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STANDING COMMITTEE ON COAL AND STEEL (2005-2006)

FOURTEENTH LOK SABHA

MINISTRY OF COAL

DEMANDS FOR GRANTS
(2005-2006)

[Action Taken by the Government on the Recommendations contained in the Eighth Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha)]

ELEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
December, 2005 / Agrahayana, 1927 (Saka)

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Presented to Lok Sabha on 22.12.2005
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NEW DELHI
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INTRODUCTION

I, the Chairman of the Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Eleventh Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Eighth Report of the Standing Committee on Coal and Steel on "Demands for Grants (2005-2006) of the Ministry of Coal".

2. The Eighth Report on the Standing Committee on Coal and Steel was presented to Lok Sabha on 26.4.2005. Replies of the Government to all the recommendations contained in the Report were received on 25.7.2005.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 21.12. 2005.

4. An analysis of the Action Taken by the Government on the recommendations contained in the Eighth Report of the Committee is given at Annexure-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
21 December, 2005
30 Agrahayana, 1927 (Saka)

ANANTH KUMAR,
Chairman,
Standing Committee on Coal and Steel.

CHAPTER -I

REPORT

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Eighth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel on "Demands for Grants (2005-06) of the Ministry of Coal" which was presented to Lok Sabha on 26.4.2005.

1.2. Action Taken Notes have been received from the Government in respect of all the recommendations contained in the Report. These have been categorised as follows:-

(i) Recommendations/Observations that have been accepted by the Government:

Sl. Nos.1, 2, 3, 4, 5, 6, 7, 9, 12, 13, 15, 16, 17, 18, 20, 21, 23 and 24.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

Sl.Nos.8 and 19.

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee :

SI. Nos. 10 and 14.

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:

Sl.Nos. 11 and 22.

1.3 The Committee desire that utmost importance should be given to the implementation of the recommendations accepted by the Government. In case, where it is not possible for the Government to implement the recommendations in letter and spirit for any reasons, the matter should be reported to the Committee in time with reasons for non-implementation.

1.4. The Committee will now deal with the Action Taken by the Government on some of their Recommendations/Observations made in the Eighth Report.

(A) Under Utilisation of Budgetary Allocations

Recommendation (Sl. No. 1, Para No. 2.14)

1.5 The Committee noted that the annual plan outlay of the Ministry of Coal for the year 2005-06 had been kept at Rs.4,001.40 crore as compared to budget estimate of Rs.3,339.02 crore and Revised Estimate(RE) of Rs.2,629.35 crore in 2004-05. The Committee further noted that the outlays of Coal India Ltd.(CIL), Singareni Collieries Company Ltd.(SCCL) and Neyveli Lignite Corporation Ltd.(NLC) were drastically downsized at the RE stage during 2004-05. The Committee were dismayed that the actual utilization of funds had been much less than the outlay approved at RE stage. The Committee were pained to find the same reasons advanced by the Ministry year after year for low utilization, viz. delay in approval of new projects, delay in acquisition of both forest and non-forest land, delay in rehabilitation of villages, delay in procurement of equipments and many projects being operated with outsourcing.

1.6 In their Action Taken Reply, the Government has stated that in Coal India Limited. The actual expenditure for 2004-05 is provisionally estimated to be Rs.1170.26 crore. The actual expenditure as percentage of budget provision for the year 2004-05 ranges from above 100% to a level of below 50% across the subsidiaries of CIL. Despite the best attempts the utilization was around 62% of revised estimates. Analysis of RE vis-à-vis actual utilization reveals that while WCL has surpassed their budgeted outlay, CCL having achieved almost 94% level, ECL, SECL & MCL achieving the 68%, 64% & 56% respectively, the utilization had been around 43% & 36% for NCL & BCCL respectively. It may be noted that NCL which operates only opencast mines, has expenditure on Heavy Earth Moving Machines(HEMM) as its major constituent of capital expenditure. Combination of various factors like court cases, change in procurement policy and revision of HEMM productivity norms resulted in considerably low utilization of HEMM budget and overall utilization of capital budget. In case of BCCL, delay in project implementation coupled with the problems of HEMM procurement due to court case had been the major reasons for lower utilization. In case of other subsidiaries like ECL, SECL & MCL the utilization had been to a satisfactory level for the former two subsidiaries while in case of MCL, the major reason for low expenditure had been delay in implementation of new projects due to delay in approval.

1.7 In respect of **NLC**, Budget provisions made for new projects like Mine II Expansion, Thermal Power Station(TPS) II Expansion and Barsingsar Mine cum-Power Projects could not be utilised due to delay in obtaining sanctions from the Government. Provisions made for TPS I Expansion could not be utilised as the matter is still under arbitration. Out of the total outlay of Rs.267.00 crore for RE 2004-05 Rs.219.01 crore were provided for Mine II and TPS II Expansion and Barsingsar Mine-cum Power Projects. Projected outlay is essentially to meet preliminary expenses, preparation of detailed feasibility report, hydrological studies, Topo survey, EMP Report and advance payments. The short fall in expenditure has mostly occurred in Mine II/ TPS II Exp. and Barsingsar Mine –cum-Power Projects. This is mainly due to delay in project sanction. The projects like Mine II expansion, TPS II expansion and Barsingsar Mine-cum- Power Project at Rajasthan were in the process of sanction for the last three years. For Mine II expansion and TPS II expansion Projects government accorded sanction in October, 2004 and for Barsingsar Mine cum-Power Project sanction was given by the government in December, 2004. As the projects have been sanctioned, expenditure progress is expected to be high in future periods.

1.8 In Singareni Collieries Company Ltd., out of Revised Estimate of Rs.275 crore in 2004-05, actual expenditure was Rs.245 crore. The main reasons for less utilisation of funds are delay in procurement of open cast mines equipments for three projects due to delay in getting forest land and delay in getting revenue land for housing and hospital projects in one of the coalfields.

Recommendation (Sl.No.2, Para No. 2.15)

1.9 The Committee were surprised to note the reply of the Ministry that it was very difficult to ensure full utilization of budget allocations because many activities on which fund utilization depends were beyond the control of coal PSUs. The Committee need not emphasis that the Ministry ought not shun its responsibilities but take steps, viz. simplification of procedure for project approval, secure support from the State Governments in matters of land acquisition, the rehabilitation of villages and removal of impediments in the process of procurement of equipments that would help increase utilization of funds. The Committee had serious reservations about the passive role played by the Ministry in not overcoming these problems faced by coal PSUs eventually leading to under-utilization of the funds.

Recommendation (Sl.No. 3, Para No. 2.16)

1.10 The Committee, therefore, opined that the budget-making mechanism in the Ministry lacked vision and optimism. The under-utilization of funds by the coal companies could not be considered prudent at a time when investment was of paramount importance in view of the need to accelerate the coal production. The Committee expected the Ministry to introspect and take concrete measures in view of the financial implications and losses being suffered on account of less investment/ under-utilization and consequent lower production of coal.

1.11 The Government has stated that the growth in coal production has not been hampered due to lower utilisation of funds. The coal production has increased as compared to the previous years. In the year 2004-05, CIL has surpassed the target of 314 million tonne(mt) by producing 323.62 mt. and they expect to achieve more than the target of coal production during the year 2005-06. Thus low utilization of Internal and Extra Budgetary Resources (IEBR) has been overcome through integrated organizational effort and its manifestation is observed in terms of quantum leap over last few years.

1.12 In **NLC**, there has not been under utilization of funds which resulted in poor physical and financial performance. NLC does not draw any budgetary support from Government of India. All the projects are funded by internal accruals and commercial borrowings. Separate Project Officers are posted to co-ordinate and monitor all the project related activities. A separate Project Monitoring Wing constantly monitors the progress on day-to-day basis. Issues are sorted out at appropriate levels to ensure smooth implementation of the projects.

1.13 **SCCL** is constantly pursuing issues pertaining to acquisition of forest and non-forest land for upcoming mines like Khairagura OCP, Sathupalli OCP, RG. OCP-I expansion, MNG OC.III etc.

1.14 During 2004-05, though an amount of Rs.245 crore is spent out of RE of Rs. 275 crore, the production of coal is 35.302 MT which exceeded the target of 35 MT. The under utilization of funds did not affect the production of coal at all.

Recommendation (Sl. No. 4, Para No. 2.17)

1.15 The Committee recommended that the Ministry of Coal should revamp and strengthen its Budget Division and ensure preparation of realistic budgetary proposals. The Committee were extremely concerned about the under-utilization of funds year after year and, therefore, recommended that a High Level Monitoring Committee might be set up to review the monthly progress of the utilization of funds and to take corrective measures.

1.16 In their Action Taken Reply, the Government has stated that the budget making procedure in PSUs passes through several stages right from seeking mine/project level proposals to macro level issues like future investments in mines. Rigorous follow up action is done by senior officers of PSUs. Procurement action is initiated well in advance and constantly pursued so that the envisaged expenditure gets materialized in the same financial year. Separate project officers are posted to co-ordinate and monitor all the project related activities. A separate project monitoring wing constantly monitors the progress on day to day basis. Issues are shorted out at appropriate levels to ensure smooth implementation of the projects.

1.17 As far as the Ministry is concerned, no funds are provided to coal PSUs and the funds for the projects are met by the PSUs out of their Internal and Extra-Budgetary Resources (IEBR). The IEBR proposals of the PSUs are strictly scrutinized by the Ministry as per the guidelines of Ministry of Finance before getting the approvals of Ministry of Finance and Planning Commission. All efforts are made to ensure that no inflated plan outlays which may pose problems for actual expenditure or lower plan outlays which may affect the progress of the PSUs are proposed to the Ministry of Finance.

1.18 Ministry of Coal reviews the progress of on-going projects of Rs.100 crore and above on quarterly basis under the Chairmanship of Secretary (Coal) in Quarterly Performance Review (QPR) meeting. Representatives from Planning Commission, Ministry of Statistics and Programme Implementation, Department of Expenditure are also invited in this meeting. Besides, Secretary (Coal) also monitors the progress of the projects at his own level by calling fortnightly reports from the coal companies.

1.19 Since there had been under utilisation of funds year after year by coal PSUs under the Ministry of Coal, the Committee had recommended that the Ministry should revamp and strengthen its Budget Division to ensure preparation of realistic budgetary proposals and set up a High Level Monitoring Committee to review the monthly progress of the utilisation of funds apart from taking the other corrective measures. The Ministry in its reply has informed that the budget making procedure in PSUs passes through several stages right from seeking mine/project level approval to macro level issues like future investments in mines. The Ministry has further stated that the overall fund utilisation in CIL has been around 62% of revised estimates. Whereas Western Coalfields Limited surpassed their budgeted outlay, Central Coalfields Limited have achieved almost 94% level. The other subsidiaries – ECL, SECL, MCL, NCL and BCCL could utilize 68%, 64%, 56%, 43% and 36% funds respectively. The Ministry has further informed that though high level Monitoring Committee has not been set up, their monitoring wing constantly monitor the progress on day-to-day basis. In addition, the ongoing projects worth

Rs.100 crore and above are reviewed at quarterly meetings chaired by Secretary (Coal).

