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STANDING COMMITTEE ON COAL AND STEEL (2006-2007)

FOURTEENTH LOK SABHA

MINISTRY OF COAL

DEMANDS FOR GRANTS
(2006-07)

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

TWENTIETH REPORT



LOK SABHA SECRETARIAT
NEW DELHI
December, 2006 /Agrahayana 1928 (Saka)

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Presented to Lok Sabha on 19.12.2006
Laid in Rajya Sabha on 19.12.2006



**LOK SABHA SECRETARIAT
NEW DELHI
December, 2006 / Agrahayana, 1928 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE
ON COAL AND STEEL (2006-07)**

Shri Ananth Kumar - **Chairman**

MEMBERS

Lok Sabha

2. Shri Hansraj G. Ahir
3. Shri D.K.Audikesavulu
4. Shri Hiten Barman
5. Shri Bansagopal Choudhury
6. Shri Chandra Shekhar Dubey
7. Shri Chandrakant B.Khaire
8. Shri Faggan Singh Kulaste
9. Shri Vikrambhai Arjanbhai Maadam
10. Dr. Rameshwar Oraon
11. Shri Dalpat Singh Paraste
12. Shri Brajesh Pathak
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14. Shri Tarachand Sahu
15. Shri Raghuraj Singh Shakya
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18. Shri Rewati Raman Singh
19. Shri Sugrib Singh
20. Shri M.Anjan Kumar Yadav
21. Shri Anirudh Prasad *alias* Sadhu Yadav

Rajya Sabha

22. Maulana Obaidullah Khan Azmi
23. Shri Ramadhar Kashyap
24. Shri Surendra Lath
25. Shri Ajay Maroo
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27. Shri Swapan Sadhan Bose
28. Shri Jesudas Seelam
29. Shri Bashistha Narain Singh
30. Vacant
31. Vacant

SECRETARIAT

1. Shri S.K.Sharma - Additional Secretary
2. Shri P.K.Bhandari - Joint Secretary
3. Shri A.K.Singh - Director
4. Shri Shiv Singh - Under Secretary
5. Shri B.D.Dhyani - Senior Committee Assistant

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Twentieth Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Fifteenth Report of the Standing Committee on Coal and Steel on Demands for Grants (2006-07) of the Ministry of Coal.

2. The Fifteenth Report of the Standing Committee on Coal and Steel was presented to Lok Sabha on 23rd May, 2006. Replies of the Government to all the recommendations contained in the Report were received on 21st August 2006.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 14th December, 2006.

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

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;
18 December, 2006**
27 Agrahayana, 1928 (Saka)

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

REPORT

CHAPTER I

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Fifteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel on Demands for Grants (2006-07) of the Ministry of Coal which was presented to Lok Sabha on 23.5.2006.

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, 7, 8, 9 and 10.

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

Sl.No. 11.

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

Sl. Nos. 6 and 12.

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

Sl. No. Nil.

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 Fifteenth Report.

A. Under-Utilization of Funds

Recommendation (Sl. No.3, Para No. 3.16)

1.5 The Committee were fully conscious of the significant role the coal companies perform in meeting the energy requirement of the country. It was, however, not possible to meet the ever growing needs of the energy without corresponding increase in production of coal. In this context, the role of coal companies to implement the various schemes/projects on time and increase the production of coal to achieve the target assumed significance. The Committee, however, were surprised to find a contradictory situation wherein production targets were being achieved though the expenditure being incurred is much less than the allocations. During the course of evidence, the Secretary, Ministry of Coal admitted that although the expenditure incurred during the preceding years had been between 60 to 70 per cent, the targets of coal production had been achieved. The Committee believed that since the coal production targets were being achieved with lesser utilization of funds, an inference could be drawn that either the budgetary projections were unrealistic or targets were fixed much below the attainable capacity. The Committee were nevertheless convinced that this scenario would not continue for long and as soon as the existing mines dry up without new projects yielding results, the production of coal would dip to an alarming extent. The Committee, therefore, felt that it was extremely essential for the coal companies to ensure timely completion of new projects/schemes for increasing the coal production and desired that the Ministry should chalk out a detailed monitoring and action plan to obviate any delays in implementing of the projects/schemes.

1.6 In its Action Taken Reply, the Ministry of Coal has stated that the recommendations of the committee have been noted. For monitoring of the implementation of the projects for augmenting coal production a well laid project monitoring mechanism is in place in the ministry which is furnished below :

1.7 Projects are taken up for implementation after detailed examination of the availability of land, state of preparedness and assured flow of funds. There is a 2 tier system for appraisal and sanction of projects. Advance Action Proposals (AAP) are implemented to get possession of land, EMP clearance, arrange essential infrastructure facilities etc. before sanction of actual Project Report. This action is being taken to cut down delays in project implementation.

1.8 Separate Project officers are posted for each project to coordinate & implement project related activities. In coal producing subsidiary companies Director (Technical)(Projects & Planning) is overall in charge of implementation of projects and under whom project monitoring division headed by senior officers of the rank Chief General Manager/ General Manager is functioning.

1.9 Projects are monitored on day to day basis at the Area Level by General Manager/Chief General Manager of the area and by Director (Projects& Planning) at HQ level, CMD of concerned subsidiary on monthly basis or at shorter interval for implementation. Issues are sorted out at appropriate level to ensure smooth implementation of projects.

1.10 Status of Projects is also reviewed at every Company Board meeting of the Subsidiaries by exceptions.

1.11 Mandatory Review of the Projects are carried out at Company Level when the expenditure of the Project exceeds 50% of the Sanctioned Capital to initiate appropriate action.

1.12 Yearly Cost-Updating is taken up for all Projects and action for preparation of RCE and subsequent approval from Concerned Authority is taken accordingly.

1.13 Projects, costing Rs.100 crores & above, are also reviewed in CIL Board by exception. Physical & Financial performance of all Projects costing more than Rs.50 Crs. are also reviewed periodically by CIL Board for taking corrective actions.

1.14 Status of Implementation of Major Ongoing Projects as well as Future Projects (Costing Rs.100 crores & above) are monitored quarterly by Secretary(Coal). In case of Ongoing Projects both Physical and Financial progress are taken into consideration.

1.15 Status of Implementation of Major Ongoing Projects as well as Future Projects (Costing Rs.100 crores & above) are also monitored every month / fortnight through a flash report.

1.16 For projects costing Rs.100 crores & above, a proper MIS system using MS Project Software has been introduced. This is being strengthened with the introduction of on-line computerized monitoring system. All major projects are now equipped with computers and Project Management software.

1.17 In addition to above, a Dedicated Group has been constituted by the Ministry of Coal comprising of Secretary(Coal), Joint Secretary & Financial Adviser(JS&FA) and Adviser(Projects) to monitor and expedite the implementation of the investment plans of Coal India Limited in respect of 15 new 10th Plan Projects.

1.18 Progress reports in respect of Projects costing Rs.100 crores & above are also submitted to Department of Programme Implementation regularly by the concerned coal companies for monitoring purpose.

1.19 Physical and Financial progress are also monitored quarterly/half-yearly by Planning Commission through Qty. Performance Review Meeting.

1.20 The Committee while examining the Demands for Grants(2006-07) of the Ministry of Coal had observed that though the coal producing subsidiaries of Coal India Ltd. had been able to achieve the targets of coal production, the financial achievement had remained less than 70 per cent during the previous years including financial year 2005-06. The Committee believed that since the coal production targets were being achieved with lesser utilization of funds, an inference could be drawn that either the budgetary projections were unrealistic or production targets were fixed much below the attainable capacity. The Committee took strong exception to this anomalous situation and, therefore, recommended that it was extremely essential for the coal companies to ensure timely completion of new projects/schemes for sustaining the increase in coal production and desired that the Ministry of Coal should chalk-out a detailed monitoring and action plan to obviate any delays in implementing the projects/schemes. The Ministry in its reply has stated that an elaborate and comprehensive monitoring mechanism has been laid down for the implementation of projects.

The Committee note that notwithstanding this, the utilisation of funds continues to be far from satisfactory and feel that this paradoxical problem between utilization of funds and coal production targets needs to be resolved. The Committee would like to stress that this scenario would not continue for long and as soon as the existing mines dry-up without new projects yielding results, the production of coal would dip to an alarming level. The Committee, therefore, desire the Ministry of Coal to ensure that the coal companies not only fix reasonably higher targets for coal production but also ensure fullest utilization of funds.

B. Compress Time in Project formulation

Recommendation (Sl. No.5, Para No. 4.9)

1.21 The Committee observed that 8 new projects were under formulation by NLC. Out of 8 projects, 2 projects viz Mine III (8 MTPA) and TPS (1000 MW), which were sanctioned by the Ministry of Coal in March, 1999 were still in the initial stages of formulation. The Committee expressed their grave concern over the inordinate delay on the part of NLC in formulating these projects and felt that waste of precious time would have far-reaching impact on the financial health of NLC. The Committee, therefore, impressed upon the Ministry/NLC to tone up its machinery and shorten the time lag in the formulation of these schemes to enable NLC to boost its production and profitability.

1.22 In its Action Taken Reply, the Ministry of Coal has stated that for Mine III, the Draft Feasibility Report (FR) was prepared by NLC with Specialized Mining Equipment (SME) technology. Draft Environment Report (EIA-EMP) has already been prepared.

1.23 Due to various geological and mining conditions, requirement of Main Mining Equipments and other Auxiliary equipments were found to be large in number and hence the cost of production of lignite *vis-a-vis* power tariff appear to be prohibitive. Govt of Tamil Nadu has also not granted administrative consent for land acquisition for Mine III so far.

1.24 In view of the higher cost of production associated with SME technology, a study on Alternative Mining Technology (AMT) for lignite mine was taken up from different sources. A Grant agreement was entered with US Trade and Development Agency (USTDA) in March, 2006 to prepare feasibility report using different technology, as US Mines seem to operate economically using different equipments.

1.25 NLC is primarily engaged in the exploitation of lignite deposits in Tamil Nadu and generation of power from lignite based power projects. At present, NLC operates three Mines with a total capacity of 24 MTPA and Thermal Power Plants with a total capacity of 2490 MW.

1.26 Both Lignite mining and Power generation are complex and these projects have long gestation periods. These projects require many statutory and administrative clearances from various State and Central Agencies. Approval of State Govt. is essential for land acquisition. Besides, viability of the project is to be established. Cost of production of fuel (lignite) and power tariff will have to be competitive. If the lignite cost and power tariff are found to be prohibitive, alternative technologies are to be explored so that cost becomes competitive. Only after establishing the cost competitiveness, beneficiaries come forward to sign the Power Purchase Agreement (PPA).

1.27 SME technology alone is found to be a proven technology for the Neyveli conditions. SME technology is capital intensive in nature with higher initial investment and hence tariff is loaded upfront. As power tariff with other fuels is found to be cheaper than SME based lignite, NLC endeavours to find alternative technologies.

