

# LOK SABHA DEBATES

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## LOK SABHA

Tuesday, March 18, 1986/Phalguna 27, 1907  
(SAKA)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER in the Chair]

### ORAL ANSWERS TO QUESTIONS

[English]

#### Losses in Coal India Limited

\*325. †SHRI BHATTAM SRIRAMA MURTY:  
SHRIMATI N.P. JHANSI LAKSHMI:

Will the Minister of ENERGY be pleased to state:

(a) What was the anticipation at the time of revision of coal prices in terms of Coal India Limited and its subsidiaries becoming viable and economic, during the last three years;

(b) whether the losses in Coal India Limited have continued even after such increase in coal prices; and

(c) if so, the reasons thereof?

THE MINISTER OF ENERGY (SHRI VASANT SATHE): (a) to (c). A statement is given below.

#### STATEMENT

During the last three years the administered price of coal was revised twice i.e. w.e.f. 27-5-1982 and w.e.f. 8-1-1984. The price has again been revised w.e.f. 9-1-1986. The revision of coal prices was generally based on the cost of production taking into account the impact of increase in the wages, other inputs, depreciation interest, etc. However, keeping in view the impact of the price

revision on consuming sectors as well as on the national economy, as a whole, the administered price was fixed by the Government at a reasonable level which often not only disallowed any return on investment but did not even cover the anticipated cost of production in full.

Coal India, as a whole, suffered a marginal loss of Rs. 5.34 crores during 1982-83 after adjusting the retention price account. However, during the years 1983-84 and 1984-85 the losses of Coal India Limited amounted to Rs. 242.68 crores and 78.03 crores respectively. Had there been no price revision, the losses would have been much more leading to avoidable non-plan budgetary support from Government.

The losses of Coal India Limited are almost entirely in Eastern Coalfields Limited and Bharat Coking Coal Limited where the Mining conditions are difficult and the production is affected by erratic and inadequate power supply, absenteeism of the workers and order problems. The loss suffered during 1983-84 had been substantial because of the heavy impact of National Coal Wage Agreement III which was given effect from 1-1-1983 whereas the price revision was allowed only from 8-1-1984. During 1984-85 the loss occurred mainly because of the increase in the cost of production on account of the raising of the ceiling for grant of bonus/ex-gratia payment; increase in underground allowance, revision in the rate of Industrial D.A., higher rates of VDA consequent on increase in average consumer price index and higher cost of various inputs like POL, timber, power etc.

SHRI BHATTAM SRIRAMA MURTY:  
Sir, in spite of the increase in the administered prices, the Coal India Ltd. is increasing its losses year by year as we could see from the figures given by the Minister himself. In the year 1983-84 to total loss was to the tune of Rs. 242.68 crores. Next year, even though it came down to Rs. 78.03 crores, according to my information in the year 1985-86, the projected loss would be to

the tune of Rs. 350 crores. How is it that in spite of the increase in a administered price, the loss year after year is increasing and is never decreasing ?

**SHRI VASANT SATHE :** The main reason for the losses in Coal India is that we never allow the price to be commensurate with the cost of production. For public policy reasons we thought that coal price should necessarily be kept down so that the energy price should be lower and therefore I find that even after nationalisation year by year this is the position. I will give you a few figures. In 1973-74 the average cost of production per tonne was Rs. 46.36. The pit head price allowed was Rs. 37.50. Then in 1974-75 it was Rs. 55, the allowed figure was Rs. 47. Then in 1975 to 1978 it changed from Rs. 69, Rs. 75, Rs. 82—that is cost per tonne—and the price remained constant at Rs. 64.92. Then later on it changed from 110 and went upto 215 in the year 1986-87 and the price that we gave per tonne changed from 101 to 183. Now you can imagine that if the gap is so much deliberately kept no company can ever do it, leave alone, having return on capital. We do not even allow them the price that will cover their cost. This has been the main reason ; this is going to continue to cause loss from year to year.

**SHRI BHATTAM SRIRAMA MURTY:** The first question is this. What was the anticipation at the time of revision of coal price in terms of Coal India Ltd. and its subsidiaries, by the Government of India ? What Exactly was the amount which accrued to Coal India and its subsidiaries by virtue of the increase in prices ? How is it that the above subsidiaries have not achieved a break-even position in spite of that ?

**SHRI VASANT SATHE :** Sir, we had anticipated that with the increase in price the position was—had the coal prices not been revised last year Coal India would have incurred a loss of about Rs. 365 crores in spite of the economy measures initiated during 1984-85 being continued in 1985-86 and the loss of about Rs. 500 crores in 1986-87. On account of the revision of coal prices the CIL will be earning additional revenue of about Rs. 103 crores from 9-1-1986 to 31-3-1986 and Rs. 367 crores during 1986-87. Thus, we will still be incurring a loss by the end of the year. If other things

remain the same, we will still incur a loss of about Rs. 395 crores by the end of the year 1985-86.

