

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:5477
ANSWERED ON:29.04.2003
FINANCIAL ASSISTANCE TO ECL
MAHBOOB ZAHEDI

Will the Minister of COAL be pleased to state:

(a) whether the Union Government have now stopped the financial assistance of Rs. 3265.17 crore to Eastern Coalfield Limited and on the contrary have imposed prohibition on the fixation of coal price by ECL;

(b) if so, the facts thereof and reasons therefor;

(c) whether in accordance with the directive of the Union Government the ECL is bound to sell their produce at a lower price than the production cost;

(d) if so, the details thereof;

(e) whether ECL Authority has kept idle the C Shaft new underground mines under Bansra colliery and the production at No. 12 pit of Koardih colliery is being kept pending; and

(f) if so, the facts thereof and reasons thereof ?

Answer

MINISTER OF COAL (SHRI KARIYA MUNDA)

(a): Yes, Sir. However no prohibition on the fixation of coal price of ECL has been imposed as after de- regulation, coal prices are being fixed by Coal India Limited (CIL).

(b): In the initial years the Government was providing support by way of non-plan loan to meet the cash losses of ECL since from the beginning ECL was incurring significant accounting as well as cash losses. From 1982- 83 a retention price mechanism was introduced under the Colliery Control Order 1945. Under this mechanism, the retention price for coal was notified for each subsidiary. The excess/deficit of the coal price actually realised and the notified retention price was required to be contributed/claimed by each subsidiary from the Coal Price Regulation Account (CPRA), maintained by CIL. For the losing companies like ECL, the retention prices were significantly higher than the coal price realised and therefore the company was in a position to claim the difference from CPRA. Although, the financial flows under the retention price mechanism enabled ECL to meet its cash deficit in full, the scheme prevented the profit making subsidiaries to retain the resources generated by them for meeting the investment requirement of the ongoing coal projects within their command area. Further, the profits of profit making companies were significantly depressed due to operation of the retention price mechanism. Thus, Retention Price Mechanism had to be discontinued from 1996-97.

(c)&(d): After de-regulation, price for both coking and non-coking coal produced by all subsidiary companies of CIL, including ECL, is being fixed by CIL. While fixing the price of different grades of coal, CIL takes the following into account.

- The market force like demand and its availability including the availability of imported coal.
- Necessity to provide for increase in input cost of coal production.

The increase is, however, kept limited to different RBI indices relating to increase in the price of store items, power etc.

(e)&(f): 'C' shaft of Bansra colliery has been sunk and made operational from November, 2002. Coal production from this shaft has since commenced. In the case of 11 and 12 pit unit of Kuardih colliery operations were suspended due to inundation caused by heavy rains in September, 1999 and also in December, 2000.