

TWENTY FIRST REPORT
STANDING COMMITTEE
ON ENERGY
(1995-96)
(TENTH LOK SABHA)
MINISTRY OF COAL
DEMANDS FOR GRANTS (1995-96)

Presented to Lok Sabha on
13 MAY 1995
Laid in Rajya Sabha on



LOK SABHA SECRETARIAT
NEW DELHI
April, 1995 / Vaishaka, 1917 (Saka)

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PART - II *

Record of discussions held with the representatives
of Ministry of Coal on 17th April, 1995.

* Not printed. One cyclostyled copy laid on the Table of each of the House and 5 copies placed in Parliament Library.

COMPOSITION OF THE STANDING COMMITTEE ON
ENERGY (1995-96)

CHAIRMAN

Shri Jaswant Singh

MEMBERS

Lok Sabha

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3. Shri Murli Deora
4. Shri Motilal Singh
5. Shri Khelsai Singh
6. Shri Khelan Ram Jangde
7. Shri Parasram Bhardwaj
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28. Shrimati Dil Kumari Bhandari
29. Shrimati Lovely Anand
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(iv)

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39. Shri Rajni Ranjan Sahu
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- | | | |
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| 3. Shri G.R. Juneja | – | <i>Deputy Secretary</i> |
| 4. Shri A. Louis Martin | – | <i>Under Secretary</i> |

INTRODUCTION

1, The Chairman of the Standing Committee on Energy having been authorised by the Committee to present the Report on their behalf, present this Twenty First Report on the Demands for Grants (1995-96) relating to the Ministry of Coal.

2. The Committee considered and adopted the Report at their sitting held on 17th April, 1995 and also held discussion with the officials of the Ministry of Coal on the same day.

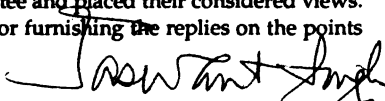
3. The replies furnished by the Ministry of Coal on the points contained in this Report and also on the points raised by the Committee during their discussion with the representatives of the Ministry of Coal on 17th April, 1995 have been appended to the Report.

4. A copy of verbatim proceedings of the discussion held by the Committee with the officials of the Ministry of Coal on 17th April, 1995 is also laid in the House along with the Report.

5. 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.

NEW DELHI;
24 April, 1995

4 Vaishaka, 1917 (Saka)



JASWANT SINGH,

Chairman,

Standing Committee on Energy.

PART I
REPORT
ANALYSIS OF DEMANDS FOR GRANTS (1995-96)

The Ministry of Coal have presented Demands for Grants of Rs. 621.43 crores for the year 1995-96 as against Rs. 910.81 crores (actual) in 1993-94 and Rs. 658.37 crores (revised) in 1994-95. The details of the Ministry's Demands for Grants under Revenue Section and Capital Section are shown in Appendix-I. The break-up of Demands for Grants of the Ministry in respect of three years are given below :

(Rs. in crores)

	B.E.		R.E.		Actuals		B.E.		R.E.		B.E.	
	1993-94		1993-94		1993-94		1994-95		1994-95		1995-96	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
Revenue Section	17.00	156.00	17.00	153.37	136.98	148.36	23.50	170.95	23.50	111.68	43.82	131.42
Capital Section	751.20	15.00	715.41	15.00	619.41	7.06	563.48	15.00	508.18	15.01	431.18	15.01
Total Revenue & Capital Section	768.20	171.00	732.41	168.37	755.39	155.42	586.98	185.95	531.68	126.69	475.00	146.43

2. It may be noted from the above statement that there has been considerable shortfall in utilisation of budgetary provisions of the Ministry in 1993-94 and reduction in budgetary estimates during 1994-95. The Committee would like to be apprised of the reasons for item-wise shortfall in utilisation during 1993-94 and reduction in budgetary estimates during 1994-95.

Plan Performance

3. The plan outlay for the Ministry of Coal is almost entirely limited to meet the financial requirements of the three Public Sector Undertakings viz. CIL, NLC and SCCL for Plan investments in new mining and Power

projects. The plan outlay and actual expenditure of the three companies during the first four years of the 8th Plan are given below :-

	1992-93		1993-94		1994-95		1995-96
	B.E.	Actual	B.E.	Actual	B.E.	R.E.	B.E.
CIL	1850	1808	1901	1688	2063	1850	2260
NLC	401	191	395	137	329	204	566
SCCL	409	406	642	545	483	550	516

4. It can be observed from the above table that there has been huge shortfall in plan expenditure in successive years particularly in respect of CIL and NLC. The poor plan performance is attributed to steady reduction in budgetary support and inability of PSUs to raise adequate bond resources. It has been claimed in the performance Budget that the shortfalls in Plan investment during 1992-94 and the reduction in Plan outlay during 1994-95 has not affected CIL's production target of coal. The Committee wish to point out that since coal projects generally have long gestation periods, a direct relationship between investment on projects and coal production is difficult to establish. The Committee would like to know what would be the impact of this phenomenon on the economy and on the level of Coal production in the long run.

Project Implementation

5. The Committee note that as on December 31, 1994 out of 71 projects under implementation in the Coal sector, 22 projects are bedevilled by time and cost over-runs. On an average, the cost overrun per project is about Rs. 77 crore and the time overrun per projects is about 38 months.

6. The Committee feel that there is imperative need to improve project implementation in the coal sector. The Committee would like to know, how this will be achieved considering reduction in budgetary support to public enterprises and their inability to mobilise adequate internal and extra budgetary resources.

Internal Resources of NLC

7. It is observed from the Performance Budget that the Neyveli Lignite Corporation could not generate any internal resources for plan investment during 1992-93 and 1994-95. The target of Rs. 40 crores fixed in this regard for 1994-95 has been revised downward to Rs. 30 crores. Viewing from this background, the Committee are surprised that a target of about Rs. 291 crores has been estimated to be generated internally during 1995-96. This

appears to be ambitious. The Committee are interested in knowing the basis for such optimism. The Committee also desire that efforts should be made to ensure that the target for generation of internal resources during 1995-96 is achieved without any shortfall.

Mines I Expansion Project of NLC

8. As against a Budget estimate of Rs. 68 crores and revised estimates of Rs. 25.5 crores during 1994-95 for Mine I expansion project of NLC, only Rs. 10.21 crores has been spent during 1994-95 (upto Dec. 94). For the year 1995-96 however a hefty provision of Rs. 200 crores had been made for the project even without finalising the agency for funding the foreign requirement of the projects. The Committee would like the Ministry of Coal to clarify the position and indicate the prospects for implementing the projects.

Environmental Measures and Subsidence Control

Major Head 2803 C5(3)

9. The VIII Plan had envisaged a major thrust in environmental management in the following two areas :-

- (a) Control of mine fires in Jharia Coalfields.
- (b) Control of subsidence in the old abandoned area of Raniganj Coalfields.

10. A total 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 two years and for 1995-96 are given below :-

(Rs. in Crores)				
1992-93	1993-94	1994-95		1995-96
Actual	Actual	B.E.	R.E.	B.E.
5.00	5.00	5.00	5.00	5.52

11. It can be observed from above that the amount expected to be utilised for control of mine fires and Subsidence during the first four years of the 8th Plan works out to just Rs. 20.5 crores as against on outlay Rs. 75 crores. The Committee in their 7th report had dealt with environmental measures and subsidence control. It has been stated in the

performance Budget that the Ministry of Coal is in constant dialogue with the Government of West Bengal for creation of an institutional arrangement for subsidence control and environmental control measures in Raniganj Coalfields. It was also reportedly proposed that a High Power Committee/ Apex Committee with Chief Minister, West Bengal as Chairman and Coal Minister as Co-Chairman may be constituted to oversee and review the programme of implementation of various schemes. Further, it has been stated that till now favourable response has not been received from the Govt. of West Bengal. The Committee are dismayed to note that even after the Committee's observation last year, no substantial progress has been made in the matter except for making a proposal to constitute an Apex Committee. The Committee do not expect an expression of helplessness by the Govt. in dealing with this matter. It should be possible to muster active co-operation of the State Govt. and take urgent effective measures to control mine fires and subsidence.

Stowing Operation

12. It is observed from the Performance Budget that at present there are 49 areas in Raniganj Coalfields which have been declared unsafe. Out of this 34 areas were found to be suitable for stowing. It has been stated that Plans have so far been prepared covering 9 of these areas and actual execution of the stowing is being carried out in 2 areas. The Committee note that the rate of stowing achieved was about 5000 to 7000 cum per year against about 20,000 cum of stowing required for stabilising each area. Four years would be required for the stowing operations in each area and the approximate cost per area comes to Rs. 3.50 crores. Further, the total expenditure estimated for the 34 areas will be about Rs. 140 crores at current price level. The Committee would like to know what is the Government's Plan in this regard and by when the work in all the 34 areas are expected to be completed.