1.28 NLC is also planning to diversify from lignite to other fuels so that the company's growth rate is sustained.

1.29 In view of the above said reasons, there are some delays in the project formulations.

1.30 In order to strengthen and expedite the project formulation process, Advance Action Plan (AAP) proposals are implemented to get possession of land, EMP clearance, establish infrastructure facilities. GOI also stipulates that AAP is to be completed within 30 months from the date of sanction. Further, dedicated multi discipline Officers have been entrusted to process the proposals and also to get clearances from various statutory authorities.

Status of AAP is given below:-

Project	Present Status
Coal Based Power Plant at Tuticorin	This is a Joint Venture Project with TNEB. Project Report (PR) has been sent to TNEB for clearance. After TNEB approval, PR will be submitted to GOI. Power Purchase Agreement (PPA) is under discussion with beneficiaries.
Coal based Power Plant at Orissa	Certain issues between Orissa State and NLC could not be resolved. Orissa Govt. has also informed that a new power policy is under formulation. For coal linkage, MOC has directed that a Joint Venture Company (JVC) be to be formed to exploit coal reserves in Talabira field. JVC formation is under process.
Mine III & TPS III	Alternative mining technology options are being explored to bring down the price of lignite. MOU for availing an US Grant of US \$ 360000 for the preparation of Feasibility Report (FR) was signed on 13.3.2006.

Refinery residue based Power Plant at Chennai	Revised Tender for Consultancy services for the preparation of Detailed FR has been floated and the same is in process.
Jayankondam Mine cum Power Project	Action has been taken to prepare the Project FR (Feasibility Report). State Govt. Notification for implementing the Project by NLC independently is awaited.
Extension of Barsingsar Projects (Rajasthan)	Action has been taken to prepare the Project FR. Detailed exploration is to be done. Action is being initiated to take up geo technical investigation studies.
Riri Mine cum Power Plant (Rajasthan)	Action has been taken to prepare the Project FR. Detailed exploration is to be done. Action is being initiated to take up geo technical investigation studies

1.31 **The Committee in their earlier recommendation had expressed their grave concern over the inordinate delay on the part of Neyveli Lignite Corporation(NLC) in formulating 8 new projects and impact thereof on the financial health of the Company. Keeping this in view, the Committee had impressed upon the Ministry of Coal/NLC to tone up its machinery and shorten the time lag in the formulation of these schemes for increased production and profitability of NLC. The Ministry in its reply has stated that for Mine-III, the Draft Feasibility Report was prepared with Specialized**

Mining Equipment(SME) technology. The Ministry has further stated that SME technology, though capital intensive and costly, has been found to be a proven technology for the Neyveli conditions. However, in view of the higher cost of production associated with SME technology, an agreement on Alternative Mining Technology for lignite mine was entered into with US Trade and Development Agency in March, 2006 to prepare feasibility report using different technology.

The Committee are extremely unhappy that NLC despite the sanction being accorded in March 1999, has failed to prepare an appropriate Feasibility Report and identify suitable technology. The Committee desire that responsibility in this regard should be fixed as loss of precious years in selecting an appropriate technology which will ultimately lead to time and cost overrun and unjustifiable waste of scarce resources. The Committee, therefore, desire that immediate measures be taken so that the ongoing/new projects of NLC do not suffer for want of appropriate technology and other procedural requirements and that the projects should be completed within a time bound manner.

C. Implement Projects in a time bound manner

Recommendation (Sl. No.6, Para No. 5.19)

1.32 The Committee noted that 100 projects were identified to be taken up during 10th Plan period. Out of this, a total of 67 projects had already been sanctioned and were in different stages of implementation including Makaradhokra-II OC of Western Coalfields Limited(WCL) which stood completed in March 2005. Out of balance 33 projects, only 6 projects were likely to be completed during 10th Plan. The reasons adduced for the delays involved in the projects and rescheduling the completion time were not convincing. The Committee had taken note of the existence of an elaborate, cumbersome and time consuming monitoring and appraisal system right from project level to Ministry level for the implementation of the projects. The Committee felt that monitoring of projects had remained a mere monotonous exercise without any tangible results forthcoming there from. Consequently, inspite of all these measures, the projects were getting delayed considerably, a sad augury for the coal sector. The Committee were convinced that the projects were not being managed on sound professional lines, and the Ministry of Coal had failed miserably in its duty to act as a vigilant facilitator in overcoming the root cause of delays in the projects.

1.33 The Committee were well aware about the major problems viz. acquisition of land and obtaining of various clearances which were adversely affecting the progress of coal projects. Keeping this in view, the Committee would like to emphasize that there should be a close liaison and coordination between the

Central and various State Government agencies and they should work in tandem to identify and rectify the nagging bottlenecks.

1.34 The Committee, therefore, recommended the Ministry to explore the possibility of setting up of a single-window clearances system for the projects in order to remove the hurdles impeding the advancements in coal sector. The Committee also desired to be apprised of the status of all the projects identified and sanctioned/approved during the 10th Plan period within three months.

1.35 In its Action Taken Reply, the Ministry of Coal has stated that the recommendation of the Committee has been noted and it is submitted that to facilitate various clearances and coordination with the State Governments regular interactions at highest level are taking place between the senior officers of the subsidiary companies concerned and the State Government officials. However, regarding exploring the possibility of setting up of a single window clearance system for approval of projects it is to be mentioned that there are various statutory and regulatory approvals that have to be obtained for R&R, forestry, environmental aspect etc. from different agencies of the State Government concerned and Central Government. As such the proposed single window clearance system is not feasible.

1.36 The details of the status of all projects of CIL identified and approved for the 10th Plan Period are shown at Annexure –I.

1.37 Keeping in view the cumbersome procedures in obtaining various clearances for taking up new coal projects, the Committee had recommended that the Ministry should explore the possibilities of setting up of a single-window clearance system for the projects in order to remove the hurdles impeding the advancements in coal sector. The Ministry of Coal has informed that to facilitate various clearances and coordination with the State Governments, regular interactions at highest level are taking place between the senior officers of the subsidiary companies concerned and the State Government officials. The Ministry has further stated that setting up of a single window clearance system for approval of projects is not feasible for the reasons that various statutory and regulatory approvals have to be obtained for R&R, forestry, environmental aspect, etc. from different agencies of the State Government concerned and Central Government.

The Committee are not convinced with the reply of the Ministry as it has failed to come out with an alternative mechanism to cut down cumbersome procedure and the time involved. The Committee stress that the bottlenecks coming in the speedy implementation of coal projects are required to be removed in order to boost coal production. The Committee are conscious that a number of agencies both at Centre and State level are

involved in various clearances but are of the view that a High Level Empowered Committee could be an alternative of single-window system considering that several agencies of the State and Central Government are involved. The Committee, therefore, like the Ministry to examine the setting up of a High Level Empowered Committee to facilitate various clearances.

D. Minimise Outsourcing in Coal India Ltd.

Recommendation (Sl. No.12, Para No. 9.6)

1.38 The Committee observed that the operations which CIL conducted departmentally had been found to be relatively much more expensive than the operations conducted through outsourcing. The Committee also observed that CIL had relatively over availability of equipment and when high cost equipment were not available to the optimum level, the cost of production goes up substantially. Further due to poor work culture, departmental equipments do not work for the number of hours which was expected to be done and, therefore, the output in terms of individual manpower was substantially less than what was obtained through outsourcing.

1.39 The Committee felt that the reasons adduced by the Ministry for resorting to outsourcing were grossly unjustifiable. It was a matter of serious concern that CIL instead of putting its own house in order by making optimum use of excess equipments and developing work culture of high order to enhance the productivity had taken recourse to outsourcing.

1.40 The Committee, therefore, desired the Ministry to institute an inquiry to go into the depth for the causes of the lesser utilization of equipments and deteriorating work culture in CIL resulting in higher cost of production and apprise the Committee about the break up of cost of production, item-wise as compared to the cost of production through outsourcing. The Committee also reiterated that an Action Plan to minimize outsourcing and remove corruption be prepared by Ministry/CIL on uniform basis. The Committee also desired that they might be apprised of the action taken in this regard within one month.

1.41 In its Action Taken Reply, the Ministry of Coal has stated that with a view to improve efficiency & utilization of departmental equipment, HEMM monitoring cells for continuous monitoring of the performance of the equipment each for each subsidiary is in place. This cell/department plans the preventive maintenance and rehabilitation programme.

1.42 Ministry of Coal, through an expert committee has reviewed the norms of HEMM utilization and availability and a decision has been made to plan all the open cast mines on 330 days working a year basis instead of 300 days working. Accordingly all the new opencast mines are being planned for 330 days working with revised norms of utilization of HEMM. In addition to this coal companies are

entering into Annual Maintenance Contracts (AMCs) with Original Equipment Manufacturers (OEMs). For regular supply of spare parts depot supply agreements are also being entered into by the coal companies with the OEMs. To avoid loss of time, measures like hot seat change is also being adopted in various projects for HEMM operators. GPS based truck despatch system have also been commissioned in major opencast mines for efficient monitoring of movement of HEMM. As a result of these measures, there has been improvement in utilization and availability of HEMM as furnished in the table below :

Major HEMM – Performance of Coal India Ltd.

HEMM	2003-04		2004-05		2005-06	
	% Availability	% utilization	% Availability	% utilization	% Availability	% utilization
Shovel	70	44	70	46	72	48
Dumper	63	33	62	35	64	36
Dozer	60	26	60	27	63	27
Drill	69	25	69	27	73	30
Dragline	86	80	87	81	85	78

1.43 Regarding outsourcing, it is to mention that certain activities of coal production in some of the coal mines of CIL subsidiary companies are being undertaken by hiring of equipments. Outsourcing of operations is aimed at achieving better economics, creating quick additional capacity of coal production, avoiding initial investment, reducing cost of operations and developing isolated patches which are not otherwise economical. Going by the trend of the day Government has been sanctioning new projects with outsourcing option mainly from economic and operational consideration. Thus, the scope of outsourcing is increasing and there is no programme to minimize outsourcing.