The Committee are extremely surprised to note that despite a number of stages at which the project proposals are scrutinized, neither the budget proposals are realistic nor the fund utilisation is satisfactory apart from the delays in completion of projects. It is quite evident from the fact that the actual expenditure during 2004-05 has been Rs.1,170.26 crore, in respect of Coal India Limited, which is much less than the budget estimates of Rs. 3,339.02 crore later revised to Rs.2,629.35 crore at RE stage. The Committee feel that despite all the Coal PSUs facing same bottlenecks, it was commendable for Western Coalfields Limited to surpass their budgeted outlay and Central Coalfields Limited to achieve 94% utilisation. The Committee entirely disagree with the views of the Ministry that the growth in coal production has not been hampered due to lower utilisation of funds. The Committee are of the view that had the Ministry/Coal PSUs utilized the entire budget estimates during the preceding years, the production would have been much higher. The Committee had, therefore, recommended precisely for these reasons for setting up of a High Level Monitoring Committee to review the progress of various projects since the existing mechanism has failed to improve the fund utilisation. The Committee desire the Ministry to introspect and to revamp the Project Monitoring Wing in the Ministry/Coal PSUs to ensure full utilisation of the budgetary allocations and to implement various projects as per schedule.

(B) Adequate provision of funds for Underground Mines

Recommendation (Sl.No. 7, Para No. 3.24)

1.20 The Committee noted that the ratio of coal production between underground and opencast coal mines was not very ideal. A huge number of underground mines (305 underground mines) at present, produced about 30% of coal as against 70% produced by opencast mines. The Committee further noted that an investment of Rs. 679.37 crore would be required for the mechanization and modernization of underground mines out of which Rs.455.12 crore were likely to be spent in the Tenth Plan period and the rest in Eleventh Plan. With the proposed mechanization, it was expected that there would be an over-all improvement and the production from underground mines of Coal India Limited(CIL) would increase by about 4.5 million tonne per annum. The Committee were of the opinion that the country had huge untapped potential for underground mining with extractable reserves up to the depth of 600 metre. Presently, the mining was being done predominantly by opencast method but the reserves available in opencast were fast depleting. The Committee felt that mechanization and modernization of underground mining had become imperative in view of their huge potential to boost the production of coal to bridge the gap between demand and supply to a large extent. The Committee, therefore, recommended that the Ministry of Coal should not only earmark more funds for underground mines but also ensure that the schemes for the mechanization and modernization of mines initiated during Tenth Plan were completed in the Tenth Plan itself.

1.21 The Government has stated that in order to meet the ever increasing demand for coal for the Power Sector, emphasis in production from Open Cast Mines of CIL will continue, as with this method it is possible to achieve high production with a very low gestation period.

1.22 However, CIL appreciates the necessity of tapping the potential for under ground mines. With that in view a plan for mechanization/modernization of existing under ground mines, wherever feasible, has already been in place. During the last 3 years, 224 nos. of Side Discharge Loaders (SDLs) have been introduced in various under ground mines of CIL . During 2006-07 *i.e.* terminal year of the 10th plan another 146 SDLs are expected to be introduced. Similarly during the Xth Plan, 78 nos. of LHDs have already been introduced and 21 more Load Haul Dumpers (LHDs) are likely to be added. Contribution of mechanized production in the overall under ground production has been steadily increased during the last few years.

1.23 Over and above, 2 sets of continuous miners presently in operation - 1 each in South Eastern Coalfields Limited and Western Coalfields Limited, a programme has been drawn up to introduce this technology in 3 mines of Eastern Coalfields Limited, 2 mines of Bharat Coking Coal Limited, 4 mines of and Western Coalfields Limited, and 7 mines of South Eastern Coalfields Limited for which necessary action has already been initiated. All out efforts are being made to ensure timely implementation of the projects.

1.24 The Committee had recommended that the Ministry of Coal should not only earmark more funds for underground mines but also ensure that the schemes for the mechanization and modernization of mines which were initiated during the Tenth Plan are completed before the end of the plan period itself as the ratio of coal production between underground and opencast mines was not very ideal. The Ministry has informed that a plan for mechanization/modernization of existing underground mines, wherever feasible has already been in place. The continuous miner technology has been introduced in some of the underground mines and a programme has been drawn up to introduce this technology in some other underground mines of coal companies. The Committee find that Coal PSUs have introduced latest technologies in some of their underground mines which has resulted in steady increase in the coal production during the last few years. The Committee, therefore, desire the Ministry to make all out efforts to expedite the mechanization/modernization of underground mines and

introduction of continuous miner technology in all the coal mines wherever possible. The Committee would like to be apprised of the present status and time schedule for introduction of continuous miner technology in the underground mines of ECL, BCCL, WCL and SECL.

(C) Streamline the System of Linkage

Recommendation (Sl. No. 10, Para No. 5.7)

1.25 The Committee observed that the existing system of linkage to non-core sector medium and small consumers had not been functioning satisfactorily. The Committee further noted that the system of linkage was started in 1970 with a view to rationalize coal demand vis-à-vis availability. The other system, *viz.* Open Sales Schemes (OSS), started by Coal India Limited (CIL) to make coal freely available to small industries and other consumers who did not have linkages, also did not function well. The Committee found that more recently, the Coal India Limited had started a pilot project of e-auctioning to make the system more transparent. While the Committee appreciated the move by Coal India Limited for e-auctioning of coal, they had doubts whether the small and seasonal consumers who did not have the knowledge and accessibility to internet, would be benefited. The Committee noted with regret that the coal distribution to non-core sector consumers was completely in the hands of black-marketeers with the result, hundreds of genuine small consumers had been forced to close down their business due to non-availability of coal. The Committee recommended that the system of linkage to non-core sector and seasonal consumers needed to be reviewed thoroughly so as to facilitate the availability of coal to all consumers.

1.26 In their Action taken reply, the Government has stated that as the top priority is granted for dispatch of coal to power utilities. Since the availability is limited and there is no provision for issuing of fresh linkage to new consumers or restoration of snapped linkage, CIL has embarked upon a concept of sale of coal through e-auction for non core sector on trial basis. This is an open transparent process and any consumer/non consumer willing to take coal, can avail the opportunity of e-auction of coal. Already few trials have been made and going by the success of the trials, Government conveyed approval for sale of coal to the extent of 10 million tonnes. This will be in addition to the quantity which was being sold to non-core sector under linkage system. Another 2 million tonnes of coal is being supplied to NCCF, a national level co-operative organization under Ministry of Consumer Affairs for distribution of coal to small and tiny consumers. Ministry of Coal has further earmarked 2 million tonnes of coal for State Government Undertaking for distribution of coal to small consumers of each State. By above process, dispatch to non core sector has been streamlined so that coal reaches to even small and tiny consumers all over the country as per their requirement, to the extent coal is available.

1.27 SCCL does not follow the system of CIL with regard to allocation of coal to non-core sector industries. Recommendations for coal allotment to non-core units are sent by Industries Departments of the respective States. Allotment of Coal even upto 100 tonnes is made by the Industries Department after proper verification. Based on such recommendations only, SCCL is issuing coal to these units. The units are required to produce SSI Registration Certificate, Sales Tax Certificate periodically to ensure that there is no diversion of coal and coal is properly used. State Vigilance & Enforcement Department, Industries Department and Commercial Taxes Department conduct periodical checks on the functioning of these units and whenever any unit is found engaged in misutilization of coal, SCCL is advised to stop coal supplies to such units.

1.28 The Committee had recommended that since the existing system of linkage to non-core medium and small consumers had not been functioning satisfactorily, it was needed to be reviewed thoroughly. The Ministry has reiterated its stand that besides sale of coal through e-auction to non-core sector, coal is also being distributed to small and tiny consumers through National Cooperative Consumers Federation(NCCF) and State Government Undertakings. The Committee are distressed to note that the share of coal to non-core sector in total dispatch of Coal India Limited has declined from about 9% to 5% over the last five years. The Committee feel that the sale of coal to non-core sector through e-auction has not yielded the desired results. The small and medium consumers, if at all, they succeed in getting coal supply through e-auction are bound to get the same at higher price thus, putting them at a disadvantageous position due to inherent flaws of the e-auctioning. Besides, a large number of small and medium consumers do not have equal access to computer/internet thus rendering the e-auction process discriminatory. The Committee, therefore, reiterate their earlier recommendation that the system of linkage including e-auctioning to non-core small and medium sector consumers should be reviewed thoroughly so as to facilitate the availability of coal to all consumers. The Committee also desire that wherever the Fuel Supply Agreement have been entered into with the consumers, these should strictly be adhered to.

(D). Physical verification of linked consumers

Recommendation (Sl.No.11, Para No. 5.8)

1.29 The Committee had recommended that the remaining 2,000 odd linked consumers should be inspected by physical verification by the Vigilance Department of coal companies for which the help of local Police and the Industry Department of the concerned State Government might be sought so that bogus industries/ consumers could be weeded out and the genuine consumers did not find it difficult to get coal.

1.30 The Government in their Action Taken Reply, has stated that as per recommendation of Parliamentary Committee of Coal and Steel and initiation by Vigilance Department of CIL, a verification drive of all non core sector industries had been initiated during December, 2004. This verification included checking of list of statement and papers of the company as well as physical verification of the unit and the same is under process.

1.31 Similarly, SCCL had conducted physical verification of all the consuming units in the year 2001. This verification was carried out by Industries Dept. involving State Vigilance & Enforcement Department and other departments like Inspectorate of Boilers. Due to such physical verification, the number of units which were drawing coal had come down by about 33 % (from about 3000 No. of units to 2000 no. of units). SCCL has again started a fresh drive in the month of April, 2005 to find out bogus units. A State level Task Force comprising officials from Industries Department, Commercial Taxes Dept. and SCCL, has been constituted to conduct physical verification of each and every unit drawing coal from SCCL.

DETAILS OF UNITS SUSPENDED

Sl. No.	Year	No. of Units suspended as per the advice of		Total No. of Units Suspended
		Vigilance and Enforcement Department	Industries Department Commercial Tax Dept. and Mines & Geology Dept.	
1	2002-03	17	451	468
2	2003-04	17	391	408
3	2004-05	03	304	307
GRAND TOTAL		37	1146	1183

1.32 In the last three years, SCCL has suspended coal supplies to 831 no. of units based on industries Department recommendation, 37 nos. of units based on State Vigilance & Enforcement Department and 315 nos. of units based on the recommendation of Commercial Taxes Department.

1.33 SCCL has not yet implemented e-auctioning of coal and the implementation of this scheme at other coal companies is being closely monitored.

1.34 The Committee had recommended that 2000 odd linked coal consumers should be inspected by physical verification by the Vigilance Department of coal companies in order to weed out the bogus consumers. The Ministry has stated that a verification drive of non-core sector industries had been initiated during December, 2004 and the same is under process. The Committee are concerned to note that the verification drive of all non-core sector industries which was started in December, 2004 has not been completed even after the lapse of one year which is a reflection on the seriousness and sincerity on the part of the Ministry/Coal India Limited. The Committee, therefore, desire the Ministry of Coal/CIL to chalk out a time bound programme for verification of remaining linked consumers. The Committee would like to be apprised of the progress in this regard.