Subsidy

13. The Committee note that a Budgetary provision of Rs. 123 crores was made for the year 1993-94 and Rs. 143 crores in 1994-95 under the Object Head No. 33. The amount was however revised to Rs. 85 crores during 1994-95. The Budgetary provision for 1995-96 is Rs. 103 crores. The Committee would like to be informed of the details of the subsidy and the justification for extending the same.

Coal Sales dues

14. The amount disputed by consumers is increasing mainly because of the fact that the power houses are not accepting colliery and as the venue for quality inspections. The outstanding dues to CIL as on 31.10.94 is stated to be as much as Rs. 4167 crores out of which Rs. 1987 crores are disputed. Consumers like DVC, Badarpur and UPSEB are not paying even the undisputed dues. The Committee would like to be apprised as to what steps were taken by the Ministry to recover the undisputed dues and outcome thereof. The Committee also wish to know the present position regarding appointment of umpires to resolve disputed dues.

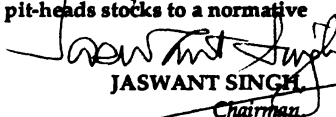
Coal off-take and pit-head stocks

15. Off-take of raw coal grew substantially from 208.03 mt. during 1992-93 to 216.53 mt. during 1993-94. The off take for year 1994-95 is expected to be 231.50 mt. while for the year 1995-96 the offtake is estimated as 248.50 mt. At the end of March 94, the pit-head stock of CIL was 49.49 mt. against the pit-head stock of 50.10 mt. in March, 1993. A decrease in stock to the extent of 7.50 mt. has been planned for 1995-96.

16. The Committee would like to know whether any norm has been laid down in regard to pit-head stocks and if so, how the actuals compared with the norm. The Committee would also to know whether any measures are contemplated to bring down the level of pit-heads stocks to a normative level.

NEW DELHI;
24 April, 1995

4 Vaisakha, 1917 (Saka)


JASWANT SINGH
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	3

1	1	The Ministry of Coal have presented Demands for Grants of Rs. 621.43 crores for the year 1995-96 as against Rs. 910.81 crores (actual) in 1993-94 and Rs. 658.37 crores (revised) in 1994-95. The details of the Ministry's Demand for Grants under Revenue Section and Capital Section are shown in Appendix -I. The break-up of Demands for Grants of the Ministry in respect of three years are given below :
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(Rs. in crores)

	R.E. 1993-94		Actuals 1993-94		B.E. 1994-95		R.E. 1994-95		B.E. 1995-96	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
Revenue Section	17.00	153.37	135.98	148.36	23.50	170.95	23.50	111.68	43.82	131.42
Capital Section	715.41	15.00	619.41	7.06	563.48	15.00	508.18	15.01	431.18	15.01
Total Revenue & Capital Section	732.41	168.37	755.39	155.42	586.98	185.95	531.68	126.69	475.00	146.43

2	2	It may be noted from the above statement that there has been considerable shortfall in utilisation of budgetary provisions of the Ministry in 1993-94 and reduction in budgetary estimates during 1994-95. The Committee would like to be apprised of the reasons for item-wise shortfall in utilisation during 1993-94 and reduction in budgetary estimates during 1994-95.
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1	2	3																																								
3	3	The Plan outlay for the Ministry of Coal is almost entirely limited to meet the financial requirements of three Public Sector Undertakings viz., CIL, NLC and SCCL for Plan investments in new mining and Power Projects. The Plan outlay and actual expenditure of the three companies during the first four years of the 8th Plan are given below :																																								
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4	4	It can be observed from the above table that there has been huge shortfall in plan expenditure in successive years particularly in respect of CIL and NLC. The poor plan performance is attributed to steady reduction in budgetary support and inability of PSUs to raise adequate bond resources. It has been claimed in the performance Budget that the shortfalls in Plan investment during 1992-94 and the reduction in Plan outlay during 1994-95 has not affected CIL's production target of coal. The Committee wish to point out that since coal projects generally have long gestation periods, a direct relationship between investment on projects and coal production is difficult to establish. The Committee would like to know what would be the impact of this phenomenon on the economy and on the level of Coal production in the long run.
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1	2	3
5	5	<p>The Committee note that as on December 31, 1994, out of 71 projects under implementation in the coal sector, 22 projects are bedevilled by time and cost over runs. On an average, the cost overrun per project is about Rs. 77 crore and the time overrun per projects is about 38 months.</p>
6	6	<p>The Committee feel that there is imperative need to improve project implementation in the coal sector. The Committee would like to know, how this will be achieved considering reduction in budgetary support to public enterprises and their inability to mobilise adequate internal and extra budgetary resources.</p>
7	7	<p>It is observed from the Performance Budget that the Neyveli Lignite Corporation could not generate any internal resources for plan investment during 1992-93 and 1994-95. The target of Rs. 40 crores fixed in this regard for 1994-95 has been revised downward to Rs. 30 crores. Viewing from this background, the Committee are surprised that a target of about Rs. 291 crores has been estimated to be generated internally during 1995-96. This appears to be ambitious. The Committee are interested in knowing the basis for such optimism. The Committee also desire that efforts should be made to ensure that the target for generation of internal resources during 1995-96 is achieved without any shortfall.</p>
8	8	<p>As against a budget estimate of Rs. 68 crores and revised estimates of Rs. 25.5 crores during 1994-95 for Mine I expansion project of NLC, only Rs. 10.21</p>

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crores has been spent during 1994-95 (upto December 94). For the year 1995-96 however a hefty provision of Rs. 200 crores had been made for the project even without finalising the agency for funding the foreign requirement of the projects. The Committee would like the Ministry of Coal to clarify the position and indicate the prospects for implementing the projects.

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A total 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 two years and for 1995-96 are given below :

(Rs. in crores)

1992-93 Actual	1993-94 Actual	1994-95		1995-96
		B.E.	R.E.	B.E.
5.00	5.00	5.00	5.00	5.52

10

11

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1

2

3

Committee/Apex Committee with Chief Minister, West Bengal as Chairman and Coal Minister as Co-Chairman may be constituted to oversee and review the programme of implementation of various schemes. Further, it has been stated that till now favourable response has not been received from the Govt. of West Bengal. The Committee are dismayed to note that even after the Committee's observation last year, no substantial progress has been made in the matter except for making a proposal to constitute an Apex Committee. The Committee do not expect an expression of helplessness by the Govt. in dealing with this matter. It should be possible to muster active co-operation of the State Govt. and take urgent effective measures to control mines fires and subsidence.

11

12

It is observed from the Performance Budget that at present there are 49 areas in Raniganj Coalfields which have been declared unsafe. Out of this 34 areas were found to be suitable for stowing. It has been stated that Plans have so far been prepared covering 9 of these areas and actual execution of the stowing is being carried out in 2 areas. The Committee note that the rate of stowing achieved was about 5000 to 7000 cum per year against about 20,000 cum of stowing required for stabilising each area. Four years would be required for the stowing operations in each area and the approximate cost per area comes to Rs. 3.50 crores. Further, the total expenditure estimated for the 34 areas will be about Rs. 140 crores at current price level. The Committee would like

1	2	3
12	13	<p>to know what is the Government's Plan in this regard and by when the work in all the 34 areas are expected to be completed.</p>
13	14	<p>The Committee note that a Budgetary provision of Rs. 123 crores was made for the year 1993-94 and Rs. 143 crores in 1994-95 under the Object Head No. 33. The amount was however revised to Rs. 85 crores during 1994-95. The Budgetary provision for 1995-96 is Rs. 103 crores. The Committee would like to be informed of the details of the subsidy and the justification for extending the same.</p>
14	16	<p>The amount disputed by consumers is increasing mainly because of the fact that the power houses are not accepting colliery and as the venue for quality inspections. The outstanding dues to CIL as on 31.10.94 is stated to be as much as Rs. 4167 crores out of which Rs. 1987 crores are disputed. Consumers like DVC, Badarpur and UPSEB are not paying even the undisputed dues. The Committee would like to be apprised as to what steps were taken by the Ministry to recover the <i>undisputed dues</i> and outcome thereof. The Committee also wish to know the present position regarding appointment of umpires to resolve <i>disputed dues</i>.</p>
14	16	<p>The Committee would like to know whether any norm has been laid down in regard to pit-head stocks and if so, how the actuals compared with the norm. The Committee would also to know whether any measures are contemplated to bring down the level of pit-head stocks to a normative level.</p>

