SEVENTH REPORT

STANDING COMMITTEE ON ENERGY
(1994-95)

(TENTH LOK SABHA)

MINISTRY OF COAL

DEMANDS FOR GRANTS (1994-95)

Presented to Lok Sabha on 19th April, 1994
Laid in Rajya Sabha on 19th April, 1994

LOK SABHA SECRETARIAT
NEW DELHI

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1.	Shri G.L. Batra	—	*Additional Secretary*
2.	Shri G.R. Juneja	—	*Deputy Secretary*
3.	Shri A.L. Martin	—	*Assistant Director*

INTRODUCTION

I, the Chairman of the Standing Committee on Energy (1994-95) having been authorised by the Committee to present the Report on their behalf, present this Seventh Report on the Demands for Grants (1994-95) relating to the Ministry of Coal.

2. The Standing Committee on Energy 1993-94 had considered and adopted the Report at their sitting held on 31st March, 1994 and also held discussion with the officials of the Ministry of Coal on April 7, 1994. The term of this Committee having ended on 7th April, 1994, it was reappointed on April 8, 1994.

3. The Committee, 1994-95 at their First sitting held on 18th April, 1994 authorised the Chairman to finalise the reports adopted by the previous Committee and present them to Parliament.

4. The replies furnished by the Ministry of Coal on the points contained in this report and also on the points raised by the Committee during their discussion with the representatives of the Ministry of Coal on 7th April, 1994 have been appended to the Report.

5. A copy of verbatim proceedings of the discussion held by the Committee with the officials of the Ministry of Coal on 7th April, 1994 is also laid in the House along with the Report.

6. The Committee wish to thank the representatives of the Ministry of Coal who appeared before the Committee and placed their considered views. They also wish to thank the Ministry for furnishing the replies on the points raised by the Committee.

7. The Committee would also like to place on record their appreciation of the work done by retiring members of the Committee 1993-94. The Composition of the Committee, 1993-94 is given in Appendix VIII.

NEW DELHI;
April 18, 1994

Chaitra 28, 1916 (Saka)

JASWANT SINGH,
Chairman,
Standing Committee on Energy.
(1994 95)

CHAPTER I

INTRODUCTORY

1.1 The Coal Industry in the country was nationalised in 1971 (coking coal) and 1973 (non-coking). The Govt. had invested over Rs. 17,141 crores in the Coal Industry since nationalisation upto 1993-94 towards new projects, reorganisation of projects, running existing mines and infrastructural facilities like workshop, washeries, railway siding etc. The recent policy changes in the country resulting in a more competitive and liberal economic environment has posed a new challenge to the coal industry. The growth of competition from the private sector and from imported coal supplies, and the gradual reduction of governmental financial support to the coal companies, have provided a stimulus for further improving performance productivity and profitability. The Eighth Plan lay emphasis on making the Coal Industry financially viable and capable of supporting itself. The Demands for Grants of the erstwhile Ministry of Energy (comprising the Departments of Power, Coal and Non-conventional Energy Sources) were last discussed by the Lok Sabha in April, 1989 (13th Session—8th Lok Sabha). The Committee's observations on the Demands for Grants of the Ministry of Coal for the year 1994-95 are brought out in the following chapter.

1.2 This Report of the Committee is subject to such additional and supplemental observations/criticisms as are contained in Committee's report on the subject "Modernisation and Growth of Coal Industry—A Critique" which is in the process of finalisation and will be presented to Parliament in addition. It is the expectation of the Committee that both the reports of the Committee relating to Coal Industry will be considered by the Parliament con-jointly.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS (1994-95)

2.1 The Ministry of Coal have presented Demands for Grants of Rs. 772.93 crores for the year 1994-95 as against Rs. 856.17 crores (actual) in 1992-93 and Rs. 900.78 crores (revised) in 1993-94. The break-up of Demands for Grants of the Ministry in respect of these three years are given below:—

(Rs. in crores)

	B.E. 1992-93		Actual 1992-93		B.E. 1993-94		R.E. 1993-94		B.E. 1994-95	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
Revenue Section	23.00	146.97	18.29	145.16	17.00	156.00	17.00	153.37	23.50	170.95
Capital Section	1705.00	15.00	691.10	1.62	751.20	15.00	715.41	15.00	563.48	15.00
Total Revenue & Capital Section	728.00	161.97	709.39	146.78	768.20	171.00	732.41	168.37	586.98	185.95

2.2 The details of the Ministry's Demands for Grants under Revenue Section are shown in Appendix-I and the details relating to Capital Section with reference to Public enterprises are shown in Appendix-II. The various points arising out of the scrutiny of the Demands for Grants of the Ministry of Coal are discussed in the succeeding paragraphs.

A.1. Research and Development

Major Head 2803 C3(4) and C(4)

2.3 The Budget provisions for Research and Development activities including the UNDP Scheme during the last three years have been as under:—

(Rs. in crores)

1991-92	1992-93		1993-94		1994-95
Actual	B.E.	Actual	B.E.	R.E.	B.E.
6.91	7.90	5.23	7.91	4.91	8.41

2.4 The Research and Development Activities in coal sector are administered through an apex scientific body known as Standing Scientific Research Committee (SSRC) with Secretary (Coal) as its Chairman. During the last 15 years of the planned R&D programme, about 134 projects have reportedly been completed by various agencies. The status of Coal S&T Projects till 1st April, 1993 as observed from the Performance Budget of the Ministry is as under:—

(i)	Projects Approved	196
(ii)	Projects completed	134
(iii)	Projects terminated	41
(iv)	Projects on-going	21
(v)	Projects approved during 1993-94 (as on Dec. 93)	15
(vi)	Projects under implementation (as on Dec. 93)	36

2.5 It can be observed from the above statement that a budget provision of Rs. 8.41 crores has been proposed for the year 1994-95 as against Rs. 4.91 crores provided in 1993-94 (RE) for R&D activities in the coal sector. Notwithstanding the fact that the budget provision has been considerably raised as compared to the previous year, the Committee find that the fund utilisation for R&D during the first three years of the 8th plan constitute as little as Rs. 18.00 crores as against the 8th plan allocation of Rs. 87 crores. This would mean that only about 20% of the allocation would have been utilised during the first 3 years of the 8th plan. The Committee are concerned that R&D activity which is vital for development of new technologies for coal production and utilisation has not been given the attention it requires. The Committee would urge that the Ministry should step up the R&D activity to achieve the desired results utilising the fund which is already available substantially.

A.2 Subsidy towards interest payments:

Major Head 2803 C2(2)

2.6 It is observed that a provision of Rs. 58.08 crores has been made as subsidy to Coal India Ltd. for payment of interest on non-plan loans sanctioned upto 31.3.1981. The Committee would like to know the extent of loan still outstanding from CIL and the amount provided for as subsidy during the last 13 years against the loan. The Committee would also like to be apprised of the justification for continued payment of subsidy to CIL even during the period of severe resource crunch.

A.3 Regional Exploration

Major Head 2803 C5 (2)

2.7 The Budget provision in regard to Regional Exploration for the last 3 years have been as under:—

(Rs. in Crores)

1991-92	1992-93		1993-94		1994-95
Actual	B.E.	Actual	B.E.	R.E.	B.E.
4.40	8.45	8.45	4.00	7.00	10.00

2.8 The Committee note that the 8th Plan outlay for Regional Exploration is Rs. 25 crores. Going by the extent of fund utilisation and Budget estimate for this item so far the 8th Plan outlay is expected to be utilised within the first three years. The Committee feel that plan allocation for this item needs to be increased.

2.9 The exploration work achieved in 1991-92 and 1992-93 and estimated for 1993-94 and 1994-95 is indicated below:—

(Meters drilled)

	1991-92	1992-93		1993-94	1994-95
	Actual	Estimate	Actual	Estimate	Estimate
I. Coal					
(a) CIL	2,76,809	2,68,500	2,52,615	2,68,500	2,47,500
(b) SCCL	91,343	1,00,000	86,847	1,14,500	1,09,000
II. Lignite	30,998	13,000	11,563	6,467	7,000
Total	3,99,150	3,81,500	3,51,025	3,89,467	3,63,500

2.10 A comparison of budget provisions and targets achieved/proposed in regard to exploration work over the last three years reveals that there has been vastly disproportionate increase in the budget provisions. While in 1991-92, 3.99 lakh meters were drilled with an amount of Rs. 4.40 crores, in 1994-95 only 3.63 lakh meters are sought to be achieved with a budget provision of Rs. 10 crores. The Committee feel that price inflation alone can not account for this steep increase in fund requirement for exploration work. In the absence of factor-wise break-up of increase in fund requirement, the Committee are unable to comment on the increase in budgetary provision. The Committee would require the Ministry to explain while ensuring efficient utilisation of funds by the executive agencies.

2.11 There is a need to step up the exploration work with a view to meeting the sizeable increase in demand of coal. The Committee, however, find that the exploration work envisaged for CIL and lignite in 1994-95 is

lesser than the work undertaken in 1991-92. The Committee would await an explanation for slackening of efforts on this direction.