(E) Allotment of Captive Coal Blocks

Recommendation (Sl. No. 14, Para No. 7.9)

1.35 The Committee noted that under the existing provisions of Coal Mines (Nationalisation) Act,1973, the coal blocks for captive mining were allocated to public/private companies engaged in manufacture of iron and steel, production of cement and generation of power. As on date, 143 captive mining blocks had been identified for captive mining. The Committee were constrained to note that some of the captive coal blocks allotted during the Ninth Plan had not been materialized as yet. Out of total 79 coal blocks allocated so far, only 6 companies had started mining in 8 properties. The Committee were unhappy to observe that considerable time was being taken by the coal block allottees in starting mining. The committee strongly felt that the monitoring of captive coal mining in the Ministry lacks strict vigilance and enforcement. The Committee, therefore, recommended that the system of captive coal mining might be thoroughly reviewed and remedial measures taken. The Committee desired that further allotment of captive coal blocks should put on hold and new allotments considered only after the system was fine-tuned and existing allotments were reviewed.

1.36 In their Reply, the Government has stated that in order to monitor the progress of the captive mining blocks allotted to different parties and to ensure that allottees strictly adhere to the time schedule approved for development of coal mine and end-use project the Coal Controller has been assigned the work to monitor the progress of development of coal mine and installation of the end-use project as per the bar-chart/schedule of activities given by the company to Ministry of Coal and agreed to by the Ministry to send a six monthly report on the progress in respect of allotted captive mining block and the end-use project. On the basis of reports furnished by the Coal Controller the, allocatee of coal block will be asked to invariably conform to the bar-chart/schedule of activities or correct deviations, if any. If despite persuasion and advice of the Ministry to stick to the schedule of development of the end-use plant and the coal mining project, the progress does not become satisfactory, the block will be deallocated.

1.37 A system has been put in place whereby Coal Controller has been authorized to monitor all the stipulations incorporated in the allotment letter of captive coal mine block. The Coal Controller has been asked to send a monthly status report on the progress in respect of allotted captive mining blocks. On the basis of reports furnished by the Coal Controller strict corrective measures would be taken.

1.38 The system of allocation of captive coal blocks was reviewed in the Ministry of Coal and it was found desirable to replace the existing system of allocation with auction of captive coal blocks based on competitive bidding. In order to clear the backlog of applications where projects had reached advanced stage and in some cases investments had also been made in end use projects, it was decided to allocate coal blocks through the Screening Committee route. The cut off date for clearing such backlog was 28.6.2004. Only such eligible applications which were received in the Ministry of Coal before the cut off date were considered and decided upon. While making allocation in these cases suitable provisions for taking bank guarantee for ensuring timely development of mines has been included. All further applications are proposed to be taken up under the auction through competitive bidding route. A Cabinet Note has been initiated for decision of the Government in the matter.

1.39 The Committee had recommended that the system of captive coal mining might be thoroughly reviewed and remedial measures taken and had also desired that further allotment of captive coal blocks should be put on hold and new allotments considered only after the system was fine-tuned and existing allotments were reviewed. The Committee are distressed to note that the Ministry's aim seem to be allocating the coal blocks for captive end use and not on early production of coal therefrom. The Committee are extremely unhappy that the Ministry in utter disregard to the recommendation of the Committee has gone ahead and allotted new captive coal blocks instead of reviewing the existing system of captive coal mining. The Committee, therefore, reiterate that the Ministry should thoroughly review its policy in regard to allotment of captive coal blocks and take remedial measures. The Committee would like to be apprised of the reasons of non-compliance of their recommendations.

(F) Implementation of Captive Coal Blocks

Recommendation (Sl.No.15, Para No. 7.10)

1.40 The Committee had noted that the main reasons furnished by the Ministry for delay in undertaking mining were various clearances from different authorities. The Committee, therefore, recommended that the Ministry of Coal should play its role of a facilitator in obtaining various clearances required for undertaking captive coal mining for which a nodal officer might be designated in the Ministry.

1.41 In their Action Taken Reply, the Ministry of Coal has stated that major part of delay relate to forest and environment clearance and land acquisition on the part of allocattee. Forest and environment clearances fall under the realms of the Ministry of Environment & Forest, whereas the concerned State Government is to facilitate acquisition of land. Ministry of Coal has a limited role of forwarding the environment and forest clearance proposals submitted by the allocattee to the Ministry of Environment & Forest after the mining plan is approved by the Ministry of Coal.

1.42 Since the bottlenecks in obtaining various clearances were being attributed as the main reason for delay in undertaking captive coal mining, the Committee had recommended that the Ministry of Coal should play the role of facilitator for which a nodal officer might be designated in the Ministry. The Committee are distressed to note the evasive reply of the Ministry that it has a limited role of forwarding the environment and forest clearance proposals submitted by the allottees to the Ministry of Environment and Forests. The Ministry has not acted upon the recommendation of the Committee for nominating a nodal officer for this purpose. The Committee feel that the very purpose of policy would be defeated as in most of the cases, the mining in the captive coal blocks are not undertaken in the absence of timely clearances. The Committee expect the Ministry to play a proactive role and effectively monitor the pending proposals sent to various agencies for early clearances.

(G) Rehabilitation and Resettlement(R&R)

Recommendation (Sl. No.22, Para No.9.4)

1.43 The Committee were constrained to note that the burning problem of Rehabilitation and Resettlement (R&R) in Coal India Ltd. and other coal companies had remained unresolved for a long time. It had been brought to the notice of the Committee that adequate compensation had not been paid to the losers of the land by Coal India Ltd and other coal companies. The Committee had desired that a Company-wise programme might be chalked out for solving the R&R problems on a top priority basis. The Committee had further desired that adequate funds should be made available for accomplishing the R&R programmes. The Committee had also desired that the subsidiaries of Coal India Limited and other coal companies should clear all the backlog of compensation cases immediately and evolve a uniform criteria for payment of compensation in future.

1.44 The Government in their Action Taken Reply, has stated that the R&R Policies followed by the subsidiaries have been evolved over a period and undergone numerous changes in response to changing circumstances. As & when required, the Central or State Governments issued new guidelines for resettlement & rehabilitation. R&R Policy of CIL framed in 1994 was thus revised in 2000 stipulating that where State Govt. Policy exists, subsidiary concerned will follow State Policy.

1.45 Policy followed in the past by subsidiaries to acquired land and to offer employment has resulted in surplus manpower which contributed to heavy losses in some subsidiaries. Under the compelling circumstances, subsidiaries started evolving other ways & means to compensate land owner and others adversely affected by coal mining projects. CIL recognizes that only proper resettlement & rehabilitation will ensure co-operation of project affected people and make it possible for CIL to acquire lands, it needs.

1.46 Rate of compensation for land per acre differs from project to project apart from State to State for various reasons like fertility of land, location of advantage, frequent sale transaction at higher rate and determination of land value by State Govts. (viz. W.B. and M.P.) under Indian Stamp Act for the purpose of Registration of Sale Deed. Coal companies pay compensation in the following manner under Coal Bearing Areas(CBA) (A&D) Act, 1957.

I. Market value of land (as determined by land sale deeds of past three years in the area);

II. Solarium @ 30% of the market value ;

III. Escalation value @ 12% for the period from notification u/s 4(1) till notification u/s 9(1) of CBA Act subject to a maximum of three years (under Land Acquisition Act (LA Act) escalation is paid from notification u/s 4(1) till date of taking over possession;

IV. Interest @ 9% for the 1st year and 15% for the subsequent years from the date of acquisition u/s 9(1) of CBA Act till date of payment (under LA Act interest is paid from the date of taking possession till date of payment).

1.47 The valuation of land is assessed by District Authority and payment is made through them. Where compensation amount is determined after negotiation with land owners, no escalation or interest is payable under CBA Act. Adequate fund is arranged by concerned subsidiaries for payment under CBA and LA Act.

1.48 Whenever interested tenants whose land is acquired feel that the awarded compensation is inadequate, the compensation is received/accepted by them under protest and they may prefer appeal to LA Judge for land acquired under LA Act and special Tribunal set by Central Government for land acquired under CBA (A&D) Act for deciding the fair amount of compensation. The order of the Court/Tribunal is implemented by the subsidiary companies. Still, the most common problem i.e. faced by subsidiaries is that land losers though not eligible for employment as per norms, stick to claim of employment and do not come forward to receive compensation.

1.49 Considering the change in circumstances in acquiring land for projects for public purpose, Ministry of Rural Development, Government of India issued a National Policy on Resettlement & Rehabilitation for project affected families in 2003 to provide different schemes of benefit in place of employment for the betterment of their standard of living. In tune with NPRR -2003 and considering surplus manpower in some of the subsidiaries and increasing thrust of mechanisation as well as competitiveness, CIL has already proposed for amendment of its existing R&R Policy in May, 2005. Proposed amendments are under consideration in the Ministry.

1.50 The Committee were deeply concerned at the burning problem of Rehabilitation and Resettlement (R&R) in Coal India Limited (CIL) and other coal companies and had recommended that the company-wise programme might be chalked out for solving the R&R problems on a top priority basis. The Committee had also desired for early clearing of backlog of compensation cases by evolving a uniform criteria for payment of compensation and earmarking adequate funds in this regard. The Ministry in its reply, has stated that the R&R policies followed by the subsidiaries have been evolved over a period and undergone numerous changes in response to changing circumstances. The Ministry has further stated that the amendment in existing R&R policy, in tune with National Policy on Resettlement & Rehabilitation (NPRR) 2003, increasing thrust on mechanization as well as competitiveness and problems of surplus manpower in some of the subsidiaries, is under consideration of the Ministry. The Committee are extremely dissatisfied with the reply of the Ministry which shows little concern for the land losers by harping on its old stand. The Committee reiterate that the land losers must be adequately compensated within a reasonable time period by providing them some permanent source of income. The Committee also desire that backlog in this regard should be cleared in a time bound manner. The Committee hope that the proposed amendment in R&R policy would protect the interests and promote the welfare of land losers and Project Affected People.

CHAPTER-II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 2.14)

The Committee note that the Annual Plan outlay of the Ministry of Coal for the year 2005-06 has been kept at Rs.4,001.40 crore as compared to Budget Estimate of Rs.3,339.02 crore and Revised Estimate of Rs.2,629.35 crore in 2004-05. The Committee further note that the outlays of Coal India Ltd. (CIL), Singareni Collieries Company Ltd. (SCCL) and Neyveli Lignite Corporation Ltd. (NLC) were drastically downsized at the RE stage during 2004-05. The Committee are dismayed that the actual utilization of funds has been much less than the outlay approved at RE stage. The Committee are pained to find the same reasons advanced by Ministry year after year for low utilization, viz. delay in approval of new projects, delay in acquisition of both forest and non-forest land, delay in rehabilitation of villages, delay in procurement of equipments and many projects being operated with outsourcing.

Reply of the Government

Coal India Limited (CIL)

The actual expenditure for 2004-05 is provisionally estimated to be Rs.1170.26 crore. The actual expenditure as percentage of budget provision for the year 2004-05 ranges from above 100% to a level of below 50% across the subsidiaries of Coal India Limited. Despite the best attempts the utilization was around 62% of revised estimates. Analysis of RE vis-à-vis actual utilization reveals that while WCL has surpassed their budgeted outlay, Central Coalfields Limited having achieved almost 94% level, Eastern Coalfields Limited, South Eastern Coalfields Limited and Mahanadi Coalfields Limited achieving the 68%, 64% & 56% respectively, the utilization had been around 43% & 36% for North Coalfields Limited and Bharat Coking Coal Limited respectively. It may be noted that NCL which operates only opencast mines, has expenditure on Heavy Earth Moving Machine as its major constituent of capital expenditure. Combination of various factors like court cases, change in procurement policy and revision of Heavy Earth Moving Machine productivity norms resulted in considerably low utilization of Heavy Earth Moving Machine budget and overall utilization of capital budget. In case of Bharat Coking Coal Limited, delay in project implementation coupled with the problems of Heavy Earth Moving Machine procurement due to court case had been the major reasons for lower utilization. In case of other subsidiaries like Eastern Coalfields Limited, South Eastern Coalfields Limited and Mahanadi Coalfields Limited the utilization had been to a satisfactory level for the former two subsidiaries while in case of Mahanadi

Coalfields Limited, the major reason for low expenditure had been delay in implementation of new projects due to delay in approval.