STATEMENT SHOWING DEMANDS FOR GRANTS 1995-96 OF
MINISTRY OF COAL UNDER REVENUE AND CAPITAL SECTION

	1994-95 (Budget)				1994-95 (Revised)				1995-96 (Budget)				
	Major Head	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
		(Rs. in crores)											
REVENUE SECTION													
1. Secretariat-Economic Services	3451	-	2.19	2.19	-	2.19	2.19	-	2.36	2.36	-	2.36	2.36
2. Labour & Employment	2290	-	24.44	24.44	-	23.32	23.32	-	24.51	24.51	-	24.51	24.51
Coal Mines Labour Welfare													
3. Coal and Lignite	2803												
(a) Conservation and safety in coal mines	-	-	40.00	40.00	-	40.00	40.00	-	45.00	45.00	-	45.00	45.00
(b) Development of Roads in coal field areas	-	-	40.59	40.59	-	40.59	40.59	-	55.00	55.00	-	55.00	55.00
(c) Interest subsidy on Non-Plan loan to CIL	-	-	58.08	58.08	-	-	-	-	-	-	-	-	-
(d) Subsidy for transport of coal by rail-cum-sea route	-	-	0.15	0.15	-	0.10	0.10	-	0.05	0.05	-	0.05	0.05
(e) Assistance to CIL for import of spares under UK Grant	-	-	4.00	4.00	-	4.00	4.00	-	3.00	3.00	-	3.00	3.00
(f) Other expenditure (Coal Controller, C.O.P., N.C.D.C.)	0.09	1.50	1.59	1.59	0.09	1.48	1.57	0.10	1.50	1.60	0.10	1.50	1.60
(g) Science & Technology Programme including (UNDP)	8.41	-	8.41	8.41	8.41	-	8.41	21.20	-	21.20	-	-	21.20
(h) Regional Exploration	10.00	-	10.00	10.00	10.00	-	10.00	17.00	-	17.00	-	-	17.00
(i) Environmental measures and subsidence control	5.00	-	5.00	5.00	5.00	-	5.00	5.52	-	5.52	-	-	5.52
Total (coal & lignite)	23.50	144.32	167.87	167.87	23.50	86.17	109.67	43.82	104.55	148.37	43.82	104.55	148.37
Total (Revenue Section)	23.50	170.95	194.45	194.45	23.50	111.68	135.18	43.82	131.42	175.24	43.82	131.42	175.24

(Rs. in crores)

	1994-95 (Budget)			1994-95 (Revised)			1995-96 (Budget)			
	Major Head	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
CAPITAL SECTION										
1. Coal India Ltd.	4803	211.52	-	211.52	211.52	-	211.52	-	-	-
	6803	147.00	-	147.00	147.00	-	147.00	241.00	-	241.00
2. Singareni Collieries Co. Ltd.	4803	-	-	-	-	0.01	0.01	-	0.01	0.01
	6803	119.40	-	119.40	119.40	-	119.40	22.00	-	22.00
3. Neyveli Lignite Corpn. Ltd.										
(a) Mining	6803	55.36	-	55.36	30.26	-	30.26	153.68	-	153.68
(b) Power	6801	30.20	-	30.20	-	-	-	14.50	-	14.50
4. Acquisition of Coal Bearing Areas	4803	-	15.00	15.00	-	15.00	15.00	-	15.00	15.00
Recoveries/Reduction of Expenditure										
1. Acquisition of Coal Bearing Areas		-	(-) 15.00	(-) 15.00	-	(-) 15.00	(-) 15.00	-	(-) 15.00	(-) 15.00
Total Capital Section		563.48	-	563.48	508.18	0.01	508.19	431.18	0.01	431.19
Grand Total (Capital & Revenue Section)		586.96	170.95	757.93	531.68	111.69	643.37	475.00	131.43	606.43
(Net of Recoveries)										

APPENDIX II

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

1. The Ministry of Coal have presented Demands for Grants of Rs. 621.43 crores for the year 1995-96 as against Rs. 910.81 crores (actual) in 1993-94 and Rs. 658.37 crores (revised) in 1994-95. The details of the Ministry's Demand for Grants under Revenue Section and Capital Section are shown in Appendix - I. The break up of Demands for Grants of the Ministry in respect of three years are given below :

(Rs. in crores)

	R.E. 1993-94		Actuals 1993-94		B.E. 1994-95		R.E. 1994-95		B.E. 1995-96	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
	Revenue Section	17.00	153.37	135.98	148.36	23.50	170.95	23.50	111.68	43.82
Capital Section	715.41	15.00	619.41	7.06	563.48	15.00	508.18	15.01	431.18	15.01
Total Revenue & Capital Section	732.41	168.37	755.39	155.42	586.98	185.95	531.68	126.69	475.00	146.43

2. It may be noted from the above statement that there has been considerable shortfall in utilisation of budgetary provisions of the Ministry in 1993-94 and reduction in budgetary estimates during 1994-95. The Committee would like to be apprised of the reasons for item-wise shortfall in utilisation during 1992-93 and reduction in budgetary estimates during 1994-95.

Reply to Para 2

Presumably the Committee wishes to be apprised of the reasons for item-wise shortfall in utilisation during 1993-94 (and not during 1992-93) and reduction in budgetary provision in the revised estimates as compared to the budgeted amounts during 1994-95.

The major variation (Rs. 1 crore and above) and the reasons therefor were as follows :

1993-94

Variation between revised estimates and actual expenditure :

Revenue (Plan)	RE	Rs. 17.00 Crores
	Actual Expenditure	Rs. 135.98 Crores
	Variation	(+) Rs. 118.98 Crores

(a) A supplementary grant of Rs. 120.00 crores was sanctioned for paying the amount to Coal India Ltd. for implementing the voluntary retirement schemes in BCCL & ECL.

(b) An amount of Rs. 1.00 crore under UNDP assistance for modelling and control of water system in coal mining environment was surrendered as the amounts already sanctioned had not been utilised fully.

Revenue (Non-Plan)	RE	Rs. 153.37 Crores
	Actual Expenditure	Rs. 148.36 Crores
	Variation	(-) Rs. 5.01 Crores

(a) An amount of Rs. 4.00 crores earmarked as assistance toCIL for import of spares under UK grant could not be utilised due to non-receipt of demands from the coal companies.

Capital (Plan)	RE	Rs. 715.41 Crores
	Actual Expenditure	Rs. 619.41 Crores
	Variation	(-) Rs. 96.00 Crores

(a) Rs. 96.00 crores was earmarked for payment to Singareni Collieries Co. Ltd. (SCCL) as equity. This amount was surrendered to enable the Ministry of Finance to release similar amount to the Govt. of Andhra

Pradesh as loan for the purpose of investment in SCCL as equity. This was as per decision of the Government for revival of SCCL which had come under the purview of BIFR. Thus viewed, there was no shortfall in expenditure on this account.

Capital (Non-Plan)	RE	Rs. 15.00 Crores
	Actual Expenditure	Rs. 7.06 Crores
	Variation	(-) Rs. 7.94 Crores

- (a) An amount of Rs. 15.00 crores was allocated for acquisition of coal bearing areas. Under the provisions of Section 9 of the Coal Bearing Areas (Acquisition and Development) Act 1957, possession of the land is to be taken and other legal formalities completed before the compensation is paid. Due to the delays in the completion of these legal processes, the budgeted amounts could not be utilised in full and Rs. 7.94 crores was surrendered.

1994-95

Variation between BE 1994-95 vis-a-vis RE of 1994-95

Revenue (Plan)	BE (1994-95)	Rs. 23.50 Crores
	RE (1994-95)	Rs. 23.50 Crores
	Variation	Nil

There was no variation.

Revenue (Non-Plan)	BE (1994-95)	Rs. 170.95 Crores
	RE (1994-95)	Rs. 111.68 Crores
	Variation	Rs. 59.27 Crores

- (a) An amount of Rs. 58.08 crores was being provided as subsidy to Coal India Ltd. for payment of interest to the Govt. on non-plan interest free loans of Rs. 432.64 crores. The arrangement adopted for making these loans

interest free was that the Govt. would sanction the amount equal to the interest accruable on the non-plan loans and this would be adjusted against the interest payment by CIL to the Govt. No provision has been made under RE for 94-95 and BE 95-96 as financial restructuring of Coal India Ltd. is now being taken up.

- (b) An amount of *Rs. 24.44 crores* was budgeted as Govt. contribution towards social security for labour under the provisions of Coal Mines Provident Fund & Miscellaneous Provisions Act, 1948. The government releases funds in proportion to the contribution of the employees and employers to the Family Pension-cum-Life Assurance Fund for coal miners and other schemes. An amount of *Rs. 1.12 crores* was surrendered in view of the reduced contributions from the employers/employees.

Capital (Plan)

BE **Rs. 563.48 Crores**

RE **Rs. 508.18 Crores**

Variation **(-) Rs. 55.30 Crores**

Rs. 30.20 crores. This amount was provided as budget support payable to Neyveli Lignite Corporation (NLC) for power projects. Due to reduction in requirements for certain projects, the internal and extra budgetary resources were found to be adequate. The budget provision was, therefore, not required by NLC.

Rs. 25.10 crores. There was a provision of *Rs. 55.36 crores* under externally aided projects for NLC. The external aid routed through budget is released on the basis of flow of aid by way of equipment and services. Shortfall was mainly on account of changes in delivery schedules of the equipment.

Capital (Non-Plan)	BE	Rs. 15.00 Crores
	RE	Rs. 15.01 Crores
	Variation	(+) Rs. 0.01 Crores

There was no significant variation.