A.4 Conservation and Safety in Coal Mines

Major Head 2803 C.2 (1), C 2 (3)

2.12 Under the Coal Mines (conservation & development) Act, 1974, a cess of Rs. 3.50 per tonne for non-coking coal despatches and Rs. 4.25 per tonne on coking coal despatches is levied for supporting the activities of the coal companies for conservation efforts, development of roads in colliery areas, stowing operations for safety of coal mines. The provisions in the Budget for these expenditure from the net proceeds of the cesses are indicated below:—

(Rs. in Crores)

	1991-92	1992-93		1993-94		1994-95
	Actual	B.E.	Actual	B.E.	R.E.	B.E.
(a) Conservation including stowing operation.	22.00	33.57	39.95	38.20	38.20	40.00
(b) Development of roads.	18.17	23.80	17.42	27.00	27.00	40.59

2.13 Though substantial amount has been provided for each year and over Rs. 80 crores budgeted for 1994-95 for conservation efforts, development of roads in colliery areas and stowing operations for safety the Committee regret that the physical achievements in regard to these activities have not been disclosed anywhere in the performance Budget. This is essential to assess the performance against fund allocation. The Committee wish to be apprised of the work undertaken in this regard during each of the last three years against physical targets. The Committee hope that in future the Ministry will take care to include in the Performance Budget the physical targets and achievements in regard to each item of expenditure for which funds have been provided for in the Budget.

A.5 Environmental Measures and Subsidence Control

Major Head 2803 C5(3)

2.14 The Eighth Plan lays stress on an action plan to control subsidence in old and abandoned mining areas in Raniganj Coalfield and Control Underground fires in Jharia Coalfield. A separate Plan Head has been created in the 8th Plan for Environmental Measures and Subsidence Control in old worked out areas and a provision of Rs. 75 crores has been made as the 8th Plan outlay under this head. The funds earmarked for Environmental measures in the Budget during each of the last three years are given below:—

(Rs. in Crores)

1992-93	1993-94		1994-95
Actual	B.E.	R.E.	B.E.
5.00	5.00	5.00	5.00

2.15 The Committee would like to know the details of the action plan, if any, drawn up for the old worked out areas for restoration and control of subsidence as emphasised in the 8th plan. It has been stated in the Performance Budget that the institutional arrangements for environmental management are yet to be firmed up by West Bengal Government. The Committee would like to be informed of the reasons for delay in this regard. The Committee wonder why the budgetary provision for environment management has been kept at such a low level which adds up to only Rs. 15 crores during the three year period from 1992-93 as against Rs. 75 crores allocated in the 8th plan. The Ministry is expected to explain the position in this regard.

B. Plan Budget

B.1. Plan Allocation

2.16 The 8th plan outlay for the Ministry of Coal is Rs. 12,357 crores which consists of IEBR of the 9576 crores and Gross Budgetary Support of Rs. 2781 crores. The break-up of sources of funding of the 8th plan outlays is indicated in Appendix-III. The annual plan allocation for the Ministry during the first three years of the 8th plan have been as indicated below:—

(Rs. in crores)

	1992-93		1993-94		1994-95
	Budget	Revised	Budget	Revised	Budget
Budgetary Support	728	728	768.20	732.41	586.98
I.E.B.R.	1955	1843	2186.80	1880.00	2311.50
Total Outlay	2683	2571	2955.00	2612.41	2898.48

2.17 The Committee observe that the shortfall in Ministry's utilisation of plan outlay with reference to the budget was Rs. 112 crores in 1992-93 and as much as Rs. 343 crores in 1993-94. The Performance Budget of the Ministry has not brought out any information regarding Ministry's annual plans and their financing pattern as also the reasons for shortfall in

utilisation. In the absence of this information, the Committee are unable to draw any conclusions about the Ministry's overall performance with reference to annual plans. The Committee require that the Performance Budget of the Ministry be amplified to include this information so that a proper evaluation can be made.

B.2 Plan Expenditure

2.18 The plan expenditure from the budgetary support of the Ministry of Coal has been as under:—

(Rs. in Crores)

1992-93		1993-94		1994-95
B.E.	Actual	B.E.	R.E.	B.E.
728	709	768	732	587

2.19 The Committee find that the plan expenditure has not only considerably fallen short of the budget estimates during the last two years, but also there is drastic reduction in the budget estimate for the year 1994-95 as compared to the previous years. The Committee would like to be informed of the reasons for shortfall/reduction in plan expenditure of the Ministry.

B.3 Company-wise Plan Performance

2.20 The plan outlay of the Ministry is almost entirely limited to meet the financial requirements of the three Public Sector Undertakings viz. Coal India Ltd; Neyveli Lignite Corporation and Singareni Collieries Company Ltd. for plan investments in new mining and power projects. The plan requirement of the PSUs under this Ministry are met by the Govt. either by way of equity or loan to the Company. The plan outlay of the companies are now being largely financed through their internal resources or through market borrowings. The break of sources of funding of the plan outlays of the three companies is indicated in Appendix-IV.

2.21 The details regarding company-wise annual plan outlays during the last three years are shown below:—

(Rs. in Crores)

	1992-93	1993-94		1994-95
	Actual	B.E.	R.E.	B.E.
1	2	3	4	5
CIL				
I.E.B.R.	1438	1564	1383	1704

1	2	3	4	5
GBS	370	337	337	359
Total Outlay	1808	1901	1720	2063
SCCL				
I.E.B.R.	219	332	279	364
GBS	188	310	281	119
Total Outlay	407	642	560	483
NLC				
I.E.B.R.	57	291	218	243
GBS	134	104	97	86
Total Outlay	191	395	315	329

IEBR - Internal and Extra Budgetary Resources

GBS - Gross Budgetary Support

2.22 It may be noted from the above statement that the Revised estimates in regard to IEBR in respect of all the three companies during 1993-94 have been considerably lower than the budgetary estimates. This probably indicates the inability of the companies to raise resources internally and from the market as originally planned. The Committee would like to knowhow it is proposed to achieve the plan targets regarding production and project execution in the wake of resources gap.

2.23 With regard to coal production, the Committee find that as against the target of 249 mt. (CIL 220 mt; Singareni 24 mt; TISCO/IISCO/DVC 5 mt.) in 1993-94, the anticipated production only 245.20 mt. with a shortfall of nearly 4 mt. The Committee note that the Planning Commission has indicated a coal production plan of 308 mt. for the country in 1996-97. The production target for 1994-95, however, is only 253.60 mt. The Committee feel that coal production needs to be stepped up to achieve the 8th plan target of 308 mt. by 1996-97.

NEW DELHI;
April 18, 1994

Chaitra 28, 1916 (Saka)

JASWANT SINGH,
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APPENDIX I

STATEMENT SHOWING DEMANDS FOR GRANTS OF THE MINISTRY OF COAL UNDER REVENUE SECTION

Sl. No	Major Head	1992-93				1993-94				1994-95		Remarks
		B.E.		Act.		B.E.		R.E.		B.E.		
		P.	N.P.	P.	N.P.	P.	N.P.	P.	N.P.	P.	N.P.	
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Secretariat Economic Services	3451	—	1.98	—	1.75	—	2.05	—	2.08	—	2.19	Provides for the secretariat expenditure of the Ministry of Coal.
2. Contribution to the family pension cum Life Assurance Fund for Coal Mines Workers	2230	—	24.00	—	23.81	—	25.00	—	22.37	—	24.44	The cost of administration of the scheme is borne by the Central Government. Provision is also made for the Deposit-Linked Insurance Scheme for coal miners.
3. Conservation & Safety in Coal Mines	2803	—	33.57	—	39.95	—	38.20	—	8.20	—	40.00	Includes provision for the various stowing and conservation measures. Funds for the purpose are found from the cess (excise

1	2	3	4	5	6	7	8	9	10	11	12	13
												duty) on coal at Rs. 3.50 per tonne on non-coking coal and Rs. 4.25 per tonne on coking coal under the Coal Mines (Conservation and Development) Act 1974.
4. Development of Roads in Coal field areas	2803	—	23.80	—	17.42	—	27.00	—	27.00	—	40.59	Provision is for development of roads in Coal field areas. The expenditure is met from cess.
5. Interest Subsidy to Coal India Ltd.	2803	—	58.07	—	58.07	—	58.08	—	58.08	—	58.08	Provision is for subsidy to Coal India Ltd. for payment of interest on non-plan loans sanctioned upto 31.3.1981.
6. Assistance to Coal India Ltd. for import of spares under UK Grant	2803	—	4.00	—	3.27	—	4.00	—	4.00	—	4.00	The provision is to enable Coal India Ltd. to import spares under a grant from the UK Govt. to facilitate fuller utilisation of coal mining equip-

												ment of UK origin.
7. Subsidy for transport of coal by rail-cum sea route.	2803	—	0.22	—	0.00	—	0.22	—	0.22	—	0.15	This scheme is not in operation now. Provision is for likely arrear claims that may arise under this scheme.
8. Other Expenditure	2803	13.00	0.22	13.00	—	0.09	1.45	0.09	1.42	0.09	1.50	These include provisions for Coal Controller's Office, Commissioner of payments and payments to Coal India Ltd. on account of transactions of collieries prior to formation of National Coal Development Corporation.
9. Training	2803	2.02	—	—	—	1.00	—	1.00	—	1.00	—	Provision is for training schemes operated with U.N.D.P. assistance.
10. Research & Development Programme	2803	7.90	—	5.23	—	6.91	—	3.91	—	7.41	—	Includes provision for research and develop-schemes of science and technology.

