the pre-nationalisation situation, marked by disregard of mine safety and environment protection, poor living standards and exploitation of coal labourers, slaughtering and unscientific mining operations would guide the destiny of the coal sector. Moreover, the private sector may not invest in

undertaking infrastructural development programmes. The Government have, however, clarified that as the Nationalisation Act, 1973 is not being replaced but only amended, the detailed conditions or measures for ensuring mine safety, environment protection, good living standards for the coal labour, adequate investment in coal mines and conservation of coal resources will continue to be legally binding on the private companies that are allowed to operate under the Act. Moreover, to protect the interest of the local population, the Government can always give suitable directions to the prospective allottees to undertake such infrastructure development works/community development programmes as are considered necessary. Further, there will always be a number of monitoring and regulatory authorities, both at Central and State levels, to regulate the private companies and ensure that local population in remote/tribal areas is not neglected. The Committee, therefore, recommend that in order to allay the fears expressed by the Trade Unions / Officers' Associations, the Government should closely monitor the position and ensure that private coal companies strictly follow the provisions of various rules, regulations and orders issued under the Coal Mines (Nationalisation) Act, 1973. Failure to observe such should attract exemplary penal action. At the same time, the Committee would like to emphasise that due care should be taken for the infrastructure / community development works.

8. 3.47 The Committee have observed that more than 45% freight traffic of Railways is contributed by the coal sector. Accordingly, and rightly so, high priority is accorded by Railways while planning for development of railway infrastructure including for evacuation of coal. Depending upon transport demand and projections, the Railways develop/strengthen their infrastructure including augmentation of section capacity, procurement of rolling stock, locos, etc. To meet the future demand, technological upgradation for loading, unloading and speedier movement of coal from pit head to consumer area, introduction of 'Flash loading', bottom discharge of BOBR wagons; high horse power locos and high speed BOXNHS wagons, etc. are some of the measures being proposed. The Committee have been apprised by the Railways that development of the siding is the responsibility of the consumers and they have to develop and modernise coal loading sidings in coalfields , funded by the coal company. On the other hand, the representatives of CII, submitting on behalf of the private sector, opined that the "States should undertake development of infrastructure as the development of coal resources adds to its revenue by way of cess, taxes, duties and royalty. It means added revenue for Railways and Electricity Board and they should invest in these infrastructure". The Committee feel that the development of infrastructure plays a vital role in the coal project planning and implementation. Accordingly, it is essential that the possibilities of providing either a rail link, ropeway or merry-go-round system should be kept in view to facilitate quick, economical and most scientific transport of coal to the consuming centre. The Committee have, however, noted a dichotomy in the approach between private and public sectors towards development of infrastructure for the evacuation of coal. The Committee would like to emphasise that public sector coal companies should allow the private company to utilise their infrastructure network on certain consideration till the private sector is able to develop its own infrastructure.

9. 3.48 Besides inviting direct private investment in the coal sector to bridge the demand-supply gap, the Bill also seeks to introduce an element of competition in the coal sector to bring about efficiency in CIL and its subsidiaries. In this context, the Committee endorse the view of the Ministry of Power, which has opined that "power sector should be given freedom to select good coal at good prices from alternative sellers and not from one monopoly sector." The Committee hope that the entry of the private sector in non-captive coal mining activities would lead to a healthy competition which would be beneficial for the public sector companies. The Committee believe that the private sector involvement may perhaps lead to better efficiency and accountability on the part of the public sector coal companies. The Committee have been informed that in order to meet the stiff competition from the private sector, the Government have chalked out certain strategies such as raising the coal production, revival of the loss-making subsidiaries,

implementation of the Voluntary Retirement Scheme(VRS) to prune the surplus manpower, long-term fuel supply agreements with major existing customers as well as new power stations, etc. The Committee would like the public sector coal companies to implement these measures in right earnest so as to meet the possible challenges from the private sector.