Plan Performance

3. The Plan outlay for the Ministry of Coal is almost entirely limited to meet the financial requirements of three Public Sector Undertakings viz., CIL, NLC and SCCL for Plan investments in new mining and Power Projects. The Plan outlay and actual expenditure of the three companies during the first four years of the 8th Plan are given below :

	1992-93		1993-94		1994-95		1995-96
	B.E.	Actual	B.E.	Actual	B.E.	R.E.	B.E.
CIL	1850	1808	1901	1688	2063	1850	2260
NLC	401	191	395	137	329	204	566
SCCL	409	406	642	545	483	550	516

Reply to Para 3 : This is a statement of facts.

4. It can be observed from the above table that there has been huge shortfall in plan expenditure in successive years particularly in respect of CIL and NLC. The poor plan performance is attributed to steady reduction in budgetary support and inability of PSUs to raise adequate bond resources. It has been claimed in the performance Budget that the shortfalls in Plan investment during 1992-94 and the reduction in Plan outlay during 1994-95 has not affected CIL's production target of coal. The Committee wish to point out that since coal projects generally have long gestation periods, a direct relationship between investment on projects and coal production is difficult to establish. The Committee would like to know what would be the impact of this phenomenon on the economy and on the level of coal production in the long run.

Reply to Para 4

Coal projects generally have long gestation periods and a direct relationship between investment on projects and coal production is difficult to establish, especially in the short run. An aggregate new capacity of 72 mt. was to be taken up during the 8th Plan period. Against this, total new capacity

sanctioned so far during the first 3 years of plan is 35.85 mt. Advance action for new projects in CIL and in SCCL has also been initiated. Some of these projects are expected to start yielding coal only during the 9th plan period.

Also during the mid-term appraisal of 8th Plan held in Sept., 1994, Ministry of Coal proposed a revised 8th Plan outlay of Rs. 14,414 crores at current prices against the original approved outlay of Rs. 12,357 crores (at 1991-92 prices). The Plan outlay for CIL was proposed to be enhanced to Rs. 9820 crores (from Rs. 8520 crores, originally approved). This included an additional budgetary support of Rs. 575 crores to make good the shortfall in raising targetted funds through bonds in the first 3 years of the 8th Five Year Plan. The outlay for SCCL has also been suggested to be raised from Rs. 1850 crores to Rs. 2587 crores. The matter is being pursued with the Planning Commission.

Against the approved outlay for the 8th Plan, the expenditure at current prices during the first four years (actuals of 1992-93, 1993-94, RE for 1994-95 and BE for 1995-96) is expected to be 89.27% in case of CIL, 109.05% in case of SCCL and 61.05% in case of NLC.

In the case of NLC, the shortfall in expenditure has mainly been on account of delay in the sanction of the TPS I Expansion and taking up Mine I Expansion projects while Mine I Expansion project has been sanctioned, TPS I Expansion is awaiting sanction. Investments in NLC are expected to pick up in the remaining two years of the Plan.

Project Implementation

5. The Committee note that as on December 31, 1994, out of 71 projects under implementation in the coal sector, 22 projects are bedevilled by time and cost overruns. On an average, the cost overrun per project is about Rs. 77 crore and the time overrun per projects is about 38 months.

6. The Committee feel that there is imperative need to improve project implementation in the coal sector. The Committee would like to know, how this will be achieved considering reduction in budgetary support to public enterprises and their inability to mobilise adequate internal and extra budgetary resources.

Reply to Para 5 & 6

Main reasons of time and cost overruns in coal projects are :-

- (i) Delay in acquisition of land and rehabilitation of displaced persons.

- (ii) Delay in supply of equipment and turn-key execution mainly by Public Sector Undertakings.
- (iii) Encountering of adverse geo-mining conditions during underground mine development; and
- (iv) Constraint of funds.

Some of the major steps taken to improve the project implementation are :

- (i) **Land Acquisition and Rehabilitation** : Regular interaction by the Ministry with the State Govt./Local authorities takes place as and when required. Coal companies have strengthened their revenue departments by inducting suitable officers from the State Govts. As a result of this action, the problem of land acquisition has been sorted out in 6 out of 7 projects delayed on this score. Further, major projects (each costing Rs. 50 crores and above) are now being sanctioned in two stages. In the first stage, as an "Advance Action" an amount upto Rs. 10 crs. is sanctioned for undertaking essential initial activities like land acquisition and related rehabilitation of land outstees, forest and environmental clearances, surveys for railway line, roads, power supply etc. In the second stage the investment approval to the projects is given.
- (ii) **Equipment supply and turn-key execution** : Equipment supplies are being expedited through posting of coal company officials at the manufacturers' works and through frequent followup meetings.
- (iii) **Geo-mining constraints** : Sophisticated geological and geophysical exploration techniques and interpretation mechanism are being progressively introduced for better forecasting of geo-mining conditions. Further, Ministry of Coal in its guidelines issued in Sept.' 1991 on project formulation & monitoring have laid down measures for improvement in the present practices of exploration, planning, appraisal, implementation and monitoring of projects etc.
- (iv) **Project Management** : Board level functionaries in each company closely monitor the projects. Comprehensive guidelines for project formulation and monitoring have also been issued by the Ministry of Coal. The system of monitoring of projects at various levels has been standardised.

Project-wise allocation of funds is made in consultation with Planning Commission and is based on projections and availability of funds through internal and extra budgetary resources as well as budgetary support. Steps are being taken to improve the internal resources of the coal companies. Coal companies are also being encouraged to access funds from national and international funding agencies/financial institutions.

Internal resources of NLC

7. It is observed from the Performance Budget that the Neyveli Lignite Corporation could not generate any internal resources for Plan investment during 1992-93 and 1994-95. The target of Rs. 40 crores fixed in this regard for 1994-95 has been revised to Rs. 30 crores. Viewing from this background, the Committee are surprised that a target of about Rs. 291 crores has been estimated to be generated internally during 1995-96. This appears to be ambitious. The Committee are interested in knowing the basis for such optimism. The Committee also desire that efforts should be made to ensure that the target for generation of internal resources during 1995-96 is achieved without any shortfall.

Reply to Para 7

In 1994-95 the generation of internal resources has been Rs. 150.00 crores. Out of this NLC has used Rs. 30.00 crores in 94-95 leaving a surplus of Rs. 120.00 crores to be carried forward to 95-96. In 95-96 the expected level of internal resources generation is Rs. 170.66 crores. Taken together, (Rs. 120.00 crores + Rs. 170.66 crores) the total internal resources for 95-96 would be Rs. 290.66 crores. The increase in internal resources is due to increase in tariff rate, refund of capital expenditure from Power Grid Corporation of India and due to commissioning of all the four units in Thermal Power Station II - Stage II.

Mines I expansion project of NLC

8. As against a budget estimate of Rs. 68 crores and revised estimates of Rs. 25.5 crores during 1994-95 for Mine I expansion project of NLC, only Rs. 10.21 crores has been spent during 1994-95 (upto Dec. '94). For the year 1995-96 however a hefty provision of Rs. 200 crores had been made for the project even without finalising the agency for funding the foreign requirement of the projects. The Committee would like the Ministry of Coal to clarify the position and indicate the prospects for implementing the projects.

Reply to Para 8

Mine I Expansion is part of an integrated project, directly linked to TPS I Expansion project. Both the projects were initially cleared by PIB in June '91. PIB had desired that NLC should finalise the power purchase agreements with the concerned State Electricity Boards before approaching the CCEA for final clearance for Thermal Power Station I Expansion project. Detailed discussions with SEBs were required to secure their formal acceptance regarding the norms and parameters for fixation of tariffs as directed by the PIB. These discussions have now been concluded.

The project was kept in abeyance till NLC could settle various outstanding issues as otherwise expenditure on Mine I Expansion project could have proved infructuous. In 94-95, against R.E. provision of Rs. 25.55 crores the actual expenditure has been Rs. 22.85 crores.

KFW, of Germany, has already agreed in principle to allocate DMs 347.75 Million for both the projects out of which DMs 196.25 Million is meant for Mine I Expansion project. Actual release can start after PIB clearance has been obtained for linked TPS I Expansion project.

NLC has been advised to ensure full utilization of the funds which have been budgetted for 1995-96. It is in the process of finalising different packages for ordering of specialised mining equipment etc.

Environmental Measures and Subsidence Control

Major Head 2803 C5(3)

9. The VIII Plan had envisaged a major thrust in environmental management in the following two area :

- (a) Control of mine fires in Jharlia Coalfields.
- (b) Control of subsidence in the old abandoned area of Raniganj Coalfields.

Reply to Para 9 : This is a statement of facts

10. A total 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 two years and for 1995-96 are given below :

(Rs. in crores)				
1992-93	1993-94	1994-95		1995-96
Actual	Actual	B.E.	R.E.	B.E.
5.00	5.00	5.00	5.00	5.52

Reply to Para 10 : This is a statement of facts.