1.44 Item-wise Break up of estimated unit cost of production for 3 recently approved OC Mines with Departmental variant as well as with outsourcing variant (both Coal & OB Removal outsourced) is as below:

Bhubaneshwari OC

Sl.No.	Particulars	Departmental Variant (Rs/t)	Both Coal & OB outsourced variant (Rs/t)
1.	Salaries,Wages & Benefits	25.60	14.48
2.	Stores	58.30	17.76
3.	Power	15.03	11.04
4.	Misc.exp. incl. W/s debits	17.06	12.37
5.	Admn. Charges	31.40	31.40
6.	Int. on working cap @ 15.50%	7.62	4.50
7.	Int. on loan cap @ 12.50%	0.00	0.00
8.	Depreciation	46.37	20.87
9.	Impact on land reclamation	4.02	4.02

10.	OB cost Rs/cum./ OB contr. @ Rs. 51.00/cum		34.27
11,	Interest. on wkg. Cap @ 15.50%		1.77
12.	Transportation cost (face- 3-4 Km)		24.80
13.	Interest on working capital		1.28
	All inclusive cost	205.40	178.55

Kaniah OCP

Sl.No.	Particulars	Departmental Variant (Rs/t)	Both Coal & OB outsourced variant (Rs/t)
1.	Salaries,Wages & Benefits	38.16	22.44
2.	Stores	77.41	21.69
3.	Power	14.81	9.26
4.	Misc.exp. incl. W/s debits	17.91	10.91
5.	Admn. Charges	31.40	31.40
6.	Int. on working cap @ 15.50%	9.28	4.94
7.	Int. on loan cap @ 12.50%		0.00
8.	Depreciation	47.22	15.80
9.	Impact on land reclamation	8.10	8.10
10.	OB contr. @ Rs. 51.00/cum		43.25
11	Int. on wkg. Cap @ 15.50%		2.23
12.	Transportation cost (face- 2-3 Km)		23.47
13.	Int. on wkg. Capital 15.50%		1.21
	All inclusive cost	244.29	194.70

Kulda OC

Sl.No.	Particulars	Departmental Variant (Rs/t)	Both Coal & OB outsourced variant (Rs/t)
1.	Salaries,Wages & Benefits	27.57	13.47
2.	Stores	72.30	20.10
3.	Power	13.80	6.58
4.	Misc.exp. incl. W/s debits	20.43	12.24
5.	Admn. Charges	31.40	31.40
6.	Int. on working cap @ 15.50%	8.55	4.33
7.	Int. on loan cap @ 12.50%	0.00	0.00
8.	Depreciation	54.11	21.11
9.	Impact on land reclamation	3.74	3.74
10	Int. on wkg. Cap @ 15.50%	-	1.36
11	OB loading & transportation contractual	-	49.55
12	Transportation cost (surface- 3-4 KMs)	12.50	12.50
13	Transportation cost (face – 2-4 KMs.	-	26.29

14	Int. on wkg. Capital 15.50%	0.65	2.56
15	Wagon loading cost	4.02	4.02
16	Int. on wkg. Cap @ 15.50%	0.21	0.65
17	Int. on wkg. Cap @ 15.50%	-	0.21
	All inclusive cost	249.28	210.09

1.45 To bring transparency in the procedure, the Award of such work is either done through tendering process or by nomination basis through DGR sponsored Ex-servicemen companies based on normative rates .

1.46 Regarding improving the work culture, the following steps have been taken by Coal India Limited : -

1.47 The issue of improvement in work culture, production, productivity and profitability is regularly discussed in the meeting of Apex Joint Consultative Committee. The suggestion on which consensus reached are communicated to the subsidiaries for implementation.

1.48 Apart from the Apex JCC meetings the Hon'ble MOS (Coal) also held a meeting with the trade union leaders and the management on 4th August, 2005. After detailed deliberation the following points were identified for implementation:-

- Adherence to punctuality/timings of work ;
- Limited tiffin break to half an hour and not beyond;
- In case of tiffin-break, the shift should last 8 ½ hours;
- Better work culture/equipment utilization;
- Permitting available surplus workmen/operator to operate m/c during tiffin breaks / hot seat exchange;
- In case of absence of an operator, even if an operator of other idle machine is available who can handle it, should operate. This should be implemented.
- Multi-skilled operation
- No wild cat strike
- No stoppage of work due to accidents etc;
- Online attendance
- Reduction in number of breaks in a day
- Closure of mines / redeployment / VRS
- Drillers to drill more holes/norms of work to be occasionally revised as per IED studies;
- Attendance – improvement therein.

1.49 The subsidiary companies were requested to discuss the above points in their local Joint Consultative Committee for facilitating effective implementation. The subsidiary companies have taken necessary steps for implementation.

However, it is continuous process and regular efforts are made by management on continuing basis to bring improvements in the above areas .

1.50 The efforts made have yielded fruitful results and Coal India registered improvement in production, productivity and profitability during 2005-06.

1.51 The issues like introduction of staggered day of rest, multi-skilled working , revised scheme for employment of dependant on compassionate ground etc. though discussed in all the six meetings of Standardization Committee of JBCCI-VII held during the period from September, 2005 to May, 2006, so far could not be finalized. Efforts are being made for early finalization.

1.52 **Keeping in view the increasing trend of outsourcing in Coal India Ltd.(CIL), the Committee had desired the Ministry of Coal to institute an Inquiry to go into the depth for the causes of lesser utilization of equipments and deteriorating work culture in CIL resulting in higher cost of production and apprise the Committee about the break up of cost of production, item-wise as compared to the cost of production through outsourcing. In its reply, the Ministry has informed that with a view to improve efficiency and utilization of departmental equipment, HEMM Monitoring Cell for continuous monitoring of the performance of the equipments for each subsidiary is in place. This Cell/Department plans the preventive maintenance and rehabilitation programme. Further under a decision taken by an Expert Committee, all the new open cast mines are being planned for 330 days working a year basis instead of 300 days working. In respect of outsourcing, the Ministry informed that outsourcing of operations is aimed at achieving better economics creating quick additional capacity of coal production, avoiding initial investments, reducing cost of operations and development of isolated patches which are not other-wise economical. It has further been stated that going by the trend of the day, Government has been sanctioning new projects with outsourcing option mainly from economic and operational considerations. Thus, the scope of outsourcing is increasing and there is no programme to minimize outsourcing.**

The Committee are deeply anguished that despite their categorical recommendation, the Ministry has not instituted an inquiry to go into the causes of lesser utilization of the equipments and deteriorating work culture in CIL. The Committee are of the view that the malaise is too deep to be tackled by routine expert bodies and Apex Joint Consultative Committee set-up by CIL. The Committee are of the firm view that the outsourcing is increasing not due to economical and operational considerations but mismanagement and under-utilization of HEMMs coupled with lack of commitment and deteriorating work culture. The view point of the Committee has strengthened by the facts submitted by the Ministry in its reply which clearly shows that despite efforts made by CIL,

there is negligible improvement in utilization of HEMMs since 2003-04. The utilization of Showel and Dumper which was 44 and 33 per cent in 2003-04, rose by merely 4 and 3 per cent respectively in 2005-06. The item-wise break up of estimated unit cost of production for Bhubaneswari opencast mine with departmental variant and outsourcing variant makes it abundantly clear that departmental mines are suffering mainly on account of stores and depreciation thereof which alone accounts for more than 50 per cent production cost of the coal. As regards Kulda opencast mine, in case it is presumed that the expenditure on stores and depreciation thereof from departmental variant and outsourcing variant are in the same region, the cost of production of coal per tonne departmentally would be Rs. 167 as compared to Rs. 210 from outsourcing. Similarly in other mines i.e. Bhubaneshwari OC and Kania OC, the cost of production would have been Rs. 139.73 per tonne and Rs. 158.29 per tonne with departmental variant as compared to the cost of production through outsourcing which is Rs. 178.55 and Rs. 199.70 per tonne respectively.

The Committee are, therefore, not convinced that the outsourcing is a better option from the economical and operational point of view but feel that only in rare cases of shortage of men and machinery, outsourcing could be considered for a short period of time.

The Committee, therefore, reiterate their earlier recommendation and desire that the Government should minimize outsourcing in CIL and tune up its entire system for the optimum utilization of men and machinery to increase the production in a more cost effective manner. The Committee would also like the Ministry to immediately commission an Inquiry into the reasons for lesser utilization of equipment and deteriorating work culture in Coal India Ltd., subsidiary-wise, and apprise them about the outcome thereof within a period of three months.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI. NO.1, Para No. 2.2)

The Committee hope that the Ministry of Coal will implement the recommendations in a time bound manner which the Committee commented upon in their Action Taken Report .The Committee desire that the Ministry of Coal should furnish final replies to the recommendations (Nos. 11 and 22) which were categorized as of interim nature. The Committee would like to be apprised of the Action Taken in this regard.

Reply of the Government

In Chapter II of this Report, it has been pointed out that Reply of the Government in respect of Recommendation No. 10 and 14 of the 8th Report was not accepted by the Committee and in respect of Recommendation No. 11 and 22 of the said Report, replies of the Government were of interim nature.

It may be noted that the aforesaid recommendations of the 8th Report were re-iterated in the 11th Report of the Committee as detailed below:

<u>Recommendation No. of 8th Report</u>	<u>Recommendation No. 11th Report</u>
10	1.28
11	1.34
14	1.39
22	1.50

Action Taken Report on the aforesaid recommendations contained in the 11th Report have been sent to the Committee on 29.05.2006. Copies of the Action Taken Report are placed at Annexure-II.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Recommendation (SI. NO.2, Para No. 3.15)

The Committee note that the budgetary allocation of the Ministry of Coal for the year 2006-07 is Rs. 4799.50 crore as compared to Rs. 4001.40 crore for the year 2005-06 which was later drastically reduced to Rs. 2987.00 crore at RE stage. The Committee are distressed to note that the Ministry has failed to utilize even the revised allocation and could barely utilize less than 50% of the BE. The performance of Neyveli Lignite Corporation has been more deplorable which

could utilize only 28% of the BE. This trend of under utilization has been continuing for more than a decade as during 9th Plan, the Ministry utilized an amount of Rs. 13,120.84 crore as against the allocated amount of Rs. 19,383.74 crore. In the 10th Five Year Plan, the performance of the Ministry was even more unsatisfactory as an amount of Rs. 6,961.52 crore has been utilized, so far, as against the allocated funds of Rs. 18,652.20 crore. The Committee, however, note with satisfaction that Singareni Collieries Company Ltd. continues to perform well and has been consistently utilizing more than 80% of the allocated funds. The Committee are deeply anguished to note that the Ministry has made mockery of budget mechanism process by citing exactly the same reasons year after year just like a ritual without making any tangible efforts to come out of this cyclic malaise.

The Committee, in their 8th Report on Demands for Grants of the Ministry of Coal for the year 2005-06 had, therefore, recommended the Ministry to revamp and strengthen its budget division to ensure preparation of realistic budgetary proposals and to set up a high level monitoring committee to review the monthly progress of the utilization of funds. The Ministry had informed the Committee that the budget making procedure in PSUs passes through several stages and rigorous follow-up action is done by the Senior Officers of the PSUs. A separate Project Monitoring Wing constantly monitors the progress on day to day basis. It was further stated that Ministry of Coal also reviews the progress of on-going projects of Rs. 100 crore and above on quarterly basis under the Chairmanship of Secretary (Coal). Since the Committee were not convinced with the reply of the Ministry and the existing monitoring mechanism has not been able to bring about any significant improvement, they in their 11th Report on Action Taken had reiterated for setting up of a High Level Monitoring Committee. The Committee hardly need to emphasize that coal production in the country has suffered immensely due to the trend of under-utilization of funds for more than decade. The Committee are astonished to note the magnitude of under utilization of funds during the last 10 years which exceeds Rs. 15,000/- crore by a conservative estimate. The Committee are sanguine that this huge amount was enough to transform and change the face of the entire coal sector in the country. The Committee are, therefore, extremely unhappy that though the existing monitoring mechanism of the Ministry faltered and fumbled, no High Level Monitoring Committee, as recommended, was set up.