10. **4.34 The Committee have been informed that to meet the projected demand of coal by the end of 10^{th} and 11^{th} Plans, an amount of Rs.18,000 crore and 28,000 crore respectively would be required. The budgetary support to Coal India Limited (CIL) stands withdrawn since 1996-1997. As per the perspective plan, upto the end of 10^{th} Plan, CIL envisages to generate Rs.6,000 crore through internal accruals while another Rs.6,000 crore can be met through borrowings on the strength of balance sheet, leaving a deficit of Rs.6,000 crore. The Committee are of the opinion that there is an imperative need to restructure and reorganise CIL and its subsidiaries. In this connection, the Committee would like to recommend that in order to face stiff competition likely to be posed by the private sector, the Government should work out a revival plan for the coal sector on the lines of the packages offered to Steel, Textiles and Financial sectors. Such a measure, in the opinion of the Committee, will impart strength to CIL to face the competition from the private sector. The revival package becomes absolutely necessary to convert the three loss making subsidiaries into viable units and also in view of the fact that budgetary support has been withdrawn from the coal sector whereas it is still being provided to other core sectors such as power. Another measure required to mobilise resources for CIL is to make the outstanding dues from various utilities available to it.**

11. **4.35 The Committee are concerned to note that as on 28.2.2001, there was an outstanding amount of Rs.6208.99 crore due from SEBs/PSUs to Coal India Limited. This comprises an undisputed amount of Rs.4628.08 crore and a disputed amount of Rs.1580.91 crore. Besides, a disputed interest amount of Rs.4240.47 crore is also outstanding. The Committee would like the Government to develop some mechanism to realise the outstandings which would serve as a big boost for the financial health of CIL. The Committee would like the CIL to vigorously follow the guidelines given to it for recovery of its dues like supplying coal to power utilities only against advance payment or Letter of Credit (LoC), cuts from the Central Plan Assistance to the States. The Committee would like the Government to consider the possibility of investing the amount equivalent to tax received from CIL and its subsidiaries and the amount outstanding against other bodies in CIL and its subsidiaries.**

12. **4.36 The Committee feel that the present set up of CIL as a holding company and its subsidiaries as functional entities have not served the purpose for which they were established. There is a need to restructure the coal industry in the country. It is a matter of concern that whereas coal subsidiaries are clamouring for resource mobilisation to step up coal mining operations such as heavy investment in procurement of machinery and equipments, especially in underground mining, Rs.900 crore is being paid annually as taxes and other statutory levies. The Committee, therefore, recommend that CIL and its subsidiaries should be amalgamated into one entity. This would not only save the annual tax outgo of over Rs.900 crore but also help the loss-making companies to tide over their financial difficulties. The Committee are not convinced by the argument of the Government that sound principles of corporate governance require separation of activities of each subsidiary. The Committee are also not in agreement with the views of the Expenditure Reforms Commission which inter-alia has recommended independent and autonomous status to coal subsidiaries on the ground that this will impart efficiency in the emerging competitive scenario. The proposition of the Government that no funds will be available for further investment in opening up new mines after amalgamation is also not tenable as**

the Committee view that CIL group of companies can conveniently improve their balance sheet by concerted efforts and proper management of affairs. The Committee would, however, like to add a word of caution that the amount which may be saved as a result of tax outgo should be spent on development of new mines and for making old mines viable and not to meet the administrative expenditure, etc.

13. 4.37 The Committee note that three out of eight subsidiary companies of CIL are incurring heavy losses - so much so that the profit earned by the remaining five subsidiaries is almost wiped out. For instance, the loss incurred by these companies, viz. ECL, BCCL and CCL during 1999-2000 has been to the tune of Rs.728.23 crore, Rs.692.32 crore and Rs.121.24 crore respectively. Excessive manpower and faulty investment and management decisions have been cited as some of the reasons for these losses. The Committee apprehend that in case these subsidiaries continue to incur losses, the position of CIL would deteriorate before long and it would find itself on a weak footing to ward off the challenges of the private sector. The Committee, therefore, recommend that the loss suffered by them should be written off and one-time financial assistance made available to these loss-making companies through CIL for their revival. At the same time, it is also recommended that measures such as introduction of VRS, investment in underground mining operations by induction of appropriate technology commensurate with indigenous conditions, improvement in fleet utilisation of machinery and equipments, etc. should be aggressively pursued so as to enhance OMS in these subsidiaries.