1	2	3	4	5	6	7	8	9	10	11	12	13
11. Regional Exploration	2803	8.00	—	8.00	—	4.00	—	7.00	—	10.00	—	Provision is for stepping up the pace of regional exploration of coal with a view to meeting the sizeable increase in the demand for coal during 8th Plan & 9th Plan.
12. Environmental Measures and subsidence	2803	5.00	—	5.00	—	5.00	—	5.00	—	5.00	—	Provision is for carrying out environment protection measures including land reclamation and subsidence control in the coal-field areas.

APPENDIX II

STATEMENT SHOWING DETAILS REGARDINGS BUDGETARY SUPPORT TO PUBLIC ENTERPRISES

Name of the Company	Head	1992-93		1993-94		1994-95	Remarks
		B.E.	Actual	B.E.	R.E.	B.E.	
1	2	3	4	5	6	7	8
CIL	(i) 4803 BB.1(2) (2)	96.00	96.00	—	—	211.52	Capital outlay by way of equity.
	(ii) 6803 DD.1(2) (1)	222.00	222.00	204.00	204.00	147.00	Loan against externally aided projects/ schemes.
	(iii) 6803 DD.1(2) (2)	52.00	52.00	133.00	133.00	—	Loan for other schemes.
	Total CIL	370.00	370.00	337.00	337.00	358.52	
SCCL	(i) 4803 BB.1(3) (1)	11.00	—	—	—	—	Capital outlay for externally aided projects.
	(ii) 4803 BB.1(3) (2)	56.00	56.00	96.00	96.00	—	Capital outlay by way of equities.
	(iii) 6803 DD.1(3) (1)	—	—	214.00	185.00	46.00	Loan for externally aided projects/schemes
	(iv) 6803 DD.1(3) (2)	133.00	131.55	—	—	73.40	Loan for other schemes.
	Total SCCL	200.00	187.55	310.00	281.00	119.40	
NLC	(i) 4803 BB.1(1) (1)	11.00	10.82	46.20	18.89	—	Capital outlay against for externally aided projects/schemes by way of equity.

1	2	3	4	5	6	7	8
	(ii) 4803 BB.1(1) (2)	19.00	19.00	—	27.31	—	Capital outlay for externally aided projects/schemes for other schemes by way of equity.
	(iii) 6803 DD.1(1) (1)	—	—	—	—	55.36	Loan against externally aided projects/schemes.
NLC	(iv) 4801 AA.1(1) (1)	17.00	16.43	20.70	25.42	—	Capital outlay against externally aided project schemes (Power Projects) equity.
	(v) 4801 AA.1(1) (2)	88.00	87.30	37.30	25.79	—	Capital outlay for other schemes (Power Projects) equity.
	(vi) 6801 CC.1(1) (2)	—	—	—	—	30.20	Loan for power projects (under other schemes)
	Total NLC	135.00	133.55	104.20	97.41	85.56	
	Total Demands for Capital Section	705.00	691.10	751.20	715.41	563.48	

APPENDIX III

PATTERN OF FINANCING : EIGHTH PLAN OUTLAYS

(Rs. crores at 1991-92 prices)

Sl. No.	Company/Orgn./ Scheme-wise details	Net Budget Support	Foreign aid through budget	Gross budget support	I.E.B.R							Outlay (4 + 11)
					Internal resources	Bonds/ debentures	External commercial borrowing suppliers credit	Inter-corporate loan	Others	Total EBR (7 to 10)	Total IEBR	
1	2	3	4	5	6	7	8	9	10	11	12	13
I.	COAL & LIGNITE											
1.	Coal India Limited	695	460	1155	4476	2000	342		547	2889	7365	8520
2.	Singareni Collieries Company Limited	399	440	839	431		63		517	580	1011	1850
3.	Neyveli (Mines)	334	66	400	80	320	—	—	—	320	400	800
4.	Regional Exploration	25	—	25	—	—	—	—	—	—	—	25
5.	Environmental Measures & Subsidence Control	75	—	75	—	—	—	—	—	—	—	75
6.	Science & Technology	87	—	87	—	—	—	—	—	—	—	87
	Total Coal & Lignite	1615	966	2581	4987	2320	405	0	1061	3789	8776	11357
II.	POWER (NEYVELI LIGNITE CORP)											
7.	Neyveli (Power)	180	20	200	475	325	—	—	—	325	800	1000
	GRAND TOTAL MINISTRY OF COAL	1795	986	2781	5462	2645	405	0	1064	4114	9576	12357

Note: The outlay for Singareni collieries Co. Ltd. includes Andhra Pradesh State Govt.'s share of equity.

APPENDIX IV

SOURCE-WISE/COMPANY-WISE FINANCING PATTERN

(Rs. in crores)

Name of the Company	IR/ARM	Bonds	Inter-Corporate loan	Supplier's credit	Others	Total IEBR	Gross Budget Support	Total Outlay	BS/External aid through budget	Net Budget Support
1	2	3	4	5	6	7	8	9	10	11
COAL INDIA LTD.										
1989-90 (Actuals)	85.24	200.00	—	68.15	—	353.39	1040.00	1393.39	128.00	912.00
1990-91 (")	513.62	400.00	—	141.52	—	1055.14	600.00	1655.14	87.00	513.00
1991-92 (")	1005.27	—	—	107.57	—	1112.84	347.00	1459.84	70.00	148.00
1992-93 (")	824.62	—	200.00	140.85	273.00	1438.47	370.00	1808.47	222.00	148.00
1993-94 (BE.)	718.00	400.00	—	173.00	273.00	1564.00	337.00	1901.00	204.00	133.00
1993-94 (RE.)	745.64	200.00	—	164.00	273.36	1883.00	337.00	1720.00	204.00	133.00
1994-95 (BE.)	746.00	500.00	—	58.38	400.00	1704.38	358.52	2062.90	147.00	211.52
SINGARENI COLLIERIES CO. LTD.										
1989-90 (Actuals)	51.33	—	—	—	11.00	62.33	150.00	212.33	10.01	139.99
1990-91 (")	37.67	—	—	—	23.95	61.62	213.00	274.62	29.19	183.81
1991-92 (") (-)	12.72	—	—	—	9.00	9.00	192.00	188.28	—	192.00
1992--93 (")	118.76	—	—	25.14	75.00	218.90	187.55	406.45	131.55	56.00
1993-94 (BE.)	179.00	—	—	28.00	125.00	332.00	310.00	642.00	214.00	96.00
1993-94 (RE.)	214.46	—	—	34.54	30.00	279.00	281.00	560.00	185.00	96.00

1994-95 (BE.)	211.00	—	—	75.00	78.00	364.00	119.40	483.40	46.00	73.40
NEYVELI LIGNITE CORPORATION										
1989-90 (Actuals)	105.21	245.00	—	—	—	350.21	302.00	652.21	103.93	198.07
1990-91 (")	74.58	200.00	—	—	—	274.58	120.00	394.58	25.90	94.10
1991-92 (")	16.52	120.00	—	—	—	136.52	130.00	266.52	14.27	115.73
1992-93 (")	—	57.46	—	—	—	57.46	133.55	191.01	27.25	106.30
1993-94 (B.E.)	30.00	260.80	—	—	—	290.80	104.20	395.00	66.90	37.30
1993-94 (R.E.)	30.00	188.00	—	—	—	218.00	97.41	315.41	44.31	53.10
1994-95 (B.E.)	40.00	203.12	—	—	—	243.12	85.56	328.68	55.36	30.20

APPENDIX V

REPLIES TO THE POINT CONTAINED IN THE COMMITTEE'S REPORT FURNISHED BY THE MINISTRY OF COAL

Chapter I Requires no comments.

Chapter II

Para 2.1 Requires no comments.

Para 2.2 Requires no comments.

Para 2.3 Requires no comments.

Para 2.4 Requires no comments.

Para 2.5

R&D activities in the coal and lignite sector are of applied nature oriented towards finding solutions to specific problems relating to mining technology, safety, coal utilisation, improvement in coal quality and environmental protection etc. Standing Scientific Research Committee (SSRC) in the Ministry of Coal besides approving R&D projects, monitors implementation of such schemes with a view to ensuring that the benefits from the research efforts are available to the industry at large. In order to step up expenditure of R&D activities, a few large value projects have recently been identified particularly in the area of utilisation of low volatile medium coking coal (after beneficiation) for use in steel plants thereby cutting down imports. To meet this objective demonstration plants for beneficiation of low volatile medium coking coal would be set up in Jharia coalfield where the sizeable production of such coal, which can be gainfully utilised in the steel industry after washing is already available.