11. It can be observed from above that the amount expected to be utilised for control of mine fires and Subsidence during the first four years of the 8th Plan works out to just Rs. 20.5 crores as against on outlay Rs. 75 crores. The Committee in their 7th report had dealt with environmental measures and subsidence control. It has been stated in the Performance Budget that the Ministry of Coal is in constant dialogue with the Government of West Bengal for creation of an institutional arrangement for subsidence control and environmental control measures in Raniganj Coalfields. It was also reportedly proposed that a High Power Committee/Apex Committee with Chief Minister, West Bengal as Chairman and Coal Minister as Co-Chairman may be constituted to oversee and review the programme of implementation of various schemes. Further, it has been stated that till now favourable response has not been received from the Govt. of West Bengal. The Committee are dismayed to note that even after the Committee's observation last year, no substantial progress has been made in the matter except for making a proposal to constitute an Apex Committee. The Committee do not expect an expression of helplessness by the Govt. in dealing with this matter. It should be possible to muster the active co-operation of the State Govt. and take urgent effective measures to control mine fires and subsidence.

Reply to Para 11

As is already well known, the problem of subsidence arose from unscientific coal mining carried out under shallow surface cover in the period prior to nationalisation of coal mines. The areas affected by subsidence, including subsidence prone areas, need attention and anti-subsidence measures have to be taken up. By Virtue of Section 7 of the Coal Mines (Nationalisation) Act, 1973, neither the Govt. of India, nor Coal India Ltd. (or its subsidiary company) is liable for liabilities/contraventions of law, if any, of the period prior to the nationalisation of coal mines. It is the responsibility of State Govt. to take appropriate remedial and preventive measures in areas where subsidence occurs due to pre-nationalisation mining activities and illegal mining operations.

However, issue of subsidence control has been receiving attention of the Central Government. Eastern Coalfields Ltd. has taken up two pilot projects for development of a technique for stabilisation of subsidence prone areas.

As regards problem of coalfield fires, the first incident in Jharia coalfield was reported in the year 1916. At the time of nationalisation of coking coal mines in 1972, there were reportedly 70 active fire spots covering an area of about 17 sq. km. Since nationalisation, five fires have been completely extinguished and further spread of six fires has been brought under control. The expenditure incurred on these was about Rs. 73 crores.

In order to deal with the problem of coalfield fires in Jharia, a diagnostic study has been taken up with the assistance of World Bank which has provided a loan of US \$ 12 million. The study has two components :-

- (a) Development of fire fighting programme, and
- (b) Preparation of environmental management plan.

The study is expected to be completed in June 1996.

Stowing Operation

12. It is observed from the Performance Budget that at present there are 49 areas in Raniganj Coalfields which have been declared unsafe. Out of this 34 areas were found to be suitable for stowing. It has been stated that Plans have so far been prepared covering 9 of these areas and actual execution of the stowing is being carried out in 2 areas. The Committee note that the rate of stowing achieved was about 5000 to 7000 cu m per year against about 20,000 cu m of stowing required for stabilising each area. 4 years would be required for the stowing operations in each area and the approximate cost per area comes to Rs. 3.50 crores. Further, the total expenditure estimated for the 34 areas will be about Rs. 140 crores at current price level. The Committee would like to know what is the Government's Plan in this regard and by when the work in all the 34 areas are expected to be completed.

Reply to Para 12

As already stated above two pilot projects for developing a suitable technique through application of hydro pneumatic sand stowing for stabilisation of subsidence prone areas are under implementation. Another two projects on similar lines are being contemplated. These are only experimental projects to develop the technology. There is no plan at present to cover the remaining 34 areas.

Subsidy

13. The Committee note that a Budgetary provision of Rs. 123 crores was made for the year 1993-94 and Rs. 143 crores in 1994-95 under the object Head No. 33. The amount was however, revised to Rs. 85 crores during 1994-95. The Budgetary provision for 1995-96 is Rs. 103 crores. The Committee would like to be informed of the details of the subsidy and the justification for extending the same.

Reply to Para 13

The budgetary provision under the object Head No. 33 were as follows :

(Rs. in crores)

Item	Description	BE 94-95	RE 94-95	BE 95-96
(a)	Subsidy to Coal India Ltd. for payment of interest on non-plan loans	58.08	Nil	Nil
(b)	Payment against collection of cess on coal and coke	40.00	40.00	45.00
(c)	Payment against collection of cess towards Development of roads in coalfield areas	40.59	40.59	55.00
(d)	Payment to Coal India on account of transactions of collieries prior to formation of National Coal Development Corporation	0.01	0.01	0.01
(e)	Assistance to Coal companies for import of spares under U.K. Grant	4.0	4.0	3.0
	Total	142.68	84.60	103.01

The justification for each of the above items are as follows :

(a) Subsidy to Coal India Ltd. for payment of interest on Non-Plan loans :

An amount of Rs. 58.08 crores was being provided as subsidy to Coal India Ltd. for payment of interest to the Govt. on non-plan interest free loans of Rs. 432.64 crores. The arrangements adopted for making these loans interest

free was that the Govt. would sanction the amount equal to the interest accruable on the non-plan loans and this would be adjusted against the interest payment by CIL to the Govt. No provision has been made under RE for 94-95 and BE 95-96 as financial restructuring of Coal India Ltd. is now being taken up.

(b) & (c) Payment against collection of cess/excise duty on coal and coke :

These schemes for undertaking stowing and conservation as well as development of roads in coalfield areas are undertaken out of the cess/excise duty collected under the Coal Mines (Conservation & Development) Act 1974 and rules made thereunder. This Act provides for a levy on all coal raised and despatched from the collieries in India. The present rate is Rs. 4.25 per tonne on coking coal and Rs. 3.50 per tonne on non-coking coal. Out of the money so collected, the coal companies are provided funds or undertaking certain works, admissible under the law by which the levy was made.

(d) Payment to Coal India Ltd. on account of transactions of collieries prior to formation of National Coal Development Corporation (NCDC) :

11 Collieries belonging to the erstwhile Indian States/State Railways were taken over in 1956 by NCDC. All the employees working in these collieries were treated as Central Govt. employees and the Govt. are required to pay proportionate share of pensionary benefits to these employees for the period of service rendered upto 30th September, 1956. A token provision is made in the budget for meeting any pending liabilities of these collieries.

(e) Assistance to Coal companies for import of spares under UK Grant

The provision is to enable coal companies to import spares under a grant from the UK Government. The above disbursement is made against this grant.

Coal Sales dues

14. The amount disputed by consumers is increasing mainly because of the fact that the power houses are not accepting colliery end as the venue for quality inspections. The outstanding dues to CIL as on 31.10.94 is stated to be as much as Rs. 4167 crores out of which Rs. 1987 crores are disputed. Consumers like DVC, Badarpur and UPSEB are not paying even the undisputed dues. The Committee would like to be apprised as to what steps were taken by the Ministry to recover the undisputed dues and outcome thereof. The Committee also wish to know the present position regarding appointment of umpires to resolve disputed dues.

Reply to Para 14

The total coal sale outstanding dues of Coal India Limited from all consumers as on 28.2.1995 are Rs. 4264.70 crores out of which Rs. 2208.62 crores are "disputed" by consumers. Power sector is the major defaulter. The total dues from power utilities are Rs. 3437.68 crores out of which the "disputed" dues are Rs. 1577.30 crores. Following steps are being taken to reduce the outstanding dues of the coal companies :

- (i) Ministry of Coal has advised coal companies to supply coal to power houses only against advance payments or Letters of Credit.
- (ii) Coal companies are holding periodical discussions with State Electricity Boards to reconcile the outstanding dues and persuade them to make payments.
- (iii) Recovery of dues by way of adjustment against energy bills of Damodar Valley Corporation, Bihar State Electricity Board, Uttar Pradesh State Electricity Board, Orissa State Electricity Board, Maharashtra State Electricity Board, and power utilities in West Bengal is being done.
- (iv) Undisputed amount of Rs. 1093 crores due to Coal India Ltd. from power sector as on 31.5.90 had been recovered from Central Plan Assistance of the respective States. The recovery had been made in four equal annual instalments. The last instalment was recovered during 1993-94.
- (v) Recovery of Rs. 65.09 crores was also made out of the Central Plan Assistance to the Government of National Capital Territory, Delhi, during the year 1994-95 towards the dues of Coal India Ltd. from Badarpur Thermal Power Station.

Further it was decided that as a speedy dispute resolution mechanism single member umpires on a regional basis may be appointed. The umpires would take up the disputes of each of the SEB's dues to CIL that might remain unresolved even after mutual discussions between the two parties.

Orders appointing umpires for the 4 regions viz. northern region, southern region, western region and eastern region were issued by this Ministry on 12th January, 1995. None of the umpires have so far given their consent. Efforts are continuing to appoint umpires in consultation with Ministry of Power/State Electricity Boards to sort out the problem of "disputed" outstanding dues.