The Committee, therefore, would again desire the Ministry to put in place a High Level Monitoring Committee for effectively improving and overseeing the fund utilization.

Reply of the Government

Recommendation of the Committee has been noted and action has been initiated to formulate a high level monitoring committee for effectively improving and overseeing the fund utilization under the chairmanship of Secretary (Coal) with Joint Secretary & Financial Adviser, Ministry of Coal, Adviser (Projects) ,

Ministry of Coal and CMDs of Coal India Limited, Singareni Collieries Company Limited and Neyveli Lignite Corporation as Members.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Recommendation (Sl. No.3, Para No. 3.16)

The Committee are fully conscious of the significant role the coal companies perform in meeting the energy requirement of the country. It is, however, not possible to meet the ever growing needs of the energy without corresponding increase in production of coal. In this context, the role of coal companies to implement the various schemes / projects on time and increase the production of coal to achieve the target assumes significance. The Committee, however, are surprised to find a contradictory situation wherein production targets are being achieved though the expenditure being incurred is much less than the allocations. During the course of evidence, the Secretary, Ministry of Coal admitted that although the expenditure incurred during the preceding years had been between 60 to 70 per cent, the targets of coal production had been achieved. The Committee believe that since the coal production targets are being achieved with lesser utilization of funds, an inference can be drawn that either the budgetary projections are unrealistic or targets were fixed much below the attainable capacity. The Committee are nevertheless convinced that this scenario would not continue for long and as soon as the existing mines dry up without new projects yielding results, the production of coal will dip to an alarming extent. The Committee, therefore, feel that it is extremely essential for the coal companies to ensure timely completion of new projects / schemes for increasing the coal production and desire that the Ministry should chalk out a detailed monitoring and action plan to obviate any delays in implementing of the projects / schemes.

The recommendations of the committee have been noted. For monitoring of the implementation of the projects for augmenting coal production a well laid project monitoring mechanism is in place in the ministry which is furnished below :

Projects are taken up for implementation after detailed examination of the availability of land, state of preparedness and assured flow of funds. There is a 2 tier system for appraisal and sanction of projects. Advance Action Proposals (AAP) are implemented to get possession of land, EMP clearance, arrange essential infrastructure facilities etc. before sanction of actual Project Report. This action is being taken to cut down delays in project implementation.

Separate Project officers are posted for each project to coordinate & implement project related activities. In coal producing subsidiary companies Director (Technical)(Projects & Planning) is overall in charge of implementation of projects and under whom project monitoring division headed by senior officers of the rank Chief General Manager/ General Manager is functioning.

Projects are monitored on day to day basis at the Area Level by General Manager / Chief General Manager of the area and by Director (Projects& Planning) at HQ level, CMD of concerned subsidiary on monthly basis or at shorter interval for implementation. Issues are sorted out at appropriate level to ensure smooth implementation of projects.

Status of Projects is also reviewed at every Company Board meeting of the Subsidiaries by exceptions.

Mandatory Review of the Projects are carried out at Company Level when the expenditure of the Project exceeds 50% of the Sanctioned Capital to initiate appropriate action.

Yearly Cost-Updating is taken up for all Projects and action for preparation of RCE and subsequent approval from Concerned Authority is taken accordingly.

Projects, costing Rs. 100 crores & above, are also reviewed in CIL Board by exception. Physical & Financial performance of all Projects costing more than Rs.50 crores. are also reviewed periodically by CIL Board for taking corrective actions.

Status of Implementation of Major Ongoing Projects as well as Future Projects (Costing Rs.100 crores. & above) are monitored quarterly by Secretary (Coal). In case of Ongoing Projects both Physical and Financial progress are taken into consideration.

Status of Implementation of Major Ongoing Projects as well as Future Projects (Costing Rs.100 crores. & above) are also monitored every month / fortnight through a flash report.

For projects costing Rs. 100 crores & above, a proper MIS system using MS Project Software has been introduced. This is being strengthened with the introduction of on-line computerized monitoring system. All major projects are now equipped with computers and Project Management software.

In addition to above.

A Dedicated Group has been constituted by the Ministry of coal comprising of Secretary (Coal), Joint Secretary & Financial Adviser (JS&FA) and Adviser (Projects) to monitor and expedite the implementation of the investment plans of Coal India Limited in respect of 15 new 10th Plan Projects.

Progress reports in respect of Projects costing Rs.100 crores. & above are also submitted to Department of Programme Implementation regularly by the concerned coal companies for monitoring purpose.

Physical and Financial progress are also monitored quarterly / half-yearly by Planning Commission through Qty. Performance Review Meeting.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Comments of the Committee

(Please see Para 1.20 of Chapter-1 of the Report)

Recommendation (Sl. No.4, Para No. 4.8)

The Committee note that Neyveli Lignite Corporation (NLC) under the administrative control of Ministry of Coal is primarily engaged in production of lignite and power generation. In the year 2005-06, the NLC produced 151.01 LT of Lignite and generated 12396.68 MU of electricity upto December 2005. The Committee however note that NLC has been implementing 4 projects costing Rs 5560.31 crores for augmenting its production base. The Committee are extremely unhappy to note that whereas the completion schedule of these projects ranges from 45 to 57 months, these have initially been delayed due to one reason or other resulting in non-utilization of funds as well as time and cost overrun. The Committee express their strong displeasure over the delays in completion of the projects, being avoidable squandering of scarce resources and would like that the responsibility should be fixed for not visualizing and overcoming the bottlenecks in implementation of the projects.

Reply of the Government

The following projects are under implementation:

Mine II Expansion and linked TPS II Expansion at Neyveli
Barsingsar Mine cum Power Project at Rajasthan

Project	Sanctioned Cost (Cr.Rs)	Date of Sanction	Commissioning Schedule
Mine II Expansion (4.5 MTPA)	2161.28	18.10.2004	June 2009
TPS II Expansion (500 MW)	2030.78	18.10.2004	Unit 1 Feb,2009 Unit 2 June,2009
Barsingsar Mine (2.1 MTPA)	254.07	15.12.2004	June,2009
Barsingsar Thermal (250 MW)	1114.18	15.12.2004	Unit 1 Dec,2008 Unit 2 June,2009
	5,560.31		

All the major contracts for the above projects were already finalized and supplies have also commenced. There was delay in the early stages due to several round of negotiations for price reduction and subsequent hurdles in

releasing the down payment especially for Main Plant Package for Thermal Projects. All such issues were resolved and the projects will be commissioned as per the schedule. NLC does not envisage delay in commissioning the project as supplies have already commenced and site activities has also gained momentum.

The projects are funded out of Internal Resources (IR) and market borrowings. NLC does not draw any budgetary support from GOI. NLC has already tied up the borrowing programme to fund the above projects.

Separate Project Officers have been posted to co-ordinate and monitor all the project related activities. Issues are sorted out at appropriate levels to ensure smooth implementation of the projects.

All the Project Officers have been advised to closely monitor the progress of the projects and are also advised to increase the pace of expenditure.

A separate Project Monitoring Wing constantly monitors the progress on day-to-day basis.

- Monitoring has been strengthened at all levels viz:
- each package is being monitored by respective Officer on day to day basis.
- Project is being monitored by Unit Head on weekly basis.
- Periodical meetings are held with suppliers to monitor the progress of the supplies, erection.
- Physical progress and financial progress in the projects are regularly monitored. Mismatch, if any, in this regard is sorted out.
- Site visit/inspection are being made by the Project Monitoring Group on weekly basis.
- Corporate Level Monitoring is being done on monthly basis.
- NLC Board also reviews the progress in the Board Meetings.

By close monitoring, the projects will be completed without any time over run. As the Projects are under implementation, closer achievable forecast will be made in future years.

The actual plan expenditure details for the Year 2005-06 is tabulated below:

	Amount (Cr.Rs)
BE 2005-06	640.00
RE 2005-06	368.00
Actual 2005-06	379.68
% of actual over BE	59
% of actual over RE	103

Normally, Plan Outlay at BE stage is firmed up sometime in September, 6 months ahead of the commencement of the financial year. Outlay at BE stage will be based on some premises viz likely issue of Letter of Award (LOA) for some packages, likely release of down payment, anticipated commencement of supplies etc. Any slippage in the above said premises, which are beyond the control of the company, vitiates the pace of expenditure. After factoring all the events, Outlay at RE stage is reduced. and all out efforts are made to achieve RE outlay:

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Recommendation Sl. No.5 (Para No. 4.9)

The Committee further observe that 8 new projects are under formulation by NLC. Out of 8 projects, 2 projects viz Mine III (8 MTPA) and TPS (1000 MW), which were sanctioned by the Ministry of Coal in March, 1999 are still in the initial stages of formulation. The Committee express their grave concern over the inordinate delay on the part of NLC in formulating these projects and feel that waste of precious time will have far-reaching impact on the financial health of NLC. The Committee therefore impress upon the Ministry/NLC to tone up its machinery and shorten the time lag in the formulation of these schemes to enable NLC to boost its production and profitability.

Reply of the Government

For Mine III, the Draft Feasibility Report (FR) was prepared by NLC with Specialized Mining Equipment (SME) technology. Draft Environment Report (EIA-EMP) has already been prepared.

Due to various geological and mining conditions, requirement of Main Mining Equipments and other Auxiliary equipments were found to be large in number and hence the cost of production of lignite *vis-a-vis* power tariff appear to be prohibitive. Govt of Tamil Nadu has also not granted administrative consent for land acquisition for Mine III so far.

In view of the higher cost of production associated with SME technology, a study on Alternative Mining Technology (AMT) for lignite mine was taken up from different sources. A Grant agreement was entered with US Trade and Development Agency (USTDA) in Mar, 2006 to prepare feasibility report using different technology, as US Mines seem to operate economically using different equipments.

NLC is primarily engaged in the exploitation of lignite deposits in Tamil Nadu and generation of power from lignite based power projects. At present,

NLC operates three Mines with a total capacity of 24 MTPA and Thermal Power Plants with a total capacity of 2490 MW.

Both Lignite mining and Power generation are complex and these projects have long gestation periods. These projects require many statutory and administrative clearances from various State and Central Agencies. Approval of State Govt. is essential for land acquisition. Besides, viability of the project is to be established. Cost of production of fuel (lignite) and power tariff will have to be competitive. If the lignite cost and power tariff are found to be prohibitive, alternative technologies are to be explored so that cost becomes competitive. Only after establishing the cost competitiveness, beneficiaries come forward to sign the Power Purchase Agreement (PPA).