Para 2.6

As against a total non-plan loan of Rs. 576.01 crores sanctioned to CIL till 1980-81, Coal India has paid back Rs. 144.28 crores leaving a balance of Rs. 432.64 crores which has been converted into interest free loan.

2. The subsidy amount given to CIL from 1981-82 is as follows:

(Rs. in crores)

Year	Amount
1981-82	58.08
1982-83	58.08
1983-84	58.08
1984-85	58.08
1985-86	58.08

Year	Amount
1986-87	58.08
1987-88	58.08
1988-89	58.08
1989-90	58.08
1990-91	58.08
1991-92	58.08
1992-93	58.08
1993-94	58.08

3. In 1979-80, the Government took a decision to convert these into interest free loans. The methodology adopted for making these loans interest free was that the Government would sanction the amount equal to the interest accruable on the above non-plan loans and this would be adjusted against the interest payment by CIL to the Government. Accordingly, Government have been sanctioning Rs. 58.08 crores every year. Thus there is no cash outflow. What is being shown in the budget is notional interest subsidy on expenditure side and corresponding entry is taken under Receipts.

Para 2.7 Requires no comments.

Para 2.8

Primarily, regional drilling is taken up by the Geological Survey of India (GSI) under the Ministry of Mines. During the Annual Plan exercise in 1989-90 it was felt that in order to accelerate the pace of regional drilling in certain priority areas like coking coal, superior grades of non-coking coal and lignite, a special fund should be earmarked for augmenting the regional drilling being carried out by GSI. Accordingly such a fund was provided to the Ministry of Coal under the heading "promotional drilling" for coal and lignite sector. Under this arrangement 1,45,870 metres of exploratory drilling has been carried out during the period 1989-90 to 1993-94 (up to Sept.'93) at an estimated cost of Rs. 18.57 crs. The programme for 1994-95 is for 77,000 metres. As indicated in para 2.7 of the draft report, budgetary provision of Rs. 25 crs for the 8th Plan period has already been utilised (including B.E. 1994-95). From next year onwards the allocation under this head would be provided based on the actual need of metreage to be drilled by transferring the surplus provision under R & D head.

Para 2.9 Requires no comments.

Para 2.10

The information contained in paragraphs 2.2.4 and 2.2.5 of Chapter 2 of Performance Budget of Ministry of Coal (1994-95) are not related with each other.

The table given under para 2.2.4 covers the total metreage of **detailed exploration work** carried out in CIL, SCCL, and NLC areas from their own outlay and the figures of provision given in para 2.2.5 pertain to the grants for regional drilling provided under "promotional" head funded through Ministry of Coal.

Total meterage drilled for detailed exploration in CIL, SCCL and NLC is given below:—

Coal company	1991-92	92-93	93-94 (Prov.)	94-95 (B.E.)
CIL/SCCL/NLC	3.99	3.51	3.68	3.63
(CIL)	(2.76)	(2.53)	(2.47)	(2.48)

The corresponding figures of expenditure on detailed exploration in CIL areas are given below:—

(Rs. crs)

	1991-92	92-93 (Actual)	93-94 (R.E.)	94-95 (B.E.)
Provision on exploration	67.11	50.67	61.72	59.75

From the above details it may be seen that the metreage drilled is in conformity with the expenditure including escalation in per metre drilling cost.

Year wise metreage of regional drilling carried under promotional grant funds is given below:—

	1989-90	90-91	91-92	92-93	93-94 (ant.)	94-95 (B.E.)
CIL	—	3755.95	6631.40	11224.25	28500.00	20500.00
SCCL	4194.74	11706.40	10596.50	16953.45	16000.00	20000.00
NLC	—	8185.35	18985.90	37537.42	17500.00	36500.00
	4194.74	23647.70	36213.80	65715.12	62000.00	77000.00
Expdt. on promotional drilling (Rs.Cr.)	1.9	6.05	4.004	8.0045	7.00	10.00

Para 2.11

With the steep reduction in the budgetary support from a level of 98% at the beginning of the 7th Plan period to about 19% of the total outlay in 1993-94

CIL, are funding the detailed exploration work through internal resources generated by them. As a result, there has been some decline in terms of total metreage drilled over past three years. Although in terms of financial provision there is no decline in expenditure on detailed exploration. In order to step up the detailed exploration work in CIL areas, CIL are being advised to keep a target of 2,70,000 metres for 1994-95 as against 2,47,500 programmed by them.

Para 2.12 Requires no comments.

Para 2.13

Yearwise - company-wise details of quantities in respect of sand stowing and road construction for the last three years are given in Annexures I & II. In respect of protective works which are miscellaneous in nature like dealing with fires, construction of dams and de-watering etc., these details are furnished in financial terms in Annexure III.

Coal Conservation & Development Advisory (CCDA) Committee is functioning in the Ministry of Coal with representative from CIL, Coal Companies, CFRI, DGMS, CMRS etc. This Committee generally meets twice in a year. During the meetings the Committee takes an overall stock of the activities being undertaken by the coal companies under various heads which are entitled for subsidy. The physical quantities of protective works like surface garland drains, underground pumping, fires, dams, etc. are examined from the point of eligibility for subsidy on a case to case bases and no advance targets are fixed for such works.

Similarly in case of development of roads each coal company submits its proposals which are examined by the Committee and the extent to which subsidy can be released is decided upon taking into account the progress of work etc. In case of sand stowing the quantities are related to the coal production from underground mines where stowing is carried out and no targets are again fixed for this purpose.

The suggestion regarding including the physical targets and achievements in regard to each item of expenditure for which funds have been provided for in the Budget have been noted for future compliance.

Para 2.14 Requires no comments.

Para 2.15

1. Some areas in Asansol-Raniganj coal-belt of West Bengal are prone to subsidence mainly due to unscientific mining carried out in the past before the nationalisation of coal mines. ECL have had no control and still has no control over many of the subsidence prone areas.

2. In Raniganj the problem of subsidence has assumed the present dimension because of two specific reasons:

(i) unscientific mining carried out by the erstwhile private owners during the pre-nationalisation days; and

(ii) illegal mining.

3. During the past four years, there have been 22 incidences of subsidence. Out of these 13 occurrences were in old abandoned areas, where mining was carried out prior to nationalisation, 6 incidences occurred due to illegal mining and 3 due to other reasons.

4. The coal company has no liability of 19 (13+6) of the 22 occurrences in old abandoned areas, where mining was carried out prior to nationalisation. For the remaining 3 sites, they have already taken corrective steps. It is thus obvious that the problem has been further compounded by the second factor *i.e.* illegal mining and responsibility of stopping the same lies with State Govt.

5. There are 26 mining sites identified in Raniganj coalfield which are prone to illegal mining. All the incidences of illegal mining are reported to the district authorities. 434 FIRs have been lodged by ECL during the last five years. The culprits still continue to engage themselves in illegal mining and there is no check on them. Had the district authorities taken deterrent action against the culprits, a sizeable number of subsidences could have been avoided.

6. The Apex Monitoring Committee for Raniganj coalfield was constituted to examine 49 unstable localities of Raniganj coalfields. The Committee has opined that there is no apparent danger in 11 localities. The remaining 38 localities are unsafe. These localities cover an area of 11.8 sq. km of which 4.8 sq.km. is covered by habitation constructed at various stages. Inspite of the fact that DGMS has declared these areas unsafe, illegal construction work is going on unabated despite enactment of the West Bengal Restriction on Construction in Unsafe Areas Act, 1979 by the State Govt. State Government is the law enforcing authority.

7. ECL on its own has taken up certain stabilisation measures which are primarily aimed at developing the technique for stabilisation of subsidence prone areas in consultation with CMPDIL. An expenditure of Rs. 1.5 crores has already been incurred on these pilot/experimental schemes. Besides, funds are also being made available by Coal Conservation and Development Advisory Committee for such measures. Additionally ECL for its current anti-subsidence operations under built-up areas has to spend a sum of about Rs. 30 crores per annum for hydraulic sand stowing.

8. While ECL has an accumulated loss of Rs 2666 crores the total accrual of royalty/cess paid to the Govt. of West Bengal for the period 1978-79 to February, 1994 is about Rs. 1950 crores. Bulk of these collections had been made under West Bengal Primary Education Act of 1973 and the West Bengal

Rural Employment & Production Act of 1976. A reasonable portion of the cess collected should have been spent in the coalfield area.

9. The legal position in respect of dealing with damage caused by mining done in pre-nationalisation days is given in Section 7 of Coal Mines Nationalisation Act, 1973 which clearly states that:

"the Central Government or Government company not to be liable for prior liabilities and no liability for the contravention, before the appointed day, or any provision of law for the time being in force, shall be enforceable against the Central Government or the Government Company".