Neyveli Lignite Corporation (NLC)

Budget provisions made for new projects like Mine II Expansion, TPS II Expansion and Barsingsar Mine-cum-Power Projects could not be utilised due to delay in obtaining sanctions from the Government. Provisions made for TPS I Expansion could not be utilised as the matter is still under arbitration. Out of the total outlay of Rs.267.00 crore for RE 2004-05 Rs. 219.01 crore were provided for Mine II and TPS II Expansion and Barsingsar Mine-cum-Power Projects. Projected outlay is essentially to meet preliminary expenses, preparation of detailed feasibility report, hydrological studies, Topo survey, EMP Report and advance payments. The short fall in expenditure has mostly occurred in Mine II / TPS II Exp. and Barsingsar Mine–cum-Power Projects. This is mainly due to delay in project sanction. The projects like Mine II Expn., TPS II Expn. and Barsingsar Mine-cum-Power Project at Rajasthan were in the process of sanction for the last three years. For Mine II Expn. and TPS II Expn. Projects government accorded sanction in Oct., 2004 and for Barsingsar Mine-cum-Power Project sanction was given by the government in Dec., 2004. As the projects have been sanctioned, expenditure progress is expected to be high in future periods.

Singareni Collieries Company Ltd. (SCCL)

Out of RE of Rs.275 crore in 2004-05, actual expenditure was Rs.245 crore. The main reasons for less utilization of funds are – delay in procurement of open cast equipments for three projects due to delay in getting forest land and delay in getting revenue land for housing and hospital projects in one of the coal fields.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) DATED 22ND JULY, 2005]

Comments of the Committee

(Please see Paras 1.19 of Chapter I of the Report)

Recommendation (Sl.No. 2, Para 2.15)

The Committee are surprised to note the reply of the Ministry that it was very difficult to ensure full utilization of Budget allocations because many activities on which fund utilization depends were beyond the control of coal PSUs. The Committee need not emphasis that the Ministry ought not shun its responsibilities but take steps, *viz.* simplification of procedure for project approval, secure support from the State Governments in matters of land acquisition, the rehabilitation of villages and removal of impediments in the process of procurement of equipments that would help increase utilization of funds. The Committee have serious reservations about the passive role played by the Ministry in not overcoming these problems faced by coal PSUs eventually leading to under-utilization of the funds.

Recommendation (Sl.No. 3, Para 2.16)

The Committee, therefore, opined that the Budget-making mechanism in the Ministry lacks vision and optimism. The under-utilization of funds by the coal companies cannot be considered prudent at a time when investment was of paramount importance in view of the need to accelerate the coal production. The Committee expect the Ministry to introspect and take concrete measures in view of the financial implications and losses being suffered on account of less investment/ under-utilization and consequent lower production of coal.

Reply of the Government

Coal and India(CIL)

The growth in coal production has not been hampered due to lower utilization of funds. A production of 306.66 mt was achieved in 2003-04 as compared to 290.69 m.t. in 2002-03. In year 2004-05 CIL has surpassed the target of 314 m.t. by producing 323.62 m.t. of coal. CIL to fulfil its mission of providing energy security to the nation, has set a target of 343 m.t. in 2005-06 envisaging to record a quantum jump of 20 m.t. over the production of last financial year. Thus low utilization of IEBR, though it is a matter of concern, has been overcome through integrated organizational effort and its manifestation is observed in terms of quantum leap over last few years.

Neyveli Lignite Corporation (NLC)

There is no under utilization of funds which results in poor physical and financial performance. NLC does not draw any budgetary support from Government of India. All the projects are funded by Internal Accruals and commercial borrowings. Both physical and financial performance of NLC is consistently exemplary and no project/scheme is held up for want of funds. Due to delay in sanctioning of the Projects like Mine II/TPS II Expansion and Barsingsar Mine-cum-Power Projects, there was short-fall in projected Plan expenditure. Since these two projects have been sanctioned, the Plan expenditure targets would be met in future years. Separate Project Officers are posted to co-ordinate and monitor all the project related activities. A separate Project Monitoring Wing constantly monitors the progress on day-to-day basis. Issues are sorted out at appropriate levels to ensure smooth implementation of the projects.

Singareni Collieries Company Ltd. (SCCL)

SCCL is constantly pursuing issues pertaining to acquisition of forest and non-forest land for upcoming mines like Khairagura OCP, Sathupalli OCP, RG. OCP-I expansion, MNG OC.III etc. Certain aspects are beyond the control of PSUs. Certain projects like Adriyala Shaft, Shanthikhani Longwall, Peddampeta Shaft, Jallaram Shaft are awaiting PIB approval and MoEF clearances.

As regards Budget making mechanism, SCCL follows a well laid down procedure. Budget making mechanism in SCCL is briefly summarized as under.

(a) Item–wise/technology wise/mine wise requirement for existing, completed, new projects is discussed with mines/projects.

(b) Proposed investment for non- mining nature like housing projects, medical welfare etc. are taken into consideration.

(c) Spill over of expenditure is reckoned.

(d) Sufficient funds are set aside for meeting emergency and unforeseen requirement.

During 2004-05 though an amount of Rs.245 crore is spent out of RE of Rs. 275 crore, the production of coal is 35.302 MT which exceeded the target of 35 MT. The under utilization of funds did not affect the production of coal at all.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) DATED 22ND JULY, 2005]

COMMENTS OF THE COMMITTEE

(Please see Paras 1.19 of Chapter I of the Report)

Recommendation (Sl.No. 4, Para No. 2.17)

The Committee, therefore recommend that the Ministry of Coal should revamp and strengthen its Budget Division and ensure preparation of realistic budgetary proposals. The Committee are extremely concerned about the under-utilization of funds year after year and, therefore, recommend that a High Level Monitoring Committee may be set up to review the monthly progress of the utilization of funds and to take corrective measures.

Reply of the Government

The Budget making procedure in PSUs passes through several stages right from seeking mine / project level proposals to macro level issues like future investments in mines. Rigorous follow up action is done by senior officers of PSUs. Procurement action is initiated well in advance and constantly pursued so that the envisaged expenditure gets materialized in the same financial year. Separate project officers are posted to co-ordinate and monitor all the project related activities. A separate project monitoring wing constantly monitors the progress on day to day basis. Issues are shorted out at appropriate levels to ensure smooth implementation of the projects.

As far as the Ministry is concerned, no funds are provided to coal PSUs and the funds for the projects are met by the PSUs out of their Internal and Extra-Budgetary Resources (IEBR). The IEBR proposals of the PSUs are strictly scrutinized by the Ministry as per the guidelines of Ministry of Finance before getting the approvals of Ministry of Finance and Planning Commission. All efforts are made to ensure that no inflated plan outlays which may pose problems for actual expenditure or lower plan outlays which may affect the progress of the PSUs are proposed to the Ministry of Finance.

Ministry of Coal reviews the progress of on-going projects of Rs.100 crore and above on quarterly basis under the Chairmanship of Secretary (coal) in Quarterly Performance Review (QPR) meeting. Representatives from Planning Commission, Ministry of Statistics and Programme Implementation, Department of Expenditure are also invited in this meeting. Besides, Secretary (Coal) also monitors the progress of the projects at his own level by calling fortnightly reports from the coal companies.

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COMMENTS OF THE COMMITTEE

(Please see Paras 1.19 of Chapter I of the Report)

Recommendation (Sl. No. 5, Para No. 2.18)

The Committee are constrained to note the decreasing targets in the Internal and Extra Budgetary Resources (IEBR) of all the coal companies during the first three years of the Tenth Plan. The IEBR generation by most of the coal companies has been abysmally low and discouraging during 2002-03. The IEBR has, however, registered improvement during 2004-05. The Committee further note that utilization of IEBR component by most of the coal companies has been quite dismal. The utilization of IEBR signifies the progressiveness of any company for its growth and sustainability. The Committee express serious concern over the negligible utilization of IEBR by coal companies and recommend that coal companies which have failed to utilize their IEBR judiciously should be taken to task to ensure that not only the IEBR targets are set higher and achieved but their utilization is planned and executed with precision.

Reply of the Government

The matter of low capital utilization has been a major concern for the Ministry of Coal and all attempts both at strategic and operational level are being taken to provide an implementable solution to this issue. An in-depth discussion with the executives of the PSUs under administrative control of this Ministry reveals the fact that the budgetary estimates which are made about six months prior to the commencement of the year and made on the basis of requirement of capital for all the activities for achieving higher targets of the coal production envisaged for the year, which may differ in course of actual implementation. The major reasons for low utilization of plan outlay against the target are as under:

(a) Delay in implementation of new projects due to delay in approval and clearances i.e. investment clearance, forest land diversion, revenue land acquisition and environmental clearance; and

(b) Delay in procurement of Heavy Earth Moving Machinery.

To expedite clearances, Govt. of India has appointed a Committee called Govindarajan Committee. The report of the Committee is approved by the Government. The report specifies time frame for each stage of all the clearances. It is necessary to bring in place a mechanism to enforce the time frame by all the Departments of the Government.

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Recommendation (Sl.No. 6, Para No. 3.23)

The Committee note with serious concern the yawning gap in demand and production of coal in the country which was 24.75 m.t. in the beginning of the Tenth Plan, *i.e.* 2002-03 and is likely to reach the alarming proportion of 51.68 m.t. in 2006-07. The Committee note that the production of coal during the same period will increase from 341.23 m.t. to 421.50 m.t. whereas the demand will grow at much higher pace from 365.98 m.t. to 473.18 m.t. The Committee further note that to bridge the gap between the demand and supply, the import of coal has been the only alternative due to not much increase in indigenous production. It was in this context that custom duty on import of coal was drastically reduced. However, with substantial increase in international prices, there is huge pressure for supply of indigenous coal. The Committee are pained to point out that the country which has one of the largest coal reserves in the world, has been brought to a situation where it is required to spend precious foreign exchange on avoidable imports primarily due to faulty planning and extremely reprehensible execution of the projects. The Committee strongly feel that boosting of coal production through technological up-gradation of coal mines should have been the main thrust of successive plans. However, the Committee are constrained to note that neither any significant measures were taken nor any concrete action plan was prepared in this direction. The Committee apprehend that if no sincere efforts are made, this gap in demand and supply is likely to widen further. The Committee, therefore, recommend that the Ministry should activate its machinery and prepare a contingency plan. The Committee desire that the Ministry should review the progress of all the on-going projects on monthly basis and compress the period of their completion to the extent possible.