14. 4.38 The Committee have been informed that the Government had engaged the ICICI and the IDBI to study the functioning of these loss-making subsidiaries and suggest measures to improve their financial performance. It has also been informed to the Committee that the Reports of ICICI in respect of ECL and BCCL have already been submitted to the Government while IDBI is yet to submit its Report on CCL. ICICI is reported to have suggested, inter-alia, closure of some coal mines of ECL. The Committee are of the considered view that instead of closing down the coal mines, the Government should consider other revival measures as suggested above, to revive these subsidiaries. The Government may consider entering into joint ventures with private sector to improve the viability of the mines after the coal sector is opened up to the private sector. The Committee feel that the Government should explore all such possibilities before resorting to closure, etc.

15. 2.39 The Committee have been informed that the use of the Long-wall Technology has not been a success in a number of coal mines. Improper appreciation of the geo-mining conditions of the coal mines, inadequate infrastructure, shortage of trained manpower and non-availability of imported spare parts have been cited as reasons for the failure of the technology. The Committee are of the view that the Government should have taken these factors into consideration before investing heavily on the new technology. The Committee also have been informed by the representatives of some Trade Unions that certain costly machinery and equipment are lying idle owing to mismanagement and lack of interest on the part of both the management and the workers. The Committee note that high investment in technology and mechanisation of coal mines has not been utilised properly. The Committee desire that CAG or some similar body should probe the matter further.

16. 5.17 The Committee were informed by the representatives of Trade Unions that the limited private sector participation in captive mining did not yield the desired results. For instance during the past 7 years, 119 blocks were identified but only 27 mining blocks could be allotted to various parties and production could commence in only 3 mines. The Ministry of Coal was candid enough to admit that completion of procedural formalities like obtaining mining leases from State Governments and Forest/Environmental clearances from MoEF and complying with the statutory requirement took unduly long time in development of coal mining blocks allotted to the parties. Further, some power projects had been delayed and consequently the captive mining had also necessarily been delayed. On the other hand, the apex Chambers of Commerce and Industry pointed out

that one of the reasons for non-exploitation of captive mines was that creamy blocks were retained by CIL and its subsidiaries and only the scum were offered to the private sector. The Ministry conceded that in the earlier scheme of things, the blocks with the best/maximum reserves were kept for CIL and only blocks in virgin fields were available for private allotment. The Chamber thus pleaded for transparency in the matter of allocation of mining blocks, by the constitution of an Authority to oversee such a function. In the opinion of the Committee, rationalisation of the anomaly had to be attempted so as to provide realistic coal reserves for meaningful private investments. In doing so, care would have to be taken to ensure that the legitimate interests of CIL are protected. There is thus an imperative need to appoint an independent regulatory body with a view to balancing the interests of coal consumers with those of developers/coal producers and at the same time ensuring non-discrimination among public sector and private sector companies in the matter of licencing of coal blocks/prospects. The Committee, while sharing the concern of the Chambers of Commerce, recommend the constitution of an Independent Regulatory Authority (IRA) for determining such matters as criteria for defining size of coal blocks/prospects and rules/regulations for award of prospecting/mining lease while allocating coal blocks to private parties, regulation of price of coal, including auction of blocks by open bid, etc. Some of the other functions which can be assigned to this authority include economic rehabilitation and resettlement of PPA, Acquisition of land, Forest, Environment and other statutory clearances required for initiating mining operations, ensuring economic reclamation/restoration of mined out areas and post mining land use. The Committee feel that such measures will provide a level playing field to the private parties. This Authority should also ensure that adequate private investment is attracted for underground mining operation and induction of appropriate technology. Such an authority should be outside the control of the Government but made accountable and answerable to the Parliament. The Committee would like to emphasise that the Government should ensure that all the procedural and administrative failures which had hampered the implementation of captive mining policy are now resolved so that private sector participation in the non-captive sector does not meet a similar fate.