10. In order to deal with the problem of subsidence the following three steps are required to be carried out:

(a) Survey and identification of the subsidence prone areas;

(b) Identification of technology and formulation of plans/schemes for dealing with subsidence; and

(c) Implementation of the schemes to restore the damage/affected as well as subsidence prone areas.

While first two steps can be carried out (and are being carried out) by ECL, for actual implementation of the schemes on the ground the active association of the State Government/District authorities is required in dealing with the problem of shifting and re-location of population living on the damaged areas. It is in this background that the Ministry of Coal have suggested to the Govt. of West Bengal that the existing Asansol Durgapur Development Authority (ADDA) which was set up under the Town and Country Planning Act of West Bengal could be authorised as the executing agency for restoration works. Technical inputs in surveying, planning and designing and preparation of schemes/projects would be provided by CIL/ECL by placing technical personnel at ADDA. An amount of Rs. 5 crores to be provided as seed money for undertaking the implementation of the schemes has also been set aside for the purpose. The issue regarding setting up of the institutional arrangement for the purpose is still under discussion with the Govt. of West Bengal.

11. We have requested West Bengal Govt. to ask ADDA to execute the works connected with restoration of damaged areas. Technical manpower will be supplied by ECL/CIL.

Para 2.16 Requires no comments.

Para 2.17

The financing pattern of the annual plans have been indicated on page 11 of the Performance Budget of the Ministry. The suggestion regarding indicating the reasons for shortfall has been noted.

The Reasons for major shortfall have been as follows:

During 1992-93

In 1992-93, owing to extremely tight money market conditions, CIL was unable to raise Bond Resources of Rs. 400 crores as originally envisaged. Hence the RE figures were revised downwards to Rs. 1760 crores. In 1993-January the price revision was effected which gave CIL additional internal resources. CIL had also raised Rs. 200 crores by way of inter corporate loans. Thus CIL ended up with an outlay of Rs. 1808.47 crores. (Details are given in page 11 of Performance Budget).

The shortfall in expenditure of plan funds in respect of NLC Ltd are due to decisions to transfer Barsingsar Mine and Power Project and the Zero Unit project to the private sector. Besides contractual delay in respect of Life Extension Project, arbitration and non-completion of procedural formalities, before release of residual and final payments in respect of Mine II Stage II, TPS II stages I and II, are other reasons for the shortfall in expenditure.

During 1993-94

Coal India has not been able to raise bonds and as such had to reduce the projected amount of Rs. 400.00 crores in BE to Rs. 200.00 crores in the revised estimates on this account.

In the case of SCCL the company went through a restructuring package which has recently been approved on 23.3.94. Based on a careful analysis of the delivery schedule for each project, their requirements were reduced from Rs. 642 crores to Rs. 560 crores.

Para 2.18 Requires no comments.

Para 2.19

The figures relate to Budget support and not to Plan expenditure.

As a conscious policy Government have been reducing budget support to public sector units. It was 98% at the commencement of the Seventh Plan. It gradually came down to 57.8% at the end of Seventh Plan. It is currently around 19%.

The Budget support consists of External aid routed through Budget and Net Budget support. The External aid routed through Budget is determined on the basis of flow of aid expected during the year by way of equipment and services. Shortfalls are mainly on account of change in delivery schedules of this equipment.

For the year 1994-95, as explained in page 11 of Performance Budget, there is a reduction in the External aid through Budget from Rs. 204 crores

(BE 1993-94) to Rs. 147 crores (BE for 1994-95) in case of Coal India and from Rs. 214 crores (BE 1993-94) to Rs. 46 crores (BE 1994-95) for SCCL.

As per the recent decision taken by Ministry of Finance, the External aid for new projects taken up after 1.4.93 is now being routed directly to PSUs and is not being routed through Budget.

Para 2.20
Para 2.21 } Require no comments.

Para 2.22

It is true that CIL and NLC could not raise Bond resources during March-April, 93 due to the tight money market conditions. But now the money market conditions have improved. CIL is going in for raising Bonds resources now. Resource crunch is not likely to be felt during 1994-95.

However, CIL has increased production during 1993-94 to 189.66 mt (upto Feb.'94) as against 184.41 mt produced in the similar period last year showing an increase of 2.8%. This was also 100% of the targeted production for this period.

The demand of coal is being fully met in the current year for all the sectors and despatches would have in fact been higher but for the large scale cancellation of orders by cement and other industries.

Para 2.23

Planning Commission usually undertakes a mid-term review during the Five Year Plan period. The demand projections are revised on reassessment. In the Seventh Plan Planning Commission initially estimated a demand of 236.70 mt for the terminal year which on mid-term review was revised downwards to 222 mt. The actual demand materialisation, however, was only 199 mt.

It is expected that 1996-97 projections of demand also may not materialise. Even for the year 1993-94 the initial estimate of demand made by the Planning Commission was 268.80 mt which has now been scaled down to 256.16 million tonnes.

The Planning Commission has assessed the demand for coal for the year 1994-95 at the level of 268.50 mt. This is likely to be met in full with a production level of 253.60 mt. The demand assessment is carefully done by Planning Commission in consultation with user-Ministries, at the time of formulation of Annual Plan. The liberalisation measures for import of coal and captive mining would also be taken into account while fixing the production target for coal companies.

STATEMENT SHOWING THE QUANTITY OF SAND STOWED (IN Cu.m.), AND SUBSIDY RELEASED FOR SAND STOWING DURING 1991-92 TO 1993-94

1991-92

Coal Company	Sand Stowing (In m^3)	Expenditure (In Rupees)	Subsidy released (In Rupees)
ECL	33,80,120	31,98.63.896	3,97,42,430
BCCL	17,01,168	32,68,89,607	4,11,86,158
CCL	2,10,136	1,49,95,402	19,55,003
SSCL	2,83,874	2,90,26,868	37,83,105
WCL	20,37,414	15,45,96,627	1,82,97,147
Total CIL	76,12,712 m^3	Rs. 84,53,72,440	Rs. 10,49,62,843
SCCL	6,13,212	5,54,74,307	67,66,046
IISCO	5,44,345	7,63,96,899	94,13,616
IISCO	1,42,036	2,40,60,101	32,12,794
Grand Total	89,12,305m^3	Rs 100,13,03,747	Rs 12,43,55,299

1992-93

Coal Company	Sand Stowing	Expenditure	Subsidy released
ECL	34,40,857	15,64,38,731	8,34,10,730
BCCL	23,99,760	16,19,49,783	9,44,14,772
CCL	2,20,088	2,06,49,463	53,80,230
NCL	22,28,650	10,66,04,630	5,47,83,809
SECL	3,13,864	2,46,26,537	55,72,714
CL	55,474	1,12,31,869	39,27,814
Total CIL	86,58,693	18,15,01,014	24,74,90,069
SCCL	3,25,443	8,42,89,575	1,99,05,719
TICSCO	3,25,229	9,67,23,866	2,55,46,045
IISCO	1,44,166	2,61,14,347	65,97,705
	94,53,531m^3	Rs. 18,86,28,802	Rs. 29,95,39,538

1993-94

Coal Company	Sand Stowing (In m^3)	Expenditure (In Rupees)	Subsidy released (In Rupees)
ECL	32,59,248	17,71,43,049	7,23,13,482
BCCL	26,57,443	18,43,65,792	7,38,45,677
CCL	1,59,345	2,07,99,223	42,48,411
SECL	1,35,485	1,70,54,948	31,37,911
WCL	25,81,259	14,44,47,300	4,65,31,471
MCL	1,08,855	2,08,03,742	40,58,496
Total CIL	89,01,635	106,46,14,054	20,41,35,248
SCCL	9,93,954	10,42,09,778	1,98,50,990
TISCO	6,69,324	9,79,18,753	1,83,80,669
IISCO	2,13,653	2,91,73,463	58,14,072
	1,07,78,566m3	Rs 119,59,16,048	Rs. 24,81,80,979

STATEMENT SHOWING COMPANY-WISE RELEASE OF SUBSIDIARY FOR ROAD CONSTRUCTION DURING THE PERIOD 1991 TO 1994

Year	Company	Road (Km.)	Subsidy released (Rs. crs)
1991-92	BCCL	38 Km (partially completed)	17.93 (During the year)
	NEC	13.16	0.183 (Black topping)
	TISCO	3.00	0.050
			18.16 (in 1991-92)
	(Budget estimates for 91-92 was Rs. 18.17 crs)		
1992-93	BCCL	47.05	0.00 (During the year)
	ECL	17.83	0.418
	CCL	0.00	12.50 (Adv. to BRO)
	NCL		1.85 (Bridge on river Rihand)
	NEC		0.007 (Survey for road)
	SECL		2.00 (Adv. for bridge on Arpa)
	TISCO	14.30	0.224
	IISCO		0.37 (Adv. to BRO)
			17.369
1993-94	BCCL (Progressive)	111.00	2.78 (During the year)
	(Budget estimates for 92-93 was Rs. 17.37 crs)		
	NCL	26.00	6.00 (Partially completed)
	ECL	15.00	2.94 (Partially completed)
	WCL	25.00	2.00 (Partially completed)
	MCL		1.50 (Adv. for road)
	SECL		2.37 (for bridge - 0.37 cr and for road - 2.00 crs)
	CCL	25.00	6.00 (Partial completion)
	NEC		1.50 (Adv. to BRO)
	SCCL	6.50	0.83
	TISCO	12.80	0.44
	IISCO	2.50	0.64
			27.00