Reply of the Government

The coal demand in the terminal year of X^{th} Plan *i.e.* 2006-07 is now estimated to be 473.18 Mt against earlier projection of 460.50 Mt. There has been an incremental demand of 12.68 Mt, out of which around 5.50 Mt is the increase in coking coal demand and the balance for non-coking category. Keeping in view the increasing coal demand, CIL has enhanced its X^{th} Plan terminal year production target by 13 Mt. to produce 363.00 Mt. in 2006-07 as against its earlier projection of 350 M.t. keeping in view the increasing coal demand, SCCL has also drawn up 13 open cast and 10 open casts projects which are in various stages of Government clearances. The monthly physical performance review of the coal PSUs including all the on-going projects in the Ministry of Coal is regular feature. A Sub-Group has also been constituted comprising representatives of Ministry of Power, Ministry of Railways, Central Electricity Authority to draw contingency Plan from time to time.

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Recommendation (Sl.No. 7, Para No. 3.24)

The Committee note that the ratio of coal production between underground and opencast coal mines is not very ideal. A huge number of underground mines (305 underground mines) at present, produced about 30% of coal as against 70% produced by opencast mines. The Committee further note that an investment of Rs.679.37 crore will be required for the mechanization and modernization of underground mines out of which Rs.455.12 crore were likely to be spent in the Tenth Plan period and the rest in Eleventh Plan. With the proposed mechanization, it is expected that there will be an over-all improvement and the production from underground mines of Coal India Limited (CIL) will increase by about 4.5 million tonne per annum. The Committee are of the opinion that the country has huge untapped potential for underground mining with extractable reserves up to the depth of 600 metre. Presently, the mining is being done predominantly by opencast method but the reserves available in opencast were fast depleting. The Committee feel that mechanization and modernization of underground mining have become imperative in view of their huge potential to boost the production of coal to bridge the gap between demand and supply to a large extent. The Committee, therefore, recommend that the Ministry of Coal should not only earmark more funds for underground mines but also ensure that the schemes for the mechanization and modernization of mines initiated during Tenth Plan were completed in the Tenth Plan itself.

Reply of the Government

In order to meet the ever increasing demand for coal for the Power Sector, emphasis in production from Open Cast Mines of CIL will continue, as with this method it is possible to achieve high production with a very low gestation period.

However, CIL appreciates the necessity of tapping the potential for under ground mines. With that in view a plan for mechanization/modernization of existing under ground mines, wherever feasible, has already been in place. During the last 3 years, 224 nos. of SDLs have been introduced in various under ground mines of CIL . During 2006-07 *i.e.* terminal year of the 10^{th} plan another 146 SDLs are expected to be introduced. Similarly during the 10^{th} Plan, 78 nos. of LHDs have already been introduced and 21 more Load Haul Dumpers (LHDs) are likely to be added. Contribution of mechanized production in the overall under ground production has been steadily increased during the last few years.

Over and above, 2 sets of continuous miners presently in operation-1 each in South Eastern Coalfields Limited and Western Coalfields Limited, a programme has been drawn up to introduce this technology in 3 mines of Eastern Coalfields Limited, 2 mines of Bharat Coking Coal Limited, 4 mines of and Western Coalfields Limited, 7 mines of South Eastern Coalfields Limited for which necessary action has already been initiated. All out efforts are being made to ensure timely implementation of the projects.

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COMMENTS OF THE COMMITTEE

(Please see para 1.25 of Chapter I of the Report)

Recommendation (Sl.No. 9, Para No. 4.6)

The Committee note with anguish that new projects at Neyveli Lignite Corporation (NLC) viz. Mine-II Expansion (4.5 MTPA) and Barsingsar Thermal Power Station (250 MW) which were initiated during Ninth Plan were sanctioned during Tenth Plan and are expected to be completed in Eleventh Plan. The

Committee are extremely unhappy that the projects which should have been completed in 4-5 years, would take more than a decade involving manifold cost escalation. They, therefore , feel that had these projects been completed in Ninth Plan itself, their benefits would have been reaped by now. The Committee are pained to find that most of the projects have the similar fate resulting in enormous loss to the national exchequer. The Committee are least convinced by the reasons advanced by the Ministry and feel that Ministry has grossly failed in its primary responsibility of balanced and judicious development of the coal resources of the country and meeting the requirement of the coal consuming sectors. The Committee, therefore, recommend the Ministry to set up a High Powered Committee with representatives of concerned agencies to oversee the entire gamut of project conception to their execution ensuring minimal cost and time overrun.

Reply of the Government

The projects like Mine II Expansion, TS II Expansion and Barsingsar Mine and Thermal which were in the process of sanction for the last three years have now been sanctioned viz. For Mine II Expansion and TPS II Expansion projects Government has accorded the sanction on18.10.2004 and for Mine cum Power Station at Rajasthan, Government has accorded sanction on 15.12.2004. For the above projects, advance tendering activities took place in order to reduce the lead time. For Mine II Expansion, Letter of Awards (LoA) for Main Mining Equipments were already issued. For TPS II Expansion, price bid for the Main Plant Package was already opened and LoA is expected to be issued shortly.

Barsingsar Mine cum Power Project is under implementation. Site activities has already commenced. Bids are under evaluation. All the above projects are expected to be commissioned without any time/cost overrun.

Ministry of Coal has proposed to constitute an Empowered Committee (EC) for appraisal of coal and lignite projects costing Rs.100 crore and above comprising of Secretary (Coal) – Chairman, Secretary (Expenditure), Secretary (Planning Commission), Secretary (Power) and Member Traffic, Railway Board and to be convened by Financial Adviser, Ministry of Coal. The committee would examine all aspects of project appraisal at single window eliminating the need of separate ‘in principle’ approval from Planning Commission and appraisal of the project at pre-PIB, EFC/PIB levels. Ministry has finalized the note for Committee of Secretaries in this regard and it has been circulated

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Recommendation (Sl.No. 12, Para No. 6.14)

The Committee note with satisfaction that proven coal reserves in the country are 92,960 million tonne as per the findings of the Geological Survey of India and other agencies. A big chunk of coal resources i.e. is about 47%, falls in the indicated category and about 15% is in inferred category out of cumulative total of 2,47,847 million tonne of coal resources estimated in the country as on 1 January 2005. The Committee note that the Ministry expect the coal reserves to last for the next 350 years. In any case, the presently proved reserves will last for more than two centuries if the production continues at the present pace of nearly 400 million tonne per annum. The Committee feel that in two centuries the face of the earth will change beyond recognition and its energy requirement would be altogether different from the present days which may not have any place for the coal as we use it today. The Committee, therefore, are of the view that we have to make best use of our coal reserves as early as possible so as to ensure a big jump for the country with the state of the art infrastructure and power sector. The Committee, therefore, stress that much higher level of efforts should be made for the exploration and increased production of the coal. The Committee, in this context, feel that the budgetary provisions for Promotional and Detailed exploration which were Rs.43 crore during 2004-05 and increased to Rs.49.88 crore in 2005-06 are grossly inadequate in the long-term interest of the country. The Committee, therefore, recommend that the budgetary provision for the exploration of coal and lignite should be increased further and GSI and other concerned agencies geared up to accelerate the pace of exploration so as to convert more and more inferred reserves into indicated category and indicated reserves into proved category.

Reply of the Government

The approved scheme Promotional Exploration for coal and lignite for Xth plan envisaged exploratory drilling of 6 lakhs meters in coal and lignite areas. In the Mid Term Appraisal of the Scheme of Promotional Exploration, the quantum of exploratory drilling has been enhanced to 6.90 lakhs meter.

The scheme for Detailed Exploration in Non-CIL block for Xth plan was approved for Rs.70.66 crore for taking up 2.13 lakhs meter of exploratory drilling. On account of additional requirement of drilling in priority captive mining blocks, a Revised Cost Estimate of Rs.93.84 crore has been prepared and is under process for approval. The quantum of exploratory drilling has been enhanced to 2.65 lakhs meter for the Xth plan. It is expected that a total of 5.39 Bt of coal resources will be established under proved category during Xth plan as against 3.64 Bt envisaged earlier.

In addition, detailed exploration is also being taken up in CIL areas during Xth plan and total of 7 lakh metre of drilling is proposed to be taken up at a total outlay of Rs.300 crore. A total of 6.98 Bt of coal reserves is expected to be brought under proved category.

As may be seen the quantum of exploration for the Xth Plan has been increased in both the schemes i.e. Promotional as well as Detailed Exploration. To intensify the exploration activity in subsequent plans, the exploration programme will be drawn up in due course of time.

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Recommendation (Sl.No. 13, Para No. 6.15)

The Committee are constrained to note that 23 blocks for Promotional Exploration which were taken up during the Ninth Plan had spilled over to Tenth Plan and still there is no sign of their completion. Similarly, detailed exploration in 9 blocks which were taken up during Ninth Plan also spilled over to Tenth Plan. The Committee express their anguish over the dilly-dallying manner in which the coal and lignite exploration is being carried out. The Committee strongly feel that in view of the low availability of superior grade of coal and depleting reserves in the existing mines, it becomes all the more essential to speed up the exploration efforts in proving superior grade coal resources.

Reply of the Government

During IXth Plan Promotional Exploration was taken up in about 95 different coal and lignite blocks within the approved scheme. Exploration in 23 nos. of blocks which were taken up during last phase of IXth Plan could not be completed during the Plan period and exploration in these blocks spilled over to Xth Plan. Out of the 23 blocks, exploration in 19 blocks has already been completed so far, and in the remaining blocks it is expected to be completed during 2005-06.

Detailed Exploration in Non-CIL blocks was taken up as a separate government funded scheme during IXth Plan. Exploration was taken up in 26 no. of blocks out of which exploration could not be completed in 9 no. of blocks. Out of these 9 blocks, 3 blocks have been transferred to CIL and the drilling in these blocks will be completed by 2006-07 under CIL funding. Of the remaining 6 spill-over blocks, exploration in 2 blocks has already been completed and is expected to be completed in the remaining 4 blocks during 2005-06. Exploration in these 4 blocks had to be rescheduled on account of higher priority given to 15 captive mining blocks. Greater emphasis is being given for identifying the potential areas having superior grade coal reserves particularly in Sohagpur Coal Field where number of blocks have been identified to be taken up during Xth Plan under Promotional Exploration.

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Recommendation (Sl.No.15, Para No. 7.10)

The Committee further note that the main reasons furnished by the Ministry for delay in undertaking mining are various clearances from different authorities. The Committee, therefore, recommend that the Ministry of Coal should play its role of a facilitator in obtaining various clearances required for undertaking captive coal mining for which a nodal officer may be designated in the Ministry.

Reply of the Government

Major part of delay relate to forest and environment clearance and land acquisition on the part of allocattee. Forest and environment clearances fall under the realms of the Ministry of Environment & Forest, whereas the concerned State Government is to facilitate acquisition of land. Ministry of Coal has a limited role of forwarding the environment and forest clearance proposals submitted by the allocattee to the Ministry of Environment & Forest after the mining plan is approved by the Ministry of Coal.

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Comments of the Committee

(Please see para 1.29 of Chapter I of the Report)

Recommendation (Sl.No. 16, Para No. 7.11)

The Committee also note that a show cause notice is issued in case no mining activity has been carried out in five years. The Committee feel that this period is too long for issuing show cause notice. By implication, the allottees of captive coal blocks are allowed five years period for completing pre–mining formalities and undertaking actual mining in captive coal block. The Committee, therefore, recommend that a time-frame may be prescribed for completion of various formalities before undertaking mining activity in the captive coal blocks.