**MR. SPEAKER :** May I know whether you are satisfied with the working of the mines ?

**SHRI VASANT SATHE :** I say, 'other things being what they are'. Even with the economy measures, I am talking at present only of cost of production vis-a-vis prices.

**MR. SPEAKER :** Cost of production also depends on the efficiency?

**SHRI VASANT SATHE :** It does, Sir.

**AN HON. MEMBER :** Why are the costs going up ?

**SHRI VASANT SATHE :** The costs are going up basically because of the increase in investment, depreciation, interest and the investment made does not give immediate return. Long gestation period is there, Sir. Other things are there. If you ask me the basic question about the entire coal working, labour cost is prohibitive because if we have the equipment where the OMS in the country where that equipment is operated should be 26 or 27, the OMS in our country is 1.50. So, you can imagine the two. If this is the condition, then you can never expect our coal company to compete with international things. These are very basic issues. I would request, actually some day, Sir, you should have a proper discussion, I would like to take the House into confidence, I feel that the entire production, of infrastructure industries is lopsided.

**MR. SPEAKER :** Overhaul it then.

**SHRI VASANT SATHE :** It is basically coal.

**MR. SPEAKER :** Let us take steps and overhaul this.

**SHRI VASANT SATHE :** If you have a discussion, Sir, I would like to.....

**MR. SPEAKER :** I can have a discussion, no problem.

**AN HON. MEMBER :** You may allow Half-an-Hour discussion.

**MR. SPEAKER :** Not Half-an-Hour discussion. I am going to allow a full discus-

sion on it, no problem. On that there is no problem, I have got enough time.

*(Interruptions)*

SHRI H.M. PATEL : Let us ask a few questions now.

SHRI BASUDEV ACHARIA : Allow some questions now, Sir.

*(Interruptions)*

[*Translation*]

SHRI BANWARI LAL PUROHIT : Mr. Speaker, Sir, coal is burnt at the coal pit-heads also thereby escalating the losses. I want to know the quantum of coal thus burnt during 1984-85 ? You might be having figures in this regard.

SHRI VASANT SATHE : I do not have figures as to how much was actually burnt. I shall send these figures to the hon. Member. A lot of coal is burnt causing losses.

[*English*]

Participation of private sector in Power Generation

326. †SHRI THAMPAN THOMAS :

SHRIMATI GEETA MUKHERJEE:

Will the Minister of ENERGY be pleased to state :

(a) whether the Power Ministers Conference held in November, 1985, considered the proposal for the private sector to participate in the power development programme ;

(b) if so, whether this proposal has been accepted by Government ;

(c) whether the proposed development programme would be on its own or in the joint sector ; and

(d) whether Government have taken a decision to allow imported generating sets for new thermal plants in public or private sector, on deferred credit ?

THE MINISTER OF ENERGY (SHRI VASANT SATHE) : (a) During the Conference of Power Ministers, some suggestions were made regarding the participation of the

private sector in the power development programme.

(b) The policy with regard to generation and distribution of electricity is regulated by the Industrial Policy Resolution, which does not preclude the possibility of the State securing the co-operation of private enterprise in the development of the power sector.

(c) The development programme of the power sector envisages replacement/expansion of units in privately owned utilities as well as the installation of new captive power units by industrial undertakings both individually and jointly.

(d) By and large, power generating equipment is procured indigenously. Import is resorted to on a selective basis, when an equipment is not manufactured indigenously, or when the terms of financial assistance obtained from international financial institutions or on a bilateral basis, stipulate procurement on the basis of global competitive tenders or that the equipment should be procured from the country which is extending the financial assistance. In cases where global bids are invited, indigenous manufacturers have also the freedom to compete.

SHRI THAMPAN THOMAS : Sir, at present, the power generation and supply are basically at the State level public undertakings. In modern countries and also developing countries, the power generation is very much decentralised right from solar energy, hydro electric projects to agricultural based energy. My question is, whether the Government has any plan or programme to give this power generation and supply to decentralised agencies such as local bodies, corporations and associating the beneficiaries in the decentralised areas so that the power generation and supply can be done effectively.

SHRI VASANT SATHE : As far as power generation for captive purposes is concerned we are already allowing them even for industries. As far as rural areas are concerned, in fact, we are very happy about the recent example of Kandia in Gujarat. The whole village formed an energy cooperative and set up a non-conventional source based energy unit. It is not only bio gas, solar but also other means like gobar gas based energy. We would be very happy if rural areas or tribal areas and local authorities