SME technology alone is found to be a proven technology for the Neyveli conditions. SME technology is capital intensive in nature with higher initial investment and hence tariff is loaded upfront. As power tariff with other fuels is found to be cheaper than SME based lignite, NLC endeavours to find alternative technologies.

NLC is also planning to diversify from lignite to other fuels so that the company's growth rate is sustained.

In view of the above said reasons, there are some delays in the project formulations.

In order to strengthen and expedite the project formulation process, Advance Action Plan (AAP) proposals are implemented to get possession of land, EMP clearance, establish infrastructure facilities. GOI also stipulates that AAP is to be completed within 30 months from the date of sanction. Further, dedicated multi discipline Officers have been entrusted to process the proposals and also to get clearances from various statutory authorities.

Status of AAP is given below:

Project	Present Status
Coal Based Power Plant at Tuticorin	This is a Joint Venture Project with TNEB. Project Report (PR) has been sent to TNEB for clearance. After TNEB approval, PR will be submitted to GOI. Power Purchase Agreement (PPA) is under discussion with beneficiaries
Coal based Power Plant at Orissa	Certain issues between Orissa State and NLC could not be resolved. Orissa Govt has also informed that a new power policy is under formulation. For coal linkage, MOC has directed that a Joint Venture Company (JVC) be to be formed to exploit coal reserves in Talabira field. JVC formation is under process

Mine III & TPS III	Alternative mining technology options are being explored to bring down the price of lignite. MOU for availing an US Grant of US \$ 360000 for the preparation of Feasibility Report (FR) was signed on 13.3.2006
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Refinery residue based Power Plant at Chennai	Revised Tender for Consultancy services for the preparation of Detailed FR has been floated and the same is in process.
Jayankondam Mine cum Power Project	Action has been taken to prepare the Project FR (Feasibility Report). State Govt Notification for implementing the Project by NLC independently is awaited.
Extension of Barsingsar Projects (Rajasthan)	Action has been taken to prepare the Project FR. Detailed exploration is to be done. Action is being initiated to take up geo technical investigation studies.
Riri Mine cum Power Plant (Rajasthan)	Action has been taken to prepare the Project FR. Detailed exploration is to be done Action is being initiated to take up geo technical investigation studies

[Ministry of Coal O.M. No. 20011/11/2006-IF Dated 21.08.2006]

Comments of the Committee

(Please see Para 1.31 of Chapter-1 of the Report)

Recommendation (Sl. No.7, Para No. 6.10)

The Committee find that Coal India Ltd.(CIL) has been operating its coal washeries in the country since 1958. In the back drop of growing awareness against environment pollution, the Ministry of Environment and Forest issued a notification for use of specified quality of coal in the Thermal Power Stations and steel plants located in the identified areas necessitating mandatory use of washed coal.

The Committee further note that at present, CIL operate 17 coal washeries (11 coking coal and 6 non-coking coal), many of which have outlived their useful life long back. The Committee also note that almost all these washeries are operating at barely 50% of their capacity and, therefore, CMPDIL has now prepared an action plan for modernization/renovation of washeries for implementation in stages by the subsidiary companies of CIL as per the recommendations of 'Altekar Committee'. The Committee are unhappy to note that the Ministry neglected the modernization/renovation aspect of the washeries

even though these are more than 30 to 40 years old and operating at much below the optimum capacity level. The Acquisition, Modernization and Replacement (AMR) is a continuing exercise in any industrial organization for its sustainable development. The Committee regret to note that CIL has neither renovation/modernized its existing coal washeries since their commissioning nor set up any new coal washeries of its own leaving no option but to largely depend on private washeries or using the existing old coal washeries. One of the major constraints for not modernizing the washeries was fund crunch. The Committee do not find this argument convincing as Central Coalfields Limited (CCL), had already taken a turn around and started posting profits for the last four years.

The Committee, therefore, desire that the Ministry of Coal should expedite implementation of the Action Plan as per the CMPDIL suggestions/recommendations to modernize/renovate them, in a time frame, for their optimum utilization. Committee would like to be apprised of the action in this regard.

Reply of the Government

The action taken with regard to modernization / renovation of the Washeries for their optimum utilization and performance improvement is as under:

BCCL

The existing washeries (excluding Madhuban) are very old, varying between 20 to 44 years. It is a fact that BCCL was facing fund constraint for modernization / renovation of washeries in '90s. However presently there is no fund constraint. Revival plan of BCCL includes a provision of Rs.125.00 crores for renovation / modernization of the washeries.

CMPDI was entrusted with the job of study and preparation of detailed proposals for modernization / renovation of the existing washeris. As per the study reports submitted by CMPDI, detailed revival schemes have been drawn by BCCL to implement renovation / modernisation of washeries. In the first phase, various schemes for six washeries i.e. Dugda-I, Dugda-II, Bhujudih, Sudamdih, Moonidih and Mahuda at a total cost of Rs.54.81 crores have been approved in principle by BCCL Board in Nov'05. Action for implementation of the approved schemes is already in hand. Indents for procurement of material / replacement of equipment are in different stages of processing. Also detailed estimate for tendering and award for work for execution of job is in progress.

Preparation for tender document to enhance the bunkering capacity of Middlings for Sudamdih and Moonidih washeries for tendering and award of work on turn-key basis is in the final stage.

All the approved schemes as considered in the first phase are expected to be completed within a time frame of 2 years.

CCL

- (i) Kedla Washery :
Installation of Froth Flootation Section is in progress so as to commission by March'07.
- (ii) Rajrappa Washery :
Updating of Jig Control System is in process of implementation with indigenous know how. Work is programmed to be commissioned by October'06.

In addition, following action have also been taken to improve the quality of washed coal -

Kedla Washery:

- (i) 7 Hydro Cyclones have been commissioned to produce low ash clean coal from the fines to sweeten the washed coal product.
- ii) Pre-screening of raw coal at 40 mm before crusher has been introduced for greater liberation of impurities in the raw coal.

Crusher rolls have been modified to crush coal near 40 mm size instead of 80 mm to achieve greater liberation of impurities in the raw coal.

To achieve stipulated quality parameters, Yield has been lowered from 48.4% of last year to 45% during April'06 and May, 2006.

Strict watch is maintained on operating parameters to attain washed coal quality parameters.

Rajrappa Washery

To maintain the quality, Yield of washed coal has been lowered by 3% during 2005-06 and further lowering of Yield is being affected.

Close attention is being paid towards obtaining low ash clean coal from raw coal fines by Froth Flotation Plant.

Status of Action taken to upgrade CCL washeries:

Washery	Job	Status
Piparwar	i) Effluent Control by installing close circuit system ii) Washing of Rejects.	i) CMPDI has submitted design, estimate etc. and is under process of approval in CCL..

		ii) Proposal is under consideration of CCL Board.
Rajrappa	Install Tailings / Effluent treatment plant	Completed.
Sawang	Installation of Modular Demonstration Plant with Column Flootation to upgrade fines and Horizontal Travelling Belt Filter.	Tender has been cancelled on technical ground by CMPDI. Tenders are being floated again.
Kargali	Safe and efficient working of the washery	Work is in progress.

WCL

With a view to improve the performance of Nandan washery, WCL has initiated action to renovate / modify Komag Jigs and installation of PLC based Automation System in the washery. The status with regard to the action plan is as follows:

Washery	Job	Status
Nandan	Renovation / Modification of Komag Jigs and installation of PLC based Automation System	Preparation of tender documents and its approval, tender floating, finalization of tender and issue work order, renovation / modify Jigs, install automation system and commissioning is expected to be completed by May, 2007.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Recommendation (Sl. No.8, Para No. 6.11)

The Committee observe that CIL has tentatively identified few locations to set up medium coking coal and non-coking coal washeries in CCL command area under Built-Own-Operate (BOO) scheme for which reports/documents are under preparation. CIL is also encouraging its consumers as well as private entrepreneurs to set up coal washeries for supply of washed coal to the linked consumers by providing infrastructural facilities, as available, on lease/chargeable basis. The Committee are deeply anguished that due to lack of foresight and inaction on the part of the Ministry, a situation has arisen wherein its own washeries and manpower are lying idle/under utilized and private participation is being permitted. The Committee, therefore, desire that the possibility of setting up new coal washeries by CIL should also be examined apart from coal washeries being set up by private entrepreneurs.

The Committee expect that while encouraging setting up of the coal washeries under BOO/BOOT system, CIL would encourage linked consumers particularly State Electricity Boards instead of relying on private entrepreneurs.

Reply of the Government

The action taken on setting up washeries by CIL is as follows:

- 1) CIL had initiated action to set up non coking coal washeries under BOO scheme for supply of washed coal to the thermal power stations. But the efforts did not fructify since no consumer could be found to accept the cost of washed coal from the proposed Kalinga and Ananta-Bharatpur washery in Orissa. The draft agreement to supply washed coal to MSEB from proposed Dipika washery (6.0 Mty) of SECL, to be set up by M/s R&S Engineering (India) Pvt. Ltd. under BOO scheme, has not been finalized by MSEB so far.
- 2) CIL, as a facilitator, invited Expression of Interest (EOI) to set up non coking coal washeries under BOO scheme for the linked consumers and the response received in this regard was very high. Intending washery investors were advised to have tie-up with the linked coal consumers and come up with firm linkages for setting up washeries and avail the infrastructural facilities offered by CIL. The major power sector consumers i.e. central power sectors and state electricity boards were also informed about the EOIs to facilitate in selecting the appropriate washery operators for washing their linked coal. But, as per information available, no tie-up between utility and washery operator did materialize for construction of the washeries to supply washed coal.
- 3) CIL has initiated action to set up a 2.5 Mty washery at Dhori, CCL on turn-key basis for supply of washed metallurgical coal to steel plants and washed power coal to thermal power plants.
- 4) 6 more washeries (coking coal –10 Mty. & non coking coal – 10 Mty.) are also proposed to be set up by CIL under BOO scheme in CCL command area.

CIL has provided land on lease to APGENCO for construction of its 11.0 Mty washery in Orissa.

CIL is also providing land to PSEB for its proposed 3.5 Mty washery in Jharkhand. The land lease deed with PSEB, approved by CCL Board, will be signed shortly.

CIL is also exploring the possibility to provide land to NTPC for its proposed 6.0 MTY washery in Orissa.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Recommendation (Sl. No.9, Para No. 7.8)

The Committee note that North-eastern Coalfields Ltd. is responsible for production of coal and development in North-Eastern region. The Ministry of Coal provides a lump sum amount of 10% of the capital outlay of its departmental schemes every year for development of North-Eastern Region. It is surprising that no development work was undertaken under this head out of the lump sum amount earmarked by the Ministry of Coal during the preceding years as CIL had no scheme for implementation in North-Eastern region. The entire funds during these years were transferred to non-lapsable pool of central resources. The Committee do not see any rationale in not utilizing the funds earmarked for North-Eastern Region year after year.