Reply of the Government

It has been decided in the Ministry of Coal that the allocattee of a block should commence production from the captive mine within 36 months if the area is not in forest land and is proposed to be worked through open cast mining, whereas 42 months time has been allowed for commencing production if the area is in forest land. In case of underground mine a time limit of 48 months for commencing production from the coal mine and another 6 months (i.e. upto 54 months) has been allowed in case the land is forest area. These are being made parts of the conditions in the letter allocating the coal mine for captive mining. Further, in an effort to tie up the development of coal mine to a time frame the allocation letter, as a condition, requires the allocatee to purchase the Geological Report of the block within six weeks of the date of allocation and to submit a mining plan for approval by the competent authority within six months from the date of the letter of allocation.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) dated 22nd July, 2005]

Recommendation (Sl.No. 17, Para No. 7.12)

The Committee also desire that coal produced by the captive coal block users in excess of their captive requirement should be given to the coal companies and a provision to this effect may be made in respective rules and also incorporated in the guidelines framed for allotment of captive mines.

Reply of the Government

To ensure timely commencing of end use project, the Government has decided to allow early development of associated captive coal mining block so that by the time the end use project is ready in stages the coal mine attains stipulated coal production to meet the full requirement. Since development of the captive mine to its rated capacity takes place over a period of time, coal produced during such development period when the end-use plant may not be in position to receive and consume the coal needs to be disposed of by the mining company. Since storing of coal for long period is hazardous and has impact on the economic viability of the project, it has been decided to allow the allocatee to transfer the surplus coal produced during the development period to the subsidiary coal company of Coal India Limited operating in the area at a price to be determined by the Government. Accordingly, a Committee under the Chairmanship of Additional Secretary (Coal) comprising experts in the relevant fields has been constituted to determine the transfer price from time to time. Coal produced in excess of the assessed capacity requirement has also been permitted to be handed over to the local Coal India Limited subsidiary at a transfer price to be determined by the above Committee.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

Comments of the Committee

Recommendation (Sl.No. 18, Para No. 8.20)

The Committee note that it is the principal responsibility of a coal company to develop the roads and railways in coal mine areas which are extensively used for evacuation of coal from the mines and also transporting men, materials and equipments. For undertaking the above works, coal companies had allocated Rs.19.96 crore during 2002-2003, Rs.50.94 crore during 2003-2004 and Rs.59.09 crore during 2004-2005 which were fully utilized. The Committee note that with the availability of meagre funds, the required development in coal bearing areas has not taken place causing hardship to workers and inhabitants in general. The Committee, therefore, recommend that Ministry of Coal should make adequate fund allocation so that the development / construction and maintenance of roads and railways are undertaken and completed by the coal companies in a time –frame.

Reply of the Government

Principally coal companies are responsible for developing Road and Railway infrastructure in their Coalfield. However, partial assistance is provided to them through CCDA fund for the projects/schemes approved by Coal Conservation and Development Advisory Committee (CCDAC).

The demand of funds is estimated based on the requirement projected by coal companies, which is considered and approved by the CCDAC. Almost all the requirement raised by coal companies in the past has been met by the Government In the 58th Meeting of CCDAC held on 6th June 2005, the Committee recommended Rs.60 crore for Road/Rail infrastructure.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

Recommendation (Sl.No. 20, Para No. 8.22)

The Committee observe that there is acute shortage of drinking water in BCCL and SECL areas thus making the life of the people of the area quite miserable. The basic infrastructure facilities are also non-existent in peripheral areas in most of the coal companies especially in BCCL and SECL. The Committee desire the Ministry to provide the basic infrastructure facilities, viz. roads, power, schools, drinking water and state-of- the-art hospitals in the coal-bearing areas where subsidiaries of Coal India Limited are operating.

Reply of the Government

Coal companies including BCCL & SECL are undertaking developmental activities which are basically infrastructure building for the growth of community at large under Community Development Programme in the following areas:

(a) Health – Health Camps, promotion of small family norm, Inoculation, distribution of medicines and general health awareness programme.

(b) Education - Providing assistance for improvement in the existing educational facilities to children and adult education through teaching aids, furniture and fittings, books, laboratory equipment etc. improving the infrastructure facilities by construction of new buildings or expanding the existing school building.

(c) Water Supply - Provision of drinking water by sinking wells, installation of hand pumps, deepening and development of existing ponds and their repairing.

(d) Community facilities - Construction/ repair of Community Halls, rural link roads, culverts, bridges, bus stand/ yatri shed etc.

(e) Sports and Cultural activities- Organizing sports and culture in the adjacent villages with the help of local people/ club, providing sports materials like football, volleyball etc.

(f) Promoting self employment and training scheme like tailoring, driving. and other misc. works.

Company-wise amount spent on undertaking various Community Development activities in different areas of the subsidiary companies during 2001-02, 2002-03 and 2003-04 are given below :

(Rs. In Lakhs)

Company	2001-02 Expenditure	2002-03 Expenditure	2003-04 Expenditure
1	2	3	4
Eastern Coalfields Limited	49.28	50.93	75.42
Bharat Coking Coal Limited	21.65	43.41	31.11
Central Coalfields Limited	50.34	61.51	39.43
Western Coalfields Limited	66.72	76.29	108.44
South Eastern Coalfields Limited	352.68	551.00	392.17
Mahanadi Coalfields Limited	270.38	466.31	365.32
North Coalfields Limited	376.23	178.96	219.97
NEC	15.73	8.08	9.31
TOTAL	1203.21	1436.49	1241.17

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

Recommendation (Sl.No. 21, Para No. 8.23)

The Committee also note that Coal Conservation and Development Advisory Committee (CCDA) is entrusted with the conservation efforts of coal companies by undertaking stowing operation for safety in coal mines and protective works. The Committee note that in spite of liberal financial assistance being provided for sand stowing and protective works in coalfields area, much remains to be done. The Committee are surprised to note that less than 40% funds allocated for the protective works during the first three years of the Tenth Plan have been utilized by the coal companies. The Committee recommend that the funds earmarked for sand stowing and protective works be released and utilized in full. The Committee further recommend that the Government should ensure that all the schemes approved by CCDA Committee are completed in a time bound programme.

Reply of the Government

From CCDA fund assistance is provided to coal companies for sand stowing and protective works @ 60% & 75% of admissible expenditure respectively. The BE for CCDA fund is based on proposals submitted by the coal companies. In the past coal companies were not able to achieve their projected target. As a result the actual re-imbursement was less.

The main reason for slow progress and less achievement by coal companies are as under:

- Initially 100% expenditure is to be incurred by coal companies and after the job is done, re-imbursement is made up to the admissible limit.
- Unforeseen mining hazards during actual implementation of PW schemes.
- Delay in finalization of contract due to various reasons.
- Delay in obtaining statutory permission for the protective works.
- Irregular availability of sand/earth materials.

CCDAC generally approves reimbursement of all the admissible claims put up by the coal companies. Therefore utilization of allocated fund is full. Schemes taken for CCDAC assistance are scrutinized by the Sub-Committee in each half year meet and the coal companies are pursued to complete the schemes within the time frame indicated by them while submitting applications to CCDAC seeking assistance for the said purpose.

[Ministry of Coal No. 20011/5/2005-IF (Vol.IV) Dated 22nd July, 2005]

Recommendation (Sl.No. 23, Para No. 10.8)

The Committee are dismayed to note that over the years, the utilization of funds for Research and Development (R&D) activities have been dismal. In the year 2003-2004, the allocation was Rs.22.48 crore, later revised to 10.04 crore at RE stage but the actual utilization was Rs.6.57 crore. Similarly during 2004-2005, Rs. 9.88 crore were allocated which were increased to Rs.12.43 crore but the utilization was barely Rs.9.88 crore. The Committee note that for the year 2005-2006, an amount of Rs.20.08 crore has been allocated for R&D. The Committee are extremely concerned that the R&D activities have been neglected by the Ministry thereby retarding the progress of the coal industry and feel that the reasons given by the Ministry of lower allocation and even lesser utilization are not convincing. The Committee stress that R&D are investment for future in order to realize the potential and harnessing the coal resources of the country. The Committee, therefore, desire that the sufficient funds should be allocated for R&D activities and corrective measures be taken to ensure their full utilization.

Reply of the Government

The actual disbursement of fund during the year 2003-2004 was Rs.9.82 crore. Actual disbursement of fund during the year 2004-2005 improved substantially and the actual figure stands at Rs.12.35 crore (un-audited).

The actual utilization is less because of slow progress in some projects mainly due to delay in procurement of equipments as these equipments are not readily available in the market. However, BE for 2005-06 has been assessed as Rs.20.08 crore which is substantially higher as compared to actual disbursement during 2004-05.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

Recommendation (Sl.No. 24, Para No.10.9)

The Committee note that 56 Research and Development (R&D) projects were sanctioned during the Ninth Plan but only 30 projects could be completed, 5 were terminated and 2 spilled over to the Tenth Plan. During the Tenth Plan, 36 projects have been sanctioned so far but none of them could be completed as yet. The Committee are surprised to note the erratic time schedule for completion of R&R projects which exhibit lack of seriousness and urgency on the part of the Ministry. The Committee have serious apprehensions that in case the Ministry does not gear up, the R&D projects sanctioned during the Tenth Plan may spill over to the Eleventh Plan resulting in avoidable cost and time overrun. The Committee, therefore, recommend that the causes for the tardy progress of the on going R&D coal projects are ascertained and corrective steps taken thereon to facilitate timely completion of the projects. The Committee also desire that there should be a mechanism in the Ministry to review the progress of such projects periodically on a regular basis.

Reply of the Government

Coal India Limited (CIL)

Break up of sanctioned R&D projects in the first three years of Xth Plan is as follows

2002 – 03	-	12
2003 – 04	-	16
2004 – 05	-	8

Out of the 36 projects approved so far during the Xth Plan 3 no. of projects have been completed.

The project duration normally varies from 2 – 4 years. There are some projects, which have duration of up to 5 years also. The projects sanctioned during later half of a Plan period spill over to next plan without any time over run.

Causes of tardy progress: The following causes have been identified as the main reasons for tardy progress of S&T projects:

i) Delay in procurement of equipment is one of the major reasons for slow progress of projects. This happens mainly due to time taking administrative procedures required to be followed by the implementing agencies, specially for imported equipment.

ii) Several research projects involve pilot scale studies. The experimental set-up are required to be fabricated which are not readily available in the market. Repeated tenderings are often required to be floated to achieve a satisfactory result. This procedure takes much longer time than expected originally.

iii) In some cases, the study depends on progress of mining activities like depillaring of a underground panel which are some times delayed due to delay in getting statutory permission /environmental clearances etc. As a result the research projects also get delayed.

Steps taken to facilitate timely completion of projects:

The following steps have been taken to facilitate timely completion of projects.

Progress of R&D projects is monitored by CMPDI and reviewed by SSRC regularly.

To obviate the delay in field trials due to non availability of mining faces/ sites, CMPDI extends help to implementing agencies in selecting alternative sites for field trial.