Coal Off take and Pit Head Stocks

15. Off take of raw coal grew substantially from 208.38 mt during 1992-93 to 216.53 mt during 1993-94. The off take for the year 1994-95 is expected to be 231.50 mt while for the year 1995-96 the off take is estimated as 248.50 mt. At the end of March, 1994 the pit head stock of CIL was 49.49 mt against the pit head stock of 50.10 mt in March, 1993. A decree in stock to the extent of 7.50 mt has been planned for 1995-96.

Reply to Para 15

This is a statement of facts.

16. The Committee would like to know whether any norm has been laid down in regard to pit-head stock and if so, how the actuals compared with them. The Committee would also like to know whether any measures are contemplated to bring down the level of pit head stock to a normative level.

Reply to Para 16

As per the guidelines, coal company should hold stocks as indicated below :-

- (i) For a subsidiary company as a whole, the company's stocks at pit head should not be more than one month's production.
- (ii) At each colliery the pithead stock should not exceed 3 months' production.

The actual pithead stocks with some of the collieries as well as in some subsidiaries of Coal India exceed the above norms. Contemplated measures for improvement are :

- (i) Major consumers would be encouraged to draw additional supplies by alternative transport arrangement.
- (ii) For improved evacuation of coal, Liberalised Sales Scheme has been introduced allowing the customers to buy coal without restrictions of sponsorships linkages, etc. More mines have been identified under Liberalised Sales Scheme.
- (iii) It is proposed to meet demand of coal to an extent of 7.5 mt during 1995-96 through draw down from pithead stocks.

APPENDIX III

REPLIES TO THE POINTS RAISED BY THE COMMITTEE DURING THE DISCUSSION HELD WITH THE REPRESENTATIVES OF MINISTRY OF COAL ON 17.4.1995

Point 1

Expenditure on R&D has been at Rs. 3.91 crore in 1993-94, Rs. 7.41 crore in 1994-95 and budgeted at Rs. 20.20 crore in 1995-96.

Please indicate the types of research programmes being pursued and by which agency :

Reply to Point 1

Coal R&D Programme covers 39 on-going projects and 22 new projects cleared during 1994-95. Such projects are being implemented in association with various research laboratories and other institutions.

Central Mine Planning & Design Institute, Ranchi acts as a nodal agency and co-ordinates R&D activities in coal and lignite sectors.

Some of the major R&D Projects currently under implementation and the agencies involved are given below :-

Sl. No. (1)	Name of the Project (2)	Agency (3)
Production, Productivity and Safety		
1.	Induced caving of sub-level coal numerical evaluation of some geological and mining parameters	BHU
2.	Development of instruments for coal mine and stability monitoring	NIRM
3.	Mechanised depillaring of 6 m thick seam-III of Chirimiri with cable bolted support	SECL/CMRI
4.	Assessment and evaluation of molten carbonate fuel cell technology using Indian Coal.	TERI
5.	Rapid cooling of strata heated by fire at South Tisra fire area	BCCL

(1)	(2)	(3)
6.	Identification and delineation of abandoned and unsurveyed colliery workings in Ranigan Coalfields, India-Geo-physical studies	CMPDIL
7.	Improvement in the life of mine implements through tribological studies	RRL (Bhopal)
	Coal Beneficiation	
8.	10 TPH oil Agglomeration Pilot Plant at Patherdih Coal Washery, BCCL	CMPDIL
9.	Modelling and Scale Up Studies on Water only cyclones treating coal	ISM/RRL (Bhopal)
10.	Beneficiation of non coking coals	CFRI/CMPDIL
	Coal Utilisation	
11.	Design and installation of two coal fired inert gas generators for combating mine fires.	CFRI
12.	Briquetting of leco-fines for production of metallurgical briquettes	NLC
	Environment & Ecology	
13.	Soil enrichment and reclamation of back-filled areas of Neyveli open cast Annamalai mines	NLC/University
14.	Restoration and reclamation of abandoned Tikak open cast mine	NEC
15.	Environmental Management of overburden dump	CMRI
16.	An integrated ecological study on re-vegetation of mine spoil	BHU/State Forest Deptt. of UP and MP

Point 2

Under the head 'Assistance to coal and lignite Companies'. Sub-head C-2(1) an amount of Rs 45 crore has been shown as "payment against collection."

(a) Whether there have been any representations from State Governments for fixation of royalty payments according to the value of coal? If so, furnish details thereon.

Reply to Point 2(a)

A Study Group was set up on 20.1.94 by the Ministry of Coal to make recommendations to Govt. regarding revision of rates of royalty on coal. The Study Group invited suggestions from the State Governments on fixation of rates of royalty.

Response received from various State Governments are summarised below :-

(i) *Bihar*

They asked for fixation of coal royalty at 45% and 55% of Pit's mouth value for non-coking and coking coal respectively. They added that consequent upon fixation of royalty on tonnage basis in 1971, the State was not benefited by way of increased royalty due to increase in coal prices.

(ii) *Madhya Pradesh*

They suggested fixation of royalty on *ad valorem* basis at 20% of the notified sale value of various grades of coal.

(iii) *Karnataka*

They suggested that the royalty rates could be fixed on *ad valorem* basis since such rates may be easier to implement. However, there should be no increase in coal prices due to adoption of *ad valorem* rates. The total taxes levied on coal should not exceed 5% of the coal price.

(iv) *Assam*

They suggested fixation of royalty rates on coal on *ad valorem* basis @ 20% of the price of coal.

(v) *West Bengal*

They suggested levy of royalty at 20% of the value of coal at the pithead price.

Point 2(b)

In this connection, please also state that whether any subsidiary of CIL has collected cess from consumers to be paid to the Mineral Area Development

Reply to Point 2(b)

The Ranchi Bench of the Honourable Patna High Court in their judgement of 6.11.90 struck down the authority of the State Govt. of Bihar to levy and collect cess on minerals and directed the coal companies to refund the cess collected w.e.f. 25.10.1989, together with 18% interest, to the consumers. Against this judgement, the State Government of Bihar appealed to the Supreme Court. The Supreme Court, in their judgement of 4.4.91, held that the State Government have been denuded of the powers to collect cesses on minerals, with the enactment of the Mines and Minerals (Regulation & Development) Act, 1957. However, they allowed the Govt. of Bihar to retain the cess collected upto 4.4.1991.

The Coal Mines Area Development Authority Act of the Govt. of Bihar was not specifically challenged in the Supreme Court. BCCL had collected Rs. 6.79 crores upto 4.4.91 and ECL had collected 1.43 crores upto 5.12.90 under this Act. In the light of the Supreme Court's judgement mentioned above, doubts arose about the entitlement of the CMAD Authority to collect the cess in question. BCCL and ECL have filed a writ petition in the Ranchi Bench of Honourable Patna High Court, challenging the constitutional validity of the CMADA Act and the competence of the State authority to levy cess under that Act. The writ petition has since been heard and the Court has reserved its judgement.

The matter is, therefore, *sub-judice*.

Point 3

Under the head 'Assistance to coal and lignite Companies' in Sub-head C-2(3), a sum of Rs. 55 crores has been shown as "Payment against Collection of Cess towards Development of Roads in Coal field Areas".

What mechanism do the Ministry have to supervise proper utilisation of funds & implementation of the development programmes?

Reply to Point 3

Central Government collects excise duty on coal despatched from each colliery in terms of section 6 of the Coal Mines (Conservation and Development) Act, 1974 and in accordance with the procedures laid down in Coal Mines (Conservation and Development) Rules, 1975.

In terms of section 10 of the Coal Mines (Conservation and Development) Rules, 1975, a Committee called "Coal Conservation and Development Advisory Committee (CCDA) comprising representatives of Central Government, Coal Companies, Central Fuel Research Institute, Central Mining Research Institute,

Director General of Mines Safety, etc. with Coal Controller as Member-Secretary recommends assistance in accordance with provisions contained in the Rules.

This Committee advises the Government on formulation and implementation of various conservation and development schemes measures. This Committee also reviews, from time to time, the progress of implementation of such schemes. Besides, it advises the Central Government on the manner in which and the conditions subject to which financial assistance might be granted and determines the procedure that should be adopted for carrying out examinations, inquiries and inspections in order to ascertain whether the financial assistance granted under the Act is being or has been utilised for the purpose for which it was sanctioned.

Point 4

Under the same head on page 5, under Sub-head C-2(5), an amount of Rs. 3 crores has been shown as "Assistance to Coal Companies for Import of Spares under U.K. Grant".

What are the details of UK Grants and the amounts spent under this head from time to time?

Reply to Point 4

Government of UK had agreed to provide a sum of Rs. 19.20 crores in 2 phases for enabling CIL/SCCL to purchase spares required for longwall sets of UK origin deployed in CIL/SCCL.