(Budget estimates for 93-94 was Rs. 27.00 crs)

ANNEXURE III

STATEMENT SHOWING COMPANYWISE RELEASE OF SUBSIDY FOR OF PROTECTIVE WORK DURING 1991-92 TO 1993-94

(Fig. in Rupees)

Coal Company	1991-92	1992-93	1993-94 (Prov.)
BCCL	1,59,15,321	2,26,06,971	1,87,65,963
ECL	45,66,444	1,02,51,955	55,84,131
CCL	37,97,684	79,13,558	98,92,791
WCL	1,48,27,297	1,87,05,034	2,44,82,012
NEC	2,83,22,725	1,81,62,068	4,50,23,962
NCL	18,17,877	25,54,497	32,57,189
SECL	12,81,908	45,51,186	68,40,357
MCL	—	24,13,799	73,56,603
Total CIL	7,05,29,256	8,71,59,068	12,12,03,008
TISCo	7,25,899	75,143	28,54,239
Grand Total	7,22,55,155	8,72,34,211	12,40,57,247

APPENDIX VI

REPLIES TO THE POINTS RAISED BY THE COMMITTEE DURING THE DISCUSSION HELD WITH THE REPRESENTATIVES OF MINISTRY OF COAL ON 7.4.1994

1. A note on Research & Development activities during the VIII plan

Reply: The thrust areas envisaged in the VIII Five Year Plan are given below:

A. Production, Productivity and Safety

(i) Development of new mining methods in Underground mining.

(ii) Development of techniques/systems for prevention and control of mine fires.

(iii) Pilot study on in situ coal gasification.

(iv) Slope stabilisation studies in opencast mining.

(v) Development of mining machinery suitable for local conditions.

(vi) Coal slurry preparation technique.

B. Coal Beneficiation

(i) Simple beneficiation of coal.

(ii) Efficient beneficiation of small sized coal.

C. Coal Utilisation

(i) Use of low volatile medium coking coal for metallurgical purposes.

(ii) Utilisation of washery rejects.

D. Environment and Ecology

(i) Development of appropriate land reclamation systems for areas degraded by opencast mining.

(ii) Development of techniques for monitoring of environmental data.

Based on the above identified thrust areas, allocated funds of Rs. 87 crores in the VIII Plan were distributed under the following main heads:

(Rs. in lakhs)

On going projects	Tentative allocation during VIII Plan	Projects taken up	Projects proposed to be taken up
Production, Productivity & Safety	3950	1050	1500
Coal Beneficiation	2300	400	1900
Coal Utilisation	55	55	600
Environment and Ecology	200	200	800
TIFAC	200	200	—
Reapplication of findings of completed projects	80	80	—
New Projects	350	350	—
Programme for misc. new projects	665	—	665
UNDP Programme	500	—	500
Land Reclamation Projects	400	—	400
	8700	2335	6365

CMPDIL acts as a nodal agency on behalf of Ministry of Coal. This Institute receives projects proposals related to identified thrust areas from various implementing agencies like CMRS, ISM, RRL, CFRI etc. These agencies have put up small value R&D projects but high value projects, particularly for beneficiation of coal and development of mining technology have not been forthcoming.

The following new projects have been identified for being taken up in the balance VIII Plan period:

(a) Coal Beneficiation Pilot Plant of about 1 million tonne capacity for washing NLW/LVMC for utilisation of the coking coal for the steel plants which at present is being used by other consumers.

(b) Projects on land reclamation are being programmed for taking up for consideration/approval of SSRC.

(c) Projects for development of new underground mining methods for coalfields like Assam, South Karanpura and Wardha where coal seams are thick and steep will be taken up during the VIII plan. Some of the projects have already been identified and work has been initiated.

(d) Projects for development of new methods for improvement of environment and ecology which have been identified for the balance VIII plan period are as under:

(i) Biological reclamation and revenetation of over-burden heaps in different coalfields.

(ii) Study of the green belt for noise attenuation and dust arresting capacity in coal mining areas.

(iii) Level of contamination in surface and underground water resources and associated mathematically modelling studies.

(iv) Demonstration project on Reclamation of subsidence areas.

(v) Environment and Eco system studies.

(e) Development of clean coal technologies, coal water mixture slurry fuel, utilisation of FBC ash and utilisation of SLV coal/Jhama etc. are the likely projects for the balance period of VIII plan.

2. A note on coal quality

Reply: The main problems relating to quality of coal as follows:

(i) High ash content in coking coal supplies to steel plants.

(ii) Oversized coal, presence of extraneous matter in supplies to power plants and variations in quality.

(iii) Inadequate availability of high grade coal for industries.

Coking Coal

In case of coking Coal supplied to steel plants practically all coals are being washed to match the requirement of steel plants. There are 15 washeries under CIL (BCCL: 9; CCL: 5; WCL: 1;).

Non-coking Coal

In case of non-coking coal all despatches from the mines are un-washed. Coal Handling Plants (CHP) have been installed for segregating different sizes namely steam and slack after crushing and screening the Run of Mine (ROM) coal obtained from the mine. Wherever CHPs are not installed there are feeder breakers which are adequate for the purpose of eliminating hard sand stone boulders. (as these are not crushed and can be picked out) and reducing the overall size of coal to 200 mm size. Wherever possible quality control steps are also taken during mining operation through selective mining and segregation of stone/shale beds so as to avoid their mixture with the coal. In addition, supervision is exercised at the time of loading of coal into wagons and quality control is exercised through Joint sampling as well as independent quality surveillance by the field staff under the Coal Controller. The basic quality of coal can only be improved on beneficiation. This involve setting up of fulfledged coal benefication plant/washery.

Beneficiation of non coking coal was debated for a long time but no decision could be taken in this regard as consumers were not willing to bear the additional cost of washing beyond what was admissible under the prevailing pricing of coal based on calorific value. Efforts in this direction continued and in 1987 field trials for use of washed non-coking coal were conducted at Satpura Thermal Power Station which revealed that use of beneficiated coal in power houses results in better plant utilisation, improved plant performance due to reduced outages etc.

Following these trials a Technical Committee decided in 1988 that all coals that are to be delivered to the power utilities located over 1000 kms from the coalfield should be beneficiated to reduce the ash content from 40% + to 34% and accordingly two such plants are being set up after the consumers have given prior commitment for bearing extra cost on account of washing. Five non-coking coal washeries with about 24mt input capacity are being set up at present to supply coal to various power houses.

The Ministry of Coal have, however, accepted the need of washing all the coals (coking as well as non-coking) with a view to improving quality by reducing ash content but major constraints are that of financial resources for setting up of washeries and that of payment of additional washing costs by the consumers. If the consumer is not hesitant to bear the extra cost involved in washing, CIL may allow setting up of washeries in private sector on "Build-own-Operate" basis.

3. There is a discrepancy in the figures regarding metreage to be drilled during 1993-94 between the figures indicated in the Performance Budget of the Ministry for 1993-94 and the Performance Budget for 1994-95. The discrepancy should be explained.

Reply: In the table relating to metreage drilled (para 2.2.3) in Performance Budget for 1993-94, under the word "Estimated", the words R.E. (Revised Estimates) under 1992-93 and B.E. (Budget Estimates) under 1993-94 should have been printed and similarly in para 2.2.4. in Performance Budget for 1994-95 under the word "Estimated", the words "R.E." under 1993-94 and "B.E." under 1994-95 should have been printed. By oversight, these words were not incorporated.

The Budget estimate figures for 1993-94 and Revised estimates are as follows:

	B.E. 1993-94	R.E. 1993-94
CMPDIL	1,59,000	1,59,000
MECL	91,000	73,000
Others	18,500	15,500
Total	2,68,500	2,47,500

Discrepancies are deeply regretted. Care would be taken, in future to ensure accuracy in printing.

4. The system and procedure adopted by CIL for measurement and valuation of coal stocks before 1991 and the system adopted after 1991. What is the system for valuation of stocks at Dankuni Coal Complex of CIL.

Reply: The system and procedure adopted by CIL for measurement and valuation of coal stock before and after 1991 remain the same except the periodicity of measurement of coal stock at different levels. Before 1991 the instruction was "in addition to monthly measurement of stock by Colliery Surveyor, quarterly measurement will be carried out by sub-area/area surveyors and annual measurement by company headquarters surveyor. This is necessary to exercise checks by the companies and to take corrective measures by them if any discrepancy is noticed".

After 1990-91, the instructions are "in addition to monthly measurement of stock by Colliery Surveyor, quarterly measurement will be carried out by Area Surveyors. Six monthly measurements will be carried out by the company surveyors and annual measurement by Coal India Ltd. This is necessary to exercise checks by the companies and to take corrective measures by them if any discrepancy is noticed".