Mechanism of monitoring S&T projects: Procedures have been laid out in the "Guidelines for Implementing Coal Research Projects" to monitor the on-going projects. CMPDI, as a nodal agency follows the procedures. Progress report (both physical and financial) are received from implementing agencies on a quarterly basis and reviewed by CMPDI. Different Sub-Committees of SSRC are informed about the status of each on-going project during its meetings. The causes of delay, if any, are discussed in detail and remedial measures are suggested.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Sl.No.8, Para No. 4.5)

The Committee note that Coal India Ltd. has planned to invest Rs.10,975.11 crore during Tenth Plan for increasing the production of coal. The Committee further note that the progress of implementation of the various projects for development of coal resources has been far from satisfactory. The Committee regret to note that out of six on-going projects costing Rs.100 crore and above, the Jhanjhra Phase-I under Eastern Coalfields Ltd. is being foreclosed as the project has suffered from fund constraints, ageing of long wall and development equipment, etc. after incurring a huge expenditure. Another project, viz. Pootkee Ballihar under Bharat Coking Coal Ltd. has also not been able to achieve the desired level of production due to several constraints. Some other projects too, sanctioned as early as 1997 and 1998 could be completed only during 2004 after long gestation period. The Committee take a serious note of the fact that Jhanjhra Phase-I project under Eastern Coalfields Limited had to be foreclosed after making a huge expenditure of Rs.363.08 crore. The Committee are at a loss to understand as to how this project was conceived and taken up without having any techno-economic feasibility report. The Committee consider this a serious lapse on the part of the Ministry for its failure to exercise prudence in implementing the project. The Committee recommend that a Departmental Inquiry may be instituted to go into the details of case and fix responsibility for the lapses accordingly.

Reply of the Government

Out of 37 nos. of ongoing projects (costing more than Rs.50 crore) there are only 4 Mining projects (Jhanjra Ph-I UG, ECL, Sarpi UG, ECL, J.K.Nagar UG, ECL, Pootkee Balihari UG, BCCL) which are delayed beyond their schedule date of completion. Out of these delayed Projects only two projects (viz; Jhanjra Ph-I UG, ECL, Pootkee Balihari UG, BCCL) are costing more than Rs.100 crore

As per directive of Board of Directors, CIL, in its meeting held on 12.02.04 a Committee consisting of CMD, CMPDI, Ranchi, Director (O), ECL & BCCL was constituted so as to make a study for finding out lapses, on the part of all involved in formulation and implementation of the projects (costing Rs.50 crore & above), causing delay in completion of them.

The Committee studied & reviewed in details various projects, under construction, costing Rs.50 crore & above to find out lapses on the part of all involved in formulation and implementation of the project causing delay in their completion and submitted its report in the month of July, 2004. The same report containing the reasons for delay, lapses in formulation and implementation was put before 218th Meeting of Board of Directors of CIL held in November, 2004.

Comments with respect to reasons of delay and lapses as per studies made by the Committee and recommendations in respect of Jhanjra Phase–I and Pootkee Ballihari are enumerated below:

Jhanjra Ph-I UG, ECL: RCE for Jhanjra UG Ph-I for 2.00 Mty with capital investment of Rs.386.24 crore (excluding Rs.17.72 crore for Advance Action of Ph-II) was sanctioned by Govt. in Aug'95 with scheduled date of completion in Mar'98. Achieving target production of 2.00 Mte was not possible due to old Longwall equipment, delay on the part of contractor (M/s. TSL and M/s BGML) in erection / commissioning of headgear and winder structure at shaft 'A' because of their financial problem, delay in getting the grant from UK for refurbishing of 4th Longwall set, slow progress of UG mine development because of non-availability of adequate road headers due to fund crunch and inadequate support resistance for working full thickness of R-VII A & R-VI.

Following recommendation of Technical Committee after deliberation on 03.01.02, comprising of Director (Tech), CIL, CMD, CMPDIL and CMD, ECL a foreclosure report for production capacity of 1.03 Mte and capital of Rs.386.44 crore was approved by CIL Board on 19.07.02 and is under process of approval at Ministry of Coal. Once this foreclosure report is approved (PIB Meeting held & CCEA approval awaited), the project will stand completed on the basis of actual performance in the year 2000-01 and there will be no delay as per schedule of completion shown in the foreclosure report.

Comments on Lapses:

a) As stated above, the delay in completion of Jhanjra Ph-I UG, RCE (August, 95) which was scheduled for completion in March, 1998, was mainly due to techno-economic reasons as stated above, and no individual can be held responsible for this.

b) The Standing Committee, chaired by Addl. Secretary (Coal), examined the project on 19.08.03, for fixing responsibility for time and cost over-run occurred in the project, did not hold any person responsible.

Pootkee Balihari UG, BCCL: The project was originally sanctioned by the Government in December, 2003 for 3.00 Mty with capital investment of Rs.199.87 crore and was subsequently de-rated to 0.68 Mty with a capital investment of Rs.182.60 crore. The de-rating was done due to following reasons:

a. Insufficient geological data available during project formulation (based on poor borehole density of 5 per Sq.Km), and the same could not decipher the geological complexities of the project area. Consequently, the technology was to be changed from PSLW to Mechanised B&P with SDL. Even this technology did not yield good results because of very adverse and unpredictable geo-mining conditions.

b. Acute fund crunch, which further worsened after withdrawal of budgetary support w.e.f. 1996-97.

c. As directed by Secretary (Coal) in the meeting held on 04.02.04 CIL constituted a committee comprising of CMD, CMPDIL, CMD, BCCL and Director (T& O), ECL to look into the problems of the projects and to examine whether some technology could be brought, avoiding further expenditure and for achieving the production target.

As per recommendation of this committee the present production level may be increased up to 1900 TPD by 06-07 with further investment of Rs.9.94 crore (with total investment being Rs.181.66 crore) and anticipated date of completion as 2006-07.

Comments on Lapses:

a) In absence of adequate geological exploration data as well as acute fund crunch prevailing in BCCL the schedule of completion as March, 2003 seemed to be very optimistic. However keeping in view the adverse geo-mining conditions, acute fund crunch and report of the committee as stated above, the anticipated project completion as March, 2007 for the de-rated project appears to be realistic and no individual can be held responsible for delay in completion of the PR beyond March, 2003 for the RPR approved in April, 2003.

b) The Committee, chaired by Addl. Secretary(Coal) noted that the project was not delayed due to non availability of infrastructure facilities or due to inadequacy of monitoring mechanism. The Sub-Committee reached a consensus that the time over-run had been mainly due to inordinate delay caused by implementing agencies viz: KOPEX, CEMENDIA, TSL, HEC etc. in execution of works & also due to fund constraint.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

Recommendation (Sl.No.19, Para No. 8.21)

The Committee further note that the coal companies are also required to undertake community development works, viz. development/construction of bridges, schools, colleges, hospitals, community centers and other peripheral works. The Committee have been informed that the Neyveli Lignite Corporation (NLC) has not been taking up community development works in its right earnest resulting in poor condition of roads, schools, hospitals, drinking water and other infrastructure facilities. The Committee, therefore, desire that NLC should given top priority to the community development works for which sufficient funds be allocated and released during the year 2005-06.

Reply of the Government

As a responsible corporate citizen, NLC strives for development of community in and around Neyveli. Salient features of various community developmental activities undertaken by NLC are as under :-

i) NLC runs 16 schools and the pupils are provided with free education. Further, children studying in I to V standards are given free uniform and footwear. Out of 13000 pupils studying in these schools, about 82% are from nearby villages.

ii) Private agencies also run schools and a college in Neyveli to which NLC extends support as and when required. Out of 27000 students studying in these schools/colleges, about 45% are from peripheral villages.

iii) NLC runs a General Hospital with 369 beds and 5 peripheral dispensaries providing allopathic and ayurvedic treatments. Free outpatient treatment is provided not only to employees but also to general public. In-patient treatment are also extended to general public on chargeable basis.

iv) For the benefit of people living in peripheral villages, NLC organizes various medical camps. Recently a camp for orthopaedically challenged persons was organized and more than 1000 persons were provided with free calipers and artificial limbs.

v) In order to take care of the needs of the peripheral villages, NLC has a programme titled “Peripheral Development Scheme”. Under this scheme, NLC undertakes infrastructural developmental works such as providing drinking water facilities, construction of bridges, school buildings and laying of roads, etc. A committee under the chairmanship of District Collector examines the various proposals relating to development of neighboring villages and identifies the projects to be undertaken under the Peripheral Development Scheme. Such identified developmental activities are implemented.

vi) For the period 2003-05, the committee headed by the District Collector had identified 41 works at a total cost of Rs.227.35 lakh. Works for about Rs.124.85 lakh have been completed, works for Rs.67 lakh are under progress and works valued at Rs.35.50 lakh are in tendering stage. NLC has undertaken about 88 works since 1998-99 at a total value of Rs.374.88 lakh.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl.No.10, Para No. 5.2)

The Committee observe that the existing system of linkage to non-core sector medium and small consumers has not been functioning satisfactorily. The Committee further note that the system of linkage was started in 1970 with a view to rationalize coal demand vis-à-vis availability. The other system, viz. Open Sales Schemes (OSS), started by Coal India Limited (CIL) to make coal freely available to small industries and other consumers who did not have linkages, also did not function well. The Committee find that more recently, the Coal India Limited has started a pilot project of e-auctioning to make the system more transparent. While the Committee appreciate the move by Coal India Limited for e-auctioning of coal, they have doubts whether the small and seasonal consumers who do not have the knowledge and accessibility to internet would be benefited. The Committee note with regret that the coal distribution to non-core sector consumers is completely in the hands of black-marketeers with the result, hundreds of genuine small consumers have been forced to close down their business due to non-availability of coal. The Committee recommend that the system of linkage to non-core sector and seasonal consumers needs to be reviewed thoroughly so as to facilitate the availability of coal to all consumers.

Reply of the Government

Share of dispatches to non-core sector in general and linked industrial consumers is getting reduced due to increase in demand from core sector particularly power utilities. Top priority is granted for dispatch to power utilities. Over last 5 years, the share of non-core sector in total dispatch of CIL has declined from about 9% in 1999-2000 to about 5% in 2004-05. Since the availability is limited and there is no provision for issuing of fresh linkage to new consumers or restoration of snapped linkage, CIL has embarked upon a concept of sale of coal through E-auction for non-core sector on trial basis. These schemes have been extended to all consumers whether linked or non-linked, traders who can purchase coal at a market driven price by bidding process. This is an open transparent process and any consumer/non-consumer willing to take coal can avail the opportunity of E-auction of coal. Already few trials have been made and going by the success of the trials, Government conveyed approval for sale of coal to the extent of 10 million tonnes. This will be in addition to the quantity which was being sold to non-core sector under linkage system. Another 2 million tones of coal is being supplied to National Cooperative Consumers Federation (NCCF), a national level co-operative organization under Ministry of Consumer Affairs for distribution of coal to small and tiny consumers. Ministry of

Coal has further earmarked 2 million tonnes of coal for State Government Undertakings for distribution of coal to small consumers of each State. By above process, dispatch to non-core sector has been streamlined so that coal reaches to even small and tiny consumers all over the country as per their requirement, to the extent coal is available.