The Committee feel that ways and means should be explored to formulate bankable development schemes in consultation with the Ministry of Development of North-Eastern Region so that the region as a whole is benefited by such plans/programmes.

Reply of the Government

For development of North Eastern Region, CIL's jurisdiction is confined to the mining areas of North Eastern coalfields (NEC). The surface area in Makum Coalfields has hilly terrain and major part of the coal deposits are covered under thick forest. As such, exploration in this region is a very difficult and time consuming task. Total coal reserve in NE Region has been estimated at about 909 MT, which is only 0.38 % of the total coal reserve of the Country. Due to the difficulties of the mining operation, the cost of operation in NEC is very high. Presently three underground mines and two open cast mines are in operation there. Due to various constraints for starting new projects, NEC did not have any new scheme for implementation and thus the amount remained unutilized during the previous years. CIL Board has approved two schemes in March, 2006, namely Ledo (OCP) and Tikak Extension (OCP) at estimated investment of Rs. 7.14 crore and Rs. 2.85 crore respectively during 2006-2007 subject to forest and environmental clearance. Activities for implementation of these schemes have started. Rehabilitation Plan of NEC which is under preparation includes these two schemes.

Regarding exploration in NEC, CMPDI and MECL are exploring the region for coal resources and target of drilling in 2006-07 in NEC is 3725 M. Investment envisaged during the year 2006-07 for promotional exploration is Rs. 9.8 crore (provisional).

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Recommendation (Sl. No.10, Para No. 7.9)

The Committee observe that rehabilitation/revival plan of NEC was formulated and was placed before the CIL Board. However, CIL Board had asked for some modifications in the plan and accordingly, CMPDIL was requested to submit the revised revival plan. The Committee are dismayed to note that the long pending revival of NEC has not been finalized by the CIL as yet. The Committee, therefore, desire the Ministry of Coal/CIL to finalize the revival plan without further loss of time.

Reply of the Government

Steps have been taken to finalize Rehabilitation Plan of NEC at the earliest. However, two schemes, namely Ledo OCP and Tikak Extension OCP for enhancement of coal production in NEC, which are part of the Rehabilitation Plan, have been approved by CIL Board in March, 2006. Action has been initiated for obtaining Environmental and forestry clearance and to implement the schemes.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

CHAPTER III

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

Recommendation (Sl. No.11, Para No. 8.6)

The Committee note that Coal India Limited (CIL) has been facing difficulties in the implementation of Resettlement and Rehabilitation (R&R) Policy as different provisions for employment under R&R schemes are in vogue in different states. The Committee feel that unless this anomalous situation is corrected, CIL will not be able to implement R & R to the satisfaction of the affected people in all regions. The Committee, therefore, desire the Ministry to hold consultations with the concerned State Governments and other agencies and come out with a central legislative measures to address the issue evolving a uniform and consistent R & R policy for the entire country. The Committee would like to be apprised of the action taken in this regard within one month

Reply of the Government

Coal India Limited (CIL) has a Resettlement and Rehabilitation (R&R) Policy which is uniformly applied in all subsidiaries. However, the policy has a provision that in the matter of employment, where there is State Policy stipulating norms for employment, the same shall be applied. With a view to evolve a more liberal policy which sustains income to Project Affected Persons (PAPs), CIL has prepared a revised R&R Policy which was deliberated by Committee of Secretaries in a meeting chaired by the Cabinet Secretary where the following decisions were taken:

- (i) The existing National Policy on R&R should be adopted by all Ministries/ Departments and there is no need to have a separate policy by any Ministry in this regard;
- (ii) CIL should negotiate and effectively engage the State Governments to evolve a working arrangement to resolve the demands for providing employment to PAPs;
- (iii) In view of the great demand for jobs the companies can offer some jobs depending on the availability of vacancies. However, this would be additionality and would not form part of the mandatory obligation of the Government in the policy;
- (iv) The proposal for entering into a long-term lease with landowners instead of transfer the title would be examined by CIL and may be implemented with appropriate safeguards.

The Ministry of Rural Development, Department of Land Resources is also undertaking review of National Policy on Resettlement and Rehabilitation – 2003(NPRR –2003). Hence further action on the issue of R & R Policy would be taken in the light of revised National Policy on R & R once it is in place.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

CHAPTER IV

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

Recommendation SI. No.6 (Para No. 5.19)

The Committee note that 100 projects were identified to be taken up during 10th Plan period. Out of this, a total of 67 projects have already been sanctioned and are in different stages of implementation including Makaradhokra-II OC of Western Coalfields Limited(WCL) which stands completed in March 2005. Out of balances 33 projects, only 6 projects are likely to be completed during 10th Plan. The reasons adduced for the delays involved in the projects and rescheduling the completion time are not convincing. The Committee have taken note of the existence of an elaborate, cumbersome and time consuming monitoring and appraisal system right from project level to Ministry level for the implementation of the projects. The committee feel that monitoring of projects has remained a mere monotonous exercise without any tangible results forthcoming there from. Consequently, inspite of all these measures, the projects are getting delayed considerably, a sad augury for the coal sector. The Committee are convinced that the projects are not being managed on sound professional lines, and the Ministry of coal has failed miserably in its duty to act as a vigilant facilitator in overcoming the root cause of delays in the projects.

The Committee are well aware about the major problems viz. acquisition of land and obtaining of various clearances which are adversely affecting the progress of coal projects. Keeping this in view, the Committee would like to emphasize that there should be a close liaison and coordination between the Central and various State Government agencies and they should work in tandem to identify and rectify the nagging bottlenecks.

The Committee, therefore, recommend the Ministry to explore the possibility of setting up of a single-window clearances system for the projects in order to remove the hurdles impeding the advancements in coal sector. The Committee would also like to be apprised of the status of all the projects identified and sanctioned / approved during the 10th Plan period within three months.

Reply of the Government

The recommendation of the committee has been noted and it is submitted that to facilitate various clearances and coordination with the state governments regular interactions at highest level are taking place between the senior officers of the subsidiary companies concerned and the state government officials. However, regarding exploring the possibility of setting up of a single window clearance system for approval of projects it is to be mentioned that there are

various statutory and regulatory approvals that have to be obtained for R&R, forestry, environmental aspect etc. from different agencies of the state government concerned and central government. As such the proposed single window clearance system is not feasible.

The details of the status of all projects of CIL identified and approved for the X plan period are shown at Annexure-I.

Status of Other X Plan projects of CIL (CIL/ Subsidiary level Approval)

[Ministry of Coal O.M. No. 20011/11/2006-IF Dated 21.08.2006]

Comments of the Committee

(Please see Para 1.37 of Chapter-1 of the Report)

Recommendation (Sl. No.12, Para No. 9.6)

The Committee observe that the operations which CIL conducts departmentally have been found to be relatively much more expensive than the operations conducted through outsourcing. The committee also observes that CIL has relatively over availability of equipment and when high cost equipment are not available to the optimum level, the cost of production goes up substantially. Further due to poor work culture, departmental equipments do not work for the number of hours which is expected to be done and, therefore, the output in terms of individual manpower is substantially less than what is obtained through outsourcing.

The Committee feel that the reasons adduced by the Ministry for resorting to outsourcing are grossly unjustifiable. It is a matter of serious concern that CIL instead of putting its own house in order by making optimum use of excess equipments and developing work culture of high order to enhance the productivity has taken recourse to outsourcing.

The Committee, therefore, desire the Ministry to institute an inquiry to go into the depth for the causes of the lesser utilization of equipments and deteriorating work culture in CIL resulting in higher cost of production and apprise the Committee about the break up of cost of production, item-wise as compared to the cost of production through outsourcing. The Committee also reiterate that an Action Plan to minimize outsourcing and remove corruption be prepared by Ministry / CIL on uniform basis. The Committee would like to be apprised of the action taken in this regard within one month.

Reply of the Government

With a view to improve efficiency & utilization of departmental equipment, HEMM monitoring cells for continuous monitoring of the performance of the equipment each for each subsidiary is in place. This cell/department plans the preventive maintenance and rehabilitation programme.

Ministry of coal, through an expert committee has reviewed the norms of HEMM utilization and availability and a decision has been made to plan all the open cast mines on 330 days working a year basis instead of 300 days working. Accordingly all the new opencast mines are being planned for 330 days working with revised norms of utilization of HEMM. In addition to this coal companies are entering into Annual Maintenance Contracts (AMCs) with Original Equipment Manufacturers (OEMs). For regular supply of spare parts depot supply agreements are also being entered into by the coal companies with the OEMs. To avoid loss of time, measures like hot seat change is also being adopted in various projects for HEMM operators. GPS based truck despatch system have also been commissioned in major opencast mines for efficient monitoring of movement of HEMM. As a result of these measures there has been improvement in utilization and availability of HEMM as furnished in the table below:

Major HEMM – Performance of CIL

	2003-04		2004-05		2005-06	
	% Availability	% utilization	% Availability	% utilization	% Availability	% utilization
Shovel	70	44	70	46	72	48
Dumper	63	33	62	35	64	36
Dozer	60	26	60	27	63	27
Drill	69	25	69	27	73	30
Dragline	86	80	87	81	85	78

Regarding outsourcing, it is to mention that certain activities of coal production in some of the coal mines of CIL subsidiary companies are being undertaken by hiring of equipments. Outsourcing of operations is aimed at achieving better economics creating quick additional capacity of coal production, avoiding initial investment, reducing cost of operations and developing isolated patches which are not otherwise economical. Going by the trend of the day government has been sanctioning new projects with outsourcing option mainly from economic and operational consideration. Thus, the scope of outsourcing is increasing and there is no programme to minimize outsourcing.