CIL is adopting the following policies for measurement and valuation of coal stock for the purpose of their accounts.

(a) Quantity:

The policy adopted for determining quantity of coal stock in respect of each colliery is as follows:

(a) Wherever the variation between book stock and measured stock is within 5% the book stock figure is taken.

(b) Wherever the variation is more than 5% the measured stock figure is taken.

(b) Quality:

For assessing the quality, the grade of coal as indicated in the books or in the stock measurement report is taken as the basis. However, wherever the measurement team indicates any doubt about the vendability of any stocks or puts a remark to the effect that stocks are mixed with shale, extraneous material etc. generally the extent of non-vendability or the composition of mixed stock is also indicated by the measurement team. In such cases, the value of the non-vendable stock and the composition of extraneous material is provided as 'deduction' from the gross value of coal stock. However, in certain cases the measurement team does not exactly quantify the extent but only mentions that some stock contains extraneous material or non-vendable elements. In such cases provision is made as, deduction from the value based on estimation done by the management of the subsidiary companies and in consultation with the auditors.

(c) Pricing:

The pricing for each grade of coal in each colliery is done at "net realisable value" which is computed on the basis of its price minus average quality deduction for the last three months of the year minus the expenditure to be incurred on transportation/handling of coal before loading and despatches.

In addition to the provisions mentioned above in the accounts, a provision towards loss due to deterioration/fire to the extent of 1.5% of the value of coal produced during the year is made at the end of each accounting year.

(d) Valuation of Stocks at Dankuni Coal Complex (DCC):

The stock of coal received at DCC for processing is valued at cost. The stock of CIL-COKE is valued at its net realisable value.

APPENDIX VII

REPRESENTATION RECEIVED BY THE COMMITTEE FROM COAL FEDERATIONS REGARDING IMPACT OF REDUCTION IN IMPORT DUTY ON COAL AND COMMENTS OF THE MINISTRY ON THE REPRESENTATION

To,

The Chairman
Standing Committee for Energy
Parliament House
New Delhi-110 001

Dear Sir,

The proposal of the union budget for the year 1994-95 presented in the current session of Parliament, which reduced drastically the Import Duty on coal from 85% to 35% has come as a bolt from the blue for the coal industry in India. This decision will practically result in drastic reduction in coal production and affect the national economy as whole. We, the representatives of Indian National Mine Workers Federation (INTUC), Indian Mine Workers Federation (AITUC), All India Coal Workers Federation (CITU), Hind Khadan Mazdoor Federation (IIMS) and Akhil Bhartiya Khadan Mazdoor Sangh (BMS) are gravely concerned with this proposal which will seriously affect the interest of nearly eight lakhs of coal miners in the country.

During the last two years, all of us cooperated with the coal management to improve the performance of the coal industry and have been able to take positive measures to ensure that the coal industry would meet the total requirements of the country and production of coal was ensured at competitive rates. The Government of India should have allowed this process to continue, so that the coal industry would stand firmly on its legs. Since the nationalisation of coal mines in the country the production of coal increased from 72 million tonnes in 1971-72 to about 250 million tonnes with all most the same manpower in the current financial year. It should be noted in this connection that despite withdrawal of budgetary subsidy by the Govt. of India, the coal industry could survive in the country as a result of cooperation between the management and trade unions.

When the Coal India Limited has the capacity to produce coal as required for the development of national economy, the liberalisation or import of coal will hit hard the very basis of this infrastructure industry in the country.

It is estimated that the demand for domestic coal will be reduced immediately by about 10 million tonnes which will be met by imported coal. This will be causing drain of foreign exchange of the country, while import of coal will result in wastage of already invested precious investment by the Government of India during the current 5-Year Plan. Moreover, utilisation of equipment/machineries will be considerably brought down throwing the economy of the Coal Industry out of gear.

Perhaps, you are aware that already over Rs. 3000 crores have not been paid to the Coal India by various State Electricity Boards and other coal consumers in the country. Under these circumstances, another attack of this nature on the industry will make number of mines uneconomical and their closure will be threatened resulting in several thousands workers being declared redundant.

We want to draw your attention that foreign countries like Australia, South Africa and Indonesia have been making attempts to sell coal in India at dumping prices. The selling price of coal in India is already on the lower side compared to the international prices, if we exclude real wage, freight, royalty etc. Therefore, the step of the Government of India will only enable other countries to sell coal at dumping prices within India which is not helpful to the growth of the coal industry in our country.

It is estimated by Coal India that if the production of coal does not grow as visualised earlier, the additional cost of production of coal will be increased by about Rs. 670 crores per year. This increased cost of production will make Indian coal more uncompetitive in domestic market.

With recession creeping in the country, the demand for coal is not picking up as was expected earlier. In the circumstances, the higher cost of coal is likely to further reduce the demand of coal. This will also result in making a large number of coal workers redundant and threat of retrenchment will be faced by a sizeable section of workers.

The Govt. of India has already decided to allow private sector thermal power stations to operate captive coal mines which also has adverse effect on market of coal Industry's position within the Indian economy. We are not in favour of this step since it will adversely affect the further growth of public sector in coal industry in our country.

We would, therefore, request you to use your good offices to get reduction in import duty withdrawn as given in the Budget proposals for 1994-95 and restore it to 85% level which will protect our coal industry. If the Govt. takes such a step as suggested by us, the coal workers in India will take positive measures to ensure that the efficiency of the industry is further enhanced so that the Coal India will become viable and its growth will be ensured in the forthcoming days.

Incidentally, by way of import of coal and consequent reduction in production, the royalty & cess payable to four major coal producing States, such as, Bihar, West Bengal, Madhya Pradesh and Orissa, will be substantially reduced, adversely affecting the economy of these States. We, therefore, feel the steps taken by the Finance Ministry in the budget proposal is not in the interest of the country.

Besides this, uniformity in royalty/cess is also necessary to make coal available to the consumers at uniform rate in different parts of the country. These steps are required as coal is a basic source of primary energy in our country.

We earnestly hope that you will give serious consideration to our proposals and prevail on the Govt. of India to restore the custom duty on import of coal to 85% which will alone ensure a proper growth of coal industry in our country.

With personal regards,

Yours faithfully,

Dated the 30th March, 1994

Sd/-
(S. DASGUPTA)
INDIAN NATIONAL MINE WORKERS FEDERATION (INTUC)

Sd/-
(DAMODARY PANDEY)
INDIAN NATIONAL MINE WORKERS FEDERATION (INTUC)

Sd/-
(SHAFIQUE KHAN)
INDIAN MINE WORKERS FEDERATION (AITUC)

Sd/-
(JAYANTA PODDER)
HIND KHADAN MAZDOOR FEDERATION (HMS)

Sd/-
(Dr. M.K. PANDHE)
ALL INDIA COAL WORKERS FEDERATION (CITU)

Sd/-
(Dr. B.K. RAI)
AKHIL BHARTIYA KHADAN MAZDOOR SANGH (BMS)

COMMENTS OF THE MINISTRY OF COAL ON THE REPRESENTATION SUBMITTED BY COAL FEDERATION

A copy of the representation received by Standing Committee on Energy from representatives of Coal Federations in India has been forwarded to the Ministry of Coal with a direction to furnish comments.

The main issues stressed in the representation are—

(1) The drastic reduction in import duty on coal from 85% to 35% will immediately result in diversion of demand from CIL to imports by about 10 million tonnes; this will cause drain of foreign exchange and rendering the investments made in CIL infructuous; this would also result in under utilisation of equipments and machinery.

(2) The above alongwith deterioration in payments from SEBs would eventually result in closure of mines throwing out workmen.

(3) An attempt would be made by coal exporting countries like Australia, South Africa and Indonesia to dump coal at very low price stifling the growth of domestic coal industry. In the absence of growth, the unit cost of production of indigenous coal will become more and more uncompetitive.

(4) Government's decision to allow private sector thermal power stations to operate captive coal mines had also adversely affected the growth of public sector in coal industry.

(5) The import of coal is not attracting royalty and cess payable. Unless these are levied on imported coal, it would adversely affect the marketability of indigenous coal.

It may be appreciated that coal mining was in private hands till 1970. These were nationalised from 1971 onwards on account of the fact that private sector coal mining was characterised by (a) inadequate investments; (b) operation of small and uneconomic projects often on unscientific lines (slaughter mining); (c) lack of due attention to the working condition and welfare of workers. Since nationalisation, coal production has been stepped up considerably from the level of 77 million tonnes to the current level of 250 million tonnes. A number of new projects were taken up with budget support during the 6th Plan. However, this period was marked by high degree of inefficiency with costs growing at higher rate than the rate of inflation. This was reversed during 7th Plan and a conscious decision was taken that budget support should be reduced gradually and the PSUs should be encouraged to operate efficiently raising resources through generation of internal resources and borrowing from open market. Budget support gradually declined from 98% at the commencement of 7th Plan to the current level of 19%. For the 8th Plan, the Ministry of Coal had presented a requirement of Rs. 19374 crores for coal and lignite. After assessment of the Energy Division of Planning Commission, it put the requirement at Rs. 14823 crores. However, the final allocation is Rs. 11320 crores.