SCCL does not follow the system of CIL with regard to allocation of coal to non-core sector industries. Recommendations for coal allotment to non-core units are sent by Industries Departments of the respective States. Allotment of Coal even upto 100 tonnes is made by the Industries Department after proper verification. Based on such recommendations only, SCCL is issuing coal to these units. The units are required to produce SSI Registration Certificate, Sales Tax Certificate periodically to ensure that there is no diversion of coal and coal is properly used. State Vigilance & Enforcement Department, Industries Department and Commercial Taxes Department conduct periodical checks on the functioning of these units and whenever any unit is found engaged in misutilization of coal, SCCL is advised to stop coal supplies to such units.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

Comments of the Committee

(Please see para 1.35 of Chapter I of the Report)

Recommendation (Sl.No.14, Para No. 7.9)

The Committee note that under the existing provisions of Coal Mines (Nationalisation) Act,1973, the coal blocks for captive mining are allocated to public/private companies engaged in manufacture of iron and steel, production of cement and generation of power. As on date, 143 captive mining blocks have been identified for captive mining. The Committee are constrained to note that some of the captive coal blocks allotted during the Ninth Plan have not been materialized as yet. Out of total 79 coal blocks allocated so far, only 6 companies have started mining in 8 properties. The Committee are unhappy to observe that considerable time is being taken by the coal block allottees in starting mining. The Committee strongly feel that the monitoring of captive coal mining in the Ministry lacks strict vigilance and enforcement. The Committee, therefore, recommend that the system of captive coal mining may be thoroughly reviewed and remedial measures taken. The Committee desire that further allotment of captive coal blocks should put on hold and new allotments considered only after the system is fine-tuned and existing allotments are reviewed.

Reply of the Government

In order to monitor the progress of the captive mining blocks allotted to different parties and to ensure that allottees strictly adhere to the time schedule approved for development of coal mine and end-use project the Coal Controller has been assigned the work to monitor the progress of development of coal mine and installation of the end-use project as per the bar-chart/schedule of activities given by the company to Ministry of Coal and agreed to by the Ministry to send a six monthly report on the progress in respect of allotted captive mining block and the end-use project. On the basis of reports furnished by the Coal Controller the, allocatee of coal block will be asked to invariably conform to the bar-chart/schedule of activities or correct deviations, if any. If despite persuasion and advice of the Ministry to stick to the schedule of development of the end-use plant and the coal mining project, the progress does not become satisfactory, the block will be deallocated.

A system has been put in place whereby Coal Controller has been authorized to monitor all the stipulations incorporated in the allotment letter of captive coal mine block. The Coal Controller has been asked to send a monthly status report on the progress in respect of allotted captive mining blocks. On the basis of reports furnished by the Coal Controller strict corrective measures would be taken**.**

The system of allocation of captive coal blocks was reviewed in the Ministry of Coal and it was found desirable to replace the existing system of allocation with auction of captive coal blocks based on competitive bidding. In order to clear the backlog of applications where projects had reached advanced stage and in some cases investments had also been made in end use projects, it was decided to allocate coal blocks through the Screening Committee route. The cut off date for clearing such backlog was 28.6.2004. Only such eligible applications which were received in the Ministry of Coal before the cut off date were considered and decided upon. While making allocation in these cases suitable provisions for taking bank guarantee for ensuring timely development of mines has been included. All further applications are proposed to be taken up under the auction through competitive bidding route. A Cabinet Note has been initiated for decision of the Government in the matter.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) DATED 22ND JULY, 2005]

COMMENTS OF THE COMMITTEE

(Please see para 1.40 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl.No.11, Para No. 5.8)

The Committee further recommend that the remaining 2,000 odd linked consumers should be inspected by physical verification by the Vigilance Department of coal companies for which the help of local Police and the Industry Department of the concerned State Government may be sought so that bogus industries/consumers could be weeded out and the genuine consumers do not find it difficult to get coal.

Reply of the Government

As per recommendation of Parliamentary Committee of Coal and Steel and initiation by Vigilance Department of CIL, a verification drive of all non-core sector industries had been initiated during December, 2004. This verification included checking of list of statement and papers of the company as well as physical verification of the unit and the same is under process.

Similarly, SCCL had conducted physical verification of all the consuming units in the year 2001. This verification was carried out by Industries Dept. involving State Vigilance & Enforcement Department and other departments like Inspectorate of Boilers. Due to such physical verification, the number of units which were drawing coal had come down by about 33% (from about 3000 No. of units to 2000 No. of units). SCCL has again started a fresh drive in the month of April, 2005 to find out bogus units. A State level Task Force comprising officials from Industries Department, Commercial Taxes Dept. and SCCL.., has been constituted to conduct physical verification of each and every unit drawing coal from SCCL.

DETAILS OF UNITS SUSPENDED

Sl No.	Year	No. of Units suspended as per the advice of		Total No. of Units Suspended
		Vigilance and Enforcement Department	Industries Department Commercial Tax Dept. and Mines & Geology Dept.	
1.	2002-03	17	451	468
2.	2003-04	17	391	408
3.	2004-05	03	304	307
GRAND TOTAL		37	1146	1183

In the last three years, SCCL has suspended coal supplies to 831 no. of units based on industries Department recommendation, 37 no. of units based on State Vigilance & Enforcement Department and 315 no. of units based on the recommendation of Commercial Taxes Department.

SCCL has not yet implemented e-auctioning of coal and the implementation of this scheme at other coal companies is being closely monitored.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) Dated 22nd July, 2005]

Comments of the Committee

(Please see para 1.43 of Chapter I of the Report)

Recommendation (Sl.No. 22, Para No.9.4)

The Committee were constrained to note that the burning problem of Rehabilitation and Resettlement (R&R) in Coal India Ltd. and other coal companies had remained unresolved for a long time. It had been brought to the notice of the Committee that adequate compensation had not been paid to the losers of the land by Coal India Ltd and other coal companies. The Committee had desired that a Company-wise programme might be chalked out for solving the R&R problems on a top priority basis. The Committee had further desired that adequate funds should be made available for accomplishing the R&R programmes. The Committee had also desired that the subsidiaries of Coal India Limited and other coal companies should clear all the backlog of compensation cases immediately and evolve a uniform criteria for payment of compensation in future.

The Government in their Action Taken Reply, has stated that the R&R Policies followed by the subsidiaries have been evolved over a period and undergone numerous changes in response to changing circumstances. As & when required, the Central or State Governments issued new guidelines for resettlement & rehabilitation. R&R Policy of CIL framed in 1994 was thus revised in 2000 stipulating that where State Govt. Policy exists, subsidiary concerned will follow State Policy.

Policy followed in the past by subsidiaries to acquired land and to offer employment has resulted in surplus manpower which contributed to heavy losses in some subsidiaries. Under the compelling circumstances, subsidiaries started evolving other ways & means to compensate land owner and others adversely affected by coal mining projects. CIL recognizes that only proper resettlement & rehabilitation will ensure co-operation of project affected people and make it possible for CIL to acquire lands, it needs.

Rate of compensation for land per acre differs from project to project apart from State to State for various reasons like fertility of land, location of advantage, frequent sale transaction at higher rate and determination of land value by State Govts. (viz. W.B. and M.P.) under Indian Stamp Act for the purpose of Registration of Sale Deed. Coal companies pay compensation in the following manner under Coal Bed Area (CBA) (A&D) Act, 1957.

I. Market value of land (as determined by land sale deeds of past three years in the area);

II. Solatium @ 30% of the market value;

III. Escalation value @ 12% for the period from notification u/s 4(1) till notification u/s 9(1) of CBA Act subject to a maximum of three years (under Land Acquisition Act (LA Act) escalation is paid from notification u/s 4(1) till date of taking over possession;

V. Interest @ 9% for the 1st year and 15% for the subsequent years from the date of acquisition u/s 9(1) of CBA Act till date of payment (under LA Act interest is paid from the date of taking possession till date of payment).

The valuation of land is assessed by District Authority and payment is made through them. Where compensation amount is determined after negotiation with land owners, no escalation or interest is payable under CBA Act. Adequate fund is arranged by concerned subsidiaries for payment under CBA and LA Act.

Whenever interested tenants whose land is acquired feel that the awarded compensation is inadequate, the compensation is received/accepted by them under protest and they may prefer appeal to LA Judge for land acquired under LA Act and special Tribunal set by Central Government for land acquired under CBA (A&D) Act for deciding the fair amount of compensation. The order of the Court/Tribunal is implemented by the subsidiary companies. Still, the most common problem i.e. faced by subsidiaries is that land losers though not eligible for employment as per norms, stick to claim of employment and do not come forward to receive compensation.

Considering the change in circumstances in acquiring land for projects for public purpose, Ministry of Rural Development, Government of India issued a National Policy on Resettlement & Rehabilitation for project affected families in 2003 to provide different schemes of benefit in place of employment for the betterment of their standard of living. In tune with NPRR -2003 and considering surplus manpower in some of the subsidiaries and increasing thrust of mechanisation as well as competitiveness, CIL has already proposed for amendment of its existing R&R Policy in May, 2005. Proposed amendments are under consideration in the Ministry.

[Ministry of Coal No. 20011/5/2005-IF (Vol. IV) DATED 22ND JULY, 2005]

COMMENTS OF THE COMMITTEE

(Please see Para 1.51 of Chapter I of the Report)

New Delhi;
21 December, 2005
30 Agrahayana, 1927 (Saka)

ANANTH KUMAR,
Chairman,
Standing Committee on Coal and Steel.

ANNEXURE I

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2005-06) HELD ON 21st DECEMBER, 2005 IN COMMITTEE ROOM 'D', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1700 hrs. to 1730 hrs.

PRESENT

Shri Ananth Kumar-In the Chair

MEMBERS

2. Shri Prasanna Acharya
3. Shri Hansraj G. Ahir
4. Shri Harishchandra Chavan
5. Shri Chandra Sekhar Dubey
6. Shri Vikrambhai Arjanbhai Maadam
7. Shri Bhubneshwar Prasad Mehta
8. Shri Dalpat Singh Paraste
9. Shri E. Ponnuswamy
10. Smt. Karuna Shukla
11. Shri M.Anjan Kumar Yadav
12. Shri Vidya Sagar Nishad
13. Shri B.J. Panda

SECRETARIAT

1.	Shri A.K. Singh	-	Joint Secretary
2.	Shri A.K. Singh	-	Director
3.	Shri Shiv Singh	-	*Under Secretary*

2. At the outset, Chairman, welcomed the Members to the sitting of the Committee. Thereafter, the Committee considered and adopted the following Draft Reports:

i) Action Taken Report on the recommendations contained in the Eighth Report of the Standing Committee on Coal and Steel (2004-05) on Demands for Grants (2005-06) of the Ministry of Coal;

ii) ** ** ** **

iii) ** ** ** **

** Does not pertain to this Report.

3. The Committee adopted the aforesaid Draft Reports with minor additions/deletions/amendments.

4. The Committee authorised the Chairman to finalise these Reports after making consequential change arising out of factual verification by the concerned Ministries and to present the same to both the Houses of Parliament.

The Committee then adjourned.

ANNEXURE II
(*Vide* Para IV of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTH REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL

I.	Total No. of Recommendations made	24
II.	Recommendations/Observations which have been accepted by the Government: (*vide* recommendation at Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 9, 12, 13, 15, 16, 17, 18, 20, 21, 23 and 24)	18
	Percentage of total	75%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: (*vide R*ecommendation at Sl. Nos. 8 and 19)	2
	Percentage of total	8.33%
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: (*vide R*ecommendation at Sl.Nos.10 and 14)	2
	Percentage of total	8.33%
V.	Recommendations/Observations in respect of which final replies of the Government are still awaited: (*vide R*ecommendation at Sl.Nos.11 and 22)	2
	Percentage of total	8.33%