Item-wise Break up of estimated unit cost of production for 3 recently approved OC Mines with Departmental variant as well as with outsourcing variant (both Coal & OB Removal outsourced) is as below:

Bhubaneshwari OC

Sl.No.	Particulars	Departmental Variant (Rs/t)	Both Coal & OB outsourced variant (Rs/t)
1.	Salaries,Wages & Benefits	25.60	14.48
2.	Stores	58.30	17.76
3.	Power	15.03	11.04
4.	Misc.exp. incl. W/s debits	17.06	12.37
5.	Admn. Charges	31.40	31.40
6.	Int. on working cap @ 15.50%	7.62	4.50
7.	Int. on loan cap @ 12.50%	0.00	0.00
8.	Depreciation	46.37	20.87
9.	Impact on land reclamation	4.02	4.02
10.	OB cost Rs/cum./ OB contr. @ Rs. 51.00/cum		34.27
11,	Interest. on wkg. Cap @ 15.50%		1.77
12.	Transportation cost (face- 3-4 Km)		24.80
13.	Interest on working capital		1.28
	All inclusive cost	205.40	178.55

Kaniah OCP

Sl.No.	Particulars	Departmental Variant (Rs/t)	Both Coal & OB outsourced variant (Rs/t)
1.	Salaries,Wages & Benefits	38.16	22.44
2.	Stores	77.41	21.69
3.	Power	14.81	9.26
4.	Misc.exp. incl. W/s debits	17.91	10.91
5.	Admn. Charges	31.40	31.40
6.	Int. on working cap @ 15.50%	9.28	4.94
7.	Int. on loan cap @ 12.50%		0.00
8.	Depreciation	47.22	15.80
9.	Impact on land reclamation	8.10	8.10
10.	OB contr. @ Rs. 51.00/cum		43.25
11	Int. on wkg. Cap @ 15.50%		2.23
12.	Transportation cost (face- 2-3 Km)		23.47
13.	Int. on wkg. Capital 15.50%		1.21
	All inclusive cost	244.29	194.70

Kulda OC

Sl.No.	Particulars	Departmental Variant (Rs/t)	Both Coal & OB outsourced variant (Rs/t)
1.	Salaries,Wages & Benefits	27.57	13.47
2.	Stores	72.30	20.10
3.	Power	13.80	6.58
4.	Misc.exp. incl. W/s debits	20.43	12.24
5.	Admn. Charges	31.40	31.40
6.	Int. on working cap @ 15.50%	8.55	4.33
7.	Int. on loan cap @ 12.50%	0.00	0.00
8.	Depreciation	54.11	21.11
9.	Impact on land reclamation	3.74	3.74
10.	Int. on wkg. Cap @ 15.50%	-	1.36
11.	OB loading & transportation contractual	-	49.55
12.	Transportation cost (surface- 3-4 KMs)	12.50	12.50
13.	Transportation cost (face – 2-4 KMs.	-	26.29
14.	Int. on wkg. Capital 15.50%	0.65	2.56
15.	Wagon loading cost	4.02	4.02
16.	Int. on wkg. Cap @ 15.50%	0.21	0.65
17.	Int. on wkg. Cap @ 15.50%	-	0.21
	All inclusive cost	249.28	210.09

To bring transparency in the procedure, the Award of such work is either done through tendering process or by nomination basis through DGR sponsored Ex-servicemen companies based on normative rates.

Regarding improving the work culture the following steps have been taken by Coal India Limited :-

The issue of improvement in work culture , production, productivity and profitability is regularly discussed in the meeting of Apex Joint Consultative Committee. The suggestion on which consensus reached are communicated to the subsidiaries for implementation.

Apart from the Apex JCC meetings the Hon'ble MOS (Coal) also held a meeting with the trade union leaders and the management on 4th August, 2005. After detailed deliberation the following points were identified for implementation.

1. Adherence to punctuality/timings of work ;
2. Limited tiffin break to half an hour and not beyond;
3. In case of tiffin-break, the shift should last 8 ½ hours;
4. Better work culture/equipment utilization;

5. Permitting available surplus workmen/operator to operate m/c during tiffin breaks / hot seat exchange;
6. In case of absence of an operator, even if an operator of other idle machine is available who can handle it, should operate. This should be implemented.
7. Multi-skilled operation
8. No wild cat strike
9. No stoppage of work due to accidents etc;
10. Online attendance
11. Reduction in number of breaks in a day
12. Closure of mines / redeployment / VRS
13. Drillers to drill more holes/norms of work to be occasionally revised as per IED studies;
14. Attendance – improvement therein.

The subsidiary companies were requested to discuss the above points in their local Joint Consultative Committee for facilitating effective implementation. The subsidiary companies have taken necessary steps for implementation. However, it is continuous process and regular efforts are made by management on continuing basis to bring improvements in the above areas.

The efforts made have yielded fruitful results and Coal India registered improvement in production, productivity & profitability during 2005-06.

The issues like introduction of staggered day of rest, multi-skilled working , revised scheme for employment of dependant on compassionate ground etc. though discussed in all the six meetings of Standardization Committee of JBCCI-VII held during the period from Sept.'05 to May'06, so far could not be finalized. Efforts are being made for early finalization.

[Ministry of Coal O.M. No. 20011/11/2006-IF dated 21.08.2006]

Comments of the Committee

(Please see Para 1.52 of Chapter-1 of the Report)

CHAPTER V

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

- NIL-

**New Delhi;
18 December, 2006
27 Agrahayana, 1928 (Saka)**

**ANANTH KUMAR
Chairman
Standing Committee on Coal and Steel**

ANNEXURE-I

The details of the status of all projects of CIL identified and approved for the X plan period is as below :

SL	SUB	NAME OF PROJECT		CAPACITY (MTY)	CAPITAL (RS.CRS)	PRODN. TARGET 06-07
PROJECTS APPROVED BY GOVT.						
1	ECL	RAJMAHAL EXP	OC	6.5	50.08	0.00
2	CCL	ASHOK EXP	OC	5.0	471.66	6.05
3	CCL	MAGADH	OC	12.0	469.78	0.00
4	SECL	GEVRA EXP	OC	13.0	1339.69	13.00
5	SECL	DIPKA EXP	OC	10.0	856.59	8.80
6	MCL	BHUBANESWARI	OC	10.0	336.68	0.00
7	MCL	KULDA	OC	10.0	302.96	0.00
8	MCL	BASUNDHARA WEST	OC	2.4	176.55	2.40
9	MCL	KANIHA	OC	3.5	96.18	0.00
10	NCL	AMLOHRI EXP	OC	6.0	1352.04	0.00
11	NCL	KRISHNASHILA	OC	4.0	789.88	0.00
12	NCL	BLOCK B	OC	3.5	746.04	0.00
13	SECL	KUSMUNDA	OC	4.0	360.25	2.80
13	SUB TOTAL			89.9	7348.380	33.050

Status of Other X Plan projects of CIL (CIL/ Subsidiary level Approval)

PROJECTS TO BE APPROVED BY GOVT.						
SL	SUB	NAME OF PROJECT		CAPACITY (MTY)	CAPITAL (RS.CRS)	PRODN. TARGET 06-07
1	NCL	KHADIA EXP	OC	6.0	1488.57	0.00
2	ECL	JHANJRA LW R-VI	UG	1.7	274.26	0.00
3	ECL	CHUPERVITA ¹	OC	4.0	541.18	0.00
4	NCL	BINA EXT	OC	6.0	593.32	0.00
5	MCL	GARJANBAHAL	OC	10.0	600.59	0.00
6	CCL	NORTH URIMARI	OC	3.0	415.70	1.55
7	CCL	AMRAPALI	OC	12.0	1204.94	0.00
8	ECL	HURA	OC	3.0	405.29	0.00
9	MCL	TALABERA II&III	OC	10.5	786.11	0.00
10	MCL	GOPALPRASAD	OC	10.0	697.18	0.00
10	SUB TOTAL			66.2	7007.140	1.550

PROJECTS APPROVED BY CIL						
SL	SUB	NAME OF PROJECT		CAPACITY (MTY)	CAPITAL (RS.CRS)	PRODN. TARGET 06-07
1	ECL	SARPI AUG	UG	0.420	74.07	0.00
2	ECL	JHANJRA AUG	UG	0.420	69.28	0.00
3	ECL	KHOTTADIH AUG	UG	0.420	60.57	0.00
4	BCCL	DAHIBARI BASANTIMATA	OC	1.300	81.25	0.85
5	CCL	TOPA RO	OC	1.200	65.25	0.75
6	WCL	GOURI DEEP	OC	0.400	86.22	0.00
7	WCL	KOLGAON	OC	0.400	74.97	0.35
8	WCL	DHURWASA	OC	0.550	62.74	1.13
9	WCL	MAKARDHOKRA I	OC	1.000	39.98	0.00
10	SECL	KHAIRAHA	UG	0.585	88.33	0.00
11	SECL	AMADAND	OC	1.150	83.39	0.90
12	SECL	VIJAY WEST	UG	0.500	63.56	0.00
13	MCL	LINGARAJ EXP	OC	5.000	98.89	7.40
14	MCL	LAKHANPUR EXP	OC	5.000	98.74	6.00
15	MCL	BHARATPUR EXP II	OC	6.000	95.87	8.60
16	MCL	HINGULA EXP II	OC	2.000	89.78	5.80
17	MCL	TALCHER WEST	UG	0.520	85.08	0.00
18	MCL	JAGANNATH	UG	0.670	80.75	0.00
19	ECL	KUMARDIHI B	UG	0.420	79.23	0.03
19		SUB TOTAL		27.955	1477.95	31.81
PROJECTS APPROVED BY SUBSIDIARY						
1	ECL	BANKOLA R-VI	UG	0.240	19.14	0.00
2	ECL	KHANDRA NKJ	UG	0.285	18.81	0.00
3	ECL	BANSRA R	UG	0.135	13.47	0.12
4	ECL	PARASEA DOBRANA	UG	0.160	11.89	0.00
5	ECL	SHANKARPUR	UG	0.120	8.13	0.12
6	ECL	SONEPUR BAZARI B	OC	1.000	7.12	0.00
7	ECL	NAKRAKONDA B	OC	1.000	1.78	0.20
8	ECL	HURA C (PATCH)	OC	0.500	0.91	0.00
9	BCCL	SATABDIH	OC	0.800	16.83	0.75
10	BCCL	GOLUKDIH NC	OC	1.200	12.27	0.05
11	BCCL	DAMODA BJ SECTION	OC	0.600	7.78	0.20
12	BCCL	CHAPTORIA	OC	0.550	7.12	0.20
13	NCL	AMLOHRI SCHEME	OC	0.400	46.93	0.00
14	NCL	JAYANT SUMP	OC	0.500	44.85	0.00

		DRIVAGE				
15	NCL	KHADIA SCHEME	OC	1.000	35.40	0.00
16	NCL	BINA SCHEME	OC	1.100	33.01	0.00
17	WCL	SINGHORI	OC	0.800	48.72	0.00
18	WCL	YEKONA II	OC	0.600	48.05	0.00
19	WCL	MAKARDHOKRA II UGTOOC	OC	0.500	44.62	1.00
20	WCL	URDHAN	OC	0.500	43.50	0.04
21	WCL	INDER UGTOOC	OC	0.600	38.23	0.34
22	WCL	TAWA II	UG	0.390	36.43	0.08
23	WCL	BHANEGAON	OC	0.600	30.44	0.00
24	WCL	PAUNI II	OC	0.600	28.11	0.00
25	WCL	GONDEGAON EXP.	OC	0.750	27.54	0.24
26	WCL	JUNAKUNDA	OC	0.600	23.76	0.05
27	WCL	YEKONA I	OC	0.400	46.07	0.00
28	WCL	SASTI EXP	OC	1.400	16.80	0.00
29	WCL	GHONSA	OC	0.300	6.99	0.05
30	WCL	NAVINKUNDA EXP	OC	0.600	4.24	0.86
31	SECL	HALDI BADI	UG	0.420	47.92	0.00
32	SECL	KETKI	UG	0.420	46.24	0.00
33	SECL	BINKARA	UG	0.360	41.98	0.00
34	SECL	AMERA	OC	1.000	41.69	0.60
35	SECL	AMGAON	OC	1.000	39.28	0.00
36	SECL	BAROUD EXP	OC	1.000	28.02	2.00
37	SECL	SARAIPALY	OC	1.400	22.82	0.12
38	SECL	CHHAL	OC	1.000	19.99	0.75
39	SECL	MAHAN II	OC	1.000	37.45	0.00
40	MCL	BELPAHAR EXP	OC	1.500	35.47	1.50
41	MCL	JAGANNATH EXT	OC	4.000	4.71	4.50
41		SUB TOTAL		31.330	1094.510	13.770
		<u>X PLAN PROJECTS - YET TO BE APPROVED - STATUS AS ON JUNE-06</u>				
		<u>PROJECTS TO BE APPROVED BY CIL</u>				
1	ECL	NABAKAJORA	UG	0.300	50.70	0.00
2	ECL	SIDULI	UG	0.300	51.30	0.00
3	BCCL	YAMUNA	OC	1.500	22.02	0.00
4	BCCL	CONT.MINER BLOCK II	UG	0.450	71.71	0.00
5	BCCL	CONT.MINER SM-IV DHANSAR	UG	0.450	62.77	0.00
6	BCCL	BLOCK III (NC)	OC	1.000	25.00	0.00
6		SUB TOTAL		4.000	283.500	0.000
		<u>PROJECTS TO BE APPROVED BY COMPANY</u>				