17. 6.33 The Committee have been informed that the origin of Indian coal is the rough drift theory, as a result of which the coaly matter is intimately mixed with mineral matter causing deterioration in its quality. In contrast, coal of most of other coal producing countries originates through in - situ theory in which the possibilities of deterioration of quality is far less during its formation stage. Further, the washability characteristic of Indian coal makes washing, at times, prohibitively costly. In this context, the Committee are unable to understand as to how the private sector participation in the coal sector will protect the indigenous coal industry and meet the threat perception of imported coal, especially when they are to exploit and mine Indian coal. Nevertheless, the Committee would like to emphasise the imperative need to undertake R&D works and set up washeries, etc. to improve the quality. Blending of coal with less ash content, especially of North-East/Assam coal be encouraged on a large scale to improve quality. Infrastructural support, especially transportation of coal by Railways, should be extended.

18. 6.34 The Committee have been apprised of the poor quality of Indian coal by the main coal consumers i.e. power, steel and cement sectors, whereas the imported coal has a very good gross calorific value (6000 Kcal/Kg) and a very low ash content (8-10%), compared to indigenous coal having an average GCV of 3500 – 4000 Kcal/Kg and ash content of 30-50%. Further, as per MoEF notification, power stations situated more than 1000 kms away from coal mines are required w.e.f. 1.6.2002 to use coal with ash content not exceeding 34%. Beneficiation of coal by washing is, therefore, required for improving the quality of coal, in terms of ash content. The Committee are, however, constrained to note that as against the installed capacity of washeries to beneficiate 40 million tonnes of raw coal, only 10-12 million tonnes of coal are washed. The capacity utilisation of some of the coal washeries is in the range of 12-38%. Moreover, the progress in the installation of washeries has been limited due to high capital investment and reluctance on the part of

users to bear the additional cost of such value addition. NTPC and SAIL have expressed their inability to make sizeable investment in the setting up of coal washeries on the ground that this is not their core business. In the opinion of the Committee, inability of CIL and its subsidiaries to set up washeries is directly affecting their business and thereby profitability. For instance, as against supply of 7-8 million tonnes of washed coking coal to SAIL in 1994-1995, it has now dwindled to 3-4 million tonnes. Similar is the position for power and cement sectors. Moreover, the thermal power stations are made to pay for ash which is of no use to them. This in fact is a national wastage and its disposal creates environmental problems for the power plants at their end. The Committee, therefore, recommend that Government should make appropriate investment in renovation & modernisation of existing washeries and in setting up new washeries – for both coking and non-coking coal - so as to ensure supply of quality coal and thereby reduce dependence on imported coal.

19. 6.35 The Committee have observed that coal companies receive only about 40-45% of the landed price on an average. A large proportion of this price is on account of cost of railway and various levies such as royalty, excise duty, cess and sales tax. As a consequence of this, Indian coal is getting priced out in several locations and consequently, there is a sharp increase in the import of coal. Non-receipt of huge amount of coal sale dues from power and other utilities has affected cash flow to CIL and created an acute financial problem for CIL, since the coal company is paying royalty to State Governments. Even on sale of coal to utilities on credit, the royalty payments to State Governments are being made since it is a statutory requirement. The Committee, therefore, would like the Government to review the coal pricing policy. At the same time, the Committee would recommend that the Government should rationalise railway freight for haulage of coal and resolve the issue of payment of cess/royalty with the coal-bearing States.

Note of Dissent

The Report of the Standing Committee basically endorses the Bill, which will open the floodgates of privatisation of coal and lignite mines in the country. The 1956 Industrial Policy resolution adopted by the Government of India clearly stipulated that the core sector of the economy should be in the public sector.

The coalmines industry was earlier in the private sector prior to 1970s. However, the then Government of India found that private sector was not investing sufficient funds to develop and modernize the coal mines. The private coal companies were indulging in slaughter mining, which was against the concept of conservation of coal. Safety and environmental aspects were completely ignored by the private mine management in league with mafia gangs operating in the coal mines.