Against this provision, so far actual drawals have been as follows :

1990-91	Rs. 51.01 lakhs
1991-92	Rs. 400.00 lakhs
1992-93	Rs. 327.00 lakhs
Total	Rs. 778.00 lakhs

ODA of UK also agreed in 1993 to an expenditure of Rs. 250 lakhs for purchase of spares by SCCL. Another proposal of SCCL has been sent in February, 1995 to ODA covering Rs. 6.40 crores which is presently under their consideration.

Point 5

Furnish details of the programmes under the head 'Training', under Sub-head C-3(1), whereby an amount of Rupees one crore has been shown

“UNDP” Assistance for Modelling and Control of Water System in coal mining environment.”

Reply to Point 5

Provision of Rs. 1.00 crore under UNDP Assistance has been made for :

- (a) completing the verification part of the study titled “Modelling and Control of Water Systems in Coal Mining Environment”; and
- (b) new project titled “Development of Capabilities for Mines Safety and Productivity in Coal Mines”.

While the component relating to modelling study will be taken up during the year 1995-96, the other study will be taken up only after approval of UNDP is available.

Point 6

Under the head “Other Expenditure”, under sub-head C-5(i), subsidy for transport of coal, an amount of Rs. 5 lakh has been shown. The nature of subsidy and the recipients may be elaborated.

Reply to Point 6

A scheme for providing subsidy for transportation of coal by rail-cum-sea route was earlier in existence. The scheme was discontinued from September, 1983.

However, a token provision is being kept in the budget to meet claims, if any, from the consumers who transported coal by rail-cum sea route prior to September, 1983.

Point 7

During the first nine months of 1994-95, total coal production was reportedly only 171 million tonnes against targeted production of 253.6 mt during the full year.

In what manner the production during the full year 1994-95 is likely to reach a level of 253.6 million tonnes as targeted?

Reply to Point 7

During the first quarter of the year because of heat and absenteeism the production trend remains low and continues to be so during the monsoon

period as well. The production starts picking up from September onwards. Traditionally, last quarter of the year is the best production period. The production during the whole year of 1994-95 is given below :

Company	Production	
	Target	Actual Provisional)
ECL	32.40	32.50
BCCL	29.60	28.75
CCL	34.45	31.30
NCL	32.40	32.50
WCL	27.00	27.24
SECL	48.00	50.00
MCL	25.00	27.32
NEC	1.10	1.19
CIL	223.00	223.15
SCCL	25.60	25.65
Other captive Collieries	5.00	5.01
All India	253.60	253.81

Point 8

CIL has shown profitability of Rs. 291.27 crores in 1992-93 and Rs. 400.32 crores in 1993-94.

With a reported shortage of nearly 30 million tonnes in stocks, what is the basis of showing this profitability? Has this shortage been accounted for?

Reply to Point 8

For the purpose of Annual Accounts, wherever variation between book stock and measured stock is more than 5%, measured stock has been taken into account and in cases where the variation is upto 5%, book stock has been taken into account. On this basis the quantity of coal stocks are accounted for by coal companies at the close of the year 1992-93 and 1993-94. Ministry is not aware of a shortage to the tune of 30 million tonnes in coal stocks.

Point 9

In the case of BCCL, there was a loss of Rs. 73.84 crores in 1992-93 but a profit of Rs. 21.56 crores in 1993-94. Whether the Mishra Committee had pointed out a shortage of 6.5 million tonnes of coal stock in BCCL and over and above this there has been a shortage of nearly 2 million tonnes? In what manner these shortages have been accounted for while building up the profitability figures?

Reply to Point 9

The Mishra Committee in its report on stock shortage in BCCL has observed a shortage of 7.5 million tonnes of coal over a period of 9 years from 1983 to 1992. The above coal stocks were taken at zero value in the accounts of the company.

Point 10

For the Secretariat of the Ministry of Coal, expenditure on salaries, wages and OTA increased by 13.1% in 1994-95 over 1993-94 and is budgeted to increase by another 9.5% in 1995-96. The staff strength has increased from 160 as on 1.3.1993 to 166 as on 1.3.94 and is estimated at 162 for 1.3.1995 and 1.3.1996. Expenses on hospitality has increased from Rs. 62,000 in 1993-94 to Rs. 5.50 lakh in 1994-95 and Rs. 12.00 lakh in 1995-96. In the case of Coal Controller's Organisation, expenditure on salaries, wages and over-time allowance has increased by 30.9% in 1994-95 over 1993-94 and is budgeted to increase further by 4.6% in 1995-96. In addition, the office related expenses have increased by 26.6% in 1994-95 and is further slated to increase by 20.1% in 1995-96.

Please clarify increases in the points stated above.

Reply to Point 10

Actual increase in expenditure in 1994-95 on salaries, wages and OTA over 1993-94 was only 3.8%. Major increase is in wages of daily rated workers in compliance to an order of Department of Personnel & Training. The budget provision was somewhat higher to accommodate likely increase in salaries/dearness allowances.

There has been no change in the sanctioned staff strength of this Ministry since 1.3.1993 and no change is expected by March, 1996 also. The figures indicate only the actual (anticipated) strength as on 1st March in various years.

In 1993-94 the actual expenses for hospitality was Rs. 62,000. for 1994-95 a provision of Rs. 5.50 lakhs was made in BE and RE as a number of foreign delegations were expected to visit India during that year. However, the actual

expenditure has been only about Rs. 1.17 lakhs. The budget provision under this head for 1995-96 has been retained at Rs. 5.50 lakhs and is not Rs. 12.00 lakhs.

In respect of Coal Controller's Organisation, the actual expenditure in respect of salaries, wages and OTA during the last 2 years has been as follows :-

(Figures in Rs.)

	Actual 1993-94	Actual 1994-95
Salaries	87,44,000	79,24,470
Wages	7,000	5,455
OTA	41,000	22,851

The actual expenditure under each of these heads has gone down in 1994-95 as compared to the year 1993-94.

The actual office related expenses in 1994-95 was Rs. 9.91 lakhs against Rs. 8.21 lakhs actually spent on the same item in 1993-94. The increase was due to the rise in cost of stationary and other office equipment as well as the increased work of quality control of coal despatches undertaken by that organisation. In 1995-96 a provision of Rs. 13.60 lakhs has been proposed which is lower than the budgeted figure for 1994-95 under this head.

Point 11

Furnish present actual saleable stock verification report of various subsidiaries of CIL and detailed time-bound plan for bringing down stock figures to normative level.

Reply to Point 11

The closing raw coal stock as per the books of Coal India Ltd. by the end of March, 1995 was 45.10 million tonnes (provisional) as against 49.49 million tonnes at the end of March, 1994. These closing stocks include stock shortages/non-vendable stocks. The saleable stock is estimated at about 31 million tonnes (as on 1.4.1995)

A part of the demand for coal is to be met by draw down of stocks. The draw down of stock during the year 1995-96 is expected to be of the order of 7.50 million tonnes.

Point 12

It has been claimed in the Performance Budget that "over the past two to three decades the coal and lignite reserves base has considerably expanded". Further it is observed that in the recent years, proved reserves have shown insignificant increase, from 68,047 million tonnes as on 1.1.94 to 68,598 million tonnes as on 1.1.95. Further break-up of these shows that in case of coking coal there has been minimum increase in reserves, whether proved or total. In some cases drilling target fulfilment has been as low as 39.1% and 41.5% (Annexure XXVII - p. 149 AR) which shows that there has been slow down in detailed exploration in CIL, from 3.43 lakh mts in 1990-91 to a target of 2.70 lakh mts. in 1994-95.

What are the reasons for bringing down the exploration work and how would it affect long term interest of the Coal Sector?

Reply to Point 12

The total proved reserves as on 1.4.1994 were 68047.39 m.t. and after detailed exploration by various agencies got enhanced to 68597.60 m.t. indicating increase of 550.21 m.t. out of which increase in Coking coal reserves is 396 m.t. which is 72% of the total increase in the proved reserves.

For CIL areas detailed exploration of the indicated reserves is carried out by Central Mine Planning & Design Institute (CMPDIL) through its own fleet of drills as well through Mineral Exploration Corporation Limited (MECL) and State Government agencies. Similarly for Singareni Collieries Company Limited (SCCL) and Neyveli Lignite Corporation (NLC) areas, detailed exploration is undertaken by concerned coal company directly as well as through MECL.

Immediately, after nationalisation there was an urgent need to identify and explore blocks for immediate exploitation for meeting the fast growing demand of coal. Accordingly, a much higher quantum of drilling was required in early years after nationalisation. The exploration needs for meeting the coal production programme upto 9th plan have been completed and current exploration in hand is aimed at resources required for production beyond 2001-02. A recent review had indicated that a total quantum of 21.12 lakh metres of drilling would be required to be carried out between 1992-93 and 2001-02 to meet the projected growth in coal demand.

As the coal companies have proved enough reserves through detailed exploration for future, in view of declining budgetary support they now find it difficult to allocate resources for furthering detailed exploration programmes beyond their projected production programmes.