The resource crunch and the conscious decision to introduce market economy led to limited entry of private sector participation in coal mining operation.

There is a growing realisation that monopoly producer will have no incentive to improve efficiency in the absence of competition. Entry of private sector, albeit for captive consumption and limited imports were seen as alternatives to inject an element of competition and to force the monopoly producer to become more efficient.

The intention is not to stifle the growth of public sector coal industry, but to introduce competition and increase efficiency. Import, at best, would only be limited. Most of the boilers in thermal power stations are designed for consuming the raw coal produced in India. Domestic coal has high ash and low sulpher. Imported coal has higher sulpher and lower ash. Thus, the pollution control equipments and boiler design would vary. Most of the imports would be for blending purposes and not as cent per cent substitute for domestic coal. This would require sustained availability of foreign exchange and port handling capacity. Given these limitations, imports would be limited and the fears of large scale dumping are unfounded and premature.

In any case, the growing demand for coal can absorb public sector production, private sector production and imports. Coal demand by the end of 1996-97 is expected to be 311 m.t. and 400 m.t. by the end of the century. The compression of investments in public sector coal companies would restrict the availability of coal, leaving the gap to be filled by private sector and to a limited extent imports.

CIL should seize this opportunity as a challenge, exploit its strength and overcome its weaknesses. Only CIL is poised to meet the bulk of the demand in Northern States, it has large number of mines linked to customers. Only CIL can take up the challenge of meeting the domestic fuel demand.

Coal India Ltd. should emphasize more in marketing strategy, adequate washeries, C.H.Ps., railway sidings etc. It should be more concerned for quality and guaranteed delivery.

CIL is trying to rise to the occasion. During the last three years, there has been significant improvement in coal despatches and wagon loading. There has also been significant reduction in the complaints regarding quality. This is evident from the growth in P.L.F. of thermal power stations.

The Board of Industrial Costs & Prices have made certain recommendations on deregulation of price of coking coal and certain superior grades of non-coking coal. These recommendations are under consideration of the Government. In the Budget speech also, it was stated that "To promote modernisation and investment in the coal industry, Government is reviewing the policy framework for investment, pricing and distribution". These would make CIL as a vibrant competitor.

The point made regarding the applicability of Royalty on imported coal is well taken. We would examine the issue and take suitable action.

To sum up the major domestic public sectors coal company, *viz.* CIL, which is producing 220 m.t. of coal, need not feel apprehensive about a possible 10 m.t. imports. This should only spur CIL to maximise efficiency and improve its performance.

APPENDIX VIII

COMPOSITION OF THE STANDING COMMITTEE ON ENERGY (1993-94)

CHAIRMAN

Shri Jaswant Singh

MEMBERS

Lok Sabha

2. Shri Bhawani Lal Verma
3. Shri Murli Deora
4. Shri Motilal Singh
5. Shri Khelsai Singh
6. Shri Khelan Ram Jangde
7. Shri Parasram Bhardwaj
8. Shri S. Thota Subhha Rao
9. Shri Shiv Charan Mathur
10. Shri K.P. Reddaiah Yadav
11. Dr. Krupasindhu Bhoi
12. Shri Dalbir Singh
13. Shri Vilas Muttemwar
14. Shri P.C. Chacko
15. Shri Virender Singh
16. Shri Laxminarain Tripathi
17. Prof. Rita Verma
18. Shri Ram Tahal Choudhary
19. Shri Shankersinh Vaghela
20. Shri Keshari Lal
21. Shri Rajesh Kumar
22. Shri Arjun Singh Yadav
23. Shri Ajit Singh
24. Shri Haradhan Roy
25. Shri Anil Basu
26. Shri Vijay Kumar Yadav
27. Dr. Venkateswara D. Rao

28. Shri Chitta Basu
29. Shri Mohan Singh (Ferozpur)
30. Shrimati Dil Kumari Bhandari

Rajya Sabha

31. Shri Parmeshwar Kumar Agrawalla
*32. Shri Sunil Basu Ray
33. Shri M.M. Hashim
***34. Shri Manmohan Mathur
35. Smt. Ila Panda
36. Shri J.S. Raju
***37. Shri Dayanand Sahay
38. Shri Rajni Ranjan Sahu
39. Shri Viren J. Shah
40. Shri Matang Singh
***41. Smt. Kamla Sinha
**42. Shri Yashwant Sinha
43. Dr. Naunihal Singh

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* Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 9th July, 1993.

** Ceased to be a Member of the Committee consequent on his resignation from Rajya Sabha w.e.f. 14th November, 1993.

*** Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 2nd April, 1994.

APPENDIX IX

EXTRACT OF THE MINUTES OF EIGHTH SITTING OF THE STANDING COMMITTEE ON ENERGY HELD ON 31ST MARCH, 1994

The Committee sat from 11.00 hrs. to 13.30 hrs.

PRESENT

1. Shri Jaswant Singh —*Chairman*
2. Shri Bhawani Lal Verma
3. Shri Motilal Singh
4. Shri Khelsai Singh
5. Shri Shiv Charan Mathur
6. Shri Dalbir Singh
7. Shri Virender Singh
8. Prof. Rita Verma
9. Shri Ram Tahal Choudhary
10. Shri Shankersinh Vaghela
11. Shri Keshari Lal
12. Shri Vijay Kumar Yadav
13. Shrimati Dil Kumari Bhandari
14. Shri Parmeshwar Kumar Agarwalla
15. Shri Manmohan Mathur
16. Shrimati Ila Panda
17. Shri J. S. Raju
18. Shri Dayanand Sahay
19. Shri Rajni Ranjan Sahu
20. Shri Viren J. Shah
21. Smt. Kamla Sinha
22. Dr. Naunihal Singh

SECRETARIAT

1. Shri G. L. Batra —*Additional Secretary*
2. Shri G. R. Juneja —*Deputy Secretary*
3. Shri A. L. Martin —*Assistant Director*

** ** ** **

5. The Committee, thereafter, took up for consideration the draft report on Demands for Grants of the Ministry of Coal. While considering the draft report, some members mentioned about a representation made by Coal Federations in India regarding the impact on the coal industry consequent on proposed reduction of import duty on coal. The Committee decided that the Ministry's comments on the representation may be obtained and the Ministry's replies be incorporated in the draft report. The Committee, thereafter, adopted the report with the following addition in the 'Introductory' of the report:—

> "This Report of the Committee is subject to such additional and supplemental observations/criticisms as are contained in Committee's report on the subject, "Modernisation and Growth of Coal Industry—A Critique" which is in the process of finalisation and will be presented to Parliament in addition. It is the expectation of the Committee that both the reports of the Committee relating to Coal Industry will be considered by the Parliament con-jointly."

The Committee authorised the Chairman to finalise the report on receipt of replies from the Ministry of Coal thereon and present the same to Parliament.

** ** ** **

The Committee then adjourned.

** Paras 2, 3, 4 and 6 of the Minutes relating to procedural matter and consideration of Draft Report on Demands for Grants of the Ministry of Power are not included.

APPENDIX X

MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON ENERGY HELD ON 7TH APRIL, 1994

The Committee sat from 15.00 hrs. to 17.00 hrs.

PRESENT

Shri Shiv Charan Mathur — *In the Chair*

MEMBERS

2. Shri Motilal Singh
3. Shri K. P. Reddaiah Yadav
4. Shri P. C. Chacko
5. Shri Keshari Lal
6. Shri Arjun Singh Yadav
7. Shri Chitta Basu
8. Smt. Dil Kumari Bhandari
9. Shri Parmeshwar Kumar Aggarwalla
10. Smt. Ila Panda
11. Shri Rajni Ranjan Sahu
12. Shri Viren J. Shah
13. Dr. Naunihal Singh

SECRETARIAT

1.	Shri G. R. Juneja	*Deputy Secretary*
2.	Shri A. L. Martin	*Assistant Director*

WITNESSES

1.	Shri S. K. Lall	Secretary, Ministry of Coal
2.	Shri B. N. Makhija	Additional Secretary, Ministry of Coal
3.	Shri K. Kosal Ram	Jt. Secretary and Financial Adviser Ministry of Coal
4.	Shri R. K. Sachdev	Adviser (Projects) Ministry of Coal
5.	Shri S. Bandopadhay	Joint Secretary, Ministry of Coal
6.	Shri K. K. Mishra	Joint Secretary, Ministry of Coal
7.	Shri Avay Shukla	Nodal Officer, Ministry of Coal
8.	Shri N. N. Gautam	Director (Technical)

2. In the absence of Chairman, the Committee chose Shri Shiv Charan Mathur to act as Chairman for the sitting under Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha. The Committee thereafter held a detailed discussion with the representatives of the Ministry of Coal on the draft report on Demands for Grants (1994-95) of the Ministry. A copy of the verbatim proceedings of the discussion is kept on record.

The Committee then adjourned.