The entry of private sector coal companies would bring the bad old days back with coal mining industry which aspect has not been properly considered by the Committee.

The Committee have not taken into consideration the remarkable progress made by the public sector coal mines in meeting the growing demand of the country. Never before was the question of shortage of supply of coal raised by the Government of India since the budgetary support was made available from the Government. Stoppage of the budgetary support by the Government of India years ago did not create any shortage of supply of coal in the country. The import of coal has gone up only because of the drastic reduction of customs duty, thereby making imported coal cheaper than indigenous coal. The import has resulted in threatened closure of coal mines within India. There is a need to review this policy but unfortunately the Committee have not gone into this aspect at all.

If made a single company the Coal India will be able to raise more resources for the additional requirements of the country. With improved performance of CIL and improvement in productivity of workers additional funds could be provided for required coal production in the country. If a choice of cheaper low cost technologies is adopted by

CIL, a rise in production could be achieved with less investment. Without making such attempt, to come to a conclusion that Coal India will not be able to meet the supply demand gap will not be correct. The Government of India have provided funds for textiles, sugar and other industries for modernisation. It is not easy to comprehend why the Government could not find the required funds for the development of coal industry.

The figures quoted about the future demand and internal production vary widely. Arguing in favour of privatisation, the Chari Committee's report (13 May 1996) estimated the demand of coal as 513 mt and 716 mt in 2001-02 and 2006-07. According to the Planning Commission, requirement was to be 460 mt by 1999-2000. But now the official figure of the demand for coal in 2001-02, the terminal year of the Ninth Plan, is only 370.8 mt and internal production 328.86 mt, leaving a gap of only 48.18 mt which can be easily made up by pit head stock and pruning the present set-up without investing anything.

It seems inflated demand is being projected to create the ground for private participation while the ground reality is that coal is not getting sold, but is lying on the pit head as surplus. The result is that the production has to be lowered, increasing loss and inviting sickness and also to promote import. Between 1997-98 and 1999-2000 the production of BCCL, ECL and CCL was lowered from (mt) 30.92, 27.44 and 33.97 to 27.90, 25.12 and 30.02 respectively, thereby increasing the loss from (Rs. crores) 140.91, 5411.89, 85.67 to 692.32, 728.23 and 121.24 respectively while the import increased from 17.21 mt to 17.5 mt.

All the trade unions have made out a case that by proper restructuring of the coal Industry, it is possible to meet the national requirement. When the country is facing all round recession, the Power Ministry and the Planning Commission have made exaggerated estimates of the demand for coal. The target of the current Plan is not likely to be fulfilled even by 50 per cent. Hence it is necessary to make a realistic estimate of the requirement of the coal in the Ninth, Tenth and Eleventh Plans. In the last five Plans at no stage the target of power generation was fulfilled, which underlines the need for an objective assessment of the requirement of coal in the country.

The Committee have correctly noted that if the Hydel Thermal Ratio is maintained as 60:40, then perhaps in the forthcoming Plan the requirement of coal would be less and the gap would be reduced. However, the Government has not planned sufficient number of Hydel Projects in the 10^{th} and 11^{th} Five Year Plans which has created an artificial picture of the grim nature of the supply of coal in the country.

The main point is, privatisation is advocated showing a resources crunch of the Government. But if the Government does not have the money, from where will private owners get money? Everybody knows that private owners invest by borrowing from Government-owned banks. If private owners can use the Government money why not the Government itself?

95% private sector investments come from public sector financial institutions. The public sector coal mine companies could also utilise these sources for further investments.

Under the circumstances, we the undersigned are strongly of the opinion that the Coal Mines (Nationalisation) Amendment Bill0, 2000 will inflict immense damage to the coal mining sector. Amendment to Coal Mines Nationalisation Act is undesirable and uncalled for.

Sd/-

Shri Basudeb Acharia
Shri Bikash Chowdhury
Shri Sanat Kumar Mandal
Shri Amar Roy Pradhan
Shri Ramji Lal Suman