The achievement of detailed exploration against target of Coal India Limited for the last 3 years is given below :-

Name of the Company	Figures in Metres)					
	1992-93		1993-94		1994-95	
	Target	Actual	Target	Actual	Target	Actual April Dec. 94)
CIL	268500	252615	247500	272659	270000	185162.27

Point 13

Information regarding how many companies have reported stock shortages in the last 3 years, how many enquiries have been made in the question of shortage and what are the results of these enquiry reports may be furnished.

Reply to Point 13

Provision for deterioration in quality of coal, non-vendable coal and mixed coal has been made in the accounts for the last 3 years.

Stock shortages beyond the permissible limits reported in the accounts of coal companies during the last three years were as follows :

Company	(In Million Tonnes)		
	1991-92	1992-93	1993-94
BCCL	34.45	7.43	6.12
ECL	2.43	1.52	5.80
CCL	0.01	—	4.08
SECL	—	0.80	—

Information regarding enquiries into the shortages and the results of the enquiry reports are to be received from the coal companies and will be furnished immediately on receipt of the same.

Question

It may be indicated as to whether in the annual accounts value of coal is taken at cost price or at selling price for the purpose of working out its monetary value.

Answer

For each grade of coal in each colliery, valuation is made at "net realisable value". Net realisable value is computed on the basis of notified administered price minus average quality deduction for the last quarter of the year minus the expenditure to be incurred on transportation/handling of coal before loading and despatch.

Point 14

The impact of pithead stocks on the balance sheet of CIL may be indicated.

Reply to Point 14

The impact of pithead stocks on the balance sheet of CIL is as under :

(Rs. in crores)				
Sl. No.		31.3.92	31.3.93	31.3.94
1.	Coal stocks (net of provisions)	1405	1661	1656
2.	Total current asset	4509	5703	5932
3.	Total assets (net fixed assets plus total current assets)	10808	1275	13820
4.	Percentage of Sl. No. 1 over 2	31.15%	29.12%	27.92%
5.	Percentage of Sl. No. 1 over 3	12.99%	13.03%	11.98%

Point 15

The cash flow statement of CIL for the last three years may be provided and it may be indicated if there has been an improvement in the cash flow as a result of profits earned by CIL during the last three years.

Reply to Point 15

As per the Audited Accounts of Coal India Limited and its subsidiaries, the net cash at bank balance as on 31st March of 1993-94, 1992-93 and 1991-92 is given below :

(Rs. in Crores)		
1993-94	1992-93	1991-92
218.13	186.63	146.33

Cash flow for CIL for the years 1991-92 to 1993-94 were as follows :

(Rs. in Crores)

Sl. No.		1991-92	1992-93	1993-94
SOURCES				
1.	Net Profit	167.07	291.27	400.32
2.	Depreciation	670.59	786.09	912.63
3.	Interest	566.95	727.99	708.93
4.	Gross Margin (1 + 2 + 3)	1404.61	1805.35	2021.88
5.	Equity/Loan from Government	347.00	370.00	337.00
6.	Other loans (Net)	300.93	560.24	436.19
7.	Total funds (4+5+6)	2052.54	2733.59	2795.07
APPLICATION				
8.	Payment to Government			
	(a) loan repayment	0.04	201.15	470.41
	(b) interest	399.98	346.11	550.96
	Total (a + b)	400.02	547.26	1021.37
9.	Interest on other loan	230.25	424.27	322.14
10.	Increase in working capital	(-) 332.92	(-) 43.43	(-) 236.37
11.	Investment	1755.19	1807.49	1687.93
12.	Total (8 + 9 + 10 + 11)	2052.54	2735.59	2795.07

From the above it may be seen that the gross margin, i.e. cash surplus after operating cost has increased substantially during last 3 years as a result of profit earned by CIL during the same period. This has resulted in substantial improvement in CIL's overall cash generation.

Point 16

The audit report of CIL for the year 1993-94 may be supplied. It may be indicated if the audit has made any observations regarding pit head stocks of coal.

Reply to Point 16

Two copies of the CIL's Annual Report and Accounts for the year 1993-94 are sent herewith. Vol. II of the Annual Report contains audited reports/accounts of individual coal producing company. Following pages of the Annual Reports & Accounts of coal producing companies may be referred regarding observations of the audit regarding pithead stocks of coal :-

NCL	Page 56
SECL	Page 53
MCL	Page 61
CCL	Page 60
BCCL	Page 70
ECL	Page 76
WCL	Page 44

Point 17

It may be indicated if any tender of about 500 million dollars was due to be opened by CIL in November, 1994 and which has not yet been opened. (This question has arisen out of an editorial in the Financial Express of 17.4.1995)

Reply to Point 17

CIL has informed that there is no major tender for modernisation of equipment/upgrading etc., which was supposed to be opened in November, 1994 and then postponed to March 1995 and again to July, 1995.

Point 18

It may be indicated as to how many areas which are prone to subsidence in Raniganj and Asansol Areas are under the lease of CIL.

Reply to Point 18

There have been 22 cases of subsidence in Eastern Coalfields Limited (ECL) since 1990, out of which 13 were in old abandoned workings worked during pre-nationalisation period. Out of the balance mines, six occurred due to illegal mining and three due to other reasons. As informed by ECL all the areas mentioned above where subsidences have taken place are within the lease hold of ECL.

Point 19

The Ministry has allocated around Rs. 12 crores to ECL for construction of small road, whereas they have allocated Rs. 16 crores to BCCL for the construction of 79 Kms long road. Why is this discrimination?

Reply to Point 19

During the last 4 years (1991-92 to 1994-95) approximately the following allocations have been made under "Roads" for BCCL and ECL areas, out of the excise duty collected for the purpose :

Company	Approx. amount allocated	Total Length
BCCL	24.00 Crores	122 Kms
ECL	12.50 Crores	126 Kms

Since construction of roads is an on-going work, in case of BCCL a portion of amount released during 1992-93 was on account of roads constructed during earlier period. Amount allocated depends upon the expenditure incurred by the coal company and its admissibility, etc.

APPENDIX IV

EXTRACTS OF MINUTES OF THE FIRST SITTING OF THE COMMITTEE HELD ON 17TH APRIL, 1995

The Committee sat from 11.00 hrs. to 13.30 hrs.

PRESENT

Shri Shiv Charan Mathur - *In the Chair*

Members

2. Smt. Lovely Anand
3. Shri Anil Basu
4. Smt. Dil Kumari Bhandari
5. Shri Dalbir Singh
6. Shri Keshari Lal
7. Shri Rajesh Kumar
8. Shri Venkateswara D. Rao
9. Shri K.P. Reddaiah Yadav
10. Shri Haradhan Roy
11. Shri Khelsai Singh
12. Shri Laxminarain Tripathi
13. Shri Shankersinh Vaghela
14. Prof. Rita Verma
15. Shri Virender Singh
16. Shri Vijay Kumar Yadav
17. Shri Parmeshwar Kumar Agarwalla
18. Shri M.M. Hashim
19. Shri Bhubneswar Kalita
20. Shri Dipankar Mukherjee
21. Smt. Ila Panda
22. Shri J.S. Raju
23. Shri T. Venkatram Reddy
24. Shri Viren J. Shah

SECRETARIAT

1. Shri G.R. Juneja - *Deputy Secretary*
2. Shri A. Louis Martin - *Under Secretary*

APPENDIX V

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON ENERGY HELD ON 17TH APRIL, 1995

The Committee sat from 15.00 hrs. to 18.00 hrs.

PRESENT

Shri Shiv Charan Mathur – *In the Chair*

MEMBERS

2. Smt. Lovely Anand
3. Shri Anil Basu
4. Smt. Dil Kumari Bhandari
5. Shri Dalbir Singh
6. Shri Khelsai Singh
7. Shri Laxminarain Tripathi
8. Shri Bhawani Lal Verma
9. Shri Virender Singh
10. Shri Vijay Kumar Yadav
11. Shri Parmeshwar Kumar Agarwalla
12. Shri Bhubaneswar Kalita
13. Shri Dipankar Mukherjee
14. Shri M. Rajasekara Murthy
15. Smt. Ila Panda
16. Shri T. Venkatram Reddy
17. Shri Rajni Ranjan Sahu
18. Shri Viren J. Shah

SECRETARIAT

1. Shri G.R. Juneja – *Deputy Secretary*
2. Shri A. Louis Martin – *Under Secretary*

WITNESSES

1. Shri M.P. Modi, Secretary, Ministry of Coal.
2. Shri B.N. Makhija, Additional Secretary, Ministry of Coal.
3. Shri Vivek Mehrotra, Jt. Secretary & Financial Adviser, Ministry of Coal.
4. Shri R.K. Sachdev, Adviser (Projects), Ministry of Coal.
5. Shri S. Bandopadhyay, Joint Secretary, Ministry of Coal.
6. Shri K.K. Misra, Jt. Secretary, Ministry of Coal.

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 (1995-96) of the Ministry. A copy of the verbatim proceedings of the discussion is kept on record.

The Committee then adjourned.