1	CCL	KARO	OC	3.500	96.53	1.40
2	CCL	KONAR	OC	3.500	74.53	0.25
3	WCL	BHATADIH EXP	OC	0.500	74.29	0.33
4	WCL	WAGHODA	UG	0.390	55.15	0.00
5	WCL	KOLARPIMPRI DEEP	OC	1.500	97.83	0.00
6	WCL	DURGAPUR DEEP EXT	OC	2.000	59.00	0.00
7	WCL	JUNAD DEEP	OC	0.600	51.62	0.00
8	MCL	JAGANNATH WEST	UG	0.520	81.38	0.00
8		SUB TOTAL		12.510	590.330	1.980
97 Projects	Grand Total CIL :			231.895	17801.81	82.16

**ACTION TAKEN REPORT ON THE RECOMMENDATIONS
CONTAINED IN THE 11TH REPORT**

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

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.

Reply of the Government

The concern of the Committee has been duly noted and Coal availability to the non-core sector consumers is being endeavoured to be increased. Validly linked consumers continue to draw coal on the basis of Maximum Permissible Quantity(MPQ) of their past linkages on the average weighted e-auction price of preceding month.

In addition, Govt. has earmarked 5 million tonnes of coal per annum to be distributed to small and tiny consumers through State Govt. nominated undertakings and M/s NCCF at floor price representing 120% of the notified price of that grade of coal. Coal India Limited has clarified to the distributing undertakings & NCCF that supply should be only to registered small and tiny consumers whose requirements do not exceed 500 tonnes per annum.

The e-marketing was introduced in CIL during the year 2005-06. It was decided initially to sell 10 million tonnes of coal by CIL subsidiaries through e-marketing for the year 2005-06 on trial basis which was subsequently enhanced to 20 million tonnes based on encouraging response from the consumers.

During the year 2006-07, the Government has allowed CIL to sell 36 million tonnes of coal through E – Marketing, subject to review after 6 month.

Fuel Supply Agreements wherever existing, are being adhered to as desired by the Standing Committee.

[Ministry of Coal O.M. No. 20011/5/2005-IFD/ (Vol V), dated 29.05.2006]

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

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 is 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 of 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.

Reply of the Government

The verification process initiated by coal companies is an on going process, which the companies resort to on a random basis from time to time. In the beginning of this nation-wide campaign during December, 2001, there were around 7000 non-core consumers who were having linkage. Coal companies had issued notices to all the linked non-core consumers and requested the State Govts. to conduct the verification and furnish a report. Those units whose verification report was found positive continue to receive coal and those consumers whose report was found in negative, got their linkage snapped/suspended. As on 1.11.2005, a total number of 2706 non-core valid linked consumers have been verified by coal subsidiaries of CIL. After verifications, supplies to 1073 units have been suspended/snapped and only 1633 units continue to receive coal.

[Ministry of Coal O.M. No. 20011/5/2005-IFD/ (Vol V), dated 29.05.2006]

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

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 for non-compliance of their recommendations.

Reply of the Government

It may be stated that considering the large number of applications per block and the decreasing number of blocks available with progressive allocation, the Ministry of Coal felt that the present system of allocation of coal blocks through Screening Committee process of selection needs to be reviewed and made more objective and transparent. Therefore, a proposal to introduce a competitive bidding process of selection as a comparatively more transparent and objective process to address the problem was considered and accordingly a meeting of the stakeholders, industry representatives, representatives of the concerned Central Ministries was held under the Chairmanship of the then Secretary (Coal) on 28.06.2004 to ascertain the feed-back of the industries on the same. Following the same, the Ministry of Coal made efforts to introduce the competitive bidding process through a Government decision and therefore since 28.06.2004, no Screening Committee meetings were held till November, 2005.

In the meantime, there was increasing pressure from various sectors of industries on the Ministry to consider their pending applications in view of shortage of coal in the country. Faced with the said situation and in view of the fact that introduction of competitive bidding process would take time as it required amendment to the Coal Mines (Nationalisation) Act, 1973, it was decided by the Government to clear the backlog of pending applications received up to 28.06.2004. Accordingly, allocations were decided in the matter in respect of applications received up to 28.06.2004.

The Ministry has been equally concerned to see that the blocks allocated were brought to production on priority. In order to ensure this, the following measures were taken:-

- i) Coal Controller's organization was asked to monitor the progress of coal blocks on six monthly bases.
- ii) A system of quarterly review in the Ministry at the level of Additional Secretary (Coal) with representative from other Ministries /State Governments was introduced to review the progress in the development of coal mines as well as the end use projects.
- iii) Specific milestones were set with time frame for completion of various activities connected with development of captive blocks.
- iv) It was decided to issue Geological Reports at a nominal price in order to facilitate preparation of mining plan.
- v) It was also decided that financial closure in respect of end use project should be insisted upon at the time of mine opening permission.
- vi) A system of obtaining bank guarantee was introduced in order to ensuring timely development of mines. If the actual production falls short of targeted production as per the approved mining plan, appropriate deduction is effected from the bank guarantee. If the guarantee is exhausted on account of continuous shortfall in production, the coal blocks is liable to deallocated/ mining lease to be cancelled.

Since the introduction of competitive bidding system was likely to take time, and there was constant demand for allotment of new blocks, it was decided further to invite applications from interested companies for allocation of 28 fully explored coal blocks identified for the purpose. The system of allocation of blocks was reviewed again at this stage. In order to bring in more transparency and objectivity in the system, it was decided to invite applications through a public notice, which was published in the national newspapers as well as on the Ministry's website. A detailed application form was designed so that more comprehensive information could be obtained about the applicant company as well its end use project for which coal/lignite block is sought. This will facilitate a more objective appraisal to determine the *inter se* priority amongst the applicants.

The proposal for introduction of competitive bidding system is also under active consideration of the Government.

[Ministry of Coal O.M. No. 20011/5/2005-IFD/ (Vol V), dated 29.05.2006]

Recommendation (SI. No. 22, Para 9.4)

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, had 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 the National Policy on Resettlement and Rehabilitation (NPRR) 2003, increasing trust 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 and losers by harping on its old stand. The Committee reiterate that the land losers must be adequately compensated within the 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.

Reply of the Government

Resettlement and Rehabilitation (R & R) of Project Affected Persons in coalfield is a continuous process. Compensation of land is invariably paid before physical possession of land, on the basis of uniform criteria as given below:

- (i) Market value on the date of notification under section 4 (1) of the Act.
- (ii) Solatium in addition to market value of land @ 30%.
- (iii) An escalation @ 12% per annum of the market value of the land for the period commencing on the date of notification under section 4(1) till date of notification under section 9 (1) of the Act or a maximum period of 3 years, whichever is earlier.
- (iv) Interest @ 9% per annum for the first year after the date of notification under section 9 (1) and @ 15% per annum thereafter on the amount of compensation including solatium till the payment is made. In case where compensation is determined on the basis of negotiation, as per provision of section 14(1) of CBA Act, 1957,

allowing 30% solatium over and above the fair market price, no payment towards escalation or interest is paid as the price being paid is not the market price on the date of notification under section 4(1) but the market price on the date of negotiation.

Compensation for land acquired under Land Acquisition Act, 1894 is assessed by Land Acquisition Department of the State Govt. in accordance with the provisions of Land Acquisition Act, 1894.

Similarly, R &R is also done in accordance with R&R Policy of Coal India Limited. However demand for employment is a serious problem as coal companies are not in position to offer more jobs. However, efforts are continuously made to resolve the R&R issues in consultation with State Government.

[Ministry of Coal O.M. No. 20011/5/2005-IFD/ (Vol V), dated 29.05.2006]

ANNEXURE III

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 14th DECEMBER 2006 IN COMMITTEE ROOM 'A', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1700 hrs. to 1730 hrs.

PRESENT

Smt. Karuna Shukla – In the Chair

MEMBERS

2. Shri Hansraj G.Ahir
3. Shri D.K.Audikesavulu
4. Shri Chandra Shekhar Dubey
5. Shri Faggan Singh Kulaste
6. Shri Dalpat Singh Paraste
7. Smt. Ranjeet Ranjan
8. Shri Rewati Raman Singh
9. Shri Ramadhar Kashyap
10. Shri Surendra Lath
11. Shri Ajay Maroo
12. Shri Swapan Sadhan Bose
13. Shri Jesudas Seelam
14. Shri Bashistha Narain Singh

SECRETARIAT

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

2. Since the Chairman could not attend the meeting, the Members of the Committee requested Smt. Karuna Shukla to preside over the meeting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. At the outset, Chairperson, welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the following draft

Reports on Demands for Grants (2006-07) of the Ministries of Coal, Mines and Steel:-

- (i) Action Taken by the Government on the recommendations contained in the Fifteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2005-06) on "Demands for Grants (2006-07)" of the Ministry of Coal.
- (ii) ** ** ** ** **
- (iii) ** ** ** ** **

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

5. 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.

**Do not pertain to this Report.

ANNEXURE- IV
(Vide Para 4 of Introduction)

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

I.	Total No. of Recommendations made	12
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendation at S1. Nos. 1, 2, 3, 4, 5, 7, 8, 9 and 10)	09
	Percentage of total	75
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (<i>vide</i> recommendation at S1. No. 11)	01
	Percentage of total	08
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (<i>vide</i> recommendation at S1. Nos. 6 and 12)	02
	Percentage of total	17
V.	Recommendations in respect of which final replies of the Government are still awaited (<i>vide</i> recommendation at Sl. No.)	NIL
	Percentage of total	NIL